COACHELLA VALLEY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

Palm Desert, California

Coachella Valley Water District

Palm Desert, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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GENERAL MANAGER
Jim Barrett

ASSISTANT GENERAL MANAGER
Robert Cheng

December 20, 2017

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, 2017. 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, 2017 are free of material 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, 2017, 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 was formed in 1918 to protect and conserve local water sources. CVWD is a special district 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 has grown into a multi-faceted agency that delivers irrigation and domestic (drinking) water, collects and recycles wastewater, provides regional stormwater protection and flood control, replenishes the groundwater basin, provides agricultural drainage and promotes water conservation. 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 population served is approximately 290,000.

Governance

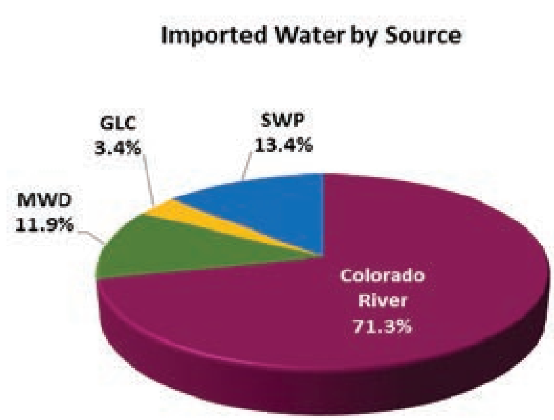
CVWD is governed by a five-member Board of Directors elected to four-year terms by District voters. Each director lives in and represents one of five directorial divisions in the District, and is elected by voters who also live in that division. Terms of office are staggered and elections are held every 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, the California Department of Public Health 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.



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 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 301,000 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

Governor Jerry Brown lifted the drought-related state conservation mandates in 2017. Therefore, actual water use was 9.1% higher in fiscal 2017. In order to eliminate overdraft of the aquifer, water-wise conservation will continue to be necessary for the Coachella Valley. Overall, the District's customers achieved a 26.8% reduction in calendar year 2016 compared to calendar year 2013.

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 108,000 accounts, representing population served of over 290,000.

Drinking water, also known as domestic water, comes from the Coachella Valley's vast aquifer. Groundwater, pumped from the District's 94 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 2017 averaged 72.2 million gallons, which is equal to 80,835 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, 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 (MCL) for chromium-6 (Cr-6) to 10 parts per billion. The Cr-6 construction has been put on hold due to research on new treatment options and the State failing to prove in court that they had met the affordability burden when they set the MCL. The State has two years to prepare a new MCL. As shown in the adjacent photo, CVWD is now testing a promising alternative treatment technology to reduce Cr-6 using stannous chloride.

Domestic Water Rates

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.

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.

As illustrated in the table on the following page, 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.

Canal Water Fund

The District has over 1,200 irrigation accounts and provides water to irrigate more than 76,000 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 2017, crop values totaled more than $816.1 million.

In 1934, CVWD entered into a contract with the United States Bureau of Reclamation (Reclamation) 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 a 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.

Canal Water Rates

Canal Water Service Charges are condensed into two types of customers: Class 1, Agriculture, and Class 2, Non-agriculture. Class 1 customers are designated as having a historical priority access to the District's Colorado River water rights (301,000 acre fee (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.

Water Supply Surcharges fund the cost of QSA water purchases and is collected only from Class 2 and Temporary Construction Meter customers.

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

The table below shows the five-year history of canal rates for the District.

Canal Five-Year Rate History

Service	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Water, per acre-foot, Class 1: Agriculture	28.95	28.95	28.95	33.48	34.32
Water, per acre-foot, Class 2: Nonagriculture (1)	42.15	42.15	42.15	33.48	34.32
Water, per acre-foot, Class 3: Nonagriculture (1,2)	86.25	86.25	86.25	n/a	n/a
Water, per acre-foot, Temporary Construction Meters (1)	140.00	140.00	140.00	45.15	47.41
Water Supply Surcharge	-	-	-	32.51	67.80
Quagga Mussel Surcharge, per acre-foot	5.00	5.00	5.00	2.65	2.78
Gate Charge, per day	11.50	11.50	11.50	n/a	n/a
Gate Charge - Scheduled, per visit	-	-	-	16.25	16.66
Gate Charge - Unscheduled, per visit	-	-	-	32.51	33.32
Outside ID 1 Surcharge ($/acre/month)	-	-	-	3.69	3.69

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

(2) Class 2 & Class 3 customers consolidated into a single Class 2

Sanitation Fund

CVWD began wastewater collection and treatment services in 1968. The Sanitation Fund provides sanitation (sewer) service to more than 94,000 accounts, serving an estimated population of 248,000. 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 six billion gallons of wastewater annually and recycles more than two billion gallons of wastewater each year. 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.

Sanitation Fund Rates

The District completed a Cost of Service Study (COSS, Study) in fiscal 2017. The COSS resulted in a major restructuring of the rates for Sanitation customers, which will be implemented on January 1, 2018. The industry standard, as promulgated by Water Education Foundation's Manual No. 27, is to group customers with similar system needs into customer classes. Rates are then developed for each customer class, with each individual customer paying the customer class' average allocated cost of service for each unit of specific usage.

Currently, sewer service and rates are divided into several customer classes: residential, RV/Trailer Park, Public Agency, Hotel/Motel, Business, and Commercial. In addition, rates are divided by three separate service areas: These areas will be consolidated into one service area on January 1, 2018.

Monthly Sewer Rates Effective January 1, 2018

Customer Class	Account Charge	Service Charge per ESU
Residential	1.58	23.04
RV/Trailer Parks	3.98	23.04
Nonresidential	3.98	23.04

Business and Commercial Sanitation Service Charge

Rate Area	Description	Rate per Ccf
Service Area 80	Most areas within the cities of Cathedral City, Palm Desert, Indian Wells, and Rancho Mirage	1.07
Service Areas 58 & 81	North of I-10 from Thousand Palms to Indio	1.20
Service Areas 50 & 82	North Shore Beach	1.43
Service Areas 51 & 82	Bombay Beach	1.41
Service Areas 55 & 82	Cities of La Quinta and Mecca	1.23

Business and Commercial customers who have separate indoor and outdoor water meters are charged for sewer services based on indoor water usage. There is a minimum charge equal to one residential rate EDU.

Residential, Hotel/Motel, Public Agency, RV/Trailer Park Monthly Sanitation Service

Rate Area	Description	Flat Rate per EDU
Service Area 80	Most areas within the cities of Cathedral City, Palm Desert, Indian Wells, and Rancho Mirage	24.50
Service Areas 58 & 81	North of I-10 from Thousand Palms to Indio	27.65
Service Areas 50 & 82	North Shore Beach	32.40
Service Areas 51 & 82	Bombay Beach	31.85
Service Areas 55 & 82	Cities of La Quinta and Mecca	29.05

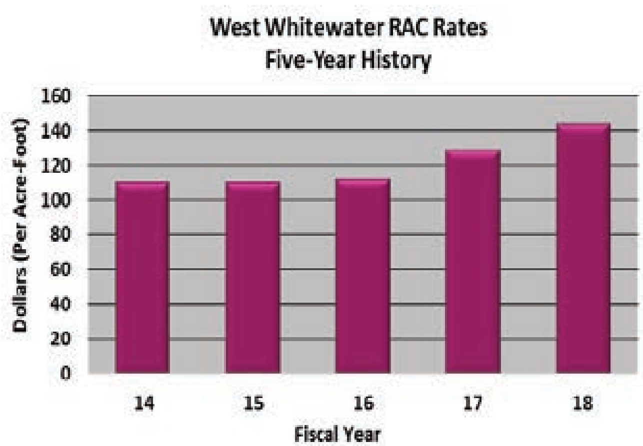
Residential Customers are charged for sewer service per EDU. The typical home is considered 1 EDU. Hotels/Motels, Public Agencies, and RV/Trailer Parks are charge based on the number of EDUs multiplied by the rate. Schools are charged based on the number of pupils.

Groundwater Replenishment Funds

CVWD oversees three active groundwater replenishment facilities and percolates imported water back into the aquifer to help alleviate groundwater overdraft. In 2016, 73,194 acre-feet (af) were replenished from imported water. Water imported since 1973 totals 3.4 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.

West Whitewater Replenishment Fund

In 1973, CVWD and Desert Water Agency, began using the State Water Project entitlement to replenish the western Coachella Valley's aquifer at the Whitewater spreading area, northwest of Palm Springs. To date, CVWD has replenished approximately 2.9 million acre-feet of water in the West Whitewater River Subbasin Area of Benefit (AOB). The amount of water replenished varies year-to-year. This is due in part to the 1984 Advance Delivery Agreement between CVWD, DWA and Metropolitan Water District (MWD), whereby the District will allow MWD to predeliver up to 800,000 af of water in the Whitewater River Subbasin.



In years where an advanced delivery balance exists, MWD may deliver less than CVWD's State Water Project allocations to the Coachella Valley and instead draw down the advanced delivery account. However the account can never go below zero. The agreement allows MWD to store Colorado River water in the Whitewater River Basin in wet years on the Colorado River. The table above shows the five-year history of the replenishment assessment charges (RAC) in the West Whitewater Replenishment Fund.

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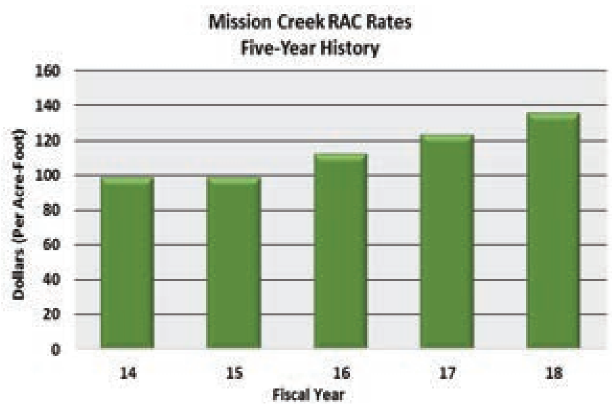
Mission Creek Replenishment Fund

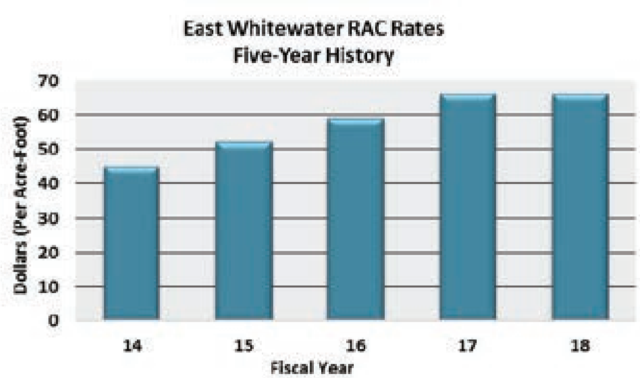
The Mission Creek Subbasin Area of Benefit (AOB) is bound on the south by the Banning fault and on the north and east by the Mission Creek fault. This subbasin relies on the same imported SWP exchange water source as does the West Whitewater River Subbasin AOB. CVWD and DWA began constructing facilities to replenish the Mission Creek subbasin in 2001, and completed them in 2002. In 2003, recognizing that management of the Mission Creek Subbasin extended across agency boundaries, CVWD and DWA entered into the Mission Creek Groundwater Replenishment Agreement. This agreement recognizes the need to operate the subbasin as a complete unit rather than as individual segments delineated by agency boundaries.



To date, CVWD has replenished more than 150,300 af in the Mission Creek Subbasin AOB. There were minimal deliveries to the Mission Creek Replenishment facility in 2015 and 2016. Deliveries to the Mission Creek Replenishment facility were temporarily reduced to allow for the balancing of production and replenishment. The table above shows the five-year history of the RAC in the Mission Creek Replenishment Fund.

East Whitewater Replenishment Fund

The Eastern boundary of the East Whitewater River Subbasin is formed primarily by the watershed of the Mecca Hills and by the Northwest shoreline of the Salton Sea, running between the Santa Rosa Mountains and Mortmar. The southern boundary roughly coincides with the Riverside/Imperial County line. The west boundary runs from Point Happy in La Quinta, to Indio Hills and the San Andreas Fault.



Groundwater replenishment in the east valley began in 1997, using pilot groundwater replenishment facilities at Martinez Canyon and Dike 4. The Thomas E. Levy Groundwater Replenishment facility (TEL) became operational in 2009. A loan from the Domestic Water Fund was used to pay for the cost of the new facility. The East Whitewater Replenishment Fund repayment scheduled for the TEL facility will be accelerated in fiscal 2018 from its original 2028 repayment date to 2021.

To date, CVWD has replenished more than 308,700 af of water in this subbasin. The water is supplied from the Colorado River via the Coachella Branch of the All American Canal. The table above shows the five-year history of the RAC in the East Whitewater Replenishment Fund.

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, land acquisition is expected to occur this year for 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. The West Salton Sea Stormwater Master Plan is scheduled to be completed in fiscal 2018.

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 2017, 55 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 a high school for grass irrigation, water landscapes, athletic fields, and fill lakes. In 2016, the nonpotable system delivered 40,919 acre-feet of nonpotable water, an increase of 8.5% over 2015.

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 is expecting a growth rate slightly higher than that at the national level, currently at 2.6%. The Palm Springs iHub has attracted 57 entrepreneur-driven businesses to the Coachella Valley in the last five years. These companies have been granted twenty patents and raised over $20 million in equity investments.

Tourism and Golf

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. The report highlighted the economic impact of the growth of major events in the Coachella Valley such as Desert Trip, Modernism Week, the Palm Springs International Film Festival, the Coachella Valley Music and Arts Festival, the Stagecoach Country Music Festival, and the BNP Paribas Open tennis tournament.

As per members of the Coachella Valley Water District Golf Industry Water Conservation Task Force, the Coachella Valley is home to more than 120 golf courses, which is 14 percent of Southern California's golf stock, making it the most golf-centric region in the nation. The industry directly employees 8,000 local residents and indirectly employees roughly 14,000, making it about half the size of the local leisure and hospitality sector. It generates $1.1 billion in direct economic activity, remits $833 million in state/local taxes, and accounts for 11.4 percent of all taxable sales. For each directly generated dollar, golf generates an additional 55 cents in ancillary services.

Employment

According to the Coachella Valley Economic Partnership's 2017 Economic Report, California's unemployment rate will settle near a pre-recession level of 4.4%. However, the Inland Empire is lagging behind slightly at 4.8%, after removing seasonal fluctuations. Economists forecast employment growth of close to 1.0% coinciding with a decrease in national unemployment, which forecast rates to be down to 4.1% in fiscal 2018.

Crop Production

Crop production for calendar year 2016 exceeded $816.1 million, according to the CVWD annual crop report. Gross farmed acreage increased 8.9% over the prior year. 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

The housing market in the Coachella Valley continues to improve, and has shown strong gains so far in 2017. Home sales are up 12.4% from a year ago. The median price paid for homes sold in October 2017 was $320,000, a 6.6% increase from $300,000 in October 2016.

Housing starts have not taken off nationwide, rather they decreased another 14% from last fall, remaining 45% below the housing bubble peak in early 2006. This is one of the remaining mysteries of the "Not So Great Recovery". Regional economists forecast that housing starts will increase significantly in 2018, by over 6% for the U.S. and slightly higher for California. For Riverside County as a whole, housing starts are expected to increase by more than 12%.

Fiscal 2018 Strategic Initiatives

The Board of Directors adopted its fourth annual strategic plan in June 2017. Twenty-three initiatives, or project plans, have been targeted for completion in fiscal 2018. The initiatives are a result of a strategic planning workshop with Board members and District staff.

The Strategic Plan 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. More information can be found in the 2017-18 budget document located on the District's website.

Fiscal 2017 Highlights and Accomplishments

- ***Goal 1: Employee/Workforce Development***
    - Implemented a pay-for-performance compensation program
    - Implemented a leadership development program
    - Conducted an employee-needs survey
    - Implemented monthly interdepartmental tailgate meetings
    - Received the American Heart Association "Fit Friendly" Workplace Designation – Gold Level

- ***Goal 2: Financial Stability***
    - Completed cost of service study for Sanitation and Nonpotable
    - Completed Phase I Executime implementation
    - Received the FY17 Government Finance Officers Association (GFOA) Distinguished Budget Award
    - Received the FY16 GFOA Certificate of Achievement in Financial Excellence
    - Created procedure manual for Planet Bids

- ***Goal 3: Water Supply Sustainability***
    - Performed quality control evaluation of data used for water budgets
    - Increased public awareness of State Water Project's importance in the Coachella Valley
    - Tested a cross-connection program for Canal water use
    - Evaluated direct replenishment projects located in the Mid-Valley & East Coachella Valley

- ***Goal 4: Exceptional Customer Service***
    - Improved communication with Spanish-speaking customers
    - Obtained more customer feedback through ad hoc focus groups
    - Replaced existing payment portal with more user-friendly customer self-service payment system
    - Improved delinquency process, which resulted in 42% fewer delinquency letters being sent in the second half of fiscal 2017

- ***Goal 5: Water Quality and Environmental Leadership***
    - Completed & submitted the Garfield Street Constructed Habitat Project Work Plan
    - Developed long-term safe drinking water quality master plan
    - Obtained state approval for chromium-6 water treatment compliance plans

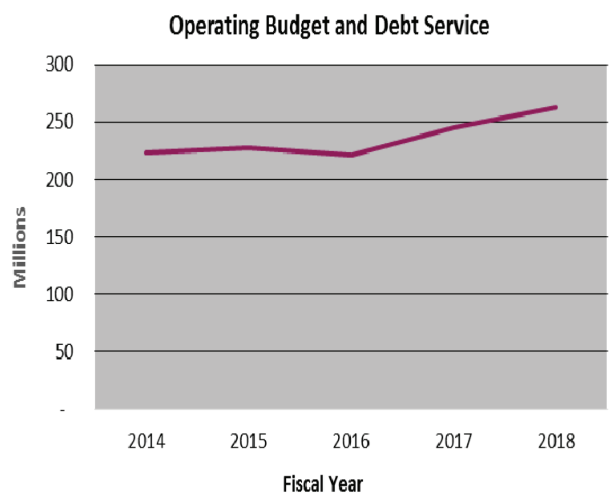
- ***Goal 6: Infrastructure Investment and Management***
    - Continued implementation of the Asset Management Program
    - Completed construction of the Corrosion Protection System Project
    - Hired a GIS mapping consultant for stormwater and irrigation facilities
    - Coordinated completion of video inspection work on gravity lines near US waterways
    - Coordinated decommissioning of Water Reclamation Plant (WRP) 9
    - Coordinated completion of chlorination equipment upgrade at WRP 7 & WRP 10
    - Coordinated biosolids upgrade project at WRP 7
    - Implemented a Laboratory Information Management System upgrade
    - The District spent $58.4 million on 161 capital improvements in various stages of construction and $29.5 on capital assets such as land, building and plant, fleet purchases, equipment, and infrastructure

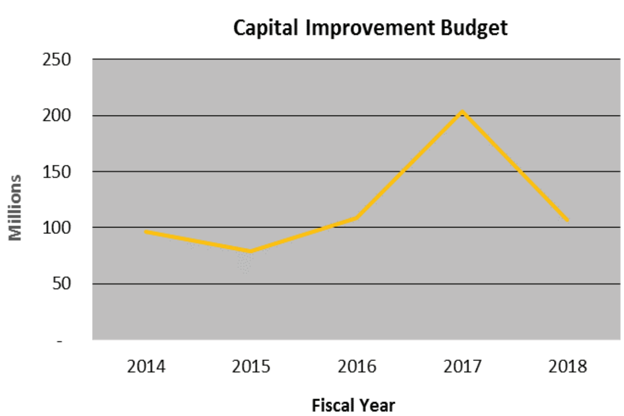
Fiscal 2018 Financial Plan - Operating and Capital Improvement Budgets

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 five years. Increases reflect costs associated with water purchases, energy, salaries and benefits, and increases in supplies, services and debt service.

