

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS."

\$22,355,000

EASTERN MUNICIPAL WATER DISTRICT FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2021
(EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICTS
GENERAL OBLIGATION REFUNDING BONDS)

Dated: Date of Delivery**Due: September 1, as shown on inside cover**

The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code), a resolution adopted on November 17, 2021 by the Board of Directors of the Eastern Municipal Water District Financing Authority (the "Authority") and an Indenture of Trust, dated as of December 1, 2021 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are being issued by the Authority to purchase eighteen separate issues of general obligation refunding bonds (individually, a "District Bond," and collectively, the "District Bonds") issued by the Eastern Municipal Water District (the "District") for the benefit of Improvement District Nos. 15, 18, 22, 24, U-2, U-4, U-5, U-6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 and U-36 (individually, an "Improvement District" and collectively, the "Improvement Districts") from the District. The District Bonds are being issued pursuant to Division 20 of the California Water Code, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and resolutions adopted on behalf of each Improvement District by the Board of Directors of the District on November 17, 2021.

The proceeds of the District Bonds, together with other available District moneys, will be used by the District: (i) to refund outstanding general obligation bonds of the District which were issued for the benefit of the Improvement Districts, which will in turn cause the refunding of the Western Riverside Water and Wastewater Financing Authority's Revenue Bonds, Series 2005A (Eastern Municipal Water District Improvement Districts General Obligation Bond Financing) and Revenue Bonds, Series 2009 (Eastern Municipal Water District Improvement Districts General Obligation Bond Financing); and (ii) to pay certain expenses incurred in connection with the issuance of the Bonds. A more detailed description of the use of proceeds of the Bonds is set forth under the captions "ESTIMATED SOURCES AND USES OF FUNDS" and "REFUNDING PLAN."

Interest on the Bonds is payable semiannually on March 1 and September 1, commencing March 1, 2022. The Bonds will be issued in fully registered form without coupons. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book entry form only in the minimum denomination of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds. The principal of and interest on each Bond will be payable to DTC, which will in turn remit such principal and interest to DTC Participants, which will in turn remit such principal and interest to Indirect Participants or the Beneficial Owners of the Bonds, as described herein.

The Bonds will mature on September 1 in the years and in the amounts as shown on the inside front cover page. The Bonds are subject to optional and special mandatory redemption as discussed herein. See the caption "THE BONDS—Redemption."

The Bonds are special revenue obligations of the Authority and are payable solely from: (i) amounts received by the Trustee in payment of principal of and interest on the District Bonds; and (ii) investment income with respect to any moneys held by the Trustee in the funds and accounts (except the Rebate Fund) established under the Indenture (collectively, the "Revenues"). Payments of principal of and interest on the District Bonds are designed to be sufficient in time and amount to pay the principal of and interest on the Bonds as they become due and payable. Each District Bond represents a general obligation of the District for a particular Improvement District and is payable from annual ad valorem taxes that are levied without limit as to rate or amount upon the taxable property within such Improvement District. The District Bonds are also payable from certain additional funds received from or attributable to the Improvement District for which the District Bond is issued, to the extent that such funds are delivered by the District to the Fiscal Agent for the District Bonds for the purpose of paying the District Bonds. As additional security for the payment of the District Bonds, the District has covenanted that in the event that sufficient funds are not available to pay the principal of and interest on the applicable District Bonds from ad valorem taxes, the District will pay such amounts from any legally available money of the District, including cash reserves and water and sewer revenues of the District available after the payment of: (i) maintenance and operation costs of the District's water and sewer system; and (ii) debt service and other contractual obligations of the District which are secured by a pledge and lien on such water and sewer revenues.

The District Bonds represent several (and not joint) obligations of the Improvement Districts. An event of default with respect to the District Bond of a particular Improvement District will not result in an event of default with respect to the District Bond of the other Improvement District. See the caption "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

No debt service reserve fund or account has been established in connection with the issuance of the Bonds or the District Bonds.

The Board of Directors of the District has the power and is obligated to levy and collect annual ad valorem taxes upon the taxable property within a particular Improvement District to the extent necessary to pay debt service on the District Bond of the Improvement District, which amount will be used to pay the principal, premium, if any, and interest on the Bonds. The taxable property in each Improvement District remains subject to taxes for such payments due on its District Bond in amounts sufficient and at the times necessary to provide moneys for the payment of the principal of and interest on the applicable District Bond when due. Ad valorem taxes levied in an Improvement District will be used only to pay debt service on the District Bond issued for that Improvement District and will not be available to pay debt service on the District Bond issued for any other Improvement District.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Front Cover Page)

The Bonds are offered when, as and if delivered to and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. The Underwriter is being represented by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the District and the Authority by Olivarez Madruga Lemieux O'Neill, LLP, Westlake Village, California, as General Counsel, for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about December 17, 2021.

J.P. Morgan

\$22,355,000
EASTERN MUNICIPAL WATER DISTRICT FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2021
(EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICTS
GENERAL OBLIGATION REFUNDING BONDS)

MATURITY SCHEDULE

Base CUSIP[†] 27677P

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†] Suffix</i>
2022	\$3,725,000	5.000%	0.120%	103.440	AA7
2023	965,000	5.000	0.230	108.114	AB5
2024	1,010,000	5.000	0.340	112.538	AC3
2025	930,000	5.000	0.430	116.781	AD1
2026	985,000	5.000	0.560	120.590	AE9
2027	995,000	5.000	0.680	124.134	AF6
2028	1,050,000	5.000	0.810	127.291	AG4
2029	1,105,000	5.000	0.910	130.368	AH2
2030	1,155,000	5.000	0.950	133.760	AJ8
2031	1,210,000	5.000	0.990	137.019	AK5
2032	1,260,000	5.000	1.060	136.245 ^C	AL3
2033	1,335,000	4.000	1.210	125.474 ^C	AM1
2034	1,385,000	4.000	1.290	124.646 ^C	AN9
2035	1,450,000	4.000	1.340	124.131 ^C	AP4
2036	905,000	4.000	1.390	123.618 ^C	AQ2
2037	900,000	4.000	1.420	123.312 ^C	AR0
2038	975,000	4.000	1.450	123.007 ^C	AS8
2039	1,015,000	4.000	1.480	122.702 ^C	AT6

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Authority, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

^C Priced to first optional redemption date of September 1, 2031 at par.

EASTERN MUNICIPAL WATER DISTRICT

2270 Trumble Road
P.O. Box 8300
Perris, California 92572-8300

BOARD OF DIRECTORS OF THE DISTRICT

Philip E. Paule, President
Randy A. Record, Vice President
Stephen J. Corona, Director
Jeff Armstrong, Director
David J. Slawson, Director

DISTRICT STAFF

Joe Mouawad, P.E., General Manager
Nick Kanetis, Deputy General Manager
Laura M. Nomura, CPA, Deputy General Manager and Treasurer
Matthew Melendrez, Assistant General Manager, Operations and Maintenance
Lanaya Alexander, Assistant General Manager, Planning, Engineering and Construction
John F. Adams, Chief Financial Officer
Thomas Hays, Senior Financial Manager and Deputy Treasurer
Sheila Zelaya, Board Secretary

DISTRICT GENERAL COUNSEL

Olivarez Madruga Lemieux O'Neill, LLP
Westlake Village, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

MUNICIPAL ADVISOR

PFM Financial Advisors LLC
Los Angeles, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Authority or the District to give or make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

In reliance upon exemptions contained in such acts, the Bonds have not been registered under the Securities Act of 1933, nor have the Indenture, the Authority Resolution (as such term is defined herein) or the District Resolutions (as such term is defined herein) been qualified under the Trust Indenture Act of 1939. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of any state in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation.

The information that is set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the District since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy of completeness of such information.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BONDS, AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “believe,” “anticipate” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described in this Official Statement to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the District nor the Authority plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. In evaluating such statements, potential investors should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

The District maintains a website. However, the information presented on such website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

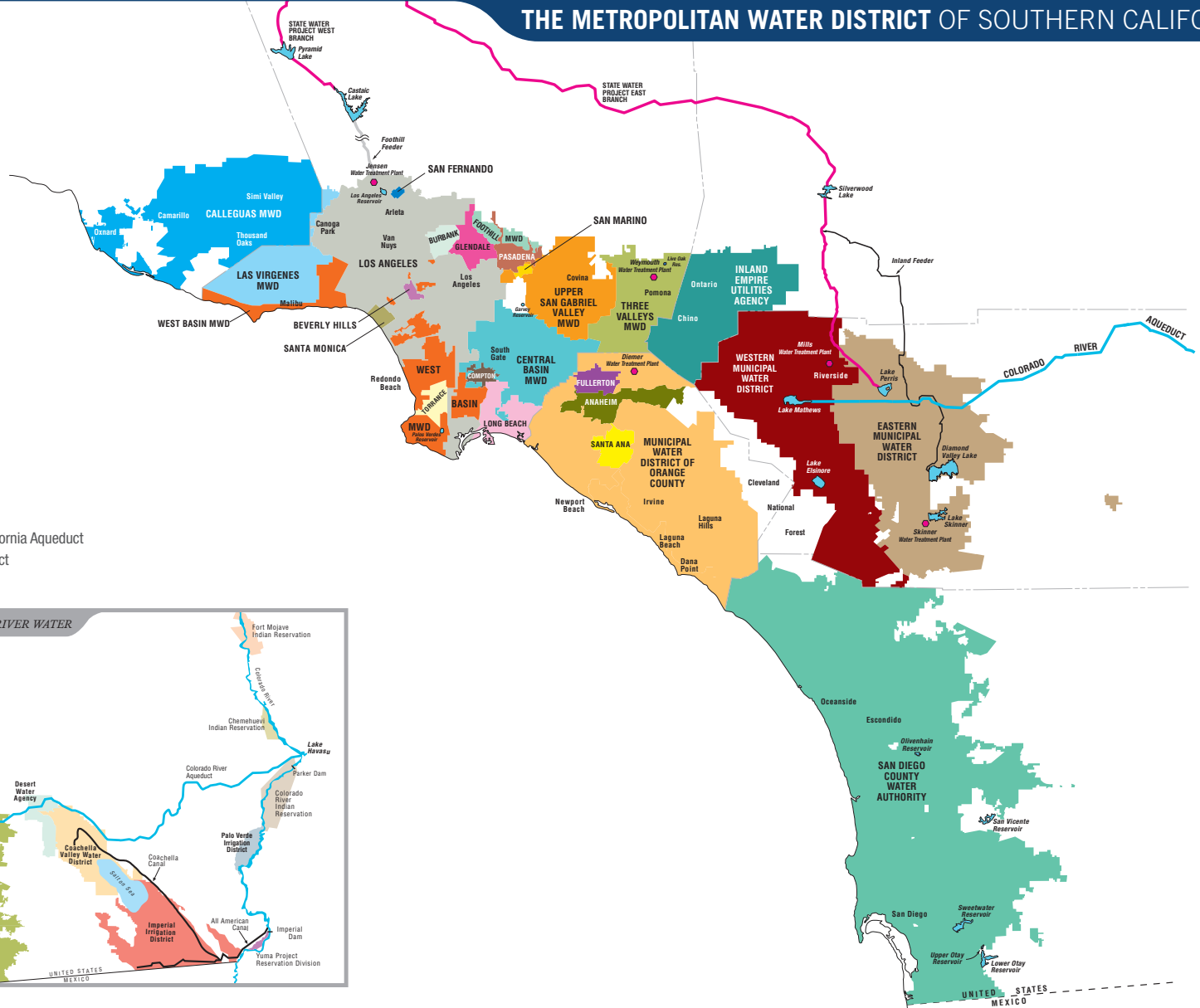
TABLE OF CONTENTS

	Page
INTRODUCTION	1
General.....	1
The District Bonds	1
No Other Outstanding District Obligations.....	3
Additional District Bonded Indebtedness Authorized	3
The Bonds	4
The Authority.....	4
The District	4
The Improvement Districts	4
Professionals Involved in the Offering	5
Other Information	5
ESTIMATED SOURCES AND USES OF FUNDS	7
THE REFUNDING PLAN	9
THE BONDS	9
Authority for Issuance and Purpose	9
Description of the Bonds.....	9
Redemption	10
Selection of Bonds for Redemption	10
Notice of Redemption	11
Book-Entry Only System.....	11
SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS	11
General.....	11
<i>Ad valorem</i> Taxes	12
Other Available Moneys to Pay the District Bonds	13
Flow of Funds	13
No Reserve Fund.....	14
Debt Service Schedules.....	14
EASTERN MUNICIPAL WATER DISTRICT FINANCING AUTHORITY	24
EASTERN MUNICIPAL WATER DISTRICT	24
General.....	24
Development Within the District	25
Board of Directors.....	25
District Management.....	26
The Improvement Districts	28
COVID-19 Outbreak.....	28
<i>AD VALOREM</i> TAXES	30
General.....	30
Unitary Property.....	31
Appeals and Adjustments of Assessed Valuations	31
Teeter Plan	32
CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.....	33
Article XIII A.....	33
Article XIII B.....	34
Proposition 218	34
Proposition 22	35
Ballot Initiatives.....	36
TAX MATTERS.....	36
APPROVAL OF LEGAL PROCEEDINGS.....	37
LITIGATION	38
SDCWA Litigation	38
Water Rate Litigation.....	39
FINANCIAL STATEMENTS	40
RATING	40

TABLE OF CONTENTS
(continued)

	Page
CONTINUING DISCLOSURE.....	41
MUNICIPAL ADVISOR	41
UNDERWRITING	41
MISCELLANEOUS	42
APPENDIX A SUPPLEMENTAL INFORMATION REGARDING EASTERN MUNICIPAL WATER DISTRICT	A-1
APPENDIX B INFORMATION REGARDING THE IMPROVEMENT DISTRICTS.....	B-1
APPENDIX C AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021	C-1
APPENDIX D FORM OF BOND COUNSEL OPINION.....	D-1
APPENDIX E SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE DISTRICT RESOLUTIONS	E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1
APPENDIX G BOOK ENTRY-ONLY PROVISIONS.....	G-1

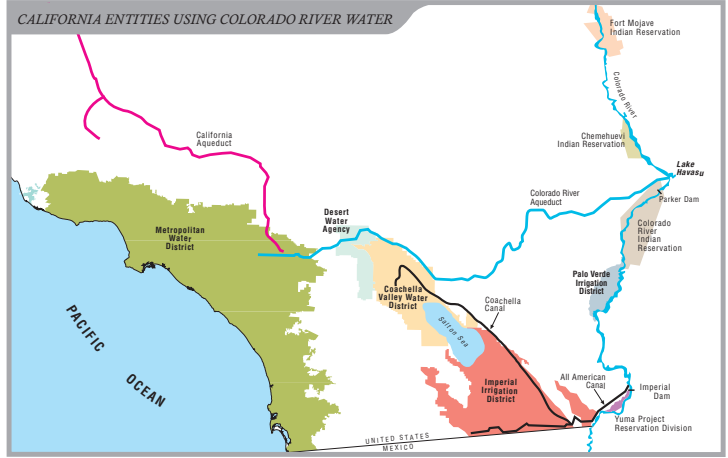
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



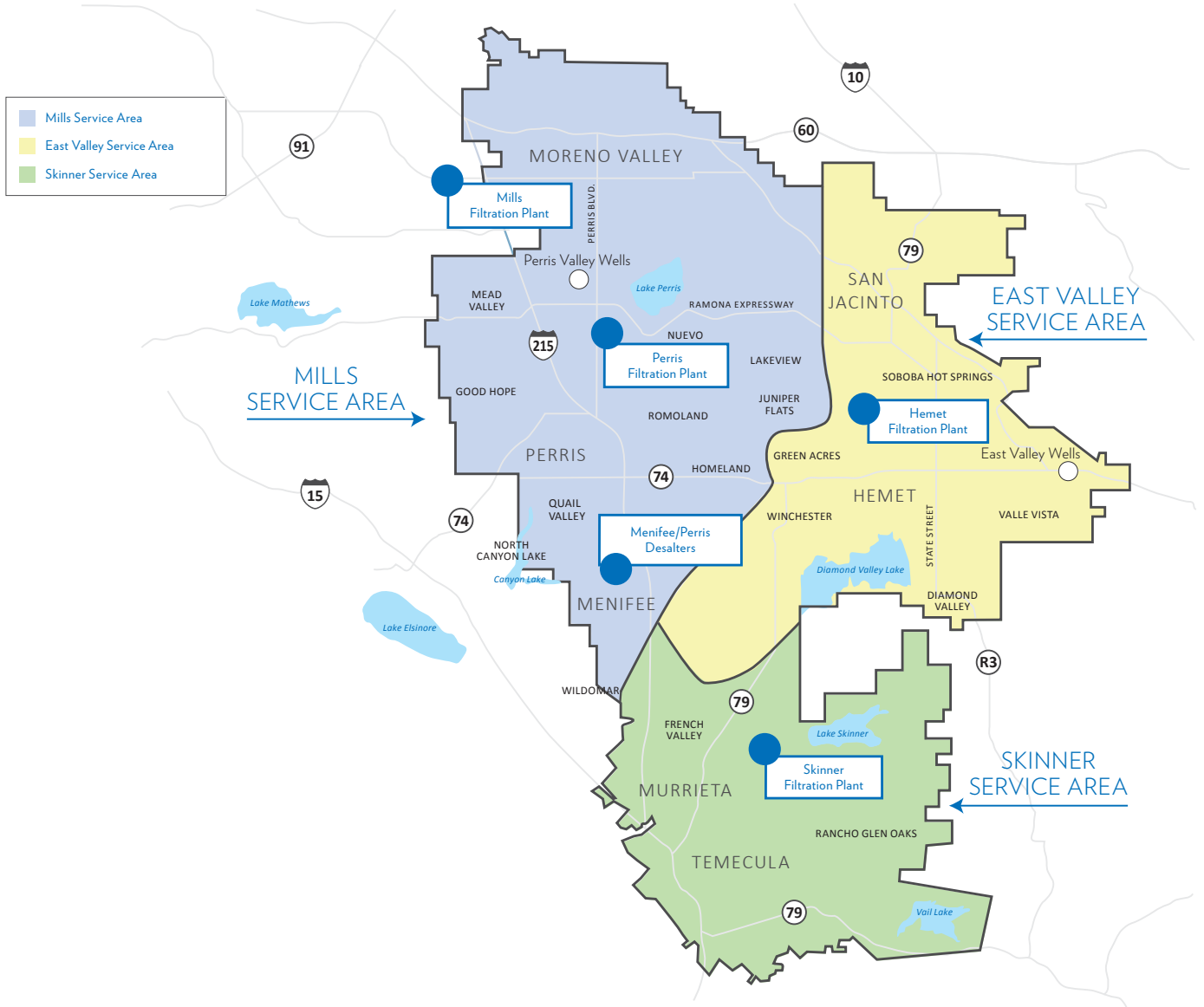
METROPOLITAN'S MEMBER AGENCIES

LEGEND

- Department of Water Resources' California Aqueduct
- Metropolitan's Colorado River Aqueduct
- Water Treatment Plants



SERVICE AREA MAP AND INCORPORATED CITIES



\$22,355,000
EASTERN MUNICIPAL WATER DISTRICT FINANCING AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2021
(EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICTS
GENERAL OBLIGATION REFUNDING BONDS)

INTRODUCTION

This Introduction is only a summary of and guide to, and is qualified by, more complete and detailed information contained in this Official Statement, including the appendices, and the documents that are summarized and described herein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. A full review should, therefore, be made of the entire Official Statement. All capitalized terms that are used in this Official Statement and not defined have the meanings set forth in Appendix E.

General

The purpose of this Official Statement, which includes the front cover page, the inside front cover page, the table of contents and the appendices, is to provide information about the \$22,355,000 aggregate principal amount of Eastern Municipal Water District Financing Authority Refunding Revenue Bonds, Series 2021 (Eastern Municipal Water District Improvement Districts General Obligation Refunding Bonds) (the “**Bonds**”).

The Bonds are being issued by the Eastern Municipal Water District Financing Authority (the “**Authority**”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code), a resolution duly adopted on November 17, 2021 (the “**Authority Resolution**”) by the Board of Directors of the Authority and an Indenture of Trust, dated as of December 1, 2021 (the “**Indenture**”), by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”).

The Bonds are being issued to purchase eighteen separate issues of general obligation refunding bonds (individually, a “**District Bond**,” and collectively, the “**District Bonds**”) issued by the Eastern Municipal Water District (the “**District**”) for the benefit of District Nos. 15, 18, 22, 24, U-2, U-4, U-5, U-6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 and U-36 (individually, an “**Improvement District**,” and collectively, the “**Improvement Districts**”) pursuant to resolutions adopted on behalf of each Improvement District by the Board of Directors of the District on November 17, 2021 (the “**District Resolutions**”).

The proceeds of the District Bonds, together with other available District moneys, will be used by the District: (i) to refund outstanding general obligation bonds of the District (collectively, the “**Refunded District Bonds**”) which were issued for the benefit of the Improvement Districts, which will in turn cause the refunding of the Western Riverside Water and Wastewater Financing Authority’s Revenue Bonds, Series 2005A (Eastern Municipal Water District Improvement Districts General Obligation Bond Financing) (the “**2005 Bonds**”) and Revenue Bonds, Series 2009 (Eastern Municipal Water District Improvement Districts General Obligation Bond Financing) (the “**2009 Bonds**,” and, together with the 2005 Bonds, the “**Refunded Bonds**”); and (ii) to pay certain expenses incurred in connection with the issuance of the Bonds. See the captions “ESTIMATED SOURCES AND USES OF FUNDS” and “REFUNDING PLAN.”

The District Bonds

The District Bonds are being issued pursuant to the Municipal Water District Law, Division 20 of the California Water Code, as amended (the “**Law**”), Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and the District Resolutions. U.S. Bank National Association will act as fiscal agent (the “**Fiscal Agent**”) for the District Bonds.

Each District Bond represents a general obligation of the District for the applicable Improvement District and is payable from annual *ad valorem* taxes levied without limit as to rate or amount on the taxable property within such Improvement District. As additional security for the payment of the District Bonds, the District has covenanted in each District Resolution that in the event that sufficient funds are not available to pay the principal of and interest on the applicable District Bonds from *ad valorem* taxes, the District will pay such amounts from any legally available money of the District, including cash reserves and water and sewer revenues of the District available after the payment of: (i) maintenance and operation costs of the District's water and sewer system; and (ii) debt service and other contractual obligations of the District which are secured by a pledge and lien on such water and sewer revenues.

The District Bonds represent several (and not joint) obligations of the Improvement Districts. An event of default with respect to the District Bond of a particular Improvement District will not result in an event of default with respect to the District Bond of any other Improvement District. See the caption "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

The Board of Directors of the District has the power and is obligated to levy and collect annual *ad valorem* taxes upon taxable property within each Improvement District to the extent necessary to pay the District Bond which was issued for such Improvement District. The *ad valorem* taxes levied on taxable property in each Improvement District have the same lien priority as the general property taxes levied by the County of Riverside (the "County"). *Ad valorem* taxes levied in an Improvement District will be used only to pay debt service on the District Bond issued for such Improvement District and will not be available to pay debt service on District Bonds issued for any other Improvement District. Each District Bond is secured and payable from such annual *ad valorem* taxes and other pledged funds, as described under the caption "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," for the applicable Improvement District. The principal amounts of the District Bonds of the Improvement Districts are as follows:

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NOS.
15, 18, 22, 24, U-2, U-4, U-5, U-6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 AND U-36
PRINCIPAL AMOUNT OF DISTRICT BONDS**

<i>Improvement District No.</i>	<i>Principal Amount of District Bond</i>
15	\$ 80,000
18	135,000
22	1,205,000
24	90,000
U-2	485,000
U-4	725,000
U-5	55,000
U-6	1,610,000
U-8	2,605,000
U-9	1,875,000
U-10	135,000
U-12	190,000
U-14	35,000
U-18	330,000
U-21	95,000
U-22	1,550,000
U-35	5,575,000
U-36	5,580,000

Source: Eastern Municipal Water District.

For a further description of the debt service requirements for the District Bonds, see the caption “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Debt Service Schedules.”

No Other Outstanding District Obligations

Upon the refunding of the Refunded Bonds as described under the caption “REFUNDING PLAN,” none of the Improvement Districts will have any other general obligation bonds or other obligations outstanding.

Additional District Bonded Indebtedness Authorized

The total bonded indebtedness and the remaining amount authorized but unissued for each of the Improvement Districts (excluding the Refunded Bonds) will be as follows:

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NOS.
15, 18, 22, 24, U-2, U-4, U-5, U-6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 AND U-36
TOTAL BONDED INDEBTEDNESS**

<i>Improvement District No.</i>	<i>District Bonds</i>	<i>Outstanding Principal Amount of Previously Issued Bonds Not Being Refunded⁽¹⁾</i>	<i>Total Outstanding Indebtedness</i>	<i>Remaining Amount Authorized But Unissued</i>
15	\$ 80,000	\$0	\$ 80,000	\$ 65,000
18	135,000	0	135,000	130,000
22	1,205,000	0	1,205,000	0
24	90,000	0	90,000	0
U-2	485,000	0	485,000	0
U-4	725,000	0	725,000	0
U-5	55,000	0	55,000	935,000
U-6	1,610,000	0	1,610,000	0
U-8	2,605,000	0	2,605,000	0
U-9	1,875,000	0	1,875,000	1,507,000
U-10	135,000	0	135,000	0
U-12	190,000	0	190,000	100,000
U-14	35,000	0	35,000	440,000
U-18	330,000	0	330,000	0
U-21	95,000	0	95,000	0
U-22	1,550,000	0	1,550,000	9,800,000
U-35	5,575,000	0	5,575,000	37,200,000
U-36	5,580,000	0	5,580,000	10,688,000

⁽¹⁾ Excludes Refunded Bonds.

Source: Eastern Municipal Water District.

The District does not currently plan to issue any additional bonds for any of the Improvement Districts. However, the District may need to issue additional bonds for one or more of the Improvement Districts to finance replacement and rehabilitation of capital facilities and reserves its right to do so.

The Bonds

The Bonds are special revenue obligations of the Authority payable solely from: (i) all amounts derived from or with respect to the District Bonds, including, but not limited to, all payments of principal thereof and interest thereon; and (ii) investment income with respect to any moneys held by the Trustee in the funds and accounts (except the Rebate Fund) established under the Indenture (collectively, the “**Revenues**”). Payments of principal of and interest on the District Bonds are designed to be sufficient in time and amount to pay the principal of and interest on the Bonds as they become due and payable.

The Authority

The Authority is a public body duly organized and existing under the Joint Exercise of Powers Agreement, dated as of April 1, 2015 (the “**JPA Agreement**”), by and between the District and Community Facilities District No. 2001-01 (French Valley) of the Eastern Municipal Water District, a community facilities district duly organized and validly existing pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 *et seq.* of the California Government Code (the “**CFD**”), and under the Constitution and laws of the State. The Authority was formed for the purpose of assisting in the financing and refinancing of capital improvement projects of the District and to finance working capital for the District by exercising the powers referred to in the JPA Agreement, including the power to issue bonds to pay the costs of public improvements. Neither the District nor the CFD is responsible for repayment of the obligations of the other. The members of the Board of Directors of the Authority are the members of the Board of Directors of the District. See the caption “EASTERN MUNICIPAL WATER DISTRICT FINANCING AUTHORITY.”

The District

The District was organized under the Law, on October 16, 1950 for the primary purpose of importing Colorado River water to its service area in order to augment local water supplies. The District’s service area is primarily located in the westerly third of Riverside County. As of Fiscal Year 2021, the District imported approximately 49% of its water supply (including approximately 75% of its potable water supply) from The Metropolitan Water District of Southern California (“**MWD**”) and derived approximately 51% of its water supply (including approximately 25% of its potable water supply) from local sources, including groundwater, desalinated water and recycled water. In general, the District supplies approximately 50% of the water consumed within the District’s service area each year; the remainder is provided by private groundwater wells and other agencies.

In 1962, the District began providing wastewater treatment services to customers within its service area and, as a consequence, has become actively involved in the production of recycled water (i.e., wastewater that has been treated to a level that is acceptable for non-domestic purposes).

For further information about the District, see the caption “EASTERN MUNICIPAL WATER DISTRICT” and Appendix A.

The Improvement Districts

The Improvement Districts were each established by action of the District’s Board of Directors to provide water and sewer facilities to specific geographic areas within the District’s boundaries. Each Improvement District was established pursuant to and is governed under the Law.

The District formed the Improvement Districts in order to allocate funding responsibility for capital facilities to the areas that will benefit from such capital facilities and to separate areas on the basis of projected timing of development so that capital facilities construction can be matched to the development approval decisions of the respective local agency that makes them. Some of the Improvement Districts share in the

funding of the District's regional facilities which the Improvement Districts will use in common, such as major water importation, production or treatment facilities or sewer treatment plants.

Each Improvement District has a respective plan of works and a certain amount of authorized general obligation bonded indebtedness, as shown under the caption “—Additional District Bonded Indebtedness Authorized.” The obligation to repay bonds issued on behalf of an Improvement District is secured in each instance by the power of the District to levy and collect within such Improvement District *ad valorem* taxes on taxable property (enforceable by customary rights to foreclose and sell property for delinquent taxes). These powers and functions are exercised for each Improvement District by the Board of Directors of the District.

Although the respective funding obligations of each Improvement District are separate and independent, the Improvement Districts are not operated as separate or independent governmental entities, nor do they have governing boards or any staff. The Improvement Districts are geographical subdivisions of the District through which the District funds capital improvements.

For further information relating to each Improvement District, see the captions “EASTERN MUNICIPAL WATER DISTRICT—The Improvement Districts” and Appendix B.

Professionals Involved in the Offering

U.S. Bank National Association will act as Trustee under the Indenture and as Fiscal Agent for the District Bonds. J.P. Morgan Securities LLC is acting as the underwriter of the Bonds (the “**Underwriter**”). All proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel (“**Bond Counsel**”). Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed on for the District and the Authority by Olivarez Madruga Lemieux O’Neill, LLP, Westlake Village, California, as General Counsel. The Underwriter is being represented by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Other professional services have been provided by PFM Financial Advisors LLC, Los Angeles, California, as municipal advisor.

Other Information

The summaries and references to the Indenture, the District Resolutions, the Continuing Disclosure Certificate executed by the District as of the date of issuance of the Bonds (the “**Continuing Disclosure Certificate**”) and all other documents, statutes, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by the provisions of the full such document, statute, report or instrument, copies of which are available for inspection at the offices of the District in Perris, California or from the Trustee upon request and payment of duplication cost. The capitalization of any word that is not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture or the District Resolutions and, as used herein, has the meaning given to it therein. See Appendix E for summaries of certain provisions of the Indenture and the District Resolutions. Unless otherwise indicated, all financial and statistical information in this Official Statement has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related items. Any Bond Owner can obtain a copy of publicly available information from the District. Additional information concerning the Official Statement may be obtained by contacting the Trustee or the District's Chief Financial Officer, P.O. Box 8300, Perris, California 92572-8300, Telephone (951) 928-3777.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of

the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in Appendix A.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds, and other sources of funds, are as follows:

Sources of Funds⁽¹⁾

Par Amount of Bonds	\$22,355,000
Plus Original Issue Premium	4,758,368
Funds on Hand ⁽²⁾	<u>1,466,454</u>
Total Sources	<u><u>\$28,579,822</u></u>

Uses of Funds⁽¹⁾

Purchase of District Bonds	\$28,290,432
Contribution to Payment of Refunded Bonds	211,952
Underwriter's Discount	<u>77,438</u>
Total Uses	<u><u>\$28,579,822</u></u>

⁽¹⁾ Rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Reflects excess moneys collected in previous years for debt service on the Refunded Bonds.

