



## Comprehensive Annual Financial Report Years Ended June 30, 2017 and 2016





# **Valley Sanitary District**

Indio, California

## **Comprehensive Annual Financial Report**

*For the Years Ended June 30, 2017 and 2016*

Prepared by:  
Administration and Finance Department



# Valley Sanitary District

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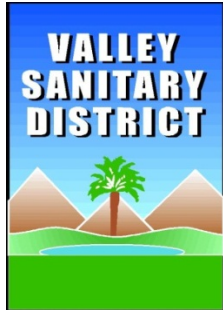
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**INTRODUCTORY SECTION  
(UNAUDITED)**

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November 28, 2017

Board of Directors  
Valley Sanitary District  
Indio, California

Subject: Comprehensive Annual Financial Report  
For the Year Ended June 30, 2017

### **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, 2017. This report was prepared by the District's Administration and 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 (5) 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 twenty eight (28) regular employees, organized in three (3) 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 27,700 connections within its 19.5 square mile service area, located in the eastern desert area of Riverside County. The District encompasses portions of the City of Indio, 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 12.5 million gallons of sewage a day.

### **Economic Condition and Outlook**

The District offices are located in the City of Indio in Riverside County. While both the U.S. and the California economy are currently doing well, with an economic expansion in its seventh year, the regional economy took longer to recover from the Great Recession. Indio has seen significant gains over the last three (3) years with positive indicators in each of the five (5) sectors (tourism, health care, agriculture, retail sales, and housing) primarily responsible for Indio's economic health.

### **Major Initiatives**

During fiscal year 2017, the District completed or initiated a number of significant projects:

- ✓ **Photovoltaic (PV) Solar Project** – through a Power Purchase Agreement, Valley Sanitary District contracted with Solar City of San Mateo, California to provide one (1) Mega Watt of PV solar power for twenty (20) years. The Solar Project consists of 3,400 panels and will save Valley Sanitary District 40-50 percent of our facility energy costs.
- ✓ **Requa Avenue Sewer Interceptor Project** – this District capital improvement project began in June 2016 to 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 has constructed 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 be completed in November 2017.
- ✓ **Decommissioning of the Biological Treatment System** – this project was initiated in May 2016 and consists of draining the cells, removing the vegetation, piping, intake and outlet structures, ripping holes in the liner and finally filling the cells with the soil surrounding the cells. This project was completed in July 2017.
- ✓ **Collections System Maintenance Program** – VSD operates and maintains approximately 246 miles of sanitary sewer line, and delivers over six (6) million gallons per day of wastewater to its wastewater reclamation facility. In order to keep up with an aging and expanding infrastructure, VSD has begun working on a multimillion dollar maintenance program that will span over the next several years. This program will be split into at least four (4) phases that will take place over the next ten (10) years.

### **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 Treasurer's Local Agency Investment Fund (LAIF) and CalTrust.

## **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 (EDU) basis.

## **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, LLP, Accountants & Advisors, has conducted the audit of the District's financial statements. Their unmodified 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**

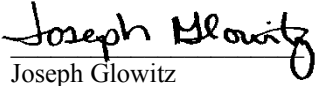
**During the past year, the District received the following awards:**

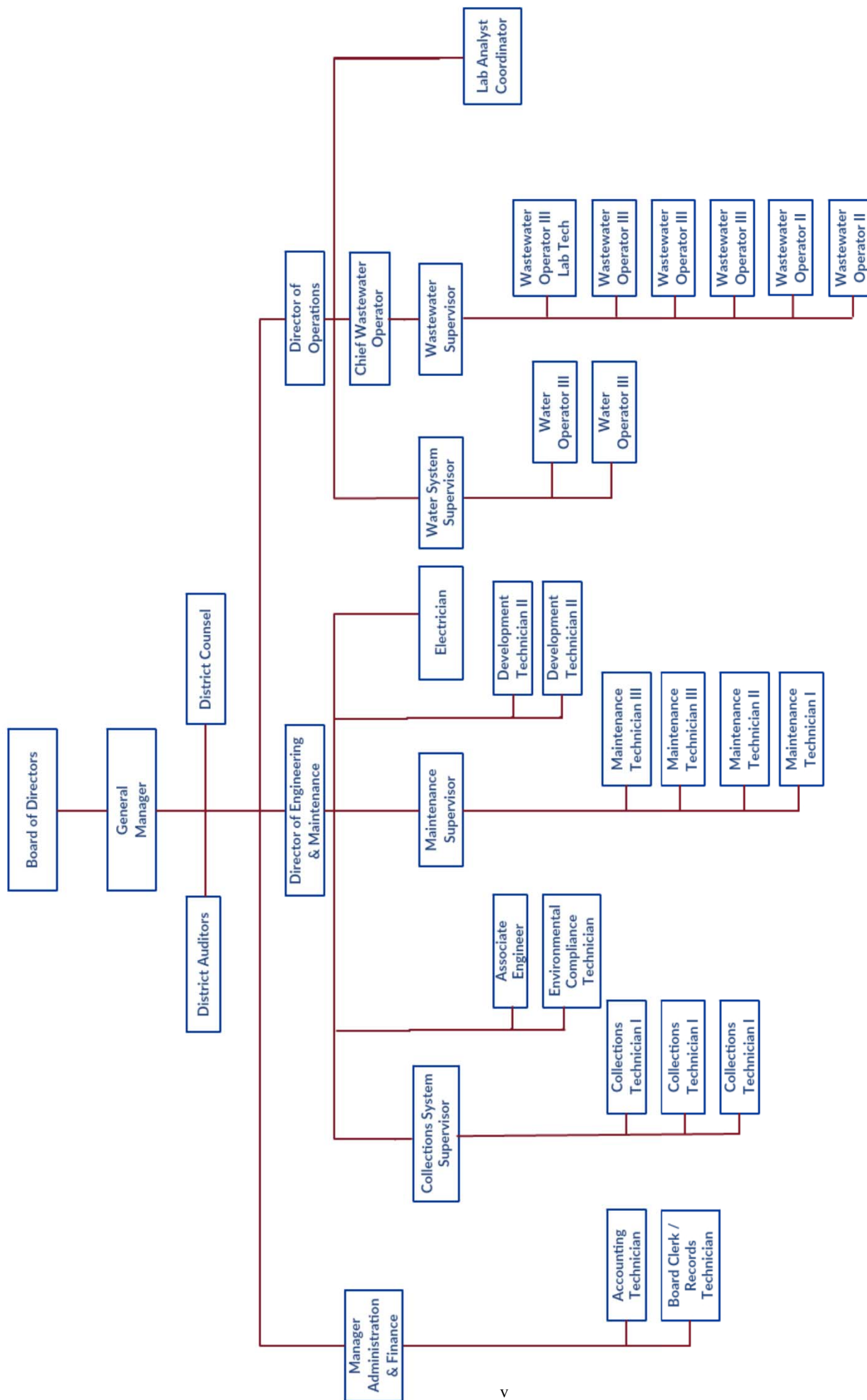
- ❖ Government Finance Officers Association (GFOA)—Excellence in Financial Reporting
- ❖ CWEA Colorado River Basin Section Plant of the Year (5-20 MGD)
- ❖ CWEA Colorado River Basin Section Collection System of the Year (250-500 Miles)
- ❖ CWEA Colorado River Basin Section Supervisor of the Year—Mike Lopanec
- ❖ CWEA Colorado River Basin Section Community Engagement & Outreach — Ian Wilson

## 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



## **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**

**Mike Duran, Vice President**

**Merritt W. Wiseman, Secretary/Treasurer**

**William R. Teague, Director**

**Eric M. Davenport, Director**



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, 2016**

Executive Director/CEO

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## **FINANCIAL SECTION**

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## **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 years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary fund financial statements of the District as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of 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 on pages 5 through 12, and 53 through 55 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 Schedule of Operating Expenses, the Statement of Changes in Fiduciary Assets and Liabilities-Agency Funds and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses and the Statement of Changes in Fiduciary Assets and Liabilities – Agency Fund, are the responsibility of management and were 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 and the Statement of Changes in Fiduciary Assets and Liabilities – Agency Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

To the Board of Directors  
of the Valley Sanitary District  
Indio, California  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 PwC Group, LLP*

Palm Desert, California  
October 26, 2017

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# Valley Sanitary District

## Management's Discussion and Analysis

### (Required Supplementary Information) (Unaudited)

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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 years ended June 30, 2017 and 2016. 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 \$91.6 million and \$86.8 million as of June 30, 2017 and 2016 respectively. Of this amount, \$30.3 million and \$33.2 million as of June 30, 2017 and 2016, respectively, may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$4.8 million, from \$86.8 million to \$91.6 million or 5.2%. This is primarily due to a decrease in operating expenses, and an increase in operating revenues.
- Current assets increased by 16.4% and 8.3% as of June 30, 2017 and 2016, respectively. The 2017 difference is due in part to an increase in cash and investments, accounts receivable, and prepaid items for the year ended June 30, 2017. The 2016 difference was due in part to an increase in cash and investments and inventory.
- Noncurrent assets increased by 11.3% and 0.2% as of June 30, 2017 and 2016 respectively. The increase is due to an increase in capital assets, and investment in the East Valley Reclamation Authority (EVRA).
- The District's total liabilities increased 81.9% and decreased 3.5% as of June 30, 2017 and 2016 respectively. The key factor in the increase is due to executing an installment sale agreement with the State Water Resources Control Board (SWRCB) for the construction of the Requa Avenue Sewer Interceptor Project.

#### 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 *net 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 business-type activity for 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 20 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 starting on page 23 of this report.

**Valley Sanitary District**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information) (Unaudited) (Continued)**

**Required Supplementary Information.** The Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios are presented as required supplementary information and can be found starting on page 53 of this report.

**Supplementary Information.** The Schedule of Operating Expenses presents the functional expenses by activity and is presented as supplementary information which can be found starting on page 59 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 \$91.6 million and \$86.8 million as of June 30, 2017 and 2016, respectively.

The largest portion of the District's net position during June 30, 2017 (62.6%) and 2016 (63.7%) 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 fiscal years.

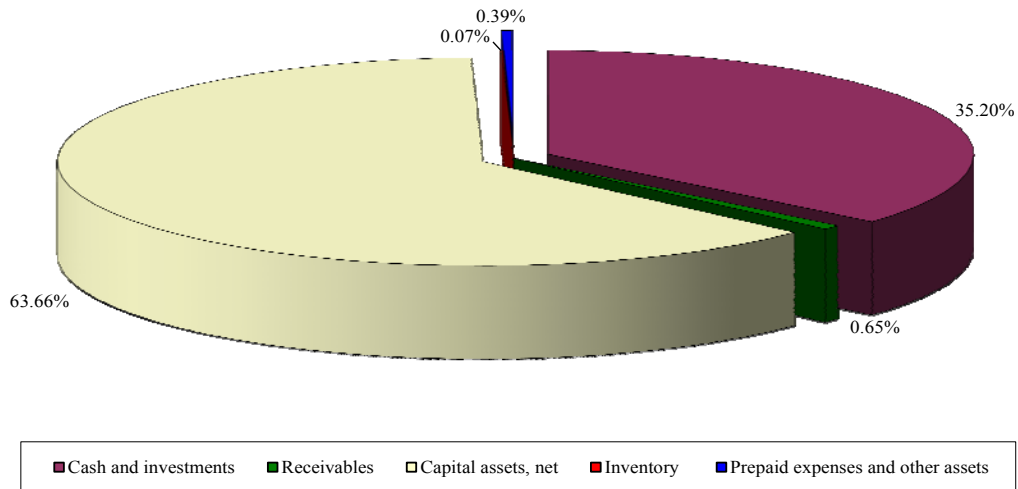
	2017	2016	2015 As Restated
Current assets	\$ 40,799,967	\$ 35,060,888	\$ 32,384,903
Capital assets	68,563,395	61,589,815	61,476,449
Noncurrent assets	96,653	94,945	70,763
Total assets	<u>\$ 109,460,015</u>	<u>\$ 96,745,648</u>	<u>\$ 93,932,115</u>
Deferred outflows of resources	<u>\$ 1,370,178</u>	<u>\$ 1,188,622</u>	<u>\$ 867,368</u>
Current liabilities	\$ 2,686,023	\$ 1,290,260	\$ 1,219,715
Noncurrent liabilities	16,487,132	9,247,466	9,695,892
Total liabilities	<u>\$ 19,173,155</u>	<u>\$ 10,537,726</u>	<u>\$ 10,915,607</u>
Deferred inflows of resources	<u>\$ 92,817</u>	<u>\$ 605,531</u>	<u>\$ 496,037</u>
Net position:			
Net investment in capital assets	\$ 61,242,162	\$ 53,603,070	\$ 52,839,192
Unrestricted	<u>30,322,059</u>	<u>33,187,943</u>	<u>30,548,647</u>
Total net position	<u>\$ 91,564,221</u>	<u>\$ 86,791,013</u>	<u>\$ 83,387,839</u>



