Coachella Sanitary District

Coachella, California

Independent Auditors' Report and Basic Financial Statements

For the Year Ended June 30, 2018

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Coachella Sanitary District
Basic Financial Statements
For the Year Ended June 30, 2018

Table of Contents

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Directors
of the Coachella Sanitary District
Coachella, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Coachella Sanitary District (the "District"), a component unit of the City of Coachella, California (the "City"), as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Honorable Board of Directors
of the Coachella Sanitary District
Coachella, California
Page 2

Emphasis of Matter

As discussed in Note 8 to the basic financial statements, the District reported prior period adjustment in the amount of $431,043 as result of implementation of Governmental Accounting Standards Board Statement No. 75 and correction of net pension liabilities and related deferred outflows and inflows of resources. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of the Net Pension Liabilities and Related Ratios, the Schedule of Contributions – Pension, the Schedule of the District's Proportionate Share of the Net OPEB Liabilities and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits on pages 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
December 20, 2018

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Honorable Board of Directors
of the Coachella Sanitary District
Coachella, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Coachella Sanitary District (the "District"), a component unit of the City of Coachella, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

The Pun Group, LLP

Santa Ana, California
December 20, 2018

BASIC FINANCIAL STATEMENTS

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Coachella Sanitary District
Statement of Net Position
June 30, 2018

ASSETS	
Current Assets:	
Restricted cash	$ 6,816,018
Accounts receivable, net	408,578
Due from other government	64,422
Prepaid items	25,567
Total current assets	7,314,585
Noncurrent Assets:	
Investments with fiscal agent	24,458
Capital assets not being depreciated	570,050
Capital assets being depreciated	62,158,652
Less: accumulated depreciation	(28,467,441)
Total capital assets	34,261,261
Total noncurrent assets	34,285,719
Total assets	41,600,304
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges from debt refunding	204,625
Deferred amount related to pension	833,526
Total deferred outflows of resources	1,038,151
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	96,106
Accrued wages payable	40,032
Due to City of Coachella	611,723
Interest payable	168,505
Compensated absences, due within one year	75,337
Loans payable, due within one year	1,276,675
Bonds payable, due within one year	242,548
Total current liabilities	2,510,926
Noncurrent Liabilities:	
Compensated absences, due in more than one year	128,441
Loans payable, due in more than one year	13,466,128
Bonds payable, due in more than one year	8,007,791
Net other postemployment benefits liability	714,110
Net pension liability	2,487,929
Total noncurrent liabilities	24,804,399
Total liabilities	27,315,325
DEFERRED INFLOWS OF RESOURCES	
Deferred amount related to pension	125,909
Deferred amount related to other postemployment benefits	28,086
Total deferred inflows of resources	153,995
NET POSITION	
Net investment in capital assets	11,497,202
Restricted:	
Capital projects	6,816,018
Debt service	24,458
Unrestricted	(3,168,543)
Total Net Position	$ 15,169,135

See accompanying Notes to the Basic Financial Statements.

Coachella Sanitary District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

OPERATING REVENUES:	
Charges for services	$ 5,438,519
Connection charges	763,809
Other revenue	11,129
Total operating revenue	6,213,457
OPERATING EXPENSES:	
Salaries and benefits	2,207,027
Administrative and general	335,178
Professional services	304,197
Materials and supplies	191,665
Repairs and maintenance	223,286
Utilities	319,314
Depreciation and amortization	1,392,441
Total operating expenses	4,973,108
Operating income	1,240,349
NONOPERATING REVENUES (EXPENSES):	
Property taxes	146,243
Investment loss	(3,256)
Interest expense and fiscal charges	(686,641)
Total nonoperating revenues (expenses)	(543,654)
Income before contributions	696,695
CONTRIBUTIONS:	
Contribution to the City of Coachella	(322,621)
Total contributions	(322,621)
Change in net position	374,074
NET POSITION:	
Beginning of year, as restated (Note 8)	14,795,061
End of year	$ 15,169,135

See accompanying Notes to the Basic Financial Statements.