The estimated sources and uses of funds received from the sale and purchase of the District Bonds are as follows:

<i>Sources of Funds</i> ⁽¹⁾	<i>ID 15</i>	<i>ID 18</i>	<i>ID 22</i>	<i>ID 24</i>	<i>ID U-2</i>	<i>ID U-4</i>	<i>ID U-5</i>	<i>ID U-6</i>
Purchase Price of District Bonds	\$ 98,430	\$ 166,125	\$ 1,489,741	\$ 96,682	\$ 591,930	\$ 887,993	\$ 67,648	\$ 1,965,443
Funds on Hand	<u>5,853</u>	<u>22,527</u>	<u>23,073</u>	<u>57,335</u>	<u>66,915</u>	<u>70,592</u>	<u>7,661</u>	<u>132,700</u>
Total Sources	\$ 104,283	\$ 188,652	\$ 1,512,814	\$ 154,017	\$ 658,845	\$ 958,585	\$ 75,309	\$ 2,098,143
<i>Uses of Funds</i> ⁽¹⁾								
Refunding Cost	\$ 102,487	\$ 184,679	\$ 1,499,759	\$ 153,223	\$ 654,496	\$ 950,521	\$ 74,075	\$ 2,083,415
Costs of Issuance ⁽²⁾	<u>1,796</u>	<u>3,972</u>	<u>13,054</u>	<u>794</u>	<u>4,350</u>	<u>8,064</u>	<u>1,235</u>	<u>14,729</u>
Total Uses	\$ 104,283	\$ 188,652	\$ 1,512,814	\$ 154,017	\$ 658,845	\$ 958,585	\$ 75,309	\$ 2,098,143

⁽¹⁾ Rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Includes fees of Municipal Advisor, Trustee, Fiscal Agent, Bond Counsel, Disclosure Counsel, rating agency and miscellaneous fees and expenses.

<i>Sources of Funds</i> ⁽¹⁾	<i>ID U-8</i>	<i>ID U-9</i>	<i>ID U-10</i>	<i>ID U-12</i>	<i>ID U-14</i>	<i>ID U-18</i>	<i>ID U-21</i>	<i>ID U-22</i>
Purchase Price of District Bonds	\$ 3,199,654	\$ 2,274,487	\$ 150,008	\$ 237,038	\$ 39,387	\$ 354,202	\$ 116,633	\$ 1,868,854
Funds on Hand	<u>150,141</u>	<u>118,716</u>	<u>33,409</u>	<u>21,104</u>	<u>-</u>	<u>-</u>	<u>12,569</u>	<u>188,457</u>
Total Sources	\$ 3,349,795	\$ 2,393,203	\$ 183,417	\$ 258,142	\$ 39,387	\$ 354,202	\$ 129,202	\$ 2,057,311
<i>Uses of Funds</i> ⁽¹⁾								
Refunding Cost	\$ 3,324,230	\$ 2,377,973	\$ 180,621	\$ 255,710	\$ 35,515	\$ 348,050	\$ 125,826	\$ 2,044,665
Costs of Issuance ⁽²⁾	<u>25,565</u>	<u>15,230</u>	<u>2,797</u>	<u>2,432</u>	<u>3,872</u>	<u>6,152</u>	<u>3,376</u>	<u>12,645</u>
Total Uses	\$ 3,349,795	\$ 2,393,203	\$ 183,417	\$ 258,142	\$ 39,387	\$ 354,202	\$ 129,202	\$ 2,057,311

⁽¹⁾ Rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Includes fees of Municipal Advisor, Trustee, Fiscal Agent, Bond Counsel, Disclosure Counsel, rating agency and miscellaneous fees and expenses.

<i>Sources of Funds</i> ⁽¹⁾	<i>ID U-35</i>	<i>ID U-36</i>	<i>Total</i>
Purchase Price of District Bonds	\$ 6,713,388	\$ 6,718,286	\$ 27,035,929
Funds on Hand	<u>275,945</u>	<u>279,457</u>	<u>1,466,454</u>
Total Source	\$ 6,989,333	\$ 6,997,743	\$ 28,502,383
<i>Uses of Funds</i> ⁽¹⁾			
Refunding Cost	\$ 6,943,020	\$ 6,952,167	\$ 28,290,432
Costs of Issuance ⁽²⁾	<u>46,313</u>	<u>45,576</u>	<u>211,952</u>
Total Uses	\$ 6,989,333	\$ 6,997,743	\$ 28,502,383

⁽¹⁾ Rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Includes fees of Municipal Advisor, Trustee, Fiscal Agent, Bond Counsel, Disclosure Counsel, rating agency and miscellaneous fees and expenses.

THE REFUNDING PLAN

The Authority will cause the Trustee to deliver a portion of the net proceeds of the sale of the District Bonds to U.S. Bank National Association, as the paying agent (the “**Paying Agent**”) for the Refunded District Bonds. The moneys delivered to the Paying Agent from the Trustee, together with other moneys contributed by the District, will be applied to pay the principal of the Refunded District Bonds on or about the date of issuance of the Bonds (the “**Redemption Date**”), together with accrued interest on the Refunded District Bonds through the Redemption Date, without premium.

In accordance with the indentures pursuant to which the Refunded Bonds were issued, the redemption of the Refunded District Bonds will cause a special mandatory redemption of the Refunded Bonds on the Redemption Date at a redemption price equal to the principal of the Refunded Bonds, together with accrued interest on the Refunded Bonds through the Redemption Date, without premium.

As a result of the deposit and application of funds as provided above, as of the Redemption Date: (i) all obligations of the District with respect to the Refunded District Bonds will be defeased in accordance with the provisions of the resolutions pursuant which the Refunded District Bonds were issued; and (ii) all obligations of the Western Riverside Water and Wastewater Financing Authority with respect to the Refunded Bonds will be defeased in accordance with the provisions of the indentures pursuant which the Refunded Bonds were issued.

The amounts delivered to the Paying Agent for the purposes described above are pledged solely to the redemption of the Refunded District Bonds, and, in turn, the Refunded Bonds, and will not be available for payments on the Bonds.

THE BONDS

Authority for Issuance and Purpose

The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code), the Authority Resolution and the Indenture. The District Bonds are being issued pursuant to the Law, Chapter 3, Part 1, Division 2, Title 5 of the California Government Code and the District Resolutions.

Description of the Bonds

The Bonds will be issued in the form of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds mature on September 1 of each year as shown on the inside front cover page. The Bonds will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates shown on the inside front cover page. See the caption “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Debt Service Schedules.”

Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2022 (each, an “**Interest Payment Date**”). Interest will be payable from the Interest Payment Date next preceding the date of authentication thereof unless: (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date (as such term is defined in the Indenture), in which event it will bear interest from such Interest Payment Date; (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date; or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided in the Indenture. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment

Date will be payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special Record Date to be established by the Trustee for the payment of such defaulted interest to be fixed by the Trustee, notice of which will be given to such Owner not less than ten days prior to such special Record Date. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal of the Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the Office of the Trustee. Payment of principal on any Bond will be made only upon presentation and surrender of such Bond at the Office of the Trustee.

Redemption

Optional Redemption. The Bonds due on or before September 1, 2031 are not subject to optional call and redemption prior to their respective maturity dates. The Bonds due on and after September 1, 2032 are subject to redemption prior to their respective maturity dates, at the option of the Authority, from any source of available funds (except prepayments of District Bonds) in whole or in part in integral multiples of \$5,000, on September 1, 2031 or any date thereafter at a redemption price equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date of redemption, without premium.

Special Mandatory Redemption. The Bonds due on or before September 1, 2031 are not subject to special mandatory call and redemption prior to their respective maturity dates. The Bonds due on and after September 1, 2032 are subject to special mandatory redemption prior to their respective maturity dates, if the Authority or the Trustee receives an optional prepayment of District Bonds, in whole or in part, in integral multiples of \$5,000, in an aggregate amount equal to the principal amount of the District Bonds so prepaid, on September 1, 2031 or any date thereafter at a redemption price equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date of redemption, without premium.

Immediately upon its receipt of: (i) any notice from the Fiscal Agent for the District Bonds of the optional prepayment of any District Bonds; and (ii) the Written Certificate of the Authority and the report of an Independent Financial Consultant that are described in the Indenture, the Trustee will mail notice of the redemption of Bonds in an aggregate principal amount equal to the principal amount of District Bonds being prepaid and Bonds in such principal amount will be redeemed on the date fixed for prepayment of such District Bonds.

Selection of Bonds for Redemption

Optional Redemption. If less than all of the Bonds that are eligible to be optionally redeemed in advance of their respective maturity dates are to be so redeemed at one time, the Trustee will select the Bonds to be so redeemed as proportionately as possible (in integral multiples of authorized denominations) among the various maturities then subject to redemption. Notwithstanding the foregoing, the Trustee will select Bonds for redemption from the maturity or maturities specified by the Authority if, prior to selecting Bonds for redemption, the Trustee receives a Written Certificate of the Authority directing the Trustee to call Bonds of one or more specified maturities accompanied by a report of an Independent Financial Consultant demonstrating that the remaining payments of principal of and interest on the District Bonds that will be outstanding subsequent to such redemption, together with other available Revenues, will be sufficient to pay when due the principal of and interest on the Bonds that will remain Outstanding subsequent to such redemption. The Bonds to be redeemed from any particular maturity will be selected by lot in such manner as the Trustee may determine.

Special Mandatory Redemption. If less than all the Bonds that are eligible to be redeemed as a result of a special mandatory redemption in advance of their respective maturity dates are to be so redeemed at one time, the Trustee will select the Bonds to be so redeemed in the amounts and from the maturity or maturities

specified by the Authority in a Written Certificate of the District accompanied by a report of an Independent Financial Consultant demonstrating that the remaining payments of principal of and interest on the District Bonds that will be outstanding subsequent to such redemption, together with other available Revenues, will be sufficient to pay when due the principal of and interest on the Bonds that will remain Outstanding subsequent to such redemption. The Bonds to be redeemed from any particular maturity will be selected by lot in such manner as the Trustee may determine.

Notice of Redemption

The Trustee, on behalf and at the expense of the Authority, will mail (by first-class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books and to the Securities Depositories and to one or more Information Services at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and designate the CUSIP numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, will state that the redemption of the Bonds is subject to there being on deposit with the Trustee on the redemption date, moneys sufficient to redeem the portion of the Bonds as set forth in the notice and will require that such Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. Such redemption notice may state that no representation is made as to the accuracy or correctness of the CUSIP numbers that are printed thereon or on the Bonds.

Book-Entry Only System

One fully-registered Bond will be issued for each maturity of the Bonds in the principal amount of the Bonds of such maturity. Such Bonds will be registered in the name of Cede & Co. and will be deposited with The Depository Trust Company (“DTC”). So long as the ownership of the Bonds is registered in the name of Cede & Co., the term “Owner” as used in this Official Statement refers to Cede & Co. and not to the actual purchasers of the Bonds (the “Beneficial Owners”).

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Authority cannot and does not give any assurances that DTC Participants or others will distribute payments on the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix G for additional information concerning DTC.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds are special revenue obligations of the Authority payable solely from: (i) all amounts derived from or with respect to the District Bonds, including, but not limited to, all payments of principal thereof and interest thereon; and (ii) investment income with respect to any moneys held by the Trustee in the funds and accounts (except the Rebate Fund) established under the Indenture (collectively, the “Revenues”). Payments of principal of and interest on the District Bonds are designed to be sufficient in time and amount to pay the principal of and interest on the Bonds as they become due and payable. Each District Bond represents

a general obligation of the District for a particular Improvement District and is payable from annual *ad valorem* taxes levied upon the taxable property within such Improvement District.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture, except money held in the Rebate Fund, have been pledged by the Authority to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. The foregoing pledge constitutes a lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee, upon the physical delivery thereof.

The Authority has transferred in trust and assigned to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Improvement District Bonds, if any. The Trustee is entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority and will forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under and with respect to the Improvement District Bonds.

Ad valorem Taxes

Ad valorem taxes may be levied under the Law based on the assessed valuation of taxable property. The District levies *ad valorem* taxes upon all taxable property within its improvement districts which are sufficient, together with other available funds, to meet debt service requirements of the improvement districts. The *ad valorem* taxes that are levied upon taxable property within the improvement districts are collected by the County at the same time and in the same manner as general property taxes, and when received are paid to the District. Such assessments are payable in two installments on November 1 and February 1 of each Fiscal Year and become delinquent on December 10 and April 10 of such year. See the caption “*AD VALOREM TAXES.*”

The District has covenanted that it will levy *ad valorem* taxes on the taxable property within each Improvement District without limit as to rate or amount based on the assessed value of taxable property, in amounts sufficient and at the times necessary to provide money for the payment of the principal of and interest on the District Bonds as the same become due. *Ad valorem* taxes levied in an Improvement District will be used only to pay debt service on the District Bond issued for such Improvement District and will not be available to pay debt service on the District Bond issued for the other Improvement District.

As additional security for the District Bonds, there has been established a lien on the following funds received from or attributable to each Improvement District to the extent that said funds are received by the District for the payment of the principal of and the interest on the District Bonds: (i) proceeds from the foreclosure of property to the extent necessary to pay delinquent *ad valorem* taxes; and (ii) investment earnings, if any, on foreclosure proceeds and *ad valorem* taxes collected by the District.

The rate of *ad valorem* taxes per \$100 of (full cash value) assessed valuation levied on all taxable property within each Improvement District for Fiscal Year 2021-22 is set forth below:

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NOS.
15, 18, 22, 24, U-2, U-4, U-5, U-6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 AND U-36
RATES OF *AD VALOREM* TAXES FOR FISCAL YEAR 2021-22**

<i>Improvement District No.</i>	<i>Rate of Ad valorem Taxes per \$100 of (Full Cash Value) Assessed Valuation</i>
15	\$0.040
18	0.026
22	0.003
24	N/A ⁽¹⁾
U-2	0.010
U-4	0.050
U-5	0.016
U-6	0.050
U-8	0.002
U-9	0.050
U-10	0.033
U-12	0.008
U-14	0.020
U-18	0.015
U-21	0.020
U-22	0.010
U-35	0.019
U-36	0.019

⁽¹⁾ No levy on tax roll. Debt service paid from net water and wastewater revenues remaining after the payment of operation and maintenance costs.

Source: Eastern Municipal Water District.

Other Available Moneys to Pay the District Bonds

As additional security for the payment of the District Bonds, the District has covenanted in each District Resolution that in the event that sufficient funds are not available to pay the principal of and interest on the applicable District Bonds from *ad valorem* taxes, the District will pay such amounts from any legally available money of the District, including cash reserves and water and sewer revenues of the District available after the payment of: (i) maintenance and operation costs of the District’s water and sewer system; and (ii) debt service and other contractual obligations of the District which are secured by a pledge and lien on such water and sewer revenues.

See Appendix A under the caption “Historical Cash Balances” for a discussion of recent available balance sheets and cash balances of the District. See Appendix A under the caption “Water and Sewer System Debt” for a discussion of outstanding debt and contractual obligations which are secured by a pledge of and lien on the District’s water and sewer system revenues.

Flow of Funds

Pursuant to the Indenture, all Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the Trustee will establish, maintain and hold in trust. All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Moneys raised by the District for the purpose of paying the principal of and interest on the District Bonds will be paid to the Fiscal Agent for the District Bonds not less than three Business Days after receipt by the District, and the Fiscal Agent will transfer from the Bond Funds for the

District Bonds to the Trustee not less than five Business Days prior to each Interest Payment Date as payment of interest on and principal of the District Bonds, as the case may be, the amount coming due on such Interest Payment Date.

The Trustee will transfer from the Revenue Fund and deposit into the following respective accounts of the Revenue Fund (each of which the Trustee will establish and maintain in trust separate and distinct from the other funds and accounts established under the Indenture), the following amounts at the following times in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account lower in priority:

Interest Account. On each Interest Payment Date the Trustee will deposit in the Interest Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable. Any amounts on deposit in the Interest Account on any Interest Payment Date and not required to pay interest then due and payable on the Bonds will be retained in the Interest Account and credited towards the payment of interest on the Bonds next coming due.

Principal Account. On each September 1, commencing September 1, 2022, the Trustee will deposit in the Principal Account an amount which, together with the amounts then on deposit therein, is required to cause the aggregate amount on deposit in the Principal Account to equal the amount of the principal (if any) coming due and payable (whether at maturity or by reason of mandatory sinking fund redemption) on the outstanding Bonds on such September 1. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal of the Bonds whether at the stated maturity thereof or by reason of mandatory sinking fund redemption.

Redemption Account. On each day on which it receives an optional prepayment of a District Bond from the Fiscal Agent for the District Bonds, the Trustee will deposit: (i) in the Interest Account, Revenues in an amount equal to the interest payable upon the redemption of the Bonds to be called and redeemed as a result of such prepayment; and (ii) in the Redemption Account, the Revenues representing the principal amount of the prepayment and any prepayment premium associated therewith. The Trustee will also deposit in the Redemption Account any other money delivered to it by the Authority accompanied by a Written Request of the Authority that such money be so deposited.

Application of Surplus. On September 1 of each year after all payments have been made as provided in the Indenture, the balance of money in the Revenue Fund will, at the Written Request of the Authority, be transferred to the Rebate Fund, the Interest Account, the Principal Account or returned to the District to be used for any lawful purpose of the District.

No Reserve Fund

No debt service reserve fund or account has been established in connection with the issuance of the Bonds or the District Bonds.

Debt Service Schedules

The following tables show the debt service schedules for the Bonds and each series of the District Bonds. The first table below also shows for each Bond Year that the total amount of debt service payments on all of the District Bonds corresponds to annual debt service payments on the Bonds.

**EASTERN MUNICIPAL WATER DISTRICT FINANCING AUTHORITY
DEBT SERVICE SCHEDULE FOR THE BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 3,725,000.00	\$ 732,437.20	\$ 4,457,437.20
2023	965,000.00	851,850.00	1,816,850.00
2024	1,010,000.00	803,600.00	1,813,600.00
2025	930,000.00	753,100.00	1,683,100.00
2026	985,000.00	706,600.00	1,691,600.00
2027	995,000.00	657,350.00	1,652,350.00
2028	1,050,000.00	607,600.00	1,657,600.00
2029	1,105,000.00	555,100.00	1,660,100.00
2030	1,155,000.00	499,850.00	1,654,850.00
2031	1,210,000.00	442,100.00	1,652,100.00
2032	1,260,000.00	381,600.00	1,641,600.00
2033	1,335,000.00	318,600.00	1,653,600.00
2034	1,385,000.00	265,200.00	1,650,200.00
2035	1,450,000.00	209,800.00	1,659,800.00
2036	905,000.00	151,800.00	1,056,800.00
2037	900,000.00	115,600.00	1,015,600.00
2038	975,000.00	79,600.00	1,054,600.00
2039	<u>1,015,000.00</u>	<u>40,600.00</u>	<u>1,055,600.00</u>
Total ⁽¹⁾	\$22,355,000.00	\$8,172,387.20	\$30,527,387.20

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. 15 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 5,000.00	\$ 2,645.83	\$ 7,645.83
2023	5,000.00	3,500.00	8,500.00
2024	5,000.00	3,250.00	8,250.00
2025	5,000.00	3,000.00	8,000.00
2026	5,000.00	2,750.00	7,750.00
2027	5,000.00	2,500.00	7,500.00
2028	5,000.00	2,250.00	7,250.00
2029	5,000.00	2,000.00	7,000.00
2030	5,000.00	1,750.00	6,750.00
2031	5,000.00	1,500.00	6,500.00
2032	5,000.00	1,250.00	6,250.00
2033	10,000.00	1,000.00	11,000.00
2034	5,000.00	600.00	5,600.00
2035	<u>10,000.00</u>	<u>400.00</u>	<u>10,400.00</u>
Total ⁽¹⁾	\$80,000.00	\$28,395.83	\$108,395.83

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. 18 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 15,000.00	\$ 4,550.83	\$ 19,550.83
2023	5,000.00	5,700.00	10,700.00
2024	5,000.00	5,450.00	10,450.00
2025	10,000.00	5,200.00	15,200.00
2026	10,000.00	4,700.00	14,700.00
2027	10,000.00	4,200.00	14,200.00
2028	10,000.00	3,700.00	13,700.00
2029	10,000.00	3,200.00	13,200.00
2030	10,000.00	2,700.00	12,700.00
2031	10,000.00	2,200.00	12,200.00
2032	10,000.00	1,700.00	11,700.00
2033	10,000.00	1,200.00	11,200.00
2034	10,000.00	800.00	10,800.00
2035	<u>10,000.00</u>	<u>400.00</u>	<u>10,400.00</u>
Total ⁽¹⁾	\$135,000.00	\$45,700.83	\$180,700.83

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. 22 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 95,000.00	\$ 40,287.22	\$ 135,287.22
2023	60,000.00	52,350.00	112,350.00
2024	65,000.00	49,350.00	114,350.00
2025	70,000.00	46,100.00	116,100.00
2026	75,000.00	42,600.00	117,600.00
2027	75,000.00	38,850.00	113,850.00
2028	80,000.00	35,100.00	115,100.00
2029	85,000.00	31,100.00	116,100.00
2030	90,000.00	26,850.00	116,850.00
2031	95,000.00	22,350.00	117,350.00
2032	100,000.00	17,600.00	117,600.00
2033	100,000.00	12,600.00	112,600.00
2034	105,000.00	8,600.00	113,600.00
2035	<u>110,000.00</u>	<u>4,400.00</u>	<u>114,400.00</u>
Total ⁽¹⁾	\$1,205,000.00	\$428,137.22	\$1,633,137.22

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. 24 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 35,000.00	\$3,175.00	\$38,175.00
2023	25,000.00	2,750.00	27,750.00
2024	<u>30,000.00</u>	<u>1,500.00</u>	<u>31,500.00</u>
Total ⁽¹⁾	\$90,000.00	\$7,425.00	\$97,425.00

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-2 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 70,000.00	\$ 16,263.06	\$ 86,263.06
2023	25,000.00	19,550.00	44,550.00
2024	25,000.00	18,300.00	43,300.00
2025	25,000.00	17,050.00	42,050.00
2026	25,000.00	15,800.00	40,800.00
2027	30,000.00	14,550.00	44,550.00
2028	30,000.00	13,050.00	43,050.00
2029	30,000.00	11,550.00	41,550.00
2030	35,000.00	10,050.00	45,050.00
2031	35,000.00	8,300.00	43,300.00
2032	35,000.00	6,550.00	41,550.00
2033	40,000.00	4,800.00	44,800.00
2034	40,000.00	3,200.00	43,200.00
2035	<u>40,000.00</u>	<u>1,600.00</u>	<u>41,600.00</u>
Total ⁽¹⁾	\$485,000.00	\$160,613.06	\$645,613.06

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-4 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 75,000.00	\$ 23,530.28	\$ 98,530.28
2023	30,000.00	29,600.00	59,600.00
2024	30,000.00	28,100.00	58,100.00
2025	30,000.00	26,600.00	56,600.00
2026	30,000.00	25,100.00	55,100.00
2027	35,000.00	23,600.00	58,600.00
2028	40,000.00	21,850.00	61,850.00
2029	40,000.00	19,850.00	59,850.00
2030	40,000.00	17,850.00	57,850.00
2031	40,000.00	15,850.00	55,850.00
2032	45,000.00	13,850.00	58,850.00
2033	45,000.00	11,600.00	56,600.00
2034	45,000.00	9,800.00	54,800.00
2035	55,000.00	8,000.00	63,000.00
2036	35,000.00	5,800.00	40,800.00
2037	35,000.00	4,400.00	39,400.00
2038	35,000.00	3,000.00	38,000.00
2039	<u>40,000.00</u>	<u>1,600.00</u>	<u>41,600.00</u>
Total ⁽¹⁾	\$725,000.00	\$289,980.28	\$1,014,980.28

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-5 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$10,000.00	\$ 1,834.44	\$11,834.44
2023	-	2,100.00	2,100.00
2024	-	2,100.00	2,100.00
2025	-	2,100.00	2,100.00
2026	5,000.00	2,100.00	7,100.00
2027	5,000.00	1,850.00	6,850.00
2028	5,000.00	1,600.00	6,600.00
2029	5,000.00	1,350.00	6,350.00
2030	-	1,100.00	1,100.00
2031	5,000.00	1,100.00	6,100.00
2032	5,000.00	850.00	5,850.00
2033	5,000.00	600.00	5,600.00
2034	5,000.00	400.00	5,400.00
2035	<u>5,000.00</u>	<u>200.00</u>	<u>5,200.00</u>
Total ⁽¹⁾	\$55,000.00	\$19,284.44	\$74,284.44

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-6 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 185,000.00	51,717.22	\$ 236,717.22
2023	55,000.00	64,050.00	119,050.00
2024	60,000.00	61,300.00	121,300.00
2025	60,000.00	58,300.00	118,300.00
2026	65,000.00	55,300.00	120,300.00
2027	70,000.00	52,050.00	122,050.00
2028	70,000.00	48,550.00	118,550.00
2029	75,000.00	45,050.00	120,050.00
2030	80,000.00	41,300.00	121,300.00
2031	85,000.00	37,300.00	122,300.00
2032	85,000.00	33,050.00	118,050.00
2033	90,000.00	28,800.00	118,800.00
2034	95,000.00	25,200.00	120,200.00
2035	100,000.00	21,400.00	121,400.00
2036	105,000.00	17,400.00	122,400.00
2037	105,000.00	13,200.00	118,200.00
2038	110,000.00	9,000.00	119,000.00
2039	<u>115,000.00</u>	<u>4,600.00</u>	<u>119,600.00</u>
Total ⁽¹⁾	\$1,610,000.00	667,567.22	\$2,277,567.22

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-8 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 290,000.00	\$ 87,171.39	\$ 377,171.39
2023	130,000.00	109,050.00	239,050.00
2024	135,000.00	102,550.00	237,550.00
2025	145,000.00	95,800.00	240,800.00
2026	150,000.00	88,550.00	238,550.00
2027	160,000.00	81,050.00	241,050.00
2028	170,000.00	73,050.00	243,050.00
2029	175,000.00	64,550.00	239,550.00
2030	185,000.00	55,800.00	240,800.00
2031	195,000.00	46,550.00	241,550.00
2032	200,000.00	36,800.00	236,800.00
2033	215,000.00	26,800.00	241,800.00
2034	225,000.00	18,200.00	243,200.00
2035	<u>230,000.00</u>	<u>9,200.00</u>	<u>239,200.00</u>
Total ⁽¹⁾	\$2,605,000.00	\$895,121.39	\$3,500,121.39

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-9 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 285,000.00	\$ 60,571.94	\$ 345,571.94
2023	65,000.00	71,600.00	136,600.00
2024	65,000.00	68,350.00	133,350.00
2025	70,000.00	65,100.00	135,100.00
2026	75,000.00	61,600.00	136,600.00
2027	75,000.00	57,850.00	132,850.00
2028	80,000.00	54,100.00	134,100.00
2029	85,000.00	50,100.00	135,100.00
2030	90,000.00	45,850.00	135,850.00
2031	95,000.00	41,350.00	136,350.00
2032	100,000.00	36,600.00	136,600.00
2033	105,000.00	31,600.00	136,600.00
2034	110,000.00	27,400.00	137,400.00
2035	115,000.00	23,000.00	138,000.00
2036	115,000.00	18,400.00	133,400.00
2037	90,000.00	13,800.00	103,800.00
2038	125,000.00	10,200.00	135,200.00
2039	<u>130,000.00</u>	<u>5,200.00</u>	<u>135,200.00</u>
Total ⁽¹⁾	\$1,875,000.00	\$742,671.94	\$2,617,671.94

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-10 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 40,000.00	\$ 4,762.50	\$ 44,762.50
2023	20,000.00	4,750.00	24,750.00
2024	25,000.00	3,750.00	28,750.00
2025	25,000.00	2,500.00	27,500.00
2026	<u>25,000.00</u>	<u>1,250.00</u>	<u>26,250.00</u>
Total ⁽¹⁾	\$135,000.00	\$17,012.50	\$152,012.50

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-12 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 5,000.00	\$ 6,314.72	\$ 11,314.72
2023	10,000.00	8,700.00	18,700.00
2024	10,000.00	8,200.00	18,200.00
2025	10,000.00	7,700.00	17,700.00
2026	15,000.00	7,200.00	22,200.00
2027	10,000.00	6,450.00	16,450.00
2028	15,000.00	5,950.00	20,950.00
2029	15,000.00	5,200.00	20,200.00
2030	15,000.00	4,450.00	19,450.00
2031	15,000.00	3,700.00	18,700.00
2032	15,000.00	2,950.00	17,950.00
2033	15,000.00	2,200.00	17,200.00
2034	20,000.00	1,600.00	21,600.00
2035	<u>20,000.00</u>	<u>800.00</u>	<u>20,800.00</u>
Total ⁽¹⁾	\$190,000.00	\$71,414.72	\$261,414.72

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-14 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 5,000.00	\$1,234.72	\$ 6,234.72
2023	10,000.00	1,500.00	11,500.00
2024	5,000.00	1,000.00	6,000.00
2025	5,000.00	750.00	5,750.00
2026	<u>10,000.00</u>	<u>500.00</u>	<u>10,500.00</u>
Total ⁽¹⁾	\$35,000.00	\$4,984.72	\$39,984.72

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-18 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$130,000.00	\$11,641.67	\$141,641.67
2023	95,000.00	10,000.00	105,000.00
2024	<u>105,000.00</u>	<u>5,250.00</u>	<u>110,250.00</u>
Total ⁽¹⁾	\$330,000.00	\$26,891.67	\$356,891.67

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-21 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$10,000.00	\$ 3,139.72	\$ 13,139.72
2023	5,000.00	3,950.00	8,950.00
2024	5,000.00	3,700.00	8,700.00
2025	5,000.00	3,450.00	8,450.00
2026	5,000.00	3,200.00	8,200.00
2027	5,000.00	2,950.00	7,950.00
2028	5,000.00	2,700.00	7,700.00
2029	5,000.00	2,450.00	7,450.00
2030	5,000.00	2,200.00	7,200.00
2031	10,000.00	1,950.00	11,950.00
2032	5,000.00	1,450.00	6,450.00
2033	10,000.00	1,200.00	11,200.00
2034	10,000.00	800.00	10,800.00
2035	<u>10,000.00</u>	<u>400.00</u>	<u>10,400.00</u>
Total ⁽¹⁾	\$95,000.00	\$33,539.72	\$128,539.72

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-22 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$ 330,000.00	\$ 52,211.11	\$ 382,211.11
2023	70,000.00	57,500.00	127,500.00
2024	70,000.00	54,000.00	124,000.00
2025	75,000.00	50,500.00	125,500.00
2026	80,000.00	46,750.00	126,750.00
2027	85,000.00	42,750.00	127,750.00
2028	90,000.00	38,500.00	128,500.00
2029	95,000.00	34,000.00	129,000.00
2030	100,000.00	29,250.00	129,250.00
2031	100,000.00	24,250.00	124,250.00
2032	105,000.00	19,250.00	124,250.00
2033	115,000.00	14,000.00	129,000.00
2034	115,000.00	9,400.00	124,400.00
2035	<u>120,000.00</u>	<u>4,800.00</u>	<u>124,800.00</u>
Total ⁽¹⁾	\$1,550,000.00	\$477,161.11	\$2,027,161.11

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-35 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$1,070,000.00	\$ 180,586.94	\$1,250,586.94
2023	175,000.00	202,450.00	377,450.00
2024	185,000.00	193,700.00	378,700.00
2025	195,000.00	184,450.00	379,450.00
2026	205,000.00	174,700.00	379,700.00
2027	215,000.00	164,450.00	379,450.00
2028	225,000.00	153,700.00	378,700.00
2029	240,000.00	142,450.00	382,450.00
2030	250,000.00	130,450.00	380,450.00
2031	260,000.00	117,950.00	377,950.00
2032	275,000.00	104,950.00	379,950.00
2033	290,000.00	91,200.00	381,200.00
2034	300,000.00	79,600.00	379,600.00
2035	315,000.00	67,600.00	382,600.00
2036	325,000.00	55,000.00	380,000.00
2037	335,000.00	42,000.00	377,000.00
2038	350,000.00	28,600.00	378,600.00
2039	<u>365,000.00</u>	<u>14,600.00</u>	<u>379,600.00</u>
Total ⁽¹⁾	<u>\$5,575,000.00</u>	<u>\$2,128,436.94</u>	<u>\$7,703,436.94</u>

⁽¹⁾ Totals may not add due to rounding.
Source: Underwriter.

