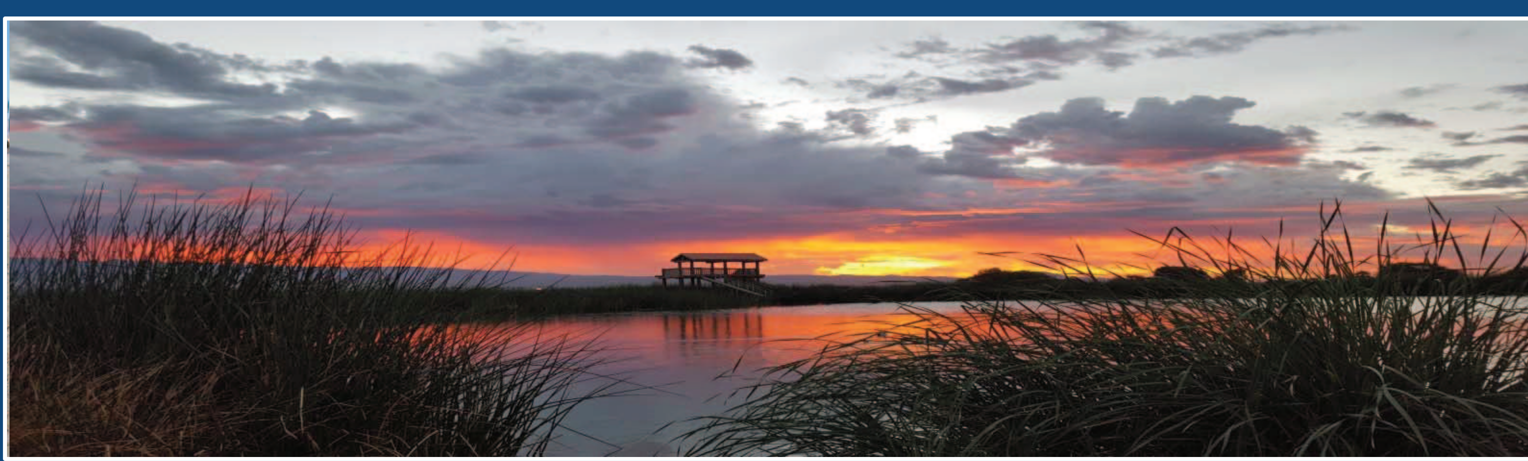
VALLEY SANITARY DISTRICT

Comprehensive Annual Financial Report Year Ended June 30, 2015



Valley Sanitary District

Indio, California

Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2015

Prepared by:
Administration and Finance Department

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Valley Sanitary District

Table of Contents

INTRODUCTORY SECTION

November 24, 2015

Board of Directors
Valley Sanitary District
Indio, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Valley Sanitary District (District) for the fiscal year ended June 30, 2015. This report was prepared by the District's Finance Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and in accordance with Generally Accepted Accounting Principles (GAAP). The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner believed to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

District Structure and Leadership

The District is a California special district, which operates under the authority of the Health and Safety Code, Sanitary District Act of 1923, § 6400 et seq. The District was formed June 1, 1925 and is governed by a five member Board of Directors, elected at large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs 27 regular employees, organized in three departments. The District's Board of Directors meet on the second and fourth Tuesdays of each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides sanitary sewer services to approximately 27,100 connections within its 19.5 square mile service area, located in the eastern desert area of Riverside County. The District encompasses the City of Indio, portions of the City of Coachella, and adjacent unincorporated areas of Riverside County, California.

District Services

Residential customers represent approximately 97% of the District's customer base and produce approximately 81% of the sewage flow. Currently, the District can treat approximately 13.5 million gallons of sewage a day.

Economic Condition and Outlook

The District offices are located in the City of Indio in Riverside County. The area had previously experienced a decrease in economic activity due to the downturn in property values, employment opportunities and the continued restrictions on credit. Recent activity shows a modest recovery is underway with positive indicators in each of the five sectors (tourism, health care, agriculture, retail sales and housing) primarily responsible for Indio's economic health.

Major Initiatives

During fiscal year 2015, the District completed or initiated a number of significant projects:

- ✓ **Complete renovation of the Zimpro building into a new maintenance shop** – the Zimpro process was eliminated in 2008 when the new belt presses came on line. The Zimpro building was cleared of the internal and external equipment, including a reactor, heat exchanger, separator, and an oxidized sludge storage tank. These items were removed and recycled as appropriate. The building was then remodeled and equipped with shop equipment such as work benches, tool boxes, tools, grinders, welder and torches, jacks and stands, storage containers, cabinets, and a compressed air system.

- ✓ **Arc Flash Study completed** – this document meets OSHA requirements and provides a facility electrical safety plan with defined responsibilities and documented training in electrical and arc-flash safety, for both electrical workers and any other workers who might be affected. It also helps in identification and analysis of arc flash hazards, and placement of warning labels on equipment. It emphasizes the provision of proper tools for safe electrical work and verification, through annual inspections, that individual employees are complying with established safe work practices.

- ✓ **Treatment Plant Master Plan** – this document provides the blueprint for the necessary capital improvements to the wastewater treatment plant in order to meet current and future capacity needs. It is anticipated that over $158.5 million in treatment plant capital improvements within the next 12 to 15 years will be required in order to meet build-out capacity needs. The next phase of improvement is being planned for fiscal year 2016-2017.

- ✓ **Wastewater Revenue Refunding Bonds, Series 2015** – the District issued $12,915,000 Certificates of Participation (COPs) to finance a portion of the cost of the first phase expansion of the District's Treatment Plant in 2006. The COPs mature in 2026, for a total term of 20 years. The amount outstanding at June 1, 2015 was $8,915,000. The District refinanced the COPs at a lower interest rate, saving the District over $65,000 a year. This is a reduction in payments of about $715,000 over the next 11 years.

- ✓ **National Pollutant Discharge Elimination System (NPDES) permit** – the Colorado River Basin Regional Water Quality Control Board renewed the NPDES permit, which is valid until June 1, 2020.

- ✓ **Requa Interceptor Design and Construction** – this VSD capital improvement project is in the finishing stages of design completion to relieve capacity within the existing collector pipelines and increase capacity to accommodate future development along Avenue 46 and Highway 111 and along Requa Avenue generally between Madison Street to the west and Fargo Street to the east. The Requa Interceptor project will construct 4.2 miles of new gravity flow sewer pipeline and related utility improvements designed to collect and convey sanitary sewer flows within existing public right of way (ROW) through central Indio, California. Construction is anticipated to begin in the winter of 2016.

- ✓ **Front Wall Replacement and Entrance Project** – the headquarter site for the District is undergoing a front wall improvement to replace a deteriorated block wall that is within the future right of way of Van Buren Street. The wall will be replaced with a 7 foot tall wrought iron fence along with new wrought iron gates. Other improvements include improved access, landscaping, lighting, and motorized openers.

- ✓ **Solar Project** – as part of program to develop and utilize renewable energy sources, the District is proposing to design, construct, and operate a Solar Photovoltaic Generating project. Construction is expected to begin in the spring of 2016.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinances and resolutions, prudent money management and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurers Local Agency Investment Fund (LAIF).

Sewer Rates and District Revenues

District policy direction ensures that all revenues from sewer use charges generated from District customers must support all District operations including capital project funding. Accordingly, all sewer use charges are reviewed on an annual basis. The sewer use charges imposed upon the customers for service are the primary component of the District's revenue. Sewer use charges are calculated on an equivalent dwelling unit basis (EDU).

Audit and Financial Reporting

State Law and Bond Covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm, The Pun Group, Accountants & Advisors, has conducted the audit of the District's financial statements. Their unqualified Independent Auditors' Report appears in the Financial Section.

Risk Management

The District annually renews its commercial insurance package which includes a primary package, umbrella, earthquake, and excess earthquake coverage.

The District is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA administers the District's Workers' Compensation and Employer Liability program of insurance.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Financial Statements found in the Financial Section of the report.

Awards/Recognition

During the past year, the District received the following awards:

- Government Finance Officers Association (GFOA) – Excellence in Financial Reporting
- CWEA Colorado River Basin Section Plant of the Year (5-20 MGD)
- CWEA Colorado River Basin Section Collection System of the Year Award (0-249 miles)
- CWEA Colorado River Basin Section Operator of the Year Award – Andy Boyd
- CWEA Colorado River Basin Section Mechanical Technician of the Year – Brian Sprueill
- CWEA Colorado River Basin Section Supervisor of the Year – Steve Shepard
- CWEA Colorado River Basin Section Safety Program of the Year – Andy Calhoun

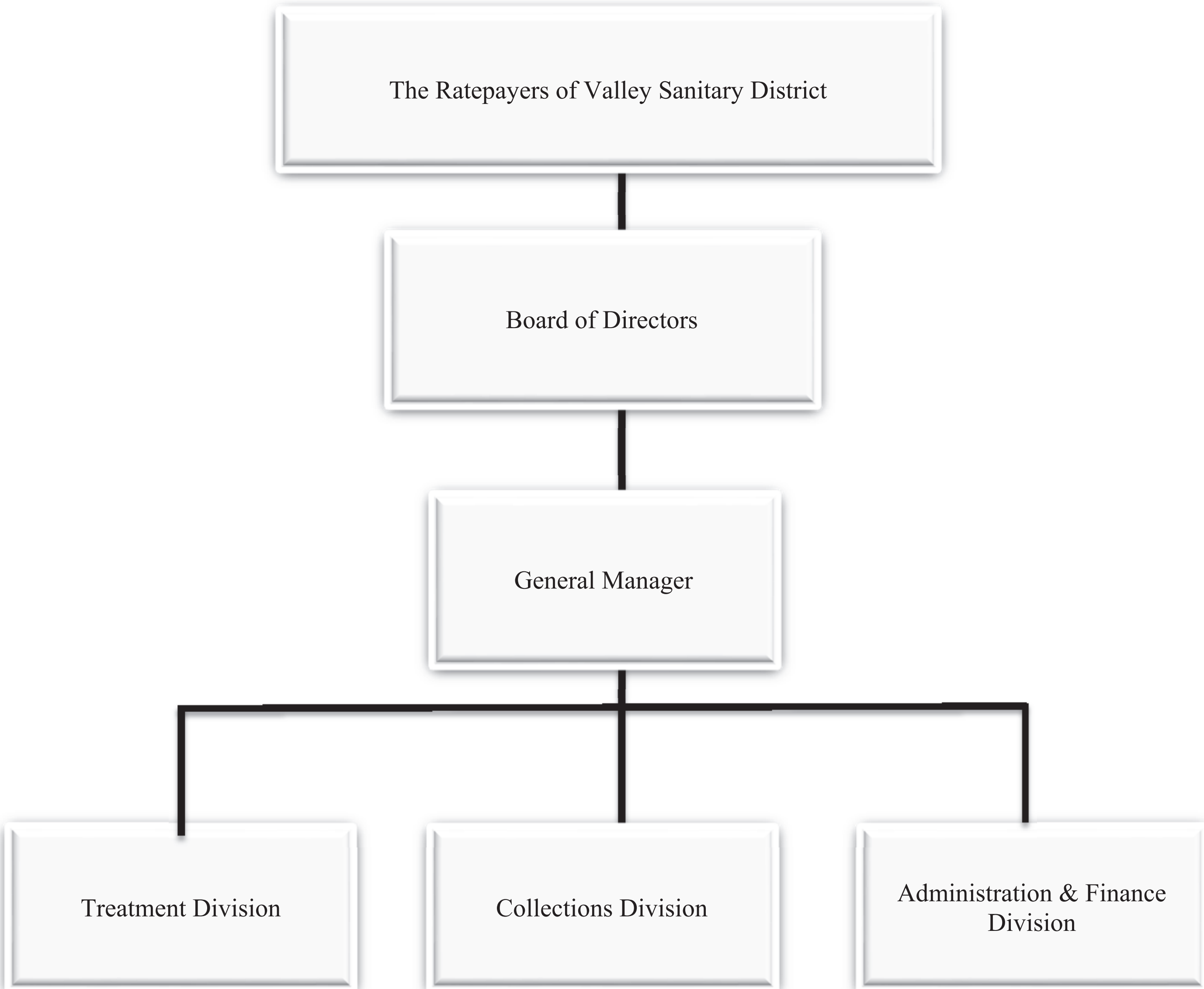
Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Valley Sanitary District's fiscal policies.
Respectfully submitted,

Joseph Glowitz
General Manager

This page intentionally left blank.

