

INDIAN WELLS VALLEY WATER DISTRICT

**COUNTY OF KERN
RIDGECREST, CALIFORNIA**

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

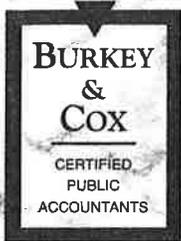
BURKEY COX EVANS BRADFORD & ALDEN
Accountancy Corporation
44811 Date Avenue, Suite A
Lancaster, CA 93534

**INDIAN WELLS VALLEY WATER DISTRICT
JUNE 30, 2009 AND 2008**

TABLE OF CONTENTS

	<u>Page No.</u>
FINANCIAL INFORMATION	
Independent Auditor's Report	1 – 2
Management Discussion and Analysis – Required Supplementary Information	3 – 7
BASIC FINANCIAL STATEMENT	
Comparative Statements of Net Assets	8 – 9
Comparative Statements of Activities	10
Comparative Statements of Cash Flows	11 – 12
Notes to Financial Statements	13 – 30
SUPPLEMENTARY INFORMATION	
Organization and Board of Directors	31
Statement of Revenues and Expenses - Proprietary Fund – Budget and Actual	32 – 34
OTHER IDEPENDENT AUDITOR'S REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	35 – 36

FINANCIAL INFORMATION



BURKEY COX EVANS BRADFORD & ALDEN

ACCOUNTANCY CORPORATION

44811 DATE AVENUE, SUITE A
LANCASTER, CALIFORNIA 93534-3136

TEL: (661) 948-0808
FAX: (661) 949-3508

GARY W. COX, CPA (retired)
SCOTT EVANS, CPA, CFP, CVA
LAURA A. BRADFORD, CPA
JENNIFER ALDEN, CPA
TERESA YATES, CPA
TERRY L. SNEDIGAR, EA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indian Wells Valley Water District
Ridgecrest, California

We have audited the accompanying financial statements of Indian Wells Valley Water District, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Indian Wells Valley Water District basic financial statements as listed in the table of contents. These financial statements are the responsibility of Indian Wells Valley Water 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian Wells Valley Water District, as of June 30, 2009 and 2008, and the respective changes in financial position and, where applicable, cash flows thereof 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 September 11, 2009, on our consideration of the Indian Wells Valley Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Indian Wells Valley Water District
Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 32 through 34, are not a required part of the basic financial statements but are 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 audits were conducted for the purpose of forming opinions on the Indian Wells Valley Water District's basic financial statements. The introductory section and required supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and required supplementary information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



BURKEY COX EVANS BRADFORD & ALDEN
Certified Public Accountants

Lancaster, California
September 11, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

**INDIAN WELLS VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
as of June 30, 2009**

The Indian Wells Valley Water District offers the readers of the District's annual financial report this narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements.

THE FINANCIAL STATEMENTS

The District's basic financial statements consist of a single enterprise fund. Indian Wells Valley Water District operates in a manner similar to a private business enterprise. The District employs the same accrual basis of accounting the private-sector uses; however, the formats of the financial reports are presented slightly differently. Instead of a Balance Sheet, a Statement of Net Assets is used to report the District's assets and liabilities. In place of an Income Statement, a Statement of Activities accounts reports the current year's revenues and expenses.

This annual report consists of three parts. Figure 1 shows how the required parts of the annual report are arranged and relate to each other. The three sections are:

- *management's discussion and analysis* (this section),
- *basic financial statements, and*
- *notes to financial statements.*

This section of Indian Wells Valley Water District's annual financial report is the "Management's Discussion and Analysis". This is where the District presents its perspective of its financial performance for the reporting period.

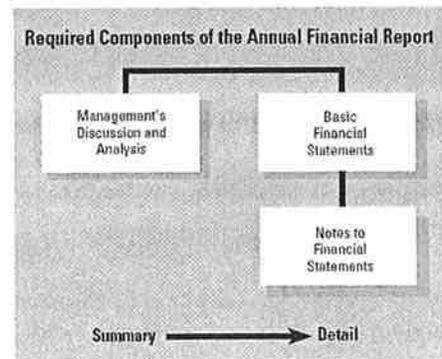
The "Basic Financial Statements" section focuses on the District's business activities. They are designed to provide not only a broad overview of IWVWD's finances but also short- and long-term information about the District's financial status, operations and cash flow. The statements report "Total Net Assets" and how it has changed during the period.

Total Net Assets (fund equity) is the difference between total assets and total liabilities. Analyzing the various components of total net assets is one way to gauge the District's financial condition. The "Notes to Financial Statements" section explains in more detail some of the data contained in the basic financial statements. Supplemental information such as a record of the Board of Directors and a budget report can be found on the pages following the "Notes."

FINANCIAL HIGHLIGHTS

- The District's total assets were valued at \$47,959,965 on June 30, 2009.
- The District's total liabilities were valued at \$12,172,872 on June 30, 2009.
- The District's total net assets were valued at \$35,787,093 on June 30, 2009.
- Total net assets continued to remain stable with less than 1% change from the prior fiscal year.
- Total revenues for the year equaled \$8,190,456, which is \$661,000 less than revenues collected in 2007-2008. Specifically, operating revenues totaled \$7,831,152, which is less than the prior year due to a reduction in Capital Facilities Fees totaling \$366,000 partially offset by an increase

Figure 1, Required Components of the District's Annual Financial Report



in Water Sales of \$78,000. Non-operating revenues (i.e. interest income and grants) totaled \$359,304, which was \$373,000 less than the amount received in 2007-2008.

- Total expenses for the year equaled \$8,581,920. Operating expenses totaled \$7,235,170 while non-operating expenses (i.e., conservation, future sources of supply and interest on long-term debt) were \$1,346,750. 2008-2009 total expenses were \$97,000 more than in 2007-2008.
- 2008-2009 total expenses were \$391,464 more than total revenues. The excess was financed through capital reserve funds.
- The District issued no additional debt during the 2009 fiscal year. The District complied with all existing debt covenants
- Per the requirements of GASB 45, IWVWD set up an irrevocable trust as of June 30, 2009 through the California Employers' Retiree Benefit Trust (CERBT) for other post employment benefits. According to the Actuarial Valuation prepared for the District by an independent actuary as of July 1, 2008, CERBT has an investment policy with an expected long-term rate of return equal to 7.75%. Using that rate of return, the total actuarial liability was \$601,881, the full amount of which was transferred from the Post-Retirement Benefits reserve to the trust.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's net assets totaled \$35,787,093 at June 30, 2009. Of that amount, nearly \$26.0 million is "Invested in Capital Assets (a.k.a. property, plant and equipment), Net of Related Debt." The vast majority of these capital assets include wells, transmission pipelines, distribution lines and appurtenances, reservoirs, field equipment and vehicles, and the district headquarters. "Unrestricted Net Assets" represent the remainder of the total. These resources may be used to fund the programs of the District next year.

Changes in net assets - The primary contributors to the changes in 2008-2009 net assets are the \$661,000 reduction in revenues, the \$97,000 increase in expenses. Total revenues amounted to \$8.2 million, of which 90% came from water sales. Of the remainder, about 4% came from non-operating transactions such as interest and assessment income and 2% from capital facilities fees (see Figure 2). Total revenues decreased 7.5%, over the previous year primarily due to reduced Capital Facilities Fees and Interest and Assessment Income.

Figure 2, Total IWVWD Revenues for 2009

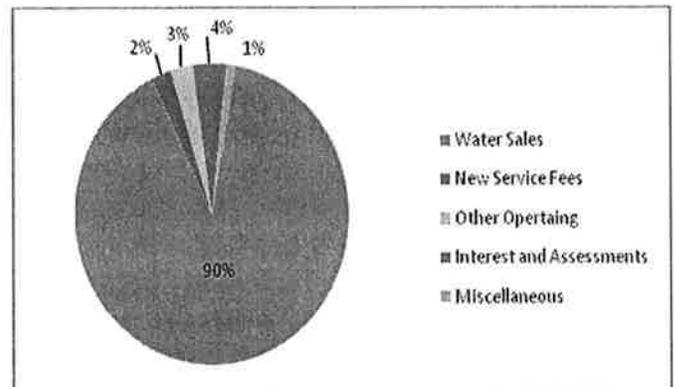
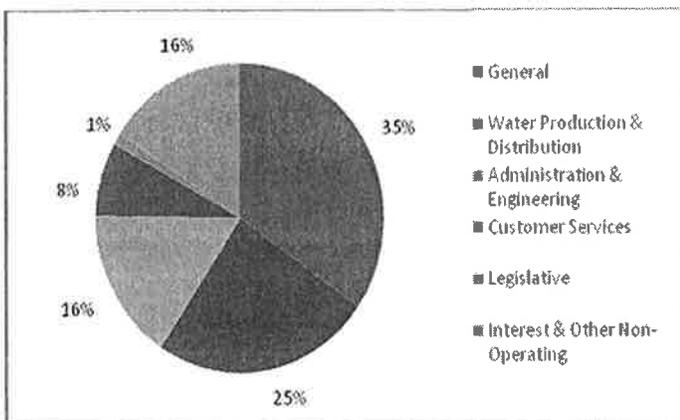


Figure 3, Total IWVWD Expenses for 2009



The total cost of all services and non-operating activities was \$8.6 million; 85 percent of these costs are operating expenses. Figure 3 presents a breakdown of the District's expenses. The total cost of the District's operation was virtually unchanged from last year.

FINANCIAL ANALYSIS OF THE WATER DISTRICT AS A WHOLE

Net assets - The components of the District's net assets, as of June 30, 2009, are detailed in Table 1.

Table 1
Indian Wells Valley Water District
Comparative Statement of Net Assets
June 30, 2009 and 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current Assets		
Cash and Investments	\$5,940,193	\$6,639,156
Accounts & Interest Receivable	750,702	788,921
Inventory	474,730	503,233
Total Current Assets	<u>7,165,625</u>	<u>7,931,310</u>
Non-Current Assets		
Net of Accumulated Depreciation	<u>36,713,656</u>	<u>36,835,949</u>
Other Non-Current Assets		
Deposits	143,686,	148,587
Cash and Investments - Restricted	1,144,166	1,539,738
Assessment Bonds, Receivable	2,683,000	2,913,000
Bond Issuance Costs, Net	109,832	121,132
Total Other Non-Current Assets	<u>4,080,684</u>	<u>4,832,801</u>
Total Non-Current Assets	<u>40,794,340</u>	<u>41,668,750</u>
Total Assets	<u>\$47,959,965</u>	<u>\$49,600,060</u>
Current Liabilities		
Accounts, Interest & Wages Payable	\$569,537	\$571,220
Current Portion Long Term Debt	819,403	792,163
Customer and Sponsor Deposits	204,860	231,521
Compensated Absences	247,088	214,799
Post-Retirement Medical Benefits	389,053	920,934
Total Current Liabilities	<u>2,229,941</u>	<u>2,730,637</u>
Long-Term Liabilities		
Long-Term Debt, Notes, Contracts & Bonds	<u>9,942,931</u>	<u>10,762,332</u>
Total Liabilities	<u>12,172,872</u>	<u>13,492,969</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	25,951,322	25,281,454
Unrestricted	9,835,771	10,825,637
Total Net Assets	<u>\$35,787,093</u>	<u>\$36,107,091</u>

Total Net Assets remained stable during the fiscal period.