The adopted fiscal 2018 operating budget increased to $263.1 million from $245.7 million in fiscal 2017, or 7.1%. The primary drivers for the increase were water purchases and accelerated debt service payments. Over $90.8 million is appropriated for the purchase of water, an increase of $5.2 million as compared with fiscal 2017. Interfund debt service increased by $7.5 million. The East Whitewater Replenishment Fund is increasing the loan payment to the Domestic Water Fund due to projected excess reserves.





The Board also approves an annual capital improvement budget based on new and replacement infrastructure needs of the District. The adjacent graph reflects actual capital improvement spending from fiscal 2014 through fiscal 2017 and the adopted budget of $106.9 million for fiscal 2018. This includes funding for a variety of projects and vehicle and equipment replacements.

Staff

The District budgets approximately 548 staff members who are responsible for daily operations and implementing strategic initiatives and policies set forth by the Board of Directors.

Challenges Facing the District

The District currently faces several challenges including water supply constraints; a lawsuit by the Agua Caliente Band of Cahuilla Indians seeking groundwater rights; and the need for significant investment in infrastructure.

Agua Caliente Lawsuit

The Agua Caliente Band of Cahuilla Indians filed a lawsuit on May 14, 2013 against Coachella Valley Water District and Desert Water Agency seeking to take away the public's water use rights and prevent the agencies from delivering water to their customers. On July 5, 2017, CVWD and DWA filed petitions with the U.S. Supreme Court asking them to review the case. On August 7, 2017, three amicus briefs were filed that supported the water agencies. The United States Supreme Court announced on November 27, 2017 it will not review a court decision in the lawsuit that the Agua Caliente Tribe filed against CVWD and DWA. The decision from the Ninth Circuit Court of Appeals, granting superior rights to groundwater to the Tribe will remain in effect as the District Court hears briefings on Phases 2 and 3 of the lawsuit which deal with pore space, storage within the aquifer, replenishment water and the methodology to be used in quantifying Native American groundwater rights.

Colorado River Basin

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 30 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 15-year period of inflow in over 100 years of record keeping. During this same 17-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 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 2018 is to begin implementing the Nonpotable Water Master Plan.

Investment in Infrastructure

Although most of the domestic water system is relatively new, ongoing repairs and replacement projects are required, with $40.0 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 $14.6 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 $15.7 million and include $8.0 million for the North Indio Flood Control System and $3.0 million for the Wasteways Channel Improvements.

Sanitation projects amount to $19.7 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 disadvantaged communities in the eastern Coachella Valley.

In fiscal 2018, 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 awarded a Certificate of Achievement for Excellence in Financial Reporting to the Coachella Valley Water District, for the fiscal year ended June 30, 2016. 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

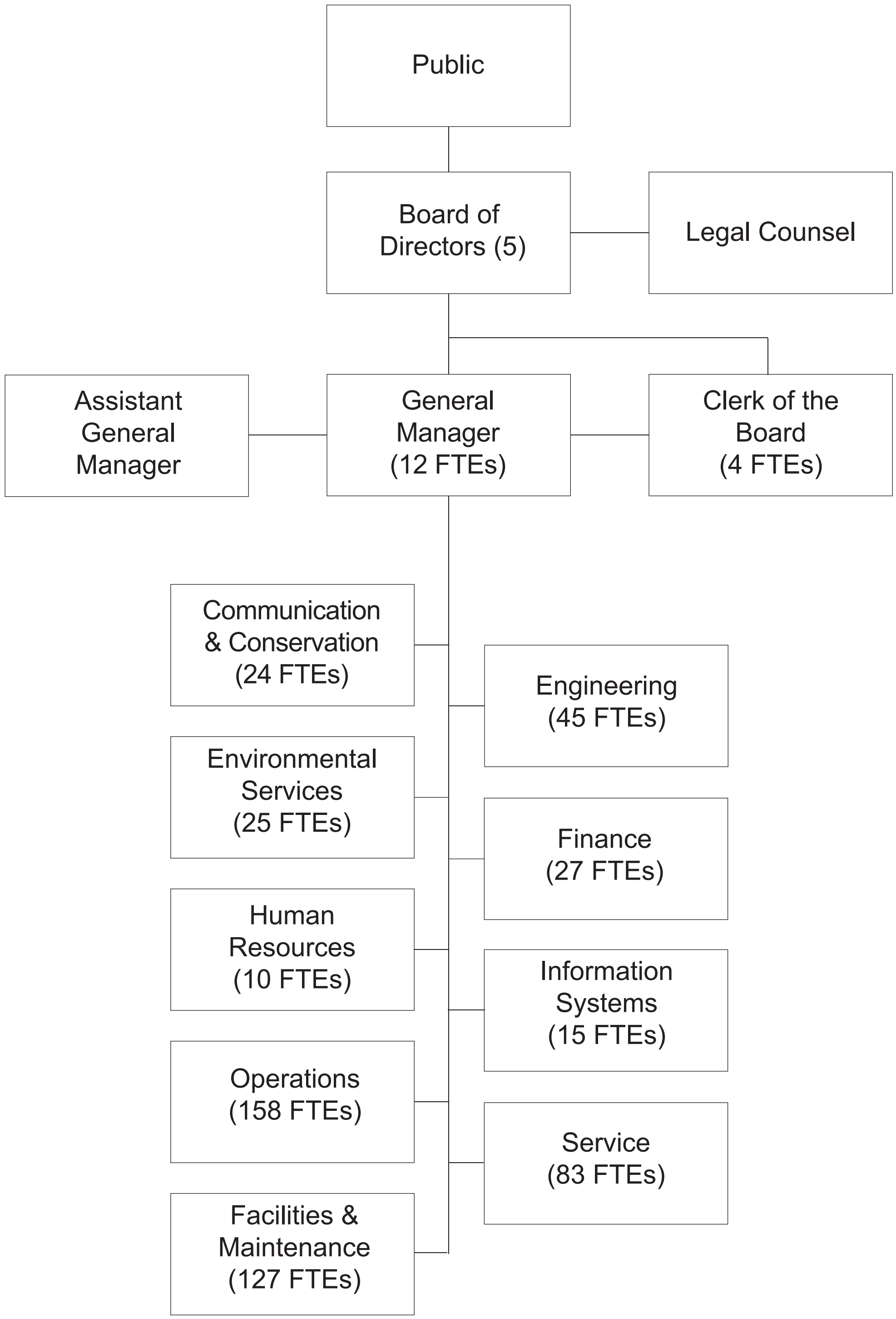
June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

Coachella Valley Water District

Organizational Chart

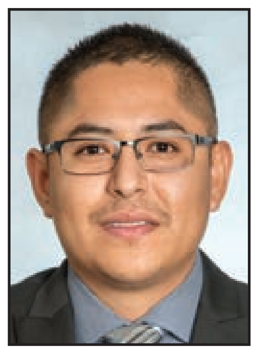


CVWD Mission Statement:

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

Board of Directors

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



Cástulo R. Estrada
Board Vice President,
Division 5

G. Patrick O'Dowd
Division 1

Anthony Bianco
Division 2

Peter Nelson
Division 4

Contact Information

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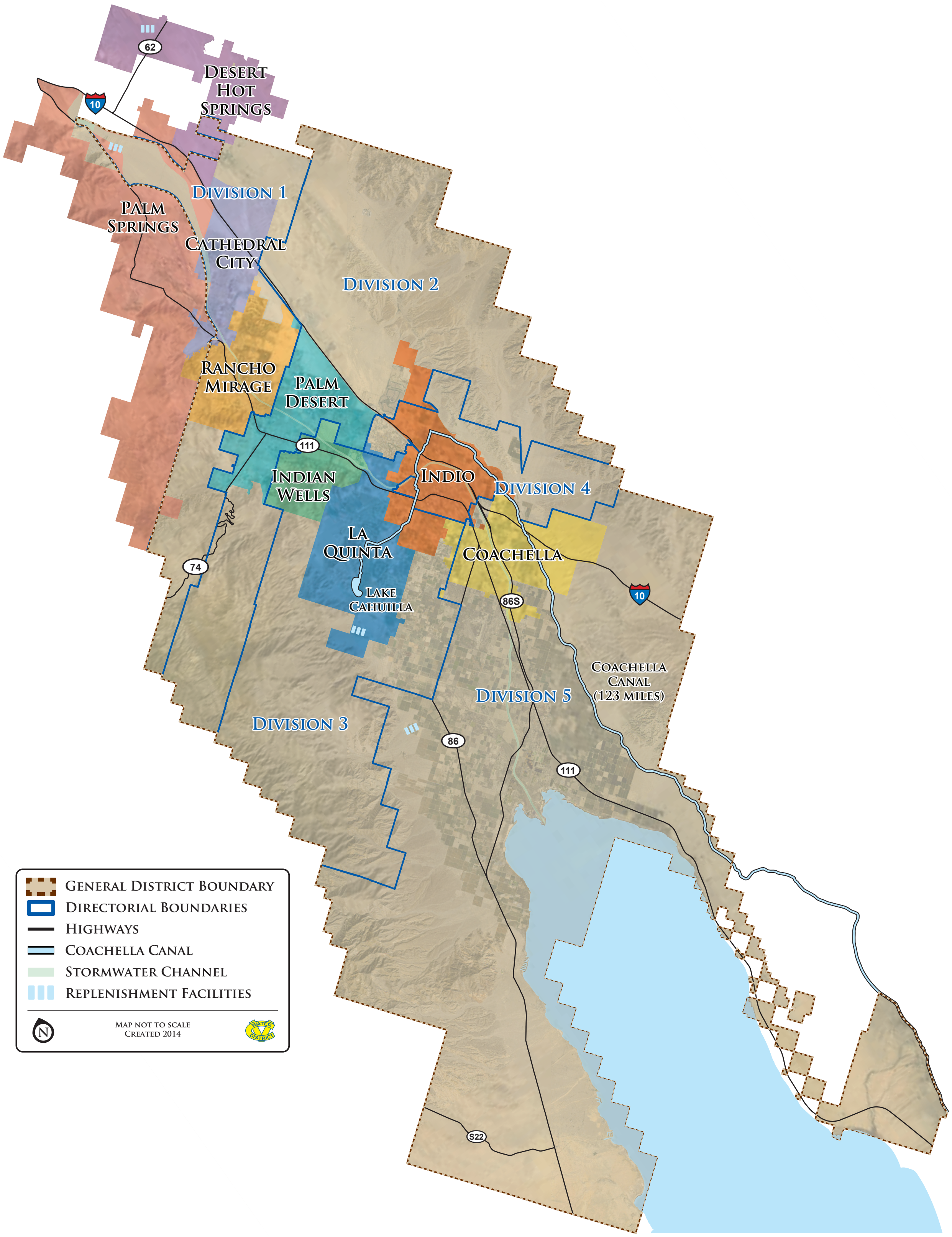
Irene DeLeon, Accountant
Petya Vasileva, Accountant
Victoria Carpenter, Accounting Technician II
Sara Hypes, Accounting Technician II
Doug Kneuer, Accounting Technician I
Thomas Rice, Financial Analyst
Teri Vorster, Financial Analyst
Nancy Clark, Budget Analyst I
Victoria Jeffers, Administrative Assistant I

The fiscal 2017 Comprehensive Annual Financial Report is available on our website:
www.cvwd.org

District Departments and Directors

- Clerk of the Board .... Sylvia Bermudez
- Communication & Conservation .... Katie Evans, Interim
- Engineering .... Craig Parker
- Environmental Services .... Steve Bigley
- Facilities & Maintenance .... Dan Charlton
- Finance .... Kay Godbey
- Human Resources .... Luis Maciel
- Operations .... Dan Farris
- Service .... Raul Aguirre

Coachella Valley Water District - Directorial Boundaries



Coachella Valley Water District Boundary Map

FINANCIAL SECTION

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CPAs AND ADVISORS

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, 2017, 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; 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 District. 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.

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PrimeGlobal
An Association of Independent Accounting Firms

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

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, schedule of changes in net OPEB liability and related ratios, schedules of plan contributions, and schedule of investment returns 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 Untied States of America. In our opinion, the combing 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 20, 2017 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 the effectiveness of the District's 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.

Lance, Soll & Lunghard, LLP

Brea, California
December 20, 2017

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, 2017. 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, 2017. 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.

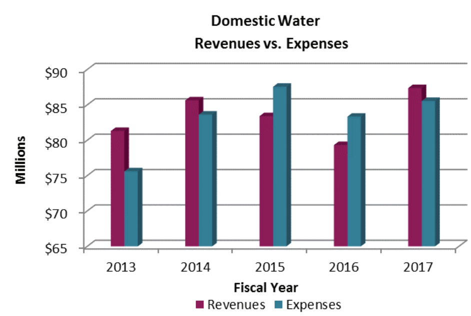
Drought & Water Conservation. On April 7, 2017, Governor Jerry Brown ended the drought state of emergency in most of California, while maintaining water reporting requirements and prohibitions on wasteful watering practices. As a result, actual water consumption in fiscal 2017 was 9.1% higher than the previous year. The District expects customers to continue managing water resources wisely as it is part of a long-term plan to eliminate overdraft of the Coachella Valley's aquifer. CVWD will continue to enforce the water-use restrictions to manage groundwater resources.

Pension Reporting. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires governmental agencies to record their net pension liability on their Statement of Net Position. The ending net pension liability as of June 30, 2017, was $123,154,329. See Note 6 for further information.

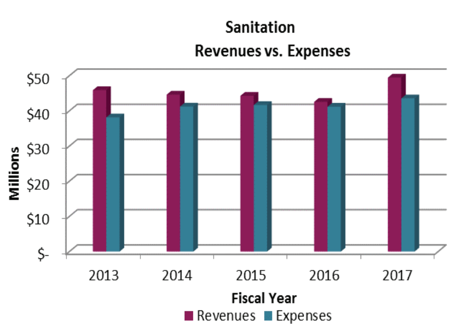
Other Post-Employment Benefits. The District, on September 10, 2013, established a prefunded Section 115, irrevocable Other Post-Employment Benefit (OPEB) Trust. The market value of the OPEB Trust as of June 30, 2017 was $22.5 million. See Note 8 for further information.

Overview of Fund Group Activity

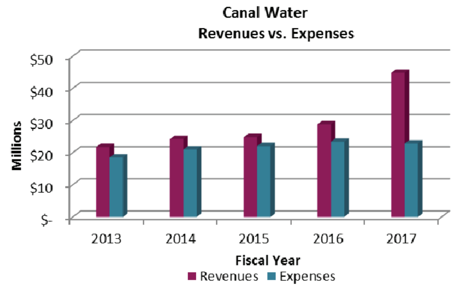
Domestic Water Fund Group. Activity associated with providing domestic and nonpotable water to the residents of the Coachella Valley. The Domestic Water Fund Group cash and investments (including restricted cash) decreased slightly over $6.5 million; net position increased a little over $7.5 million for fiscal 2017. This is primarily due to capital contributions. There was a decrease in operating loss of approximately $14.5 million, mainly as a result of an increase in operating revenues. Operating revenues increased by approximately $16.7 million, primarily due to the increase in water sales due to an increase in consumption. In addition, there was an increase of approximately $14.8 million in net capital assets, as compared to the prior fiscal year, which was offset by the use of $8.4 million in restricted development fees. Nonoperating revenues decreased by $8.6 million, primarily due to a decrease in drought penalties and a decrease in investment income. Property taxes increased due to a change in the discretionary property taxes allocation.



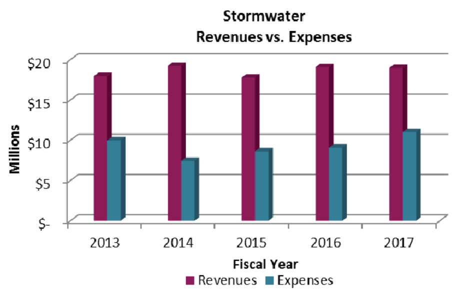
Sanitation Fund. Activity associated with the District's wastewater reclamation plants. The plants allow the District to provide sanitation service to most of the Coachella Valley. The Sanitation Fund Group cash and investments (including restricted cash) increased over $9.3 million; net position increased by $13 million for the fiscal year ended June 30, 2017. This is primarily due to capital contributions. Overall, operating revenues increased $581,744 for the fiscal year ended June 30, 2017. Sanitation Service fees slightly increased, due to the small amount of growth the Coachella Valley has experienced. In addition, there was an increase of approximately $2.6 million in net capital assets as compared to the prior fiscal year; $4.3 million in restricted development fees was spent in fiscal 2017. The operating loss increased approximately $1.8 million. This is primarily due to an increase in depreciation and other expenses. Nonoperating revenues increased by over $6.3 million, mainly due to an increase in other nonoperating revenues.



