
COACHELLA VALLEY WATER DISTRICT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

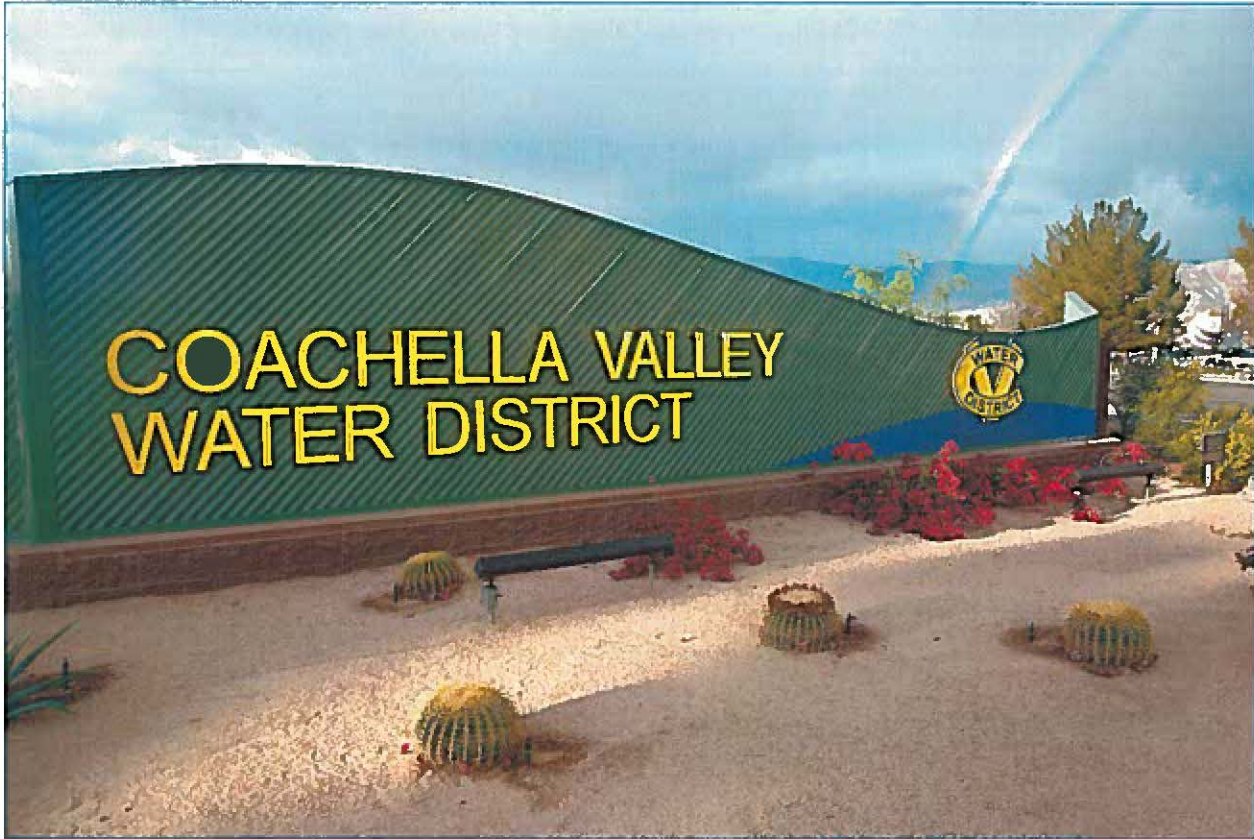
Fiscal Year Ended June 30, 2016



Coachella Valley Water District

Coachella, California

**Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016**



John P. Powell, Jr., President, Division 3

Peter Nelson, Vice President, Division 4

G. Patrick O'Dowd, Director, Division 1

Ed Pack, Director, Division 2

Cástulo R. Estrada, Director, Division 5

Jim Barrett, General Manager

Robert Cheng, Assistant General Manager

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COACHELLA VALLEY WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION



Established in 1918 as a public agency
Coachella Valley Water District

Directors:

John P. Powell Jr., President - Div. 3
Peter Nelson, Vice President - Div. 4
G. Patrick O'Dowd - Div. 1
Ed Pack - Div. 2
Cástulo R. Estrada - Div. 5

Jim Barrett, General Manager
Robert Cheng, Assistant General Manager
Sylvia Bermudez, Clerk of the Board

Best Best & Krieger LLP, Attorneys

December 16, 2016

To the Board of Directors:

We are pleased to present the Coachella Valley Water District's (CVWD, District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for fiscal year ended June 30, 2016 are free of misstatement. The independent audit involved 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, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2016, are fairly presented, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A profile of the District is presented in the Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. The letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it. This report includes all disclosures management believes necessary to enhance your understanding of the financial condition of the District.

Profile of the Coachella Valley Water District

Mission Statement: To meet the water-related needs of the people through dedicated employees, providing high-quality water at a reasonable cost.

Overview

Coachella Valley Water District is a special district that was established by the state legislature and certified by state officials on January 16, 1918. The District has a deep history and was one of the original signatories to the Seven Party Agreement of 1931, which divided California's share of the Colorado River.

The District is responsible for protecting and conserving local resources. As a special district, CVWD focuses on six primary services: domestic water, canal water, irrigation & agricultural drainage, sanitation wastewater collection and treatment, groundwater replenishment, regional stormwater protection, and nonpotable water. CVWD serves an area of approximately 1,000 square miles and is located primarily in Riverside County, with portions in Imperial and San Diego counties. The total estimated population served is approximately 318,000, excluding seasonal population.

Governance

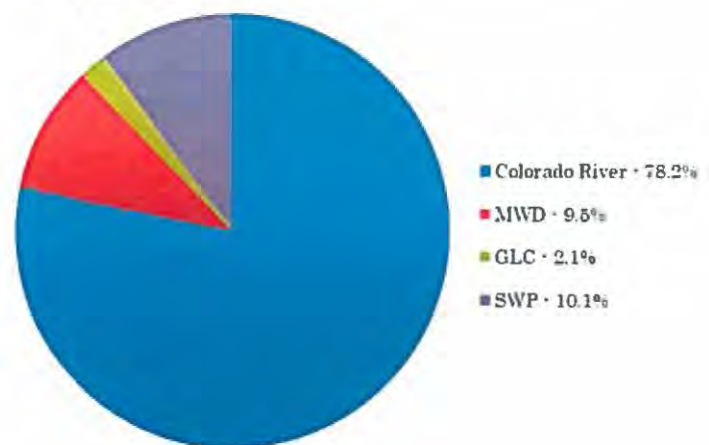
CVWD is governed by a five-member Board of Directors elected to four-year terms by District voters. Each director lives in and represents one of five divisions in the District. Terms of office are staggered and elections are held every two years, for two or three of the five Board members.

The Board of Directors set policy and represent the ratepayers. By a majority vote, the Board may enact and enforce ordinances and pass resolutions necessary for the operation of the District's business. The District plays a vital role in water resource management in Southern California and in the Lower Colorado River Basin. The District must work effectively and cooperate with the state and federal governments, numerous local jurisdictions, and other water purveyors to fulfill this role. Board members actively serve in leadership positions for numerous intergovernmental agencies and associations that further the interests of the District. Numerous District policies are regulated by several state and federal agencies, including the State Water Resources Control Board (SWRCB) and the California Environmental Protection Agency. Since the District is a government agency and not a private company, it is not regulated by the Public Utilities Commission.

Source of Water Supply

The District relies on three sources of water to provide service to its customers: groundwater, recycled water, and imported water. The District imports water from four sources: the Colorado River, the Metropolitan Water District of Southern California (MWD), the Glorious Land Company (GLC), and the State Water Project (SWP). All of the District's imported water is received via the Coachella Canal.

Imported Water by Source



Although the Coachella Valley is blessed with a vast aquifer, the region has relied upon imported water to protect and replenish groundwater supplies for years. The good news amidst the drought is that groundwater levels have improved in the west valley and continue to rise in the east valley, thanks to the successful implementation of the Coachella Valley Water Management Plan.

The Colorado River system is the primary source of water for the District's irrigation customers and is used to replenish the aquifer. The District has a base allotment of 300,000 acre-feet of Colorado River water. Additional Colorado River water allotments vary based on the terms of the Quantification Settlement Agreement (QSA). See Note 10 to the Financial Statements for further details about the QSA.

The State Water Project has been used to replenish groundwater through a unique exchange agreement with the Metropolitan Water District. The State Water Project is the nation's largest state-built water conveyance system and its water supply comes mainly from rainfall, snowmelt runoff, and excess flows in the Sacramento-San Joaquin Delta. The District is one of 29 State Water Project contractors that share in the cost of this delivery system.

Domestic Water Fund

CVWD first provided drinking water to Coachella Valley residents in 1961, when it took over the operations of two privately-held water companies. At that time, it served only 1,100 households and businesses. Today, the District is the largest provider of drinking water in the Valley and delivers water to over 109,000 accounts, representing population served of over 318,000.

Drinking water, also known as domestic water, comes from the Coachella Valley's vast aquifer. Groundwater, pumped from the District's 92 active wells, is stored in one of the District's 61 enclosed reservoirs for later use. The water is delivered via a network of nearly 2,000 miles of distribution piping. Groundwater pumped from the aquifer requires minimal treatment to meet all state and federal drinking water quality standards. Throughout most of the Coachella Valley, only a small amount of chlorine is added as a precautionary measure to ensure compliance with drinking water regulations.



Daily demand for drinking water in fiscal 2016 averaged 67.9 million gallons, which is equal to 76,036 acre-feet per year. Currently, the aquifer remains in a state of overdraft, meaning more water is used each year than can be replaced by natural or artificial means. To ensure adequate water supplies, the District has implemented various initiatives, including securing additional water resources, banking unused resources, water conservation programs, tiered rates, water-use restrictions, drought penalties, and recycling water.

The State of California aggressively pursues strict water quality regulations, as evidenced by the 2014 decision to limit the drinking water maximum contaminant level for chromium-6 to 10 parts per billion. CVWD must be in compliance with this regulation by January 1, 2020 and is currently evaluating an alternate treatment process.

Canal Water Fund



The District has over 1,100 irrigation accounts and provides water to irrigate more than 66,000 acres of farmland in the Valley. The Coachella Valley's farmland is ranked among the most profitable crop-growing regions in the state on a per-acre basis. More than two-thirds of local farmland is irrigated with Colorado River water delivered via the Coachella Canal (Canal), a branch of the All American Canal. Although the Valley is geographically located in the northwestern portion of the Sonoran Desert, irrigation allows widespread agriculture. In 2015, crop values totaled more than \$745.7 million.

In 1934, CVWD entered into a contract with the United States Bureau of Reclamation (Reclamation, USBR) for the construction of the Coachella Branch of the All American Canal. Reclamation agreed to deliver water to CVWD for potable and irrigation purposes within the 137,000 acres area known as Improvement District Number 1 (ID 1), of which 75,000 acres are irrigable. The larger size of ID 1 was established to maximize potential groundwater replenishment.

The Coachella Canal was completed in 1948, with CVWD taking water delivery in 1949. Water that flows through the Canal travels several hundred miles, via gravity flow. It starts at the Colorado River and diverts into the All American Canal at the Imperial Dam, located 18 miles north of Yuma, Arizona. The water is diverted again, 38 miles downstream, into the Coachella Canal.

CVWD entered into contract for the construction of the irrigation distribution system and a system of protective works to protect the Canal and systems from alluvial fan flooding. Shortly after work on the canal was completed, construction began on an underground tile drainage system designed to carry agricultural irrigation drainage water away from farmland to the Salton Sea. Today, there are nearly 2,300 miles of on-farm and district-maintained drains on 37,425 acres.

Sanitation Fund

CVWD began wastewater collection and treatment services in 1968. The Sanitation Fund provides sanitation (sewer) service to 93,969 accounts, serving an estimated population of 273,000. CVWD operates five wastewater reclamation plants (WRPs, plants) with a total combined plant capacity of 33.1 million gallons per day.

Coachella Valley Water District treats approximately 6.2 billion gallons of wastewater annually and recycles 4.3 billion gallons of wastewater. This wastewater is subjected to an advanced multi-step process that filters out solids, organic materials, chemicals, and germs. At two of the District's five wastewater reclamation plants, the treated reclaimed, or nonpotable, water is then delivered to customers to irrigate grass, landscapes, and fill lakes. Increasing the supply and use of recycled water is a key component of CVWD's long-range water management plans.



Groundwater Replenishment Funds

Decline in the Valley's water table was first noted in the 1910s, when local residents and farmers were concerned that their artesian wells were drying up. Soon after the District's formation in 1918, CVWD constructed facilities in the Whitewater River channel near Windy Point to help replenish the Whitewater River (Indio) Subbasin with water naturally flowing from the Whitewater River Canyon.



In 1973, CVWD and Desert Water Agency (DWA) installed new facilities and began replenishing groundwater within this subbasin with imported water allocations from the State Water Project (SWP). CVWD and DWA began replenishing groundwater in the adjacent Mission Creek Subbasin with this same imported water supply in 2002. After 12 years of successful pilot tests, CVWD began operating a full-scale facility in 2009 using Colorado River water to replenish groundwater in the eastern portion of the Whitewater River Subbasin. Because CVWD does not

have a direct connection from the SWP, CVWD and DWA entered into agreements with the Metropolitan Water District of Southern California (MWD) to exchange water from MWD's Colorado River Aqueduct and receive advanced deliveries of this imported water supply.

CVWD oversees three active groundwater replenishment facilities and percolates imported water back into the aquifer to help alleviate groundwater overdraft. In 2015, 38,298 acre-feet (af) were replenished from imported water. Water imported since 1973 totals 3.3 million af. An acre-foot of water is equal to 325,851 gallons, or enough water to cover one acre of land one foot deep.

Stormwater Fund

In 1937, the Coachella Valley Stormwater District of Riverside County was merged into the Coachella Valley Water District. The District became responsible for much of the region's stormwater protection, helping to prevent loss of life and extensive property damage.

CVWD protects 590 square miles from flooding, with Riverside County Flood Control District responsible for the remaining areas of the valley. There are 16 stormwater channels within CVWD's boundaries. The entire system includes approximately 134 miles of channels built along the natural alignment of dry creeks that flow from the surrounding mountains into the Whitewater River. Along with the channels, a number of levees have been built to collect rapidly flowing flood water as it pours from the adjacent mountains onto the valley floor. The backbone of CVWD's flood protection is a 49-mile storm channel that runs from the Whitewater area north of Palm Springs to the Salton Sea. The Whitewater River / Coachella Valley Stormwater Channel was designed to convey rain and snow melt from Whitewater to the Salton Sea. It was built to withstand a standard project flood or a flow of about 83,000 cubic feet per second.



Although the Coachella Valley averages less than four inches of rain per year, the surrounding mountains are subject to much higher rainfall, which can produce unpredictable, damaging, and even deadly flash flooding events throughout the Valley. Ensuring adequate stormwater protection is critical.

The District continues to make stormwater protection improvements. With completion of the environmental documents, construction is expected to begin this year on a portion of the North Indio Flood Control Project (NIFCP), which connects the flood conveyance channels of Sun City Palm Desert to those of Sun City Shadow Hills.

Nonpotable Water Fund

The District established nonpotable water operations in an effort to help protect the Valley's groundwater supply. The goal is to maximize the use of recycled and canal water in order to reduce reliance on groundwater pumping.

The Coachella Valley is home to more than 120 golf courses. Unfortunately, the amount of wastewater that CVWD recycles cannot meet the year-round irrigation needs of the courses. The District completed the Mid-Valley Pipeline Project in 2009 bringing Colorado River water to the District's largest wastewater reclamation plant in Palm Desert. This substantially increased the available nonpotable water supply for golf courses. By the end of 2016, 54 of the 105 courses within CVWD's boundaries will be using a water source other than groundwater.



The District currently sells and delivers recycled water, canal water, and recycled water blended with canal water to golf courses, homeowner associations, and one high school that use it to irrigate grass, water landscapes, athletic fields, and fill lakes. In 2015, the nonpotable system delivered 37,759 acre-feet of nonpotable water, an increase of 6% over 2014.

Economic Indicators

The Valley's population is estimated to be over 440,000, increasing to around 600,000 during the months of November through May with the influx of "snowbirds" escaping the cold winters of Canada, the Pacific Northwest, and the Northeastern United States. According to regional economists, the Coachella Valley's economic growth will continue steadily over the next few years.

Tourism

Tourism is the region's largest and most dynamic sector, and is a critical component of the Valley's economy. It generates approximately 50,000 jobs and more than \$6.4 billion for the local economy, according to a Tourism Economics study commissioned by the Greater Palm Springs Convention and Visitors Bureau (CVB). Together, the CVB and the airport have added JetBlue, which flies direct from JFK International to Palm Springs, expanded American's service from Chicago, as well as increased service out of Canada. Passenger arrivals at Palm Springs International increased 20% over 2010 levels.

Golf facilities play an important role in the recreation and entertainment industry of the Coachella Valley while serving as a major draw for tourism to the region. Tourism Economics was hired by the Hi-Lo Desert Golf Course Superintendents Association to estimate the benefits of the golf industry to the Coachella Valley.

It was determined that the region's 122 golf courses generated an estimated \$752.9 million in 2014, and directly employed over 8,000 workers. Of the estimated \$752.9 million in golf-related spending, approximately \$480.6 million is spent on-site at golf facilities, \$265.1 million is spent off-site at other establishments in the Coachella Valley, and \$7.2 million in tournament spending on organizational and media activities.



Employment

California has returned to a pre-recession level of unemployment of 5.3%. However, Riverside County is lagging behind slightly at 6%, after removing seasonal fluctuations. Economists forecast continued strong employment growth of close to 2.5% coinciding with a decrease in unemployment, which forecast rates to be down to 4.8% by July 2017.

Prior to the recession, Construction made up 12% of employment in the Coachella Valley. Today, it only makes up 6%. Leisure and Hospitality rebounded strongly, but Education and Health Services sector is strong. This sector experienced almost no decline during the recession and subsequently has added over 4,000 jobs. Judging by the overall employment numbers, the Coachella Valley recovery is almost complete.

Crop Production



Crop production for calendar year 2015 exceeded \$745.7 million, according to the CVWD annual crop report. The Valley's farmland is among the most profitable per-acre crop-growing regions in the state, renowned for dates, citrus, grapes, and bell peppers. Over 60% of farms in the Coachella Valley use drip irrigation. Besides reducing water use, drip irrigation allows pesticide and herbicides to be added directly to irrigation lines. Drip irrigation tends to increase crop yield, however, it is not appropriate for all types of crops. More than two-thirds of local farmland is irrigated in part with Colorado River water, delivered via the Coachella Canal.

Housing Prices

The housing market in the Coachella Valley continues to improve, and has shown decent gains in both 2015 and so far in 2016. Home sales are up 4.2% from a year ago. The median price paid for homes sold in December 2015 was \$312,000, a 5.8% increase from \$295,000 in December 2014.

Fiscal 2016 Highlights and Accomplishments

- The District was faced with the challenge of meeting the state's new chromium-6 regulatory requirement for one-third of the District's wells. On April 11, 2016, CVWD received state approval of the submitted compliance plans, a major milestone for the one of the largest construction projects the District has undertaken.
- Several cost of service studies were completed including Domestic Water, Canal Water, and all three Replenishment Funds, with new rates adopted for fiscal year 2017.
- The District spent more than \$46.3 million on 126 capital projects in various stages of construction and completed 47 fleet purchases.
- Over 140 non-surfacing leaks were repaired and prevented the loss of 49 million gallons of water. In addition, three lift stations were decommissioned, diverting flows to the trunk sewers and preventing sanitary sewer overflows.

- The drought was one of the biggest challenges facing the District in fiscal 2016. In response to the statewide mandatory drought regulations, CVWD implemented targeted conservation programs to encourage customers to reduce water consumption by 32%, as compared to calendar year 2013. In total, the District invested \$6.7 million in conservation rebate and incentive programs.



Customers responded by reducing water consumption by an impressive 26.8%. Additionally, fifteen golf courses completed turf conversions to lower their water consumption. Overall, CVWD customers saved more than 9.5 billion gallons of water this past year.

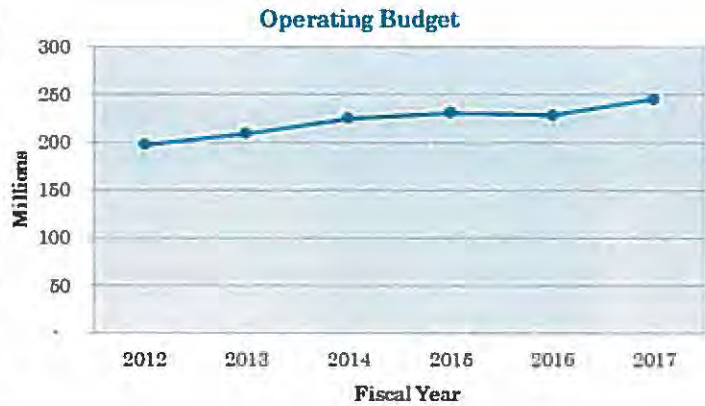
- Domestic water penalties were implemented for most of fiscal 2016 which funded additional conservation programs and helped mitigate over \$12 million in revenue losses from the State's conservation mandate.
- The District applied for over \$260 million in state and federal funding and also obtained \$1 million in grants from the U.S. Bureau of Reclamation for a rebate program to encourage farmers to convert from flood to drip irrigation.
- Initiated the Asset Management Program, with the asset management charter and gap assessment completed. The inventory and condition assessment field work was completed on the canal irrigation system, as well as an inspection of the irrigation and drainage infrastructure.
- New programs were implemented to enhance employee and workforce development including a "pay for performance" compensation program, alternative work schedules, and an employee recognition program.

- New mobile applications were developed for customers to report water wasters, order canal water, and receive District alerts.
- Over 3,300 boxes of records were destroyed in compliance with the records retention policy.
- Documentation was completed to comply with the Sustainable Groundwater Management Act.

Fiscal 2017 Financial Plan and Strategic Initiatives

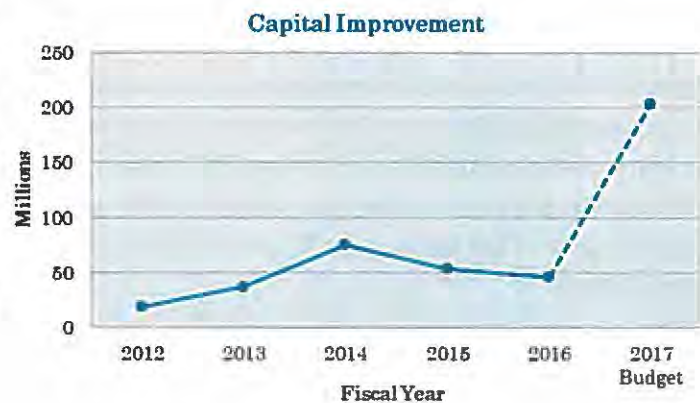
Each year, the Board approves an annual operating budget. The District uses a base budget approach to budgeting. The base budget approach consists of budget proposals sufficient to maintain the operation of programs authorized in earlier years. Departments may request funding above the base budget amount in order to maintain current levels of service, to provide for the expansion of existing programs, or to enable the implementation of new services or programs. These are considered to be supplemental requests. All supplemental funding requests must be thoroughly described and include concise justification that reflects consideration of reasonable alternatives, particularly, if the request involves addition of full-time personnel.

The adjacent graph shows the amended operating budget over the last six years. Increases reflect costs associated with water purchases, conservation, energy, salaries and benefits, and increases in other supplies and services.



The adopted fiscal 2017 operating budget increased to \$245.4 million from \$228.6 million in fiscal 2016, or 7.3%. The primary drivers for the increase were water purchases and Quantification Settlement Agreement (QSA) payments, offset by decreases in utilities, replenishment charges, capital outlay, and debt service.

The Board also approves an annual capital improvement budget based on new and replacement infrastructure needs of the District. The adjacent table reflects actual capital improvement spending from fiscal 2012 thru fiscal 2016 and the adopted budget for fiscal 2017. The fiscal 2017 capital improvement budget includes \$88.7 million for chromium-6 (Cr-6) well treatment projects.



Strategic Initiatives

The Board of Directors adopted its third annual strategic plan in June 2016. It is a tool that defines what is critical to the District's success and identifies the initiatives necessary to guide the District toward its achievement of goals. Some of the highlights for the upcoming year are as follows:

- *Employee/Workforce Development* - Objectives: Maintain competitive salaries and benefits; Succession planning and knowledge management; and Employee engagement.
- *Financial Stability* - Objectives: Follow industry-recognized rate making practices; Maintain organizational fiscal health; Ensure the integrity and transparency of financial process.
- *Water Supply Sustainability* - Objectives: Enact more aggressive conservation; Expand non-potable water program; Update and comply with the Water Management Plan; Protect water supply and optimize usage.
- *Exceptional Customer Service* - Objectives: Optimize customer service; Improve internal communications.
- *Water Quality and Environmental Leadership* - Objectives: Comply with water quality regulations; Perform effective environmental resource management; Optimize energy use.
- *Infrastructure Investment and Management* - Objectives: Develop asset management/capital improvement plan/preventive maintenance program; Irrigation infrastructure repair and replacement; Protect other physical assets.

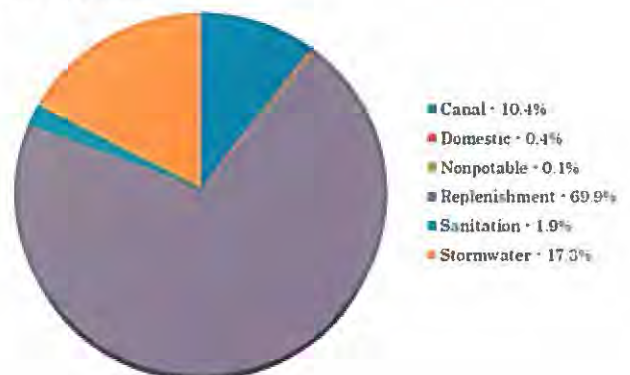
Staff

The District budgets approximately 531 staff members who are responsible for daily operations and implementing strategic initiatives and policies set forth by the Board of Directors.

Property Taxes

The District's largest source of revenue is property taxes, which includes the State Water Project tax levy. Fiscal 2016 property tax revenue totaled \$93.6 million. The District's fiscal 2016 gross assessed valuation of \$59.2 billion was an increase of \$2.8 billion, or 5% over fiscal 2015. The District's net taxable value for fiscal 2016 was \$56.7 billion. General property taxes that are not restricted for a specific purpose are distributed based on the Board of Director's discretion.

Property Taxes



User Rates & Charges

Domestic and canal water sales are budgeted at \$66.6 million in fiscal 2017. Sanitation service charges and replenishment assessment charges are budgeted at \$38.2 million and \$19.5 million, respectively. The Finance Department completed cost of service studies for Domestic Water, Canal Water, and all three Replenishment Funds, in fiscal 2016 with new rates adopted for fiscal year 2017.

Domestic Water

The District uses a budget-based tiered rate structure to curb excess water use and reward water-efficient customers. Tiered rates are helping the District meet legislation enacted by the State of California to reduce per capita urban water use by 20% by the year 2020. Districtwide, domestic water consumption has dropped 37% since 2009 when budget-based rates were implemented.

As illustrated in the table below, there are five tiers, with the first two tiers designed to meet the needs of an average single-family home of four people. All use in excess of tier 2 is considered inefficient, and is charged at a higher rate to cover the incremental costs of providing water in excess of efficient use.

| Tiered Rate Structure | | | | | |
|-----------------------|------|------------------------|--------------|----------------|----------------------|
| Tier | Rate | Single Family | Multi-Family | Commercial | Landscape Irrigation |
| Tier 1 – Excellent | 0.95 | Up to 8 Ccf | | n/a | n/a |
| Tier 2 – Efficient | 1.32 | Up to 100% of budget | | 8 Ccf per EDU* | Up to 100% of budget |
| Tier 3 – Inefficient | 2.46 | 100% to 175% of budget | | | |
| Tier 4 – Excessive | 4.67 | 175% to 300% of budget | | | |
| Tier 5 – Wasteful | 6.13 | 300% or more | | | |

* EDU is a term used to compare the flows generated from a commercial account to those generated by a single family residential unit.

Domestic water service is broken down into five customer classes: single family residential, multi-family, commercial, landscape irrigation, and construction meters. Historically, all customer classes have paid the same monthly fixed charge, with the exception of construction meters. As a result of the cost of service study, each customer class is assigned a different monthly fixed charge to reflect the difference in the cost of providing service to them. The monthly service charge for construction meters remains \$125 for a 3" or smaller meter, and \$190 for a 4" or larger meter.

Canal Water

The District completed a cost of service study (COSS) in February of 2016. The cost of service study assessed the Canal Water Fund's rate revenue requirements, evaluated the cost of providing service to each of its customer classes, and presented rate recommendations for equitably collecting revenue from each respective customer class based on the cost of providing them service. As a result of the study, rate increases, along with proposed changes in rate structures were recommended.

Customer classes are condensed into two types of customers: Class 1, Agriculture, and Class 2, Non-agriculture. The Water Supply Surcharge funds the cost of QSA water purchases and will be collected only from Class 2 and Temporary Construction Meter customers. Class 1 customers are designated as having a historical priority access to the District's Colorado River water rights (301,000 af per year). Since Class 1 customers use less than 301,000 af per year, those customers are not responsible for any QSA water purchase costs. In the event that Class 1 customers begin to consume canal water at a rate that exceeds 301,000 af per year, they will pay an equitable portion of the QSA water purchase costs and pay the Water Supply Surcharge. Gate Charges are based on scheduled and unscheduled visits.

The Outside Improvement District 1 (ID1) Surcharge will be assessed to all customers outside of ID 1 using canal water. The Outside ID 1 Surcharge is a fixed charge based on property acreage and is calculated by dividing the ID 1 property tax revenue in a given year by the total acres within ID 1 receiving canal water service.

