

# ROWLAND WATER DISTRICT

3021 South Fullerton Road  
Rowland Heights, CA 91748  
(562) 697-1726

## RWD BOARD VISION



### Our Mission:

*"Bound by our core values -- Accountability, Communication and Teamwork -- we are committed to providing the highest level of service to our customers --*

**DEDICATED-RELIABLE-OUTSTANDING-PROFESSIONAL SERVICE"**

## Board of Directors Regular Meeting

### December 11, 2012

### 6:00 p.m.



**AGENDA**  
Regular Meeting of the Board of Directors  
December 11, 2012  
6:00 PM

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**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL OF DIRECTORS**

Anthony J. Lima, President  
Szu Pei Lu-Yang, Vice President  
Robert W. Lewis  
John Bellah  
Teresa P. Rios

**ADDITION(S) TO THE AGENDA**

**PUBLIC COMMENT ON NON-AGENDA ITEMS**

*Any member of the public wishing to address the Board of Directors regarding items not on the Agenda within the subject matter jurisdiction of the Board should do so at this time. With respect to items on the agenda, the Board will receive public comments at the time the item is opened for discussion, prior to any vote or other Board action. A three-minute time limit on remarks is requested.*

*Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Rose Perea, Secretary to the Board at (562) 697-1726, or writing to Rowland Water District, at P.O. Box 8460, Rowland Heights, CA 91748. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included, so that District staff may discuss appropriate arrangements. Anyone requesting a disability-related accommodation should make the request with adequate time prior to the meeting in order for the District to provide the requested accommodation.*

*Any member of the public wishing to participate in the meeting, who requires a translator to understand or communicate in English, should arrange to bring a translator with them to the meeting.*

*Materials related to an item on this Agenda submitted after distribution of the Agenda packet are available for public review at the District office, located at 3021 S. Fullerton Road, Rowland Heights, CA 91748.*

## **Tab 1 CONSENT CALENDAR**

*All items under the Consent Calendar are considered to be routine matters, status reports, or documents covering previous Board instruction. The items listed on the Consent Calendar will be enacted by one motion, unless separate discussion is requested.*

- 1.1 Approval of the Minutes of Regular Board Meeting held on November 13, 2012**  
*Recommendation: The Board of Directors approve the Minutes as presented.*
- 1.2 Approval of the Minutes of Special Board Meeting held on November 27, 2012**  
*Recommendation: The Board of Directors approve the Minutes as presented.*
- 1.3 Investment Report for November 2012**  
*To be provided at the time of the Board Meeting.*
- 1.4 Water Purchases for October 2012**  
*For information purposes only.*
- 1.5 Calendar of Events for December 2012**  
*For information purposes only.*

**Next Regular Board Meeting:                      January 8, 2012**

## **Tab 2 ACTION ITEMS**

*This portion of the Agenda is for items where staff presentations and Board discussions are needed prior to formal Board action.*

- 2.1 Review and Approve Directors' Meeting Reimbursements for November 2012**  
*Recommendation: The Board of Directors approve the reimbursements as presented.*
- 2.2 Review and Approve Amended Budget for Fiscal Year 2012-2013**  
*Recommendation: The Board of Directors approve the revised Budget as presented.*
- 2.3 Approve Executive Officer Positions of the Board of Directors for 2013**  
*No recommendation provided.*
- 2.4 Review and Approve Board of Directors Committee Assignments for 2013**  
*No recommendation provided.*
- 2.5 Approve/Confirm Appointment of Director to Serve on the Puente Basin Water Agency**  
*Intentionally Left Blank*  
*Recommendation: The Board of Directors approve/confirm the appointment.*



- 2.6 Review and Approve Resolution 12-2012 of the Board of Directors Appointing a Representative to the Puente Basin Water Agency**  
*Recommendation: The Board of Directors approve the appointment.*
- 2.7 Approve/Confirm Appointment of Director to Serve on the Pomona-Walnut-Rowland Joint Water Line Commission**  
*Intentionally Left Blank*  
*Recommendation: The Board of Directors approve/confirm the appointment.*
- 2.8 Review and Approve District Investment Policy**  
*Recommendation: The Board of Directors ratify and confirm the Investment Policy as adopted by Resolution No. 2.1-2006*
- 2.9 Review and Approve Resolution 12.1-2012 Re-Authorizing Investment Authority to the General Manager**  
*Recommendation: The Board of Directors approve the Resolution.*
- 2.10 Approve Change in IRS Mileage Rate from \$.555 to \$.565 to be Effective January 1, 2013**  
*Recommendation: The Board of Directors approve the IRS rate as presented.*
- 2.11 Approve Financial Audit Report for Fiscal Year 2011-2012 Prepared by White Nelson Diehl Evans LLP**  
*Recommendation: The Board of Directors approve the Financial Audit report as presented*
- 2.12 Discussion of Upcoming Conferences, Workshops, or Events (Including Items that May Have Arisen after the Posting of the Agenda)**
- Urban Water Institute Spring Water Conference February 20-22, 2013, Palm Springs, CA

*There are no tabs for the remainder of the meeting.*

**Tab 3 LEGISLATIVE INFORMATION**

- 3.1 Updates on Legislative Issues**  
*Intentionally left blank*

**Tab 4 REVIEW OF CORRESPONDENCE - *Intentionally left blank***

**Tab 5 COMMITTEE REPORTS**

- 5.1 Three Valleys Municipal Water District (Directors Lu-Yang/Lima)**  
*Intentionally left blank*
- 5.2 Joint Powers Insurance Authority (Director Lewis/Mr. Deck)**
- 5.3 Association of California Water Agencies (Directors Lewis/Bellah)**



- 5.4 **Project Ad-Hoc Committee** (Directors Lima/Lu-Yang)
- 5.5 **Regional Chamber of Commerce** (Directors Lu-Yang/Lewis)
- 5.6 **PWR Joint Water Line Commission** (Directors Lima/Bellah)
- 5.7 **Puente Basin Water Agency** (Directors Lima/Lewis)
- 5.8 **Sheriff's Community Advisory Council** (Directors Lu-Yang/Rios)
- 5.9 **Rowland Heights Community Coordinating Council** (Directors Bellah/Rios)

**Tab 6 OTHER REPORTS, INFORMATION ITEMS AND COMMENTS**

- 6.1 **Public Relations** (Ms. Perea)
- 6.2 **Personnel Report** (Mr. Deck)
- 6.3 **Engineer's Report** (Mr. Carrera)

**Tab 7 ATTORNEY'S REPORT** (Ms. Morningstar)

**Tab 8 CLOSED SESSION**

- a. **Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8**  
 Property: Purchase of Water Rights in the Central and Main San Gabriel Basins  
 District Negotiator: Ken Deck, General Manager  
 Negotiating Parties: Pctersburg, L.P.  
 Under Negotiation: Price and Terms
  
- b. **Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8**  
 Property: Lease of Water Rights in the Main San Gabriel Basin  
 District Negotiator: Ken Deck, General Manager  
 Negotiating Parties: Covina Irrigating Company  
 Under Negotiation: Price and Terms
  
- c. **Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8**  
 Property: Lease of Water Rights in the Main San Gabriel Basin  
 District Negotiator: Ken Deck, General Manager  
 Negotiating Parties: Sierra Water Group  
 Under Negotiation: Price and Terms

**d. Conference with Real Property Negotiator Pursuant to Government Code Sec. 54956.8**

Property: A Portion of the Parcel at 1015 Nogales Street, Rowland Heights, Ca APN# 8264-021-028  
Negotiating Parties: John A. Rowland, Jr., Trustee  
District Negotiator: Ken Deck, General Manager  
Under Negotiation: Price and Terms of Sale

**Directors' and General Manager's Comments**

**Future Agenda Items**

**Late Business**

*No action shall be taken on any items not appearing on the posted agenda, except upon a determination by a majority of the Board that an emergency situation exists, or that the need to take action arose after the posting of the agenda.*

***Next Regular Meeting of the Board of Directors: January 8, 2013, 6:00 p.m.***

**ADJOURNMENT**

President Anthony J. Lima, Presiding

**1.1**





Minutes of the Regular Meeting  
of the Board of Directors of the Rowland Water District  
November 13, 2012 - 6:00 p.m.  
Location: District Office

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**PLEDGE OF ALLEGIANCE**

**ROLL CALL OF DIRECTORS**

President Anthony J. Lima  
Vice President Szu Pci Lu-Yang  
Director Robert W. Lewis  
Director John Bellah  
Director Teresa P. Rios

**ABSENT:**

None

**OTHERS PRESENT:**

Janet Morningstar, Legal Counsel  
Dan Horan, Three Valleys Municipal Water District  
Joe Ruzicka, Three Valleys Municipal Water District  
Kirk Howie, Three Valleys Municipal Water District  
David and Teri Malkin, Residents  
Harry Peterson, Resident  
Michael Engelbrecht, Wells Fargo Securities  
Alex Altman, CV Strategies

**ROWLAND WATER DISTRICT STAFF:**

Ken Deck, General Manager  
Ted Carrera, Assistant General Manager  
Rose Perea, Director of Administrative Services

**ADDITION(S) TO AGENDA**

None.

**PUBLIC COMMENT ON AGENDA ITEMS**

None.

**Tab 1 - CONSENT CALENDAR**

Upon motion by Vice President Lu-Yang, seconded by Director Lewis, the Consent Calendar was approved as presented. The motion was unanimously carried.

**The approval of the Consent Calendar included:**

**1.1**

**Approval of the Minutes of Adjourned Board Meeting Held on October 9, 2012**

**1.2**

**Approval of the Minutes of Special Board Meeting Held on October 30, 2012**

**1.3**

**Demands on General Fund Account for October, 2012**

**1.4**

**Investment Report for October, 2012**

**1.5**

**Water Purchases for September, 2012**

**1.6**

**Calendar of events for November and December 2012**

Next Special Board Meeting: November 27, 2012

Next Regular Board Meeting: December 11, 2012

**Tab 2 - ACTION ITEMS**

President Lima re-ordered the Agenda moving Item 5.7 after Tab 2.1. Upon motion by Director Lewis, seconded by Vice President Lu-Yang, and unanimously carried, the Agenda was re-ordered.

**2.1**

**Approve Directors' Meeting Reimbursements for October 2012**

Upon motion by Vice President Lu-Yang, seconded by Director Lewis, the Directors' Meeting Reimbursement Report was approved as presented. The motion was unanimously carried.

## 5.7

### **Puente Basin Water Agency**

Mr. Deck introduced Michael Engelbrecht, Wells Fargo Securities, who provided a financial update on the issuance and sale of bonds by the Agency. He advised that a very favorable interest rate of 3.599% was obtained and that the sale is scheduled to close on November 28, 2012.

## 2.2

### **Review Draft Financial Audit Report for Fiscal Year 2011-2012 Prepared by White Nelson Diehl Evans LLP**

Robert Callanan representing the firm of White Nelson Diehl Evans LLP reviewed the documents contained in the Draft Financial Audit Report and answered questions posed by the Directors. He indicated that the draft report was presented for information and discussion only. The final document will be presented at the December 11, 2012, Board meeting for approval.

Mr. Harry Peterson, Rowland Heights resident, posed several questions and requested copies of documents under the Public Records Act. General Manager, Ken Deck, asked him to e-mail him with a list of the documents requested and advised that he would schedule a meeting to provide Mr. Peterson with the documents and to further discuss any questions he may have.

## 2.3

### **Review and Approve Rowland Water District's Statement of Operations Ending September 30, 2012**

Mr. Henry explained the report covering the period July 1, 2012 through September 30, 2012, in detail and then responded to questions from the Board.

A motion was made by Director Lewis, seconded by Director Lu-Yang, to receive and file the Statement of Operations as presented. The motion was unanimously carried.

## 2.4

### **Review Rowland Water District's Quarterly Investment Report as of September 30, 2012**

Mr. Henry summarized the report for the Board and noted the balances as of September 30, 2012, indicating that a very low rate environment still exists.

A motion was made by Vice President Lu-Yang, seconded by Director Rios, to receive and file the investment report as presented. The motion was unanimously carried.

## 2.5

### **Receive and File PWR Joint Water Line Commission Audit Report for Fiscal Year 2011-2012 Prepared by White Nelson Diehl Evans LLP**

Mr. Deck advised that the Commission has approved the Audit Report as presented.

A motion was made by Director Lewis, seconded by Director Rios, to receive and file the PWR Joint Water Line Commission Audit Report for Fiscal Year 2011-2012. The motion was unanimously carried.



## 2.6

### **Discussion of Upcoming Conferences, Workshops, or Events (Including Items that May Have Arisen after the Posting of the Agenda)**

- Urban Water Institute Spring Water Conference February 20-22, 2013, Palm Springs, CA  
*Present for consideration at the December 11, 2012, Board meeting.*
- Water Reuse Tech Summit, January 28-30, 2012, San Diego, CA  
*Present for consideration at the December 11, 2012, Board meeting.*
- Walnut Valley Water District, Parker Canyon Recycled Water Reservoir Ribbon Cutting Ceremony, November 28, 2012, 10:00 a.m.  
Directors Lewis and Bellah requested staff to confirm their attendance at this event.
- Regional Chamber of Commerce Retreat, January 24, 2013.  
Vice President Lu-Yang requested approval of her attendance at the Chamber Retreat. Upon motion by Director Lewis, seconded by Director Rios and unanimously carried, Vice President Lu-Yang's attendance at the Retreat was approved.

## **Tab 3 LEGISLATIVE INFORMATION**

### 3.1

#### **Updates on Legislative Issues**

Provided for information purposes only.

## **Tab 4 REVIEW OF CORRESPONDENCE**

Provided for information purposes only.

## **Tab 5 COMMITTEE REPORTS**

### 5.1

#### **Three Valleys Municipal Water District**

President Lima reported that the TVMWD Board meeting previously scheduled for November 21, 2012 was adjourned to November 28, 2012 and that the December 5, 2012 meeting was cancelled.

Mr. Kirk Howie, Three Valleys MWD, reported that the election to fill the vacancy on their Board has not been finalized and that the two candidates, John Mendoza and Fred Lantz, were very close in votes. The election will be certified by the Registrar Recorder on November 30, 2012, and the Board of Supervisors will finalize the election on December 4, 2012.

### 5.2

#### **Joint Powers Insurance Authority**

Nothing to report.

### 5.3

#### **Association of California Water Agencies**

Nothing to report.

#### **5.4**

##### **Project Ad-Hoc Committee**

Nothing to report.

#### **5.5**

##### **Regional Chamber of Commerce**

Vice President Lu-Yang reported that the Power Lunch will be held on November 14, 2012; the Farmers Market is continuing at the Mt. San Antonio College campus and that the Chamber Golf Tournament has been scheduled.

#### **5.6**

##### **PWR Joint Water Line Commission**

Nothing to report.

#### **5.8**

##### **Sheriff's Community Advisory Council**

Vice President Lu-Yang reported that no meeting has been held and that the next meeting will be scheduled after Thanksgiving.

#### **5.9**

##### **Rowland Heights Community Coordinating Council**

Director Bellah reported on his attendance at the meeting: Representatives from the offices of Senator Bob Huff and Assemblyman Curt Hagman reported on their voting during the recent election. Contractor, Michael Lewis, made a presentation on new fees to be included on the property tax bills for the County of Los Angeles and on the Bill for storm water clean-up being driven by the Environmental Protection Agency which could add approximately \$54.00/parcel in property taxes.

#### **Tab 6**

##### **OTHER REPORTS, INFORMATION ITEMS AND COMMENTS**

#### **6.1**

##### **Public Relations**

Mrs. Perea reported that our Public Affairs Representative, Brittanie Van De Car, had attended two sessions of the Youth Science Center "Magical World of Water" program, one at Wedgeworth Elementary and two at Jellick Elementary. The MWD poster award luncheon is scheduled for December 13, 2012 at MWD. Brittanie will meet the poster winners and their families at MWD and take pictures of the event. The Video applications were distributed last week to Nogales and Wilson High Schools and to Alvarado and Telesis Academy middle schools. Brittanie is finalizing the brochure which will be distributed to the schools showcasing the programs offered and requesting teachers to sign up for programs of their choosing for next year. Brittanie, Teresa Ryan and Dusty Moisio represented the District at the Festival at the Park held after the Buck Board Days Parade and reported that it was very well attended and that they had several participants at the booth playing the "Value of Water" game.

Alex Altman, CV Strategies, reviewed the Communications Strategic Update with the Board and answered questions posed by members of the Board.

**6.2**

**Personnel Report**

Nothing to report.

**6.3**

**Engineer's Report**

Mr. Carrera reported that the District is commencing the purchase of materials for the Nogales Grade Separation which is scheduled to take place through 2013. The Fullerton Road Grade Separation is scheduled to commence once the Nogales Grade Separation is completed.

**Tab 7 ATTORNEY'S REPORT (Ms. Morningstar)**

Nothing to report.

**Tab 8 CLOSED SESSION**

President Lima adjourned the meeting to closed session at 7:25 p.m. Legal counsel, Morningstar announced that the closed session was being held pursuant to Government Code Section 54956.8 in order to confer with the District's negotiator in connection with items a. and d. below.

- a. Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8
  - Property: Purchase of Water Rights in the Central and Main San Gabriel Basins
  - District Negotiator: Ken Deck, General Manager
  - Negotiating Parties: Pctersburg, L.P.
  - Under Negotiation: Price and Terms
  
- b. Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8
  - Property: Lease of Water Rights in the Main San Gabriel Basin
  - District Negotiator: Ken Deck, General Manager
  - Negotiating Parties: Covina Irrigating Company
  - Under Negotiation: Price and Terms
  
- c. Conference with Real Property Negotiator Pursuant to Government Code Section 54956.8
  - Property: Lease of Water Rights in the Main San Gabriel Basin
  - District Negotiator: Ken Deck, General Manager
  - Negotiating Parties: Sierra Water Group
  - Under Negotiation: Price and Terms



- d. Conference with Real Property Negotiator Pursuant to Government Code Sec. 54956.8
- Property: A Portion of the Parcel at 1015 Nogales Street, Rowland Heights, Ca APN# 8264-021-028
- Negotiating Parties: John A. Rowland, Jr., Trustee
- District Negotiator: Ken Deck, General Manager
- Under Negotiation: Price and Terms of Sale

Upon returning to open session, Legal counsel reported that the Board discussed the status of negotiations with respect to items a. and d. and that no reportable action was taken.

The items b. and c. were not discussed:

The closed session was adjourned and the Board resumed the meeting in open session at 7:40 p.m.

**Directors' and General Manager's Comments**

Director Lewis commended Mr. Carrera on his response to Dr. Stephen Su's request for information.

**Future Agenda Items**

- Rotary Sponsorship

**Late Business**

None.

Next Special Meeting of the Board of Directors: November 27, 2012, 5:00 p.m.  
 Next Regular Meeting of the Board of Directors: December 11, 2012, 6:00 p.m.

A motion was made by Director Rios, seconded by Vice President Lu-Yang, and unanimously carried to adjourn the meeting. The meeting was adjourned at 7:45 p.m.

\_\_\_\_\_  
 ANTHONY J. LIMA  
 Board President

Attest: \_\_\_\_\_  
 KEN DECK  
 Board Secretary

1.2



Minutes of the Special Meeting of  
the Board of Directors of the Rowland Water District

November 27, 2012 – 5:00 p.m.  
Location: District Office

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**PLEDGE OF ALLEGIANCE**

**ROLL CALL OF DIRECTORS**

President Anthony J. Lima  
Vice President Szu Pei Lu-Yang  
Director Robert W. Lewis  
Director John Bellah  
Director Teresa P. Rios

**ABSENT:**

None.

**OTIHERS PRESENT:**

Dr. Bill Mathis, The Mathis Group  
Janice Mathis, The Mathis Group  
Erin Gilhuly, CV Strategies  
Alex Altman, CV Strategies

**ROWLAND WATER DISTRICT STAFF:**

Ken Deck, General Manager  
Ted Carrera, Assistant General Manager  
Rose Perea, Director of Administrative Services  
Sean Henry, Finance Officer

**PUBLIC COMMENT ON AGENDA ITEMS**

**COMMENTS:**

None.

**Tab 1 ACTION ITEMS**

**1.1**

**Strategic Planning Workshop:**

Dr. Bill Mathis, The Mathis Group, and Erin Gilhuly, CV Strategies, presented a power point presentation which included topic areas for discussion by the Board for the purpose of developing elements to be included in the strategic plan. Ms. Gilhuly provided the Board with a working draft of the Strategic Plan document and solicited their input.

**Directors' and General Manager's Comments**

Directors Lu-Yang, Lewis and Rios commended CV Strategies on the draft document indicating that it was very impressive and easy to understand. They look forward to reviewing the finished product.

**Future Agenda Items**

None.

**Late Business**

None.

*Next Regular Meeting of the Board of Directors: December 11, 2012*

A motion was made by Director Rios, seconded by Vice President Lu-Yang, and unanimously carried to adjourn the meeting. The meeting was adjourned at 7:45 p.m.

\_\_\_\_\_  
ANTHONY J. LIMA  
Board President

Attest: \_\_\_\_\_  
KEN DECK  
Board Secretary

**1.3**



TAB 1.3

“INVESTMENT REPORT”

TO BE PROVIDED AT MEETING



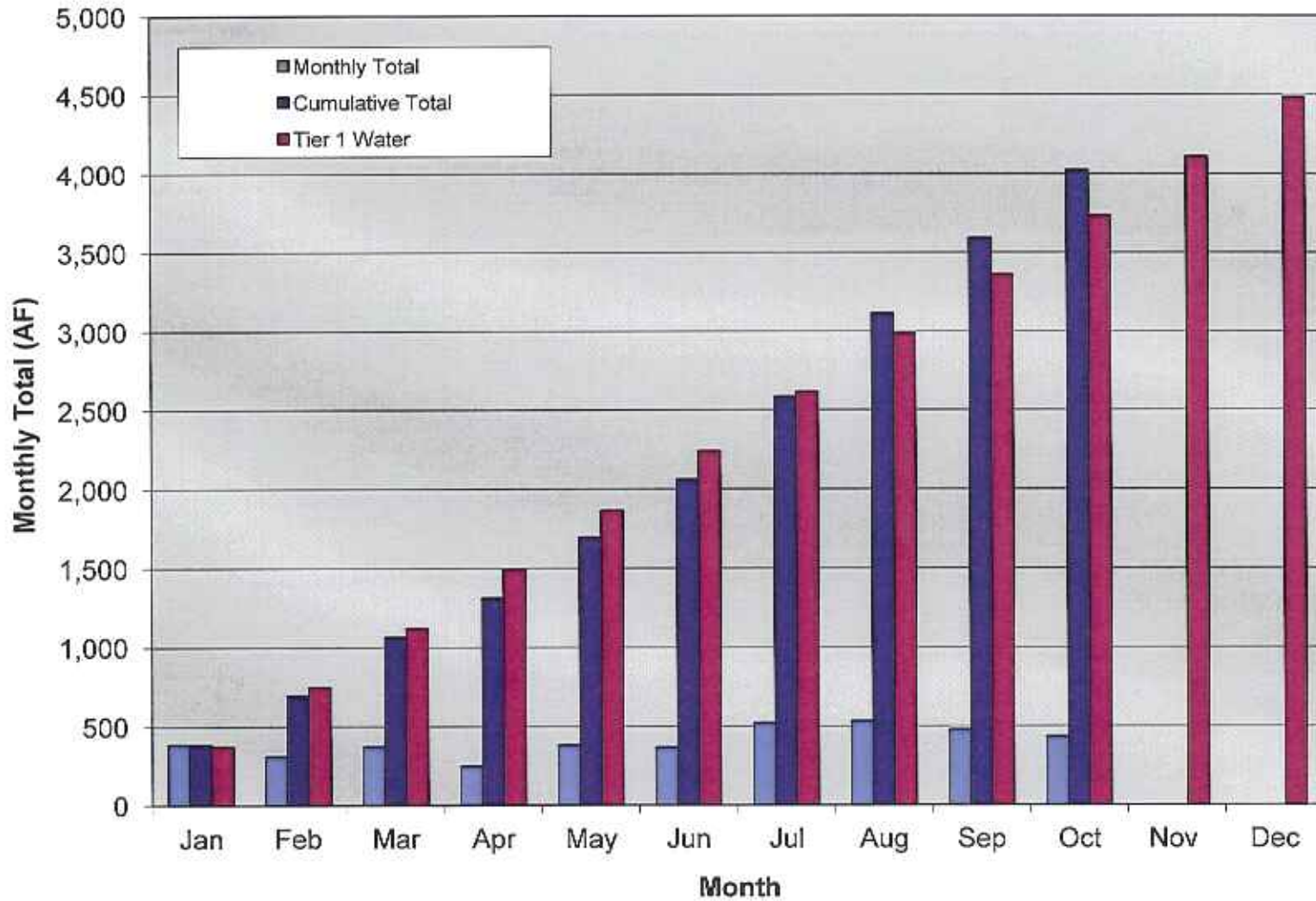
**COMPARATIVE PURCHASED WATER REPORT  
FOR THE MONTH OF OCTOBER 2012**

| SOURCE / DESCRIPTION                 | 2012           |                   |           | 2011         |                   |           |
|--------------------------------------|----------------|-------------------|-----------|--------------|-------------------|-----------|
|                                      | ACRE-FEET      | COST              | COST/A.F. | ACRE-FEET    | COST              | COST/A.F. |
| <b>WATER CHARGES:</b>                |                |                   |           |              |                   |           |
| POTABLE WATER                        |                |                   |           |              |                   |           |
| TVMWD                                | 545.8          | 406,606.90        | 744.97    | 232.6        | 175,380.40        | 754.00    |
| PWR                                  | 588.2          | 466,442.60        | 793.00    | 710.7        | 535,867.80        | 754.00    |
|                                      | 1134.0         | 873,049.50        |           | 943.3        | 711,248.20        |           |
| RECLAIMED WATER                      | 33.6           | 9,011.08          | 268.19    | 10.1         | 2,773.24          | 274.58    |
| <b>TOTAL WATER CHARGES</b>           | <b>1,167.6</b> | <b>882,060.58</b> |           | <b>953.4</b> | <b>714,021.44</b> |           |
| <b>FIXED CHARGES:</b>                |                |                   |           |              |                   |           |
| TVMWD--                              |                |                   |           |              |                   |           |
| CAPACITY RESERVATION                 |                | 5,022.18          |           |              | 5,452.49          |           |
| CONNECTED CAPACITY                   |                | 3,044.54          |           |              | -                 |           |
| WATER USE CHARGE                     |                | 1,625.55          |           |              | -                 |           |
| EQUIV. SMALL METER                   |                | 3,780.68          |           |              | -                 |           |
| SUBTOTAL                             |                | 13,472.95         |           |              | 5,452.49          |           |
| PWR--                                |                |                   |           |              |                   |           |
| CAPACITY RESERVATION                 |                | 7,978.80          |           |              | 7,491.02          |           |
| CONNECTED CAPACITY                   |                | 2,455.93          |           |              | -                 |           |
| WATER USE CHARGE                     |                | 5,767.94          |           |              | -                 |           |
| DEPRECIATION                         |                | 1,389.00          |           |              | -                 |           |
| REPLACEMENT                          |                | 1,910.00          |           |              | -                 |           |
| PWR BUDGET ASSESSMENT                |                | 7,805.67          |           |              | -                 |           |
| SUBTOTAL                             |                | 27,307.34         |           |              | 7,491.02          |           |
| <b>TOTAL FIXED CHARGES</b>           |                | <b>40,780.29</b>  |           |              | <b>12,943.51</b>  |           |
| <b>TOTAL PURCHASED WATER CHARGES</b> |                | <b>922,840.87</b> |           |              | <b>726,964.95</b> |           |
| <b>AVERAGE WATER CHARGE:</b>         |                | <b>\$ 790.37</b>  |           |              | <b>\$ 762.50</b>  |           |