At the end of the reporting period, nearly \$26.0 million, or 72.5 percent of the District's net assets, are invested in property, plant and equipment.

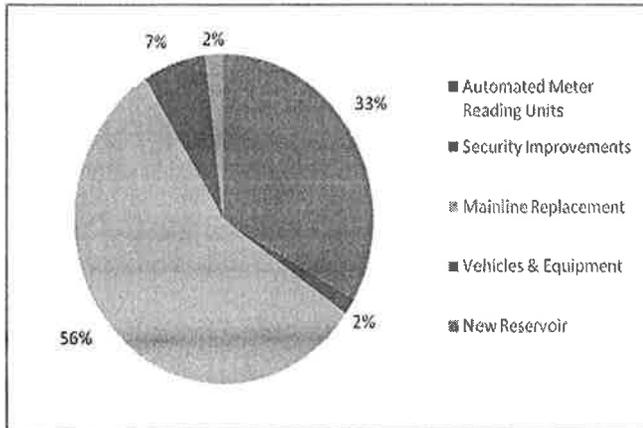
GENERAL FUND BUDGETARY HIGHLIGHTS

Total expenses were \$156,427, or 1.7%, below budget projections. This total is comprised of operating and non-operating expense activity. When evaluated separately, operating expenses were \$67,977 under budget and non-operating expenses were \$88,450 under budget. It is not unusual for operating expenses to be under budget at the close of a fiscal year. Typically, this results from the District's practice of including amounts in the budget to cover unanticipated and emergency repairs to the water system. The non-operating expenses are under budget primarily due to cost of service study expenses postponed until fiscal year 2009-2010 and minimal expenses incurred for the aquifer storage and recovery project.

Total revenues including water sales, capital facilities fees and interest and assessment income were \$550,095 less than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Figure 4, Expenditures for Property, Plant and Equipment for 2009



Capital Assets – For the year ended June 30, 2009, IWVWD invested \$2.1 million in mainline replacement, the Automated Meter Reading Units and other District installations and acquisitions. See Figure 4 for a distribution of these capital expenditures.

More information regarding the District’s changes in capital assets is presented in the notes to the financial statements.

Long Term Debt – During 2008-2009, the District reduced its long-term debt by \$792,000 as a function of semi-annual payments as established

in the original loan and bond agreements. At year-end IWVWD had \$10.8 million in outstanding bonds and notes as shown in Table 2. More detailed information about the District’s debt is presented in the notes to the financial statements.

Table 2
Indian Wells Valley Water District
Schedule of Long Term Debt
as of June 30, 2009

	2009	2008
Loans:		
Proposition 55, Safe Drinking Water Act Loan	\$3,011,487	\$3,185,076
Proposition 44, Water Conservation Construction Loan	145,847	184,419
Total Loans	<u>3,157,334</u>	<u>3,369,495</u>
Revenue Bonds:		
California Statewide Communities Development Authority Water and Wastewater Revenue Bonds, Series 1999A	3,125,000	3,365,000
Water Revenue Refunding Bonds, Series 2003	4,480,000	4,820,000
Total Revenue Bonds	<u>7,605,000</u>	<u>8,185,000</u>
Total Long-Term Debt	<u>\$10,762,334</u>	<u>\$11,554,495</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- In August/September 2009, the District entered into a 30-year Certificate of Participation debt agreement for \$20 million in August/September 2009. Stone & Youngberg LLC was the lowest bidder with an interest rate of 5.138537%. The C.O.P. funds will be used to cover \$15.1 million in capital projects including the arsenic treatment plants, the D-Zone tank reservoir and well improvements, and it will cover \$2.9 million to re-finance the 1999 Series Bond.
- A \$16.2 million capital budget for 2010 was adopted by the Board of Directors. However, since that time, several project cost estimates have been updated so that capital project costs are now

expected to total \$20.1 million. This includes a total of \$12.1 million for the arsenic treatment plant, \$6.5 million for water supply improvement and \$1.5 million for the D-Zone Tank reservoir.

- The District is in the process of preparing its triennial Cost of Service Study. The new rates are expected to promote water conservation.
- In 2009-2010, water sales revenues are expected to increase by 6.3% while operating expenses are projected to increase by 3.6%.
- Budgeted non-operating activities for alternate water supplies include: finalization of brackish water treatment pilot program, \$321,000; and development of an aquifer storage and recovery project, \$100,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, creditors and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Chief Financial Officer.

BASIC FINANCIAL STATEMENTS

**INDIAN WELLS VALLEY WATER DISTRICT
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008**

	ASSETS	<u>JUNE 30, 2009</u>	<u>JUNE 30, 2008</u>
CURRENT ASSETS			
Cash and Investments		\$ 5,940,193	\$ 6,639,156
Accounts Receivable		722,232	752,652
Interest Receivable		28,470	36,269
Inventory		<u>474,730</u>	<u>503,233</u>
Total Current Assets		<u>7,165,625</u>	<u>7,931,310</u>
NON-CURRENT ASSETS			
Capital Assets, Net of Accumulated Depreciation		<u>36,713,656</u>	<u>36,835,949</u>
OTHER NON-CURRENT ASSETS			
Deposits and Prepaids		143,686	148,587
Cash and Investments - Restricted		1,144,166	1,650,082
Assessment Bonds Receivable		2,683,000	2,913,000
Bond Issuance Costs, Net of Accumulated Amortization		<u>109,832</u>	<u>121,132</u>
Total Other Non-Current Assets		<u>4,080,684</u>	<u>4,832,801</u>
Total Non-Current Assets		<u>40,794,340</u>	<u>41,668,750</u>
Total Assets		<u><u>\$ 47,959,965</u></u>	<u><u>\$ 49,600,060</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**INDIAN WELLS VALLEY WATER DISTRICT
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008**

LIABILITIES		<u>JUNE 30, 2009</u>	<u>JUNE 30, 2008</u>
CURRENT LIABILITIES			
Accounts Payable		\$ 407,716	\$ 425,904
Accrued Wages		74,008	58,268
Interest Payable		87,813	87,048
Current Portion of Long-Term Debt		819,403	792,163
Customer and Sponsor Deposits		204,860	231,521
Compensated Absences		247,088	214,799
Post Retirement Benefits		<u>389,053</u>	<u>920,934</u>
Total Current Liabilities		<u>2,229,941</u>	<u>2,730,637</u>
LONG-TERM LIABILITIES			
Long-Term Debt:			
Notes and Contracts Payable		2,937,931	3,157,332
Bonds Payable		<u>7,005,000</u>	<u>7,605,000</u>
Total Long-Term Liabilities		<u>9,942,931</u>	<u>10,762,332</u>
Total Liabilities		<u>12,172,872</u>	<u>13,492,969</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		25,951,322	25,281,454
Unrestricted		<u>9,835,771</u>	<u>10,825,637</u>
Total Net Assets		<u>\$ 35,787,093</u>	<u>\$ 36,107,091</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**INDIAN WELLS VALLEY WATER DISTRICT
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>JUNE 30, 2009</u>	<u>JUNE 30, 2008</u>
OPERATING REVENUES		
Water Sales	\$ 7,422,697	\$ 7,345,441
Capital Facilities Fees	184,725	550,517
New Service Connections	10,842	10,638
Other Operating Revenues	<u>212,888</u>	<u>217,352</u>
Total Operating Revenues	<u>7,831,152</u>	<u>8,123,948</u>
OPERATING EXPENSES		
Pumping Plant	1,135,897	1,191,684
Water Treatment and Analysis	112,842	272,826
Transmission and Distribution	860,908	629,663
Engineering	281,963	253,083
Customer Accounts	299,623	313,626
Field Services	367,815	379,627
Administration and General	1,854,792	1,656,682
Legislative	108,914	88,206
Depreciation	2,201,116	2,094,125
Amortization	<u>11,300</u>	<u>11,300</u>
Total Operating Expenses	<u>7,235,170</u>	<u>6,890,822</u>
Operating Income	<u>595,982</u>	<u>1,233,126</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and Assessment Income	327,016	492,803
Grant Income	0	198,599
Rental and Miscellaneous Income	32,288	40,470
Interest Expense	(430,378)	(454,069)
Future Source of Supply and Other Non-Operating Expenses	<u>(916,372)</u>	<u>(1,140,013)</u>
Non-Operating Income (Loss)	<u>(987,446)</u>	<u>(862,210)</u>
Income (Loss) Before Capital Contributions	(391,464)	370,916
Capital Contributions	<u>71,466</u>	<u>276,465</u>
Increase in Net Assets	(319,998)	647,381
Net Assets at the Beginning of the Year	<u>36,107,091</u>	<u>35,459,710</u>
Net Assets at the End of the Year	<u>\$ 35,787,093</u>	<u>\$ 36,107,091</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**INDIAN WELLS VALLEY WATER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	JUNE 30, 2009	JUNE 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 7,656,483	\$ 7,896,419
Cash Payments to Suppliers for Operations	(3,139,459)	(3,136,138)
Cash Payments for General and Administrative Expenses	(2,382,728)	(1,672,603)
Cash Received From (Paid For) Other	212,888	217,352
Net Cash Provided (Used) by Operating Activities	2,347,184	3,305,030
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Rental, Grant and Miscellaneous Income	32,288	256,603
Future Source of Supply and Other Non-Operating Expenses	(916,372)	(1,140,013)
Net Cash Provided (Used) by Non-capital Financing Activities	(884,084)	(883,410)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Property and Equipment	(2,078,823)	(2,184,968)
Deposits	4,901	12,914
Disposal of Land	0	399
Principal Payments on Long-Term Debt	(792,161)	(774,929)
(Increase) Decrease in Restricted Investments	505,916	(110,344)
Principal Payments Received from Assessment Bonds	230,000	220,000
Contributed Utility Plant	71,466	276,465
Net Cash Provided (Used) for Capital and Related Financing Activities	(2,058,701)	(2,560,463)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Assessment Income Received	327,016	474,925
Interest Expense Paid	(430,378)	(453,960)
Net Cash Provided (Used) by Investing Activities	(103,362)	20,965
Net Increase (Decrease) in Unrestricted Cash and Cash Equivalents	(698,963)	(117,878)
Cash and Cash Equivalents - Beginning of Year	6,639,156	6,757,034
Cash and Cash Equivalents - End of Year	\$ 5,940,193	\$ 6,639,156
FINANCIAL STATEMENT PRESENTATION		
Cash and Cash Equivalents - Unrestricted	\$ 5,940,193	\$ 6,639,156
Total Cash and Cash Equivalents	\$ 5,940,193	\$ 6,639,156

The accompanying Notes to Financial Statements are an integral part of these statements.