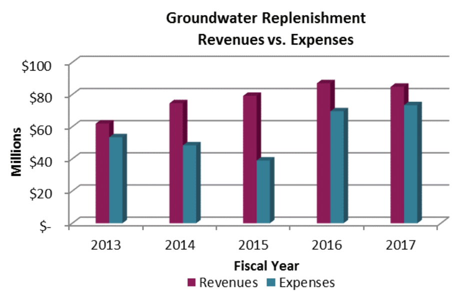
Canal Water Fund. Activity associated with providing irrigation water to agricultural farmers and certain golf courses of the Coachella Valley and farm drainage. Cash and investments increased slightly over $4.1 million; net position also increased slightly over $21.7 million for the fiscal year ended June 30, 2017, partially due to an increase in nonoperating revenue. Operating revenues decreased $284,206 due to decreased meter and service fees, which includes gate charges. Operating expenses decreased by $536,817, due to decreased other expenses and contract services. This resulted in an operating loss of $252,611 for fiscal 2017. Nonoperating revenues increased by approximately $16.3 million.



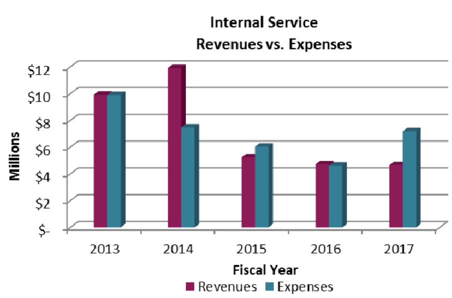
Stormwater Fund. Activity associated with providing stormwater protection in the Coachella Valley. The Stormwater Fund cash and investments increased by over $1.2 million; net position increased approximately $7.3 million for the fiscal year ended June 30, 2017. Operating revenues increased $80,141 due to an increase in other charges. Operating expenses increased $1.9 million mostly due to other expenses. Nonoperating revenues decreased by $169,270 due to a decrease in 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 $13.6 million; net position increased by approximately $13.9 million for the fiscal year ended June 30, 2017. Operating revenues increased by slightly over $3.6 million mostly due to increased replenishment charges. Operating expenses increased slightly over $3.7 million, due to increased depreciation expenses. Nonoperating revenues decreased $5.8 million, primarily due to the decrease in discretionary property tax revenues because of a reallocation.



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. Effective FYE 6/30/16, the Workers' Compensation fund is reported in the enterprise funds. The only cash reported in the internal service fund is Motorpool's. The Motorpool Fund cash and investments decreased by $106,413; net position increased slightly over $1.4 million for the fiscal year ended June 30, 2017. This is mostly due to transfers from the Enterprise Funds to cover capital purchases. Operating income decreased by approximately $2.6 million mainly due to an increase in operating expenses of $2.6 million, which was a result of increased 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, 2017, the District's assets exceeded its liabilities by approximately $1.7 billion. Of this amount, over $341 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 $65 million, or an increase of 3.9% from the prior fiscal year. This was primarily due to an increase in current, as well and noncurrent assets.

- The District's total long-term debt increased by approximately $14 million, or an increase of 8.8% from the prior fiscal year. This increase is primarily due to the increase in net pension liability.

- Operating revenues increased by approximately $20.7 million, or an increase of 14.9% from the prior fiscal year. This is mainly due to increases in water sales and replenishment charges.

- Sanitation service fees increased $619,747.

- Operating expenses, excluding depreciation, increased by approximately $2 million, or an increase of 1% from the prior fiscal year. This is primarily due to increased water purchases, as well as other expenses.

- Depreciation expense increased $10.3 million, or an increase of 28.2% as compared to the previous fiscal year.

- Nonoperating revenues increased by $8 million, or an increase of 6.5% from the prior fiscal year. The primary reason is the increase in property taxes, investment income, as well as other nonoperating income.

- Capital contributions increased by $6.9 million, or an increase of 193.2% as compared to the prior fiscal year. Development fees decreased by $1.5 million, or a decrease of 16% 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 $56 million during the fiscal year ended June 30, 2017. This was comprised of increases in current assets of $16.6 million, noncurrent assets of ($9.3) million, and capital assets of $48.7 million. The increase in current assets is primarily attributed to an increase in cash and investments.

The net increase in total liabilities of $8.8 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 75.6% of the District's total net position, as of June 30, 2017. Restricted net position represented 4.8% 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 19.6% of the District's total net position, as of June 30, 2017.

Table 1
COACHELLA VALLEY WATER DISTRICT
Condensed Statement of Net Position
As of June 30, 2017
(in millions)

	2017	2016	Dollar Change	Percentage Change
Current Assets	$ 501.6	$ 485.0	$ 16.6	3.4%
Noncurrent Assets	112.8	122.1	(9.3)	(7.6%)
Capital Asset	1,315.4	1,266.7	48.7	3.8%
Total Assets	**1,929.8**	**1,873.8**	**56.0**	**3.0%**
Deferred Outflow of Resources	24.1	9.9	14.2	142.5%
Total Deferred Outflow of Resource	**24.1**	**9.9**	**14.2**	**142.5%**
Long-term Debt	173.4	159.4	14.0	8.8%
Other Liabilities	35.9	41.1	(5.2)	(12.6%)
Total Liabilities	**209.3**	**200.5**	**8.8**	**4.4%**
Deferred Inflow of Resources	**4.8**	**8.5**	(3.7)	(43.2%)
Total Deferred Inflow of Resource	**4.8**	**8.5**	**(3.7)**	**(43.2%)**
Net Investment in Capital Assets	1,315.4	1,266.7	48.7	3.8%
Restricted Net Position	82.9	87.9	(4.9)	(5.6%)
Unrestricted Net Position	341.5	320.3	21.2	6.6%
Total Net Position	**$ 1,739.7**	**$ 1,674.8**	**$ 65.0**	**3.9%**

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, 2017
(in millions)

	2017	2016	Dollar Change	Percentage Change
Operating Revenues				
Water Sales	$ 72.8	$ 54.1	$ 18.7	34.6%
Water and sewer availability	2.6	2.3	0.3	13.0%
Meter and service fees	14.9	16.5	(1.6)	(9.5%)
Sanitation service fees	39.1	38.5	0.6	1.6%
Groundwater replenishment	22.9	19.3	3.6	18.7%
Other charges	7.0	8.0	(1.0)	(12.5%)
Total Operating Revenues	159.3	138.6	20.7	14.9%
Nonoperating Revenues	130.9	122.9	8.0	6.5%
Total Revenues	**290.2**	**261.5**	**28.7**	**11.0%**
Operating Expenses				
General operations	122.2	115.5	6.7	5.8%
Water purchases	59.5	63.8	(4.3)	(6.7%)
Utilities	14.3	14.7	(0.4)	(3.0%)
Total Operating Expenses	196.0	194.0	2.0	1.0%
Depreciation expense	46.9	36.6	10.3	28.2%
Nonoperating Expense	0.7	0.6	0.1	14.5%
Total Expenses	**243.6**	**231.2**	**12.4**	**5.3%**
Income before capital contributions	46.6	30.3	16.3	53.9%
Capital contributions	10.5	3.6	6.9	193.2%
Development fees	7.9	9.4	(1.6)	(16.6%)
Change in net position	65.0	43.3	21.7	50.1%
Restatements	-	-	-	0.0%
Beginning net position	1,674.8	1,631.5	43.3	2.7%
Ending Net Position	**$ 1,739.7**	**$ 1,674.8**	**$ 65.0**	**3.9%**

Capital Assets

As of June 30, 2017, the District's Capital Assets totaled $2.0 billion, an increase of $86.1 million, or 4.5%. Capital assets include all of the District's major infrastructure including: water treatment facilities, water mains, pipes, storage reservoirs, well, 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 capitalization policy, effective November 12, 2014. Assets with a value of $10,000 or greater are capitalized; assets acquired with federal grant funds with a value of $5,000 or greater are capitalized.

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, 2017
(in millions)

	2017	2016	Dollar Change	Percentage Change
Land	$ 56.8	$ 56.5	$ 0.4	0.7%
Domestic water plant	637.3	639.5	(2.2)	(0.3%)
Sanitation plant	538.7	513.7	25.0	4.9%
Canal water	39.4	36.5	2.9	8.1%
Common plant	1.8	1.8	-	0.0%
Stormwater works	126.8	125.3	1.5	1.2%
Groundwater replenishment	39.7	27.1	12.7	46.7%
Water rights	75.6	75.6	-	0.0%
Interest in jointly owned facilities	304.9	285.3	19.6	6.9%
Equipment	65.1	61.5	3.6	5.8%
Construction in progress	103.4	80.8	22.6	28.0%
Total capital assets	**1,989.6**	**1,903.6**	**86.0**	**4.5%**
Less depreciation	674.2	636.9	37.3	5.9%
Net capital assets	**$ 1,315.4**	**$ 1,266.7**	**$ 48.7**	**3.8%**

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 nonpotable water, 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 0.5% decrease in the unemployment rate 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 $816 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 462 new domestic water service meters installed in fiscal 2017.

In fiscal 2018, the operating budget amounts to $263 million and is supplemented with $106.9 million in capital improvement projects, to produce a total financial program of $369.9 million. This represents an increase of $17.3 million or 7.1% from fiscal year 2017 operating budget and a decrease of $8.2 million, or 7.1% over the fiscal 2017 Capital Improvement Budget.

The District expects to receive $267 million in operating revenue in fiscal 2018. This revenue is supplemented with the use of $10.6 million in restricted connection fees, $11.9 million in interfund revenues, $6.8 million in grants and reimbursements, $67.6 million in reserves, and $4.9 million in proceeds from debt issuance, to provide the total resources of $369.9 million needed to fund the fiscal 2018 financial program.

The District expects to spend $369.9 million in fiscal 2018. The largest budgeted expense, water purchases, increased to $90.8 million or 6.1%; salaries and benefits increased to $67.9 million or 4.4%; supplies and services increased to $57 million or 2%. The replenishment assessment charge expense is $11.8 million, an increase of 28.6% and is the direct result of the lift of the Governor's drought state of emergency as more water is pumped from the aquifer and an increase in the RAC rate. Appropriations for interfund debt increased by $7.5 million as the District plans on accelerating the debt payments from the East Replenishment Fund to the Domestic Water Fund. Capital improvement project expenses are expected to total almost $107 million in fiscal 2018.

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 75515 Hovley Lane East, Palm Desert, CA 92211

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Domestic Water	Sanitation	Canal Water	Stormwater
Assets:				
Current Assets:				
Cash and investments	$ 83,077,080	$ 119,949,875	$ 46,255,655	$ 118,842,610
Receivables:				
Accounts	7,534,414	2,892,637	3,317,628	47,815
Property taxes	234,696	1,126,816	355,128	413,941
Interest	330,354	497,945	126,944	348,016
Deposits	62,650	207,500	-	-
Supplies inventory	3,084,305	-	-	-
Prepaid expenses	4,586,167	25,089	154,901	-
Due from other governments	-	10,000	11,275,321	-
Due from Agency Funds	44,969	40,500	7,800	3,600
Total Current Assets	**98,954,635**	**124,750,362**	**61,493,377**	**119,655,982**
Noncurrent Assets:				
Advances to other funds	45,136,066	1,717,920	-	-
Restricted cash and investments	41,015,812	15,464,130	-	-
OPEB asset	4,653,956	2,746,384	1,419,184	575,412
Capital assets:				
Land and land rights	12,773,647	3,272,715	3,299,923	8,311,607
Water rights	73,781,290	240,830	-	-
Construction in progress	45,781,009	19,432,121	8,220,784	24,869,249
Land improvements	50,295	-	-	-
Building and plant	637,284,484	538,694,266	39,407,641	126,759,350
Interest in shared facilities	-	-	35,479,522	-
Equipment	12,783,725	10,606,299	6,768,724	2,761,003
Less accumulated depreciation	(256,646,978)	(201,429,934)	(39,117,902)	(66,844,018)
Total capital assets, net	525,807,472	370,816,297	54,058,692	95,857,191
Total Noncurrent Assets	**616,613,306**	**390,744,731**	**55,477,876**	**96,432,603**
Total Assets	**715,567,941**	**515,495,093**	**116,971,253**	**216,088,585**
Deferred Outflows of Resources:				
Deferred pension related items	11,098,420	6,243,102	3,495,108	1,304,656
Total Deferred Outflows of Resources	**11,098,420**	**6,243,102**	**3,495,108**	**1,304,656**
Liabilities:				
Current Liabilities:				
Accounts payable	9,256,031	3,198,224	1,353,477	2,304,435
Accrued liabilities	628,871	326,368	202,426	79,364
Unearned revenues	-	211,781	-	-
Retentions payable	568,466	119,840	66,657	255,111
Customer advances and deposits	1,621,515	21,000	270,930	165,500
Current portion of long-term liabilities	3,424,129	1,272,379	875,331	289,307
Total Current Liabilities	**15,499,012**	**5,149,592**	**2,768,821**	**3,093,717**
Long-Term Liabilities:				
Compensated absences payable	860,043	424,126	291,777	96,435
Claims liability	1,590,523	-	-	-
Net pension liability	56,481,292	32,453,347	18,202,216	6,483,880
Advances from other funds	1,717,920	-	-	-
Total Long-Term Liabilities	**60,649,778**	**32,877,473**	**18,493,993**	**6,580,315**
Total Liabilities	**76,148,790**	**38,027,065**	**21,262,814**	**9,674,032**
Deferred Inflows of Resources:				
Deferred pension related items	2,096,602	1,410,419	809,490	228,971
Total Deferred Inflows of Resources	**2,096,602**	**1,410,419**	**809,490**	**228,971**
Net Position:				
Net investment in capital assets	525,807,472	370,816,297	54,058,692	95,857,191
Restricted:				
Construction, capital, and replacement funds	41,015,812	15,464,130	-	-
State Water Project	-	-	-	-
Unrestricted	81,597,685	96,020,284	44,335,365	111,633,047
Total Net Position	**$ 648,420,969**	**$ 482,300,711**	**$ 98,394,057**	**$ 207,490,238**

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Assets:			
Current Assets:			
Cash and investments	$ 86,118,264	$ 454,243,484	$ 2,801,438
Receivables:			
Accounts	1,875,734	15,668,228	126
Property taxes	2,074,036	4,204,617	-
Interest	318,786	1,622,045	24,234
Deposits	100,000	370,150	-
Supplies inventory	-	3,084,305	150,071
Prepaid expenses	2,948,428	7,714,585	-
Due from other governments	163,284	11,448,605	-
Due from Agency Funds	194,601	291,470	-
Total Current Assets	**93,793,133**	**498,647,489**	**2,975,869**
Noncurrent Assets:			
Advances to other funds	-	46,853,986	-
Restricted cash and investments	-	56,479,942	-
OPEB asset	48,608	9,443,544	36,456
Capital assets:			
Land and land rights	29,133,180	56,791,072	-
Water rights	-	74,022,120	-
Construction in progress	5,121,007	103,424,170	-
Land improvements	-	50,295	-
Building and plant	39,728,798	1,381,874,539	1,845,248
Interest in shared facilities	269,431,206	304,910,728	-
Equipment	148,793	33,068,544	32,052,928
Less accumulated depreciation	(86,519,909)	(650,558,741)	(22,086,206)
Total capital assets, net	257,043,075	1,303,582,727	11,811,970
Total Noncurrent Assets	**257,091,683**	**1,416,360,199**	**11,848,426**
Total Assets	**350,884,816**	**1,915,007,688**	**14,824,295**
Deferred Outflows of Resources:			
Deferred pension related items	1,073,833	23,215,119	901,184
Total Deferred Outflows of Resources	**1,073,833**	**23,215,119**	**901,184**
Liabilities:			
Current Liabilities:			
Accounts payable	8,594,717	24,706,884	185,068
Accrued liabilities	67,740	1,304,769	53,568
Unearned revenues	-	211,781	-
Retentions payable	11,380	1,021,454	-
Customer advances and deposits	4,123	2,083,068	-
Current portion of long-term liabilities	278,891	6,140,037	230,330
Total Current Liabilities	**8,956,851**	**35,467,993**	**468,966**
Long-Term Liabilities:			
Compensated absences payable	92,962	1,765,343	76,777
Claims liability	-	1,590,523	-
Net pension liability	4,957,358	118,578,093	4,576,236
Advances from other funds	45,136,066	46,853,986	-
Total Long-Term Liabilities	**50,186,386**	**168,787,945**	**4,653,013**
Total Liabilities	**59,143,237**	**204,255,938**	**5,121,979**
Deferred Inflows of Resources:			
Deferred pension related items	116,720	4,662,202	177,915
Total Deferred Inflows of Resources	**116,720**	**4,662,202**	**177,915**
Net Position:			
Net investment in capital assets	257,043,075	1,303,582,727	11,811,970
Restricted:			
Construction, capital, and replacement funds	-	56,479,942	-
State Water Project	26,400,000	26,400,000	-
Unrestricted	9,255,617	342,841,998	(1,386,385)
Total Net Position	**$ 292,698,692**	**$ 1,729,304,667**	**$ 10,425,585**

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION YEAR ENDED JUNE 30, 2017

	Domestic Water	Sanitation	Canal Water	Stormwater
Operating Revenues:				
Sales	$ 58,310,945	$ -	$ 14,521,568	$ -
Availability charges	672,876	82,186	1,844,480	-
Meter and service fees	13,840,462	49,466	1,003,447	43,726
Sanitation service fees	-	39,072,669	-	-
Replenishment charges	-	-	-	-
Other charges	2,370,803	87,015	95,184	78,475
Total Operating Revenues	**75,195,086**	**39,291,336**	**17,464,679**	**122,201**
Operating Expenses:				
Wages and salaries	20,410,849	10,847,054	6,255,198	2,192,884
Benefits	10,798,774	5,885,302	3,233,315	1,180,344
Materials and supplies	6,819,732	2,254,939	1,702,267	277,928
Water purchases	11,384,247	-	3,399,550	-
Power	9,047,466	3,435,627	627,255	31,429
Contract services	1,695,133	3,404,305	664,077	1,145,544
Depreciation	14,808,208	13,203,383	1,383,752	2,569,151
Other	10,572,370	4,513,998	5,590,062	3,623,389
Total Operating Expenses	**85,536,779**	**43,544,608**	**22,855,476**	**11,020,669**
Operating Income (Loss)	(10,341,693)	(4,253,272)	(5,390,797)	(10,898,468)
Nonoperating Revenues (Expenses):				
Property taxes	7,534,424	1,797,892	10,098,691	16,632,694
Intergovernmental	-	-	-	5,540
Investment income	1,345,914	740,305	258,431	647,269
Interest expense	(26,127)	-	-	-
Other	3,157,916	7,586,990	17,045,611	1,589,445
Gain (loss) on disposal of capital assets	148,746	40,000	-	-
Total Nonoperating Revenues (Expenses)	**12,160,873**	**10,165,187**	**27,402,733**	**18,874,948**
Income (Loss) before transfers and capital contributions	1,819,180	5,911,915	22,011,936	7,976,480
Transfers in	659,297	327,601	162,532	42,294
Transfers out	(2,240,386)	(807,055)	(1,244,986)	(710,210)
Capital contributions:				
Contributed plant	3,307,379	3,720,078	773,940	-
Development fees	4,027,632	3,837,196	-	-
Changes in Net Position	7,573,102	12,989,735	21,703,422	7,308,564
Net Position:				
Beginning of year	640,847,867	469,310,976	76,690,635	200,181,674
End of fiscal year	**$ 648,420,969**	**$ 482,300,711**	**$ 98,394,057**	**$ 207,490,238**