**Rowland Imported Water Purchases PM-22 Tier 1 (in Acre-Feet)**  
**Calendar Year 2012**  
**Year to Date Invoiced as of 1/1/12**

|              | ACTUAL        |                  |                              | ESTIMATED        |                      |  | Percentage Difference |
|--------------|---------------|------------------|------------------------------|------------------|----------------------|--|-----------------------|
|              | Monthly Total | Cumulative Total | Balance in Tier 1 (4,482 AF) | Cumulative Total | Acre Foot Difference |  |                       |
| Jan          | 385.3         | 385.3            | 4096.7                       | 373.5            | 11.8                 |  | 3.16%                 |
| Feb          | 310.7         | 696.0            | 3786                         | 747              | -51                  |  | -6.83%                |
| Mar          | 370.8         | 1066.8           | 3415.2                       | 1120.5           | -53.7                |  | -4.79%                |
| Apr          | 247.1         | 1313.9           | 3168.1                       | 1494             | -180.1               |  | -12.05%               |
| May          | 382.1         | 1696.0           | 2786                         | 1867.5           | -171.5               |  | -9.18%                |
| Jun          | 366.4         | 2062.4           | 2419.6                       | 2241             | -178.6               |  | -7.97%                |
| Jul          | 520.5         | 2582.9           | 1899.1                       | 2614.5           | -31.6                |  | -1.21%                |
| Aug          | 531.9         | 3114.8           | 1367.2                       | 2988             | 126.8                |  | 4.24%                 |
| Sep          | 477.9         | 3592.7           | 889.3                        | 3361.5           | 231.2                |  | 6.88%                 |
| Oct          | 433.3         | 4026.0           | 456                          | 3735             | 291                  |  | 7.79%                 |
| Nov          |               |                  |                              | 4108.5           | -4108.5              |  | -100.00%              |
| Dec          |               |                  |                              | 4482             | -4482                |  | -100.00%              |
| <b>TOTAL</b> |               |                  |                              |                  |                      |  |                       |

### CY 2012 PM-22 Water Purchases

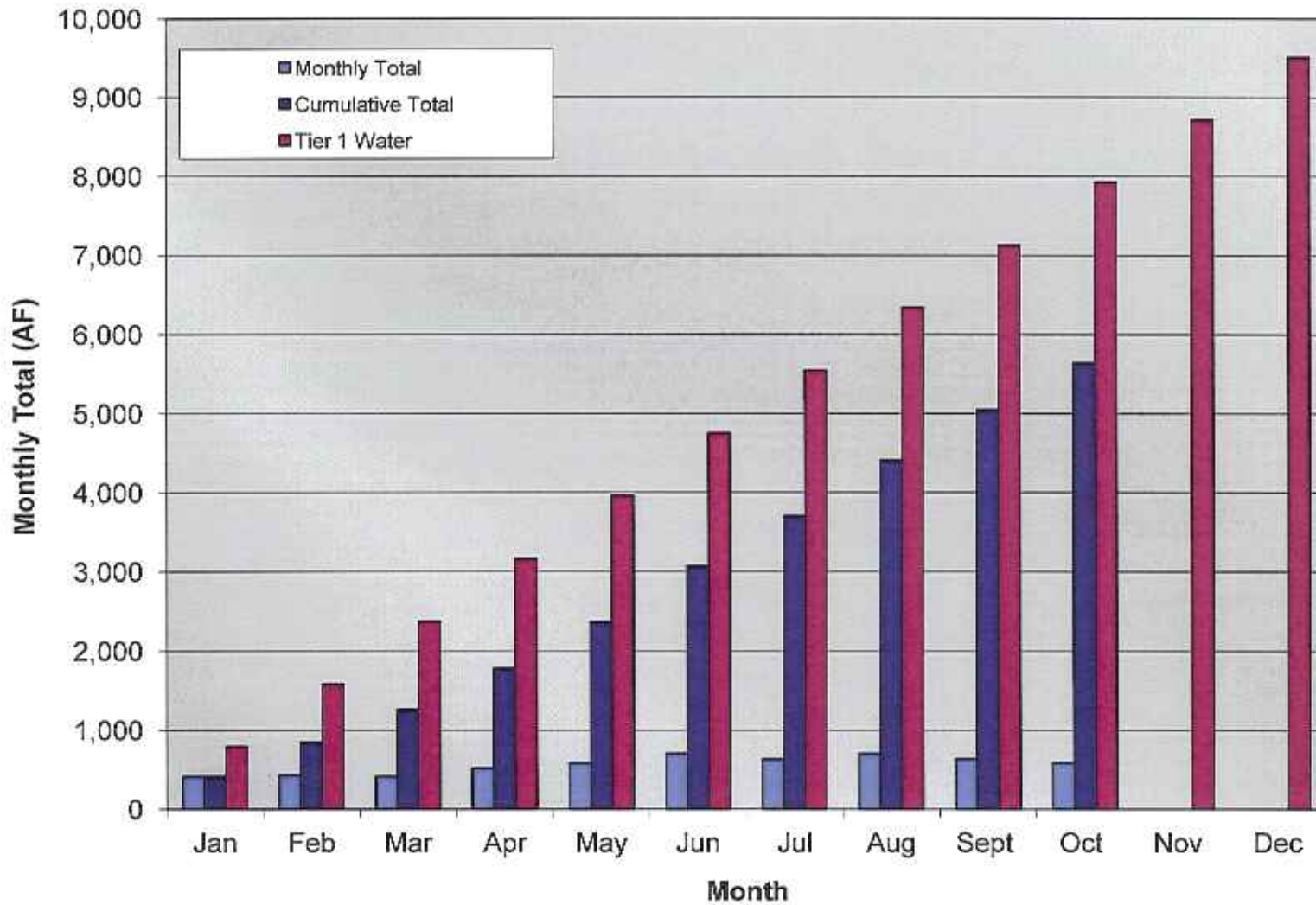


**Rowland JWL Purchases Tier-1 (in Acre-Feet)**  
**Calendar Year 2012**  
**Year to Date Invoiced as of 1/1/12**

|              | ACTUAL        |                  |                              | ESTIMATED        |                      | Percentage Difference |
|--------------|---------------|------------------|------------------------------|------------------|----------------------|-----------------------|
|              | Monthly Total | Cumulative Total | Balance in Tier 1 (9,508 AF) | Cumulative Total | Acre Foot Difference |                       |
| Jan          | 416.4         | 416.4            | 9,091.6                      | 792              | -376                 | -47.45%               |
| Feb          | 429.5         | 845.9            | 8,662.1                      | 1,585            | -739                 | -46.62%               |
| Mar          | 416.6         | 1,262.5          | 8,245.5                      | 2,377            | -1,115               | -46.89%               |
| Apr          | 519.4         | 1,781.9          | 7,726.1                      | 3,169            | -1,387               | -43.78%               |
| May          | 587.4         | 2,369.3          | 7,138.7                      | 3,962            | -1,592               | -40.19%               |
| Jun          | 704.6         | 3,073.9          | 6,434.1                      | 4,754            | -1,680               | -35.34%               |
| Jul          | 632.8         | 3,706.7          | 5,801.3                      | 5,546            | -1,840               | -33.17%               |
| Aug          | 703.9         | 4,410.6          | 5,097.4                      | 6,339            | -1,928               | -30.42%               |
| Sept         | 639.0         | 5,049.6          | 4,458.4                      | 7,131            | -2,081               | -29.19%               |
| Oct          | 588.3         | 5,637.9          | 3,870.1                      | 7,923            | -2,285               | -28.84%               |
| Nov          |               |                  |                              | 8,716            | -8,716               | -100.00%              |
| Dec          |               |                  |                              | 9,508            | -9,508               | -100.00%              |
| <b>TOTAL</b> |               |                  |                              |                  |                      |                       |



### CY 2012 Rowland JWL Purchases



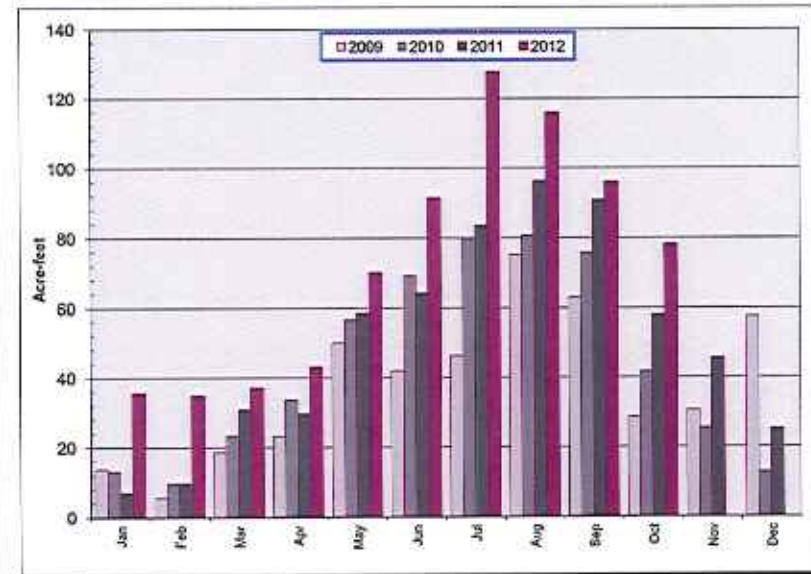
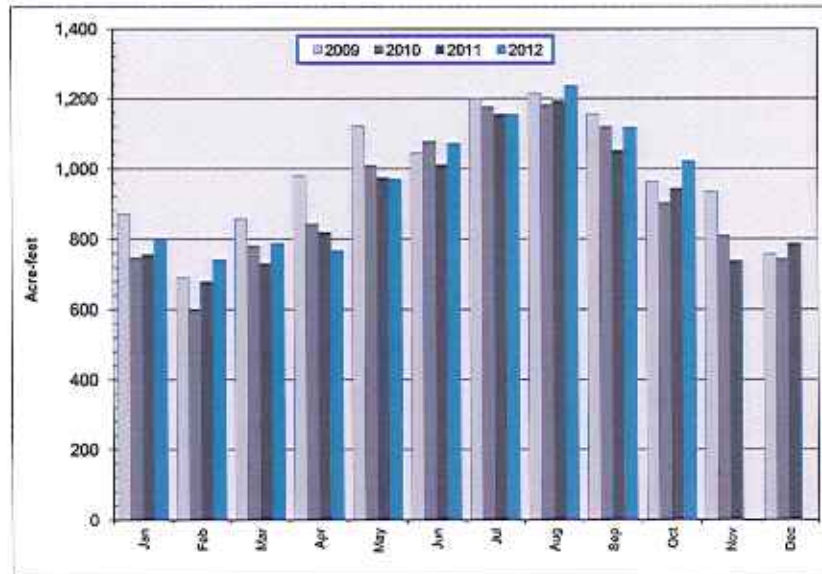
**1.4**



## Water Purchases for CY 2012 (Acre-feet)

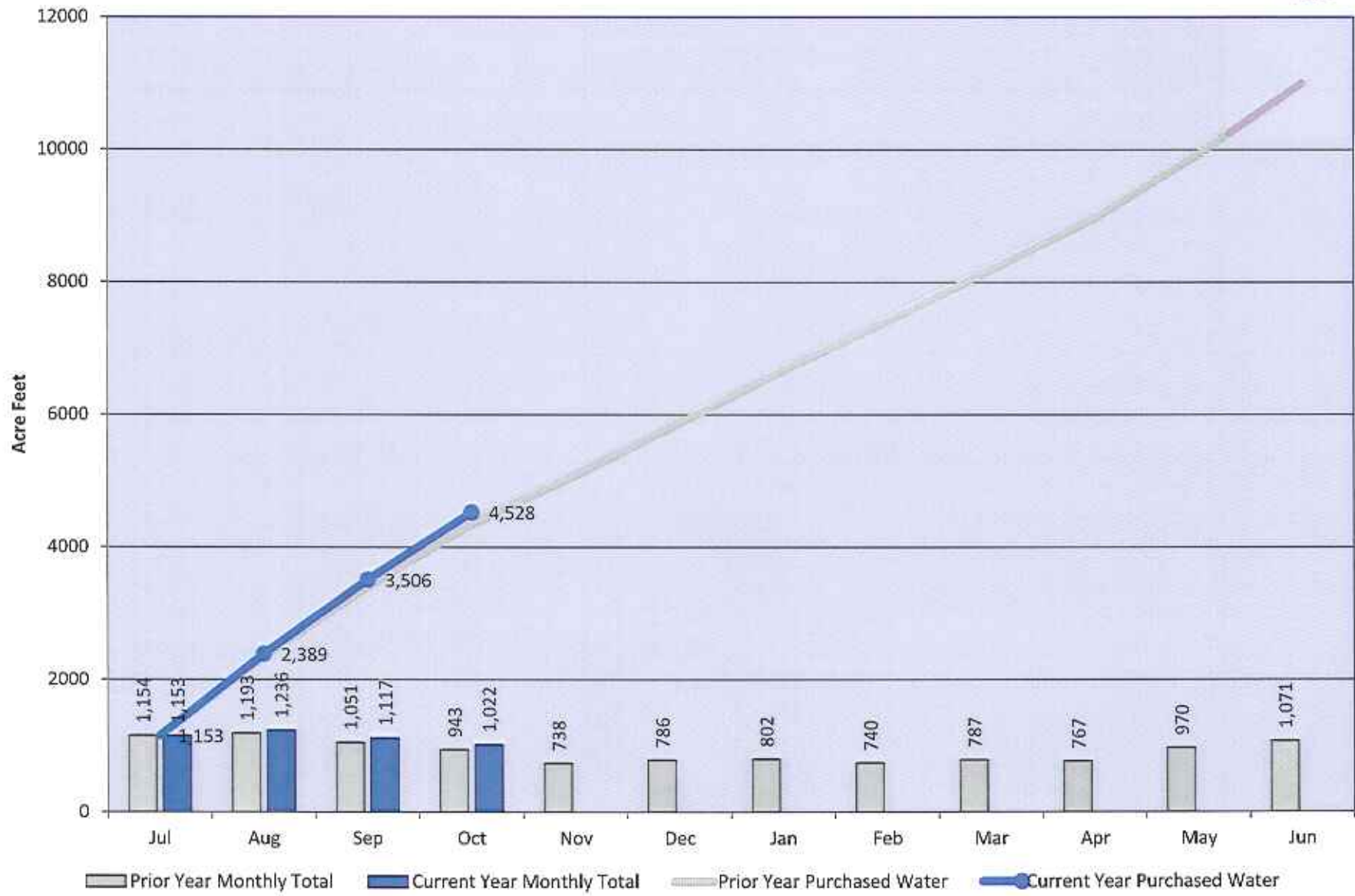
|              | POTABLE SYSTEM |                |                |                | TOTAL          |
|--------------|----------------|----------------|----------------|----------------|----------------|
|              | PM-09          | PM-22          | JWL            |                |                |
|              |                |                | PM-15          | Miramar        |                |
| JAN          | 0.0            | 385.3          | 222.3          | 194.1          | 801.7          |
| FEB          | 0.0            | 310.7          | 352.1          | 77.4           | 740.2          |
| MAR          | 0.0            | 370.8          | 312.6          | 104.0          | 787.4          |
| APR          | 0.0            | 287.1          | 232.3          | 247.1          | 766.5          |
| MAY          | 0.0            | 382.1          | 348.1          | 239.4          | 969.6          |
| JUN          | 0.0            | 366.4          | 516.6          | 187.9          | 1,070.9        |
| JUL          | 0.0            | 520.5          | 578.6          | 54.2           | 1,153.3        |
| AUG          | 0.0            | 531.9          | 691.0          | 13.0           | 1,235.9        |
| SEP          | 0.0            | 477.9          | 554.8          | 84.2           | 1,116.9        |
| OCT          | 0.0            | 433.3          | 414.4          | 173.8          | 1,021.5        |
| NOV          |                |                |                |                | 0.0            |
| DEC          |                |                |                |                | 0.0            |
| <b>TOTAL</b> | <b>0.0</b>     | <b>4,066.0</b> | <b>4,222.8</b> | <b>1,375.1</b> | <b>9,663.9</b> |

| RECYCLED SYSTEM |              |             |              |                 | TOTAL        |
|-----------------|--------------|-------------|--------------|-----------------|--------------|
| Well 1          | Wet Well     | WVWD        | Industry     | Potable Make-up |              |
| 5.7             | 28.9         | 1.0         | 0.1          | 0.0             | 35.7         |
| 1.1             | 26.9         | 1.0         | 5.9          | 0.0             | 34.9         |
| 0.8             | 29.6         | 1.0         | 5.8          | 0.0             | 37.2         |
| 8.4             | 32.1         | 1.0         | 1.6          | 0.0             | 43.1         |
| 27.0            | 30.7         | 2.0         | 10.4         | 0.0             | 70.1         |
| 36.2            | 32.0         | 2.0         | 21.3         | 0.0             | 91.5         |
| 45.7            | 43.2         | 4.0         | 34.8         | 0.0             | 127.7        |
| 48.2            | 3.4          | 7.0         | 57.3         | 0.0             | 115.9        |
| 49.8            | 0.0          | 3.0         | 43.2         | 0.0             | 96.0         |
| 47.7            | 0.0          | 2.0         | 28.5         | 0.0             | 78.2         |
|                 |              |             |              |                 | 0.0          |
|                 |              |             |              |                 | 0.0          |
| <b>270.6</b>    | <b>226.8</b> | <b>24.0</b> | <b>208.9</b> | <b>0.0</b>      | <b>730.3</b> |



# Potable Water Purchases For FY 2012-2013

(Acre-feet)



**Tab**

**1.5**



## Directors Calendar of Events December 2012

### **Director Lima scheduled to attend:**

- December 5 -- TVMWD Workshop at 8:00 a.m.
- December 11 -- RWD Regular Board Meeting at 6:00 p.m.
- December 19 -- TVMWD Regular Board Meeting at 8:00 a.m.
- December 20-- PBWA Board Meeting (at RWD) at 7:00 a.m.
- December     -- Project Ad-Hoc Committee Meeting 7:00 a.m. (To be Determined)
- December     -- RWD Special Board Meeting at 5:00 p.m. (To be Determined)

### **Director Lu-Yang scheduled to attend:**

- December 5 -- TVMWD Workshop at 8:00 a.m.
- December 11 -- RWD Regular Board Meeting at 6:00 p.m.
- December 19 -- TVMWD Regular Board Meeting at 8:00 a.m.
- December     -- Project Ad-Hoc Committee Meeting 7:00 a.m. (To be Determined)
- December     -- RWD Special Board Meeting at 5:00 p.m. (To be Determined)
- December 27 -- Regional Chamber Board Meeting at 7:30 a.m.

