PALO VERDE IRRIGATION DISTRICT

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEARS ENDED
JUNE 30, 2018 AND 2017

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
Management's Discussion and Analysis – Unaudited	3 – 8
FINANCIAL STATEMENTS – AUDITED	
Statements of Net Position	9 – 10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12 – 13
Notes to the Financial Statements	14 – 35
SUPPLEMENTARY INFORMATION – UNAUDITED	
Required Supplementary Information – Unaudited	36 – 40
Organizational Information – Unaudited	41
Schedule of Trustees and Management – Unaudited	42
Schedule of Insurance Coverage – Unaudited	43

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palo Verde Irrigation District
Blythe, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Palo Verde Irrigation District (the "District") as of June 30, 2018 and 2017 and for the years ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palo Verde Irrigation District as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis – unaudited information (pages 3 to 8), and information related to the pension and other postemployment benefits (pages 36 to 40, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information on pages 36 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The organizational information on page 41 and schedule of trustees and management on page 42 and insurance coverage on page 43 have not been subjected to 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.

Singer Lewak LLP

February 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Our discussion and analysis of the Palo Verde Irrigation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements which begin on page 9.

Financial Highlights

- The District's net position increased $467 thousand, or 6.2 percent as a result of the year's operations.
- Total assets increased $966 thousand mainly due to a $977 thousand increase in total current assets and a $11 thousand net decrease in total noncurrent assets.
- Current year operating revenues increased $29 thousand or 0.4 percent while operating expenses increased $542 thousand or 7.1 percent.
- Total capital asset additions decreased in the current year by $861 thousand.
- Total operating revenues for the year were $7.7 million and total operating expenses were $8.2 million and total nonoperating revenue and expenses were $1.0 million.
- See accompanying charts for revenue and expense details, as well as capital expenditures.

Using This Annual Report

This annual report consists of a series of financial statements. The statements of net position and statements of revenues, expenses and changes in net position (on pages 9 through 11) provide information about the activities of the District as a whole and present a longer–term view of the District's finances.

Reporting the Agency as a Whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private–sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's components of net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the District's water toll base and the condition of the District's capital assets, to assess the overall health of the District.

The District reports in the statement of net position and the statement of revenues, expenses, and changes in net position one type of activity for the water service it provides. All District activities are reported in these statements.

The District as a Whole

The District's net position increased to $8.1 million from $7.6 million in fiscal year 18 and increased to $7.6 million from $6.6 million in fiscal year 17. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's activities.

Table 1

Net Position
(in Thousands)

Account	June 30, 2018	Change	June 30, 2017	Change	June 30, 2016
Capital assets	$ 11,658	$ (12)	$ 11,670	$ 888	$ 10,782
Current and other assets	4,588	977	3,611	497	3,114
Total assets	16,246	966	15,280	1,385	13,896
Deferred outflows of resources	692	143	549	45	504
Total assets and deferred outflows of resources	**$ 16,938**	**$ 1,109**	**$ 15,829**	**$ 1,429**	**$ 14,400**
Current liabilities	$ 1,565	$ 97	$ 1,468	$ (38)	$ 1,506
Noncurrent liabilities	6,635	6	6,629	370	6,259
Total liabilities	8,200	103	8,097	332	7,765
Deferred inflows of resources	672	539	133	133-	-
Net position					
Invested in capital assets	11,643	(27)	11,670	888	10,782
Restricted, nonexpendable	62	-	62	-	62
Unrestricted	(3,639)	493	(4,132)	76	(4,209)
Total net position	8,066	467	7,599	964	6,635
Total liabilities, deferred inflows of resources, and net position	**$ 16,938**	**$ 1,109**	**$ 15,829**	**$ 1,429**	**$ 14,400**

In fiscal year 2018, the net position increased by $467 thousand, from results of operations. The unrestricted net position (a deficit)—the part of net position that can be used to finance day–to–day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—increased by $493 thousand. In fiscal year 2017, the net position increased by $964 thousand and unrestricted net position increased by $76 thousand.

Table 2

Changes in Net Position
(in Thousands)

Account	June 30, 2018	Change	June 30, 2017	Change	June 30, 2016
Operating revenues	$ 7,678	$ 29	$ 7,649	$ 219	$ 7,430
Operating expenses	8,155	542	7,613	(162)	7,775
Operating income (loss)	(477)	(513)	36	381	(345)
Nonoperating revenues	945	51	894	9	885
Nonoperating expenses	(20)	(20)	-	-	-
Capital contributions	56	22	34	16	18
Change in net position	504	(460)	964	406	558
Beginning net position, as previously reported	7,599	964	6,635	558	6,077
Less: cumulative effect of change In accounting principle	(37)	(37)	-	-	-
Beginning net position, as restated	7,562	927	6,635	558	6,077
Ending net position	**$ 8,066**	**$ 467**	**$ 7,599**	**$ 964**	**$ 6,635**

The District's change in net position for fiscal year 2018 was an increase of $467 thousand. The factors driving this result includes:

- The District's operating revenue increased by $29 thousand or 0.4 percent. The District had an increase of $20 thousand in reimbursements from other government agencies and an increase of $9 thousand for installing spills and gates.

- The District's operating expenses increased by $542 thousand or 7.1 percent. The majority of this increase was due to an increase in legal and consulting expenses.

- Depreciation and amortization expense decreased $6 thousand to $668 thousand.

- Nonoperating revenues increased by $51 thousand or 5.7 percent. The increase was primarily the result of $27 thousand in interest and dividends and an increase of $16 thousand from property taxes. The remaining netted increases and decreases are insignificant to the District.

- The nonoperating expense of interest went up by $1,762 dollars and the District had an $18 thousand loss on the sale of fixed assets.

- Capital contributions increased $22 thousand as a result of increased projects in the District's area.

The District's change in net position for fiscal year 2017 was an increase of $964 thousand. The factors driving this result includes:

- The District's operating revenue increased by $219 thousand or 2.9 percent. The increase was primarily due to the following item: The District had an increase in operating revenues of $294 thousand from water tolls as a result of increasing water tolls by $3 per acre. The increase was offset by a decrease of $22 thousand for installing spills and gates, a decrease of $14 thousand in reimbursements from other government agencies, and a decrease of $37 thousand for the coalition program.

- The District's operating expenses decreased by $162 thousand or 2.1 percent.

- Depreciation and amortization expense increased $6 thousand.

- Nonoperating revenues increased by $9 thousand or 1.0 percent. The increase was primarily the result of $7 thousand in interest and dividends and an increase of $16 thousand from property taxes. These increases were offset by a decrease of $17 thousand in the gain on the sale of fixed assets. The remaining netted increases and decrease are insignificant to the District.