Coachella Sanitary District
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities:		
Cash received from customers	$	6,104,760
Cash payments to vendors and suppliers		(1,450,896)
Cash payments to employees for services		(1,851,005)
Net cash provided by operating activities		2,802,859
Cash Flows from Noncapital Financing Activities:		
Property taxes received		131,707
Contribution from the City of Coachella		289,102
Net cash provided by noncapital financing activities		420,809
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets		(80,207)
Principal paid on long-term debt		(1,488,341)
Interest paid on long-term debt		(695,392)
Net cash used in capital and related financing activities		(2,263,940)
Cash Flows from Investing Activities		
Interest on investments		(3,256)
Net cash used in investing activities		(3,256)
Net change in cash and cash equivalents		956,472
Cash and Cash Equivalents:		
Beginning of year		5,884,004
End of year	$	6,840,476
Cash and Investments:		
Restricted cash	$	6,816,018
Investment with fiscal agent		24,458
Total cash and cash equivalents	$	6,840,476
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	1,240,349
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		1,392,441
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable		(108,697)
Decrease (increase) in prepaid items		1,420
Decrease (increase) in deferred outflows of resources - pension		(220,767)
Increase (decrease) in accounts payable		(78,676)
Increase (decrease) in accrued wages payable		14,874
Increase (decrease) in compensated absences		24,197
Increase (decrease) in net pension liability		433,341
Increase (decrease) in net OPEB liability		28,249
Increase (decrease) in deferred inflows of resources - pension		48,042
Increase (decrease) in deferred inflows of resources - OPEB		28,086
Total adjustments		1,562,510
Net cash provided by operating activities	$	2,802,859
Noncash Investing, Capital and Financing Activities		
Amortization of premium on bonds and deferred charges	$	(686,641)

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Coachella Sanitary District
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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Note 1 – Summary of Significant Accounting Policies

A. *Description of the Financial Reporting Entity*

The Coachella Sanitary District (the "District") is a component unit of the City of Coachella, California (the "City"). The District is an integral part of the City and is reported as an enterprise fund in the City's financial statements. The funds of the District have been blended within the financial statements of the City because the City Council is the governing board of the District and exercises control over the operations of the District. The City is also financial accountable for the District. Financial accountability includes, but is not limited to 1) selection of the governing body, 2) imposition of will, 3) ability to provide a financial benefit to or impose financial burden on and 4) fiscal dependency. Only the funds of the District are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City. The District's office and records are located at 1515 Sixth Street, Coachella, California 92236.The Coachella Sanitary District's (the District) General Fund is classified as an enterprise fund in the City of Coachella's (the City) basic financial statements. The City's council members serve as the Board of Directors for the District.

The Board of Directors are as follows:

Name	Title	Term Expires
Steven Hernandez	President	November 2018
Manuel Pérez	Vice President	November 2018
Beatriz "Betty" Sanchez	Director	November 2018
Emmanuel Martinez	Director	November 2020
Philip Bautista	Director	November 2020

B. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The District's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as they are applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's financial statements are reported using the "*economic resources*" measurement focus and the *accrual* basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by utility services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of utility services.

C. *Cash, Cash Equivalent, and Investments*

The District pools its cash with the City for the purpose of increasing income through investment activities. Pooled cash with the City are reported at amortized cost. For the purposes of the statement of cash flows, all cash and investments are considered to be short term and, accordingly, are classified as cash and cash equivalents.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Uncollectible Accounts

Uncollectible accounts are determined by the allowance method, based upon prior experience and management's assessment of the collectability of existing specific accounts.

E. Capital Assets

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as those with initial, individual cost of more than $5,000. Costs include direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any gain or loss resulting from the disposal is credited or charged in the statement of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction-in-progress primarily relates to ongoing projects that have not been placed in service at year end. The City does not believe that any of its capital assets have been impaired.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Buildings	45 years
Machinery	5-30 years
Office equipment	5-10 years
Sewer improvement	25-100 years

F. Deferred Outflows/Inflows of Resources

The statement of financial position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

<u>Deferred Outflows of Resources</u> 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. The District reports pension contribution after measurement date, deferred loss related to pension and other postemployment benefits, and deferred loss in debt refunding in this category.

<u>Deferred Inflows of Resources</u> represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time. The District reports deferred gain related to pension and other postemployment benefits in this category.

G. Compensated Absences

Liability is reported for unused vacation, sick and other leave balances since the employees' entitlement to theses balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either time off taken by employees or payment upon termination or retirement.

