

VICTORVILLE WATER DISTRICT
(A Subsidiary District of the City of Victorville, California)

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2016

VICTORVILLE WATER DISTRICT

Basic Financial Statements

Year ended June 30, 2016

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Board of Directors
Victorville Water District
Victorville, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Victorville Water District ("District"), a component unit of the City of Victorville, California as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Victorville Water District, as of June 30, 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *combining financial statements* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining financial statements* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Irvine, California
December 22, 2016

VICTORVILLE WATER DISTRICT
Statement of Net Position
Year ended June 30, 2016
(with comparative data for June 30, 2015)

<u>Assets:</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and investments (note 2)	\$ 41,136,370	39,526,413
Cash and investments with fiscal agent (note 2)	3,132,518	1,949,500
Accounts receivable, net	2,969,149	3,340,953
Interest receivable	39,318	20,345
Due from other governments	26,278	19,167
Inventory	<u>660,652</u>	<u>499,264</u>
Total current assets	<u>47,964,285</u>	<u>45,355,642</u>
Noncurrent assets:		
Prepaid items	7,730	1,400
Advances to other funds (note 7)	33,044,118	-
Non-depreciable capital assets (note 3)	28,167,474	25,709,143
Depreciable capital assets, net (note 3)	<u>144,773,124</u>	<u>152,448,325</u>
Total noncurrent assets	<u>205,992,446</u>	<u>178,158,868</u>
Total assets	<u>253,956,731</u>	<u>223,514,510</u>
 <u>Deferred Outflow of Resources:</u>		
Deferred outflow - pension contribution (note 9)	827,951	709,786
Deferred charge on refunding	<u>95,313</u>	<u>107,818</u>
Total deferred outflow of resources	<u>923,264</u>	<u>817,604</u>
 <u>Liabilities:</u>		
Current liabilities:		
Accounts payable	2,035,305	1,193,216
Interest payable	233,210	241,523
Prepaid water connection fees	1,395,788	1,395,788
Deposits payable	1,663,028	1,616,093
Long-term liabilities, due within one year (note 4)	<u>720,189</u>	<u>703,889</u>
Total current liabilities	<u>6,047,520</u>	<u>5,150,509</u>
Noncurrent liabilities:		
Advances from other funds (note 7)	33,044,118	-
Net OPEB Liability (note 5)	2,423,280	1,723,930
Net pension liability (note 9)	7,425,085	6,754,806
Long-term liabilities, due in more than one year (note 4)	<u>11,790,372</u>	<u>12,215,950</u>
Total noncurrent liabilities	<u>54,682,855</u>	<u>20,694,686</u>
Total liabilities	<u>60,730,375</u>	<u>25,845,195</u>
 <u>Deferred Inflows of Resources:</u>		
Deferred inflows - actuarial (note 9)	<u>960,095</u>	<u>1,984,558</u>
Total deferred outflows of resources	<u>960,095</u>	<u>1,984,558</u>
 <u>Net position:</u>		
Net investment in capital assets	164,038,116	167,641,968
Restricted for capital asset construction	5,227,435	5,227,435
Restricted for debt service	3,683,187	3,683,187
Unrestricted	<u>20,240,787</u>	<u>19,949,771</u>
Total net position	<u>\$ 193,189,525</u>	<u>196,502,361</u>

See accompanying notes to the basic financial statements.

VICTORVILLE WATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2016

(with comparative data for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Utility sales	\$ 15,100,955	13,103,644
Meter and service fees	8,112,025	8,931,017
Other	<u>2,025,690</u>	<u>3,106,646</u>
Total operating revenues	<u>25,238,670</u>	<u>25,141,307</u>
 Operating expenses:		
Personnel services	7,560,232	7,619,285
Maintenance and operations	11,308,714	7,470,282
Production costs	3,395,975	4,394,426
Depreciation	<u>10,175,996</u>	<u>10,194,572</u>
Total operating expenses	<u>32,440,917</u>	<u>29,678,565</u>
 Operating income (loss)	<u>(7,202,247)</u>	<u>(4,537,258)</u>
 Nonoperating revenues (expenses):		
Intergovernmental (noncapital)	247,618	527,126
Taxes	552,509	198,328
Investment income	806,896	110,700
Interest expense	(1,091,677)	(534,558)
Arsenic surcharge	245,832	248,455
Gain (loss) on disposition of assets	118,644	(10,257)
Other revenue (expenses)	<u>32,039</u>	<u>102,120</u>
Total nonoperating revenues (expenses)	<u>911,861</u>	<u>641,914</u>
 Income (loss) before transfers and capital contributions	(6,290,386)	(3,895,344)
 Capital contributions:		
Connection fees	1,756,469	853,306
Alternate water source fees	211,420	145,948
Capital restricted use fees	586,632	29,883
Contributions (to) from the City of Victorville (note 6)	<u>423,029</u>	<u>(988,987)</u>
Total capital contributions and transfers	<u>2,977,550</u>	<u>40,150</u>
 Change in net position	(3,312,836)	(3,855,194)
 Net position at beginning of year	<u>196,502,361</u>	<u>200,357,555</u>
Net position at end of year	<u>\$ 193,189,525</u>	<u>196,502,361</u>