**INDIAN WELLS VALLEY WATER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>JUNE 30, 2009</u>	<u>JUNE 30, 2008</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS		
Operating Income (Loss)	\$ 595,982	\$ 1,233,126
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	2,201,116	2,094,125
Amortization	11,300	11,300
Changes in Assets - (Increase)/Decrease in:		
Accounts Receivable	38,219	(6,725)
Inventory	28,503	(132,337)
Changes In Liabilities - Increase/(Decrease) in:		
Accounts Payable	(18,188)	28,430
Accrued Wages	15,740	7,196
Interest Payable	765	343
Customer and Sponsor Deposits	(26,661)	(12,245)
Compensated Absences	32,289	12,463
Post Retirement Benefits	(531,881)	69,354
	<u>\$ 2,347,184</u>	<u>\$ 3,305,030</u>
Net Cash Provided by Operating Activities		

The accompanying Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Indian Wells Valley Water District's (the District) financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Description of the Reporting Entity

The Indian Wells Valley Water District is a reporting entity which consists of the District as the oversight unit. Oversight responsibility is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and ability to significantly influence operations.

B. Basis of Accounting and Measurement Focus

The District accounts for its operation in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes 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 the District's principal ongoing operations. The principal operating revenues of the District are charges to customer's lot water sales and sewer services. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*," the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, for its proprietary fund financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989. Indian Wells Valley Water District also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

C. Classification of Revenues and Expenses

Operating revenues are those revenues that are generated by domestic, agricultural and irrigation, and water sales, while operating expenses pertain to the furnishing of those services.

Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water services. Non-operating revenues mainly consist of property taxes, grant revenues, investment income, and miscellaneous income. Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges. Non-operating expenses mainly consist of debt service interest and future source of supply expenses.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into retained earnings. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add the value of the asset or materially extend assets’ lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Pumping Plant and Transmission Lines	30 to 35 years
Buildings	30 years
Improvements	10 to 30 years
Equipment	3 to 10 years

E. Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the District Manager submits to the Board of Directors a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Board Meetings are open for comments.
3. Prior to July 1, the budget is legally enacted.
4. The District Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the Proprietary Funds.
6. Budgets for the Proprietary Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Budgeted amounts are as originally adopted, or as amended. Individual amendments were not material in relation to the original appropriations which were amended.

F. Deposits and Investments

The District adopted GASB Statement No. 40, "Deposit and Investment Risk Disclosures," as of July 1, 2004. GASB Statement No. 40 requires governmental entities to assess categories of risk associated with their deposits and investments and disclose these risks.

The District adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly the District reports its investments at fair value in the Statement of Net Assets.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. (See Note 2 for further discussion).

G. Inventory

Inventory is based on a physical count at June 30, 2009 and is valued at lower of cost or market, cost being determined on an average cost basis.

H. Compensated Absences

Accumulated vacation benefits and portions of sick leave are recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenses in the period vacation leave and the qualified portion of sick leave is earned and accrued. The dollar value of such accumulations has been determined. As a result, the liabilities from such accumulated benefits were determined to be \$247,088 as of June 30, 2009, and \$214,799 as of June 30, 2008.

I. Special Assessment Districts

The District maintains two Assessment Districts. These Assessment Districts were established under the Municipal Improvement Act of 1913 and partially financed with 1951 Improvement Act bonds. Accounting for these Assessment Districts follows the Governmental Accounting Standards Board Statement No. 6, "Accounting and Financial Reporting for Special Assessments." GASB No. 6 states that Enterprise Funds such as that of the District are to account for special assessment financing debt on the books of the District only if one of the following conditions exists:

1. The District is directly liable for the special assessment debt.
2. The District is not directly liable for the special assessment debt, but the debt is expected to be repaid from revenues of the District.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Since the District is not directly liable for the Assessment District debt and it is expected all such debt will be repaid from landowner assessments and not District revenues, the Special Assessment debt is not included in the District's financial statements. The District acts solely as an agent for the bondholders in collecting and forwarding the special assessments. Special Assessment Bonds outstanding at June 30, 2009 totaled \$2,683,000. See further discussion at Note 11.

J. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

K. Cash and Cash Equivalents

The District has adopted GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Net Assets

The financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) – is intended to reflect the portion of net assets that are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Assets – represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Assets – represent unrestricted net assets, while management may have categorized and segmented portions of various purposes, the District has the unrestricted authority to revisit or alter these managerial decisions.

N. Changes in Accounting Policy

The District plans to adopt GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions for the plan year beginning July 1, 2009. This statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other nonpension benefits.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – CASH AND INVESTMENT

General

The District has adopted Governmental Accounting Standards Board Statement 31 (GASB 31) which requires investments of governmental agencies to be reported at fair value. However, investment pools, such as a state or county treasury, may report the value of short-term investments with remaining maturities of less than 90 days at amortized costs. The majority of the State Treasury investments have a remaining maturity of approximately four months, while the Kern County Treasury investments have a maturity of approximately sixteen months. In addition, GASB 31 does not apply to immaterial cost/value differences. The District has chosen to reflect investments in the State Treasury and Kern County Treasury at cost which approximates fair market value.

The District has also adopted GASB Statement No. 40, Deposits and Investment Risk Disclosures, as of July 1, 2004. GASB 40 requires governmental entities to assess categories of risk associated with their deposits and investments and disclose these risks.

Unrestricted

The unrestricted cash and investments stated at cost consisted of the following at June 30, 2009 and June 30, 2008.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash on Hand and in Banks	\$ 469,901	\$ 410,434
Pooled Investments - State of California	532,273	1,025,672
Pooled Investments - Kern County	<u>4,938,019</u>	<u>5,203,050</u>
Total	<u>\$ 5,940,193</u>	<u>\$ 6,639,156</u>

All cash and time deposits are entirely insured or collateralized. The California Government Code requires state banks to secure District deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District's deposits. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The surplus funds of the District may be invested in any of the approved investments contained in the California Government code Sections 53600 et seq., limited further by the investment policy adopted by the District.

Restricted

The restricted cash and investments consisted of the following at June 30, 2009 and June 30, 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash in Banks	\$ 335,649	\$ 335,596
Pooled Investments - Kern County	294,254	799,634
BNY Western Trust Co.	<u>514,263</u>	<u>514,852</u>
Total	<u>\$ 1,144,166</u>	<u>\$ 1,650,082</u>

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – CASH AND INVESTMENTS (Continued)

All restricted cash and time deposits are entirely insured or collateralized. The California Government Code requires state banks to secure District deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The surplus funds of the District may be invested in any of the approved investments contained in the California Government Code Sections 53600 et seq., limited further by the investment policy adopted by the District.

Restricted investments, stated at the lower of cost or fair value, consist of Certificates of Participation and Bond reserves in trust at BNY Western Trust Company which are restricted as they will be used for the construction of the District's South West Well Project, and Medical Retirement Benefit Fund held in trust at the Kern County Treasurer's Investment Pool. These monies were not insured as of June 30, 2009 but were backed by government securities as collateral at the financial institutions.

Investments Authorized by the Entity's Investment Policy

The District's investment policy authorizes investment in the state investment pool (LAIF) administered by the State of California, and the county investment pool administered by Kern County. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Additionally, the District may invest idle or surplus funds in accordance with California Government Code Section 53601. The following represents permissible investments per this code section;

- Local agency bonds, notes or warrants within the state
- United States Treasury instruments
- Registered state warrants or treasury notes
- Securities of the U.S. Government, or its agencies
- Bankers acceptances
- Commercial paper
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies
- Repurchase or reverse repurchase agreements
- Medium term corporate notes
- Shares of beneficial interest issued by diversified management companies
- Certificate of Participation
- Obligations with first priority security
- Collateralized mortgage obligations

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 District had no debt proceeds investments as of June 30, 2009.

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

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – CASH AND INVESTMENTS (Continued)

interest rates. As of fiscal year-end, the weighted average maturity of the investments contained in the State of California (LAIF) Investment Pool is approximately one and one-half (1-1/2) months, and the weighted average maturity of the investments contained in the Kern County Investment Pool is approximately fifteen (15) months.

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 maturity date of each investment:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Value Adjustment *</u>	<u>Fair Value</u>
State of California Investment Pool (LAIF) Unrestricted	1.5 month average	\$ 532,273	\$ 696	\$ 532,969
Kern County Investment Pool - Unrestricted	15 month average	<u>4,938,019</u>	<u>(9,818)</u>	<u>4,928,201</u>
Total Unrestricted		<u>\$ 5,470,292</u>	<u>\$ (9,122)</u>	<u>\$ 5,461,170</u>
Kern County Investment Pool - Restricted	15 month average	\$ 294,254	\$ (585)	\$ 293,669
BNY Western Trust Company Restricted	12 month average	<u>514,263</u>	<u>0</u>	<u>514,263</u>
Total Restricted		<u>\$ 808,517</u>	<u>\$ (585)</u>	<u>\$ 807,932</u>

* Due to the immaterial nature of the fair market value difference, the State of California County Investment Pool (LAIF), Kern County Investment Pool and BNY Western Trust Company balances are reflected at their carrying amount in the financial statements.

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. The State of California (LAIF) and Kern County Investment Pools do not have a rating provided by a nationally recognized statistical rating organization.

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.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

As of June 30, 2009, \$532,273 of the cash and investments were held in the form of a nonnegotiable unrated investment in the State of California (LAIF) Investment Pool.

As of June 30, 2009, \$5,232,273 of the cash and investments were held in the form of a nonnegotiable unrated investment in the Kern County Investment Pool.

INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2 – CASH AND INVESTMENTS (Continued)

As of June 30, 2009, \$514,263 of the cash and investments were held in the form of a nonnegotiable unrated investment in the BNY Western Trust Company.

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 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, 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.

As of June 30, 2009, \$85,224 of the District's deposits with financial institutions were in excess of federal depository insurance limits but were held in collateralized accounts.

As of June 30, 2009, none of the District's deposits with financial institutions were in excess of federal depository insurance limits and were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as the State of California (LAIF) and Kern County Investment Pools.

Investment in External Investment Pools

The Entity is a voluntary participant in the Local Agency Investment Pool (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 portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Entity is also a voluntary participant in the Kern County Investment Pool that is regulated by the California Government Code under the oversight of the Treasurer of the County of Kern. 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 Kern County for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by Kern County, which are recorded on an amortized cost basis.

