

INDIO WATER AUTHORITY
BASIC FINANCIAL STATEMENTS
June 30, 2014

INDIO WATER AUTHORITY
JUNE 30, 2014

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Independent Auditor's Report

The Board of Directors
of the Indio Water Authority
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Indio Water Authority (Authority), a component unit of the City of Indio, California, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indio Water Authority, a component unit of the City of Indio, California, as of June 30, 2014, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change of Accounting Principles

As discussed in Note 1 of the notes to the financial statements, effective July 1, 2013, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction - 2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America requires 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority, a component unit of the City of Indio's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the Indio Water Authority a component unit of the City of Indio, California's internal control over financial reporting and 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 do not 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 Indio Water Authority a component unit of the City of Indio, California's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Indio Water Authority's June 30, 2013 financial statements, and our audit report dated December 27, 2013 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 22, 2014

INDIO WATER AUTHORITY
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
Fiscal Year Ended June 30, 2014
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

	2014	2013
Assets:		
Current assets:		
Cash and investments	\$ 6,260,450	\$ -
Cash and investments with fiscal agents		566,806
Cash and investments pooled with the City of Indio	14,028,427	8,961,749
Accounts receivable, net	2,634,905	2,007,866
Interest receivable	4,979	3,423
Prepaid items	206,342	251,514
Inventory	187,986	130,234
Total current assets	23,323,089	11,921,592
Noncurrent assets:		
Capital assets:		
Non-depreciable:		
Land	1,703,010	1,703,010
Construction in progress	607,182	484,989
Depreciable, net:		
Structures and improvements	13,597,466	13,961,703
Machinery and equipment	1,434,014	1,492,950
Vehicles	230,599	332,677
Utility distribution system	174,406,478	181,104,673
Total capital assets, net	191,978,749	199,080,002
Total noncurrent assets	191,978,749	199,080,002
Total assets	215,301,838	211,001,594
Deferred outflows of resources:		
Deferred loss on refunding of debt	689,239	751,518
Total deferred outflows of resources	689,239	751,518
Total assets and deferred outflows	215,991,077	211,753,112
Liabilities:		
Current liabilities:		
Accounts payable	989,618	554,204
Accrued payroll	247,812	216,606
Due to the City of Indio	1,512,528	
Deposits	400,829	339,814
Interest payable	683,009	671,813
Retentions payable	11,250	3,990
Long-term liabilities, current portion	1,712,902	1,652,340
Total current liabilities	5,557,948	3,438,767
Noncurrent liabilities:		
Long-term liabilities	55,605,256	56,466,847
Total liabilities	61,163,204	59,905,614
Net position:		
Net investment in capital assets	135,582,000	142,548,746
Unrestricted	19,245,873	9,298,752
Total net position	\$ 154,827,873	\$ 151,847,498

See accompanying notes to basic financial statements

INDIO WATER AUTHORITY
ENTERPRISE FUNDS
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2014
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

	2014	2013
Operating revenues:		
Water sales	\$ 15,632,688	\$ 14,687,742
Meter and service fees	864,983	192,226
Other	1,329,850	1,090,869
Total operating revenues	17,827,521	15,970,837
Operating expenses:		
Personnel Services	4,760,496	4,770,032
Contractual services	1,878,840	1,537,958
Utility	1,457,150	1,496,702
Rentals and leases	1,359,668	1,358,056
Repairs and maintenance	1,847,314	1,702,971
Materials and supplies	1,667,269	923,127
Depreciation	7,697,410	7,613,894
Bad debt	148,875	399,341
Claims and judgments	50,000	
Total operating expenses	20,867,022	19,802,081
Operating income (loss)	(3,039,501)	(3,831,244)
Nonoperating revenues and expenses:		
Investment income	68,583	87,322
Interest expense	(2,695,810)	(2,759,753)
Other	370,876	402,565
Total nonoperating revenues (expenses)	(2,256,351)	(2,269,866)
Income (loss) before capital contributions	(5,295,852)	(6,101,110)
Capital contributions:		
Contributed assets	310,180	1,767,535
Capital impact fees	2,169,403	
Net income (loss) before transfers	(2,816,269)	(4,333,575)
Transfers from the City of Indio	6,548,162	15,000
Change in net position	3,731,893	(4,318,575)
Net position at beginning of fiscal year	151,847,498	156,166,073
Prior period adjustments	(751,518)	
Net position at beginning of fiscal year, restated	151,095,980	156,166,073
Net position at end of fiscal year	\$ 154,827,873	\$ 151,847,498