**EASTERN MUNICIPAL WATER DISTRICT
DEBT SERVICE SCHEDULE FOR THE IMPROVEMENT DISTRICT NO. U-36 DISTRICT BONDS**

<i>Bond Year (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2022	\$1,070,000.00	\$ 180,798.61	\$1,250,798.61
2023	180,000.00	202,750.00	382,750.00
2024	185,000.00	193,750.00	378,750.00
2025	200,000.00	184,500.00	384,500.00
2026	205,000.00	174,500.00	379,500.00
2027	215,000.00	164,250.00	379,250.00
2028	225,000.00	153,500.00	378,500.00
2029	240,000.00	142,250.00	382,250.00
2030	250,000.00	130,250.00	380,250.00
2031	260,000.00	117,750.00	377,750.00
2032	275,000.00	104,750.00	379,750.00
2033	285,000.00	91,000.00	376,000.00
2034	300,000.00	79,600.00	379,600.00
2035	310,000.00	67,600.00	377,600.00
2036	325,000.00	55,200.00	380,200.00
2037	335,000.00	42,200.00	377,200.00
2038	355,000.00	28,800.00	383,800.00
2039	<u>365,000.00</u>	<u>14,600.00</u>	<u>379,600.00</u>
Total ⁽¹⁾	<u>\$5,580,000.00</u>	<u>\$2,128,048.61</u>	<u>\$7,708,048.61</u>

⁽¹⁾ Totals may not add due to rounding.

Source: Underwriter.

EASTERN MUNICIPAL WATER DISTRICT FINANCING AUTHORITY

The Authority is a public body duly organized and existing under JPA Agreement and the Constitution and laws of the State. The Authority was formed for the purpose of assisting in the financing and refinancing of capital improvement projects of the District and to finance working capital for the District by exercising the powers referred to in the JPA Agreement, including the power to issue bonds to pay the costs of public improvements. Neither the District nor the CFD is responsible for repayment of the obligations of the other. The members of the Board of Directors of the Authority are the members of the Board of Directors of the District.

EASTERN MUNICIPAL WATER DISTRICT

General

The District was organized under the Law, on October 16, 1950 for the primary purpose of importing Colorado River water to its service area in order to augment local water supplies. The District's service area is primarily located in the westerly third of the County, encompassing approximately 357,100 acres (approximately 558 square miles). The District is authorized to acquire, control, distribute, store, treat, reclaim, recapture and salvage any water (including sewage) for the beneficial use of the District, its inhabitants and the owners of rights to water in the District.

As of Fiscal Year 2021, the District imported approximately 49% of its water supply (including approximately 75% of its potable water supply) from The Metropolitan Water District of Southern California and derived approximately 51% of its water supply (including approximately 25% of its potable water supply) from local sources, including groundwater, desalinated water and recycled water. In general, the District

supplies approximately 50% of the water consumed within the District's service area each year; the remainder is provided by private groundwater wells and other agencies.

In 1962, the District began providing wastewater treatment services to customers within its service area and, as a consequence, has become actively involved in the production of recycled water (i.e., wastewater that has been treated to a level that is acceptable for non-domestic purposes).

The County's population was approximately 2.5 million as of calendar year 2020. Of this total population, the District serves approximately 34%. The District has estimated that the population of the District's service area as of 2021 was approximately 875,000.

The District's water and wastewater customers include retail customers (e.g., residential, commercial and agricultural) located in both incorporated and unincorporated areas within the District's service area, as well as wholesale customers (e.g., municipalities and local water districts) located within its service area.

See Appendices A and B for additional information regarding the District.

Development Within the District

Since its formation in 1950, the District has successfully planned, designed, financed and constructed major water and sewer system infrastructure. Development is continuing within each of the Improvement Districts and within the District as a whole. The District's Board of Directors (the "**Board**") serves as the governing board of several dozen community facilities districts. The District estimates that it is currently approximately 40% built out and full buildout of the land within the District is not expected for several decades.

Board of Directors

The District is governed by a five-member, publicly elected, Board. Directors are elected by geographic divisions for staggered four year terms. The Board regularly meets on the first and third Wednesday of each month and has five standing committees: Administrative, Executive, Planning, Deferred Compensation Administrative Oversight and Operations/Engineering. These committees review District matters and recommend action to be taken by the full Board.

Philip E. Paule – Board President. A Board member since 2007, Philip E. Paule was re-elected to another four-year term in 2019. He is a graduate of California State University, Fullerton and has worked at various levels of government for the past two decades. Mr. Paule previously served as Board President from 2013 to 2014 and currently serves on the Board's Administrative and Executive committees as well as the Ad Hoc Committee for the Lake Hemet Municipal Water District. He currently serves on the Board of the Hemet/San Jacinto Watermaster. He also serves as a liaison to the Pechanga and Soboba tribal committees and as the District's representative to the Western Riverside Council of Governments. Mr. Paule is also on the Executive Committee of CalDesal. His current Board term expires in January 2023.

Randy A. Record – Board Vice President. A Board member since January 8, 2001, Randy A. Record has previously served a two-year term as Board President. Mr. Record has been active in the San Jacinto farming community for more than three decades. A 1976 graduate of California State Polytechnic University, San Luis Obispo, Mr. Record holds a Bachelor of Science degree in agricultural management, continuing his education in irrigation management. Beginning in January 2003, he has represented the District on the MWD Board and is its past Chair as well as a member of its Executive Committee. He is also a member of MWD's Water Planning and Stewardship Committee, Engineering and Operations Committee, Finance and Insurance Committee, Legal and Claims Committee, Communications and Legislation Committee, Organization Personnel and Technology Committee, Audit and Ethics Committee, Special Committee on Bay Delta, Agriculture and Industry Relations Committee, Integrated Resources Planning Committee and Real Property

and Asset Management Committee. He serves on the District's Executive and Planning committees. Mr. Record is a past President of the Association of California Water Agencies. His current Board term expires in January 2025.

Stephen J. Corona – Director. Stephen J. Corona was first elected to the Board in 2018 and serves on the Planning Committee, the Western Riverside Water and Wastewater Financing Authority and the Joint Committee for both the Elsinore Valley Municipal Water District and Rancho California Water District. He is currently President of Corona Ranch, a diversified farming operation in the City of Temecula, growing grapefruit, avocados, onions, sod and hay. The Corona family also operates the Big Horse Feed Store. In 2001, Mr. Corona was elected to the Board of the Rancho California Water District, a position he held for 16 years, serving as President on three occasions. Mr. Corona has also served on other boards and committees, including the Riverside County Farm Bureau, the Riverside County General Plan Advisory Committee, Citrus, and the Elsinore-Murrieta-Anza Resource Conservation District. Mr. Corona also previously worked for Wells Fargo Bank. His current Board term will expire in January 2023.

Jeff Armstrong – Director. Mr. Armstrong was first elected to the Board in 2020 and serves on the Operations/Engineering Committee and the Joint Committee with Elsinore Valley Municipal Water District. Jeff Armstrong is a retired Water Resources Manager with more than 32 years of experience in the water industry. He has held positions including General Manager, Chief Financial Officer, Treasurer and Controller. Mr. Armstrong has a Bachelor's degree in business administration from California State University, Long Beach and a Master's degree in business administration from the University of Redlands. His current Board term expires in January 2025.

David J. Slawson – Director. A Board member since January 1995, Mr. Slawson has previously served twice as Board President. Both a licensed Professional Land Surveyor and licensed California attorney, he is a former member of the California Department of Consumer Affairs Board of Registration for Professional Engineers and Land Surveyors. Mr. Slawson is president of Winchester Associates, a civil engineering and land surveying firm. A longtime resident of Moreno Valley, Mr. Slawson is also a former Moreno Valley city planning commissioner. Mr. Slawson serves on the Board's Administrative and Operations/Engineering Committees. He also serves as the liaison with Western Municipal Water District, is the chair of the Santa Ana Watershed Project Authority and serves as an alternate representative to the Western Region Council of Governments. His current Board term expires in January 2023.

District Management

Joe Mouawad, P.E. – General Manager. Joe Mouawad, P.E., General Manager, began his career with the District in August 2006. Mr. Mouawad has 25 years of professional engineering experience in both the public and private sectors. He served as Senior Director of Engineering with the District for 10 years before he was promoted to Assistant General Manager, Planning, Engineering, and Construction, in December 2016. He has been responsible for all engineering services performed by the District, including the execution of its \$460 million five-year water, wastewater and recycled water capital improvements program. Mr. Mouawad is a registered professional engineer in the State of California, with a Bachelor of Science degree in Civil Engineering from California State Polytechnic University, Pomona and a Masters of Science degree in Civil Engineering from University of California, Los Angeles. Mr. Mouawad was appointed as the District's General Manager effective May 3, 2021.

Nick Kanetis – Deputy General Manager. Nick Kanetis, Deputy General Manager, joined the District in March 2014. His oversight responsibility includes operations as well as planning, engineering and construction. Previously, Mr. Kanetis was the Director of Engineering of Orange County Sanitation District ("OCSD"), where he was responsible for the planning, design and construction of OCSD's approximately \$2 billion capital improvement program. Prior to his service at OCSD, Mr. Kanetis filled executive management positions in private engineering consulting with a focus on the design, planning and construction management of municipal water and wastewater infrastructure projects. Mr. Kanetis has more than 30 years of experience

in the public and private sectors managing operations and the delivery of water and wastewater services. Mr. Kanetis is a registered professional engineer in the State of California and a licensed general building contractor. Mr. Kanetis received his Bachelor of Science degree in civil engineering degree with honors from The City University in London, England.

Laura M. Nomura, CPA – Deputy General Manager and Treasurer. Laura M. Nomura, CPA, Deputy General Manager and Treasurer, joined the District in 2018. Her oversight responsibility includes all accounting functions, budget and rate development, debt and investments and strategic financial planning, as well as information systems, customer service, human resources, risk management, meter services, purchasing and contract management. Previously, Ms. Nomura was the Assistant General Manager-Finance and Chief Financial Officer for the City of Riverside Public Utilities for approximately six years. Prior to her service at the City of Riverside, Ms. Nomura held a variety of senior financial management positions in the public and private sectors. Ms. Nomura has more than 30 years of experience in financial management, accounting and auditing. Ms. Nomura received a Bachelor of Arts degree in Accounting from California State University, Fullerton, and is a Certified Public Accountant. She received her master's in organizational leadership from the University of Redlands in May 2021.

Matthew Melendrez – Assistant General Manager, Operations and Maintenance. Matthew Melendrez, Assistant General Manager, Operations and Maintenance joined the District in 2018. Mr. Melendrez has over 15 years of experience in engineering, operations and management and is responsible for water system operations, water reclamation and maintenance functions of the District. Mr. Melendrez received a Bachelor of Science degree in Chemical Engineering from California State Polytechnic University, Pomona and a Master of Public Administration degree from California State University, San Bernardino. Mr. Melendrez is a registered professional engineer in the State of California and holds a Grade V Wastewater Treatment Plant Operator Certification.

Lanaya Alexander – Assistant General Manager, Planning, Engineering and Construction. Lanaya Voelz Alexander, Assistant General Manager, Planning, Engineering and Construction joined the District in April 2019. Ms. Alexander has more than 20 years of experience in water and wastewater infrastructure planning and project execution and is responsible for implementation of the District's Capital Improvement Program, development services and environmental and regulatory compliance. Prior to joining the District, Ms. Alexander was a Vice President at a global engineering and construction company, where she served as the principal-in-charge and senior project manager for a variety of complex projects and programs. Ms. Alexander is a registered professional engineer in the State of California, with a Bachelor of Science degree in Environmental Engineering from the California State Polytechnic University, San Luis Obispo.

John F. Adams – Chief Financial Officer. John F. Adams, Chief Financial Officer, joined the District in 2020. He manages the District's financial programs, including financial planning, budget, treasury, debt management, rates and charges and accounting. Prior to joining the District, Mr. Adams was the Chief Financial Officer for the State Bar of California. Prior to joining the State Bar of California, he served as the Finance Director and Treasurer for the City of Thousand Oaks, a full-service city that also operates its own water and wastewater divisions, and as an Accounting Manager for the City of West Hollywood. Mr. Adams received a Bachelor's degree in Business Administration from California State University, Northridge.

Thomas Hays – Senior Financial Manager and Deputy Treasurer. Thomas Hays, Senior Financial Manager and Deputy Treasurer, joined the District in April 2019. His responsibilities include managing the District's debt portfolio and its active land-secured financing program. Previously, Mr. Hays was the Deputy City Treasurer for the City of Palm Springs, where he managed the City's financial management program including the investment and debt portfolios. He also previously worked for the City of Riverside overseeing its Treasury Division and spent several years working in private sector finance at JPMorgan Chase. Mr. Hays received a Bachelor of Arts degree with honors in Business Administration from California Baptist University and a Master of Business Administration in Finance from the University of La Verne.

The Improvement Districts

The organization of the District is such that long range planning to meet future water supply and wastewater treatment needs and interagency coordination are responsibilities of the overall District. Multiple improvement districts have been formed to meet the needs of specific portions of the District based upon such factors as land use, topography, land ownership and the timing and characteristics of water supply and wastewater treatment needs. These improvement districts provide a basis for facilities design, the adoption of plans of works for the construction of facilities, authorization of bonds and the determination and levy of taxes, and enable the District to maintain an equitable relationship between the cost and value of facilities which the District provides. There is no separate administrative staff for the respective improvement districts. The staff of the District provides the planning and administrative staffing needs for the improvement districts.

As authorized under the Law, the District has established 61 separate special improvement districts within its service area for the purpose of providing water and wastewater improvements for each such special improvement district and charging the costs of such improvements to each such special improvement district through *ad valorem* taxes levied and collected on property located within the boundaries of each such special improvement district. The District provides water and sewer service to retail customers located within each special improvement district.

See also the caption “INTRODUCTION—The Improvement Districts” for general information about the District’s improvement districts and Appendix B for specific information about each Improvement District that is issuing a series of District Bonds.

COVID-19 Outbreak

The spread of the novel strains of coronavirus that are collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“**COVID-19**”), and local, State and federal actions in response to COVID-19, have impacted the District’s operations and finances. In response to COVID-19 infections and fatalities, health officials and experts recommended, and some governments mandated, a variety of responses ranging from travel bans and social distancing practices to complete shutdowns of certain services and facilities beginning in March 2020. The World Health Organization declared the COVID-19 outbreak to be a pandemic and, on March 4, 2020, as part of the State’s response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State temporarily closed some or all school campuses (including schools within the District’s service area) in response to local and State directives or guidance.

On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. Certain aspects of the shelter-in-place directives were extended indefinitely until indicators for modifying the stay-at-home order have been met. On April 6, 2020, the County also declared a state of emergency in response to the COVID-19 outbreak. On May 4, 2020, the Governor issued an executive order informing local health jurisdictions and industry sectors that they could gradually re-open under new modifications and guidance provided by the State. A phased re-opening of various sectors in accordance with a four-stage re-opening plan ended with a full reopening of the economy on June 15, 2021. Although pursuant to the re-opening plan, some restrictions on activities were eased, restrictions have also been re-imposed in various jurisdictions (including the County) as local conditions warranted, including in neighboring Los Angeles County as a result of the proliferation of the Delta variant of SARS-CoV-2, and such restrictions could be expanded as the pandemic continues.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “**CARES Act**”) which provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for

reimbursement of certain costs which are expended to address the impacts of the pandemic. The District does not expect to receive CARES Act funding directly (although approximately \$124,318 was provided to District customers through a County program to assist with utility payments), but is tracking its pandemic-related expenses and may elect to apply for Federal Emergency Management Act funding in the future. The District cannot predict what State and/or federal funding or other relief it will ultimately receive. Any funds received by the District under the CARES Act are not available for payment of the Bonds or the District Bonds and cannot be used to backfill any District revenue losses related to COVID-19.

On December 27, 2020, the President signed the \$900 billion Coronavirus Response and Relief Supplemental Appropriations Act. Although the act did not provide additional financial assistance to state and local governments, it did extend the deadline (to the end of 2021) for them to use unspent funds that were previously approved under the CARES Act.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the “**ARP Act**”), a \$1.9 trillion economic stimulus package designed to help the United States’ economy recover from the adverse impacts of the COVID-19 pandemic. The ARP Act includes approximately \$350 billion in aid to state and local governments, consisting of both direct funding from the United States Department of Treasury and program moneys that will flow from other federal agencies. Half of the aid to state and local governments will be distributed in spring 2021, with the other half following in 2022. County governments have been allocated a total of approximately \$65.1 billion under the ARP Act and any District funding received under the ARP Act will be allocated through the County. Any ARP Act funds received by the District must be used: (i) to assist households, small businesses, nonprofit entities and impacted industries including hospitality, travel and tourism; (ii) to pay a salary premium to essential workers up to \$13 an hour with an annual cap of \$25,000; (iii) to cover for lost revenue in providing services; and (iv) to make investments in water, sewer or broadband infrastructure.

The effects of the COVID-19 outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets caused the California Public Employees Retirement System’s earnings to fall below its investment targets in Fiscal Year 2020, which could result in increases in the District’s unfunded pension liability and future pension costs commencing in Fiscal Year 2023. The onset of the outbreak resulted in pressure on State and local finances, as budgetary resources were directed towards containing the pandemic and tax revenues sharply declined. As of the date of this Official Statement, the United States, including the County, continues to experience COVID-19 infections and fatalities.

In response to the COVID-19 outbreak, the District staggered employee shifts, enabled certain employees to telecommute and moved employees to multiple locations in order to prevent large gatherings of personnel at any one time and maintain their health and the District’s water and wastewater operations. In addition, on-site personnel are wearing masks and practicing social distancing while working. Access to the District’s administrative offices and in-person access to Board meetings have been restricted. The District has not experienced does not foresee an impact on its operations at this time as a result of the COVID-19 outbreak.

In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 (“**Order N-61-20**”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code were suspended until May 6, 2021 to the extent that they required a tax collector to impose penalties, costs or interest for the failure of residential and certain commercial property owners to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest were cancelled under the conditions that were provided for in Order N-61-20, including if the property was residential real property which was occupied by the taxpayer or qualified as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer filed a claim for relief with the tax collector and the

taxpayer demonstrated economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto. These actions prevented the District from receiving penalties and interest on delinquent property tax payments in 2020 and 2021, but did not have a material impact on total property tax revenues received by the District during such period.

In addition, the Governor has suspended utility service shutoffs through December 31, 2021, and the District will not seek to collect late fees or penalties. Although no service charges are being forgiven, the District's accounts receivable amount increased to \$5,649,936 as of May 1, 2021 as a result of the foregoing policy. The District has made low income assistance programs available to delinquent customers and is participating in the California Water and Wastewater Arrearage Payment Program (the "CWWAPP"), a State program that will provide up to \$1 billion to water service providers to cover delinquencies by commercial and residential customers during the period between March 4, 2020 and June 15, 2021. CWWAPP funds will initially be available to cover potable water service charge delinquencies, with delinquencies in wastewater service charges covered to the extent that funds remain after water service charges are covered. The District has submitted an application to cover water service arrearages totaling \$3,585,593 under the CWWAPP, and expects to apply in early 2022 for approximately \$1.2 million in CWWAPP funding to cover sewer service arrearages.

Although the COVID-19 pandemic to date does not appear to be having a material adverse impact on the real estate market in Southern California (with the residential real estate market in particular experiencing robust growth), there is no assurance that the pandemic will not have a material adverse effect on the real estate market in the future, including the market value of the taxable properties within the Improvement Districts or property owners' willingness and ability to pay property taxes when due.

The District reports that Fiscal Year 2021 Water and Sewer System revenues and expenses were not materially affected by the COVID-19 outbreak, and the District does not expect Fiscal Year 2022 Water and Sewer System revenues or expenses to be materially affected by the COVID-19 outbreak. The District's water and wastewater rates include fixed rates that are payable without regard to the amount of water used, which mitigates a portion of the impact of reduced water use by customers, if any. The District has experienced increases in water demand since the onset of the pandemic due to the high percentage of residential customers within the District's service area. Also, many commercial and industrial customers in the District's service area have been deemed essential businesses during the emergency shutdowns and consumption has remained at near historic levels. Furthermore, the District does not rely heavily on the tourism and entertainment industries.

Notwithstanding the foregoing, the COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Although the District continues to monitor the impact of COVID-19 on its operations and finances closely, the ultimate impact of the outbreak to the District is unknown.

AD VALOREM TAXES

General

Ad valorem taxes may be levied under the Law based on the assessed valuation of taxable property, including the value of the improvements thereon. The District, under this authority, levies *ad valorem* taxes upon all taxable property within its several improvement districts in amounts that are sufficient to meet debt service requirements in the respective improvement districts. The *ad valorem* taxes are collected by the County at the same time and in the same manner as general property taxes, and when received are paid to the District.

State law allows an exemption in the amount of \$7,000 of the full value of owner-occupied dwellings, and business inventories are exempt from assessment and taxation by the County Assessor. However, the State reimburses all local taxing jurisdictions for the loss of revenues resulting from these exemptions.

Property in the State which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax that is levied on unsecured property may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of other liens.

Secured property taxes, including the *ad valorem* taxes that are levied by the District, are due on November 1 and February 1 of each year and become delinquent on December 10 and April 10, respectively, of each year.

The entire tax may be paid at the time that the first installment is due. A penalty of 10% is added to the first installment if not paid on or before December 10, and a penalty of 10% is added to the second installment if not paid on or before April 10, together with \$23.00 for each delinquent parcel. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month which accrues from July 1 to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Taxes on property that is assessed on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to the delinquent taxes on property on the unsecured roll and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the Fiscal Year.

The exclusive means of compelling the payment of delinquent taxes with respect to secured property is the sale of the property securing the taxes for the amount of taxes that are delinquent. The taxing authority has three methods of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) obtaining a judgment lien on certain property of the taxpayer from the county clerk or county recorder; and (3) seizing and selling personal property, improvements or possessory interests belonging or taxable to the assessee.

Recent delinquency rates for the Improvement Districts are set forth in Appendix B.

See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for a discussion of certain risks associated with the collection of property taxes.

Unitary Property

A portion of the property tax assessment within the Improvement Districts is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“**unitary property**”). Under the State Constitution, such property is assessed by the State Department of Taxation and Finance Administration (the “**CDTFA**”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by the CDTFA, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to a statutory formula that is generally based on the distribution of taxes in the prior year.

Appeals and Adjustments of Assessed Valuations

Taxable property values determined by the County Assessor may be subject to an appeal by the property owner. Assessment appeals may be annually filed with the County Assessment Appeals Board for

hearing and resolution. At the time of filing, applicants are required to estimate an opinion of value. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the applicant/property owner. Any reduction in assessed taxable values of property within a particular improvement district may require an increase in the *ad valorem* tax rate on the property within the improvement district to provide sufficient funds to pay debt service on its outstanding bonds.

Under Proposition 8, property owners may apply for a temporary reduction of their property tax assessment by filing a written application, in the form prescribed by the CDTFA, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as recent residential home sales prices or the occurrence of a calamity) cause the current market value of the real property to be less than the current assessed value of such property, as of the annual property tax lien date of January 1. Any reduction in the assessment that may be granted as a result of such owner appeal applies to the year for which application is made and during which the written application was filed.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the County, as occurred between 2009 and 2011) and may temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIII A (currently, a 2% maximum) until such assessed value again equals the Article XIII A base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIII A and base year values may not be increased more than the standard Article XIII A annual inflationary factor growth rate. A change in ownership or new construction while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIII A base year value for such property. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES."

A second type of assessment appeal involves an owner appeal of the Article XIII A base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The Article XIII A base year value is determined by the completion date of new construction or the date of change of ownership. Any Article XIII A base year value appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax owner appeals or county assessor reviews in the future will not significantly reduce the assessed valuation of property within the District.

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 et seq. of the State Revenue and Taxation Code. Accordingly, the County Auditor-Controller distributes 100% of property tax revenues allocated to each city and special district in the County without regard to delinquencies in the payment of property taxes. As a result of the implementation of the Teeter Plan by the County, the County apportions secured property taxes and assessments on an accrual basis when due (irrespective of actual collections) to participating local political subdivisions for which the County acts as the levying or collecting agency. The

District does *not* participate in this plan. As a result, the District is subject to the risk of delinquencies in the payment of property taxes. Historically, however, the District’s receipt of penalties and interest from prior year delinquencies have more than offset current year delinquencies.

See, however, the caption “EASTERN MUNICIPAL WATER DISTRICT—COVID-19 Outbreak” for a discussion of Order N-61-20, which suspended the imposition of penalties and interest on delinquent property tax payments through May 6, 2021. Order N-61-20 did not have a material impact on total property tax revenues received by the District during such period.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Principal of and interest on each series of Improvement District Bonds are payable from the proceeds of an *ad valorem* tax that is levied on the taxable property within the applicable Improvement District in an amount that is sufficient for the payment thereof. See the caption “SECURITY FOR AND SOURCES OF PAYMENTS OF THE BONDS.” The ability of the District to levy taxes and spend tax proceeds is affected by the State Constitutional provisions that are discussed in this caption. The District believes that the tax levied for payment of the Improvement District Bonds was approved by the voters of the Improvement Districts in compliance the below-described provisions.

Article XIII A

On June 6, 1978, California voters approved Proposition 13 (also known as the Jarvis-Gann Initiative), a Statewide initiative relating to the taxation of real property which added Article XIII A to the California Constitution (“**Article XIII A**”).

Article XIII A limits the taxing powers of public agencies in California. Article XIII A provides that the maximum *ad valorem* tax on real property cannot exceed one percent of the “full cash value” of the property, and effectively prohibits the levying of any other *ad valorem* property tax except for taxes above the level that is required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data. Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there will be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and other special circumstances.

The limitations of Article XIII A do not apply to *ad valorem* taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition or any bonded indebtedness incurred by a school district for the construction, reconstruction, rehabilitation or replacement of school facilities approved by 55% of the voters of the district voting on the proposition.

On November 4, 1986, State voters approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership” for purposes of determining full cash value of property under Article XIII A. Under these measures, purchases and changes of ownership do not include the purchase or transfer of: (1) real property between spouses; and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the State Legislature to allow persons over age 55 who sell their residence and buy or build another residence of equal or lesser value within two years in the same county to transfer the old residence’s assessed value to the new residence. In the March 26, 1996 general election, voters approved Proposition 193, which extends the

parents-children exception to the reappraisal of assessed value. Proposition 193 also amended Article XIII A so that grandparents may transfer to their grandchildren whose parents are deceased their principal residences and the first \$1,000,000 of other property without a re-appraisal of assessed value.

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision to the level of appropriations of the particular governmental entity for the prior Fiscal Year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State Fiscal Year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (b) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by a vote of electors of the issuing entity and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State’s allowable limit. The District does not currently have and does not anticipate having “proceeds of taxes” in excess of its appropriations limit.

Proposition 218

An initiative measure, Proposition 218, which is commonly referred to as the “Right to Vote on Taxes Act” (the “**Initiative**”) was approved by State voters at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The Initiative could potentially impact the *ad valorem* assessments levied by the District to pay the principal of and interest on the District Bonds as described below.

The Initiative states that all taxes imposed by local governments shall be deemed to be either “general taxes” (imposed for general governmental purposes) or “special taxes” (imposed for specific purposes), prohibits special purpose government agencies, including the District, from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum

authorized rate without a two-thirds vote. The Initiative also provides that no tax may be assessed on property other than *ad valorem* taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. See the caption “—Article XIII A.”

Among other things, Section 3 of Article XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” On July 1, 1997, a bill was signed into law by the California Governor enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the *ad valorem* taxes levied by the District if such reduction would interfere with the timely retirement of the District Bonds. The provisions of the Initiative relating to the exercise of the initiative power have not been interpreted by the courts, and no assurance can be given as to the outcome of any such litigation. Remedies available to Beneficial Owners of the Bonds in the event of a default by the District in the payment of the District Bonds are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to the Bonds, including the opinion of Bond Counsel (the form of which is attached as Appendix D), are similarly qualified.

It may also be possible for voters or the Board of Directors of the District to reduce the *ad valorem* taxes levied to pay debt service on the District Bonds in a manner that does not interfere with the timely repayment of the District Bonds, but which does reduce the maximum amount of *ad valorem* taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of *ad valorem* taxes in amounts greater than the amount necessary for the timely retirement of the District Bonds. Therefore, no assurance can be given with respect to the levy of *ad valorem* taxes for the payment of debt service on the District Bonds.

The interpretation and application of Articles XIII C and XIII D will ultimately be determined by the courts with respect to a number of the matters that are discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

Proposition 22

From time to time legislation has been considered as part of the State budget to shift 1% *ad valorem* property tax revenues from special districts to school districts or other governmental entities. The State fiscal year 2004-05 and 2009-10 budgets reallocated portions of special districts’ shares of the countywide 1% *ad valorem* property tax, shifting a portion of the 1% *ad valorem* property tax revenues collected by the County from special districts such as the District to school districts.

On November 2, 2010, California voters approved Proposition 22, which: (i) prohibits the State from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii)

eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State's authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use Vehicle License Fee revenues to reimburse local governments for state-mandated costs.

Despite the passage of Proposition 22, there can be no assurance that 1% *ad valorem* property tax revenues which the District currently expects to receive will not be temporarily shifted from the District or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% *ad valorem* property tax revenues by the District.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D of the State Constitution and Proposition 22 were adopted pursuant to a measure that qualified for the ballot pursuant to the State's Constitutional initiative process, and the State Legislature has in the past enacted legislation that has altered the spending limitation or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to an initiative. From time to time, other initiative measures could be adopted by State voters or legislation enacted by the State Legislature that could impair the District's revenues or ability to increase revenues. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County or local districts to increase revenues or appropriations or on the ability of a property owner to complete the development of property within the Improvement Districts.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received with respect to the Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel’s opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached as Appendix D, and such legal opinion will be attached to each Bond. The Underwriter is being represented by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters will be passed upon for the District and the Authority by Olivarez Madruga Lemieux O’Neill, LLP, Westlake Village, California, as General Counsel, for the District by Stradling Yocca Carlson &

Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, and for the Trustee by its counsel.

LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds, the Indenture, the Authority Resolution, the District Bonds or the District Resolutions or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the District taken with respect to any of the foregoing.

Certain significant litigation involving the District is disclosed below. However, in the opinion of the District's General Counsel, there is no litigation pending against the District which would have a material adverse effect on the financial position or ability of the District to pay the interest and principal on the District Bonds.

SDCWA Litigation

In 2010, 2012, 2014, 2016 and 2018, the San Diego County Water Authority ("SDCWA"), a member of MWD, as is the District, filed lawsuits against MWD challenging MWD's adoption of water rates and charges effective January 1, 2011 through January 1, 2020. As an MWD rate payer, the District was named as a real party in interest and participated in all of the lawsuits. The 2010 and 2012 lawsuits were coordinated and proceeded to trial, while the 2014, 2016, and 2018 cases were stayed by the court, pending final resolution of the 2010 and 2012 cases.