The following table summarizes the cost of service rate and structure comparison.

| Service | FY 16 | COSS | Change |
|---|--------|-------|---------|
| Water, per acre-foot, Class 1: Agriculture | 28.95 | 33.48 | 4.53 |
| Water, per acre-foot, Class 2: Nonagriculture * | 42.15 | 33.48 | (8.67) |
| Water, per acre-foot, Class 3: Nonagriculture * ** | 86.25 | - | (86.25) |
| Water, per acre-foot, Temporary Construction Meters * | 140.00 | 45.15 | (94.85) |
| Water Supply Surcharge | - | 32.51 | 32.51 |
| Quagga Mussel Surcharge, per acre-foot | 5.00 | 2.65 | (2.35) |
| Gate Charge, per day | 11.50 | n/a | (11.50) |
| Gate Charge - Scheduled, per visit | - | 16.25 | 16.25 |
| Gate Charge - Unscheduled, per visit | - | 32.51 | 32.51 |
| Outside ID 1 Surcharge (\$/acre/month) | - | 3.69 | 3.69 |

* All Nonagriculture and Construction Meter customers pay the Class 1 rate plus the Water Supply Surcharge

** Class 2 & Class 3 customers consolidated into a single Class 2

Replenishment Funds

The District completed a cost of service study in March of 2016. The cost of service study assessed the three replenishment fund's rate revenue requirements, evaluated the cost of providing service, and presented rate recommendations. The table above reflects the recommended rates for each of the replenishment (area) funds.

| Replenishment Area | FY 16 | COSS | Change |
|--------------------|--------|--------|--------|
| West Whitewater | 112.00 | 128.80 | 15.0% |
| Mission Creek | 112.00 | 123.20 | 10.0% |
| East Whitewater | 59.00 | 66.00 | 11.9% |

Challenges Facing the District

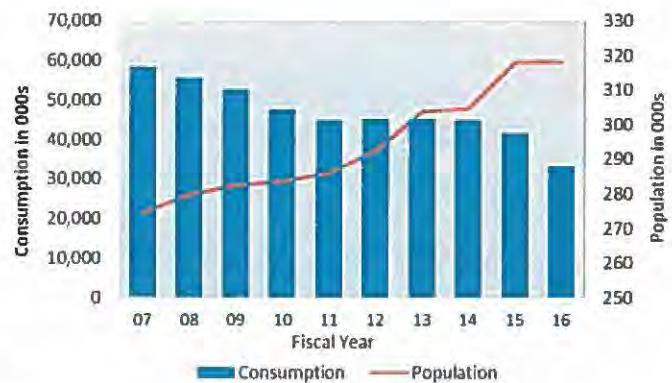
The District currently faces several challenges including water supply constraints due to drought; a lawsuit by the Agua Caliente Band of Cahuilla Indians seeking groundwater rights; a decision from the State Department of Public Health on a stringent chromium-6 standard; and the need for significant investment in infrastructure.

California Drought

In April 2015, the State Water Resources Control Board (SWRCB) established a conservation mandate to achieve a statewide 25% reduction in urban water use. The District's mandate was a 32% reduction in water production as compared to 2013 levels.

As shown in the adjacent graph, water consumption in fiscal 2016 decreased by 20% as compared with the prior year. Overall, the District's customers achieved a 26.8% reduction compared with calendar 2013.

The conservation mandate resulted in a 24%, or a \$12.3 million revenue loss in water sales. This was mitigated by the implementation of drought penalties. Approximately \$15.8 million in drought penalty revenue was received by District's customers for non-compliance with the conservation ordinance.



The statewide conservation mandate has since been lifted; however, the State Water Resources Control Board (SWRCB) will continue to monitor conservation levels and water supply conditions. CVWD expects the SWRCB to develop a proposal for extended emergency conservation regulations in January 2017. The proposal may include a return to state-mandated conservation if dry conditions prevail.

Colorado River Drought

Lake Mead, on the Colorado River, is the largest reservoir in the United States serving water to the states of Arizona, Nevada, and California and providing sustenance to nearly 20 million people and crops that feed the nation. The Colorado River system is the primary source of water for the District's irrigation customers and is used to replenish the aquifer. According to the U.S. Department of the Interior, the Colorado River Basin has experienced a historic, extended drought, resulting in the lowest 16-year period of inflow in over 100 years of record keeping. During this same 16-year period, reservoir storage in the Colorado River system has declined from nearly full to about half its capacity.

If the surface level of Lake Mead drops below 1,075 feet, water restrictions for Arizona and Nevada begin. Although California has no negotiated restrictions, it is anticipated that there would be ripple effects, including political and/or legal confrontation. However, California, Nevada, and Arizona have jointly agreed to leave all conserved water in Lake Mead through the end of 2016 to help slow the decline of the lake. This means that if any of the three states has left unused water in the lake, the Interior Department won't release it without the agreement of all three states. One strategic initiative in fiscal 2017 is to develop mechanisms for fully utilizing imported water supplies.

Investment in Infrastructure

On April 15, 2014, the California Department of Public Health announced a new maximum contaminant level of 10 parts per billion for chromium-6. Chromium-6 is a mineral that occurs naturally in the Valley's aquifer. As a result of the new standard, the District plans to treat 30 of its 96 wells. An alternative treatment study is currently underway. In order to keep costs as low as possible, the District is seeking grant funding and low interest loans from the Drinking Water State Revolving Fund.

Although most of the domestic water system is relatively new, ongoing repairs and replacement projects are required, with \$38.1 million budgeted for reservoir and booster station construction, water main replacements, and well drilling projects.

The canal irrigation system is 65 years old, with many of the 485 miles of irrigation laterals crumbling and leaking. Almost \$11.6 million in projects are planned for a variety of irrigation lateral and drain pipeline replacements.

The District is the main agency that provides stormwater protection for the Coachella Valley and several areas are currently unprotected. To protect people and property from potential flooding, planned improvements and master plans total \$14 million and include \$5.9 million for the Avenue 64 evacuation channel improvements.

Sanitation projects amount to \$20.5 million. Most of the projects are for improvements at Wastewater Reclamation Plants 7 and 10, with additional projects budgeted for lift station upgrades and sewer pipe rehabilitation. Grant funding will bring sewer service to two disadvantaged communities in the eastern Coachella Valley.

In fiscal 2017, additional golf course connections to either the Canal or the Mid-Valley Pipeline will be constructed. These projects are funded by the West and East Whitewater Replenishment Funds and will reduce groundwater pumping by approximately 5,000 acre-feet.

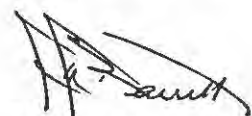
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Coachella Valley Water District, for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, an agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

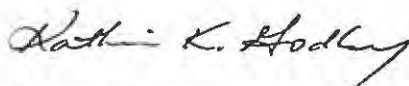
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to thank the dedicated employees of the District for their commitment to providing high-quality service to the District's customers. In addition, we would like to thank the Board of Directors for providing the resources necessary to prepare this report and for their role in preserving the District's framework of internal controls. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance department.

Respectfully submitted,



Jim Barrett
General Manager



Katherine Godbey
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Coachella Valley Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



CVWD Mission Statement:

To meet the water-related needs of the people, through dedicated employees, providing high-quality water at a reasonable price.

Board of Directors



Back row from left: Peter Nelson, John P. Powell, Jr., and Ed Pack
Front row from left: Cástulo R. Estrada and G. Patrick O'Dowd

Contact Information

This document is produced annually by the Finance Department. Anyone needing additional information may contact us at:

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(760) 398-2651

Coachella Valley Water District
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75-515 Hovley Lane East
Palm Desert, CA 92260
(760) 398-2651

Acknowledgements

Amy Aguer, Controller
Irene DeLeon, Accountant
Laura Kleeman, Accountant
Victoria Carpenter, Accounting Technician I
Thomas Rice, Financial Analyst
Teri Vorster, Financial Analyst
Tina Donahue, Management Analyst
Nancy Clark, Budget Analyst I
Petya Vasileva, Accounting Technician III
Victoria Jeffers, Administrative Assistant I

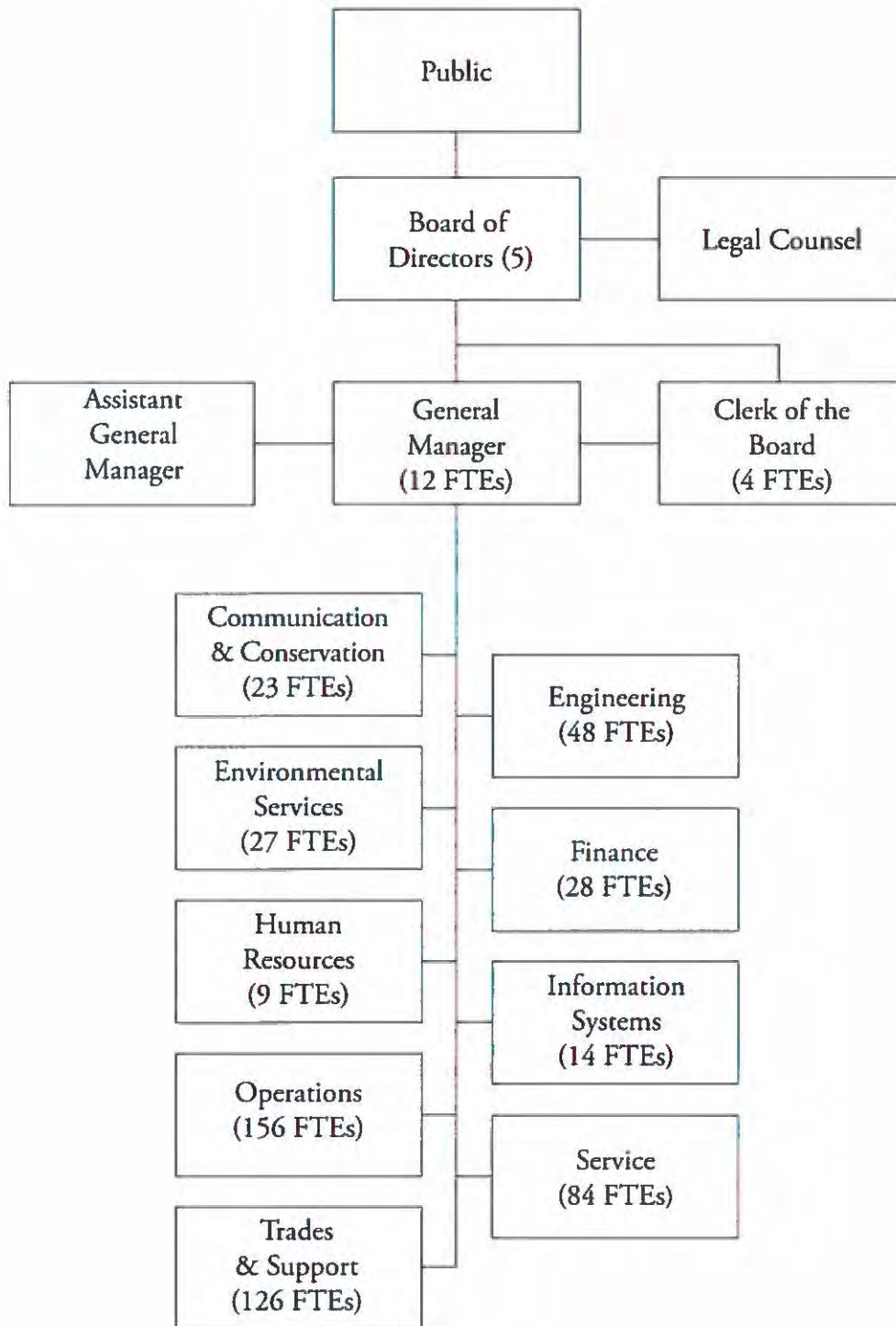
A special thank you to
Tony DeZego
for his support in producing this document.

The fiscal 2016 Comprehensive Annual Financial Report is available on our website: www.cvwd.org

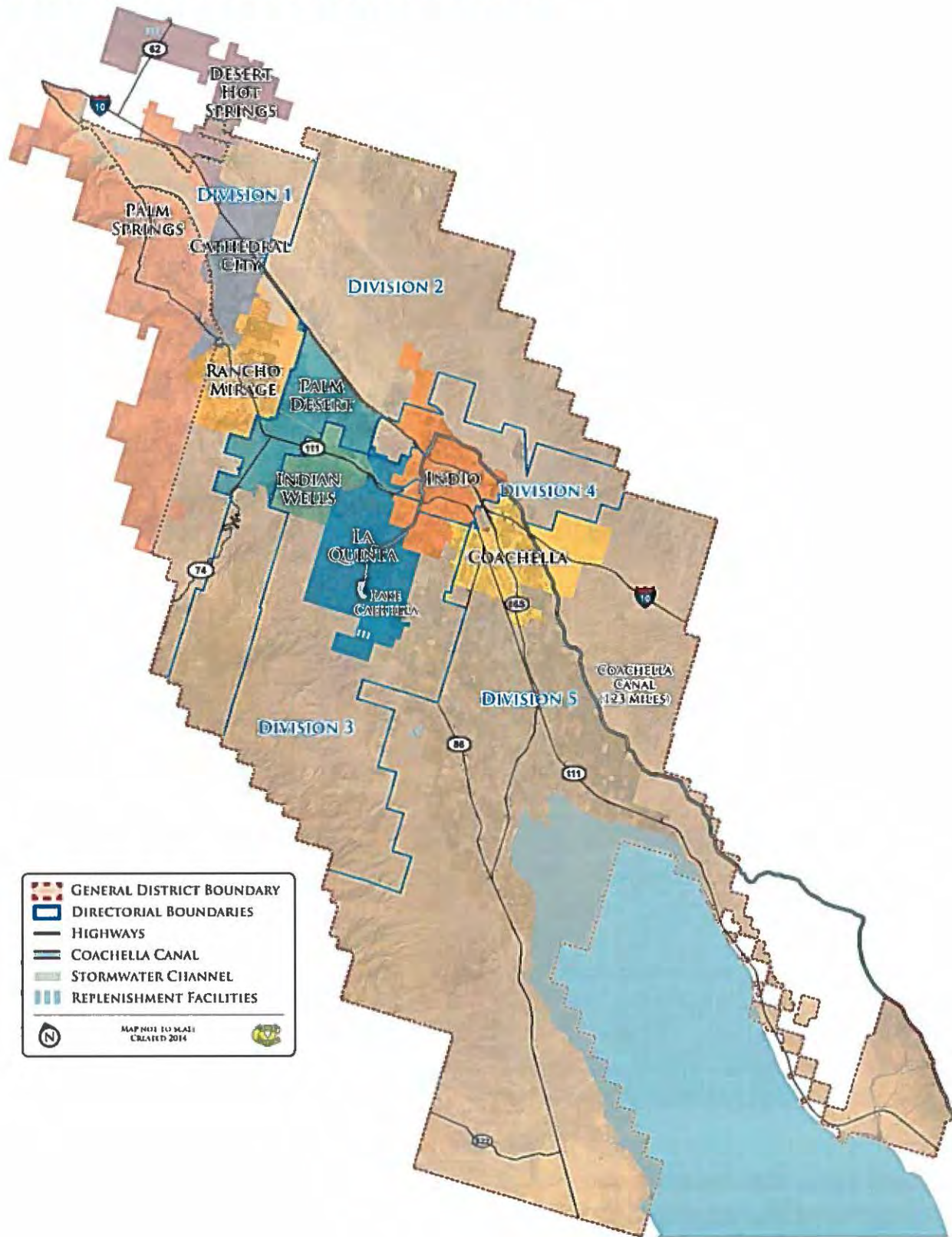
District Departments and Directors

- Clerk of the BoardSylvia Bermudez
- Communication & Conservation.....Heather Engel
- Engineering.....Mark Johnson
- Environmental Services.....Steve Bigley
- Finance.....Kay Godbey
- Human Resources.....Heidi Keeran
- Information Systems.....Luis Maciel
- Operations.....Dan Farris
- Service.....Raul Aguirre
- Trades & Support.....Javier Miranda

Coachella Valley Water District Organizational Chart



Coachella Valley Water District - Directorial Boundaries



Coachella Valley Water District Boundary Map



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Coachella Valley Water District
Coachella, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Coachella Valley Water District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



To the Board of Directors
Coachella Valley Water District
Coachella, California

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and schedule of plan contributions, as shown in the 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements, introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



To the Board of Directors
Coachella Valley Water District
Coachella, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
December 16, 2016

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Management’s Discussion and Analysis

This section of the Coachella Valley Water District’s (the District) annual financial report presents our analysis of the District’s financial performance and activities for the fiscal year ended June 30, 2016. This information is presented in conjunction with the audited financial statements, which follow this section.

About the District

The District operates under the authority of the California Water Code and engages in various activities classified as “proprietary.” These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions. The major activities include: sale and delivery of groundwater to domestic and commercial accounts; sale and delivery of Colorado River water to agricultural and other accounts; operation and maintenance of a system of farm drains; collection, treatment, and disposal of wastewater; sale and delivery of recycled water; operation and maintenance of stormwater channels and flood protection facilities; and replenishment of the groundwater basin. The District also owns and operates a fleet of vehicles and other rolling stock to support the various operating activities.

Overview of the Financial Statements

The financial statements of the District report information using accounting principles appropriate for an enterprise fund to report its activities. An “income determination” or “cost of services” measurement focus is reported with revenues and expenses recognized on the accrual basis of accounting. The financial statements conform to generally accepted accounting principles (GAAP) in the United States, and to the standards set by the Governmental Accounting Standards Board (GASB).

The Statement of Net Position includes information by fund group about the District’s assets (i.e., the nature and amount of investments in resources) and liabilities (i.e., the obligations to creditors). This statement also provides the basis of evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Fund Net Position identifies the District’s revenues and expenses for the fiscal year ended June 30, 2016. This statement provides information by fund groups on the District’s operations and whether the District’s revenues (i.e., user fees and other charges) have covered its expenses.

The Statement of Cash Flows provides information concerning the District’s cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. This statement also provides information on the sources and uses of cash and on the change in the cash balance.

The Notes to the Basic Financial Statements provide a description of the accounting policies used to prepare the financial statements, and present material disclosures required by GAAP that are not otherwise present in the financial statements. The District, like other special Districts, uses fund accounting to ensure and demonstrate compliance with finance-related

legal requirements. The funds of the District are segregated into two categories: proprietary funds and agency funds.

The District maintains two types of proprietary funds: enterprise funds and internal service funds. Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the District's business-type activities: Domestic Water, Sanitation, Canal Water, Stormwater, and Groundwater Replenishment. The District uses internal service fund accounting to report the activities of its Motorpool Fund.

The District acts as the agent for five Assessment Districts and one Community Facilities District. The faith and credit of the Coachella Valley Water District are not pledged to these Districts; therefore, they are accounted for in agency funds and are in the basic financial statements.

Property Taxes. Most of the property tax revenue the District receives is earmarked for specific purposes, including the State Water Project (SWP) revenue. After the earmarked property taxes are distributed to the appropriate funds, the balance, or discretionary tax, is allocated to the enterprise funds as determined by the Board of Directors, and adopted during the annual budget process.

Drought & Water Conservation. On April 1, 2015, Governor Jerry Brown announced the first mandatory water restrictions in California history. The State Water Resources Control Board (SWRCB) analyzed the per capita consumption of all water agencies in the state and divided them into nine tiers for the purpose of determining separate conservation goals for each tier. The District falls into the top tier, with residential water use of 215 gallons per customer per day. As a result, the District's mandate was to reduce its water use by 32% or face fines up to \$10,000 per day.

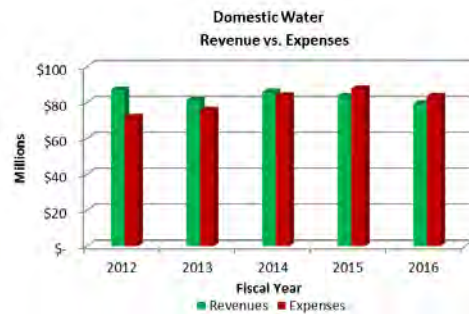
In response to this order from the SWRCB, the District passed an ordinance imposing mandatory restrictions on water use. Drought penalties were in effect from July 1, 2015 through April 30, 2016. As a result, actual water consumption in fiscal 2016 was 20% lower than the previous year. Drought penalties yielded over \$15 million in revenue, which is accounted for as Nonoperating revenue on the financial statements.

Pension Reporting. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. GASB 68 requires governmental agencies to record their net pension liability on their Statement of Net Position. The ending net pension liability as of June 30, 2016, was \$104,278,573. See Note 6 for further information.

Other Post-Employment Benefits. The District, on September 10, 2013, entered into an agreement with Public Agency Retirement Services (PARS), by resolution approved by the Board of Directors, to establish a prefunded Section 115, irrevocable Other Post-Employment Benefit (OPEB) Trust, in which PARS would act as the Trust administrator. The market value of the OPEB Trust as of June 30, 2016 was \$20.4 million. See Note 8 for further information.

Overview of Fund Group Activity

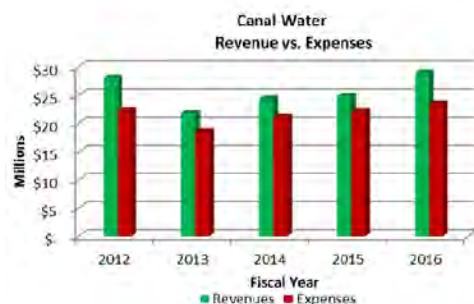
Domestic Water Fund Group. Activity associated with providing domestic and nonpotable water to the residents of the Coachella Valley. The Domestic Water Fund Group cash and investments (including restricted cash) increased slightly over \$6.6 million; net position increased a little over \$2.7 million for fiscal 2016. This is primarily due to capital contributions. There was an increase in operating loss of approximately \$8.7 million, mainly as a result of a decrease in operating revenues. Operating revenues decreased by approximately \$10.3 million, primarily due to the decrease in water sales due to drought restrictions and conservation efforts. In addition, there was an increase of approximately \$3 million in capital improvements, as compared to the prior fiscal year, which was offset by the use of \$0.7 million in restricted development fees. Nonoperating revenues increased by almost \$6.2 million, primarily due to drought penalties and an increase in investment income. Property taxes decreased due to a change in the discretionary property taxes allocation.



Sanitation Fund Group. Activity associated with the District's wastewater reclamation plants. The plants allow the District to provide sanitation service to most of the Coachella Valley. The Sanitation Fund Group cash and investments (including restricted cash) increased over \$7.7 million; net position increased slightly over \$6.8 million for the fiscal year ended June 30, 2016. This is primarily due to capital contributions. Overall, operating revenues decreased \$385,438 for the fiscal year ended June 30, 2016. Sanitation Service fees slightly increased, due to the small amount of growth the Coachella Valley has experienced. In addition, there was a decrease of approximately \$16.9 million in capital improvements as compared to the prior fiscal year; \$2.7 million in restricted development fees was spent in fiscal 2016. The operating loss increased approximately \$1.4 million. This is primarily due to an increase in depreciation and other expenses. Nonoperating revenues decreased by over \$1.3 million, mainly due to a decrease in other nonoperating revenues. Property taxes and investment income increased.



Canal Water Fund. Activity associated with providing irrigation water to agricultural farmers and certain golf courses of the Coachella Valley and farm drainage. Cash and investments increased slightly over \$2.3 million; net position also increased slightly over \$10.2 million for the fiscal year ended June 30, 2016, partially due to a transfer from the East Whitewater Replenishment Fund. Operating revenues increased \$937,878 due to increased water



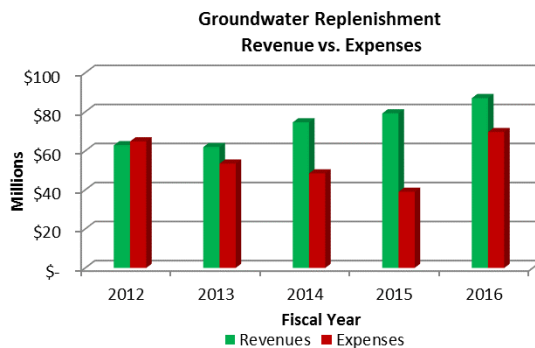
sales, availability charges, and meter and service fees. Operating expenses increased by approximately \$1.6 million, due to increased water purchases, other expenses, and contract services. This resulted in an increased operating loss of \$620,418 for fiscal 2016. Nonoperating revenues increased by approximately \$3.1 million, with the largest increase in property taxes due to a change in the discretionary property tax allocation.

Stormwater Fund. Activity associated with providing stormwater protection in the Coachella Valley. The Stormwater Fund cash and investments increased by over \$5.4 million; net position increased approximately \$10.1 million for the fiscal year ended June 30, 2016. Operating revenues decreased \$278,479 due to a decrease in other charges. Operating expenses increased \$538,988 mostly due to other expenses. Nonoperating revenues increased by approximately \$1.6 million due to an increase in property tax revenues and investment income.

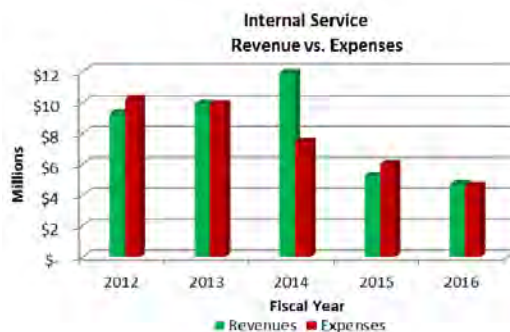


Groundwater Replenishment Fund Group.

Activity associated with replacing the groundwater or replenishing the aquifer. The Groundwater Replenishment Fund Group cash and investments decreased by approximately \$3.6 million; net position increased by approximately \$12.1 million for the fiscal year ended June 30, 2016. Operating revenues decreased by slightly over \$2 million mostly due to decreased replenishment charges. Operating expenses increased slightly over \$30.6 million, due to increased water purchases and other operating expenses. Nonoperating revenues increased \$9.8 million, primarily due to the increase in property tax revenues.



Internal Service Fund Group. Activities associated with this group are designed to function as cost-reimbursement funds. The District operates one fund within this group: Motorpool Fund. The Workers' Compensation fund is now reported in enterprise funds. The only cash remaining in the internal service funds is the Motorpool's. As a result, cash and investments decreased by approximately \$1.6 million; net position increased slightly over \$1.4 million for the fiscal year ended June 30, 2016. This is mostly due to transfers in. Operating income increased by approximately \$1.9 million mainly due to a decrease in operating expenses of \$1.4 million, which was a result of decreased materials and supplies purchases and contract services.



Financial Highlights

The following are highlights of the financial status of the District during the time period specified. Each of these items is discussed in detail in subsequent sections of this report.

- As of June 30, 2016, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by approximately \$1.7 billion. Of this amount, over \$320 million is unrestricted and may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total net position increased by over \$43 million, or an increase of 2.7% from the prior fiscal year. This was primarily due to an increase in current, as well as noncurrent assets.
- The District's total long-term debt decreased by approximately \$1.5 million, or a decrease of 0.9% from the prior fiscal year. This decrease is primarily due to the decrease in advances from other funds.
- Operating revenues decreased by approximately \$11.5 million, or a decrease of 7.7% from the prior fiscal year. This is mainly due to decreases in water sales and replenishment charges.
- Sanitation service fees increased \$136,966.
- Operating expenses, excluding depreciation, increased by approximately \$29.8 million, or an increase of 18.1% from the prior fiscal year. This is primarily due to increased water purchases, as well as other expenses.
- Depreciation expense increased \$804,866, or an increase of 2.2% as compared to the previous fiscal year.
- Nonoperating revenues increased by \$22.6 million, or an increase of 22.6% from the prior fiscal year. The primary reason is the increase in property taxes, investment income, as well as other nonoperating income.
- Contributed plant decreased by \$4.7 million, or a decrease of 56.6% as compared to the prior fiscal year. Development fees decreased by \$1.9 million, or a decrease of 16.8% from the prior fiscal year.

Financial Analysis of the District

Net Position

As the Condensed Statement of Net Position (Table 1) indicates, total assets increased \$37.4 million during the fiscal year ended June 30, 2016. This was comprised of increases in current assets of \$7.9 million, noncurrent assets of \$0.1 million, and capital assets of \$29.4 million.

The increase in current assets is primarily attributed to an increase in cash and investments.

The net increase in total liabilities of \$3 million is primarily due to increase in net pension liabilities.

The most significant portion of the District's net position is represented by investment in capital assets (i.e., land improvements, buildings, and equipment) less any related outstanding debt used to acquire these assets. Investment in capital assets, net of related debt, represented approximately 75.7% of the District's total net position, as of June 30, 2016. Restricted net position represented 5.2% of total net position. Unrestricted net position represents the portion of net position that can be used to finance day-to-day operations, without constraints, established by debt covenants, enabling legislation, or other legal requirements. This category was 19.1% of the District's total net position, as of June 30, 2016.