See accompanying notes to basic financial statements

INDIO WATER AUTHORITY
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2014
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

	2014	2013
Cash flows from operating activities:		
Receipts from customers and others	\$ 17,112,622	\$ 16,169,978
Cash paid to employees for services	(4,766,727)	(4,736,174)
Cash paid to suppliers for goods and services	(7,837,407)	(6,995,795)
Miscellaneous receipts	370,876	402,565
Net cash provided (used) by operating activities	4,879,364	4,840,574
Cash flows from noncapital and related financing activities:		
Amount due to the City of Indio	1,512,528	
Transfers from the City of Indio	6,548,162	15,000
Net cash provided (used) in noncapital financing activities	8,060,690	15,000
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(278,717)	(597,757)
Capital impact fees	2,169,403	
Principal payments on long-term debt	(1,400,000)	(1,365,000)
Interest paid on long-term debt	(2,737,445)	(2,793,718)
Net cash provided (used) in capital and related financing activities	(2,246,759)	(4,756,475)
Cash flows from investing activities:		
Interest and investment revenue	67,027	89,297
Net cash provided by investing activities	67,027	89,297
Net increase (decrease) in cash and cash equivalents	10,760,322	188,396
Cash and cash equivalents, beginning of fiscal year	9,528,555	9,340,159
Cash and cash equivalents, end of fiscal year	\$ 20,288,877	\$ 9,528,555
Reconciliation of cash and cash equivalents to amounts reported on the statement of net position:		
Reported on the Statement of Net Position:		
Cash and investments	\$ 6,260,450	\$ -
Cash and investments pooled with the City of Indio	14,028,427	8,961,749
Cash and investments with fiscal agents	566,806	566,806
Cash and cash equivalents - end of fiscal year June 30,	\$ 20,288,877	\$ 9,528,555
Reconciliation of operating income (loss) to net cash provided by operations:		
Operating income (loss)	\$ (3,039,501)	\$ (3,831,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	7,697,410	7,613,894
Miscellaneous income (expense)	370,876	402,565
Decrease (increase) in accounts receivable	(627,039)	555,880
Decrease (increase) in prepaid expenses	45,172	(26,418)
Decrease (increase) in inventory	(57,752)	41,995
Increase (decrease) in accounts payable	435,414	7,442
Increase (decrease) in accrued payroll	31,206	23,193
Increase (decrease) in deposits payable	61,015	42,602
Increase (decrease) in compensated absences	(37,437)	10,665
Total adjustments	7,918,865	8,671,818
Net Cash Provided by Operating Activities	\$ 4,879,364	\$ 4,840,574

The noncash capital and related financing activity for the fiscal year ended June 30, 2014 were contributed assets in the amount of \$298,056, amortization of bond premium in the amount of (\$83,600), and amortization of loss on refunding in the amount of \$30,769.

INDIO WATER AUTHORITY
FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
June 30, 2014

	<u>Agency Fund</u>
Assets:	
Cash	\$ 4,914
Accounts Receivable	<u>5,000</u>
Total assets	<u>\$ 9,914</u>
Liabilities:	
Due to other governments	<u>\$ 9,914</u>
Total liabilities	<u>\$ 9,914</u>

See accompanying notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 Summary of Significant Accounting Policies

The financial statements of the Indio Water Authority, a component unit of the City of Indio, California (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

(a) Reporting Entity

The Indio Water Authority was established on November 1, 2001 to provide water service on behalf of the City of Indio. The governing board is comprised of City Council members; the Authority is reported as a blended component unit of the City of Indio.

