



CPAs AND ADVISORS

INDIO WATER AUTHORITY

JUNE 30, 2019

FINANCIAL STATEMENTS

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on YOU



INDIO WATER AUTHORITY
A COMPONENT UNIT OF
THE CITY OF INDIO, CALIFORNIA
BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

INDIO WATER AUTHORITY
A COMPONENT UNIT OF
THE CITY OF INDIO, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To 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 (the Authority), a component unit of the City of Indio, California, as of and for the year ended June 30, 2019, 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 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 from material misstatement.

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

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





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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indio Water Authority, as of June 30, 2019, 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.

Other Matters

Management has omitted the management's discussion and analysis, the schedules of plan contributions, the schedule of changes in the net pension liability and related ratios, and the schedule of changes in the net OPEB liability and related ratios 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 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.

Prior Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The statistical section is presented for purposes of additional analysis and are 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Brea, California
December 24, 2019

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019 WITH COMPARATIVE INFORMATION FOR 2018**

	2019	2018
Assets:		
Current Assets:		
Cash and investments	\$ 30,681,468	\$ 24,764,091
Accounts receivable	6,118,629	3,796,271
Accrued interest receivable	81,849	38,558
Prepaid costs	664,711	635,160
Inventories	77,015	72,172
Restricted cash with fiscal agents	318,914	311,881
Total Current Assets	37,942,586	29,618,133
Noncurrent Assets:		
Capital assets, not being depreciated	4,611,032	2,704,901
Capital assets, being depreciated	308,823,022	307,085,949
Less accumulated depreciation	(145,536,634)	(137,614,264)
Total Noncurrent Assets	167,897,420	172,176,586
Total Assets	205,840,006	201,794,719
Deferred Outflows of Resources:		
Deferred charge on refunding	1,108,499	1,173,705
Deferred outflows related to pensions	1,190,789	1,756,634
Deferred outflows related to other post-employment benefits	2,276,102	330,250
Total Deferred Outflows of Resources	4,575,390	3,260,589
Liabilities:		
Current Liabilities:		
Accounts payable	1,949,640	1,412,580
Accrued liabilities	520,705	648,263
Accrued interest	539,612	552,012
Retentions payable	142,917	7,251
Deposits payable	551,648	490,690
Compensated absences, due within one year	188,100	205,095
Bonds payable, due within one year	1,980,000	1,930,000
Total Current Liabilities	5,872,622	5,245,891
Noncurrent Liabilities:		
Compensated absences	26,127	21,403
Bonds payable, including unamortized bond premium	52,241,241	54,277,253
Net pension liability	6,578,411	7,393,243
Net other post-employment benefits liability	10,242,073	6,805,332
Total Noncurrent Liabilities	69,087,852	68,497,231
Total Liabilities	74,960,474	73,743,122
Deferred Inflows of Resources:		
Deferred inflows related to pensions	325,456	275,515
Deferred inflows related to other post-employment benefits	1,691	1,925
Total Deferred Inflows of Resources	327,147	277,440
Net Position:		
Net investment in capital assets	114,784,678	117,143,038
Restricted for debt service	318,914	311,881
Unrestricted	20,024,183	13,579,827
Total Net Position	\$ 135,127,775	\$ 131,034,746

INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Sales and service charges	\$ 23,097,593	\$ 22,439,085
Other income	13,004	69,047
Total Operating Revenues	<u>23,110,597</u>	<u>22,508,132</u>
Operating Expenses:		
Personnel services	5,936,862	5,035,566
Contractual services	5,077,285	4,399,339
Repairs and maintenance	2,341,179	3,426,041
Depreciation expense	7,922,370	7,805,480
Materials and supplies	942,178	983,702
Rentals and leases	16,782	5,722
Utilities	1,236,535	1,338,762
Total Operating Expenses	<u>23,473,191</u>	<u>22,994,612</u>
Operating Income (Loss)	<u>(362,594)</u>	<u>(486,480)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	842,154	111,237
Interest expense	(2,265,030)	(2,307,120)
Gain on disposal of capital assets	-	54,221
Total Nonoperating Revenues (Expenses)	<u>(1,422,876)</u>	<u>(2,141,662)</u>
Loss Before Capital Contributions	<u>(1,785,470)</u>	<u>(2,628,142)</u>
Capital impact fees and capital grants	<u>5,878,499</u>	<u>2,060,681</u>
Changes in Net Position	4,093,029	(567,461)
Net Position at the Beginning of the Year, as Originally Reported	131,034,746	137,917,552
Restatements	-	(6,315,345)
Net Position at the Beginning of the Year, as Restated	<u>131,034,746</u>	<u>131,602,207</u>
Net Position at the End of the Year	<u>\$ 135,127,775</u>	<u>\$ 131,034,746</u>