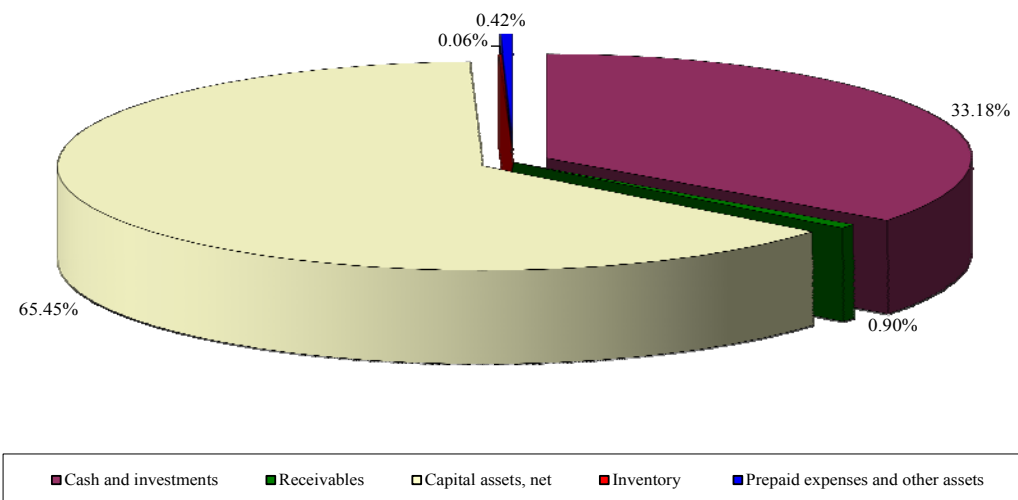
**Valley Sanitary District**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information) (Unaudited) (Continued)**

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**Assets 2017**



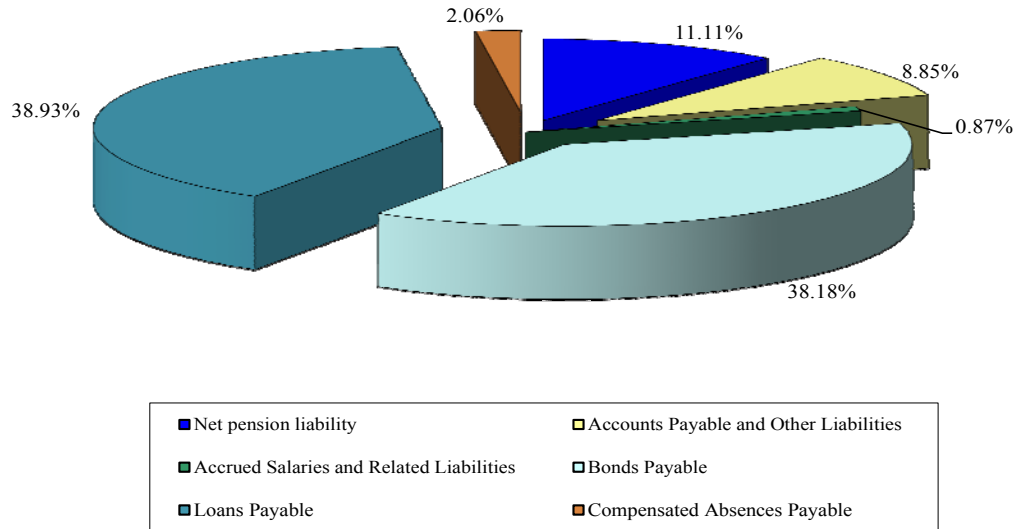
**Assets 2016**



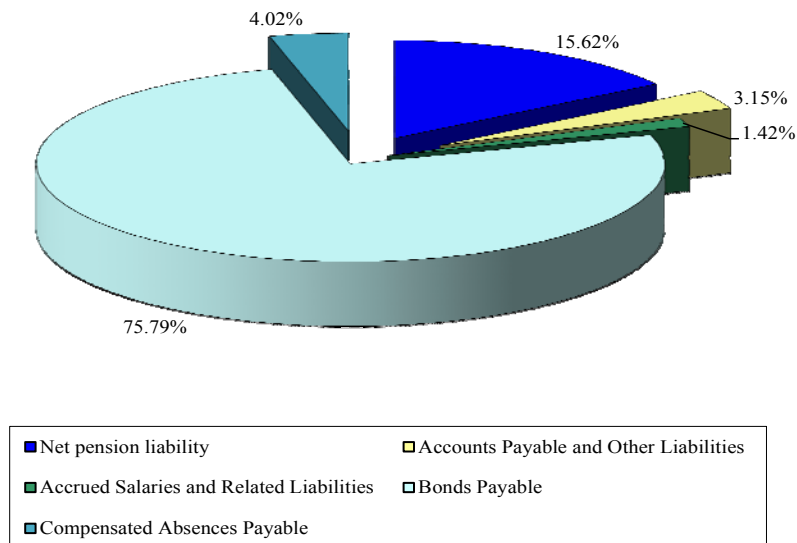
**Valley Sanitary District**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information) (Unaudited) (Continued)**

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**Liabilities 2017**



**Liabilities 2016**



**Valley Sanitary District**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information) (Unaudited) (Continued)**

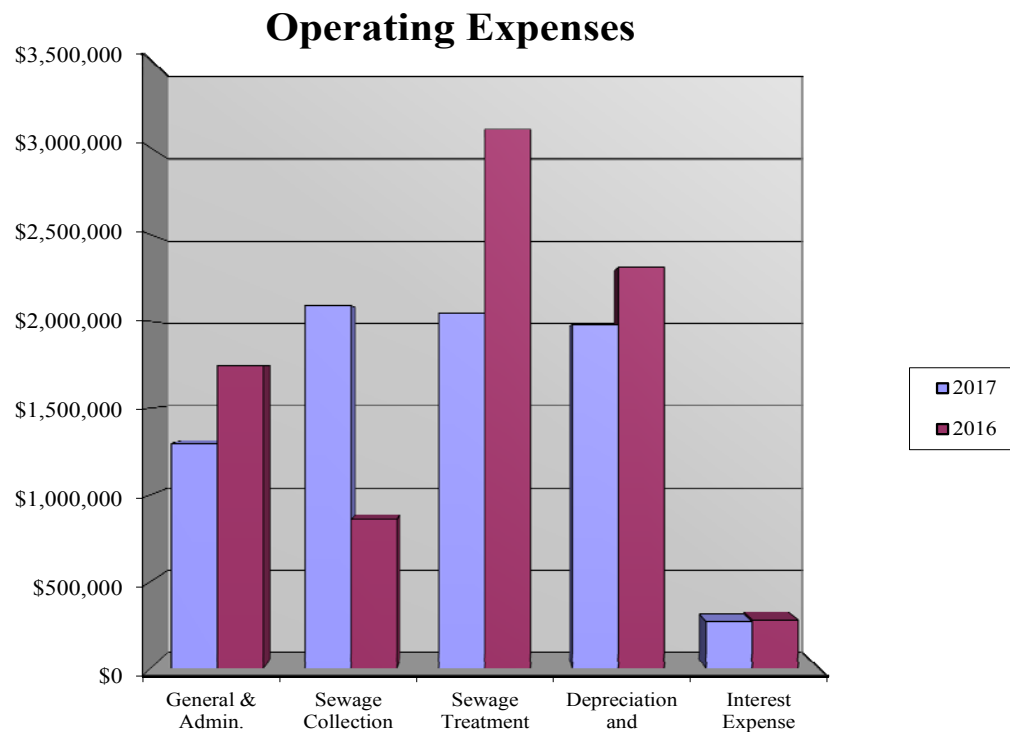
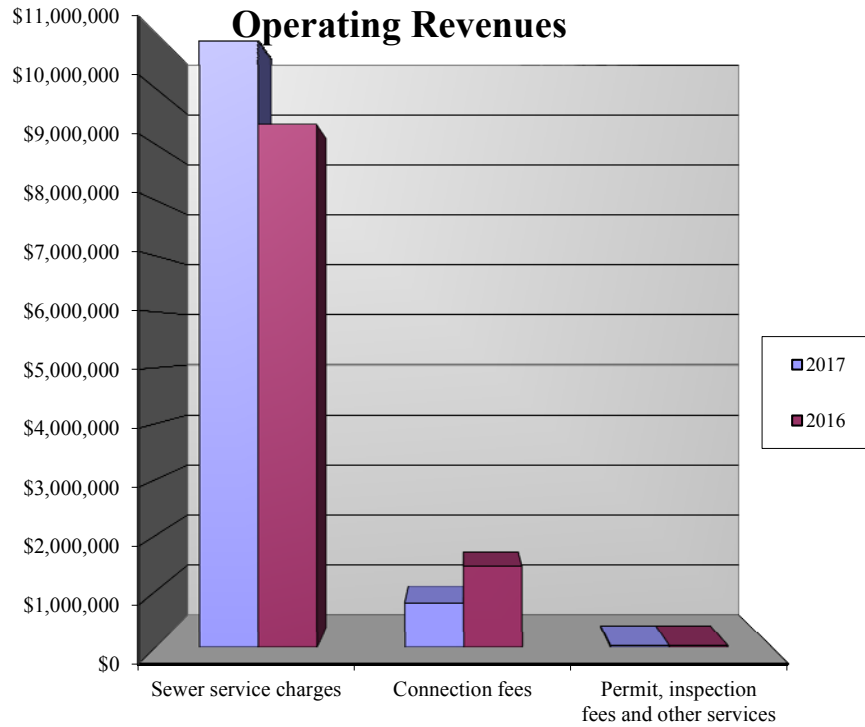
Changes in the District's net position reflect an increase of \$4,773,208 and \$3,403,174 for the year ended June 30, 2017 and 2016, respectively. The District's operating revenue increased in the current year by \$919,443 due to an increase in sewer connection fees, while the District's operating expenses decreased by \$145,771.

**DISTRICT'S CHANGES IN NET POSITION**

	2017	2016	2015 As Restated
Revenues:			
Sewer service charges	\$ 10,846,682	\$ 9,347,928	\$ 9,218,538
Connection fees	791,280	1,446,315	897,863
Permits & inspections	22,442	21,735	17,264
Other operating	11,300	7,495	27,425
Nonoperating	945,393	874,181	828,182
Total Revenues	<u>\$ 12,617,097</u>	<u>\$ 11,697,654</u>	<u>\$ 10,989,272</u>
Expenses:			
Depreciation & nonoperating	\$ 2,407,296	\$ 2,588,475	\$ 2,749,776
Administrative	1,297,345	1,744,274	1,819,626
Sewage collection	2,091,041	856,871	866,622
Sewage treatment	2,048,207	3,104,860	3,140,480
Total Expenses	<u>\$ 7,843,889</u>	<u>\$ 8,294,480</u>	<u>\$ 8,576,504</u>
Increase in net position	\$ 4,773,208	\$ 3,403,174	\$ 2,412,768
Beginning net position, restated (Note 14)	<u>86,791,013</u>	<u>83,387,839</u>	<u>80,975,071</u>
Ending net position	<u>\$ 91,564,221</u>	<u>\$ 86,791,013</u>	<u>\$ 83,387,839</u>

**Valley Sanitary District**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information) (Unaudited) (Continued)**

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# Valley Sanitary District

## Management's Discussion and Analysis

### (Required Supplementary Information) (Unaudited) (Continued)

#### Capital Asset Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2017 and June 30, 2016 were in the amounts of \$68,563,395 and \$61,589,815, respectively. This includes land, buildings, system improvements, machinery, and equipment. The increase in the District's capital assets is due in part to the Requa Avenue Sewer Interceptor Project, purchase of a new CCTV van, manhole rehabilitation, new bisulfite tank, and the front wall extension.

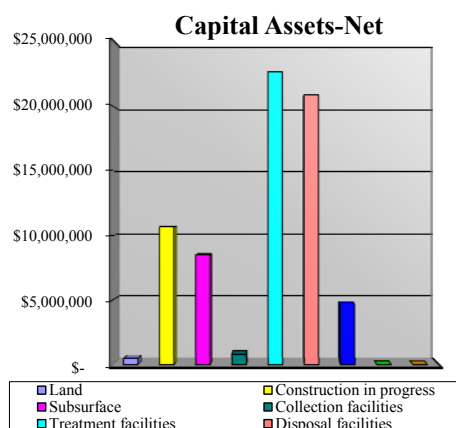
Major capital asset events during the current fiscal year included the following:

- **Requa Interceptor Construction Project near expected completion November 2017**
- **Decommissioning of the Biological Treatment System completion July 2017**
- **Photovoltaic (PV) Solar Project completed September 2016**
- **Purchase of new CCTV Van for Collection Systems April 2017**

#### DISTRICT'S CAPITAL ASSETS

Net of Accumulated Depreciation

	June 30, 2017	June 30, 2016	June 30, 2015 As Restated
Land	\$ 448,364	\$ 448,364	\$ 448,364
Construction in progress	10,638,233	2,307,773	1,133,171
Subsurface	8,475,134	8,759,446	9,048,121
Collection facilities	794,946	525,132	616,567
Treatment facilities	22,643,828	23,425,475	24,256,649
Disposal facilities	20,858,204	21,566,989	22,200,754
General plant	4,693,588	4,540,400	3,764,100
Laboratory facilities	4,354	4,885	-
Admin facilities	6,744	11,351	8,723
<b>Total</b>	<b>\$ 68,563,395</b>	<b>\$ 61,589,815</b>	<b>\$ 61,476,449</b>



Additional information on the District's capital assets can be found on page 33, Note 5, of this report.

**Valley Sanitary District**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information) (Unaudited) (Continued)**

**Long-term Debt Administration**

At the end of June 30, 2017 and 2016, the District had total long-term debt of \$14,784,692 and \$7,986,745, 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 sewer use fees of the District.

The District received a Clean Water State Revolving Fund (CWSRF) loan in May 2016 for \$12,750,000 to construct the Requa Avenue Sewer Interceptor Project. A \$12,750,000 loan for 30 years at 1.7% interest results in an estimated payment of \$545,648 annually. The first payment will be due one (1) year after the completion date of the Requa Avenue Sewer Interceptor Project, and payable thereafter on June 1<sup>st</sup>, per the 2015 Wastewater Refunding Revenue Bonds parity requirements. A restricted reserve fund has also been established, equal to one year's debt service, prior to the construction completion date of the Project and shall be maintained for the full term of the Agreement.