- Capital contributions increased $16 thousand as a result of increased projects in the District's area.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had $11.7 million invested in a broad range of capital assets, including land, dam, canals, buildings, equipment, autos, and furniture (see Table 3 below). This amount represents a net decrease (including additions, deletions and depreciation) of $12 thousand or (0.1) percent over last year.

Table 3
Capital Assets at Year End
(in Thousands)

	June 30, 2018	June 30, 2017	June 30, 2016
Land, rights of way, and water rights	$ 1,002	$ 1,002	$ 1,002
Land – main canals and drains	3,557	3,557	3,557
Dam	5,496	5,496	4,078
Concrete lined canals	7,502	7,502	7,502
Canal structure	6,017	6,017	6,017
Drainage systems and structures	2,576	2,536	2,536
Irrigation gates	506	450	416
Buildings and structures	1,153	1,153	1,153
General equipment	404	428	428
Shop equipment	46	46	46
Heavy duty equipment	2,452	2,423	2,423
Auto and trucks	2,248	2,387	2,301
Telemetry equipment	3,783	3,741	3,717
Communication equipment	24	24	24
Furniture and fixtures	170	153	153
Accumulated depreciation	(25,278)	(25,245)	(24,571)
Total capital assets	**$ 11,658**	**$ 11,670**	**$ 10,782**
Change (decrease)	$ (12)	$ 888	$ 785
Percentage change	(0.1)%	8.2%	7.9%

During the 2018 fiscal year, the District's additions included drainage structures for $40 thousand, donated contributed capital for $56 thousand for irrigation gates, vehicles for $196 thousand, telemetry equipment for $42 thousand, heavy duty equipment for $348 thousand, and $17 thousand in furniture and fixtures.

During the 2018 fiscal year, the District's disposals included $24 thousand in general equipment, $319 thousand in heavy duty equipment, and $335 thousand in vehicles.

During the 2017 fiscal year, the District's additions included a new gate at the Diversion Dam for $1.4 million, donated contributed capital for $34 thousand for irrigation gates, pickups for $86 thousand, and telemetry equipment for $24 thousand. There were no disposals in the current year.

Current Liabilities
At the end of fiscal year 2018, the District had $1.6 million in current liabilities. These liabilities consisted of $644 thousand of deferred revenue that the District had received from farmers paying their water tolls before the July 15 deadline, $122 thousand in deposits from other entities, $411 thousand of compensated absences payable to the District's employees for accrued sick and vacation time, $177 thousand in amounts owed to the District's vendors, $67 thousand of accrued payables, $138 thousand of accrued payroll wages and liabilities, and $6 thousand for unpresented bond coupons.

At the end of fiscal year 2017, the District had $1.5 million in current liabilities. These liabilities consisted of $528 thousand of deferred revenue that the District had received from farmers paying their water tolls before the July 15 deadline, $95 thousand in deposits from other entities, $404 thousand of compensated absences payable to the District's employees for accrued sick and vacation time, $173 thousand in amounts owed to the District's vendors, $141 thousand of accrued payables, $121 thousand of accrued payroll wages and liabilities, and $6 thousand for unpresented bond coupons.

Noncurrent Liabilities
At the end of fiscal year 2018, the District had $6.6 million in noncurrent liabilities. These liabilities consisted of $4.5 million of other post-employment benefits ("OPEB"), $2.1 million for employee retirement benefits that have been accrued, and $12 thousand in a long-term capital lease. The OPEB and retirement liabilities represent the amount due to current and retired employees at the fiscal year-end.

At the end of fiscal year 2017, the District had $6.6 million in noncurrent liabilities. These liabilities consisted of $4.7 million of OPEB and $1.9 million for employee retirement benefits that have been accrued. These liabilities represent the amount due to current and retired employees at the fiscal year-end.

Contacting the District's Financial Management
This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Accountant – Kim Bishoff at the Palo Verde Irrigation District office at (760) 922-3144.

FINANCIAL STATEMENTS - AUDITED

PALO VERDE IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	2017
Current assets		
Cash and cash equivalents	$ 3,768,060	$ 2,843,556
Accounts receivable	89,289	64,117
Receivable from other agencies	39,306	15,254
Prepaid expenses	229,140	199,284
Inventory	400,655	426,474
Total current assets	4,526,450	3,548,685
Noncurrent assets		
Cash and cash equivalents - restricted	62,000	62,000
Capital assets - nondepreciable	4,559,357	4,559,357
Capital assets - depreciable, net of accumulated depreciation	7,098,873	7,110,355
Total noncurrent assets	11,720,230	11,731,712
Total assets	16,246,680	15,280,397
Deferred outflows of resources		
Pension adjustments:		
Difference between expected and actual experience	47,496	61,465
Changes of assumptions	178,774	230,552
Difference between projected and actual earnings on pension plan investments	349,393	256,625
OPEB contributions	115,960	-
Total deferred outflows of resources	691,623	548,642
Total assets and deferred outflows of resources	**$ 16,938,303**	**$ 15,829,039**

The accompany notes are an integral part of these financial statements.

PALO VERDE IRRIGATION DISTRICT
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2018	2017
Current liabilities		
Accounts payable	$ 240,875	$ 313,625
Accrued payroll liabilities	138,253	120,786
Accrued compensated absences	410,729	404,123
Capital lease - current portion	2,906	-
Deferred revenue and deposits	766,038	623,105
Unpresented bond coupons	6,045	6,045
Total current liabilities	1,564,846	1,467,684
Noncurrent liabilities		
Employee retirement benefits payable	2,137,763	1,947,806
Other post-employment benefits payable	4,485,278	4,681,481
Capital lease - noncurrent portion	12,130	-
Total noncurrent liabilities	6,635,171	6,629,287
Total liabilities	8,200,017	8,096,971
Deferred inflows of resources		
Pension adjustments:		
Difference between expected and actual experience	104,963	132,585
OPEB adjustments:		
Difference between expected and actual experience	10,229	-
Changes of assumptions	557,271	-
Total deferred inflows of resources	672,463	132,585
Net position		
Invested in capital assets, net of related debt	11,643,194	11,669,712
Restricted, nonexpendable	62,000	62,000
Unrestricted	(3,639,371)	(4,132,229)
Total net position	8,065,823	7,599,483
Total liabilities, deferred inflows of resources and net position	**$ 16,938,303**	**$ 15,829,039**

The accompanying notes are an integral part of these financial statements.