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 20,849,197	\$ 22,806,844
Payments to suppliers and service providers	(8,975,627)	(10,127,822)
Payments to employees for salaries and benefits	(4,785,082)	(4,711,507)
Net Cash Provided by Operating Activities	<u>7,088,488</u>	<u>7,967,515</u>
Cash Flows from Capital and Related Financing Activities:		
Capital impact fees	2,496,709	1,819,946
Acquisition and construction of capital assets	(3,643,204)	(988,678)
Capital grants	3,381,790	240,735
Principal paid on capital debt	(1,930,000)	(1,946,012)
Interest paid on capital debt	(2,268,236)	(2,251,799)
Net Cash Used for Capital and Related Financing Activities	<u>(1,962,941)</u>	<u>(3,125,808)</u>
Cash Flows from Investing Activities:		
Interest on investments	798,863	72,679
Net Cash Provided by Investing Activities	<u>798,863</u>	<u>72,679</u>
Net Increase in Cash and Cash Equivalents	5,924,410	4,914,386
Cash and Cash Equivalents July 1 (including \$311,881 reported in restricted accounts)	25,075,972	20,161,586
Cash and Cash Equivalent June 30 (including \$318,914 reported in restricted accounts)	<u>\$ 31,000,382</u>	<u>\$ 25,075,972</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (362,594)	\$ (486,480)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	7,922,370	7,805,480
(Increase) decrease in accounts receivable	(2,322,358)	324,904
(Increase) decrease in prepaid costs	(29,551)	13,380
Decrease in inventories	(4,843)	(1,204)
Increase in accounts payable	537,060	21,372
(Decrease) in accrued liabilities	(127,558)	(56,874)
Increase (decrease) in retentions payable	135,666	(7,804)
Increase (decrease) in deposits payable	60,958	(26,192)
Increase (decrease) in compensated absences	(12,271)	13,709
Increase (decrease) in pension obligations	(199,046)	205,562
Increase in OPEB obligations	1,490,655	161,662
Total Adjustments	<u>7,451,082</u>	<u>8,453,995</u>
Net Cash Provided by Operating Activities	<u>\$ 7,088,488</u>	<u>\$ 7,967,515</u>
Schedule of Non-Cash Capital and Related Financing Activities:		
Amortization of deferred loss on refunding	\$ 65,206	\$ 65,206
Loss on disposal of capital assets	-	(54,221)

The notes to financial statements are an integral part of this statement.

INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA

STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2019

	<u>Agency Fund</u>
Assets:	
Cash and investments	\$ 205,567
Accrued interest receivable	330
Total Assets	<u>\$ 205,897</u>
Liabilities:	
Accounts payable	\$ 308
Deposits payable	205,589
Total Liabilities	<u>\$ 205,897</u>

The notes to financial statements are an integral part of this statement.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies

The financial statements of the Indio Water Authority, a Joint Powers Authority, and 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

Creation of Authority

The City of Indio (City) and the Redevelopment Agency of the City of Indio (Agency) entered into a joint exercise of powers agreement (JPA) on April 19, 2000 to form the Indio Water Authority (Authority). Due to the dissolution of the Agency, the City of Indio Housing Authority (Housing Authority) was added as a member to the JPA on June 19, 2012.