Derivative Investments

The District did not directly enter into any derivative investments.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2009 is presented below:

	Balance July 1, 2008	Additions	Transfers	Deletions	Balance June 30, 2009
Land Acquisition	\$ 3,127,674	\$ 0	\$ 0	\$ 0	\$ 3,127,674
Transmission and Distribution	46,126,848	1,360,326	45,274	0	47,532,448
General Plant	4,822,770	115,608	0	0	4,938,378
Production and Source of Supply	13,155,718	1,260	0	0	13,156,978
Construction in Progress	1,172,513	601,629	(45,274)	0	1,728,868
Totals	68,405,523	2,078,823	0	0	70,484,346
Accumulated Depreciation	(31,569,574)	(2,201,116)	0	0	(33,770,690)
Net Property, Plant, and Equipment	\$ 36,835,949	\$ (122,293)	\$ 0	\$ 0	\$ 36,713,656

NOTE 4 – CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the fiscal year ended June 30, 2009 is presented below:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
<u>Notes and Contracts</u>					
State of California (Proposition 55)	\$ 3,185,076	\$ 0	\$ 173,589	\$ 3,011,487	\$ 179,492
State of California (Proposition 44)	184,419	0	38,572	145,847	39,911
Total Notes and Contracts	3,369,495	0	212,161	3,157,334	219,403
<u>Certificates of Participation and Bonds</u>					
CSCD Bonds	3,365,000	0	240,000	3,125,000	250,000
Water Revenue Refunding Bonds - 2003	4,820,000	0	340,000	4,480,000	350,000
Total Certificates of Participation and Bonds	8,185,000	0	580,000	7,605,000	600,000
Total Long-Term Debt	\$ 11,554,495	\$ 0	\$ 792,161	\$ 10,762,334	\$ 819,403

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 – CHANGES IN LONG-TERM DEBT (Continued)

Annual requirements to amortize long-term debt including interest are as follows:

<u>Year Ending June 30,</u>	<u>Notes and Contracts</u>	<u>CSDA Revenue Bonds</u>	<u>Water Revenue Refunding Bonds</u>	<u>Total</u>
2009	\$ 324,099	\$ 393,160	\$ 504,708	\$ 1,221,967
2010	324,099	396,955	504,058	1,225,112
2011	324,099	394,938	507,564	1,226,601
2012	301,807	397,044	504,732	1,203,583
2013	279,515	393,400	505,995	1,178,910
2014 - 2018	1,397,576	1,971,481	2,467,407	5,836,464
2019 - 2023	978,301	0	448,800	1,427,101
Total Principal and Interest	3,929,496	3,946,978	5,443,264	13,319,738
Less Interest Portion	(772,162)	(821,978)	(963,264)	(2,557,404)
Total Principal	<u>\$ 3,157,334</u>	<u>\$ 3,125,000</u>	<u>\$ 4,480,000</u>	<u>\$ 10,762,334</u>

Notes and Contracts

State of California - Safe Drinking Water Act Loan
(Prop. 55): Payable \$139,757 semi-annually including
interest at 3.3712%.

	<u>June 30, 2009</u>		
	<u>Total Amount</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 3,011,487	\$ 179,492	\$ 2,831,995	
145,847	39,911	105,936	
Total Notes and Contracts	<u>\$ 3,157,334</u>	<u>\$ 219,403</u>	<u>\$ 2,937,931</u>

Water Revenue Bonds

CSCDA Financing Corporation: Payable in semi-
annual installments based on a 25 year amortization
with interest ranging from 2.40% to 5.55%

Water Revenue Refunding Bonds, Series 2003: Payable
in semi-annual installments based on a 16 year
amortization with interest ranging from 2.00% to 4.00%.

\$ 3,125,000	250,000	2,875,000
4,480,000	350,000	4,130,000
Total Water Revenue Bonds	<u>7,605,000</u>	<u>7,005,000</u>
Total Long-Term Debt	<u>\$ 10,762,334</u>	<u>\$ 9,942,931</u>

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 – CHANGES IN LONG-TERM DEBT (Continued)

State of California - Safe Drinking Water Act Loan (Proposition 55)

Loan proceeds to improve Ridgcrest Heights Water System - Total loan was \$5,000,000.

State of California - Water Conservation Construction Loan (Proposition 44)

Loan proceeds to improve Ridgcrest Heights Water System - Total loan was \$641,000.

California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (Pooled Financing Authority) Series 1999A

The Authority's water and wastewater pooled financing program is available to California water and wastewater districts to facilitate the financing or refinancing of capital improvements. In 1999 the District financed \$5,000,000 under this program to facilitate the construction of the South West Well Field Project.

Water Revenue Refunding Bonds, Series 2003

Proceeds of the Series 2003 Bonds were used to prepay the District's outstanding 1994 Certificates of Participation (California Special Districts Finance Program) Series X (the "1994 Certificates") and the District's outstanding 1977 U.S. Economic Development Administration Loan (the "1977 EDA Loan") and pay costs of issuance incurred in connection with the issuance of the Series 2003 Bonds. The District issued the 1994 Certificates to prepay an earlier issuance of Certificates of Participation in 1989. The District obtained the 1977 EDA Loan to finance capital improvements related to drought impact mitigation.

The District entered into an escrow agreement with BNY Western Trust Company, as the escrow bank (the "Escrow Agent") with respect to the outstanding 1994 Certificates to be prepaid. Under the escrow agreement, a portion of the bond proceeds will be used to establish an escrow fund to the 1994 Certificates. These funds were held in trust by the Escrow Agent until December 1, 2003 when the 1994 Certificates were prepaid. Refunding securities held in trust in the escrow fund, including subsequent investment there from, were in amounts sufficient to prepay the 1994 Certificates on December 1, 2003.

Moneys and government securities deposited into the escrow fund were not available to pay principal and interest of the Series 2003 Bonds.

The 1977 EDA Loan was prepaid pursuant to a pay-off letter and a cashier's check payable to the U.S. Economic Development Administration in the amount sufficient to prepay the 1977 EDA Loan.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 5 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2009, expenditures exceeded the revised budget estimates in individual funds as follows:

	<u>Excess Expenditures</u>
Transmission and Distribution	
Supervision, Labor and Benefits	\$ 73,044
Maintenance and Other	\$ 51,064
Engineering	
Labor, Benefits and Maintenance	\$ 2,863
Customer Accounts	
Supervision, Labor and Benefits	\$ 21,579
Uncollectible Accounts	\$ 7,642
Printing, Postage and Supplies	\$ 1,702
Field Services	
Maintenance of Water Meters	\$ 42,758
Administration and General	
Supervision, Labor and Benefits	\$ 78,625
Maintenance and Security	\$ 1,111
Insurance	\$ 4,940
Retirement Medical Benefits	\$ 9,698
Legislative	
Director Fees and Other	\$ 1,014
Other Expenses	
Interest Expense and Service Charges	\$ 4,478

NOTE 6 – CONTRIBUTED CAPITAL

Utility Plant

The District has consistently maintained a “new service” policy, which requires the users to contribute (dedicate) their transmission lines to the District. Under this policy an individual or developer bears the cost of installing all lines needed to service his facility with water. The individual or developer then dedicates these lines to the District and from that time on, it is the District’s responsibility to maintain and replace these lines. There was \$276,465 contributed utility plant during the year ended June 30, 2008 and \$71,466 contributed utility plant during the year ended June 30, 2009.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 6 – CONTRIBUTED CAPITAL (Continued)

Special Assessments

As discussed in Note 1, the District is not directly liable for special assessment debt therefore these bonds are not reflected on the financial statements of the District. All bond proceeds from Special Assessments which were available for construction costs have been recorded as contributed capital. This accounting is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 6. A summary of the Special Assessments providing contributed capital to the District follows:

87-1: The District acquired the private water company known as Ridgecrest Heights Water System during the 1987-88 fiscal year. In order to finance the construction of the estimated \$6,741,000 of required improvements the District confirmed Assessment District 87-1 on June 14, 1989. The District holds the Assessment District Bonds and did not sell them on the open market. Bond principal and interest revenues will be used to repay loans received to finance construction from the State of California (Note 4).

91-1: Assessment District 91-1 consists of approximately 300 gross acres of land subdivided into 133 residential lots contiguous to the southwesterly boundary of the City of Ridgecrest, California. The District confirmed Assessment District 91-1 on January 15, 1992 for the design and construction of a domestic water system for the property within the assessment district. The cost of this construction was estimated at \$1,508,000. Total assessments confirmed were \$1,508,000 and \$237,551 was collected during the cash collection period which ended February 15, 1992. The remaining unpaid assessments of \$1,270,449 were bonded and these limited obligation improvement bonds were sold on July 13, 1992.

NOTE 7 – ASSESSMENT DISTRICT BONDS RECEIVABLE

The District has elected to hold the AD 87-1 Assessment District Bonds rather than sell them on the open market. Since the District has “invested” in these bonds they are entitled to receive all revenue relating to the Assessment District Bonds. The assessment bonds receivable payment schedules at June 30, 2009 are as follows:

Year Ending June 30,	AD 87-1 Bonds Held
2009	\$ 235,000
2010	240,000
2011	250,000
2012	216,000
2013	230,000
2014 - 2018	1,212,000
2019 - 2023	300,000
Total Bond Principal Receivable	\$ 2,683,000

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 8 – COMMITMENTS / LEASES

Operating Leases

The District has not entered into leases for rights of way, real property, equipment or buildings as of June 30, 2009, which requires payments extending for a period longer than twelve months.

Capital Leases

The District has not entered into any capital leases which provide for title to pass to the District upon expiration of the lease term.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

Plan Description

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by the state statute and local ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate of 2% for the fiscal year ended June 30, 2009. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Costs

For fiscal year ended June 30, 2009, the District's annual pension cost of \$56,846 for PERS was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) (b) projected annual salary increases of 3.25% to 14.45% (depending on age, service and type of employment), and (c) both (a) and (b) include an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). As of June 30, 2009, PERS had no underfunded actuarial liability.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Five-Year Trend Information for PERS - Indian Wells Valley Water District				
Fiscal Year	Annual Pension Cost	Overfunding Offset	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/04	\$ 52,567	\$ (52,567)	100%	\$ 0
6/30/05	\$ 50,697	\$ (50,697)	100%	\$ 0
6/30/06	\$ 93,331	\$ (93,331)	100%	\$ 0
6/30/07	\$ 99,237	\$ (99,237)	100%	\$ 0
6/30/08	\$ 111,772	\$ (111,772)	100%	\$ 0
6/30/09	\$ 126,244	\$ (126,244)	100%	\$ 0

Total PERS covered salary of the District was \$1,948,035 for the fiscal year ended June 30, 2009, and employee contributions totaled \$137,253 for the fiscal year ended June 30, 2009.