(b) Basis of Accounting

Enterprise Funds

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and conducted in a manner similar to a private business enterprise, wherein the intent of the Authority is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and property taxes. An enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the statement of net position. The statement of revenues, expenses, and changes in net position reflects revenues in the accounting period in which they are earned and expenses are recognized in the period incurred. For financial reporting purposes, all of the funds of the Authority have been consolidated and all significant interfund accounts and transactions have been eliminated.

Fiduciary Fund

The Authority uses an agency fund to account for assets administered by the Authority in a pass through capacity for the East Valley Reclamation Authority (EVRA). The EVRA agency fund only has a Statement of Assets and Liabilities. The agency fund uses the accrual basis of accounting.

(c) Accounting and Financial Reporting Requirements

The Authority follows the pronouncements of the GASB in its accounting and financial reporting. In accordance with GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB No. 62), the Authority follows all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions (APB), and Accounting Research Bulletins (ARB) issued on or before November 30, 1989. As allowed under GASB No. 62, the Authority has elected not to apply pronouncements issued by the FASB after November 30, 1989.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of June 30, 2014, and revenues and expenses for the fiscal year then ended. Actual results may significantly differ from those estimates.

(e) Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

The following schedule summarizes capital asset useful lives:

Machinery, equipment, and vehicles	3-20 years
Improvements	40 years
Infrastructure	40 years
Water wells and pumps	70 years

Depreciation has been provided using the straight-line method over the estimated useful life of assets in the financial statements.

(f) Inventories

Inventories consist of water meters, pipes, meter boxes, and other materials required to maintain the Authority's water system. Non-water related inventories are recorded at historical cost.

(g) Compensated Absences

Employees hired by the City of Indio prior to 1991 that now work for the Authority carry forward, for use in subsequent years, earned but unused vacation and sick leave benefits. Upon termination, the Authority is obligated to compensate those employees for all earned but unused vacation days and 50% to 100% of earned but unused sick leave benefits depending on date of hire.

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances attributable to services being rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including the unused balances of employees currently entitled to receive termination payments, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the Authority.

Other amounts of unused sick leave are excluded from the liability since their payments are contingent solely upon the occurrence of a future event (illness), which is outside the control of the Authority and employees.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

(h) Contributed Facilities

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33) and GASB No. 34, the Authority reports facilities contributed by developers at their estimated fair value as a separate component of the statement of revenues, expenses, and changes in net position.

(i) Operating Revenues and Expenses

Operating revenues and expenses represent revenue earned and the related costs incurred to provide water services to the Authority's customers.

(j) Interest

The Authority incurs interest charges on bonds, notes payable, and capital lease obligations. Interest incurred during the fiscal year ended June 30, 2014 totaled \$2,695,810.

(k) Deferred Charges

Bond premiums and discounts are deferred and amortized over the term of the bonds by using the straight-line method, which approximates the effective interest method. Bond premiums and discounts are presented as a reduction of the face amount of the bonds payable.

(l) Unamortized Loss on Refunding

Losses on refunding debt are deferred and amortized over the shorter of the term of the new debt or the refunded debt using the straight-line method, which approximates the effective interest method. Under GASB 65, deferred losses on refunding are shown as deferred outflows of resources on the statement of net position.

(m) Income Taxes

As a governmental entity, the Authority is exempt from income taxation under provisions of the Internal Revenue Code and related state statutes; accordingly, no provision for income taxes has been provided.

(n) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the funds shared in the City cash and investment pool. Cash equivalents have an original maturity date of three months or less from the date of purchase.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

(o) Comparative Data

Comparative total data from the prior fiscal year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. The prior fiscal year data does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Certain minor reclassifications of prior fiscal year data have been made in order to enhance their comparability with current year amounts.