SDCWA alleged in the lawsuits that MWD's water rates improperly allocated certain MWD costs, resulting in an overcharge to SDCWA. SDCWA alleged that such costs should be reclassified and reallocated so that MWD's remaining members, including the District, bear a larger share of the financial burden. On April 24, 2014, the trial court (San Francisco Superior Court) issued a final statement of decision in favor of SDCWA, finding no substantial evidence in the administrative record to support the inclusion of certain cost elements in MWD's water rates (in particular, MWD's System Access Rate and Water Stewardship Rate).

MWD and the member agencies appealed the trial court decision. On June 21, 2017, the California Court of Appeal issued an opinion (San Diego County Water Authority v. Metropolitan Water District of Southern California (2017) 12 Cal. App. 5th 1124, as modified on denial of rehearing (July 18, 2017), review denied (Sept. 27, 2017)), reversing the judgment and vacating a peremptory writ of mandate.

On appeal, the central issue in dispute was cost allocation of charges imposed by MWD for transporting ("wheeling") water purchased from a third party. The Court of Appeal held that the inclusion of MWD's system-wide transportation costs in the calculation of its wheeling rate, including charges paid to the State Water Project, did not violate the wheeling statutes or the terms of the Exchange Agreement. The court affirmed the trial court's finding that the wheeling rate cannot include MWD's Water Stewardship Rate (which was designed to fund a water conservation program) because the Water Stewardship Rate is supply-related, not transportation-related, and its inclusion as a component of the wheeling rate and Exchange Agreement transportation rates was unlawful. The Court of Appeal also found that SDCWA is entitled to recover the overcharges that resulted from inclusion of such charges in MWD's water rates.

MWD and SDCWA filed motions for entry of judgment as to the 2010 and 2012 actions, which were heard by the San Francisco Superior Court on July 30, 2020. On August 12, 2020, the court issued a Peremptory Writ of Mandate and Judgment pertaining to the 2010 and 2012 actions. Judgment was entered for SDCWA on the rate challenge, breach of contract, preferential rights and rate structure integrity causes of action. Judgment was entered for MWD on the breach of fiduciary duty and breach of the covenant of good faith and fair dealing causes of action. The Peremptory Writ of Mandate directs MWD to enact only legal wheeling and transportation rates in the future.

On September 11, 2020, MWD filed a notice of appeal of the court's August 12, 2020 Judgment and Peremptory Writ of Mandate. This appeal is currently pending. In addition, on January 13, 2021, following a December 16, 2020 hearing, the court issued an order on MWD and SDCWA's cross-motions for determination of the prevailing party under the Exchange Agreement in the 2010 and 2012 cases, finding that SDCWA is the prevailing party on the contract and is entitled to its attorneys' fees and costs thereunder.

On August 25, 2020, the court granted SDCWA's motions to lift the stays and file amended petitions/complaints in the 2014 and 2016 cases, and on August 28, 2020, SDCWA filed amended petitions/complaints in such cases. On September 28, 2020, MWD filed a demurrer to and motion to strike portions of SDCWA's First Amended Petition/Complaint in the 2014 action, and a demurrer to and motion to strike portions of SDCWA's Second Amended Petition/Complaint in the 2016 action. The real parties in interest in the action, including the District, filed joinders in these demurrers and motions to strike. On February 16, 2021, following a February 10, 2021 hearing, the court issued an order denying MWD's demurrers and motions to strike, allowing SDCWA to retain the contested allegations in its petitions/complaints. The petitions/complaints contain new claims pertaining to "offsetting benefits" allegedly owed to SDCWA under the wheeling statutes.

On November 13, 2020, the court issued an order designating the 2018 case complex and assigning the matter to a judge at the San Francisco Superior Court.

As a result of the Court of Appeal's decision, and depending upon the actions of the trial court in the pending 2014, 2016 and 2018 cases, the District's MWD water charges could increase. Because the District's policy is to pass MWD water rate increases through to its customers, the District does not believe that such an increase by MWD would have a material adverse effect on the ability of the District to pay debt service on the District Bonds when due.

Water Rate Litigation

On February 19, 2020, a class action complaint and petition for writ of mandate (collectively, the "**Water Rate Complaint**") was filed in the matter of *Kessner et al. v. City of Santa Clara et al.* in the Superior Court of California, County of Santa Clara (the "**Superior Court**"), on behalf of 81 purported customer classes (collectively, "**Plaintiffs**"), challenging the rates of 82 public water suppliers, including the District. The Water Rate Complaint alleges that the named defendants and respondents (collectively, "**Defendants**") unlawfully set water rates for retail customers that exceed the cost of service, in violation of Proposition 218. See Appendix A under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for a discussion of Proposition 218.

As pertinent to the District, Plaintiffs are challenging Defendants' retail water rates on the ground that they allegedly subsidize water service provided for general governmental purposes, including "subsidized public fire hydrant service."

The District was served with the Water Rate Complaint in March 2020. On March 9, 2020, the Superior Court issued an Order deeming the case complex and staying discovery and responsive pleading deadlines. Pursuant to the March 9, 2020 Order, the parties may not file or serve responsive pleadings until later orders of the Superior Court.

Plaintiffs filed a Petition to Coordinate the Water Rate Complaint with other Proposition 218 cases against water agencies in California. On October 19, 2020, the Superior Court denied the Petition. The Superior Court held Case Management Conferences on December 3, 2020, April 15, 2021 and June 24, 2021, has ordered a preliminary set of briefing on issues of venue, jurisdiction and joinder and has ordered the parties to meet and confer while keeping the discovery stay in place. A hearing on issues of venue, jurisdiction and joinder occurred May 20, 2021. Certain defendants filed a demurrer or, in the alternative, motion to sever and transfer venue. The Superior Court sustained the demurrer and provided Plaintiffs leave to amend.

The District was served with a Second Amended Complaint in June 2021. The Second Amended Complaint makes additional allegations and further alleges that water budget-based rates structures violate Proposition 218. Certain defendants have again filed a demurrer or, in the alternative, motion to sever and transfer venue. Another demurrer asserts that Plaintiffs have failed to exhaust administrative remedies, and has filed a demurrer accordingly. The hearing on both filings is scheduled for December 9, 2021.

The District is unable to predict the outcome of this litigation or the timing of any resolution. However, the District believes that its water rates were adopted in compliance with Proposition 218 and does not currently expect the Water Rate Complaint to have a material adverse effect on its ability to pay debt service on the District Bonds when due.

The District notes that, in fall 2020, the Governor of California signed Senate Bill 1386 (“**SB 1386**”), which adds provisions to the California Government Code establishing that the costs of water service chargeable to property owners properly include the cost of infrastructure, e.g., fire hydrants, that provide fire protection for nearby property. Although SB 1386 is a legislative statute and does not directly affect Proposition 218 or other State Constitutional provisions, the signing of SB 1386 into law may assist the District’s defense of the Water Rate Complaint.

FINANCIAL STATEMENTS

The audited financial statements of the District for the Fiscal Year ended June 30, 2021 (the “**Financial Statements**”) are set forth in Appendix C. In the opinion of the District, there has been no material adverse change in financial affairs of the District or the Improvement Districts since June 30, 2021. The Financial Statements are scheduled to be accepted by the District’s Board of Directors on December 15, 2021. The Financial Statements are public documents and are included within this Official Statement without the prior approval of District’s auditor. Accordingly, the District’s auditor has not performed any post-audit review of the financial condition of the District.

RATING

Fitch Ratings, Inc. (“**Fitch**”), is expected to assign the rating of “AAA” to the Bonds.

A rating is not a recommendation to buy, sell or hold securities. Future events, including the impacts of the COVID-19 pandemic that is described under the caption “EASTERN MUNICIPAL WATER DISTRICT—COVID-19 Outbreak,” could have an adverse impact on the ratings of the Bonds, and there is no assurance that any credit rating that is given to the Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by Fitch if, in the judgment of Fitch, circumstances so warrant, nor can there be any assurance that the criteria required to achieve a rating on the Bonds will not change during the period that the Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the ratings on the Bonds may have an adverse effect on the market price of the Bonds. Such ratings reflect only the current views of Fitch (which could change at any time), and an explanation of the significance of such rating may be obtained from Fitch. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file notices of rating changes on the Bonds. See the caption “CONTINUING DISCLOSURE” and Appendix F. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from Fitch prior to such information being provided to the District and prior to the date that the District is obligated to file a notice of rating change. Purchasers of the Bonds are directed to Fitch and its websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the Bonds, the District and the Improvement Districts by not later than each February 1 after the end of the District's Fiscal Year (the "**Annual Reports**"), and to provide notices of the occurrence of certain enumerated events. The obligation to file the first Annual Report due February 1, 2022 will be satisfied by the filing of this Official Statement with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board ("**EMMA**"), which can be found on the Internet at <http://emma.msrb.org>.

The Annual Reports and any Event Notice will be filed by the District with EMMA. The specific nature of the information to be contained in the Annual Reports and any Event Notice is set forth in Appendix F. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

The District believes that it is currently in material compliance with all of its continuing disclosure undertakings. However, previously:

(1) The Western Riverside Water and Wastewater Financing Authority did not timely file a significant event notice with respect to a rating upgrade with respect to such entity's Local Agency Revenue Refunding Bonds, 2016 Series A.

(2) The District did not timely file all significant event notices of changes in the ratings of certain outstanding bond obligations resulting from changes in ratings to the bond insurers which insured such obligations, changes in the short-term ratings of providers of liquidity facilities for certain bond obligations and upgrades in the underlying ratings for certain bond obligations.

The event notices that are described in paragraphs (1) and (2) above have been filed as of the date of this Official Statement.

On April 30, 2014, the District's Board adopted continuing disclosure policies and procedures. Such policies and procedures were updated and incorporated into the District's Comprehensive Debt Management Policy on January 18, 2017. In addition, District staff have undergone training to ensure compliance with continuing disclosure undertakings in the future.

MUNICIPAL ADVISOR

The District has retained PFM Financial Advisors LLC as municipal advisor (the "**Municipal Advisor**") in connection with the issuance of the Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information that is contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Underwriter will purchase the Bonds from the Authority at an aggregate purchase price of \$27,035,929.44, which is equal to the principal amount of the Bonds plus \$4,758,367.75 of original issue premium and less \$77,438.31 of Underwriter's discount. The Underwriter intends to offer the Bonds to the public initially at the offering price set forth on the inside front cover page of this Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter has entered into negotiated dealer agreements (each, a “**Dealer Agreement**”) with each of Charles Schwab & Co., Inc. (“**CS&Co.**”) and LPL Financial LLC (“**LPL**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter has provided, and may in the future provide, a variety of these services to the District and the Authority and to persons and entities with relationships with the District and the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District or the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District or the Authority. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Bond Counsel represents the Authority and the District in connection with the issuance of the Bonds. From time to time Bond Counsel represents the Underwriter in connection with other financings and matters that are unrelated to the Bonds. Bond Counsel does not represent the Underwriter with respect to the issuance of the Bonds.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for and the source for repayment for the Bonds and the rights and obligations of the owners thereof.

The information that is contained in this Official Statement has been compiled from official and other sources that are deemed to be reliable, and is believed to be correct as of its date, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

Any statements made in this Official Statement that involve matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District.

This Official Statement has been duly authorized and delivered by the Authority and the District.

EASTERN MUNICIPAL WATER DISTRICT
FINANCING AUTHORITY

By: /s/Philip E. Paule
Chair

EASTERN MUNICIPAL WATER DISTRICT

By: /s/Joe Mouawad, P.E.
General Manager

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

SUPPLEMENTAL INFORMATION REGARDING EASTERN MUNICIPAL WATER DISTRICT

This Appendix contains supplemental information about the District. This information has been provided by the District. However, it is subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the Bonds shall under any circumstance create any implication that there has been no change in the affairs of the District or in any other information contained herein since the date of the Official Statement. In particular, certain of the tables in this Appendix include data for periods prior to the outbreak of COVID-19 and may not reflect current information or conditions.

See the caption "SECURITY FOR AND SOURCES OF PAYMENT FOR THE BONDS" in the front part of this Official Statement for a discussion of the security for the Bonds and the District Bonds.

Organization, Purpose and Powers

Eastern Municipal Water District (the "**District**") was organized under the Municipal Water District Law, Division 20 of the Water Code of the State of California, as amended (the "**Law**"), on October 16, 1950 for the primary purpose of importing Colorado River water to its service area in order to augment local water supplies. The District's service area is primarily located in the westerly third of Riverside County. Prior to the District's formation, the local water supply largely consisted of groundwater wells. As of Fiscal Year 2021, the District imported approximately 49% of its water supply (including approximately 75% of its potable water supply) from The Metropolitan Water District of Southern California ("**MWD**") and derived approximately 51% of its water supply (including approximately 25% of its potable water supply) from local sources, including groundwater, desalinated water and recycled water. In general, the District supplies approximately 50% of the water consumed within the District's service area each year; the remainder is provided by private groundwater wells and other agencies.

In 1962, the District began providing wastewater treatment services to customers within its service area and, as a consequence, has become actively involved in the production of recycled water (i.e., wastewater that has been treated to a level that is acceptable for non-domestic purposes).

The District has estimated that the population within its 357,100 acre (558 square mile) service area was approximately 875,000 as of 2021. The District has over 150,000 water service connections and over 250,000 wastewater service connections. The District's water and wastewater customers include retail customers (e.g., residential, commercial and agricultural) located in both incorporated and unincorporated areas within the District's service area, as well as wholesale customers (e.g., municipalities and local water districts) located within its service area.

The District is authorized to acquire, control, distribute, store, treat, reclaim, recapture and salvage any water (including sewage) for the beneficial use of the District, its inhabitants and the owners of rights to water in the District.

The Law also authorizes the District to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, use of facilities or property or provisions for service; and to fix in each fiscal year of the District ending June 30 (each, a "**Fiscal Year**") a water standby or availability charge and a sewage and wastewater service standby or availability charge on land within the boundaries of the District to which water and sewage and wastewater services, respectively, are made available by the District. The District may also issue bonds, borrow money and incur indebtedness.

As authorized under the Law, the District has established 61 separate special improvement districts within its service area for the purpose of providing certain water and wastewater improvements for each such

special improvement district and charging the costs of such improvements to each such special improvement district through *ad valorem* taxes levied and collected on property located within the boundaries of each such special improvement district. Such *ad valorem* taxes levied and collected with respect to special improvement districts *do not* constitute revenues of the District's Water and Sewer System, and general obligation bonds that are issued by the District on behalf of each special improvement district constitute obligations of such special improvement district, not obligations of the District. However, the District provides Water and Sewer Service to retail customers located within these special improvement districts and the charges for such service *do* constitute revenues of the District's Water and Sewer System.

The District does not presently levy any taxes other than *ad valorem* taxes in respect of special improvement districts for repayment of general obligation bond indebtedness. However, as provided under California law, the District does receive a share of the county-wide 1% tax levied and collected by Riverside County, where the District is located. The proceeds of such share constitute water and sewer revenues and are available to pay maintenance and operation costs of the District's water and sewer system.

The District is a member agency of MWD and is currently entitled to have one District representative on MWD's Board of Directors. The District annexed into MWD on July 20, 1951, primarily to ensure a reliable water supply during periods of drought and to settle then-outstanding claims for water seepage into the San Jacinto Tunnel. The District was named "Eastern" as it was (and remains) the most easterly service area within MWD.

Employee Relations

As of July 1, 2021, the District had approximately 617 employees, of which 25 were in the Executive branch, 161 were in the Administrative Services branch, 269 were in the Operations and Maintenance branch and 162 were in the Engineering, Planning and Construction branch. The District's single bargaining unit, which includes 436 employees, is represented by the International Brotherhood of Electrical Workers Local 1436 (the "Union"). The District's Memorandum of Understanding (the "MOU") with the Union was approved and came into effect in March 2020 and expires on December 31, 2023. The MOU includes three tiers of retiree medical benefits. Labor and management maintain a stable, cooperative relationship, regularly working together to resolve problems of mutual interest. The District has never experienced a strike, slowdown or work stoppage.

Water and Sewer System Debt

Senior Obligations. The District has previously issued and may in the future elect to issue revenue bonds which are secured by a senior pledge of and lien on net water and sewer revenues. Currently, there are no such obligations outstanding, the last of such obligations having matured on July 1, 2020. Any such obligations which are issued in the future would be payable from a senior pledge of and lien on net water and sewer revenues.

State Contracts. The District has entered into several contracts (each, a "State Contract") to fund certain costs related to design and construction of District infrastructure in accordance with the terms of each State Contract. Each State Contract was entered into with the State of California Department of Water Resources ("DWR") or the State Water Resources Control Board (the "SWRCB"). Under each State Contract, the District drew upon available funds in increments as costs were incurred to finance projects. Repayment of the amounts borrowed is on a semi-annual basis and usually begins approximately one year following completion of the related project.

The District's obligations to make State Contract repayments are payable from a pledge of and lien on net water and sewer revenues. The following table sets forth the State Contracts related to completed projects which the District is currently repaying:

**EASTERN MUNICIPAL WATER DISTRICT
OUTSTANDING STATE CONTRACT OBLIGATIONS RELATING TO COMPLETED PROJECTS**

	<i>Loan Description</i>	<i>Project</i>	<i>Term</i>	<i>Interest Rate (%)</i>	<i>Total Debt Amount (Original)</i>	<i>Remaining Debt Balance (Outstanding)⁽¹⁾</i>	<i>Repayment End Date</i>
1.	Safe Drinking Water State Revolving Fund Loan	Hemet Water Filtration Plant	20 years	0.00%	\$ 42,098,388	\$ 13,551,258	7/1/2028
2.	State Revolving Fund No. 08-845-550 (Moreno Valley RWRf - SCATT)	Moreno Valley RWRf - SCATT	20 years	1.00	38,302,852	22,002,439	7/5/2032
3.	State Revolving Fund No. 09-809-550-1 (Moreno Valley RWRf - APAD)	Moreno Valley RWRf - APAD	20 years	0.42	43,908,096	26,786,068	3/16/2033
4.	State Revolving Fund No. C-06-7831-110 ⁽²⁾	Recycled Water Pond Expansion and Optimization	30 years	1.00	11,246,300	6,579,502	6/30/2047
5.	Water Recycling Project No. C-06-8047-110 ⁽³⁾	Temecula Valley Regional Wastewater Recovery Facility Expansion	30 years	1.80	<u>95,264,880</u>	<u>50,752,556</u>	2/21/2049
	Total				<u>\$ 230,820,516</u>	<u>\$ 119,671,823</u>	

⁽¹⁾ As of July 1, 2021, except for the loan described in Row 5, which reflects the expected outstanding amount when all draws are made upon this loan. See footnote (3) below.

⁽²⁾ \$3,448,130 of the amount of this State Contract constitutes a grant, contingent upon District repayment of the remaining principal amount plus interest.

⁽³⁾ \$15,000,000 of the amount of this State Contract constitutes a grant, contingent upon completion of the financed project. The District does not expect to draw on the full approved amount of \$95,264,880, as a portion of the project was funded from proceeds of the 2017D Bonds. See the caption “—Water and Sewer Revenue Bond Obligations.”

Source: Eastern Municipal Water District.

The District has also entered into an additional State Contract (the “**Alessandro Ponds Contract**”) in the approximate amount of \$795,400 to finance the Alessandro Ponds Recycled Water Storage System, which is designed to increase the District’s recycled water pond storage capacity so that recycled water need not be discharged in winter months when demand is low and can be sold in summer months when demand is high. Payments under the Alessandro Ponds Contract have been forgiven in full by the SWRCB. Projected debt service figures shown herein do not reflect the payment under the Alessandro Ponds Contract.

Water and Sewer Revenue Bond Obligations. In addition to senior obligations that are described above under the subcaption “—Senior Obligations” (of which none are currently outstanding) and the State Contracts that described above under the subcaption “—State Contracts,” District bond and contractual obligations that are payable from a pledge of and lien on net water and sewer revenues are set forth in the following table.

**EASTERN MUNICIPAL WATER DISTRICT
OUTSTANDING WATER AND SEWER REVENUE BOND OBLIGATIONS**

<i>Name of Issue</i>	<i>Original Amount Issued</i>	<i>Principal Outstanding as of July 1, 2021</i>	<i>Final Scheduled Maturity Date</i>
Water and Wastewater Revenue Bonds, Series 2015B (the “ 2015B Bonds ”) ⁽¹⁾	\$ 74,430,000	\$ 74,430,000	July 1, 2046
Refunding Water and Wastewater Revenue Bonds, Series 2016A (the “ 2016A Bonds ”)	209,230,000	175,405,000	July 1, 2045
Water and Wastewater Revenue Bonds, Series 2016B (the “ 2016B Bonds ”) ⁽²⁾	124,925,000	119,365,000	July 1, 2035
Refunding Water and Wastewater Revenue Bonds, Series 2017C (the “ 2017C Bonds ”)	17,515,000	11,960,000	July 1, 2023
Water and Wastewater Revenue Bonds, Series 2017D (the “ 2017D Bonds ”) ⁽³⁾	102,500,000	102,500,000	July 1, 2047
Refunding Water and Wastewater Revenue Bonds, Series 2018A (the “ 2018A Bonds ”) ⁽⁴⁾	94,455,000	94,455,000	July 1, 2046
Refunding Water and Wastewater Revenue Bonds, Series 2020A (the “ 2020A Bonds ”) ⁽⁵⁾	122,145,000	122,145,000	July 1, 2039
Refunding Water and Wastewater Revenue Bonds, Series 2021A (the “ 2021A Bonds ”)	50,590,000	50,590,000	July 1, 2030
Refunding Water and Wastewater Revenue Bonds, Series 2021B (the “ 2021B Bonds ”)	<u>48,040,000</u>	<u>48,040,000</u>	July 1, 2046
Total	<u>\$ 843,830,000</u>	<u>\$798,890,000</u>	

⁽¹⁾ The 2015B Bonds were issued by the Eastern Municipal Water District Financing Authority (the “**EMWDF**A”), a joint exercise of powers authority of which the District is a member. The District’s obligations under an installment purchase agreement with the EMWDF A (the “**2015B IPA**”), which secure the 2015B Bonds, are secured by a pledge of and lien on net water and sewer revenues.

⁽²⁾ The 2016B Bonds were issued by the EMWDF A. The District’s obligations under an installment purchase agreement with the EMWDF A (the “**2016B IPA**”), which secure the 2016B Bonds, are secured by a pledge of and lien on net water and sewer revenues.

⁽³⁾ The 2017D Bonds were issued by the EMWDF A. The District’s obligations under an installment purchase agreement with the EMWDF A (the “**2017D IPA**”), which secure the 2017D Bonds, are secured by a pledge of and lien on net water and sewer revenues.

⁽⁴⁾ The District has entered into a liquidity facility related to these obligations with Sumitomo Mitsui Banking Corporation expiring on April 12, 2022. Amounts payable thereunder are secured by a pledge of and lien on net water and sewer revenues.

⁽⁵⁾ The 2020A Bonds were issued by the EMWDF A. The District’s obligations under an installment purchase agreement with the EMWDF A (the “**2020A IPA**”), which secure the 2020A Bonds, are secured by a pledge of and lien on net water and sewer revenues.

Source: Eastern Municipal Water District.

Other Obligations. Certain amounts payable to banks that provide credit or liquidity facilities in connection with certain District obligations are also payable from net water and sewer revenues. No such amounts are currently outstanding.

Summary of Debt Service. The following table summarizes projected debt service with respect to the District’s outstanding obligations payable from a pledge of and lien on net water and sewer revenues.

**EASTERN MUNICIPAL WATER DISTRICT
ESTIMATED NET WATER AND SEWER REVENUE OBLIGATIONS DEBT SERVICE SCHEDULE**

<i>Period Ending June 30</i>	<i>Water and Sewer Revenue Bond Debt Service⁽¹⁾</i>	<i>State Contracts Debt Service⁽²⁾</i>	<i>Total Debt Service⁽³⁾</i>
2022	\$ 49,545,838	\$ 8,562,187	\$ 58,108,025
2023	50,561,388	8,562,187	59,123,575
2024	50,357,447	8,562,187	58,919,634
2025	51,730,999	8,562,187	60,293,186
2026	51,741,083	8,562,187	60,303,270
2027	51,723,023	8,562,187	60,285,210
2028	51,701,632	8,562,187	60,263,819
2029	52,782,510	7,509,728	60,292,238
2030	53,847,175	6,457,268	60,304,443
2031	53,849,129	6,457,268	60,306,397
2032	53,875,934	6,457,268	60,333,202
2033	53,910,516	6,457,268	60,367,784
2034	55,941,600	2,041,169	57,982,769
2035	58,438,075	2,041,169	60,479,244
2036	58,492,309	2,041,169	60,533,478
2037	50,011,066	2,041,169	52,052,235
2038	50,603,725	2,041,169	52,644,894
2039	50,947,413	2,041,169	52,988,582
2040	52,182,313	2,041,169	54,223,482
2041	52,178,431	2,041,169	54,219,600
2042	52,187,129	2,041,169	54,228,298
2043	52,184,207	2,041,169	54,225,376
2044	46,537,850	2,041,169	48,579,019
2045	46,534,158	2,041,169	48,575,327
2046	46,531,729	2,041,169	48,572,898
2047	46,537,511	2,041,169	48,578,680
2048	46,734,875	2,041,169	48,776,044
2049	0	1,737,257	1,737,257
2050	0	1,737,257	1,737,257
TOTAL ⁽⁴⁾	\$ 1,391,669,065	\$127,366,158	\$ 1,519,035,225

⁽¹⁾ Excludes debt service on State Contracts. Interest on the 2018A Bonds and 2021B Bonds is calculated at an assumed interest rate of 3.50% per annum. Reflects scheduled debt service on the 2015B IPA, the 2016A Bonds, the 2016B IPA, the 2017C Bonds, the 2017D IPA, the 2020A IPA and 2021A Bonds as set forth under the subcaption “—Water and Sewer Revenue Obligations.”

⁽²⁾ Reflects debt service on State Contracts described under the subcaption “—State Contracts.”

⁽³⁾ Totals may not add due to rounding.

Source: PFM Financial Advisors LLC.

District Debt Policy

The District has adopted a Comprehensive Debt Management Policy (the “**Debt Policy**”) in accordance with California Government Code § 8855. The Debt Policy, which was most recently updated on April 7, 2021, sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, the types and amounts of permissible debt and the methods of sale that may be used. Adherence to the Debt Policy helps to ensure that the District’s debt is issued and managed prudently in order to maintain a sound fiscal position and optimal credit ratings. The District reviews the Debt Policy several times per year (whenever there is a material change in risk exposures or conditions). The Debt Policy was initially adopted by the Board of Directors (the **Board**) and incorporated into Title 3, Article 8 of the District’s Administrative Code on January 18, 2017.

District Investment Policy

Section 4 of the District's Administrative Code includes the District's investment policy (the "**Investment Policy**"), which is intended to promote its stated objectives of: (i) preserving principal by mitigating both credit risk and market risk; (ii) maintaining liquidity; and (iii) providing an acceptable rate of return after first considering safety of principal and liquidity.

Under the Investment Policy, which was most recently updated on September 15, 2021, investments will be generally consistent with the Prudent Investor Rule and are governed by certain provisions of the California Government Code. Within the limitations imposed by the California Government Code, the District further restricts the types of investments and their maturities. Generally, permitted investments include: United States Treasury, agency and instrumentality obligations; obligations of the State of California and its political subdivisions and local agencies; banker's acceptances; commercial paper of domestic corporations; certificates of deposits; repurchase agreements; reverse repurchase agreements; the California Local Agency Investment Fund established by the State Treasurer; time deposits; medium-term notes of corporations; mutual funds; mortgage and consumer receivable pass-through securities; collateralized mortgage obligations; and mortgage and consumer receivable-backed certificates. Under the Investment Policy, prohibited investments include inverse floaters, indexed notes and interest-only strips that are derived from a pool of mortgages.

In addition, the Investment Policy provides certain guidelines for diversification of investments, liquidity goals, qualification of banks and securities dealers and collateralization requirements for certain investments.

District Reserve Policy

The District's Reserve Policy (the "**Reserve Policy**") includes the following policy principles to maintain the strong financial health of the District: (i) provide operating liquidity for rate stability to customers and help ensure that future rate increases are reasonable; (ii) ensure that funding is available for current and future replacement of assets; (iii) provide financial flexibility for unanticipated costs and emergency expenses; (iv) assure that the District maintains the highest possible credit ratings; and (v) establish bond proceeds and debt service reserves in compliance with bond documents. The Reserve Policy segregates reserves into restricted reserves and Board-designated reserves. Restricted reserves are established and used for narrowly defined purposes as specified by legal restrictions, bond covenants, contractual obligations and other regulations and ordinances. Board-designated reserves are established and used for specific purposes as determined by the Board. Both restricted and board designated reserves are further segregated into operating, debt service and capital reserves.

The Reserve Policy was adopted by the Board on April 7, 2021 and is subject to change at any time at the discretion of the Board. As of June 30, 2021, the District had approximately \$409.5 million in available cash reserves, representing approximately 685 days of Maintenance and Operation Costs in the form of cash on hand. The District's total investment portfolio (including restricted reserves), from which it derives interest earnings, is approximately \$629 million and is invested in various securities with an average yield of approximately 0.49% as of June 30, 2021. See Note 2 in Appendix C for further information with respect to District reserves.

Cybersecurity

The District relies on computers and technology to conduct its operations. The District and its departments face the risk of cyber threats including, but not limited to, hacking, viruses, malware and other forms of technology attacks. Recently, there have been significant cybersecurity incidents affecting municipal agencies.

The District employs a combination of multi-layered security, logging and alerting, endpoint monitoring, regular penetration testing, independent security audits, employee awareness training, multi-factor authentication, network segmentation and intrusion detection and prevention technology. The District also contracts with third party vendors to provide around-the-clock security monitoring of District computer systems. To date, the District has not detected a successful attack on its computer operating systems. However, there can be no assurance that the District's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the District's computer system could negatively impact the District's operations, and the costs related to such attacks could be substantial, although the District expects that any negative impacts would be temporary.

Climate Change

California has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the District is difficult to predict, but it could be significant and it could have a material adverse effect on water and wastewater system finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of water and wastewater system customers.

At this time, the District does not expect that its water supply will be significantly impacted by climate change. The District's water supply portfolio has proven to be highly reliable under extended drought conditions and includes components such as recycled water and desalinated brackish groundwater that have been shown to be resilient even after multiple dry years. The District is also investing in groundwater banking and storage projects to further improve its water supply reliability under challenging hydrologic conditions. The District's current five year capital improvement plan calls for expenditures on several projects to increase local and recycled water supplies as a means of adapting to the anticipated effects of climate change. See the captions "Water Supply" and "Capital Improvement Plan."

Water Supply

The District receives its potable water supply from two sources: (i) local groundwater; and (ii) water imported by the District. The sole source of the District's imported water is MWD. The District also supplies recycled water, or highly treated sewage effluent, for non-domestic purposes.

Approximately 51% of the District's total water supply (including domestic and non-domestic) comes from local sources, including approximately 11% from potable groundwater, approximately 5% from groundwater that must undergo desalination treatment to be used as potable water and approximately 35% from recycled water. Groundwater sources are heavily dependent upon rainfall and other sources of recharge. In 2021, the District entered into an agreement with the City of Hemet under which the District will permanently acquire a total of 20,000 acre feet of the City of Hemet's groundwater entitlement over an 8-year period (with 2,500 acre feet acquired each year). The average cost of such acquisition for calendar year 2021 is approximately \$764 per acre foot.

The remaining 49% of the District's water supply (including approximately 75% of its potable water supply) comes from purchases from MWD, which in turn obtains its water supply from two primary sources: (i) the Colorado River via the Colorado River Aqueduct; and (ii) the State Water Project via the Edmund G. Brown California Aqueduct.