PALO VERDE IRRIGATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues		
Water tolls	$ 7,301,480	$ 7,300,484
Penalties and interest from water tolls	7,759	9,443
Reimbursements from other governmental agencies	224,466	204,704
Coalition	94,127	93,775
Installation of spills and gates for farmers	50,604	41,162
Total operating revenues	7,678,436	7,649,568
Operating expenses		
Operations	1,750,718	1,603,605
Maintenance	477,815	440,762
Water distribution	2,013,923	1,912,292
Engineering	194,939	187,401
Administration	3,566,077	3,268,319
Fallow program	110,690	89,176
Installation of spills and gates for farmers	25,829	24,108
Coalition program	15,364	87,413
Total operating expenses	8,155,355	7,613,076
Operating income (loss)	(476,919)	36,492
Nonoperating revenue (expenses)		
Property taxes	821,121	805,092
Penalties and interest from property taxes	10,696	8,049
Rental income	30,743	31,168
Interest and dividend income	46,742	19,975
Interest expense	(1,762)	-
Realized loss on sale of assets	(17,857)	-
Other	35,392	29,312
Total nonoperating revenues (expenses)	925,075	893,596
Change in net position, before capital contributions	448,156	930,088
Capital contributions	55,744	34,068
Change in net position	503,900	964,156
Net position - beginning of year	7,599,483	6,635,327
Prior period adjustments	(37,560)	-
Beginning of year, restated	7,561,923	6,635,327
Net position - end of year	**$ 8,065,823**	**$ 7,599,483**

The accompanying notes are an integral part of these financial statements.

PALO VERDE IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Cash received from customers	$ 7,772,145	$ 7,461,693
Cash paid to employees for services	(3,131,142)	(2,606,380)
Cash paid to suppliers and others	(4,056,219)	(3,734,303)
Net cash provided by operating activities	584,784	1,121,010
Cash flows from noncapital financing activities		
Property taxes	821,121	805,092
Penalties and interest from property taxes	10,696	8,049
Other revenue	35,392	29,312
Net cash provided by noncapital financing activities	867,209	842,453
Cash flows from capital and related financing activities		
Purchase of capital assets	(627,362)	(1,527,418)
Proceeds from sales of capital assets	26,300	-
Payments on capital lease	(2,150)	-
Interest paid	(1,762)	-
Net cash used in capital and related financing activities	(604,974)	(1,527,418)
Cash flows from investing activities		
Interest and dividends	46,742	19,975
Rental income	30,743	31,168
Net cash provided by investing activities	77,485	51,143
Net change in cash and cash equivalents	924,504	487,188
Cash and cash equivalents		
Balance, beginning of year	2,843,556	2,356,368
Balance, end of year	**$ 3,768,060**	**$ 2,843,556**

The accompanying notes are an integral part of these financial statements.

PALO VERDE IRRIGATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2018	2017
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (476,919)	$ 36,492
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	667,617	673,405
Changes in operating assets and liabilities:		
Accounts receivable	(49,224)	(15,814)
Inventory	25,819	(67,095)
Prepaid expenses	(29,856)	73,633
Deferred outflows	(36,100)	(44,606)
Deferred inflows	539,878	132,585
Accounts payable	(72,750)	139,146
Accrued expenses	(126,614)	365,325
Deferred revenue	142,933	(172,061)
Net cash provided by operating activities	**$ 584,784**	**$ 1,121,010**
Noncash capital and related financing activities		
Contributed capital assets	$ 55,744	$ 34,068
Assets acquired by capital lease	17,186	
Assets acquired with trade-in of capital assets	34,320	
Cash paid for interest	$ 1,762	

The accompanying notes are an integral part of these financial statements.

NOTE 1 - REPORTING ENTITY

The Palo Verde Irrigation District (the "District") is a special district created for the purpose of providing irrigation, water, and agricultural drainage to the Palo Verde Valley and the Palo Verde Mesa. The reporting entity includes all the accounts of the District and the special assessment district contained within its service area.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus
The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing goods or services to the general public on a continuing basis (including depreciation) be financed or recovered primarily through user charges. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the activity (whether current or noncurrent) are included on the statement of net position.

The District distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by supplying water, while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water.

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

Basic Financial Statements
The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the related notes to the financial statements.

Cash and Cash Equivalents
For the purpose of the statements of cash flows, the District considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The District invests funds with the State of California's Local Agency Investment Fund ("LAIF"). Due to the high liquidity of this investment, the funds are classified as cash equivalents. For credit risk purposes, the fund is not rated.

Accounts Receivable and Delinquent Water Tolls and Assessments
As the District believes that all accounts receivable will prove to be collectible in full, no allowance for doubtful accounts is provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Delinquent Water Tolls and Assessments (Continued)
It is the District's policy to file with and obtain a sales certificate with Riverside or Imperial County on any property with water tolls and assessments delinquent for more than one year. If delinquent water tolls and assessments and any associated interest and penalties are not paid in full within five years, the District can obtain a collector's deed for the property. In Imperial County, a collector's deed will enable the District to acquire the property and, subsequently, sell the property. In the County of Riverside, the District will file a lien on the property allowing them to collect delinquent tolls and assessments when the property is sold. The proceeds from the sale of property have, in the past, covered the delinquent water tolls and assessments and any associated interest and penalties, with all excess being retained by the District.

Inventory
Inventory consists primarily of materials and supplies used in the construction and maintenance of the District's ongoing operations and are valued at the lower of average cost or net realizable value. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed. As of June 30, 2018 and 2017, no reserve for inventory was deemed necessary based on management's evaluation of the District's inventory.

Capital Assets
Capital assets acquired and/or constructed are carried at historical cost. Donated assets are recorded at estimated acquisition value at the date of donation. The District's capitalization threshold is $5,000 for capital assets. Depreciation of capital assets is provided on a straight-line method over the following estimated useful lives:

	Years
Dams and canals	20 – 50
Buildings	10 – 20
Machinery and equipment	3 – 15
Furniture and fixtures	3 – 5

Accounting for Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of the asset. As of June 30, 2018 and 2017, no impairment was recognized as management expects to fully utilize the District's long-lived assets.

Compensated Absences
Employees of the District are entitled to paid vacation and sick leave depending on length of service and other factors. The liability for these benefits has been accrued in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position
The financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets, net of related debt
This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Restricted Net Position
This component of net position is the result of external constraints placed on net position by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by law through statutory provisions or legislation.