Required Supplementary Information - Indian Wells Valley Water District						
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Normal Accrued Liability	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Covered Payroll
6/30/98	\$ 3,711,952	\$ 2,619,603	\$ (1,092,349)	141.7%	\$ 1,141,899	(95.7) %
6/30/99	\$ 4,261,149	\$ 2,861,137	\$ (1,400,012)	148.9%	\$ 1,101,300	(127.1) %
6/30/00	\$ 4,896,433	\$ 3,293,905	\$ (1,602,528)	148.7%	\$ 1,193,171	(134.3) %
6/30/01	\$ 5,094,388	\$ 3,436,702	\$ (1,657,686)	148.2%	\$ 1,107,430	(149.7) %
6/30/02	\$ 4,849,921	\$ 3,789,507	\$ (1,060,414)	128.0%	\$ 1,206,698	(87.9) %
6/30/03	\$ 4,847,970	\$ 4,854,258	\$ 6,288	99.9%	\$ 1,312,163	0.4 %
6/30/04	\$ 4,922,709	\$ 5,031,615	\$ 108,906	97.8%	\$ 1,531,669	6.0 %
6/30/05	\$ 4,128,934	\$ 4,371,090	\$ 242,156	94.5%	\$ 1,729,683	14.0 %
6/30/06	\$ 4,722,613	\$ 4,966,947	\$ 244,334	95.1%	\$ 1,949,119	12.5 %
6/30/07	\$ 5,348,704	\$ 5,565,255	\$ 216,551	96.1%	\$ 2,100,108	10.3 %
6/30/08	Not Available					

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 9, the District provides post retirement health care benefits to all employees who retire from the District and meet certain eligibility requirements. Employees of the District are eligible to retire with medical benefits based upon the following:

- A. An employee may retire at the age of 55 with 15 years of service and be eligible for District paid benefits for the life of the retiree and their spouse, however;
- B. District contributions are capped at \$400 per retiree per month.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

For fiscal year ending June 30, 2009, \$19,200 post retirement benefits were paid by the District for four retirees.

A study of current retiree health benefits was performed as of July 1, 2008. The total gross liability was estimated to be \$1,040,036. The total gross liability represents the amount that would be needed to pay retiree health benefits for all current and future retirees.

The District has performed an actuarial valuation on future liability and additional disclosures as required under GASB 27 are as follows:

1. Actuarial cost method:	Entry Age Normal
2. Interest rate assumption:	4.5%
3. Projected salary increase assumption:	N/A
4. Health inflation assumption:	N/A
5. Actuarially required contributions	
A. Normal Cost:	\$28,450
B. Unfunded past service liability amortization:	\$43,983
C. Actuarial accrued liability (past service liability) as of the end of the year:	\$389,053

The Governmental Accounting Standards Board (GASB) issued a new accounting standard that will affect the way all governmental agencies, account for and report their costs and obligations relating to post employment benefits other than pension (OPEB). The standard is referred to as GASB Statement 45 (GASB 45), "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions." The new standard will take effect over a three-year period, with the largest governments implementing first.

GASB 45 establishes standards for governmental employers to measure and report their costs and obligations relating to post employment benefits other than pensions. The term "post employment benefits" refers to benefits earned during employment but taken after employment has ended. The most common example of post employment benefits, other than pensions, is retiree health benefits.

Historically, most governmental employers that offer OPEB have financed the benefits on a pay-as-you-go basis rather than pre-funding them. The liability for promised but unfunded benefits can be enormous; for some California LEAs, the unfunded OPEB liability is in the millions and for a few, the unfunded liability is expected to be in the billions. To the extent that OPEB costs and obligations have not previously been recognized during the periods in which the benefits were earned, governmental financial statement users have been denied a clear picture of the government's position with regard to its OPEB obligations. This change to governmental financial reporting emulates a similar change in private-sector financial reporting.

Implementation of GASB 45 is required in three phases, based on an LEA's annual revenues for the fiscal year ending June 30, 1999:

	<u>Annual Revenues</u>	<u>Effective Date for GASB 45</u>
Phase 1	Revenues \$100 million or more	2007-08
Phase 2	Revenues \$10 million or more but less than \$100 million	2008-09
Phase 3	Revenues less than \$10 million	2009-10

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The District has contracted an actuary to provide an approved GASB 45 actuarial valuation; in addition, it will officially adopt the GASB 45 accounting and disclosure for the year beginning July 1, 2009.

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

There are various claims and legal actions pending against the District for which no provision has been made in the financial statements. In the opinion of the District attorneys and other district officials, liabilities arising from these claims and legal actions, if any, will not be significant.

The District has entered into various construction commitments. Such contracts include contracts for improvements to district facilities related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2009. This District has sufficient funds available to cover these commitments.

NOTE 12 – ASSESSMENT DISTRICT / CONTINGENCIES

Assessments to be Collected

As discussed in Note 1, the District has accounted for Assessment District activity in accordance with GASB No. 6. This statement requires assessment district bonds be not shown as a liability of the District if the District has no liability for payment should landowners default on their assessment payments. Since Indian Wells Valley Water District has no liability for the assessment district bonds, these bonds are not shown as a liability of the District. The District is only functioning as an agent for the property owners by collecting assessments, forwarding collections to bondholders and beginning foreclosures if required. Total assessments outstanding at June 30, 2009 are as follows:

	<u>AD #87-1</u>
Remaining Assessment Bond Principal Outstanding to be Collected.	\$ 2,683,000
Remaining Assessment Bond Interest Outstanding to be Collected.	<u>517,308</u>
Total Due and to be Collected	<u>\$ 3,200,308</u>

Assessment Bond Debt

The District maintains two assessment districts financed with 1915 Improvement Act Bonds. As discussed above, the District is not directly liable for the Assessment District debt and it is intended that all such debt will be repaid from landowner assessments and not District revenues. The Special Assessment Debt is not included in the District's financial statements. The District acts solely as an agent for the bondholders in collecting and forwarding the special assessments. Special Assessment Bonds outstanding at June 30, 2009 totaled \$2,683,000.

Delinquent Assessments: AD #87-1

The total amount delinquent as of June 30, 2009, was approximately 1.21% (\$64,369) for AD #87-1.

**INDIAN WELLS VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 13 – SUBSEQUENT EVENTS

On August 10, 2009 Indian Wells Valley Water District authorized the sale and delivery of Certificates of Participation in order to finance and refinance the construction of arsenic treatment facilities and water supply improvement and refund its allocable \$5,000,000 portion of the \$18,550,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds.

NOTE 14 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions.

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

B. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year-end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

SUPPLEMENTARY INFORMATION

**INDIAN WELLS VALLEY WATER DISTRICT
ORGANIZATION AND BOARD OF DIRECTORS
JUNE 30, 2009 AND 2008**

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Leroy Corlett	President	November 2012
Peter Brown	Vice President	November 2010
Peggy Breeden	Director	November 2012
Donald J. Cortichiato	Director	November 2012
Harold W. Manning	Director	November 2010

GENERAL MANAGER/SECRETARY

Thomas F. Mulvihill

CHIEF FINANCIAL OFFICER

Jennifer L. Keep

**INDIAN WELLS VALLEY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENSES
PROPRIETARY FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	2008-2009 ORIGINAL BUDGET	2008-2009 REVISED BUDGET	2008-2009 ACTUAL	OVER (UNDER) REVISED BUDGET	2009-2010 BUDGET
REVENUES					
WATER SALES					
Residential	\$ 6,570,800	\$ 6,242,700	\$ 6,062,389	\$ (180,311)	\$ 6,444,100
Commercial	1,186,300	1,168,400	1,133,616	(34,784)	1,219,300
Other	282,400	213,000	226,692	13,692	225,500
Total Water Sales	<u>8,039,500</u>	<u>7,624,100</u>	<u>7,422,697</u>	<u>(201,403)</u>	<u>7,888,900</u>
OTHER OPERATING REVENUES					
Capital Facilities Fees	230,000	409,751	184,725	(225,026)	235,900
New Service Connections	9,000	12,500	10,842	(1,658)	12,700
Other	214,700	211,100	212,888	1,788	227,000
Total Other Operating Revenues	<u>453,700</u>	<u>633,351</u>	<u>408,455</u>	<u>(224,896)</u>	<u>475,600</u>
OTHER REVENUES					
Interest and Assessment Income	597,800	441,000	327,016	(113,984)	403,600
Grant Income	0	0	0	0	0
Rent and Miscellaneous	63,500	42,100	32,288	(9,812)	38,300
Total Other Revenues	<u>661,300</u>	<u>483,100</u>	<u>359,304</u>	<u>(123,796)</u>	<u>441,900</u>
Total Revenues	<u>9,154,500</u>	<u>8,740,551</u>	<u>8,190,456</u>	<u>(550,095)</u>	<u>8,806,400</u>
OPERATING EXPENSES					
Pumping Plant:					
Labor and Benefits	386,700	384,300	342,048	(42,252)	391,400
Maintenance	276,000	181,647	168,817	(12,830)	221,100
Power	650,899	650,899	621,478	(29,421)	650,400
Permits	5,000	5,000	3,554	(1,446)	3,750
Total Pumping Plant	<u>1,318,599</u>	<u>1,221,846</u>	<u>1,135,897</u>	<u>(85,949)</u>	<u>1,266,650</u>
Water Treatment and Analysis	<u>121,000</u>	<u>137,000</u>	<u>112,842</u>	<u>(24,158)</u>	<u>128,000</u>
Transmission and Distribution:					
Supervision, Labor and Benefits	585,200	551,500	624,544	73,044	651,500
Maintenance and Other	241,500	185,300	236,364	51,064	218,000
Total Transmission and Distribution	<u>826,700</u>	<u>736,800</u>	<u>860,908</u>	<u>124,108</u>	<u>869,500</u>
Engineering:					
Labor and Benefits and Maintenance	291,400	279,100	281,963	2,863	303,650
Total Engineering	<u>291,400</u>	<u>279,100</u>	<u>281,963</u>	<u>2,863</u>	<u>303,650</u>

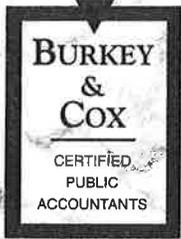
**INDIAN WELLS VALLEY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENSES
PROPRIETARY FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	2008-2009 ORIGINAL BUDGET	2008-2009 REVISED BUDGET	2008-2009 ACTUAL	OVER (UNDER) REVISED BUDGET	2009-2010 BUDGET
OPERATING EXPENSES (Continued)					
Customer Accounts:					
Supervision, Labor and Benefits	\$ 178,100	\$ 174,400	\$ 195,979	\$ 21,579	\$ 223,775
Uncollectible Accounts	25,000	25,000	32,642	7,642	27,500
Printing, Postage and Supplies	74,100	69,300	71,002	1,702	67,000
Total Customer Accounts	<u>277,200</u>	<u>268,700</u>	<u>299,623</u>	<u>30,923</u>	<u>318,275</u>
Field Services:					
Supervision, Labor and Benefits	302,201	298,901	247,546	(51,355)	314,700
Vehicles	28,000	28,000	22,511	(5,489)	25,000
Maintenance of Water Meters	65,000	55,000	97,758	42,758	95,000
Total Field Services	<u>395,201</u>	<u>381,901</u>	<u>367,815</u>	<u>(14,086)</u>	<u>434,700</u>
Administration and General:					
Supervision, Labor and Benefits	898,000	910,200	988,825	78,625	921,500
Vehicles	20,000	20,000	5,026	(14,974)	5,500
Office Expense	43,000	37,500	27,683	(9,817)	30,100
Memberships and Subscriptions	33,500	36,600	31,524	(5,076)	36,000
Travel and Conventions	26,000	26,000	17,909	(8,091)	24,500
Maintenance and Security	23,500	23,500	24,611	1,111	9,200
Office and Shop Utilities	43,000	43,000	42,540	(460)	46,000
Telephone	40,000	37,000	33,141	(3,859)	35,000
Insurance	120,000	86,800	91,740	4,940	81,695
Employee Training and Subsistence	36,000	32,500	31,298	(1,202)	39,400
Outside Services and Consultants	458,600	430,800	345,177	(85,623)	343,900
Retirement Medical Benefits	85,000	88,000	97,698	9,698	0
Computer and Equipment Maintenance	65,500	58,000	56,901	(1,099)	57,500
Miscellaneous	68,100	68,700	60,719	(7,981)	96,645
Total Administration and General	<u>1,960,200</u>	<u>1,898,600</u>	<u>1,854,792</u>	<u>(43,808)</u>	<u>1,726,940</u>
Legislative:					
Director Fees and Other	107,300	107,900	108,914	1,014	105,500
Total Legislative	<u>107,300</u>	<u>107,900</u>	<u>108,914</u>	<u>1,014</u>	<u>105,500</u>
Depreciation and Amortization	<u>2,271,300</u>	<u>2,271,300</u>	<u>2,212,416</u>	<u>(58,884)</u>	<u>2,340,032</u>