Table 1
COACHELLA VALLEY WATER DISTRICT
Condensed Statement of Net Position
As of June 30, 2016
(in millions)

| | 2016 | 2015 | Dollar Change | Percentage Change |
|---|-------------------|-------------------|------------------|----------------------|
| Current Assets | \$ 485.0 | \$ 477.1 | \$ 7.9 | 1.7% |
| Noncurrent Assets | 122.1 | 122.0 | 0.1 | 0.1% |
| Capital Asset | 1,266.7 | 1,237.3 | 29.4 | 2.4% |
| Total Assets | 1,873.8 | 1,836.4 | 37.4 | 2.0% |
| Deferred Outflow of Resources | 9.9 | 8.2 | 1.7 | 20.7% |
| Total Deferred Outflow of Resource | 9.9 | 8.2 | 1.7 | 20.7% |
| Long-term Debt | 159.4 | 160.9 | (1.5) | -0.9% |
| Other Liabilities | 41.1 | 36.6 | 4.5 | 12.3% |
| Total Liabilities | 200.5 | 197.5 | 3.0 | 1.5% |
| Deferred Inflow of Resources | 8.4 | 15.6 | (7.2) | -46.2% |
| Total Deferred Inflow of Resource | 8.4 | 15.6 | (7.2) | -46.2% |
| Net Investment in Capital Assets | 1,266.6 | 1,237.3 | 29.3 | 2.4% |
| Restricted Net Position | 87.9 | 80.2 | 7.7 | 9.6% |
| Unrestricted Net Position | 320.3 | 314.0 | 6.3 | 2.0% |
| Total Net Position | \$ 1,674.8 | \$ 1,631.5 | 43.3 | 2.7% |

The Statement of Revenues, Expenses, and Changes in Fund Net Position (Table 2) identifies the various revenue, expense, and other significant items that contributed to the change in net position.

Table 2
COACHELLA VALLEY WATER DISTRICT
 Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
 As of June 30, 2016
 (in millions)

| | 2016 | 2015 | Dollar Change | Percentage Change |
|-------------------------------------|-------------------|-------------------|------------------|----------------------|
| Operating Revenues | | | | |
| Water Sales | \$ 54.1 | \$ 65.4 | \$ (11.3) | -17.3% |
| Water and sewer availability | 2.3 | 2.2 | 0.1 | 4.5% |
| Meter and service fees | 16.5 | 15.4 | 1.1 | 7.1% |
| Sanitation service fees | 38.5 | 38.3 | 0.2 | 0.5% |
| Groundwater replenishment | 19.3 | 21.3 | (2.0) | -9.4% |
| Other charges | 8.0 | 7.6 | 0.4 | 5.3% |
| Total Operating Revenues | 138.7 | 150.2 | (11.5) | -7.7% |
| Nonoperating Revenues | 122.8 | 100.2 | 22.6 | 22.6% |
| Total Revenues | 261.5 | 250.4 | 11.1 | 4.4% |
| Operating Expenses | | | | |
| General operations | 115.5 | 106.5 | 9.0 | 8.5% |
| Water purchases | 63.8 | 42.1 | 21.7 | 51.5% |
| Utilities | 14.7 | 15.6 | (0.9) | -5.8% |
| Total Operating Expenses | 194.0 | 164.2 | 29.8 | 18.1% |
| Depreciation expense | 36.6 | 35.8 | 0.8 | 2.2% |
| Nonoperating Expense | 0.6 | 0.6 | - | 0.0% |
| Total Expenses | 231.2 | 200.6 | 30.6 | 15.3% |
| Income before capital contributions | 30.3 | 49.8 | (19.5) | -39.2% |
| Capital contributions | 3.6 | 8.3 | (4.7) | -56.6% |
| Development fees | 9.4 | 11.3 | (1.9) | -16.8% |
| Change in net position | 43.3 | 69.4 | (26.1) | -37.6% |
| Restatements | - | (107.3) | 107.3 | -100.0% |
| Beginning net position | 1,631.5 | 1,669.4 | (37.9) | -2.3% |
| Ending Net Position | \$ 1,674.8 | \$ 1,631.5 | \$ 43.3 | 2.7% |

Capital Assets

As of June 30, 2016, the District's Capital Assets totaled \$1.9 billion, an increase of \$64.5 million, or 3.5%. Capital assets include all of the District's major infrastructure including: water treatment facilities, water mains, pipes, storage reservoirs, water reclamation facilities, storm water improvements, irrigation and drainage facilities, land, water rights, District headquarters and other structures, as well as vehicles and other equipment. The District's Board approved a new capitalization policy, effective November 12, 2014. Assets with a value of \$10,000 or greater are capitalized; assets acquired with federal grant funds are capitalized with a value of \$5,000 or greater.

A comparison of the changes in the District's capital assets over the past two fiscal years is presented in Table 3.

Table 3
COACHELLA VALLEY WATER DISTRICT
Capital Assets
As of June 30, 2016
(in millions)

| | 2016 | 2015 | Dollar Change | Percentage Change |
|--------------------------------------|-------------------|-------------------|------------------|----------------------|
| Land | \$ 56.5 | \$ 53.8 | \$ 2.7 | 5.0% |
| Domestic water plant | 639.5 | 631.7 | 7.8 | 1.2% |
| Sanitation plant | 513.7 | 477.2 | 36.5 | 7.6% |
| Canal water | 36.5 | 35.5 | 1.0 | 2.8% |
| Common plant | 1.8 | 1.8 | - | 0.0% |
| Stormwater works | 125.3 | 125.3 | - | 0.0% |
| Groundwater replenishment | 27.1 | 27.1 | - | 0.0% |
| Water rights | 75.6 | 75.6 | - | 0.0% |
| Interest in jointly owned facilities | 285.3 | 267.5 | 17.8 | 6.7% |
| Equipment | 61.5 | 56.1 | 5.4 | 9.6% |
| Construction in progress | 80.8 | 87.5 | (6.7) | -7.7% |
| Total capital assets | 1,903.6 | 1,839.1 | 64.5 | 3.5% |
| Less depreciation | 636.9 | 601.8 | 35.1 | 5.8% |
| Net capital assets | \$ 1,266.7 | \$ 1,237.3 | \$ 29.4 | 2.4% |

For more detailed information on capital asset activity, refer to Note 3: Capital Assets.

Economic Factors and Next Year's Budget

The District produces, stores, treats, and distributes potable water for a population of more than 300,000 residents and several thousand commercial customers. The District also provides regional sanitation services, water reclamation, groundwater management, agricultural irrigation and drainage, and stormwater protection for the Coachella Valley. The financial condition of the District remains strong and the economic outlook of the District's service area continues to follow the economic trends of the state of California. The District's economy is based largely on tourism (hotels and resorts), construction, and agriculture. While construction activity has begun increasing, tourism and agriculture remain stable contributors to the Valley's economy.

A majority of the District is located in Riverside County, which has seen a decrease in the unemployment rate from 7.1% to 6.1%, over the past calendar year. There are signs of a recovery, with the hospitality industry experiencing an increase in hotel occupancy rates, and agricultural yields setting records at over \$745 million dollars in production.

An indication of the renewed growth in the local economy is best demonstrated in the District's new services and account growth. There were 477 new domestic water service meters installed in fiscal 2016, an increase of 7% as compared to the prior fiscal year.

In fiscal 2017, the operating budget amounts to \$245.4 million and is supplemented with \$203.5 million in capital improvement projects, to produce a total financial program of \$448.9 million. This represents an increase of \$24.1 million or 10.9% from fiscal year 2016 operating budget and an increase of \$95.1 million, or 87.7% over the fiscal 2016 Capital Improvement Budget.

The District expects to receive \$255.9 million in operating revenue in fiscal 2017. This revenue is supplemented with the use of \$36.8 million in restricted connection fees, \$4.4 million in interfund revenues, \$3.2 million in grant revenues, \$91.8 million in reserves, and \$56.8 million in proceeds from debt issuance, to provide the total resources of \$448.9 million needed to fund the fiscal 2017 financial program.

The District's largest expense, salaries and benefits, increased \$4.2 million to \$68.3 million; supplies and services increased by \$2.4 million to \$55.5 million. The District's largest non-personnel expense is the purchase of imported water, budgeted in fiscal 2017 at \$82.1 million. Water purchases expense increased by \$14 million.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Department at 75-515 Hovley Lane East, Palm Desert, CA 92211.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

| | <u>Domestic Water</u> | <u>Sanitation</u> | <u>Canal Water</u> | <u>Stormwater</u> |
|--|-----------------------|-----------------------|----------------------|-----------------------|
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and investments | \$ 84,998,408 | \$ 110,199,506 | \$ 42,137,321 | \$ 117,591,321 |
| Receivables: | | | | |
| Accounts | 5,445,709 | 846,969 | 2,889,723 | 228,272 |
| Property taxes | 193,072 | 1,175,653 | 320,831 | 411,351 |
| Interest | 236,280 | 393,188 | 91,408 | 256,043 |
| Deposits | 31,785 | 217,980 | - | - |
| Supplies inventory | 3,084,043 | - | - | - |
| Prepaid expenses | 5,202,671 | - | 189,662 | - |
| Due from other governments | 27,600 | 21,000 | 208,717 | 10,890 |
| Due from other funds | 243,364 | 144,013 | 8,340 | 35,630 |
| Total Current Assets | 99,462,932 | 112,998,309 | 45,846,002 | 118,533,507 |
| Noncurrent Assets: | | | | |
| Advances to other funds | 48,904,994 | 1,820,777 | - | - |
| Notes receivable | - | 2,563 | - | - |
| Restricted cash and investments | 45,557,918 | 15,919,411 | - | - |
| OPEB asset | 4,847,870 | 2,860,817 | 1,478,317 | 599,387 |
| Capital assets: | | | | |
| Land and land rights | 12,532,298 | 3,272,715 | 3,299,923 | 8,172,719 |
| Water rights | 73,781,290 | 240,830 | - | - |
| Construction in progress | 23,759,570 | 29,590,405 | 5,201,700 | 17,125,638 |
| Land improvements | 50,295 | - | - | - |
| Building and plant | 639,479,091 | 513,671,506 | 36,473,285 | 125,314,306 |
| Interest in shared facilities | - | - | 34,874,502 | - |
| Equipment | 12,691,604 | 9,640,839 | 5,981,499 | 2,763,297 |
| Less accumulated depreciation | (251,275,099) | (188,226,551) | (37,734,150) | (64,274,867) |
| Total capital assets, net | 511,019,049 | 368,189,744 | 48,096,759 | 89,101,093 |
| Total Noncurrent Assets | 610,329,831 | 388,793,312 | 49,575,076 | 89,700,480 |
| Total Assets | 709,792,763 | 501,791,621 | 95,421,078 | 208,233,987 |
| Deferred Outflows of Resources: | | | | |
| Deferred pension related items | 4,505,808 | 2,614,396 | 1,473,058 | 536,411 |
| Total Deferred Outflows of Resources | 4,505,808 | 2,614,396 | 1,473,058 | 536,411 |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 6,099,162 | 1,877,482 | 818,473 | 1,258,056 |
| Accrued liabilities | 2,130,855 | 277,161 | 191,577 | 59,996 |
| Unearned revenues | - | 211,781 | - | - |
| Retentions payable | 66,496 | 104,715 | 18,975 | 206,573 |
| Customer advances and deposits | 2,840,069 | 21,000 | 238,255 | 410,475 |
| Due to other governments | 1,901,431 | 781,453 | 950,715 | 380,286 |
| Due to other funds | - | - | - | - |
| Current portion of long-term liabilities | 3,713,456 | 1,398,668 | 864,665 | 291,090 |
| Total Current Liabilities | 16,751,469 | 4,672,260 | 3,082,660 | 2,606,476 |
| Long-Term Liabilities: | | | | |
| Compensated absences payable | 808,108 | 466,223 | 280,654 | 97,031 |
| Claims liability | 2,588,000 | - | - | - |
| Net pension liability | 47,593,411 | 27,687,960 | 15,563,228 | 5,458,463 |
| Contracts payable | - | - | 5,401 | - |
| Advances from other funds | 1,820,777 | - | - | - |
| Total Long-Term Liabilities | 52,810,296 | 28,154,183 | 15,849,283 | 5,555,494 |
| Total Liabilities | 69,561,765 | 32,826,443 | 18,931,943 | 8,161,970 |
| Deferred Inflows of Resources: | | | | |
| Deferred pension related items | 3,888,939 | 2,268,598 | 1,271,558 | 426,754 |
| Total Deferred Inflows of Resources | 3,888,939 | 2,268,598 | 1,271,558 | 426,754 |
| Net Position: | | | | |
| Net investment in capital assets | 511,012,916 | 368,189,744 | 48,068,653 | 89,101,093 |
| Restricted: | | | | |
| Construction, capital, and replacement funds | 45,557,918 | 15,919,411 | - | - |
| State Water Project | - | - | - | - |
| Unrestricted | 84,277,033 | 85,201,821 | 28,621,982 | 111,080,581 |
| Total Net Position | \$ 640,847,867 | \$ 469,310,976 | \$ 76,690,635 | \$ 200,181,674 |

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

| | Groundwater Replenishment | Totals | Internal Service Fund Motorpool |
|--|------------------------------|-------------------------|---------------------------------------|
| Assets: | | | |
| Current Assets: | | | |
| Cash and investments | \$ 99,731,754 | \$ 454,658,310 | \$ 2,294,729 |
| Receivables: | | | |
| Accounts | 1,595,206 | 11,005,879 | 126 |
| Property taxes | 2,363,137 | 4,464,044 | - |
| Interest | 249,886 | 1,226,805 | 21,347 |
| Deposits | 100,000 | 349,765 | - |
| Supplies inventory | - | 3,084,043 | 114,416 |
| Prepaid expenses | 1,015,000 | 6,407,333 | - |
| Due from other governments | 715,920 | 984,127 | - |
| Due from other funds | - | 431,347 | - |
| Total Current Assets | 105,770,903 | 482,611,653 | 2,430,618 |
| Noncurrent Assets: | | | |
| Advances to other funds | - | 50,725,771 | - |
| Notes receivable | - | 2,563 | - |
| Restricted cash and investments | - | 61,477,329 | - |
| OPEB asset | 50,634 | 9,837,025 | 37,975 |
| Capital assets: | | | |
| Land and land rights | 29,133,180 | 56,410,835 | - |
| Water rights | - | 74,022,120 | - |
| Construction in progress | 5,153,484 | 80,830,797 | - |
| Land improvements | - | 50,295 | - |
| Building and plant | 27,079,066 | 1,342,017,254 | 1,845,248 |
| Interest in shared facilities | 250,466,296 | 285,340,798 | - |
| Equipment | 148,793 | 31,226,032 | 30,316,316 |
| Less accumulated depreciation | (72,973,968) | (614,484,635) | (20,907,651) |
| Total capital assets, net | 239,006,851 | 1,255,413,496 | 11,253,913 |
| Total Noncurrent Assets | 239,057,485 | 1,377,456,184 | 11,291,888 |
| Total Assets | 344,828,388 | 1,860,067,837 | 13,722,506 |
| Deferred Outflows of Resources: | | | |
| Deferred pension related items | 437,606 | 9,567,279 | 372,985 |
| Total Deferred Outflows of Resources | 437,606 | 9,567,279 | 372,985 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts payable | 12,766,120 | 22,819,293 | 113,250 |
| Accrued liabilities | 62,669 | 2,722,258 | 47,692 |
| Unearned revenues | - | 211,781 | - |
| Retentions payable | 31,644 | 428,403 | - |
| Customer advances and deposits | 4,123 | 3,513,922 | - |
| Due to other governments | - | 4,013,885 | - |
| Due to other funds | - | - | 431,347 |
| Current portion of long-term liabilities | 273,751 | 6,541,630 | 246,243 |
| Total Current Liabilities | 13,138,307 | 40,251,172 | 838,532 |
| Long-Term Liabilities: | | | |
| Compensated absences payable | 91,251 | 1,743,267 | 82,082 |
| Claims liability | - | 2,588,000 | - |
| Net pension liability | 4,101,127 | 100,404,189 | 3,874,384 |
| Contracts payable | - | 5,401 | - |
| Advances from other funds | 48,904,994 | 50,725,771 | - |
| Total Long-Term Liabilities | 53,097,372 | 155,466,628 | 3,956,466 |
| Total Liabilities | 66,235,679 | 195,717,800 | 4,794,998 |
| Deferred Inflows of Resources: | | | |
| Deferred pension related items | 286,742 | 8,142,591 | 310,742 |
| Total Deferred Inflows of Resources | 286,742 | 8,142,591 | 310,742 |
| Net Position: | | | |
| Net investment in capital assets | 239,006,851 | 1,255,379,257 | 11,253,913 |
| Restricted: | | | |
| Construction, capital, and replacement funds | - | 61,477,329 | - |
| State Water Project | 26,400,000 | 26,400,000 | - |
| Unrestricted | 13,336,722 | 322,518,139 | (2,264,162) |
| Total Net Position | \$ 278,743,573 | \$ 1,665,774,725 | \$ 8,989,751 |

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2016

| | Domestic Water | Sanitation | Canal Water | Stormwater |
|--|-----------------------|-----------------------|----------------------|-----------------------|
| Operating Revenues: | | | | |
| Sales | \$ 40,630,242 | \$ - | \$ 13,481,348 | \$ - |
| Availability charges | 655,801 | 82,211 | 1,594,380 | - |
| Meter and service fees | 14,733,773 | 25,504 | 1,693,894 | 5,183 |
| Sanitation service fees | - | 38,452,922 | - | - |
| Replenishment charges | - | - | - | - |
| Other charges | 2,427,995 | 148,955 | 979,263 | 36,877 |
| Total Operating Revenues | 58,447,811 | 38,709,592 | 17,748,885 | 42,060 |
| Operating Expenses: | | | | |
| Wages and salaries | 19,600,283 | 10,854,720 | 6,229,743 | 2,244,873 |
| Benefits | 8,206,302 | 4,616,926 | 2,349,621 | 930,651 |
| Materials and supplies | 6,469,400 | 2,620,232 | 1,892,057 | 238,504 |
| Water purchases | 9,210,716 | - | 3,029,710 | - |
| Power | 9,226,021 | 3,640,276 | 619,390 | 33,581 |
| Contract services | 2,819,820 | 3,128,360 | 1,788,795 | 1,035,841 |
| Depreciation | 14,733,516 | 12,249,707 | 1,381,418 | 2,580,913 |
| Other | 13,044,053 | 4,074,295 | 6,101,559 | 2,016,707 |
| Total Operating Expenses | 83,310,111 | 41,184,516 | 23,392,293 | 9,081,070 |
| Operating Income (Loss) | (24,862,300) | (2,474,924) | (5,643,408) | (9,039,010) |
| Nonoperating Revenues (Expenses): | | | | |
| Property taxes | 474,983 | 1,791,420 | 9,763,362 | 16,189,128 |
| Intergovernmental | - | - | - | 37,781 |
| Investment income | 2,719,607 | 1,919,807 | 670,273 | 1,846,850 |
| Interest expense | (27,375) | - | - | - |
| Other | 17,641,498 | 140,925 | 663,837 | 970,459 |
| Gain (loss) on disposal of capital assets | 40,434 | (313) | (2,403) | (54) |
| Total Nonoperating Revenues (Expenses) | 20,849,147 | 3,851,839 | 11,095,069 | 19,044,164 |
| Income (Loss) before transfers and capital contributions | (4,013,153) | 1,376,915 | 5,451,661 | 10,005,154 |
| Transfers in | 1,779,451 | 951,893 | 6,124,373 | 1,193,577 |
| Transfers out | (2,357,399) | (1,226,000) | (1,369,000) | (1,101,250) |
| Capital contributions | | | | |
| Contributed plant | 2,217,783 | 1,361,591 | - | - |
| Development fees | 5,080,751 | 4,337,755 | - | - |
| Changes in Net Position | 2,707,433 | 6,802,154 | 10,207,034 | 10,097,481 |
| Net Position: | | | | |
| Beginning of year | 638,140,434 | 462,508,822 | 66,483,601 | 190,084,193 |
| End of fiscal year | \$ 640,847,867 | \$ 469,310,976 | \$ 76,690,635 | \$ 200,181,674 |

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2016

| | Groundwater Replenishment | Totals | Internal Service Fund Motorpool |
|--|------------------------------|-------------------------|---------------------------------------|
| Operating Revenues: | | | |
| Sales | \$ - | \$ 54,111,590 | \$ - |
| Availability charges | - | 2,332,392 | - |
| Meter and service fees | - | 16,458,354 | - |
| Sanitation service fees | - | 38,452,922 | - |
| Replenishment charges | 19,272,660 | 19,272,660 | - |
| Other charges | - | 3,593,090 | 4,425,591 |
| Total Operating Revenues | 19,272,660 | 134,221,008 | 4,425,591 |
| Operating Expenses: | | | |
| Wages and salaries | 1,725,545 | 40,655,164 | 1,513,866 |
| Benefits | 579,238 | 16,682,738 | 601,487 |
| Materials and supplies | 187,428 | 11,407,621 | 297,507 |
| Water purchases | 51,559,179 | 63,799,605 | - |
| Power | 1,178,956 | 14,698,224 | - |
| Contract services | 1,101,849 | 9,874,665 | 19,177 |
| Depreciation | 3,825,441 | 34,770,995 | 1,807,394 |
| Other | 8,859,494 | 34,096,108 | 384,459 |
| Total Operating Expenses | 69,017,130 | 225,985,120 | 4,623,890 |
| Operating Income (Loss) | (49,744,470) | (91,764,112) | (198,299) |
| Nonoperating Revenues (Expenses): | | | |
| Property taxes | 65,382,382 | 93,601,275 | - |
| Intergovernmental | - | 37,781 | - |
| Investment income | 1,395,721 | 8,552,258 | 37,521 |
| Interest expense | (595,622) | (622,997) | - |
| Other | 940,746 | 20,357,465 | 16,389 |
| Gain (loss) on disposal of capital assets | - | 37,664 | 239,273 |
| Total Nonoperating Revenues (Expenses) | 67,123,227 | 121,963,446 | 293,183 |
| Income (Loss) before transfers and capital contributions | 17,378,757 | 30,199,334 | 94,884 |
| Transfers in | 321,293 | 10,370,587 | 4,104,954 |
| Transfers out | (5,641,742) | (11,695,391) | (2,780,150) |
| Capital contributions | | | |
| Contributed plant | - | 3,579,374 | - |
| Development fees | - | 9,418,506 | - |
| Changes in Net Position | 12,058,308 | 41,872,410 | 1,419,688 |
| Net Position: | | | |
| Beginning of year | 266,685,265 | 1,623,902,315 | 7,570,063 |
| End of fiscal year | \$ 278,743,573 | \$ 1,665,774,725 | \$ 8,989,751 |

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

| | <u>Domestic Water</u> | <u>Sanitation</u> | <u>Canal Water</u> | <u>Stormwater</u> |
|---|------------------------------|------------------------------|-----------------------------|------------------------------|
| Cash Flows from Operating Activities: | | | | |
| Cash received from customers and users | \$ 44,805,433 | \$ 40,656,561 | \$ 15,322,371 | \$ 27,030 |
| Cash received from interfund service provided | - | - | - | - |
| Cash paid to employees for services | (25,583,989) | (17,922,937) | (10,017,232) | (3,546,263) |
| Cash paid to suppliers of goods and services | (25,850,423) | (11,204,833) | (10,055,806) | (606,569) |
| Cash paid to others | - | (4,048,791) | (4,407,665) | (2,011,524) |
| Cash received from others | 1,689,720 | - | - | - |
| Net Cash Provided (Used) by Operating Activities | <u>(4,939,259)</u> | <u>7,480,000</u> | <u>(9,158,332)</u> | <u>(6,137,326)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | |
| Cash transfers in | 507,638 | 951,893 | 6,124,373 | 1,193,577 |
| Cash transfers out | (2,357,399) | (512,000) | (1,012,000) | (1,012,000) |
| Payment received from/(provided to) other funds | (243,364) | 3,294,968 | (8,340) | (35,630) |
| Payments made to other governments | (1,901,430) | - | - | - |
| Advance from other funds | 3,676,238 | - | - | - |
| Cash received from property taxes | 698,384 | 1,054,892 | 8,957,654 | 15,874,035 |
| Grant subsidies | 492,787 | - | 388,401 | 37,781 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>872,854</u> | <u>4,789,753</u> | <u>14,450,088</u> | <u>16,057,763</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (14,673,455) | (10,873,953) | (4,271,168) | (7,232,452) |
| Principal paid on capital debt | (1,533) | - | (22,704) | - |
| Interest paid on capital debt | (27,375) | - | - | - |
| Interest paid on interfund debt | - | - | - | - |
| Connection fees received from developers | 5,080,751 | - | - | - |
| Capital contributions | 17,641,498 | 4,478,680 | 663,837 | 970,459 |
| Proceeds from sales of capital assets | 40,434 | - | - | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>8,060,320</u> | <u>(6,395,273)</u> | <u>(3,630,035)</u> | <u>(6,261,993)</u> |
| Cash Flows from Investing Activities: | | | | |
| Repayments of notes received | - | 17,234 | - | - |
| Interest received on investments | 2,626,354 | 1,842,029 | 643,195 | 1,767,943 |
| Net Cash Provided (Used) by Investing Activities | <u>2,626,354</u> | <u>1,859,263</u> | <u>643,195</u> | <u>1,767,943</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>6,620,269</u> | <u>7,733,743</u> | <u>2,304,916</u> | <u>5,426,387</u> |
| Cash and Cash Equivalents at Beginning of Year | 123,936,057 | 118,385,174 | 39,832,405 | 112,164,934 |
| Cash and Cash Equivalents at End of Year | <u>\$ 130,556,326</u> | <u>\$ 126,118,917</u> | <u>\$ 42,137,321</u> | <u>\$ 117,591,321</u> |

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

| | Groundwater Replenishment | Totals | Internal Service Fund Motorpool |
|---|------------------------------|-----------------------|---------------------------------------|
| Cash Flows from Operating Activities: | | | |
| Cash received from customers and users | \$ 19,037,150 | \$ 119,848,545 | \$ - |
| Cash received from interfund service provided | - | - | 4,436,305 |
| Cash paid to employees for services | (2,422,520) | (59,492,941) | (2,344,891) |
| Cash paid to suppliers of goods and services | (44,716,064) | (92,433,695) | (815,645) |
| Cash paid to others | (8,859,494) | (19,327,474) | (508,609) |
| Cash received from others | - | 1,689,720 | - |
| Net Cash Provided (Used) by Operating Activities | (36,960,928) | (49,715,845) | 767,160 |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash transfers in | 321,293 | 9,098,774 | 4,104,954 |
| Cash transfers out | (5,641,742) | (10,535,141) | (2,668,587) |
| Payment received from/(provided to) other funds | (7,115,219) | (4,107,585) | 431,347 |
| Payments made to other governments | (417,031) | (2,318,461) | - |
| Advance from other funds | - | 3,676,238 | - |
| Cash received from property taxes | 65,427,303 | 92,012,268 | - |
| Grant subsidies | - | 918,969 | - |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 52,574,604 | 88,745,062 | 1,867,714 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | (20,856,002) | (57,907,030) | (4,476,297) |
| Principal paid on capital debt | - | (24,237) | - |
| Interest paid on capital debt | - | (27,375) | - |
| Interest paid on interfund debt | (595,622) | (595,622) | - |
| Connection fees received from developers | - | 5,080,751 | - |
| Capital contributions | 940,746 | 24,695,220 | 16,389 |
| Proceeds from sales of capital assets | - | 40,434 | 239,273 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (20,510,878) | (28,737,859) | (4,220,635) |
| Cash Flows from Investing Activities: | | | |
| Repayments of notes received | - | 17,234 | - |
| Interest received on investments | 1,327,522 | 8,207,043 | 35,063 |
| Net Cash Provided (Used) by Investing Activities | 1,327,522 | 8,224,277 | 35,063 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,569,680) | 18,515,635 | (1,550,698) |
| Cash and Cash Equivalents at Beginning of Year | 103,301,434 | 497,620,004 | 3,845,427 |
| Cash and Cash Equivalents at End of Year | \$ 99,731,754 | \$ 516,135,639 | \$ 2,294,729 |

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

| | <u>Domestic Water</u> | <u>Sanitation</u> | <u>Canal Water</u> | <u>Stormwater</u> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Reconciliation to amounts reported on the Statement of Net Position: | | | | |
| Reported on the Statement of Net Position: | | | | |
| Cash and investments | \$ 84,998,408 | \$ 110,199,506 | \$ 42,137,321 | \$ 117,591,321 |
| Restricted cash and investments | 45,557,918 | 15,919,411 | - | - |
| Cash and Cash Equivalents at End of Year | <u>\$ 130,556,326</u> | <u>\$ 126,118,917</u> | <u>\$ 42,137,321</u> | <u>\$ 117,591,321</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating income (loss) | \$ (24,862,300) | \$ (2,474,924) | \$ (5,643,408) | \$ (9,039,010) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | | |
| Depreciation | 14,733,516 | 12,249,707 | 1,381,418 | 2,580,913 |
| (Increase) decrease in accounts receivable | 866,156 | 2,049,333 | (306,877) | (109,597) |
| (Increase) decrease in supplies inventory | 20,418 | - | - | - |
| (Increase) decrease in prepaid expenses | (434,410) | 130,377 | 179,798 | 86,919 |
| (Increase) decrease in OPEB asset | 161,514 | 95,313 | 49,253 | 19,969 |
| Increase (decrease) in accounts payable | 2,289,526 | (1,946,342) | (2,905,652) | 614,438 |
| Increase (decrease) in accrued liabilities and deposits | 861,131 | (542,141) | (479,956) | (117,537) |
| Increase (decrease) in claims payable | 225,239 | (76,860) | (425,743) | 99,750 |
| Increase (decrease) in salaries and benefit payables | - | - | - | - |
| | 1,199,951 | (2,004,463) | (1,007,165) | (273,171) |
| Total Adjustments | <u>19,923,041</u> | <u>9,954,924</u> | <u>(3,514,924)</u> | <u>2,901,684</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (4,939,259)</u> | <u>\$ 7,480,000</u> | <u>\$ (9,158,332)</u> | <u>\$ (6,137,326)</u> |
| Non-Cash Investing, Capital, and Financing Activities: | | | | |
| Capital assets contributed by other parties | \$ (2,217,783) | \$ (1,361,591) | \$ - | \$ - |
| Transfers relating to change in fund classification | (1,271,813) | 714,000 | 357,000 | 89,250 |

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

| | <u>Groundwater Replenishment</u> | <u>Totals</u> | <u>Internal Service Fund</u> <u>Motorpool</u> |
|---|--------------------------------------|-------------------------------|--|
| Reconciliation to amounts reported on the Statement of Net Position: | | | |
| Reported on the Statement of Net Position: | | | |
| Cash and investments | \$ 99,731,754 | \$ 454,658,310 | \$ 2,294,729 |
| Restricted cash and investments | - | 61,477,329 | - |
| Cash and Cash Equivalents at End of Year | <u>\$ 99,731,754</u> | <u>\$ 516,135,639</u> | <u>\$ 2,294,729</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ (49,744,470) | \$ (91,764,112) | \$ (198,299) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | | |
| Depreciation | 3,825,441 | 34,770,995 | 1,807,394 |
| (Increase) decrease in accounts receivable | (235,510) | 2,263,505 | 10,714 |
| (Increase) decrease in supplies inventory | - | 20,418 | 44,720 |
| (Increase) decrease in prepaid expenses | (1,015,000) | (1,052,316) | - |
| (Increase) decrease in OPEB asset | 1,686 | 327,735 | 1,265 |
| Increase (decrease) in accounts payable | 10,326,348 | 8,378,318 | (543,681) |
| Increase (decrease) in accrued liabilities and deposits | (46,721) | (325,224) | (61,141) |
| Increase (decrease) in claims payable | - | - | (124,150) |
| Increase (decrease) in salaries and benefit payables | (72,702) | (2,157,550) | (169,662) |
| Total Adjustments | <u>12,783,542</u> | <u>42,048,267</u> | <u>965,459</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (36,960,928)</u> | <u>\$ (49,715,845)</u> | <u>\$ 767,160</u> |
| Non-Cash Investing, Capital, and Financing Activities: | | | |
| Capital assets contributed by other parties | \$ - | \$ (3,579,374) | \$ - |
| Transfers relating to change in fund classification | - | (111,563) | 111,563 |

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

| | <u>Agency Funds</u> | <u>OPEB Trust Fund</u> |
|---|-----------------------------|-----------------------------|
| Assets: | | |
| Cash and investments | | |
| Cash and cash equivalents | \$ 11,386,218 | \$ - |
| Mutual funds | - | 20,373,857 |
| Receivables: | | |
| Accounts | 207,290 | - |
| Property taxes | 45,730 | - |
| Interest | 11,628 | 149 |
| Due from other governments | 597,744 | - |
| Total Assets | <u>\$ 12,248,610</u> | <u>20,374,006</u> |
| Liabilities: | | |
| Accounts payable | \$ 131,019 | - |
| Held for others | 8,161,700 | - |
| Deposits payable | 3,621,690 | - |
| Due to other governments | 334,201 | - |
| Total Liabilities | <u>\$ 12,248,610</u> | <u>-</u> |
| Net Position: | | |
| Held in trust for other postretirement benefits | | <u>20,374,006</u> |
| Total Net Position | | <u>\$ 20,374,006</u> |

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FOR YEAR ENDED JUNE 30, 2016

| | <u>OPEB Trust Fund</u> |
|--|-----------------------------|
| Deductions: | |
| Administrative expenses | \$ 84,149 |
| Interest and change in fair value of investments | <u>153,107</u> |
| Total Deductions | <u>237,256</u> |
| Change in Net Position | (237,256) |
| Net Position - Beginning of the Year | <u>20,611,262</u> |
| Net Position - End of the Year | <u>\$ 20,374,006</u> |

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COACHELLA VALLEY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1: Organization and Summary of Significant Accounting Policies

The Coachella Valley Water District (the District) was organized in 1918 under the County Water District Act provisions of the state water codes. The District provides domestic and irrigation water, stormwater protection, agricultural drainage, sanitation, groundwater replenishment and water conservation services to users within its boundaries. The District's service area covers approximately 1,000 square miles mostly, within the Coachella Valley in Riverside County, California. The boundaries also extend into small portions of Imperial and San Diego counties. The Coachella Valley is a fascinating place in which to live, work and play because what once was a barren wasteland, has been transformed into a vibrant collection of diverse communities with thriving agricultural and recreation/hospitality industries.