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2017

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Operating Revenues:			
Sales	$ -	$ 72,832,513	$ -
Availability charges	-	2,599,542	-
Meter and service fees	-	14,937,101	-
Sanitation service fees	-	39,072,669	-
Replenishment charges	22,906,317	22,906,317	-
Other charges	-	2,631,477	4,319,178
Total Operating Revenues	**22,906,317**	**154,979,619**	**4,319,178**
Operating Expenses:			
Wages and salaries	1,956,799	41,662,784	1,571,513
Benefits	896,218	21,993,953	810,009
Materials and supplies	182,739	11,237,605	713,199
Water purchases	44,720,559	59,504,356	-
Power	1,121,851	14,263,628	-
Contract services	2,070,582	8,979,641	2,389,953
Depreciation	13,545,941	45,510,435	1,380,248
Other	8,247,185	32,547,004	328,959
Total Operating Expenses	**72,741,874**	**235,699,406**	**7,193,881**
Operating Income (Loss)	(49,835,557)	(80,719,787)	(2,874,703)
Nonoperating Revenues (Expenses):			
Property taxes	60,691,742	96,755,443	-
Intergovernmental	-	5,540	-
Investment income	384,440	3,376,359	1,415
Interest expense	(660,086)	(686,213)	(879)
Other	847,998	30,227,960	18,154
Gain (loss) on disposal of capital assets	-	188,746	315,512
Total Nonoperating Revenues (Expenses)	**61,264,094**	**129,867,835**	**334,202**
Income (Loss) before transfers and capital contributions	11,428,537	49,148,048	(2,540,501)
Transfers in	24,726	1,216,450	3,976,335
Transfers out	(190,148)	(5,192,785)	-
Capital contributions:			
Contributed plant	2,692,004	10,493,401	-
Development fees	-	7,864,828	-
Changes in Net Position	13,955,119	63,529,942	1,435,834
Net Position:			
Beginning of year	278,743,573	1,665,774,725	8,989,751
End of fiscal year	**$ 292,698,692**	**$ 1,729,304,667**	**$ 10,425,585**

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Domestic Water	Sanitation	Canal Water	Stormwater
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 58,016,500	$ 37,206,682	$ 16,066,002	$ 13,957
Cash received from interfund service provided	-	-	-	-
Cash paid to employees for services	(33,249,630)	(16,458,600)	(9,219,167)	(3,272,875)
Cash paid to suppliers of goods and services	(24,671,235)	(7,784,093)	(5,775,702)	(359,983)
Cash paid to others	-	(4,545,905)	(4,586,614)	(3,579,663)
Cash received from others	3,268,091	-	-	-
Net Cash Provided (Used) by Operating Activities	**3,363,726**	**8,418,084**	**(3,515,481)**	**(7,198,564)**
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	659,297	327,601	162,532	42,294
Cash transfers out	(2,240,386)	(807,055)	(1,244,986)	(710,210)
Payment received from/(provided to) other funds	198,395	206,370	540	32,030
Payments received from/(made to) other governments	(1,901,431)	-	(11,066,604)	(380,286)
Advance payments received from other funds	3,666,071	-	-	-
Advance to other funds	-	-	-	-
Cash received from property taxes	7,492,800	1,076,276	9,113,679	16,640,994
Grant subsidies	27,600	-	-	5,540
Net Cash Provided (Used) by Non-Capital Financing Activities	**7,902,346**	**803,192**	**(3,034,839)**	**15,630,362**
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(22,260,348)	(8,191,289)	(6,571,746)	(9,325,250)
Principal paid on capital debt	(1,533)	-	(28,106)	-
Interest paid on capital debt	-	-	-	-
Interest paid on interfund debt	(26,127)	-	-	-
Other items	3,157,916	7,586,990	17,045,611	1,589,445
Proceeds from sales of capital assets	148,746	40,000	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	**(18,981,346)**	**(564,299)**	**10,445,759**	**(7,735,805)**
Cash Flows from Investing Activities:				
Repayments of notes received	-	2,563	-	-
Interest received on investments	1,251,840	635,548	222,895	555,296
Net Cash Provided (Used) by Investing Activities	**1,251,840**	**638,111**	**222,895**	**555,296**
Net Increase (Decrease) in Cash and Cash Equivalents	**(6,463,434)**	**9,295,088**	**4,118,334**	**1,251,289**
Cash and Cash Equivalents at Beginning of Year	130,556,326	126,118,917	42,137,321	117,591,321
Cash and Cash Equivalents at End of Year	**$ 124,092,892**	**$ 135,414,005**	**$ 46,255,655**	**$ 118,842,610**

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Cash Flows from Operating Activities:			
Cash received from customers and users	$ 22,625,789	$ 133,928,930	$ -
Cash received from interfund service provided	-	-	4,319,178
Cash paid to employees for services	(2,789,087)	(64,989,359)	(2,354,519)
Cash paid to suppliers of goods and services	(63,575,783)	(102,166,796)	(2,270,152)
Cash paid to others	(8,247,185)	(20,959,367)	(328,959)
Cash received from others	-	3,268,091	-
Net Cash Provided (Used) by Operating Activities	**(51,986,266)**	**(50,918,501)**	**(634,452)**
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	24,726	1,216,450	3,976,335
Cash transfers out	(190,148)	(5,192,785)	-
Payment received from/(provided to) other funds	(3,768,928)	(3,331,593)	(431,347)
Payments received from/(made to) other governments	552,636	(12,795,685)	18,154
Advance payments received from other funds	-	3,666,071	-
Advance to other funds	(194,601)	(194,601)	-
Cash received from property taxes	60,980,843	95,304,592	-
Grant subsidies	-	33,140	-
Net Cash Provided (Used) by Non-Capital Financing Activities	**57,404,528**	**78,705,589**	**3,563,142**
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(19,535,204)	(65,883,837)	(2,735,142)
Principal paid on capital debt	-	(29,639)	-
Interest paid on capital debt	-	-	(879)
Interest paid on interfund debt	(660,086)	(686,213)	-
Other items	847,998	30,227,960	-
Proceeds from sales of capital assets	-	188,746	315,512
Net Cash Provided (Used) by Capital and Related Financing Activities	**(19,347,292)**	**(36,182,983)**	**(2,420,509)**
Cash Flows from Investing Activities:			
Repayments of notes received	-	2,563	-
Interest received on investments	315,540	2,981,119	(1,472)
Net Cash Provided (Used) by Investing Activities	**315,540**	**2,983,682**	**(1,472)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(13,613,490)**	**(5,412,213)**	**506,709**
Cash and Cash Equivalents at Beginning of Year	99,731,754	516,135,639	2,294,729
Cash and Cash Equivalents at End of Year	**$ 86,118,264**	**$ 510,723,426**	**$ 2,801,438**

See Notes to Financial Statements

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Domestic Water	Sanitation	Canal Water	Stormwater
Reconciliation to amounts reported on the Statement of Net Position:				
Reported on the Statement of Net Position:				
Cash and investments	$ 83,077,080	$ 119,949,875	$ 46,255,655	$ 118,842,610
Restricted cash and investments	41,015,812	15,464,130	-	-
Cash and Cash Equivalents at End of Year	**$ 124,092,892**	**$ 135,414,005**	**$ 46,255,655**	**$ 118,842,610**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (10,341,693)	$ (4,253,272)	$ (5,390,797)	$ (10,898,468)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	14,808,208	13,203,383	1,383,752	2,569,151
(Increase) decrease in accounts receivable	(2,088,705)	(2,045,668)	(427,905)	180,457
(Increase) decrease in supplies inventory	-	-	-	-
(Increase) decrease in prepaid expenses	616,504	(25,089)	34,761	-
(Increase) decrease in asset transfer of accumulated depreciation between funds	-	(81,374)	-	-
Increase (decrease) in accounts payable	3,658,838	1,335,868	582,687	1,094,918
Increase (decrease) in accrued liabilities	(1,501,984)	49,207	10,849	19,368
Increase (decrease) in customer advances and deposits	(1,249,419)	10,480	32,675	(244,975)
Increase (decrease) in salaries and benefit payables	(731,937)	110,116	199,364	57,010
Total Adjustments	**13,705,419**	**12,671,356**	**1,875,316**	**3,699,904**
Net Cash Provided (Used) by Operating Activities	**$ 3,363,726**	**$ 8,418,084**	**$ (3,515,481)**	**$ (7,198,564)**
Non-Cash Investing, Capital, and Financing Activities:				
Capital assets contributed by other parties	$ (7,335,011)	$ (7,557,274)	$ (773,940)	$ -

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Reconciliation to amounts reported on the Statement of Net Position:			
Reported on the Statement of Net Position:			
Cash and investments	$ 86,118,264	$ 454,243,484	$ 2,801,438
Restricted cash and investments	-	56,479,942	-
Cash and Cash Equivalents at End of Year	**$ 86,118,264**	**$ 510,723,426**	**$ 2,801,438**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (49,835,557)	$ (80,719,787)	$ (2,874,703)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	13,545,941	45,510,435	1,380,248
(Increase) decrease in accounts receivable	(280,528)	(4,662,349)	-
(Increase) decrease in supplies inventory	-	-	(35,655)
(Increase) decrease in prepaid expenses	(1,933,428)	(1,307,252)	-
(Increase) decrease in asset transfer of accumulated depreciation between funds	(9,354,957)	(9,436,331)	796,837
Increase (decrease) in accounts payable	(4,191,667)	2,480,644	71,818
Increase (decrease) in accrued liabilities	5,071	(1,417,489)	5,876
Increase (decrease) in customer advances and deposits	-	(1,451,239)	-
Increase (decrease) in salaries and benefit payables	56,833	(308,614)	19,608
Total Adjustments	**(2,150,709)**	**29,801,286**	**2,240,251**
Net Cash Provided (Used) by Operating Activities	**$ (51,986,266)**	**$ (50,918,501)**	**$ (634,452)**
Non-Cash Investing, Capital, and Financing Activities:			
Capital assets contributed by other parties	$ (2,692,004)	$ (18,358,229)	$ -

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Agency Funds	OPEB Trust Fund
Assets:		
Cash and investments		
Cash and cash equivalents	$ 12,658,314	$ 15,241
Mutual funds - equity	-	14,336,423
Mutual funds - corporate bonds	-	8,165,031
Receivables:		
Accounts	50,199	-
Property taxes	51,214	-
Interest	18,166	233
Due from other governments	1,586,170	-
Total Assets	**$ 14,364,063**	**22,516,928**
Liabilities:		
Accounts payable	$ 684,577	-
Held for others	8,115,443	-
Deposits payable	3,821,323	-
Due to other governments	1,451,250	-
Due to Coachella Valley Water District	291,470	-
Total Liabilities	**$ 14,364,063**	**-**
Net Position:		
Held in trust for other postretirement benefits		22,516,928
Total Net Position		**$ 22,516,928**

See Notes to Financial Statements

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FOR YEAR ENDED JUNE 30, 2017

	OPEB Trust Fund
Additions:	
Interest and change in fair value of investments	$ 2,219,543
Total Additions	**2,219,543**
Deductions:	
Administrative expenses	$ 76,621
Total Deductions	**76,621**
Change in Net Position	**2,142,922**
Net Position - Beginning of the Year	20,374,006
Net Position - End of the Year	**$ 22,516,928**

See Notes to Financial Statements

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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.

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.

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.

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 acquisition 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:

Assets	Years
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 acquisition 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.

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, which are deferred and recognized against the net pension liability in the following year, 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, and differences between expected and actual experiences, which is deferred and amortized over the expected average remaining service life. 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; 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.

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

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.

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 four hundred eighty hours (480), employees in the Management bargaining unit, cease to accrue vacation leave at five hundred hours (500), and the General Manager has no maximum vacation accrual. Earned vacation pay is paid upon separation from employment.

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

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).

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

In fiscal year 2016-17, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 requires the District to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. The District is required to present a statement of fiduciary net position, which includes information about assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, as applicable, as of the end of the OPEB plan's reporting period. The District is also required to present a statement of changes in fiduciary net position, which includes information about the additions to, deductions from, and net increase (or decrease) in fiduciary net position for the OPEB plan's reporting period. GASB Statement No. 74 also contains note disclosure requirements regarding descriptive information of the OPEB plan, the classes of plan members covered, the composition of the OPEB plan's board and OPEB plan's investment policies, concentrations of investments, and the annual money-weighted rate of return on OPEB plan investments. There was no material impact on the District's financial statements as a result of the implementation of GASB Statement No. 74, but rather changes in note disclosures.

Note 2: Cash and Investments

Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Current assets:	
Cash and investments	$ 457,044,922
Noncurrent assets:	
Restricted cash and investments:	
Construction, capital, and replacement funds	56,479,942
Fiduciary Funds:	
Cash and investments	35,175,009
Total cash and investments	$ 548,699,873

Note 2: Cash and Investments (Continued)

Cash and investments as of June 30, 2017, consist of the following:

Petty cash on hand	$ 5,263
Deposits with financial institutions	1,737,001
Investments	546,957,609
Total cash and investments	$ 548,699,873

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.

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.

Note 2: Cash and Investments (Continued)

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.

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	$ 68,382,927	$ 68,382,927	$ -	$ -	$ -
First American Government Obligation	1,055,959	1,055,959	-	-	-
U.S. Treasury Notes	44,060,875	-	17,248,505	26,812,370	-
Fannie Mae/Freddie Mac	78,271,693	2,117,772	33,670,700	42,483,221	-
Registered State Bonds	2,000,000	2,000,000			-
Federal Agency Collateralized Mortgage Obligation	10,766,398	-	-	10,766,398	-
Supra-National Agency Bond	16,429,201	-	6,252,755	10,176,446	-
Asset Backed Securities	61,505,657	-	2,600,343	39,117,058	19,788,256
Medium-Term Notes	128,550,100	35,702,252	31,956,808	60,891,040	-
Federal Home Loan Bank	34,170,146	-	26,845,315	7,324,831	-
Certificates of Deposits	79,263,199	30,262,748	49,000,451	-	-
OPEB Trust Mutual Funds	22,501,454	22,501,454	-	-	-
Total Investments	$ 546,957,609	$ 162,023,112	$ 167,574,877	$ 197,571,364	$ 19,788,256

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:

Note 2: Cash and Investments (Continued)

Investment Type	Total as of June 30, 2017	Minimum Legal Rating	Exempt From Disclosure	AAA-A	BBB-BB-	A-1- A-1+	Not Required to be Rated
Riverside County Treasurers Investment Fund	$ 68,382,927	N/A	$ -	$ -	$ -	$ -	$ 68,382,927
First American Government Obligation	1,055,959	N/A	-	-	-	-	1,055,959
U.S. Treasury Notes	44,060,875	N/A	44,060,875	-	-	-	-
Fannie Mae/Freddie Mac	78,271,693	N/A	-	78,271,693	-	-	-
Registered State Bonds	2,000,000	A	-	-	-	-	2,000,000
Federal Agency Collateralized Mortgage Obligation	10,766,398	N/A	-	10,766,398	-	-	-
Supra-National Agency Bonds	16,429,201	AA	-	16,429,201	-	-	-
Asset Backed Securities	61,505,658	AA	-	40,310,344	-	-	21,195,314
Medium-Term Notes	128,550,099	A	-	110,944,684	17,605,415	-	-
Federal Home Loan Bank	34,170,146	N/A	-	34,170,146	-	-	-
Certificates of Deposits	79,263,199	N/A	-	70,767,451	-	8,495,748	-
OPEB Trust Mutual Funds	22,501,454	AAA	-	22,501,454	-	-	-
Total Investments	$ 546,957,609		$ 44,060,875	$ 384,161,371	$ 17,605,415	$ 8,495,748	$ 92,634,200

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:

Issuer	Investment Type	Reported Amount	
Federal Home Loan Bank	Federal agency securities	$ 34,170,146	6.25%
United States Treasury	U.S. Treasury Notes	44,060,875	8.06%
Federal National Mortgage Association	Fannie Mae	73,294,158	13.40%

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.

Note 2: Cash and Investments (Continued)

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.

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, 2017:

		Level		
Investment Type	Totals	1	2	3
Riverside County Treasurers Investment Fund	$ 68,382,927	$ -	$ 68,382,927	$ -
First American Government Obligation	1,055,959	-	1,055,959	-
U.S. Treasury Notes	44,060,875	44,060,875	-	-
Fannie Mae/Freddie Mac	78,271,693	-	78,271,693	-
Registered State Bonds	2,000,000	-	2,000,000	-
Federal Agency Collateralized Mortgage Obligation	10,766,398	-	10,766,398	-
Supra-National Agency Bond	16,429,201	-	16,429,201	-
Asset Backed Securities	61,505,657	-	61,505,657	-
Medium-Term Notes	128,550,100	-	128,550,100	-
Federal Home Loan Bank	34,170,146	-	34,170,146	-
Certificates of Deposits	79,263,199	-	79,263,199	-
OPEB Trust Mutual Funds	22,501,454	-	22,501,454	-
Total Investments	$ 546,957,609	$ 44,060,875	$ 502,896,734	$ -

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.