H. Long-Term Debt and Related Costs

Long-Term debt is reported at face value, net applicable discounts and premiums. Costs related to the issuance of debt are expensed when incurred. Losses occurring from advance and current refunding of debt are deferred outflows of resources and are amortized as interest expense over the remaining life of the bonds.

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Pension

For purposes of measuring the aggregate 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. 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:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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 straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

J. Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits ("OPEB)" liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, benefit payments are recognized when due and payable in accordance with benefit terms.

The following timeframes are used for OPEB reporting:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The gain and loss 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.

K. Net Position

Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Net Position (Continued)

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds and notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent capital related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, restricted net position consists of certain resources set aside for the reserve requirements and repayment of long-term debt, as well as monies received and unspent from developers for construction.

Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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.

L. Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1 to June 30,
Due Date	1st Installment - November 1
	2nd Installment - March 1
Delinquent Date	1st Installment - December 10
	2nd Installment - April 10

M. Use of Estimates

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

N. Accounting Changes

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. The accounting change resulted in restatement of beginning net position. See Note 8.

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Accounting Changes (Continued)

GASB has issued Statement No. 85, *Omnibus 2017* (GASB 85). This Statement establishes accounting and financing reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Note 2 – Cash and Investments

The following is a summary of cash and investments at June 30, 2018:

Restricted cash	$	6,816,018
Investment with fiscal agent		24,458
Total cash and investments	$	6,840,476

Cash and investments consisted of the following at June 30, 2018:

Cash:		
Pooled cash with the City of Coachella	$	6,816,018
Investment with fiscal agent:		
Money market funds		24,458
Total cash and investments	$	6,840,476

A. Cash

Cash is pooled with the City's internal investment pool and is reported at amortized cost. The District does not own specifically identifiable securities in the City's pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the District are those of the City and are included in the City's basic financial statements.

B. Investment with Fiscal Agent

Investments held and invested by fiscal agents on behalf of the District are pledged for payment or security of certain long-term debt issuances. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested.

C. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to a maximum maturity of five years. As of June 30, 2018, the District's investments in money market funds has a maturity of less than one year.

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2018, the District's investments in money market funds were rated AAA by Standards & Poor's.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in money market funds are held by fiscal agent.

Note 3 – Capital Assets

The following is the summary of changes in capital assets for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 452,919	$ -	$ -	$ 452,919
Construction in progress	36,924	80,207	-	117,131
Total capital assets not being depreciated	489,843	80,207	-	570,050
Capital assets being depreciated:				
Buildings	760,085	-	-	760,085
Machinery and equipment	5,243,982	-	-	5,243,982
Infrastructure	56,154,585	-	-	56,154,585
Total capital assets being depreciated	62,158,652	-	-	62,158,652
Less accumulated depreciation for:				
Buildings	(371,254)	(20,856)	-	(392,110)
Machinery and equipment	(3,986,507)	(117,387)	-	(4,103,894)
Infrastructure	(22,717,239)	(1,254,198)	-	(23,971,437)
Total accumulated depreciation	(27,075,000)	(1,392,441)	-	(28,467,441)
Total capital assets being depreciated, net	35,083,652	(1,392,441)	-	33,691,211
Total capital assets	$ 35,573,495	$ (1,312,234)	$ -	$ 34,261,261

Depreciation expense in the amount of $1,392,441 is included in the operating expenses for the year ended June 30, 2018.

Note 4 – Long-Term Liabilities

The following is summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017 (As Restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated Absences	$ 179,581	$ 37,658	$ (13,461)	$ 203,778	$ 75,337
Loans Payable	15,991,899	-	(1,249,096)	14,742,803	1,276,675
Bonds payable:					
Bond Premiums	213,840	-	(11,255)	202,585	-
2005B Wastewater	4,312,000	-	(79,246)	4,232,754	82,548
2015A Wastewater	3,975,000	-	(160,000)	3,815,000	160,000
Total bonds payable	8,500,840	-	(250,501)	8,250,339	242,548
Net OPEB Liability	685,861	75,658	(47,409)	714,110	-
Net Pension Liability	2,054,588	1,489,155	(1,055,814)	2,487,929	-
Total	$ 27,412,769	$ 1,602,471	$ (2,616,281)	$ 26,398,959	$ 1,594,560

A. Compensated Absences

For the Sanitary District, accumulated vacation, sick and administrative leave benefits payable in future years amounted to $203,778 at June 30, 2018. The District has estimated that $75,337 will be paid in the next year and is reflected as a current liability. The remaining balance in the amount of $128,441 will not be paid in the next year and is reflected as a noncurrent liability.