Domestic water is delivered to more than 109,000 customers. The valley's drinking water comes from a vast underground aquifer. This water is nearly pristine and requires little treatment to meet all state and federal water quality standards.

The District's Board of Directors has formed various improvement districts, which are geographical segments within the service area of the District. Special assessment debt without government commitment is issued for certain improvement districts, and interest and principal thereon are payable from ad valorem assessments on land within such districts, from service charges and proceeds from the sale of property.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District is considered to be financially accountable for an organization if the District appoints a voting majority of that organization's governing body, and the organization is able to provide specific financial benefits to or impose specific financial burdens on the District. The District is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the District). In certain cases, other organizations are included as component units, if the nature and significance of their relationship with the District are such that, their exclusion would cause the District's financial statements to be misleading or incomplete. The District has one component unit, the Coachella Valley Water District Public Facilities Corporation.

The Coachella Valley Water District Public Facilities Corporation (Corporation) is a blended component unit as no person other than a Director of the District is eligible to serve as a Director of the Corporation, except a person approved by a resolution of the Board of Directors of the District. The Corporation is a nonprofit public benefit Corporation organized to provide financial assistance to the District by acquiring and constructing various public improvements, and the acquisition of land and related facilities for the use, benefit, and enjoyment of the public. Separate financial statements of the Corporation are not prepared.

a. Basis of Accounting and Measurement Focus

The proprietary fund types are accounted for on an "income determination" or "cost of services" measurement focus. Accordingly, all assets and liabilities are included on the Statement of Net Position, and the reported net position provides an indication of the historical net worth of the fund. Operating statements for proprietary fund types report increases (revenues) and decreases (expenses) in total historical net worth.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The District utilizes accounting principles appropriate for an enterprise fund to report its activities. An enterprise fund accounts for operations in a manner similar to private business enterprises, where the intent of the governing body is that 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. Accordingly, revenues and expenses are recognized on the accrual basis of accounting.

Revenues related to water sales, sanitation, and other user charges are recognized when earned. Unbilled service receivables, if material, have been reflected in the financial statements. Operating revenues consist of charges to customers for sales and use of water and sanitation. Nonoperating revenues consist of property taxes and interest earned on investments.

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

The Other Post-Employment (OPEB) Trust fiduciary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The Agency funds, which are a type of fiduciary funds, are custodial in nature (assets equal liabilities) and do not involve the recording of District revenues and expenses. Since revenues and expenses are not recognized, agency funds have no measurement focus; however, assets and liabilities are accounted for on the accrual basis of accounting.

The District follows all applicable Government Accounting Standards Board (GASB) pronouncements.

b. Major Fund Groups

For financial statement purposes, the operations of the District are reported in the following major funds:

Domestic Water. Activity associated with providing domestic water to the residents of the Coachella Valley. More than 1,990 miles of distribution pipelines serve those customers from water stored in 61 reservoirs. Also, includes activities associated with delivering nonpotable water to fourteen golf courses, four Home Owners' Associations, one public high school and District facilities.

Sanitation. Activity associated with the District's wastewater reclamation plants. The plants allow the District to provide sanitation service to most of the Coachella Valley that it serves with domestic water.

Canal Water. Activity associated with providing irrigation water to agricultural farmers and certain golf courses of the Coachella Valley and farm drainage.

Stormwater. Activity associated with providing stormwater protection in the Coachella Valley.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Groundwater Replenishment. Activities associated with replacing groundwater, or replenishing the aquifer.

Additionally, the District reports the following fund types:

Internal Service Funds are used to account for the fleet management services that are provided to other departments of the District.

OPEB Trust Fund accounts for the activities of the Districts Section 115 OPEB Trust, which accumulates resources for retiree's healthcare costs in an irrevocable trust account.

Agency Funds account for assets received and held by the District, while acting in the capacity as agents or custodians. Included in the Agency Fund, are cash and deposits that are maintained for certain assessment districts.

c. Property Taxes

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the local governments based on complex formulas.

Tax liens attach annually, on the first day of March preceding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash, and cash equivalents represent each funds' share in the cash and investment pool of the District.

e. Investments

Investments are reported in the accompanying statement of net position at fair value, except for certain certificates of deposit that are reported at cost, because they are not transferable and have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year, are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The District pools cash and investments of all funds. Investment income earned by the pooled investments is allocated to the various funds, based on each fund's average cash and investment balance.

f. Supplies Inventory

Supplies inventory is stated at the lower of cost (average cost) or market and consists of materials used in the construction and maintenance of the District's capital assets.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

g. Capital Assets

Capital assets, consisting of property, plant, and equipment, are recorded at cost. Property, plant, and equipment donated to these proprietary fund type operations, are recorded at their estimated fair value at the date of donation. Equipment leased under a capital lease is recorded at cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets, is reflected in the capitalized value of the asset construction, net of interest earned on the invested proceeds, over the same period.

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$10,000. Assets acquired with federal grant funds are capitalized with the cost greater than or equal to \$5,000. Depreciation is charged to operations using a straight-line method, based on average useful life of the asset.

The estimated useful lives of the capital assets are as follows:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Domestic water plant | 25-50 |
| Sanitation plant | 25-50 |
| Irrigation plant and drainage works | 40-49 |
| Common plant and equipment | 3-45 |
| Stormwater | 5-50 |

Interests in jointly-owned facilities are depreciated, using the straight-line method, with an estimated life of 100 years. On occasion, the District will construct assets on behalf of other agencies, where the other agencies will be responsible for managing and owning the assets. These assets are not capitalized.

h. Contributed Plant

Contributed plant represents utility plant donated or paid for by developers within the District. Water, sanitation, stormwater, and other plant facilities contributed to the District are recorded at fair value at the date of donation.

i. Restricted Cash and Investments

Restricted cash and investments include development fees that are restricted by state law, for the construction of capital facilities. As required by GASB Statement No. 34, restricted assets are only reported in funds for which the related restriction is for a purpose more restricted, than that for which the fund was established.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

j. Deferred Outflows/Inflows of Resources

Pursuant to GASB Statement No. 63 *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* and GASB Statement No. 65 *“Items Previously Reported as Assets and Liabilities”* the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position and the Statement of Fiduciary Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items on the Statement of Net Position that it considers deferred outflows of resources related to pension items; contributions made subsequent to the measurement date of the net pension liability are deferred and recognized against the net pension liability in the following year. More information on this deferred outflow is provided in Note 6.

In addition to liabilities, the Statement of Net Position and the Statement of Fiduciary Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s), and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items on the Statement of Net Position that it considers deferred inflows of resources related to pension items; the net difference between projected and actual earnings on pension plan investments is deferred and will be recognized as a portion of pension expense in future years over a five year amortization period, changes in assumptions, and differences between expected and actual experiences, both of which are deferred and amortized over the expected average remaining service life. More information on this deferred inflow is provided in Note 6.

k. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

l. Claims Payable

The District records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

m. Long-Term Obligations

Interest on the debt is recorded when incurred. Principal that is due within one year is shown as a current liability. Bond discounts and premiums, if material, are recorded as a reduction or increase, respectively, of outstanding debt and are deferred and amortized over the term of the debt.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

n. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Miscellaneous California Public Employees' Retirement System (CalPERS) Plan (the Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. Net Position

Net position of the District is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets represent the capitalized cost of capital assets, net of accumulated depreciation, and the related outstanding debt balances.

Restricted net position represent net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.

All net position not categorized as net investment in capital assets or restricted, are included in unrestricted net position, including amounts reserved in accordance with designations by the Board of Directors.

p. Compensated Absences

It is the District's policy to permit employees to accumulate earned, but unused vacation benefits up to certain limits. Vacation hours are earned based upon the number of years of employment. Employees earn ten working days for each full year of service for the first five years of continuous employment. Employees earn fifteen working days during the second five years (six – ten) of continuous employment. After the tenth year of service, vacation leave shall accrue at the rate of 20 working days for each year of service. Employees in the Coachella Valley Water District Employee Association bargaining unit, cease to accrue vacation leave at six hundred hours (600), employees in the ASSET bargaining unit, cease to accrue vacation leave at six hundred fifty hours (650), employees in the Management bargaining unit, cease to accrue vacation leave at seven hundred hours (700), and the General Manager ceases to accrue vacation leave at six hundred (600) hours. Earned vacation pay is paid upon separation from employment.

Sick leave credits are earned at the rate of one working day, for each full month of service. Sick leave shall not accrue during any 30 calendar day absence without pay. Unused sick leave credits shall be accumulated from year to year, to a maximum of three hundred sixty (360) hours in sick leave fund, to be used by the employee as needed for approved sick leave. Sick leave credits over three hundred sixty hours (360), shall accrue to an emergency health fund. Only employees who had three hundred or more hours accumulated in the emergency health fund at June 29, 1991, can accumulate to a maximum of six hundred hours (600).

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Upon retirement from the District, an employee's unused sick leave and emergency health fund of record shall be covered as follows: Up to four hundred eighty (480) hours of accrued sick leave and emergency health fund combined, shall be paid to the employee at the rate of one hundred (100%) percent. All accrued sick leave and emergency health fund beyond the four hundred eighty (480) hours, will be paid at fifty (50%) percent of cash value.

q. New Accounting Pronouncements

The entity implemented GASB Statement No. 72, Fair Value Measurement and Application, during the year ended June 30, 2016. The changes resulting from this implementation are reflected in Note 2.

Note 2: Cash and Investments

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

| | |
|--|----------------|
| Current assets: | |
| Cash and investments | \$ 456,953,039 |
| Noncurrent assets: | |
| Restricted cash and investments: | |
| Construction, capital, and replacement funds | 61,477,329 |
| Fiduciary Funds: | |
| Cash and investments | 31,760,075 |
| Total cash and investments | \$ 550,190,443 |

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

| | |
|--------------------------------------|----------------|
| Petty cash on hand | \$ 5,513 |
| Deposits with financial institutions | 3,587,042 |
| Investments | 546,597,888 |
| Total cash and investments | \$ 550,190,443 |

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

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. The OPEB Trust Fund is exempt from these investment restrictions.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

| Authorized Investment Type | Minimum Rating | Maximum Maturity | Maximum Percentage of Portfolio * | Maximum Investment in One Issuer |
|--|----------------|------------------|-----------------------------------|----------------------------------|
| Local Agency Bonds | A | 5 years | None | None |
| U.S. Treasury Obligations | None | 5 years | None | None |
| U.S. Federal Agency Securities | None | 5 years | None | None |
| Banker's Acceptances | Highest** | 180 days | 40% | 5% |
| Commercial Paper | Highest** | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | A | 5 years | 30% | 5% |
| Asset-Backed Securities (ABS) | AA | 5 years | 20% | 5% |
| Medium-Term Notes | A | 5 years | 30% | 5% |
| Mutual Funds | None | 5 years | 5% | None |
| Money Market Mutual Funds | Highest** | 5 years | 20% | 5% |
| Supranationals obligations | AA | 5 years | 30% | 5% |
| Local Agency Investment Fund (LAIF) | None | N/A | None | None |
| Riverside County Treasurer's Pooled Investment Fund (TPIF) | None | None | 100% | N/A |
| JPA Pools (other investment pools) | None | N/A | None | None |
| Certificates of Deposit | None | 5 years | 30% | 5% |
| Registered State Notes or Bonds | A | 5 years | None | None |
| District's Own Bonds | None | 5 years | 100% | N/A |

*Based on state law requirements, or investment policy requirements, whichever is more restrictive

**Shall have the highest ranking or the highest letter and number rating as provided for by a nationally recognized statistical-rating organization.

Disclosures Relating to Interest Rate Risk

Interest rate risk, is a 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. This way, a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary, to provide the cash flow and liquidity needed for operations.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

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

| | Remaining Investment Maturities | | | | |
|---|---------------------------------|-----------------------|----------------------|-----------------------|------------------------|
| | Total | 12 Months Or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months |
| Investments: | | | | | |
| Riverside County Treasurers Investment Fund | \$ 72,396,790 | \$ 72,396,790 | \$ - | \$ - | \$ - |
| First American Government Obligation | 711,176 | 711,176 | - | - | \$ - |
| U.S. Treasury Notes | 86,767,360 | 26,114,549 | - | 60,652,811 | - |
| Fannie Mae/Freddie Mac | 44,108,988 | - | - | 44,108,988 | - |
| Registered State Bonds | 2,815,980 | - | 2,815,980 | - | - |
| Federal Agency Collateralized Mortgage Obligation | 16,464,715 | - | - | 9,469,296 | 6,995,419 |
| Supra-National Agency Bond | 6,341,646 | - | - | 6,341,646 | - |
| Asset Backed Securities | 15,683,085 | - | - | - | 15,683,085 |
| Medium-Term Notes | 130,796,678 | - | 9,548,692 | 117,499,565 | 3,748,421 |
| Federal Home Loan Bank | 35,776,929 | - | - | 35,776,929 | - |
| Certificates of Deposits | 114,360,831 | - | - | 114,360,831 | - |
| Mutual Funds | 19,661,571 | 19,661,571 | - | - | - |
| Money Market Mutual Funds | 712,139 | 712,139 | - | - | - |
| Total Investments | \$ 546,597,888 | \$ 119,596,225 | \$ 12,364,672 | \$ 388,210,066 | \$ 26,426,925 |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below, is the minimum rating as required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating, as reported by Standards and Poor, as of year-end for each investment type:

| Investment Type | Total as of June 30, 2016 | Minimum Legal Rating | Exempt From Disclosure | AAA-A | BBB-BB- | A-1- A-1+ | Not Required to be Rated |
|---|------------------------------|----------------------------|---------------------------|-----------------------|----------------------|----------------------|-----------------------------|
| Riverside County Treasurers Investment Fund | \$ 72,396,790 | N/A | \$ 72,396,790 | \$ - | \$ - | \$ - | - |
| First American Government Obligation | 711,176 | N/A | 711,176 | - | - | - | - |
| U.S. Treasury Notes | 86,767,360 | N/A | - | 86,767,360 | - | - | - |
| Fannie Mae/Freddie Mac | 44,108,988 | N/A | - | 44,108,988 | - | - | - |
| Registered State Bonds | 2,815,980 | A | - | - | - | - | 2,815,980 |
| Federal Agency Collateralized Mortgage Obligation | 16,464,715 | N/A | - | 16,464,715 | - | - | - |
| Supra-National Agency Bonds | 6,341,646 | AA | - | 6,341,646 | - | - | - |
| Asset Backed Securities | 15,683,085 | AA | - | 11,257,615 | - | - | 4,425,470 |
| Medium-Term Notes | 130,796,678 | A | - | 115,329,733 | 15,466,945 | - | - |
| Federal Home Loan Bank | 35,776,929 | N/A | - | 35,776,929 | - | - | - |
| Certificates of Deposits | 114,360,831 | N/A | - | 42,259,396 | - | 72,101,435 | - |
| Mutual Funds | 19,661,571 | N/A | 19,661,571 | - | - | - | - |
| Money Market Mutual Funds | 712,139 | AAA | 712,139 | - | - | - | - |
| Total Investments | \$ 546,597,888 | | \$ 93,481,676 | \$ 358,306,382 | \$ 15,466,945 | \$ 72,101,435 | \$ 7,241,450 |

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> | |
|------------------------|---------------------------|------------------------|--------|
| Federal Home Loan Bank | Federal agency securities | \$ 35,776,929 | 6.55% |
| United States Treasury | U.S. Treasury Notes | 86,767,360 | 15.87% |

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).
- The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes, having a value of 150% of the secured public deposits. The District Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

Investment in County Investment Pool

The District is a voluntary participant in the County of Riverside Treasurer's Pooled Investment Fund (TPIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County of Riverside. 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 TPIF for the entire TPIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawals is based on the accounting records maintained by TPIF, which are recorded on an amortized cost basis.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2: Cash and Investments (Continued)

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2016:

| Investment Type | Totals | Level | | |
|---|-----------------------|----------------------|-----------------------|-------------|
| | | 1 | 2 | 3 |
| Riverside County Treasurers Investment Fund | \$ 72,396,790 | \$ - | \$ 72,396,790 | \$ - |
| First American Government Obligation | 711,176 | - | 711,176 | - |
| U.S. Treasury Notes | 86,767,360 | 86,767,360 | - | - |
| Fannie Mae/Freddie Mac | 44,108,988 | - | 44,108,988 | - |
| Registered State Bonds | 2,815,980 | - | 2,815,980 | - |
| Federal Agency Collateralized Mortgage Obligation | 16,464,715 | - | 16,464,715 | - |
| Supra-National Agency Bond | 6,341,646 | - | 6,341,646 | - |
| Asset Backed Securities | 15,683,085 | - | 15,683,085 | - |
| Medium-Term Notes | 130,796,678 | - | 130,796,678 | - |
| Federal Home Loan Bank | 35,776,929 | - | 35,776,929 | - |
| Certificates of Deposits | 114,360,831 | - | 114,360,831 | - |
| Mutual Funds | 19,661,571 | - | 19,661,571 | - |
| Money Market Mutual Funds | 712,139 | - | 712,139 | - |
| Total Investments | <u>\$ 546,597,888</u> | <u>\$ 86,767,360</u> | <u>\$ 459,830,528</u> | <u>\$ -</u> |

U.S. Treasury Notes classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All investments classified in Level 2 of the fair value hierarchy are value using specified fair market value factors or institutional bond quotes.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 3: Capital Assets

| | Balance at June 30,2015 | Adjustments | Transfers | Increases | Decreases | Balance at June 30,2016 |
|--|----------------------------|-------------|----------------------|----------------------|-----------------------|----------------------------|
| Capital assets, not being depreciated: | | | | | | |
| Land and land rights | | | | | | |
| Domestic Water | \$ 12,425,943 | \$ - | \$ - | \$ 106,355 | \$ - | \$ 12,532,298 |
| Sanitation | 3,216,332 | - | - | 56,383 | - | 3,272,715 |
| Canal Water | 898,698 | - | - | 2,401,225 | - | 3,299,923 |
| Storm Water | 8,172,719 | - | - | - | - | 8,172,719 |
| Groundwater Replenishment | 29,133,180 | - | - | - | - | 29,133,180 |
| Total land and land rights | <u>53,846,872</u> | <u>-</u> | <u>-</u> | <u>2,563,963</u> | <u>-</u> | <u>56,410,835</u> |
| Construction in progress | | | | | | |
| Domestic Water | 14,176,022 | - | (6,179,128) | 15,762,676 | - | 23,759,570 |
| Sanitation | 56,414,517 | - | (36,941,210) | 10,117,098 | - | 29,590,405 |
| Canal Water | 4,692,835 | - | (964,141) | 1,473,006 | - | 5,201,700 |
| Storm Water | 10,029,414 | - | (57,550) | 7,153,774 | - | 17,125,638 |
| Groundwater Replenishment | 2,126,159 | - | - | 3,027,325 | - | 5,153,484 |
| Other Services/Internal Services | 77,907 | - | (126,109) | 48,202 | - | - |
| Total construction in progress | <u>87,516,854</u> | <u>-</u> | <u>(44,268,138)</u> | <u>37,582,081</u> | <u>-</u> | <u>80,830,797</u> |
| Water Rights | | | | | | |
| Domestic Water | 73,781,290 | - | - | - | - | 73,781,290 |
| Sanitation | 240,830 | - | - | - | - | 240,830 |
| Total water rights | <u>74,022,120</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>74,022,120</u> |
| Total capital assets not being depreciated | <u>215,385,846</u> | <u>-</u> | <u>(44,268,138)</u> | <u>40,146,044</u> | <u>-</u> | <u>211,263,752</u> |
| Capital assets, being depreciated: | | | | | | |
| Land Improvements | | | | | | |
| Domestic Water | 50,295 | - | - | - | - | 50,295 |
| Buildings and plant | | | | | | |
| Domestic Water | 631,601,263 | - | 5,672,920 | 2,204,908 | - | 639,479,091 |
| Sanitation | 477,198,907 | - | 35,607,003 | 865,596 | - | 513,671,506 |
| Canal Water | 35,493,892 | - | 964,141 | 15,252 | - | 36,473,285 |
| Storm Water | 125,279,927 | - | 25,248 | 9,131 | - | 125,314,306 |
| Groundwater Replenishment | 27,079,044 | - | - | 22 | - | 27,079,066 |
| Other Services/Internal Services | 1,845,248 | - | - | - | - | 1,845,248 |
| Total building and plant | <u>1,298,498,281</u> | <u>-</u> | <u>42,269,312</u> | <u>3,094,909</u> | <u>-</u> | <u>1,343,862,502</u> |
| Interest in shared facilities: | | | | | | |
| Canal Water | 34,874,502 | - | - | - | - | 34,874,502 |
| Groundwater Replenishment | 232,637,641 | - | - | 17,828,655 | - | 250,466,296 |
| Total interest in shared facilities | <u>267,512,143</u> | <u>-</u> | <u>-</u> | <u>17,828,655</u> | <u>-</u> | <u>285,340,798</u> |
| Equipment | | | | | | |
| Domestic Water | 12,094,751 | - | 506,208 | 90,645 | - | 12,691,604 |
| Sanitation | 7,824,478 | - | 1,334,207 | 482,154 | - | 9,640,839 |
| Canal Water | 5,952,406 | - | - | 29,093 | - | 5,981,499 |
| Storm Water | 2,750,752 | - | 32,302 | - | (19,757) | 2,763,297 |
| Groundwater Replenishment | 148,793 | - | - | - | - | 148,793 |
| Other Services/Internal Services | 27,329,833 | - | 126,109 | 4,321,497 | (1,461,123) | 30,316,316 |
| Total Equipment | <u>56,101,013</u> | <u>-</u> | <u>1,998,826</u> | <u>4,923,389</u> | <u>(1,480,880)</u> | <u>61,542,348</u> |
| Total depreciated assets | <u>\$1,622,161,732</u> | <u>\$ -</u> | <u>\$ 44,268,138</u> | <u>\$ 25,846,953</u> | <u>\$ (1,480,880)</u> | <u>\$1,690,795,943</u> |

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 3: Capital Assets (Continued)

| | Balance at June 30, 2015 | Adjustments | Transfers | Increases | Decreases | Balance at June 30, 2016 |
|-------------------------------------|-----------------------------|-------------|-------------------|----------------------|--------------------|-----------------------------|
| Less accumulated depreciation for: | | | | | | |
| Buildings and plant | | | | | | |
| Domestic Water | \$ (10,897) | \$ - | \$ - | \$ (2,012) | \$ - | \$ (12,909) |
| Buildings and plant | | | | | | |
| Domestic Water | (227,518,570) | - | - | (14,167,919) | - | (241,686,489) |
| Sanitation | (172,226,549) | - | - | (11,841,203) | - | (184,067,752) |
| Canal Water | (12,348,433) | - | - | (767,525) | - | (13,115,958) |
| Storm Water | (59,864,032) | - | - | (2,458,306) | - | (62,322,338) |
| Groundwater Replenishment | (3,535,607) | - | - | (537,633) | - | (4,073,240) |
| Other Services/Internal Services | (1,187,919) | - | - | (37,712) | - | (1,225,631) |
| Total building and plant | <u>(476,692,007)</u> | <u>-</u> | <u>-</u> | <u>(29,812,310)</u> | <u>-</u> | <u>(506,504,317)</u> |
| Interest in shared facilities: | | | | | | |
| Canal Water | (19,515,667) | - | - | (348,745) | - | (19,864,412) |
| Groundwater Replenishment | (65,533,989) | - | - | (3,276,540) | - | (68,810,529) |
| Total interest in shared facilities | <u>(85,049,656)</u> | <u>-</u> | <u>-</u> | <u>(3,625,285)</u> | <u>-</u> | <u>(88,674,941)</u> |
| Equipment | | | | | | |
| Domestic Water | (9,012,116) | - | - | (563,585) | - | (9,575,701) |
| Sanitation | (3,750,295) | - | - | (408,504) | - | (4,158,799) |
| Canal Water | (4,488,632) | - | - | (265,148) | - | (4,753,780) |
| Storm Water | (1,829,922) | - | - | (122,607) | - | (1,952,529) |
| Groundwater Replenishment | (78,931) | - | - | (11,268) | - | (90,199) |
| Other Services/Internal Services | (19,368,496) | - | - | (1,769,682) | 1,456,158 | (19,682,020) |
| Total Equipment | <u>(38,528,392)</u> | <u>-</u> | <u>-</u> | <u>(3,140,794)</u> | <u>1,456,158</u> | <u>(40,213,028)</u> |
| Total accumulated depreciation | <u>(600,270,055)</u> | <u>-</u> | <u>-</u> | <u>(36,578,389)</u> | <u>1,456,158</u> | <u>(635,392,286)</u> |
| Net depreciable assets | <u>1,021,891,677</u> | <u>-</u> | <u>44,268,138</u> | <u>(10,731,436)</u> | <u>(24,722)</u> | <u>1,055,403,657</u> |
| Capital assets, net | <u>\$1,237,277,523</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29,414,608</u> | <u>\$ (24,722)</u> | <u>\$1,266,667,409</u> |

The District's interest in shared facilities is as follows:

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| All-American Canal | \$ 20,608,562 | \$ 20,608,562 |
| Distribution System for All American Canal | 14,265,940 | 14,265,940 |
| California State Water Project | 250,466,296 | 232,637,641 |
| Totals | <u>285,340,798</u> | <u>267,512,143</u> |
| Less accumulated depreciation | <u>(88,674,941)</u> | <u>(85,049,656)</u> |
| Interest in shared facilities, net | <u>\$ 196,665,857</u> | <u>\$ 182,462,487</u> |

The interest in jointly owned facilities for the All-American Canal (the Canal) and the related Distribution System (the System) represent the District's allocated share of the cost of these facilities, as determined by the United States Department of the Interior. Depreciation is provided on the straight-line method based on a 100-year life for the Canal and the System.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 3: Capital Assets (Continued)

The interest in jointly owned facilities in the California State Water Project results from the District's participation under a 1963 contract with the State of California, Department of Water Resources. Under the terms of this contract, the District secured rights to receive certain amounts of acre-feet of water each year through 2035, an amount up to a total of 4,805,611 acre-feet of water. Under certain conditions, the District may carry-over a portion of its annual entitlement from one year so that delivery may be taken in the first three months of the next calendar year.