Valley Sanitary District Organizational Chart



Valley Sanitary District Board of Directors

The five-member Board of Directors are elected by the citizens who reside within Valley Sanitary District to set policy and govern the District. The current Board of Directors are:

Douglas A. York, President

Richard Friestad, Vice President

Merritt W. Wiseman, Secretary / Treasurer

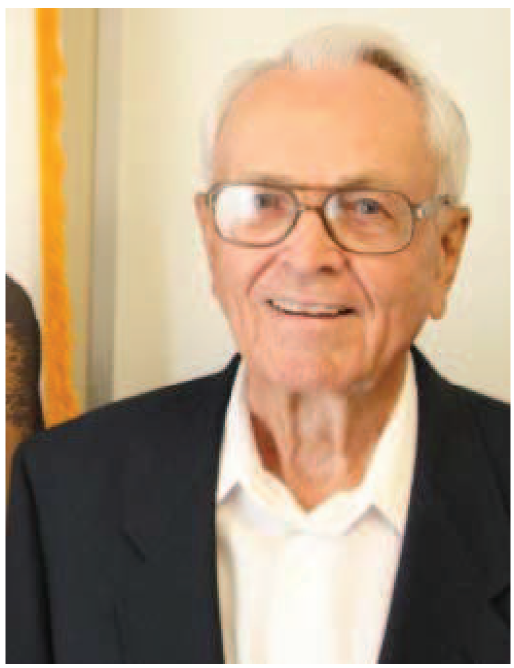
Mike Duran, Director

William R. Teague, Director

Dedicated to

Valley Sanitary District Board Member

24 years of service



Richard "Dick" Friestad

1927 - 2015

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Valley Sanitary District

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

This page intentionally left blank.

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Valley Sanitary District
Indio, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund financial statements of the Valley Sanitary District (the "District") as of and for the year ended June 30, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

74998 Country Club Drive, Suite 220, Palm Desert, California 92260
Tel: 760-459-8177 • Fax: 760-459-8174
www.pungroup.com

To the Board of Directors
of the Valley Sanitary District
Indio, California
Page Two

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary fund financial statements of the District, as of June 30, 2015, 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.

Emphasis of Matter

Implementation of GASB Statement No. 68 and 71

As discussed in Note 2 to the basic financial statements, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 14 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of ($1,359,412) as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of Jun 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System ("CalPERS") plans. Our opinion is not modified with respect to this matter.

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 the District's Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of the District's Contributions, and the Schedules of Funding Progress-Other Postemployment Benefits on pages 7 through 14, and 53 through 73 will 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 Introductory Section, the Schedules of Operating Expenses, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Directors
of the Valley Sanitary District
Indio, California
Page Three

The Schedule of Operating Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pun Group, LLP

Palm Desert, California
November 5, 2015

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the Valley Sanitary District
Indio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary fund of Valley Sanitary District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

74998 Country Club Drive, Suite 220, Palm Desert, California 92260
Tel: 760-459-8177 • Fax: 760-459-8174
www.pungroup.com

To the Board of Directors
of the Valley Sanitary District
Indio, California
Page Two

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Palm Desert, California
November 5, 2015

The management of the Valley Sanitary District (District) presents the District's financial statements with a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the audited financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities by $96.7 million as of June 30, 2015. Of this amount, $30.5 million may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's total net position increased approximately $2.4 million, from $94.3 million to $96.7 million or 2.6%. This was primarily due to a decrease in operating expenses, an increase in nonoperating revenues, and the recognition of net pension liability due to the implementation of Government Accounting Standards Board (GASB) 68 for the current period (Note 10) and as a prior period adjustment (Note 14).

- Current assets increased by 12%, while noncurrent assets decreased 3.1%. This is due in part to an increase in the prepaid expenses and an increase in cash and investments.

- The District's total liabilities decreased by $2.1 million (16.5%) in 2015. The key factor in the decrease is due to paying off the California Public Employee Retirement System (CalPERS) side fund in 2014 and earning from the plans to lower the net pension liability and the refinancing of the 2006 COPs.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the District's financial statements. The District's financial statements comprise two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as n*et position*. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The District has only business type activities. The business-type activity of the District is the provision of sanitary services to the community.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The various funds are presented in the accompanying financial statements as a proprietary fund category, enterprise fund type.

Fiduciary funds. Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the *statement of net position* or the *statement of revenue, expenses, and changes in net position* because the resources of the funds are *not* available to support the District's own programs. Fiduciary funds are custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 21-42 of this report.

The Schedule of Operating Expenses. The Schedule of Operating Expenses presents the functional expense items by activity and is presented immediately following the notes to the financial statements. The Schedule of Operating Expenses presented as supplementary information can be found on page 50 of this report.

Financial Analysis

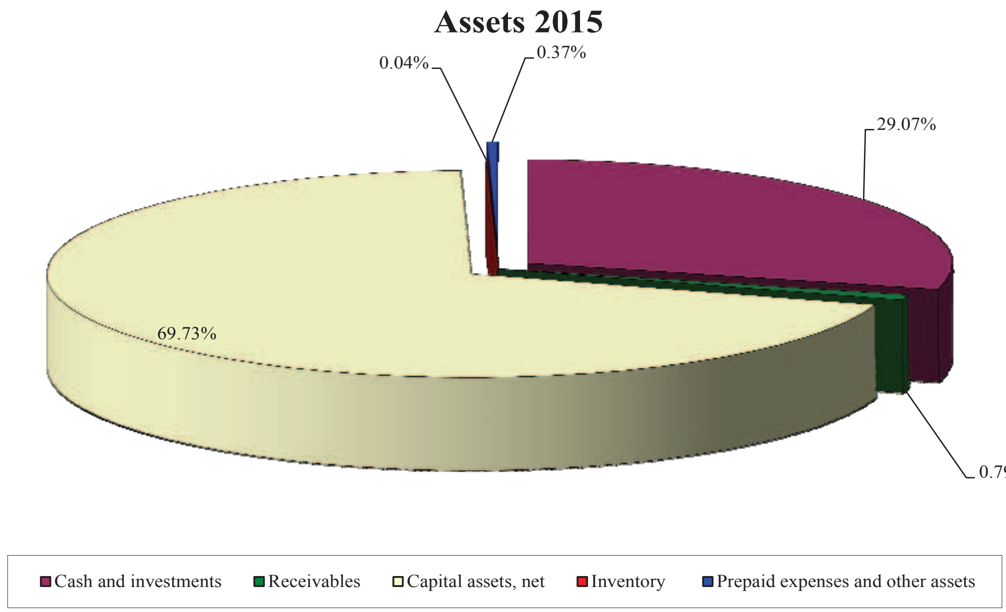
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $96,664,493 and $94,251,725 as of June 30, 2015 and 2014, respectively.

The largest portion of the District's net position during June 30, 2015 (69%) and 2014 (71%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

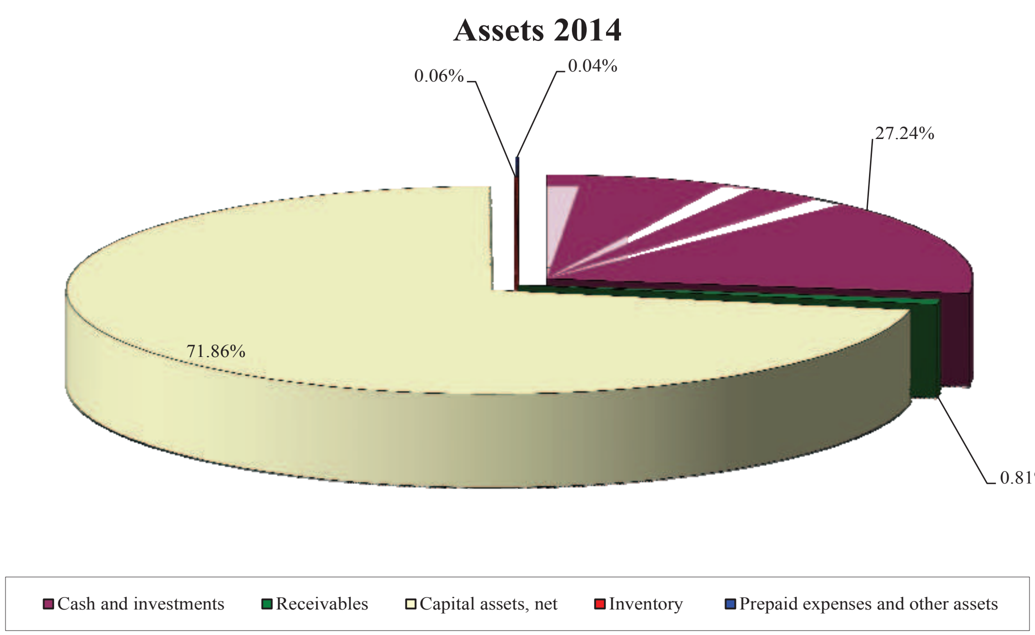
DISTRICT'S NET POSITION

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. The same situation held true for the prior two fiscal years.

	2015	2014 As Restated
Current assets	$ 32,384,903	$ 28,903,732
Noncurrent assets	74,823,866	77,254,501
Total assets	$ 107,208,769	$ 106,158,233
Deferred outflows of resources	$ 867,368	$ 1,126,986
Current liabilities	$ 1,219,715	$ 1,430,465
Noncurrent liabilities	9,695,892	9,039,725
Total liabilities	$ 10,915,607	$ 13,033,494
Deferred outflows of resources	$ 496,027	$ -
Net position:		
Invested in capital assets, net of related debt	$ 66,115,846	$ 66,905,251
Restricted	-	964,900
Unrestricted	30,548,647	26,381,574
Total net position	$ 96,664,493	$ 94,251,725

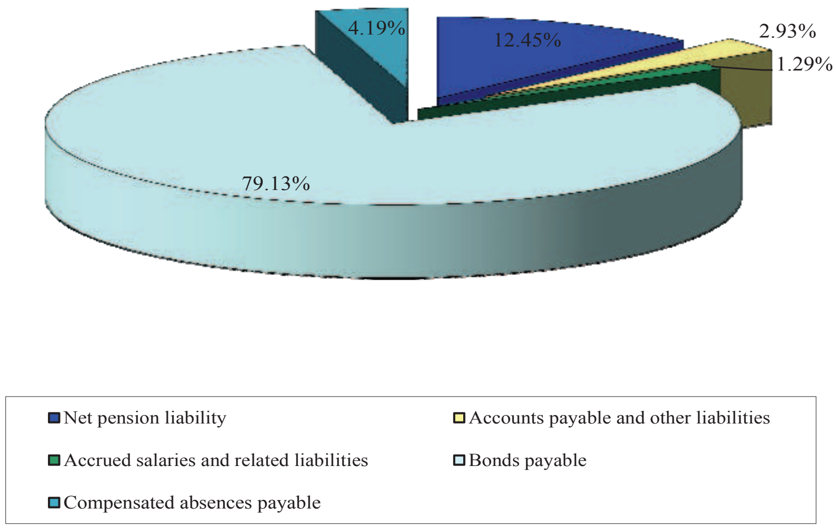


Assets 2015
0.04%
0.37%
29.07%
69.73%
0.79%
Cash and investments
Receivables
Capital assets, net
Inventory
Prepaid expenses and other assets

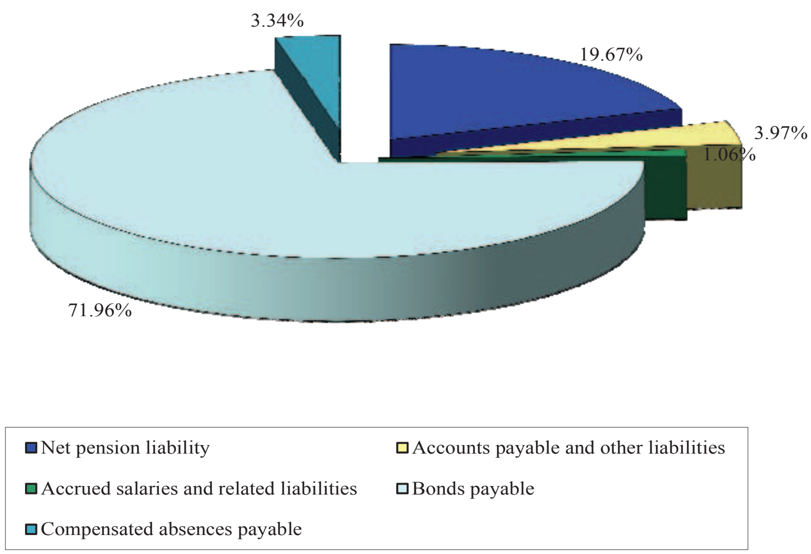


Assets 2014
0.06%
0.04%
27.24%
71.86%
0.81%
Cash and investments
Receivables
Capital assets, net
Inventory
Prepaid expenses and other assets