B. Loans Payable

On September 26, 2005 the Coachella Sanitary District entered into a loan payable from the State of California State Water Resources Control Board (the "SWRCB"). The terms of this loan provide for drawing funds for the expansion of the sewer treatment plant up to $23,658,615. As of April 2008, the full amount of $23,658,615 was withdrawn. Repayment of this loan shall be paid in annual installments commencing on twenty years after completion of construction. The estimated completion date was March 31, 2007 but the project was not completed until April 2008. The interest rate on this note is 2.3%. The outstanding balance for the SWRCB loan at June 30, 2018 was in the amount of $12,112,197.

On September 14, 2011 the Coachella Sanitary District entered into a loan payable from the United States Department of Agriculture (the "USDA"). The terms of this loan provide for drawing funds for the expansion of the sewer treatment plant up to $3,000,000. As of June 30, 2018, only $2,780,606 was withdrawn. Repayment of this loan shall be paid in annual installments through October 1, 2050. The project was completed on September 4, 2012. The interest rate on this note is 2.375%. The outstanding balance for the USDA loan at June 30, 2018 was in the amount of $2,630,606.

Total outstanding balance for the loans payable was in the amount of $14,742,803.

Note 4 – Long-Term Liabilities (Continued)

B. Loans Payable (Continued)

The future debt requirement is as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 1,276,675	$ 339,870	$ 1,616,545
2020	1,309,889	310,350	1,620,239
2021	1,338,751	280,182	1,618,933
2022	1,373,278	249,230	1,622,508
2023	1,403,483	217,600	1,621,083
2024-2028	6,005,121	587,948	6,593,069
2029-2033	360,000	216,434	576,434
2034-2038	400,000	170,953	570,953
2039-2043	455,000	119,653	574,653
2044-2048	505,000	62,059	567,059
2049-2051	315,606	7,153	322,759
Total	$ 14,742,803	$ 2,561,432	$ 17,304,235

C. Revenue Bonds

Wastewater Revenue Refunding Bonds (USDA), Series 2005B

On September 26, 2005, the Coachella Financing Authority issued $5,000,000 Wastewater Revenue Refunding Bonds (USDA), Series 2005B for the Coachella Sanitary District, to finance on-going capital improvements to the Wastewater Enterprise. Interest on the bonds is payable September 26 and March 26 of each year. Interest on the bonds accrues at 4.125% per annum. Principal on the bonds is payable in annual installments ranging from $50,573 to $248,591, commencing September 26, 2006, through September 26, 2045. The outstanding balance for the 2005 Wastewater Revenue Refunding Bonds, Series B at June 30, 2018 was in the amount of $4,232,754.

The future debt service requirement is as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 82,548	$ 172,899	$ 255,447
2020	85,989	169,422	255,411
2021	89,572	165,802	255,374
2022	93,305	162,030	255,335
2023	97,194	158,101	255,295
2024-2028	550,211	725,592	1,275,803
2029-2033	674,826	599,679	1,274,505
2034-2038	827,662	445,249	1,272,911
2039-2043	1,015,115	255,844	1,270,959
2044-2046	716,332	45,127	761,459
Total	$ 4,232,754	$ 2,899,745	$ 7,132,499

Note 4 – Long-Term Liabilities (Continued)

C. *Revenue Bonds (Continued)*

Wastewater Revenue Refunding Bonds, Series 2015A

On October 15, 2015, the Coachella Sanitary District issued $4,260,000 Wastewater Revenue Refunding Bonds; Series 2015A, to advance refund the outstanding amount of the Coachella Sanitary District Wastewater Revenue Refunding Certificates of Participation Series 2005A. Interest on the bonds is payable October 1 and April 1 of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.00% per annum. Principal on serial and term bonds is payable in annual installments ranging from $135,000 to $295,000 commencing April 1, 2016, through April 1, 2035. The District, with the issuance of the bonds, entered into a rate covenant agreement. For the year ended June 30, 2018, the District met the rate covenant as required by the bond indenture. The outstanding balance for the 2015 Wastewater Revenue Refunding Bonds, Series A at June 30, 2018 was in the amount of $3,815,000.