As of June 30, 2016, 1,422,765 acre-feet had been received and utilized by the District. Certain amounts billed for capital costs are capitalized, as interest in jointly owned facilities and are amortized over the remaining life of the contract. All other changes under this contract are expensed as incurred.

Note 4: Long-term Debt

Long-term liability for the year ended June 30, 2016, is as follows:

| | Balance at June 30, 2015 | Additions | Deletions | Balance at June 30, 2016 | Due within one year | Due after one year |
|------------------------------|-----------------------------|---------------------|-------------------|-----------------------------|------------------------|-----------------------|
| Compensated absences payable | \$ 6,457,478 | \$ 1,263,678 | \$ 419,772 | \$ 7,301,384 | \$ 5,476,035 | \$ 1,825,349 |
| Claims payable | 3,702,000 | 554,851 | 385,851 | 3,871,000 | 1,283,000 | 2,588,000 |
| Contracts payable: | | | | | | |
| U.S. Dept. of Interior | 50,810 | - | (22,704) | 28,106 | 22,705 | 5,401 |
| Ryan Oil | 7,666 | - | (1,533) | 6,133 | 6,133 | - |
| Total contracts payable | 58,476 | - | (24,237) | 34,239 | 28,838 | 5,401 |
| Totals | <u>\$ 10,217,954</u> | <u>\$ 1,818,529</u> | <u>\$ 781,386</u> | <u>\$ 11,206,623</u> | <u>\$ 6,787,873</u> | <u>\$ 4,418,750</u> |

Contracts Payable

The following is a summary of the most significant outstanding contracts payable:

Contract with the U.S. Department of Interior

On October 14, 1958, the District entered into a contract with the U.S. Department of Interior (the Department) regarding the irrigation and drainage of certain Indian lands located within the District. On or about 1958, the Department constructed an irrigation distribution system and drainage works that were connected with the pre-existing distribution system and drainage works administered by the District. The District provided certain engineering and supervision services during construction and was reimbursed by the Department in an amount not exceeding \$250,000. Upon completion, certain parts of the irrigation distribution system and drainage works were then turned over to the District for care, operation and maintenance.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 4: Long-term Debt (Continued)

The Department pays the District for any charges assessed to the owners and lessees of the lands, if payment is not received on or before the due date. On or before March 15 of each year, the District pays the Department one-half of all monies received by the District, for the delivery of water to those lands for the preceding calendar year. Payments continue until the Department has been reimbursed in full, for the actual costs incurred in the construction of the irrigation distribution system and drainage works covered by the contract. As of June 30, 2016, the total amount outstanding was \$28,106.

Self-Insurance Claims Liability

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported.

The District maintains excess insurance coverage of \$35,000,000 with a \$250,000 self-insured retention per accident for losses sustained because of liability imposed on the District. The District is permissibly self-insured for workers' compensation and claims are overseen through a third-party administrator. The District's insurance coverage has not been reduced during the current fiscal year. Insurance settlements have not exceeded the District's insured limits in any of the past three fiscal years.

A number of other suits and claims arising in the course of business are pending against the District. In the opinion of the District's General Counsel, the adverse results, if any, of such legal actions on these suits and claims will not have a material effect on the District's financial position, changes in net position, or liquidity. The District moved to a fully insured medical plan for its Preferred Provider Organization (PPO) effective January 1, 2014. The PPO was previously self-insured with a \$125,000 per claim stop-loss limit.

Changes in claims liability over the past three years are as follows:

| | |
|--------------------------------|----------------------------|
| Liability at June 30, 2014 | \$ 3,556,000 |
| Claims and changes in estimate | 771,753 |
| Claim payments | (625,753) |
| Liability at June 30, 2015 | <u>3,702,000</u> |
| Claims and changes in estimate | 554,851 |
| Claim payments | (385,851) |
| Liability at June 30, 2016 | <u><u>\$ 3,871,000</u></u> |

Note 5: Special Assessment Debt without Government Commitment

As of June 30, 2016, certain special assessment district limited obligation improvement bonds, were outstanding that are not recorded as liabilities by the District. The bonds are payable from the annual installments collected on regular property tax bills, sent to owners of property having unpaid assessments levied against land benefited by the projects. Neither the faith, credit nor taxing power of the District is pledged to the repayment of the bonds.

Accordingly, no liability has been recorded in the District's financial statements. However, any unspent bond proceeds received upon issuance of these bonds, are recorded as due to

COACHELLA VALLEY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 5: Special Assessment Debt without Government Commitment (Continued)

homeowners. At June 30, 2016, the following limited obligation Improvement Bonds remain outstanding:

| | <u>Date of Issue</u> | <u>Amount of Issue</u> | <u>Outstanding June 30, 2016</u> |
|----------------------------------|--------------------------|----------------------------|--------------------------------------|
| Assessment District No. 67 | 1999 | \$ 884,410 | \$ 350,000 |
| Assessment District No. 68 | 2002 | 2,560,000 | 1,625,000 |
| Assessment District No. 70 | 2006 | 8,239,480 | 5,775,000 |
| Assessment District No. 33 | 2010 | <u>786,528</u> | <u>746,528</u> |
| Total Non-committal Debt Issues: | | <u>\$ 12,470,418</u> | <u>\$ 8,496,528</u> |

Note 6: Miscellaneous Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan (the Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and resolution adopted by the District.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full time employment. Members with five (5) years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after ten (10) years of service. The death benefit is one of the following:

- ◆ The Basic Death benefit – this is a standard benefit where an employee's beneficiary (or estate) may receive the retirement benefit if the member dies while actively employed. The benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service; up to six months.

- ◆ The 1957 Survivor benefit – this is a standard benefit where an employee's eligible survivor may receive the members retirement benefit if the member dies while actively employed, has attained at least the age of 50, and has at least five (5) years of credited service. The benefit is a monthly allowance equal to one-half of the unmodified service retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. The benefit is payable to the spouse until upon their death; and payable to dependents until upon reaching the age of 18.

COACHELLA VALLEY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 6: Miscellaneous Pension Plan (Continued)

CalPERS also offers optional death benefits, such as Optional Settlement 2W Death Benefit, and the Special Death Benefit. More information on these benefits is available on the CalPERS website. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The plan has a 2% annual cost-of living allowance benefit increase.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

| Hire Date | Prior to Jan. 5, 2008*+ | Prior to Jan. 1, 2013+ | On or After Jan. 1, 2013* |
|---|----------------------------|---------------------------|------------------------------|
| Benefit formula | 2.0% @ 55 | 2.5% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | minimum 50 | minimum 50 | minimum 52 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418% | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 0.000% | 8.000% | 6.500% |
| Required employer contribution rates | 0.000% | 24.713% | 12.900% |

*There were no active employees this plan during the measurement period, therefore, there were no employee contributions made during this period. In addition, the District was not required to make any contributions during this period. State Assembly Bill 340 created PEPR that implemented new benefit formulas, a final compensation period, and new contribution requirements for new employees eligible to participate in the Plan.

+ Closed to new entrants.

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms of the Plan:

| | |
|-------------------------------------|-------------|
| Retired employees and beneficiaries | 407 |
| Terminated or transferred employees | 118 |
| Active employees | 519 |
| Total | 1044 |

Contribution Description

Section 201814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6: Miscellaneous Pension Plan (Continued)

For the year ended June 30, 2016, the contribution recognized as a reduction of net pension liability for the Plan was \$8,217,475.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

| | |
|----------------------------------|---|
| Valuation date | June 30, 2014 |
| Measurement date | June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Discount rate | 7.65% |
| Inflation | 2.75% |
| Salary increases | 3.30% to 14.20% depending on entry age and service |
| Investment rate of return | 7.65% net of pension plan investment expenses, includes inflation |
| Mortality rate table* | Derived using CalPERS' membership data for all funds |
| Post retirement benefit increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6: Miscellaneous Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6: Miscellaneous Pension Plan (Continued)

| <u>Asset Class</u> | New Strategic Allocation | Real Return Years 1-10* | Real Return Years 11+** |
|-------------------------------|---|------------------------------------|------------------------------------|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |

* An expected inflation of 2.5% used for this period

**An expected inflation of 3.0% used for this period

Changes in the Net Pension Liability

The changes in Plan's Net Pension Liability recognized over the measurement period are as follows:

| | Increase (Decrease) | | |
|---|------------------------------------|--|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance at: 6/30/2015 (Measurement Date of 6/30/14) | \$ 327,840,708 | \$ 229,021,072 | \$ 98,819,636 |
| Changes recognized for the Measurement Period: | | | |
| Service Cost | 5,436,814 | - | 5,436,814 |
| Interest on TPL | 24,080,603 | - | 24,080,603 |
| Differences between expected and actual experience | (2,042,873) | - | (2,042,873) |
| Changes in assumptions | (6,023,990) | - | (6,023,990) |
| Plan to Plan Resource Movement | - | 47 | (47) |
| Contributions from the employer | - | 8,196,637 | (8,196,637) |
| Contributions from the employees | - | 2,956,640 | (2,956,640) |
| Net investment income | - | 5,096,743 | (5,096,743) |
| Benefit payments, including refunds of employee contributions | (15,426,247) | (15,426,247) | - |
| Administrative Expense | - | (258,450) | 258,450 |
| Net changes during 2014-15 | \$ 6,024,307 | \$ 565,370 | \$ 5,458,937 |
| Balance at: 6/30/16 (Measurement Date of 6/30/15) | \$ 333,865,015 | \$ 229,586,442 | \$ 104,278,573 |

Notes:

- (1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.
- (2) Net investment income is net of administrative expenses.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6: Miscellaneous Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.65%) or 1% point higher (8.65%) than the current rate:

| | Discount Rate - 1% | Current Discount Rate | Discount Rate +1% |
|-----------------------|--------------------|-----------------------|-------------------|
| | 6.65% | 7.65% | 8.65% |
| Net Pension Liability | \$ 149,918,295 | \$ 104,278,573 | \$ 66,638,187 |

Pension Plan Fiduciary Net Position

The Plan's fiduciary net position may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the actuarial valuation. In addition, differences may result from early CalPERS Comprehensive Annual Financial Report closing and final reconciled reserves.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized pension expense of \$6,463,503. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Change in assumptions | \$ - | \$ 4,819,192 |
| Pension contributions subsequent to measurement date | 9,940,264 | - |
| Difference between expected and actual experiences | - | 1,634,298 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,999,843 |
| Total | \$ 9,940,264 | \$ 8,453,333 |

The \$9,940,264 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

COACHELLA VALLEY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 6: Miscellaneous Pension Plan (Continued)

| Year ended June 30, | Deferred Inflow of Resources |
|------------------------|---------------------------------|
| 2017 | \$ (3,091,171) |
| 2018 | (3,091,171) |
| 2019 | (3,091,171) |
| 2020 | 820,180 |
| Total | \$ (8,453,333) |

Note 7: Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The District invests, through the use of a trust fund, compensation deferred by employees in various investment options selected by the employee and retains title to all accumulated funds, until they are paid to the employee or other beneficiary. The trust fund's assets are not subject to the claims of the District's general creditors. The District previously implemented GASB Statement No. 32, which requires the exclusion of deferred compensation assets for which the District uses third party administrators for plan managing and reporting responsibilities.

Note 8: Post-Employment Benefits Other than Pensions

Plan Description:

The District provides health care benefits to all employees who retire from the District, under a retirement criteria established by the District, up to the age of 65, through a defined benefit plan. The District, on September 10, 2013, entered into an agreement with Public Agency Retirement Services (PARS), by resolution approved by the Board of Directors, to establish a pre-funded Section 115, irrevocable OPEB (Other Post-Employment Benefit) Trust, in which PARS would act as the Trust administrator. As of June 30, 2016, there were 149 retired employees participating in the OPEB.

Elected Officials and Association of Coachella Valley Water District Managers "ACVWDM":

Elected Officials and ACVWDM employees hired prior to July 1, 2011, with ten or more years of service, who retired between July 1, 2011 and December 28, 2013, are eligible to participate in the District medical plan on a cost-sharing basis. Elected Officials and ACVWDM employees hired on, or after July 1, 2011, with fifteen or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

For Elected Officials and ACVWDM employees eligible for Medicare, with 12 or more years of service, the District pays the cost of a Medicare supplement ("Medigap") policy selected at the time of retirement, retiree must stay in same medical plan elected before retirement and cannot upgrade medical plan during retirement. District pays cost of Medigap for retiree,

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Post-Employment Benefits Other than Pensions (Continued)

spouse/domestic partner, or surviving spouse/domestic partner for any coverage elected, up to a cap.

Association of Supervisory Support Evaluation Team "ASSET":

ASSET employees hired prior to July 1, 2011, with ten or more years of service, who retired between July 1, 2011 and April 18, 2014, are eligible to participate in the District medical plan on a cost-sharing basis. ASSET employees hired on, or after July 1, 2011, with fifteen or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

Coachella Valley Water District Employee Association "CVWDEA":

CVWDEA employees hired prior to August 9, 2011, with ten or more years of service, who retired between July 1, 2011 and August 8, 2011, are eligible to participate in the District medical plan on a cost-sharing basis. Employees hired on, or after August 9, 2011, with fifteen or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

All Employees:

The District covers 100% of costs of retiree medical for all employees who retired prior to July 1, 2011. Coverage will continue for the retiree and spouse or registered domestic partner and eligible dependents, until they become entitled to Medicare Benefits at age 65. Coverage for retirees' eligible spouse or registered domestic partner and eligible dependents will continue until they are eligible for coverage under any other health care plan, public health care program, or are no longer eligible for coverage under the District's group health plans, according to the terms and conditions of the agreement between the group health plan and the District.

Current District employees are eligible OPEB participants upon reaching age 50 with a minimum of fifteen years of eligible service with the District. Board members are also eligible to participate. Eligible retirees and Board members may enroll in the Anthem Blue Cross PPO Fully Insured Plan, Anthem Blue Cross HMO Plan or the Kaiser Permanente HMO plan provided by the District.

As of January 1, 2015: The Anthem Blue Cross PPO Fully Insured Plan replaced the AETNA Health of California PPO Plan and the Anthem Blue Cross HMO Plan replaced the AETNA Health of California HMO Plan. The District's Resolution No. 2008-200 establishes the authority for the plan. The activity and liability from the OPEB plan are included in these financial statements.

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

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Post-Employment Benefits Other than Pensions (Continued)

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.34% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the District's investments, a 3% general inflation assumption, an annual pre-Medicare eligible HMO medical cost trend rate of 9% for 2013 decreasing to 5% after 7 years, and a pre-Medicare eligible PPO medical cost trend rate of 9% for 2013 decreasing to 5% after 7 years (the post-Medicare eligible PPO medical cost trend rate started 0.3% higher for 2010). The unfunded accrued actuarial liability (UAAL) is being amortized as a level percentage of projected payrolls over 28 years, on a closed basis. The remaining amortization period at June 30, 2015, was 21 years.

Funding Policy and Annual OPEB Cost:

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 actuarial liabilities (or funding excess) over a period, not to exceed thirty years. The District's annual OPEB cost for the current year is as follows:

| | |
|--|------------------------------|
| Annual required contribution | \$ 2,098,000 |
| Interest on net OPEB obligation | (545,000) |
| Adjustment to annual required contribution | 598,000 |
| Annual OPEB cost (expense) | <u>2,151,000</u> |
| Contributions and benefits paid | <u>1,822,000</u> |
| Decrease in net OPEB obligation | 329,000 |
| Net OPEB obligation - beginning of year | <u>(10,204,000)</u> |
| Net OPEB obligation (asset) - end of year | <u><u>\$ (9,875,000)</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

| Year Ending June 30, | Annual OPEB Cost | Annual Contribution | Percentage of Annual OPEB Cost Contribution | Net OPEB Obligation (Asset) |
|----------------------|------------------|---------------------|---|-----------------------------|
| 2014 | \$ 3,376,000 | \$ 12,039,000 | 356.61% | \$ (1,308,000) |
| 2015 | 2,988,000 | 11,884,000 | 397.72% | (10,204,000) |
| 2016 | 2,151,000 | 1,822,000 | 84.70% | (9,875,000) |

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8: Post-Employment Benefits Other than Pensions (Continued)

Actuarial valuations of an ongoing plan, involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress 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.

| Valuation Date | Actuarial Value of Assets (AVA) (a) | Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratios (a)/(b) | Covered Payroll (c) | Actuarial UAAL as a % of covered Payroll [(b)-(a)]/(c) |
|----------------|--|--|--------------------------------|--------------------------|------------------------|---|
| 6/30/2011 | \$ - | \$ 41,938,000 | \$ 41,938,000 | 0.00% | \$ 33,284,000 | 126.00% |
| 6/30/2013 | - | 36,517,000 | 36,517,000 | 0.00% | 33,589,000 | 108.72% |
| 6/30/2015 | 21,050,000 | 36,540,000 | 15,490,000 | 57.61% | 36,205,000 | 42.78% |

Note 9: Commitments and Contingencies

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported.

The District maintains excess insurance coverage of \$35,000,000 with a \$250,000 self-insured retention per accident for losses sustained because of liability imposed on the District. The District is permissibly self-insured for workers' compensation and claims are overseen through a third-party administrator. The District's insurance coverage has not been reduced during the current fiscal year. Insurance settlements have not exceeded the District's insured limits in any of the past three fiscal years

A number of other suits and claims arising in the course of business are pending against the District. In the opinion of the District's General Counsel, the adverse results, if any, of such legal actions on these suits and claims will not have a material effect on the District's financial position, changes in net position, or liquidity.

The District moved to a fully insured medical plan for its Preferred Provider Organization (PPO) effective January 1, 2014. The PPO was previously self-insured with a \$125,000 per claim stop-loss limit.

COACHELLA VALLEY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 9: Commitments and Contingencies (Continued)

Changes in the reported liability resulted from the following:

| Fiscal Year Ended June 30, | Liability Beginning of Year | Claims and Changes in Estimates | Claim Payments | Liability End of Year |
|----------------------------|-----------------------------|---------------------------------|----------------|-----------------------|
| 2014 | \$ 3,495,370 | \$ 785,175 | \$ (724,545) | \$ 3,556,000 |
| 2015 | 3,556,000 | 771,753 | (625,753) | 3,702,000 |
| 2016 | 3,702,000 | 554,851 | (385,851) | 3,871,000 |

Management estimates the District's liability under these claims will not exceed amounts provided for by the District as of June 30, 2016.

The following material construction commitments existed at June 30, 2016:

| Project Name | Contract amount | Expenditures to date as of June 30, 2016 | Remaining Commitments |
|--|-----------------|--|-----------------------|
| Imperial Lateral 120.8 Potholing and Video Inspection | \$ 153,493 | \$ 149,615 | \$ 3,878 |
| L4 Pump Station Extension | 1,195,742 | 1,188,668 | 7,074 |
| Chromium 6 Well-Treatment | 22,980,000 | 8,886,051 | 14,093,949 |
| Chromium 6 Well-Treatment | 998,469 | 973,648 | 24,821 |
| Well 5620-2 | 1,065,000 | 292,000 | 773,000 |
| Corregidor Drive Water Main Replacement | 95,000 | 80,000 | 15,000 |
| Terra Lago Golf Course CCL Repair & Interceptor Drain System | 397,797 | 378,856 | 18,941 |
| Dubrow Drain Replacement Project | 895,128 | 879,161 | 15,967 |
| Lateral 99.8,100.9 & 114.3 Replacement Project | 414,000 | 379,500 | 34,500 |
| Avondale Golf Club | 411,354 | 391,354 | 20,000 |
| Desert Falls Country Club | 365,699 | 241,531 | 124,168 |
| Palm Valley Country Club Non-Potable Golf Course Connection | 666,887 | 665,765 | 1,122 |
| J. Colon Coatings Inc | 852,380 | 91,850 | 760,530 |
| Ave 57 Trunk Sewer and Abandonment of Lift Statio 55-14 | 1,337,465 | 437,400 | 900,065 |
| Sewer Pipeline Rehabilitation Project Bombay Beach | 1,231,421 | 1,162,266 | 69,155 |
| Coachella Canal Wasteway no.3 | 4,377,847 | 3,934,388 | 443,459 |
| Whitewater Park Bank Protection Project | 721,370 | 197,076 | 524,294 |
| WELL 5640 Sky Mt. Zone | 986,850 | 984,078 | 2,772 |
| Well 4520-2 | 1,000,000 | 139,500 | 860,500 |
| WRP 10 Aeration Basins | 11,014,937 | 10,929,335 | 85,602 |
| WRP 10 Electrical Generator | 1,650,668 | 1,649,977 | 691 |
| WRP 7 and 10 Chlorination System Upgrade | 3,047,000 | 1,702,125 | 1,344,875 |

Maximum Contaminant Level (MCL) for hexavalent chromium (Cr-6)

The California Department of Public Health (DPH) adopted a Maximum Contaminant Level (MCL) for hexavalent chromium (Cr-6) of 10 parts per billion (ppb) on April 15, 2014. The Office of Administrative Law (OAL) approved the Cr-6 MCL on May 28, 2014. The Cr-6 MCL became effective on July 1, 2014. Coachella Water District estimates that approximately 57 of their wells will have a variable Cr-6 levels that occur above the Cr-6 MCL. MCLs are enforceable and the failure to satisfy the Cr-6 MCL may create legal exposure to Coachella Valley Water District. The California Safe Drinking Water Act provides that DPH may issue a citation to a public water system if DPH determines that the public water system is in violation of any regulation, permit, standard, citation or order issued. The DPH may assess a penalty in an amount not to exceed \$1,000 per day for each day that a violation occurs. DPH may also issue an order directing compliance immediately or based on a time schedule set by

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9: Commitments and Contingencies (Continued)

from the MCL if the public water system prepares and submits a compliance plan, the public water system provides specified notice requirements regarding the compliance plan to its customers, and the public water system sends annual reports to the state board that updates the status of the approved compliance plan. Current estimates consider approximately \$200 million to implement the capital improvements needed to comply with the MCL. This has been approved in Coachella Valley Water District's five-year CIP budget, excluding operating and maintenance costs.

Note 10: Quantification Settlement Agreement

The District entered into a Quantification Settlement Agreement (QSA) with the Imperial Irrigation District (IID) and Metropolitan Water District of Southern California (MWD) on October 10, 2003. The QSA and all related agreements are intended to mutually settle longstanding disputes regarding the priority, use, and transfer of Colorado River Water and to establish the terms for further distribution of Colorado River water among the parties for up to 75 years. Other parties involved in the QSA include the US Department of the Interior, State of California, and San Diego County Water Authority (SDCWA).

QSA Mitigation

Under the terms of the QSA, the District entered into a separate agreement on October 10, 2003 (effective date of January 1, 2004), with the State of California Department of Fish and Game (State), IID and SDCWA; these agencies make up the QSA Joint Powers Authority (JPA). The JPA pays for environmental mitigation requirements and environmental mitigation costs associated with the water transfers through the collection, holding, investing, and disbursing of funds. The agreement terminates on the latter of (1) the mutual termination date of the 1998 IID/SDCWA Transfer Agreement and the IID/CVWD Acquisition Agreement, or (2) when all environmental mitigation requirements have been satisfied and the associated costs fully paid. The JPA governing body is composed of one commissioner appointed by each of the four parties to the agreement. All secretarial, clerical, accounting and administrative duties of the JPA are performed by personnel of SDCWA.

The original value of this commitment was \$133,000,000 (2003 dollars (\$)) and calculated using a six percent discount factor (as allowed under the QSA JPA agreement). The cost-share by each JPA member is as follows: \$36,717,791 (CVWD); \$44,061,350 (IID); \$52,220,859 (SDCWA). The State is solely responsible for the payment of the costs of and liability for environmental mitigation requirements in excess of the \$133 million (m) contributed by the other members.

The total obligation for CVWD was approximately \$36.7 m (2003 \$), which has an approximate future value of \$73.6 m (2025 \$), escalated at a six percent discount rate provided in the QSA. However, in fiscal years 2008 and 2009, through Resolution 2007-93, CVWD contributed a payment advance of \$4.4 m, which reduced the value of future payments from \$73.6 m to \$69.6 m (2025 \$), and represents a savings of approximately \$4 m.

In January 2015, the QSA requested and CVWD's Board of Directors approved prepayment funding to the original QSA Mitigation Payment Schedule, which provided for an advance up to \$5 m, starting in 2015, and spread over a maximum of six years. The \$5 m prepayment will reduce the CVWD's share by approximately \$2.5 m in future payments.

COACHELLA VALLEY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 10: Quantification Settlement Agreement (Continued)

Original scheduled payments are due December 31, and advance payments are due July 1; these payments are budgeted in the District's annual operating expenses.

A summary of CVWD's future mitigation payments for the next 10 years is tabulated below.

| Calendar Year | Original Funding Schedule | Revised Funding Schedule (2007) | FY2017 Advance | FY2018 Advance | FY2019 Advance | FY2020 Advance | Adjustment for Advances | Total Calendar Year Payments |
|---------------|---------------------------|---------------------------------|----------------|----------------|----------------|----------------|-------------------------|------------------------------|
| 2016 | \$ 5,803,865 | \$ 5,803,865 | \$ 2,000,000 | \$ - | \$ - | \$ - | \$ - | \$ 7,803,865 |
| 2017 | 7,182,291 | 5,531,599 | - | 500,000 | - | - | - | 6,031,599 |
| 2018 | 11,875,345 | 5,195,516 | - | - | 500,000 | - | - | 5,695,516 |
| 2019 | 745,350 | 745,350 | - | - | - | 1,000,000 | - | 1,745,350 |
| 2020 | 738,869 | 738,869 | - | - | - | - | - | 738,869 |
| 2021 | 2,697,555 | 2,697,555 | - | - | - | - | - | 2,697,555 |
| 2022 | 2,706,745 | 2,706,745 | - | - | - | - | - | 2,706,745 |
| 2023 | 6,953,711 | 6,953,711 | - | - | - | - | (4,220,705) | 2,733,006 |
| 2024 | 2,748,523 | 2,748,523 | - | - | - | - | (2,596,647) | 151,876 |
| 2025 | 1,446,565 | 1,446,565 | - | - | - | - | (881,435) | 565,130 |

In addition, the District was required to make contributions to the Salton Sea Restoration Fund, which is administered by the State. As of June 30, 2016, the District has made all required contributions.

QSA Water Transfer

The QSA quantified the annual Colorado River water deliveries to CVWD, IID, and MWD, and secures long-term Colorado River water supplies by setting the transfer period effective for up to 75 years. The QSA protects the Valley's groundwater supply by providing water for irrigation and aquifer replenishments, which sustains the region's economy and quality of life.

Before the QSA, CVWD received an annual average of 330,000 acre-feet of Colorado River water; this quantity was subjected to an annual application process through the Department of the Interior. The QSA allowed CVWD to receive a guaranteed annual base entitlement to Colorado River water of 330,000 acre-feet. Of this quantity, 29,000 acre-feet is transferred to SDCWA and various Indian tribes. The adjusted base allotment of 301,000 acre-feet is provided to CVWD at no cost.

The QSA also allowed CVWD to obtain conserved Colorado River water from IID (up to 103,000 acre-feet annually), under the IID-CVWD Acquisition Agreement. This additional water is transferred in two separate installments (up to 50,000 acre-feet, and up to 53,000 acre-feet), and is partially used to replenish the aquifer at the Thomas E. Levy Groundwater Replenishment Facility (TEL). IID water costs are estimated and payment is made annually regardless of the volume transferred to CVWD ("take or pay" contract).

Another water supply obtained in connection with the QSA is the 2003 MWD-CVWD 35,000 acre-feet Exchange Water; this agreement allows CVWD to receive up to 35,000 acre-feet of MWD's State Water Project (SWP) water, delivered in the form of Colorado River water and used to replenish the West Whitewater River Subbasin. MWD water costs are paid annually; invoice is based on volume delivered.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 10: Quantification Settlement Agreement (Continued)

CVWD's estimated QSA water transfers and payments are shown below.

| Year | 50K AF IID | | 53K AF IID | | 35K AF MWD | | IID & MWD | |
|--------------|------------|--------------|------------|---------------|------------|---------------|-----------|---------------|
| | Acre Feet | \$ Amount | Acre Feet | \$ Amount | Acre Feet | \$ Amount | Acre Feet | \$ Amount |
| 2016 | 41,000 | \$ 3,029,710 | - | \$ - | 42,523* | \$ 9,992,905 | 83,523 | \$ 13,022,615 |
| 2017 | 45,000 | 3,506,000 | - | - | 22,477* | 5,282,095 | 67,477 | 8,788,095 |
| 2018 | 50,000 | 4,012,000 | 13,000 | 1,105,000 | 35,000 | 8,471,750 | 98,000 | 13,588,750 |
| 2019 | 50,000 | 4,132,000 | 18,000 | 1,566,000 | 35,000 | 8,725,903 | 103,000 | 14,423,903 |
| 2020 | 50,000 | 4,256,000 | 23,000 | 2,235,000 | 35,000 | 8,987,680 | 108,000 | 15,478,680 |
| 2021 | 50,000 | 4,256,000 | 28,000 | 3,060,000 | 35,000 | 9,257,310 | 113,000 | 16,573,310 |
| 2022 | 50,000 | 4,383,680 | 33,000 | 4,069,007 | 35,000 | 9,535,029 | 118,000 | 17,987,716 |
| 2023 | 50,000 | 4,515,190 | 38,000 | 5,025,248 | 35,000 | 9,821,080 | 123,000 | 19,361,518 |
| 2024 | 50,000 | 4,650,646 | 43,000 | 6,035,201 | 35,000 | 10,115,713 | 128,000 | 20,801,560 |
| 2025 | 50,000 | 4,790,165 | 48,000 | 7,101,229 | 35,000 | 10,419,184 | 133,000 | 22,310,578 |
| 2026 to 2077 | 2,600,000 | 600,433,024 | 2,756,000 | 1,072,003,726 | 1,820,000 | 1,306,014,305 | 7,176,000 | 2,978,451,055 |

*CVWD received 12,523 acre-feet in fiscal FY 2016 from the 35,000 acre-feet Exchange Agreement with MWD; balance will be delivered in FY 2017

Recent Developments

All litigation tied to the 12-year-old Quantification Settlement Agreement that establishes the largest agriculture-to-urban water transfer is effectively over.