(p) Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

(q) New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement and the impact on the Authority's financial statements are explained in Note 9 – Prior Period Adjustments.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

(q) New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Correction - 2012*. This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50 *Pension Disclosures* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2014.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 6,260,450
Cash and investments pooled with the City of Indio	14,028,427
Fiduciary Funds:	
Cash and investments	4,914
Total cash and investments	<u>\$ 20,293,791</u>

Cash and investments as of June 30, 2014 consist of the following:

Petty Cash	\$ 1,500
Cash deposits with financial institution	6,263,864
Cash and investments pooled with the City of Indio	14,028,427
	<u>\$ 20,293,791</u>

Investments Authorized by the California Government

The Authority has funds that are included as part of the City of Indio's investment portfolio. The funds deposited within the City's investment portfolio are subject to the City of Indio's investment policy. Disclosures regarding the City of Indio's investment portfolio are included in the City's Comprehensive Annual Financial Report.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by fiscal agents is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	5%
Commercial Paper	Yes	270 days	25%	10%
Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	5%
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority 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. Information about the sensitivity of the fair values of the Authority's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 36 Months</u>	<u>36 to 60 Months</u>	<u>More than 60 Months</u>
City of Indio investment pool	\$ 10,527,580	\$ 10,527,580	\$ -	\$ -	\$ -
State investment pool	3,500,847	3,500,847			
Total	<u>\$ 14,028,427</u>	<u>\$ 14,028,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's / Authority's investment policy, or debt agreements, and the actual rating as of fiscal year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal</u>	<u>Exempt</u>	<u>Rating as of Fiscal Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
City of Indio investment pool	\$10,527,580	NA	\$ -	\$ -	\$10,527,580
State investment pool	3,500,847	NA			3,500,847
Total	<u>\$14,028,427</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$14,028,427</u>

Custodial Credit Risk

For investments held by fiscal agents, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government. As of June 30, 2014, none of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 Cash and Investments (Continued)

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

Investment in City Treasury

See the City of Indio's Comprehensive Annual Financial Report for details on the Authority's investments in the City's Treasury.

Note 3 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Transfers from the City of Indio *	Balance at June 30, 2014
Structures and improvements	\$ 14,889,385	\$ 8,740	\$ -	\$ -	\$ 14,898,125
Machinery and equipment	2,655,250	223,688			2,878,938
Vehicles	1,425,368				1,425,368
Utility distribution system	277,347,706	241,536			277,589,242
Total cost of depreciable assets	296,317,709	473,964			296,791,673
Less accumulated depreciation:					
Structures and improvements	927,682	372,977			1,300,659
Machinery and equipment	1,162,300	282,624			1,444,924
Vehicles	1,092,691	102,078			1,194,769
Utility distribution system	96,243,033	6,939,731			103,182,764
Total accumulated depreciation	99,425,706	7,697,410			107,123,116
Net depreciable assets	196,892,003	(7,223,446)			189,668,557
Capital assets not depreciated:					
Construction in progress	484,989	307,579	(281,614)	96,228	607,182
Land	1,703,010				1,703,010
Capital assets, net	\$ 199,080,002	\$ (6,915,867)	\$ (281,614)	\$ 96,228	\$ 191,978,749

* See the City of Indio's Financial Statements for more information on transfer of construction in progress to the Indio Water Authority.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 4 Long Term Liabilities

Changes in long-term liabilities during the fiscal year ended June 30, 2014 were as follows:

	Balance, July 1, 2013	Additions	Deletions	Balance, June 30, 2014	Amount Due Within One Year	Amount Due Beyond One Year
Bonds Payable:						
2006 Water Revenue						
Bonds	\$ 56,605,000	\$ -	\$ (1,400,000)	\$ 55,205,000	\$ 1,490,000	\$ 53,715,000
Premium on bonds	1,964,588		(83,600)	1,880,988	83,600	1,797,388
Subtotal	58,569,588		(1,483,600)	57,085,988	1,573,600	55,512,388
Compensated Absences	269,607	162,094	(199,531)	232,170	139,302	92,868
Total	<u>\$ 58,839,195</u>	<u>\$ 162,094</u>	<u>\$ (1,683,131)</u>	<u>\$ 57,318,158</u>	<u>\$ 1,712,902</u>	<u>\$ 55,605,256</u>

Water Revenue Bonds, Series 2006

In October 2006, the Indio Water Authority issued \$61,795,000 of Water Revenue Bonds Series 2006. The proceeds were used to acquire and construct certain facilities for and improvements to the Water Enterprise and to advance refund the Enterprise Revenue Bonds, Series 2004.