The future debt service requirement is as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 160,000	$ 146,725	$ 306,725
2020	165,000	141,925	306,925
2021	170,000	136,975	306,975
2022	175,000	130,175	305,175
2023	185,000	121,425	306,425
2024-2028	1,080,000	458,375	1,538,375
2029-2033	1,300,000	225,014	1,525,014
2034-2035	580,000	29,531	609,531
Total	$ 3,815,000	$ 1,390,145	$ 5,205,145

Note 5 – Pension

A. *General Information About the Pension Plan*

Plan Description

The District participates in the City's pension plan for miscellaneous employees. The City contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple employer defined benefit pension plan for miscellaneous employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from https://www.calpers.ca.gov/page/forms-publications.

Employees Covered by Benefit Terms

Please refer to the City's Comprehensive Annual Financial Report for numbers of employees covered by benefit terms at June 30, 2016 valuation date.

Note 5 – Pension (Continued)

A. General Information About the Pension Plan (Continued)

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

	Cost-Sharing Rate Plans		
	Miscellaneous Rate Plan*	Miscellaneous Second Tier Rate Plan*	PEPRA Miscellaneous Rate Plan
Hire date	Prior to July 1, 2002	Between July 1, 2002 to December 31, 2012	January 1, 2013 and after
Benefit formula	3% @ 60	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs

** Closed to new entrants*

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

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City 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 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

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.

Note 5 – Pension (Continued)

A. *General Information About the Pension Plan (Continued)*

Benefit Provided (Continued)

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 percent.

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 cover both miscellaneous and safety 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, 2017 (the measurement date), the contribution rates were as follows:

	Cost-sharing Rate Plans		
	Miscellaneous Rate Plan*	Miscellaneous Second Tier Rate Plan*	PEPRA Miscellaneous Rate Plan
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	12.657%	7.159%	6.555%

* *Closed to new entrants*

B. *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

The June 30, 2016 valuation was rolled forward to determine June 30, 2017 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 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 at www.calpers.ca.gov under Forms and Publications.

Note 5 – Pension (Continued)

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

Change of Assumption

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 7.15 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 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement F 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, 2014.

Asset Class	Current Target Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

Note 5 – Pension (Continued)

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

Discount Rate (Continued)

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

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, 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 (6.15%) or 1 percentage point higher (8.15%) than the current rate:

District's Net Pension Liability/(Asset)		
Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
$ 3,878,316	$ 2,487,929	$ 1,336,385

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 District's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	District'sTotal Pension Liability	District' Fiduciary Net Position	Net Pension Liability
Balance at: 6/30/16 (Valuation date)	$ 7,897,587	$ 5,842,999	$ 2,054,588
Balance at: 6/30/17 (Measurement date)	9,325,041	6,837,112	2,487,929
Net changes during 2016-2017	$ 1,427,454	$ 994,113	$ 433,341

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

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

June 30, 2016	0.02374%
June 30, 2017	0.02509%
Change - Increase (Decrease)	0.00135%

Note 5 – Pension (Continued)

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

For the measurement period ended June 30, 2017, the District incurred a pension expense of $527,654.

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 2016-2017 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired).

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution after measurement date	$ 267,038	$ -
Changes of assumptions	359,443	-
Difference between expected and actual experience	-	(41,794)
Difference between projected and actual earning on pension plan investments	88,002	-
Adjustment due to differences in proportions	119,043	-
Difference between City contributions and proportionate share of contributions	-	(84,115)
Total	$ 833,526	$ (125,909)

Deferred outflows of resources related to pensions resulting from the District's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2018	$ 120,639
2019	242,894
2020	129,294
2021	(52,248)
2022	-
Thereafter	-
	$ 440,579

Note 6 – Other Postemployment Benefits ("OPEB")

A. *General Information about the OPEB Plan*

Plan Description

The District participates in the City's OPEB plan. The City provides postretirement medical benefits to employees who retire directly from the City under CalPERS under a single-employer defined benefit post-employment benefits plan. Eligible retirees can continue participation in the City medical plans ("PEMHCA").