**INDIAN WELLS VALLEY WATER DISTRICT
STATEMENT OF REVENUES AND EXPENSES
PROPRIETARY FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	2008-2009 ORIGINAL BUDGET	2008-2009 REVISED BUDGET	2008-2009 ACTUAL	OVER (UNDER) REVISED BUDGET	2009-2010 BUDGET
OTHER EXPENSES					
Interest Expense and Service Charges	\$ 425,900	\$ 425,900	\$ 430,378	\$ 4,478	\$ 436,300
Future Source of Supply	906,800	757,800	675,069	(82,731)	526,800
Other Non-Operating Expenses	251,900	251,500	241,303	(10,197)	282,000
 Total Other Expenses	 1,584,600	 1,435,200	 1,346,750	 (88,450)	 1,245,100
 Total Expenses	 9,153,500	 8,738,347	 8,581,920	 (156,427)	 8,738,347
 Net Income	 \$ 1,000	 \$ 2,204	 \$ (391,464)	 \$ (393,668)	 \$ 68,053

OTHER INDEPENDENT AUDITOR'S REPORT



BURKEY COX EVANS BRADFORD & ALDEN

ACCOUNTANCY CORPORATION

44811 DATE AVENUE, SUITE A
LANCASTER, CALIFORNIA 93534-3136

TEL: (661) 948-0808
FAX: (661) 949-3508

GARY W. COX, CPA (retired)
SCOTT EVANS, CPA, CFP, CVA
LAURA A. BRADFORD, CPA
JENNIFER ALDEN, CPA
TERESA YATES, CPA
TERRY L. SNEDIGAR, EA

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

Board of Directors
Indian Wells Valley Water District
Ridgecrest, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Wells Valley Water District, as of and for the year ended June 30, 2009 and 2008, which collectively comprise the Indian Wells Valley Water District's basic financial statements and have issued our report thereon dated September 11, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indian Wells Valley Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Indian Wells Valley Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Indian Wells Valley Water District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Indian Wells Valley Water District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Indian Wells Valley Water District's financial statements that is more than inconsequential will not be prevented or detected by the Indian Wells Valley Water District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Indian Wells Valley Water District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Indian Wells Valley Water District
Page 2

Compliance and Other Matters

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

We noted certain matters that we reported to management of Indian Wells Valley Water District, in a separate letter dated August 12, 2009.

This report is intended solely for the information and use of management, others within the organization, and Board of Directors. However, this report is a matter of public record and its distribution is not limited.



BURKEY COX EVANS BRADFORD & ALDEN
Certified Public Accountants

Lancaster, California
September 11, 2009

Indian Wells Valley Water District

Budget Development

2009-2010

Account	Description	2008 Actual	2009 Revised Budget	2010 Proposed Budget	% Difference 2010:2009
Operating Revenues					
1-0-4110-100	Residential	\$5,305,329	\$5,530,800	\$5,716,800	
1-0-4110-200	China Lake Acres	143,160	148,600	152,500	
1-0-4110-300	Master-Metered Res.	554,432	563,300	574,800	
1-0-4110-400	Commercial/Public/Ind.	1,101,745	1,168,400	1,219,300	
1-0-4110-500	Bulk Rate	7,468	8,100	8,500	
1-0-4110-600	Construction Water	55,810	14,500	18,100	
1-0-4110-700	Fire Prevention	50,484	54,000	58,000	
1-0-4110-801	B-Zone Charge	54,128	57,100	58,300	
1-0-4110-802	C-Zone Charge	27,369	28,500	29,000	
1-0-4110-803	D-Zone Charge	5,138	5,600	5,700	
1-0-4110-804	E-Zone Charge	40,378	45,200	47,900	
	Total Water Sales	<u>7,345,441</u>	<u>7,624,100</u>	<u>7,888,900</u>	103.47%
1-0-4230-000	Customer Service Charges	35,885	38,000	39,000	
1-0-4231-100	Delinquent Billing Charge	108,201	107,900	123,000	
1-0-4231-200	48-Hour Notice Charge	31,803	36,100	37,600	
1-0-4231-300	Turn-Off Charge	17,083	17,600	19,800	
1-0-4232-000	New Service Installation Chrgs	10,638	12,500	12,700	
1-0-4234-000	Plan Check & Processing Fee	24,160	11,000	6,800	
1-0-4235-000	Inspection Fees	220	500	800	
	Total Water Service Revenue	<u>227,990</u>	<u>223,600</u>	<u>239,700</u>	107.20%
	Total Operating Revenues	<u>7,573,431</u>	<u>7,847,700</u>	<u>8,128,600</u>	103.58%
Operating Expenditures					
1-0-5211-000	Pumping Plant - Supervision	78,536	70,000	76,700	109.57%
1-0-5212-000	Pumping Plant - Labor	171,665	190,700	197,200	103.41%
1-0-5213-000	Pumping Plant - Overtime	3,867	4,000	3,000	75.00%
1-0-5213-100	Pumping Plant - Standby OT	11,291	15,000	6,500	43.33%
1-0-5214-000	Pumping Plant - Emp Benefits	60,443	96,600	104,000	107.66%
1-0-5215-000	Pumping Plant - Vehicles	18,647	23,000	23,000	100.00%
1-0-5221-000	Maintenance Of Structures	3,678	5,000	4,000	80.00%
1-0-5222-000	Maintenance of Pumping Equipment	215,968	120,000	150,000	125.00%
1-0-5222-200	Maintenance Standby Generators	17,915	15,000	12,500	83.33%
1-0-5223-000	Maintenance & Care Of Grounds	5,587	7,500	6,500	86.67%
1-0-5223-100	Northwest Wellfield Ground Maint	54	500	100	20.00%
1-0-5224-000	Maintenance Automated Controls	6,099	10,647	25,000	234.81%
1-0-5225-000	Air Pollution Control Permits	3,698	5,000	3,750	75.00%
1-0-5231-000	Purchased Power Wells, Etc.	588,046	650,000	650,000	100.00%
1-0-5233-000	Natural Gas	754	900	400	44.44%
1-0-5246-000	Pumping Plant - Training & Conferences	0	8,000	4,000	50.00%
	Total Pumping Plant Expenditures	<u>1,186,248</u>	<u>1,221,847</u>	<u>1,266,650</u>	103.67%

Indian Wells Valley Water District

Budget Development

2009-2010

Account	Description	2008	2009	2010	%
		Actual	Revised Budget	Proposed Budget	Difference 2010:2009
1-0-5331-000	Bacteriological Lab Analysis	\$8,860	\$10,000	\$9,000	90.00%
1-0-5332-000	Physical Lab Analysis	9,195	26,000	17,000	65.38%
1-0-5333-000	SDWR Compliance Notices	9,663	11,000	8,000	72.73%
1-0-5333-001	Water Treatment Arsenic Notices	0	0	14,000	-
1-0-5334-000	Water Treatment Chemicals	85,878	90,000	80,000	88.89%
	Total Water Treatment Expenditures	113,596	137,000	128,000	93.43%
1-0-5411-000	T&D - Supervision	130,479	139,500	144,200	103.37%
1-0-5412-000	T&D - Labor	377,321	374,800	454,800	121.34%
1-0-5412-050	T&D - Temp Labor	5,452	4,200	0	-
1-0-5412-500	T&D - Capital Project Credit	-261,402	-236,000	-238,000	100.85%
1-0-5413-000	T&D - Overtime	16,269	29,500	19,200	65.08%
1-0-5414-000	T&D - Benefits	246,286	239,500	262,800	109.73%
1-0-5415-000	T&D - Vehicles	33,137	41,000	40,000	97.56%
1-0-5416-000	Maint Heavy & Light Equipment	27,823	32,000	35,000	109.38%
1-0-5421-000	Maintenance of T&D	837	15,000	12,500	83.33%
1-0-5422-000	Maint Reservoirs & Tanks	0	20,000	35,000	175.00%
1-0-5424-000	Maint of Fire Hydrants	10,436	12,000	20,000	166.67%
1-0-5425-000	Maint Laterals & Meters	15,346	25,000	33,000	132.00%
1-0-5426-000	Maint Valves & Boxes	3,966	5,000	2,000	40.00%
1-0-5427-000	Maintenance Of Street	62,228	65,000	75,000	115.38%
1-0-5429-000	Maint Misc Parts & Materials	37,051	33,000	43,500	131.82%
1-0-5433-000	Equipment Rental	6,991	22,100	7,000	31.67%
1-0-5434-000	Capital Equipment Credit	-91,235	-99,800	-85,000	85.17%
1-0-5446-000	T&D - Training and Conferences	189	15,000	8,500	56.67%
	Total Transmission & Distribution Expenditures	621,174	736,800	869,500	118.01%
1-0-5412-100	Engineering - Labor	170,490	178,800	196,300	109.79%
1-0-5412-200	Engineering - Intern	0	0	6,700	-
1-0-5412-600	Engineering Capital Project Credit	0	0	-7,900	-
1-0-5413-100	Engineering - Overtime	4,221	4,500	2,000	44.44%
1-0-5414-100	Engineering - Benefits	57,047	72,800	77,800	106.87%
1-0-5415-100	Engineering - Vehicles	7,855	10,000	17,000	170.00%
1-0-5446-000	Engineering - Training and Conferences	0	4,000	2,500	62.50%
1-0-5464-200	Engineering - IT Training	9,767	9,000	9,250	102.78%
	Total Engineering Expenditures	249,380	279,100	303,650	108.80%