Unrestricted Net Position
This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Water Toll Revenues
The District's customers are billed annually for water tolls. The first installment of water tolls is delinquent after July 15, and the second installment is delinquent after January 15. Delinquent water tolls are subject to penalties and interest.

The District's water tolls range from $75.50 to $80.00 per acre for both the years ended June 30, 2018 and 2017, respectively, based on the parcel's type of access to District canals and drains. Assessment rates are $8.17 per $100 of assessed value for land, $1.24 per $100 of assessed value for improvements, $0.40 per $100 of assessed value for land on the Palo Verde Mesa, and $0.70 per $100 assessed value for improvements on the Palo Verde Mesa for both the years ended June 30, 2018 and 2017. The assessed value is determined by the District's assessor. The assessed value is not at full market value.

Property Taxes
The District assesses all real property within the District's boundaries each year, and bills and collects the District's property taxes and assessments. Property tax in California is levied in accordance with Article 13A of the State Constitution.

The property tax calendar is as follows:

Lien date:	First Monday in March
Levy date:	July 1 to June 30
Due date:	Third Monday in October – both installments
Delinquent date:	After the first Monday in December – 1st installment
	After the last Monday in April – 2nd installment

Delinquent property taxes are subject to penalties and interest.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by Hooker and Holcombe, Inc. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense

Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* ("GASB 71") requires that, at transition to the new accounting standards in accordance with GASB 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts.

Budgetary Policies

The District adopts an annual nonappropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements
The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

In June 2017, GASB issued Statement No. 87, *Leases*, which addresses new accounting and financial reporting requirements for leases, improving accounting and financial reporting for leases for governments. Leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract will be recognized as a lease liability and an intangible right-to-use lease asset for lessees and a lease receivable and a deferred inflow of resources for a lessor. The requirements of this statement are effective for fiscal years beginning after December 15, 2019. The District does not anticipate that this statement will have a material impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District does not anticipate that this statement will have a significant impact on any given reporting period; however, the cumulative impact over multiple years is anticipated to be significant. The District does not anticipate that this statement will have a material impact on the financial statements.

Recently Adopted Accounting Pronouncements
The District adopted the following GASB statements in the current year which had a significant impact on the District's basic financial statements:

Effective July 1, 2017 the District retrospectively adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This statement establishes new accounting and financial reporting requirements for OPEB, improving the accounting and financial reporting by state and local governments. It replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 requires the whole actuarially determined net OPEB liability to be recognized in the District's financial statements. The District did not restate the financial statements for the year ended June 30, 2017 because the necessary actuarial information was not provided for the prior year presented. As of July 1, 2017, the District restated beginning net position in the amount of $(37,560) to record the liability in accordance with GASB 75.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are included in the statements of net position in the following captions at June 30:

	2018	2017
Cash and cash equivalents	$ 3,768,060	$ 2,843,556
Cash and cash equivalents – restricted	62,000	62,000
Total cash and cash equivalents	**$ 3,830,060**	**$ 2,905,556**

For purposes of the following discussion, these accounts have been classified as follows at June 30:

	2018	2017
Deposits	$ 1,026,844	$ 1,152,616
Investments	2,803,216	1,752,940
	$ 3,830,060	**$ 2,905,556**

Deposits

The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2018 and 2017, the carrying amount of the District's deposits were $1,026,844 and $1,152,616, respectively, and the bank balances were $1,091,053 and $1,219,966, respectively. The District has cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 and the remaining balance is collateralized in accordance with California Government Code.

Investments Authorized by the District's Investment Policy

The board of trustees has authorized investments in certificates of deposit, and the state Local Agency Investment Fund, which is in accordance with California Government Code Sections 53600 through 53686 et seq.

The value of investments was as follows:

	2018	2017
Not subject to leveling State investment pool (Local Agency Investment Fund)	$ 2,803,216	$ 1,752,940

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the District's Investment Policy
The District is a voluntary participant in Local Agency Investment Fund ("LAIF") that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the District's position in the pool approximates the value of the pool shares. It is therefore deemed to be reported at amortized cost and not subject to fair value leveling.

The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There are no limitations on the withdrawal of these funds. For LAIF's annual financial report, contact the California State Treasurer at: 915 Capitol Mall, Room 106, Sacramento, California 95814.

At June 30, 2018 and 2017, the District had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

NOTE 4 - CAPITAL ASSETS

The following is the activity for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Not being depreciated:				
Land	$ 144,715	$	$	$ 144,715
Rights of way	267,800			267,800
Water rights	589,439			589,439
Land – main canals and drains	3,557,403			3,557,403
Total not being depreciated	**$ 4,559,357**	**$**	**$**	**$ 4,559,357**

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Being depreciated:				
Dams and canals	$ 22,000,949	$ 95,638	$	$ 22,096,587
Buildings and structures	1,153,483			1,153,483
Machinery and equipment	9,047,545	587,467	(678,514)	8,956,498
Furniture and fixtures	153,152	17,186		170,338
Total being depreciated	32,355,129	700,291	(678,514)	32,376,906
Accumulated depreciation	(25,244,774)	(667,617)	634,358	(25,278,033)
Total - net of depreciation	**$ 7,110,355**	**$ 32,674**	**$ (44,156)**	**$ 7,098,873**

NOTE 4 - CAPITAL ASSETS (Continued)

The following is the activity for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
Not being depreciated:				
Land	$ 144,715	$ -	$ -	$ 144,715
Rights of way	267,800	-	-	267,800
Water rights	589,439	-	-	589,439
Land – main canals and drains	3,557,403	-	-	3,557,403
Total not being depreciated	**$ 4,559,357**	**$ -**	**$ -**	**$ 4,559,357**

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
Being depreciated:				
Dams and canals	$ 20,548,036	$ 1,452,913	$ -	$ 22,000,949
Buildings and structures	1,153,483	-	-	1,153,483
Machinery and equipment	8,938,972	108,573	-	9,047,545
Furniture and fixtures	153,152	-	-	153,152
Total being depreciated	30,793,643	1,561,486	-	32,355,129
Accumulated depreciation	(24,571,369)	(673,405)	-	(25,244,774)
Total - net of depreciation	**$ 6,222,274**	**$ 888,081**	**$ -**	**$ 7,110,355**

NOTE 5 – EMPLOYEE RETIREMENT PLAN

General Information About the Pension Plan

Plan Description and Benefits Provided
All full-time employees with one year of service are eligible to participate in the Retirement Plan for Employees of Palo Verde Irrigation District (the "Retirement Plan"), a single-employer defined benefit pension plan administered by Aetna Life Insurance Company. The Retirement Plan provides pension, death, and disability benefits. A member may retire after reaching the age of 65 for normal retirement, but may retire early at age 55 with benefits accruing to the early retirement age reduced by the appropriate early retirement factor. Eligibility of employees starts after one full year of service to the District, with benefits fully vested after five years of service. Employees who retire at the age of 65 are entitled to pension payments for the remainder of their lives equal to 1.25 percent of earnings during each plan year as an active participant. Pension provisions include death and disability benefits whereby the disabled employee will receive 100 percent of benefits accrued to the date of disability, or a surviving spouse is entitled to receive an amount equal to 50 percent of the joint annuity benefit which the participant would have received upon early retirement as discussed above.