The 2006 bonds consist of \$29,650,000 of serial bonds and \$32,145,000 of term bonds. The serial bonds accrue interest at rates between 4.00% and 5.00% and the principal amounts mature between April 1, 2010 and April 1, 2026 in amounts ranging from \$1,225,000 to \$2,450,000. Term bonds of \$14,125,000 accrue interest at 5.00% and mature on April 1, 2031, and bonds of \$18,020,000 accrue interest at 5.00% and mature on April 1, 2036.

The 2006 term bonds maturing in the years 2031 and 2036 are subject to mandatory sinking account redemption on each April 1, commencing on April 1, 2027 and April 1, 2032, respectively, at a redemption price equal to the principal amount thereof together with accrued interest, without premium.

Per the terms of the bond indenture, the Series 2006 bonds are required to maintain a reserve in the amount of 10% of the original proceeds, 125% of the average annual debt service for then current or every subsequent bond year, or 100% of the maximum annual debt service for the current or every subsequent bond year. These requirements are funded by the establishment of a Surety Bond that was obtained prior to the delivery of the aforementioned Series 2006 bonds. At June 30, 2014, the reserve was fully funded and the outstanding balance of the Series 2006 bonds was \$55,205,000.

The Authority and the City shall fix, prescribe, revise and collect rates, fees and charges for the services and improvements furnished by the Water Enterprise during each year which are sufficient to yield net revenues for the Water Enterprise, which are at least equal to 120% of the total debt service payments coming due and payable in the next fiscal year. The revenue requirement was met by the Authority for the fiscal year ended June 30, 2014.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 4 Long Term Liabilities (Continued)

Water Revenue Bonds, Series 2006 (Continued)

A portion of the net proceeds of the Water Revenue Bonds, Series 2006 bonds totaling \$11,040,192, plus an additional \$1,018,755 of the Enterprise Revenue Bonds, Series 2004 sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Enterprise Revenue Bonds, Series 2004. As a result, the Enterprise Revenue Bonds, Series 2004 are considered defeased and the liability for those bonds has been removed from the statement of net position of the Water enterprise fund.

The annual debt service requirements to maturity for the 2006 revenue water bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,490,000	\$ 2,676,037	\$ 4,166,037
2016	1,550,000	2,616,437	4,166,437
2017	1,610,000	2,554,437	4,164,437
2018	1,680,000	2,486,012	4,166,012
2019	1,760,000	2,402,013	4,162,013
2020-2024	10,170,000	10,646,313	20,816,313
2025-2029	12,860,000	7,960,750	20,820,750
2030-2034	16,345,000	4,466,250	20,811,250
2035-2036	7,740,000	585,250	8,325,250
	<u>\$ 55,205,000</u>	<u>\$ 36,393,499</u>	<u>\$ 91,598,499</u>

Note 5 Defined Benefit Plan

Employees of the Authority are members of the Public Employees' Retirement System (PERS) the cost of which is paid by the Authority. The Authority's accounts with PERS are merged with those of the City of Indio and its employees, and it is not practical to attempt splitting the two for disclosure purposes within this report. For further details regarding actuarial assumptions etc., refer to the City of Indio's Comprehensive Annual Financial Report.

Note 6 Joint Powers Agency

The East Valley Reclamation Authority (EVRA) was created on December 18, 2013 under a joint powers agreement between The City of Indio through the Indio Water Authority (IWA) and Valley Sanitary District (VSD) to plan, implement and operate a recycled water program including the tertiary or enhanced treatment of water, as well as the lease, ownership, operation and maintenance of Facilities and the financing costs relation to Public Capital Improvements. Primary funding for the EVRA is through contributions from IWA and VSD. The EVRA is governed by a Board appointed by IWA and VSD and administered by either IWA or VSD based on a rotation determined by the Board. For the fiscal year ended June 30, 2014, IWA was the administrator of the EVRA and therefore maintains the books and records of the EVRA. IWA's contribution to the EVRA for the fiscal year ended June 30, 2014 was \$5,000 for operations. Audited financial statements may be obtained from the City of Indio 100 Civic Center Mall, Indio, CA 92201.