See accompanying notes to the basic financial statements.

VICTORVILLE WATER DISTRICT
Statement of Cash Flows
Year ended June 30, 2016
(with comparative data for June 30, 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from customers	\$ 25,651,079	25,226,989
Cash payments to employees for services	(7,308,093)	(7,033,760)
Cash payments to suppliers for goods and services	(13,753,228)	(11,196,666)
Net cash provided by (used for) operating activities	4,589,758	6,996,563
Cash flows from noncapital financing activities:		
Cash received from County of San Bernardino	552,509	725,454
Cash received from debt service assessments	247,618	-
Cash received from City of Victorville	423,029	-
Cash paid to City of Victorville	-	(988,987)
Net cash provided by (used for) noncapital financing activities	1,223,156	(263,533)
Cash flows from capital and related financing activities:		
Cash payments to acquire capital assets	(4,840,482)	(2,830,461)
Cash received from capital restricted revenue	2,554,521	999,254
Principal paid on capital-related debt	(430,000)	(410,000)
Interest paid on capital-related debt	(1,091,901)	(534,396)
Net cash provided by (used for) capital and related financing activities	(3,807,862)	(2,775,603)
Cash flows from investing activities:		
Interest received on investments	787,923	102,142
Net cash provided by investing activities	787,923	102,142
Net increase in cash and cash equivalents	2,792,975	4,059,569
Cash and cash equivalents at beginning of year	41,475,913	37,416,344
Cash and cash equivalents at end of year	\$ 44,268,888	41,475,913
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (7,202,247)	(4,537,258)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	10,175,996	10,194,572
Arsenic surcharge	245,832	248,456
Nonoperating miscellaneous expense	32,039	102,119
(Increase) decrease in accounts receivable	371,804	(267,817)
(Increase) decrease in due from other governments	(7,111)	11,437
(Increase) decrease in inventory	(161,388)	(32,897)
(Increase) decrease in prepaid items	(6,330)	296,161
(Increase) decrease in deferred outflows	(118,165)	(47,188)
Increase (decrease) in accounts payable	842,089	338,926
Increase (decrease) in deposits payable	46,935	57,339
Increase (decrease) in OPEB obligation	699,350	652,796
Increase (decrease) in compensated absences	25,138	34,721
Increase (decrease) in net pension liability	670,279	(2,039,362)
Increase (decrease) in deferred inflows	(1,024,463)	1,984,558
Total adjustments	11,792,005	11,533,821
Net cash provided by (used for) operating activities	\$ 4,589,758	6,996,563
<u>Noncash capital, financing and investing activities</u>		
Gain (loss) on disposal of capital assets	\$ 118,644	(10,257)

See accompanying notes to the basic financial statements.

VICTORVILLE WATER DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund (Agency Fund Type)
June 30, 2016
(with comparative data for June 30, 2015)

	2016	2015
<u>Assets:</u>		
Cash and investments (note 2)	\$ 303,447	301,780
Due from City of Victorville	8,076	390
Total assets	\$ 311,523	302,170
<u>Liabilities:</u>		
Deposits payable	\$ 311,523	302,170
Total liabilities	\$ 311,523	302,170

See accompanying notes to the basic financial statements.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were consolidated into a subsidiary district of the City of Victorville ("City"), known as the Victorville Water District ("District"), per Resolution No. 2977 of the Executive Officer of the Local Agency Formation Commission ("LAFCO") of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City upon consolidation. Upon consolidation of the two districts, the City consolidated the operations and activities of its Water Department and Water Funds into the District to serve all of the water customers of the City under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District is governed by a five-member Board of Directors ("City Council"), each holding staggered four-year terms.