Liabilities 2015



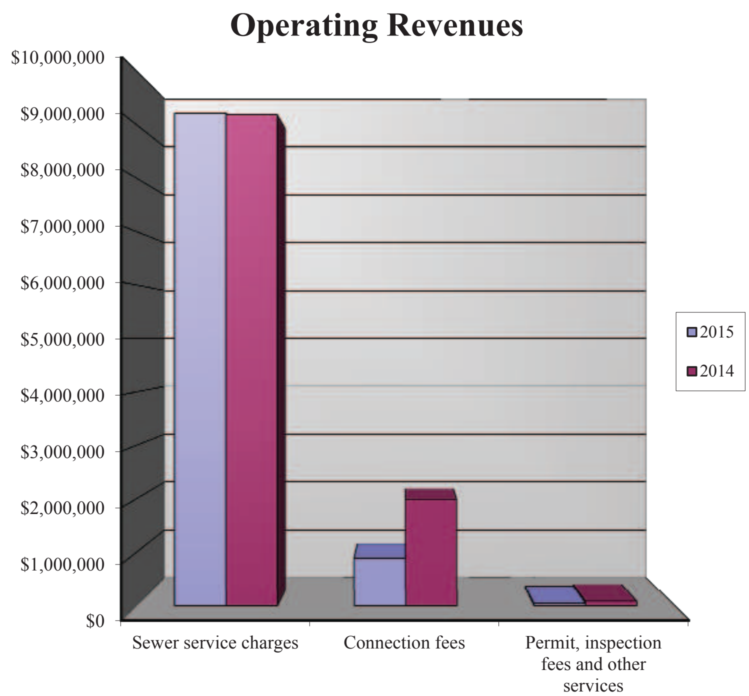
Liabilities 2014



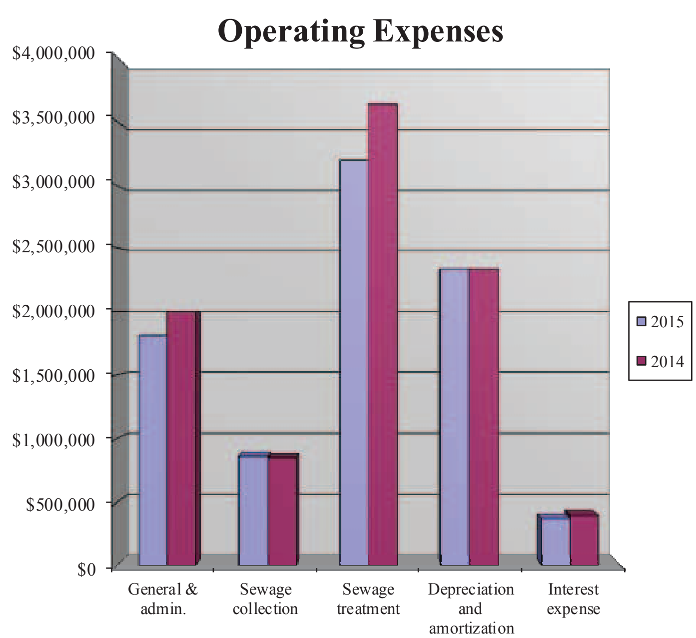
Changes in the District's net position reflect an increase of $2,412,768 and $2,742,954 as of June 30, 2015 and 2014, respectively. The District's operating revenue decreased in the current year by $976,411 due to fewer sewer connection fees, while the District's operating expenses decreased by $646,225.

DISTRICT'S CHANGES IN NET POSITION

	2015	2014 As Restated
Revenues:		
Sewer service charges	$ 9,218,538	$ 9,187,360
Connection fees	897,863	1,998,788
Permits & inspections	17,264	40,202
Other operating	27,425	46,100
Nonoperating	828,182	693,233
Total Revenues	$ 10,989,272	$ 11,965,683
Expenses:		
Depreciation & nonoperating	$ 2,749,776	$ 2,737,521
Administrative	1,819,626	1,997,332
Sewage collection	866,622	855,884
Sewage treatment	3,140,480	3,631,992
Total Expenses	$ 8,576,504	$ 9,222,729
Increase in net position	$ 2,412,768	$ 2,742,954
Beginning net position, restated (Note 14)	94,251,725	91,508,771
Ending net position	$ 96,664,493	$ 94,251,725



Operating Revenues
$10,000,000
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
Sewer service charges
Connection fees
Permit, inspection fees and other services
2015
2014



Operating Expenses
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
General & admin.
Sewage collection
Sewage treatment
Depreciation and amortization
Interest expense
2015
2014

Capital Asset Administration

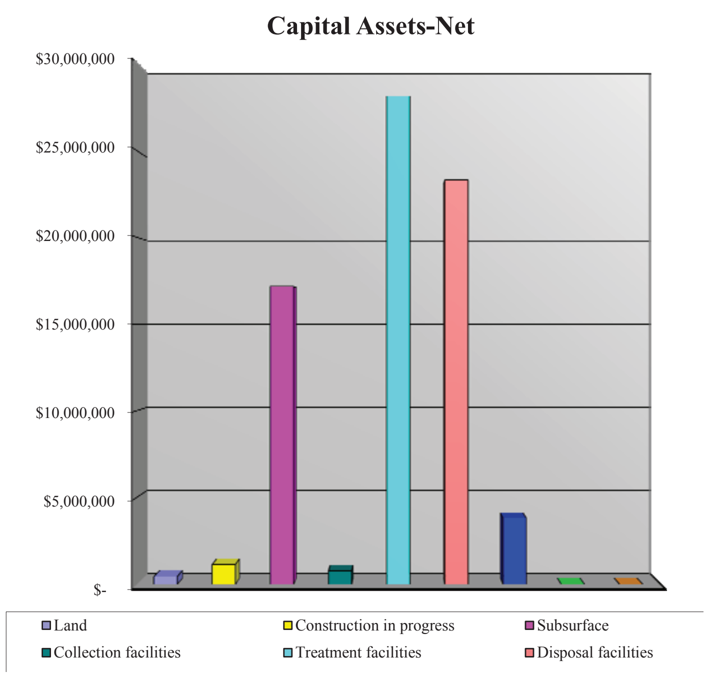
The District's capital assets (net of accumulated depreciation) as of June 30, 2015 and June 30, 2014 were in the amounts of $74,753,103 and $76,284,601, respectively. This includes land, buildings, system improvements, machinery, and equipment. The decrease in the District's capital assets is due in part to the additional depreciation as the $18 million Treatment Plant Expansion was completed in the year ended June 30, 2014.

Major capital asset events during the current fiscal year included the following:

- **Complete renovation of the Zimpro building into a new maintenance shop**
- **Completion of the Treatment Master Plan**
- **Requa Interceptor Design Project**

DISTRICT'S CAPITAL ASSETS
Net of Accumulated Depreciation

	June 30, 2015	June 30, 2014
Land	$ 448,364	$ 448,364
Construction in progress	1,133,171	707,120
Subsurface	17,162,410	17,450,946
Collection facilities	771,269	890,103
Treatment facilities	28,117,258	28,972,403
Disposal facilities	23,280,532	23,812,382
General plant	3,833,324	3,997,658
Laboratory facilities	332	997
Admin facilities	6,443	4,628
Total	$ 74,753,103	$ 76,284,601



Additional information on the District's capital assets can be found on page 29, Note 5, of this report.

Long-term Debt Administration

At the end of June 30, 2015 and 2014, the District had total long-term debt of $8,637,257 and $9,379,080, respectively. The Certificates of Participation (COPs) was debt incurred to help fund Phase I of the District's Treatment Plan Expansion and Renovation in 2006. On June 18, 2015 the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of $7,540,000, refinancing the COPs and reducing payments by about $1,596,780 over the term of the certificates which run through 2026. Repayment of the debt is funded through the combination of sewer use fees and connection capacity fees of the District.

DISTRICT'S OUTSTANDING DEBT

	2015	2014
Certificates of Participation	$ -	$ 9,485,000
COP discount	-	(105,950)
Revenue refunding bond	7,540,000	-
Bond premium	1,097,257	-
Total	$ 8,637,257	$ 9,379,050

The District's total debt decreased $741,793 as a result of refinancing during the June 30, 2015 fiscal year.

Additional information on the District's long-term debt can be found on pages 30 and 31, Note 8, of this report.

Economic Factors and Next Year's Budgets and Rates

Residential and commercial development within the District's service area has experienced an increase in activity during the 2014/2015 fiscal year. Recent activity shows a modest recovery is underway with positive indicators in each of the five sectors (tourism, health care, agriculture, retail sales, and housing) primarily responsible for Indio's economic health. An indication of the local economy is best demonstrated in the District's connection fee income. There were over 210 new connections in fiscal year 2014/2015 and over 394 in fiscal year 2013/2014.

The annual sewer use fee of $270 per equivalent dwelling unit (EDU) remained the same for fiscal year 2014/2015 as it was for fiscal year 2013/2014. The connection capacity charge of $4,265 per EDU for the fiscal year 2014/2015 also remained the same as fiscal year 2013/2014.

The fiscal year operating budget for 2015/2016 is $8.5 million and is supplemented with $10 million in capital improvement projects, to produce a total financial program of $18.5 million. This represents a decrease of $246,000 over the 2014/2015 operating budget and a $4 million increase over the 2014/2015 capital improvement plan.

Requests for Information

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, Valley Sanitary District, 45-500 Van Buren Street, Indio, California, 92201, or by calling (760) 238-5400.

Valley Sanitary District
Statement of Net Position
June 30, 2015

		Business-type Activities
ASSETS		
Current assets:		
Cash and investments	$	31,164,397
Accounts receivable, net		830,755
Interest receivable		18,955
Inventories of materials		43,521
Prepaid items		327,275
Total current assets		32,384,903
Noncurrent assets:		
Capital assets, net		74,753,103
Investment in joint venture		30,000
Other post employment benefit asset		40,763
Total noncurrent assets		74,823,866
Total assets		107,208,769
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding, net		457,154
Pension contribution after measurement date		279,922
Difference between employer actual contribution and employer's proportionate share of contribution		126,854
Adjustment due to difference in proportion - CalPERS PEPRA Plan		3,438
Total deferred outflows of resources		867,368
LIABILITIES		
Current liabilities:		
Accounts payable		291,521
Accrued payroll and related liabilities		141,322
Interest payable		28,221
Compensated absences - due within one year		208,651
Bonds payable - due within one year		550,000
Total current liabilities		1,219,715
Noncurrent liabilities:		
Aggregate Net pension liability		1,359,412
Compensated absences - due in more than one year		249,223
Bonds payable - due in more than one year		8,087,257
Total noncurrent liabilities		9,695,892
Total liabilities		10,915,607
DEFERRED INFLOWS OF RESOURCES		
Differences in expected and actual earnings on pension plan investments		427,931
Adjustment due to difference in proportion - CalPERS Classic Plan		68,106
Total deferred inflows of resources		496,037
NET POSITION		
Net investment in capital assets		66,115,846
Unrestricted		30,548,647
Total net position	$	96,664,493

See accompanying Notes to the Basic Financial Statements

Valley Sanitary District
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2015

	Business-type Activities
OPERATING REVENUES:	
Sewer service charges	$ 9,218,538
Connection fees	897,863
Permit and inspection fees	17,264
Other services	27,425
Total operating revenues	10,161,090
OPERATING EXPENSES:	
General and administrative	1,819,626
Sewage collection	866,622
Sewage treatment	3,140,480
Depreciation	2,334,398
Total operating expenses	8,161,126
NET OPERATING INCOME	1,999,964
NONOPERATING REVENUES (EXPENSES):	
Property taxes	745,800
Homeowners' tax relief	6,461
Investment income	75,611
Interest expenses	(175,454)
Cost of issuance	(193,516)
Other revenues	310
Loss on disposal of assets	(46,408)
Total nonoperating revenues (expenses)	412,804
CHANGE IN NET POSITION	2,412,768
NET POSITION:	
Beginning of year, as restated (Note 14)	94,251,725
End of year	$ 96,664,493

See accompanying Notes to the Basic Financial Statements

Valley Sanitary District
Statement of Cash Flows
For the Year Ended June 30, 2015

	Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	$ 10,177,723
Cash payments to suppliers and vendors for goods and services	(3,199,300)
Cash payments to employees for services	(2,956,073)
Net cash provided by operating activities	4,022,350
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property taxes	745,800
Homeowners' tax relief	6,461
Other revenues	310
Net cash provided by noncapital financing activities	752,571
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(854,173)
Proceeds from sale of assets	4,865
Principal paid on certificates of participation	(570,000)
Proceeds from issuance of revenue refunding bonds	7,950,100
Payment to trustee for in-substance defeasance of certificates of participation	(8,915,000)
Interest paid on certificates of participation, including noncash items	(184,447)
Net cash (used in) capital and related financing activities	(2,568,655)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	70,063
Contribution made to joint venture	(25,000)
Net cash provided by investing activities	45,063
Net increase (decrease) in cash and cash equivalents	2,251,329
CASH AND CASH EQUIVALENTS:	
Beginning of year	28,913,068
End of year	$ 31,164,397

See accompanying Notes to the Basic Financial Statements

Valley Sanitary District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2015

		Business-type Activities
		2015
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$	1,999,964
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation		2,334,398
Changes in operating assets and liabilities		
Accounts receivable		16,633
Inventories of materials		15,693
Prepaid expenses		(291,720)
Other post employment benefits asset		(40,763)
Pension contribution after measurement date		720,210
Accounts payable		(46,665)
Accrued payroll and related liabilities		3,199
Adjustment due to difference in proportions CalPERS PEPRA Plan		(3,438)
Net pension liability		(1,203,892)
Differences in expected and actual earnings on pension plan investements		427,931
Adjustment due to difference in proportions CalPERS Classic Plan		68,106
Compensated absences		22,694
Net cash provided by operating activities	$	4,022,350
NONCASH ITEMS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amortization of discount	$	8,090
Deferred loss on refunding at issuance	$	(460,644)
Amortization of deferred loss on refunding	$	3,490
Amortization of premium	$	(8,376)

See accompanying Notes to the Basic Financial Statements

Valley Sanitary District
Statement of Fiduciary Assets and Liabilities - Agency Fund
June 30, 2015

	Fiduciary Fund
ASSETS	
Cash and investments	$ 682,015
Cash with fiscal agent	632,151
Assessment receivable	8,210
Interest receivable	445
Total assets	$ 1,322,821
LIABILITIES	
Due to bondholders	$ 1,322,821
Total liabilities	$ 1,322,821

See accompanying Notes to the Basic Financial Statements

This page intetionally left blank.

Note 1 – Reporting Entity

Valley Sanitary District (the "District") was formed on June 1, 1925 under the Health and Safety Code, Sanitary District Act of 1923, Section 6400 et. seq., for the purpose of operation and maintenance of sewer collection, transmission and treatment facilities, and serving a population of approximately 82,000 in the City of Indio, portions of the City of Coachella, and adjacent unincorporated areas of the County of Riverside. The District is a municipal corporation governed by a 5-member elected board of directors.

The accompanying financial statements present the District and its component unit, an entity for which the District is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit

Valley Sanitary District Wastewater Facilities Corporation (the "Corporation") was activated in 2006 by the District. The Corporation was organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, being Part 2 of Division 2 of Title 1 of the California Corporation Code. It was formed for the purpose of providing financial assistance to the District by acquiring, constructing, improving and developing certain real and personal property, together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The District's Board of Directors sits as the Corporation's Board of Directors. The Corporation's activities are blended with those of the District in these financial statements. There was no activity in the Corporation until the fiscal year 2007-08. Separate financial statements of the Corporation are not issued.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Business-Type Activities

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the primary government and its component units. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Business-Type Activities (Continued)

The Financial Statements are reported using the *"economic resources"* measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

> **Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
>
> **Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net assets from operations as "operating income" in the statement of revenues, expenses, and changes in net assets. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, settlement receivable allowance, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

The District reports an *Agency Fund.* Agency fund financial statements include a Statement of Fiduciary Net Position. The Agency Fund is purely custodial in nature (assets equal liabilities), and thus do not involve measurement of results of operations. The Agency Fund is used to account for assets for the assessment district for which the District acts as an agent for its debt service activities.

Accounting Changes

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 14 for prior period adjustment as a result of implementation.

Note 2 – Summary of Significant Accounting Policies (Continued)

Accounting Changes (Continued)

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 14 for prior period adjustment as a result of implementation.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool approximates the fair value of the pool shares.

Restricted Cash and Investments

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants or donor limitations. Fiscal agents acting on behalf of the District hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, and have been invested only as permitted by specific State statutes or applicable District ordinance, resolution or bond indenture.

Receivables and Allowance For Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

Inventory of Materials

Inventories consist of expendable supplies, spare parts and fittings and are valued at cost using first-in first-out basis.

Note 2 – Summary of Significant Accounting Policies (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at $5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Subsurface Lines	40 years
General Plant	10-40 years
Machinery and equipment	5-10 years
Collection, Treatment and Disposal Facilities	10-40 years

Major outlays for capital assets are capitalized as projects are constructed, and repairs and maintenance costs are expensed. Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost, net of interest income on construction bond proceeds.

Compensated Absences

District policy permits its employees to accumulate not more than one and one half of their current annual vacation. Employees are compensated 12 days of sick leave per year with a maximum accrual not to exceed 120 days. The combined unused vacation and sick pay will be paid to employee or his/her beneficiary upon leaving the District's employment. The amount due will be determined using salary/wage rate in effect at the time of separation.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS
Valuation Date June 30, 2013
Measurement Date June 30, 2014
Measurement Period July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Note 2 – Summary of Significant Accounting Policies (Continued)

Long-Term Debt

Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

Arbitrage Rebate Requirement

The District is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The District had no rebate liability for arbitrage as of June 30, 2015.

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

> **<u>Net Investment in Capital Assets</u>** – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.
>
> **<u>Restricted</u>** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
>
> **<u>Unrestricted</u>** – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Riverside, California ("County") bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy properties at 1% of full market value (at time of purchase) and can increase the property tax rate at no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978.

Property taxes are recognized in the fiscal year for which the taxes have been levied.

No allowance for doubtful accounts was considered necessary.

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and Investments

At June 30, 2015, cash and investments are classified in the accompanying statements of net position as follows:

	Business-Type Activities	Fiduciary Fund	Total
Cash and investments	$ 31,164,397	$ 682,015	$ 31,846,412
Cash and investments with fiscal agent	-	632,151	632,151
Total cash and investments	$ 31,164,397	$ 1,314,166	$ 32,478,563

At June 30, 2015, cash and investments consisted of the followings:

Cash on hand	$ 500
Demand deposits	2,089,380
Investments	30,388,683
Total cash and investments	$ 32,478,563

Demand Deposits

At June 30, 2015, the carrying amount of cash deposit was $2,089,380, which was fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The fair value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Note 3 – Cash and Investments (Continued)

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

Under the provisions of the District's investment policy and in accordance with California Government Code, the District is authorized to invest or deposit in the following:

- Local Agency Investment Fund (LAIF) established by the State Treasurer
- Bonds issued by the District with a 5 year maximum maturity
- United States Treasury Bills, Notes and Bonds with a 5 year maximum maturity, limited to 20% of the portfolio
- Negotiable Certificates of Deposits with a 5 year maximum maturity, limited to 20% of the portfolio and must be fully collateralized by U.S. Treasury Obligations. They also must be held by a third party trustee and valued on a monthly basis. The institution must be located within the Coachella Valley and have an above average recognition rating
- Collateralized bank deposits with a 5 years maximum maturity.

Local Agency Investment Funds

The District's investments with Local Agency Investment Fund (LAIF) include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- **Structured Notes** - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities** - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2015, the District had $29,756,532 invested in LAIF, which had invested 2.08% of the pooled investment funds in Structured Notes and Asset-Backed Securities**.**

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. However, the District does not have a formal policy regarding interest rate risk.

As of June 30, 2015, the District had the following investments:

	Maturity Date 12 Months or Less	Total
Local Agency Investment Fund	$ 29,756,532	$ 29,756,532
Held by bond trustee:		
Money market mutual fund	632,151	632,151
Total investments	$ 30,388,683	$ 30,388,683

Disclosures Relating to Custodial Credit Risk

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

As of June 30, 2015, the District had the following investments with the following ratings:

	Minimum Legal Rating	Rating		
		AAA	Not Rated	Total
Local Agency Investment Fund	N/A	$ -	$ 29,756,532	$ 29,756,532
Held by bond trustee:				
Money market mutual fund	N/A	632,151	-	632,151
Total investments		$ 632,151	$ 29,756,532	$ 30,388,683

Note 4 – Accounts Receivable

Accounts receivable primarily consists of sewer use fees - direct billings, connection fees, and reimbursements as well as the District's allocation of property taxes and sewer use charges collected but not remitted by the County of Riverside.

As of June 30, 2015, the accounts receivable was as follows:

Direct billing, connection fee and reimbursement receivables	$ 302,730
Property taxes and sewer use receivable from County of Riverside	530,280
Total accounts receivables	833,010
Allowance for doubtful accounts	(2,255)
Accounts receivables, net	$ 830,755

Note 5 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not depreciated				
Land	$ 448,364	$ -	$ -	$ 448,364
Construction in progress	707,120	477,324	(51,273)	1,133,171
Total capital assets, not depreciated	1,155,484	477,324	(51,273)	1,581,535
Capital assets, being depreciated				
Subsurface	20,460,898	-	-	20,460,898
Sewage collection facilities	3,108,597	10,293	-	3,118,890
Wastewater treatment facilities	40,010,907	179,094	-	40,190,001
Sludge disposal facilities	25,905,711	98,092	-	26,003,803
General plant facilities	5,481,718	82,679	-	5,564,397
Laboratory facilities	67,171	-	-	67,171
Administrative facilities	112,529	6,691	-	119,220
Total capital assets, being depreciated	95,147,531	376,849	-	95,524,380
Less accumulated depreciation				
Subsurface	(3,009,952)	(288,536)	-	(3,298,488)
Sewage collection facilities	(2,218,494)	(129,127)	-	(2,347,621)
Wastewater treatment facilities	(11,038,504)	(1,034,239)	-	(12,072,743)
Sludge disposal facilities	(2,093,329)	(629,942)	-	(2,723,271)
General plant facilities	(1,484,060)	(247,013)	-	(1,731,073)
Laboratory facilities	(66,174)	(665)	-	(66,839)
Administrative facilities	(107,901)	(4,876)	-	(112,777)
Total accumulated depreciation	(20,018,414)	(2,334,398)	-	(22,352,812)
Total capital assets, being depreciated, net	75,129,117	(1,957,549)	-	73,171,568
Total capital assets, net	$ 76,284,601	$ (1,480,225)	$ (51,273)	$ 74,753,103

Note 6 – Investment in Joint Venture

On December 18, 2013, the District entered into a joint powers agreement with the City of Indio (the "City") to form the East Valley Reclamation Authority (the "JPA") to plan, program, finance, design and operate a reclaimed water facility to bring a sustainable water supply and manage the water resources for the customers of the Indio Water Authority (a blended component unit of the City) and the District. The costs and expenses of the JPA are generally shared equally by the City and the District unless otherwise determined by the JPA's Board of Directors, except that the District is responsible for 100% of the costs and expenses associated with the design and construction of facilities for the District's compliance with any permit terms. During the year ended June 30, 2015, the District made contribution to the JPA in the amount of $25,000.

	June 30, 2014*
Asset	$ 9,914
Net Position	$ 9,914

*This statement was the latest statement available.

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2015 is as follows:

Year Ended	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2015	435,180	$ 281,931	$ (259,237)	457,874	$ 208,651	$ 249,223

Note 8 – Long-term Debt

Summary of changes in certificates of participation for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in More Than One Year
2006 Certificates of Participation	$ 9,485,000	$ -	$ (9,485,000)	$ -	$ -	$ -
2015 Wastewater Revenue Refunding Bonds	-	7,540,000		7,540,000	550,000	6,990,000
Bond Discount, net of amortization	(105,920)	-	105,920	-	-	-
Bond Premium, net of amortization	-	1,105,633	(8,376)	1,097,257	-	1,097,257
Total long-term debt	$ 9,379,080	$ 8,645,633	$ (9,387,456)	$ 8,637,257	$ 550,000	$ 8,087,257

On August 26, 2006, the District issued the 2006 Certificates of Participation in the amount of $12,915,000. The purpose of the Certificates was to fund Phase I of the District's treatment plant expansion. Interest ranging from 3.50% to 4.375% is payable semi-annually on February 1st and August 1st commencing February 1, 2007.