INDIO WATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 Commitments and Contingencies

In the normal course of operations, the City has been subjected to certain routine litigation matters which are relevant to the Authority. The ultimate outcome of these lawsuits is not presently determinable; however, in the opinion of management, the amount of losses that might be sustained, if any, would not materially affect the financial position of the Authority.

Note 8 Management's Review

Management has evaluated subsequent events through the date the financial statements were available for issuance which is December 22, 2014.

Note 9 Prior Period Adjustments

Due to the implementation of GASB Statement No. 65, the District's unamortized bond issuance costs of \$751,518 at June 30, 2013 is now reported as part of net position in the statement of net position.

	Statement of Net Position
Ending Net Position per fiscal year audit	\$ 151,847,498
Restatement, per GASB Statement No. 65	<u>(751,518)</u>
Net Position, restated July 1, 2013	<u><u>\$ 151,095,980</u></u>

STATISTICAL SECTION

INDIO WATER AUTHORITY
Water Sold by Type of Customer
Last Ten Fiscal Years
(in hundred cubic feet)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Type of Customer:										
Single-Family Residential	\$4,435,620	\$5,220,351	\$ 5,978,060	\$5,837,410	\$5,498,690	\$5,300,683	\$5,308,272	\$5,413,435	\$5,392,718	\$5,392,822
Multi-Family Residential	1,221,544	1,168,366	1,190,415	1,252,174	1,211,311	1,159,934	1,149,631	1,165,519	1,066,970	978,114
Commercial/Institutional	2,445,359	2,012,073	2,018,372	1,581,580	1,383,664	1,192,074	1,164,122	1,195,118	1,138,652	1,228,943
Industrial	139,514	102,982	108,758	90,848	69,675	63,468	56,401	59,114	61,707	72,389
Landscape Irrigation	541,712	664,680	821,906	955,825	1,101,207	1,085,119	1,196,706	1,229,869	1,067,837	1,205,557
Total	\$8,783,749	\$9,168,452	\$10,117,511	\$9,717,837	\$9,264,547	\$8,801,278	\$8,875,132	\$9,063,055	\$8,727,884	\$8,877,825
Total commodity rate per 100 cubic feet	\$ 0.63	\$ 0.71	\$ 0.71	\$ 0.88	\$ 1.06	\$ 1.16	\$ 1.16	\$ 1.16	\$ 1.16	Tiered Rates

(1) During FY 2013-2014, on January 1, 2014 IWA changed it's rate structure to a customized water budget with a five tiered rate structure.

Tier 1 Rate	\$ 0.77
Tier 2 Rate	\$ 1.16
Tier 3 Rate	\$ 1.55
Tier 4 Rate	\$ 2.32
Tier 5 Rate	\$ 3.09

Source: Indio Water Authority

INDIO WATER AUTHORITY
Water Rates
Last Eight Fiscal Years

Fiscal Year Ended June 30,	Monthly Base Rate (1)	Rate per 100 Cubic Feet (2)
2014	\$ 15.55	\$ 0.77
	Tier 1	0.77
	Tier 2	1.16
	Tier 3	1.55
	Tier 4	2.32
	Tier 5	3.09
2013	9.24	1.16
2012	9.24	1.16
2011	9.24	1.16
2010	9.24	1.16
2009	8.48	1.06
2008	7.01	0.88
2007	5.70	0.71

(1) Rates are based on a 3/4" x 1" meter size, which is the standard household meter size.

(2) During FY 2013-2014, on January 1, 2014 IWA changed it's rate structure to a customized water budget with a five tiered rate structure.

The City of Indio has elected to show only eight years of data for this schedule.