Note 3: Capital Assets

	Balance at June 30, 2016	Transfers	Increases	Decreases	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land and land rights					
Domestic Water	$ 12,532,298	$ -	$ 241,349	$ -	$ 12,773,647
Sanitation	3,272,715	-	-	-	3,272,715
Canal Water	3,299,923	-	-	-	3,299,923
Storm Water	8,172,719	119,640	19,248	-	8,311,607
Groundwater Replenishment	29,133,180	-	-	-	29,133,180
Total land and land rights	56,410,835	119,640	260,597	-	56,791,072
Construction in progress					
Domestic Water	23,759,570	(4,097,372)	26,351,062	(232,251)	45,781,009
Sanitation	29,590,405	(21,880,499)	11,897,118	(174,903)	19,432,121
Canal Water	5,201,700	(3,550,364)	6,569,448	-	8,220,784
Storm Water	17,125,638	(1,564,683)	9,355,902	(47,608)	24,869,249
Groundwater Replenishment	5,153,484	(602,775)	570,298	-	5,121,007
Total construction in progress	80,830,797	(31,695,693)	54,743,828	(454,762)	103,424,170
Water rights					
Domestic Water	73,781,290	-	-	-	73,781,290
Sanitation	240,830	-	-	-	240,830
Total water rights	74,022,120	-	-	-	74,022,120
Total capital assets not being depreciated	211,263,752	(31,576,053)	55,004,425	(454,762)	234,237,362
Capital assets, being depreciated:					
Land Improvements					
Domestic Water	50,295	-	-	-	50,295
Buildings and plant					
Domestic Water	639,479,091	(8,197,856)	6,003,249	-	637,284,484
Sanitation	513,671,506	21,424,349	3,598,411	-	538,694,266
Canal Water	36,473,285	2,160,415	773,941	-	39,407,641
Storm Water	125,314,306	1,445,044	-	-	126,759,350
Groundwater Replenishment	27,079,066	12,649,732	-	-	39,728,798
Other Services/Internal Services	1,845,248	-	-	-	1,845,248
Total building and plant	1,343,862,502	29,481,684	10,375,601	-	1,383,719,787
Interest in shared facilities:					
Canal Water	34,874,502	605,020	-	-	35,479,522
Groundwater Replenishment	250,466,296	-	18,964,910	-	269,431,206
Total interest in shared facilities	285,340,798	605,020	18,964,910	-	304,910,728
Equipment					
Domestic Water	12,691,604	22,868	69,253	-	12,783,725
Sanitation	9,640,839	681,550	283,910	-	10,606,299
Canal Water	5,981,499	787,225	-	-	6,768,724
Storm Water	2,763,297	(2,294)	-	-	2,761,003
Groundwater Replenishment	148,793	-	-	-	148,793
Other Services/Internal Services	30,316,316	-	2,742,441	(1,005,829)	32,052,928
Total equipment	61,542,348	1,489,349	3,095,604	(1,005,829)	65,121,472
Total depreciated assets	$1,690,795,943	$ 31,576,053	$ 32,436,115	$ (1,005,829)	$1,753,802,282

Note 3: Capital Assets (Continued)

	Balance at June 30, 2016	Transfers	Increases	Decreases	Balance at June 30, 2017
Less accumulated depreciation for:					
Land Improvements					
Domestic Water	$ (12,909)	$ -	$ (2,012)	$ -	$ (14,921)
Buildings and plant					
Domestic Water	(241,686,489)	-	(14,271,212)	9,436,329	(246,521,372)
Sanitation	(184,067,752)	-	(12,718,736)	-	(196,786,488)
Canal Water	(13,115,958)	-	(797,861)	-	(13,913,819)
Storm Water	(62,322,338)	-	(2,457,671)	-	(64,780,009)
Groundwater Replenishment	(4,073,240)	-	(9,901,555)	-	(13,974,795)
Other Services/Internal Services	(1,225,631)	-	(37,712)	-	(1,263,343)
Total building and plant	(506,491,408)	-	(40,184,747)	9,436,329	(537,239,826)
Interest in shared facilities:					
Canal Water	(19,864,412)	-	(348,745)	-	(20,213,157)
Groundwater Replenishment	(68,810,529)	-	(3,633,118)	-	(72,443,647)
Total interest in shared facilities	(88,674,941)	-	(3,981,863)	-	(92,656,804)
Equipment					
Domestic Water	(9,575,701)	-	(534,984)	-	(10,110,685)
Sanitation	(4,158,799)	-	(484,647)	-	(4,643,446)
Canal Water	(4,753,780)	-	(237,146)	-	(4,990,926)
Storm Water	(1,952,529)	-	(111,480)	-	(2,064,009)
Groundwater Replenishment	(90,199)	-	(11,268)	-	(101,467)
Other Services/Internal Services	(19,682,020)	-	(1,342,536)	201,693	(20,822,863)
Total Equipment	(40,213,028)	-	(2,722,061)	201,693	(42,733,396)
Total accumulated depreciation	(635,392,286)	-	(46,890,683)	9,638,022	(672,644,947)
Net depreciable assets	1,055,403,657	31,576,053	(14,454,568)	8,632,193	1,081,157,335
Capital assets, net	$1,266,667,409	$ -	$ 41,027,202	$ 7,700,086	$1,315,394,697

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

	2017	2016
All-American Canal	$ 21,213,582	$ 20,608,562
Distribution System for All American Canal	14,265,940	14,265,940
California State Water Project	269,431,206	250,466,296
Totals	304,910,728	285,340,798
Less accumulated depreciation	(92,656,804)	(88,674,941)
Interest in shared facilities, net	$ 212,253,924	$ 196,665,857

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.

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, 2017, 1,504,122 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, 2017, is as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Due within one year	Due after one year
Compensated absences payable	$ 7,301,384	$ 983,184	$ (916,081)	$ 7,368,487	$ 5,526,367	$ 1,842,120
Claims payable	3,871,000	-	(1,436,477)	2,434,523	844,000	1,590,523
Contracts payable:						
U.S. Dept. of Interior	28,106	-	(28,106)	-	-	-
Ryan Oil	6,133	-	(6,133)	-	-	-
Total contracts payable	34,239	-	(34,239)	-	-	-
Totals	$11,206,623	$ 983,184	$ (2,386,797)	$ 9,803,010	$ 6,370,367	$ 3,432,643

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.

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, 2017, the liability was paid off.

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, 2015	$ 3,702,000
Claims and changes in estimate	554,851
Claim payments	(385,851)
Liability at June 30, 2016	3,871,000
Claims and changes in estimate	(1,097,606)
Claim payments	(338,871)
Liability at June 30, 2017	$ 2,434,523

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
2015	$ 3,556,000	$ 771,753	$ (625,753)	$ 3,702,000
2016	3,702,000	554,851	(385,851)	3,871,000
2017	3,871,000	(1,097,606)	(338,871)	2,434,523

Management estimates the District's liability under these claims will not exceed amounts provided for by the District as of June 30, 2017.

Note 5: Special Assessment Debt without Government Commitment

As of June 30, 2017, 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 homeowners. At June 30, 2017, the following limited obligation Improvement Bonds remain outstanding:

	Date of Issue	Amount of Issue	Outstanding June 30, 2017
Assessment District No. 67	1999	$ 884,410	$ 240,000
Assessment District No. 68	2002	2,560,000	1,420,000
Assessment District No. 70	2006	8,239,480	5,000,000
Assessment District No. 33	2010	786,528	726,528
Total Non-committal Debt Issues:		$ 12,470,418	$ 7,386,528

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 statue 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

Note 6: Miscellaneous Pension Plan (Continued)

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 reaching the age of 18.

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, 2017, 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%	26.131%	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 PEPRA 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, 2017, the following employees were covered by the benefit terms of the Plan:

Retired employees and beneficiaries	418
Terminated or transferred employees	120
Active employees	499
Total	1037

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 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 employer is required to contribute the difference between the

Note 6: Miscellaneous Pension Plan (Continued)

actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the year ended June 30, 2017, the contributions recognized as a reduction of net pension liability for the Plan was $9,940,264.

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, 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, 2016
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
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

There were no changes of assumptions.

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 the 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. 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 (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

Note 6: Miscellaneous Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal 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, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	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	1.00%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period
**An expected inflation of 3.0% used for this period

Note 6: Miscellaneous Pension Plan (Continued)

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 (Valuation Date)	**$ 333,865,015**	**$ 229,586,442**	**$ 104,278,573**
Changes recognized for the Measurement Period:			
Service Cost	5,783,089	-	5,783,089
Interest on TPL	25,225,601	-	25,225,601
Differences between expected and actual experience	944,339	-	944,339
Changes in assumptions	-	-	-
Plan to Plan Resource Movement	-	-	-
Contributions from the employer	-	8,819,906	(8,819,906)
Contributions from the employees	-	3,196,965	(3,196,965)
Net investment income	-	1,200,323	(1,200,323)
Benefit payments, including refunds of employee contributions	(15,908,979)	(15,908,979)	-
Administrative Expense	-	(139,921)	139,921
Net changes during 2015-16	**$ 16,044,050**	**$ (2,831,706)**	**$ 18,875,756**
Balance at: 6/30/16 (Measurement Date)	**$ 349,909,065**	**$ 226,754,736**	**$ 123,154,329**

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% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
Net Pension Liability	$ 170,686,858	$ 123,154,329	$ 83,896,231

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.

Note 6: Miscellaneous Pension Plan (Continued)

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

For the year ended June 30, 2017, the District recognized pension expense of $10,942,173. At June 30, 2017, 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	$ -	$ 3,614,394
Pension contributions subsequent to measurement date	10,976,030	-
Difference between expected and actual experiences	755,471	1,225,723
actual earnings on pension plan investments	12,384,802	-
Total	$ 24,116,303	$ 4,840,117

The $10,976,030 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, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Inflow of Resources
2018	$ 324,409
2019	324,409
2020	4,235,760
2021	3,415,578
Total	**$ 8,300,156**

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.

Note 7: Deferred Compensation Plan (Continued)

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 single-employer defined benefit plan. The District, on September 10, 2013, entered into an agreement with PFM, by resolution approved by the Board of Directors, to establish a pre-funded Section 115, irrevocable OPEB (Other Post-Employment Benefit) Trust, in which PFM would act as the Trust administrator. As of June 30, 2017, there were 134 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, 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.

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

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.

GASB 74 Actuarial Assumptions:

The District's net OPEB liability for the Plan is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2017, in accordance with standard update procedures. A summary of principal assumptions and methods used to determine the net OPEB liability is shown below:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2015
Actuarial Cost method:	Entry Age normal, level percent of Pay
Actuarial Assumptions:	
Discount rate:	3.50%
Inflation:	3.00%
Salary increase:	3.25%
Mortality:	Modified MP-2014
Healthcare Trend:	7.00 non medicare; 7.2% medicare

In accordance with GASB 74 Plan's OPEB liability totaled $46,381,000 less the Plan's fiduciary net position of $22,517,000 totaled a net OPEB liability of $23,864,000. The Plan fiduciary net position is 48.55% of the total OPEB liability at June 30, 2017.

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

Investment Policy:

The District's policy in regard to the allocation of invested assets is established and may be amended by the District's Board of Directors by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic equity	39%
International equity	21%
Fixed income	40%
Total	**100%**

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 7.75% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

GASB 45 Actuarial Methods and Assumptions:

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

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.

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

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	$ 2,142,000
Interest on net OPEB obligation	(527,000)
Adjustment to annual required contribution	601,000
Annual OPEB cost (expense)	2,216,000
Contributions and benefits paid	1,821,000
Decrease in net OPEB obligation	395,000
Net OPEB obligation - beginning of year	(9,875,000)
Net OPEB obligation (asset) - end of year	$ (9,480,000)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 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)
2015	$ 2,988,000	$ 11,884,000	397.72%	$ (10,204,000)
2016	2,151,000	1,822,000	84.70%	(9,875,000)
2017	2,216,000	1,821,000	82.18%	(9,480,000)

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 following material construction commitments existed at June 30, 2017:

Project Name	Contract amount	Expenditures to date as of June 30, 2017	Remaining Commitments
Fillmore Street Irrigation Ditch Project	$ 8,889,319	$ 6,359,619	$ 2,529,700
Coachella Canal Quagga Mussel Control Facility Upgrade Project	980,660	654,292	326,368
Mission Hills and Sky Mountain Pressure Zone Transmission Mains	14,658,538	8,584,408	6,074,130
Reservoir 4606-1 Construction (Mission Hills Pressure Zone)	3,815,396	2,826,895	988,501
Dillon Road Domestic Water Pipeline Replacement - Phase 2	2,199,000	412,789	1,786,211
Well 5620-2	1,065,000	1,039,600	25,400
Utility Agreement for Date Palm Drive Bridge over Whitewater River	1,083,871	41,447	1,042,424
Construction of Reservoir 3601-2	1,313,689	236,862	1,076,827
Rehabilitation of Reservoir 5504-1 & 5504-2	1,280,842	492,327	788,515
Well 4520-2	1,000,000	940,300	59,700
Ave 57 Trunk Sewer and Abandonment of Lift Station 55-14	1,579,300	1,537,778	41,522
Sewer Pipeline Rehabilitation Project Bombay Beach	1,296,358	1,227,203	69,155
WRP T1 Tertiary Filter Improvement Project	1,747,907	890,131	857,776
WRP 7 - Secondary Clarifiers and Filter Modifications Project	2,210,170	776,507	1,433,663
	$ 43,120,050	$ 26,020,158	$ 17,099,892

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. 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,

Note 9: Commitments and Contingencies (Continued)

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 DPH. On September 4, 2015, Senate Bill 385 was passed and this bill authorizes, until January 1, 2020, the state board, at the request of a public water system, to grant a variance 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. The Cr-6 construction has been put on hold due to research on new treatment options being conducted and the State failing to prove in court that they had met the affordability burden when they set the MCL. The State has two years to prepare a new MCL.

The State of California's drinking water standard for Chromium-6 (Cr-6), adopted July 1, 2014, was challenged, and on May 31, 2017 the California Supreme Court ruled that the State failed to perform the required economic feasibility analysis and now must withdraw the standard and re-establish a new drinking water standard for Cr-6. While the State works to respond to this ruling, the District is working to identify the best treatment technology to meet the final Cr-6 drinking water standard established by the State. Cr-6 is found in about one-third of the District's 94 active wells at levels above the 10 parts per billion standard adopted by the State in 2014. The District is currently testing a promising new treatment alternative expected to have fewer impacts on communities and the environment and be significantly less costly to implement when compared to previously evaluated treatment technologies

Note 10: Quantification Settlement Agreement

CVWD 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, CVWD 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

Note 10: Quantification Settlement Agreement (Continued)

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.

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 mitigation payments 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
2017	$ 7,182,291	$ 5,531,599	$ -	$ 500,000	$ -	$ -	$ 863,000	$ 6,894,599
2018	11,875,345	5,195,516	-	-	500,000	-	3,536,000	9,231,516
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, CVWD was required to make contributions to the Salton Sea Restoration Fund, which is administered by the State. As of June 30, 2017, all required contributions have been made.

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 af 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 af. Of this quantity, 29,000 af (29 taf) is transferred to SDCWA and various Indian tribes. The adjusted base allotment of 301 taf is provided to CVWD at no cost.

Note 10: Quantification Settlement Agreement (Continued)

The QSA also allowed CVWD to obtain conserved Colorado River water from IID (up to 103 taf annually), under the IID-CVWD Acquisition Agreement. This additional water is transferred in two separate installments (up to 50 taf, and up to 53 taf), 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 af Exchange Water; this agreement allows CVWD to receive up to 35 taf 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.

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
2017	45,000	$ 3,399,550	-	$ -	57,477*	$ 10,841,511	102,477	$ 14,241,061
2018	50,000	3,775,782	13,000	981,703	35,000	7,719,768	98,000	12,477,253
2019	50,000	3,889,056	18,000	1,400,060	35,000	7,951,631	103,000	13,240,747
2020	50,000	4,005,728	23,000	2,002,746	35,000	8,189,902	108,000	14,198,376
2021	50,000	4,125,899	28,000	2,750,276	35,000	8,435,599	113,000	15,311,774
2022	50,000	4,249,676	33,000	3,540,856	35,000	8,688,667	118,000	16,479,199
2023	50,000	4,377,166	38,000	5,025,248	35,000	8,949,327	123,000	18,351,741
2024	50,000	4,508,481	43,000	6,035,201	35,000	9,217,807	128,000	19,761,489
2025	50,000	4,643,735	48,000	7,101,229	35,000	9,494,341	133,000	21,239,305
2026 to 2077	2,600,000	582,078,539	2,756,000	1,072,003,726	1,820,000	1,190,087,926	7,176,000	2,844,170,191

*22,477 af advance deliveries of fiscal 2018

Recent Developments

In August 2016, the U.S. Department of the Interior and the California Department of Natural Resources signed a memorandum of understanding (MOU) regarding coordination of activities to manage the Salton Sea; the MOU also provided the State with a lead role in the cooperative effort of restoring the sea.

In December 2016, Congress enacted and the President signed the Water Infrastructure Improvements for the Nation Act, which includes a provision that would allow the U.S. Army Corps of Engineers to work with non-federal partners in addition to the Salton Sea Authority on a variety of restoration projects. The provision also makes permanent a current pilot program at the Salton Sea that allowed the Corps to work in the area.

More recently, the State Water Resources Control Board held an informational workshop on September 7, 2017 to discuss the Salton Sea Management Plan and the Draft Stipulated Order, as proposed by the San Diego County Water District, County of Imperial, and the Imperial Irrigation District. The highlights of the order include requests for:

- the State of California, through the California Natural Resources Agency (CNRA), act so that there will be habitat or dust suppression projects to cover the almost 30,000 acres of exposed playa by Jan. 1, 2029.

- the State Water Board to retain jurisdiction over the implementation of restoration efforts and that the parties, led by the CNRA, would report annually to the State Water Board on progress toward the milestones in the Draft Stipulated Order. In particular, if implementation of the plan falls more than 20% behind the annual obligation, that the CNRA would be obligated to develop a plan to address the deficiency. This will provide accountability and adaptive management as the parties implement the 10-year plan.

Note 10: Quantification Settlement Agreement (Continued)

- the requirements of the original Water Rights Order continue as planned through implementing the prescribed four-step mitigation program to address air quality as it relates to the QSA water transfers.

- the State develops a long-term plan for the Salton Sea.

Although CVWD is not a direct party to the Draft Stipulated Order, we are actively watching and participating in the discussions as necessary to ensure that the conditions in the QSA are not negatively impacted.

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, 2017:

Receivable Fund	Payable Fund	Amount
Sanitation Fund	Domestic Water Fund	$ 1,717,920
Domestic Water Fund	Groundwater Replishment Fund	45,136,066
Total		$ 46,853,986

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, 2017, is $1,717,920.

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, 2017, was $45,136,066.