Purpose

The Authority was formed to provide an entity which can lease, operate, and maintain the water enterprise of the City (Enterprise) which benefits the residents in and around the City. Upon the formation of the Authority, the Authority entered into a lease agreement with the City including, but not limited to, all facilities, properties, and improvements at any time owned, leased, or operated by the Authority for the collection, treatment, and supply of water to residents served thereby, whether within or without the City, and any necessary lands, rights, entitlements, and other property used or useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed, or installed by the Authority.

Powers of the Authority

The Authority has all of the powers provided in the Joint Powers Law, including but not limited to Article 4 of the Joint Powers Law (commencing with Section 6584). Some of the highlights of the Authority's specific powers for the purpose of acquiring, owning, operating, and improving the Enterprise, include, but are not limited to, any of the following:

- 1) to plan, develop, acquire, construct, manage, maintain, repair, replace, or operate any public capital improvement;
- 2) to acquire, hold lease, sell, or otherwise dispose of any real or personal property, tangible or intangible, and any interest therein, wherever located;
- 3) to issue or incur indebtedness and otherwise to incur debts, liabilities, or obligations for the purpose of acquiring, owning, operating, or improving the Authority, provided that no such indebtedness, debt liability or obligation shall constitute a debt, liability, or obligation of the City or the Housing Authority; and
- 4) to enter into agreements for the creation of separate public entities and agencies pursuant to the Joint Powers Law.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Relationship with City of Indio Water System

On May 21, 2001, the City resolved to lease the City's Water System to the Authority, which provides that the Authority would lease the Water System, operate the Water System, make annual rental payments to the City, and provide water service to customers with the City's service area. On June 1, 2015, the lease was amended. According to the lease, the Authority agrees that any such improvements, fixtures, structures or signs, or real property acquisitions, made to or for the Water System during the term of this Sublease shall remain a part of the Water System of the City and, if acquired in the name of the Authority, shall be subject to surrender and conveyance to the City, free and clear of any interest of the Authority, either upon termination of this lease or at such time, and from time to time as directed by the City.

Reporting

Since the Authority's governing body is the same as the governing body of the primary government and there is a financial relationship between the primary government and the Authority it 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 service fees. 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. 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, 2019, and revenues and expenses for the fiscal year then ended. Actual results may significantly differ from those estimates.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

d. 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.

e. Inventories

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

f. 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.

g. Contributed Facilities

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB Statement No. 33) and GASB Statement 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.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

h. Contributed Facilities

Operating revenues and expenses represent revenue earned and the related costs incurred to provide water services to the Authority's customers. Nonoperating revenues and expenditures represent revenue earned and the related costs incurred for activities that do not directly provide water services to the Authority's customers such as revenues and expenditures related to issuance of bonds.

i. Interest

The Authority incurs interest charges on bonds, notes payable, and capital lease obligations. Interest incurred during the fiscal year ended June 30, 2019 totaled \$2,265,030.

j. 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.

k. 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.

l. 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.

m. 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
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

n. 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.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 2: Cash and Investments

Cash and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 5,527,819
Cash and investments held by bond trustee	318,914
Cash and investments pooled with the City of Indio	25,153,649
Fiduciary Funds:	
Cash and investments	103,842
Pooled cash and investments	<u>101,725</u>
 Total cash and investments	 <u><u>\$ 31,205,949</u></u>

Cash and investments as of June 30, 2019, consist of the following:

Cash on hand	\$ 1,750
Deposits with financial institutions	5,629,911
Cash and investments pooled with the City of Indio	25,255,374
Investments	<u>318,914</u>
 Total cash and investments	 <u><u>\$ 31,205,949</u></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 City'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.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 2: Cash and Investments (Continued)

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 investments pools)	No	N/A	None	None

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:

Investment Type	Total	Remaining maturing (in months) 12 Months or less
Cash and investments pooled with the City of Indio	\$ 25,255,374	\$ 25,255,374
Held by Bond Trustee:		
Money Market Funds	318,914	318,914
Total	<u>\$ 25,574,288</u>	<u>\$ 25,574,288</u>

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 2: Cash and Investments (Continued)

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.