General Information About the Pension Plan
Plan Description and Benefits Provided (Continued)
The District, through the action of its board, may amend or establish Retirement Plan provisions. The board has appointed a third party to carry out substantially all administrative responsibilities, including custody of the Retirement Plan assets and as a result, excludes the pension trust funds from these financial statements. A separate stand-alone financial report is available and can be obtained from the District office through the Finance Department.

Funding Policy
Under the Retirement Plan provisions established by the board, the Retirement Plan is to be funded in amounts equal to the normal costs of the Retirement Plan plus an amortization of the past service liability.

The plan's provisions and benefits in effect at June 30, 2018 are summarized as follows:

Benefit formula	1.25 percent at 65
Benefit vesting schedule	5 years
Benefit payments	Monthly for life
Final average compensation period	12 months
Retirement age	65
Monthly benefits as a percent of eligible compensation	1.25 percent
Cost of living adjustment	2.75 percent
Required employer contribution 2018	$289,528

NOTE 5 – EMPLOYEE RETIREMENT PLAN (Continued)

Funding Policy
At January 1, 2017, the following employees were covered by benefits:

	January 1, 2017
Inactive employees (or their beneficiaries) currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	22
Active members	60
Total	**117**

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability.

The June 30, 2018 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal
Actuarial Assumptions:	
Discount rate	6.5 percent (7.0 percent for 2016)
Inflation	2.75 percent (3.0 percent for 2016)
Salary increases	3.0 percent per year
Investment rate of return	6.5 percent (7.0 percent for 2016) net of pension plan investment and administrative expenses; includes inflation
Mortality rate table	RP 2000 mortality with separate tables for annuitants and nonannuitants projected using Scale AA to the valuation date.

Discount Rate
The discount rate used to measure the total pension liability was 6.5 percent (7.0 percent for 2016). The long-term expected rate of return on investments may be used to discount liabilities to the extent that the plan's fiduciary net position and future contributions are projected to be sufficient to cover expected benefit payments and administrative expenses for current plan members. Projections of the plan's fiduciary net position incorporate all cash flows for contributions from the employer and employee and administrative expenses. Professional judgment should be applied to the projections of contributions in circumstances where (a) contribution amounts are established by statute or contract or (b) a formal written policy exists. Consideration should also be given to the most recent five-year contribution history as key indicators of future contributions. It should not include cash flows for future plan members.

NOTE 5 – EMPLOYEE RETIREMENT PLAN (Continued)

Discount Rate (Continued)
If the amount of the plan's fiduciary net position is projected to be greater than or equal to the benefit payments and administrative expenses made in that period, the actuarial present value of payments should be discounted using the long-term expected rate of return on those investments. A 20-year, high quality (AA/Aa or higher), tax-exempt municipal bond yield or index rate must be used to discount benefit payments for periods where the fiduciary net position is not projected to cover expected benefit payments and administrative expenses.

Plans that are projected to have sufficient fiduciary net position indefinitely will use the long-term expected return on investments to determine liabilities but will have to substantiate their projected solvency.

GASB permits alternative methods to evaluate the sufficiency of the plan's net fiduciary position. Based on the plan's current net pension liability and current contribution policy, the plan's projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, since the fund is not projected to run out of money, a 6.5 percent interest rate assumption was used to discount plan liabilities.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
AETNA – fixed income	100.00%	2.25%	2.25%
	100.00%		2.25
Long-term inflation expectation			2.75
Long-term expected nominal return			**5.00%**

**Long-term returns are provided by Hooker & Holcombe Investment Advisors. The returns are geometric means.*

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation.

The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation, and rebalancing. The investment return assumption used assumed a change in the long term asset allocation shown above. The plan sponsor will be reviewing the plan's investment and corresponding assumptions in the coming year. Based on their results of the analysis, it was expected that there would be changes in the asset allocation and/or investment return assumption. This resulted in an expected rate of return of 6.5% which was used.

NOTE 5 – EMPLOYEE RETIREMENT PLAN (Continued)

Discount Rate (Continued)
The interest assumption was reduced by 0.5% last year and the assumption will continue to be monitored with each valuation. An expected rate of return of 6.5 percent was used for the January 1, 2017 actuarial valuation. The January 1, 2017 actuarial valuation directly calculated the January 1, 2017 total pension liability (TPL). The January 1, 2017 TPL was increased by service cost and interest and decreased by benefit payments to estimate the TPL as of June 30, 2018.

(c) Changes in the Net Pension Liability
The following table shows the changes in net position liability recognized over the measurement period.

	Increase (decrease)		
	Total Pension Liability	Pension Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017	$ (5,098,727)	$ 3,150,921	$ (1,947,806)
Changes recognized for the measurement period:			
Service cost	(114,442)	-	(114,442)
Interest on the total pension liability	(329,527)	-	(329,527)
Administrative expenses	-	(28,667)	(28,667)
Contributions from the employer	-	289,528	289,528
Net investment income (loss)	-	(6,849)	(6,849)
Benefit payments, including refunds of employee contributions	291,633	(291,633)	-
Net changes	(152,336)	(37,621)	(189,957)
Balance at June 30, 2018	**$ (5,251,063)**	**$ 3,113,300**	**$ (2,137,763)**

NOTE 5 – EMPLOYEE RETIREMENT PLAN (Continued)

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

The following presents the net pension liability of the plan as of the measurement date calculated using the discount rate of 6.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0 percentage-point lower (5.5 percent) or 1.0 percentage-point higher (7.5 percent) than the current rate:

	Discount Rate -1.0% (5.5%)	Current Discount (6.5%)	Discount Rate +1.0% (7.5%)
Net pension liability	$ 2,694,610	$ 2,137,763	$ 1,670,601

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
Change of assumptions	5.8 to 6.4 year straight-line amortization
Differences between expected and actual experience	5.8 to 6.4 year straight-line amortization

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized pension expense of $424,842. At June 30, 2018, the District deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 47,496
Changes of assumptions	178,774
Net difference between projected and actual earnings on pension plan investments	349,393
Total	**$ 575,663**

NOTE 5 – EMPLOYEE RETIREMENT PLAN (Continued)

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Inflows of Resources
Differences between expected and actual experience	$ 104,963

The deferred inflows and outflows will be recognized in future pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/Inflows of Resources
2019	$ 156,031
2020	156,031
2021	109,568
2022	49,070

Fiscal Year 2018 Pension Disclosures

(e) Funding Policy

The actuarial methods and assumptions used are those adopted by the Board of Trustees. The required employer contribution for fiscal year 2018 was $289,528. The provisions of the plan set forth funding annually of the amount equal to the normal costs of the plan plus an amortization of past service liability which has a current amortization period of 30 years.