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

The annual scheduled repayments on the interfund advances as of June 30, 2017, are as follows:

Year Ending June 30,	Domestic Water Principal	Domestic Water Interest	Total
2018	$ 102,906	$ 27,954	$ 130,860
2019	104,560	26,408	130,968
2020	106,335	24,633	130,968
2021	108,141	22,827	130,968
2022-2026	568,863	85,956	654,819
2027-2031	727,115	36,826	763,941
Total	$ 1,717,920	$ 224,604	$ 1,942,524

Martinez Canyon Spreading Area and the (TEL) facilities loan

Year Ending June 30,	Principal	Interest	Total
2018	$ 11,002,567	$ 670,625	$ 11,673,192
2019	11,186,800	489,015	11,675,815
2020	11,376,756	299,056	11,675,812
2021	11,569,943	105,870	11,675,813
Total	$ 45,136,066	$ 1,564,566	$ 46,700,632

Transfers in and out for the year ended June 30, 2017, are summarized as follows:

From	To	Amount
Domestic Water Fund	Motorpool Fund	$ 1,683,233
Sanitation Fund	Motorpool Fund	609,266
Canal Water Fund	Motorpool Fund	915,337
Stormwater Fund	Motorpool Fund	578,351
Groundwater Replenishment Fund	Motorpool Fund	190,148
Sanitation Fund	Domestic Water Fund	197,789
Canal Water Fund	Domestic Water Fund	329,649
Stormwater Fund	Domestic Water Fund	131,859
Domestic Water Fund	Stormwater Fund	42,294
Domestic Water Fund	Canal Water Fund	162,532
Domestic Water Fund	Sanitation Fund	327,601
Domestic Water Fund	Groundwater Replenishment Fund	24,726
		$ 5,192,785

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

The Domestic Water Fund, Sanitation Fund, Stormwater Fund, Canal Water Fund and Groundwater Replenishment Fund transferred $3,976,335 to the Motorpool Fund to fund capital asset acquisitions.

The Sanitation Fund, Canal Water Fund, and Stormwater Fund transferred $659,297 to the Domestic Water Fund to allocate construction in progress expenses.

The Domestic Water Fund transferred $557,153 to the Stormwater Fund, the Canal Water Fund and the Sanitation Fund to fund capital asset acquisitions.

Note 13: Subsequent Event

It was reported in the June 30, 2016 Notes to Financial Statements, Note 13, that CVWD had applied for approximately $250 million in Drinking Water State Revolving Fund (SRF) loans to implement capital improvements needed to comply with California Department of Public Health Maximum Contaminant Level (MCL) for hexavalent chromium (Cr-6) of 10 parts per billion. As of October 5, 2017, CVWD voluntarily withdrew the DWSRF application for this project.

The District has applied for a Drinking Water SRF loan for the Highway 86 Transmission Main construction project in the amount of $26,000,000. The project is included in the District five-year capital improvement program. It is anticipated that the District will receive approval of this loan by December 31, 2017.

The District has applied for a Drinking Water SRF grant for the Eastern Coachella Valley Water Supply Plan. This plan will map and prioritize water system connections required in the eastern Coachella Valley Disadvantaged Communities, and is included in the District's five-year capital improvement program. This is a $500,000 grant, with no matching funds required. Anticipated approval is December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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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	2017
TOTAL PENSION LIABILITY			
Service Cost	$ 5,485,267	$ 5,436,814	$ 5,783,089
Interest	23,199,726	24,080,603	25,225,601
Difference Between expected and Actual Experience	-	(2,042,873)	944,339
Changes in Assumptions	-	(6,023,990)	-
Benefit Payments, Including Refunds of employee Contributions	(14,862,689)	(15,426,247)	(15,908,979)
Net Change in Total Pension Liability	**13,822,304**	**6,024,307**	**16,044,050**
Total Pension Liability - Beginning	**314,018,404**	**327,840,708**	**333,865,015**
Total Pension Liability - Ending (a)	**$ 327,840,708**	**$ 333,865,015**	**$ 349,909,065**
PLAN FIDUCIARY NET POSITION			
Plan to Plan Resource Movement	$ -	$ 47	$ -
Contribution - Employer	7,407,594	8,196,637	8,819,906
Contribution - Employee	2,917,459	2,956,640	3,196,965
Net Investment Income	34,250,928	5,096,743	1,200,323
Benefit Payments, Including Refunds of Employee Contributions	(14,862,689)	(15,426,247)	(15,908,979)
Administrative Expense	-	(258,450)	(139,921)
Net Change in Fiduciary Net Position	**29,713,292**	**565,370**	**(2,831,706)**
Plan Fiduciary Net Position - Beginning	**199,307,780**	**229,021,072**	**229,586,442**
Plan Fiduciary Net Position - Ending (b)	**$ 229,021,072**	**$ 229,586,442**	**$ 226,754,736**
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	**$ 98,819,636**	**$ 104,278,573**	**$ 123,154,329**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**69.86%**	**68.77%**	**64.80%**
Covered-Employee Payroll	**$ 34,897,415**	**$ 37,114,044**	**$ 39,823,371**
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	**283.17%**	**280.97%**	**309.25%**

(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 years are shown.

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, 2015. 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: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

COACHELLA VALLEY WATER DISTRICT

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

	2015	2016	2017
Actuarially Determined Contribution	$ 8,217,475	$ 9,940,264	$ 10,976,030
Contribution in Relation to the Actuarially Determined Contribution	(8,217,475)	(9,940,264)	(10,976,030)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 37,114,044	$ 39,823,371	$ 44,663,196
Contributions as a Percentage of Covered-Employee Payroll	22.14%	24.96%	24.58%

(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 three years are shown.

Note to Schedule:

Valuation Date:	June 30, 2014
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

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

		2017
TOTAL OPEB LIABILITY		
Service Cost	$	1,621,000
Interest on Total OPEB Liability		1,606,000
Difference Between expected and Actual Experience		(194,000)
Changes in Assumptions		-
Benefit Payments, Including Refunds of employee Contributions		(1,821,000)
Net Change in Total OPEB Liability		**1,212,000**
Total OPEB Liability - Beginning		**45,169,000**
Total OPEB Liability - Ending (a)	**$**	**46,381,000**
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	$	1,821,000
Net Investment Income		2,159,000
Benefit Payments, Including Refunds of Employee Contributions		(1,821,000)
Administrative Expense		(16,000)
Net Change in Plan Fiduciary Net Position		**2,143,000**
Plan Fiduciary Net Position - Beginning		**20,374,000**
Plan Fiduciary Net Position - Ending (b)	**$**	**22,517,000**
Plan Net OPEB Liability/(Assets) - Ending (a) - (b)	**$**	**23,864,000**
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		**48.55%**
Covered-Employee Payroll	**$**	**44,663,196**
Plan Net OPEB Liability/(Asset) as a Percentage of Covered-Employee Payroll		**53.43%**

(1) Historical information is required only for years for which GASB 74 is applicable. Fiscal Year 2017 was the first year of implementation; therefore, only one year is shown.

Notes to Schedule:

Benefit Changes: There were no benefit changes.

Changes of Assumptions: There were no changes of assumptions.

COACHELLA VALLEY WATER DISTRICT

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

		2017
Actuarially Determined Contribution	$	2,142,000
Contribution in Relation to the Actuarially Determined Contribution		(1,821,000)
Contribution Deficiency (Excess)	$	321,000
Covered-Employee Payroll	$	44,663,196
Contributions as a Percentage of Covered-Employee Payroll		4.08%

(1) Historical information is required only for years for which GASB 74 is applicable. Fiscal Year 2017 was the first year of implementation; therefore, only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percentage of payroll, closed
Inflation	3.00%
Salary Increases	3.25%
Payroll Growth	CalPERS 1997-2011
Investment rate of return	7.00%
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	Modified MP-2014

OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2017
Annual money-weighted rate of return, net of investment expense	7.75%

(1) Historical information is required only for years for which GASB 74 is applicable. Fiscal Year 2017 was the first year of implementation, therefore only one year is shown.

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2017

	Community Facilities District No. 102	Assessment District No. 32	Assessment District No. 33	Assessment District No. 67
Assets:				
Cash and investments	$ 5,108,068	$ 46,769	$ 253,981	$ 216,599
Receivables:				
Accounts	-	-	-	-
Property taxes	18,067	-	-	870
Interest	9,386	401	843	654
Due from other governments	-	-	-	-
Total Assets	**$ 5,135,521**	**$ 47,170**	**$ 254,824**	**$ 218,123**
Liabilities:				
Accounts payable	$ 66,825	$ -	$ 450	$ 550
Held for others	5,068,696	47,170	254,374	217,573
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	**$ 5,135,521**	**$ 47,170**	**$ 254,824**	**$ 218,123**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2017

(CONTINUED)

	Assessment District No. 68	Assessment District No. 70	Canal Lining Project Operations	Community Facilities District - 2015-01
Assets:				
Cash and investments	$ 437,344	$ 1,230,044	$ 615,462	$ 9,303
Receivables:				
Accounts	-	50,199	-	-
Property taxes	6,736	25,541	-	-
Interest	1,341	3,537	1,488	-
Due from other governments	-	-	-	-
Total Assets	**$ 445,421**	**$ 1,309,321**	**$ 616,950**	**$ 9,303**
Liabilities:				
Accounts payable	$ 562	$ 1,808	$ 614,382	$ -
Held for others	444,859	1,307,513	2,568	9,303
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	**$ 445,421**	**$ 1,309,321**	**$ 616,950**	**$ 9,303**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2017

	Grants Pass Thru Fund	Contractor Deposit Fund	Totals
Assets:			
Cash and investments	$ 1,038,171	$ 3,702,573	$ 12,658,314
Receivables:			
Accounts	-	-	50,199
Property taxes	-	-	51,214
Interest	516	-	18,166
Due from other governments	1,586,170	-	1,586,170
Total Assets	**$ 2,624,857**	**$ 3,702,573**	**$ 14,364,063**
Liabilities:			
Accounts payable	$ -	$ -	$ 684,577
Held for others	763,387	-	8,115,443
Deposits payable	118,750	3,702,573	3,821,323
Due to other governments	1,451,250	-	1,451,250
Due to other funds	291,470	-	291,470
Total Liabilities	**$ 2,624,857**	**$ 3,702,573**	**$ 14,364,063**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
Community Facilities District No. 102				
Assets:				
Cash and investments	$ 4,539,537	$ 888,354	$ 319,823	$ 5,108,068
Receivables:				
Property taxes	9,879	18,067	9,879	18,067
Interest	5,662	13,679	9,955	9,386
Total Assets	**$ 4,555,078**	**$ 920,100**	**$ 339,657**	**$ 5,135,521**
Liabilities:				
Accounts payable	$ 875	$ 334,911	$ 268,961	$ 66,825
Held for others	4,554,203	1,208,216	693,723	5,068,696
Total Liabilities	**$ 4,555,078**	**$ 1,543,127**	**$ 962,684**	**$ 5,135,521**
Assessment District No. 32				
Assets:				
Cash and investments	$ 46,970	$ 672	$ 873	$ 46,769
Receivables:				
Interest	365	142	106	401
Total Assets	**$ 47,335**	**$ 814**	**$ 979**	**$ 47,170**
Liabilities:				
Accounts payable	$ 375	$ -	$ 375	$ -
Held for others	46,960	47,918	47,708	47,170
Total Liabilities	**$ 47,335**	**$ 47,918**	**$ 48,083**	**$ 47,170**
Assessment District No. 33				
Assets:				
Cash and investments	$ 249,029	$ 72,659	$ 67,707	$ 253,981
Receivables:				
Interest	620	744	521	843
Total Assets	**$ 249,649**	**$ 73,403**	**$ 68,228**	**$ 254,824**
Liabilities:				
Accounts payable	$ 375	$ 3,900	$ 3,825	$ 450
Held for others	249,274	73,388	68,288	254,374
Total Liabilities	**$ 249,649**	**$ 77,288**	**$ 72,113**	**$ 254,824**
Assessment District No. 67				
Assets:				
Cash and investments	$ 201,753	$ 88,077	$ 73,231	$ 216,599
Receivables:				
Property taxes	571	870	571	870
Interest	443	605	394	654
Total Assets	**$ 202,767**	**$ 89,552**	**$ 74,196**	**$ 218,123**
Liabilities:				
Accounts payable	$ 375	$ 2,895	$ 2,720	$ 550
Held for others	202,392	102,556	87,375	217,573
Total Liabilities	**$ 202,767**	**$ 105,451**	**$ 90,095**	**$ 218,123**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
Assessment District No. 68				
Assets:				
Cash and investments	$ 429,624	$ 219,018	$ 211,298	$ 437,344
Receivables:				
Property taxes	2,494	6,736	2,494	6,736
Interest	900	1,243	802	1,341
Total Assets	**$ 433,018**	**$ 226,997**	**$ 214,594**	**$ 445,421**
Liabilities:				
Accounts payable	$ 438	$ 4,666	$ 4,542	$ 562
Held for others	432,580	224,953	212,674	444,859
Total Liabilities	**$ 433,018**	**$ 229,619**	**$ 217,216**	**$ 445,421**
Assessment District No. 70				
Assets:				
Cash and investments	$ 1,177,198	$ 734,518	$ 681,672	$ 1,230,044
Receivables:				
Accounts	46,134	9,874	5,809	50,199
Property taxes	32,786	25,541	32,786	25,541
Interest	2,239	3,394	2,096	3,537
Total Assets	**$ 1,258,357**	**$ 773,327**	**$ 722,363**	**$ 1,309,321**
Liabilities:				
Accounts payable	$ 5,730	$ 17,125	$ 21,047	$ 1,808
Held for others	1,252,627	782,628	727,742	1,307,513
Total Liabilities	**$ 1,258,357**	**$ 799,753**	**$ 748,789**	**$ 1,309,321**
Coachella Canal Lining Project Operations and Maintenance				
Assets:				
Cash and investments	$ 501,486	$ 120,375	$ 6,399	$ 615,462
Receivables:				
Accounts	111,640	7,537	119,177	-
Interest	1,074	1,757	1,343	1,488
Total Assets	**$ 614,200**	**$ 129,669**	**$ 126,919**	**$ 616,950**
Liabilities:				
Accounts payable	$ -	$ 614,382	$ -	$ 614,382
Held for others	614,200	15,670	627,302	2,568
Total Liabilities	**$ 614,200**	**$ 630,052**	**$ 627,302**	**$ 616,950**
Community Facilities District - 2015-01				
Assets:				
Cash and investments	$ 9,199	$ 104	$ -	$ 9,303
Total Assets	**$ 9,199**	**$ 104**	**$ -**	**$ 9,303**
Liabilities:				
Held for others	$ 9,199	$ 126	$ 22	$ 9,303
Total Liabilities	**$ 9,199**	**$ 126**	**$ 22**	**$ 9,303**
Grants Pass Thru Fund				
Assets:				
Cash and investments	$ 609,732	$ 4,721,876	$ 4,293,437	$ 1,038,171
Receivables:				
Accounts	49,516	-	49,516	-
Interest	325	3,908	3,717	516
Due from other governments	597,744	4,572,504	3,584,078	1,586,170
Total Assets	**$ 1,257,317**	**$ 9,298,288**	**$ 7,930,748**	**$ 2,624,857**
Liabilities:				
Accounts payable	$ 122,851	$ 2,355,642	$ 2,478,493	$ -
Held for others	800,265	-	36,878	763,387
Deposits payable	-	118,750	-	118,750
Due to other governments	274,201	3,385,384	2,208,335	1,451,250
Due to other funds	60,000	326,945	95,475	291,470
Total Liabilities	**$ 1,257,317**	**$ 6,186,721**	**$ 4,819,181**	**$ 2,624,857**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
Contractor Deposit Fund				
Assets:				
Cash and investments	$ 3,621,690	$ 318,246	$ 237,363	$ 3,702,573
Total Assets	**$ 3,621,690**	**$ 318,246**	**$ 237,363**	**$ 3,702,573**
Liabilities:				
Deposits payable	3,621,690	555,609	474,726	3,702,573
Total Liabilities	**$ 3,621,690**	**$ 555,609**	**$ 474,726**	**$ 3,702,573**
Totals - All Agency Funds				
Assets:				
Cash and investments	$ 11,386,218	$ 7,163,899	$ 5,891,803	$ 12,658,314
Receivables:				
Accounts	207,290	17,411	174,502	50,199
Property taxes	45,730	51,214	45,730	51,214
Interest	11,628	25,472	18,934	18,166
Due from other governments	597,744	4,572,504	3,584,078	1,586,170
Total Assets	**$ 12,248,610**	**$ 11,830,500**	**$ 9,715,047**	**$ 14,364,063**
Liabilities:				
Accounts payable	$ 131,019	3,333,521	2,779,963	$ 684,577
Held for others	8,161,700	2,455,455	2,501,712	8,115,443
Deposits payable	3,621,690	674,359	474,726	3,821,323
Due to other governments	274,201	3,385,384	2,208,335	1,451,250
Due to other funds	60,000	326,945	95,475	291,470
Total Liabilities	**$ 12,248,610**	**$ 10,175,664**	**$ 8,060,211**	**$ 14,364,063**

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STATISTICAL SECTION

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STATISTICAL SECTION

TABLE OF CONTENTS

This section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

These schedules contain information to help the reader assess the factors that affect the government's ability to generate its most significant local source of revenues.

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

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

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.