Investment Type	Total	Minimum Legal Rating	Moody's Rating as of Fiscal Year End	
			AAA	Not Rated
Cash and investments pooled with the City of Indio	\$ 25,255,374	N/A	\$ -	\$ 25,255,374
Held by Bond Trustee: Money Market Funds	318,914	AAA	318,914	-
Total	\$ 25,574,288		\$ 318,914	\$ 25,255,374

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, 2019, none of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs."

The Authority has the following recurring fair value measurements as of June 30, 2019:

Investments	Fair Value	Uncategorized	Level 2
Cash and investments pooled with the City of Indio	\$ 25,255,374	\$ 25,255,374	\$ -
Held by Bond Trustee: Money Market Funds	318,914	-	318,914
	\$ 25,574,288	\$ 25,255,374	\$ 318,914

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Structures and improvements	\$ 14,966,439	\$ -	\$ -	\$ -	\$ 14,966,439
Machinery and equipment	2,935,038	82,751	-	174,758	3,192,547
Vehicles	1,905,516	29,667	-	-	1,935,183
Utility distribution system	287,278,956	-	-	1,449,897	288,728,853
Total cost of depreciable assets	307,085,949	112,418	-	1,624,655	308,823,022
Less accumulated depreciation:					
Structures and improvements	2,794,348	374,143	-	-	3,168,491
Machinery and equipment	2,318,674	222,230	-	-	2,540,904
Vehicles	1,289,705	125,899	-	-	1,415,604
Utility distribution system	131,211,537	7,200,098	-	-	138,411,635
Total accumulated depreciation	137,614,264	7,922,370	-	-	145,536,634
Net depreciable assets	169,471,685	(7,809,952)	-	1,624,655	163,286,388
Capital assets not depreciated:					
Construction in process	1,001,891	3,530,786	-	(1,624,655)	2,908,022
Land	1,703,010	-	-	-	1,703,010
Total capital assets not depreciated	2,704,901	3,530,786	-	(1,624,655)	4,611,032
Capital assets, net	\$ 172,176,586	\$ (4,279,166)	\$ -	\$ -	\$ 167,897,420

Note 4: Long-Term Liabilities

Changes in long-term obligations for the fiscal year ended June 30, 2019, are as follows:

	Beginning July 1, 2018	Addition	Deletion	Ending June 30, 2019	Due in One Year	Beyond One Year
Bonds Payable:						
2015A Water Revenue Refunding	\$ 51,065,000	\$ -	\$ -	\$ 51,065,000	\$ -	\$ 51,065,000
2015B Water Revenue Refunding	3,910,000	-	(1,930,000)	1,980,000	1,980,000	-
Unamortized Bond Premiums/(Discounts)	1,232,253	-	(56,012)	1,176,241	-	1,176,241
Total	\$ 56,207,253	\$ -	\$ (1,986,012)	\$ 54,221,241	\$ 1,980,000	\$ 52,241,241

Water Revenue Refunding Bonds Series 2015A and 2015B (Taxable)

In June 2015, the Indio Water Authority issued \$51,065,000 of Water Revenue Refunding Bonds Series 2015A, and \$9,150,000 of Water Revenue Refunding Bonds Series 2015B (Taxable). The proceeds were used to refund the Authority's 2006 Water Revenue Bonds, finance certain capital improvements to the Authority's water system (only proceeds of the Series 2015A bonds), and to pay costs of issuance of the bonds. In the event of default, there is no acceleration of payments of unpaid principal or interest amounts. The bonds are secured by revenues pledged for the payment of debt service on the bonds.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 4: Long-Term Liabilities (Continued)

The 2015A bonds consist of \$32,910,000 of serial bonds and \$18,155,000 of term bonds. The serial bonds accrue interest at rates between 3.250% and 5.000% and the principal amounts mature between April 1, 2021 and April 1, 2040 in amounts ranging from \$1,025,000 to \$3,250,000. Term bonds of \$14,320,000 accrue interest at 4.000% and mature on April 1, 2036, and bonds of \$3,835,000 accrue interest at 4.125% and mature on April 1, 2040. The 2015B bonds consist of \$9,150,000 of serial bonds and accrue interest at rates between 1.033% and 2.820%.