The Victorville Water District meets the definition of a blended component unit of the City of Victorville. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities.

Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, Statement of Fiduciary Net Position and the notes to the basic financial statements.

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

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

Operating revenues, such as water sales and service charges, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange. Operating expenses for the District include the cost of purchased water, cost of sales and services, administration expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies, (Continued)

Additionally, the District reports the following agency fund:

The Water Assessment District No. 2R agency fund accounts for the agency activities of the City of Victorville on behalf of the Water Assessment District No. 2R which includes providing administrative duties such as placing assessment on the County tax rolls and submitting payments to the trustee for the holders of \$8,292,572 Refunding Improvement Bonds, Series 1989, Assessment District No. 2R (assessment bond).

(c) Cash and Investments

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

(d) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

(e) Accounts Receivable, Net

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

(f) Prepaid Water Connection Fees

Prepaid connection fees were received before year end but will not be earned until the following year.

(g) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years. Donated assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies, (Continued)

Depreciation is computed utilizing the straight-line method over the following useful lives:

1. Buildings and improvements	10-50 years
2. Transmission and distribution systems	40 years
3. Source of supply – wells	10-40 years
4. Water treatment systems	5-10 years
5. Telemetry equipment	5 years
6. Furniture and equipment	3-7 years
7. Vehicles	8-15 years

(h) Materials and Supplies

Materials and supplies consist primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Materials and supplies are valued at cost using a weighted average method. Materials and supplies items are charged to expense at the time that individual items are consumed.

(i) Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

(j) Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense or expenditure until that time. The District has two items that qualify for reporting in this category. Deferred outflows – pension contribution relates to the net pension liability. Deferred charge on refunding is the difference between the reacquisition price and net carrying amount of refunded debt and is deferred and amortized over a period time.

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred inflows – actuarial relates to the net pension liability.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies, (Continued)

(k) Compensated Absences

In accordance with GASB No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

Compensated absences (unpaid vacation and sick leave) are recorded as expenditures in the year they are paid. The balance of unpaid vacation and vested sick leave at year end is recorded as a long-term liability in the government-wide financial statements, as these amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

(l) Customer Deposits

Based on a customer's credit, the District may require a deposit deemed reasonable by the District. These deposits are held to pay off close out bills or to cover delinquent payments.

(m) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies, (Continued)

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
 - Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other items.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable input reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

(n) Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District through the collection of AB-1600 connection fees, by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

(o) Estimates

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

(p) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies, (Continued)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	June 30, 2014 to June 30, 2015

(q) Net Position

Net Position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position

This amount is all of the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

(r) Prior Year Data

Selected information regarding the prior year had been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District’s prior year financial statements, from which this selected financial data was derived. In addition, certain minor reclassifications of the prior year data have been made to enhance their comparability to the current year.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(2) Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 41,136,370
Cash and investments with fiscal agent	3,132,518
Fiduciary funds:	
Cash and investments	<u>303,447</u>
Total cash and investments	<u>\$ 44,572,335</u>

Cash and investments as of June 30, 2016, consist of the following:

Deposits with financial institutions	\$ 9,978,267
Investments	<u>34,594,068</u>
Total cash and investments	<u>\$ 44,572,335</u>

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, 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 these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund	None	None	None
California Common Law Trust Shares	None	None	None

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

Investment Type	Total	Remaining Maturing (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	\$ 28,901,413	28,901,413	-	-	-
Held by bond trustee:					
Guaranteed investment contract *	816,500	-	-	-	816,500
Money market funds	4,876,155	4,876,155	-	-	-
Total	\$ 34,594,068	33,777,568	-	-	816,500

* - The District's GIC is with Financial Security Assurance (FSA). The contract required FSA to deposit cash, governmental securities, or governmental bonds as collateral with Bank of New York, at a value of at least 100%, 104%, or 105%, respectfully, of the investment balance. The termination of the investment contract and release of collateral would occur in the event of default by FSA. As of June 30, 2016, FSA was not in default and the value of the collateral met the requirements.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(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 minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of yearend for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 28,901,413	N/A	-	28,901,413
Held by bond trustee:				
Guaranteed investment contract	816,500	N/A	-	816,500
Money market funds	<u>4,876,155</u>	AAA	<u>4,876,155</u>	<u>-</u>
Total	<u>\$ 34,594,068</u>		<u>4,876,155</u>	<u>29,717,913</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(2) Cash and Investments, (Continued)