Coachella Valley Water District
Net Position by Component
Last Ten Fiscal Years
($000s)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Investment in Capital Assets	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	1,315,395
Restricted for construction, capital and replacement	49,356	66,779	85,560	65,594	69,788	64,200	50,427	53,829	61,477	56,480
Restricted for State Water Project	50,156	46,894	68,772	75,033	78,735	62,000	62,000	26,400	26,400	26,400
Restricted for debt service	10,204	11,731	10,117	-	-	-	-	-	-	-
Unrestricted	208,855	210,973	213,198	270,280	306,824	352,023	358,767	314,024	320,254	341,456
Total Net Position	**1,305,291**	**1,376,189**	**1,431,827**	**1,511,838**	**1,556,475**	**1,604,953**	**1,669,359**	**1,631,472**	**1,674,764**	**1,739,730**
Percent Change	*9.57*	*5.43*	*4.04*	*5.59*	*2.95*	*3.11*	*4.01*	*(2.27)*	*2.65*	*3.88*

Coachella Valley Water District
Changes in Net Position
Last Ten Fiscal Years
($000s)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues:										
Sales	62,128	76,085	79,171	81,204	69,705	69,566	70,486	65,396	54,112	72,833
Water & sewer availability charges	1,721	1,630	1,514	2,265	2,522	2,004	2,547	2,203	2,332	2,600
Meter & service fees[1]	1,013	1,499	2,532	2,175	15,522	15,079	15,538	15,426	16,458	14,937
Sanitation service fees	32,402	32,863	32,822	36,947	37,311	37,527	38,113	38,316	38,453	39,073
Replenishment charges	15,805	16,162	18,152	17,634	19,152	20,916	21,399	21,284	19,273	22,906
Other charges	5,201	5,875	4,195	24,619	10,510	12,039	13,356	7,596	8,019	6,951
Total Operating Revenues	**118,269**	**134,113**	**138,385**	**164,843**	**154,722**	**157,132**	**161,439**	**150,223**	**138,647**	**159,299**
Operating Expenses:[2]										
Transmission & distribution	12,173	15,958	15,143	14,887	-	-	-	-	-	-
Pumping	-	-	-	-	-	-	-	-	-	-
Source of supply	26,724	24,376	51,414	56,338	-	-	-	-	-	-
Operations & maintenance	43,373	41,042	62,355	56,497	-	-	-	-	-	-
General & administrative	7,485	8,454	12,263	18,201	-	-	-	-	-	-
Wages & salaries	-	-	-	-	35,775	37,238	38,005	38,825	42,169	43,234
Benefits	-	-	-	-	19,351	19,160	19,245	20,321	17,284	22,804
Materials & supplies	-	-	-	-	11,388	11,588	12,292	12,705	11,705	11,951
Water purchases	-	-	-	-	67,273	53,346	53,671	42,071	63,800	59,504
Utilities	-	-	-	-	14,159	14,816	15,859	15,603	14,698	14,264
Contract services	-	-	-	-	13,966	31,378	12,971	9,944	9,894	11,370
Depreciation	28,312	35,404	38,759	40,162	34,574	35,116	36,195	35,774	36,578	46,891
Other	58,813	50,795	4,478	9,848	24,148	2,746	20,339	24,723	34,481	32,876
Total Operating Expenses	**176,880**	**176,029**	**184,412**	**195,934**	**220,635**	**205,389**	**208,578**	**199,966**	**230,609**	**242,893**
Non-operating revenues:										
Property taxes	61,004	58,686	64,112	73,272	81,404	74,709	85,780	89,017	93,601	96,755
Intergovemmental	-	-	-	-	-	-	-	31	38	6
Investment income	14,971	12,862	6,517	6,793	5,208	470	7,618	5,273	8,590	3,378
Other	26,984	-	-	5,628	11,677	6,520	4,479	9,929	20,374	30,246
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	908	(4,116)	277	504
Total Non-operating Revenues	**102,959**	**71,549**	**70,630**	**85,693**	**98,289**	**81,698**	**98,786**	**100,134**	**122,880**	**130,889**
Non-operating Expenses:										
Interest expense	1,144	1,005	664	636	129	165	607	621	623	687
Total Non-operating Expenses	**1,144**	**1,005**	**664**	**636**	**129**	**165**	**607**	**621**	**623**	**687**
Income (Loss) Before Capital Contributions	**43,204**	**28,629**	**23,939**	**53,967**	**32,247**	**33,276**	**51,040**	**49,770**	**30,294**	**46,608**
Capital contributions	70,778	35,031	21,986	28,776	12,390	6,206	10,995	19,647	12,998	18,358
Change in net position	113,982	63,659	45,925	82,743	44,637	39,483	62,035	69,416	43,292	64,966
Total net position beginning of year	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	1,674,764
Restatements	-	-	-	-	-	8,995	2,371	(107,303)	-	-
Total Net Position End of Year	**1,305,291**	**1,376,189**	**1,431,827**	**1,511,838**	**1,556,475**	**1,604,953**	**1,669,359**	**1,631,472**	**1,674,764**	**1,739,730**
Percent Change	*9.57*	*5.43*	*4.04*	*5.59*	*2.95*	*3.11*	*4.01*	*(2.27)*	*2.65*	*3.88*

Footnotes:

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

[2]Prior to 2012, expenses were reported by function; beginning in 2012, expenses are reported by category; Pumping is included in Source of Supply.

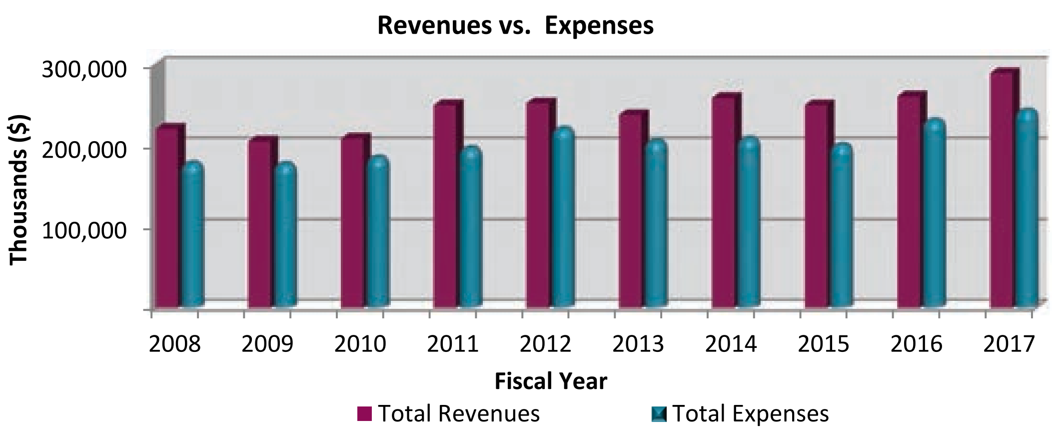
Coachella Valley Water District
Summary of Changes in Net Position
Last Ten Fiscal Years
($000s)

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenue Less Expenses	Income Before Capital Contributions	Capital Contributions	Restatements	Changes in Net Position
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
2017	159,299	242,893	(83,594)	130,202	46,608	18,358	-	64,966

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.

Coachella Valley Water District
Total Revenues vs. Total Expenses
Last Ten Fiscal Years
($000s)

Fiscal Year	Total Revenues	Total Expenses	Excess of Revenues Over Expenses
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
2017	290,188	243,580	46,608



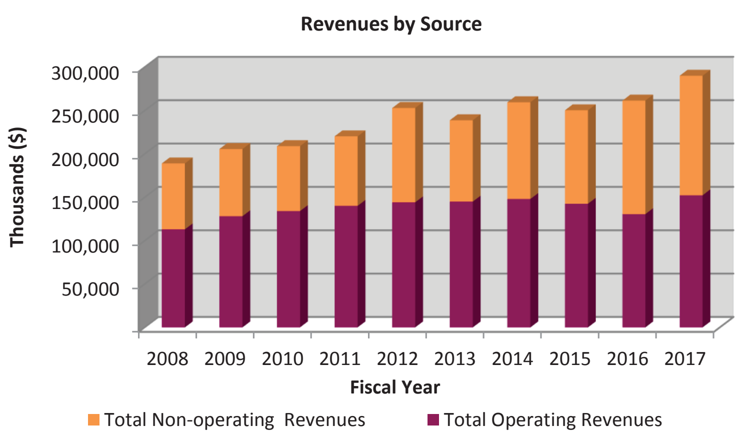
Coachella Valley Water District
Revenues by Source
Last Ten Fiscal Years
($000s)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues:										
Sales	62,128	76,085	79,171	81,204	69,705	69,566	70,486	65,396	54,112	72,833
Water & Sewer Availability	1,721	1,630	1,514	2,265	2,522	2,004	2,547	2,203	2,332	2,600
Meter & Service Fees	1,013	1,499	2,532	2,175	15,522	15,079	15,538	15,426	16,458	14,937
Sanitation Service Fees	32,402	32,863	32,822	36,947	37,311	37,527	38,113	38,316	38,453	39,073
Replenishment Charges	15,805	16,162	18,152	17,634	19,152	20,916	21,399	21,284	19,273	22,906
Total Operating Revenues	**113,069**	**128,238**	**134,190**	**140,224**	**144,213**	**145,093**	**148,083**	**142,626**	**130,628**	**152,348**
Non-operating Revenues:										
Property Taxes	61,004	58,686	64,112	73,272	81,404	74,709	85,780	89,017	93,601	96,755
Investment Income	14,971	12,862	6,517	6,793	5,208	470	7,618	5,273	8,590	3,378
Other Charges	32,185 [1]	5,875	4,195	30,247 [2]	22,187	18,560	18,136	13,440	28,707	37,707
Total Non-operating Revenues	**75,975**	**77,424**	**74,825**	**80,065**	**108,799**	**93,738**	**111,535**	**107,730**	**130,898**	**137,840**
Total Revenues	**189,043**	**205,662**	**209,015**	**220,289**	**253,011**	**238,831**	**259,617**	**250,357**	**261,526**	**290,188**

Footnotes:

[1] Includes payments from Imperial Irrigation District

[2] Includes payments from Imperial Irrigation District and insurance claims



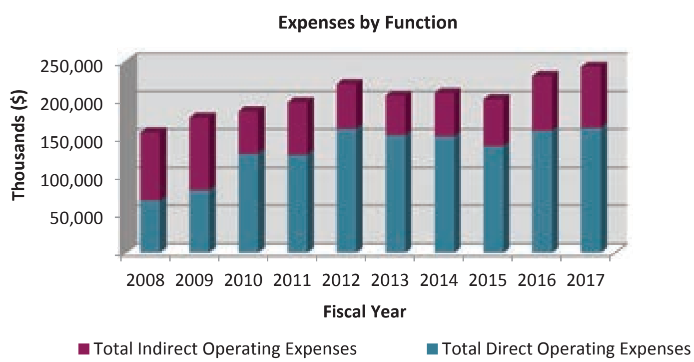
Coachella Valley Water District
Expenses by Function
Last Ten Fiscal Years
($000s)

	2008	2009 [1]	2010	2011	2012 [2]	2013	2014	2015	2016	2017
Direct Operating Expenses:										
Transmission & distribution	12,173	15,958	15,143	14,887	-	-	-	-	-	-
Pumping	14,456	-	-	-	-	-	-	-	-	-
Source of supply	12,269	24,376	51,414	56,338	-	-	-	-	-	-
Operations & maintenance	28,917	41,042	62,355	56,497	-	-	-	-	-	-
Wages & salaries	-	-	-	-	35,775	37,238	38,005	38,825	42,169	43,234
Benefits	-	-	-	-	19,351	19,160	19,245	20,317	17,284	22,804
Materials & supplies	-	-	-	-	11,388	11,588	12,292	12,705	11,705	11,951
Water purchases	-	-	-	-	67,273	53,346	53,671	42,071	63,800	59,504
Utilities	-	-	-	-	14,159	14,816	15,859	15,603	14,698	14,264
Contract services	-	-	-	-	13,966	17,564	12,971	9,949	9,894	11,370
Total Direct Operating Expenses	**67,814**	**81,376**	**128,911**	**127,723**	**161,913**	**153,712**	**152,044**	**139,469**	**159,550**	**163,127**
Indirect Operating Expenses:										
General & administrative	21,941	8,454	12,263	18,201	-	-	-	-	-	-
Depreciation	28,312	35,404	38,759	40,162	34,574	35,116	36,195	35,774	36,578	46,891
Interest expense	1,144	1,004	664	636	129	165	607	621	623	687
Other	37,985	50,795	4,478	9,848	24,148	16,561	20,339	24,723	34,481	32,876
Total Indirect Operating Expenses	**89,383**	**95,657**	**56,165**	**68,847**	**58,851**	**51,842**	**57,141**	**61,118**	**71,682**	**80,454**
Total Expenses	**157,197**	**177,033**	**185,076**	**196,570**	**220,764**	**205,554**	**209,185**	**200,587**	**231,232**	**243,580**

Footnotes:

[1] Beginning in 2009, Pumping included with Source of supply

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



Coachella Valley Water District
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
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
2017	59,083,482	3.69	96,755	0.002	3.37

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

Coachella Valley Water District
Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	2008			2017	
	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	-	-	-	194,106	0.33
Garden of Champions LLC	-	-	-	184,507	0.31
WEA Palm Desert	133,043	0.23	4	150,146	0.25
DS Hotel LLC	269,413	0.47	2	144,349	0.24
Gardens on El Paseo	-	-	-	131,192	0.22
Eisenhower Medical Center Inc	-	-	-	130,504	0.22
Walmart/Sams	83,729	0.15	10	122,074	0.21
WVC Rancho Mirage Inc	-	-	-	110,651	0.19
Time Warner Cable Pacific West LLC	-	-	-	100,627	0.17
PRU Desert Crossing	84,864	0.15	9	96,076	0.16
KSL Desert Resorts Inc	381,014	0.67	1	-	-
Peter Solomon	144,082	0.25	3	-	-
Coral Option	126,163	0.22	5	-	-
Steven W. Mickle	107,722	0.19	6	-	-
Charles B. Dickson	91,423	0.16	7	-	-
Michael Prieto	84,897	0.15	8	-	-
Total	**1,506,350**	**2.65**		**1,364,232**	**2.31**

Source: HDL Coren & Cone (Riverside County Assessor)

Coachella Valley Water District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

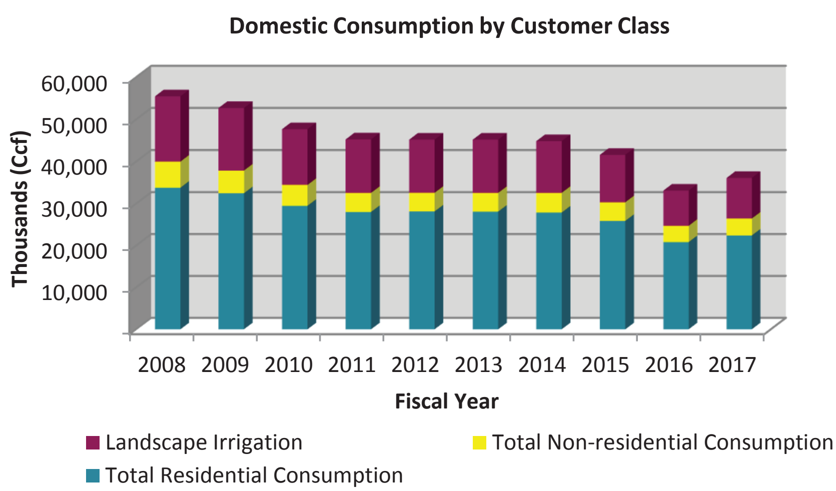
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
CVWD - State Water Project	0.04000	0.04000	0.06000	0.08000	0.08000	0.08000	0.10000	0.10000	0.10000	0.10000
Desert Community College District	0.01995	0.01995	0.01995	0.01995	0.01995	0.01995	0.01995	0.02325	0.02087	0.02036
Coachella Valley Unified School District	0.05708	0.05949	0.07247	0.09332	0.07487	0.07968	0.14919	0.14919	0.13218	0.16601
Desert Sands Unified School District	0.07561	0.07990	0.08112	0.10036	0.11467	0.11156	0.10954	0.10984	0.10915	0.08599
Palm Springs Unified School District	0.05468	0.06007	0.12628	0.13224	0.10451	0.09351	0.12961	0.10160	0.08978	0.11802
San Gorgonio Memorial Healthcare District	0.03272	0.03365	0.10676	0.09914	0.10365	0.11572	0.11896	0.11296	0.08143	0.08357
Desert Water Agency	0.08000	0.08000	0.08000	0.08000	0.08000	0.10000	0.10000	0.10000	0.10000	0.10000
Coachella Valley Water District ID No. 53	0.00090	-	-	-	-	-	-	-	-	-
Coachella Valley Water District ID No. 54	0.00720	0.00650	0.00650	0.00530	-	-	-	-	-	-
Coachella Valley Water District ID No. 55	0.00840	0.00640	0.00600	0.00600	-	-	-	-	-	-
Coachella Valley Water District ID No. 58	0.00230	-	-	-	-	-	-	-	-	-

Source: California Municipal Statistics Corp.

Coachella Valley Water District
Total Domestic Consumption by Customer Class
Last Ten Fiscal Years
(Ccf 000s)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single family residential	31,545	30,316	27,416	26,003	26,191	26,139	25,939	24,014	19,221	20,758
Duplex - triplex	707	664	604	559	549	534	530	497	401	404
Multi-dwelling	558	543	529	518	499	495	505	476	413	425
Apartments	1,006	978	963	948	931	944	940	905	805	831
Mobile home/trailer parks	1,471	1,421	1,337	1,268	1,247	1,239	1,229	1,181	1,039	1,072
Hotels/motels	505	468	437	446	399	437	420	420	376	397
Commercial	1,137	1,099	964	823	823	1,256	1,256	1,199	1,079	1,113
Business	1,329	1,287	1,288	1,214	1,230	800	810	779	687	666
Temporary construction meters	1,290	614	458	378	297	271	489	432	355	339
Public agency	447	481	472	412	440	450	461	435	348	460
Landscape irrigation	15,508	14,848	13,229	12,710	12,607	12,651	12,291	11,270	8,396	9,660
Total Consumption	**55,501**	**52,718**	**47,698**	**45,280**	**45,213**	**45,216**	**44,870**	**41,606**	**33,121**	**36,124**

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 Nine Years Ago

	Fiscal Year Ended 2017[1] Industry	Annual Consumption by Ccf [2]	Percentage		Annual Revenues	Percentage
1	Community Association	257,910.0	0.71	$	438,990	0.75
2	Community Association	262,794.0	0.73		376,291	0.65
3	Community Association	184,750.0	0.51		331,667	0.57
4	Community Association	204,049.0	0.56		304,463	0.52
5	Education	79,049.0	0.22		256,490	0.44
6	Community Association	181,389.0	0.50		255,158	0.44
7	Community Association	173,779.0	0.48		243,918	0.42
8	Community Association	153,395.0	0.42		227,530	0.39
9	Community Association	145,643.0	0.40		209,503	0.36
10	Community Association	125,902.0	0.35		195,681	0.34
	Total Top Ten Domestic Customers	1,768,660	4.90	$	2,839,691	4.87
	Total All Domestic Customers	36,123,586.0		$	58,310,945	

	Fiscal Year Ended 2008[1] 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	

[1] In 2008 consumption and revenue was recognized by individual meter. Beginning in 2013 consumption and revenue was recognized by customer.