(f) Annual Pension Cost and Net Pension Obligation

For fiscal year 2018, the District's annual pension cost was $289,528 and the contribution made was $289,528. The required contribution for fiscal year 2018 was based on an actuarial valuation performed by an outside actuary using the actuarial assumptions discussed in Note 5(b). For fiscal year 2017, the District's annual pension cost was $213,128 and the contribution made was $213,128.

Four-Year Trend Information:

Year ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	$ 127,019	100.00%	$ -
2015	167,781	100.00	(7,219)
2016	210,288	99.86	288
2017	213,128	100.00	-
2018	289,528	100.00	

NOTE 5 – EMPLOYEE RETIREMENT PLAN (Continued)

(g) Funded Status and Funding Progress
As of June 30, 2018, the actuarial valuation date, the plan was 59.29 percent funded. The actuarial accrued liability for benefits was $5,251,063 and the actuarial value of assets was $3,113,300 resulting in an unfunded actuarial accrued liability (AAL) of $2,137,763. The covered payroll (annual payroll of active employees covered by the plan) was $2,314,271, and the ratio of the UAAL to the covered payroll was 92.37 percent. This valuation reflects changes to the method for calculating the actuarial value of assets.

The Schedule of Funding Progress, presented as required supplementary information ("RSI") following the notes to the basic financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 6 – POST-EMPLOYMENT BENEFITS

General Information About the OPEB Plan

Plan Description and Benefits Provided
The District, a single employer, offers postemployment retirement health and dental care benefits to retired employees and their surviving spouses in accordance with State of California Code Sections 53205 and 53205.1 ("the OPEB Plan"). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statements No. 75. District employees who retire from the District, or leave the District due to permanent disability, with 20 or more years of service with the District, and whose age and years of service add up to at least 80, are eligible for lifetime medical and dental benefits starting at retirement. All retirees under the age of 65 are covered by insurance, as are all active employees. The monthly insurance premium for single employees is $613.13 and $646.00 per month for fiscal years ended June 30, 2018 and 2017. The District will pay all of this except for a contribution per month by the employee of $58.71 and $65.00 for fiscal years ended June 30, 2018 and 2017, respectively. Retirees over the age of 65 are allowed to select from a variety of plans for their medical supplement premium and prescription Rx plans which range from $185.00 to $450.00 per month for which the retiree pays $10.00 per month. Dental benefits for a single retiree, regardless of age, are $30.04 and $38.00 per month for fiscal years ended June 30, 2018 and 2017, respectively. The District will pay for all of this. Spouses of retirees who retired in 2008 or later are entitled to dental benefits for their lifetime. Spouses of retirees who retired before 2008, if they were married to the retirees at the date of retirement, are entitled to lifetime benefits of $150.00 per month, plus lifetime dental benefits. They must pay any excess medical costs over $150.00 per month. Dental benefits for a married retiree, regardless of age, are $86.00 and $82.00 per month for fiscal years ended June 30, 2018 and 2017, respectively. The District will pay all of this except for a contribution of $5.21 per month by the employee. Spouses of retirees are eligible for survivor benefits. Surviving spouses of retirees who retired before 2008 receive the same benefits as single retirees for life. Surviving spouses of employees who retired in or after 2008 receive lifetime dental benefits but no medical benefits.

NOTE 6 – POST-EMPLOYMENT BENEFITS (Continued)

Plan Description and Benefits Provided (Continued)
The OPEB Plan is a single-employer defined benefit plan administered by the management of the District. The District has elected to have an actuarial valuation performed biennially, the most recent of which was at February 1, 2016. with a measurement date of June 30, 2017 for the fiscal year ending June 30, 2018. As of February 1, 2016, there were 65 active employees and 24 participating retirees included in the OPEB Plan.

Total OPEB Liability
The District's total OPEB liability of $4,485,278 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Funding Policy

Salary increase	3.25% annual increases
Discount rate	3.58%
Healthcare cost trend rates	The assumed future increases in the health costs and premiums are based on the trend of 8% for those less than 65 years and 5.5% for those over 65 years old with an ultimate rate of 5% estimated to be reached in 2029.

The discount rate was based on the 20-year tax exempt general obligation municipal bond rates.

Mortality rates were based on statistics taken from the California Public Employees Retirement System 2013 study adopted in 2014 and include a margin for mortality improvement based on the Scale BB projected to 2028.

NOTE 6 – POST-EMPLOYMENT BENEFITS (Continued)

Other actuarial assumptions used in the June 30, 2017 valuation were inflation at 2% annually and no administrative fees other than those included in the premium rates, 100% if all eligible participants will participate and all future retirees will be eligible for Medicare when they reach age 65.

Change in the OPEB Liability

	June 30, 2018
Balance beginning of year	$ 4,825,922
Changes for the year:	
Service cost	246,791
Interest	143,061
Changes of assumptions	(612,375)
Differences between expected and actual experience	(11,240)
Benefit payments, including refunds of employee contributions	(106,881)
Balance end of year	**$ 4,485,278**

Change of assumptions reflect a change in the discount rate from 2.85% as of the June 30, 2016 measurement date to 3.58% as of the June 30, 2017 measurement date.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher that the current discount rates:

	Discount Rate -1% 2.58%	Current Rate 3.58%	Discount Rate +1% 4.58%
Total OPEB liability	$ 5,326,015	$ 4,485,278	$ 3,827,317

Sensitivity of the total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	Trend Rate -1%	Current Trend Rate	Trend Rate +1%
Total OPEB liability	$ 3,769,605	$ 4,485,278	$5,437,659

NOTE 6 – POST-EMPLOYMENT BENEFITS (Continued)

OPEB Related Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the District recognized OPEB expense of $226,856. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 557,271
Differences between expected and actual experience in the measurement of the total OPEB liability		10,229
OPEB contributions subsequent to measurement date	115,960	-
Total	**$ 115,960**	**$ 567,500**

At June 30, 2017, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $106,881 and no deferred inflows of resources related to OPEB.