The Series 2015A term bonds maturing in the years 2036 and 2040 are subject to mandatory sinking account redemption on each April 1, commencing on April 1, 2033 and April 1, 2037, respectively, at a redemption price equal to the principal amount thereof together with accrued interest, without premium.

Concurrent with the issuance of the bonds, Build America Mutual Assurance Company (BAM) issued a municipal bond insurance policy for the bonds with guarantees the scheduled payments of principal and interest on the bonds when due.

The Authority and the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each fiscal year:

- a. which shall be at least sufficient to yield gross water revenues for the Water Authority which are sufficient to pay the following amounts in the following order of priority:
 - i. all operation and maintenance costs estimated by the City, in consultation with the Authority and based on information provided by the Authority, to become due and payable in such fiscal year.
 - ii. the base rental payments and the principal of and interest on any outstanding parity water obligations as they become due and payable during such fiscal year, without preference or priority.
 - iii. the amount, if any, required to restore the balance in the reserve subaccounts to the full amount of the respective reserve requirements and, with respect to any other outstanding parity water obligations, to restore the balance in the related debt service reserve fund to the full amount of the applicable reserve requirement; and
 - iv. All other additional rental and other payments required to meet any other obligations of the City which are charges, liens, encumbrances upon gross water revenues during such fiscal year.
- b. So that gross water revenues less operation and maintenance costs will be at least equal to 120% of the annual parity obligation payments for such fiscal year.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 4: Long-Term Liabilities (Continued)

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for 2015A & 2015B bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,980,000	\$ 2,158,449	\$ 4,138,449
2021	2,055,000	2,102,613	4,157,613
2022	2,155,000	1,999,863	4,154,863
2023	2,260,000	1,892,113	4,152,113
2024	2,375,000	1,779,113	4,154,113
2025-2029	13,625,000	7,152,675	20,777,675
2030-2034	16,295,000	4,478,969	20,773,969
2035-2039	11,010,000	1,353,481	12,363,481
2040	1,290,000	62,181	1,352,181
	<u>\$ 53,045,000</u>	<u>\$ 22,979,457</u>	<u>\$ 76,024,457</u>

Note 5: Defined Benefit Plan

Employees of IWA are members of the Public Employees' Retirement System (PERS) the cost of which is paid by IWA. Pension expense allocated to IWA by the City for IWA employees totaled \$951,817. IWA'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.

The City implemented GASB Statement Nos. 68 and 71 as of July 1, 2014, which affects the way pension liabilities are reported. Due to these Statements, the City is required to report its entire liability for pension benefits. The IWA, based on allocation formula, has reported a net pension liability as of June 30, 2019 of \$6,578,411.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 6: Other Post-Employment Benefits

Employees of IWA are eligible for PERS benefits are also eligible for other post-employment healthcare benefits (OPEB) the cost of which is paid by IWA. OPEB expense allocated to IWA by the City for IWA employees totaled \$1,177,696. IWA's accounts for OPEB 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.

The City implemented GASB Statement No. 75 as of July 1, 2018, which affects the way OPEB liabilities are reported. Due to this statement, the City is required to report its entire liability for pension benefits. The IWA, based on allocation formula, has reported a net OPEB liability as of June 30, 2019 of \$10,242,073.

Note 7: Operating Lease

On May 21, 2001, the Authority entered into an operating lease agreement with the City for the City's Water System. The Authority agreed to operate the Water System, make annual rental payments to the City, and provide water service to customers within the City's service area. The original lease was amended and restated on June 1, 2015, and the IWA prepaid the lease in the amount of \$7,343,916 during the fiscal year ended June 30, 2015. The future minimum lease payments relating to this lease are as follows:

Fiscal Year Ending June 30,	Amount
2020	\$ 5
2021	5
2022	5
2023	5
2024	5
2025-2029	25
2030-2034	25
2035-2037	15
	<u>\$ 90</u>

Note 8: Deferred Inflows and Outflows of Resources

The deferred outflows of resources in the amounts of \$1,108,499, \$1,190,789, and \$2,276,102 represents the deferred loss on refunding of the 2006 Water Revenue bonds, deferred pension-related items, and deferred OPEB-related items, respectively. For more information on the outflows related to pensions and OPEB, refer to the City of Indio's Comprehensive Annual Financial Report.