On May 26, 2015, a three-judge panel with the Third Appellate District signed off on the agreement between Imperial County and IID, with IID paying \$750,000 to the county as part of the litigation settlement. In return, Imperial County and its Air Pollution Control District ended an appeal of an earlier court decision tied to the QSA over restoration of the Salton Sea.

Imperial County and IID made a joint presentation to the State Water Resources Control Board (SWRCB) in March 2015 to mandate that the State of California meet its obligations under the QSA to help restore the Salton Sea. CVWD recognizes the importance of the Salton Sea, and is involved through its participation on the governing boards of the QSA Joint Powers Authority and the Salton Sea Authority for funding associated mitigation projects. There was concern that the petition could suspend the water transfers (leading CVWD and several other stakeholders to oppose the petition) if the State did not meet its obligations as outlined by several bills in the State Legislature. To date, the SWRCB has hosting a stakeholder workshop, and the Governor has created a new Salton Sea task force. CVWD also participated in a Salton Sea hearing conducted by the Little Hoover Commission.

COACHELLA VALLEY WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 11: Commitment to Participate in Lower Colorado River Multi-Species Conservation Program

The implementation of the Program is estimated at a cost of \$626 million as of 2003, over a 50-year term. The District recognizes its share of Program expenses as Program costs are incurred. The District's share of Program costs are estimated to be approximately \$15 million, to be incurred over the 50 year period provided for in the Program agreement. District payments are billed quarterly, in compliance with the program's implementation schedule. The Department of the Interior has pledged to pay for half of the estimated program costs and for any rise in costs other than inflation.

Note 12: Interfund Receivables/Payables and Transfers

Interfund receivables and payables consisted of the following as of June 30, 2016:

| Receivable Fund | Payable Fund | Amount |
|---------------------|--------------------------------|----------------------|
| Sanitation Fund | Domestic Water Fund | \$ 1,820,777 |
| Domestic Water Fund | Groundwater Replenishment Fund | 48,904,994 |
| Total | | <u>\$ 50,725,771</u> |

On April 24, 2012, a \$2,234,020 loan was made from the Sanitation Fund to the Domestic Water Fund with an initial interest rate of 1.46%, that will be reviewed every five years and adjusted, if necessary. The purpose of the loan was to enable the Domestic Water Fund to purchase the Classic Club pipeline. The outstanding balance as of June 30, 2016, is \$1,820,777.

On June 25, 2013, the Board of Directors approved an interfund loan from the Domestic Water Fund to the East Whitewater Replenishment Fund in the amount of \$60,285,179, to reimburse the Domestic Water Fund for project costs incurred related to the Martinez Canyon Spreading Area and the Thomas E. Levy Recharge (TEL) facilities. The term of the interfund loan is fifteen years, with interest to accrue at a rate commensurate with the District's average monthly return on investments, plus a ten percent premium on the calculated interest rate. The outstanding balance on the loan as of June 30, 2016, was \$48,904,994.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12: Interfund Receivables/Payables and Transfers (Continued)

The annual scheduled repayments on the interfund advances as of June 30, 2016, are as follows:

| Year Ending June 30, | Domestic Water | | |
|-------------------------|----------------|------------|--------------|
| | Principal | Interest | Total |
| 2017 | \$ 102,973 | \$ 25,896 | \$ 128,869 |
| 2018 | 104,487 | 24,383 | 128,870 |
| 2019 | 106,023 | 22,847 | 128,870 |
| 2020 | 107,581 | 21,288 | 128,869 |
| 2021 | 109,162 | 19,707 | 128,869 |
| 2022-2026 | 570,355 | 73,992 | 644,347 |
| 2027-2031 | 613,521 | 30,826 | 644,347 |
| 2032-2036 | 106,675 | 715 | 107,390 |
| Total | \$ 1,820,777 | \$ 219,654 | \$ 2,040,431 |

Martinez Canyon Spreading Area and the (TEL) facilities loan

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------|--------------|---------------|
| 2017 | \$ 3,793,987 | \$ 605,907 | \$ 4,399,894 |
| 2018 | 3,846,693 | 548,403 | 4,395,096 |
| 2019 | 3,895,638 | 499,458 | 4,395,096 |
| 2020 | 3,945,207 | 449,891 | 4,395,098 |
| 2021 | 3,995,407 | 399,695 | 4,395,102 |
| 2022-2026 | 20,752,637 | 1,222,872 | 21,975,509 |
| 2026-2030 | 8,675,425 | 114,779 | 8,790,204 |
| Total | \$ 48,904,994 | \$ 3,841,005 | \$ 52,745,999 |

COACHELLA VALLEY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12: Interfund Receivables/Payables and Transfers (Continued)

Transfers in and out for the year ended June 30, 2016, are summarized as follows:

| From | To | Amount |
|--------------------------------|--------------------------------|----------------------|
| Domestic Water Fund | Motorpool Fund | \$ 1,257,954 |
| Sanitation Fund | Motorpool Fund | 512,000 |
| Canal Water Fund | Motorpool Fund | 1,012,000 |
| Stormwater Fund | Motorpool Fund | 1,012,000 |
| Groundwater Replenishment Fund | Motorpool Fund | 311,000 |
| Groundwater Replenishment Fund | Canal Water Fund | 5,330,742 |
| Sanitation Fund | Domestic Water Fund | 714,000 |
| Canal Water Fund | Domestic Water Fund | 357,000 |
| Stormwater Fund | Domestic Water Fund | 89,250 |
| Motorpool Fund | Stormwater Fund | 1,108,227 |
| Motorpool Fund | Canal Water Fund | 458,159 |
| Motorpool Fund | Domestic Water Fund | 619,201 |
| Motorpool Fund | Groundwater Replenishment Fund | 280,724 |
| Motorpool Fund | Sanitation Fund | 313,839 |
| Domestic Water Fund | Stormwater Fund | 85,350 |
| Domestic Water Fund | Canal Water Fund | 335,472 |
| Domestic Water Fund | Groundwater Replenishment Fund | 40,569 |
| Domestic Water Fund | Sanitation Fund | 638,054 |
| | | <u>\$ 14,475,541</u> |

The Domestic Water Fund, Sanitation Fund, Stormwater Fund, Canal Water Fund and Groundwater Replenishment Fund transferred \$4,104,954 to the Motorpool Fund to fund capital asset acquisitions.

The Motorpool Fund transferred \$280,724 to the Groundwater Replenishment Fund to pay off an interfund loan and to true up the Motorpool Fund reserves.

The Groundwater Replenishment Fund, Motorpool Fund and Domestic Water Fund transferred \$6,124,373 to the Canal Fund to distribute excess reserves, true up the Motorpool Fund reserves, and fund capital projects.

The Motorpool Fund transferred \$2,041,267 to the Stormwater Fund, Canal Water Fund, Domestic Water Fund and Sanitation Fund to true up reserves, reimburse the Stormwater Fund for equipment, and distribute excess reserves.

The Sanitation Fund, Canal Water Fund, Stormwater Fund and Motorpool Fund transferred \$1,160,250 to the Domestic Water Fund to adjust net position for sub funds previously allocated to all funds, now grouped with the Domestic Water Fund.

The Domestic Water Fund transferred \$1,166,000 to the Motorpool Fund to fund capital projects.

In addition, the Motorpool Fund has amounts due to the Domestic Water Fund, Sanitation Fund, Stormwater Fund, and Canal Water Fund of \$243,364, \$144,013, \$35,630, and \$8,340, respectively; for capital purchases totaling \$431,347.

COACHELLA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13: Subsequent Event

The California Department of Public Health adopted a Maximum Containment Level (MCL) for hexavalent chromium (Cr-6) of 10 parts per billion on April 15, 2014. The Coachella Valley Water District (CVWD) has applied for approximately \$250 million in Drinking Water State Revolving Fund loans. These funds will allow the District to implement the capital improvements needed to comply with the MCL. These Cr-6 capital improvements have been approved in CVWD's 5-year Capital Improvement Budget, excluding operating and maintenance costs. The District anticipates state approval of these loans by December 31, 2016.

COACHELLA VALLEY WATER DISTRICT

MISCELLANEOUS PLAN
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

| | 2015 | 2016 |
|---|-----------------------|-----------------------|
| TOTAL PENSION LIABILITY | | |
| Service Cost | \$ 5,485,267 | \$ 5,436,814 |
| Interest | 23,199,726 | 24,080,603 |
| Difference Between expected and Actual Experience | - | (2,042,873) |
| Changes in Assumptions | - | (6,023,990) |
| Benefit Payments, Including Refunds of employee Contributions | (14,862,689) | (15,426,247) |
| Net Change in Total Pension Liability | 13,822,304 | 6,024,307 |
| Total Pension Liability - Beginning | 314,018,404 | 327,840,708 |
| Total Pension Liability - Ending (a) | \$ 327,840,708 | \$ 333,865,015 |
| PLAN FIDUCIARY NET POSITION | | |
| Plan to Plan Resource Movement | \$ - | \$ 47 |
| Contribution - Employer | 7,407,594 | 8,196,637 |
| Contribution - Employee | 2,917,459 | 2,956,640 |
| Net Investment Income | 34,250,928 | 5,096,743 |
| Benefit Payments, Including Refunds of Employee Contributions | (14,862,689) | (15,426,247) |
| Administrative Expense | - | (258,450) |
| Net Change in Fiduciary Net Position | 29,713,292 | 565,370 |
| Plan Fiduciary Net Position - Beginning | 199,307,780 | 229,021,072 |
| Plan Fiduciary Net Position - Ending (b) | \$ 229,021,072 | \$ 229,586,442 |
| Plan Net Pension Liability/(Assets) - Ending (a) - (b) | \$ 98,819,636 | \$ 104,278,573 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.86% | 68.77% |
| Covered-Employee Payroll | \$ 34,897,415 | \$ 37,114,044 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | 283.17% | 280.97% |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

COACHELLA VALLEY WATER DISTRICT

**MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

| | 2015 | 2016 |
|---|---------------|---------------|
| Actuarially Determined Contribution | \$ 8,217,475 | \$ 9,940,264 |
| Contribution in Relation to the Actuarially Determined Contribution | (8,217,475) | (9,940,264) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| Covered-Employee Payroll (3) (4) | \$ 37,114,044 | \$ 39,823,371 |
| Contributions as a Percentage of Covered-Employee Payroll (3) | 22.14% | 24.96% |

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

Note to Schedule:

| | |
|---|---|
| Valuation Date: | June 30, 2013 |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry age normal cost method |
| Amortization method/period | Level percentage of payroll, closed |
| Assets valuation method | Market Value |
| Inflation | 2.75% |
| Salary Increases | 3.30% to 14.20% |
| Payroll Growth | 3.00% |
| Investment rate of return | 7.65% net of pension investment and administrative expenses, including inflation. |
| Retirement age | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2016

| | Community Facilities District No. 102 | Assessment District No. 32 | Assessment District No. 33 | Assessment District No. 67 |
|----------------------------|---|-------------------------------|-------------------------------|-------------------------------|
| Assets: | | | | |
| Cash and investments | \$ 4,539,537 | \$ 46,970 | \$ 249,029 | \$ 201,753 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Property taxes | 9,879 | - | - | 571 |
| Interest | 5,662 | 365 | 620 | 443 |
| Due from other governments | - | - | - | - |
| Total Assets | \$ 4,555,078 | \$ 47,335 | \$ 249,649 | \$ 202,767 |
| Liabilities: | | | | |
| Accounts payable | \$ 875 | \$ 375 | \$ 375 | \$ 375 |
| Held for others | 4,554,203 | 46,960 | 249,274 | 202,392 |
| Deposits payable | - | - | - | - |
| Due to other governments | - | - | - | - |
| Total Liabilities | \$ 4,555,078 | \$ 47,335 | \$ 249,649 | \$ 202,767 |

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2016

(CONTINUED)

| | Assessment District No. 68 | Assessment District No. 70 | Canal Lining Project Operations | Community Facilities District 2015-01 |
|----------------------------|-------------------------------|-------------------------------|---------------------------------------|---|
| Assets: | | | | |
| Cash and investments | \$ 429,624 | \$ 1,177,198 | \$ 501,486 | \$ 9,199 |
| Receivables: | | | | |
| Accounts | - | 46,134 | 111,640 | - |
| Property taxes | 2,494 | 32,786 | - | - |
| Interest | 900 | 2,239 | 1,074 | - |
| Due from other governments | - | - | - | - |
| Total Assets | \$ 433,018 | \$ 1,258,357 | \$ 614,200 | \$ 9,199 |
| Liabilities: | | | | |
| Accounts payable | \$ 438 | \$ 5,730 | \$ - | \$ - |
| Held for others | 432,580 | 1,252,627 | 614,200 | 9,199 |
| Deposits payable | - | - | - | - |
| Due to other governments | - | - | - | - |
| Total Liabilities | \$ 433,018 | \$ 1,258,357 | \$ 614,200 | \$ 9,199 |

COACHELLA VALLEY WATER DISTRICT
 COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2016

| | <u>Grants Pass Thru Fund</u> | <u>Contractor Deposit Fund</u> | <u>Totals</u> |
|----------------------------|----------------------------------|------------------------------------|-----------------------------|
| Assets: | | | |
| Cash and investments | \$ 609,732 | \$ 3,621,690 | \$ 11,386,218 |
| Receivables: | | | |
| Accounts | 49,516 | - | 207,290 |
| Property taxes | - | - | 45,730 |
| Interest | 325 | - | 11,628 |
| Due from other governments | 597,744 | - | 597,744 |
| Total Assets | <u>\$ 1,257,317</u> | <u>\$ 3,621,690</u> | <u>\$ 12,248,610</u> |
| | | | |
| Liabilities: | | | |
| Accounts payable | \$ 122,851 | \$ - | \$ 131,019 |
| Held for others | 800,265 | - | 8,161,700 |
| Deposits payable | - | 3,621,690 | 3,621,690 |
| Due to other governments | 334,201 | - | 334,201 |
| Total Liabilities | <u>\$ 1,257,317</u> | <u>\$ 3,621,690</u> | <u>\$ 12,248,610</u> |

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COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

| | Balance 7/1/2015 | Additions | Deductions | Balance 6/30/2016 |
|---|---------------------|---------------------|-------------------|----------------------|
| <u>Community Facilities District No. 102</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 3,654,282 | \$ 901,748 | \$ 16,493 | \$ 4,539,537 |
| Receivables: | | | | |
| Property taxes | 13,787 | 9,879 | 13,787 | 9,879 |
| Interest | 2,995 | 12,331 | 9,664 | 5,662 |
| Assessments receivable | - | 54,300 | 54,300 | - |
| Total Assets | \$ 3,671,064 | \$ 978,258 | \$ 94,244 | \$ 4,555,078 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 3,500 | \$ 2,625 | \$ 875 |
| Held for others | 3,671,064 | 1,198,177 | 315,038 | 4,554,203 |
| Total Liabilities | \$ 3,671,064 | \$ 1,201,677 | \$ 317,663 | \$ 4,555,078 |
| <u>Assessment District No. 32</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 171,208 | \$ 125,099 | \$ 249,337 | \$ 46,970 |
| Receivables: | | | | |
| Accounts | 11,693 | - | 11,693 | - |
| Interest | 249 | 274 | 158 | 365 |
| Total Assets | \$ 183,150 | \$ 125,373 | \$ 261,188 | \$ 47,335 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 1,500 | \$ 1,125 | \$ 375 |
| Held for others | 183,150 | 981 | 137,171 | 46,960 |
| Total Liabilities | \$ 183,150 | \$ 2,481 | \$ 138,296 | \$ 47,335 |
| <u>Assessment District No. 33</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 245,787 | \$ 130,627 | \$ 127,385 | \$ 249,029 |
| Receivables: | | | | |
| Interest | 426 | 736 | 542 | 620 |
| Total Assets | \$ 246,213 | \$ 131,363 | \$ 127,927 | \$ 249,649 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 3,125 | \$ 2,750 | \$ 375 |
| Held for others | 246,213 | 68,178 | 65,117 | 249,274 |
| Total Liabilities | \$ 246,213 | \$ 71,303 | \$ 67,867 | \$ 249,649 |
| <u>Assessment District No. 67</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 200,287 | \$ 158,420 | \$ 156,954 | \$ 201,753 |
| Receivables: | | | | |
| Property taxes | 899 | 571 | 899 | 571 |
| Interest | 286 | 564 | 407 | 443 |
| Total Assets | \$ 201,472 | \$ 159,555 | \$ 158,260 | \$ 202,767 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 2,295 | \$ 1,920 | \$ 375 |
| Held for others | 201,472 | 104,572 | 103,652 | 202,392 |
| Total Liabilities | \$ 201,472 | \$ 106,867 | \$ 105,572 | \$ 202,767 |

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

| | Balance 7/1/2015 | Additions | Deductions | Balance 6/30/2016 |
|---|---------------------|---------------------|---------------------|----------------------|
| <u>Assessment District No. 68</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 403,541 | \$ 417,581 | \$ 391,498 | \$ 429,624 |
| Receivables: | | | | |
| Property taxes | 7,489 | 2,494 | 7,489 | 2,494 |
| Interest | 556 | 1,131 | 787 | 900 |
| Total Assets | \$ 411,586 | \$ 421,206 | \$ 399,774 | \$ 433,018 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 4,541 | \$ 4,103 | \$ 438 |
| Held for others | 411,586 | 244,379 | 223,385 | 432,580 |
| Total Liabilities | \$ 411,586 | \$ 248,920 | \$ 227,488 | \$ 433,018 |
| <u>Assessment District No. 70</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,144,514 | \$ 1,428,083 | \$ 1,395,399 | \$ 1,177,198 |
| Receivables: | | | | |
| Accounts | 1,736 | 49,525 | 5,127 | 46,134 |
| Property taxes | 61,491 | 32,786 | 61,491 | 32,786 |
| Interest | 1,244 | 3,096 | 2,101 | 2,239 |
| Total Assets | \$ 1,208,985 | \$ 1,513,490 | \$ 1,464,118 | \$ 1,258,357 |
| Liabilities: | | | | |
| Accounts payable | \$ 10,834 | \$ 43,121 | \$ 48,225 | \$ 5,730 |
| Held for others | 1,198,151 | 812,125 | 757,649 | 1,252,627 |
| Total Liabilities | \$ 1,208,985 | \$ 855,246 | \$ 805,874 | \$ 1,258,357 |
| <u>Coachella Canal Lining Project Operations and Maintenance</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 620,969 | \$ 515,040 | \$ 634,523 | \$ 501,486 |
| Receivables: | | | | |
| Accounts | - | 616,289 | 504,649 | 111,640 |
| Interest | 688 | 1,910 | 1,524 | 1,074 |
| Total Assets | \$ 621,657 | \$ 1,133,239 | \$ 1,140,696 | \$ 614,200 |
| Liabilities: | | | | |
| Held for others | \$ 621,657 | \$ 625,157 | \$ 632,614 | \$ 614,200 |
| Total Liabilities | \$ 621,657 | \$ 625,157 | \$ 632,614 | \$ 614,200 |
| <u>Community Facilities District - 2015-01</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ - | \$ 51,094 | \$ 41,895 | \$ 9,199 |
| Total Assets | \$ - | \$ 51,094 | \$ 41,895 | \$ 9,199 |
| Liabilities: | | | | |
| Held for others | \$ - | \$ 101,094 | \$ 91,895 | \$ 9,199 |
| Total Liabilities | \$ - | \$ 101,094 | \$ 91,895 | \$ 9,199 |
| <u>Grants Pass Thru Fund</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 216,528 | \$ 1,880,272 | \$ 1,487,068 | \$ 609,732 |
| Receivables: | | | | |
| Accounts | - | 110,977 | 61,461 | 49,516 |
| Interest | 106 | 1,378 | 1,159 | 325 |
| Due from other governments | 1,734,995 | 2,084,282 | 3,221,533 | 597,744 |
| Total Assets | \$ 1,951,629 | \$ 4,076,909 | \$ 4,771,221 | \$ 1,257,317 |
| Liabilities: | | | | |
| Accounts payable | \$ 310,276 | \$ 714,351 | \$ 901,776 | \$ 122,851 |
| Held for others | 391,644 | 657,417 | 248,796 | 800,265 |
| Due to other governments | 1,249,709 | 152,053 | 1,067,561 | 334,201 |
| Total Liabilities | \$ 1,951,629 | \$ 1,523,821 | \$ 2,218,133 | \$ 1,257,317 |

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

| | Balance 7/1/2015 | Additions | Deductions | Balance 6/30/2016 |
|---|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| <u>Contractor Deposit Fund</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,725,019 | \$ 2,042,331 | \$ 145,660 | \$ 3,621,690 |
| Total Assets | <u>\$ 1,725,019</u> | <u>\$ 2,042,331</u> | <u>\$ 145,660</u> | <u>\$ 3,621,690</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 145,660 | \$ 145,660 | \$ - |
| Deposits payable | 1,725,019 | 2,042,331 | 145,660 | 3,621,690 |
| Total Liabilities | <u>\$ 1,725,019</u> | <u>\$ 2,187,991</u> | <u>\$ 291,320</u> | <u>\$ 3,621,690</u> |
| <u>Totals - All Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 8,382,135 | \$ 7,650,295 | \$ 4,646,212 | \$ 11,386,218 |
| Receivables: | | | | |
| Accounts | 13,429 | 776,791 | 582,930 | 207,290 |
| Property taxes | 83,666 | 45,730 | 83,666 | 45,730 |
| Interest | 6,550 | 21,420 | 16,342 | 11,628 |
| Due from other governments | 1,734,995 | 2,084,282 | 3,221,533 | 597,744 |
| Total Assets | <u>\$ 10,220,775</u> | <u>\$ 10,578,518</u> | <u>\$ 8,550,683</u> | <u>\$ 12,248,610</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 321,110 | \$ 918,093 | \$ 1,108,184 | \$ 131,019 |
| Held for others | 6,924,937 | 3,812,080 | 2,575,317 | 8,161,700 |
| Deposits payable | 1,725,019 | 2,042,331 | 145,660 | 3,621,690 |
| Due to other governments | 1,249,709 | 152,053 | 1,067,561 | 334,201 |
| Total Liabilities | <u>\$ 10,220,775</u> | <u>\$ 6,924,557</u> | <u>\$ 4,896,722</u> | <u>\$ 12,248,610</u> |

STATISTICAL SECTION

STATISTICAL SECTION

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information89

These schedules contain information about the government's operations and resources to help the reader understand how the government's financial information relates to the services the government provides and the activities it performs.

Net Position by Component
Last Ten Fiscal Years
(\$000s)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Net Investment in Capital Assets | \$839,551 | \$986,721 | \$1,039,812 | \$1,054,180 | \$1,100,931 | \$1,101,128 | \$1,126,730 | \$1,198,165 | \$1,237,219 | \$1,266,633 |
| Restricted for construction, capital and replacement | 116,743 | 49,356 | 66,779 | 85,560 | 65,594 | 69,788 | 64,200 | 50,427 | 53,829 | 61,477 |
| Restricted for State Water Project | 53,863 | 50,156 | 46,894 | 68,772 | 75,033 | 78,735 | 62,000 | 62,000 | 26,400 | 26,400 |
| Restricted for debt service | 9,646 | 10,204 | 11,731 | 10,117 | - | - | - | - | - | - |
| Unrestricted | 171,505 | 208,855 | 210,973 | 213,198 | 270,280 | 306,824 | 352,023 | 358,767 | 314,024 | 320,255 |
| Total Net Position | \$1,191,308 | \$1,305,292 | \$1,376,189 | \$1,431,827 | \$1,511,838 | \$1,556,475 | \$1,604,953 | \$1,669,359 | \$1,631,472 | \$1,674,765 |
| <i>Percent Change</i> | <i>8.52</i> | <i>9.57</i> | <i>5.43</i> | <i>4.04</i> | <i>5.59</i> | <i>2.95</i> | <i>3.11</i> | <i>4.01</i> | <i>(2.27)</i> | <i>2.65</i> |

Changes in Net Position
Last Ten Fiscal Years
(\$000s)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Operating Revenues: | | | | | | | | | | |
| Sales | \$61,143 | \$62,128 | \$76,085 | \$79,171 | \$81,204 | \$69,705 | \$69,566 | \$70,486 | \$65,396 | \$54,112 |
| Water & sewer availability charges | 1,518 | 1,721 | 1,630 | 1,514 | 2,265 | 2,522 | 2,004 | 2,547 | 2,203 | 2,332 |
| Meter & service fees ¹ | 2,613 | 1,013 | 1,499 | 2,532 | 2,175 | 15,522 | 15,079 | 15,538 | 15,426 | 16,458 |
| Sanitation service fees | 29,111 | 32,402 | 32,863 | 32,822 | 36,947 | 37,311 | 37,527 | 38,113 | 38,316 | 38,453 |
| Replenishment charges | - | 15,805 | 16,162 | 18,152 | 17,634 | 19,152 | 20,916 | 21,399 | 21,284 | 19,273 |
| Other charges ² | 22,811 | 5,201 | 5,875 | 4,195 | 24,619 | 10,510 | 12,039 | 13,356 | 7,596 | 8,019 |
| Total Operating Revenues | 117,196 | 118,270 | 134,114 | 138,386 | 164,844 | 154,722 | 157,131 | 161,439 | 150,221 | 138,647 |
| Operating Expenses:³ | | | | | | | | | | |
| Transmission & distribution | 11,683 | 12,173 | 15,958 | 15,143 | 14,887 | - | - | - | - | - |
| Pumping | 14,937 | - | - | - | - | - | - | - | - | - |
| Source of supply | 11,721 | 26,724 | 24,376 | 51,414 | 56,338 | - | - | - | - | - |
| Operations & maintenance | 23,734 | 43,373 | 41,042 | 62,355 | 56,497 | - | - | - | - | - |
| General & administrative | 23,393 | 7,485 | 8,454 | 12,263 | 18,201 | - | - | - | - | - |
| Wages & salaries | - | - | - | - | - | 35,775 | 37,238 | 38,005 | 38,825 | 42,169 |
| Benefits | - | - | - | - | - | 19,351 | 19,160 | 19,245 | 20,321 | 17,284 |
| Materials & supplies | - | - | - | - | - | 11,388 | 11,588 | 12,292 | 12,705 | 11,705 |
| Water purchases | - | - | - | - | - | 67,273 | 53,346 | 53,671 | 42,071 | 63,800 |
| Utilities | - | - | - | - | - | 14,159 | 14,816 | 15,859 | 15,603 | 14,698 |
| Contract services | - | - | - | - | - | 13,966 | 31,378 | 12,971 | 9,944 | 9,894 |
| Depreciation | 26,209 | 28,312 | 35,404 | 38,759 | 40,162 | 34,574 | 35,116 | 36,195 | 35,774 | 36,578 |
| Other | 37,985 | 58,813 | 50,795 | 4,478 | 9,848 | 24,148 | 2,746 | 20,339 | 24,723 | 34,481 |
| Total Operating Expenses | 149,662 | 176,880 | 176,029 | 184,412 | 195,933 | 220,634 | 205,388 | 208,577 | 199,966 | 230,609 |
| Nonoperating revenues: | | | | | | | | | | |
| Property taxes | 42,511 | 61,004 | 58,686 | 64,112 | 73,272 | 81,404 | 74,709 | 85,780 | 89,017 | 93,601 |
| Intergovernmental | - | - | - | - | - | - | - | - | 31 | 38 |
| Investment income | 14,651 | 14,971 | 12,862 | 6,517 | 6,793 | 5,208 | 470 | 7,618 | 5,273 | 8,590 |
| Other | - | 26,984 | - | - | 5,628 | 11,677 | 6,520 | 4,479 | 9,929 | 20,374 |
| Gain (loss) on disposal of capital assets | - | - | - | - | - | - | - | 908 | (4,116) | 277 |
| Total Nonoperating Revenues | 57,162 | 102,959 | 71,548 | 70,629 | 85,693 | 98,289 | 81,699 | 98,785 | 100,134 | 122,880 |
| Nonoperating Expenses: | | | | | | | | | | |
| Interest expense | 1,325 | 1,144 | 1,005 | 664 | 636 | 129 | 165 | 607 | 621 | 623 |
| Total Nonoperating Expenses | 1,325 | 1,144 | 1,005 | 664 | 636 | 129 | 165 | 607 | 621 | 623 |
| Income (Loss) Before Capital Contributions | 23,371 | 43,205 | 28,628 | 23,939 | 53,968 | 32,248 | 33,277 | 51,040 | 49,768 | 30,295 |
| Capital contributions | 71,275 | 70,778 | 35,031 | 21,986 | 28,776 | 12,390 | 6,206 | 10,995 | 19,647 | 12,998 |
| Change in net position | 94,646 | 113,983 | 63,659 | 45,925 | 82,744 | 44,638 | 39,483 | 62,035 | 69,415 | 43,293 |
| Total net position beginning of year | 1,096,663 | 1,191,309 | 1,312,530 | 1,385,902 | 1,429,095 | 1,511,838 | 1,556,475 | 1,604,953 | 1,669,359 | 1,631,472 |
| Restatements | - | - | - | - | - | - | 8,995 | 2,371 | (107,303) | - |
| Total Net Position End of Year | \$1,191,309 | \$1,305,292 | \$1,376,189 | \$1,431,827 | \$1,511,839 | \$1,556,476 | \$1,604,953 | \$1,669,359 | \$1,631,471 | \$1,674,765 |
| <i>Percent Change</i> | <i>8.52</i> | <i>9.57</i> | <i>5.43</i> | <i>4.04</i> | <i>5.59</i> | <i>2.95</i> | <i>3.11</i> | <i>4.01</i> | <i>(2.27)</i> | <i>2.65</i> |

Footnotes:

¹Prior to 2012 Meter and service fees were reported in Sales

²Ground water recharge revenues included in other charges from 2006-2007

³Prior to 2012, expenses were reported by function; beginning in 2012, expenses are reported by category; beginning in 2008 Pumping is included in Source of supply

Summary of Changes in Net Position
Last Ten Fiscal Years
(\$000s)

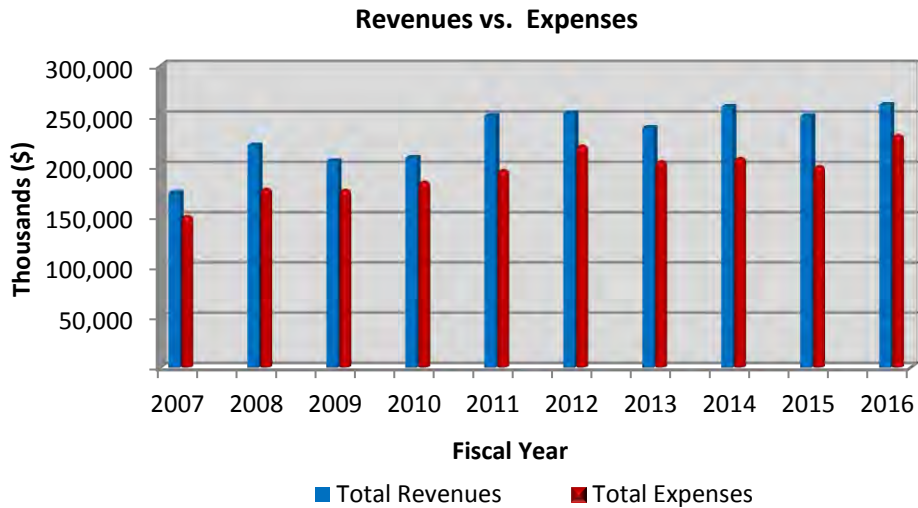
| | Operating Revenues | Operating Expenses | Operating Income (Loss) | Nonoperating Revenue Less Expenses | Income Before Capital Contributions | Capital Contributions | Restatements | Changes in Net Position |
|------|--------------------|--------------------|-------------------------|------------------------------------|-------------------------------------|-----------------------|------------------------|-------------------------|
| 2007 | \$117,195 | \$149,663 | -\$ (32,467) | \$55,838 | \$23,371 | \$71,275 | \$ - | \$94,646 |
| 2008 | 118,269 | 176,880 | (58,611) | 101,815 | 43,204 | 70,778 | - | 113,982 |
| 2009 | 134,113 | 176,029 | (41,915) | 70,544 | 28,629 | 35,031 | - | 63,659 |
| 2010 | 138,385 | 184,412 | (46,027) | 69,965 | 23,939 | 21,986 | - | 45,925 |
| 2011 | 164,843 | 195,934 | (31,090) | 85,057 | 53,967 | 28,776 | - | 82,743 |
| 2012 | 154,722 | 220,635 | (65,913) | 98,160 | 32,247 | 12,390 | - | 44,637 |
| 2013 | 157,132 | 205,389 | (48,257) | 81,533 | 33,276 | 6,206 | 8,995 | 48,478 |
| 2014 | 161,439 | 208,578 | (47,139) | 98,178 | 51,040 | 10,995 | (2,371) | 59,664 |
| 2015 | 150,223 | 199,966 | (49,743) | 99,513 | 49,770 | 19,647 | (107,303) ¹ | (37,887) |
| 2016 | 138,647 | 230,609 | (91,962) | 122,257 | 30,294 | 12,998 | - | 43,292 |

Footnote:

¹ Pursuant to GASB Statement No. 68, the District retrospectively applied the net pension liability as of June 30, 2014, in the amount of \$107,303,030.