Indian Wells Valley Water District

Budget Development

2009-2010

Account	Description	2008	2009	2010	%
		Actual	Revised Budget	Proposed Budget	Difference 2010:2009
1-0-5511-000	Customer Accts - Supervision	\$83,961	\$53,300	\$63,100	118.39%
1-0-5512-000	Customer Accts - Labor	70,582	73,900	89,600	121.24%
1-0-5512-100	Customer Accts - Temp Labor	5,057	4,500	0	-
1-0-5513-000	Customer Accts - Overtime	317	1,000	350	35.00%
1-0-5514-000	Customer Accts - Benefits	57,104	41,700	66,900	160.43%
1-0-4920-001	Interest Paid on Deposits	691	700	1,000	142.86%
1-0-5520-000	Uncollectible Accounts	32,999	25,000	27,500	110.00%
1-0-5541-000	Postage & Supplies	45,306	50,000	53,000	106.00%
1-0-5542-000	Printing & Reproduction	12,901	13,500	14,000	103.70%
1-0-5543-000	Language Assistance	1,270	2,000	1,225	61.25%
1-0-5546-000	Customer Accounts - Training & Confs.	0	3,000	1,500	50.00%
1-0-5550-000	Cash Short/Over	82	100	100	100.00%
	Total Customer Accounts Expenditures	310,270	268,700	318,275	118.45%
1-0-5561-000	Field Services - Supervision	66,813	68,600	69,700	101.60%
1-0-5562-000	Field Services - Labor	120,357	179,300	214,200	119.46%
1-0-5562-100	Field Services - Temp Labor	29,024	20,000	0	0.00%
1-0-5563-000	Field Services - Overtime	1,448	1,100	600	54.55%
1-0-5564-000	Field Services - Capital Proj Credit	-2,068	-92,100	-94,800	102.93%
1-0-5565-000	Field Services - Benefits	86,074	110,000	120,000	109.09%
1-0-5566-000	Field Services - Vehicles	25,726	28,000	25,000	89.29%
1-0-5567-000	Maintenance of Meters	48,177	55,000	95,000	172.73%
1-0-5568-000	Field Services - Training and Conferences	0	12,000	5,000	41.67%
	Total Field Services Expenditures	375,551	381,900	434,700	113.83%
1-0-5611-000	Administration - Supervision	457,276	476,200	476,400	100.04%
1-0-5611-500	Administration - Capital Project Credit	0	-15,400	-23,000	
1-0-5612-000	Administration - Labor	134,433	113,300	118,300	104.41%
1-0-5612-200	Administration - Part Time Lbr	0	0	0	-
1-0-5613-000	Administration - Overtime	4,724	5,000	4,500	90.00%
1-0-5614-000	Administration - Benefits	127,934	166,000	177,500	106.93%
1-0-5615-100	Administration - Vehicles	17,552	22,000	5,500	25.00%
1-0-5612-100	Accounting - Labor	113,512	122,200	124,200	101.64%
1-0-5613-100	Accounting - Overtime	0	500	200	40.00%
1-0-5614-100	Accounting - Benefits	47,088	40,400	43,400	107.43%
1-0-5621-000	Stationery & Supplies	24,346	25,500	23,100	90.59%
1-0-5622-000	Printing & Reproduction	1,439	2,500	1,000	40.00%
1-0-5623-000	Postage	8,347	9,500	6,000	63.16%
1-0-5624-000	Administrative Memberships & Subscriptions	30,886	7,000	6,000	85.71%
1-0-5625-000	Travel & Convention Management	23,093	26,000	20,500	78.85%
1-0-5625-001	Travel & Convention Admin & Accounting	0	3,500	4,000	114.29%
	Total Administrative Expenditures	990,630	1,004,200	987,600	98.35%

Indian Wells Valley Water District

Budget Development

2009-2010

Account	Description	2008	2009	2010	%
		Actual	Revised Budget	Proposed Budget	Difference 2010:2009
1-0-5625-100	Maintenance of Structures	\$1,259	\$4,500	\$5,000	111.11%
1-0-5626-000	Office & Shop Utilities	40,791	43,000	46,000	106.98%
1-0-5627-000	Telephones	35,330	37,000	35,000	94.59%
1-0-5627-100	Internet Service Provider	0	2,900	2,900	100.00%
1-0-5627-500	Security Services	3,477	4,000	4,200	105.00%
1-0-5628-000	Custodian/Caretaker	12,517	15,000	12,200	81.33%
1-0-5629-000	Misc/Film/Allowances Etc.	6,026	6,500	6,000	92.31%
1-0-5629-100	Employment Verification	400	500	200	40.00%
1-0-5631-000	Ins Liability, Property, Compe	88,340	88,000	81,695	92.84%
1-0-5631-100	Deductible Adjustments	1,451	3,000	3,000	100.00%
1-0-5632-000	Medical Examinations	220	500	500	100.00%
1-0-5641-200	Retirement Medical Benefits	85,864	86,800	0	0.00%
1-0-5646-200	Safety Materials and Equipment	88,027	32,500	39,400	121.23%
1-0-5648-000	Misc. Sundries	5,125	8,000	8,000	100.00%
1-0-5650-100	Employee Assistance Program	0	1,500	1,500	100.00%
1-0-5651-000	Legal Services	128,134	137,400	135,000	98.25%
1-0-5652-000	Auditing Services	13,000	16,900	16,900	100.00%
1-0-5653-000	Consulting Engineer Services	80,015	60,000	55,000	91.67%
1-0-5654-000	Financial Services	1,415	2,500	0	0.00%
1-0-5658-000	Misc. Consultants (2008-Arsenic)	222,863	4,000	0	0.00%
1-0-5658-100	Hydrogeologist Consultant	6,471	210,000	137,000	65.24%
1-0-5659-000	Underground Service Alert	479	600	600	100.00%
1-0-5660-000	District Memberships & Subscriptions	0	29,600	30,000	101.35%
1-0-5661-000	Rents/Lease Equipment	4,681	6,500	3,900	60.00%
1-0-5662-000	Leases Real Estate BLM	5,526	1,000	1,000	100.00%
1-0-5672-000	Maintenance Equipment	19,878	20,000	21,000	105.00%
1-0-5675-000	Computer Maintenance	17,753	20,000	19,000	95.00%
1-0-5676-000	Springbrook Software Maintenanc	16,386	18,000	17,500	97.22%
1-0-5962-000	LAFCO Expense	2,750	2,500	2,500	100.00%
1-0-5690-000	After Hours	26,213	31,700	29,000	91.48%
1-0-5957-000	Cost of Service Study	0	35,000	25,345	72.41%
	Total General Expenditures	914,391	929,400	739,340	79.55%
1-0-5691-000	Director's Fees	18,955	22,000	23,000	104.55%
1-0-5691-500	Health Insurance Director's	58,474	61,900	66,200	106.95%
1-0-5691-600	Director's Workers Comp	529	1,300	1,100	84.62%
1-0-5692-000	Recording Secretary	1,200	1,200	1,200	100.00%
1-0-5694-000	Travel & Convention - Directors	9,048	11,500	14,000	121.74%
1-0-5695-000	Elections	0	10,000	0	-
	Total Legislative Expenditures	88,206	107,900	105,500	97.78%

Indian Wells Valley Water District

Budget Development

2009-2010

Account	Description	2008	2009	2010	%
		Actual	Revised Budget	Proposed Budget	Difference 2010:2009
1-0-5710-000	Depreciation	\$2,094,125	\$2,260,000	\$2,328,732	103.04%
1-0-5926-000	Issuance Expense on CSCDA Bond	11,300	11,300	11,300	100.00%
	Total Depreciation and Amortization	<u>2,105,425</u>	<u>2,271,300</u>	<u>2,340,032</u>	103.03%
	Total Operating Expenditures	<u>6,954,870</u>	<u>7,338,147</u>	<u>7,493,247</u>	2.11%
	Operating Revenues over Expenditures	<u>618,561</u>	<u>509,553</u>	<u>635,353</u>	224.69%
Non-Operating Income					
1-0-4233-000	Capital Facility Fee	387,420	389,300	215,400	55.33%
1-0-4233-100	Basic Facility Charges Refund	-2,600	0	0	-
1-0-4236-000	Dist Syst Connect Chrg/Frnt Ft	165,697	20,451	20,500	100.24%
1-0-4920-000	Interest Income	357,684	317,700	304,100	95.72%
1-0-4920-100	Interest Income - COP	17,534	12,100	4,100	33.88%
1-0-4920-200	Assesment Revenue AD #82-1	1,233	0	0	-
1-0-4920-210	Assessment Int Income AD #87-1	102,472	98,800	86,000	87.04%
1-0-4920-700	Interest Income Prop44/55	13,117	12,400	13,500	108.87%
1-0-4960-000	Miscellaneous Revenues	221,333	22,900	15,000	65.50%
1-0-4970-000	Olancha Farm Rent	18,500	19,200	19,200	100.00%
	Total Non-Operating Income	<u>1,282,390</u>	<u>892,851</u>	<u>677,800</u>	75.91%
Non-Operating Expenditures					
1-0-5923-001	Interest on 2003 Bonds	171,808	163,500	159,100	97.31%
1-0-5924-000	Interest on Loan Prop 44	7,320	5,800	4,600	79.31%
1-0-5925-000	Interest on Loan Prop 55	111,866	104,800	99,300	94.75%
1-0-5927-000	Admin/Misc Fees CSCDA	3,562	4,100	3,500	85.37%
1-0-5927-001	2003 Bond Sweep Fee/Admin Fee	3,577	5,900	3,500	59.32%
1-0-5928-000	Interest on CSCDA Bonds	163,075	151,800	151,800	100.00%
1-0-5929-000	Misc Service Charges/Penalties	4,570	4,300	6,000	139.53%
1-0-5929-001	Credit Card Service Charges	5,170	6,000	8,500	141.67%
	Non-Operating Expense, Interest	<u>470,948</u>	<u>446,200</u>	<u>436,300</u>	97.78%
1-0-5933-000	Dept Health Service Annual Fee	14,351	16,600	15,000	90.36%
1-0-5944-000	Public Information	18,395	30,000	30,000	100.00%
1-0-5949-000	Water Conservation Programs	65,302	100,000	80,000	80.00%
1-0-5949-100	Xeriscape Special Projects	0	0	65,000	-
1-0-5949-300	Conservation/Public Education Salary	58,271	66,300	72,100	108.75%
1-0-5949-400	Conservation/Public Education Benefits	10,941	14,500	16,100	111.03%
1-0-5949-500	Conservation/Public Education OT	788	800	800	100.00%
1-0-5949-600	Conservation/Public Education Travel	2,152	3,000	3,000	100.00%
	Non-Operating Expense, Conservation	<u>170,200</u>	<u>231,200</u>	<u>282,000</u>	121.97%