**DISTRICT'S OUTSTANDING DEBT**

	2017	2016	2015
Revenue refunding bond	\$ 6,425,000	\$ 6,990,000	\$ 7,540,000
Bond premium	896,233	996,745	1,097,257
CWSRF loan	7,463,459	-	-
Total	<u>\$ 14,784,692</u>	<u>\$ 7,986,745</u>	<u>\$ 8,637,257</u>

Additional information on the District's long-term debt can be found on page 35, 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 last three (3) years. Indio has seen significant gains with positive indicators in each of the five (5) 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 185 new connections in fiscal year 2016/2017 and over 312 in fiscal year 2015/2016.

The annual sewer use fee of \$313 per equivalent dwelling unit (EDU) increased for fiscal year 2016/2017 by \$43 over fiscal year 2015/2016. The connection capacity charge of \$4,265 per EDU for the fiscal year 2016/2017 remained the same as fiscal year 2015/2016.

The fiscal year operating budget for 2017/2018 is \$8.6 million and is supplemented with \$5.3 million in capital improvement projects, to produce a total financial program of \$13.9 million. This represents a small increase of about \$100,000 over the 2016/2017 operating budget and a decrease of about \$3.8 million from the 2016/2017 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, 45500 Van Buren Street, Indio, California, 92201, or by calling (760) 238-5400.

## **BASIC FINANCIAL STATEMENTS**

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**Valley Sanitary District**  
**Statements of Net Position**  
**June 30, 2017 and 2016**

	<b>Business-type Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments	\$ 39,673,401	\$ 34,056,853
Accounts receivable, net	666,789	583,532
Interest receivable	72,945	42,004
Inventories of materials	53,075	62,793
Prepaid items	333,757	315,706
<b>Total current assets</b>	<b>40,799,967</b>	<b>35,060,888</b>
<b>Noncurrent assets:</b>		
Capital assets, net	68,563,395	61,589,815
Investment in joint venture	80,000	55,000
Other post employment benefit asset	16,653	39,945
<b>Total noncurrent assets</b>	<b>68,660,048</b>	<b>61,684,760</b>
<b>Total assets</b>	<b>109,460,015</b>	<b>96,745,648</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding, net	373,400	415,277
Deferred outflows of resources related to pension	996,778	773,345
<b>Total deferred outflows of resources</b>	<b>1,370,178</b>	<b>1,188,622</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	1,671,468	304,917
Accrued payroll and related liabilities	167,552	149,776
Interest payable	24,974	27,328
Compensated absences - due within one year	232,029	243,239
Bonds payable - due within one year	590,000	565,000
<b>Total current liabilities</b>	<b>2,686,023</b>	<b>1,290,260</b>
<b>Noncurrent liabilities:</b>		
Aggregate net pension liability	2,129,724	1,645,582
Compensated absences - due in more than one year	162,716	180,139
Bonds payable - due in more than one year	6,731,233	7,421,745
Loans payable - due in more than one year	7,463,459	-
<b>Total noncurrent liabilities</b>	<b>16,487,132</b>	<b>9,247,466</b>
<b>Total liabilities</b>	<b>19,173,155</b>	<b>10,537,726</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pension	92,817	605,531
<b>Total deferred inflows of resources</b>	<b>92,817</b>	<b>605,531</b>
<b>NET POSITION</b>		
Net investment in capital assets	61,242,162	53,603,070
Unrestricted	30,322,059	33,187,943
<b>Total net position</b>	<b>\$ 91,564,221</b>	<b>\$ 86,791,013</b>

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**Valley Sanitary District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2017 and 2016**

	<b>Business-type Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES:</b>		
Sewer service charges	\$ 10,846,682	\$ 9,347,928
Connection fees	791,280	1,446,315
Permit and inspection fees	22,442	21,735
Other services	11,300	7,495
<b>Total operating revenues</b>	<b>11,671,704</b>	<b>10,823,473</b>
<b>OPERATING EXPENSES:</b>		
General and administrative	1,297,345	1,744,274
Sewage collection	2,091,041	856,871
Sewage treatment	2,048,207	3,104,860
Depreciation	1,980,043	2,309,350
<b>Total operating expenses</b>	<b>7,416,636</b>	<b>8,015,355</b>
<b>NET OPERATING INCOME</b>	<b>4,255,068</b>	<b>2,808,118</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Property taxes	761,756	709,233
Homeowners' tax relief	6,203	6,343
Investment income	170,869	142,649
Interest expenses	(267,220)	(279,125)
Other revenues	6,565	3,768
Gain/(loss) on disposal of assets	(160,033)	12,188
<b>Total nonoperating revenues (expenses)</b>	<b>518,140</b>	<b>595,056</b>
<b>CHANGE IN NET POSITION</b>	<b>4,773,208</b>	<b>3,403,174</b>
<b>NET POSITION:</b>		
Beginning of year	86,791,013	83,387,839
End of year	<u>\$ 91,564,221</u>	<u>\$ 86,791,013</u>

**Valley Sanitary District**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	<b>Business-type Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 11,595,012	\$ 11,074,464
Cash payments to suppliers and vendors for goods and services	(946,425)	(2,525,931)
Cash payments to employees for services	(3,371,520)	(3,167,072)
<b>Net cash provided by operating activities</b>	<b>7,277,067</b>	<b>5,381,461</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property taxes	761,756	709,233
Homeowners' tax relief	6,203	6,343
<b>Net cash provided by noncapital financing activities</b>	<b>767,959</b>	<b>715,576</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(9,113,656)	(2,422,716)
Proceeds from sale of assets	-	12,188
Principal paid on certificates of participation	(565,000)	(550,000)
Interest paid on certificates of participation	(328,209)	(338,653)
Issuance of loans payable	7,463,459	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(2,543,406)</b>	<b>(3,299,181)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	139,928	119,600
Contribution made to joint venture	(25,000)	(25,000)
<b>Net cash provided by investing activities</b>	<b>114,928</b>	<b>94,600</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,616,548</b>	<b>2,892,456</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	34,056,853	31,164,397
End of year	<b>\$ 39,673,401</b>	<b>\$ 34,056,853</b>

**Valley Sanitary District**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

	<b>Business-type Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 4,255,068	\$ 2,808,118
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,980,043	2,309,350
Other nonoperating revenues	6,565	3,768
Changes in operating assets and liabilities		
Accounts receivable	(83,257)	247,223
Inventories of materials	9,718	(19,272)
Prepaid expenses	(18,051)	11,569
Other post employment benefits asset	23,292	818
Accounts payable	1,366,551	13,395
Accrued payroll and related liabilities	17,776	8,454
Net pension liability	484,142	286,170
Pension related deferred outflows of resources	(223,433)	(363,131)
Pension related deferred inflows of resources	(512,714)	109,494
Compensated absences	(28,633)	(34,495)
<b>Net cash provided by operating activities</b>	<b>\$ 7,277,067</b>	<b>\$ 5,381,461</b>
<b>NONCASH ITEMS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Amortization of discount	\$ -	\$ 8,090
Deferred loss on refunding at issuance	\$ -	\$ (460,644)
Amortization of deferred loss on refunding	\$ 41,877	\$ 41,877
Amortization of premium	\$ (100,512)	\$ (100,512)

**Valley Sanitary District**  
**Statements of Fiduciary Assets and Liabilities**  
**June 30, 2017 and 2016**

		<b>Fiduciary Fund</b>	
		<b>2017</b>	<b>2016</b>
<b>ASSETS</b>			
Cash and investments	\$	643,371	\$ 650,517
Cash with fiscal agent		668,747	626,459
Assessment receivable		5,550	5,307
Interest receivable		1,310	878
<b>Total assets</b>	\$	<u>1,318,978</u>	<u>\$ 1,283,161</u>
<b>LIABILITIES</b>			
Due to bondholders	\$	1,318,978	\$ 1,283,161
<b>Total liabilities</b>	\$	<u>1,318,978</u>	<u>\$ 1,283,161</u>

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Valley Sanitary District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

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**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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**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 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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Accounting Changes**

GASB has issued Statement No. 77, *Tax Abatement Disclosure*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the District's financial statements for the years ended June 30, 2017 and 2016.

GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for periods beginning after June 15, 2016 and did not have a significant impact on the District's financial statements for the years ended June 30, 2017 and 2016.

GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the District's financial statements for the years ended June 30, 2017 and 2016.

GASB has issued Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement became effective for periods beginning after June 15, 2016, and should be applied retroactively. This statement did not have a significant impact on the District's financial statements for the years ended June 30, 2017 and 2016.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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.

**Fair Value Measurements**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Applications*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

The three levels of the fair value measurement hierarchy are described below:

- Level 1 - Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets and liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets and liabilities at the measurement date.

**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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**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 two times 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:

For the year ended June 30, 2017

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	June 30, 2015 to June 30, 2016

For the year ended June 30, 2016

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	June 30, 2014 to June 30, 2015

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Pensions (Continued)**

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 five (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.

**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, 2017 and 2016.

**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:

**Net Investment in Capital Assets** – 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.

**Restricted** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

**Unrestricted** – 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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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.

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

**Reclassification**

Investment with Local Agency Investment Fund (LAIF) was reclassified from level 2 to uncategorized at June 30, 2017.

**Note 3 – Cash and Investments**

At June 30, 2017 and 2016, cash and investments are classified in the accompanying statements of net position as follows:

	2017			2016		
	Business-Type Activities	Fiduciary Fund	Total	Business-Type Activities	Fiduciary Fund	Total
Cash and investments	\$ 39,673,401	\$ 643,371	\$ 40,316,772	\$ 34,056,853	\$ 650,517	\$ 34,707,370
Cash and investments with fiscal agent	-	668,747	668,747	-	626,459	626,459
<b>Total cash and investments</b>	<b>\$ 39,673,401</b>	<b>\$ 1,312,118</b>	<b>\$ 40,985,519</b>	<b>\$ 34,056,853</b>	<b>\$ 1,276,976</b>	<b>\$ 35,333,829</b>

At June 30, 2017 and 2016, cash and investments consisted of the followings:

	2017	2016
Cash on hand	\$ 500	\$ 500
Demand deposits	2,857,709	2,936,338
Investments	38,127,310	32,396,991
<b>Total cash and investments</b>	<b>\$ 40,985,519</b>	<b>\$ 35,333,829</b>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**Note 3 – Cash and Investments (Continued)**

**Demand Deposits**

At June 30, 2017 and 2016, the carrying amount of cash deposit was \$2,857,709 and \$2,936,338, respectively, 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.

**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
- Federally Insured Certificates of Deposit with a 5 year maximum maturity
- Collateralized bank deposits with a 5 years maximum maturity
- Fixed income instruments with an average maturity of one year or less including: Mortgage-backed securities; asset-backed securities; banker's acceptances; commercial paper; certificates of deposits; repurchase agreements backed by 102% U.S. agency securities and U.S. Treasury obligations; medium-term notes; and rated money-market funds. All securities must be rated A- or better at the time of purchase
- United States Government Agency Notes & Bonds with a 5 year maximum maturity
- Shares of Beneficial Interest issued by joint powers authority

**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, 2017 and 2016, the District had \$36,455,837 and \$31,770,532 invested in LAIF, which had invested 2.89% and 2.81% of the pooled investment funds in Structured Notes and Asset-Backed Securities, respectively. LAIF is reported at net asset value at June 30, 2017 and 2016.



**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Note 3 – Cash and Investments (Continued)**

**Disclosures Relating to Fair Value Measurement**

As of June 30, 2017 and 2016, the District's investments had the following recurring fair value measurements:

	2017			2016	
	Level 2	Uncategorized	Total	Uncategorized	Total
Local Agency Investment Fund	\$ -	\$ 36,455,837	\$ 36,455,837	\$ 31,770,532	\$ 31,770,532
CalTrust Medium Term Fund	1,002,726	-	1,002,726	-	-
Held by bond trustee:					
Money market mutual fund	-	668,747	668,747	626,459	626,459
<b>Total investments</b>	<b>\$ 1,002,726</b>	<b>\$ 37,124,584</b>	<b>\$ 38,127,310</b>	<b>\$ 32,396,991</b>	<b>\$ 32,396,991</b>

**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, 2017 and 2016, the District had the following investments:

	2017	2016
	Maturity Date 12 Months or Less	Maturity Date 12 Months or Less
Local Agency Investment Fund	\$ 36,455,837	\$ 31,770,532
CalTrust Medium Term Fund	1,002,726	-
Held by bond trustee:		
Money market mutual fund	668,747	626,459
<b>Total investments</b>	<b>\$ 38,127,310</b>	<b>\$ 32,396,991</b>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Note 3 – Cash and Investments (Continued)**

**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, 2017 and 2016, the District had the following investments with the following ratings:

	Minimum Legal Rating	2017			2016		
		AAA	Not Rated	Total	AAA	Not Rated	Total
Local Agency Investment Fund	N/A	\$ -	\$ 36,455,837	\$ 36,455,837	\$ -	\$ 31,770,532	\$ 31,770,532
CalTrust Medium Term Fund		-	1,002,726	1,002,726	-	-	-
Held by bond trustee:							
Money market mutual fund	N/A	668,747	-	668,747	626,459	-	626,459
<b>Total investments</b>		<u>\$ 668,747</u>	<u>\$ 37,458,563</u>	<u>\$ 38,127,310</u>	<u>\$ 626,459</u>	<u>\$ 31,770,532</u>	<u>\$ 32,396,991</u>