On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of $7,540,000. The purpose of the bond issuance was to provide funds to defease and refund on an advance basis the District's outstanding 2006 Certificates of Participation (Treatment Plan Expansion) and pay the costs of issuing the Bonds. The bonds are payable from and secured by a lien on net revenue of the wastewater system of the District. The aggregate difference in debt service as result of the refinancing was in the amount of $1,596,780. The economic gain on the refinancing was $500,181. Interest rate of 5% (except for 2.125% in 2023) is payable semi-annually on each December 1 and June 1 beginning December 1, 2015. The bonds are not subject to redemption prior to maturity. The outstanding balance as of June 30, 2015 was $7,540,000.

Note 8 – Long-term Debt (Continued)

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 550,000	$ 338,653	$ 888,653
2017	565,000	327,938	892,938
2018	590,000	299,687	889,687
2019	620,000	270,188	890,188
2020	650,000	239,187	889,187
2021-2025	3,720,000	719,062	4,439,062
2026	845,000	42,250	887,250
Total	$ 7,540,000	$ 2,236,965	$ 9,776,965

Note 9 – Conduit Debt

Limited Obligation Improvement Bonds

On July 21, 2005, the District issued $8,080,000 limited obligation improvement bonds, series 2005 for Assessment District No. 2004-VSD (Shadow Hills Interceptor). Interest ranging from 3.05% to 5.20% is payable semi-annually on March 2nd and September 2nd each year commencing March 2, 2006. The Bonds mature September 2nd commencing September 2, 2007 and continuing through 2030 with optional call dates beginning September 2, 2014.

The Bonds are limited obligations of the District payable solely from the installments of unpaid assessments levied on the assessment parcels within the District and other funds pledged under the fiscal agent agreement. The District shall only be obligated to pay the principal of the Bonds, or the interest thereon, from funds described in the Indenture and neither the faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged to the payment of principal or interest on the Bonds. Therefore, the limited obligation improvement bonds are not included in the accompanying financial statements. As of June 30, 2015, the outstanding balances of the bonds were $6,770,000.

Note 10 – Pension Plans

Defined Contribution Pension Plan

Effective January 1, 1993, the District established the employee Money Purchase Pension Plan (“MPPP”) and trust. This plan is a defined contribution plan and administered by the District through Nationwide Life Insurance Company (“Nationwide”). Employees who were employed by the District prior to January 1, 1999 are eligible to participate in the plan provided they are at least 18 years of age and have completed six (6) months of service in which the employee is credited with five hundred (500) hours of service. As of January 1, 1999, no new employees were enrolled in the plan. Employees who are employed by the District after January 1, 1999 are enrolled with the California Public Employees Retirement System (“CalPERS”). The District contributed $13,036, which was 15.757% of the employee’s compensation, to MPPP for the year ended June 30, 2015. The existing participant is 100% vested in the value arising from District contributions. The plan provides for the accumulation of contributions and earnings and the distribution of such funds at retirement, death or other termination of employment. The plan assets are invested in various mutual funds by Nationwide with a fair value of $333,662 at June 30, 2015. The total covered payroll for the remaining one employee participating in the plan was $82,790 for the year ended June 30, 2015. The contribution requirements of the District are established and may be amended by the Board of Directors. The plan assets are not reported in the accompanying basic financial statements. Copies of the Defined Contribution Pension Plan annual financial report may be obtained from the District office.

Note 10 – Pension Plans (Continued)

Defined Benefit Plan

	Balance July 1, 2014 (As Restated)	Additions	Deletions	Balance June 30, 2015
Deferred outflows of resources:				
Pension contribution after measurement date:				
CalPERS - Miscellaneous	$ 954,823	$ 261,085	$ (954,823)	$ 261,085
CalPERS - PEPRA	4	18,837	(4)	18,837
Total pension contribution after measurement date	954,827	279,922	(954,827)	279,922
Difference between employer contribution and employer's proportionate share of contribution				
CalPERS - Miscellaneous	160,523	-	(42,243)	118,280
CalPERS - PEPRA	11,636	-	(3,062)	8,574
Total difference between employer contribution and employer's proportionate share of contribution	172,159	-	(45,305)	126,854
Adjustment due to difference in proportion				
CalPERS - PEPRA	-	3,438	-	3,438
Total deferred outflows of resources	$ 954,827	$ 283,360	$ (954,827)	$ 283,360
Aggregate Net pension liabilities:				
CalPERS - Classic	$ 2,563,265	$ 902,697	$ (2,106,578)	$ 1,359,384
CalPERS - PEPRA	39	11,384	(11,395)	28
Total aggregate net pension liabilities	$ 2,563,304	$ 914,081	$ (2,117,973)	$ 1,359,412
Deferred inflows of Resources:				
Difference in projected and actual earnings on pension investments:				
CalPERS - Classic	$ -	$ 427,921	$ -	$ 427,921
CalPERS - PEPRA	-	10	-	10
Total difference in projected and actual earnings on pension investments	-	427,931	-	427,931
Difference in projected and actual earnings on pension investments:				
CalPERS - Classic	-	68,106	-	68,106
Total deferred inflows of resources	$ -	$ 496,037	$ -	$ 496,037

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

General Information about the Pension Plan

Plan Description

The District contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2013, the following employees were covered by the benefit terms:

	Plans	
	Classic	**PEPRA**
Active employees	23	1
Transferred and terminated employees	13	-
Retired Employees and Beneficiaries	8	-
Total	44	1

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2.5% of the average final 36 months compensation. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the District to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the active employee contribution rate for miscellaneous plan and PEPRA miscellaneous plan is 7.942% and 6.308% of annual pay, respectively, and the average employer's contribution rate is 20.587% and 6.7000% of annual payroll, respectively.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65%. Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	-0.55	-1.05

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period.

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Classic Plan	$ 2,470,515	$ 1,359,384	$ 437,251
PEPRA Plan	51	28	10
	$ 2,470,566	$ 1,359,412	$ 437,261

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Classic Plan:			
Balance at: 6/30/13 (Valuation date)	$ 7,905,172	$ 5,341,907	$ 2,563,265
Balance at: 6/30/14 (Measurement date)	8,375,606	7,016,222	1,359,384
Net Changes during 2013-2014	470,434	1,674,315	(1,203,881)
PEPRA Plan:			
Balance at: 6/30/13 (Valuation date)	$ 159	$ 120	$ 39
Balance at: 6/30/14 (Measurement date)	168	140	28
Net Changes during 2013-2014	9	20	(11)

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District's proportionate share of the net pension liability was as follows:

	Classic Plan	PEPRA Plan
June 30, 2013	0.07823%	0.00000%
June 30, 2014	0.05500%	0.00000%
Change - Increase (Decrease)	-0.02323%	0.00000%

For the year ended June 30, 2015, the District recognized pension expense in the amounts of $289,212 and ($373), for Classic and PEPRA plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Classic Plan

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Difference between projected and actual earning on pension plan investments	-	(427,921)
Adjustment due to differences in proportions	-	(68,106)
Difference between District contributions and proportionate share of contributions	118,280	-
Total	$ 118,280	$ (496,027)

PEPRA Plan

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Difference between projected and actual earning on pension plan investments		(10)
Adjustment due to differences in proportions	3,438	-
Difference between District contributions and proportionate share of contributions	8,574	-
Total	$ 12,012	$ (10)

Note 10 – Pension Plans (Continued)

Defined Benefit Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

$261,085 and $18,837 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows/ (Inflows) of Resources	
Year Ended June 30,	Classic Plan	PEPRA Plan
2016	$ (89,061)	$ 4,288
2017	(89,061)	4,288
2018	(92,644)	3,430
2019	(106,981)	(4)
2020	-	-
Thereafter	-	-
	$ (377,747)	$ 12,002

Note 11 – Other Post-Employment Benefits

Plan Description

The District contributes to a multi-employer defined benefit plan to provide post-employment medical benefits. Specifically, the District provides postretirement medical benefits to all employees who retire from the District after attaining age 50 with at least 5 years of service. The plan does not provide a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2015, the District elected to fund 100% of the Annual Required Contribution (ARC) of the employer, 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 amortize any unfunded actuarial liabilities over a closed period not to exceed thirty years. The ARC for year ended June 30, 2015 was $9,570.

Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB Asset.

Note 11 – Other Post-Employment Benefits

Annual OPEB Cost and Net OPEB Asset (Continued)

Annual Required Contribution	$	9,570
Interest on beginning net OPEB Asset		-
Adjustment to Annual Required Contribution		-
Annual OPEB Cost		9,570
Contribution Made to Irrevocable Trust		(46,970)
Contributions Made Outside of a Trust		(3,363)
Change in Net OPEB (Asset) Obligation		(40,763)
Net OPEB Obligation (Asset), Beginning of Year		-
Net OPEB Obligation (Asset), End of Year	$	(40,763)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the year ended June 30, 2015 and the two preceding years were as follows:

Year Ended	OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	$ 11,750	$ 11,750	100.00%	$ -
June 30, 2014	11,750	11,750	100.00%	-
June 30, 2015	9,570	50,333	525.95%	(40,763)

Funded Status and Funding Progress

As of July 1, 2013, the latest actuarial valuation date, the plan was 7.47% over-funded. The actuarial accrued liability for benefits was negative $3,437, and the actuarial value of assets was $46,006, resulting in an unfunded actuarial accrued liability (UAAL) of negative $49,443. The covered payroll (annual payroll of active employees covered by the plan) was $1,601,400 and the ratio of the UAAL to the covered payroll was negative 2.66%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the plan members at 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.

Note 11 – Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The required contribution for the year ended June 30, 2015 was determined as part of the July 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), payroll increase of 2.75% per annum, and inflation rate of 2.75% per annum, and the District's share of premium cost will increase at rates of 4% per annum. The District's unfunded actuarial accrued liability was amortized by level percentage over thirty years.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. For the years ended June 30, 2015, the District had insurance expenses of $353,747 in premium payments.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2015, there were no liabilities to be reported. During the past three fiscal years there have been no settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year.

Note 13 – Commitment and Contingencies

Indio Terrace Assessment District No. 2

In 1965, the District received proceeds from the sale of bonds from Indio Terrace Assessment District No. 2. Under the covenants of this assessment district, as parcels within Indio Terrace are developed and connected to the District's system, the Valley Sanitary District is required to allow credits toward connection fees that are paid by the individual developers. As of June 30, 2015, the total amount of unused credits was $41,595. Estimated future revenue from connection fees based upon the current fee in effect is approximately $162,000. Since no development occurred in the Indio Terrace Assessment District during the year, no connection fee income was reduced by these credits for the year ended June 30, 2015.

Shadow Hills Assessment District

In September 1994, the District authorized oversize credits of $343,403 against capital impact fees for developments occurring within Assessment District 90-1 that are benefiting from the sewer trunk line improvements installed in 1993. As of June 30, 2015, credits of $204,341 have been applied leaving a balance of $139,062 to be issued.

Pending Legal Actions

The District has been named in certain legal actions pending at June 30, 2015. While the outcome of these lawsuits is not presently determinable, in the opinion of management of the District, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the District, or is adequately covered by insurance.

Construction Commitments

There were no outstanding construction commitments as of June 30, 2015.

Note 14 – Prior Period Adjustments

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

Beginning Net Position, as previously reported	$ 95,688,043
Prior period adjustments:	
Report proportionate share of pension contributions made during the measurement period as deferred outflows of resources due to implementation of GASB 68	954,827
Report of actual contribution made during the measurement period, net of proportionate share of contribution	172,159
Report net pension liability due to the implementation of GASB 68	(2,563,304)
Beginning Net Position, as restated	$ 94,251,725

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan

	June 30, 2014[1]
District's Proportion of the Net Pension Liability/(Asset)	0.02185%
District's Proportionate Share of the net Pension Liability/(Asset)	$ 1,359,384
District's Covered-Employee Payroll	$ 1,728,275
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	78.66%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.77%

California Public Employees' Retirement System ("CalPERS") Miscellaneous PEPRA Plan

	June 30, 2014[1]
District's Proportion of the Net Pension Liability/(Asset)	0.00000%
District's Proportionate Share of the net Pension Liability/(Asset)	$ 28
District's Covered-Employee Payroll	$ 47,537
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	6.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	83.33%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions
For the Year Ended June 30, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Classic Plan

	2013-14[1]	2014-15
Actuarially Determined Contribution[2]	$ 328,989	$ 261,085
Contribution in Relation to the Actuarially Determined Contribution[2]	(1,115,346)	(261,085)
Contribution Deficiency (Excess)	$ (786,357)	$ -
Covered-Employee Payroll[3,4]	$ 1,728,275	$ 1,780,123
Contributions as a Percentage of Covered-Employee Payroll	64.54%	14.67%

California Public Employees' Retirement System ("CalPERS") Miscellaneous PEPRA Plan

	2013-14[1]	2014-15
Actuarially Determined Contribution[2]	$ 11,640	$ 18,837
Contribution in Relation to the Actuarially Determined Contribution[2]	(11,640)	(18,837)
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll[3,4]	$ 47,537	$ 48,963
Contributions as a Percentage of Covered-Employee Payroll	24.49%	38.47%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as “side funds” are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[4] Payroll from prior year ($1,677,937 for Classic Plan and $46,152 for PEPRA Plan) was assumed to increase by the 3.00% payroll growth assumption

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. 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: There were no changes in assumptions.