The $115,960 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Year Ending June 30,	
2019	$ (56,115)
2020	(56,115)
2021	(56,115)
2022	(56,115)
2023	(56,115)
Thereafter	(286,925)
Total	**$ (567,500)**

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
Change of assumptions	11.1 year straight-line amortization
Differences between expected and actual experience	11.1 year straight-line amortization

During the years ended June 30, 2018 and 2017, the District funded these benefits on a pay-as-you-go basis.

NOTE 7 – SELF-INSURANCE

In fiscal year 2018, the District used a combination of insurance and self-insurance for employee healthcare benefits. Liabilities associated with the risks that are retained by the District are not discounted and are estimated by considering historical claims. The estimated accrual for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. For the year ended June 30, 2018 and June 30, 2017, the self-insurance liability for estimated benefits incurred but not reported, were $66,885 and $134,947, respectively, and is included in accounts payables in the statements of net position.

NOTE 8 – NET POSITION

Net position invested in capital assets of $11,643,194 and $11,669,712 represent the value of capital assets held at June 30, 2018 and 2017, respectively. Unrestricted net position deficits of $(3,639,371), and $(4,132,229), represents fund deficit of the District at June 30, 2018 and 2017, respectively. Of the restricted net position, $60,000 is temporarily restricted for reclaiming the surface mine pursuant to Surface Mining Reclamation Act of 1975 and $2,000 is temporarily restricted as a reserve for properties not collectible at June 30, 2018 and 2017. Investment income earned on restricted net position is included in unrestricted net position and is available for use.

NOTE 9 – JOINT VENTURE (JOINT POWERS AGREEMENTS)

On September 1, 2005, the District entered into the Lower Colorado River Multi-Species Conservation Program with nine other participating California agencies and one investor-owned utility. This agreement is intended to meet California's funding requirement for a 50-year, $628,180,000 comprehensive species conservation and habitat management program. The Federal government will fund 50 percent of the program costs. California will fund 50 percent of the nonfederal costs, with Arizona and Nevada each funding 25 percent of the nonfederal costs.

The District is responsible to pay 3.6 percent of California's share of the cost for ongoing program operations. The District is scheduled to pay a total of $5,635,620 in quarterly payments during the 50-year program. Participation in this program will provide the District with comprehensive compliance protection for 50 years. As a stakeholder, the District has a seat on the steering committee. During the years ended June 30, 2018 and 2017, the District made four payments totaling $158,445 and $156,839, respectively.

The District participates in a joint venture under a joint powers agreement ("JPA") with the Association of California Water Agencies Joint Powers Insurance Authority ("JPIA"). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Audited financial statements are available by contacting the JPIA at 2100 Professional Drive, Roseville, California 95661.

NOTE 9 – JOINT VENTURE (JOINT POWERS AGREEMENTS) (Continued)

The Association of California Water Agencies Joint Powers Insurance Authority arranges for and provides insurance coverage for its nearly 370 member districts. JPIA is governed by a board of directors and each member agency is required to designate one representative from its local board of directors to participate in the JPIA board.

From the board of directors, nine members of a ten–member executive committee are elected and delegated the authority to make JPIA's preliminary policy decisions relying upon input received from other standing and ad hoc committees and subcommittees. These policy decisions, along with other matters such as financial and claims data, are ultimately brought before the full board for review and/or ratification. The board controls the operations of the JPIA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. JPIA provides joint protection coverage for losses in excess of the member districts' individually specified self–insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers.

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the year ended September 30 follows:

	2017	2016
Total assets	$199,365,344	$189,566,761
Deferred outflows of resources	1,404,974	1,065,779
Total assets and deferred outflows of resources	**$200,770,318**	**$190,632,540**
Total liabilities	$123,871,469	$121,474,323
Deferred inflows of resources	1,576,175	454,600
Net position	75,322,674	68,703,617
Total liabilities, deferred inflows and net position	**$200,770,318**	**$190,632,540**
Total revenues	$169,992,183	$146,991,398
Total expenses	(164,170,540)	(161,601,971)
Total other income	797,414	2,380,372
Increase (decrease) in net position	**$ 6,619,057**	**$ (12,230,201)**

NOTE 10 – OPERATING LEASES

The District leases equipment under long-term noncancelable lease agreements which qualify as operating leases. Lease payments of $49,245 and $50,842 for the years ended June 30, 2018 and 2017, were included in administrative expenses.

Minimum future operating lease payments including sales tax as of June 30, 2018 are as follows:

Year ending June 30,		
2019	$	51,211
2020		51,211
2021		29,494
2022		8,992
2023		3,799
Total operating lease payments	**$**	**144,707**

NOTE 11 – Capital Lease

The District leases equipment under long-term noncancelable lease agreements which qualify as capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of future minimum payments or the fair market value of the asset. Amortization of assets under capital lease is included in depreciation and amortization expense. The value of equipment under capital lease for the year ended June 30, 2018 was $17,186, and the accumulated amortization was $2,864.

Minimum future capital lease payments as of June 30, 2018 are as follows:

Year ending June 30,		
2019	$	4,695
2020		4,695
2021		4,695
2022		4,695
2023		781
		19,561
Less amount representing interest		4,525
Present value of net minimum lease payments	**$**	**15,036**

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance through participation in the Association of California Water Agencies Joint Powers Insurance Authority (see Note 9). The insurance purchased is for liability, property, and workers' compensation insurance and there are various deductibles per occurrence.

NOTE 13 – SUBSEQUENT EVENTS

In the preparation of these financial statements, the District considered subsequent events through February 11, 2019 which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION - UNAUDITED

Schedule of Changes in Net Pension Liability and Related Ratios

	2018[1]
TOTAL PENSION LIABILITY	
Service cost	$ 114,442
Interest on total pension liability	329,527
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments, including refunds of employee contributions	(291,633)
Net change in total pension liability	152,336
Total pension liability – beginning	5,098,727
Total pension liability – ending (a)	**$ 5,251,063**
PLAN FIDUCIARY NET POSITION	
Contribution – employer	$ 289,528
Administrative expenses	(28,667)
Net investment income	(6,849)
Benefit payments, including refunds of employee contributions	(291,633)
Net change in fiduciary net position	(37,621)
Plan fiduciary net position – beginning	3,150,921
Plan fiduciary net position – ending (b)	**$ 3,113,300**
Plan net pension liability – ending (a) – (b)	**$ 2,173,763**
Plan fiduciary net position as a percentage of the total pension liability	59.29%
Covered employee payroll	$ 2,314,271
Plan net pension liability as a percentage of covered-employee payroll	92.37%

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

Notes to Schedule:
Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2018.