**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, 2017 and 2016, the accounts receivable was as follows:

	2017	2016
Direct billing, connection fee and reimbursement receivables	\$ 338,556	\$ 273,942
Property taxes and sewer use receivable from County of Riverside	327,470	309,590
Other miscellaneous receivables	763	-
Total accounts receivables	666,789	583,532
Allowance for doubtful accounts	-	-
Accounts receivables, net	<u>\$ 666,789</u>	<u>\$ 583,532</u>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Note 5 – Capital Assets**

Summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Reclassification	Balance June 30, 2017
<b>Capital assets, not depreciated</b>					
Land	\$ 448,364	\$ -	\$ -	\$ -	\$ 448,364
Construction in progress	2,307,773	8,330,460	-	-	10,638,233
<b>Total capital assets, not depreciated</b>	<b>2,756,137</b>	<b>8,330,460</b>	<b>-</b>	<b>-</b>	<b>11,086,597</b>
<b>Capital assets, being depreciated</b>					
Subsurface	20,460,898	-	(63,397)	-	20,397,501
Sewage collection facilities	3,088,560	303,302	(55,011)	-	3,336,851
Wastewater treatment facilities	40,158,408	24,518	(802,230)	-	39,380,696
Sludge disposal facilities	25,748,074	-	(995,545)	-	24,752,529
General plant facilities	6,181,145	455,376	(160,590)	-	6,475,931
Laboratory facilities	69,186	-	-	-	69,186
Administrative facilities	78,846	-	(415)	-	78,431
<b>Total capital assets, being depreciated</b>	<b>95,785,117</b>	<b>783,196</b>	<b>(2,077,188)</b>	<b>-</b>	<b>94,491,125</b>
<b>Less accumulated depreciation</b>					
Subsurface	(11,701,452)	(284,312)	63,397	-	(11,922,367)
Sewage collection facilities	(2,563,428)	(33,488)	55,011	-	(2,541,905)
Wastewater treatment facilities	(16,732,933)	(806,165)	802,230	-	(16,736,868)
Sludge disposal facilities	(4,181,085)	(586,980)	873,740	-	(3,894,325)
General plant facilities	(1,640,745)	(264,375)	122,777	-	(1,782,343)
Laboratory facilities	(64,301)	(531)	-	-	(64,832)
Administrative facilities	(67,495)	(4,192)	-	-	(71,687)
<b>Total accumulated depreciation</b>	<b>(36,951,439)</b>	<b>(1,980,043)</b>	<b>1,917,155</b>	<b>-</b>	<b>(37,014,327)</b>
<b>Total capital assets, being depreciated, net</b>	<b>58,833,678</b>	<b>(1,196,847)</b>	<b>(160,033)</b>	<b>-</b>	<b>57,476,798</b>
<b>Total capital assets, net</b>	<b>\$ 61,589,815</b>	<b>\$ 7,133,613</b>	<b>\$ (160,033)</b>	<b>\$ -</b>	<b>\$ 68,563,395</b>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Note 5 – Capital Assets (Continued)**

Summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015 (As restated)	Additions	Deletions	Reclassification	Balance June 30, 2016
<b>Capital assets, not depreciated</b>					
Land	\$ 448,364	\$ -	\$ -	\$ -	\$ 448,364
Construction in progress	1,133,171	1,209,850	-	(35,248)	2,307,773
<b>Total capital assets, not depreciated</b>	<u>1,581,535</u>	<u>1,209,850</u>	<u>-</u>	<u>(35,248)</u>	<u>2,756,137</u>
<b>Capital assets, being depreciated</b>					
Subsurface	20,460,898	-	-	-	20,460,898
Sewage collection facilities	3,118,890	21,665	(51,995)	-	3,088,560
Wastewater treatment facilities	40,190,001	192,746	(224,339)	-	40,158,408
Sludge disposal facilities	26,003,803	-	(255,729)	-	25,748,074
General plant facilities	5,564,397	985,773	(404,273)	35,248	6,181,145
Laboratory facilities	67,171	5,074	(3,059)	-	69,186
Administrative facilities	119,220	7,608	(47,982)	-	78,846
<b>Total capital assets, being depreciated</b>	<u>95,524,380</u>	<u>1,212,866</u>	<u>(987,377)</u>	<u>35,248</u>	<u>95,785,117</u>
<b>Less accumulated depreciation</b>					
Subsurface	(11,412,777)	(288,675)	-	-	(11,701,452)
Sewage collection facilities	(2,502,323)	(113,100)	51,995	-	(2,563,428)
Wastewater treatment facilities	(15,933,352)	(1,023,920)	224,339	-	(16,732,933)
Sludge disposal facilities	(3,803,049)	(633,765)	255,729	-	(4,181,085)
General plant facilities	(1,800,297)	(244,721)	404,273	-	(1,640,745)
Laboratory facilities	(67,171)	(189)	3,059	-	(64,301)
Administrative facilities	(110,497)	(4,980)	47,982	-	(67,495)
<b>Total accumulated depreciation</b>	<u>(35,629,466)</u>	<u>(2,309,350)</u>	<u>987,377</u>	<u>-</u>	<u>(36,951,439)</u>
<b>Total capital assets, being depreciated, net</b>	<u>59,894,914</u>	<u>(1,096,484)</u>	<u>-</u>	<u>35,248</u>	<u>58,833,678</u>
<b>Total capital assets, net</b>	<u>\$ 61,476,449</u>	<u>\$ 113,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,589,815</u>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**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 years ended June 30, 2017 and 2016, the District made contribution to the JPA in the amount of and \$25,000 for both years. As of June 30, 2017 and 2016, the District reported investments in joint venture in the amount of \$80,000 and \$55,000, respectively. Copies of the annual financial report for the JPA may be obtained from the finance department of the City of Indio.

	June 30,	
	2016	2015
Total Asset	\$ 100,798	\$ 56,387
Total Liabilities	615	845
Total Net Position	<u>\$ 101,413</u>	<u>\$ 57,232</u>
Operating Expenses	<u>\$ (5,359)</u>	<u>\$ (4,372)</u>
Nonoperating Revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>

\*This statement was the latest statement available.

**Note 7 – Compensated Absences**

Summary of changes in compensated absences for the years ended June 30, 2017 and 2016 is as follows:

Year Ended	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2017	\$ 423,378	\$ 304,292	\$ (332,925)	\$ 394,745	\$ 232,029	\$ 162,716
June 30, 2016	457,874	318,361	(352,857)	423,378	243,239	180,139

**Note 8 – Long-term Debt**

Summary of changes in long-term debt for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in More Than One Year
2015 Wastewater Revenue Refunding Bonds	\$ 6,990,000	\$ -	\$ (565,000)	\$ 6,425,000	\$ 590,000	\$ 5,835,000
Bond Premium, net of amortization	996,745	-	(100,512)	896,233	-	896,233
State Water Resources Control Board Revolving Fund Loan	-	7,463,459	-	7,463,459	-	7,463,459
<b>Total long-term debt</b>	<u>\$ 7,986,745</u>	<u>\$ 7,463,459</u>	<u>\$ (665,512)</u>	<u>\$ 14,784,692</u>	<u>\$ 590,000</u>	<u>\$ 14,194,692</u>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Note 8 – Long-term Debt (Continued)**

Summary of changes in long-term debt for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
2015 Wastewater Revenue Refunding Bonds	\$ 7,540,000	\$ -	\$ (550,000)	\$ 6,990,000	\$ 565,000	\$ 6,425,000
Bond Premium, net of amortization	1,097,257	-	(100,512)	996,745	-	996,745
<b>Total long-term debt</b>	<b>\$ 8,637,257</b>	<b>\$ -</b>	<b>\$ (650,512)</b>	<b>\$ 7,986,745</b>	<b>\$ 565,000</b>	<b>\$ 7,421,745</b>

**2015 Wastewater Revenue Refunding Bonds**

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, 2017 and 2016 were \$6,425,000 and \$6,990,000, respectively.

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 590,000	\$ 299,687	\$ 889,687
2019	620,000	270,188	890,188
2020	650,000	239,187	889,187
2021	685,000	206,688	891,688
2022-2026	3,880,000	554,624	4,434,624
<b>Total</b>	<b>\$ 6,425,000</b>	<b>\$ 1,570,374</b>	<b>\$ 7,995,374</b>

**State Water Resources Control Board Revolving Fund Loan**

The District has executed the installment sale agreement with the State Water Resources Control Board (the "SWRCB") for the construction of the Requa Avenue Sewer Interceptor Project. As part of the Requa Avenue Sewer Interceptor Project, the District will construct 4.2 miles of new gravity flow sewer pipeline and related utility improvements designed to collect and convey sanitary sewer flow within an existing public right-of-way through central Indio, California to the existing District's Water Reclamation Plant. The SWRCB will provide financial assistance. Beginning no later than year after completion of construction, the District will repay the principal of the project funds, together with all interest accruing thereon, annually to the SWRCB. The total amount of the agreement is not to exceed \$12,750,000. As of June 30, 2017, the outstanding balance of the SWRCB revolving fund loan was in the amount of \$7,463,459.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**Note 8 – Long-term Debt (Continued)**

**State Water Resources Control Board Revolving Fund Loan (Continued)**

Future debt service requirements upon completion of the loan disbursement in the amount of \$12,750,000 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	336,969	163,366	500,335
2020	336,693	208,955	545,648
2021	340,350	205,298	545,648
2022	346,136	199,512	545,648
2023-2027	1,820,970	907,268	2,728,238
2028-2032	1,981,105	747,133	2,728,238
2033-2037	2,155,323	572,915	2,728,238
2038-2042	2,344,861	383,377	2,728,238
2043-2047	2,551,066	177,172	2,728,238
2048	536,527	9,120	545,647
	<u>\$ 12,750,000</u>	<u>\$ 3,574,116</u>	<u>\$ 16,324,116</u>

A reserve account is required to be maintained equal to one year of the SWRCB revolving fund loan debt service payments. As of June 30, 2017, the reserve requirement was \$545,648. The balance held in the reserve at June 30, 2017 was \$545,648. Debt covenants of the SWRCB revolving fund loan require that the District have net revenues that are at least 125% of the total debt service payments (including 2015 Wastewater Revenue Refunding Bonds). Net revenue and total principal and interest paid during the year ended June 30, 2017 were in the amounts of \$6,235,111 and \$892,938, respectively, which resulted in ratio of 698%.

**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 2<sup>nd</sup> and September 2<sup>nd</sup> of each year commencing from March 2, 2006. The Bonds mature September 2<sup>nd</sup> 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, 2017 and 2016, the outstanding balances of the bonds were \$6,055,000 and \$6,425,000, respectively.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**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 was 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 were employed by the District after January 1, 1999 are enrolled with the California Public Employees Retirement System (“CalPERS”). The District contributed \$2,825, which was 15.757% of the employee’s compensation, to MPPP for the years ended June 30, 2016. The existing participant was 100% vested in the value arising from District contributions. The plan provided for the accumulation of contributions and earnings and the distribution of such funds at retirement, death or other termination of employment.

On September 8, 2015, the District approved and adopted the termination of the Money Purchase Pension Plan. The Plan was terminated on September 23, 2015. Upon termination, the participant’s account in the terminated plan was 100% vested and transferred to California Public Employees’ Retirement System (“CalPERS”). The total covered payroll for the remaining one employee participating in the plan was \$17,929 for the year ended June 30, 2016.

The plan assets are not reported in the accompanying financial statements. Copies of the 2015 MPPP annual financial report may be obtained from the District’s office.

**Defined Benefit Plan**

The net pension liabilities and related deferred outflows of resources and deferred inflows of resources at June 30, 2017 and 2016 are as follows:

	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>
<b>Deferred outflows of resources:</b>		
Pension contribution after measurement date	\$ 303,301	\$ 203,392
Employer actual contribution in excess of employer's proportionate share of contribution	58,243	81,549
Difference between expected and actual experience	7,563	17,941
Difference between projected and actual earnings	483,076	435,069
Adjustment due to difference in proportion	144,595	35,394
<b>Total deferred outflows of resources</b>	<b>\$ 996,778</b>	<b>\$ 773,345</b>
<b>Aggregate net pension liabilities:</b>	<b>\$ 2,129,724</b>	<b>\$ 1,645,582</b>
<b>Deferred outflows of resources:</b>		
Change in assumption	\$ 92,817	\$ 169,738
Employer contribution under proportionate contribution	-	58,027
Projected earnings on pension plan investment in excess of actual earnings on pension	-	320,949
Adjustment due to difference in proportion	-	56,817
<b>Total deferred outflows of resources</b>	<b>\$ 92,817</b>	<b>\$ 605,531</b>



**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**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, 2015 and 2014 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, 2015 and 2014 valuation date, the following employees were covered by the benefit terms:

	2015		2014	
	Classic	PEPRA	Classic	PEPRA
Active employees	20	6	20	5
Transferred and terminated employees	16	2	14	1
Retired Employees and Beneficiaries	8	-	9	-
Total	44	8	43	6

**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 five (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 five (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 average of the member's three (3) year compensation. Retirement benefits for classic miscellaneous employees are calculated as 2.5% of the average final three (3) year compensation. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final three (3) year compensation.

Participant is eligible for non-industrial disability retirement if they become disabled and has at least five (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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**Note 10 – Pension Plans (Continued)**

**Defined Benefit Plan (Continued)**

***General Information about the Pension Plan (Continued)***

**Benefit Provided (Continued)**

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 salary for each completed year of current service, up to a maximum of six months salary. For purposes of this benefit, one month salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

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, 2016 (the measurement date), the active employee contribution rate for miscellaneous plan and PEPRP miscellaneous plan is 8.000% and 6.500% of annual pay, respectively, and the employer's contribution rate is 10.008% and 6.730% of annual payroll, respectively.