The deferred inflows of resources in the amounts of \$325,456 and \$1,691 represents deferred pension-related items and deferred OPEB-related items, respectively. For more information on the inflows related to pensions and OPEB, refer to the City of Indio's Comprehensive Annual Financial Report.

**INDIO WATER AUTHORITY
A COMPONENT UNIT OF THE CITY OF INDIO, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Note 9: 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, 2018, 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, 2018 was \$25,000 for operations. Audited financial statements may be obtained from the Indio Water Authority at 83-101 Avenue 45, Indio, California 92201.

Note 10: 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.

STATISTICAL SECTION

INDIO WATER AUTHORITY
Water Sold by Type of Customer
Last Ten Fiscal Years

(in hundred cubic feet)

Type of Customer:	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single-Family Residenti	5,300,683	5,308,272	5,413,435	5,392,718	5,392,822	4,982,247	4,236,748	4,459,372	4,891,183	4,734,130
Multi-Family Residenti	1,159,934	1,149,631	1,165,519	1,066,970	978,114	838,995	639,273	661,020	755,878	785,314
Commercial/Institution	1,192,074	1,164,122	1,195,118	1,138,652	1,228,943	1,158,582	1,091,004	1,097,366	1,194,031	1,188,760
Industrial	63,468	56,401	59,114	61,707	72,389	66,423	54,401	58,018	60,552	64,585
Landscaped Irrigation	<u>1,085,119</u>	<u>1,196,706</u>	<u>1,229,869</u>	<u>1,067,837</u>	<u>1,205,557</u>	<u>1,023,955</u>	<u>743,594</u>	<u>924,444</u>	<u>1,049,375</u>	<u>976,302</u>
Total	8,801,278	8,875,132	9,063,055	8,727,884	8,877,825	8,070,202	6,765,020	7,200,220	7,951,019	7,749,091

Total commodity rate per 100 cubic feet	\$ 1.16	\$ 1.16	\$ 1.16	\$ 1.16	Tiered Rates	Tiered Rates	Tiered Rates	Tiered Rates	Tiered Rates	Tiered Rates
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Note:
During FY 2013-2014, IWA changed its rate structure to a customized water budget with a five tiered rate structure.

Source: Indio Water Authority

INDIO WATER AUTHORITY
Water Rates
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Monthly Base Rate	9.24	9.24	9.24	9.24	15.55	16.79	18.14	19.59	21.16	21.16
Rate Per 100 Cubic Feet										
Tier 1	1.06	1.16	1.16	1.16	0.77	0.83	0.90	0.97	1.05	1.05
Tier 2	n/a	n/a	n/a	n/a	1.16	1.25	1.35	1.31	1.41	1.41
Tier 3	n/a	n/a	n/a	n/a	1.55	1.67	1.81	1.95	2.11	2.11
Tier 4	n/a	n/a	n/a	n/a	2.32	2.51	2.71	2.92	3.16	3.16
Tier 5	n/a	n/a	n/a	n/a	3.09	3.34	3.60	3.89	4.20	4.20

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

Note:

During FY 2013-2014, IWA changed its rate structure to a customized water budget with a five tiered water rate structure.