Valley Sanitary District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
For the Year Ended June 30, 2015

Other Post Employment Benefit ("OPEB") Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accured Liability (b)	Unfunded AAL (UAAL) [(b) - (a)]	Funded Ratio [(a) / (b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b) - (a)] / (c)
July 1, 2010	$ -	$ 107,711	$ 107,711	0.00%	$ 1,420,293	7.58%
July 1, 2013	46,006	3,437	(42,569)	1338.55%	1,601,400	-2.66%

SUPPLEMENTARY INFORMATION

Valley Sanitary District
Schedule of Operating Expenses
For the Year Ended June 30, 2015

	General and Administrative	Sewage Collection	Sewage Treatment	Total
Salaries and Wages	$ 683,719	$ 453,370.00	$ 979,118	$ 2,116,207
Employee Benefits	218,260	184,724	419,729	822,713
Directors' Fees	11,200	-	-	11,200
Insurance	353,747	-	-	353,747
Memberships	25,837	1,404	2,600	29,841
Office Expense	12,469	-	-	12,469
Permits	4,146	11,214	45,372	60,732
Operating Supplies	11,068	1,813	76,825	89,706
Professional Services	14,849	-	-	14,849
Repairs and Maintenance	17,994	47,231	222,426	287,651
Travel and Seminars	18,293	2,349	10,344	30,986
Utilities and Telephone	12,008	9,437	632,797	654,242
Chemicals	-	-	266,670	266,670
Clothing	1,184	7,694	11,677	20,555
Certifications	463	1,117	4,539	6,119
Gas, Oil, and Fuel	-	-	26,506	26,506
County Charges	15,871	-	-	15,871
Contractual Services	378,374	135,826	428,395	942,595
Publication/Legal Notices	2,389	-	-	2,389
Small Tools	28,670	895	4,165	33,730
Other Expenses	9,085	9,548	9,317	27,950
Total	$ 1,819,626	$ 866,622	$ 3,140,480	$ 5,826,728

* Excludes depreciation expense

Valley Sanitary District
Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS				
Cash and investments	$ 597,218	$ 782,266	$ (697,469)	$ 682,015
Cash with fiscal agent	634,429	636,249	(638,527)	632,151
Assessment receivable	34,813	669,566	(696,169)	8,210
Interest receivable	325	552	(432)	445
Total assets	$ 1,266,785	$ 2,088,633	$ (2,032,597)	$ 1,322,821
LIABILITIES				
Due to bondholders	$ 1,266,785	$ 644,485	$ (588,449)	$ 1,322,821
Total liabilities	$ 1,266,785	$ 644,485	$ (588,449)	$ 1,322,821

This page intetionally left blank.

STATISTICAL SECTION

This page intentionally left blank.

STATISTICAL SECTION
(Unaudited)

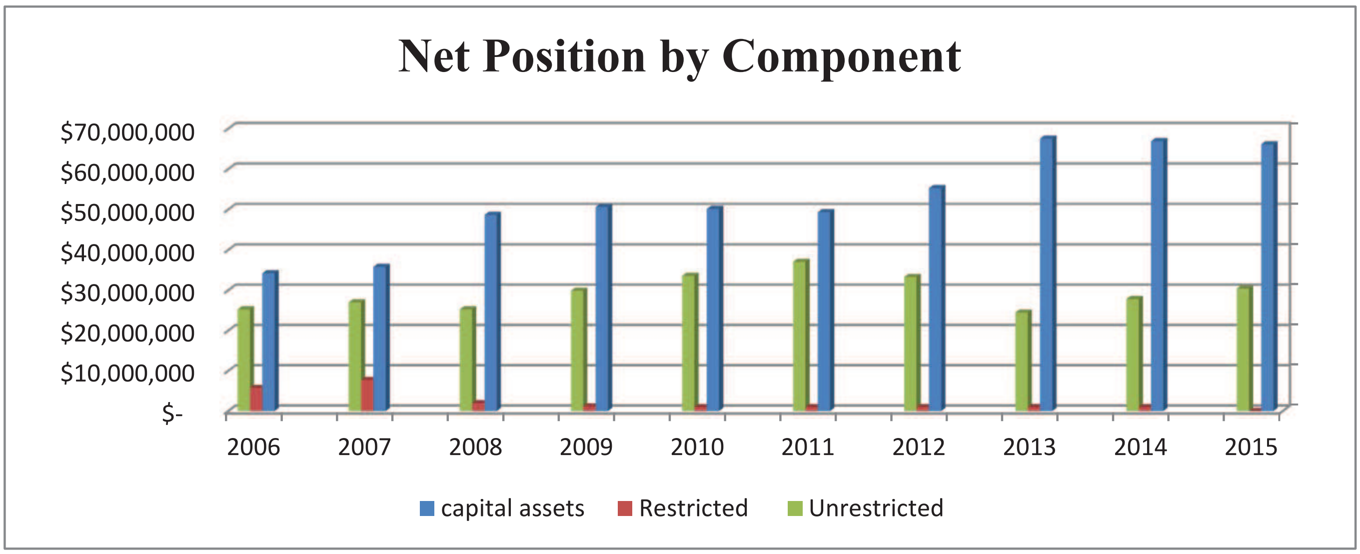
This part of Valley Sanitary District's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Valley Sanitary District
Table of Net Position By Component
Last Ten Fiscal Years

	2015	2014	2013 As Restated	2012 As Restated	2011
NET POSITION:					
Net investment in					
capital assets	$ 66,115,846	$ 66,905,521	$ 67,535,369	$ 55,265,910	$ 49,305,860
Restricted	-	964,900	964,900	967,394	967,394
Unrestricted	30,381,026	27,817,622	24,444,820	33,266,658	37,028,724
TOTAL NET POSITION	**$ 96,496,872**	**$ 95,688,043**	**$ 92,945,089**	**$ 89,499,962**	**$ 87,301,978**

Valley Sanitary District
Table of Net Position By Component (Continued)
Last Ten Fiscal Years

	2010	2009	2008	2007	2006
NET POSITION:					
Net investment in					
capital assets	$ 50,121,414	$ 50,601,844	$ 48,664,930	$ 35,799,259	$ 34,199,009
Restricted	967,394	1,138,044	1,955,759	7,709,258	5,713,937
Unrestricted	33,546,254	29,858,292	25,252,641	26,987,593	25,235,840
TOTAL NET POSITION	**$ 84,635,062**	**$ 81,598,180**	**$ 75,873,330**	**$ 70,496,110**	**$ 65,148,786**

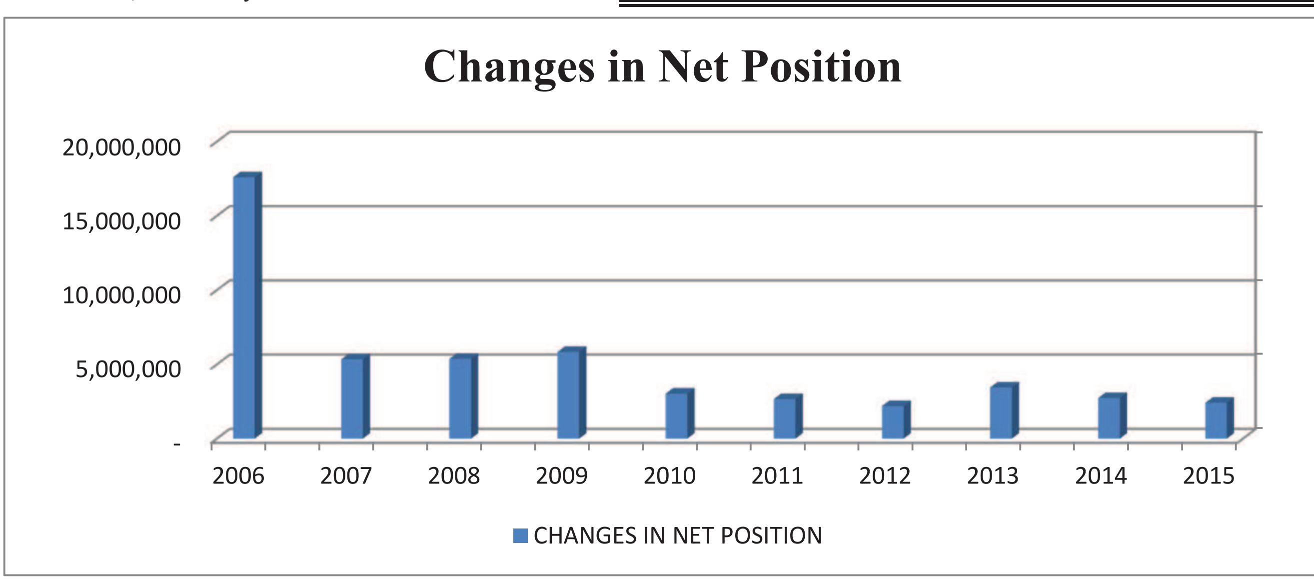


Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
Changes in Net Position

	2015	2014	2013 As Restated	2012 As Restated	2011
OPERATING REVENUES:					
Sewer service charges	$ 9,218,538	$ 9,187,360	$ 9,053,022	$ 8,808,414	$ 8,385,726
Connection fees	897,863	1,998,788	548,527	192,763	723,985
Permits and inspection fees	17,264	40,202	12,017	7,362	28,544
Other services	27,425	46,100	7,039	11,173	4,726
TOTAL OPERATING REVENUES	10,161,090	11,272,450	9,620,605	9,019,712	9,142,981
OPERATING EXPENSES:					
General and administrative	1,815,084	1,997,332	1,403,644	1,559,137	1,501,410
Sewage collection	866,622	855,884	917,799	846,598	809,998
Sewage treatment	3,191,753	3,631,992	2,588,299	2,147,581	2,019,251
Sewage disposal	-	-	338	317,791	551,369
Total administrative and plant	5,873,459	6,485,208	4,910,080	4,871,107	4,882,028
Other Operating Expenses					
Depreciation	2,334,398	2,335,264	1,841,601	1,835,054	1,870,504
TOTAL OPERATING EXPENSES	8,207,857	8,820,472	1,841,601	1,835,054	6,752,532
NET OPERATING INCOME	1,953,233	2,451,978	2,868,924	2,313,551	2,390,449
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	745,800	605,711	899,670	585,004	585,628
Homeowner's tax relief	6,461	6,604	6,690	6,851	7,183
Investment income	75,611	52,007	75,110	123,009	154,896
Contribution from property owners	-	-	-	-	-
Bond issue cost	(193,516)	-	-	-	-
Interest expense	(175,454)	(402,257)	(422,157)	(638,155)	(458,830)
Amortization		-	-	(205,908)	(21,966)
Gain (loss) on disposed assets	4,865	14,176	-	-	-
Other revenues	310	14,735	16,890	13,632	9,556
TOTAL NON-OPERATING REVENUES (EXPENSES)	464,077	290,976	576,203	(115,567)	276,467
CHANGES IN NET POSITION	**2,417,310**	**2,742,954**	**3,445,127**	**2,197,984**	**2,666,916**
NET POSITION, beginning of the year	94,079,562	92,945,089	89,499,962	87,301,978	84,635,062
NET POSITION, end of the year	$ 96,496,872	$95,688,043	$92,945,089	$89,499,962	$87,301,978

Valley Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Last Ten Fiscal Years
Changes in Net Position