For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate for miscellaneous plan and PEPRP miscellaneous plan is 8.000% and 6.500% of annual pay, respectively, and the employer's contribution rate is 16.035% and 6.7000% of annual payroll, respectively.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**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***

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ended June 30, 2016 and 2015 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2015 and 2014 total pension liability determined in the June 30, 2015 and 2014 actuarial accounting valuation, respectively. The June 30, 2016 and 2015 total pension liability was based on the following actuarial methods and assumptions:

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	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

<sup>1</sup>The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 and 2014 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.

***Change of Assumption***

There were no changes of assumptions for June 30, 2016 measurement date.

In accordance with GASB 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 % (net of administrative expense in 2014) to 7.65% for the June, 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**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)***

**Discount Rate**

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015 and 2014.

Asset Class	New Strategic Allocation	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
	July 1, 2015	July 1, 2014		
Global Equity	51.00%	50.00%	5.25%	5.71%
Global Fixed Income	20.00%	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	6.00%	0.45%	3.36%
Private Equity	10.00%	10.00%	6.83%	6.95%
Real Estate	10.00%	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	2.00%	4.50%	5.09%
Liquidity	1.00%	2.00%	-0.55%	-1.05%

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**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 at June 30, 2016 and 2015, calculated using the discount rate of 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

Measurement date	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
June 30, 2016	3,318,054	2,129,724	1,147,628
June 30, 2015	2,759,756	1,645,582	725,702

***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)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at: 6/30/15 (Valuation date)	\$ 8,698,320	\$ 7,052,786	\$ 1,645,534
Balance at: 6/30/16 (Measurement date)	9,319,119	7,189,395	2,129,724
Net changes during 2015-2016	620,799	136,609	484,190
Balance at: 6/30/14 (Valuation date)	\$ 8,375,774	\$ 7,016,362	\$ 1,359,412
Balance at: 6/30/15 (Measurement date)	8,698,330	7,052,748	1,645,582
Net changes during 2014-2015	322,556	36,386	286,170

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**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 for the measurement period ended June 30, 2016 and 2015, respectively.

- (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, 2015 and 2014). 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, 2016 and 2015). 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, 2016 and 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-2016 and 2014-2015).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (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).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the District's share of contributions during measurement period.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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

	<u>2017</u>	<u>2016</u>
June 30, 2015	0.02397%	0.02185%
June 30, 2016	0.02461%	0.02397%
Change - Increase (Decrease)	<u>0.00064%</u>	<u>0.00213%</u>

For the years ended June 30, 2017 and 2016, the District recognized pension expense in the amounts of \$268,191 and \$235,925, 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.

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 measurement date ended June 30, 2016 and 2015 are 3.7 and 3.8 years, which was obtained by dividing the total service years of 475,689 and 467,023 (the sum of remaining service lifetimes of the active employees) by 127,009 and 122,410 (the total number of participants: active, inactive, and retired), respectively.

At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Pension contribution after measurement date	\$ 303,301	\$ -	\$ 203,392	\$ -
Changes of assumptions	-	(92,817)	-	(169,738)
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	58,243	-	81,549	(58,027)
Difference between expected and actual experience	7,563	-	17,941	-
Adjustment due to differences in proportions	144,595	-	35,394	(56,817)
Projected earnings on pension plan investments under/ (in excess of) actual earnings	483,076	-	435,069	(320,949)
Total	<u>\$ 996,778</u>	<u>\$ (92,817)</u>	<u>\$ 773,345</u>	<u>\$ (605,531)</u>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**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)***

For the years ended June 30, 2017 and 2016, deferred outflows of resources related to pensions were \$303,301 and \$203,392, respectively, resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Deferred Outflows/ (Inflows) of Resources</b>
<b>Year Ended June 30,</b>	<b>2017</b>
2018	\$ 146,075
2019	115,600
2020	213,864
2021	125,121
2022	-
Thereafter	-
	<b>\$ 600,660</b>

	<b>Deferred Outflows/ (Inflows) of Resources</b>
<b>Year Ended June 30,</b>	<b>2016</b>
2017	\$ (43,746)
2018	(48,187)
2019	(52,413)
2020	108,768
2021	-
Thereafter	-
	<b>\$ (35,578)</b>



**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

**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 offers 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 (the "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 years ended June 30, 2017 and 2016 were \$28,288 and \$19,712, respectively.

***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.

	2017	2016
Annual Required Contribution	\$ 15,225	\$ 15,225
Interest on beginning net OPEB Asset	9,580	933
Adjustment to Annual Required Contribution	3,483	3,554
Annual OPEB Cost	28,288	19,712
Contribution Made to Irrevocable Trust	-	(15,225)
Contributions Made Outside of a Trust	(4,996)	(3,669)
Change in Net OPEB (Asset) Obligation	23,292	818
Net OPEB Obligation (Asset), Beginning of Year	(39,945)	(40,763)
Net OPEB Obligation (Asset), End of Year	\$ (16,653)	\$ (39,945)

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, 2017 and the two preceding one year were as follows:

Year Ended	OPEB Cost	OPEB Cost Contributed	Percentage of Annual OPEB cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 9,570	\$ 50,333	525.95%	\$ (40,763)
June 30, 2016	19,712	18,894	95.85%	(39,945)
June 30, 2017	28,288	4,996	17.66%	(16,653)

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**Note 11 – Other Post-Employment Benefits (Continued)**

***Funded Status and Funding Progress***

As of July 1, 2015, the latest actuarial valuation date, the plan was 17.96% over-funded. The actuarial accrued liability for benefits was negative \$62,078, and the actuarial value of assets was \$73,225, resulting in an unfunded actuarial accrued liability (UAAL) of negative \$11,147. The covered payroll (annual payroll of active employees covered by the plan) was \$1,645,439 and the ratio of the UAAL to the covered payroll was negative 0.68%.

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.

The required contribution for the year ended June 30, 2017 and 2016 were determined as part of the July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.00% 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 twenty-three 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, 2017 and 2016, the District had insurance expenses of \$295,448 and \$322,229 in premium payments, respectively.

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, 2017 and 2016, 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.

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**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, 2017 and 2016, the total amounts of unused credits were both \$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, 2017 and 2016.

***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, 2017 and 2016, 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, 2017 and 2016. 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***

Outstanding construction commitments as of June 30, 2017:

	2017 Commitments
Projects:	
Requa Interceptor	\$ 2,894,320
Shade Structures	446,050
Decommissioning of the biological treatment system	25,000
	<u>\$ 3,365,370</u>

Outstanding construction commitments as of June 30, 2016:

	2016 Commitments
Projects:	
Requa Interceptor	\$ 10,963,259
Manhole Rehabilitation #14	100,000
Manhole Collar Repair	33,665
Solar Project	500,000
	<u>\$ 11,596,924</u>

**Valley Sanitary District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

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**Note 13 – Subsequent Event (Continued)**

***State Water Resources Control Board Loan***

On August 23, 2017, the District requested an additional \$2,383,848 from the State Water Resources Control Board (the “SWRCB”) for the construction of the Requa Avenue Sewer Interceptor Project. On September 5, 2017, the District received the requested loan fund. Accordingly, the SWRCB loan balance increased to \$9,847,307. Also see Note 20 for the details to the State Water Resources Control Board Revolving Loan.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**Valley Sanitary District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Years Ended June 30, 2017 and 2016**

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**Last Ten Fiscal Years**

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

	June 30, 2014 <sup>1</sup>	June 30, 2015	June 30, 2016
District's proportion of the net pension liability/(asset)	0.02185%	0.02397%	0.02461%
District's proportionate share of the net pension liability/(asset)	\$ 1,359,412	\$ 1,645,582	\$ 2,129,724
District's covered payroll	\$ 1,805,145	\$ 1,980,191	\$ 2,004,667
District's proportionate share of the net pension liability/(asset) as a percentage of covered employee payroll	75.31%	83.10%	106.24%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.77%	81.08%	77.15%

<sup>1</sup> 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 Years Ended June 30, 2017 and 2016**

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**Last Ten Fiscal Years**

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

	2013-14 <sup>1</sup>	2014-15	2015-16	2016-17
Actuarially determined contribution <sup>2</sup>	\$ 340,629	\$ 279,922	\$ 203,392	\$ 172,649
Contribution in relation to the actuarially determined contribution <sup>2</sup>	<u>(1,126,986)</u>	<u>(279,922)</u>	<u>(203,392)</u>	<u>(303,301)</u>
Contribution deficiency/(excess)	<u>\$ (786,357)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (130,652)</u>
 District's covered payroll	 <u>\$ 1,805,145</u>	 <u>\$ 1,980,191</u>	 <u>\$ 2,004,667</u>	 <u>\$ 2,064,807</u>
 Contributions as a percentage of covered payroll	 <u>62.43%</u>	 <u>14.14%</u>	 <u>10.15%</u>	 <u>14.69%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. 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.

**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 the June 30, 2015 valuation date. 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:** No changes were noted.



**Valley Sanitary District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Progress**  
**For the Years Ended June 30, 2017 and 2016**

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**Other Post Employment Benefit ("OPEB") Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Entry Age Actuarial Accrued Liability (b)</b>	<b>Unfunded AAL (UAAL) [(b) - (a)]</b>	<b>Funded Ratio [(a) / (b)]</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll [(b) - (a)] / (c)</b>
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%
July 1, 2015	73,225	62,078	(11,147)	117.96%	1,645,439	-0.68%

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## **SUPPLEMENTARY INFORMATION**

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**Valley Sanitary District**  
**Schedule of Operating Expenses**  
**For the Year Ended June 30, 2017**

	<u>General and Administrative</u>	<u>Sewage Collection</u>	<u>Sewage Treatment</u>	<u>Total</u>
Salaries and wages	\$ 442,146	\$ 1,237,863	\$ 716,392	\$ 2,396,401
Employee benefits	135,865	345,221	221,963	703,049
Directors' fees	32,500	-	-	32,500
Insurance	295,822	-	-	295,822
Memberships	21,583	2,452	1,831	25,866
Office expense	14,962	-	-	14,962
Permits	2,324	11,199	51,392	64,915
Operating supplies	2,703	23,778	73,680	100,161
Professional services	5,545	-	-	5,545
Repairs and maintenance	26,987	319,520	34,494	381,001
Travel and seminars	15,899	7,348	7,727	30,974
Utilities and telephone	13,137	9,698	547,645	570,480
Chemicals	-	11,313	238,516	249,829
Clothing	-	16,425	10,541	26,966
Certifications	325	2,312	2,888	5,525
Gas, oil, and fuel	-	-	29,411	29,411
County charges	19,178	-	-	19,178
Contractual services	231,510	94,751	109,209	435,470
Publication/legal notices	993	-	-	993
Small tools	32,185	4,715	529	37,429
Other expenses	3,681	4,446	1,989	10,116
Total	<u>\$ 1,297,345</u>	<u>\$ 2,091,041</u>	<u>\$ 2,048,207</u>	<u>\$ 5,436,593</u>

\* Excludes depreciation expense

**Valley Sanitary District**  
**Schedule of Operating Expenses**  
**For the Year Ended June 30, 2016**

	<u>General and Administrative</u>	<u>Sewage Collection</u>	<u>Sewage Treatment</u>	<u>Total</u>
Salaries and wages	\$ 746,718	\$ 479,543	\$ 1,037,648	\$ 2,263,909
Employee benefits	265,922	188,499	439,402	893,823
Directors' fees	16,650	-	-	16,650
Insurance	322,229	-	-	322,229
Memberships	21,575	984	2,101	24,660
Office expense	14,994	-	-	14,994
Permits	4,828	11,200	43,433	59,461
Operating supplies	16,883	2,815	82,309	102,007
Professional services	6,950	-	-	6,950
Repairs and maintenance	24,670	51,598	210,783	287,051
Travel and seminars	16,829	3,754	5,937	26,520
Utilities and telephone	13,366	9,916	568,844	592,126
Chemicals	-	465	242,394	242,859
Clothing	1,487	8,865	13,874	24,226
Certifications	251	592	839	1,682
Gas, oil, and fuel	-	-	26,769	26,769
County charges	35,520	-	-	35,520
Contractual services	189,692	91,431	421,824	702,947
Publication/legal notices	2,417	-	-	2,417
Small tools	24,214	1,927	5,264	31,405
Other expenses	19,079	5,282	3,439	27,800
Total	<u>\$ 1,744,274</u>	<u>\$ 856,871</u>	<u>\$ 3,104,860</u>	<u>\$ 5,706,005</u>

Note: Excludes depreciation expense

**Valley Sanitary District**  
**Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund**  
**For the Years Ended June 30, 2017 and 2016**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>ASSETS</b>				
Cash and investments	\$ 650,517	\$ 740,580	\$ (747,726)	\$ 643,371
Cash with fiscal agent	626,459	112,989	(70,701)	668,747
Assessment receivable	5,307	632,771	(632,528)	5,550
Interest receivable	878	2,622	(2,190)	1,310
<b>Total assets</b>	<b>\$ 1,283,161</b>	<b>\$ 1,488,962</b>	<b>\$ (1,453,145)</b>	<b>\$ 1,318,978</b>
<b>LIABILITIES</b>				
Due to bondholders	\$ 1,283,161	\$ 1,488,962	\$ (1,453,145)	\$ 1,318,978
<b>Total liabilities</b>	<b>\$ 1,283,161</b>	<b>\$ 1,488,962</b>	<b>\$ (1,453,145)</b>	<b>\$ 1,318,978</b>

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>ASSETS</b>				
Cash and investments	\$ 682,015	\$ 32,255	\$ (63,753)	\$ 650,517
Cash with fiscal agent	632,151	730,639	(736,331)	626,459
Assessment receivable	8,210	638,499	(641,402)	5,307
Interest receivable	445	892	(459)	878
<b>Total assets</b>	<b>\$ 1,322,821</b>	<b>\$ 1,402,285</b>	<b>\$ (1,441,945)</b>	<b>\$ 1,283,161</b>
<b>LIABILITIES</b>				
Due to bondholders	\$ 1,322,821	\$ 800,286	\$ (839,946)	\$ 1,283,161
<b>Total liabilities</b>	<b>\$ 1,322,821</b>	<b>\$ 800,286</b>	<b>\$ (839,946)</b>	<b>\$ 1,283,161</b>

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**STATISTICAL SECTION  
(UNAUDITED)**

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**Valley Sanitary District**  
**Statistical Section**  
**(Unaudited)**

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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.