### **Director Lewis scheduled to attend:**

- December 10 -- Regional Chamber Governmental Affairs Meeting at noon
- December 11 -- RWD Regular Board Meeting at 6:00 p.m.
- December 20-- PBWA Board Meeting (at RWD) at 7:00 a.m.
- December     -- RWD Special Board Meeting at 5:00 p.m. (To be Determined)

### **Director Bellah scheduled to attend:**

- December 10-- RHCCC Meeting at 7:00 p.m.
- December 11 -- RWD Regular Board Meeting at 6:00 p.m.
- December     -- RWD Special Board Meeting at 5:00 p.m. (To be Determined)

### **Director Rios scheduled to attend:**

- December 10 -- RHCCC Meeting at 7:00 p.m.
- December 11 -- RWD Regular Board Meeting at 6:00 p.m.
- December     -- RWD Special Board Meeting at 5:00 p.m. (To be Determined)

# December 2012

| Sun | Mon   | Tues  | Wed   | Thu  | Fri | Sat |
|-----|---|---|---|--|-----|-----|
|     |   |   |   |  |     | 1   |
| 2   | 3   | 4   | 5<br>TVMWD<br>Workshop<br>8:00 am<br>Drs.Lima/<br>Lu-Yang               | 6  | 7   | 8   |
| 9   | 10<br>Regional<br>Chamber GAC<br>12:00 noon<br>Dir. Lewis<br>RHCC - 7:00 pm<br>Drs. Bellah/<br>Rios | 11<br>RWD Regular<br>Board Meeting<br>6:00 pm - ALL | 12  | 13   | 14  | 15  |
| 16  | 17  | 18  | 19<br>TVMWD Regular<br>Board Meeting<br>8:00 am<br>Drs.Lima/<br>Lu-Yang | 20<br>PBWA Board<br>Meeting (RWD)<br>7:00 am<br>Drs.Lima/<br>Lu-Yang | 21  | 22  |
| 23  | 24<br>Christmas Eve<br><b>OFFICE CLOSED</b>   | 25<br>Christmas Day<br><b>OFFICE CLOSED</b>         | 26  | 27<br>Regional<br>Chamber Board<br>Meeting 7:30 am<br>Dir. Lu-Yang   | 28  | 29  |
| 30  | 31  |   |   |  |     |     |

**Tab**

**2.1**

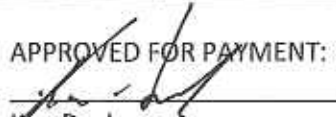


## NOVEMBER 2012 DIRECTOR REIMBURSEMENTS

| Director               | Date of Meeting/Event | Meeting/Event Attended                  | Reimburse       | No Charge | Additional Comments<br><i>(Submit info if you are claiming mileage reimbursement)</i> |
|------------------------|-----------------------|---|-----------------|-----------|---|
| <b>Anthony J. Lima</b> |                       |   |                 |           |   |
|                        | 11/01/12              | Three Valleys Leadership Breakfast      |                 | X         | Mileage   |
|                        | 11/01/12              | PBWA Meeting at Walnut                  | \$110.00        |           | Mileage   |
|                        | 11/07/12              | Three Valleys Workshop                  | \$110.00        |           | Mileage   |
|                        | 11/13/12              | RWD Board Meeting                       | \$110.00        |           |   |
|                        | 11/27/12              | RWD Special Board Meeting               | \$110.00        |           |   |
|                        | 11/28/12              | Three Valleys Board Meeting             | \$110.00        |           | Mileage   |
|                        |                       |   |                 |           |   |
|                        |                       | <b>TOTAL PAYMENT</b>                    | <b>\$550.00</b> |           |   |
| <b>John Bellah</b>     |                       |   |                 |           |   |
|                        | 11/01/12              | Three Valleys Leadership Breakfast      |                 | X         |   |
|                        | 11/01/12              | PBWA Meeting at Walnut                  |                 | X         |   |
|                        | 11/12/12              | RHCC Meeting                            | \$88.00         |           |   |
|                        | 11/13/12              | RWD Board Meeting                       | \$88.00         |           |   |
|                        | 11/14/12              | IMC Public Safety Luncheon              |                 | X         |   |
|                        | 11/14/12              | RHCC Board Meeting                      |                 | X         |   |
|                        | 11/27/12              | RWD Special Board Meeting               | \$88.00         |           |   |
|                        |                       | <b>TOTAL PAYMENT</b>                    | <b>\$264.00</b> |           |   |
| <b>Robert W. Lewis</b> |                       |   |                 |           |   |
|                        | 11/01/12              | PBWA Meeting at Walnut                  | \$110.00        |           |   |
|                        | 11/13/12              | RWD Board Meeting                       | \$110.00        |           |   |
|                        | 11/14/12              | IMC Public Safety Luncheon              |                 | X         |   |
|                        | 11/19/12              | San Gabriel Valley Chamber Gov. Affairs | \$110.00        |           |   |
|                        | 11/27/12              | RWD Special Board Meeting               | \$110.00        |           |   |

|                        |          |                             |                 |   |         |
|------------------------|----------|-----------------------------|-----------------|---|---------|
|                        | 11/28/12 | WVWD Reservoir Dedication   |                 | X |         |
|                        |          | <b>TOTAL PAYMENT</b>        | <b>\$440.00</b> |   |         |
| <b>Szu-Pei Lu Yang</b> |          |                             |                 |   |         |
|                        | 11/07/12 | Chamber Women's Council     | \$110.00        |   |         |
|                        | 11/13/12 | RWD Board Meeting           | \$110.00        |   |         |
|                        | 11/14/12 | IMC Public Safety Luncheon  |                 | X |         |
|                        | 11/26/12 | CAC Board Meeting           | \$110.00        |   |         |
|                        | 11/27/12 | RWD Special Board Meeting   | \$110.00        |   |         |
|                        | 11/28/12 | Three Valleys Board Meeting | \$110.00        |   | Mileage |
|                        |          |                             |                 |   |         |
|                        |          |                             |                 |   |         |
|                        |          |                             |                 |   |         |
|                        |          | <b>TOTAL PAYMENT</b>        | <b>\$550.00</b> |   |         |
| <b>Teresa Rios</b>     |          |                             |                 |   |         |
|                        | 11/12/12 | RHCC Board Meeting          | \$110.00        |   |         |
|                        | 11/13/12 | RWD Board Meeting           | \$110.00        |   |         |
|                        | 11/14/12 | IMC Public Safety Meeting   |                 | X |         |
|                        | 11/27/12 | RWD Special Board Meeting   | \$110.00        |   |         |
|                        |          |                             |                 |   |         |
|                        |          |                             |                 |   |         |
|                        |          | <b>TOTAL PAYMENT</b>        | <b>\$330.00</b> |   |         |

APPROVED FOR PAYMENT:

  
 Ken Deck



**Tab**

**2.2**

# ROWLAND WATER DISTRICT

## BUDGET



*\*Amended December 11, 2012*

FISCAL YEAR 2012-2013

**ROWLAND WATER DISTRICT  
BUDGET SUMMARY  
For Fiscal Budget Year  
2012-2013**

|  | ADOPTED<br>Budget<br>2011-2012 | Current Year<br>Actual<br>3/31/12 | Projected<br>Balance<br>6/30/12 | PROPOSED<br>Budget<br>2012-2013 | \$ Amount<br>Change<br>from<br>'11-'12<br>Budget | % Change<br>from<br>'11-'12<br>Budget |
|--|--------------------------------|-----------------------------------|---------------------------------|---------------------------------|--|---------------------------------------|
| TOTAL REVENUE  | \$17,165,000.00                | 11,875,963.00                     | 15,424,297.00                   | \$17,820,000.00                 | 655,000.00                                       | 3.82%                                 |
| <i>TOTAL OPERATING EXPENSES</i>                            | <i>11,610,000.00</i>           | <i>9,429,156.00</i>               | <i>12,610,255.00</i>            | <i>12,550,000.00</i>            | <i>940,000.00</i>                                | <i>8.10%</i>                          |
| TOTAL ADMINISTRATIVE EXPENSES                              | 765,000.00                     | 705,817.00                        | 848,001.00                      | 905,000.00                      | 140,000.00                                       | 18.30%                                |
| TOTAL PERSONNEL EXPENSES                                   | 3,594,000.00                   | 2,654,696.00                      | 3,426,720.00                    | 3,747,000.00                    | 153,000.00                                       | 4.26%                                 |
| <i>TOTAL EXPENSES</i>                                      | <i>15,969,000.00</i>           | <i>12,789,669.00</i>              | <i>16,884,976.00</i>            | <i>17,202,000.00</i>            | <i>1,233,000.00</i>                              | <i>7.72%</i>                          |
| <i>EXCESS OF INCOME OVER EXPENSES</i>                      | <i>1,196,000.00</i>            | <i>(913,706.00)</i>               | <i>(1,460,679.00)</i>           | <i>618,000.00</i>               | <i>(578,000.00)</i>                              | <i>-48.33%</i>                        |
| CAPITAL IMPROVEMENTS                                       | 1,210,000.00                   | 688,000.00                        | 725,000.00                      | 835,000.00                      | (375,000.00)                                     | -30.99%                               |
| CONSTRUCTION PROJECTS                                      | 995,000.00                     | 227,000.00                        | 320,000.00                      | 1,360,000.00                    | 365,000.00                                       | 36.68%                                |
| <i>PROJECTED INCREASE (REDUCTION)<br/>IN RESERVE FUNDS</i> | <i>(1,009,000.00)</i>          | <i>(1,828,706.00)</i>             | <i>(2,505,679.00)</i>           | <i>(1,577,000.00)</i>           | <i>(568,000.00)</i>                              | <i>56.29%</i>                         |



## ROWLAND WATER DISTRICT FISCAL BUDGET 2012-2013



| REVENUE ITEMS              | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change |   |
|----------------------------|-----------------------|-------------------------|------------------------------|-----------------------|----------------|----------|---|
| <u>WATER SALES</u>         | 11,500,000            | 7,903,089               | 10,274,015                   | 12,250,000            | 750,000        | 6.52%    | This revenue category includes the water commodity charge for the residential, business, industrial, construction and recycled water classes of customers, and is based on 11,000 A.F. potable water and 800 A.F. recycled water sales. The potable estimates a base rate of \$2.30 per H.C.F from July to December and \$2.52 per H.C.F. from January to June. The recycled estimates a base rate of \$1.46 per H.C.F from July to December and \$1.53 from January to June. |
| <u>WATER METER CHARGES</u> | 4,500,000             | 3,125,099               | 4,063,928                    | 4,500,000             | -              | 0.00%    | This revenue category includes water service charges billed either bi-monthly or monthly to each customer based on their respective meter sizes. This is a fixed amount which yields revenues to provide for the general overhead and other fixed costs of the District's operations  |
| <u>PENALTY FEES</u>        | 190,000               | 141,913                 | 177,391                      | 190,000               | -              | 0.00%    | Late payments, door hangers and penalties to residential, construction, and fire service accounts.  |
| <u>CONNECTION FEES</u>     | 50,000                | 29,900                  | 37,375                       | 40,000                | (10,000)       | -20.00%  | District's charges to create a new customer account and to reinstate a closed or inactive account.  |
| <u>RECONNECTION FEES</u>   | 20,000                | 16,215                  | 20,268                       | 20,000                | -              | 0.00%    | District's charges to reinstate and turn on a locked-off account due to non-payment of a delinquent bill and/or tampering charges.  |

ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|                                | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change     |   |
|--------------------------------|-----------------------|-------------------------|------------------------------|-----------------------|----------------|--------------|---|
| <b>REVENUE ITEMS</b>           |                       |                         |                              |                       |                |              |   |
| <u>NEW SERVICE CONNECTIONS</u> | 20,000                | 27,447                  | 27,447                       | 20,000                | -              | 0.00%        | District's revenue for project administration on new meter service installations.   |
| <u>PROPERTY TAXES</u>          | 200,000               | 154,690                 | 237,252                      | 250,000               | 50,000         | 25.00%       | District's percentage of property taxes revenue collected and distributed by the county.  |
| <u>ACREAGE SUPPLY CHARGE</u>   | 10,000                | 0.00                    | 0.00                         | 10,000                | -              | 0.00%        | Represents the \$1,750.00 per acre charge imposed on developers for new developments and to tie into the existing water system.                                       |
| <u>INTEREST INCOME</u>         | 500,000               | 292,288                 | 365,360                      | 350,000               | (150,000)      | -30.00%      | Interest earnings on invested District funds. This constitutes current reserves at an estimated interest rate of 1.00%.   |
| <u>CONTRACT INCOME</u>         | 120,000               | 111,151                 | 138,938                      | 125,000               | 5,000          | 4.17%        | Revenue received from contracts with cell sites, work done on City of Industry Reclaimed System, Treasurer Fees from the Pomona-Walnut-Rowland Joint Water Line, etc. |
| <u>FIRE FLOW TESTS</u>         | 5,000                 | 3,780                   | 4,725                        | 5,000                 | -              | 0.00%        | Tests performed by District personnel to measure the volume of water available at a specified fire hydrant.   |
| <u>MISCELLANEOUS INCOME</u>    | 50,000                | 69,391                  | 77,598                       | 60,000                | 10,000         | 20.00%       | Non-recurring income that is received on a non-continual basis. This includes returned check fees, gains on sale of assets and surplus equipment.                     |
| <b>TOTAL REVENUE</b>           | <b>17,165,000</b>     | <b>11,875,963</b>       | <b>15,424,297</b>            | <b>17,820,000</b>     | <b>655,000</b> | <b>3.82%</b> |   |



ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change |  |
|---|-----------------------|-------------------------|------------------------------|-----------------------|----------------|----------|--|
| <b>EXPENSE ITEMS</b>  |                       |                         |                              |                       |                |          |  |
| <b><u>OPERATING EXPENSES</u></b>  |                       |                         |                              |                       |                |          |  |
| <b><u>WATER PURCHASES</u></b>   | 8,700,000             | 7,395,229               | 9,505,720                    | 9,300,000             | 600,000        | 6.90%    | Estimates twelve months of wholesale purchases from MWD and TVMWD. This figure is based on our allocation from MWD in the amount of 11,000 A.F. potable and 800 A.F. recycled water for the fiscal year. It estimates a rate of \$793.00 per A.F. from July to December and \$849.00 per A.F. from January to June. The recycle estimates a rate of \$350.00 per A.F. (Calculation based on Tier I water purchases only) |
| <b><u>FIXED CHARGES</u></b>   | 260,000               | 166,687                 | 255,713                      | 375,000               | 115,000        | 44.23%   | Fixed charges imposed by MWD and TVMWD which include capacity, connected capacity, import water use, and equivalent small meter charges.   |
| <ul style="list-style-type: none"> <li>Import Water Use</li> <li>Connected Capacity</li> <li>Equivalent Small Meter</li> <li>Capacity Reservation Charge (CRC)</li> </ul>   |                       |                         |                              |                       |                |          |  |
| <b><u>DEBT SERVICE EXPENSE</u></b>  | 1,500,000             | 883,625                 | 1,476,550                    | 1,500,000             | -              | 0.00%    | Yearly debt service payment on District's 2009 COP's.  |
| <b><u>MAINTENANCE OF WATER SYSTEM</u></b>   | 350,000               | 339,003                 | 506,102                      | 350,000               | -              | 0.00%    | Includes various costs associated with the transmission and distribution of the total water system and general plant operations. This category has been expanded to include maintenance of City of Industry Recycled Water System.   |
| <ul style="list-style-type: none"> <li>Hydrants</li> <li>Mains</li> <li>Meters</li> <li>Pumps</li> <li>Recycled Water</li> <li>Reservoirs</li> <li>Services</li> <li>Telemetry</li> <li>Valves</li> <li>City of Industry (COI)</li> </ul> |                       |                         |                              |                       |                |          |  |
| <b><u>MAINTENANCE AND OPERATION</u></b>   | 25,000                | 11,423                  | 28,557                       | 30,000                | 5,000          | 20.00%   | Represents various costs which are incurred in the maintenance and operation of District facilities including the general plant  |
| <b><u>VEHICLE EXPENSES</u></b>  | 70,000                | 63,010                  | 77,519                       | 80,000                | 10,000         | 14.29%   | General maintenance of District vehicles, as well as, all gasoline purchased during the year.  |

ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|  | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change     |  |
|--|-----------------------|-------------------------|------------------------------|-----------------------|----------------|--------------|--|
| <b>EXPENSE ITEMS</b>                         |                       |                         |                              |                       |                |              |  |
| <u>EQUIPMENT EXPENSES</u>                    | 15,000                | 4,030                   | 5,448                        | 15,000                | -              | 0.00%        | Maintenance costs on District's large equipment including the backhoe, automated valve operator, compressor, fuel storage, arrow board, etc.   |
| <u>PUMPING EXPENSES</u>                      | 250,000               | 206,908                 | 253,017                      | 270,000               | 20,000         | 8.00%        | Energy costs (electricity & natural gas) incurred to operate and maintain the various pump stations.   |
| <u>ENGINEERING</u>                           | 10,000                | 10,384                  | 10,384                       | 10,000                | -              | 0.00%        | Professional engineering services performed on smaller non-construction projects.  |
| <u>OPERATING ASSESSMENTS</u>                 | 60,000                | 33,314                  | 55,087                       | 60,000                | -              | 0.00%        | Assessment costs levied by agreements, including Pomona-Walnut-Rowland Joint Water Line Commission, Puente Basin Watermaster, Puente Basin Water Agencies, Public Water Agencies Group, etc. |
| <u>TOOLS &amp; SUPPLIES</u>                  | 25,000                | 17,993                  | 20,848                       | 25,000                | -              | 0.00%        | Short-lived operating supplies and small tools.  |
| <u>WATER TESTS</u>                           | 30,000                | 20,820                  | 26,023                       | 30,000                | -              | 0.00%        | Water compliance testing costs routinely completed to monitor District's water quality.  |
| <u>WATER CONSERVATION</u>                    | 10,000                | 2,500                   | 9,827                        | 10,000                | -              | 0.00%        | Conservation program including low-flush toilets, washer rebates, landscaping education, and all other water conservation expenses.  |
| <u>COMMUNITY OUTREACH</u>                    | 55,000                | 83,765                  | 117,754                      | 120,000               | 65,000         | 118.18%      | Outreach programs that are not associated with water conservation. This includes the cost to complete the annual CCR (Consumer Confidence Report) and any other customer notifications.      |
| <u>SERVICE CONTRACTS</u>                     | 250,000               | 190,465                 | 261,906                      | 275,000               | 25,000         | 10.00%       | Service contracts for customer billing, landscape maintenance, security system, janitorial services, uniform cleaning, copier maintenance, etc.  |
| <u>WATER SUPPLY PLANNING AND DEVELOPMENT</u> | -                     | -                       | -                            | 100,000               | 100,000        | 100.00%      | Engineering reports and studies created for the District for the development of future water sources that are not associated with a capital project at the time.                             |
| <b>TOTAL OPERATING EXPENSES</b>              | <b>11,610,000</b>     | <b>9,429,156</b>        | <b>12,610,255</b>            | <b>12,550,000</b>     | <b>940,000</b> | <b>8.10%</b> |  |

ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change |  |
|---|-----------------------|-------------------------|------------------------------|-----------------------|----------------|----------|--|
| <b>EXPENSE ITEMS</b>                      |                       |                         |                              |                       |                |          |  |
| <b><u>ADMINISTRATIVE EXPENSES</u></b>     |                       |                         |                              |                       |                |          |  |
| <b><u>GENERAL LIABILITY INSURANCE</u></b> | 95,000                | 103,837                 | 103,837                      | 110,000               | 15,000         | 15.79%   | Includes liability, property and vehicle insurance based on the value of District assets.  |
| <b><u>UTILITY SERVICES</u></b>            | 65,000                | 47,697                  | 58,836                       | 65,000                | -              | 0.00%    | Accounts for the portion of utilities used by the administration building and all telephone services.  |
| <b><u>MEMBERSHIP DUES</u></b>             | 45,000                | 32,438                  | 36,923                       | 45,000                | -              | 0.00%    | District memberships in professional organizations.  |
| <b><u>CONFERENCES</u></b>                 | 60,000                | 28,939                  | 32,939                       | 60,000                | -              | 0.00%    | Costs associated with District staff and Directors attendance at annual conferences including ACWA, AWWA, CSDA, etc.                               |
| <b><u>SEMINARS AND TRAINING</u></b>       | 60,000                | 38,173                  | 48,936                       | 60,000                | -              | 0.00%    | Cost associated with attendance at seminars and training classes. This includes courses for staff continuing education and job specific workshops. |
| <b><u>OFFICE EXPENSES</u></b>             | 100,000               | 107,699                 | 138,714                      | 140,000               | 40,000         | 40.00%   | Expenses for office supplies, printing services, stationery, computer support, office equipment maintenance.                                       |
|   |                       |                         |                              |                       |                |          | Office Supplies<br>Postage, Printing & Stationery<br>I. T. Support Services  |
| <b><u>COMPLIANCE</u></b>                  | 45,000                | 105,541                 | 114,995                      | 70,000                | 25,000         | 55.56%   | Costs incurred to comply with water regulations. Includes costs levied by the DHS, employee certifications, and various operating permits.         |
|   |                       |                         |                              |                       |                |          | Certification<br>Fees<br>Permits   |
| <b><u>UNCOLLECTABLE ACCOUNTS</u></b>      | 20,000                | 14,566                  | 18,245                       | 20,000                | -              | 0.00%    | Cost associated with accounts deemed uncollectable by the District.  |

ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12   | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change      |   |
|---|-----------------------|---|------------------------------|-----------------------|----------------|---------------|---|
| <b>EXPENSE ITEMS</b>                          |                       |   |                              |                       |                |               |   |
| <u>LEGAL SERVICES</u>                         | 65,000                | 58,088  | 83,376                       | 85,000                | 20,000         | 30.77%        | Legal services performed for the District for monthly representation and special cases. This includes PWR JWLC, Puente Basin Water Agency, Puente Basin Watermaster and PWAG.                               |
| <u>AUDITING</u>                               | 20,000                | 18,800  | 18,800                       | 25,000                | 5,000          | 25.00%        | Annual audit of the District's financial records and filing of the State Controller's Report.   |
| <u>DIRECTORS' COMPENSATION &amp; BENEFITS</u> | 100,000               | 67,447  | 89,929                       | 100,000               | -              | 0.00%         | Director compensation for attendance at regular and special board meetings, workshops, ad hoc committee meetings and other functions. This category has expanded to include all Director's health benefits. |
| <u>BANK &amp; MANAGEMENT FEES</u>             | 55,000                | 43,877  | 58,503                       | 80,000                | 25,000         | 45.45%        | Cost associated with bank fees, credit/debit surcharges, and investment management fees.  |
| <u>MISCELLANEOUS EXPENSES</u>                 | 35,000                | 38,675  | 43,968                       | 45,000                | 10,000         | 28.57%        | Represents miscellaneous expenses incurred on an infrequent basis.  |
|   |                       | Books & Subscriptions<br>Travel Expense<br>Non-Recurring Expenses |                              |                       |                |               |   |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b>          | <b>765,000</b>        | <b>705,817</b>  | <b>848,001</b>               | <b>905,000</b>        | <b>140,000</b> | <b>18.30%</b> |   |



ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-)   | % Change       |  |
|---|-----------------------|-------------------------|------------------------------|-----------------------|------------------|----------------|--|
| <b>EXPENSE ITEMS</b>                          |                       |                         |                              |                       |                  |                |  |
| <b><u>PERSONNEL EXPENSES</u></b>              |                       |                         |                              |                       |                  |                |  |
| <b><u>SALARIES &amp; WAGES</u></b>            |                       |                         |                              |                       |                  |                |  |
|   |                       |                         |                              |                       |                  |                | Cost of salaries and wages per job category for all District employees including overtime, holiday, vacation, sick leave and stand-by pay. |
| Water Treatment                               | 500,000               | 369,869                 | 493,159                      | 510,000               | 10,000           | 2.00%          |  |
| Mains & Services                              | 650,000               | 426,253                 | 568,337                      | 720,000               | 70,000           | 10.77%         | *Admin. Emp. - 2.00% CPI   |
| Customer Accounts                             | 110,000               | 79,772                  | 106,363                      | 110,000               | -                | 0.00%          | *Field Emp. - 2.00% CPI  |
| Administrative                                | 950,000               | 677,768                 | 903,691                      | 905,000               | (45,000)         | -4.74%         | *Exempt Emp. - 80 Hours Admin. Leave   |
| Standby                                       | 72,000                | 44,372                  | 59,163                       | 75,000                | 3,000            | 4.17%          |  |
| Overtime                                      | 41,000                | 23,502                  | 31,336                       | 40,000                | (1,000)          | -2.44%         |  |
| <i>Subtotal:</i>                              | 2,323,000             | 1,621,536               | 2,162,049                    | 2,360,000             | 37,000           | 1.59%          |  |
| <b><u>INSURANCE AND EMPLOYMENT TAXES</u></b>  |                       |                         |                              |                       |                  |                |  |
|   |                       |                         |                              |                       |                  |                | District cost for insurance and employment taxes.  |
| Workers' Compensation                         | 55,000                | 26,682                  | 38,422                       | 55,000                | -                | 0.00%          |  |
| Payroll Taxes                                 | 130,000               | 83,832                  | 128,542                      | 130,000               | -                | 0.00%          |  |
| Unemployment Insurance                        | 20,000                | 759                     | 5,830                        | 20,000                | -                | 0.00%          |  |
| <i>Subtotal:</i>                              | 205,000               | 111,273                 | 173,794                      | 205,000               | -                | 0.00%          |  |
| <b><u>EMPLOYEE &amp; RETIREE BENEFITS</u></b> |                       |                         |                              |                       |                  |                |  |
|   |                       |                         |                              |                       |                  |                | Cost of all employee and Retiree benefits which are paid directly by the District.   |
| Health Insurance                              | 380,000               | 345,153                 | 435,293                      | 450,000               | 60,000           | 15.38%         |  |
| Dental Insurance                              | 35,000                | 27,721                  | 36,938                       | 40,000                | 5,000            | 14.29%         |  |
| Vision Insurance                              | 8,000                 | 5,943                   | 7,929                        | 8,000                 | -                | 0.00%          |  |
| Life Insurance                                | 3,000                 | 2,074                   | 2,779                        | 3,000                 | -                | 0.00%          |  |
| Disability Insurance                          | 9,000                 | 6,752                   | 9,041                        | 10,000                | 1,000            | 11.11%         |  |
| Retirees Health Benefits                      | 120,000               | 80,930                  | 105,745                      | 120,000               | -                | 0.00%          |  |
| CalPERS Retirement System                     | 500,000               | 452,517                 | 492,091                      | 550,000               | 50,000           | 10.00%         |  |
| Employee Assistance Program                   | 1,000                 | 797                     | 1,063                        | 1,000                 | -                | 0.00%          |  |
| <i>Subtotal:</i>                              | 1,066,000             | 921,887                 | 1,090,877                    | 1,182,000             | 116,000.00       | 10.88%         |  |
| <b>TOTAL PERSONNEL EXPENSES</b>               | <b>3,594,000</b>      | <b>2,654,696</b>        | <b>3,426,720</b>             | <b>3,747,000</b>      | <b>153,000</b>   | <b>4.26%</b>   |  |
| <b>TOTAL EXPENSES</b>                         | <b>15,969,000</b>     | <b>12,789,669</b>       | <b>16,884,976</b>            | <b>17,202,000</b>     | <b>1,233,000</b> | <b>7.72%</b>   |  |
| <b>NET INCOME</b>                             | <b>1,196,000</b>      | <b>(913,706)</b>        | <b>(1,460,679)</b>           | <b>618,000</b>        | <b>(578,000)</b> | <b>-48.33%</b> |  |