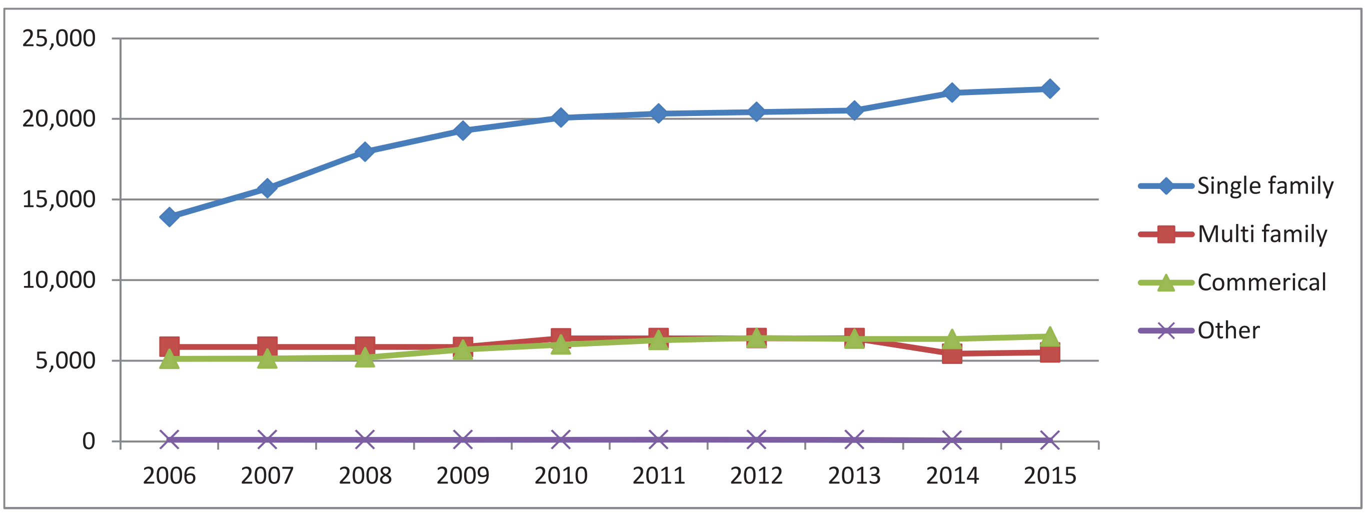
	2010	2009	2008	2007	2006
OPERATING REVENUES:					
Sewer service charges	$ 8,605,117	$ 9,022,142	$ 6,994,369	$ 6,054,004	$ 4,698,308
Connection fees	304,428	648,882	1,702,534	1,441,576	8,325,576
Permits and inspection fees	25,880	24,834	131,282	160,990	305,280
Other services	24,710	10,063	28,041	67,904	69,121
TOTAL OPERATING REVENUES	8,960,135	9,705,921	8,856,226	7,724,474	13,398,285
OPERATING EXPENSES:					
General and administrative	1,440,724	1,394,303	1,438,020	1,635,925	1,293,411
Sewage collection	788,124	698,225	709,414	771,638	671,181
Sewage treatment	1,875,514	1,692,546	1,867,182	1,860,478	1,681,163
Sewage disposal	307,380	203,194	272,804	245,291	281,892
Total administrative and plant	4,411,742	3,988,268	4,287,420	4,513,332	3,927,647
Other Operating Expenses					
Depreciation	1,870,268	1,167,802	1,134,127	945,867	790,880
TOTAL OPERATING EXPENSES	6,282,010	5,156,070	5,421,547	5,459,199	4,718,527
NET OPERATING INCOME	2,678,125	4,549,851	3,434,679	2,265,275	8,679,758
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	662,348	783,874	655,807	622,779	213,425
Homeowner's tax relief	7,268	7,460	7,659	7,614	7,902
Investment income	183,210	527,722	1,266,911	1,846,072	1,052,290
Contribution from property owners	-	-	-	609,464	7,579,124
Bond issue cost	-	-	(13,139)	(13,139)	-
Interest expense	(476,411)	-	-	-	-
Amortization	(21,966)	(21,967)	-	-	-
Gain (loss) on disposed assets	(1,809)	(49,244)	-	-	-
Other revenues	6,117	46,233	25,303	9,259	69,085
TOTAL NON-OPERATING REVENUES (EXPENSES)	358,757	1,294,078	1,942,541	3,082,049	8,921,826
CHANGES IN NET POSITION	**3,036,882**	**5,843,929**	**5,377,220**	**5,347,324**	**17,601,584**
NET POSITION, beginning of the year	81,598,180	75,754,251	70,496,110	65,148,786	47,547,202
NET POSITION, end of the year	$84,635,062	$81,598,180	$75,873,330	$70,496,110	$65,148,786



Valley Sanitary District
Customer Type Equivalent Dwelling Unit (EDU) Summary
Last Ten Fiscal Years

Customer Type	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Single family residential	21,863	21,623	20,514	20,433	20,326	20,072	19,263	17,954	15,686	13,910
Multi-family residential	5,513	5,431	6,389	6,389	6,394	6,387	5,846	5,856	5,856	5,858
Commercial	6,504	6,344	6,353	6,409	6,275	5,994	5,688	5,197	5,133	5,110
Other	62	59	103	103	103	103	103	103	103	103
Total	**33,942**	**33,457**	**33,359**	**33,334**	**33,098**	**32,556**	**30,900**	**29,110**	**26,778**	**24,981**

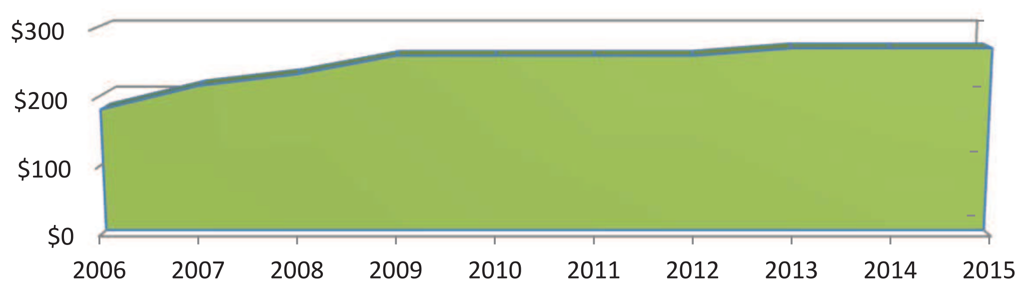
Source: Valley Sanitary District



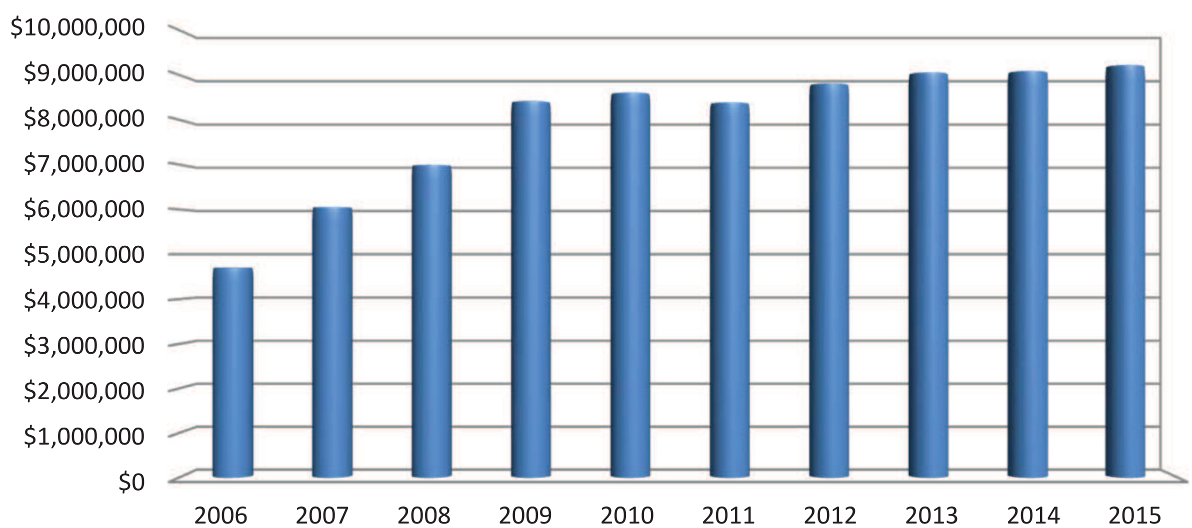
Valley Sanitary District
Annual Sewer Use Fee and Fiscal Year Revenue
Last Ten Fiscal Years

Year	Annual fee / EDU	Revenue
2015	$270	$9,218,538
2014	$270	$9,084,609
2013	$270	$9,053,022
2012	$259	$8,808,414
2011	$259	$8,385,726
2010	$259	$8,605,117
2009	$259	$8,414,713
2008	$232	$6,994,369
2007	$215	$6,054,004
2006	$180	$4,698,308

Source: Valley Sanitary District



Annual Sewer Use Fee
(Per Equivelent Dwelling Unit)

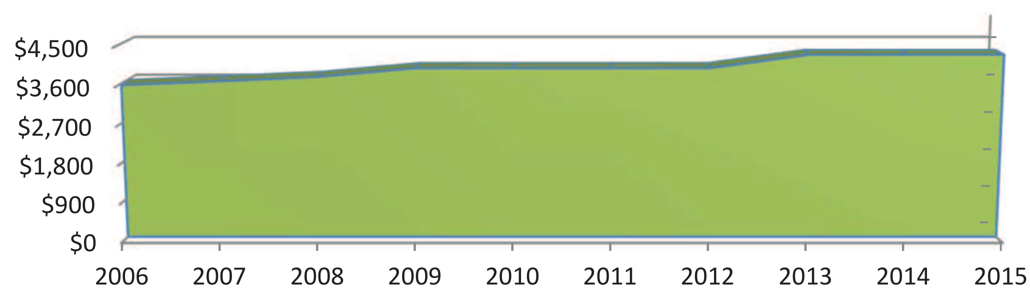


Annual Sewer Use Fee Revenue

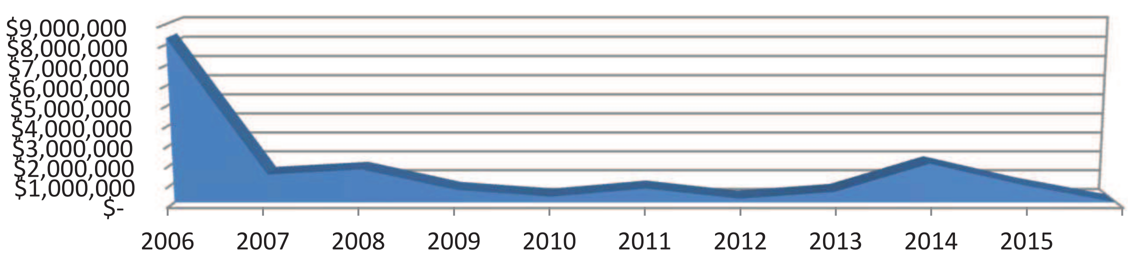
Valley Sanitary District
Capacity Connection Fee & Fiscal Year Revenue
Last Ten Fiscal Years

Year	Fee / EDU	Revenue
2015	$4,265	$ 897,863
2014	$4,265	$ 1,998,468
2013	$4,265	$ 548,527
2012	$3,957	$ 192,763
2011	$3,957	$ 723,985
2010	$3,957	$ 304,428
2009	$3,957	$ 648,882
2008	$3,753	$ 1,702,534
2007	$3,654	$ 1,441,576
2006	$3,565	$ 8,325,576

Source: Valley Sanitary District



Capacity Connection Fee
(Per Equivelent Dwelling Unit)



Fiscal Year Capacity Connection Fee Revenue

Valley Sanitary District
Principal Users
Current Year and Nine Years Ago

Principal Users	2015 Amount Billed	2015 Rank	2015 Percent of District Total $	2006 Amount Billed	2006 Rank	2006 Percent of District Total $
Desert Sands Unified School District	$ 217,080	1	2.35%	$ 188,280	1	4.01%
The Wells Mobile Home Association	81,000	2	0.88%	54,000	2	1.15%
Smoketree Polo Club Apartments	77,760	3	0.84%	51,840	3	1.10%
Fantasy Springs Casino	76,680	4	0.83%	51,120	4	1.09%
Sunrise Point Apartments	73,440	5	0.80%	48,960	5	1.04%
Indio Housing Development	70,470	6	0.76%	46,980	6	1.00%
Indio Palms Apartments	62,910	7	0.68%	41,940	7	0.89%
Casa Monroe Apartments	61,020	8	0.66%	40,680	8	0.87%
Del Mar Apartments	50,760	9	0.55%	33,840	9	0.72%
Arabian Gardens Mobile Home Park Partners LP	50,220	10	0.54%	33,480	10	0.71%
Total	**$ 821,340**			**$ 591,120**		
District total customer charges			**$ 9,218,538**			**$ 4,698,308**

Source: Valley Sanitary District

Valley Sanitary District
Ratios of Outstanding Debt by Type
Last Seven Fiscal Years