**Index**

**Page**

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

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5	Capacity Connection Fee and Fiscal Year Revenue	72
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**Debt Capacity Information** - These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

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**Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

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**Operating Information** - These schedules contain service and infrastructure data to help the reader understanding how the information in the District's financial report relates to the services the District provides and the activities it performs.

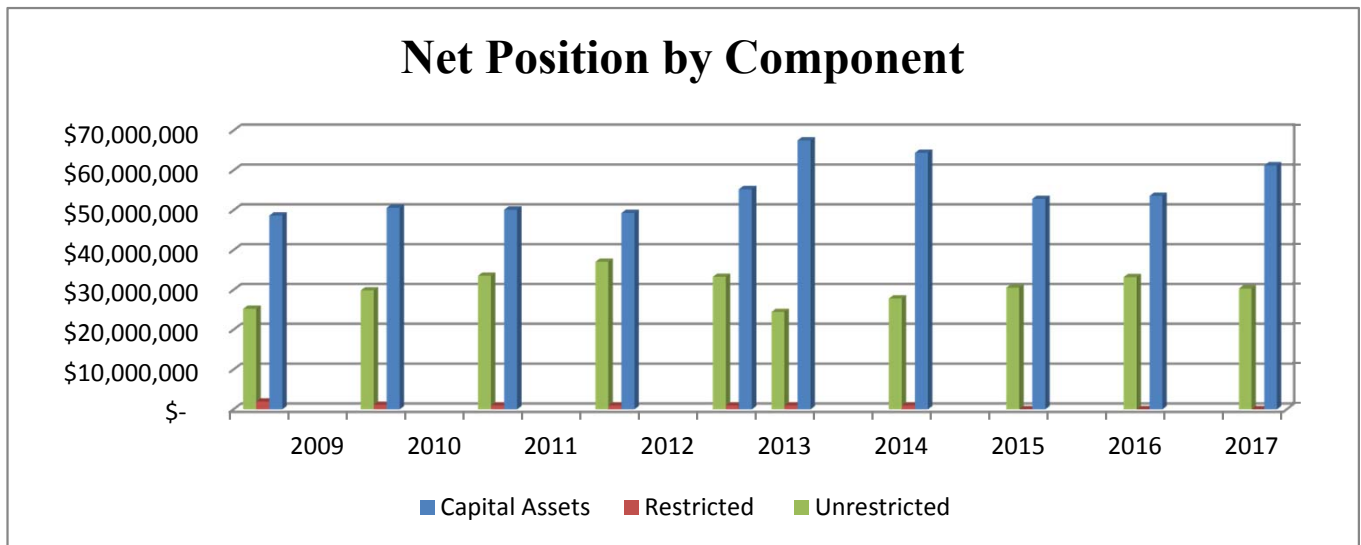
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**Valley Sanitary District**  
**Table of Net Position By Component**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
			As Restated	As Restated	As Restated
<b><u>NET POSITION:</u></b>					
Net investment in					
Capital Assets	\$ 61,242,162	\$ 53,603,070	\$ 52,839,192	\$ 64,388,904	\$ 67,535,369
Restricted	-	-	-	964,900	964,900
Unrestricted	30,322,059	33,187,943	30,548,647	27,817,622	24,444,820
<b>TOTAL NET POSITION</b>	<b><u>\$ 91,564,221</u></b>	<b><u>\$ 86,791,013</u></b>	<b><u>\$ 83,387,839</u></b>	<b><u>\$ 93,171,426</u></b>	<b><u>\$ 92,945,089</u></b>

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

	2012	2011	2010	2009	2008
	As Restated				
<b>NET POSITION:</b>					
Net investment in					
Capital Assets	\$ 55,265,910	\$ 49,305,860	\$ 50,121,414	\$ 50,601,844	\$ 48,664,930
Restricted	967,394	967,394	967,394	1,138,044	1,955,759
Unrestricted	33,266,658	37,028,724	33,546,254	29,858,292	25,252,641
<b>TOTAL NET POSITION</b>	<b>\$ 89,499,962</b>	<b>\$ 87,301,978</b>	<b>\$ 84,635,062</b>	<b>\$ 81,598,180</b>	<b>\$ 75,873,330</b>

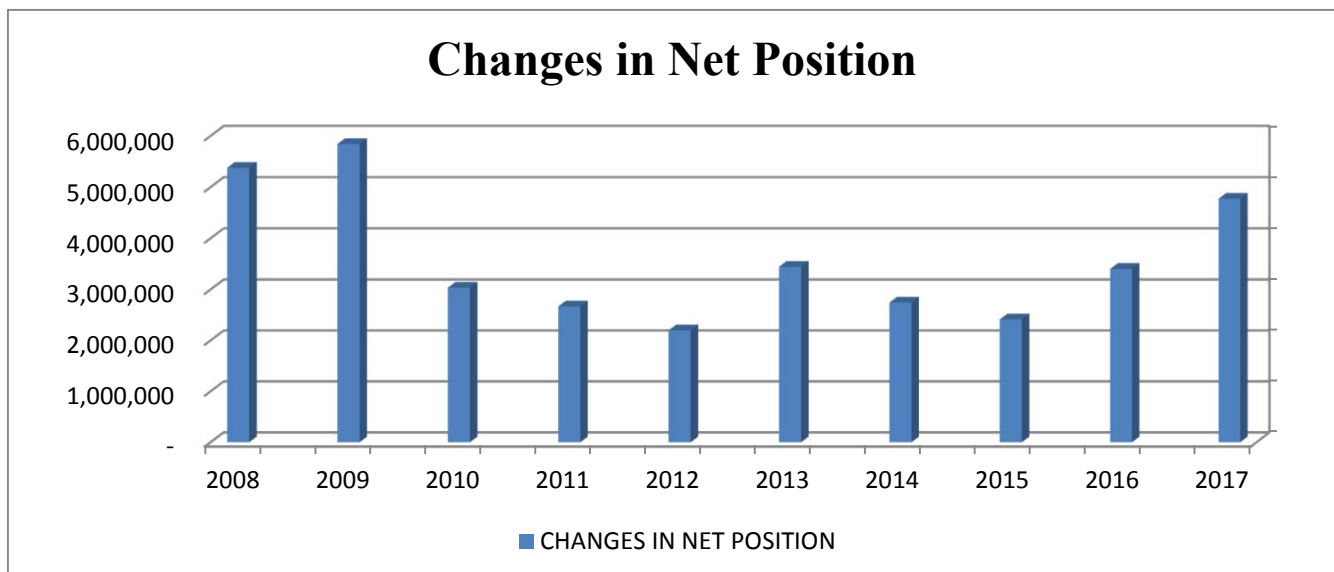


**Valley Sanitary District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Last Ten Fiscal Years**  
**Changes in Net Position**

	2017	2016	2015	2014	2013
		As Restated	As Restated	As Restated	As Restated
<b>OPERATING REVENUES:</b>					
Sewer service charges	\$ 10,846,682	\$ 9,347,928	\$ 9,218,538	\$ 9,187,360	\$ 9,053,022
Connection fees	791,280	1,446,315	897,863	1,998,788	548,527
Permits and inspection fees	22,442	21,735	17,264	40,202	12,017
Other services	11,300	7,495	27,425	46,100	7,039
<b>TOTAL OPERATING REVENUES</b>	<b>11,671,704</b>	<b>10,823,473</b>	<b>10,161,090</b>	<b>11,272,450</b>	<b>9,620,605</b>
<b>OPERATING EXPENSES:</b>					
General and administrative	1,297,345	1,744,274	1,819,626	1,997,332	1,403,644
Sewage collection	2,091,041	856,871	866,622	855,884	917,799
Sewage treatment	2,048,207	3,104,860	3,140,480	3,631,992	2,588,299
Sewage disposal	-	-	-	-	338
<b>Total administrative and plant</b>	<b>5,436,593</b>	<b>5,706,005</b>	<b>5,826,728</b>	<b>6,485,208</b>	<b>4,910,080</b>
<b>Other Operating Expenses</b>					
Depreciation	1,980,043	2,309,350	2,334,398	2,335,264	1,841,601
<b>TOTAL OPERATING EXPENSES</b>	<b>7,416,636</b>	<b>8,015,355</b>	<b>8,161,126</b>	<b>8,820,472</b>	<b>1,841,601</b>
<b>NET OPERATING INCOME</b>	<b>4,255,068</b>	<b>2,808,118</b>	<b>1,999,964</b>	<b>2,451,978</b>	<b>2,868,924</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Property taxes	761,756	709,233	745,800	605,711	899,670
Homeowner's tax relief	6,203	6,343	6,461	6,604	6,690
Investment income	170,869	142,649	75,611	52,007	75,110
Contribution from property owners	-	-	-	-	-
Bond issue cost	-	-	(193,516)	-	-
Interest expense	(267,220)	(279,125)	(175,454)	(402,257)	(422,157)
Amortization	-	-	-	-	-
Gain (loss) on disposed assets	(160,033)	12,188	(46,408)	14,176	-
Other revenues	6,565	3,768	310	14,735	16,890
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>518,140</b>	<b>595,056</b>	<b>412,804</b>	<b>290,976</b>	<b>576,203</b>
<b>CHANGES IN NET POSITION</b>	<b>4,773,208</b>	<b>3,403,174</b>	<b>2,412,768</b>	<b>2,742,954</b>	<b>3,445,127</b>
<b>NET POSITION, beginning of the year</b>	<b>86,791,013</b>	<b>83,387,839</b>	<b>94,251,725</b>	<b>92,945,089</b>	<b>89,499,962</b>
<b>Prior period adjustments</b>			<b>(13,276,654)</b>	<b>(1,436,318)</b>	
<b>NET POSITION, end of the year</b>	<b>\$ 91,564,221</b>	<b>\$ 86,791,013</b>	<b>\$ 83,387,839</b>	<b>\$ 94,251,725</b>	<b>\$ 92,945,089</b>

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

	2012	2011	2010	2009	2008
	As Restated				
<b>OPERATING REVENUES:</b>					
Sewer service charges	\$ 8,808,414	\$ 8,385,726	\$ 8,605,117	\$ 9,022,142	\$ 6,994,369
Connection fees	192,763	723,985	304,428	648,882	1,702,534
Permits and inspection fees	7,362	28,544	25,880	24,834	131,282
Other services	11,173	4,726	24,710	10,063	28,041
<b>TOTAL OPERATING REVENUES</b>	<b>9,019,712</b>	<b>9,142,981</b>	<b>8,960,135</b>	<b>9,705,921</b>	<b>8,856,226</b>
<b>OPERATING EXPENSES:</b>					
General and administrative	1,559,137	1,501,410	1,440,724	1,394,303	1,438,020
Sewage collection	846,598	809,998	788,124	698,225	709,414
Sewage treatment	2,147,581	2,019,251	1,875,514	1,692,546	1,867,182
Sewage disposal	317,791	551,369	307,380	203,194	272,804
<b>Total administrative and plant</b>	<b>4,871,107</b>	<b>4,882,028</b>	<b>4,411,742</b>	<b>3,988,268</b>	<b>4,287,420</b>
<b>Other Operating Expenses</b>					
Depreciation	1,835,054	1,870,504	1,870,268	1,167,802	1,134,127
<b>TOTAL OPERATING EXPENSES</b>	<b>1,835,054</b>	<b>6,752,532</b>	<b>6,282,010</b>	<b>5,156,070</b>	<b>5,421,547</b>
<b>NET OPERATING INCOME</b>	<b>2,313,551</b>	<b>2,390,449</b>	<b>2,678,125</b>	<b>4,549,851</b>	<b>3,434,679</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Property taxes	585,004	585,628	662,348	783,874	655,807
Homeowner's tax relief	6,851	7,183	7,268	7,460	7,659
Investment income	123,009	154,896	183,210	527,722	1,266,911
Contribution from property owners	-	-	-	-	-
Bond issue cost	-	-	-	-	(13,139)
Interest expense	(638,155)	(458,830)	(476,411)	-	-
Amortization	(205,908)	(21,966)	(21,966)	(21,967)	-
Gain (loss) on disposed assets	-	-	(1,809)	(49,244)	-
Other revenues	13,632	9,556	6,117	46,233	25,303
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(115,567)</b>	<b>276,467</b>	<b>358,757</b>	<b>1,294,078</b>	<b>1,942,541</b>
<b>CHANGES IN NET POSITION</b>	<b>2,197,984</b>	<b>2,666,916</b>	<b>3,036,882</b>	<b>5,843,929</b>	<b>5,377,220</b>
<b>NET POSITION, beginning of the year</b>	<b>87,301,978</b>	<b>84,635,062</b>	<b>81,598,180</b>	<b>75,754,251</b>	<b>70,496,110</b>
<b>NET POSITION, end of the year</b>	<b>\$ 89,499,962</b>	<b>\$ 87,301,978</b>	<b>\$ 84,635,062</b>	<b>\$ 81,598,180</b>	<b>\$ 75,754,251</b>