**ROWLAND WATER DISTRICT**  
**Explanation and Detail of Capital Budget Items**  
**For Fiscal Budget Year 2012-2013**

|   |                   |
|---|-------------------|
| <b>ESTIMATED NET INCOME FROM 2012-2013 OPERATING BUDGET</b> | <b>618,000.00</b> |
|---|-------------------|

**PROPOSED CAPITAL IMPROVEMENT EXPENDITURES:**

|  |                   |
|--|-------------------|
| Furniture and Office Equipment   | 25,000.00         |
| Vehicle Replacement and Equipment Purchase (Includes Replacement of 10 Wheel Dump Truck & Portable Booster Pump) | 250,000.00        |
| Nitrification Control Analyzer, Tank Mixing System & Portable Treatment Trailer                                  | 100,000.00        |
| Implementation of IT Master Plan (Includes repairs and upgrades to Board Rm. AV System)                          | 400,000.00        |
| AMR Meter Expansion and Large Meter Replacement  | 60,000.00         |
| <b>TOTAL PROPOSED CAPITAL IMPROVEMENTS</b>   | <b>835,000.00</b> |

**PROPOSED CONSTRUCTION PROJECTS:**

|   |                     |
|---|---------------------|
| Plans & Specifications to Construct Water Conveyance Facilities between CDWC & RWD  | 50,000.00           |
| Plans & Specifications to Construct Water Conveyance Facilities between LHCWD & RWD | 10,000.00           |
| Pipeline Connection between LHCWD & RWD   | 350,000.00          |
| Repair and Recoat Reservoir 8, 13, and 11   | 500,000.00          |
| Valve Replacement   | 50,000.00           |
| Customer Service/Lobby/Library Remodel (Including Kiosk)                            | 250,000.00          |
| Nogales Grade Separation  | 150,000.00          |
| <b>TOTAL PROPOSED CAPITAL CONSTRUCTION PROJECTS</b>                                 | <b>1,360,000.00</b> |

|  |                     |
|--|---------------------|
| <b>TOTAL PROPOSED CAPITAL IMPROVEMENTS AND CONSTRUCTION PROJECTS</b> | <b>2,195,000.00</b> |
|--|---------------------|

|  |                       |
|--|-----------------------|
| <b>ESTIMATED DECREASE IN DISTRICT RESERVES</b> | <b>(1,577,000.00)</b> |
|--|-----------------------|

# ROWLAND WATER DISTRICT

## BUDGET



*\*Approved June 12, 2012*

**FISCAL YEAR 2012-2013**

**ROWLAND WATER DISTRICT  
BUDGET SUMMARY  
For Fiscal Budget Year  
2012-2013**

|  | ADOPTED<br>Budget<br>2011-2012 | Current Year<br>Actual<br>3/31/12 | Projected<br>Balance<br>6/30/12 | PROPOSED<br>Budget<br>2012-2013 | \$ Amount<br>Change<br>from<br>'11-'12<br>Budget | % Change<br>from<br>'11-'12<br>Budget |
|--|--------------------------------|-----------------------------------|---------------------------------|---------------------------------|--|---------------------------------------|
| TOTAL REVENUE                                      | \$17,165,000.00                | 11,875,963.00                     | 15,424,297.00                   | \$17,820,000.00                 | 655,000.00                                       | 3.82%                                 |
| TOTAL OPERATING EXPENSES                           | 11,610,000.00                  | 9,429,156.00                      | 12,610,255.00                   | 12,335,000.00                   | 725,000.00                                       | 6.24%                                 |
| TOTAL ADMINISTRATIVE EXPENSES                      | 765,000.00                     | 705,817.00                        | 848,001.00                      | 905,000.00                      | 140,000.00                                       | 18.30%                                |
| TOTAL PERSONNEL EXPENSES                           | 3,594,000.00                   | 2,654,696.00                      | 3,426,720.00                    | 3,747,000.00                    | 153,000.00                                       | 4.26%                                 |
| TOTAL EXPENSES                                     | 15,969,000.00                  | 12,789,669.00                     | 16,884,976.00                   | 16,987,000.00                   | 1,018,000.00                                     | 6.37%                                 |
| EXCESS OF INCOME OVER EXPENSES                     | 1,196,000.00                   | (913,706.00)                      | (1,460,679.00)                  | 833,000.00                      | (363,000.00)                                     | -30.35%                               |
| CAPITAL IMPROVEMENTS                               | 1,210,000.00                   | 688,000.00                        | 725,000.00                      | 835,000.00                      | (375,000.00)                                     | -30.99%                               |
| CONSTRUCTION PROJECTS                              | 995,000.00                     | 227,000.00                        | 320,000.00                      | 1,360,000.00                    | 365,000.00                                       | 36.68%                                |
| PROJECTED INCREASE (REDUCTION)<br>IN RESERVE FUNDS | (1,009,000.00)                 | (1,828,706.00)                    | (2,505,679.00)                  | (1,362,000.00)                  | (353,000.00)                                     | 34.99%                                |



## ROWLAND WATER DISTRICT FISCAL BUDGET 2012-2013



|                            | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change |   |
|----------------------------|-----------------------|-------------------------|------------------------------|-----------------------|----------------|----------|---|
| <b>REVENUE ITEMS</b>       |                       |                         |                              |                       |                |          |   |
| <u>WATER SALES</u>         | 11,500,000            | 7,903,089               | 10,274,015                   | 12,250,000            | 750,000        | 6.52%    | This revenue category includes the water commodity charge for the residential, business, industrial, construction and recycled water classes of customers, and is based on 11,000 A.F. potable water and 800 A.F. recycled water sales. The potable estimates a base rate of \$2.30 per H.C.F from July to December and \$2.52 per H.C.F. from January to June. The recycled estimates a base rate of \$1.46 per H.C.F from July to December and \$1.53 from January to June. |
| <u>WATER METER CHARGES</u> | 4,500,000             | 3,126,099               | 4,063,928                    | 4,500,000             | -              | 0.00%    | This revenue category includes water service charges billed either bi-monthly or monthly to each customer based on their respective meter sizes. This is a fixed amount which yields revenues to provide for the general overhead and other fixed costs of the District's operations  |
| <u>PENALTY FEES</u>        | 190,000               | 141,913                 | 177,391                      | 190,000               | -              | 0.00%    | Late payments, door hangers and penalties to residential, construction, and fire service accounts.  |
| <u>CONNECTION FEES</u>     | 50,000                | 29,900                  | 37,375                       | 40,000                | (10,000)       | -20.00%  | District's charges to create a new customer account and to reinstate a closed or inactive account.  |
| <u>RECONNECTION FEES</u>   | 20,000                | 16,215                  | 20,268                       | 20,000                | -              | 0.00%    | District's charges to reinstate and turn on a locked-off account due to non-payment of a delinquent bill and/or tampering charges.  |



ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|                                | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change     |   |
|--------------------------------|-----------------------|-------------------------|------------------------------|-----------------------|----------------|--------------|---|
| <b>REVENUE ITEMS</b>           |                       |                         |                              |                       |                |              |   |
| <u>NEW SERVICE CONNECTIONS</u> | 20,000                | 27,447                  | 27,447                       | 20,000                | -              | 0.00%        | District's revenue for project administration on new meter service installations.   |
| <u>PROPERTY TAXES</u>          | 200,000               | 154,690                 | 237,252                      | 250,000               | 50,000         | 25.00%       | District's percentage of property taxes revenue collected and distributed by the county.  |
| <u>ACREAGE SUPPLY CHARGE</u>   | 10,000                | 0.00                    | 0.00                         | 10,000                | -              | 0.00%        | Represents the \$1,750.00 per acre charge imposed on developers for new developments and to tie into the existing water system.                                       |
| <u>INTEREST INCOME</u>         | 500,000               | 292,288                 | 365,360                      | 350,000               | (150,000)      | -30.00%      | Interest earnings on invested District funds. This constitutes current reserves at an estimated interest rate of 1.00%.   |
| <u>CONTRACT INCOME</u>         | 120,000               | 111,151                 | 138,938                      | 125,000               | 5,000          | 4.17%        | Revenue received from contracts with cell sites, work done on City of Industry Reclaimed System, Treasurer Fees from the Pomona-Walnut-Rowland Joint Water Line, etc. |
| <u>FIRE FLOW TESTS</u>         | 5,000                 | 3,780                   | 4,725                        | 5,000                 | -              | 0.00%        | Tests performed by District personnel to measure the volume of water available at a specified fire hydrant.   |
| <u>MISCELLANEOUS INCOME</u>    | 50,000                | 69,391                  | 77,598                       | 60,000                | 10,000         | 20.00%       | Non-recurring income that is received on a non-continual basis. This includes returned check fees, gains on sale of assets and surplus equipment.                     |
| <b>TOTAL REVENUE</b>           | <b>17,165,000</b>     | <b>11,875,963</b>       | <b>15,424,297</b>            | <b>17,820,000</b>     | <b>655,000</b> | <b>3.82%</b> |   |



ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change |  |
|---|-----------------------|-------------------------|------------------------------|-----------------------|----------------|----------|--|
| <b>EXPENSE ITEMS</b>                      |                       |                         |                              |                       |                |          |  |
| <b><u>OPERATING EXPENSES</u></b>          |                       |                         |                              |                       |                |          |  |
| <b><u>WATER PURCHASES</u></b>             | 8,700,000             | 7,395,229               | 9,505,720                    | 9,300,000             | 600,000        | 6.90%    | Estimates twelve months of wholesale purchases from MWD and TVMWD. This figure is based on our allocation from MWD in the amount of 11,000 A.F. potable and 800 A.F. recycled water for the fiscal year. It estimates a rate of \$793.00 per A.F. from July to December and \$849.00 per A.F. from January to June. The recycle estimates a rate of \$350.00 per A.F. (Calculation based on Tier I water purchases only) |
| <b><u>FIXED CHARGES</u></b>               | 260,000               | 166,687                 | 255,713                      | 260,000               | -              | 0.00%    | Fixed charges imposed by MWD and TVMWD which include capacity, connected capacity, import water use, and equivalent small meter charges.   |
| Import Water Use                          |                       |                         |                              |                       |                |          |  |
| Connected Capacity                        |                       |                         |                              |                       |                |          |  |
| Equivalent Small Meter                    |                       |                         |                              |                       |                |          |  |
| Capacity Reservation Charge (CRC)         |                       |                         |                              |                       |                |          |  |
| <b><u>DEBT SERVICE EXPENSE</u></b>        | 1,500,000             | 883,625                 | 1,476,550                    | 1,500,000             | -              | 0.00%    | Yearly debt service payment on District's 2009 COP's.  |
| <b><u>MAINTENANCE OF WATER SYSTEM</u></b> | 350,000               | 339,003                 | 506,102                      | 350,000               | -              | 0.00%    | Includes various costs associated with the transmission and distribution of the total water system and general plant operations. This category has been expanded to include maintenance of City of Industry Recycled Water System.   |
| Hydrants                                  |                       |                         |                              |                       |                |          |  |
| Mains                                     |                       |                         |                              |                       |                |          |  |
| Meters                                    |                       |                         |                              |                       |                |          |  |
| Pumps                                     |                       |                         |                              |                       |                |          |  |
| Recycled Water                            |                       |                         |                              |                       |                |          |  |
| Reservoirs                                |                       |                         |                              |                       |                |          |  |
| Services                                  |                       |                         |                              |                       |                |          |  |
| Telemetry                                 |                       |                         |                              |                       |                |          |  |
| Valves                                    |                       |                         |                              |                       |                |          |  |
| City of Industry (COI)                    |                       |                         |                              |                       |                |          |  |
| <b><u>MAINTENANCE AND OPERATION</u></b>   | 25,000                | 11,423                  | 28,557                       | 30,000                | 5,000          | 20.00%   | Represents various costs which are incurred in the maintenance and operation of District facilities including the general plant  |
| <b><u>VEHICLE EXPENSES</u></b>            | 70,000                | 63,010                  | 77,519                       | 80,000                | 10,000         | 14.29%   | General maintenance of District vehicles, as well as, all gasoline purchased during the year.  |

ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|                                 | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change     |  |
|---------------------------------|-----------------------|-------------------------|------------------------------|-----------------------|----------------|--------------|--|
| <b>EXPENSE ITEMS</b>            |                       |                         |                              |                       |                |              |  |
| <u>EQUIPMENT EXPENSES</u>       | 15,000                | 4,030                   | 5,448                        | 15,000                | -              | 0.00%        | Maintenance costs on District's large equipment including the backhoe, automated valve operator, compressor, fuel storage, arrow board, etc.   |
| <u>PUMPING EXPENSES</u>         | 250,000               | 206,908                 | 253,017                      | 270,000               | 20,000         | 8.00%        | Energy costs (electricity & natural gas) incurred to operate and maintain the various pump stations.   |
| <u>ENGINEERING</u>              | 10,000                | 10,384                  | 10,384                       | 10,000                | -              | 0.00%        | Professional engineering services performed on smaller non-construction projects.  |
| <u>OPERATING ASSESSMENTS</u>    | 60,000                | 33,314                  | 55,087                       | 60,000                | -              | 0.00%        | Assessment costs levied by agreements, including Pomona-Walnut-Rowland Joint Water Line Commission, Puente Basin Watermaster, Puente Basin Water Agencies, Public Water Agencies Group, etc. |
| <u>TOOLS &amp; SUPPLIES</u>     | 25,000                | 17,993                  | 20,648                       | 25,000                | -              | 0.00%        | Short-lived operating supplies and small tools.  |
| <u>WATER TESTS</u>              | 30,000                | 20,820                  | 26,023                       | 30,000                | -              | 0.00%        | Water compliance testing costs routinely completed to monitor District's water quality.  |
| <u>WATER CONSERVATION</u>       | 10,000                | 2,500                   | 9,827                        | 10,000                | -              | 0.00%        | Conservation program including low-flush toilets, washer rebates, landscaping education, and all other water conservation expenses.  |
| <u>PUBLIC RELATIONS</u>         | 55,000                | 83,765                  | 117,754                      | 120,000               | 65,000         | 118.18%      | Outreach programs that are not associated with water conservation. This includes the cost to complete the annual CCR (Consumer Confidence Report) and any other customer notifications.      |
| <u>SERVICE CONTRACTS</u>        | 250,000               | 190,465                 | 261,906                      | 275,000               | 25,000         | 10.00%       | Service contracts for customer billing, landscape maintenance, security system, janitorial services, uniform cleaning, copier maintenance, etc.  |
| <b>TOTAL OPERATING EXPENSES</b> | <b>11,610,000</b>     | <b>9,429,156</b>        | <b>12,610,255</b>            | <b>12,335,000</b>     | <b>725,000</b> | <b>6.24%</b> |  |

ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change |  |
|---|-----------------------|-------------------------|------------------------------|-----------------------|----------------|----------|--|
| <b>EXPENSE ITEMS</b>                      |                       |                         |                              |                       |                |          |  |
| <b><u>ADMINISTRATIVE EXPENSES</u></b>     |                       |                         |                              |                       |                |          |  |
| <b><u>GENERAL LIABILITY INSURANCE</u></b> | 95,000                | 103,837                 | 103,837                      | 110,000               | 15,000         | 15.79%   | Includes liability, property and vehicle insurance based on the value of District assets.  |
| <b><u>UTILITY SERVICES</u></b>            | 65,000                | 47,697                  | 58,836                       | 65,000                | -              | 0.00%    | Accounts for the portion of utilities used by the administration building and all telephone services.  |
| <b><u>MEMBERSHIP DUES</u></b>             | 45,000                | 32,438                  | 36,923                       | 45,000                | -              | 0.00%    | District memberships in professional organizations.  |
| <b><u>CONFERENCES</u></b>                 | 60,000                | 28,939                  | 32,939                       | 60,000                | -              | 0.00%    | Costs associated with District staff and Directors attendance at annual conferences including ACWA, AWWA, CSDA, etc.                               |
| <b><u>SEMINARS AND TRAINING</u></b>       | 60,000                | 38,173                  | 48,936                       | 60,000                | -              | 0.00%    | Cost associated with attendance at seminars and training classes. This includes courses for staff continuing education and job specific workshops. |
| <b><u>OFFICE EXPENSES</u></b>             | 100,000               | 107,699                 | 138,714                      | 140,000               | 40,000         | 40.00%   | Expenses for office supplies, printing services, stationery, computer support, office equipment maintenance.                                       |
|   |                       |                         |                              |                       |                |          | Office Supplies<br>Postage, Printing & Stationery<br>I. T. Support Services  |
| <b><u>COMPLIANCE</u></b>                  | 45,000                | 105,541                 | 114,995                      | 70,000                | 25,000         | 55.56%   | Costs incurred to comply with water regulations. Includes costs levied by the DHS, employee certifications, and various operating permits.         |
|   |                       |                         |                              |                       |                |          | Certification<br>Fees<br>Permits   |
| <b><u>UNCOLLECTABLE ACCOUNTS</u></b>      | 20,000                | 14,596                  | 18,245                       | 20,000                | -              | 0.00%    | Cost associated with accounts deemed uncollectable by the District.  |

ROWLAND WATER DISTRICT  
Fiscal Budget 2012-2013

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-) | % Change      |   |
|---|-----------------------|-------------------------|------------------------------|-----------------------|----------------|---------------|---|
| <b>EXPENSE ITEMS</b>                          |                       |                         |                              |                       |                |               |   |
| <u>LEGAL SERVICES</u>                         | 65,000                | 58,098                  | 83,376                       | 85,000                | 20,000         | 30.77%        | Legal services performed for the District for monthly representation and special cases. This includes PWR JWLC, Puente Basin Water Agency, Puente Basin Watermaster and PWAG.                               |
| <u>AUDITING</u>                               | 20,000                | 18,800                  | 18,800                       | 25,000                | 5,000          | 25.00%        | Annual audit of the District's financial records and filing of the State Controller's Report.   |
| <u>DIRECTORS' COMPENSATION &amp; BENEFITS</u> | 100,000               | 67,447                  | 89,929                       | 100,000               | -              | 0.00%         | Director compensation for attendance at regular and special board meetings, workshops, ad hoc committee meetings and other functions. This category has expanded to include all Director's health benefits. |
| <u>BANK &amp; MANAGEMENT FEES</u>             | 55,000                | 43,877                  | 58,503                       | 80,000                | 25,000         | 45.45%        | Cost associated with bank fees, credit/debit surcharges, and investment management fees.  |
| <u>MISCELLANEOUS EXPENSES</u>                 | 35,000                | 38,675                  | 43,968                       | 45,000                | 10,000         | 28.57%        | Represents miscellaneous expenses incurred on an infrequent basis.  |
|   |                       | Books & Subscriptions   |                              |                       |                |               |   |
|   |                       | Travel Expense          |                              |                       |                |               |   |
|   |                       | Non-Recurring Expenses  |                              |                       |                |               |   |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b>          | <b>765,000</b>        | <b>705,817</b>          | <b>848,001</b>               | <b>905,000</b>        | <b>140,000</b> | <b>18.30%</b> |   |

|   | 2011-2012<br>APPROVED | Current Year<br>3/31/12 | Projected Balance<br>6/30/12 | 2012-2013<br>PROPOSED | Variance (+/-)    | % Change       |  |
|---|-----------------------|-------------------------|------------------------------|-----------------------|-------------------|----------------|--|
| <b>EXPENSE ITEMS</b>                          |                       |                         |                              |                       |                   |                |  |
| <b><u>PERSONNEL EXPENSES</u></b>              |                       |                         |                              |                       |                   |                |  |
| <b><u>SALARIES &amp; WAGES</u></b>            |                       |                         |                              |                       |                   |                |  |
|   |                       |                         |                              |                       |                   |                | Cost of salaries and wages per job category for all District employees including overtime, holiday, vacation, sick leave and stand-by pay. |
| Water Treatment                               | 500,000               | 369,869                 | 493,159                      | 510,000               | 10,000            | 2.00%          |  |
| Mains & Services                              | 650,000               | 426,253                 | 568,337                      | 720,000               | 70,000            | 10.77%         | *Admin. Emp. - 2.00% CPI   |
| Customer Accounts                             | 110,000               | 79,772                  | 106,363                      | 110,000               | -                 | 0.00%          | *Field Emp. - 2.00% CPI  |
| Administrative                                | 950,000               | 677,768                 | 903,691                      | 905,000               | (45,000)          | -4.74%         | *Exempt Emp. - 80 Hours Admin. Leave   |
| Standby                                       | 72,000                | 44,372                  | 59,163                       | 75,000                | 3,000             | 4.17%          |  |
| Overtime                                      | 41,000                | 23,502                  | 31,336                       | 40,000                | (1,000)           | -2.44%         |  |
| <i>Subtotal:</i>                              | <u>2,323,000</u>      | <u>1,621,536</u>        | <u>2,162,049</u>             | <u>2,360,000</u>      | <u>37,000</u>     | <u>1.59%</u>   |  |
| <b><u>INSURANCE AND EMPLOYMENT TAXES</u></b>  |                       |                         |                              |                       |                   |                |  |
|   |                       |                         |                              |                       |                   |                | District cost for insurance and employment taxes.  |
| Workers' Compensation                         | 55,000                | 26,682                  | 39,422                       | 55,000                | -                 | 0.00%          |  |
| Payroll Taxes                                 | 130,000               | 83,832                  | 128,542                      | 130,000               | -                 | 0.00%          |  |
| Unemployment Insurance                        | 20,000                | 759                     | 5,830                        | 20,000                | -                 | 0.00%          |  |
| <i>Subtotal:</i>                              | <u>205,000</u>        | <u>111,273</u>          | <u>173,794</u>               | <u>205,000</u>        | <u>-</u>          | <u>0.00%</u>   |  |
| <b><u>EMPLOYEE &amp; RETIREE BENEFITS</u></b> |                       |                         |                              |                       |                   |                |  |
|   |                       |                         |                              |                       |                   |                | Cost of all employee and Retiree benefits which are paid directly by the District.   |
| Health Insurance                              | 390,000               | 345,153                 | 435,293                      | 450,000               | 60,000            | 15.38%         |  |
| Dental Insurance                              | 35,000                | 27,721                  | 36,936                       | 40,000                | 5,000             | 14.29%         |  |
| Vision Insurance                              | 8,000                 | 5,943                   | 7,929                        | 8,000                 | -                 | 0.00%          |  |
| Life Insurance                                | 3,000                 | 2,074                   | 2,779                        | 3,000                 | -                 | 0.00%          |  |
| Disability Insurance                          | 9,000                 | 6,752                   | 9,041                        | 10,000                | 1,000             | 11.11%         |  |
| Retirees Health Benefits                      | 120,000               | 80,930                  | 105,745                      | 120,000               | -                 | 0.00%          |  |
| CalPERS Retirement System                     | 500,000               | 452,517                 | 492,091                      | 550,000               | 50,000            | 10.00%         |  |
| Employee Assistance Program                   | 1,000                 | 797                     | 1,063                        | 1,000                 | -                 | 0.00%          |  |
| <i>Subtotal:</i>                              | <u>1,066,000</u>      | <u>921,887</u>          | <u>1,090,877</u>             | <u>1,182,000</u>      | <u>116,000.00</u> | <u>10.88%</u>  |  |
| <b>TOTAL PERSONNEL EXPENSES</b>               | <b>3,594,000</b>      | <b>2,654,696</b>        | <b>3,426,720</b>             | <b>3,747,000</b>      | <b>153,000</b>    | <b>4.26%</b>   |  |
| <b>TOTAL EXPENSES</b>                         | <b>15,969,000</b>     | <b>12,789,669</b>       | <b>16,884,976</b>            | <b>16,987,000</b>     | <b>1,018,000</b>  | <b>6.37%</b>   |  |
| <b>NET INCOME</b>                             | <b>1,196,000</b>      | <b>(913,706)</b>        | <b>(1,460,679)</b>           | <b>833,000</b>        | <b>(363,000)</b>  | <b>-30.35%</b> |  |



**ROWLAND WATER DISTRICT**  
**Explanation and Detail of Capital Budget Items**  
**For Fiscal Budget Year 2012-2013**

|  |                  |
|--|------------------|
| <b>ESTIMATED NET INCOME FROM 2012-2013 OPERATING BUDGET</b>  | 833,000.00       |
| <br><b>PROPOSED CAPITAL IMPROVEMENT EXPENDITURES:</b>  |                  |
| Furniture and Office Equipment   | 25,000.00        |
| Vehicle Replacement and Equipment Purchase (Includes Replacement of 10 Wheel Dump Truck & Portable Booster Pump) | 250,000.00       |
| Nitrification Control Analyzer, Tank Mixing System & Portable Treatment Trailer                                  | 100,000.00       |
| Implementation of IT Master Plan (Includes repairs and upgrades to Board Rm. AV System)                          | 400,000.00       |
| AMR Meter Expansion and Large Meter Replacement  | 60,000.00        |
| <b>TOTAL PROPOSED CAPITAL IMPROVEMENTS</b>   | 835,000.00       |
| <br><b>PROPOSED CONSTRUCTION PROJECTS:</b>   |                  |
| Plans & Specifications to Construct Water Conveyance Facilities between CDWC & RWD                               | 50,000.00        |
| Plans & Specifications to Construct Water Conveyance Facilities between LHHCWD & RWD                             | 10,000.00        |
| Pipeline Connection between LHHCWD & RWD   | 350,000.00       |
| Repair and Recoat Reservoir 8, 13, and 11  | 500,000.00       |
| Valve Replacement  | 50,000.00        |
| Customer Service/Lobby/Library Remodel (Including Kiosk)   | 250,000.00       |
| Nogales Grade Separation   | 150,000.00       |
| <b>TOTAL PROPOSED CAPITAL CONSTRUCTION PROJECTS</b>  | 1,360,000.00     |
| <br><b>TOTAL PROPOSED CAPITAL IMPROVEMENTS AND CONSTRUCTION PROJECTS</b>   | <br>2,195,000.00 |
| <b>ESTIMATED DECREASE IN DISTRICT RESERVES</b>   | (1,362,000.00)   |

2.3



**RESOLUTION NO. 1-2012**  
*(Supersedes Resolution No. 3-2008)*

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF ROWLAND WATER DISTRICT  
AMENDING BOARD POLICY FOR  
ELECTION AND ROTATION OF BOARD OFFICERS**

**WHEREAS**, Water Code Section 30520 provides that, within thirty days of directors taking office after a general district election the Board of Directors shall meet and elect one of their members President of the Board and may elect one of their members vice-president; and,

**WHEREAS**, the Board of Directors considers that experience with Board procedures and customs, knowledge of the District's operations and facilities, and familiarity with the laws governing county water districts, gained while serving as a member of the Board of Directors is invaluable to a director assuming the office of President of the Board of Directors; and,

**WHEREAS**, having experienced directors serve in the role of President of the Board promotes effective and efficient governance and continuity of District goals and policies; and,

**WHEREAS**, the Board of Directors desires to adopt a policy to ensure that Directors have an opportunity to acquire experience and knowledge prior to being elected to the office of President of the Board; and,

**WHEREAS**, the Board of Directors believes that the existing policy of rotation of each of the members of the Board into the office of President and Vice-President of the Board is beneficial to the District and to the Directors by allowing each to bring his or her own talents to the running of the District;

**NOW THEREFORE, BE IT RESOLVED** by the Board of Directors of the Rowland Water District as follows:

1. The term of the President and the Vice-President of the Board of Directors shall be for one year, commencing on January 1<sup>st</sup>. In the event the office of President of the Board becomes vacant prior to the end of his or her term, the

Vice-President shall become President of the Board to complete the remainder of the term. A director may serve two consecutive terms as President of the Board. Completing the unexpired term of President where a vacancy has occurred, shall not disqualify a director from serving as President for two full consecutive terms.