	Business-Type Activities		Total				
Fiscal Year Ended June 30	Certificates of Participation (1) (net of amortization)	Wastewater Revenue Refunding Bonds Series 2015 (2) (net of amortization)	Debt	Population (3)	Personal Income (3)	Percentage of Personal Income	Debt Per Capita
2015	$ -	$ 8,637,257	$ 8,637,257	84,201	$ 20,607	0.50%	$103
2014	$ 9,379,080	$ -	$ 9,379,080	82,398	$ 20,502	0.56%	$114
2013	$ 9,920,254	$ -	$ 9,920,254	81,393	$ 20,645	0.59%	$122
2012	$ 10,436,428	$ -	$ 10,436,428	78,065	$ 19,748	0.68%	$134
2011	$ 11,403,307	$ -	$ 11,403,307	83,675	$ 22,350	0.61%	$136
2010	$ 11,916,864	$ -	$ 11,916,910	82,230	$ 19,855	0.73%	$145
2009	$ 12,385,874	$ -	$ 12,385,920	81,512	$ 18,365	0.83%	$152
2008	$ 12,495,000	$ -	$ 12,495,048	77,146	$ 16,265	1.00%	$162

Notes:

The District has elected to show only seven years of data for this schedule

Sources:
(1) Valley Sanitary District
(2) Valley Sanitary District - Refinancing of Certificates of Participation
(3) CA Department of Finance

Valley Sanitary District
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30		Revenue & Expenses: Net Revenues	Operating Expenses (1)	Net Available Revenues	Debt Service: Principal (2)	Interest	Total	Coverage Ratio (3)
2015		10,573,894	5,826,728	4,747,166	-	415,378	415,378	**11**
2014		11,563,426	6,485,208	5,078,218	570,000	402,257	972,257	**5**
2013	As Restated	10,196,808	4,910,080	5,286,728	550,000	422,157	972,157	**5**
2012		10,618,965	4,871,107	5,747,858	525,000	440,705	965,705	**6**
2011		9,900,244	4,882,028	5,018,216	505,000	458,830	963,830	**5**
2010		9,819,078	4,411,742	5,407,336	495,000	476,412	971,412	**6**
2009		11,026,210	3,988,268	7,037,942	475,000	493,071	968,071	**7**
2008		10,811,906	4,287,420	6,524,486	460,000	508,471	968,471	**7**
2007		10,819,662	4,513,332	6,306,330	420,000	227,821	647,821	**10**
2006		22,320,111	3,927,647	18,392,464	515,000	25,553	540,553	**34**

Notes:

(1) Excludes Depreciation

(2) Due to refinancing of the COPs, no principal payment was due in fiscal year 2014/2015. Costs to refinance are included in interest.

(3) The coverage ratio is a measure of the District's liquidity and how many times the District's revenues will cover their annual bond expense.

Sources: Valley Sanitary District

Valley Sanitary District
Principal Employers
Current Years and Five Years Ago

Employer (1) (2)	2015 Number of Employees	2015 Rank	2015 Percent of Total Employment	2010 Number of Employees	2010 Rank	2010 Percent of Total Employment
County of Riverside	1,242	1	3.66%	1,301	1	5.49%
Desert Sands Unified School District	1,062	2	3.13%	1,096	3	4.62%
Fantasy Springs Casino	1,013	3	2.99%	1,200	2	5.06%
John F. Kennedy Memorial Hospital	577	4	1.70%	701	4	2.96%
City of Indio	225	5	0.66%	267	5	1.13%
Granite Construction Co.	200	6	0.59%	-	-	-
Riverside Superior Court	162	7	0.48%	175	6	0.74%
Target	138	8	0.41%	-	-	-
Home Depot	129	9	0.38%	125	9	0.53%
Mathis Brothers	127	10	0.37%	105	8	0.44%
PHB Contracting Inc.	-	-	-	113	10	0.48%
Tidwell Concrete Construction	-	-	-	105	7	0.44%
Total Employment Listed	**3,167**		**9.34%**	**5,188**		**21.89%**
Total City Employment (3)	**33,900**			**23,700**		

Notes:

Top ten employers nine years prior to current year is not reported due to lack of past data reported online.

"Total Employment" as used above represents the total employment of all employers located within the District.

Sources:
(1) Valley Sanitary District
(2) City of Indio
(3) State of California Employment Development Department

Valley Sanitary District
Total Customers and Number of Permits Issued
Last Ten Fiscal Years

Year	Total Customers	Number of Permits Issued
2015	27,094	69
2014	26,908	83
2013	26,807	45
2012	26,762	44
2011	26,648	46
2010	26,414	60
2009	26,028	91
2008	25,185	124
2007	23,456	183
2006	17,300	188

Source: Valley Sanitary District

Valley Sanitary District
Demographic and Economic Statistics
Last Eight Calendar Years

Calendar Year	Population (1)	Median Age (2)	Average Household Size (4)	Median Household Income (2)	Per Capita Personal Income (1)	Unemployment Rate (3)
2015	84,201	33.10	3.25	$50,068	$20,607	6.50%
2014	82,398	31.40	3.25	$50,528	$21,702	10.70%
2013	81,393	32.60	3.60	$47,642	$20,645	11.10%
2012	77,165	34.30	3.23	$41,082	$19,748	14.00%
2011	83,675	29.30	3.12	$53,824	$22,350	15.90%
2010	82,230	28.80	3.18	$47,708	$19,855	14.50%
2009	81,512	29.60	3.16	$56,039	$18,365	9.20%
2008	77,146	29.00	3.45	$43,001	$16,265	6.50%

Notes:
The District has elected to show only eight years of data for this schedule

Sources:
(1) California Department of Finance
(2) City of Indio
(3) US Bureau of Labor Statistics
(4) California Bureau of Labor Statistics (US Census Bureau)

This page intentionally left blank.

Valley Sanitary District
Operating Indicators
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Equivalent Dwelling Units (EDU)	33,942	33,457	33,359	33,334	33,098
Rainfall (inches) (1)	2.7	0.92	2.02	1.75	5.43
Flow (MGD) (2)	5.57	5.97	6.18	6.10	6.12
CBOD (mg/L)	246.92	219.75	215.66	213.50	216.33
CBOD (PE) (3)	68,446	63,706	65,385	63,892	64,951
Suspended solids (mg/L)	192.08	188.25	219.83	171.66	176.08
Suspended solids (PE) (4)	45,096	47,083	57,263	44,937	44,936
Tonage of biosolids produced	1,440	1,505	1,882	1,849	1,685
Tonage of biosolids applied to land	1,440	1,200	718	2,007	1,117
Total waste treated (million gallons/year)	**2,034**	**2,254**	**2,257**	**2,227**	**2,234**

Notes:

(1) Annual rainfall for the Coachella Valley from www.desertweather.com

(2) Million gallons per day

(3) Carbonaceous Biochemical Oxygen Demand (CBOD) population equivalent based on a conversion factor of 0.17

(4) Suspended solids population equivalent based on a converions factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Operating Indicators (Continued)
Last Ten Fiscal Years

	2010	2009	2008	2007	2006
Equivalent Dwelling Units (EDU)	32,556	30,900	29,110	26,778	24,981
Rainfall (inches) (1)	5.83	3.54	3.70	0.25	3.51
Flow (MGD) (2)	6.32	6.50	6.87	6.54	6.14
CBOD (mg/L)	224.40	229.08	207.40	204.90	186.00
CBOD (PE) (3)	69,576	73,049	69,901	65,741	56,027
Suspended solids (mg/L)	173.08	194.66	203	220.3	214.3
Suspended solids (PE) (4)	45,614	52,763	58,155	60,079	54,869
Tonage of biosolids produced	1,357	1,169	1,174	1,141	1,226
Tonage of biosolids applied to land	1,075	232	835	8,526	3,319
Total waste treated (million gallons/year)	**2,307**	**2,373**	**2,508**	**2,387**	**2,241**

Notes:

(1) Annual rainfall for the Coachella Valley from www.desertweather.com

(2) Million gallons per day

(3) Carbonaceous Biochemical Oxygen Demand (CBOD) population equivalent based on a conversion factor of 0.17

(4) Suspended solids population equivalent based on a converions factor of 0.20

Source: Valley Sanitary District

Valley Sanitary District
Capital Assets and Operating Information
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	33,942	33,457	33,359	33,334	33,098
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd)					
Monthly average	170	182	188	186	186
Permit limitation (dry weather)	13.5	13.5	11.0	11.0	11.0
Annual rainfall (inches) (1)	2.70	0.92	2.02	1.75	5.43
Collection System Operations					
Sewer lines					
Length (ft)	1,323,035	1,298,880	1,288,320	1,276,660	1,275,836
Inspected (ft)	136,838	106,350	95,040	56,203	86,241
Cleaned (ft)	708,071	562,472	776,160	538,569	671,085

Notes:
(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Capital Assets and Operating Information (Continued)
Last Ten Fiscal Years

	2010	2009	2008	2007	2006
Sanitary Sewer Service Operations					
Equivalent Dwelling Units (EDUs)	32,556	30,900	29,110	26,778	24,981
Treatment Plant Operations					
Plant flow					
(Units = Million Gallons Per Day (mgd)					
Monthly average	192	198	209	199	187
Permit limitation (dry weather)	7.5	7.5	7.5	7.5	7.5
Annual rainfall (inches) (1)	5.83	3.54	3.70	0.25	3.51
Collection System Operations					
Sewer lines					
Length (ft)	1,275,836	1,273,917	1,267,388	1,249,556	1,211,764
Inspected (ft)	86,808	52,754	21,715	N/A	N/A
Cleaned (ft)	687,969	636,501	568,524	544,587	507,681

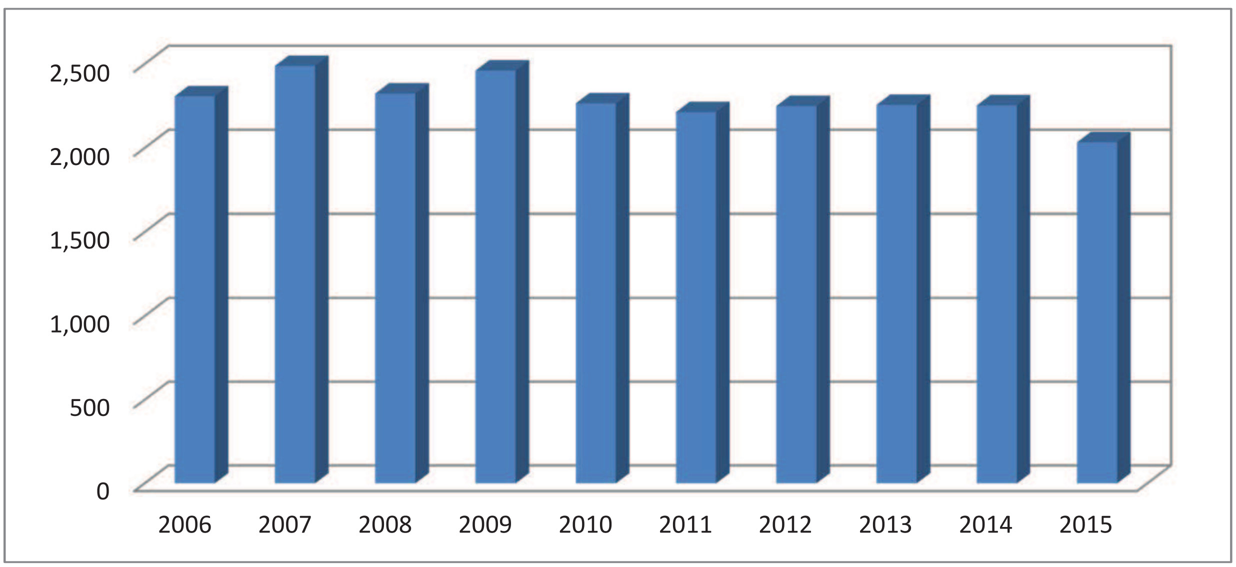
Notes:
(1) Annual rainfall for the Coachella Valley from www.desertweather.com

Source: Valley Sanitary District

Valley Sanitary District
Annual Flow Data (Million Gallons)
Last Ten Fiscal Years

Year	Annual Flow
2015	2,034
2014	2,254
2013	2,257
2012	2,250
2011	2,214
2010	2,266
2009	2,461
2008	2,324
2007	2,489
2006	2,308

Source: Valley Sanitary District



Valley Sanitary District
Full-Time District Employees by Department
Last Ten Fiscal Years

Fiscal Year	Administration	Collections	Operations	Lab	Total
2015	5	7	13	2	27
2014	5	7	13	2	27
2013	4	7	14	2	27
2012	4	7	13	2	26
2011	4	7	13	2	26
2010	4	7	13	2	26
2009	4	7	13	2	26
2008	4	7	13	2	26
2007	4	6	13	2	25
2006	4	6	13	2	25

Source: Valley Sanitary District