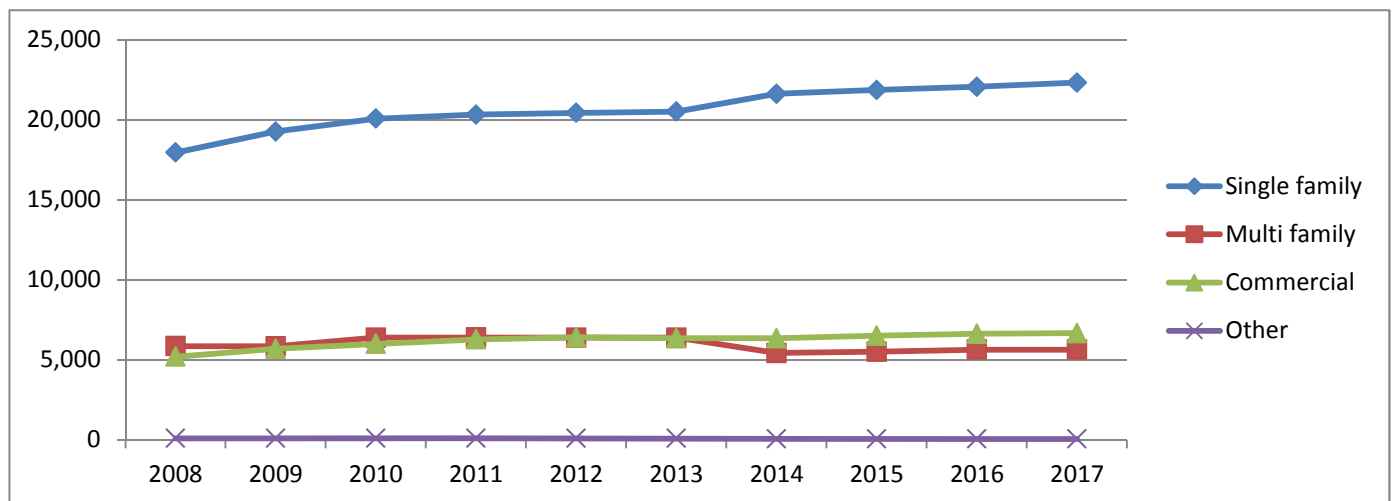
# Valley Sanitary District

## Customer Type Equivalent Dwelling Unit (EDU) Summary

### Last Ten Fiscal Years

Customer Type	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Single family residential	22,325	22,061	21,863	21,623	20,514	20,433	20,326	20,072	19,263	17,954
Multi-family residential	5,635	5,643	5,513	5,431	6,389	6,389	6,394	6,387	5,846	5,856
Commercial	6,672	6,629	6,504	6,344	6,353	6,409	6,275	5,994	5,688	5,197
Other	64	62	62	59	103	103	103	103	103	103
<b>Total</b>	<b>34,696</b>	<b>34,395</b>	<b>33,942</b>	<b>33,457</b>	<b>33,359</b>	<b>33,334</b>	<b>33,098</b>	<b>32,556</b>	<b>30,900</b>	<b>29,110</b>

Source: Valley Sanitary District

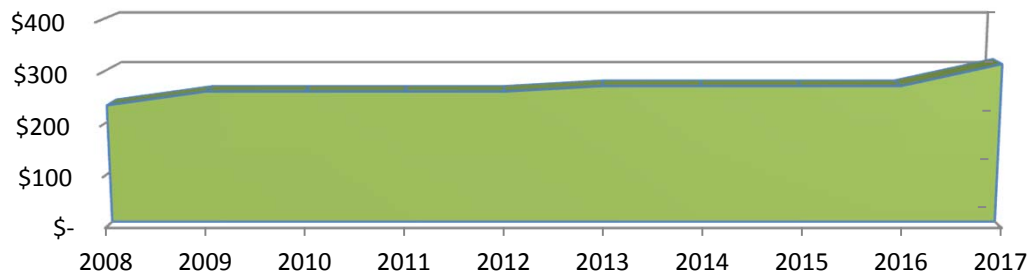




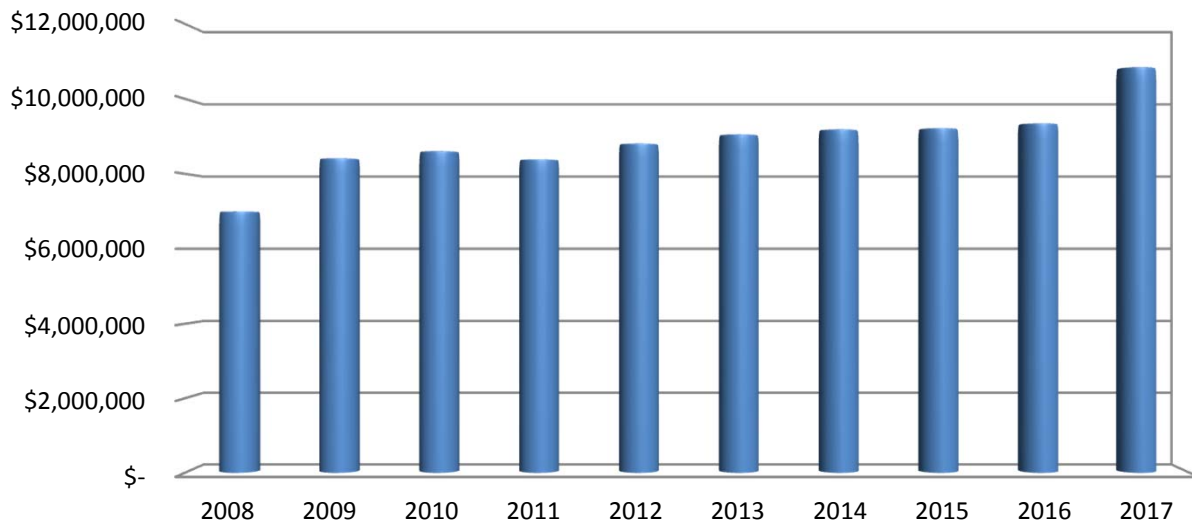
**Valley Sanitary District**  
**Annual Sewer Use Fee and Fiscal Year Revenue**  
**Last Ten Fiscal Years**

<u>Year</u>	<u>Annual fee / EDU</u>		<u>Revenue</u>	
2017	\$	313	\$	10,846,682
2016		270		9,347,928
2015		270		9,218,538
2014		270		9,187,360
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

Source: Valley Sanitary District



**Annual Sewer Use Fee**  
 (Per Equivalent Dwelling Unit)

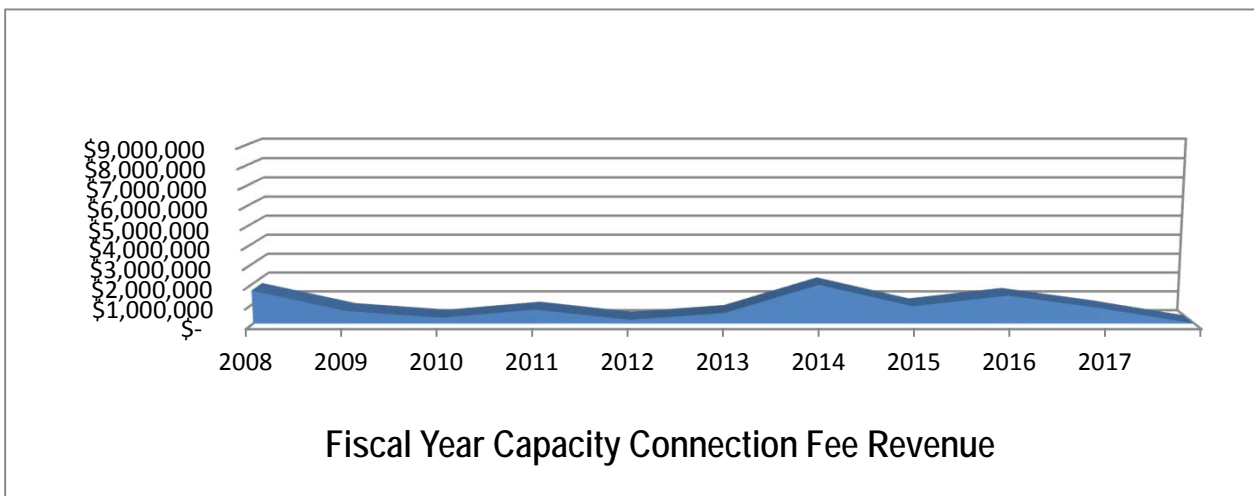
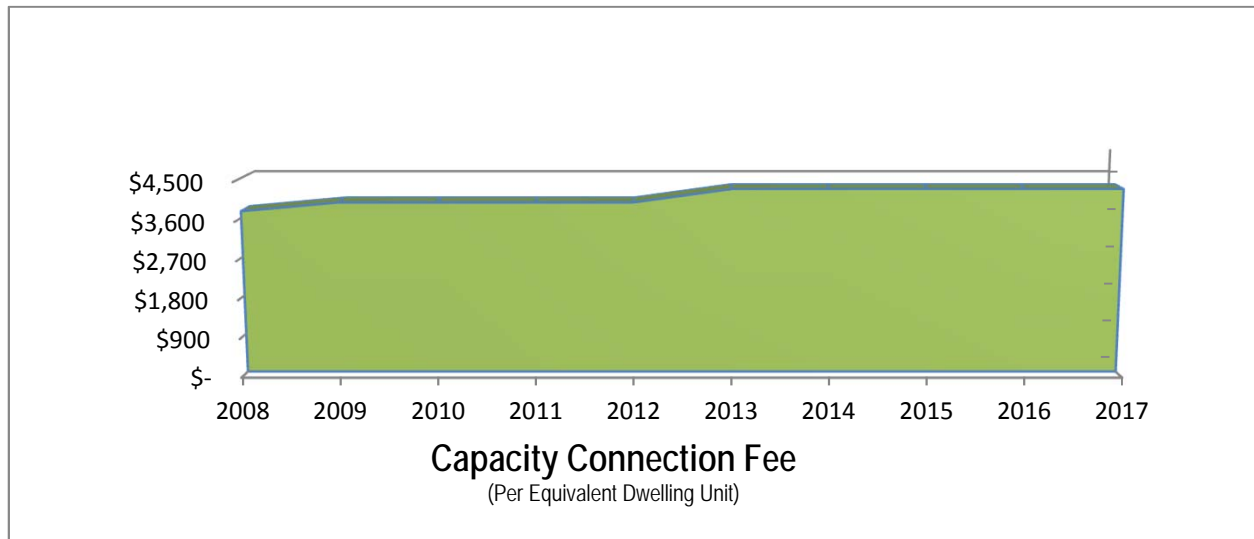


**Annual Sewer Use Fee Revenue**

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

Year	Fee / EDU	Revenue
2017	\$ 4,265	\$ 791,280
2016	4,265	1,446,315
2015	4,265	897,863
2014	4,265	1,998,788
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

Source: Valley Sanitary District



**Valley Sanitary District  
Principal Users  
Current Year and Nine Years Ago**

Principal Users	2017			2008		
	Amount Billed	Rank	Percent of District Total \$	Amount Billed	Rank	Percent of District Total \$
Desert Sands Unified School District	\$ 249,461	1	2.30%	\$ 229,216	1	3.60%
The Wells Mobile Home Association	93,900	2	0.87%	69,600	2	1.09%
Smoketree Polo Club Apartments	90,144	3	0.83%	66,816	3	1.05%
Fantasy Springs Casino	88,892	4	0.82%	65,888	4	1.04%
Sunrise Point Apartments	85,136	5	0.78%	63,104	5	0.99%
Casa Monroe Apartments	70,738	6	0.65%	52,432	8	0.82%
Indio Palms Apartments	69,486	7	0.64%	54,056	7	0.85%
Del Mar Apartments	58,844	8	0.54%	43,616	9	0.69%
Arabian Gardens Mobile Home Park Partners LP	58,218	9	0.54%	43,152	10	0.68%
Bermuda Palms Mobile Estates	57,905	10	0.53%	-		0.00%
Indio Housing Development	-		0.00%	60,552	6	0.95%
<b>Total</b>	<b>\$ 922,724</b>			<b>\$ 748,432</b>		
<b>District total customer charges</b>			<b>\$ 10,846,682</b>	<b>\$ 6,362,529</b>		

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)	State Water Resource Control Board Revolving Fund Loan	Debt	Population (3)	Personal Income (3)	Percentage of Personal Income	Debt Per Capita
2017	\$ -	\$ 7,321,233	\$ 7,643,459	\$14,964,692	88,058	\$ 23,607	0.72%	\$ 170
2016	-	7,986,745	-	7,986,745	86,544	22,336	0.41%	92
2015	-	8,637,257	-	8,637,257	84,201	20,607	0.50%	103
2014	9,379,080	-	-	9,379,080	82,398	21,702	0.52%	114
2013	9,920,254	-	-	9,920,254	81,393	20,645	0.59%	122
2012	10,436,428	-	-	10,436,428	77,165	19,748	0.68%	135
2011	11,403,307	-	-	11,403,307	83,675	22,350	0.61%	136

Notes:

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

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

**Valley Sanitary District  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Revenue &amp; Expenses</b>			<b>Debt Service</b>			
	<b>Net Revenues</b>	<b>Operating Expenses (1)</b>	<b>Net Available Revenues</b>	<b>Principal (2)</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage Ratio (3)</b>
2017	\$ 12,189,844	\$ 5,436,593	\$ 6,753,251	\$ 565,000	\$ 327,938	892,938	<b>8</b>
2016	11,418,529	5,706,005	5,712,524	550,000	338,653	888,653	<b>6</b>
2015	10,573,894	5,826,728	4,747,166	-	415,378	415,378	<b>11</b>
2014	11,563,426	6,485,208	5,078,218	570,000	402,257	972,257	<b>5</b>
2013 As Restated	10,196,808	4,910,080	5,286,728	550,000	422,157	972,157	<b>5</b>
2012 As Restated	8,904,145	4,871,107	4,033,038	525,000	440,705	965,705	<b>4</b>
2011	9,419,448	4,882,028	4,537,420	505,000	458,830	963,830	<b>5</b>
2010	9,318,892	4,411,742	4,907,150	495,000	476,412	971,412	<b>5</b>
2009	10,999,999	3,988,268	7,011,731	475,000	493,071	968,071	<b>7</b>
2008	10,798,767	4,287,420	6,511,347	460,000	508,471	968,471	<b>7</b>

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. The State Water Resources Control Board loan principal and interest was added in Fiscal Year 2016/2017.