Source: Indio Water Authority

INDIO WATER AUTHORITY
Ten Largest Water Customers
Last Ten Fiscal Years

Water Customer	Account Class	2005		2006		2007		2008		2009		2010		2011		2012	
		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%
Arabian Gardens MHP	Mobile Home Park											68,073	0.47%	81,198	0.55%	82,550	0.55%
Arctic Glacier USA	Commercial																
Cabazon Indian Reservation	Casino	121,103	1.94%	117,983	1.70%	139,773	1.41%	72,834	0.61%	86,367	0.62%						
Capital Foresight Comm., LP	Apartments																
Casa Monroe Apartments	Apartments	24,999	0.40%	37,830	0.55%	42,415	0.43%					71,193	0.49%				
CV Housing	Apartments																
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%
DSUSD - Indio High School	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%
DSUSD - Amistad HS	School																
DSUSD - Middle School	School							37,452	0.31%	44,387	0.32%						
Empire Polo Club	Commercial																
Fantasy Springs Casino	Commercial																
Indian Palms Country Club	Commercial																
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 Hosp	Hospital	26,299	0.42%	41,635	0.60%							64,227	0.44%	61,261	0.42%		
Motorcoach CC POA, Inc																	
Monte Azul Housing																	
Philip S Moreau	RV Park																
Polo Estates Ventures	Commercial																
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%		
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%
Riverside County	Government																
Riverside County-Juvenile Hall	Government	24,422	0.39%					36,990	0.31%	43,863	0.31%						
Smoketree Apartments	Apartments															80,478	0.54%
Summerbreeze Homeowner's Asso	Apartments															89,015	0.60%
Summerfield Apartments	Apartments															124,103	0.83%
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%		
Terra Lago	Commercial																
The Club Worldmark	Time Share															152,944	1.05%
Waller Tract Water - HAML	Residential																
		<u>\$ 399,715</u>	<u>6.40%</u>	<u>\$ 511,479</u>	<u>7.38%</u>	<u>\$ 583,196</u>	<u>5.88%</u>	<u>\$ 613,015</u>	<u>5.15%</u>	<u>\$ 726,914</u>	<u>5.19%</u>	<u>\$ 796,704</u>	<u>5.50%</u>	<u>\$ 889,421</u>	<u>6.07%</u>	<u>\$ 970,772</u>	<u>6.52%</u>

Source: Indio Water Authority

	2013		2014		2015		2016		2017		2018		2019				
	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			
\$	81,947	0.54%	\$	0.00%	\$	0.00%	\$	0.00%	\$	0.00%	\$	0.00%	\$	-			
	78,368	0.51%	72,740	0.47%	63,095	0.39%	142,458	0.91%	-	-	-	-	-	-			
					65,566	0.42%			131,378	0.75%			88,665	0.43%			
	70,577	0.46%	70,860	0.45%	63,989	0.40%											
	71,419	0.47%			64,759	0.41%			81,101	0.46%			98,604	0.48%			
	94,242	0.62%	86,822	0.56%	69,683	0.44%	81,233	0.52%	149,551	0.86%							
			76,611	0.49%					53,553	0.31%							
					74,759	0.47%	90,602	0.58%	76,469	0.44%	123,672	0.63%	140,371	0.68%			
											87,411	0.44%					
									67,556	0.39%							
											110,141	0.56%	119,108	0.58%			
									88,927	0.51%	93,703	0.47%					
											214,724	1.09%	195,465	0.95%			
74,098	0.48%	75,437	0.48%			256,252	1.63%										
107,277	0.70%	85,164	0.54%	63,500	0.40%	67,724	0.43%		76,973	0.44%							
						71,210	0.45%										
						188,326	1.20%		62,822	0.36%	230,789	1.17%	303,855	1.47%			
											87,874	0.44%	90,651	0.44%			
													90,263	0.44%			
											101,150	0.51%	104,292	0.51%			
											140,456	0.90%					
											165,602	1.06%	136,515	0.66%			
									66,154	0.38%							
\$	903,905	5.91%	\$	898,552	5.75%	\$	785,187	4.92%	\$	1,269,429	8.10%	\$	1,295,161	6.56%	\$	1,367,789	6.64%

CITY OF INDIO
 Capital Asset Statistics and Operating Indicators
 by Function
 Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital Assets Statistics:										
Water mains (miles)	321	327	327	327	329	332	342	343	343	355
Maximum daily capacity	63	66	66	66	66	66	66	66	66	66
Operating Indicators:										
New connections	261	330	0	258	488	397	223	320	302	316
Average daily consumption (millions of gallons)	18	18	18	18	20	18	15	15	15	15

Source: City of Indio