2. Commencing with the year in which this Resolution becomes effective (2012), it shall be the policy of the Board that a Director shall have served on the Board of Directors for a minimum of four (4) years before being elected to the office of President or Vice-President of the Board.

3. The policy that the director serving as Vice-President shall be next in line for election to the office of President, shall continue. As the terms of the President and Vice-President expire, the director with the next most seniority shall be elected to the office of Vice-President and then President in order.

4. When the Director having the least seniority on the Board of Directors is elected to the office of President, the Director with the most seniority shall be in line for election to the office of Vice-President, and the rotation of office shall continue with each Director following in order of seniority.

5. If a vacancy occurs in the office of President or Vice-President prior to the end of a term for that office, then it is the policy of the Board that the Director who would next succeed to that office at the end of the term be elected to serve the balance of the term in which the vacancy occurred as well as the next full term for that office.

6. Whenever a person who has not previously served as Director is elected to the Board of Directors, that person shall assume the last place in the order of rotation, notwithstanding the position of his predecessor.

7. This policy reflects the preference of the Board of Directors as to the experience of the directors serving as President and Vice-President and the rotation of the office of President and Vice-President of the Board, and may be suspended or superseded at any time by subsequent action of the Board.

ADOPTED THIS 10<sup>th</sup> day of January 2012 by the following roll call vote:

|          |   |
|----------|---|
| AYES:    | Directors Lima, Lu-Yang, Lewis, Bellah and Rios |
| NOES:    | None  |
| ABSENT:  | None  |
| ABSTAIN: | None  |

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Anthony J. Lima  
Board President

ATTEST:

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Ken Deck  
Board Secretary

**2.4**





**CURRENT LIST OF COMMITTEE ASSIGNMENTS**  
**Rowland Water District**  
**Board of Directors**

**UPDATED AND APPROVED BY BOARD ON DECEMBER 11, 2012**

| <b>Committee</b>  | <b>Current Assignments</b>                              | <b>New Assignments</b> |
|---|---|------------------------|
| Puente Basin Water Agency                                   | Director Lewis<br>Director Lima<br>Ken Deck (Alternate) |                        |
| PWR Joint Water Line Commission                             | Director Lima<br>Director Bellah                        |                        |
| Three Valleys Municipal Water District                      | Director Lima<br>Director Lu-Yang                       |                        |
| Association of California Water Agencies                    | Director Bellah<br>Director Lewis                       |                        |
| Joint Powers Insurance Authority                            | Director Lewis<br>Ken Deck                              |                        |
| San Gabriel Valley Regional Chamber of Commerce             | Director Lewis<br>Director Lu-Yang                      |                        |
| Los Angeles County Sheriff's Department<br>Advisory Council | Director Lu-Yang<br>Director Rios                       |                        |
| Project Ad-Hoc Committee                                    | Director Lima<br>Director Lu-Yang                       |                        |
| Finance Ad-Hoc Committee                                    | Director Lewis<br>Director Lima                         |                        |
| Rowland Heights Coordinating Council                        | Director Bellah<br>Director Rios                        |                        |

2.5

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**RESOLUTION NO. 12-2012**  
*Supersedes Resolution No. 4.1-2011*

**ROWLAND WATER DISTRICT  
RESOLUTION OF THE BOARD OF DIRECTORS  
APPOINTING REPRESENTATIVE TO THE PUENTE BASIN WATER AGENCY**

**WHEREAS**, Rowland Water District is a member of PUENTE BASIN WATER AGENCY, which is governed by the Amended and Restated Joint Powers Agreement dated October 28, 2009, with Walnut Valley Water District, (the PBWA Agreement); and,

**WHEREAS**, the PBWA Agreement provides that the PUENTE BASIN WATER AGENCY shall be governed by a Commission consisting of four commissioners, and that the governing body of each of the members shall annually appoint two representatives to the Commission and one alternate to serve in the absence of either of the appointed representatives; and

**WHEREAS**, the PBWA Agreement provides that at least one of the appointed representatives of each member shall be a Director on the governing board of the appointing member; and

**WHEREAS**, each Commissioner must file with the PUENTE BASIN WATER AGENCY a certified copy of the Resolution of the member appointing him or her.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Rowland Water District:

1. That President of the Board of Directors, Anthony J. Lima, shall continue and remain a commissioner of the PUENTE BASIN WATER AGENCY, representing Rowland Water District, and General Manager of the District, Ken Deck, shall continue and remain an alternate commissioner representing Rowland Water District on the PUENTE BASIN WATER AGENCY.
2. That ROBERT W. LEWIS, who is a member of the Board of Directors of the Rowland Water District, shall be appointed as a representative of the Rowland Water District to serve on the Commission of the PUENTE BASIN WATER AGENCY.
3. That each of the representatives and alternate appointed herein shall serve for a term of one year unless removed and replaced at the pleasure of the Board of Directors, or unless such representative or alternate representative resigns or becomes incapacitated.
4. This resolution supersedes Resolution No. 4.1-2011.
5. That a certified copy of the Resolution be provided to the PUENTE BASIN WATER AGENCY.



Adopted at a regular meeting of the Board of Directors of the Rowland Water District held December 11, 2012, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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ANTHONY J. LIMA  
Board President

I certify that the foregoing Resolution is a true and correct copy of the Resolution of the Board of Directors of the Rowland Water District adopted on December 11, 2012.

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KEN DECK, General Manager/  
Board Secretary

**2.7**

TAB 2.7

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**RESOLUTION NO. 2.1-2006**

**ROWLAND WATER DISTRICT**

**RESOLUTION OF THE BOARD OF DIRECTORS  
ESTABLISHING THE ROWLAND WATER DISTRICT  
INVESTMENT POLICY**

**WHEREAS**, The Legislature of the State of California has declared that to protect the solvency and creditworthiness of the state and all of its political subdivisions, the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (Government Code Section 53600.6); and,

**WHEREAS**, The Legislature has authorized the legislative body of a local agency having money in a sinking fund or money in its treasury not required for the immediate needs of the local agency ("surplus funds") to invest any portion of the money that it deems wise or expedient in those investments authorized under the Government Code (Sections 53600 et seq.); and,

**WHEREAS**, the Board of Directors of the Rowland Water District has previously established a policy for the investment of surplus funds of the District pursuant to Government Code Section 53646, and has reviewed and approved said policy annually since its adoption in 1996 at public meetings of the Board of Directors; and,

**WHEREAS**, the Board of Directors has previously delegated to the General Manager/Treasurer of the District the authority to establish written procedures and to invest and reinvest surplus funds of the District in accordance with the investment policy pursuant to Government Code Section 53607, and has renewed said delegation annually; and

**WHEREAS**, the Board of Directors now desires to amend and restate the Statement of Investment Policy, and make the delegation of investment authority by separate resolution;

**NOW THEREFORE, BE IT RESOLVED** by the Board of Directors of the Rowland Water District that the Policy for Investment of Surplus Funds of the District shall be as follows:



SECTION ONE: Purpose.

This Statement of Investment Policy sets forth the policy of the Board of Directors of the Rowland Water District for the investment of any surplus funds of the District which are not required for the immediate operating necessities of the District, including, but not limited to, sinking funds, reserves, trust funds, restricted funds, and surplus monies. All District funds available for investment shall be invested in accordance with this Policy with the goal of achieving the highest rate of return consistent with the ultimate priorities of safeguarding the principal and maintaining liquidity sufficient to insure that funds are available when needed to meet all operating expenses of the District.

SECTION TWO: Objectives.

The District shall operate a cash management system which is designed to accurately monitor and forecast expenditures and reserves, to permit the most efficient investment of District funds. Investment of District funds shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments of surplus funds of the District may be made as authorized by law.

SECTION THREE: Delegation of Authority.

The Board of Directors shall annually consider delegation of the authority to invest or to reinvest surplus funds of the District to the General Manager/Treasurer of the District for a one-year period as permitted by Government Code Section 53607, which delegation shall be made by separate resolution. Upon delegation of investment authority, the General Manager/Treasurer shall assume full responsibility for investment of surplus funds of the district until such delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the Board of Directors.

SECTION FOUR: Policy.

The investment of surplus funds of the District shall be made in consultation with the District's financial advisors and with the exercise judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. The standard of prudence to be used in the investment of District funds shall be the "prudent investor" standard (Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. If investment authority is delegated to the General Manager/Treasurer, the General Manager/Treasurer so long as he is acting in accordance with the Investment Policy



established by the Board of Directors and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. Within the limitations of the foregoing standard, surplus funds of the District may be invested in any of the types of investments permitted under Section 53601 and 53601.1 of the Government Code of the State of California as currently written, and as it may be amended in the future by the Legislature. Investment of District funds is expressly authorized in the Local Agency Investment Fund of the California State Treasurer (Government Code Section 16429.1). All investments of surplus funds of the District shall comply with the limitations and requirements of Government Code Sections 53600 through 53609, inclusive and any other legal restrictions imposed by State or Federal law.

To the extent possible, one hundred percent (100%) of the surplus funds of the District shall be invested such that a return is being earned and shall not be left in non-interest-bearing deposit accounts. The criteria for selecting investments, and the absolute order of priority of goals, are as follows:

1. **Safety of Principal:** The safety of principal is the primary objective of the investment program. Investments of surplus funds of the District shall be undertaken in a manner that seeks, first and foremost, to ensure the preservation of capital in the overall portfolio. To attain this objective, investment of District funds shall be diversified in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
  - (a) **Credit Risk:** Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be avoided by investing only in very safe institutions and by diversifying the investments so that the failure of any one issuer would not unduly harm the District's cash flow.
  - (b) **Market Risk:** It is explicitly recognized that in a diversified portfolio, the potential loss of value due to overall changes in the general level of interest rates ("market risk") is inevitable, and must be considered within the context of the overall investment return. Market risk shall be mitigated by limiting the weighted average maturity of the District's investment portfolio to five (5) years, (subject to shorter maturity requirements for individual investments provided by law).
2. **Liquidity:** Securities purchased with surplus funds of the District shall have maturities of appropriate durations such that reasonably anticipated operating expenses of the District will be met without the necessity of selling securities prior to their stated maturity. Notwithstanding the foregoing, any security may be sold prior to maturity if it is determined that such sale would be advantageous to the District within its overall investment strategy.



3. **Yield:** The investment of surplus funds of the District shall be made with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio.

Government securities and debt obligations of governmental agencies whose obligations carry the full faith and credit of the Government of the United States of America are preferred as the highest quality investments in terms of safety and liquidity.

Investments in certificates of deposit, savings accounts and interest bearing active accounts shall be insured or collateralized to a degree consistent with or exceeding requirements of existing laws and regulations. Maturities of certificates of deposit and term accounts shall be selected to anticipate cash needs and to avoid forced liquidation and the accompanying loss of interest.

Reasonably available and economically feasible investment aids and advisors shall be used to monitor economic conditions and markets to assess the probable course of interest rates.

The most important objective of this Investment Policy is that the safety of the public's money in the hands of the District must be ensured and that such funds must be available when needed for the District's purposes. A high dollar yield on investments, though important, ranks third in priority of investment strategy.

#### SECTION FIVE: Safekeeping and Custody.

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement as required by Government Code Section 53601.

#### SECTION SIX: Reporting.

In addition to the monthly report of investment transactions, the General Manager/Treasurer shall submit to each member of the Board of Directors, a quarterly investment report within thirty (30) days following the end of the quarter covered by the report, which shall include the type of investment, issuer, date of maturity, par and dollar amount invested for all securities, investments and monies of the District, and shall additionally include a description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs and such other information as is required under Government Code Section 53646. With respect to all securities held by the District, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall identify the source of such valuation. With respect to funds placed in the Local Agency Investment Fund, FDIC-Insured accounts and/or in a county investment pool, the

foregoing information may be provided by including a copy of the latest statement from such institutions. The quarterly report shall include a statement that the portfolio is in compliance with this statement of Investment Policy, or shall identify in what respect it is not in compliance. The quarterly report shall include a statement that the District will be able to meet its anticipated operating expenses and expenditure obligations for the following six months or provide an explanation as to why sufficient money shall, or may not be available.

The General Manager/Treasurer shall maintain a complete and up-to-date record of all investment transactions. The General Manager/Treasurer shall also report any additional information or data that may be requested by the Board of Directors.

**SECTION SEVEN: Prohibited Investments.**

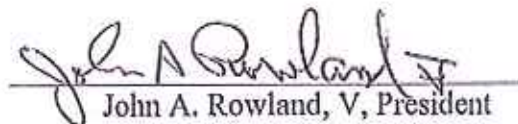
No District funds shall be invested in any security or investment specifically prohibited under Government Code Section 53601, 53601.6 or any other provision of applicable law.

**SECTION EIGHT: Effective Date:**


This Resolution shall supersede all prior resolutions and actions of the Board of Directors establishing any investment policy and shall become effective on February 15<sup>th</sup>, 2006. The Investment Policy provided herein shall continue until repealed or amended by the Board of Directors.

Adopted this 14<sup>th</sup> day of February, 2006 by the following roll call vote:

AYES: Directors Rowland, Lewis, Lima and Rios  
NOES: None  
ABSENT: Director Diliberti  
ABSTAIN: None

  
John A. Rowland, V, President

Attest:

  
Ken Deck, General Manager/Treasurer

2.9





**RESOLUTION NO. 12.1-2012**  
*Supersedes Resolution No. 3-2012*

**ROWLAND WATER DISTRICT**

**RESOLUTION OF THE BOARD OF DIRECTORS  
APPOINTING THE DISTRICT TREASURER AND  
DELEGATING AUTHORITY FOR THE INVESTMENT OF SURPLUS FUNDS  
OF THE DISTRICT TO THE GENERAL MANAGER/TREASURER**

**WHEREAS**, in accordance with the provisions of Government Code Section 53646 (a) (2), the Board of Directors adopted a Statement of Investment Policy governing the investment of surplus funds of the District not required for the immediate needs of the District, and has reviewed said policy and made all necessary revisions to the policy by Resolution No. 2.1-2006; and,

**WHEREAS**, on March 13, 2012, the Board of Directors re-appointed General Manager, Ken Deck, as the Treasurer of the District and delegated to the General Manager/Treasurer the authority to invest and reinvest funds of the District, and to sell and exchange securities purchased on behalf of the District pursuant to Government Code Section 53607; and,

**WHEREAS**, the delegation of investment authority to the General Manager/Treasurer was for a period of one year from the date of delegation, and the Board of Directors desires to renew the delegation of investment authority to the General Manager/Treasurer for an additional period of one year.

**NOW THEREFORE**, be it resolved by the Board of Directors of the Rowland Water District as follows:

1. The Board of Directors hereby delegates to the General Manager/ Treasurer, Ken Deck the authority and responsibility for the investment of District funds pursuant to the Statement of Investment Policy established by the Board of Directors.
2. In investing surplus funds of the District, the General Manager/Treasurer shall consult with the District's financial advisors and shall exercise judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. The standard of prudence to be used by the General Manager/Treasurer shall be the "prudent investor" standard (Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. The General Manager/Treasurer, acting in accordance with the Investment Policy established by the Board of Directors and exercising due

diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. Within the limitations of the foregoing standard, the General Manager/Treasurer is authorized to invest surplus funds of the District in any of the types of investments permitted under Section 53601 and 53601.1 of the Government Code of the State of California as currently written, and as it may be amended in the future by the Legislature. The General Manager/Treasurer is expressly authorized to invest surplus funds of the District in the Local Agency Investment Fund of the California State Treasurer (Government Code Section 16429.1). All investments of surplus funds of the District shall comply with all of the limitations and requirements of Government Code Sections 53600 through 53609, inclusive and any other legal restrictions imposed by State or Federal law.

3. The General Manager/Treasurer shall establish written procedures for the operation of the investment program consistent with the Statement of Investment Policy which procedures shall include references to safekeeping; repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts as appropriate. The General Manager/Treasurer may delegate to District staff members authority to engage in specific investment transactions and shall institute such controls and restrictions as appropriate to ensure compliance with the Investment Policy. No person may engage in an investment transaction except as provided under the terms of the Investment Policy and the procedures established by the General Manager/Treasurer. The General Manager/Treasurer shall be ultimately responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, outside investment advisors and contracted managers.
4. The General Manager/Treasurer shall make monthly reports of investment transactions made with District funds to the Board of Directors. In addition, the General Manager/Treasurer shall submit to each member of the Board of Directors, a quarterly investment report within thirty (30) days following the end of the quarter covered by the report, which shall include the type of investment, issuer, date of maturity, par and dollar amount invested for all securities, investments and monies of the District, and shall additionally include a description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs and such other information as is required under Government Code Section 53646. With respect to all securities held by the District, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation. With respect to funds placed in the Local Agency Investment Fund, FDIC-Insured accounts and/or in a county investment pool, the foregoing information may be provided by including a copy of the latest statement from such institutions. The quarterly report shall include a statement that the portfolio is in compliance with this statement of Investment Policy, or shall identify in what respect it is not in compliance. The quarterly report shall include a statement that the District will be able to meet its



anticipated operating expenses and expenditure obligations for the following six months or provide an explanation as to why sufficient money shall, or may not be available. The General Manager/Treasurer shall maintain a complete and up-to-date record of all investment transactions. The General Manager/Treasurer shall also report any additional information or data that may be requested by the Board of Directors.

5. The investment authority delegated to the General Manager/Treasurer herein shall continue for one year or until earlier revoked by the Board of Directors.

ADOPTED December 11, 2012 by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

---

Anthony J. Lima, President

Attest:

---

Ken Deck, General Manager/Treasurer

**Tab**

**2.10**



#### News Essentials

- [What's Hot](#)
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#### The Newsroom Topics

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## Standard Mileage Rates for 2013

The Internal Revenue Service today issued the 2013 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2013, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 56.5 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The rate for business miles driven during 2013 increases 1 cent from the 2012 rate. The medical and moving rate is also up 1 cent per mile from the 2012 rate.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

These and other requirements for a taxpayer to use a standard mileage rate to calculate the amount of a deductible business, moving, medical, or charitable expense are in Rev. Proc. 2010-51. Notice 2012-72 contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

*Page Last Reviewed or Updated: 21-Nov-2012*



**Tab**

**2.11**

To the Board of Directors  
Rowland Water District  
Rowland Heights, California

We have audited the financial statements of Rowland Water District for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 27, 2012 and our teleconferences with the President and Vice President of the Board. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings:**

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Rowland Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed for the year ended June 30, 2012. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- a. The estimate of the fair market value of investments which is based on market values provided by the investment custodian.
- b. The estimated useful lives of capital assets used for depreciation purposes which are based on industry standards.
- c. The annual required contribution of the District's defined benefit pension plan administered by CalPERS which is based on an actuarial valuation.
- d. The annual required contribution, the funded status and the funding progress for the District's other post-employment benefit plan which are based on an actuarial valuation.



## **Significant Audit Findings (Continued):**

### Qualitative Aspects of Accounting Practices (Continued)

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are reported in Note 8 regarding the District's defined benefit pension plan and Note 9 regarding the District's other post-employment benefit plan.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audited procedures were corrected by management:

- a. The recording of the current year expense and adjustment to the liability related to the District's other post-employment benefit plan.
- b. The removal of costs related to certain projects from the construction in progress account that do not qualify for capitalization.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2012.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Rowland Water District and is not intended to be and should not be used by anyone other than these specified parties.

*White Nelson Dick Evans LLP*

Irvine, California  
November 13, 2012

Client: 7955 - Rowland Water District  
 Engagement: 2012 - Rowland Water District  
 Period Ending: 6/30/2012  
 Trial Balance: 2999.01 - Rowland Water District  
 Workpaper: 3210.01 - Waived AJE's Report

| Account   | Description                   | W/P Ref        | Debit            | Credit           | Net Income Effect<br>Expense/(Income) |
|---|-------------------------------|----------------|------------------|------------------|---------------------------------------|
| <b>Passed Journal Entries JE # 301</b>  |                               | <b>4200.04</b> |                  |                  |                                       |
| To pass on unbilled receivable recalculate error by client.                   |                               |                |                  |                  |                                       |
| 13710-0   | ACCOUNTS RECEIVABLE           |                | 68,872.00        |                  |                                       |
| 41111-0   | RESIDENTIAL-SURCHARGE WATER   |                |                  | 68,872.00        | (68,872)                              |
| <b>Total</b>  |                               |                | <u>68,872.00</u> | <u>68,872.00</u> |                                       |
| <b>Passed Journal Entries JE # 302</b>  |                               | <b>4100.01</b> |                  |                  |                                       |
| To pass on reclassification of negative cash to A-r.                          |                               |                |                  |                  |                                       |
| 15210-0   | UTILITY CASH CLEARING ACCOUNT |                | 37,759.00        |                  |                                       |
| 13710-0   | ACCOUNTS RECEIVABLE           |                |                  | 37,759.00        |                                       |
| <b>Total</b>  |                               |                | <u>37,759.00</u> | <u>37,759.00</u> |                                       |
| <b>Passed Journal Entries JE # 303</b>  |                               | <b>7101.00</b> |                  |                  |                                       |
| To pass on adjustment to property tax receivable different from year to year. |                               |                |                  |                  |                                       |
| 14515-0   | OTHER RECEIVABLE              |                | 25,876.00        |                  |                                       |
| 49310-0   | COUNTY TAX CONTRIBUTIONS      |                | 2,557.00         |                  | 2,557                                 |
| 30130-0   | UNAPPROPRIATED FUND BALANCE   |                |                  | 28,435.00        |                                       |
| <b>Total</b>  |                               |                | <u>28,435.00</u> | <u>28,435.00</u> | <u>(68,315)</u>                       |



To the Board of Directors  
and Management of  
Rowland Water District  
Rowland Heights, California

In planning and performing our audit of the financial statements of Rowland Water District (the District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the District's internal control to be a significant deficiency:

Construction in Progress

We noted that project costs related to master plans, alternative water supply feasibility studies, and customer development are still being capitalized in the construction in progress account. These project types do not meet the preconditions for capitalization. A cost should be capitalized only if it is directly identifiable with a specific capital asset and only if it is incurred after the acquisition of the related capital asset has come to be considered probable. We recommend that management review and modify its controls over asset capitalization to ensure that these preconditions are met before including the project costs in the construction in progress account.