Schedule of Plan Contributions[1]

	2018
Actuarially determined contribution	$ 289,528
Contributions in relation to the actuarially determined contribution	(289,528)
Contribution deficiency (excess)	$ -

Notes to Schedule:

Valuation date: January 1, 2017 actuarial valuation rolled forward to June 30, 2018

Methods and assumptions used to actuarially determine contributions rates for fiscal year 2018.

Actuarial Cost Method	Entry Age Normal
Amortization method/period	Level of percent of payroll/ 30 years as of the January 1, 2015 valuation date
Asset valuation method	15 year smoothed market
Inflation	2.75 percent
Salary increases	3.00 duration of employment
Investment rate of return	6.50 percent (net of administrative expenses)
Retirement age	RP 2000 Mortality with separate tables for annuitants and nonannuitants projected using Scale AA to the valuation date.

Required Supplementary Information - Plan's Risk History of Funded Status and Funding Progress (Dollar Amounts in Thousands)

Pension Plan

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
1/01/07	$ 2,347.4	$ 2,615.1	$ 267.7	89.8%	$ 2,233	12.0%
1/01/09	2,146.7	2,783.7	637.0	77.1	2,248	28.3
1/01/11	2,639.9	3,034.7	394.8	87.0	2,284	17.3
1/01/13	2,920.9	3,469.2	548.3	84.2	2,138	25.6
1/01/15	3,189.5	4,724.6	1,535.0	67.5	2,181	70.4
1/01/17	3,150.9	5,098.7	1,947.8	61.8	2,247	86.7

Schedule of Changes in the District's Net OPEB Liability and Related Ratios – Last Ten Years (1)

	Total OPEB Liability June 30, 2018
Balance beginning of year	$ 4,825,922
Changes for the year:	
Service Cost	246,791
Interest	143,061
Changes of assumptions	(612,375)
Benefit payments	(106,881)
Difference between expected and Actual experience	(11,240)
Balance at year-end	**$ 4,485,278**
Covered payroll (2)	N/A
Total OPEB liability as a % of covered payroll (2)	N/A

(1) Fiscal year 2018 was the first year of implementation, therefore, not all 10 years of information is available.

(2) Covered employee payroll not available.

Notes to the Schedule:

Changes of benefit terms: None

Changes of Assumptions: Change of assumptions reflect a change in the discount rate from 2.85% as of the June 30, 2016 measurement date to 3.58% as of the June 30, 2017 measurement date.

Other Post-Employment Benefits (Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/10	-	$ 2,463.0	$ 2,463.0	-%	N/A	N/A
6/30/11	-	3,321.3	3,321.3	-	N/A	N/A
6/30/13	-	3,873.4	3,873.4	-	N/A	N/A
6/30/15	-	4,132.3	4,132.3	-	N/A	N/A
6/30/17	-	4,485.3	4,485.3	-	N/A	N/A

Actuarial valuations of the ongoing plans involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about demographics regarding retirement, disability, turnover, mortality, and healthcare cost trends. See Notes 5 and 6.

Organization and Description of the District

The District was formed in 1923, taking over the assets and liabilities of three predecessor organizations, for the purpose of providing irrigation water and agricultural drainage to the Palo Verde Valley and the Palo Verde Mesa. The District occupies approximately 189 square miles in Riverside and Imperial Counties of California.

An abundant supply of water for irrigation has been available for the Palo Verde Valley since the construction of Hoover Dam and the subsequent control of the Colorado River. The District diverts water from the Colorado River and returns water back by both operational spills and drainage flow at the lower end of the valley.

The District holds first priority water rights in California on the lower Colorado River according to the Seven Party Agreement of 1931. The District has the right to irrigate 104,500 acres under the first priority and 16,000 acres (Mesa) under third priority.

The District canal system consists of approximately 244.23 miles of main and lateral canals with capacities from 2,100 cubic feet per second, at the upper or north end of the District, down to 25 cubic feet per second in various small laterals throughout the valley. As a part of this canal system there are more than 2,550 structures necessary to operate the system. These structures are canal headings, checks, siphons, deliveries, bridges, flumes, pump plants, moss racks, and miscellaneous structures. The District drainage system is composed of approximately 141.4 miles of open drainage channels carrying groundwater drainage and canal operational spill water away from farmland and back to the Colorado River. This system of drains includes over 250 siphons, or submerged culverts. The groundwater is hydraulically connected to the Colorado River. The valley average depth to groundwater below farmland, as shown by over 200 observation wells throughout the valley, is approximately 10 feet as compared to 5½ feet in 1957.

The District is governed by a seven–member board of trustees elected by the landowners within the District. Trustees serve three–year terms. The District operations are carried out under the direction of Ned Hyduke, General Manager.

PALO VERDE IRRIGATION DISTRICT
SCHEDULE OF TRUSTEES AND MANAGEMENT - UNAUDITED
June 30, 2018

The trustees and senior management of Palo Verde Irrigation District are listed below:

	Term Expires
Charles Van Dyke, President 1725 N. Lovekin Boulevard Blythe, CA 92225	September 2019
Daniel E. Robinson, Vice President P.O. Box 2399 Blythe, California 92225	September 2018
Gary A. Bryce, Trustee P.O. Box 1230 Blythe, California 92226	September 2018
Duane Berger, Trustee 1091 S. Intake Boulevard Blythe, CA 92225	September 2020
Jack Seiler, Trustee 1187 Eucalyptus Street Blythe, California 92225	September 2020
Grant Chaffin, Trustee 13100 24th Ave. Blythe, CA 92225	September 2020
Bart Fisher,Trustee 14530 S. Commercial Blythe, California 92226	September 2019
Ned Hyduke, General Manager	N/A
JR Echard, Assistant Manager	N/A
Richard Gilmore, Sec/Treas/Coll/Assessor	N/A

At June 30, 2018, Palo Verde Irrigation District carried insurance as outlined below:

Property coverage – blanket policy	$ 500,000,000
General liability and wrongful acts	20,000,000
Employee dishonesty and forgery or alteration, computer fraud, and ERISA	100,000
Auto liability	20,000,000
Public officials errors and omissions	20,000,000
Cyber Liability	5,000,000
Worker’s compensation insurance	Statutory

Deductibles on the insurance policies are generally $1,000 to $50,000.