Indian Wells Valley Water District

Budget Development

2009-2010

Account	Description	2008	2009	2010	%
		Actual	Revised Budget	Proposed Budget	Difference 2010:2009
1-0-5952-000	Well Monitoring Program	\$12,864	\$2,800	\$2,800	100.00%
1-0-5953-000	Kern County Property Tax	2,342	2,400	2,400	100.00%
1-0-5954-000	Inyo County Property Tax	3,204	3,500	3,600	102.86%
1-0-5960-000	Alternate Water Supply - General	233,283	77,000	63,000	81.82%
1-0-5960-001	AWS - Butterworth Ranch Olancha	12,797	12,800	14,000	109.38%
1-0-5960-003	AWS - Stine Property	3,478	15,000	5,000	33.33%
1-0-5960-102	AWS - Ground Water Flow Model	77,125	20,000	0	0.00%
1-0-5960-104	AWS - Brackish Water Pilot Plant	546,941	474,300	150,000	31.63%
1-0-5960-105	AWS - Aquifer Storage and Recovery	1,074	100,000	100,000	100.00%
1-0-5960-106	AWS - Brackish Water Resource Study	0	0	171,000	-
1-0-5961-000	Cooperative Water Mgmt Project	0	15,000	15,000	100.00%
	Non-Oper Expense, Alternate Water Supply	893,108	722,800	526,800	72.88%
	Total Non-Operating Expenditures	1,534,256	1,400,200	1,245,100	88.92%
	Non-Operating Expenditures over Revenues	-251,866	-507,349	-567,300	111.82%
	Total Revenues over Expenditures	\$366,695	\$2,204	\$68,053	3087.68%

**Indian Wells Valley Water District
Capital Projects and Purchases Budget
2009-2010**

Project	Project Budget	* Project to Date Actuals	Proposed Budget 2010	Future Budgets
Pumping Plant				
New Well No. 34	\$1,447,170	\$947,170	\$500,000	\$0
New Well No. 35 (Phase II)	1,922,000	72,237	250,000	1,599,763
New Well No. 36 (Phase II)	1,922,000	33,307	250,000	1,638,693
D-Zone Tank	1,400,000	157,982	1,242,018	0
Well Improvements (Phase I)	765,000	15,000	750,000	0
Monitoring Wells (Phase II)	400,000	0	0	400,000
Well No. 17 Discharge & Pipe Vault	175,000	0	175,000	0
Arsenic Treatment Facility & Fencing	8,068,489	435,825	4,762,664	2,870,000
Emergency Standby Generators	78,000	0	78,000	0
	<u>\$16,177,659</u>	<u>\$1,661,520</u>	<u>\$8,007,682</u>	<u>\$6,508,456</u>
Transmission & Distribution Plant				
Radio Read Meters	\$1,200,000	\$592,961	\$400,000	\$207,039
Transmission Line for New Well, 1.0 mile 16"	620,000	0	20,000	600,000
Mainline Replacement			700,000	
Facilities			30,000	
New Service Installations			37,500	
Fire Hydrants			7,500	
General Plant				
Vehicles, Replacement			0	
Equipment, Replacement			45,350	
Equipment, New			85,000	
Needs Assessment Services, Information System			25,000	
Miscellaneous Capital Purchases			25,000	
Replacement Computer Equipment			22,000	
Replacement Equipment, Customer Accounts			7,000	
Alternative Water Supply				
Stine Property, Replace Well	350,000	0	50,000	300,000
Total Capital Improvements	<u><u>\$18,347,659</u></u>	<u><u>\$2,254,481</u></u>	<u><u>\$9,462,033</u></u>	<u><u>\$7,615,495</u></u>

**Indian Wells Valley Water District
Capital Projects and Purchases Budget
2009-2010 Budget Details**

Project	Project Budget	* Project to Date Actuals	Proposed Budget 2010	Future Budgets
Pumping Plant				
New Well No. 34 - Permanent Pump House and Contingencies	1,447,170	947,170	500,000	0
New Well No. 35 (Pumping Capacity Increase Phase II)				
Power to Well	25,000	0	0	25,000
Engineering, Construction & Admin	80,000	70,832	0	9,168
Environmental Impact Report	250,000	0	250,000	0
Fencing	30,000	0	0	30,000
Biological	17,000	1,405	0	15,595
Drill Well	550,000	0	0	550,000
Equip Well	575,000	0	0	575,000
Pumping Plant Design	80,000	0	0	80,000
Power to Well	25,000	0	0	25,000
Contract and Administration	140,000	0	0	140,000
Contingency	150,000	0	0	150,000
	1,922,000	72,237	250,000	1,599,763
New Well No. 36 (Pumping Capacity Increase Phase II)				
Power to Well	25,000	0	0	25,000
Engineering, Construction & Admin	80,000	33,307	0	46,693
Environmental Impact Report	250,000	0	250,000	0
Fencing	30,000	0	0	30,000
Biological	17,000	0	0	17,000
Drill Well	550,000	0	0	550,000
Equip Well	575,000	0	0	575,000
Pumping Plant Design	80,000	0	0	80,000
Power to Well	25,000	0	0	25,000
Contract and Administration	140,000	0	0	140,000
Contingency	150,000	0	0	150,000
	1,922,000	33,307	250,000	1,638,693
D-Zone Tank				
Construction	964,626	0	964,626	0
Fencing	61,147	61,147	0	0
Earthwork	96,366	0	96,366	0
Telemetry	57,820	0	57,820	0
Biological	27,401	27,401	0	0
Engineering & Administration	192,640	69,433	123,207	0
	1,400,000	157,982	1,242,018	0
Well Improvements (Pumping Capacity Increase Phase I)				
Re-Equip two wells	765,000	15,000	750,000	0
Monitoring Wells	400,000	0	0	400,000
Well 17 Discharge Pipe & Vault	175,000	0	175,000	0
Arsenic Treatment Facility & Fencing				
Fencing	68,489	68,489	0	0
Engineering	271,260	248,652	22,608	0
Construction	7,728,740	118,684	4,740,056	2,870,000
	8,068,489	435,825	4,762,664	2,870,000

**Indian Wells Valley Water District
Capital Projects and Purchases Budget
2009-2010 Budget Details**

Project	Project Budget	* Project to Date Actuals	Proposed Budget 2010	Future Budgets
Incident Matrix Recommendations				
Generator, Well No. 34	75,000	0	75,000	0
Generator, Fuel Supply	3,000	0	3,000	0
	78,000	0	78,000	0
Transmission & Distribution Plant				
Radio Read Meters, 1/3 of District	1,200,000	592,961	400,000	207,039
Transmission Line for New Well, 1.0 mile 16"	620,000	0	20,000	600,000
Mainline Replacement			700,000	
Facilities			30,000	
New Service Installations			37,500	
Fire Hydrants			7,500	
			1,195,000	
General Plant				
Vehicles, Replacement			0	
Equipment, Replacement				
Front-end Loader for Yard			45,350	
Equipment, New				
Valve Turner/Vacuum Truck			85,000	
Needs Assessment Services, Information System			25,000	
Miscellaneous Capital Purchases			25,000	
Replacement Computer Equipment				
Hardware			16,500	
Software			5,500	
			22,000	
Replacement Equipment, Cust Accts - in event of failure			7,000	
Alternative Water Supply				
Stine Property, Replace Well				
Biological, CEQA and Engineering	350,000	0	50,000	300,000
Total Capital Improvements	\$18,347,659	\$2,254,481	\$9,462,033	\$7,615,495

**Indian Wells Valley Water District
Capital Projects and Purchases Budget
2010 through 2020**

Project	Project Budget	Project Costs To Date	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2020 Budget
ONE-TIME PROJECTS									
Pumping Plant									
New Well No. 34	\$1,577,170	\$947,170	\$630,000	\$0	\$0	\$0	\$0	\$0	\$0
New Well No. 35 (Phase II)	1,922,000	72,237	250,000	0	0	1,132,263	467,500	0	0
New Well No. 36 (Phase II)	1,922,000	33,307	250,000	20,000	17,525	1,133,668	467,500	0	0
D-Zone Tank	1,500,000	157,981	1,342,019	0	0	0	0	0	0
Well Improvements (Phase I)	860,000	15,000	750,000	95,000	0	0	0	0	0
Monitoring Wells (Phase II)	400,000	0	0	0	0	0	400,000	0	0
Well No. 17 Discharge & Pipe Vault	175,000	0	175,000	0	0	0	0	0	0
Arsenic Treatment Facility & Fencing	12,100,000	367,336	7,641,348	4,091,316	0	0	0	0	0
Emergency Standby Generators	78,000	0	78,000	0	0	0	0	0	0
	\$20,534,170	\$1,593,031	\$11,116,367	\$4,206,316	\$17,525	\$2,265,931	\$1,335,000	\$0	\$0
Transmission & Distribution Plant									
Radio Read Meters	\$1,200,000	\$695,500	\$400,000	\$104,500	\$0	\$0	\$0	\$0	\$0
Transmission Line for New Well, 1.0 mile 16"	620,000	0	20,000	0	0	0	0	600,000	0
Reservoir, Hartley #1	1,575,000	0	0	0	0	0	0	1,575,000	0
24" Bowman, A Zone	3,475,000	0	0	0	0	0	0	3,475,000	0
24" Lumill, A Zone	1,500,000	0	0	0	0	0	0	1,500,000	0
Reservoir, E Zone	800,000	0	0	0	0	0	0	800,000	0
24" Sunland, E Zone	2,062,500	0	0	0	0	0	0	2,062,500	0
	\$11,232,500	\$695,500	\$420,000	\$104,500	\$0	\$0	\$0	\$10,012,500	\$0
Alternative Water Supply									
Stine Property, Replace Well	\$350,000	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$300,000
Totals One-Time Capital Projects	\$32,116,670	\$2,288,531	\$11,586,367	\$4,310,816	\$17,525	\$2,265,931	\$1,335,000	\$10,012,500	\$300,000
ON-GOING PROJECTS									
Transmission & Distribution Plant									
Mainline Replacement			\$700,000	\$700,000	\$750,000	\$750,000	\$800,000	\$800,000	\$4,250,000
Facilities			30,000	30,000	30,000	30,000	30,000	30,000	150,000
New Service Installations			37,500	37,500	37,500	37,500	37,500	37,500	187,500
Fire Hydrants			7,500	7,500	7,500	7,500	7,500	7,500	37,500
General Plant									
Vehicles, Replacement			0	50,000	50,000	50,000	50,000	50,000	250,000
Equipment, Replacement			45,350	50,000	50,000	50,000	50,000	50,000	250,000
Equipment, New			85,000	50,000	50,000	50,000	50,000	50,000	250,000
Needs Assessment Services, Information System			25,000	25,000	25,000	25,000	25,000	25,000	125,000
Miscellaneous Capital Purchases			25,000	25,000	25,000	25,000	25,000	25,000	125,000
Replacement Computer Equipment			22,000	22,000	23,000	23,000	24,000	24,000	125,000
Replacement Equipment, Customer Accounts			7,000	7,000	7,000	7,000	7,000	7,000	35,000
Total On-Going Capital Projects			\$984,350	\$1,004,000	\$1,055,000	\$1,055,000	\$1,106,000	\$1,106,000	\$5,785,000