**Total Revenues vs. Total Expenses
Last Ten Fiscal Years
(\$000s)**

| Fiscal Year | Total Revenues | Total Expenses | Excess of Revenues Over Expenses |
|-------------|----------------|----------------|----------------------------------|
| 2007 | \$174,358 | \$150,987 | \$23,371 |
| 2008 | 221,228 | 178,024 | 43,204 |
| 2009 | 205,662 | 177,033 | 28,629 |
| 2010 | 209,015 | 185,076 | 23,939 |
| 2011 | 250,536 | 196,570 | 53,967 |
| 2012 | 253,011 | 220,764 | 32,247 |
| 2013 | 238,666 | 205,389 | 33,276 |
| 2014 | 259,617 | 208,578 | 51,040 |
| 2015 | 250,357 | 200,587 | 49,770 |
| 2016 | 261,526 | 231,232 | 30,294 |



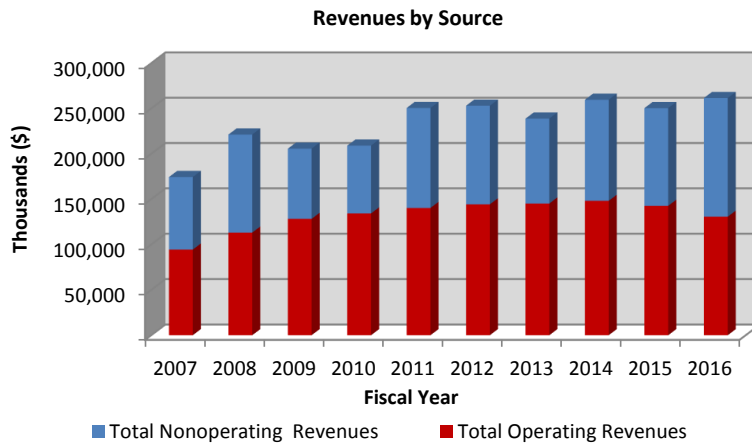
**Revenues by Source
Last Ten Fiscal Years
(\$000s)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------------------|------------------|---------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Revenues: | | | | | | | | | | |
| Sales | \$61,143 | \$62,128 | \$76,085 | \$79,171 | \$81,204 | \$69,705 | \$69,566 | \$70,486 | \$65,396 | \$54,112 |
| Water & Sewer Availability | 1,518 | 1,721 | 1,630 | 1,514 | 2,265 | 2,522 | 2,004 | 2,547 | 2,203 | 2,332 |
| Meter & Service Fees | 2,613 | 1,013 | 1,499 | 2,532 | 2,175 | 15,522 | 15,079 | 15,538 | 15,426 | 16,458 |
| Sanitation Service Fees | 29,111 | 32,402 | 32,863 | 32,822 | 36,947 | 37,311 | 37,527 | 38,113 | 38,316 | 38,453 |
| Replenishment Charges | - | 15,805 | 16,162 | 18,152 | 17,634 | 19,152 | 20,916 | 21,399 | 21,284 | 19,273 |
| Total Operating Revenues | 94,385 | 113,069 | 128,239 | 134,191 | 140,225 | 144,212 | 145,092 | 148,083 | 142,625 | 130,628 |
| Nonoperating Revenues: | | | | | | | | | | |
| Property Taxes | 42,511 | 61,004 | 58,686 | 64,112 | 73,272 | 81,404 | 74,709 | 85,780 | 89,017 | 93,601 |
| Investment Income | 14,651 | 14,971 | 12,862 | 6,517 | 6,793 | 5,208 | 470 | 7,618 | 5,273 | 8,590 |
| Other Charges | 22,811 | 32,185 ¹ | 5,875 | 4,195 | 30,247 ² | 22,187 | 18,560 | 18,136 | 13,440 | 28,707 |
| Total Nonoperating Revenues | 79,973 | 108,160 | 77,423 | 74,824 | 110,312 | 108,799 | 93,739 | 111,534 | 107,730 | 130,898 |
| Total Revenues | \$174,358 | \$221,229 | \$205,662 | \$209,015 | \$250,537 | \$253,011 | \$238,831 | \$259,617 | \$250,355 | \$261,526 |

Footnotes:

¹ Includes payments from Imperial Irrigation District

² Includes payments from Imperial Irrigation District and insurance claims



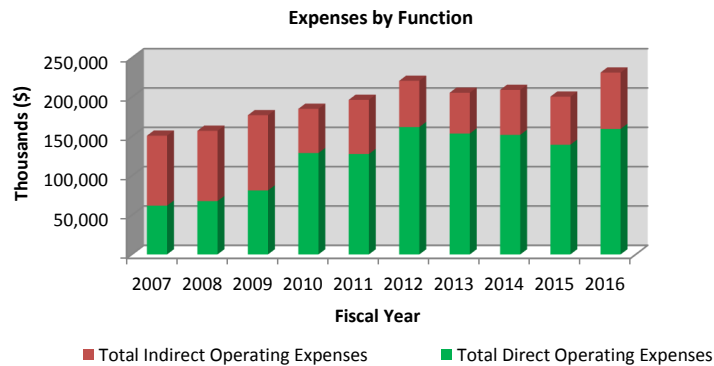
**Expenses by Function
Last Ten Fiscal Years
(\$000s)**

| | 2007 | 2008 | 2009 ¹ | 2010 | 2011 | 2012 ² | 2013 | 2014 | 2015 | 2016 |
|--|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|
| Direct Operating Expenses: | | | | | | | | | | |
| Transmission & distribution | \$11,683 | \$12,173 | \$15,958 | \$15,143 | \$14,887 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Pumping | 14,937 | 14,456 | - | - | - | - | - | - | - | - |
| Source of supply | 11,721 | 12,269 | 24,376 | 51,414 | 56,338 | - | - | - | - | - |
| Operations & maintenance | 23,734 | 28,917 | 41,042 | 62,355 | 56,497 | - | - | - | - | - |
| Wages & salaries | - | - | - | - | - | 35,775 | 37,238 | 38,005 | 38,825 | 42,169 |
| Benefits | - | - | - | - | - | 19,351 | 19,160 | 19,245 | 20,317 | 17,284 |
| Materials & supplies | - | - | - | - | - | 11,388 | 11,588 | 12,292 | 12,705 | 11,705 |
| Water purchases | - | - | - | - | - | 67,273 | 53,346 | 53,671 | 42,071 | 63,800 |
| Utilities | - | - | - | - | - | 14,159 | 14,816 | 15,859 | 15,603 | 14,698 |
| Contract services | - | - | - | - | - | 13,966 | 17,564 | 12,971 | 9,949 | 9,894 |
| Total Direct Operating Expenses | 62,075 | 67,816 | 81,376 | 128,912 | 127,722 | 161,912 | 153,712 | 152,043 | 139,470 | 159,550 |
| Indirect Operating Expenses: | | | | | | | | | | |
| General & administrative | 23,393 | 21,941 | 8,454 | 12,263 | 18,201 | - | - | - | - | - |
| Depreciation | 26,209 | 28,312 | 35,404 | 38,759 | 40,162 | 34,574 | 35,116 | 36,195 | 35,774 | 36,578 |
| Interest expense | 1,325 | 1,144 | 1,004 | 664 | 636 | 129 | 165 | 607 | 621 | 623 |
| Other | 37,985 | 37,985 | 50,795 | 4,478 | 9,848 | 24,148 | 16,561 | 20,339 | 24,723 | 34,481 |
| Total Indirect Operating Expenses | 88,912 | 89,382 | 95,657 | 56,164 | 68,847 | 58,851 | 51,842 | 57,141 | 61,118 | 71,682 |
| Total Expenses | \$150,987 | \$157,198 | \$177,033 | \$185,076 | \$196,569 | \$220,763 | \$205,554 | \$209,184 | \$200,588 | \$231,232 |

Footnotes:

¹ Beginning in 2009, Pumping included with Source of supply

² Beginning in 2012, reporting changed from function to expense category



**Total Assessed Value and Property Taxes Collected
Last Ten Fiscal Years
(\$000s)**

| | Assessed Value | Percent Increase/ Decrease | Tax Collected | Total Direct Tax Rate ¹ | Percent Increase/ Decrease |
|------|-------------------|----------------------------------|------------------|---------------------------------------|----------------------------------|
| 2007 | \$57,138,070 | 19.41 | \$42,511 | 0.001 | 40.90 |
| 2008 | 57,727,891 | 1.03 | 61,004 | 0.001 | 43.50 |
| 2009 | 54,457,911 | (5.66) | 58,686 | 0.001 | (3.80) |
| 2010 | 54,432,958 | (0.05) | 64,112 | 0.001 | 9.25 ² |
| 2011 | 51,138,094 | (6.05) | 73,272 | 0.001 | 14.29 ³ |
| 2012 | 50,152,868 | (1.93) | 81,404 | 0.002 | 11.10 ⁴ |
| 2013 | 48,714,783 | (2.87) | 74,709 | 0.002 | (8.23) ⁵ |
| 2014 | 51,446,095 | 5.61 | 85,780 | 0.002 | 14.82 |
| 2015 | 54,254,424 | 5.46 | 89,017 | 0.002 | 3.77 |
| 2016 | 56,982,193 | 5.03 | 93,601 | 0.002 | 5.15 |

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" of no more than 2%. With few exceptions, property is only re-assessed at the time that it is sold to a new owner. The assessed valuation data shown above, represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Footnotes:

¹ Tax rates are per \$1,000 of assessed value.

² Property tax revenue increased due to an increase in the levy for State Water Project. The rest of property tax income decreased because of the Proposition 1A borrowing by the State of California.

³ Property tax revenue increased due to an increase in the levy for State Water Project.

⁴ Property tax revenue increased due to the dissolution and distribution of the Redevelopment Agencies.

⁵ Property tax revenue decreased due to overpayment by the Riverside County Treasurer in the prior year.

Source: County of Riverside, secured values only

**Principal Property Taxpayers
Current Year and Ten Years Ago**

| Taxpayer | 2007 | | | 2016 | |
|------------------------------------|---------------------------------|--|------|---------------------------------|--|
| | Taxable Assessed Value (\$000s) | Percent of Total District Taxable Assessed Value | Rank | Taxable Assessed Value (\$000s) | Percent of Total District Taxable Assessed Value |
| LQR Properties | - | - | - | \$ 187,699 | 0.33 |
| Garden of Champions LLC | - | - | - | 181,533 | 0.32 |
| WEA Palm Desert | 117,029 | 0.24 | 4 | 147,692 | 0.26 |
| DS Hotel LLC | 214,170 | 0.44 | 2 | 144,346 | 0.25 |
| Walmart/Sams | - | - | - | 127,580 | 0.22 |
| WVC Rancho Mirage Inc | - | - | - | 109,806 | 0.19 |
| Gardens on El Paseo | - | - | - | 103,104 | 0.18 |
| Time Warner Cable Pacific West LLC | - | - | - | 96,933 | 0.17 |
| PRU Desert Crossing | 83,200 | 0.17 | 8 | 88,087 | 0.15 |
| KSL RLP Holdings | - | - | - | 83,545 | 0.15 |
| KSL Desert Resorts Inc | 373,834 | 1 | 1 | - | - |
| Starwood Mission Hills CMBS I | 118,566 | 0 | 3 | - | - |
| Lennar Homes of CA Inc | 104,270 | 0 | 5 | - | - |
| Peter Solomon | 104,039 | 0 | 6 | - | - |
| Grand Champions LLC | 85,253 | 0 | 7 | - | - |
| Elisabeth E. Stewart | 79,402 | 0 | 9 | - | - |
| CTF USA | 78,200 | 0 | 10 | - | - |
| Total | \$ 1,357,963 | 2.76 | | \$ 1,270,325 | 2.22 |

Source: HDL Coren & Cone (Riverside County Assessor)

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

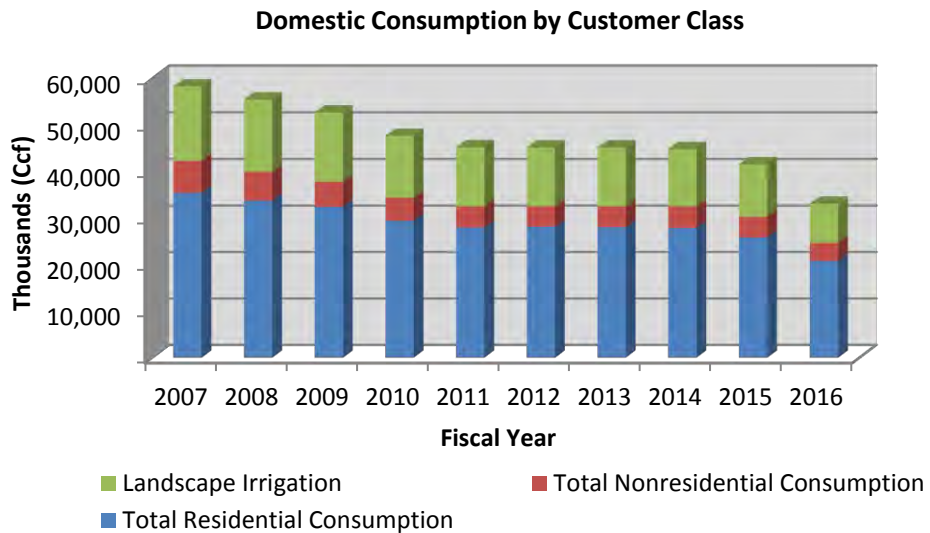
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| General | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| CVWD - State Water Project | 0.02080 | 0.04000 | 0.04000 | 0.06000 | 0.08000 | 0.08000 | 0.08000 | 0.10000 | 0.10000 | 0.10000 |
| Desert Community College District | 0.01995 | 0.01995 | 0.01995 | 0.01995 | 0.01995 | 0.01995 | 0.01995 | 0.01995 | 0.02325 | 0.02087 |
| Coachella Valley Unified School District | 0.05990 | 0.05708 | 0.05949 | 0.07247 | 0.09332 | 0.07487 | 0.07968 | 0.14919 | 0.14919 | 0.13218 |
| Desert Sands Unified School District | 0.07613 | 0.07561 | 0.07990 | 0.08112 | 0.10036 | 0.11467 | 0.11156 | 0.10954 | 0.10984 | 0.10915 |
| Palm Springs Unified School District | 0.05912 | 0.05468 | 0.06007 | 0.12628 | 0.13224 | 0.10451 | 0.09351 | 0.12961 | 0.10160 | 0.08978 |
| San Geronio Memorial Healthcare District | 0.03272 | 0.03272 | 0.03365 | 0.10676 | 0.09914 | 0.10365 | 0.11572 | 0.11896 | 0.11296 | 0.08143 |
| Mecca Sanitary District | 0.01300 | - | - | - | - | - | - | - | - | - |
| Desert Water Agency | 0.08000 | 0.08000 | 0.08000 | 0.08000 | 0.08000 | 0.08000 | 0.10000 | 0.10000 | 0.10000 | 0.10000 |
| Coachella Valley Water District ID No. 17 | - | - | - | - | - | - | - | - | - | - |
| Coachella Valley Water District ID No. 53 | - | 0.00090 | - | - | - | - | - | - | - | - |
| Coachella Valley Water District ID No. 54 | 0.01800 | 0.00720 | 0.00650 | 0.00650 | 0.00530 | - | - | - | - | - |
| Coachella Valley Water District ID No. 55 | 0.01240 | 0.00840 | 0.00640 | 0.00600 | 0.00600 | - | - | - | - | - |
| Coachella Valley Water District ID No. 58 | 0.01560 | 0.00230 | - | - | - | - | - | - | - | - |

Source: California Municipal Statistics Corp.

**Total Domestic Consumption by Customer Class
Last Ten Fiscal Years
(Ccf 000s)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Single family residential | 33,084 | 31,545 | 30,316 | 27,416 | 26,003 | 26,191 | 26,139 | 25,939 | 24,014 | 19,221 |
| Duplex - triplex | 766 | 707 | 664 | 604 | 559 | 549 | 534 | 530 | 497 | 401 |
| Multi-dwelling | 591 | 558 | 543 | 529 | 518 | 499 | 495 | 505 | 476 | 413 |
| Apartments | 1,043 | 1,006 | 978 | 963 | 948 | 931 | 944 | 940 | 905 | 805 |
| Mobile home/trailer parks | 1,599 | 1,471 | 1,421 | 1,337 | 1,268 | 1,247 | 1,239 | 1,229 | 1,181 | 1,039 |
| Hotels/motels | 540 | 505 | 468 | 437 | 446 | 399 | 437 | 420 | 420 | 376 |
| Commercial | 1,038 | 1,137 | 1,099 | 964 | 823 | 823 | 1,256 | 1,256 | 1,199 | 1,079 |
| Business | 1,364 | 1,329 | 1,287 | 1,288 | 1,214 | 1,230 | 800 | 810 | 779 | 687 |
| Temporary construction meters | 1,838 | 1,290 | 614 | 458 | 378 | 297 | 271 | 489 | 432 | 355 |
| Public agency | 492 | 447 | 481 | 472 | 412 | 440 | 450 | 461 | 435 | 348 |
| Landscape irrigation | 15,932 | 15,508 | 14,848 | 13,229 | 12,710 | 12,607 | 12,651 | 12,291 | 11,270 | 8,396 |
| Total Consumption | 58,287 | 55,503 | 52,719 | 47,697 | 45,279 | 45,213 | 45,216 | 44,870 | 41,608 | 33,120 |

Note: Consumption is listed by class per Ccf (hundred cubic feet) of water.



**Coachella Valley Water District
Top Ten Domestic Water Customers
Current Year and Eight Years Ago**

Fiscal Year Ended 2016²

| Industry | Annual Consumption by Ccf ² | Percentage | Annual Revenues | Percentage |
|---|--|-------------|----------------------|--------------|
| 1 Commercial Shopping Center | 180,245.0 | 0.54 | \$ 2,531,806 | 6.23 |
| 2 Community Associations | 82,092.0 | 0.25 | 1,450,969 | 3.57 |
| 3 Community Associations | 226,885.0 | 0.69 | 324,833 | 0.80 |
| 4 Community Associations | 161,515.0 | 0.49 | 233,745 | 0.58 |
| 5 Community Associations | 72,725.0 | 0.22 | 228,529 | 0.56 |
| 6 Community Associations | 164,225.0 | 0.50 | 228,329 | 0.56 |
| 7 Community Associations | 150,593.0 | 0.45 | 225,500 | 0.56 |
| 8 Community Associations | 136,712.0 | 0.41 | 212,344 | 0.52 |
| 9 Community Associations | 140,787.0 | 0.43 | 210,743 | 0.52 |
| 10 Community Associations | 101,966.0 | 0.31 | 197,892 | 0.49 |
| Total Top Ten Domestic Customers | 1,417,745 | 4.29 | \$ 5,844,690 | 14.39 |
| Total All Domestic Customers | 33,121,265.0 | | \$ 40,630,242 | |

Fiscal Year Ended 2008^(1,2)

| Industry | Annual Consumption by Ccf ² | Percentage | Annual Revenues | Percentage |
|---|--|-------------|----------------------|-------------|
| 1 Engineering Services/Contractor | 88,020.0 | 0.16 | \$ 83,675 | 0.15 |
| 2 Education | 70,635.0 | 0.13 | 80,019 | 0.15 |
| 3 RV Resort | 32,714.0 | 0.06 | 72,240 | 0.13 |
| 4 Industrial Businesses | 27,992.0 | 0.05 | 55,493 | 0.10 |
| 5 RV Resort | 52,565.0 | 0.09 | 50,285 | 0.09 |
| 6 RV Resort | 39,586.0 | 0.07 | 43,828 | 0.08 |
| 7 Education | 30,320.0 | 0.05 | 43,574 | 0.08 |
| 8 RV Resort & Mobile Homes | 43,989.0 | 0.08 | 37,721 | 0.07 |
| 9 Mobile Homes | 95,045.0 | 0.17 | 37,446 | 0.07 |
| 10 RV Resort & Mobile Homes | 39,571.0 | 0.07 | 37,355 | 0.07 |
| Total Top Ten Domestic Customers | 520,437.0 | 0.93 | \$ 541,636 | 0.99 |
| Total All Domestic Customers | 55,501,269.0 | | \$ 54,920,688 | |

Ccf - hundred cubic feet

¹ FY 2008 is the earliest date data is available.

² In 2008 consumption and revenue was recognized by individual meter. In 2015 consumption and revenue was recognized by customer.

**Coachella Valley Water District
Top Ten Sanitation Customers
Current Year and Eight Years Ago**

| Fiscal Year Ended 2016 | | |
|---|------------------------|-------------------|
| Customer Name | Annual Revenues | Percentage |
| 1 Resort | \$ 131,418 | 0.34 |
| 2 Resort | 114,660 | 0.30 |
| 3 Mobile Homes | 89,670 | 0.23 |
| 4 Resort | 88,371 | 0.23 |
| 5 Mobile Homes | 85,260 | 0.22 |
| 6 Mobile Homes | 75,558 | 0.20 |
| 7 Mobile Homes | 74,676 | 0.19 |
| 8 Resort | 72,912 | 0.19 |
| 9 Resort | 72,733 | 0.19 |
| 10 Resort | 69,384 | 0.18 |
| Total Top Ten Sanitation Customers | \$ 874,642 | 2.27 |
| Total All Sanitation Customers | \$ 38,452,922 | |

| Fiscal Year Ended 2008 | | |
|---|------------------------|-------------------|
| Customer Name | Annual Revenues | Percentage |
| 1 Resort | \$ 117,753 | 0.32 |
| 2 Resort | 111,822 | 0.30 |
| 3 Country Club | 79,535 | 0.22 |
| 4 Mobile Homes | 75,110 | 0.20 |
| 5 Mobile Homes | 65,786 | 0.18 |
| 6 Mobile Homes | 56,980 | 0.15 |
| 7 Mobile Homes | 55,685 | 0.15 |
| 8 RV Resort | 47,969 | 0.13 |
| 9 Resort | 46,588 | 0.13 |
| Total Top Ten Sanitation Customers | \$ 657,228 | 1.78 |
| Total All Sanitation Customers | \$ 36,946,847 | |

FY 2008 is the earliest date data is available.

**Coachella Valley Water District
Top Ten Canal Customers
Current Year and Eight Years Ago**

Fiscal Year Ended 2016

| Customer Name | Annual Consumption | | Annual Revenues | |
|--------------------------------------|--------------------|--------------|----------------------|--------------|
| | by Af | Percentage | | Percentage |
| 1 CVWD Recharge | 37,338.0 | 11.05 | \$ 3,411,256 | 25.30 |
| 2 CVWD Recharge | 8,066.4 | 2.39 | 736,058 | 5.46 |
| 3 Agriculture | 3,939.8 | 1.17 | 137,715 | 1.02 |
| 4 Agriculture | 2,944.6 | 0.87 | 104,001 | 0.77 |
| 5 Agriculture | 2,481.2 | 0.73 | 88,445 | 0.66 |
| 6 Agriculture | 742.9 | 0.22 | 87,631 | 0.65 |
| 7 Country Club | 1,497.4 | 0.44 | 74,278 | 0.55 |
| 8 Agriculture | 1,889.2 | 0.56 | 71,297 | 0.53 |
| 9 Golf Club | 1,387.2 | 0.41 | 69,592 | 0.52 |
| 10 Agriculture | 1,902.9 | 0.56 | 68,754 | 0.51 |
| Total Top Ten Canal Customers | 62,189.6 | 18.40 | \$ 4,849,027 | 35.97 |
| Total All Canal Customers | 337,804.0 | | \$ 13,481,348 | |

Fiscal Year Ended 2008^(1,2)

| Customer Name | Annual Consumption | | Annual Revenues | |
|--------------------------------------|--------------------|--------------|----------------------|-------------|
| | by Af | Percentage | | Percentage |
| 1 Agriculture | 4,249.1 | 1.40 | \$ 71,267 | 0.66 |
| 2 Agriculture | 2,041.9 | 0.67 | 45,634 | 0.42 |
| 3 Country Club | 1,185.0 | 0.39 | 42,713 | 0.39 |
| 4 Agriculture | 1,862.2 | 0.62 | 42,136 | 0.39 |
| 5 Agriculture | 1,752.0 | 0.58 | 41,769 | 0.38 |
| 6 Industrial Business | 200.1 | 0.07 | 41,617 | 0.38 |
| 7 Agriculture | 2,970.3 | 0.98 | 40,718 | 0.38 |
| 8 Agriculture | 2,704.3 | 0.89 | 40,209 | 0.37 |
| 9 Agriculture | 4,624.0 | 1.53 | 39,135 | 0.36 |
| 10 Agriculture | 9,011.0 | 2.98 | 37,604 | 0.35 |
| Total Top Ten Canal Customers | 30,599.9 | 10.11 | \$ 442,802 | 4.08 |
| Total All Canal Customers | 302,745.3 | | \$ 10,856,327 | |

Af-Acre-feet

¹ FY 2008 is the earliest date data is available.

² In 2008 there were no recharge water sales.

**Rate Summary
Last Ten Fiscal Years**

| Funds | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Domestic Water ¹ | 0.72 | 0.82 | 0.94 | 1.03 | 1.12 | 1.12 | 1.12 | 1.12 | 1.12 | 1.12 |
| Sanitation ² | 20.00 | 21.50 | 22.50 | 22.50 | 24.50 | 24.50 | 24.50 | 24.50 | 24.50 | 24.50 |
| Canal ³ | 20.25 | 22.30 | 23.30 | 24.05 | 24.95 | 27.45 | 28.95 | 28.95 | 28.95 | 28.95 |
| West Whitewater Replenishment ⁴ | 83.34 | 91.67 | 93.78 | 102.45 | 102.45 | 107.57 | 107.57 | 110.26 | 110.26 | 112.00 |
| East Whitewater Replenishment ⁴ | 7.00 | 7.70 | 10.00 | 17.00 | 24.00 | 31.00 | 38.00 | 45.00 | 52.00 | 59.00 |
| Mission Creek Replenishment ⁴ | 65.78 | 72.36 | 79.60 | 87.56 | 89.75 | 98.73 | 98.73 | 98.73 | 98.73 | 112.00 |

Note: These rates represent the rates for the largest enterprise revenue sources of the District.