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

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

Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2016:

Investment type:	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Local Agency Investment Fund	\$28,901,413	-	28,901,413	-
Total	\$28,901,413	-	28,901,413	-

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(3) Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance at 7/1/2015	Additions	Deletions	Balance at 6/30/2016
Non-depreciable assets:				
Land	\$ 8,750,702	-	(48,050)	8,702,652
Intangibles - easements	184,892	48,086	-	232,978
Intangibles - water rights	12,678,475	-	-	12,678,475
Idle Assets	3,017,958	-	-	3,017,958
Construction in progress	1,252,008	2,837,249	(553,846)	3,535,411
Total non-depreciable assets	<u>25,884,035</u>	<u>2,885,335</u>	<u>(601,896)</u>	<u>28,167,474</u>
Depreciable assets:				
Buildings and improvements	29,709,962	232,559	(2,658,142)	27,284,379
Computer and communication	604,002	5,900	-	609,902
Furniture and equipment	34,623,726	353,643	(192,431)	34,784,938
Infrastructure	181,988,167	2,973,931	(1,022,328)	183,939,770
Intangibles - water related	1,978,383	44,302	-	2,022,685
Intangibles - software	1,388,907	-	-	1,388,907
Land improvements	437,480	105,090	-	542,570
Vehicles	2,978,363	348,337	(52,534)	3,274,166
Total depreciable assets	<u>253,708,990</u>	<u>4,063,762</u>	<u>(3,925,435)</u>	<u>253,847,317</u>
Less accumulated depreciation:				
Buildings and improvements	(7,799,425)	(823,294)	1,418,020	(7,204,699)
Computer and communication	(484,462)	(55,023)	-	(539,485)
Furniture and equipment	(17,533,083)	(3,432,088)	183,432	(20,781,739)
Infrastructure	(71,574,129)	(5,122,645)	883,374	(75,813,400)
Intangibles - water related	(831,358)	(282,399)	-	(1,113,757)
Intangibles - software	(822,675)	(277,174)	-	(1,099,849)
Land improvements	(134,890)	(44,624)	-	(179,514)
Vehicles	(2,255,535)	(138,749)	52,534	(2,341,750)
Total accumulated depreciation	<u>(101,435,557)</u>	<u>(10,175,996)</u>	<u>2,537,360</u>	<u>(109,074,193)</u>
Total depreciable assets, net	<u>152,273,433</u>	<u>(6,112,234)</u>	<u>(1,388,075)</u>	<u>144,773,124</u>
Capital assets, net	<u>\$178,157,468</u>	<u>(3,226,899)</u>	<u>(1,989,971)</u>	<u>172,940,598</u>

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016, is noted below:

	Balance at July 1, 2015	Additions	Retirements	Balance at June 30, 2016	Due Within One Year
Compensated Absences	\$ 342,560	352,401	(327,263)	367,698	275,773
Certificates of Participation (COP):					
1998 Certificate of Participation	1,475,000	-	(120,000)	1,355,000	120,000
2006 Certificate of Participation	10,990,000	-	(310,000)	10,680,000	320,000
COP Subtotals	<u>12,465,000</u>	<u>-</u>	<u>(430,000)</u>	<u>12,035,000</u>	<u>440,000</u>
Unamortized Discounts/Premiums	<u>112,279</u>	<u>-</u>	<u>(4,416)</u>	<u>107,863</u>	<u>4,416</u>
Total	<u>\$ 12,919,839</u>	<u>352,401</u>	<u>(761,679)</u>	<u>12,510,561</u>	<u>720,189</u>

Certificates of Participation:

1998 Certificates of Participation

In 1998, the City of Victorville's Baldy Mesa Water District issued 1998 Certificates of Participation in the amount \$2,850,000. The proceeds were used to finance public improvements within the Baldy Mesa Water District service area.

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2016 is \$1,355,000.

2006 Certificates of Participation

On March 1, 2006, the City of Victorville's Baldy Mesa Water District issued 2006 Certificates of Participation. The proceeds were used to finance public improvements within the Baldy Mesa Water District service area.