Benefits Provided

The City contributes 100% of medical premium up to a capped dollar amount. For 2018, the monthly dollar caps were $647 for management and elected officials and $270 for mid-management, sanitary and miscellaneous employees. Future Retirees are eligible for PEMCHA minimum medical benefits ($133 per month in 2018) if they retire directly from the City at Age 50 and with 5 years CalPERS service or disability retirement. Retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity.

Employees Covered by Benefit Term

Please refer to the City's Comprehensive Annual Financial Report for numbers of employees covered by benefit terms at June 30, 2018 valuation date.

Contributions

The City makes contributions on a pay-as-you-go basis. There is no pre-funding for the plan.

B. *OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal level percentage of salary
Actuarial Assumptions:	
Contribution policy	No prefunding
Discount rate	3.87% at June 30, 2018 (Bond buyer 20-Bond Index)
	3.58% at June 30, 2017 (Bond buyer 20-Bond Index)
Expected long-term rate of return on investments	N/A
Global inflation	2.75% per annum
Mortality/retirement/disability/termination rate	CalPERS 1997-2015 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-17

Note 6 – Other Postemployment Benefits (“OPEB”) (Continued)

B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Actuarial Assumptions (Continued):	
Salary increases	Aggregate - 3.00% per annum
	Merit - Tables from CalPERS 1997-2015 Experience Study
Healthcare cost trend rates	Non-Medicare - 7.5% for 2019, decreasing to ultimate rate of 4.0% in 2076 and later years
	Medicare - 6.5% for 2019, decreasing to ultimate rate of 4.0% in 2076 and later years
Maximum monthly benefit increases	Based on PEHMCA Unequal method through 2021.
	0% thereafter but no less than PEHMCA minimum
PEHMCA minimum increases	4.25% per annum
Participation at retirement	95% for management and elected officers
	75% for mid-management and misc/sanitary employees

Discount Rate

The discount rates used to measure the total OPEB liability were 3.87% and 3.58% at June 30, 2018 and 2017, respectively, based on Bond Buyer 20-bond Index. There is no expected long-term rate of return on investment since there is no pre-funding for OPEB.

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

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) follows:

Net OPEB Liability		
Discount Rate - 1% (2.87%)	Current Discount Rate (3.87%)	Discount Rate + 1% (4.87%)
$ 831,709	$ 714,110	$ 619,943

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates follows:

Net OPEB Liability		
1% Decrease	Healthcare Cost Trend Rate	1% Increase
$ 636,248	$ 714,110	$ 823,920

Note 6 – Other Postemployment Benefits (“OPEB”) (Continued)

B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Proportionate Share of Net OPEB Liability and OPEB Expense

The following table shows the District’s proportionate share of the net OPEB liability over the measurement period:

	Increase (Decrease)		
	Plan Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	$ 685,861	$ -	$ 685,861
Balance at June 30, 2018 (Measurement date)	714,110	-	714,110
Net changes during 2017-2018	$ 28,249	$ -	$ 28,249

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

The District’s proportionate share of the net OPEB liability was as follows:

June 30, 2017	19.30752%
June 30, 2018	19.30752%
Change - Increase (Decrease)	0.00000%

For the measurement period ended June 30, 2018, the District incurred a OPEB expense of $56,335.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ (28,086)

Deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30,	Deferred Inflows of Resources
2019	$ (3,304)
2020	(3,304)
2021	(3,304)
2022	(3,304)
2023	(3,304)
Thereafter	(11,566)
	$ (28,086)

Note 7 – Risk Management

The District, through the City, is a member of the Public Entity Risk Management Authority (the "PERMA") formerly Coachella Valley Joint Powers Insurance District (the "CVJPIA"), a joint powers Authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. The District is currently comprised of thirty-four participating member agencies.

The City participates in the liability, worker's compensation and long-term disability insurance programs of PERMA.

The Liability Program is a risk sharing pool with a deductible option. At June 30, 2018, coverage is provided from $125,000 to $10,000,000 per occurrence. This coverage represents a transfer of risk from the members of the Authority for those losses in excess of the member's self-insured retentions ("SIR"). The City has a SIR of $125,000. Covered losses include losses resulting from any one occurrence because of personal injury, property damage or public officials' errors and omissions. Member premiums are subject to retrospective rating adjustments.