We also noted another deficiency in internal control that is not considered to be a material weakness or a significant deficiency, yet is an opportunity for management to strengthen existing internal controls. This other matter is as follows:

Water in Storage

We noted that certain transactions were not accounted for correctly resulting in an incorrect account balance for water in storage at year end. Water in storage transactions are typically infrequent, but they usually involve large dollars so it is important to ensure that such transactions are recorded properly. We recommend that management implement control procedures to ensure that water in storage transactions are recorded at the time they take place. In addition, additional year-end closing procedures should be added to ensure that the water in storage schedule reconciles with the general ledger.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

*White Nelson Dick Evans LLP*

Irvine, California  
November 13, 2012

**ROWLAND WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**JUNE 30, 2012 AND 2011**



ROWLAND WATER DISTRICT

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June 30, 2012 and 2011

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rowland Water District  
Rowland Heights, California

We have audited the basic financial statements of the Rowland Water District as of and for the years ended June 30, 2012 and 2011 as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Rowland Water District as of June 30, 2012 and 2011 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefit plan - schedule of funding progress, as identified in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of other operating expenses and schedules of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the District or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*White Nelson Dick Evans LLP*

Irvine, California  
November 13, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# ROWLAND WATER DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Fiscal Year 2012

- The District's total net assets decreased by \$1,213,479 or 1.92 percent.
- During the year, the District's total revenues increased to \$17,214,943 or 4.33 percent, and total expenses increased to \$18,592,478 or 9.00 percent.
- Capital Assets, net of related debt increased to \$43,615,335 or 3.71 percent over last year.

#### Fiscal Year 2011

- The District's total net assets decreased by \$404,299 or 0.63 percent.
- During the year, the District's total revenues increased to \$16,414,591 or 4.73 percent, and total expenses increased to \$17,056,666 or 17.08 percent.
- Capital Assets, net of related debt decreased to \$42,055,597 or 0.11 percent over last year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

### REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statements of Net Assets include all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. These statements measure the success of the District's operations over the past two years and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of the statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

See independent auditors' report.

ROWLAND WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**FINANCIAL ANALYSIS OF THE DISTRICT**

Our analysis of the District begins on page 16 of the Financial Statements. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These statements report the net assets of the District and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation.

**NET ASSETS**

To begin our analysis, a summary of the District's Net Assets is presented in Table 1.

**TABLE 1**  
**Condensed Statements of Net Assets**

|  | Fiscal<br>Year<br>2012 | Fiscal<br>Year<br>2011 | Dollar<br>Change      | Fiscal Year<br>2010<br>(As Restated) | Dollar<br>Change    |
|--|------------------------|------------------------|-----------------------|--------------------------------------|---------------------|
| <b>Assets:</b>                                     |                        |                        |                       |                                      |                     |
| Current, restricted<br>and other assets            | \$ 22,242,610          | \$ 24,568,109          | \$ (2,325,499)        | \$ 25,608,114                        | \$ (1,040,005)      |
| Capital assets                                     | 63,167,918             | 61,887,095             | 1,280,823             | 61,894,753                           | (7,658)             |
| <b>Total Assets</b>                                | <b>85,410,528</b>      | <b>86,455,204</b>      | <b>(1,044,676)</b>    | <b>87,502,867</b>                    | <b>(1,047,663)</b>  |
| <b>Liabilities:</b>                                |                        |                        |                       |                                      |                     |
| Current liabilities                                | 2,905,496              | 2,731,921              | 173,575               | 2,994,565                            | (262,644)           |
| Noncurrent liabilities                             | 20,384,189             | 20,388,961             | (4,772)               | 20,769,681                           | (380,720)           |
| <b>Total Liabilities</b>                           | <b>23,289,685</b>      | <b>23,120,882</b>      | <b>168,803</b>        | <b>23,764,246</b>                    | <b>(643,364)</b>    |
| <b>Net Assets:</b>                                 |                        |                        |                       |                                      |                     |
| Invested in capital assets,<br>net of related debt | 43,615,335             | 42,055,597             | 1,559,738             | 42,102,764                           | (47,167)            |
| Restricted   | 1,524,688              | 1,524,743              | (55)                  | 1,833,167                            | (308,424)           |
| Unrestricted                                       | 16,980,820             | 19,753,982             | (2,773,162)           | 19,802,690                           | (48,708)            |
| <b>Total Net Assets</b>                            | <b>\$ 62,120,843</b>   | <b>\$ 63,334,322</b>   | <b>\$ (1,213,479)</b> | <b>\$ 63,738,621</b>                 | <b>\$ (404,299)</b> |

See independent auditors' report.



## ROWLAND WATER DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

#### NET ASSETS (CONTINUED)

As can be seen from Table 1, total assets decreased by \$1,044,676 from fiscal year 2011 to 2012. The majority of this decrease comes from current, restricted and other assets that saw a \$2,325,499 or 9.47% decrease from fiscal year 2011. This decrease was caused by a reduction in the District's cash reserves that was used in the purchases of additional water rights and water for storage. Rowland Water District in conjunction with the Puente Basin Water Agency (PBWA) purchased 182.5 acre feet of water rights in the Central Basin. The Central Basin is located in the South Bay Area of Southern California. It consists of the City of Whittier and continues south to Long Beach. It also encompasses the eastern borders of the Norwalk and Downey Areas. The District's cost for the water rights was \$1,491,025. The District also purchased 1,636.9 acre feet of Cyclic Storage Water that is being stored in the Main San Gabriel Basin. The Main San Gabriel Basin is located in the San Gabriel Valley in Southern California and encompasses the City of La Verne and includes areas east to Monterey Park. The Cyclic Storage Water was purchased at a cost of \$527 per acre foot for a total cost of \$862,646. This was the majority of the decrease in total assets for the fiscal year.

When construction projects are completed, they are subsequently capitalized and become depreciating assets. Large projects completed during fiscal year 2012 included:

**New Recycled Water Service Connections:** Rowland Water District received 100 percent of its potable water supplies from either the Metropolitan Water District of Southern California (MWD) or Three Valleys Municipal Water District (TVMWD). These agencies import and treat water from Northern California or the Colorado River. The District is seeking to reduce its reliance on imported water supplies by diversifying its water supply portfolio and expanding the availability of recycled water service. The District has had eight recycled water customers since 1985 and by securing additional sources and expanding the existing distribution system, recycled service was made available to additional parks, schools, and major commercial corridors. As authorized by the Rowland Water District Board of Directors, district work forces and funds were utilized to convert select non-residential irrigation systems from potable water sources to recycled water sources. The District funded the engineering expenses for preparing irrigation plans and submitted the plans and the required \$1,557 application review fee to the Los Angeles County, Department of Public Health. Following LACO-DPH approval, the District purchased all materials necessary for in-house work forces to separate and retrofit existing irrigational systems. Although District policy requires that all cost for new recycled water service requests are borne by the owner/developer, the District established 24 additional recycled water customers during fiscal year 2011-2012. The total number of customers converted to the recycled water is now 108.

See independent auditors' report.

## ROWLAND WATER DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

#### NET ASSETS (CONTINUED)

Large projects completed during fiscal year 2012 included (Continued):

**Purchase of Groundwater Rights:** Rowland Water District (RWD) imports 100% of its potable water supply from Metropolitan Water District (MWD). This water, which is transported from Northern California and the Colorado River, is purchased through Three Valleys Municipal Water District, a wholesale water agency that sells MWD water. It currently costs RWD about \$9.3 million to purchase water each year from MWD. MWD has announced increases in its wholesale water rate of five percent (5%) for the next two years and three percent (3%) per year thereafter. With the purchase of 182.5 acre feet of groundwater rights, RWD projects that about fifteen percent (15%) of its drinking water will come from local groundwater sources by the end of 2012. With additional groundwater projects in development, RWD anticipates another forty percent (40%) could be shifted from expensive imported sources. This major investment demonstrates a long-term strategy to diversify water supplies and reduce RWD's vulnerability to potential shortages from any one source. RWD anticipates that it will save approximately \$150-\$300 per acre foot in direct comparison to water purchased from Metropolitan Water District.

A further review shows total liabilities increased by \$168,803 or 0.73% from fiscal year 2011 to 2012. The increase was caused by two main sources. The first is an increase in deferred construction advances. The amount increased by \$135,135 or 45.57% from the previous year. Deferred construction advances are funds deposited by contractors for projects being worked on by the District. When these projects are completed, any remaining funds that are not owed to the District or to an outside vendor for work performed are returned to the contractor. When the funds for the project are deposited with the District, they become a liability on the District's books. These funds are earmarked to be used only for the project of the individuals who deposited them. Upon completion of the project, the District reduces the construction advance by the amount of the time and materials/project administration it used for the project and any remaining funds are returned to the depositor. The second is an increase in the District's other post employment benefits (OPEB) obligation. A trust was established in April, 2011 to begin to fund the District's annual required contribution (ARC). The accrued net OPEB obligation was increased by \$305,650 or 60.57% from the previous fiscal year.

See independent auditors' report.



ROWLAND WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

NET ASSETS (CONTINUED)

TABLE 2

Condensed Statements of Revenues, Expenses and Changes in Net Assets

|   | Fiscal<br>Year<br>2012 | Fiscal<br>Year<br>2011 | Dollar<br>Change | Fiscal Year<br>2010<br>(As Restated) | Dollar<br>Change |
|---|------------------------|------------------------|------------------|--------------------------------------|------------------|
| Revenues:                                     |                        |                        |                  |                                      |                  |
| Operating revenues                            | \$ 16,354,144          | \$ 15,675,202          | \$ 678,942       | \$ 14,572,665                        | \$ 1,102,537     |
| Nonoperating revenues                         | 860,799                | 739,389                | 121,410          | 1,100,555                            | (361,166)        |
| Total Revenues                                | 17,214,943             | 16,414,591             | 800,352          | 15,673,220                           | 741,371          |
| Expenses:                                     |                        |                        |                  |                                      |                  |
| Operating expenses                            | 17,270,674             | 16,006,547             | 1,264,127        | 14,335,803                           | 1,670,744        |
| Nonoperating expenses                         | 1,321,804              | 1,050,119              | 271,685          | 232,960                              | 817,159          |
| Total Expenses                                | 18,592,478             | 17,056,666             | 1,535,812        | 14,568,763                           | 2,487,903        |
| Income (loss) before<br>Capital Contributions | (1,377,535)            | (642,075)              | (735,460)        | 1,104,457                            | (1,746,532)      |
| Capital contributions                         | 164,056                | 237,776                | (73,720)         | 155,868                              | 81,908           |
| Change in Net Assets                          | (1,213,479)            | (404,299)              | (809,180)        | 1,260,325                            | (1,664,624)      |
| Beginning Net Assets,<br>as Restated          | 63,334,322             | 63,738,621             | (404,299)        | 62,478,296                           | 1,260,325        |
| Ending Net Assets,<br>as Restated             | \$ 62,120,843          | \$ 63,334,322          | \$ (1,213,479)   | \$ 63,738,621                        | \$ (404,299)     |

While the Statement of Net Assets shows the change in financial position, the Statements of Revenues, Expenses, and Changes in Net Assets provide answers as to the nature and source of these changes. As can be seen in Table 2, Loss before Capital Contributions of \$(1,377,535) and Capital Contributions of \$164,056 resulted in a decrease in ending net assets of \$1,213,479 or 200.14% in fiscal year 2012.

A closer examination of the source of changes in Net Assets reveals that the District's total revenues increased by \$800,352 or 4.88% in fiscal year 2012. Of this amount, operating revenues increased by \$678,942 or 4.33% and its nonoperating revenues increased by \$121,410 or 16.42% in the past fiscal year.

See independent auditors' report.

## ROWLAND WATER DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

#### NET ASSETS (CONTINUED)

The main factor attributing to the increase in operating revenues was an increase in water rate and service charge that became effective on January 1, 2012. The base rate increased \$0.11 from \$2.19 to \$2.30 or 5.02%. Water use over 16 hcf is paid at a higher rate. The monthly service charge for standard 5/8" to 3/4" meters increased \$0.69 from \$18.62 to \$19.31 or 3.71%. The District continues to use conservation rates that were initially implemented in January, 2009. The conservation rates as of January, 2012 were a base rate of \$2.30 for 1-16 hcf, \$2.61 for 17-23 hcf, and \$3.30 for 24+ hcf. The District has six different pumping zones. Pumping charges cover the energy cost to pump water to each zone of elevation over Zone 1. The additional pumping cost is added to the base rate if the property resides in Zone 2 through Zone 6.

Nonoperating revenues also increased significantly in 2012. Investment income increased by \$12,934 or 3.41% for fiscal year 2011 to 2012. The District had cash and investments totaling \$17,880,056 ending fiscal year, a decrease of \$3,729,355 from 2011. Approximately 19% of the District's cash and investments are held in cash, short-term CD's, money market mutual funds, or the State of California Local Agency Investment Fund (LAIIF). LAIIF saw its yield reduced from 0.45% ended fiscal year 2011 to 0.36% ended fiscal year 2012. Realized and unrealized loss on investments increased by \$103,061 or 141%. This is a decrease in the value of the District's bond portfolio as new issues are purchased and lower interest rates. This causes the value of the portfolio to decrease as lower yielding securities replace higher yielding ones in times of declining interest rates. It is important to note that this is a reduction in the unrealized gain or book value of the portfolio only. District securities are not sold for a loss of principal.

Total operating revenues increased by \$678,942 or 4.33% while operating expenses increased by 7.90%. This resulted in operating loss of \$585,185 in fiscal year 2012. While the District saw total water sales revenue increase by \$473,599 or 4.32% from fiscal year 2011, Source of Supply costs increased \$489,825 or 5.79% from fiscal year 2011. Source of Supply includes the cost of potable and reclaimed water along with MWD and TVMWD fixed charges. The average cost of an acre foot of water increased 5.17% from \$754 in 2011 to \$793 in 2012. Fixed charges had no increase from 2011 to 2012. Pumping power cost decreased by \$34,353 or 3.96% from fiscal year 2011. These factors along with 13.8% increase in general and administrative expenses saw total operating expenses increase by \$1,264,127 from the previous year. It is important to note that depreciation expense is the yearly accumulated depreciation on the District capital assets, not a figure paid by the District for the cost of the depreciated assets. The District does continue to fund 100% of depreciation through its rates and charges.

See independent auditors' report.

ROWLAND WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**BUDGETARY HIGHLIGHTS**

**TABLE 3**  
**Budget vs. Actual**

|                                     | Fiscal Year 2012      |                     |                     |
|-------------------------------------|-----------------------|---------------------|---------------------|
|                                     | Actual                | Budget              | Variance            |
| <b>Revenues:</b>                    |                       |                     |                     |
| Operating revenues                  | \$ 16,354,144         | \$ 16,265,000       | \$ 89,144           |
| Nonoperating revenues               | 860,799               | 870,000             | (9,201)             |
| <b>Total Revenues</b>               | <b>17,214,943</b>     | <b>17,135,000</b>   | <b>79,943</b>       |
| <b>Expenses:</b>                    |                       |                     |                     |
| <b>Operating Expenses:</b>          |                       |                     |                     |
| Source of supply                    | 8,953,225             | 9,020,000           | 66,775              |
| Pumping and power                   | 834,151               | 823,000             | (11,151)            |
| Transmission and distribution       | 1,005,971             | 1,022,000           | 16,029              |
| Customer services                   | 137,355               | 148,000             | 10,645              |
| Depreciation expenses               | 2,120,426             | 2,000,000           | (120,426)           |
| Other operating expenses            | 455,365               | 135,000             | (320,365)           |
| General and administrative expenses | 3,764,181             | 3,400,000           | (364,181)           |
| <b>Total Operating Expenses</b>     | <b>17,270,674</b>     | <b>16,548,000</b>   | <b>(722,674)</b>    |
| Nonoperating expenses               | 1,321,804             | 1,500,000           | 178,196             |
| <b>Total Expenses</b>               | <b>18,592,478</b>     | <b>18,048,000</b>   | <b>(544,478)</b>    |
| <b>Change in Net Assets</b>         | <b>\$ (1,377,535)</b> | <b>\$ (913,000)</b> | <b>\$ (464,535)</b> |

In looking at Table 3, Budget vs. Actual, the discrepancy in net income over budgeted net income is \$464,535 or (50.88)%. Total Revenues show a positive variance of \$79,943 or 4.37% from actual.

Total operating expenses saw a negative variance of \$722,674 or 4.37%. This also is a percentage variance within the expected budget range. Nonoperating expenses saw a positive variance of \$178,196 or 11.88% from actual. These expenses account for the interest expense and the amortization expense bond issuance costs associated with the Recycled Water Certificates of Participation. Total expenses showed a 3.02% variance above the budgeted amount.

See independent auditors' report.

ROWLAND WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At the end of fiscal year 2012, the District had invested \$63,167,918 in a broad range of infrastructure as shown in Table 4.

**TABLE 4**  
**Capital Assets**

|  | Fiscal<br>Year<br>2012 | Fiscal<br>Year<br>2011 | Dollar<br>Change | Fiscal Year<br>2010<br>(As Restated) | Dollar<br>Change |
|--|------------------------|------------------------|------------------|--------------------------------------|------------------|
| Capital assets, not being depreciated:       |                        |                        |                  |                                      |                  |
| Land   | \$ 261,340             | \$ 261,340             | \$ -             | \$ 261,340                           | \$ -             |
| Water rights                                 | 1,496,025              | 5,000                  | 1,491,025        | -                                    | 5,000            |
| Construction in progress                     | 3,082,493              | 2,704,517              | 377,976          | 8,946,978                            | (6,242,461)      |
| Total capital assets, not being depreciated  | 4,839,858              | 2,970,857              | 1,869,001        | 9,208,318                            | (6,237,461)      |
| Capital assets, being depreciated:           |                        |                        |                  |                                      |                  |
| Intangible plant                             | 877,484                | 810,935                | 66,549           | 125,106                              | 685,829          |
| Sources of supply plant                      | 1,998,543              | 1,767,023              | 231,520          | 1,767,023                            | -                |
| Pumping plant                                | 10,037,819             | 10,037,819             | -                | 9,929,673                            | 108,146          |
| Transmission and distribution plant          | 60,363,747             | 59,216,182             | 1,147,565        | 51,930,126                           | 7,286,056        |
| Telemetry equipment                          | 1,332,302              | 1,332,302              | -                | 1,332,302                            | -                |
| General plant                                | 550,403                | 550,403                | -                | 550,403                              | -                |
| Office building and equipment                | 4,321,686              | 4,231,305              | 90,381           | 4,225,972                            | 5,333            |
| Transportation equipment                     | 647,923                | 651,690                | (3,767)          | 651,690                              | -                |
| Communication equipment                      | 133,902                | 133,902                | -                | 133,902                              | -                |
| Total capital assets, being depreciated      | 80,263,809             | 78,731,561             | 1,532,248        | 70,646,197                           | 8,085,364        |
| Less accumulated depreciation                | (21,935,749)           | (19,815,323)           | (2,120,426)      | (17,959,762)                         | (1,855,561)      |
| Total capital assets, being depreciated, net | 58,328,060             | 58,916,238             | (588,178)        | 52,686,435                           | 6,229,803        |
| Total capital assets, net                    | \$ 63,167,918          | \$ 61,887,095          | \$ 1,280,823     | \$ 61,894,753                        | \$ (7,658)       |

Additional information on the District's capital assets can be found in Note 4 of the notes to basic financial statements.

See independent auditors' report.



ROWLAND WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**DEBT ADMINISTRATION**

At the end of fiscal year 2012, the District had noncurrent liabilities totaling \$20,684,189 as shown in Table 5.

**TABLE 5  
Noncurrent Liabilities**

|                                   | Fiscal<br>Year<br>2012 | Fiscal<br>Year<br>2011 | Dollar<br>Change | Fiscal<br>Year<br>2010 | Dollar<br>Change    |
|-----------------------------------|------------------------|------------------------|------------------|------------------------|---------------------|
| Certificates of Participation     | \$ 19,720,000          | \$ 20,005,000          | \$ (285,000)     | \$ 20,280,000          | \$ (275,000)        |
| Less: Unamortized discount        | (167,417)              | (173,502)              | 6,085            | (179,587)              | 6,085               |
| Net Certificates of Participation | 19,552,583             | 19,831,498             | (278,915)        | 20,100,413             | (268,915)           |
| Compensated absences              | 321,351                | 337,858                | (16,507)         | 332,016                | 5,842               |
| Accrued net OPEB obligation       | 810,255                | 504,605                | 305,650          | 612,252                | (107,647)           |
|                                   | <u>\$ 20,684,189</u>   | <u>\$ 20,673,961</u>   | <u>\$ 10,228</u> | <u>\$ 21,044,681</u>   | <u>\$ (370,720)</u> |

The District currently has three sources of Noncurrent Liabilities in 2012. The largest is a Certificate of Participation (COP) that was issued in January 2009. These funds are being used for the expansion of the District's Recycled Water System. The goal is to lower the dependence on import water by producing recycled water at a lower cost. Recycled water can be used for irrigation at school, parks, industrial buildings, etc. The increase in compensated absences is attributed to more sick and vacation time being due to current employees. This could be due to employees selling back or using less sick and vacation time and the District have a higher liability at year end. Compensated absences are District liabilities for accrued sick and vacation time on the books for current employees. These liabilities would have to be paid at the employee's retirement or separation from service. Net OPEB obligations refer to Other Post Employment Benefits that would be owed to employees upon retirement. As discussed in Note 9, this liability arose from the implementation of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". The OPEB obligation is the difference between the actuarially-determined annual required contribution and the actual contributions made. The District currently funds these expenses on a pay-as-you-go basis, but is considering other funding options in the future.

Additional information on the District's noncurrent liabilities can be found in Notes 5, 6 and 9 of the notes to basic financial statements.

See independent auditors' report.

ROWLAND WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's Board of Directors and management considered many factors when setting the fiscal year 2013 Budget, user fees, and charges. A projection is made on the amount of acre feet of water that will be purchased and sold. The District also looks at the increase in the Source of Supply. Since the District heavily relies on import water, the costs are directly passed through by Metropolitan Water District and Three Valleys Municipal Water District. Most are fixed costs that do not vary depending upon the amount of water sold. Other expenses are budgeted individually to account for increases in such things as Automobile and Truck Expenses or Workers' Compensation Insurance. The District's customer base has not changed significantly; therefore, revenue and costs are more easily projected.

**TABLE 6**  
**Fiscal Year 2013 Budget vs. Fiscal Year 2012 Actual**

|                                     | Fiscal<br>Year<br>2012<br>Actual | Fiscal<br>Year<br>2013<br>Budget | Variance            |
|-------------------------------------|----------------------------------|----------------------------------|---------------------|
| Revenues:                           |                                  |                                  |                     |
| Operating revenues                  | \$ 16,354,144                    | \$ 17,005,000                    | \$ 650,856          |
| Nonoperating revenues               | 860,799                          | 785,000                          | (75,799)            |
| Total Revenues                      | <u>17,214,943</u>                | <u>17,790,000</u>                | <u>575,057</u>      |
| Expenses:                           |                                  |                                  |                     |
| Operating Expenses:                 |                                  |                                  |                     |
| Source of supply                    | 8,953,225                        | 9,620,000                        | (666,775)           |
| Pumping and power                   | 834,151                          | 850,000                          | (15,849)            |
| Transmission and distribution       | 1,005,971                        | 1,090,000                        | (84,029)            |
| Customer services                   | 137,355                          | 155,000                          | (17,645)            |
| Depreciation expenses               | 2,120,426                        | -                                | 2,120,426           |
| Other operating expenses            | 455,365                          | 400,000                          | 55,365              |
| General and administrative expenses | 3,764,181                        | 3,900,000                        | (135,819)           |
| Total Operating Expenses            | <u>17,270,674</u>                | <u>16,015,000</u>                | <u>1,255,674</u>    |
| Nonoperating expenses               | <u>1,321,804</u>                 | <u>1,500,000</u>                 | <u>(178,196)</u>    |
| Total Expenses                      | <u>18,592,478</u>                | <u>17,515,000</u>                | <u>1,077,478</u>    |
| Change in Net Assets                | <u>\$ (1,377,535)</u>            | <u>\$ 275,000</u>                | <u>\$ 1,652,535</u> |

See independent auditors' report.

ROWLAND WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**CONTACTING THE DISTRICT'S FINANCIAL OFFICER**

This financial report is designed to provide our citizens, customers, and creditors 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 financial information, contact Mr. Sean S. Henry, Finance Officer, Rowland Water District.