The District provides water service to retail customers located within the cities of Menifee, Moreno Valley, Murrieta, Temecula and Wildomar and the unincorporated communities of Good Hope, Homeland, Lakeview, Nuevo, Mead Valley, Quail Valley, Romoland, Valle Vista and Winchester. The District also

supplies water on a wholesale basis to the cities of Hemet, San Jacinto and Perris, Lake Hemet Municipal Water District, Nuevo Mutual Water Company, Western Municipal Water District and DWR.

Because the largest single component of the District’s rates is the cost of water purchased from MWD, the District has, historically, adjusted its water rates to its customers as the cost of water purchased from MWD has changed.

Water production of the District and the categories of customers to which such water was delivered for the last five Fiscal Years are shown in the following table:

**EASTERN MUNICIPAL WATER DISTRICT
WATER PRODUCTION IN ACRE FEET**

<i>Fiscal Year</i>	<i>Domestic Retail</i>	<i>Wholesale</i>	<i>Agriculture</i>	<i>Recycled Water</i>	<i>Total Production</i>
2017	76,700	4,358	6,101	46,346	133,505
2018	81,208	4,311	5,537	47,685	138,741
2019	73,792	4,252	6,000	49,974	134,018
2020	79,446	4,100	1,864 ⁽¹⁾	51,822	137,232
2021	87,317	4,507	2,048	52,368	146,240

⁽¹⁾ Decrease reflects reduced water requests from LHMWD, which drew upon water stored in Lake Hemet prior to requesting water at wholesale from the District.

Source: Eastern Municipal Water District.

Water Facilities

The District’s distribution system for potable water includes 89 water booster or pumping plants, 204 million gallons of surface storage capacity and approximately 2,508 miles of pipeline ranging from 4 to 60 inches in diameter. The District currently maintains 15 active domestic production wells.

Because elevations within the District vary from approximately 1,120 to approximately 3,160 feet, the District’s water distribution system includes 75 pressure zones which provide water service at acceptable minimum and maximum pressures. The District attempts to maintain zone pressures between 40 and 90 pounds per square inch. Each pressure zone requires pumping plants or other sources of supply for providing water at the desired pressure. Most pressure zones also have storage facilities for providing water during peak demand and under emergency and fire flow conditions.

The District’s water system also includes 79 active water storage facilities located throughout the District. These facilities provide approximately 204 million gallons of storage. The active reservoirs are ground level circular steel tanks; in addition, there are nine small hydro-pneumatic booster tanks and two small well blending tanks, ranging in size from 0.08 million gallons to 8.4 million gallons. The ground level reservoirs are situated at elevations high enough to provide water by gravity flow. The reservoirs are used to store water for fluctuating hourly demands (regulating storage), fire flow demands and emergency purposes. Given these considerations, it is the District’s intent to manage water storage efficiently by use of a telemetry system. The District’s storage facilities could provide an approximately 2.3 day supply of water.

The District is required to pump almost its entire supply of water because of the elevations of MWD’s filtration plants relative to the District’s service area. Two pressure zones in Murrieta Hot Springs can be supplied by gravity from MWD’s Robert A. Skinner Treatment Plant. The District currently has three major pumping plants which are essential in the supply of MWD water. The most significant, the Mills Pumping Plant, delivers approximately 29% of the total supply on a maximum demand day. The combined capacity of the District’s three pumping plants is 242 million gallons per day (“**mgd**”); however, system conditions limit

the pumping plants' capacity to 223 mgd under maximum operating conditions (one mgd equals approximately 3 acre feet per day). In addition, there are currently 83 potable and 6 raw water pumping stations in operation.

The District operates two brackish groundwater desalination plants located adjacent to each other. These plants use reverse osmosis to treat a combined plant capacity of 8 mgd. Plant production is blended with excess well production to provide a total potable supply of 9 mgd to the water system. The desalters are fed by 15 brackish (i.e., non-domestic) water wells pumping from the South Perris groundwater sub-basin. The District is currently constructing an additional well to expand its desalination system. The District also operates two membrane filtration plants with a combined treatment capacity of 36 mgd.

Water Shortage Contingency Plan

On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the SWRCB to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in 2021 or future years.

The District has adopted a Water Shortage Contingency Plan (the “**WSCP**”) to regulate the delivery and consumption of water during supply shortages. Under the District’s WSCP, the District responds to a drought in stages in concert with regional water planning groups and neighboring water service providers. Implementation of the WSCP begins with the General Manager’s declaration of a potable water shortage emergency applicable to all customers, followed by public notice of such declaration. The first WSCP stage (Supply Watch) calls for voluntary 10% reductions in water use. The second WSCP stage (Supply Alert) calls for voluntary reductions in water use of up to 25% and reducing yard irrigation by one day per week, repairing leaks or water line breaks promptly, ending refills of artificial lakes and not using potable water to wash vehicles. The third WSCP stage includes Stage 3A (Mandatory Waste Reduction), which eliminates water use variances to fill swimming pools, establishes new landscaping requirements and requires water leaks to be fixed within 48 hours, Stage 3B, which decreases Tier 3 water budgets by up to 50% and Stage 3C, which decreases Tier 3 water budgets up to 100%. The fourth WSCP Stage (Mandatory Outdoor Reduction) limits yard irrigation to one day per week (two days per week in summer months) and decreases Tier 2 water budgets by up to 10% (Stage 4A), up to 50% (Stage 4B) and then up to 100% (Stage 4C). The fifth WSCP stage (Mandatory Indoor Reduction) decreases Tier 1 water budgets by 10%, 30% and then 50%. For all stages, penalties are levied for violations of the Water Conservation provisions of the District’s Administrative Code.

Wastewater Facilities

The District is currently divided into five sewer service areas—Hemet/San Jacinto, Moreno Valley, Sun City, Temecula Valley and Perris Valley—for purposes of collection, transmission, treatment and disposal of wastewater. The service areas are served by four regional water reclamation facilities (each, an “**RWRF**”), with the Sun City sewer service area being served by the Perris Valley facility, for which costs and methods of treatment vary. The facilities are capable of treating approximately 74 mgd of wastewater and serve the entire District. The facilities are linked to a network of nearly 1,850 miles of pipeline and 50 active lift stations.

The reliable capacity, flow and average percentage of daily flows of each RWRF for Fiscal Year 2021 are provided below. See the caption “THE CAPITAL IMPROVEMENT PLAN” for a discussion of the District’s Capital Improvement Plan.

**EASTERN MUNICIPAL WATER DISTRICT
REGIONAL WATER RECLAMATION FACILITIES**

<i>RWRF</i>	<i>Reliable Capacity (mgd)⁽¹⁾</i>	<i>Fiscal Year 2021 Daily Average Flow Treated (mgd)</i>	<i>Daily Average Flow as Percentage of Capacity</i>
Moreno Valley ⁽²⁾	15.0	10.6	71%
Perris Valley ⁽³⁾	22.0	15.0	68
San Jacinto Valley ⁽⁴⁾	14.0	7.3 ⁽⁶⁾	52
Temecula Valley ⁽⁵⁾	<u>23.0</u>	<u>13.8</u>	<u>60</u>
Total	74.0	46.7	63

- (1) Reliable capacity is the capacity that is determined by the District to be appropriate under normal operating conditions, based on the RWRF’s operating systems and filtration processes, to comply with State of California regulatory and operational constraints.
- (2) Expansion to 16 mgd permitted capacity was completed in 2013. Reliable capacity is estimated at 15 mgd. See footnote (1).
- (3) Expansion to 25 mgd permitted capacity was completed in 2014. Reliable capacity is estimated at 22 mgd. See footnote (1). Perris Plant 1, which provides approximately 3 mgd of capacity, is currently out of service.
- (4) Expansion to 14 mgd permitted capacity was completed in 2015. See the caption “Water and Sewer System Debt—State Contracts.”
- (5) Expansion to 23 mgd permitted capacity was completed in 2019.
- (6) Amount excludes diversions to Perris Valley RWRF which are included in Perris Valley RWRF flow amount.
- Source: Eastern Municipal Water District.

Recycled Water Supply

The District currently generates approximately 47.5 mgd of effluent at its four active RWRFs. In Fiscal Year 2021, approximately 95% (or approximately 48,500 acre feet) of the recycled water produced was beneficially used within the District’s service area. Unsold recycled water is typically transferred to storage ponds and utilized to meet peak demands or is used for incidental groundwater recharge; a small amount is also lost to evaporation. In accordance with its discharge permits, the District also discharges recycled water into local waterways during periods of heavy precipitation. Recycled water customers include 75 active agricultural sites, 4 golf courses, 528 landscape irrigation sites, 4 recreational clubs, 1 wildlife area, 6 wholesale connections and 15 temporary construction meters.

Recycled Water Facilities

In addition to the four RWRFs, the District’s recycled water facilities include approximately 220 miles of transmission and distribution pipelines, 24 pumping facilities and approximately 7,570 acre feet of storage and percolation ponds. All four of the District’s RWRFs provide tertiary recycled water.

Capital Improvement Plan

The District expects to spend a total of approximately \$106.3 million in Fiscal Year 2021-22 on water, wastewater, recycled water and general capital improvement projects. The District anticipates that it will pay the costs of such projects from previously issued water and wastewater revenue bonds and previously executed State revolving fund loans. The five-year capital improvement plan (the “CIP”) for the current period is estimated to total approximately \$534.5 million, as summarized in the table below. All estimates include planning, design, construction, engineering, administration and right-of-way acquisition costs.

**EASTERN MUNICIPAL WATER DISTRICT
CAPITAL IMPROVEMENT PLAN CAPITAL REQUIREMENTS (DOLLARS IN MILLIONS)⁽¹⁾**

<i>Fiscal Year</i>	<i>Water</i>	<i>Wastewater</i>	<i>Recycled/Other</i>	<i>Annual Total</i>
2021-22	\$ 70.2	\$ 29.4	\$ 6.7	\$106.3
2022-23	64.7	39.8	8.6	113.1
2023-24	63.5	41.9	6.5	111.8
2024-25	47.7	52.5	5.0	105.2
2025-26	<u>59.2</u>	<u>33.9</u>	<u>4.9</u>	<u>98.0</u>
Total	\$305.3	\$197.5	\$31.7	\$534.5

⁽¹⁾ Totals may not add due to rounding.
Source: Eastern Municipal Water District.

The funds required to finance the CIP will be provided from a number of different sources. The estimated funds and their sources for the current and next four Fiscal Years are set forth in the following table. A portion of the District’s capital requirements will be met by external funds provided from the proceeds of executed State revolving fund loans, anticipated additional State revolving fund loans, previously issued water and wastewater revenue bonds and grants from public agencies. The District does not currently expect to issue additional water and wastewater revenue bonds to finance the CIP in the next five years.

**EASTERN MUNICIPAL WATER DISTRICT
CAPITAL IMPROVEMENT PLAN FINANCING SOURCES (DOLLARS IN MILLIONS)⁽¹⁾**

<i>Fiscal Year</i>	<i>District Pay-As-You-Go⁽²⁾</i>	<i>Bond and Contractual Obligations and Approved and Additional State Contracts⁽³⁾</i>	<i>Annual Total</i>
2021-22	\$ 59.2	\$47.1	\$106.3
2022-23	100.3	12.8	113.1
2023-24	111.8	0.0	111.8
2024-25	105.2	0.0	105.2
2025-26	<u>98.0</u>	<u>0.0</u>	<u>98.0</u>
Total	\$474.5	\$59.9	\$534.5

⁽¹⁾ Totals may not add due to rounding.
⁽²⁾ Includes grants.
⁽³⁾ Includes application of a portion of the proceeds of previously issued District bonds and executed State revolving fund loan contracts.
Source: Eastern Municipal Water District.

Rates and Charges

Water Rates and Charges. The District implemented a water budget-based tiered rate structure in April 2009. This structure was intended to reward water use efficiency and discourage water waste while maintaining revenue stability. The indoor water budget is based on the gallons of water needed per person per day. The outdoor budget is based on a square footage of landscape, actual daily evapotranspiration and the residential and non-residential conservation factors. An Excessive rate (Tier 3 for residential customers and Tier 2 for non-residential customers) is applied to a percentage of water use beyond the indoor and outdoor budgets. A Wasteful Rate (Tier 4 residential customers and Tier 3 for non-residential customers) is applied to wasteful water use that exceeds the Excessive Use tier.

Under the District’s rate methodology, water budgets do not align with a specific rate; instead the amount of water billed at each tier is based on the availability of specific water supply sources, which include

groundwater, treated groundwater and more expensive imported supplies. All residential customers are billed at the Tier 1 rate for the first 20% of their monthly water budget, as that is the proportional amount of local, lowest-cost supplies available. The remaining portion of the water budget will be billed at the Tier 2 rate for budgeted supplies. Tier 3 and 4 rates cover any usage in excess of the total budget.

Since 2009, average water consumption per household has dropped as a result of the District’s current and prior tiered rate structures. The current tiers were developed taking into account the various sources of supply and the incremental cost of using each source to supply the needed demand. The District’s least expensive source of supply is groundwater and its most expensive source of supply is desalters.

In addition to water commodity charges based upon usage, the District imposes a daily service charge to cover a portion of the water system’s fixed operating costs. The charge is \$0.48 as of January 1, 2021. The Board also adopted an additional service charge (the “**Water Reliability Capital Charge**”) on June 18, 2014. The Water Reliability Capital Charge is \$4.65 per month per household as of January 1, 2021. The Water Reliability Capital Charge is intended to collect funds either to pay for water reliability projects and facilities on a pay-as-you-go basis or to repay debt obligations entered into to finance such projects. The District’s current water commodity charges are set forth below. Such charges were approved by the Board on June 19, 2019 and were effective January 1, 2021:

**EASTERN MUNICIPAL WATER DISTRICT
CURRENT WATER RATES⁽¹⁾**

*Current Rates Effective
January 1, 2021*

<i>Residential</i>	
Tier 1	\$ 1.13
Tier 2	3.63
Tier 3 (Excessive Use)	6.01
Tier 4 (Wasteful Use)	12.30
<i>Non-Residential⁽²⁾</i>	
Tier 1	\$ 3.77
Tier 2 (Excessive Use)	7.65
Tier 3 (Wasteful Use)	12.75

⁽¹⁾ Tiered rates are charged per 100 cubic feet (“CCF”). Tier 1 reflects usage of up to 3.6 CCF and Tier 1 reflects usage of between 3.6 CCF and 14.4 CCF.

⁽²⁾ Applicable to landscape accounts only. Excludes commercial, industrial and institutional accounts.

Source: Eastern Municipal Water District.

Sewer Rates and Charges. Sewer rates set forth in the table below were approved by the Board on June 19, 2019 and were effective January 1, 2021. Sewer rates are based on daily service charges that vary by geographic location within the District’s service area. Currently, sewer daily service charges range from \$0.93 to \$1.27 per day, subject to the application of the sewer block factors outlined below.

Residential customers are assigned to one of four sewer blocks, determined by the number of people per household. Households with one to two people fall into Block 1 and those with seven or more residents fall into Block 4. Larger households have a higher block factor based on the assumption that they have higher sewer flows because they do more laundry and dishes, take more showers, etc. and, as a result, are charged a higher sewer rate. Sewer service billing is calculated using the block factor multiplied by the sewer rate. The adopted block factors are as follows:

**EASTERN MUNICIPAL WATER DISTRICT
SEWER RATE STRUCTURE**

<i>Block Number</i>	<i>Block Factor</i>	<i>Number of People in Household</i>
1	0.60	1 – 2 people
2	1.00	3 – 4 people
3	1.25	5 – 6 people
4	1.70	7 people or more

Source: Eastern Municipal Water District.

In addition to the above-described sewer rates based upon usage, the District imposes an additional sewer service charge (the “**Sewer Capital Charge**”) to cover a portion of the sewer system’s fixed operating costs. The current Sewer Capital Charge is \$3.07 per month per household. The Sewer Capital Charge is intended to collect funds either to pay for sewer capital projects and facilities on a pay-as-you-go basis or to repay debt obligations entered into to finance such projects.

Pension Plan

The District contributes to the California Public Employees Retirement System (“**CalPERS**”), an agent multiple-employer public employee defined benefit pension plan for all of the District’s full-time and certain of its temporary employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California, including the District. CalPERS plan benefit provisions and all other requirements are established by State of California statute and the District’s Board of Directors.

All full-time and certain part-time District employees are eligible to participate in CalPERS, with benefits vesting after five years of service. District employees who retire at age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in increasing percentage increments up to the maximum amount of their specific plan during their highest consecutive twelve month period, for each year of credited service.

As discussed under the caption “Post-Employment Healthcare Benefits,” the District budgeted a total of approximately \$19 million each Fiscal Year for contributions to a trust that the District established to fund post-employment benefits other than pensions. The \$19 million total amount exceeded the annual required contribution for such post-employment benefits in each Fiscal Year. As a result of such additional contributions, the District’s unfunded post-employment benefit liability reached \$0 in July 2020. The District has determined to continue budgeting a \$19 million annual payment each Fiscal Year, with such amount being applied toward its pension obligations beginning in Fiscal Year 2021-22. The portion of the contribution that exceeds the required minimum pension Employer Unfunded Accrued Liability contribution will be used to pay down the Employer Unfunded Accrued Liability.

The District’s CalPERS plan had a total net pension liability of \$153,064,203 for the Fiscal Year ended June 30, 2021 (measured as of June 30, 2020). The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District’s total pension assets include funds that are held by CalPERS and its net pension asset or liability is based on such amounts. The District notes that its net pension liability could increase in the future as a result of losses in CalPERS’ portfolio or CalPERS’ actual earnings coming in below its projections.

Changes in the net pension liability for the District’s pension plan were as follows:

**EASTERN MUNICIPAL WATER DISTRICT
CHANGE IN NET PENSION LIABILITY**

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2020	\$499,854,693	\$346,790,490	\$153,064,203
Balance at June 30, 2019	<u>475,903,504</u>	<u>333,682,836</u>	<u>142,220,668</u>
Net Changes for period from July 1, 2019 through June 30, 2020	\$ 23,951,189	\$ 13,107,654	\$ 10,843,535

Source: Eastern Municipal Water District.

Post-Employment Healthcare Benefits

The District provides post-employment health care benefits to all qualified employees who meet the District’s CalPERS plan requirements. This plan is an agent multiple-employer defined benefit other post-employment benefits (“**OPEB**”) plan with three tiers of retiree healthcare benefits depending on employee hiring dates. In addition, the District provides post-employment group life insurance to eligible retired employees and elected officials with a death benefit of \$10,000 up to age 70 and \$5,000 thereafter for employees; and a death benefit of \$5,000 up to age 70 and \$2,500 thereafter for elected officials.

The benefit provisions for retired employee health care and life insurance are established and amended through the MOU between the District and the Union. See the caption “Employee Relations.” The benefit provisions for retired elected official life insurance are established through the District’s contract with the life insurance company. The District does not issue separate stand-alone financial reports for these plans.

On April 18, 2012, the Board approved the establishment of an irrevocable OPEB trust (the “**OPEB Trust**”) and approved and authorized an agreement with CalPERS to administer the OPEB Trust on its behalf. The District established the OPEB Trust in Fiscal Year 2013 and made initial contributions to the OPEB Trust of approximately \$2,500,000. The District budgeted a total of approximately \$19 million each Fiscal Year for contributions to the OPEB Trust. The \$19 million total amount exceeded the annual required contribution for OPEB in each Fiscal Year. As a result of such additional contributions, the District’s unfunded OPEB liability reached \$0 in July 2020. The District has determined to continue budgeting a \$19 million annual payment each Fiscal Year, with such amount being applied toward its pension obligations beginning in Fiscal Year 2022. See the caption “Pension Plan.”

Because the District’s OPEB is administered through the OPEB Trust, the District reports a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the OPEB Trust that are restricted to making benefit payments.

Changes in the net liability for the District’s OPEB plan were as follows.

**EASTERN MUNICIPAL WATER DISTRICT
CHANGE IN NET PENSION LIABILITY**

	<i>Increase / (Decrease)</i>		
	<i>Total OPEB Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Liability / (Asset)</i>
Balance at June 30, 2020	\$106,314,704	\$74,478,440	\$31,836,264
Balance at June 30, 2021	<u>110,064,588</u>	<u>91,431,740</u>	<u>18,632,848</u>
Net Changes for period from July 1, 2020 through June 30, 2021	\$ 3,749,884	\$16,953,300	(\$13,203,416)

Source: Eastern Municipal Water District.

Historical Cash Balances

The following tables summarize the District's available cash balances for the last five Fiscal Years. See Appendix C for detailed information with respect to cash balances for the two most recent audited Fiscal Years of the District.

**EASTERN MUNICIPAL WATER DISTRICT
SUMMARY STATEMENT OF NET POSITION**

	<i>Fiscal Year 2017</i>	<i>Fiscal Year 2018</i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>
ASSETS:					
Current Assets	\$ 299,206,465	\$ 348,392,462	\$ 399,376,725	\$ 461,426,312	\$ 492,250,583
Noncurrent Assets	<u>2,574,559,247</u>	<u>2,546,335,438</u>	<u>2,559,370,741</u>	<u>2,627,586,796</u>	<u>2,669,929,212</u>
Total Assets	\$2,873,765,712	\$2,894,727,900	\$2,958,747,466	\$3,089,013,108	\$3,162,179,795
DEFERRED OUTFLOWS OF RESOURCES:	\$ 47,611,651	\$ 73,400,012	\$ 67,070,833	\$ 68,102,745	\$ 63,002,873
LIABILITIES:					
Current Liabilities	\$ 91,415,435	\$ 94,366,284	\$ 96,033,392	\$ 109,852,664	\$ 120,373,174
Noncurrent Liabilities	<u>1,292,589,858</u>	<u>1,314,529,442</u>	<u>1,285,726,481</u>	<u>1,288,968,716</u>	<u>1,265,558,015</u>
Total Liabilities	\$1,384,005,293	\$1,408,895,726	\$1,381,759,873	\$1,398,821,380	\$1,385,931,189
DEFERRED INFLOWS OF RESOURCES:	\$ 4,840,427	\$ 10,414,532	\$ 7,292,047	\$ 16,623,322	\$ 11,154,898
NET POSITION:	\$1,532,531,643	\$1,548,817,654	\$1,636,766,379	\$1,741,671,151	\$1,828,096,581

Source: Eastern Municipal Water District.

**EASTERN MUNICIPAL WATER DISTRICT
SUMMARY STATEMENT OF CASH FLOWS**

	<i>Fiscal Year 2017</i>	<i>Fiscal Year 2018</i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>
CASH FLOWS FROM OPERATING ACTIVITIES:	\$ 30,419,401	\$ 32,035,491	\$ 40,654,156	\$ 51,166,686	\$ 43,402,006
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	33,992,849	36,634,924	38,265,432	44,386,801	45,035,004
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	52,784,971	(101,295,210)	(93,051,669)	(48,522,509)	(47,516,862)
CASH FLOWS FROM INVESTING ACTIVITIES:	<u>(62,207,687)</u>	<u>(36,865,290)</u>	<u>(32,025,453)</u>	<u>20,848,877</u>	<u>(90,596,541)</u>
Total Increase (Decrease) in Cash and Cash Equivalents	\$ 54,989,534	\$ (69,490,085)	\$ (46,157,534)	\$ 67,879,855	\$ (49,676,793)
Cash and Cash Equivalents – Beginning of Year	\$ 258,574,858	\$ 313,564,392	\$ 244,074,307	\$ 197,916,773	\$ 265,796,628
Cash and Cash Equivalents – End of Year	\$ 313,564,392	\$ 244,074,307	\$ 197,916,773	\$ 265,796,628	\$ 216,119,835

Source: Eastern Municipal Water District.

Historical Operating Results

The following table summarizes the District’s operating revenues, operating expenses and changes in net assets for the last five Fiscal Years. The operating revenues, operating expenses and changes in net assets in each of such Fiscal Years shown are derived from audited financial statements of the District. The summary operating results contained in the below table excludes certain non-cash items, including but not limited to mark-to-market swap values and pension liabilities reported pursuant to governmental accounting standards, and reflect certain other adjustments. See Appendix C for further information with respect to such non-cash items. The summary operating results are qualified in their entirety by reference to Appendix C, including the notes thereto, and Appendix E.

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District (“GAAP”), and the District applies all relevant Governmental Accounting Standards Board pronouncements. In certain cases, GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year.

The District accounts for its operations on a fund basis. In governmental accounting, a fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Because the activities of the District receive significant support from fees and charges, it uses a proprietary (enterprise) fund. Enterprise fund accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services.

An enterprise fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s principal ongoing operations. The principal operating revenues of the District are charges to customers for domestic, agricultural, irrigation and recycled water sales, and sewer service charges. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation of capital assets.

Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and wastewater collection and treatment services. Non-operating revenues mainly consist of property taxes, availability (standby) assessments, investment income, connection fees and miscellaneous income. Capital contributions consist of facilities built by

developers and turned over to the District to operate and maintain; and federal, state and private grants used to fund capital assets. Non-operating expenses mainly consist of debt service interest and debt-related fees.

The District uses the economic resources measurement focus and the accrual basis of accounting. Measurement focus determines what is measured in a set of financial statements and under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See Appendix C for a discussion of the District's accounting practices. Except as otherwise expressly noted herein, all financial information that is derived from the information that is set forth in Appendix C reflects the application of GAAP.

**EASTERN MUNICIPAL WATER DISTRICT
HISTORICAL OPERATING RESULTS**

	<i>Fiscal Year 2017</i>	<i>Fiscal Year 2018</i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>
OPERATING REVENUES:					
Water Sales	\$ 120,870,937	\$ 135,428,866	\$ 132,847,172	\$ 141,303,051	\$ 163,113,885
Sewer Service Charges	92,536,116	96,049,786	102,037,610	107,541,964	112,533,433
Recycled Water Sales	<u>7,792,169</u>	<u>9,028,827</u>	<u>7,034,622</u>	<u>8,061,905</u>	<u>9,949,373</u>
Total Operating Revenues	\$ 221,199,222	\$ 240,507,479	\$ 241,919,404	\$ 256,906,920	\$ 285,596,691
OPERATING EXPENSES:					
Water purchases	\$ 57,512,425	\$ 65,846,363	\$ 60,469,414	\$ 67,025,558	\$ 74,297,141
Water operations	44,089,564	44,202,187	46,398,474	49,180,247	50,512,860
Sewer operations	48,297,266	48,527,623	49,431,700	57,152,297	59,218,244
OPEB Trust ⁽¹⁾	9,732,444	7,852,804	7,223,073	4,351,821	1,149,955
General and administrative	<u>36,283,686</u>	<u>43,901,997⁽²⁾</u>	<u>41,420,672</u>	<u>40,521,610</u>	<u>44,680,486</u>
Total Operating Expenses	\$ 195,915,385	\$ 210,330,974	\$ 204,943,333	\$ 218,231,533	\$ 229,858,686
OPERATING INCOME (LOSS)	\$ 25,283,837	\$ 30,176,505	\$ 36,976,071	\$ 38,675,387	\$ 55,738,005
NON-OPERATING REVENUES:					
Property taxes - General Purpose	\$ 33,971,127	\$ 36,294,389	\$ 38,204,912	\$ 41,014,090	\$ 44,907,361
Standby charges	5,831,357	5,769,853	5,828,077	5,779,756	5,598,011
Wastewater connection fees	27,982,278	31,045,813	37,665,884	29,670,764	42,278,300
Water connection fees	10,646,297	13,524,078	14,502,408	13,280,543	21,540,131
Water supply development fee	1,936,622	2,354,984	2,497,608	2,234,884	3,438,056
Interest income	4,733,897	8,181,973	11,897,412	10,506,376	1,082,056
Grants/Other Income/(Expenses)	<u>2,669,881</u>	<u>9,324,551</u>	<u>30,543,215⁽³⁾</u>	<u>37,137,249</u>	<u>10,554,161</u>
Total Non-Operating Revenues	\$ 87,771,459	\$ 106,495,641	\$ 141,139,516	\$ 139,623,662	\$ 129,398,076
NET WATER AND SEWER REVENUES FOR DEBT COVERAGE	\$ 113,055,296	\$ 136,672,146	\$ 178,115,587	\$ 178,299,049	\$ 185,136,081
SENIOR DEBT SERVICE:	\$ 15,651,578	\$ 4,907,150	\$ 4,988,750	\$ 4,868,750	\$ 4,868,750 ⁽⁴⁾
DEBT SERVICE COVERAGE	7.2 x	27.9 x	35.7 x	36.6 x	38.0 x
REVENUES AVAILABLE FOR WATER AND SEWER REVENUE BONDS	\$ 97,403,718	\$ 131,764,996	\$ 173,126,837	\$ 173,430,299	\$ 180,267,331
WATER AND SEWER REVENUE BOND DEBT SERVICE					
Water and Sewer Revenue Bond Payments	\$ 22,414,814	\$ 39,076,172	\$ 39,444,828	\$ 36,018,967	\$ 37,405,790
State Contract Debt Service Payments	<u>6,521,019</u>	<u>6,521,019</u>	<u>6,809,653</u>	<u>6,809,653</u>	<u>8,864,575</u>
Total Water and Sewer Revenue Bond Debt Service	\$ 28,935,832	\$ 45,597,191	\$ 46,254,481	\$ 42,828,620	\$ 46,270,365
WATER AND SEWER REVENUE BOND DEBT SERVICE COVERAGE	3.4 x	2.9 x	2.7 x	4.0 x	3.9 x
REMAINING REVENUES	\$ 68,467,886	\$ 86,167,805	\$ 126,872,356	\$ 130,601,679	\$ 133,996,966
TOTAL DEBT SERVICE	\$ 44,587,410	\$ 50,504,341	\$ 51,243,231	\$ 47,697,370	\$ 51,139,115
ALL-IN DEBT SERVICE COVERAGE	2.5 x	2.7 x	3.5 x	3.7 x	3.6 x

(1) See the caption "HISTORICAL FINANCIAL OPERATIONS—Post-Employment Healthcare Benefits."

(2) Increase from Fiscal Year 2017 includes a \$7.6 million increase in unallocated pension expense.

(3) Increase from Fiscal Year 2018 includes receipt of grant moneys in the approximate amount of \$27 million.

(4) The senior obligations matured on July 1, 2020. See the caption "Water and Sewer System Debt—Senior Obligations." The senior lien is not closed and District may in the future elect to issue revenue bonds which are secured by a senior pledge of and lien on net water and sewer revenues.

Source: Eastern Municipal Water District.

Projected Operating Results

The table of projected District revenues and expenses and debt service coverage for the current and next four Fiscal Years has been prepared by the District and reflects certain significant assumptions concerning

future events and circumstances. The projected operating results contained in the below table exclude certain non-cash items, including but not limited to mark-to-market swap values and pension liabilities reported pursuant to Governmental Accounting Standards Board Statement No. 68. Projected debt service coverage set forth in the below table is calculated in accordance with the legal documents governing the District's water and wastewater revenue obligations. This information has been provided for comparison purposes. The assumptions for operating revenue, operating expenses and debt service are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast, and such variations may be material. See the caption "Water and Sewer System Debt" for a fuller presentation of debt service with respect to outstanding water and wastewater revenue obligations of the District.

Although mandatory water conservation orders are no longer in force, the District is currently implementing Stage 2 of its WSCP. See the caption "Water Shortage Contingency Plan." The below projections reflect the continued implementation of Stage 2 of the WSCP to discourage wasteful water use. There can be no assurance that water supplies or sales will not differ materially from the below projections as a result of changes in hydrological conditions or the State of California or the District response thereto in future years. The District does not believe that the implementation of the WSCP will have a material adverse effect on its ability to generate sufficient water and wastewater revenues to pay its obligations when due given the District's imposition of fixed charges, including the Water Reliability Capital Charge and the Sewer Capital Charge described under the caption "Rates and Charges," as well as the District's efforts to diversify its water supplies and decrease its reliance on imported water that is purchased from MWD.