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2016 is \$10,680,000.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(4) Long-Term Liabilities, (Continued)

The annual requirements to amortize outstanding debt of the District as of June 30, 2016, are as follows for each fiscal year ending June 30:

Year Ending June 30	Certificates of Participation	
	Principal	Interest
2017	\$ 440,000	549,505
2018	465,000	529,523
2019	490,000	509,240
2020	505,000	487,940
2021	530,000	465,695
2022-26	2,815,000	1,951,457
2027-31	2,655,000	1,355,925
2032-36	3,360,000	630,500
2037	775,000	19,375
Subtotal	12,035,000	6,499,160
Discounts / Premiums	107,863	
Total	<u>\$ 12,142,863</u>	

Pledged Revenue

The District has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The covenants of these debt issuances require that Pledged Revenues are at least equal to 110% of Annual Debt Service Payments. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses were so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payment (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Water Improvement District No.2	\$ 1,878,658	\$ 989,505	53%

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(5) Other Post-Employment Benefits Plan

Plan Descriptions. The District Plan provides medical benefits to eligible retired Water District employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the District with 5 years of service. The District Plan also provides Dental and Vision benefits to eligible former Water District employees with 15 years of service. The District also pays life insurance premium for eight Water District retirees and no benefit is available for future retirees. The District provides a contribution up to a certain amount (a portion of the HMO single premium). The percentage varies based on years of service.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2016, the District contributed \$108,650 to the plan. The District has not established a trust that is administered by the District for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the value of employer promised benefits expected to be earned or allocated for each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for these benefits:

	<u>District Plan</u>
Annual required contribution	\$ 887,000
Interest on net OPEB obligation	68,000
Adjustment to annual required contribution	<u>(147,000)</u>
Annual OPEB cost (expense)	808,000
Contributions made	(80,650)
Implied subsidy	<u>(28,000)</u>
Increase in net OPEB cost (expense)	699,350
Net OPEB obligation – beginning of year	<u>1,723,930</u>
Net OPEB obligation – end of year	<u>\$ 2,423,280</u>

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(5) Other Post-Employment Benefits Plan, (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three preceding years for each of the plans were as follows (dollar amounts in thousands):

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2014	\$ 285,000	105,789	37.12%
6/30/2015	768,000	115,204	15.00%
6/30/2016	808,000	108,650	13.45%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information at the end of this note, present multi-year trend information about whether the actuarial value of plan asset is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation date and the historical pattern of sharing benefit costs between the District and the plan members to that point. Actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The District has selected the discount rate (4.00%) and healthcare is assumed to increase between 7.5% and 5.5% per year for Non-Medicare plans and between 7.8% and 5.5% per year for Medicare plans for 5 years and 5.0% thereafter.

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(5) Other Post-Employment Benefits Plan, (Continued)

Schedule of Funding Progress

The funding progress of the plan as of the date of the most recent actuarial valuation is as follows:

Actuarial Date	Actuarial Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL (UAAL)	Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$ -	5,505,000	5,505,000	0.00%	1,380,000	399%
6/30/2012	-	3,649,000	3,649,000	0.00%	1,036,000	352%
6/30/2014	-	7,645,000	7,645,000	0.00%	942,000	812%

(6) Contributions to/from the City of Victorville

During the year the District received transfers of \$824,820 from other governments. The District received \$824,820 from the City of Victorville in order to provide the District its portion of revenue generated by the Waste Water Treatment Facility recorded in the Sanitary District fund. The District also contributed \$401,791 of capital assets to the City of Victorville.

(7) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2016 is as follows:

Advances to/from other funds:

Fund Reporting Receivable	Fund Reporting Payable	Amount
Water Fund	Wastewater Reclamation Facility	\$ 33,044,118

Transfers to/from other funds:

Transfer in	Transfer out	Amount
Water Fund	Wastewater Treatment Facility	\$ 11,423,965
Reclaimed Water Fund	Water Fund	5,009,336
		<u>\$ 16,433,301</u>

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(8) Net Investment in Capital Assets

The balance of net position that is invested in capital assets, net of related debt at June 30, 2016, consists of the following:

Capital assets, net	\$ 172,940,598
Capital debt not invested in capital assets	3,132,518
Certificates of participation	<u>(12,035,000)</u>
Net investment in capital assets	<u>\$ 164,038,116</u>