Source: Indio Water Authority

INDIO WATER AUTHORITY
Ten Largest Water Customers
Last Ten Fiscal Years

Water Customer	Account Class	FISCAL YEAR																			
		2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	
		Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
ACDW Properties Inc.	Apartments	\$ 31,885	0.51%	\$ 46,965	0.68%	\$ 58,385	0.59%	\$ 63,683	0.54%	\$ 75,515	0.54%	\$ 79,053	0.55%	\$ 80,656	0.55%	\$ 82,672	0.56%	\$ 81,947	0.54%	\$ -	
Arabian Gardens MHP	Mobile Home Park											68,073	0.47%	81,198	0.55%	82,550	0.55%	78,368	0.51%	72,740	0.47%
CV Housing	Apartments											82,001	0.57%	79,682	0.54%	84,531	0.57%	71,419	0.47%		
Cabazon Indian Reservation	Casino	121,103	1.94%	117,983	1.70%	139,773	1.41%	72,834	0.61%	86,367	0.62%										
Casa Monroe Apartments	Apartments	24,999	0.40%	37,830	0.55%	42,415	0.43%					71,193	0.49%					70,577	0.46%	70,860	0.45%
Desert Air Homeowner's Assoc	RV Park	27,690	0.44%			57,539	0.58%	67,248	0.57%	79,743	0.57%	89,362	0.62%	85,169	0.58%	93,581	0.63%	94,242	0.62%	86,822	0.56%
DSUSD - Indio High	School	33,226	0.53%	47,443	0.68%	41,301	0.42%	53,909	0.45%	63,925	0.46%	78,292	0.54%	82,661	0.56%	83,952	0.56%			76,611	0.49%
DSUSD - Middle School	School							37,432	0.31%	44,387	0.32%										
Indio Housing Authority	Apartments	43,496	0.70%	66,824	0.96%	59,828	0.60%	69,175	0.58%	82,028	0.58%										
Indio Housing Corporation	Apartments			38,326	0.55%	33,919	0.34%														
John F. Kennedy Memorial Hospital	Hospital	26,299	0.42%	41,635	0.60%							64,227	0.44%	61,261	0.42%						
Pueblo Del Sol	Mobile Home Park	32,847	0.53%	51,715	0.75%	46,907	0.47%	56,671	0.48%	67,200	0.48%	67,307	0.46%	71,210	0.49%			74,098	0.48%	75,437	0.48%
Rancho Casa Blanca	Mobile Home Park	33,748	0.54%	29,035	0.42%	51,805	0.52%	84,352	0.71%	100,025	0.71%	102,057	0.70%	106,551	0.73%	113,278	0.76%	107,277	0.70%	85,164	0.54%
Riverside County-Juvenile Hall	Government	24,422	0.39%					36,990	0.31%	43,863	0.31%										
Smoketree Apartments	Apartments															80,478	0.54%			80,742	0.52%
Summerbreeze Homeowner's Assoc	Apartments															89,015	0.60%	72,385	0.47%	76,854	0.49%
Summerfield Apartments	Apartments															124,103	0.83%	118,006	0.77%	136,069	0.87%
Sunrise Point Apartments	Apartments			33,723	0.49%	51,324	0.52%	70,721	0.59%	83,861	0.60%	95,139	0.66%	88,089	0.60%						
The Club Worldmark	Time Share													152,944	1.05%	136,612	0.92%	135,586	0.89%	137,253	0.88%
		<u>\$ 399,715</u>	6.40%	<u>\$ 511,479</u>	7.38%	<u>\$ 583,196</u>	5.88%	<u>\$ 613,015</u>	5.15%	<u>\$ 726,913</u>	5.19%	<u>\$ 796,704</u>	5.50%	<u>\$ 889,421</u>	6.07%	<u>\$ 970,772</u>	6.52%	<u>\$ 903,905</u>	5.91%	<u>\$ 898,552</u>	5.75%

Source: Indio Water Authority

INDIO WATER AUTHORITY
 Capital Asset Statistics and Operating Indicators
 Last Nine Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Water Capital Assets</u>									
Water Main (miles)	No Data	301	313	315	321	327	327	327	329
Maximum Daily Capacity (millions of gallons)	No Data	67	59	72	63	66	66	66	66
<u>Operating Indicators</u>									
New Service Connections	2,196	823	964	489	261	330		258	488
Average Daily Consumption (millions of gallons)	22	21	20	19	18	18	18	18	20

Source: Indio Water Authority