Footnote:

¹Domestic water rates are the consumption charge for tier 2 per hundred cubic feet (Ccf) for a household meter of 5/8" or 3/4" in the largest service area.

²Sanitation rates are the monthly service charges for a homeowner in the largest service area.

³Canal rates are the consumption charges per acre-foot which is equal to 325,850 gallons.

⁴Recharge rates are charged on a per acre-foot basis to all well owners who produce greater than 25 acre-feet per year.

**Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(\$000s)**

| | Certificates of Participation | Contracts Payable | General Obligation Bonds | Other Long Term Debt | Total | Percentage of Personal Income | Debt per Capita |
|------|----------------------------------|----------------------|--------------------------------|----------------------------|----------|-------------------------------------|--------------------|
| 2007 | \$7,600 | \$771 | \$10,980 | \$ | \$19,351 | 0.036 | 60.40 |
| 2008 | 6,390 | 674 | 10,105 | - | 17,169 | 0.029 | 51.88 |
| 2009 | 5,240 | 574 | 9,185 | - | 14,999 | 0.025 | 44.39 |
| 2010 | 4,025 | 472 | 8,225 | - | 12,722 | 0.020 | 37.25 |
| 2011 | 2,750 | 368 | - | - | 3,118 | 0.004 | 9.00 |
| 2012 | 1,410 | 288 | - | - | 1,698 | 0.002 | 4.83 |
| 2013 | - | 168 | - | - | 168 | 0.000 | 0.47 |
| 2014 | - | 96 | - | - | 96 | 0.000 | 0.26 |
| 2015 | - | 58 | - | - | 58 | 0.000 | 0.16 |
| 2016 | - | 34 | - | - | 34 | 0.000 | 0.09 |

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Coachella Valley Water District Direct and Overlapping Debt

| | |
|--------------------------------------|-------------------|
| 2015-16 Assessed Valuation: | \$ 56,982,193,035 |
| Redevelopment Incremental Valuation: | - |
| Adjusted Assessed Valuation | \$ 56,982,193,035 |

| | % Applicable ¹ | District's Share of Debt 6/30/16 |
|---|---------------------------|-------------------------------------|
| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | | |
| Desert Community College District | 79.641 | \$ 225,695,732 |
| Imperial Community College District | 0.286 | 209,972 |
| Coachella Valley Unified School District | 99.204 | 217,312,451 |
| Desert Sands Unified School District | 99.902 | 328,892,369 |
| Palm Springs Unified School District | 45.527 | 155,056,178 |
| Other School Districts | Various | 465,098 |
| Healthcare Districts | Various | 977,005 |
| TOTAL OVERLAPPING DEBT | | 928,608,805 |
| Coachella Valley Water District, I.D. No. 54 | 100.000 | - |
| Coachella Valley Water District, I.D. No. 55 | 100.000 | - |
| Coachella Valley Water District, I.D. No. 58 | 100.000 | - |
| Coachella Valley Water District, Assessment District No. 32 | 100.000 | - |
| Coachella Valley Water District, Assessment District No. 33 | 100.000 | 736,528 |
| Coachella Valley Water District, Assessment District No. 67 | 100.000 | 300,000 |
| Coachella Valley Water District, Assessment District No. 68 | 100.000 | 1,525,000 |
| Coachella Valley Water District, Assessment District No. 70 | 100.000 | 5,395,000 |
| Other 1915 Act Bonds (Estimate) | 100.000 | 78,827,870 |
| Community Facilities Districts | 100.000 | 85,087,000 |
| TOTAL DIRECT DEBT | | 171,871,398 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | 1,100,480,203 |

| | | |
|--|--------|------------------------|
| OVERLAPPING GENERAL FUND DEBT: | | |
| Riverside County General Fund Obligations | 23.79 | \$ 211,690,972 |
| Riverside County Pension Obligations | 23.79 | 72,445,308 |
| Riverside County Board of Education Certificates of Participation | 23.79 | 222,437 |
| Imperial County Certificates of Participation | 2.545 | 222,942 |
| Imperial County Pension Obligations Bonds | 2.545 | 1,061,392 |
| Imperial Community College District General Fund Obligations | 0.286 | 1,645 |
| Coachella Valley Unified School District Certificates of Participation | 99.205 | 41,194,461 |
| Desert Sands Unified School District Certificates of Participation | 99.902 | 55,725,336 |
| City of Cathedral City General Fund Obligations | 83.030 | 2,950,886 |
| City of Desert Hot Springs General Fund and Judgment Obligations | 2.331 | 259,207 |
| City of Indio General Fund Obligations | 99.827 | 19,695,867 |
| City of La Quinta General Fund Obligations | 99.997 | 1,849,945 |
| City of Palm Springs General Fund Obligations and Pension Obligations | 0.913 | 1,260,720 |
| City of Rancho Mirage General Fund Obligations | 98.487 | 3,949,329 |
| Desert Recreation and Park Certificates of Participation | 99.766 | 1,365,026 |
| TOTAL GROSS GENERAL FUND DEBT | | \$ 413,895,473 |
| Less: Riverside County self-supporting obligations | | 1,483,768 ² |
| TOTAL NET GENERAL FUND DEBT | | \$ 412,411,705 |

OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCIES): 1,091,987,824

| | |
|---------------------------|------------------|
| GROSS COMBINED TOTAL DEBT | \$ 2,606,363,500 |
| NET COMBINED TOTAL DEBT | \$ 2,604,879,732 |

¹Percentage of overlapping agency's assessed valuation located within boundaries of the district.

²Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

| | |
|--|-------|
| Ratios to 2014-2015 Assessed Valuation: | |
| Direct Debt | - |
| Total Direct and Overlapping Tax and Assessment Debt | 1.93% |

| | |
|--|-------|
| Ratios to Adjusted Assessed Valuation: | |
| Gross Combined Total Debt | 4.57% |
| Net Combined Total Debt | 4.57% |

Source: California Municipal Statistics

**Computation of Legal Debt Margin
Last Ten Fiscal Years
(\$000s)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total assessed value | \$ 57,138,070 | \$ 57,727,891 | \$ 54,457,911 | \$ 54,432,958 | \$ 51,138,094 | \$ 50,152,868 | \$ 48,714,783 | \$ 51,446,095 | \$ 54,254,424 | \$ 56,982,193 |
| Conversion percentage | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Adjusted assessed valuation | 14,284,518 | 14,431,973 | 13,614,478 | 13,608,240 | 12,784,524 | 12,538,217 | 12,178,696 | 12,861,524 | 13,563,606 | 14,245,548 |
| Debt limit percentage | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Legal debt limit | 2,142,678 | 2,164,796 | 2,042,172 | 2,041,236 | 1,917,679 | 1,880,733 | 1,826,804 | 1,929,229 | 2,034,541 | 2,136,832 |
| Outstanding bonds chargeable to | 10,980 | 10,105 | 9,185 | 8,225 | - | - | - | - | - | - |
| Less: Amount reserved for debt | 9,646 | 10,204 | 11,731 | 10,117 | - | - | - | - | - | - |
| Net applicable to limit: | 1,334 | (99) | (2,546) | (1,892) | - | - | - | - | - | - |
| Legal Debt Margin | \$ 2,141,344 | \$ 2,164,697 | \$ 2,039,626 | \$ 2,039,344 | \$ 1,917,679 | \$ 1,880,733 | \$ 1,826,804 | \$ 1,929,229 | \$ 2,034,541 | \$ 2,136,832 |

| | | | | | | | | | | |
|---|--------|--------|----------|----------|--------|--------|--------|--------|--------|--------|
| Total debt applicable to the limit as a percentage of debt limit | 0.0006 | 0.0000 | (0.0012) | (0.0009) | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
|---|--------|--------|----------|----------|--------|--------|--------|--------|--------|--------|

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above, reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective, to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: County of Riverside Assessor's Office

Coachella Valley Water District Demographic and Economic Statistics Riverside County Last Ten Calendar Years

| Calendar Year | Population ¹ | Personal Income (In Millions) ² | Per Capita Personal Income ³ | Median House Value ³ | Unemployment Rate ⁴ |
|---------------|-------------------------|--|---|---------------------------------|--------------------------------|
| 2006 | 2,026,803 | \$ 53,751 | \$ 26,520 | \$ 400,100 | 5.0% |
| 2007 | 2,088,322 | 60,141 | 28,799 | 302,981 | 7.0% |
| 2008 | 2,107,653 | 61,026 | 28,954 | 228,500 | 13.0% |
| 2009 | 2,139,535 | 64,504 | 30,148 | 223,500 | 15.3% |
| 2010 | 2,189,641 | 69,961 | 31,951 | 169,807 | 13.2% |
| 2011 | 2,239,620 | 69,800 | 32,841 | 178,744 | 13.0% |
| 2012 | 2,255,059 | 73,600 | 33,534 | 190,000 | 12.0% |
| 2013 | 2,279,967 | 76,300 | 34,142 | 237,457 | 8.6% |
| 2014 | 2,308,441 | 80,300 | 34,989 | 297,000 | 8.3% |
| 2015 | 2,317,924 | 82,700 | 24,739 | 312,700 | 7.3% |

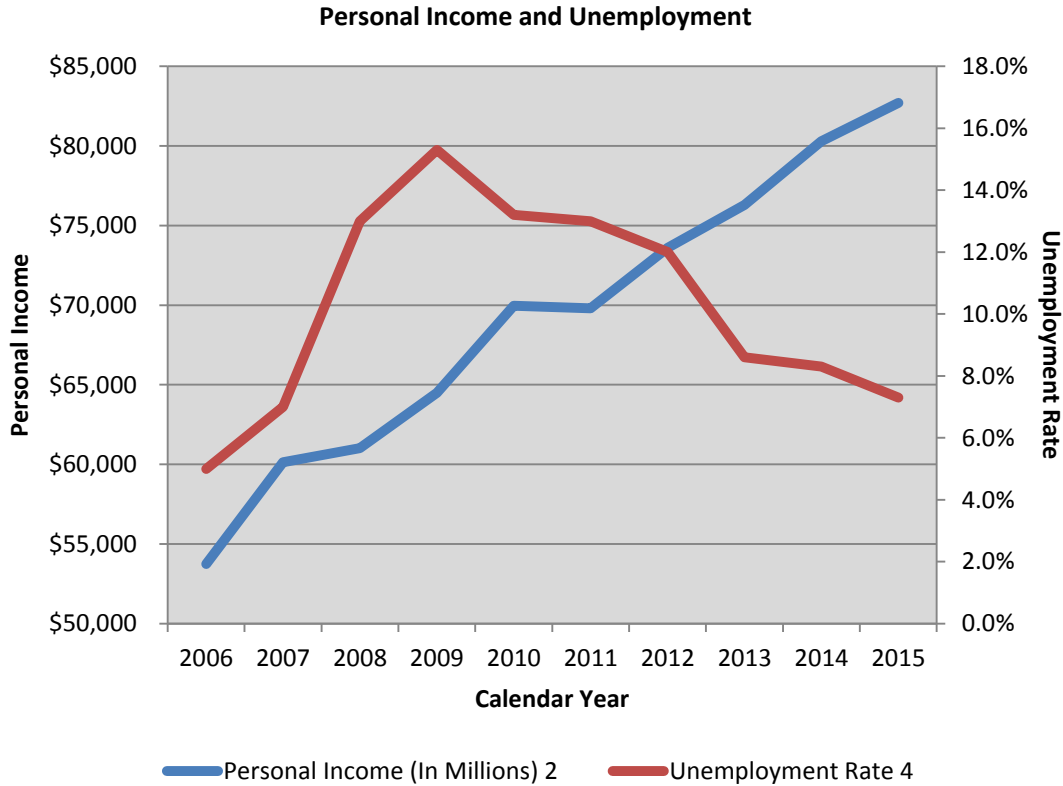
¹State of California, Department of Finance, Demographic Research Unit

E-4 Population Estimates for Cities, Counties and the State, 2011-2016 with Census counts, Sacramento, CA

²2016 California County Level Economic Forecast

³U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates

⁴U.S. Department of Labor, Bureau of Labor Statistics



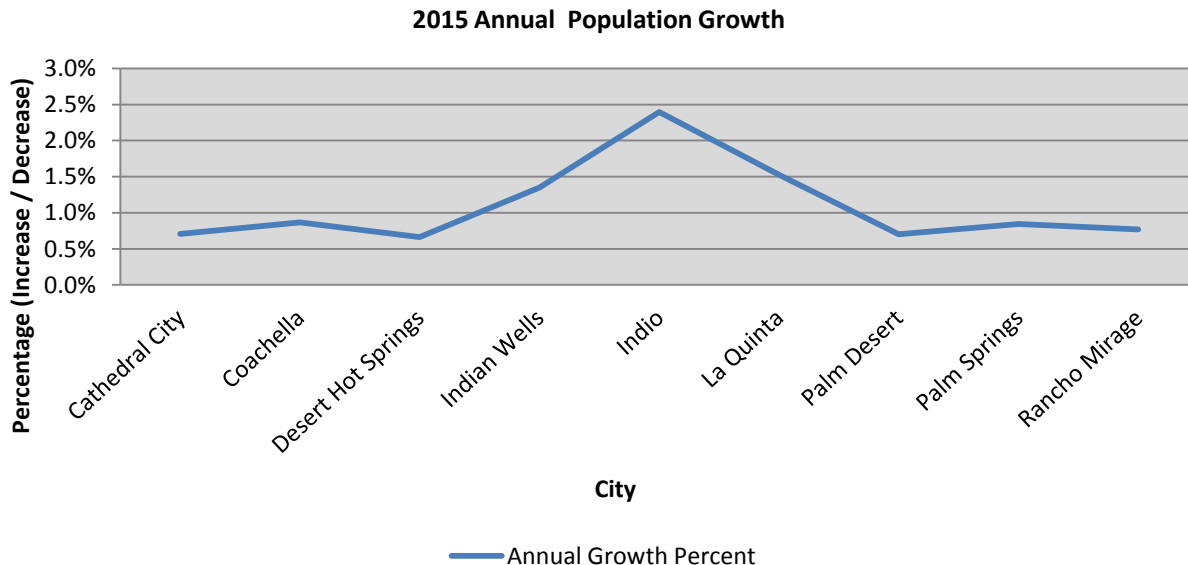
**Coachella Valley Water District
Demographic Statistics
Population of Major Cities in the Coachella Valley
Last Ten Calendar Years**

| Calendar Year | Cathedral City | Coachella | Desert Hot Springs | Indian Wells | Indio | La Quinta | Palm Desert | Palm Springs | Rancho Mirage | Total |
|-------------------|----------------|-----------|--------------------|--------------|--------|-----------|-------------|--------------|---------------|---------|
| 2006 ¹ | 50,017 | 33,964 | 22,805 | 4,746 | 66,670 | 33,987 | 47,270 | 44,308 | 16,592 | 320,359 |
| 2007 ¹ | 50,634 | 36,851 | 24,124 | 4,779 | 70,948 | 35,792 | 46,867 | 44,154 | 16,779 | 330,928 |
| 2008 ¹ | 50,401 | 38,521 | 25,115 | 4,826 | 74,007 | 36,744 | 47,453 | 44,026 | 16,815 | 337,908 |
| 2009 ¹ | 50,812 | 39,079 | 25,690 | 4,910 | 74,590 | 37,116 | 47,993 | 44,346 | 17,037 | 341,573 |
| 2010 ¹ | 51,200 | 40,704 | 25,938 | 4,958 | 76,036 | 37,467 | 48,445 | 44,552 | 17,218 | 346,518 |
| 2011 ² | 51,604 | 41,517 | 27,393 | 5,012 | 77,168 | 37,784 | 48,957 | 44,943 | 17,454 | 351,832 |
| 2012 ² | 52,485 | 42,426 | 27,973 | 5,103 | 79,185 | 38,100 | 48,924 | 45,326 | 17,583 | 357,105 |
| 2013 ² | 53,163 | 43,676 | 28,385 | 5,199 | 83,450 | 38,156 | 48,282 | 45,465 | 17,685 | 363,461 |
| 2014 ² | 53,480 | 44,614 | 28,605 | 5,265 | 84,655 | 38,720 | 48,494 | 45,818 | 17,783 | 367,434 |
| 2015 ² | 53,859 | 45,001 | 28,794 | 5,336 | 86,683 | 39,311 | 48,835 | 46,204 | 17,920 | 371,943 |

| | | | | | | | | | | |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Annual Growth Percent | 0.71% | 0.87% | 0.66% | 1.35% | 2.40% | 1.53% | 0.70% | 0.84% | 0.77% | 1.23% |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

¹State of California, Department of Finance, Demographic Research Unit
E-4 Population Estimates for Cities, Counties and the State, 2001-2010 with Census counts, Sacramento, CA

²State of California, Department of Finance, Demographic Research Unit
E-4 Population Estimates for Cities, Counties and the State, 2011-2016 with Census counts, Sacramento, CA



**Principal Employers in the Coachella Valley
Current Year ¹ and Ten Years Ago**

| Employer | FY 2007 | | | Current Year ¹ | | |
|--|---------------------|------|------------------------------|---------------------------|------|------------------------------|
| | Number of Employees | Rank | % of Total County Employment | Number of Employees | Rank | % of Total County Employment |
| Desert Sands Unified School District | 1,017 | 5 | 0.001 | 4,202 | 1 | 0.004 |
| Eisenhower Medical Center | - | | - | 3,365 | 2 | 0.003 |
| JW Marriot Desert Springs Resort | 1,300 | 4 | 0.002 | 2,304 | 3 | 0.002 |
| Palm Springs Unified School District | 1,998 | 1 | 0.002 | 2,243 | 4 | 0.002 |
| Coachella Valley Unified School District | - | | - | 2,209 | 5 | 0.002 |
| Aqua Caliente Band of Cahuilla Indians | 700 | 6 | 0.001 | 2,152 | 6 | 0.002 |
| Desert Regional Medical Center | 1,500 | 3 | 0.002 | 1,906 | 7 | 0.002 |
| La Quinta Resort and Club | 1,600 | 2 | 0.002 | 1,233 | 8 | 0.001 |
| Fantasy Springs Resort Casino | - | | - | 1,100 | 9 | 0.001 |
| JFK Memorial Hospital | 270 | 8 | 0.000 | - | - | - |
| Desert Sun Publishing | 400 | 7 | 0.000 | - | - | - |
| Total | 8,785 | | 0.010 | 20,714 | | 0.019 |

Footnote:

¹ Data for most current year available

Source: County of Riverside Economic Development Agency; Annual Financial Reports for: City of Indio, City of Palm Springs, City of Palm Desert & city of La Quinta (FY 2007)

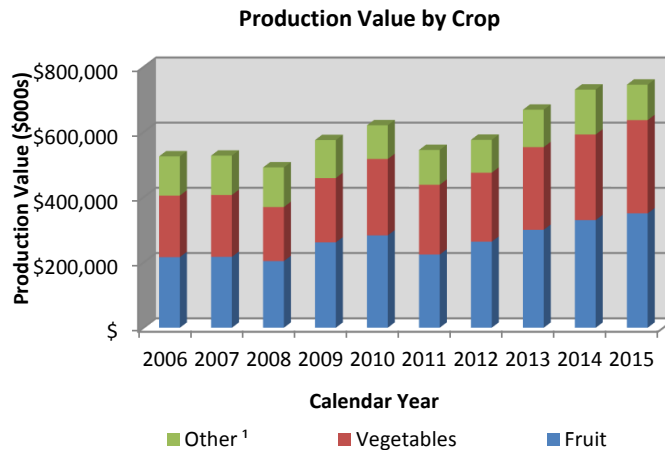
Coachella Valley Water District Farm Production by Crop Last Ten Calendar Years

| Calendar Year | Fruit | | | Vegetables | | | Other ¹ | | | Total | |
|---------------|---------------------------|---------|--------------|---------------------------|---------|--------------|---------------------------|---------|--------------|----------------------|---------------|
| | Production Value (\$000s) | Acreage | Yield (Tons) | Production Value (\$000s) | Acreage | Yield (Tons) | Production Value (\$000s) | Acreage | Yield (Tons) | Total Value (\$000s) | Total Acreage |
| 2006 | \$216,400 | 27,942 | 247,451 | \$188,691 | 22,154 | 265,250 | \$120,377 | 11,146 | 12,190 | \$525,468 | 61,242 |
| 2007 | 217,189 | 26,512 | 202,338 | 189,743 | 24,163 | 276,748 | 120,780 | 14,217 | 10,544 | 527,611 | 64,892 |
| 2008 | 204,200 | 26,078 | 163,021 | 165,664 | 24,263 | 298,383 | 121,653 | 11,210 | 587,513 | 491,517 | 61,551 |
| 2009 | 261,559 | 25,485 | 216,236 | 197,152 | 22,957 | 230,290 | 116,724 | 10,552 | 540,739 | 575,435 | 58,994 |
| 2010 | 283,039 | 25,548 | 176,119 | 234,346 | 26,024 | 452,412 | 103,534 | 11,026 | 603,614 | 620,918 | 62,598 |
| 2011 | 224,342 | 25,926 | 182,684 | 213,904 | 25,906 | 394,841 | 106,735 | 11,077 | 827,422 | 544,981 | 62,909 |
| 2012 | 263,806 | 23,657 | 199,417 | 211,400 | 27,165 | 412,258 | 101,071 | 12,615 | 1,128,039 | 576,277 | 63,437 |
| 2013 | 299,959 | 24,477 | 230,630 | 253,905 | 26,764 | 547,706 | 114,881 | 12,004 | 750,857 | 668,745 | 63,245 |
| 2014 | 329,914 | 24,367 | 214,602 | 262,618 | 26,510 | 659,768 | 137,955 | 12,104 | 789,976 | 730,487 | 62,981 |
| 2015 | 350,538 | 23,417 | 207,588 | 286,348 | 26,332 | 554,724 | 108,769 | 12,218 | 797,316 | 745,655 | 61,967 |

Footnote:

¹ Includes forage crops, cereal crops, nurseries, fish farms, golf courses, and turf farms.

Source: Coachella Valley Water District Annual Review



**Operating Indicators by Function
Last Ten Calendar Years**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Domestic water | | | | | | | | | | |
| Population served | 274,650 | 279,717 | 282,426 | 283,529 | 286,192 | 286,240 | 303,846 | 304,701 | 318,217 | 318,217 |
| Total well capacity (Mgd) | 252 | 243 | 253 | 253 | 244 | 249 | 245 | 240 | 240 | 231 |
| Active meters | 101,280 | 104,122 | 105,774 | 106,399 | 107,002 | 107,349 | 107,544 | 108,050 | 108,599 | 109,167 |
| Average daily demand (Mgd) | 118.0 | 118.0 | 112.0 | 103.0 | 94.0 | 91.8 | 92.1 | 92.4 | 90.4 | 74.9 |
| Total water delivered (Af) | 131,994 | 131,605 | 125,283 | 114,911 | 105,001 | 102,805 | 103,429 | 103,552 | 101,302 | 83,869 |
| Irrigation water | | | | | | | | | | |
| Total irrigable acres | 78,530 | 78,530 | 78,530 | 78,530 | 78,530 | 78,530 | 66,227 | 75,144 | 76,354 | 76,456 |
| Active accounts | 1,113 | 1,114 | 1,109 | 1,082 | 1,120 | 1,145 | 1,145 | 1,224 | 1,224 | 1,190 |
| Total water delivered (Af) | 245,896 | 257,548 | 263,763 | 269,243 | 251,249 | 265,270 | 278,398 | 274,399 | 334,638 | 327,010 |
| Average daily demand (Af) | 674 | 706 | 723 | 738 | 688 | 727 | 777 | 760 | 917 | 903 |
| Wastewater collection | | | | | | | | | | |
| Population served | 252,365 | 257,340 | 265,337 | 267,260 | 266,823 | 260,700 | 264,316 | 270,686 | 272,357 | 272,982 |
| Active accounts | 95,232 | 97,479 | 100,127 | 100,853 | 100,688 | 91,673 | 90,344 | 92,774 | 93,797 | 93,969 |
| Average daily flow (Mgd) | 18.3 | 18.3 | 18.3 | 17.3 | 17.1 | 17.8 | 18.3 | 17.5 | 17.2 | 17.0 |
| Nonpotable water | | | | | | | | | | |
| Active accounts | 16 | 16 | 16 | 16 | 16 | 16 | 17 | 18 | 19 | 21 |
| Recycled Water Delivered (AF) | N/A | 7,580 | 7,157 | 5,959 | 7,510 | 7,848 | 8,170 | 9,092 | 9,624 | 9,505 |

Af - Acre-feet

Mgd - Million gallons per day

N/A - Not available

**Source: Coachella Valley Water District Annual Review

Coachella Valley Water District
Full-time Equivalent Employees
by Department
Last Ten Fiscal Years (Actual)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------------------|--------------|--------------|------------|------------|------------|------------|------------|--------------|--------------|------------|
| Administration ¹ | 40 | 39 | 36 | 37 | 33 | 35 | 36 | 36 | 37 | 41 |
| Engineering | 75 | 76 | 68 | 57 | 65 | 66 | 69 | 44 | 44 | 42 |
| Environmental ² | - | - | - | - | - | - | - | 24 | 25 | 27 |
| Finance | 48 | 48 | 42 | 36 | 25 | 27 | 25 | 26.5 | 26.5 | 28 |
| Human Resources & Risk Management | 12 | 11 | 11 | 11 | 11 | 11 | 8 | 9 | 9 | 9 |
| Information Systems ^{3,4} | - | - | - | - | - | - | - | 13 | 13 | 14 |
| Operations | 166 | 166 | 153 | 130 | 142 | 142 | 146 | 150 | 150 | 153 |
| Service ¹ | 94.5 | 93.5 | 88 | 93 | 87 | 91 | 94 | 79 | 82 | 84 |
| Trades and Support | 132 | 134 | 132 | 120 | 111 | 121 | 121 | 123 | 124 | 121 |
| Total | 567.5 | 567.5 | 530 | 484 | 474 | 493 | 499 | 504.5 | 510.5 | 519 |

Footnotes:

¹ Conservation was established as a part of the Communication Department during FY 2014 - Previously included in Service - Now included in General Manager / Administration.

² Environmental Services established as a separate department in FY 2014 - Previously included in Engineering.

³ Information Systems established as a separate department in FY 2014 - Previously included in General Manager / Administration.

⁴ Geographic Information Systems established as a part of Information Systems during FY 2014 - Previously included in Engineering.

**Capital Asset Statistics by Function
Last Ten Calendar Years**

| | Unit of Measure | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|-----------------|---------|--------|--------|--------|---------|---------|---------|--------|--------|--------|
| Domestic water | | | | | | | | | | | |
| Active wells | | 114 | 115 | 104 | 104 | 102 | 102 | 100 | 96 | 96 | 92 |
| Distribution reservoirs | | 59 | 59 | 5 | 58 | 58 | 59 | 59 | 60 | 61 | 61 |
| Storage capacity | Mg | 120 | 120 | 120 | 132 | 132 | 134 | 134 | 135 | 135 | 135 |
| Distribution piping systems | Miles | 2,064 | 1,884 | 1,965 | 1,978 | 1,978 | 1,986 | 1,986 | 1,993 | 1,996 | 1,993 |
| Canal water | | | | | | | | | | | |
| Reservoirs | | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Storage capacity | Af | 1,301 | 1,301 | 1,301 | 1,301 | 1,301 | 1,301 | 1,301 | 1,301 | 1,301 | 1,301 |
| Distribution system | Miles | 485 | 485 | 485 | 485 | 485 | 485 | 485 | 485 | 485 | 485 |
| Pumping plants | | 19 | 19 | 19 | 20 | 17 | 17 | 16 | 16 | 16 | 16 |
| Length of canal | Miles | 122 | 122 | 122 | 122 | 122 | 123 | 123 | 123 | 123 | 123 |
| Agriculture drainage | | | | | | | | | | | |
| District open drains | Miles | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| District pipe drains | Miles | 166 | 166 | 166 | 166 | 166 | 166 | 166 | 166 | 166 | 166 |
| On farm drains | Miles | 2,305 | 2,298 | 2,298 | 2,298 | 2,298 | 2,298 | 2,298 | 2,298 | 2,298 | 2,298 |
| Stormwater protection | | | | | | | | | | | |
| Number of channels | | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Length of Whitewater River channel | Miles | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 |
| Length of all channels | Miles | 134 | 134 | 134 | 134 | 134 | 134 | 134 | 134 | 134 | 134 |
| Wastewater collection | | | | | | | | | | | |
| Reclamation plants | | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Total daily plant capacity | Mgd | 31 | 31 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| Collection piping system | Miles | 1,101 | 1,078 | 1,079 | 1,079 | 1,083 | 1,086 | 1,088 | 1,095 | 1,129 | 1,129 |
| Recycled water | | | | | | | | | | | |
| Plants producing recycled water | | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total daily capacity | Mgd | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Distribution piping systems | Miles | 15 | 15 | 15 | 15 | 15 | 16 | 27 | 27 | 30 | 30 |
| Groundwater management | | | | | | | | | | | |
| Recharge facilities | | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 |
| Recharge from imported water | Af | 121,508 | 22,795 | 15,984 | 82,849 | 298,941 | 290,869 | 313,389 | 64,190 | 43,912 | 38,298 |

Mgd - Million gallons per day

Mg - Million gallons

Af - Acre-feet

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