**EASTERN MUNICIPAL WATER DISTRICT
PROJECTED OPERATING RESULTS**

	<i>Fiscal Year 2022⁽¹⁾</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>	<i>Fiscal Year 2025</i>	<i>Fiscal Year 2026</i>
OPERATING REVENUES:					
Water Sales ⁽²⁾	\$ 156,961,270	\$ 168,868,133	\$ 177,311,540	\$ 186,177,117	\$ 195,485,972
Sewer Service Charges ⁽³⁾	113,892,554	117,207,312	121,895,600	126,771,400	131,842,300
Recycled Water Sales ⁽⁴⁾	<u>8,287,800</u>	<u>8,615,395</u>	<u>8,873,900</u>	<u>9,140,100</u>	<u>9,414,300</u>
Total Operating Revenues	\$ 279,141,624	\$ 294,690,840	\$ 308,081,040	\$ 322,088,617	\$ 336,742,572
OPERATING EXPENSES:					
Water purchases ⁽⁵⁾	\$ 72,472,000	\$ 79,268,000	\$ 82,438,720	\$ 85,736,269	\$ 89,165,720
Water operations ⁽⁶⁾	64,428,391	66,759,664	69,430,051	72,207,253	75,095,543
Sewer operations ⁽⁷⁾	68,350,555	70,866,776	72,992,779	75,182,563	77,438,040
OPEB Trust ⁽⁸⁾	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
General and administrative ⁽⁹⁾	<u>36,143,651</u>	<u>38,109,353</u>	<u>39,252,634</u>	<u>40,430,213</u>	<u>41,643,119</u>
Total Operating Expenses	\$ 260,394,597	\$ 274,003,793	\$ 283,113,183	\$ 292,556,297	\$ 302,342,421
OPERATING INCOME (LOSS)	\$ 18,747,027	\$ 20,687,047	\$ 24,966,856	\$ 29,532,320	\$ 34,400,152
NON-OPERATING REVENUES:					
Property taxes - General Purpose ⁽¹⁰⁾	\$ 43,970,794	\$ 44,760,337	\$ 46,103,147	\$ 47,486,242	\$ 48,910,829
Standby charges ⁽¹¹⁾	5,933,758	6,040,306	6,100,709	6,161,716	6,223,333
Wastewater connection fees ⁽¹²⁾	27,585,787	28,252,832	30,225,804	31,413,859	32,637,346
Water connection fees ⁽¹³⁾	16,715,410	17,217,513	18,192,161	18,918,663	19,666,947
Water supply development fee ⁽¹⁴⁾	885,000	903,000	921,000	939,000	957,000
Interest income ⁽¹⁵⁾	3,750,000	5,000,000	5,625,000	6,000,000	5,250,000
Grants/Other Income/(Expenses) ⁽¹⁶⁾	<u>24,850,000</u>	<u>25,230,000</u>	<u>22,605,300</u>	<u>22,681,353</u>	<u>22,758,167</u>
Total Non-Operating Revenues	\$ 123,690,749	\$ 127,403,988	\$ 129,773,121	\$ 133,600,832	\$ 136,403,622
NET WATER AND SEWER REVENUES FOR DEBT COVERAGE⁽¹⁷⁾	\$ 142,437,776	\$ 148,091,035	\$ 154,739,978	\$ 163,133,152	\$ 170,803,774
WATER AND SEWER REVENUE BOND DEBT SERVICE⁽¹⁸⁾					
Water and Sewer Revenue Bond Payments	\$ 49,545,838	\$ 50,561,388	\$ 50,357,447	\$ 51,730,999	\$ 51,741,083
State Contract Debt Service Payments	<u>8,562,187</u>	<u>8,562,187</u>	<u>8,562,187</u>	<u>8,562,187</u>	<u>8,562,187</u>
Total Water and Sewer Revenue Bond Debt Service	\$ 58,108,025	\$ 59,123,575	\$ 58,919,634	\$ 60,293,186	\$ 60,303,270
WATER AND SEWER REVENUE BOND DEBT SERVICE COVERAGE⁽¹⁹⁾	2.5 x	2.5 x	2.6 x	2.7 x	2.8 x
REMAINING REVENUES⁽²⁰⁾	\$ 84,329,751	\$ 88,967,460	\$ 95,820,344	\$ 102,839,966	\$ 110,500,504

(1) Reflects budgeted Fiscal Year 2022 amounts with certain adjustments.

(2) Based on District projections of increases in connections. Also reflects \$4.65 monthly Water Reliability Capital Charge and \$0.48 daily service charge. Assumes additional \$0.70 monthly increase to Water Reliability Capital Charge effective January 1, 2023. See the caption "Rates and Charges." Water sales projected at approximately 87,200 acre feet in Fiscal Year 2022, rising to 88,900 acre feet in Fiscal Year 2026. Assumes increases in water rates of approximately 3.8% - 4.0% per annum beginning in Fiscal Year 2023. Increases in rates and charges after Fiscal Year 2023 are subject to Board approval and the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that such increases will be adopted as projected. See the Official Statement under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

(3) Based on District projections of increases in connections and projected rate increases of approximately 1.8% on January 1, 2022 and approximately 3.8% - 4.0% per annum thereafter to cover energy, labor and other operational costs. Also reflects \$3.07 monthly Sewer Capital Charge. Assumes additional \$ \$0.57 monthly increase to such fixed charge January 1, 2023 and additional \$0.35 monthly increase to such fixed charge each year thereafter. See the caption "Rates and Charges." Increases in rates and charges after Fiscal Year 2023 are subject to Board approval and the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that such increases will be adopted as projected. See the Official Statement under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

(4) Based on District projections of increases in connections and projected rate increases of approximately 3.0% per annum. See the caption "Rates and Charges." Increases in rates are subject to Board approval and the notice, hearing and protest provisions of Proposition 218 and there can be no assurance that such increases will be adopted as projected. See the Official Statement under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

(Footnotes Continued on Following Page)

(Footnotes Continued from Prior Page)

- (5) Based on District projections. Does not include costs associated with water purchases for groundwater recharge purposes. Assumes potable water supply mix of 70% imported water, or approximately 60,000 acre feet, in Fiscal Years 2022 through 2026.
- (6) Projected to increase by approximately 4.0% per annum.
- (7) Projected to increase by approximately 3.0% per annum.
- (8) Reflects projected deposits to OPEB Trust described under the caption "Post-Employment Healthcare Benefits."
- (9) Projected to increase by approximately 3.0% per annum. Increases reflect projections of higher wages and benefits due to contractual obligations.
- (10) Projected to increase by approximately 3.0% per annum, reflecting increased assessed values in the District service area and additional taxes received as a result of the dissolution of redevelopment agencies in the State of California and the concomitant elimination of certain tax increment sharing obligations.
- (11) Projected to increase by approximately 1.0% per annum.
- (12) One-time charge revenues received from developers used to finance wastewater treatment plant facility expansions, transmission mains, sewer lift stations and disposal facilities. Reflects District projections of development within the District. Wastewater equivalent dwelling units ("EDUs") are projected to increase from 3,050 in Fiscal Year 2022 to 3,290 in Fiscal Year 2026. The proposed rates over the forecast period range from \$9,165 per EDU in Fiscal Year 2022 to \$9,920 per EDU in Fiscal Year 2026.
- (13) One-time charge revenues received from developers used to finance water treatment plant facility expansions, distribution mains, water pumping plants, wells and storage tanks. Reflects District projections of development within the District. Water equivalent meter sizes ("EMSES") are projected to increase from 2,950 in Fiscal Year 2022 to 3,190 in Fiscal Year 2026. The proposed rates over the forecast period range from \$5,696 in Fiscal Year 2022 to \$6,165 in Fiscal Year 2026.
- (14) Established in 2004 at \$300 per connection. Proceeds support projects that will provide for improved utilization of the District's available resources. Projected to remain at \$300 over the forecast period. Projected revenue is based on the projected water EMSES described in Footnote (13).
- (15) As of June 30, 2021, the District had approximately \$521 million in available cash reserves, representing approximately 827 days' cash on hand. The District's total investment portfolio (including restricted reserves), from which it derives interest earnings, is approximately \$629 million and is invested in various securities with an average yield of approximately 0.49% as of June 30, 2021. See the captions "District Investment Policy" and "District Reserve Policy."
- (16) Includes delinquency charges, industrial permitting, meter rentals, plan checks and other miscellaneous revenues, which are projected to remain stable, plus grant revenues, less disposal of plant assets, abandonments, bad debt expense, special studies and miscellaneous interest expenses.
- (17) Operating Income (Loss) plus Total Non-Operating Revenues.
- (18) Interest on the 2018A Bonds and 2021B Bonds is calculated at an assumed interest rate of 3.00% per annum. Reflects scheduled debt service on the 2015B IPA, the 2016A Bonds, the 2016B IPA, the 2017C Bonds, the 2017D IPA, the 2020A IPA and 2021A Bonds and State Contracts as set forth under the caption "Water and Sewer System Debt."
- (19) Revenues Available for Water and Sewer Revenue Bonds divided by Water and Sewer Revenue Bond Debt Service.
- (20) Revenues Available for Water and Sewer Revenue Bonds minus Water and Sewer Revenue Bond Debt Service.

Source: Eastern Municipal Water District.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

INFORMATION REGARDING THE IMPROVEMENT DISTRICTS

TABLE OF CONTENTS

	Page
IMPROVEMENT DISTRICT NO. 15 (BAUTISTA CANYON)	B-6
Location	B-6
History	B-6
Land Use.....	B-6
Security	B-6
No Litigation.....	B-6
Assessed Valuations	B-6
Largest Property Taxpayers	B-7
Direct and Overlapping Debt.....	B-8
Delinquencies	B-9
IMPROVEMENT DISTRICT NO. 18 (JUNIPER FLATS).....	B-9
Location	B-9
History	B-9
Land Use.....	B-9
Security	B-9
No Litigation.....	B-10
Assessed Valuations	B-10
Largest Property Taxpayers	B-11
Direct and Overlapping Debt.....	B-11
Delinquencies	B-12
IMPROVEMENT DISTRICT NO. 22 (MURRIETA HOT SPRINGS).....	B-13
Location	B-13
History	B-13
Land Use.....	B-13
Security	B-13
No Litigation.....	B-13
Assessed Valuations	B-14
Largest Property Taxpayers	B-15
Direct and Overlapping Debt.....	B-15
Delinquencies	B-17
IMPROVEMENT DISTRICT NO. 24 (FRUITVALE).....	B-17
Location	B-17
History	B-17
Land Use.....	B-17
Security	B-17
No Litigation.....	B-18
Assessed Valuations	B-18
Largest Property Taxpayers	B-19
Direct and Overlapping Debt.....	B-19
No Delinquencies.....	B-20
IMPROVEMENT DISTRICT NO. U-2 (SUN CITY)	B-21
Location	B-21
History	B-21
Land Use.....	B-21
Security	B-21
No Litigation.....	B-21
Assessed Valuations	B-21

Largest Property Taxpayers	B-22
Direct and Overlapping Debt.....	B-23
Delinquencies	B-23
IMPROVEMENT DISTRICT NO. U-4 (SUN CITY)	B-24
Location	B-24
History	B-24
Land Use.....	B-24
Security	B-24
No Litigation.....	B-24
Assessed Valuations	B-25
Largest Property Taxpayers	B-26
Direct and Overlapping Debt.....	B-26
Delinquencies	B-27
IMPROVEMENT DISTRICT NO. U-5 (DAIRYLAND).....	B-28
Location	B-28
History	B-28
Land Use.....	B-28
Security	B-28
No Litigation.....	B-28
Assessed Valuations	B-28
Largest Property Taxpayers	B-29
Direct and Overlapping Debt.....	B-30
Delinquencies	B-31
IMPROVEMENT DISTRICT NO. U-6 (SUN CITY LOCAL WATER AND SEWER).....	B-31
Location	B-31
History	B-31
Land Use.....	B-31
Security	B-31
No Litigation.....	B-32
Assessed Valuations	B-32
Largest Property Taxpayers	B-33
Direct and Overlapping Debt.....	B-33
Delinquencies	B-34
IMPROVEMENT DISTRICT NO. U-8 (TEMECULA).....	B-35
Location	B-35
History	B-35
Land Use.....	B-35
Security	B-35
No Litigation.....	B-35
Assessed Valuations	B-36
Largest Property Taxpayers	B-37
Direct and Overlapping Debt.....	B-37
Delinquencies	B-39
IMPROVEMENT DISTRICT NO. U-9 (PERRIS VALLEY REGIONAL SEWER)	B-39
Location	B-39
History	B-39
Land Use.....	B-39
Security	B-39
No Litigation.....	B-39
Assessed Valuations	B-40
Largest Property Taxpayers	B-41

Direct and Overlapping Debt.....	B-41
Delinquencies	B-43
IMPROVEMENT DISTRICT NO. U-10 (CANYON LAKE).....	B-43
Location	B-43
History	B-43
Land Use.....	B-43
Security	B-43
No Litigation.....	B-44
Assessed Valuations	B-44
Largest Property Taxpayers	B-45
Direct and Overlapping Debt.....	B-45
Delinquencies	B-46
IMPROVEMENT DISTRICT NO. U-12 (HEMET/SAN JACINTO AREA 2).....	B-47
Location	B-47
History	B-47
Land Use.....	B-47
Security	B-47
No Litigation.....	B-47
Assessed Valuations	B-47
Largest Property Taxpayers	B-48
Direct and Overlapping Debt.....	B-49
Delinquencies	B-50
IMPROVEMENT DISTRICT NO. U-14 (HEMET/SAN JACINTO AREA 3).....	B-50
Location	B-50
History	B-50
Land Use.....	B-50
Security	B-50
No Litigation.....	B-50
Assessed Valuations	B-51
Largest Property Taxpayers	B-52
Direct and Overlapping Debt.....	B-52
Delinquencies	B-53
IMPROVEMENT DISTRICT NO. U-18 (HEMET/SAN JACINTO AREA 5).....	B-54
Location	B-54
History	B-54
Land Use.....	B-54
Security	B-54
No Litigation.....	B-54
Assessed Valuations	B-54
Largest Property Taxpayers	B-55
Direct and Overlapping Debt.....	B-56
Delinquencies	B-57
IMPROVEMENT DISTRICT NO. U-21 (HEMET/SAN JACINTO AREA 7).....	B-57
Location	B-57
History	B-57
Land Use.....	B-57
Security	B-57
No Litigation.....	B-57
Assessed Valuations	B-58
Largest Property Taxpayers	B-59
Direct and Overlapping Debt.....	B-59

Delinquencies	B-60
IMPROVEMENT DISTRICT NO. U-22 (EAST MORENO VALLEY).....	B-61
Location	B-61
History	B-61
Land Use.....	B-61
Security	B-61
No Litigation.....	B-61
Assessed Valuations	B-61
Largest Property Taxpayers	B-62
Direct and Overlapping Debt.....	B-63
Delinquencies	B-65
IMPROVEMENT DISTRICT NO. U-35 (SUN CITY AREA 10 – SEWER)	B-65
Location	B-65
History	B-65
Land Use.....	B-65
Security	B-65
No Litigation.....	B-65
Assessed Valuations	B-66
Largest Property Taxpayers	B-67
Direct and Overlapping Debt.....	B-67
Delinquencies	B-69
IMPROVEMENT DISTRICT NO. U-36 (SUN CITY AREA 10 – WATER).....	B-69
Location	B-69
History	B-69
Land Use.....	B-69
Security	B-69
No Litigation.....	B-69
Assessed Valuations	B-70
Largest Property Taxpayers	B-71
Direct and Overlapping Debt.....	B-71
Delinquencies	B-73

IMPROVEMENT DISTRICT NO. 15 (BAUTISTA CANYON)

Location

Improvement District No. 15 (Bautista Canyon) (“ID 15”) consists of approximately 2,115 acres located in the southeast corner of the Hemet-San Jacinto Valley region of the District, about six miles east of the City of Hemet. The area is served by improved county roads. ID 15 includes a gently sloping valley together with surrounding rolling foothill lands. The northwestern end of ID 15 ranges between 1,860 and 2,100 feet in elevation. Surrounding foothills have elevations up to 2,600.

History

ID 15 was formed on January 7, 1964 with a bond authorization of \$300,000 for the purpose of financing an additional water supply and distribution system with sufficient capacity to meet the foreseeable service needs of the area. \$65,000 in bond authorization remains for ID 15.

Land Use

The availability of an assured water supply and the excellent permeable and fertile soil, elevation air drainage (which tempers winter temperatures), topography and climate have made the valley within ID 15 ideal for citrus agriculture. Homesites available on the surrounding foothills and knolls (which are less suited to citrus) have attractive panoramic views.

Security

The ID 15 District Bonds are general obligations of ID 15 and are secured by the taxing power of the District within ID 15. The District is obligated to levy *ad valorem* taxes on all taxable property within ID 15 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID 15 District Bonds. See the Official Statement under the caption “AD VALOREM TAXES.” The total combined tax rate required to pay debt service on the ID 15 District Bonds is \$0.040 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID 15.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID 15.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. 15 HISTORICAL ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$24,841,122	\$0	\$ 912,185	\$25,753,307
2018-19	25,493,788	0	1,040,410	26,534,198
2019-20	26,365,011	0	972,389	27,337,400
2020-21	26,979,985	0	1,155,483	28,135,468
2021-22	27,238,439	0	1,015,645	28,254,084

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID 15 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 15
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 9,508,673	34.91	52	46.85
Subtotal Non-Residential	\$ 9,508,673	34.91%	52	46.85%
Residential:				
Single Family Residence	\$ 17,578,851	64.54%	53	47.75%
Vacant Residential	150,915	0.55	6	5.41
Subtotal Residential	\$ 17,729,766	65.09%	59	53.15%
Total	\$ 27,238,439	100.00%	111	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID 15 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 15
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. John J. Gless	Agricultural	\$2,352,274	8.64%
2. Donna T. Whitson Living Trust	Agricultural	1,637,997	6.01
3. Gary L. McMillan	Agricultural	1,221,321	4.48
4. John J. Demshki	Agricultural	754,107	2.77
5. Washburn Family Trust	Agricultural	656,359	2.41
6. David A. Washburn	Agricultural	541,281	1.99
7. Ronald E. Duffin	Residential	498,382	1.83
8. Anthony S. Flores	Residential	484,666	1.78
9. Honey Pacifica Holdings	Agricultural	482,487	1.77
10. Eugene L. Price	Residential	467,901	1.72
TOTAL		\$9,096,775	33.40%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$27,238,439.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID 15**”) for ID 15 effective October 1, 2021. The Debt Report–ID 15 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID 15 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID 15 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID 15 (except as indicated) nor are they necessarily obligations secured by land within ID 15. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 15
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$28,254,084

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.001%	\$ 268
Riverside County Flood Control and Water Conservation District Promissory Notes	0.044	3,467
Eastern Municipal Water District Improvement District No. 15	100.000	101,000⁽¹⁾
Mount San Jacinto Community College District	0.026	65,831
Hemet Unified School District	0.219	<u>506,131</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$676,697
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.009%	\$ 64,570
Riverside County Pension Obligation Bonds	0.009	79,342
Hemet Unified School District Certificates of Participation	0.219	<u>84,118</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$228,030
COMBINED TOTAL DEBT		\$904,727 ⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$101,000)	0.36%
Total Direct and Overlapping Tax and Assessment Debt.....	2.40%
Combined Total Debt	3.20%

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID 15 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. 15 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$ 9,932	\$ 9,304	\$628	6.33%
2017-18	10,936	10,495	441	4.03
2018-19	11,317	11,069	248	2.19
2019-20	11,687	11,507	180	1.54
2020-21	11,254	10,743	511	4.54

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. 18 (JUNIPER FLATS)

Location

Improvement District No. 18 (Juniper Flats) (“**ID 18**”) consists of approximately 3,604 acres located in the central portion of the District, midway between the Cities of Hemet and Perris. The area is bisected by a county road which provides a connection to nearby State Highway 74. The rolling, hilly terrain within ID 18 ranges from 1,700 to 2,300 feet in elevation and provides an attractive topography for residential development. A valley with an average elevation of 2,150 feet constitutes the heart of ID 18. It has a climate with comparatively cool summer peak temperatures and warm winter temperatures. The relatively high elevation of the area also minimizes smog penetration.

History

ID 18 was formed on December 10, 1963 with a bond authorization of \$700,000 for the purpose of financing a water supply and distribution system to serve the area and for additional facilities in the future as required. The absence of adequate and dependable water supply was curtailing both residential and poultry development and forcing some residents to haul water to meet their minimum daily needs. \$130,000 in bond authorization remains for ID 18.

Land Use

In addition to being an attractive residential area, ID 18 is the location of several modern commercial poultry operations, which, because of proper location and planning do not adversely affect residential development. The trend toward and the compatibility of these types of development have been well established in the area for more than 50 years.

Security

The ID 18 District Bonds are general obligations of ID 18 and are secured by the taxing power of the District within ID 18. The District is obligated to levy *ad valorem* taxes on all taxable property within ID 18 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID 18 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID 18 District Bonds is \$0.026 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID 18.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID 18.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. 18 HISTORICAL ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$55,219,636	\$0	\$ 4,556,959	\$59,776,595
2018-19	59,956,601	0	5,891,386	65,847,987
2019-20	63,891,288	0	6,523,111	70,414,399
2020-21	66,217,096	0	13,275,579	79,492,675
2021-22	73,095,408	0	9,618,361	82,713,769

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID 18 for Fiscal Year 2021-22.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. 18 ASSESSED VALUATIONS BY LAND USE TYPE

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 12,511,220	17.11%	105	23.33%
Commercial	488,362	0.67	1	0.22
Industrial – Quarry	<u>1,796,100</u>	<u>2.46</u>	<u>2</u>	<u>0.44</u>
Subtotal Non-Residential	\$ 14,795,682	20.24%	108	24.00%
Residential:				
Single Family Residence	\$ 18,257,981	24.98%	61	13.56%
Mobile Home	35,437,143	48.48	195	43.33
Miscellaneous Residential	330,015	0.45	7	1.56
Vacant Residential	<u>4,274,587</u>	<u>5.85</u>	<u>9</u>	<u>17.56</u>
Subtotal Residential	\$ 58,299,726	83.40%	342	76.00%
Total	\$ 73,095,408	100.00%	450	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID 18 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 18
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. SCK Poultry Ranches	Agricultural	\$2,275,885	3.11%
2. Juniper Homeland Dev	Agricultural	2,130,450	2.91
3. ARB Inc.	Quarry	1,796,100	2.46
4. MV Ironwood Inv Six	Agricultural	1,287,606	1.76
5. Mercy Priscila Flores	Residential	828,494	1.13
6. Jaime Macias	Agricultural	651,497	0.89
7. Francisco Patino	Residential	633,765	0.87
8. Maria Guadalupe Zelaya	Residential	630,706	0.86
9. Zwee Nguyen	Residential	609,682	0.83
10. Mychael De La Vara	Residential	<u>605,205</u>	<u>0.83</u>
TOTAL		\$11,449,390	15.66%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$73,095,408.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID 18**”) for ID 18 effective October 1, 2021. The Debt Report–ID 18 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID 18 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID 18 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID 18 (except as indicated) nor are they necessarily obligations secured by land within ID 18. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 18
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$82,713,769

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.002%	\$ 537
Riverside County Flood Control and Water Conservation District Promissory Notes	0.130	10,244
Eastern Municipal Water District Improvement District No. 18	100.000	182,000⁽¹⁾
Mount San Jacinto Community College District	0.076	192,428
Hemet Unified School District	0.012	27,733
Perris Union High School District	0.384	1,185,824
Nuview Union School District	7.860	<u>711,682</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,310,448
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.025%	\$ 179,360
Riverside County Pension Obligation Bonds	0.025	220,394
Hemet Unified School District Certificates of Participation	0.012	4,609
Perris Union School District Certificates of Participation	0.384	<u>156,887</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 561,250
COMBINED TOTAL DEBT		\$2,871,698⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$182,000)	0.22%
Total Direct and Overlapping Tax and Assessment Debt.....	2.79%
Combined Total Debt.....	3.47%

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID 18 in the last five fiscal years.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 18
HISTORICAL DELINQUENCIES**

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$15,469	\$44,465	\$ -	0.00%
2017-18	16,592	14,683	1,909	11.51
2018-19	18,361	16,964	1,397	7.61
2019-20	19,635	17,982	1,653	8.42
2020-21	20,652	19,387	1,265	6.12

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. 22 (MURRIETA HOT SPRINGS)

Location

Improvement District No. 22 (Murrieta Hot Springs) (“**ID 22**”) consists of 10,820 acres located in the southwestern portion of the District, approximately 60 miles southeast of the City of Riverside and 30 miles north of the City of Escondido. It is served by State Highway 79 along its eastern boundary lines and improved county roads which connect to Interstates 15 and 215 approximately 1.5 miles to the west. ID 22 covers undulating lands with elevations ranging between 1,080 and 1,320 feet. Hilly lands, ranging up to 1,780 feet in elevation, are located immediately northwest of ID 22.

History

ID 22 was formed on October 6, 1970 with a bond authorization of \$5,800,000 to finance regional sewer transmission, treatment and disposal and water reclamation and local sewage collection system facilities to serve the region covered by ID 22 in keeping with the developing need for such facilities and sewer service.

For 90 years, Murrieta Hot Springs was a health and resort spa. In 1970, the resort and 500 acres of surrounding lands were acquired by Murrieta Hot Springs, a California Corporation. Under a coordinated development plan, the historic property was modernized and expanded. In addition, large-scale condominium and mobile home subdivision development was begun. In the past, water for Murrieta Hot Springs had been supplied by local wells while sewer service for the resort was provided by on-site treatment and disposal facilities; these services were inadequate to meet the needs of the planned development.

Recognizing the increasing sewer service requirements within ID 22, together with those in the adjacent Improvement District No. U-8 (“**ID U-8**”) development, the State of California and federal government (United States Environmental Protection Agency) approved a Clean Water Sewer Treatment Plan and related interceptor sewer and reclaimed water facilities, which serve both ID 22 and ID U-8. ID 22 and ID U-8 equitably shared the financing of project costs which exceeded State and federal grant assistance participation funds. No bond authorization remains for ID 22.

Land Use

Prior to the formation of ID 22 and the beginning of the area’s planned development in 1970, the area surrounding the Murrieta Hot Springs resort spa was used for dry farming purposes. This use is being supplanted by residential (including condominiums and mobile home subdivisions), recreational and commercial development.

Security

The ID 22 District Bonds are general obligations of ID 22 and are secured by the taxing power of the District within ID 22. The District is obligated to levy *ad valorem* taxes on all taxable property within ID 22 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID 22 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID 22 District Bonds is \$0.003 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID 22.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID 22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 22
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$3,952,092,341	\$0	\$87,130,976	\$4,039,223,317
2018-19	4,199,516,468	0	89,205,274	4,288,721,742
2019-20	4,376,902,431	0	83,282,463	4,460,184,894
2020-21	4,605,626,132	0	82,041,018	4,687,667,150
2021-22	4,838,927,227	0	82,910,554	4,921,837,781

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID 22 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 22
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial/Office	\$ 714,332,720	14.76%	215	1.91%
Vacant Commercial	53,783,299	1.11	77	0.68
Industrial	23,902,964	0.49	2	0.02
Recreational	5,081,559	0.11	2	0.02
Government/Social/Institutional	<u>6,007,197</u>	<u>0.12</u>	<u>26</u>	<u>0.23</u>
Subtotal Non-Residential	\$ 803,107,739	16.60%	322	2.86%
Residential:				
Single Family Residence	\$ 3,203,118,029	66.19%	8,853	78.62%
Condominium	230,185,078	4.76	857	7.61
Mobile Home	204,580,868	4.23	1,102	9.79
2-4 Residential Units	32,143,738	0.66	65	0.58
5+ Residential Units/Apartments	360,013,532	7.44	28	0.25
Vacant Residential	<u>5,778,243</u>	<u>0.12</u>	<u>33</u>	<u>0.29</u>
Subtotal Residential	\$ 4,035,819,488	83.40%	10,938	97.17%
Total	\$ 4,838,927,227	100.00%	11,260	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID 22 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 22
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. MG Mitchell Place Apartments	Apartments	\$78,250,000	1.62%
2. Pacific Landing	Apartments	68,894,127	1.42
3. Strata Waterstone	Apartments	66,561,112	1.38
4. Murrieta Town Center Retail Owner LP	Shopping Center	65,698,655	1.36
5. Eagle Glen Apartments	Apartments	55,403,173	1.14
6. Universal Health Services of Rancho Springs	Office Building	52,675,796	1.09
7. TKG Murrieta Plaza	Department Store	35,619,605	0.74
8. Alta Murrieta	Apartments	34,420,038	0.71
9. Murrieta 144 Apartments	Apartments	32,267,487	0.67
10. Target Corp.	Department Store	<u>26,856,572</u>	<u>0.56</u>
TOTAL		<u>\$516,646,565</u>	10.69%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$4,838,927,227.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID 22**”) for ID 22 effective October 1, 2021. The Debt Report–ID 22 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID 22 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID 22 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID 22 (except as indicated) nor are they necessarily obligations secured by land within ID 22. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 22
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$4,921,837,781

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.146%	\$ 39,172
Eastern Municipal Water District Improvement District No. 22	100.000	1,478,000⁽¹⁾
Mount San Jacinto Community College District	4.543	11,502,649
Murrieta Valley Unified School District	27.874	43,864,378
Temecula Valley Unified School District	0.019	31,346
Perris Union High School District	0.764	2,359,295
Menifee Union School District	1.213	1,515,579
Murrieta Valley Unified School District Community Facilities Districts	68.414 – 100.000	40,958,116
Perris Union High School District Community Facilities District No. 92-1	2.363	753,916
Riverside County Community Facilities District No. 89-4	100.000	1,720,000
City of Murrieta Community Facilities Districts	40.973 – 100.000	29,728,565
Eastern Municipal Water District Community Facilities District No. 2003-14	100.000	<u>4,700,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$138,651,016

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	1.487%	\$ 10,668,322
Riverside County Pension Obligation Bonds	1.487	13,109,020
Murrieta Valley Unified School District Certificates of Participation	27.874	6,118,343
Perris Union High School District Certificates of Participation	0.764	312,139
Menifee Union School District Certificates of Participation	1.213	560,514
City of Murrieta General Fund Obligations	31.968	<u>1,211,587</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 31,979,925

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 2,602,577

COMBINED TOTAL DEBT **\$173,233,518⁽²⁾**

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$1,478,000)	0.03%
Total Direct and Overlapping Tax and Assessment Debt.....	2.82%
Combined Total Debt	5.31%

Ratios to Redevelopment Incremental Valuation (\$104,636,640):

Overlapping Tax Increment Debt	2.49%
--------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID 22 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. 22 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$113,008	\$110,000	\$3,008	2.66%
2017-18	121,044	118,959	2,085	1.72
2018-19	128,693	126,633	2,060	1.60
2019-20	132,761	130,406	2,354	1.77
2020-21	140,673	138,067	2,606	1.85

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. 24 (FRUITVALE)

Location

Improvement District No. 24 (Fruitvale) (“**ID 24**”) consists of approximately 10,820 acres located in the Hemet-San Jacinto Valley in the northeasterly portion of the District, between and partially within the Cities of Hemet and San Jacinto. ID 24 ranges from 1,500 to 1,660 feet in elevation, except for a small foothill area at the extreme west end where the elevation rises to almost 2,500 feet. The picturesque valley is virtually surrounded on the south, west and north by foothills ranging from 2,500 to 4,000 feet in elevation and on the east by Mount San Jacinto, the highest point in Riverside County. The San Jacinto River lies along the northeastern boundary of ID 24 and provides the principal source of supply for recharging the underground water basin from which ID 24 has historically drawn a major portion of its water supply. ID 24 is traversed by State Highways 74 and 19, a network of improved city and county streets and the Santa Fe Railway.