[2] Ccf - hundred cubic feet

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

	Fiscal Year Ended 2017 Customer Name	Annual Revenues	Percentage
1	Resort	$ 131,418	0.34
2	Resort	124,685	0.32
3	Resort	116,765	0.30
4	Resort	104,305	0.27
5	Mobile Homes	89,670	0.23
6	Resort	87,818	0.22
7	Mobile Homes	85,260	0.22
8	Resort	76,348	0.20
9	Mobile Homes	75,558	0.19
10	Mobile Homes	74,676	0.19
	Total Top Ten Sanitation Customers	$ 966,503	2.47
	Total All Sanitation Customers	$ 39,072,669	

	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 Nine Sanitation Customers	$ 657,228	1.78
	Total All Sanitation Customers	$ 36,946,847	

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

	Fiscal Year Ended 2017 Customer Name	Annual Consumption by Af	Percentage	Annual Revenues	Percentage
1	CVWD Recharge	37,727.0	11.13	$ 1,263,100	8.70
2	CVWD Recharge	10,416.0	3.07	348,728	2.40
3	Agriculture	3,040.8	0.90	101,806	0.70
4	Agriculture	2,948.1	0.87	98,702	0.68
5	Agriculture	2,511.6	0.74	84,088	0.58
6	Agriculture	2,070.1	0.61	69,307	0.48
7	Agriculture	1,779.9	0.52	59,591	0.41
8	Agriculture	1,728.1	0.51	57,857	0.40
9	Agriculture	1,714.6	0.51	57,405	0.40
10	Agriculture	1,626.2	0.48	54,445	0.37
	Total Top Ten Canal Customers	65,562.4	19.34	$ 2,195,029	15.12
	Total All Canal Customers	339,051.2		$ 14,521,568	

	Fiscal Year Ended 2008[1] Customer Name	Annual Consumption by Af	Percentage	Annual Revenues	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] In 2008 there were no recharge water sales.

Coachella Valley Water District
Rate Summary
Last Ten Fiscal Years

Funds	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Domestic Water[1]	0.82	0.94	1.03	1.12	1.12	1.12	1.12	1.12	1.12	1.32
Sanitation[2]	21.50	22.50	22.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50
Canal[3]	22.30	23.30	24.05	24.95	27.45	28.95	28.95	28.95	28.95	33.48
West Whitewater Replenishment[4]	91.67	93.78	102.45	102.45	107.57	107.57	110.26	110.26	112.00	128.80
East Whitewater Replenishment[4]	7.70	10.00	17.00	24.00	31.00	38.00	45.00	52.00	59.00	66.00
Mission Creek Replenishment[4]	72.36	79.60	87.56	89.75	98.73	98.73	98.73	98.73	112.00	123.20

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

Footnote:

[1]Domestic water rates are the consumption charge for tier 2 per hundred cubic feet (Ccf).

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

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

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

Coachella Valley Water District
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
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
2017	-	-	-	-	-	-	-

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

2016-17 Assessed Valuation:	$	59,083,482,056
Redevelopment Incremental Valuation:		-
Adjusted Assessed Valuation	$	59,083,482,056

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]		District's Share of Debt 6/30/17
Desert Community College District	79.194	$	220,515,220
Imperial Community College District	0.285		203,061
Coachella Valley Unified School District	99.292		262,022,069
Desert Sands Unified School District	99.903		315,808,368
Palm Springs Unified School District	44.728		189,351,748
Other School Districts	Various		490,728
Healthcare Districts	Various		912,200
TOTAL OVERLAPPING DEBT			989,303,394
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		726,528
Coachella Valley Water District, Assessment District No. 67	100.000		250,000
Coachella Valley Water District, Assessment District No. 68	100.000		1,415,000
Coachella Valley Water District, Assessment District No. 70	100.000		5,010,000
Other 1915 Act Bonds (Estimate)	100.000		73,692,050
Community Facilities Districts	100.000		81,306,000
TOTAL DIRECT DEBT			162,399,578
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			1,151,702,972
OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	23.458	$	199,183,146
Riverside County Pension Obligations	23.458		67,215,380
Imperial County Certificates of Participation	2.624		210,970
Imperial County Pension Obligations Bonds	2.624		1,000,531
Imperial Community College District General Fund Obligations	0.285		841
Coachella Valley Unified School District Certificates of Participation	99.292		40,233,118
Desert Sands Unified School District Certificates of Participation	99.903		49,756,689
Brawley Union High School District Certificates of Participation	0.460		6,570
City of Cathedral City General Fund Obligations	82.763		2,749,387
City of Coachella General Fund Obligations	99.926		11,786,272
City of Desert Hot Springs General Fund and Judgment Obligations	2.631		394,650
City of Indio General Fund Obligations	99.834		35,525,929
City of La Quinta General Fund Obligations	99.997		1,264,962
City of Palm Springs General Fund Obligations and Pension Obligations	0.9		1,195,970
City of Rancho Mirage General Fund Obligations	98.428		3,735,343
Desert Recreation and Park Certificates of Participation	99.782		1,074,697
TOTAL GROSS GENERAL FUND DEBT		$	415,334,455
Less: Riverside County self-supporting obligations			1,137,066 [2]
TOTAL NET GENERAL FUND DEBT		$	414,197,389
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCIES):			1,049,814,090
GROSS COMBINED TOTAL DEBT		$	2,616,851,517
NET COMBINED TOTAL DEBT		$	2,615,714,451

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

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

Ratios to 2016-2017 Assessed Valuation:	
Direct Debt	-
Total Direct and Overlapping Tax and Assessment Debt	1.95%
Ratios to Adjusted Assessed Valuation:	
Gross Combined Total Debt	4.43%
Net Combined Total Debt	4.43%

Source: California Municipal Statistics

Coachella Valley Water District
Computation of Legal Debt Margin
Last Ten Fiscal Years
($000s)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total assessed value	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	59,083,482
Conversion percentage	25	25	25	25	25	25	25	25	25	25
Adjusted assessed valuation	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	14,770,871
Debt limit percentage	15	15	15	15	15	15	15	15	15	15
Legal debt limit	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	2,215,631
Outstanding bonds chargeable to the limi	10,105	9,185	8,225	-	-	-	-	-	-	-
Less: Amount reserved for debt	10,204	11,731	10,117	-	-	-	-	-	-	-
Net applicable to limit:	(99)	(2,546)	(1,892)	-	-	-	-	-	-	-
Legal Debt Margin	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	2,215,631
Total debt applicable to the limit as a percentage of debt limit	0.0000	-0.0012	(0.0009)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

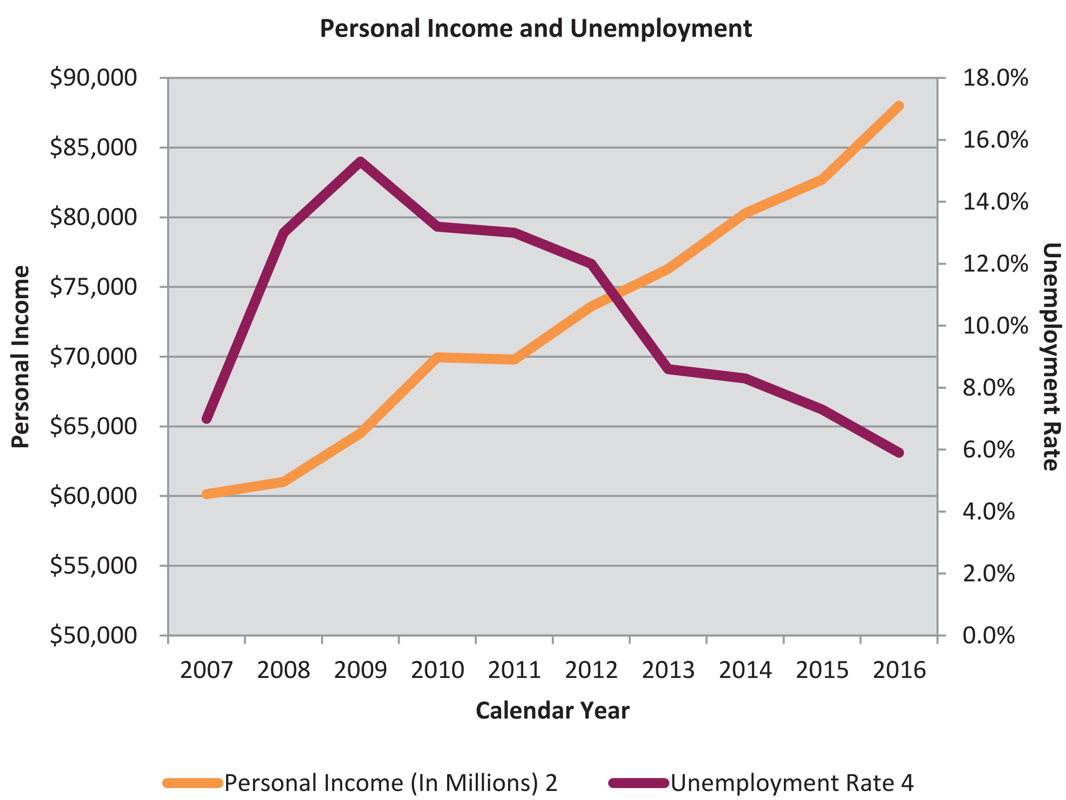
Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market 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]
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	35,495	312,700	7.3%
2016	2,348,213	88,000	37,260	329,600	5.9%

[1]Source: State 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
[2]Source: 2017 California County Level Economic Forecast
[3]Source: U.S. Census Bureau, 2015 American Community Survey 1-Year Estimates
[4]Source: U.S. Department of Labor, Bureau of Labor Statistics

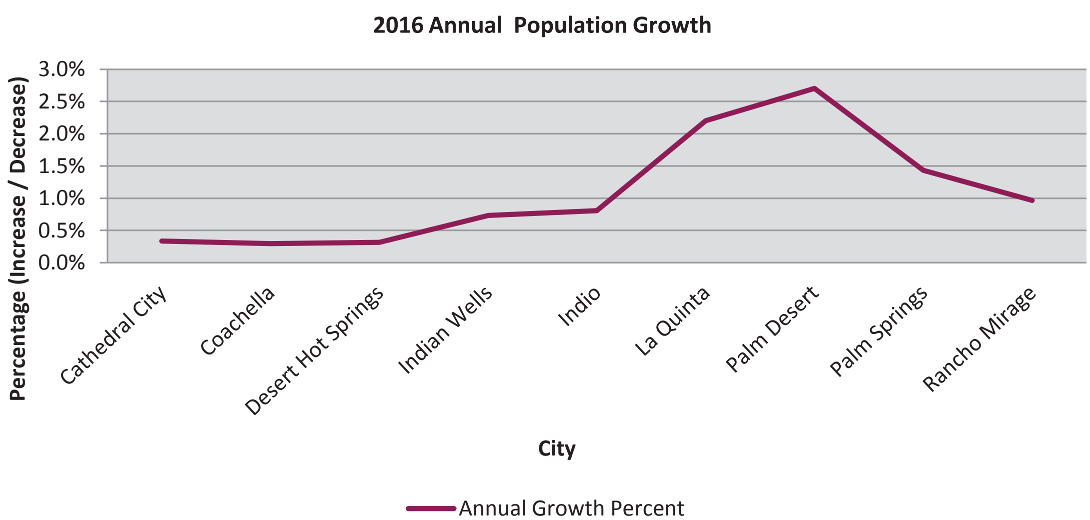


Coachella Valley Water District
Demographic Statistics
Population of Major Cities in the Coachella Valley
Last Ten Calendar Years

Calendar Year	Cathedral City	Coachella	Desert Hot Springs	Indian Wells	Indio	La Quinta	Palm Desert	Palm Springs	Rancho Mirage	Total
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
2016 [2]	54,040	45,135	28,885	5,375	87,382	40,176	50,154	46,866	18,093	376,106
Annual Growth Percent	0.34%	0.30%	0.32%	0.73%	0.81%	2.20%	2.70%	1.43%	0.97%	1.12%

[1] Source: State 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

[2] Source: State of California, Department of Finance, Demographic Research Unit
E-4 Population Estimates for Cities, Counties and the State, 2011-2017 with Census counts, Sacramento, CA



Coachella Valley Water District
Principal Employers in the Coachella Valley
Current Year [1] and Ten Years Ago

Employer	FY 2008			Current Year [1]		
	Number of Employees	Rank	% of Total County Employment	Number of Employees	Rank	% of Total County Employment
Eisenhower Medical Center	-		-	3,665	1	0.004
Palm Springs Unified School District	1,998	1	0.002	2,948	2	0.003
Desert Sands Unified School District	1,017	5	0.001	2,608	3	0.003
JW Marriot Desert Springs Resort	1,300	4	0.002	2,304	4	0.002
Desert Regional Medical Center	1,500	3	0.002	2,230	5	0.002
Aqua Caliente Band of Cahuilla Indians	700	6	0.001	2,229	6	0.002
Coachella Valley Unified School District	-		-	2,210	7	0.002
La Quinta Resort and Club	1,600	2	0.002	1,326	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**	**20,620**		**0.021**

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

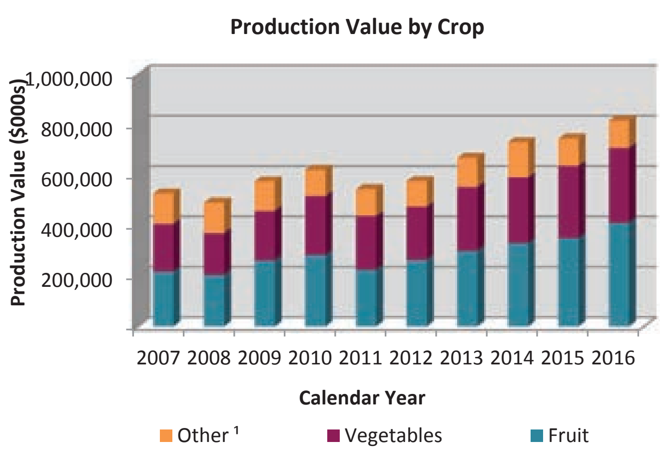
Coachella Valley Water District
Farm Production by Crop
Last Ten Calendar Years

	Fruit			Vegetables			Other [1]			Total	
Calendar Year	Production Value ($000s)	Acreage	Yield (Tons)	Production Value ($000s)	Acreage	Yield (Tons)	Production Value ($000s)	Acreage	Yield (Tons)	Total Value ($000s)	Total Acreage
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
2016	411,173	27,735	401,712	297,473	27,145	522,248	107,537	12,601	790,993	816,182	67,481

Footnote:

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

Source: Coachella Valley Water District Annual Review



Coachella Valley Water District
Operating Indicators by Function
Last Ten Calendar Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Domestic water										
Population served	279,717	282,426	283,529	286,192	286,240	303,846	304,701	318,217	318,217	290,000
Total well capacity (Mgd)	243	253	253	244	249	245	240	240	231	234
Active meters	104,122	105,774	106,399	107,002	107,349	107,544	108,050	108,599	109,167	107,861
Average daily demand (Mgd)	118.0	112.0	103.0	94.0	91.8	92.1	92.4	90.4	74.9	72.2
Total water delivered (Af)	131,605	125,283	114,911	105,001	102,805	103,429	103,552	101,302	83,869	80,835
Irrigation water										
Total irrigable acres	78,530	78,530	78,530	78,530	78,530	66,227	75,144	76,354	76,456	76,411
Active accounts	1,114	1,109	1,082	1,120	1,145	1,145	1,224	1,224	1,190	1,263
Total water delivered (Af)	257,548	263,763	269,243	251,249	265,270	278,398	274,399	334,638	327,010	342,507
Average daily demand (Af)	706	723	738	688	727	777	760	917	903	903
Wastewater collection										
Population served	257,340	265,337	267,260	266,823	260,700	264,316	270,686	272,357	272,982	248,404
Active accounts	97,479	100,127	100,853	100,688	91,673	90,344	92,774	93,797	93,969	94,532
Average daily flow (Mgd)	18.3	18.3	17.3	17.1	17.8	18.3	17.5	17.2	17.0	16.3
Nonpotable water										
Active accounts	16	16	16	16	16	17	18	19	21	19
Recycled Water Delivered (AF)	7,580	7,157	5,959	7,510	7,848	8,170	9,092	9,624	9,505	9,120

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration[1]	39	36	37	33	35	36	36	37	41	41
Engineering	76	68	57	65	66	69	44	44	42	45
Environmental[2]	-	-	-	-	-	-	24	25	27	25
Finance	48	42	36	25	27	25	26.5	26.5	28	27
Human Resources & Risk Management	11	11	11	11	11	8	9	9	9	10
Information Systems[3,4]	-	-	-	-	-	-	13	13	14	15
Operations	166	153	130	142	142	146	150	150	153	158
Service[1]	93.5	88	93	87	91	94	79	82	84	83
Facilities and Maintenance	134	132	120	111	121	121	123	124	121	127
Total	**567.5**	**530**	**484**	**474**	**493**	**499**	**504.5**	**510.5**	**519**	**531**

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.

[5] Trades and Support was renamed the Facilities and Maintenance Department in FY 2017

Coachella Valley Water District
Capital Asset Statistics by Function
Last Ten Calendar Years

	Unit of Measure	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Domestic water											
Active wells		115	104	104	102	102	100	96	96	92	94
Distribution reservoirs		59	5	58	58	59	59	60	61	61	61
Storage capacity	Mg	120	120	132	132	134	134	135	135	135	135
Distribution piping systems	Miles	1,884	1,965	1,978	1,978	1,986	1,986	1,993	1,996	1,993	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	435
Pumping plants		19	19	20	17	17	16	16	16	16	16
Length of canal	Miles	122	122	122	122	123	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	2,298	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 channe	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	5
Total daily plant capacity	Mgd	31	34	34	34	34	34	34	34	34	33
Collection piping system	Miles	1,078	1,079	1,079	1,083	1,086	1,088	1,095	1,129	1,129	1,129
Recycled water											
Plants producing recycled water		3	3	3	3	3	3	3	3	3	2
Total daily capacity	Mgd	18	18	18	18	18	18	18	18	18	18
Distribution piping systems	Miles	15	15	15	15	16	27	27	30	30	30
Groundwater management											
Recharge facilities		4	4	4	4	4	4	4	3	3	3
Recharge from imported water	Af	22,795	15,984	82,849	298,941	290,869	313,389	64,190	43,912	38,298	73,194

Mgd - Million gallons per day
Mg - Million gallons
Af - Acre-feet

Source: Coachella Valley Water District Annual Review

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