(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 Year and Five Years Ago**

<b>Employer (1) (2)</b>	<b>2017</b>			<b>2012</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percent of Total Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percent of Total Employment</b>
Desert Sands Unified School District	1,477	1	4.07%	1,070	3	4.71%
County of Riverside	1,327	2	3.66%	1,288	1	5.67%
Fantasy Springs Casino	1,150	3	3.17%	1,200	2	5.29%
John F. Kennedy Memorial Hospital	750	4	2.07%	681	4	3.00%
City of Indio	237	5	0.65%	241	6	1.06%
Walmart Supercenter	200	6	0.55%	324	5	-
Riverside Superior Court	168	7	0.46%	218	7	0.96%
Granite Construction	165	8	0.45%	-		-
Home Depot	137	9	0.38%	175	8	0.77%
Mathis Brothers	129	10	0.36%	137	9	
Jackalope Ranch	-	-	0.00%	-		0.00%
	-	-	-	125	10	0.55%
<b>Total Employment Listed</b>	<b>5,740</b>		<b>15.81%</b>	<b>5,459</b>		<b>24.05%</b>
<b>Total City Employment (3)</b>	<b>36,300</b>			<b>22,700</b>		

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) City Indio  
(2) State of California Employment Development Department

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

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<b>Year</b>	<b>Total Customers</b>	<b>Number of Permits Issued</b>
2017	27,676	87
2016	27,348	86
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	124
2008	25,185	124

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Source: Valley Sanitary District

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**Valley Sanitary District**  
**Demographic and Economic Statistics**  
**Last Eight Calendar Years**

<b>Calendar Year</b>	<b>Population (1)</b>	<b>Median Age (2)</b>	<b>Average Household Size (1)</b>	<b>Median Household Income (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Unemployment Rate (3)</b>
2017	88,485	33.90	3.30	\$ 54,179	\$ 23,103	5.10%
2016	86,544	34.00	3.25	53,183	22,336	7.20%
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%

Notes:

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

Sources:

- (1) California Department of Finance
- (2) U.S. Census Bureau
- (3) 2016 American Community Survey (ACS)

**Valley Sanitary District**  
**Operating Indicators**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
Equivalent Dwelling Units (EDU)	34,696	34,395	33,942	33,457	33,359
Rainfall (inches) (1)	6.46	2.90	2.70	0.92	2.02
Flow (MGD) (2)	5.31	5.30	5.57	5.97	6.18
CBOD (mg/L)	289.00	257.40	246.92	219.75	215.66
CBOD (PE) (3)	75,285	66,928	68,446	63,706	65,385
Suspended solids (mg/L)	262.00	234.20	192.08	188.25	219.83
Suspended solids (PE) (4)	68,252	51,755	45,096	47,083	57,263
Tonnage of biosolids produced	1,362	468	1,440	1,505	1,882
Tonnage of biosolids applied to land	1,162	0	1,440	1,200	718
<b>Total waste treated (million gallons/year)</b>	<b>2,080</b>	<b>2,022</b>	<b>2,034</b>	<b>2,254</b>	<b>2,257</b>

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://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 conversion factor of 0.20

Source: Valley Sanitary District

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

	2012	2011	2010	2009	2008
Equivalent Dwelling Units (EDU)	33,334	33,098	32,556	30,900	29,110
Rainfall (inches) (1)	1.75	5.43	5.83	3.54	
Flow (MGD) (2)	6.10	6.12	6.32	6.50	6.87
CBOD (mg/L)	213.50	216.33	224.40	229.08	207.40
CBOD (PE) (3)	63,892	64,951	69,576	73,049	69,901
Suspended solids (mg/L)	171.66	176.08	173.08	194.66	203
Suspended solids (PE) (4)	44,937	44,936	45,614	52,763	58,155
Tonnage of biosolids produced	1,849	1,685	1,357	1,169	1,174
Tonnage of biosolids applied to land	2,007	1,117	1,075	232	835
<b>Total waste treated (million gallons/year)</b>	<b>2,227</b>	<b>2,234</b>	<b>2,307</b>	<b>2,373</b>	<b>2,508</b>

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://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 conversion factor of 0.20

Source: Valley Sanitary District

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

	2017	2016	2015	2014	2013
<b>Sanitary Sewer Service Operations</b>					
Equivalent Dwelling Units (EDUs)	34,696	34,395	33,942	33,457	33,359
<b>Treatment Plant Operations</b>					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	161	161	170	182	188
Permit limitation (dry weather)	13.50	12.50	13.50	13.50	11.00
Annual rainfall (inches) (1)	6.46	2.90	2.70	0.92	2.02
<b>Collection System Operations</b>					
Sewer lines					
Length (ft)	1,335,840	1,336,682	1,323,035	1,298,880	1,288,320
Inspected (ft)	135,472	175,178	136,838	106,350	95,040
Cleaned (ft)	731,159	796,840	708,071	562,472	776,160

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://www.desertweather.com)

Source: Valley Sanitary District

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

	2012	2011	2010	2009	2008
<b>Sanitary Sewer Service Operations</b>					
Equivalent Dwelling Units (EDUs)	33,334	33,098	32,556	30,900	29,110
<b>Treatment Plant Operations</b>					
Plant flow					
(Units = Million Gallons Per Day (mgd))					
Monthly average	186	186	192	198	209
Permit limitation (dry weather)	11.00	11.00	7.50	7.50	7.50
Annual rainfall (inches) (1)	1.75	5.43	5.83	3.54	3.70
<b>Collection System Operations</b>					
Sewer lines					
Length (ft)	1,276,660	1,275,836	1,275,836	1,273,917	1,267,388
Inspected (ft)	56,203	86,241	86,808	52,754	21,715
Cleaned (ft)	538,569	671,085	687,969	636,501	568,524

Notes:

(1) Annual rainfall for the Coachella Valley from [www.desertweather.com](http://www.desertweather.com)

Source: Valley Sanitary District

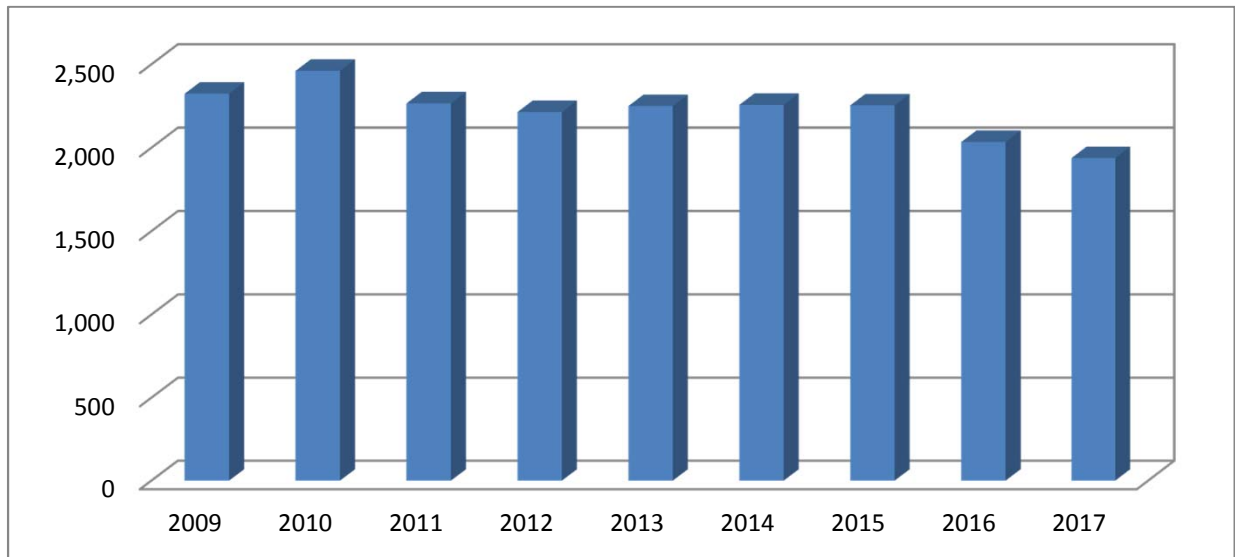
**Valley Sanitary District**  
**Annual Flow Data (Million Gallons)**  
**Last Ten Fiscal Years**

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<u>Year</u>	<u>Annual Flow</u>
2017	1,937
2016	1,938
2015	2,034
2014	2,254
2013	2,257
2012	2,250
2011	2,214
2010	2,266
2009	2,461
2008	2,324

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Source: Valley Sanitary District



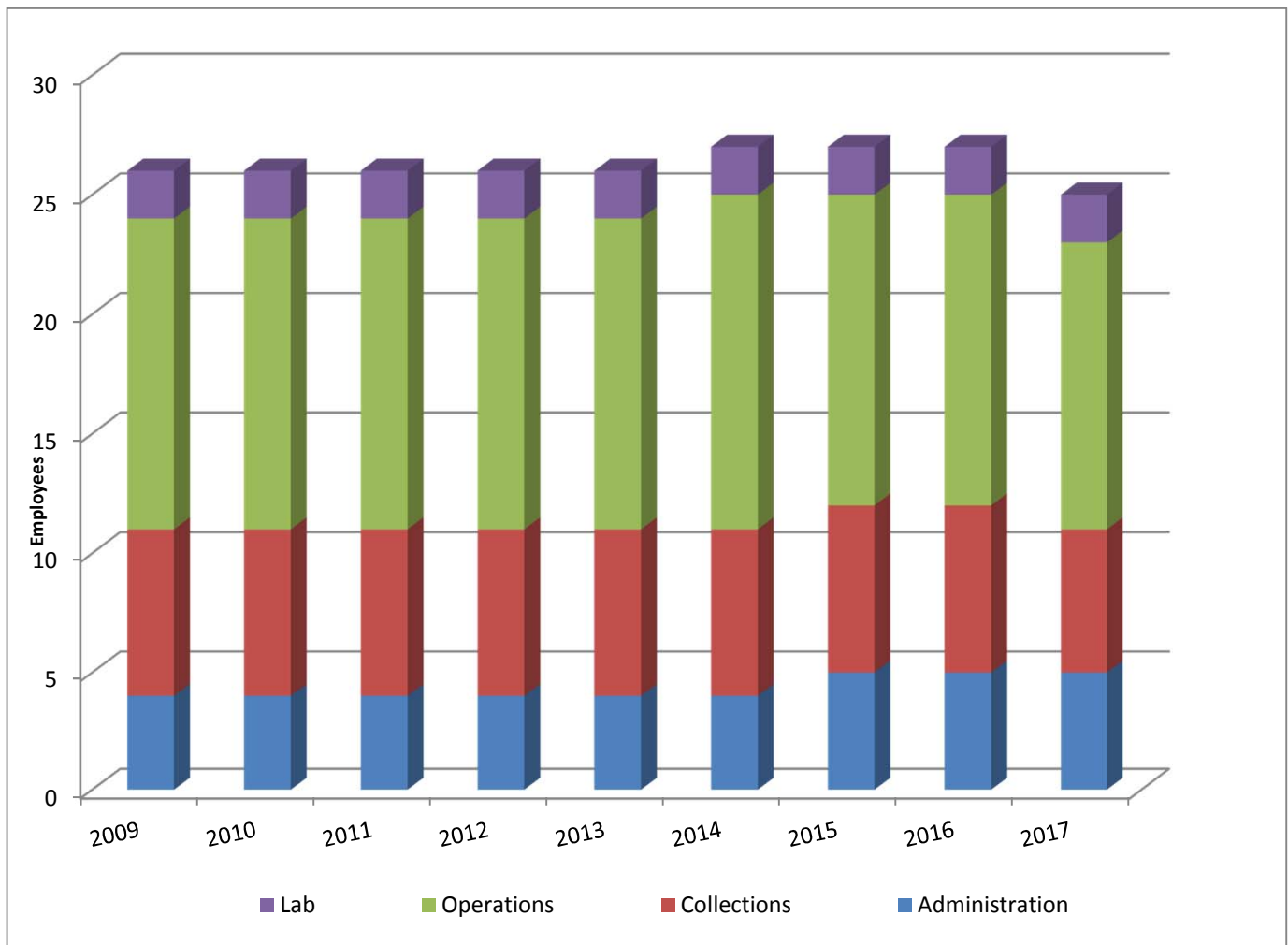
# Valley Sanitary District

## Full-Time District Employees by Department

### Last Ten Fiscal Years

Fiscal Year	Administration	Collections	Operations	Lab	Total
2017	4	15	8	1	28
2016	5	6	12	2	25
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

Source: Valley Sanitary District



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