(9) Pension Plan

Plan Descriptions (Agent Plan) - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Certain required pension disclosures are not available separately for the District, including the required supplemental information, because the District is included in the City of Victorville Miscellaneous Plan. Complete plan information can be found in the City of Victorville Comprehensive Annual Financial Report.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.5% @ 62
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Required employee contribution rates	8%	6.75%
Required employer contribution rates	17.04%	17.04%

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(9) Pension Plan, (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Changes in Net Pension Liability

The following table shows the changes in the District's net pension liability recognized over the measurement period:

	<u>Net Pension Liability</u>
Balance at: 6/30/2014	\$ 6,754,806
Net Changes during 2014-15	<u>670,279</u>
Balance at: 6/30/2015	<u>\$ 7,425,085</u>

VICTORVILLE WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2016

(9) Pension Plan, (Continued)

For the measurement period ending June 30, 2014 (the measurement date), the District recognized a pension expense of \$355,602 for the Plan.

As of June 30, 2015, the District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 827,951	-
Changes of Assumptions	-	(479,480)
Differences between Expected and Actual Experiences	-	(240,074)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(240,541)
Total	\$ 827,951	(960,095)

Employer contributions subsequent to the measurement date reported as deferred outflows of resources in the amount of \$827,951 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measure Period Ended June 30:	Deferred (Inflows) of Resources
2016	\$ (527,448)
2017	(527,448)
2018	(219,067)
2019	313,868
2020	-
Thereafter	-

VICTORVILLE WATER DISTRICT
Combining Schedule of Net Position
Year ended June 30, 2016
(with comparative data for June 30, 2015)

	Water	Victorville Wastewater Facility	Reclaimed Water	2016	2015
Assets:					
Current assets:					
Cash and investments (note 2)	\$ 38,726,337	308,986	2,101,047	41,136,370	39,526,413
Cash and investments with fiscal agent (note 2)	3,132,518	-	-	3,132,518	1,949,500
Accounts receivable, net	2,586,501	370,838	11,810	2,969,149	3,340,953
Interest receivable	39,318	-	-	39,318	20,345
Due from other governments	26,278	-	-	26,278	19,167
Inventory	660,652	-	-	660,652	499,264
Total current assets	<u>45,171,604</u>	<u>679,824</u>	<u>2,112,857</u>	<u>47,964,285</u>	<u>45,355,642</u>
Noncurrent assets:					
Prepaid items	7,459	271	-	7,730	1,400
Advances to other funds (note 7)	33,044,118	-	-	33,044,118	-
Non-depreciable capital assets (note 3)	27,655,516	81,342	430,616	28,167,474	25,709,143
Depreciable capital assets, net (note 3)	121,082,636	18,815,207	4,875,281	144,773,124	152,448,325
Total noncurrent assets	<u>181,789,729</u>	<u>18,896,820</u>	<u>5,305,897</u>	<u>205,992,446</u>	<u>178,158,868</u>
Total assets	<u>226,961,333</u>	<u>19,576,644</u>	<u>7,418,754</u>	<u>253,956,731</u>	<u>223,514,510</u>
Deferred Outflow of Resources:					
Deferred outflow - pension contribution (note 9)	811,232	16,719	-	827,951	709,786
Deferred charge on refunding	95,313	-	-	95,313	107,818
Total deferred outflow of resources	<u>906,545</u>	<u>16,719</u>	<u>-</u>	<u>923,264</u>	<u>817,604</u>
Liabilities:					
Current liabilities:					
Accounts payable	1,653,576	168,325	213,404	2,035,305	1,193,216
Interest payable	233,210	-	-	233,210	241,523
Prepaid water connection fees	1,395,788	-	-	1,395,788	1,395,788
Deposits payable	1,663,028	-	-	1,663,028	1,616,093
Long-term liabilities, due within one year (note 4)	720,189	-	-	720,189	703,889
Total current liabilities	<u>5,665,791</u>	<u>168,325</u>	<u>213,404</u>	<u>6,047,520</u>	<u>5,150,509</u>
Noncurrent liabilities:					
Advances to other funds (note 7)	-	33,044,118	-	33,044,118	-
Net OPEB Liability (note 5)	2,423,280	-	-	2,423,280	1,723,930
Net pension liability (note 9)	7,396,829	28,256	-	7,425,085	6,754,806
Long-term liabilities, due in more than one year (note 4)	11,790,372	-	-	11,790,372	12,215,950
Total noncurrent liabilities	<u>21,610,481</u>	<u>33,072,374</u>	<u>-</u>	<u>54,682,855</u>	<u>20,694,686</u>
Total liabilities	<u>27,276,272</u>	<u>33,240,699</u>	<u>213,404</u>	<u>60,730,375</u>	<u>25,845,195</u>
Deferred Inflows of Resources:					
Deferred inflows - actuarial (note 9)	941,095	19,000	-	960,095	1,984,558
Total deferred outflows of resources	<u>941,095</u>	<u>19,000</u>	<u>-</u>	<u>960,095</u>	<u>1,984,558</u>
Net position:					
Net investment in capital assets	139,835,670	18,896,549	5,305,897	164,038,116	167,641,968
Restricted for capital asset construction	5,227,435	-	-	5,227,435	5,227,435
Restricted for debt service	3,683,187	-	-	3,683,187	3,683,187
Unrestricted	50,904,219	(32,562,885)	1,899,453	20,240,787	19,949,771
Total net position	<u>\$ 199,650,511</u>	<u>(13,666,336)</u>	<u>7,205,350</u>	<u>193,189,525</u>	<u>196,502,361</u>