See independent auditors' report.

## **BASIC FINANCIAL STATEMENTS**



ROWLAND WATER DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

| ASSETS   | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| <b>CURRENT ASSETS:</b>   |                     |                     |
| Cash and cash equivalents  | \$ 814,890          | \$ 3,057,927        |
| Investments  | 14,949,372          | 16,576,185          |
| Accounts receivable, net of allowance for doubtful<br>accounts of \$30,000 | 2,465,670           | 2,137,670           |
| Interest receivable  | 56,456              | 81,530              |
| Supply inventories   | 143,595             | 93,506              |
| Water in storage   | 1,355,537           | 301,537             |
| Prepaid expenses   | 46,906              | 39,365              |
| <b>TOTAL CURRENT ASSETS</b>  | <u>19,832,426</u>   | <u>22,287,720</u>   |
| <b>RESTRICTED ASSETS:</b>  |                     |                     |
| Cash and cash equivalents  | <u>2,115,794</u>    | <u>1,975,299</u>    |
| <b>CAPITAL ASSETS:</b>   |                     |                     |
| Capital assets, not being depreciated                                      | 4,839,858           | 2,970,857           |
| Capital assets, being depreciated  | 80,263,809          | 78,731,561          |
| Less accumulated depreciation  | <u>(21,935,749)</u> | <u>(19,815,323)</u> |
| <b>TOTAL CAPITAL ASSETS, NET</b>   | <u>63,167,918</u>   | <u>61,887,095</u>   |
| <b>OTHER NONCURRENT ASSETS:</b>  |                     |                     |
| Bond issuance costs, net of accumulated amortization                       | <u>294,390</u>      | <u>305,090</u>      |
| <b>TOTAL ASSETS</b>  | <u>85,410,528</u>   | <u>86,455,204</u>   |

(Continued)

See independent auditors' report and notes to basic financial statements.

ROWLAND WATER DISTRICT  
STATEMENTS OF NET ASSETS  
(CONTINUED)

June 30, 2012 and 2011

|  | 2012                 | 2011                 |
|--|----------------------|----------------------|
| <b>LIABILITIES</b>   |                      |                      |
| <b>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED ASSETS):</b> |                      |                      |
| Accounts payable   | \$ 1,915,569         | \$ 1,846,709         |
| Interest payable   | 98,821               | 149,656              |
| Current portion of certificates of participation               | 300,000              | 285,000              |
|  | 2,314,390            | 2,281,365            |
| <b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):</b>   |                      |                      |
| Accounts payable   | -                    | 55                   |
| Refundable customer deposits                                   | 159,409              | 153,939              |
| Deferred construction advances                                 | 431,697              | 296,562              |
|  | 591,106              | 450,556              |
| <b>TOTAL CURRENT LIABILITIES</b>                               | <b>2,905,496</b>     | <b>2,731,921</b>     |
| <b>NONCURRENT LIABILITIES:</b>                                 |                      |                      |
| Compensated absences   | 321,351              | 337,858              |
| Accrued net OPEB obligation                                    | 810,255              | 504,605              |
| Certificates of participation                                  | 19,552,583           | 19,831,498           |
| Less: current portion  | (300,000)            | (285,000)            |
|  | 20,384,189           | 20,388,961           |
| <b>TOTAL NONCURRENT LIABILITIES</b>                            | <b>20,384,189</b>    | <b>20,388,961</b>    |
| <b>TOTAL LIABILITIES</b>                                       | <b>23,289,685</b>    | <b>23,120,882</b>    |
| <b>NET ASSETS:</b>   |                      |                      |
| Invested in capital assets, net of related debt                | 43,615,335           | 42,055,597           |
| Restricted for debt service                                    | 1,524,688            | 1,524,743            |
| Unrestricted   | 16,980,820           | 19,753,982           |
|  | 62,120,843           | 63,334,322           |
| <b>TOTAL NET ASSETS</b>  | <b>\$ 62,120,843</b> | <b>\$ 63,334,322</b> |

See independent auditors' report and notes to basic financial statements.

ROWLAND WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

For the years ended June 30, 2012 and 2011

|                                     | <u>2012</u>       | <u>2011</u>       |
|-------------------------------------|-------------------|-------------------|
| <b>OPERATING REVENUES:</b>          |                   |                   |
| Water sales:                        |                   |                   |
| Residential                         | \$ 6,566,375      | \$ 6,027,091      |
| Business                            | 4,253,065         | 3,968,865         |
| Public entities                     | 162,548           | 143,581           |
| Industrial                          | 6,197             | 12,542            |
| Reclaimed water                     | 419,915           | 309,875           |
| Other                               | 35,658            | 508,205           |
|                                     | <u>11,443,758</u> | <u>10,970,159</u> |
| Water services:                     |                   |                   |
| Water service charges               | 4,623,480         | 4,383,089         |
| Nonrefundable new service fees      | 40,870            | 46,010            |
| Reconnection fees                   | 21,685            | 24,255            |
| Customer penalties                  | 191,129           | 196,713           |
| Other                               | 33,222            | 54,976            |
|                                     | <u>4,910,386</u>  | <u>4,705,043</u>  |
| <b>TOTAL OPERATING REVENUES</b>     | <u>16,354,144</u> | <u>15,675,202</u> |
| <b>OPERATING EXPENSES:</b>          |                   |                   |
| Source of supply                    | 8,953,225         | 8,463,400         |
| Pumping and power                   | 834,151           | 868,504           |
| Transmission and distribution       | 1,005,971         | 949,055           |
| Customer services                   | 137,355           | 151,983           |
| Depreciation expense                | 2,120,426         | 1,855,561         |
| Other operating expenses            | 455,365           | 410,439           |
| General and administrative expenses | 3,764,181         | 3,307,605         |
|                                     | <u>17,270,674</u> | <u>16,006,547</u> |
| <b>OPERATING LOSS</b>               | <u>(916,530)</u>  | <u>(331,345)</u>  |

(Continued)

See independent auditors' report and notes to basic financial statements.

ROWLAND WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
(CONTINUED)

For the years ended June 30, 2012 and 2011

|  | <u>2012</u>            | <u>2011</u>          |
|--|------------------------|----------------------|
| NONOPERATING REVENUES (EXPENSES):                |                        |                      |
| Investment income:                               |                        |                      |
| Interest and dividend income                     | \$ 391,966             | \$ 379,032           |
| Realized and unrealized loss on investments      | (176,064)              | (73,003)             |
| Property tax revenues                            | 255,964                | 226,424              |
| Gain on disposition of assets                    | 26,128                 | 20,583               |
| Miscellaneous income                             | 186,741                | 186,353              |
| Interest expense                                 | (1,128,955)            | (1,033,334)          |
| Amortization of debt discount and issuance costs | <u>(16,785)</u>        | <u>(16,785)</u>      |
| <br>TOTAL NONOPERATING<br>REVENUES (EXPENSES)    | <br><u>(461,005)</u>   | <br><u>(310,730)</u> |
| <br>NET LOSS BEFORE<br>CAPITAL CONTRIBUTIONS     | <br><u>(1,377,535)</u> | <br><u>(642,075)</u> |
| CAPITAL CONTRIBUTIONS:                           |                        |                      |
| Contributions from developers                    | <u>164,056</u>         | <u>237,776</u>       |
| <br>CHANGE IN NET ASSETS                         | <br><u>(1,213,479)</u> | <br><u>(404,299)</u> |
| NET ASSETS - BEGINNING OF YEAR                   | <u>63,334,322</u>      | <u>63,738,621</u>    |
| NET ASSETS - END OF YEAR                         | <u>\$ 62,120,843</u>   | <u>\$ 63,334,322</u> |

See independent auditors' report and notes to basic financial statements.



ROWLAND WATER DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2012 and 2011

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                     |                     |
| Cash received from customers                                     | \$ 16,031,614       | \$ 15,946,572       |
| Cash payments to suppliers for goods and services                | (13,991,087)        | (12,252,728)        |
| Cash payments to employees for services                          | (1,912,843)         | (2,233,704)         |
| <b>NET CASH PROVIDED (USED)</b>                                  |                     |                     |
| <b>BY OPERATING ACTIVITIES</b>                                   | <u>127,684</u>      | <u>1,460,140</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>          |                     |                     |
| Proceeds from property taxes                                     | 255,964             | 226,424             |
| Other receipts   | 186,741             | 186,353             |
| <b>NET CASH PROVIDED BY</b>                                      |                     |                     |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>                           | <u>442,705</u>      | <u>412,777</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                     |                     |
| Acquisition and construction of capital assets                   | (3,401,249)         | (1,679,974)         |
| Proceeds from sale of capital assets                             | 26,128              | 20,583              |
| Change in deferred construction advances                         | 135,135             | (69,976)            |
| Principal payments on certificates of participation              | (285,000)           | (275,000)           |
| Interest paid  | (1,179,790)         | (1,202,638)         |
| Capital contributions received                                   | 164,056             | 237,776             |
| <b>NET CASH USED BY CAPITAL AND</b>                              |                     |                     |
| <b>RELATED FINANCING ACTIVITIES</b>                              | <u>(4,540,720)</u>  | <u>(2,969,229)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                     |                     |
| Purchases of investments   | (4,966,390)         | (3,395,794)         |
| Proceeds from sale of investments                                | 6,417,139           | 3,565,737           |
| Investment income  | 417,040             | 388,903             |
| <b>NET CASH PROVIDED</b>   |                     |                     |
| <b>BY INVESTING ACTIVITIES</b>                                   | <u>1,867,789</u>    | <u>558,846</u>      |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                 | <u>(2,102,542)</u>  | <u>(537,466)</u>    |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>             | <u>5,033,226</u>    | <u>5,570,692</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                   | <u>\$ 2,930,684</u> | <u>\$ 5,033,226</u> |

See independent auditors' report and notes to basic financial statements.

(Continued)

ROWLAND WATER DISTRICT

STATEMENTS OF CASH FLOWS  
(CONTINUED)

For the years ended June 30, 2012 and 2011

|   | <u>2012</u>                 | <u>2011</u>                 |
|---|-----------------------------|-----------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET   |                             |                             |
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES:   |                             |                             |
| Operating loss  | \$ (916,530)                | \$ (331,345)                |
| Adjustments to reconcile operating loss<br>to net cash provided (used) by operating activities: |                             |                             |
| Depreciation  | 2,120,426                   | 1,855,561                   |
| Changes in operating assets and liabilities:  |                             |                             |
| (Increase) decrease in accounts receivable  | (328,000)                   | 50,165                      |
| (Increase) decrease in supply inventories   | (50,089)                    | (1,745)                     |
| (Increase) decrease in water in storage   | (1,054,000)                 | 191,492                     |
| (Increase) decrease in prepaid expenses   | (7,541)                     | (890)                       |
| Increase (decrease) in accounts payable   | 68,805                      | (231,006)                   |
| Increase (decrease) in refundable customer deposits   | 5,470                       | 29,713                      |
| Increase (decrease) in compensated absences   | (16,507)                    | 5,842                       |
| Increase (decrease) in accrued net OPEB obligation  | 305,650                     | (107,647)                   |
|   | <u>                    </u> | <u>                    </u> |
| NET CASH PROVIDED (USED)<br>BY OPERATING ACTIVITIES   | <u>\$ 127,684</u>           | <u>\$ 1,460,140</u>         |
| NONCASH CAPITAL AND RELATED<br>FINANCING ACTIVITIES:  |                             |                             |
| Amortization of debt discount and issuance costs  | <u>\$ 16,785</u>            | <u>\$ 16,785</u>            |

See independent auditors' report and notes to basic financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**



# ROWLAND WATER DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### a. Nature of Organization:

The Rowland Water District (the District) was formed by the voters on March 3, 1953 under the County Water District Law, Division 12 Water Code, State of California, to provide a safe and reliable water source to allow the community to transform from a cattle raising and farming area into the large urban and industrial area it serves today. The District encompasses a 17.2 square mile area in Southeastern Los Angeles County which services portions of Rowland Heights, La Puente, Hacienda Heights, City of Industry and West Covina. The service area's population is approximately 60,000.

#### b. Basis of Presentation:

The District's activities are accounted for in an enterprise fund. An enterprise fund is a proprietary-type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

#### c. Measurement Focus and Basis of Accounting:

"Measurement focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of accounting" refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Net Assets:

Net assets of the District can be classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

e. Uniform System of Accounts for Water Utility Districts:

The District follows the procedures and policies described by the Controller of the State of California for uniform system of accounts for nonprofit water utility districts.

f. Operating Revenues and Expenses:

Operating revenues, such as water sales and services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets.

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

g. Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash and cash equivalents have been defined as unrestricted demand deposits and highly liquid investments with maturity of three months or less at date of purchase.

h. Investments:

Investments are stated at fair value (quoted market price or the best available estimates thereof). Net increase (decrease) in the fair value of investments, which consists of realized gains (losses) and the unrealized gains (losses), is shown in the statement of revenues, expenses and changes in net assets.

i. Restricted Assets:

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

j. Accounts Receivable:

The District grants unsecured credit to its customers. Bad debts are accounted for by the reserve method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts.

k. Inventories and Water in Storage:

Supply inventories maintained by the District consist primarily of water meters and accessories, water pipes, valves and various fittings. Inventories are valued at cost using the first-in, first-out (FIFO) method.

Water in storage is valued at average cost.

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

l. Capital Assets and Depreciation:

Capital assets are stated at cost, net of accumulated depreciation. District policy has set the capitalization threshold for reporting capital assets at \$2,500. Depreciation is recorded on the straight-line basis over the estimated useful lives ranging from 5 to 75 years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized.

m. Amortization:

Bond issuance costs and bond discounts are being amortized on the straight-line method over periods not to exceed debt maturities. Amortization expense aggregated \$16,785 for both years ended June 30, 2012 and 2011.

n. Capitalized Interest:

The District incurred interest charges on the Certificates of Participation (Note 5) totaling \$1,140,715 and \$1,201,263 for the years ended June 30, 2012 and 2011, respectively. \$11,760 and \$167,929 of these amounts have been capitalized as additions to the cost of construction for the years ended June 30, 2012 and 2011, respectively.

o. Restricted Liabilities:

Certain liabilities which are currently payable have been classified as current liabilities payable from restricted assets and assets have been restricted for their payment.

p. Deferred Construction Advances and Capital Contributions:

Construction advances from developers are deferred during the period of construction. When a project is completed, the applicable deferred advances are allocated to the contributed capital. Also, capital contributions represent cash and utility plant additions contributed to the District by property owners or developers desiring services that require capital expenditures or capacity commitment.

q. Property Taxes:

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government.

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

q. Property Taxes (Continued):

The property tax calendar is as follows:

|                  |   |
|------------------|---|
| Lien Date:       | January 1   |
| Levy Date:       | July 1  |
| Due Date:        | First Installment - November 10<br>Second Installment - February 10 |
| Delinquent Date: | First Installment - December 10<br>Second Installment - April 10    |

r. Compensated Absences:

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

s. Claims and Judgments:

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its participation in the Joint Power Insurance Authority program. At June 30, 2012 and 2011, in the opinion of the District's legal counsel, the District had no material claims which would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenses when paid.

t. Use of Estimates:

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

See independent auditors' report.



ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments as of June 30, 2012 and June 30, 2011 are reported in the accompanying combined financial statements as follows:

|                                     | <u>2012</u>          | <u>2011</u>          |
|-------------------------------------|----------------------|----------------------|
| Financial Statement Classification: |                      |                      |
| Unrestricted:                       |                      |                      |
| Cash and cash equivalents           | \$ 814,890           | \$ 3,057,927         |
| Investments                         | 14,949,372           | 16,576,185           |
| Restricted:                         |                      |                      |
| Cash and cash equivalents           | <u>2,115,794</u>     | <u>1,975,299</u>     |
| Total cash and investments          | <u>\$ 17,880,056</u> | <u>\$ 21,609,411</u> |

Cash and investments as of June 30, 2012 and June 30, 2011 consisted of the following:

|                                 | <u>2012</u>          | <u>2011</u>          |
|---------------------------------|----------------------|----------------------|
| Cash on hand                    | \$ 400               | \$ 400               |
| Demand deposits                 | 1,306,036            | 719,509              |
| Time deposits                   | 2,160,000            | 2,570,000            |
| Investments                     | <u>14,413,620</u>    | <u>18,319,502</u>    |
| Total cash and cash equivalents | <u>\$ 17,880,056</u> | <u>\$ 21,609,411</u> |

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. CASH AND INVESTMENTS (CONTINUED):

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

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

| <u>Authorized Investment Type</u>              | <u>Maximum Maturity</u> | <u>Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|--|-------------------------|--------------------------------|---|
| U.S. Treasury Obligations                      | 5 years                 | None                           | None                                    |
| U.S. Government Sponsored Agency Securities    | 5 years                 | None                           | None                                    |
| State of California Obligations                | 5 years                 | None                           | None                                    |
| CA Local Agency Obligations                    | 5 years                 | None                           | None                                    |
| Negotiable Certificates of Deposit             | 5 years                 | 30%                            | 5%                                      |
| CD Placement Service                           | 5 years                 | 30%                            | None                                    |
| Bankers Acceptances                            | 180 days                | 40%                            | 30%                                     |
| Reverse Purchase Agreement                     | 92 days                 | 20%                            | None                                    |
| Repurchase Agreements                          | 1 year                  | None                           | None                                    |
| Commercial Paper                               | 270 days                | 25%                            | 10%                                     |
| Medium-term Notes                              | 5 years                 | 30%                            | None                                    |
| California Local Agency Investment Fund (LAIF) | N/A                     | None                           | None                                    |
| County Pooled Investment Funds                 | N/A                     | None                           | None                                    |
| Joint Powers Authority Pool                    | N/A                     | None                           | None                                    |
| Mutual Funds and Money Market Mutual Funds     | N/A                     | 20%                            | 10%                                     |
| Collateralized Bank Deposits                   | 5 years                 | None                           | None                                    |
| Bank/Time Deposits                             | 5 years                 | None                           | None                                    |

\* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

N/A - Not Applicable

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. CASII AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements:**

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

| <u>Authorized Investment Type</u>              | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|--|-------------------------|-----------------------------------|---|
| U.S. Treasury Obligations                      | None                    | None                              | None                                    |
| U.S. Government Sponsored Agency Securities    | None                    | None                              | None                                    |
| State and Local Agency Obligations             | None                    | None                              | None                                    |
| Banker's Acceptances                           | 1 year                  | None                              | None                                    |
| Medium-term Notes                              | 3 years                 | None                              | None                                    |
| Commercial Paper                               | None                    | None                              | None                                    |
| Money Market Mutual Funds                      | N/A                     | None                              | None                                    |
| Investment Agreements                          | None                    | None                              | None                                    |
| Certificates of Deposit                        | None                    | None                              | None                                    |
| Repurchase Agreements                          | 30 days                 | None                              | None                                    |
| California Local Agency Investment Fund (LAIF) | N/A                     | None                              | None                                    |

N/A - Not Applicable

**Disclosures Relating to Interest Rate Risk:**

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

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Interest Rate Risk (Continued):**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2012 and 2011.

June 30, 2012

| Investment Type   | Remaining Maturity (in Years) |                     |                     |                     | Fair Value<br>Total  |
|---|-------------------------------|---------------------|---------------------|---------------------|----------------------|
|   | Less Than<br>1 year           | 1 to 2<br>Years     | 2 to 3<br>Years     | 3 to 5<br>Years     |                      |
| U.S. Treasury Notes   | \$ 707,050                    | \$ 258,370          | \$ 529,005          | \$ 1,031,153        | \$ 2,525,578         |
| U.S. Government Sponsored<br>Agency Securities:                     |                               |                     |                     |                     |                      |
| Federal Home Loan Bank<br>Federal Home Loan<br>Mortgage Corporation | 1,264,681                     | 514,929             | 809,416             | -                   | 2,589,026            |
| Federal National<br>Mortgage Association                            | 2,280,578                     | 518,065             | 265,413             | 971,428             | 4,035,484            |
| Federal Farm Credit Bank  | 511,755                       | 1,039,177           | 105,265             | 1,722,957           | 3,379,154            |
| LAIF  | -                             | 260,130             | -                   | -                   | 260,130              |
| Held by Trustee:  |                               |                     |                     |                     |                      |
| Money Market Mutual Funds   | 99,560                        | -                   | -                   | -                   | 99,560               |
|   | <u>1,524,688</u>              | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>1,524,688</u>     |
|   | <u>\$ 6,388,312</u>           | <u>\$ 2,590,671</u> | <u>\$ 1,709,099</u> | <u>\$ 3,725,538</u> | <u>\$ 14,413,620</u> |

June 30, 2011

| Investment Type   | Remaining Maturity (in Years) |                     |                     |                     | Fair Value<br>Total  |
|---|-------------------------------|---------------------|---------------------|---------------------|----------------------|
|   | Less Than<br>1 year           | 1 to 2<br>Years     | 2 to 3<br>Years     | 3 to 5<br>Years     |                      |
| U.S. Treasury Notes   | \$ 767,422                    | \$ 724,323          | \$ 265,097          | \$ 781,584          | \$ 2,538,426         |
| U.S. Government Sponsored<br>Agency Securities:                     |                               |                     |                     |                     |                      |
| Federal Home Loan Bank<br>Federal Home Loan<br>Mortgage Corporation | 1,247,202                     | 1,289,363           | 523,962             | 1,049,915           | 4,110,442            |
| Federal National<br>Mortgage Association                            | 257,498                       | 2,354,428           | 522,073             | 263,254             | 3,397,253            |
| Federal Farm Credit Bank  | 1,005,908                     | 525,220             | 1,050,068           | 862,953             | 3,444,149            |
| LAIF  | 253,880                       | -                   | 262,035             | -                   | 515,915              |
| Held by Trustee:  |                               |                     |                     |                     |                      |
| Money Market Mutual Funds   | 2,788,519                     | -                   | -                   | -                   | 2,788,519            |
|   | <u>1,524,798</u>              | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>1,524,798</u>     |
|   | <u>\$ 7,845,227</u>           | <u>\$ 4,893,334</u> | <u>\$ 2,623,235</u> | <u>\$ 2,957,706</u> | <u>\$ 18,319,502</u> |

See independent auditors' report.



ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the Standard and Poor's credit ratings for the Districts investments as of June 30, 2012. U.S. treasury notes and bills are not required to be rated and, therefore, have been excluded from the tables below.

June 30, 2012

| Investment                                | Minimum<br>Legal<br>Rating | Total<br>as of<br>June 30, 2012 | AAA                 | AA+                  | Unrated          |
|---|----------------------------|---------------------------------|---------------------|----------------------|------------------|
| U.S. Government                           |                            |                                 |                     |                      |                  |
| Sponsored Agency Securities:              |                            |                                 |                     |                      |                  |
| Federal Home Loan Bank                    | N/A                        | \$ 2,589,026                    | \$ -                | \$ 2,589,026         | \$ -             |
| Federal Home Loan Mortgage<br>Corporation | N/A                        | 4,035,484                       | -                   | 4,035,484            | -                |
| Federal National Mortgage<br>Association  | N/A                        | 3,379,154                       | -                   | 3,379,154            | -                |
| Federal Farm Credit Bank                  | N/A                        | 260,130                         | -                   | 260,130              | -                |
| LAIF                                      | N/A                        | 99,560                          | -                   | -                    | 99,560           |
| Held by Trustee:                          |                            |                                 |                     |                      |                  |
| Money Market Mutual Funds                 | AAA                        | 1,524,688                       | 1,524,688           | -                    | -                |
|   |                            | <u>\$ 11,888,042</u>            | <u>\$ 1,524,688</u> | <u>\$ 10,263,794</u> | <u>\$ 99,560</u> |

June 30, 2011

| Investment                                | Minimum<br>Legal<br>Rating | Total as of<br>June 30, 2011 | AA+                  | Unrated             |
|---|----------------------------|------------------------------|----------------------|---------------------|
| U.S. Government                           |                            |                              |                      |                     |
| Sponsored Agency Securities:              |                            |                              |                      |                     |
| Federal Home Loan Bank                    | N/A                        | \$ 4,110,442                 | \$ 4,110,442         | \$ -                |
| Federal Home Loan Mortgage<br>Corporation | N/A                        | 3,397,253                    | 3,397,253            | -                   |
| Federal National Mortgage<br>Association  | N/A                        | 3,444,149                    | 3,444,149            | -                   |
| Federal Farm Credit Bank                  | N/A                        | 515,915                      | 515,915              | -                   |
| LAIF                                      | N/A                        | 2,788,519                    | -                    | 2,788,519           |
| Held by Trustee:                          |                            |                              |                      |                     |
| Money Market Mutual Funds                 | AA+                        | 1,524,798                    | 1,524,798            | -                   |
|   |                            | <u>\$ 15,781,076</u>         | <u>\$ 12,992,557</u> | <u>\$ 2,788,519</u> |

See independent auditors' report.



ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. CASH AND INVESTMENTS (CONTINUED):

**Concentration of Credit Risk:**

Investments in any one issuer that represents 5% or more of total District's investments are as follows:

| Issuer                                 | Investment Type                             | 2012        | 2011        |
|--|---|-------------|-------------|
| Federal Home Loan Bank                 | U.S. Government Sponsored Agency Securities | \$2,589,026 | \$4,110,442 |
| Federal Home Loan Mortgage Corporation | U.S. Government Sponsored Agency Securities | \$4,035,484 | \$3,397,253 |
| Federal National Mortgage Association  | U.S. Government Sponsored Agency Securities | \$3,379,154 | \$3,444,149 |

**Custodial Credit Risk:**

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

As of June 30, 2012 and 2011, the District had no uninsured and uncollateralized deposits.

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

2. CASH AND INVESTMENTS (CONTINUED):

**Investment in State Investment Pool**

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

3. RESTRICTED ASSETS:

Restricted assets were provided by, and are to be used for, the following:

| <u>Funding Source</u>   | <u>Use</u>  | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
|-------------------------|---|----------------------|----------------------|
| Deposits from customers | Security deposits for<br>payment of utility bills | \$ 159,409           | \$ 153,939           |
| Customer advances       | Construction                                      | 431,697              | 296,562              |
| Bond proceeds           | Debt service                                      | 1,524,688            | 1,524,743            |
| Bond proceeds           | Construction of reclaimed<br>water facilities     | -                    | 55                   |
|                         |   | <u>\$ 2,115,794</u>  | <u>\$ 1,975,299</u>  |

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

4. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2012 is as follows:

|   | Balance<br>July 1, 2011  | Additions               | Retirements<br>Transfers  | Balance<br>June 30, 2012 |
|---|--------------------------|-------------------------|---------------------------|--------------------------|
| Capital assets, not being depreciated:              |                          |                         |                           |                          |
| Land  | \$ 261,340               | \$ -                    | \$ -                      | \$ 261,340               |
| Water rights  | 5,000                    | 1,491,025               | -                         | 1,496,025                |
| Construction in progress                            | <u>2,704,517</u>         | <u>1,815,860</u>        | <u>(1,437,884)</u>        | <u>3,082,493</u>         |
| <br>Total capital assets, not<br>being depreciated  | <br><u>2,970,857</u>     | <br><u>3,306,885</u>    | <br><u>(1,437,884)</u>    | <br><u>4,839,858</u>     |
| Capital assets, being depreciated:                  |                          |                         |                           |                          |
| Intangible plant                                    | 810,935                  | 66,549                  | -                         | 877,484                  |
| Sources of supply plant                             | 1,767,023                | 231,520                 | -                         | 1,998,543                |
| Pumping plant                                       | 10,037,819               | -                       | -                         | 10,037,819               |
| Transmission and distribution plant                 | 59,216,182               | 1,147,565               | -                         | 60,363,747               |
| Telemetry equipment                                 | 1,332,302                | -                       | -                         | 1,332,302                |
| General plant                                       | 550,403                  | -                       | -                         | 550,403                  |
| Office building and equipment                       | 4,231,305                | 94,356                  | (3,975)                   | 4,321,686                |
| Transportation equipment                            | 651,690                  | -                       | (3,767)                   | 647,923                  |
| Communication equipment                             | <u>133,902</u>           | <u>-</u>                | <u>-</u>                  | <u>133,902</u>           |
| <br>Total capital assets,<br>being depreciated      | <br>78,731,561           | <br>1,539,990           | <br>(7,742)               | <br>80,263,809           |
| Less accumulated depreciation                       | <u>(19,815,323)</u>      | <u>(2,120,426)</u>      | <u>-</u>                  | <u>(21,935,749)</u>      |
| <br>Total capital assets,<br>being depreciated, net | <br><u>58,916,238</u>    | <br><u>(580,436)</u>    | <br><u>(7,742)</u>        | <br><u>58,328,060</u>    |
| <br>Total capital assets, net                       | <br><u>\$ 61,887,095</u> | <br><u>\$ 2,726,449</u> | <br><u>\$ (1,445,626)</u> | <br><u>\$ 63,167,918</u> |

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

4. CAPITAL ASSETS (CONTINUED):

Changes in capital assets for the year ended June 30, 2011 is as follows:

|   | Balance<br>July 1, 2010  | Additions               | Retirements<br>Transfers | Balance<br>June 30, 2011 |
|---|--------------------------|-------------------------|--------------------------|--------------------------|
| Capital assets, not being depreciated:              |                          |                         |                          |                          |
| Land  | \$ 261,340               | \$ -                    | \$ -                     | \$ 261,340               |
| Water rights  | -                        | 5,000                   | -                        | 5,000                    |
| Construction in progress,<br>as restated            | <u>8,946,978</u>         | <u>1,723,873</u>        | <u>(7,966,334)</u>       | <u>2,704,517</u>         |
| <br>Total capital assets, not<br>being depreciated  | <br><u>9,208,318</u>     | <br><u>1,728,873</u>    | <br><u>(7,966,334)</u>   | <br><u>2,970,857</u>     |
| Capital assets, being depreciated:                  |                          |                         |                          |                          |
| Intangible plant                                    | 125,106                  | 685,829                 | -                        | 810,935                  |
| Sources of supply plant                             | 1,767,023                | -                       | -                        | 1,767,023                |
| Pumping plant                                       | 9,929,673                | 108,146                 | -                        | 10,037,819               |
| Transmission and distribution plant                 | 51,930,126               | 7,286,056               | -                        | 59,216,182               |
| Telemetry equipment                                 | 1,332,302                | -                       | -                        | 1,332,302                |
| General plant                                       | 550,403                  | -                       | -                        | 550,403                  |
| Office building and equipment                       | 4,225,972                | 5,333                   | -                        | 4,231,305                |
| Transportation equipment                            | 651,690                  | -                       | -                        | 651,690                  |
| Communication equipment                             | <u>133,902</u>           | <u>-</u>                | <u>-</u>                 | <u>133,902</u>           |
| <br>Total capital assets,<br>being depreciated      | <br>70,646,197           | <br>8,085,364           | <br>-                    | <br>78,731,561           |
| Less accumulated depreciation                       | <u>(17,959,762)</u>      | <u>(1,855,561)</u>      | <u>-</u>                 | <u>(19,815,323)</u>      |
| <br>Total capital assets,<br>being depreciated, net | <br><u>52,686,435</u>    | <br><u>6,229,803</u>    | <br><u>-</u>             | <br><u>58,916,238</u>    |
| <br>Total capital assets, net                       | <br><u>\$ 61,894,753</u> | <br><u>\$ 7,958,676</u> | <br><u>\$(7,966,334)</u> | <br><u>\$ 61,887,095</u> |

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ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

5. CERTIFICATES OF PARTICIPATION:

On December 23, 2008, the District issued \$20,545,000 of Certificates of Participation. The proceeds are being used to finance the acquisition and construction of certain recycled water improvements.

The Certificates were issued at a discount of \$188,627, which is being amortized and recognized as interest expense over the life of the debt on a straight-line basis. This issuance is comprised of \$6,815,000 serial certificates maturing annually on December 1 from 2009 to 2025 and three term certificates (totaling \$13,730,000) maturing on December 1, 2029, 2035 and 2039 that are payable in annual sinking fund installments commencing December 1, 2026. Interest on the certificates is payable semi-annually on December 1 and June 1 at rates ranging from 4.00% to 5.75% for the serial certificates and 6.00% to 6.50% for the term certificates.

The following is a summary of the changes in Certificates of Participation for the year ended June 30, 2012:

|                                      | <u>Balance at<br/>June 30, 2011</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance at<br/>June 30, 2012</u> | <u>Due Within<br/>One Year</u> |
|--------------------------------------|-------------------------------------|------------------|---------------------|-------------------------------------|--------------------------------|
| Certificates of Participation (COP): |                                     |                  |                     |                                     |                                |
| 2008 COP                             | \$ 20,005,000                       | \$ -             | \$ (285,000)        | \$ 19,720,000                       | \$ 300,000                     |
| Less:                                |                                     |                  |                     |                                     |                                |
| Unamortized discount                 | (173,502)                           | -                | 6,085               | (167,417)                           | -                              |
| TOTAL                                | <u>\$ 19,831,498</u>                | <u>\$ -</u>      | <u>\$ (278,915)</u> | <u>\$ 19,552,583</u>                | <u>\$ 300,000</u>              |

Maturities of the 2008 Certificates of Participation and interest payments subsequent to June 30, 2012 as follows:

| <u>Year Ending</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------|----------------------|----------------------|----------------------|
| 2013               | \$ 300,000           | \$ 1,179,850         | \$ 1,479,850         |
| 2014               | 315,000              | 1,165,975            | 1,480,975            |
| 2015               | 330,000              | 1,149,850            | 1,479,850            |
| 2016               | 345,000              | 1,132,975            | 1,477,975            |
| 2017               | 365,000              | 1,114,313            | 1,479,313            |
| 2018 - 2022        | 2,140,000            | 5,257,313            | 7,397,313            |
| 2023 - 2027        | 2,825,000            | 4,567,869            | 7,392,869            |
| 2028 - 2032        | 3,805,000            | 3,587,825            | 7,392,825            |
| 2033 - 2037        | 5,250,000            | 2,147,675            | 7,397,675            |
| 2038 - 2040        | 4,045,000            | 389,844              | 4,434,844            |
| Total              | <u>\$ 19,720,000</u> | <u>\$ 21,693,489</u> | <u>\$ 41,413,489</u> |

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ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

6. COMPENSATED ABSENCES:

In accordance with the District's policy, employees may accrue up to 240 hours of vacation. For the years ended June 30, 2012 and 2011, the total accrued vacation liability for all employees totaled \$142,445 and \$143,328, respectively.

Also, in accordance with the District's policy, employees may accrue up to 352 hours of sick leave. Upon attaining 352 hours, the employee may exercise a one-time option to exchange sick leave hours for cash or vacation time. Upon separation, retirement or death, an employee shall receive as additional retirement benefit, an amount equal to 50% of accrued hours for unused sick leave pay for up to 352 hours, or 176 hours. The District has modified the Employment Agreement in regards to the General Manager's sick leave benefits. The Manager shall receive the same sick leave benefits, upon the same terms and conditions, as provided to all other District employees, except that upon retirement or other termination of the Manager's employment. The Manager is entitled to receive 100% of accrued sick leave up to 1,000 hours in the event of separation from employment. For the years ended June 30, 2012 and 2011, the total accrued sick leave liability for all employees totaled \$178,906 and \$194,530, respectively.

7. DEFERRED COMPENSATION PLAN:

The District has adopted a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The funds are not available to employees until termination, retirement, death or an unforeseeable emergency. Employees may contribute to the Plan up to 25% of their annual compensation, not to exceed limits established in the Internal Revenue Code. The District does not make any contributions to this Plan. Deferred compensation plan assets are not included in the financial statements as the plan assets are held in trust to protect them from general creditors of the District.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

8. EMPLOYEE RETIREMENT PLAN:

a. Plan Description:

Rowland Water District contributes to the Miscellaneous 2.5% at 55 Risk Pool of the California Employees Retirement System (CalPERS), a cost sharing, multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the District was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. The June 30, 2003 valuations were the first pooled valuations. Benefit provisions and all other requirements are established by State statute and District resolutions. Copies of CalPERS' annual financial report may be obtained from their Executive Office located at, 400 P Street, Sacramento, CA 95814.

b. Funding Policy:

The District contributes all amounts necessary to fund benefits for its employees. The contribution includes an employee portion of 8% of current covered payroll. The District has elected to contribute the employee portion. The District is also required to contribute any actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2012 was 16.193%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The District's contributions to CalPERS for the years ended June 30, 2012, 2011 and 2010, which were all prepaid by the District at the beginning of the year, were \$334,641, \$230,905, and \$203,221, respectively. These contributions were equal to the required contributions for each year.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

a. Plan Description:

The District has a single-employer other post-employment benefit plan that provides medical, dental and vision coverage to 26 active employees and 11 retired employees through the ACWA health program. At retirement, the District provides a contribution for the continuation of these coverage's for eligible retirees. Eligibility for a District contribution requires retirement from the District and under PERS on or after age 50 with at least 5 years of service. The District provides 100% of the cost of coverage for the retiree and any covered spouse.

Employees hired on or after July 1, 2009 are eligible for a District contribution if retiring from the District and under PERS on or after age 55 with at least 15 years of continuous District service. The District provides 100% of the cost of coverage for the retiree only.

A stand-alone financial report is not issued for this plan and it is not included in the report of PERS or another entity.

b. Funding Policy:

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis. For the years ended June 30, 2012 and 2011, the District paid \$117,642 and \$118,188, respectively, in health care costs for its retirees and their covered dependents. In addition, on April 11, 2011, the District made a \$400,000 contribution to a trust account established to fund the District's net OPEB obligation.

c. Annual OPEB Cost and Net OPEB Obligation:

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45 applied prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

c. Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

|  | 2012                  | 2011                  |
|--|-----------------------|-----------------------|
| Annual required contribution               | \$ 420,952            | \$ 407,701            |
| Interest on net OPEB obligation            | 25,230                | 30,613                |
| Adjustment to annual required contribution | <u>(22,890)</u>       | <u>(27,773)</u>       |
| Annual OPEB cost (expense)                 | 423,292               | 410,541               |
| Actual contributions made                  | <u>(117,642)</u>      | <u>(518,188)</u>      |
| Increase (decrease) in net OPEB obligation | 305,650               | (107,647)             |
| Net OPEB Obligation - beginning of year    | <u>504,605</u>        | <u>612,252</u>        |
| <br>Net OPEB Obligation - end of year      | <br><u>\$ 810,255</u> | <br><u>\$ 504,605</u> |

d. Three-Year Trend Information:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2012, 2011 and 2010 were as follows:

| Fiscal<br>Year<br>Ended | Annual<br>OPEB<br>Cost | Percentage<br>of Annual<br>OPEB Costs<br>Contributed | Net<br>OPEB<br>Obligation |
|-------------------------|------------------------|--|---------------------------|
| 6/30/10                 | \$ 396,376             | 27.58%   | \$ 612,252                |
| 6/30/11                 | 410,541                | 126.22%  | 504,605                   |
| 6/30/12                 | 423,292                | 27.79%   | 810,255                   |

e. Funded Status and Funding Progress:

As of July 1, 2009 the plan was zero percent funded. The actuarial accrued liability for benefits was \$4,645,724, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,645,724. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$1,964,000 and the ratio of the UAAL to the covered payroll was 236.54%.

See independent auditors' report.



ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

c. Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

f. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The entry age normal cost method was used for the actuarial valuation as of July 1, 2009. Significant assumptions included a discount rate of 5% per annum, projected salary increases of 3.25% per annum and medical trend rates that start at 9.0% for HMO and 9.5% for PPO coverage in the initial year and are decreased 0.5% per year to an ultimate rate of 5.0%. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-percentage-of-pay method on a closed-basis. The remaining amortization period at July 1, 2009 is 29 years.

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ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

10. JOINT VENTURES:

**Puente Basin Water Agency:**

The Puente Basin Water Agency (the Agency) was created in 1971 by the execution of a Joint Powers Agreement (the Agreement) between the Rowland Water District and the Walnut Valley Water District. The Agreement was made pursuant to Article 1, Chapter 5, Division 7, Title 1 of the government code of the State of California. The Agency was organized for the purpose of protection and utilization of the local, imported and reclaimed water supply within the Puente Basin. The Agency is governed by a four-member appointed Board of Commissioners. Each District appoints two members to this Board.

Upon dissolution of the Agency, the assets in the possession of the Agency shall be distributed to the members as their interest may appear on the books of the Agency and pursuant to the provisions of Section 6512 of the Government Code. Complete financial statements for the Agency can be obtained by written request at 271 South Brea Canyon Road, Walnut, California.

The District's equity in the Agency, as stated in the Agreement, is not reflected in the accompanying financial statements since the amounts are immaterial to the District's financial position.

**Pomona-Walnut-Rowland Joint Water Line Commission:**

The District is a member of the Pomona-Walnut-Rowland Joint Water Line Commission (the Commission). The Commission was formed, under the Joint Powers Agreement (the JPA) of 1956, between the City of Pomona, the Walnut Valley Water District and the Rowland Water District. The JPA's purpose is to acquire, construct, maintain, repair, manage and operate a water transmission pipeline for the benefit of the members' water supplies. The Commission is governed by a three-member board composed of one appointee from each member agency.

Each year, every member agency is charged an assessment for their share of the general and administrative costs of the Commission which is allocated based on each agency's capacity rights in the pipeline. In addition, a capital surcharge is assessed for the future replacement of the pipeline. For the years ended June 30, 2012 and 2011, the District remitted assessments of \$44,106 each year, for their 20.0% capacity rights and their share of future replacement costs. Also, the District purchased water totaling \$5,303,632 and \$5,583,483 from the Commission during the years end June 30, 2012 and 2011, respectively.

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

10. JOINT VENTURES (CONTINUED):

Upon dissolution of the Commission, the net assets will be divided in proportion to the contribution each agency made to the maintenance and operation account during the last prior twelve month period. The District, consequently, has an ongoing financial responsibility in the activities of the Commission. However, the JPA does not explicitly require the measurement of the District's equity interest in the Commission. Complete financial statements for the Commission can be obtained by written request at P.O. Box 508, Walnut, California.

The District's equity in the Commission, as stated in the JPA, is not reflected in the accompanying financial statement since the amounts are immaterial to the District's financial position.

11. RISK MANAGEMENT:

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2012, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$50,000 per occurrence and has purchased excess insurance coverage up to \$100,000,000 (total insurable value of \$32,357,779). The District has a \$2,500 deductible for buildings, personal property and fixed equipment, a \$1,000 deductible for mobile equipment and a \$500 deductible for licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage of \$58,000,000. This program does not have a deductible.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage of \$58,000,000. This program does not have a deductible.

Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage of \$58,000,000.

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ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

11. RISK MANAGEMENT (CONTINUED):

Fidelity Bond - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

Public Official Bond - The District has purchased a \$200,000 bond to cover the general manager's faithful performance of duty.

Workers' Compensation - Insured up to the statutory limit; the Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit. Employer's liability is insured up to the statutory limit. The Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage of \$2,000,000.

Underground Storage Tank Pollution Liability - The Insurance Authority is self-insured up to \$500,000 per occurrence and has purchased excess coverage of \$3,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

12. UNRESTRICTED NET ASSETS:

The District has adopted a policy to designate reserves of unrestricted net assets. Total reserves were designated as follows as of June 30, 2012 and 2011:

|   | <u>2012</u>              | <u>2011</u>              |
|---|--------------------------|--------------------------|
| Designated reserves for:  |                          |                          |
| Operations  | \$ 2,902,500             | \$ 2,902,500             |
| Rate stabilization  | 1,533,565                | 2,647,872                |
| Capital funding including expansion of<br>facilities and future repairs and maintenance | <u>11,517,486</u>        | <u>14,117,534</u>        |
| Total Designated Reserves   | 15,953,551               | 19,667,906               |
| Undesignated net assets   | <u>1,027,269</u>         | <u>86,076</u>            |
| <br>Total Unrestricted Net Assets   | <br><u>\$ 16,980,820</u> | <br><u>\$ 19,753,982</u> |

See independent auditors' report.

ROWLAND WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012 and 2011

13. COMMITMENTS AND CONTINGENCIES:

The District has entered into a water production and delivery agreement with another party to receive groundwater produced on behalf of the District. Under the terms of the agreement, the District is required to contribute \$2,000,000 to the other party for necessary expansion, rehabilitation and improvements of their facilities as a result of this agreement. The District made one payment in the amount of \$660,000 in fiscal year 2011-2012. The remaining \$1,340,000 is due upon meeting certain conditions set forth in the agreement.

14. SUBSEQUENT EVENT:

On November 8, 2012, the Puente Basin Water Agency issued Water Revenue Bonds, 2012 Series A (Rowland Water District Project) in the amount of \$19,835,000. The bonds were issued to provide funds to finance the construction of certain water system improvements of the Rowland Water District, to fund a reserve for the bonds, and to pay for the costs of issuing the bonds. In connection with this issuance, the District has entered into an installment purchase contract with Puente Basin Water Agency whereby the Agency has agreed to use the 2012 Series A bond proceeds for the payment of the costs and expenses of certain water system improvement projects of the District. In turn, the District has agreed to purchase the water system improvement projects from the Agency in an amount equal to the issued 2012 Series A bonds, plus interest. The installment purchase payments coincide with the payment of debt service on the 2012 Series A bonds.

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**REQUIRED SUPPLEMENTARY INFORMATION**

ROWLAND WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the years ended June 30, 2012 and 2011

**OTHER POST-EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS**

**Retiree Health Plan**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(a) | Actuarial<br>Value<br>of Assets<br>(AVA)<br>(b) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL)<br>(a) - (b) | Funded<br>Ratio<br>(b)/(a) | Estimated<br>Annual<br>Covered<br>Payroll<br>(c) | UAAL as a<br>% of Covered<br>Payroll<br>[(a)-(b)]/(c) |
|--------------------------------|---|---|--|----------------------------|--|---|
| 07/01/09                       | \$ 4,645,724                                      | \$ -  | \$ 4,645,724   | 0.00%                      | \$ 1,964,000                                     | 236.54%   |

See independent auditors' report.

**OTHER SUPPLEMENTARY INFORMATION**

ROWLAND WATER DISTRICT

SCHEDULES OF OTHER OPERATING EXPENSES

For the years ended June 30, 2012 and 2011

|                                       | <u>2012</u>       | <u>2011</u>       |
|---------------------------------------|-------------------|-------------------|
| Engineering                           | \$ 36,243         | \$ 5,198          |
| Maintenance and operations            | 18,669            | 40,141            |
| Small tools and supplies              | 23,845            | 21,024            |
| Water tests                           | 25,761            | 29,540            |
| Certification, fees and permits       | 113,023           | 47,046            |
| Water supply planning and development | <u>237,824</u>    | <u>267,490</u>    |
| <br>                                  |                   |                   |
| TOTAL OTHER OPERATING EXPENSES        | <u>\$ 455,365</u> | <u>\$ 410,439</u> |

See independent auditors' report.

ROWLAND WATER DISTRICT

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended June 30, 2012 and 2011

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| Salaries and wages                           | \$ 914,609          | \$ 882,417          |
| Payroll taxes                                | 156,215             | 151,317             |
| Insurance                                    | 707,107             | 587,848             |
| Automobile expenses                          | 90,120              | 71,634              |
| Service charges                              | 57,777              | 56,309              |
| Office supplies and expenses                 | 151,817             | 89,564              |
| Utilities                                    | 61,199              | 54,657              |
| Professional services                        | 351,719             | 331,881             |
| Membership fees and dues                     | 40,180              | 38,599              |
| Conferences and travel                       | 40,841              | 58,930              |
| Directors' fees and expenses                 | 30,492              | 21,742              |
| Public relations                             | 128,054             | 52,325              |
| Repairs and maintenance                      | 6,667               | 6,361               |
| Pension plan contributions                   | 492,030             | 382,289             |
| Other post employment benefits               | 423,292             | 410,541             |
| Seminars and training                        | 57,786              | 58,721              |
| Conservation rebate program expenses         | 5,602               | 9,071               |
| Taxes, permits and fees                      | 6,728               | 6,261               |
| Miscellaneous                                | 41,946              | 37,138              |
|  | <hr/>               | <hr/>               |
| TOTAL GENERAL AND<br>ADMINISTRATIVE EXPENSES | <u>\$ 3,764,181</u> | <u>\$ 3,307,605</u> |

See independent auditors' report.



**Tab**

**2.12**

## Ken Deck

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**From:** Julie Ackman [julie@urbanwater.ccsend.com] on behalf of Julie Ackman [julie@urbanwater.com]  
**Sent:** Wednesday, November 14, 2012 3:51 PM  
**To:** Ken Deck  
**Subject:** Save the Date for Urban Water Institute's Spring Water Conference

Having trouble viewing this email? [Click here](#)



# SAVE THE DATE

*For*

**Urban Water Institute's**

# Spring Water Conference

*February 20-22, 2013*

**Hilton Palm Springs Hotel  
400 East Tahquitz Canyon Way  
Palm Springs, California 92262  
(760) 320-6868**

## **Tentative Program Topics:**

- Controlling the costs of water and power.
- The power of creativity, shared services to maximize efficiency.
- Developing insight into how ratepayer advocates determine a fair rate to charge consumers.
- Representatives from the major utilities will present their views on future water costs.
- Experts will present their views on costs in the water business to