History

ID 24 was formed on February 29, 1972 with a bond authorization of \$2,650,000 for the purpose of the acquisition of the assets and facilities of the Fruitvale Mutual Water Company, an initial expansion and betterment of such acquired facilities and the financing of additional facilities as required in the future. No bond authorization remains for ID 24.

Land Use

ID 24 is located in the heart of the fertile Hemet-San Jacinto Valley, where excellent soils, a moderate climate, gentle sloping topography, the availability of public utilities and excellent highways have supported a well-diversified major agricultural economy for many years. ID 24 is close to other rapidly developing areas, and has experienced light industrial, commercial and residential development in recent years.

Security

The ID 24 District Bonds are general obligations of ID 24 and are secured by the taxing power of the District within ID 24. The District does not currently levy *ad valorem* taxes on taxable property within ID 24. Rather, bonds of ID 24 are paid from net water and wastewater revenues remaining after the payment of operation and maintenance costs. The District intends to continue to pay the ID 24 District Bonds from such net water and wastewater revenues.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID 24.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID 24.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 24
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-24	\$2,813,781,791	\$0	\$36,766,374	\$2,850,548,165
2024-19	2,988,076,295	0	38,237,825	3,026,314,120
2019-20	3,151,585,530	0	40,486,934	3,192,072,464
2020-21	3,333,156,080	0	38,318,444	3,371,474,524
2021-22	3,514,615,661	0	37,066,385	3,551,682,046

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID 24 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 24
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 45,028,848	1.28%	198	1.43%
Commercial/Office	321,979,043	9.16	154	1.11
Vacant Commercial	74,749,183	2.13	142	1.02
Industrial	54,955,812	1.56	46	0.33
Recreational	9,843,484	0.28	17	0.12
Government/Social/Institutional	<u>3,907,635</u>	<u>0.11</u>	<u>14</u>	<u>0.10</u>
Subtotal Non-Residential	\$ 510,464,005	14.52%	571	4.12%
Residential:				
Single Family Residence	\$ 2,668,576,733	75.93%	10,355	74.66%
Condominium	36,577,609	1.04	300	2.16
Mobile Home	74,731,815	2.13	1,956	14.10
Mobile Home Park	92,346,506	2.63	19	0.14
2-4 Residential Units	7,278,570	0.21	20	0.14
5+ Residential Units/Apartments	82,560,421	2.35	18	0.13
Miscellaneous Residential	6,935,072	0.20	35	0.25
Vacant Residential	<u>35,144,930</u>	<u>1.00</u>	<u>595</u>	<u>4.29</u>
Subtotal Residential	\$ 3,004,151,656	85.48%	13,298	95.88%
Total	\$ 3,514,615,661	100.00%	13,869	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID 24 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 24
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. FFLP CC	Mobile Home Park	\$ 33,578,885	0.96%
2. Wal Mart Real Estate Business Trust	Commercial	26,593,990	0.76
3. James J. Femino	Grocery Store	22,364,077	0.64
4. Essex JMS Acquisition	Apartments	20,185,438	0.57
5. CBYW Hemet IIF Propco	Assisted Living Facility	19,299,627	0.55
6. Bartoli Investments LP	Mobile Home Park	16,479,350	0.47
7. Providence Vista Gardens Hemet Apartments	Apartments	16,293,267	0.46
8. Winco Foods	Grocery Store	15,894,411	0.45
9. Vintage Pointe Prop	Apartments	15,169,447	0.43
10. 1097 North State	Mobile Home Park	<u>14,436,757</u>	<u>0.41</u>
TOTAL		<u>\$200,295,249</u>	5.70%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$3,514,615,661.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID 24**”) for ID 24 effective October 1, 2021. The Debt Report–ID 24 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID 24 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID 24 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID 24 (except as indicated) nor are they necessarily obligations secured by land within ID 24. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. 24
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$3,551,682,046

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.105%	\$ 28,172
Riverside County Flood Control and Water Conservation District Promissory Notes	5.455	429,854
Eastern Municipal Water District Improvement District No. 24	100.000	151,000⁽¹⁾
Eastern Municipal Water District Improvement District No. U-12	100.000	252,000
Eastern Municipal Water District Improvement District No. U-14	89.92	31,472
Eastern Municipal Water District Improvement District No. U-18	8.87	30,424
Eastern Municipal Water District Improvement District No. U-21	100.000	124,000
Mount San Jacinto Community College District	3.279	8,302,264
Hemet Unified School District	15.716	36,321,248
San Jacinto Unified School District	38.749	22,951,667
Temecula Valley Unified School District	0.272	448,740
Perris Union High School District	0.006	18,528
Nuview Union School District	0.137	12,405
Eastern Municipal Water District Community Facilities Districts	47.821-100.000	12,181,782
City of Hemet Community Facilities District No. 1999-1	89.074	5,184,090
Hemet Unified School District Community Facilities Districts	100.000	9,490,000
City of San Jacinto Community Facilities District No. 2002-1	100.000	14,655,000
San Jacinto Unified School District Community Facilities Districts	100.000	<u>27,155,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$137,767,646

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	1.073%	\$ 7,698,124
Riverside County Pension Obligation Bonds	1.073	9,459,300
Hemet Unified School District Certificates of Participation	15.716	6,036,516
San Jacinto Unified School District Certificates of Participation	38.749	15,737,906
Perris Union High School District Certificates of Participation	0.006	<u>2,451</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 38,934,297

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 1,549,472

COMBINED TOTAL DEBT \$178,251,415⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$151,000)	0.004%
Total Direct and Overlapping Tax and Assessment Debt.....	3.88%
Combined Total Debt	5.02%

Ratio to Redevelopment Incremental Valuation (\$209,980,371):

Total Overlapping Tax Increment Debt.....	0.74%
-------------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

No Delinquencies

As discussed under the caption “—Security,” the District does not levy ad valorem taxes in ID 24, so there are no delinquencies in the payment of such taxes.

IMPROVEMENT DISTRICT NO. U-2 (SUN CITY)

Location

Improvement District No. U-2 (Sun City) (“**ID U-2**”) consists of 1,630 acres located in the western central portion of the District, within the Perris Valley and including a portion of the unincorporated community of Sun City. The lands within ID U-2 are on gentle slopes, ranging between 1,400 and 1,500 feet in elevation and are partially surrounded by low hills ranging up to 2,250 feet in elevation. Interstate 215 is near ID U-2. The area is served by a network of improved county streets and roads.

History

ID U-2 was formed on May 16, 1962 with a bond authorization of \$2,850,000 for the purpose of financing and providing regional sewage interceptor treatment, disposal and water reclamation facilities and service for the portion of Perris Valley within its boundaries. No bond authorization remains for ID U-2.

Land Use

ID U-2’s location, climate, coordinated development plan, availability of public utilities, excellent highways and expanding operational economy in surrounding areas have resulted in rapid commercial, light industrial and residential growth within ID U-2.

Security

The ID U-2 District Bonds are general obligations of ID U-2 and are secured by the taxing power of the District within ID U-2. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-2 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-2 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-2 District Bonds is \$0.01 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-2.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-2.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-2 HISTORICAL ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$744,818,330	\$0	\$12,317,541	\$757,135,871
2018-19	794,706,825	0	12,888,493	807,595,318
2019-20	841,723,781	0	12,622,416	854,346,197
2020-21	891,772,977	0	15,150,674	906,923,651
2021-22	938,236,636	0	14,293,774	952,530,410

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-2 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-2
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial/Office	\$ 69,272,387	7.38%	43	0.92%
Recreational	2,916,042	0.31	10	0.21
Government/Social/Institutional	<u>250,505</u>	<u>0.03</u>	<u>5</u>	<u>0.11</u>
Subtotal Non-Residential	\$ 72,438,934	7.72%	58	1.24%
Residential:				
Single Family Residence	\$ 761,649,373	81.18%	3,828	81.66%
Condominium	102,364,147	10.91	776	16.55
Duplex	311,431	0.03	1	0.02
Vacant Residential	<u>1,472,751</u>	<u>0.16</u>	<u>25</u>	<u>0.53</u>
Subtotal Residential	\$ 865,797,702	92.28%	4,630	98.76%
Total	\$ 938,236,636	100.00%	4,688	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-2 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-2
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. HCP HB2 Carrington Cherry Hills	Assisted Living Facility	\$22,047,650	2.35%
2. Cherry Hills Plaza	Shopping Center	8,252,297	0.88
3. Stater Bros. Markets	Grocery Store	4,588,882	0.49
4. Vons Co Inc.	Grocery Store	4,363,553	0.47
5. Golf & Art	Recreational	2,916,042	0.31
6. Kathy Lansford	Condominiums	2,802,690	0.30
7. Bradley Medical Associates	Medical Offices	2,453,876	0.26
8. Winged Foot Drive Condos	Condominiums	2,369,783	0.25
9. Rancho Inv Sun City	Medical Offices	1,867,312	0.20
10. David Sun City	Shopping Center	<u>1,839,774</u>	<u>0.20</u>
TOTAL		\$53,501,859	5.70%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$938,236,636.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-2**”) for ID U-2 effective October 1, 2021. The Debt Report–ID U-2 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-2 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-2 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-2 (except as indicated) nor are they necessarily obligations secured by land within ID U-2. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-2 DIRECT AND OVERLAPPING DEBT

Fiscal Year 2021-22 Assessed Valuation: \$952,530,410

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.028%	\$ 7,512
Riverside County Flood Control and Water Conservation District Promissory Notes	1.494	117,727
Eastern Municipal Water District Improvement District No. U-2	100.000	645,000⁽¹⁾
Eastern Municipal Water District Improvement District No. U-35	0.093	6,357
Eastern Municipal Water District Improvement District No. U-36	0.093	6,365
Mount San Jacinto Community College District	0.879	2,225,584
Perris Union High School District	4.505	13,911,811
Menifee Union School District	7.154	8,938,545
Perris Union High School District Community Facilities District No. 92-1	0.770	<u>245,637</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$26,104,538
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.288%	\$ 2,066,225
Riverside County Pension Obligation Bonds	0.288	2,538,936
Perris Union High School District Certificates of Participation	4.505	1,840,561
Menifee Union School District Certificates of Participation	7.154	<u>3,305,785</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 9,751,507
 COMBINED TOTAL DEBT		 \$35,856,045⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$645,000)	0.07%
Total Direct and Overlapping Tax and Assessment Debt.....	2.74%
Combined Total Debt.....	3.76%

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-2 in the last five fiscal years.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-2
HISTORICAL DELINQUENCIES**

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$71,486	\$68,911	\$2,575	3.60%
2017-18	75,520	71,375	4,145	5.49
2018-19	80,707	77,878	2,829	3.51
2019-20	85,423	82,446	2,977	3.49
2020-21	90,710	87,702	3,009	3.32

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-4 (SUN CITY)

Location

Improvement District No. U-4 (Sun City) (“**ID U-4**”) consists of 420 acres located in the northerly portion of the unincorporated community of Sun City in the Perris Valley. ID U-4 is entirely within Improvement District No. 13 (under which water supply is provided and the local water distribution system is operated) and U-1 (under which regional sewage transmission, treatment, disposal and water reclamation facilities and service are provided and the local sewage collection system is operated). The land within ID U-4 are on gentle slopes, ranging between 1,400 and 1,500 feet in elevation and are partially surrounded by low hills, which range up to 2,250 feet in elevation. Interstate 215 borders ID U-4 on the east and the area is served by a network of improved county streets and roads.

History

ID U-4 was formed on January 22, 1964 with a bond authorization of \$2,300,000 to finance local sewage collection and water distribution facilities for development within ID U-4. No bond authorization remains for ID U-4.

Land Use

The development of the previously agricultural lands within ID U-4 for commercial, residential (including single family residences, condominiums and mobile homes) and recreational (golf course) purposes is complete. ID U-4 does not contain any undeveloped land.

Security

The ID U-4 District Bonds are general obligations of ID U-4 and are secured by the taxing power of the District within ID U-4. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-4 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-4 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-4 District Bonds is \$0.05 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-4.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-4.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-4
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$177,744,649	\$0	\$2,192,637	\$179,937,286
2018-19	191,144,170	0	2,362,266	193,506,436
2019-20	199,353,497	0	2,796,045	202,149,542
2020-21	215,191,923	0	3,863,753	219,055,676
2021-22	224,080,586	0	4,553,212	228,633,798

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-4 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-4
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial/Office	\$ 27,611,130	12.32%	15	1.28%
Vacant Commercial	286,605	0.13	3	0.26
Recreational	261,603	0.12	8	0.68
Government/Social/Institutional	<u>112,669</u>	<u>0.05</u>	<u>3</u>	<u>0.26</u>
Subtotal Non-Residential	\$ 28,272,007	12.62%	29	2.47%
Residential:				
Single Family Residence	\$ 176,217,492	78.64%	866	73.64%
Condominium	11,759,240	5.25	74	6.29
Mobile Home	5,295,599	2.36	205	17.43
Mobile Home Park	<u>2,536,248</u>	<u>1.13</u>	<u>2</u>	<u>0.17</u>
Subtotal Residential	\$ 195,808,579	87.38%	1,147	97.53%
Total	\$ 224,080,586	100.00%	1,176	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-4 are shown in the table below.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-4 FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Realty Income Properties 23	Gas Station/Mini-Mart	\$4,710,663	2.10%
2. Cetus Enterprises Inc.	Restaurant	4,090,235	1.83
3. Bradley Plaza	Shopping Center	3,086,753	1.38
4. Washington Mutual Bank	Bank	2,617,322	1.17
5. Sun City Investment Co. Ltd	Mobile Home Park	2,558,594	1.14
6. World Savings Bank	Bank	2,438,369	1.09
7. Sun Plaza Business Center	Office Building	2,400,784	1.07
8. Walgreen Co.	Commercial	2,232,962	1.00
9. AA & J Group Inc.	Gas Station/Mini-Mart	1,820,219	0.81
10. Richard G. Shyer	Residential	<u>1,555,305</u>	<u>0.69</u>
TOTAL		<u>\$27,511,206</u>	12.28%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$224,080,586.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-4**”) for ID U-4 effective October 1, 2021. The Debt Report–ID U-4 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-4 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-4 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-4 (except as indicated) nor are they necessarily obligations secured by land within ID U-4. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-4
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$228,633,798

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.007%	\$ 1,878
Riverside County Flood Control and Water Conservation District Promissory Notes	0.359	28,289
Eastern Municipal Water District Improvement District No. U-4	100.000	936,000⁽¹⁾
Mount San Jacinto Community College District	0.211	534,241
Perris Union High School District	1.081	3,338,217
Menifee Union School District	1.717	<u>2,145,301</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$6,983,926

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.069%	\$ 495,033
Riverside County Pension Obligation Bonds	0.069	608,287
Perris Union High School District Certificates of Participation	1.081	441,653
Menifee Union School District Certificates of Participation	1.717	<u>793,407</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$2,338,380

COMBINED TOTAL DEBT \$9,322,306⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$936,000)	0.41%
Total Direct and Overlapping Tax and Assessment Debt.....	3.05%
Combined Total Debt.....	4.08%

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-4 in the last five fiscal years.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-4
HISTORICAL DELINQUENCIES**

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$85,537	\$82,327	\$3,210	3.75%
2017-18	96,115	94,071	2,044	2.13
2018-19	103,799	102,527	1,272	1.23
2019-20	108,745	104,654	4,091	3.76
2020-21	106,911	103,206	3,705	3.47

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-5 (DAIRYLAND)

Location

Improvement District No. U-5 (Dairyland) (“ID U-5”) consists of approximately 1,150 acres located in the Hemet-San Jacinto Valley in the northeasterly portion of the District, approximately four miles northwest of the City of San Jacinto. The area is bounded by the Ramona Expressway on the northeast and is served by improved county streets and roads.

History

ID U-5 was formed on June 9, 1965 with a bond authorization of \$1,250,000 for the purpose of providing financing for water supply and distribution system facilities to meet the area’s service needs. \$935,000 in bond authorization remains for ID U-5.

Land Use

For many years the lands within ID U-5 were used for native vegetation pasturage purposes. This use is continuing during the area’s conversion to dairy farm uses.

Security

The ID U-5 District Bonds are general obligations of ID U-5 and are secured by the taxing power of the District within ID U-5. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-5 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-5 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-5 District Bonds is \$0.016 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-5.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-5.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-5 HISTORICAL ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-U-5	\$72,331,742	\$ 0	\$ 920,796	\$73,252,538
20U-5-19	83,033,047	1,000	1,161,638	84,195,685
2019-20	97,572,528	1,000	1,324,456	98,897,984
2020-21	118,944,333	1,000	1,371,478	120,316,811
2021-22	126,327,375	1,000	1,807,182	128,135,557

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-5 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-5
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 18,421,180	14.58%	29	6.07%
Subtotal Non-Residential	\$ 18,421,180	14.58%	29	6.07%
Residential:				
Single Family Residence	\$ 107,254,790	84.90%	409	85.56%
Vacant Residential	651,405	0.52	40	8.37
Subtotal Residential	\$ 107,906,195	85.42%	449	93.93%
Total	\$ 126,327,375	100.00%	478	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-5 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-5
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Eric J. Boersma	Agricultural	\$ 4,936,388	3.91%
2. A. and B. Oostdam Family Trust	Agricultural	4,711,824	3.73
3. KB Home Coastal Inc.	Residential Development	3,909,304	3.09
4. Walton Calif	Agricultural	3,790,738	3.00
5. John P. Oostdam	Agricultural	3,671,538	2.91
6. Lewis D. Rees	Residential	1,762,733	1.40
7. Smilax & Eang	Residential	1,018,588	0.81
8. McAnally Family Farms Inc.	Agricultural	813,696	0.64
9. HPA JV Borrower 2019-1	Residential	684,294	0.54
10. Ryan W. Sebastian	Residential	435,352	0.34
TOTAL		\$25,734,455	20.37%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$126,327,375.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-5**”) for ID U-5 effective October 1, 2021. The Debt Report–ID U-5 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-5 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-5 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-5 (except as indicated) nor are they necessarily obligations secured by land within ID U-5. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-5
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$128,135,557

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.004%	\$ 1,073
Riverside County Flood Control and Water Conservation District Promissory Notes	0.201	15,839
Eastern Municipal Water District Improvement District No. U-5	100.000	73,000⁽¹⁾
Mount San Jacinto Community College District	0.118	298,770
San Jacinto Unified School District	3.296	1,952,275
Perris Union High School District	0.021	64,850
Nuview Union School District	0.486	44,005
San Jacinto Unified School District Community Facilities District No. 2003-1	99.130	<u>8,069,161</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$10,518,973
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.039%	\$ 279,801
Riverside County Pension Obligation Bonds	0.039	343,814
San Jacinto Unified School District Certificates of Participation	3.296	1,338,670
Perris Union School District Certificates of Participation	0.021	<u>8,580</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 1,970,865
 COMBINED TOTAL DEBT		 \$12,489,838⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$73,000)	0.06%
Total Direct and Overlapping Tax and Assessment Debt.....	8.21%
Combined Total Debt.....	9.75%

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-5 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-5 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$ 9,658	\$ 9,224	\$434	4.49%
2017-18	12,058	11,939	119	0.99
2018-19	13,855	13,844	11	0.08
2019-20	16,269	16,090	179	1.10
2020-21	19,260	19,012	248	1.29

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-6 (SUN CITY LOCAL WATER AND SEWER)

Location

Improvement District No. U-6 (Sun City Local Water and Sewer) (“**ID U-6**”) consists of 700 acres located in the easterly portion of the unincorporated community of Sun City in the Perris Valley. ID U-6 is entirely within the District’s Improvement District Nos. 13 & A (under which water supply is provided and the local water distribution system is operated) and U-1 (under which regional sewage transmission, treatment, disposal and water reclamation facilities and service are provided and the local sewage collection system is operated). The lands within ID U-6 are on gentle slopes, ranging between 1,400 and 1,500 feet in elevation, and are partially surrounded by low hills which range up to 2,250 feet in elevation. Interstate 215 borders ID U-6 on the west and the area is served by a network of improved county streets.

History

ID U-6 was formed on March 3, 1965 with a bond authorization of \$2,750,000 for the purpose of financing local sewage collection and water distribution facilities to serve development within ID U-6. No bond authorization remains for ID U-6.

Land Use

The previously agricultural lands within ID U-6 are being developed for commercial and residential purposes at a steady rate.

Security

The ID U-6 District Bonds are general obligations of ID U-6 and are secured by the taxing power of the District within ID U-6. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-6 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-6 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-6 District Bonds is \$0.05 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-6.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-6.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-6
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$416,718,205	\$0	\$ 757,765	\$417,475,970
2018-19	446,267,996	0	763,445	447,031,441
2019-20	465,236,992	0	772,867	466,009,859
2020-21	482,547,919	0	778,279	483,326,198
2021-22	502,492,201	0	1,453,530	503,945,731

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-6 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-6
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial/Office	\$ 11,526,675	2.29%	7	0.43%
Vacant Commercial	15,313,189	3.05	21	1.28
Industrial	13,987,353	2.78	3	0.18
Recreations	<u>704,740</u>	<u>0.14</u>	<u>1</u>	<u>0.06</u>
Subtotal Non-Residential	\$ 41,531,957	8.27%	32	1.95%
Residential:				
Single Family Residence	\$ 412,223,063	82.04%	1,587	96.65%
5+ Residential Units/Apartments	46,426,691	9.24	4	0.24
Vacant Residential	<u>2,310,490</u>	<u>0.46</u>	<u>19</u>	<u>1.16</u>
Subtotal Residential	\$ 460,960,244	91.73%	1,610	98.05%
Total	\$ 502,492,201	100.00%	1,642	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-6 are shown in the table below.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-6 FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Encanto Apartment Homes	Apartments	\$27,281,252	5.43%
2. J M Harding 2 LP	Apartments	9,841,045	1.96
3. Villagio Villas	Apartments	9,400,384	1.87
4. Sunrise Self Storage	Public Storage	7,963,738	1.58
5. Wal Mart Real Estate Business Trust	Commercial	7,384,579	1.47
6. Robin Joy Humphries	Public Storage	3,622,068	0.72
7. Murray Central Housing LP	Apartments	3,446,580	0.69
8. H&R Holdings	Restaurant	3,091,701	0.62
9. McCall Storage & Car Wash Inc.	Public Storage	2,401,547	0.48
10. McCall Sun City	Commercial Land	<u>2,176,856</u>	<u>0.43</u>
TOTAL		<u>\$76,609,750</u>	<u>15.25%</u>

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$502,492,201.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-6**”) for ID U-6 effective October 1, 2021. The Debt Report–ID U-6 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-6 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-6 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-6 (except as indicated) nor are they necessarily obligations secured by land within ID U-6. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-6
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$503,945,731

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.015%	\$ 4,025
Riverside County Flood Control and Water Conservation District Promissory Notes	0.790	62,252
Eastern Municipal Water District Improvement District No. U-6	100.000	2,051,000⁽¹⁾
Mount San Jacinto Community College District	0.465	1,177,357
Perris Union High School District	2.383	7,358,900
Menifee Union School District	3.709	4,634,200
Menifee Union School District Community Facilities Districts	8.857 – 100.000	4,408,523
Perris Union High School District Community Facilities District No. 92-1	3.698	1,179,887
Eastern Municipal Water District Community Facilities District No. 2004-30	100.000	<u>1,625,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$22,501,144

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.152%	\$ 1,090,508
Riverside County Pension Obligation Bonds	0.152	1,339,994
Perris Union High School District Certificates of Participation	2.383	973,597
Menifee Union School District Certificates of Participation	3.709	<u>1,713,888</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 5,117,987

COMBINED TOTAL DEBT \$27,619,131⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$2,051,000)	0.41%
Total Direct and Overlapping Tax and Assessment Debt.....	4.46%
Combined Total Debt	5.48%

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-6 in the last five fiscal years.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-6
HISTORICAL DELINQUENCIES**

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$199,329	\$196,078	\$3,251	1.63%
2017-18	212,160	204,049	8,111	3.82
2018-19	227,234	221,528	5,706	2.51
2019-20	237,241	232,998	4,243	1.79
2020-21	241,603	237,222	4,380	1.81

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-8 (TEMECULA)

Location

Improvement District No. U-8 (Temecula) (“**ID U-8**”) consists of 18,737 acres located in the southwesterly portion of the District in the City of Temecula, near the Riverside County-San Diego County line. It is approximately 35 miles southeast of the City of Riverside and 25 miles north of the City of Escondido. The gentle sloping valleys and scenic rolling lands within the boundaries of ID U-8 range in elevation from 950 to 1,350 feet and are bordered on the southwest by steep hills ranging up to 2,000 feet in elevation. Interstate 15 bisects ID U-8. The area is served by an expanding network of improved county streets and roads.

History

ID U-8 was formed on September 18, 1968 with a bond authorization of \$16,000,000 for the purpose of providing major sewage interceptor, treatment, disposal and water reclamation facilities and service in accordance with the District’s master sewer plan. No bond authorization remains for ID U-8.

Land Use

The lands within ID U-8 are a portion of the 87,500 acre Vail Ranch acquired in 1964 by Rancho California (later Kacor Development Company). Prior to its acquisition, the Vail Ranch had been operated as a major agricultural and cattle ranch for many years. The area’s location, climate, coordinated development plan, availability of public utilities, excellent highways and expanding operational economy in surrounding areas have resulted in rapid commercial, light industrial and residential growth within ID U-8.

Security

The ID U-8 District Bonds are general obligations of ID U-8 and are secured by the taxing power of the District within ID U-8. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-8 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-8 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-8 District Bonds is \$0.002 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-8.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-8.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-8
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$16,369,588,406	\$3,600	\$630,453,397	\$17,000,045,403
2018-19	17,114,998,965	3,600	628,480,436	17,743,483,001
2019-20	17,893,279,117	3,600	642,940,221	18,536,222,938
2020-21	18,676,090,426	3,600	665,290,689	19,341,384,715
2021-22	19,508,740,773	3,600	614,993,177	20,123,737,550

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-8 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-8
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 73,544,722	0.38%	41	0.11%
Commercial/Office	2,977,004,022	15.26	881	2.41
Vacant Commercial	218,876,755	1.12	336	0.92
Industrial	1,126,442,961	5.77	675	1.85
Recreational	60,843,475	0.31	31	0.08
Government/Social/Institutional	15,583,991	0.08	14	0.04
Miscellaneous	<u>1,036,105</u>	<u>0.01</u>	<u>3</u>	<u>0.01</u>
Subtotal Non-Residential	\$ 4,473,332,031	22.93%	1,981	5.42%
Residential:				
Single Family Residence	\$13,091,183,905	67.10%	31,257	85.46%
Condominium	835,093,454	4.28	2,855	7.81
Mobile Home	4,721,347	0.02	118	0.32
Mobile Home Park	18,331,409	0.09	3	0.01
2-4 Residential Units	53,389,381	0.27	47	0.13
5+ Residential Units/Apartments	999,458,005	5.12	39	0.11
Vacant Residential	<u>33,231,241</u>	<u>0.17</u>	<u>273</u>	<u>0.75</u>
Subtotal Residential	\$15,035,408,742	77.07%	34,592	94.58%
Total	\$19,508,740,773	100.00%	36,573	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-8 are shown in the table below.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-8 FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Temecula Towne Center Associates	Shopping Center	\$167,776,338	0.86%
2. Temecula Valley Hospital Inc.	Hospital	111,838,360	0.57
3. Breit MF Campanula Way	Apartments	93,475,097	0.48
4. Solana Ridge	Apartments	92,755,694	0.48
5. Advanced Cardiovascular System Inc.	Industrial	82,338,450	0.42
6. 42200 Moraga Road	Apartments	79,868,957	0.41
7. Cape May Temecula Apartments	Apartments	77,734,653	0.40
8. Foothills at Old Town	Apartments	77,418,466	0.40
9. Temecula Town Center Owner	Shopping Center	73,766,405	0.38
10. Inland Western Temecula Commons	Shopping Center	<u>66,524,111</u>	<u>0.34</u>
TOTAL		\$923,496,531	4.73%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$19,508,740,773.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-8**”) for ID U-8 effective October 1, 2021. The Debt Report–ID U-8 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-8 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-8 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-8 (except as indicated) nor are they necessarily obligations secured by land within ID U-8. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-8
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$20,123,737,550

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.596%	\$ 159,907
Eastern Municipal Water District Improvement District No. U-8	100.000	3,276,000⁽¹⁾
Mount San Jacinto Community College District	18.577	47,036,035
Murrieta Valley Unified School District	8.471	13,330,528
Temecula Valley Unified School District	69.087	113,978,200
Murrieta Valley Unified School District Community Facilities Districts	31.568	4,197,799
Temecula Valley Unified School District Community Facilities Districts	90.208 – 100.000	30,949,632
Rancho California Water District Community Facilities Districts	100.000	14,905,000
City of Temecula Community Facilities Districts	42.163 – 100.000	39,148,172
Eastern Municipal Water District Community Facilities Districts	100.000	<u>49,382,211</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$316,363,484

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	6.081%	\$ 43,627,484
Riverside County Pension Obligation Bonds	6.081	53,608,576
Murrieta Valley Unified School District Certificates of Participation	8.471	1,859,385
City of Murrieta General Fund Obligations	9.426	357,245
City of Temecula General Fund Obligations	93.437	<u>18,317,146</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$117,769,836

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 79,277,657

COMBINED TOTAL DEBT \$513,410,977⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$3,276,000)0.02%

Total Direct and Overlapping Tax and Assessment Debt.....1.57%

Combined Total Debt.....2.55%

Ratios to Redevelopment Incremental Valuation (\$2,462,214,666):

Overlapping Tax Increment Debt.....3.22%

⁽¹⁾ Excludes general obligation bonds be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-8 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-8 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$ 331,848	\$ 323,073	\$ 8,775	2.64%
2017-18	341,811	333,931	7,880	2.31
2018-19	354,039	346,576	7,463	2.11
2019-20	368,215	360,306	7,909	2.15
2020-21	387,685	378,790	8,896	2.29

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-9 (PERRIS VALLEY REGIONAL SEWER)

Location

Improvement District No. U-9 (Perris Valley Regional Sewer) (“**ID U-9**”) consists of 565 acres located in the Perris Valley in the north-central portion of the District, within the City of Perris. ID U-9 is located east of Interstate 215 and to the west of Lake Perris.

History

ID U-9 was formed on July 2, 1969 with a bond authorization of \$4,600,000 for the purpose of the financing of major sewer transmission (interceptor), treatment, disposal and water reclamation system facilities benefiting the lands, development and residents within ID U-9, including financial participation with other District programs in the cost of “joint” benefit facilities. \$1,507,000 in bond authorization remains for ID U-9.

Land Use

The area is located within a highly developed portion of the City of Perris. Presently, the development within ID U-9 includes residential housing, commercial land uses and diversified residential property.