VICTORVILLE WATER DISTRICT
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2016
(with comparative data for June 30, 2015)

	Victorville Wastewater Reclamation		Reclaimed Water	Total	
	Water	Facility		2016	2015
Operating revenues:					
Utility sales	\$ 13,215,422	1,632,695	252,838	15,100,955	13,103,644
Meter and service fees	8,112,025	-	-	8,112,025	8,931,017
Other	2,025,690	-	-	2,025,690	3,106,646
Total operating revenues	<u>23,353,137</u>	<u>1,632,695</u>	<u>252,838</u>	<u>25,238,670</u>	<u>25,141,307</u>
Operating expenses:					
Personnel services	7,423,980	98,706	37,546	7,560,232	7,619,285
Maintenance and operations	8,728,118	2,513,177	67,419	11,308,714	7,470,282
Production costs	3,338,486	-	57,489	3,395,975	4,394,426
Depreciation	6,760,965	3,280,976	134,055	10,175,996	10,194,572
Total operating expenses	<u>26,251,549</u>	<u>5,892,859</u>	<u>296,509</u>	<u>32,440,917</u>	<u>29,678,565</u>
Operating income (loss)	<u>(2,898,412)</u>	<u>(4,260,164)</u>	<u>(43,671)</u>	<u>(7,202,247)</u>	<u>(4,537,258)</u>
Nonoperating revenues (expenses):					
Intergovernmental (noncapital)	247,618	-	-	247,618	527,126
Taxes	552,509	-	-	552,509	198,328
Investment income	793,730	1,992	11,174	806,896	110,700
Interest expense	(582,756)	(508,921)	-	(1,091,677)	(534,558)
Arsenic surcharge	245,832	-	-	245,832	248,455
Gain (loss) on disposition of assets	118,644	-	-	118,644	(10,257)
Other revenue (expenses)	32,039	-	-	32,039	102,120
Total nonoperating revenues (expenses)	<u>1,407,616</u>	<u>(506,929)</u>	<u>11,174</u>	<u>911,861</u>	<u>641,914</u>
Income (loss) before transfers and capital contributions	<u>(1,490,796)</u>	<u>(4,767,093)</u>	<u>(32,497)</u>	<u>(6,290,386)</u>	<u>(3,895,344)</u>
Capital contributions:					
Connection fees	622,458	1,134,011	-	1,756,469	853,306
Alternate water source fees	-	-	211,420	211,420	145,948
Capital restricted use fees	-	586,632	-	586,632	29,883
Transfer in	11,423,965	-	5,009,336	16,433,301	-
Transfers out	(5,009,336)	(11,423,965)	-	(16,433,301)	-
Contributions (to) from the City of Victorville	(401,791)	804,079	20,741	423,029	(988,987)
Total capital contributions and transfers	<u>6,635,296</u>	<u>(8,899,243)</u>	<u>5,241,497</u>	<u>2,977,550</u>	<u>40,150</u>
Change in net position	5,144,500	(13,666,336)	5,209,000	(3,312,836)	(3,855,194)
Net position at beginning of year	194,506,011	-	1,996,350	196,502,361	200,357,555
Net position at end of year	<u>\$ 199,650,511</u>	<u>(13,666,336)</u>	<u>7,205,350</u>	<u>193,189,525</u>	<u>196,502,361</u>