For those members choosing to establish deductibles under the liability program, losses in excess of the deductible amounts are paid by the Authority from separated accounts maintained for each participant. The deductible feature of the program acts as claims servicing type of public entity risk pool and does not represent an additional transfer of risk. The City does not participate in the deductible pool. At June 30, 2018, the District did not have a liability for general liabilities claims losses.

The Worker's Compensation Insurance Program is a claim servicing pool, a banking pool and an insurance purchasing pool. As an insurance purchasing pool, the program allows participating members to benefit from the economies of scale in securing excess worker's compensation coverage. Coverage is provided from $250,000 to $10,000,000 for each accident or employee. The program, as a claims servicing pool maintains separate accounts for each program member from which that member's losses are paid. The worker's compensation insurance program does not provide for a transfer of risk and advance funds to pay member losses in excess of member funds on deposit in the manner of a banking pool. Participant premium deposits are subject to retroactive rating adjustments. At June 30, 2018, the District did not a liability for worker's compensation losses.

Note 8 – Restatement of Beginning Net Position

Net position at July 1, 2017 was restated as follows:

Beginning net position, as previously reported	$ 14,364,018
(1) Deferred outflows of resources related to pension	112,796
(1) Net pension liabilities	689,704
(1) Deferred inflows of resources related to pension	(77,867)
(2) Net OPEB obligation	392,271
(2) Net other postemployment benefits liability	(685,861)
Beginning net position, as restated	$ 14,795,061

(1) Beginning net position was restated (a) to reclassify net pension liabilities due to changes in allocation between governmental activities and business-type activities, (b) to separately report pension related deferred outflows of resources from deferred inflows of resources, and (c) to correct prior year adjustment due to change in proportion and proportionate share of contribution in excess of employer contribution.

(2) Beginning net position was restated due to implementation of Government Accounting Standards Board Statement No.75.

Note 9 – Contingencies and Commitments

At June 30, 2018, in the opinion of the District's Administration, there are no outstanding matters, which could have a significant effect on the financial position of the District.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Coachella Sanitary District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Net Pension Liabilities and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014[1]
District's Proportion of the Net Pension Liability	0.02509%	0.02374%	0.02257%	0.02268%
District's Proportionate Share of the Net Pension Liability	$ 2,487,929	$ 2,054,588	$ 2,335,693	$ 2,030,741
District's Covered Payroll	$ 1,277,456	$ 1,385,683	$ 1,457,735	$ 1,248,524
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	194.76%	148.27%	160.23%	162.65%
District's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	73.32%	73.98%	79.89%	79.24%

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

Coachella Sanitary District
Required Supplementary Information (Unaudited)
Schedule of the Contributions - Pension
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

Fiscal year end	2017-18	2016-17	2015-16	2014-15	2013-14[1]
Actuarially determined contribution	$ 267,038	$ 144,913	$ 71,528	$ 109,526	$ 96,021
Contribution in relation to the actuarially determined contribution	(267,038)	(144,913)	(71,528)	(109,526)	(96,021)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll[2]	$ 1,315,780	$ 1,277,456	$ 1,385,683	$ 1,457,735	$ 1,248,524
Contributions as a percentage of covered payroll	20.30%	11.34%	5.16%	7.51%	7.69%

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

[2] Includes one year's payroll growth using 3.00 percent payroll assumption from fiscal year 2016-17.

Notes to Schedule:

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense. In 2014, amounts reported were based on the 7.5 percent discount rate.

Coachella Sanitary District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Net OPEB Liabilities and Related Ratios
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Measurement date	June 30, 2018
District's proportion of the net OPEB liability	19.30752%
District's proportionate share of the net OPEB liability	$ 714,110
District's covered payroll	$ 1,315,780
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	54.27%
District's proportionate share of the fiduciary net Position as a percentage of the total OPEB liability	0.00%

[1] Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years will be presented as they become available.

Coachella Sanitary District
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year end	2017-18
Actuarially determined contribution[2]	$ -
Contribution in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	$ -
Covered payroll	$ 1,315,780
Contributions as a percentage of covered payroll	0.00%

[1] Historical information is presented only for measurement periods for which GASB 75 is applicable.

[2] There is no actuarially determined contribution.