Security

The ID U-9 District Bonds are general obligations of ID U-9 and are secured by the taxing power of the District within ID U-9. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-9 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-9 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-9 District Bonds is \$0.50 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-9.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-9.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-9
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$568,139,488	\$10,000	\$ 662,792	\$568,812,280
2018-19	600,563,691	0	666,281	601,229,972
2019-20	623,339,768	0	775,625	624,115,393
2020-21	708,543,103	0	917,071	709,460,174
2021-22	755,293,832	0	1,198,841	756,492,673

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-9 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-9
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Vacant Commercial	\$ 4,856,305	0.64%	22	0.67%
Industrial	<u>85,202,595</u>	<u>11.28</u>	<u>14</u>	<u>0.42</u>
Subtotal Non-Residential	\$ 90,058,900	11.92%	36	1.09%
Residential:				
Single Family Residence	\$ 639,072,528	84.61%	3,032	91.99%
Mobile Home	25,098,706	3.32	218	6.61
Vacant Residential	<u>1,063,698</u>	<u>0.14</u>	<u>10</u>	<u>0.30</u>
Subtotal Residential	\$ 665,234,932	88.08%	3,260	98.91%
Total	\$ 755,293,832	100.00%	3,296	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-9 are shown in the table below.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-9 FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. IDIG Rider Distribution Center	Warehouse	\$72,889,600	9.65%
2. Trident Capital Group	Residential Properties	3,859,082	0.51
3. SRPS LP	Residential Properties	2,586,440	0.34
4. SWH 2017 1 Borrower	Residential Properties	1,855,964	0.25
5. 2013 1 IH Borrower	Residential Properties	1,797,075	0.24
6. Keiko 1	Industrial	1,717,916	0.23
7. ARP 2014-1 Borrower	Residential Properties	1,536,554	0.20
8. MS Perris	Commercial Land	1,300,000	0.17
9. Olympus Properties	Industrial	1,293,260	0.17
10. Micromed Diamond Seal Systems	Industrial	<u>1,273,053</u>	<u>0.17</u>
TOTAL		<u>\$90,108,944</u>	11.93%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$755,293,832.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-9**”) for ID U-9 effective October 1, 2021. The Debt Report–ID U-9 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-9 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-9 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-9 (except as indicated) nor are they necessarily obligations secured by land within ID U-9. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-9
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$756,492,673

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.022%	\$ 5,903
Riverside County Flood Control and Water Conservation District Promissory Notes	1.186	93,457
Eastern Municipal Water District Improvement District No. U-9	100.000	2,341,000⁽¹⁾
Mount San Jacinto Community College District	0.132	334,217
Riverside City Community College District	0.482	1,448,204
Val Verde Unified School District	5.026	9,333,935
Perris Union High School District	0.675	2,084,456
Perris School District	4.380	1,529,331
City of Perris Community Facilities District No. 2002-1	100.000	4,200,000
City of Perris Community Facilities District No. 2004-2	100.000	<u>3,295,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$24,665,503

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.229%	\$ 1,642,936
Riverside County Pension Obligation Bonds	0.229	2,018,807
Val Verde Unified School District Certificates of Participation	5.026	2,601,960
Perris Union High School District Certificates of Participation	0.675	275,778
Perris School District Certificates of Participation	4.380	<u>205,641</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 6,745,122

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 5,621,702

COMBINED TOTAL DEBT \$37,032,327⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$2,341,000)	0.31%
Total Direct and Overlapping Tax and Assessment Debt.....	3.26%
Combined Total Debt.....	4.90%

Ratios to Redevelopment Incremental Valuation (\$305,068,288):

Overlapping Tax Increment Debt	1.84%
--------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-9 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-9 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$269,569	\$263,299	\$6,270	2.33%
2017-18	284,427	277,043	7,384	2.60
2018-19	300,600	295,451	5,149	1.71
2019-20	312,048	303,660	8,388	2.69
2020-21	354,741	348,204	6,538	1.84

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-10 (CANYON LAKE)

Location

Improvement District No. U-10 (Canyon Lake) (“**ID U-10**”) consists of approximately 1,120 acres located in the west central portion of the District, approximately three miles southwest of Sun City, six miles south of the City of Perris and six miles northeast of the City of Lake Elsinore. It is adjacent to the Elsinore Municipal Water District on the south, which operates the local sewage collection system financed by ID U-10 bonds and provides sewage transmission, treatment and disposal service for the lands within ID U-10 under an Interagency Agreement with the District. The lands within ID U-10 range between 1,400 and 1,620 feet in elevation, with the adjacent hills which partially surround the Canyon Lake development ranging up to 2,000 feet. The area is served by an expanding network of improved county streets.

History

Prior to the development of Canyon Lake, Canyon Lake (formerly known as the Railroad Canyon Reservoir) served as a man-made reservoir to store water for agricultural uses in the Temescal Water Company’s service area between the City of Lake Elsinore and the City of Corona. In the late 1960s, the lake and surrounding lands were acquired by the Corona Land Company, which developed an exclusive subdivision of more than 4,000 lots for custom homes surrounding the lake.

ID U-10 was formed on August 20, 1969 with a bond authorization of \$800,000 to finance local water distribution, storage collection and a share of certain joint benefit (with Elsinore Valley Municipal Water District) sewage transmission, treatment and disposal facilities to serve the portion of the Canyon Lake development that is located within the District. No bond authorization remains for ID U-10.

Land Use

All of the lands within ID U-10 have been subdivided and are completely occupied with custom built single family homes. ID U-10 does not contain any undeveloped land.

Security

The ID U-10 District Bonds are general obligations of ID U-10 and are secured by the taxing power of the District within ID U-10. The District is obligated to levy *ad valorem* taxes on all taxable property within

ID U-10 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-10 District Bonds. See the Official Statement under the caption “AD VALOREM TAXES.” The total combined tax rate required to pay debt service on the ID U-10 District Bonds is \$0.033 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-10.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-10.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-10
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$119,198,073	\$0	\$ 917,628	\$120,115,701
2018-19	125,206,019	0	909,650	126,115,669
2019-20	130,789,752	0	1,277,074	132,066,826
2020-21	135,587,478	0	1,370,131	136,957,609
2021-22	142,871,932	0	1,271,061	144,142,993

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-10 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-10
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Residential:				
Single Family Residence	\$ 142,535,823	99.76%	424	97.25%
Vacant Residential	<u>336,109</u>	<u>0.24</u>	<u>12</u>	<u>2.75</u>
Total	\$ 142,871,932	100.00%	436	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-10 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-10
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Carl E. Olafson	Residential	\$ 929,600	0.65%
2. Christopher Martin	Residential	754,824	0.53
3. Robert Capron Funk	Residential	735,824	0.52
4. Riley Adamson	Residential	705,600	0.49
5. Bradley Purdie	Residential	692,500	0.48
6. Hayes Family 2004 Trust	Residential	672,000	0.47
7. Adrian Garcia Dealba	Residential	669,760	0.47
8. Shepherd Inv	Residential	639,519	0.45
9. Joseph W. Quinn	Residential	629,837	0.44
10. David Edward Drascich	Residential	<u>619,770</u>	<u>0.43</u>
TOTAL		\$7,049,234	4.93%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$142,871,932.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-10**”) for ID U-10 effective October 1, 2021. The Debt Report–ID U-10 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-10 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-10 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-10 (except as indicated) nor are they necessarily obligations secured by land within ID U-10. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-10
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$144,142,993

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.004%	\$ 1,073
Riverside County Flood Control and Water Conservation District Promissory Notes	0.217	17,100
Eastern Municipal Water District Improvement District No. U-10	100.000	178,000⁽¹⁾
Mount San Jacinto Community College District	0.133	336,749
Lake Elsinore Unified School District	0.962	<u>467,628</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,000,550

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.044%	\$ 315,673
Riverside County Pension Obligation Bonds	0.044	<u>387,893</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 703,566

COMBINED TOTAL DEBT \$1,704,116⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$178,000)	0.12%
Total Direct and Overlapping Tax and Assessment Debt.....	0.69%
Combined Total Debt	1.18%

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-10 in the last five fiscal years.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-10
HISTORICAL DELINQUENCIES**

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$37,912	\$36,846	\$1,066	2.81%
2017-18	41,656	40,394	1,262	3.03
2018-19	43,640	42,887	753	1.72
2019-20	45,742	44,273	1,469	3.21
2020-21	45,198	43,557	1,641	3.63

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-12 (HEMET/SAN JACINTO AREA 2)

Location

Improvement District No. U-12 (Hemet/San Jacinto Area 2) (“ID U-12”) consists of 285 acres located in the City of San Jacinto.

History

ID U-12 was formed on December 9, 1970 with a bond authorization of \$500,000 for the purpose of providing local sewage collection system facilities to serve the area as required and to meet the service needs of development within ID U-12, as it may be expanded in the future in accordance with the District’s long-range master sewer plan. \$100,000 in bond authorization remains for ID U-12.

Land Use

ID U-12’s location, climate, coordinated development plan, availability of public utilities, excellent highways and expanding operational economy in surrounding areas have resulted in rapid commercial, light industrial and residential growth within ID U-12.

Security

The ID U-12 District Bonds are general obligations of ID U-12 and are secured by the taxing power of the District within ID U-12. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-12 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-12 District Bonds. See the Official Statement under the caption “AD VALOREM TAXES.” The total combined tax rate required to pay debt service on the ID U-12 District Bonds is \$0.10 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-12.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-12.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-12 HISTORICAL ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$216,159,628	\$0	\$736,603	\$216,896,231
2018-19	227,219,735	0	722,777	227,942,512
2019-20	238,861,767	0	737,483	239,599,250
2020-21	258,352,942	0	428,100	258,781,042
2021-22	272,143,067	0	411,344	272,554,411

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-12 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-12
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 10,697,970	3.93%	8	0.74%
Vacant Commercial	308,874	0.11	5	0.46
Industrial	<u>232,019</u>	<u>0.09</u>	<u>1</u>	<u>0.09</u>
Subtotal Non-Residential	\$ 11,238,863	4.13%	14	1.30%
Residential:				
Single Family Residence	\$ 255,302,940	93.81%	990	91.58%
Mobile Home	1,092,215	0.40	73	6.75
Mobile Home Park	4,507,163	1.66	1	0.09
Vacant Residential	<u>1,886</u>	<u>0.00</u>	<u>3</u>	<u>0.28</u>
Subtotal Residential	\$ 260,904,204	95.87%	1,067	98.70%
Total	\$ 272,143,067	100.00%	1,081	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-12 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-12
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Roxbury Properties	Shopping Center	\$ 6,181,240	2.27%
2. Hemet Park Estates	Mobile Home Park	4,507,163	1.66
3. AK Limited Partnership	Commercial	2,323,827	0.85
4. FAC Management	Residential	869,985	0.32
5. Amador Rodriguez	Residential	840,637	0.31
6. September Prop	Residential	800,272	0.29
7. Group VIII Covina Prop	Residential	796,487	0.29
8. Noel H. Hand	Service Station	767,242	0.28
9. John I. Chung	Residential	744,596	0.27
10. Eptasio Serbantes	Commercial	<u>673,812</u>	<u>0.25</u>
TOTAL		\$18,505,261	6.80%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$272,143,067.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-12**”) for ID U-12 effective October 1, 2021. The Debt Report–ID U-12 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-12 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-12 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-12 (except as indicated) nor are they necessarily obligations secured by land within ID U-12. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-12 DIRECT AND OVERLAPPING DEBT

Fiscal Year 2021-22 Assessed Valuation: \$272,554,411

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.008%	\$ 2,146
Riverside County Flood Control and Water Conservation District Promissory Notes	0.427	33,648
Eastern Municipal Water District Improvement District No. U-12	100.000	252,000⁽¹⁾
Eastern Municipal Water District, Improvement District No. 24	7.674	11,588
Mount San Jacinto Community College District	0.252	638,051
Hemet Unified School District	0.163	376,709
San Jacinto Unified School District	6.709	3,973,851
San Jacinto Unified School District Community Facilities District No. 2002-1	98.744	14,470,994
Eastern Municipal Water District Communities Facilities District No. 2004-32	100.000	<u>1,987,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$21,745,987
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.082%	\$ 588,300
Riverside County Pension Obligation Bonds	0.082	722,892
Hemet Unified School District Certificates of Participation	0.163	62,608
San Jacinto Unified School District Certificates of Participation	6.709	<u>2,724,860</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 4,098,660
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
		\$ 74,333
 COMBINED TOTAL DEBT		 \$25,918,980⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$252,000)	0.09%
Total Direct and Overlapping Tax and Assessment Debt.....	7.98%
Combined Total Debt.....	9.51%

Ratios to Redevelopment Incremental Valuation (\$5,390,657):

Overlapping Tax Increment Debt.....	1.38%
-------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-12 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-12 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$16,293	\$15,999	\$294	1.80%
2017-18	17,137	16,818	319	1.86
2018-19	18,219	17,783	436	2.39
2019-20	19,170	18,741	429	2.24
2020-21	20,619	20,172	446	2.17

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-14 (HEMET/SAN JACINTO AREA 3)

Location

Improvement District No. U-14 (Hemet/San Jacinto Area 3) (“**ID U-14**”) consists of approximately 102 acres located in the northeasterly portion of the District, immediately adjacent to and within the City of San Jacinto. The highly developable lands within ID U-14 range from 1,560 to 1,610 feet in elevation.

History

ID U-14 was formed on January 5, 1972 with a bond authorization of \$600,000 for the purpose of financing local sewage collection system facilities to serve the area as required and to meet the service needs of the entire Hemet-San Jacinto Valley area. \$440,000 in bond authorization remains for ID U-14.

Land Use

ID U-14 is located in the rapidly developing area between the Cities of Hemet and San Jacinto. The moderate climate, availability of public utilities and excellent highways, provide the area with all of the required elements for commercial and residential development.

Security

The ID U-14 District Bonds are general obligations of ID U-14 and are secured by the taxing power of the District within ID U-14. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-14 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-14 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-14 District Bonds is \$0.020 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-14.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-14.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-14
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$40,492,530	\$0	\$1,545,086	\$42,037,616
2018-19	41,771,740	0	1,702,964	43,474,704
2019-20	45,346,487	0	1,807,946	47,154,433
2020-21	51,063,183	0	2,057,712	53,120,895
2021-22	52,672,948	0	1,976,720	54,649,668

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-14 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-14
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Commercial	\$ 10,085,128	19.15%	8	1.76%
Subtotal Non-Residential	\$ 10,085,128	19.15%	8	1.76%
Residential:				
Single Family Residence	\$ 6,231,132	11.83%	53	11.67%
Condominium	27,273,035	51.78	216	47.58
Mobile Home	3,287,799	6.24	141	31.06
Mobile Home Park	4,331,384	8.22	1	0.22
Vacant Residential	1,464,470	2.78	35	7.71
Subtotal Residential	\$ 42,587,820	80.85%	446	98.24%
Total	\$ 52,672,948	100.00%	454	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-14 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-14
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. PVC Prop	Mobile Home Park	\$ 4,331,384	8.22%
2. San Jacinto Center Inc.	Shopping Center	3,500,000	6.64
3. Basan	Shopping Center	1,839,562	3.49
4. 5B Investments Inc.	Restaurant	1,657,266	3.15
5. R & B Inv	Grocery Store	1,645,507	3.12
6. Crown West Homes	Residential Development	1,464,470	2.78
7. San Jacinto Mini Mall Inc.	Commercial	1,442,793	2.74
8. Richard Gade	Residential	356,135	0.68
9. Karen L. Tomsen	Residential	278,252	0.53
10. Luis Gutarra	Residential	<u>227,331</u>	<u>0.43</u>
TOTAL		<u>\$16,742,700</u>	<u>31.79%</u>

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$52,672,948.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-14**”) for ID U-14 effective October 1, 2021. The Debt Report–ID U-14 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-14 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-14 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-14 (except as indicated) nor are they necessarily obligations secured by land within ID U-14. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-14
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$54,649,668

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.002%	\$ 537
Riverside County Flood Control and Water Conservation District Promissory Notes	0.086	6,777
Eastern Municipal Water District Improvement District No. U-14	100.000	35,000⁽¹⁾
Eastern Municipal Water District Improvement District No. 24	1.384	2,090
Mount San Jacinto Community College District	0.050	126,598
San Jacinto Unified School District	1.457	<u>863,005</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,034,007

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.017%	\$ 121,965
Riverside County Pension Obligation Bonds	0.017	149,868
San Jacinto Unified School District Certificates of Participation	1.457	<u>591,761</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 863,594

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 265,297

COMBINED TOTAL DEBT \$2,162,898⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$35,000)	0.06%
Total Direct and Overlapping Tax and Assessment Debt.....	1.89%
Combined Total Debt.....	3.96%

Ratio to Redevelopment Incremental Valuation (\$34,547,757):

Total Overlapping Tax Increment Debt.....	0.77%
-------------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-14 in the last five fiscal years.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-14
HISTORICAL DELINQUENCIES**

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$ 7,603	\$7,472	\$131	1.72%
2017-18	8,249	8,039	210	2.55
2018-19	8,915	8,749	166	1.87
2019-20	9,431	8,796	636	6.74
2020-21	10,004	9,408	595	5.95

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-18 (HEMET/SAN JACINTO AREA 5)

Location

Improvement District No. U-18 (Hemet/San Jacinto Area 5) (“**ID U-18**”) consists of approximately 1,744 acres located in the City of Hemet, generally at the southwest corner of Thornton Avenue and Cawston Avenue.

History

ID U-18 was formed on April 19, 1972 with a bond authorization of \$1,600,000 for the purpose of providing financing for an initial local sewage collection system to serve the area and for additional local sewage collection facilities as required in the future. No bond authorization remains for ID U-18.

Land Use

IDU-18’s location, moderate climate, coordinated development plan, availability of public utilities, excellent highways and expanding operational economy in surrounding areas have resulted in rapid commercial, light industrial and residential growth within ID U-18.

Security

The ID U-18 District Bonds are general obligations of ID U-18 and are secured by the taxing power of the District within ID U-18. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-18 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-18 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-18 District Bonds is \$0.015 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-18.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-18.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-18 HISTORICAL ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$827,472,991	\$0	\$39,369,844	\$ 866,842,835
2018-19	876,034,635	0	39,676,423	915,711,058
2019-20	907,416,100	0	39,786,662	947,202,762
2020-21	954,343,461	0	35,325,754	989,669,215
2021-22	987,187,601	0	33,595,964	1,020,783,565

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-18 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-18
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 4,159,199	0.42%	10	0.27%
Commercial/Office	135,372,601	13.71	31	0.85
Vacant Commercial	20,749,510	2.10	34	0.93
Industrial	19,249,250	1.95	14	0.38
Miscellaneous	<u>4,305,553</u>	<u>0.44</u>	<u>105</u>	<u>2.86</u>
Subtotal Non-Residential	\$ 183,836,113	18.62%	194	5.29%
Residential:				
Single Family Residence	\$ 769,684,987	77.97%	2,927	79.82%
Mobile Home	53,608	0.01	1	0.03
2+ Residential Units/Apartments	12,973,638	1.31	2	0.05
Vacant Residential	<u>20,639,255</u>	<u>2.09</u>	<u>543</u>	<u>14.81</u>
Subtotal Residential	\$ 803,351,488	81.38%	3,473	94.71%
Total	\$ 987,187,601	100.00%	3,667	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-18 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-18
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	Wal-Mart Real Estate Business Trust	Commercial	\$25,503,131	2.58%
2.	Winco Foods	Grocery Store	15,894,411	1.61
3.	Alvarado Rich	Commercial	14,610,560	1.48
4.	Rancho Inv Hemet	Office Building	13,236,715	1.34
5.	Providence Hemet Apartments	Apartments	12,973,638	1.31
6.	Hemet 55 SP	Commercial Land	10,195,034	1.03
7.	JNW Hemet Prop	Commercial	7,613,487	0.77
8.	Wentworth Self Storage	Public Storage	7,482,937	0.76
9.	Circle K Stores Inc.	Mini Mart	7,109,120	0.72
10.	Wentworth Plaza	Shopping Center	<u>6,045,068</u>	<u>0.61</u>
	TOTAL		\$12,664,101	12.22%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$987,187,601.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-18**”) for ID U-18 effective October 1, 2021. The Debt Report–ID U-18 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-18 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-18 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-18 (except as indicated) nor are they necessarily obligations secured by land within ID U-18. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-18
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$1,020,783,565

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.030%	\$ 8,049
Riverside County Flood Control and Water Conservation District Promissory Notes	1.601	126,159
Eastern Municipal Water District Improvement District No. U-18	100.000	343,000⁽¹⁾
Eastern Municipal Water District Improvement District No. 24	2.549	3,849
Mount San Jacinto Community College District	0.942	2,385,097
Hemet Unified School District	7.927	18,320,090
Hemet Unified School District Community Facilities Districts	100.000	9,750,000
Eastern Municipal Water District Community Facilities Districts	100.000	<u>15,992,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$46,928,244
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.308%	\$ 2,209,713
Riverside County Pension Obligation Bonds	0.308	2,715,251
Hemet Unified School District Certificates of Participation	7.927	<u>3,044,761</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 7,969,725
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		 \$ 6,586,230
 COMBINED TOTAL DEBT		 \$61,484,199⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$343,000)	0.03%
Total Direct and Overlapping Tax and Assessment Debt.....	4.60%
Combined Total Debt.....	6.02%
<u>Ratio to Redevelopment Incremental Valuation (\$880,329,957):</u>	
Total Overlapping Tax Increment Debt.....	0.75%

⁽¹⁾ Excludes general obligation bonds be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-18 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-18 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$122,420	\$ 83,996	\$38,424	31.39%
2017-18	129,315	126,051	3,264	2.52
2018-19	137,403	132,882	4,521	3.29
2019-20	142,084	141,395	689	0.48
2020-21	148,448	145,333	3,115	2.10

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-21 (HEMET/SAN JACINTO AREA 7)

Location

Improvement District No. U-21 (Hemet/San Jacinto Area 7) (“**ID U-21**”) consists of approximately 106 acres located in the northerly part of the Hemet-San Jacinto Valley in the northeastern portion of the District, and entirely in the City of San Jacinto. The area is served by a network of improved city and county streets and roads.

History

ID U-21 was formed on February 28, 1978 with a bond authorization of \$200,000 for the purpose of financing local sewage collection facilities to serve ID U-21 as necessary to meet the service requirements of urban growth as it occurs, with the sewage so collected being delivered to the San Jacinto Regional Wastewater Treatment Plant facilities for transmission, treatment and disposal. No bond authorization remains for ID U-21.

Land Use

ID U-21’s location, moderate climate, coordinated development plan, availability of public utilities, excellent highways and expanding operational economy in surrounding areas have resulted in rapid residential growth within ID U-21.

Security

The ID U-21 District Bonds are general obligations of ID U-21 and are secured by the taxing power of the District within ID U-21. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-21 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-21 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-21 District Bonds is \$0.020 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-21.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-21.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-21
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$65,703,935	\$0	\$ 19,670	\$65,723,605
2018-19	69,954,987	0	38,616	69,993,603
2019-20	72,855,064	0	95,275	72,950,339
2020-21	76,739,621	0	105,992	76,845,613
2021-22	80,757,443	0	104,932	80,862,375

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-21 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-21
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Residential:				
Single Family Residence	\$ 72,406,422	89.66%	315	79.35%
Mobile Home	<u>8,351,021</u>	<u>10.34</u>	<u>82</u>	<u>20.65</u>
Total	\$ 80,757,443	100.00%	397	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-21 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-21
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Nadim Sarkies	Residential	\$1,110,318	1.37%
2. Donald Jack Brown	Residential	545,372	0.68
3. Petro Pirch	Residential	515,896	0.64
4. Randall Lee Wortman	Residential	404,948	0.50
5. Joshua Zarbis	Residential	385,000	0.48
6. Jason A. Finn	Residential	375,200	0.46
7. Kongchay Vithayavong	Residential	369,972	0.46
8. Danny D. Thompson	Residential	369,521	0.46
9. Marquis L. Ellis	Residential	366,347	0.45
10. Benjamin L. Garcia	Residential	<u>365,922</u>	<u>0.45</u>
TOTAL		\$4,808,496	5.95%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$80,757,443.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-21**”) for ID U-21 effective October 1, 2021. The Debt Report–ID U-21 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-21 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-21 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-21 (except as indicated) nor are they necessarily obligations secured by land within ID U-21. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-21
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$80,862,375

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.002%	\$ 537
Riverside County Flood Control and Water Conservation District Promissory Notes	0.127	10,008
Eastern Municipal Water District Improvement District No. U-21	100.000	124,000⁽¹⁾
Eastern Municipal Water District Improvement District No. 24	2.277	3,438
Mount San Jacinto Community College District	0.075	189,896
Hemet Unified School District	0.086	198,755
San Jacinto Unified School District	1.861	1,102,301
Eastern Municipal Water District Community Facilities District No. 2005-38	15.626	<u>313,294</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,942,229

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.024%	\$ 172,185
Riverside County Pension Obligation Bonds	0.024	211,578
Hemet Unified School District Certificates of Participation	0.086	33,033
San Jacinto Unified School District Certificates of Participation	1.861	<u>755,845</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$1,172,641

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 7,125

COMBINED TOTAL DEBT \$3,121,995⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$124,000)	0.15%
Total Direct and Overlapping Tax and Assessment Debt.....	2.40%
Combined Total Debt	3.86%

Ratio to Redevelopment Incremental Valuation (\$1,020,192):

Total Overlapping Tax Increment Debt.....	0.70%
-------------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-21 in the last five fiscal years.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-21
HISTORICAL DELINQUENCIES**

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$12,391	\$11,997	\$394	3.18%
2017-18	13,074	12,804	270	2.07
2018-19	14,000	13,618	382	2.73
2019-20	14,590	14,016	574	3.94
2020-21	15,370	14,951	419	2.73

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-22 (EAST MORENO VALLEY)

Location

Improvement District No. U-22 (East Moreno Valley) (“ID U-22”) consists of 3,429 acres located in the City of Moreno Valley, south of Cactus Avenue and north of John F. Kennedy Drive, between Moreno Beach Drive and Oliver Street. State Highway 60 and several major County highways traverse the area and place the community within minutes of the City of Riverside.

History

ID U-22 was formed on August 3, 1988 with a bond authorization of \$15,000,000 for the purpose of financing and providing sewage collection, interceptor, treatment, disposal and water reclamation facilities and service for the portion of the City of Moreno Valley within its boundaries, all in accordance with the District’s master sewer plan. \$9,800,000 in bond authorization remains for ID U-22.

Land Use

ID U-22’s location, climate, coordinated development plan, availability of public utilities, excellent highways and expanding operational economy in surrounding areas have resulted in rapid commercial, light industrial and residential growth within ID U-22.

Security

The ID U-22 District Bonds are general obligations of ID U-22 and are secured by the taxing power of the District within ID U-22. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-22 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-22 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-22 District Bonds is \$0.10 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-22.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-22.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-22 HISTORICAL ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$3,023,827,193	\$0	\$127,585,490	\$3,151,412,683
2018-19	3,110,750,144	0	130,885,950	3,241,636,094
2019-20	3,467,139,532	0	142,368,570	3,609,508,102
2020-21	3,667,243,636	0	141,302,519	3,808,546,155
2021-22	3,930,160,535	0	137,565,987	4,067,726,522

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-22 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-22
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 3,822,853	0.10%	17	0.18%
Commercial/Office	267,974,799	6.82	56	0.59
Vacant Commercial	25,337,042	0.64	48	0.51
Industrial	490,165,930	12.47	4	0.04
Recreational	<u>5,551,323</u>	<u>0.14</u>	<u>12</u>	<u>0.13</u>
Subtotal Non-Residential	\$ 792,851,947	20.17%	137	1.44%
Residential:				
Single Family Residence	\$ 2,759,076,960	70.20%	8,453	89.11%
Condominium	149,862,579	3.81	740	7.80
5+ Residential Units/Apartments	226,857,320	5.77	7	0.07
Vacant Residential	<u>1,511,729</u>	<u>0.04</u>	<u>149</u>	<u>1.57</u>
Subtotal Residential	\$ 3,137,308,588	79.83%	9,349	98.56%
Total	\$ 3,930,160,535	100.00%	9,486	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-22 are shown in the table below.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-22
FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Prologis Targeted US Logistics Fund	Industrial	\$194,280,102	4.94%
2. HF Logistics SKX T1	Industrial	145,309,323	3.70
3. AI Calif.	Industrial	103,056,582	2.62
4. Lasselle Street Owner	Apartments	68,704,480	1.75
5. Overlook at Rancho Belago Dev.	Apartments	48,104,021	1.22
6. Rancho Belago Apartments	Apartments	46,078,453	1.17
7. HF Logistics SKX T2	Industrial	33,936,668	0.86
8. ROC III CA Reserve Rancho Belago	Apartments	32,918,747	0.84
9. Continental East Fund III	Apartments	31,051,619	0.79
10. Wal Mart Real Estate Business Trust	Industrial	<u>25,723,796</u>	<u>0.65</u>
TOTAL		\$729,163,791	18.55%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$3,930,160,565.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-22**”) for ID U-22 effective October 1, 2021. The Debt Report–ID U-22 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-22 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-22 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-22 (except as indicated) nor are they necessarily obligations secured by land within ID U-22. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-22
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$4,067,726,522

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.120%	\$ 32,196
Riverside County Flood Control and Water Conservation District Promissory Notes	6.317	497,780
Eastern Municipal Water District Improvement District No. U-22	100.000	2,015,000⁽¹⁾
Mount San Jacinto Community College District	0.037	93,682
Riverside City Community College District	3.166	9,512,474
Moreno Valley Unified School District	14.761	31,115,862
Murrieta Valley Unified School District	0.234	368,238
Val Verde Unified School District	10.674	19,823,005
Moreno Valley Unified School District Community Facilities Districts	65.874 - 100.000	52,943,768
Murrieta Valley Unified School District Community Facilities District No.	90.366	1,969,979
Val Verde Unified School District Community Facilities District No. 98-1	100.000	11,710,000
City of Moreno Valley Community Facilities District No. 5	100.000	4,985,000
Eastern Municipal Water District Community Facilities Districts	100.000	<u>14,017,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$149,083,984

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	1.229%	\$ 8,817,329
Riverside County Pension Obligation Bonds	1.229	10,834,557
Moreno Valley Unified School District Certificates of Participation	14.761	1,037,698
Murrieta Valley Unified School District Certificates of Participation	0.234	51,363
Val Verde Unified School District Certificates of Participation	10.674	5,525,930
Moreno Valley General Fund Obligations	20.968	15,672,322
Murrieta General Fund Obligations	0.260	<u>9,854</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 41,949,053

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 3,728,926

COMBINED TOTAL DEBT \$194,761,963⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$2,015,000)	0.05%
Total Direct and Overlapping Tax and Assessment Debt.....	3.67%
Combined Total Debt.....	4.79%

Ratios to Redevelopment Incremental Valuation (\$403,747.057):

Overlapping Tax Increment Debt.....	0.92%
-------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-22 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-22 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$331,676	\$326,703	\$4,973	1.50%
2017-18	331,676	326,329	5,347	1.61
2018-19	324,129	318,882	5,247	1.62
2019-20	360,909	355,415	5,494	1.52
2020-21	381,802	376,146	5,656	1.48

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-35 (SUN CITY AREA 10 – SEWER)

Location

Improvement District No. U-35 (Sun City Area 10 – Sewer) (“**ID U-35**”) consists of 5,326 acres located in the west central portion of the District within the Menifee Valley and includes surrounding lands south of Sun City. The lands within ID U-35 are on gentle slopes and are surrounded by low hills, ranging up to 2,250 feet in elevation. The boundaries of ID U-35 and ID U-36 (as defined below under the caption “IMPROVEMENT DISTRICT NO. U-36 (SUN CITY AREA 10 – WATER)”) are coterminous. Interstate 215 traverses ID U-35. The area is served by a network of county streets and roads in the City of Menifee.

History

ID U-35 was formed on June 21, 1995 with a bond authorization of \$46,200,000 for the purpose of the acquisition and construction of facilities for the collection, treatment and disposal of sewage, for the lands and inhabitants within a portion of the District, including all lands, easements, machinery and other property useful and necessary for any of the foregoing. \$37,200,000 in bond authorization remains for ID U-35.

Land Use

The development of the previously agricultural lands within ID U-35 for commercial and residential purposes is complete. ID U-35 has no remaining undeveloped land.

Security

The ID U-35 District Bonds are general obligations of ID U-35 and are secured by the taxing power of the District within ID U-35. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-35 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-35 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-35 District Bonds is \$0.019 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-35.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-35.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-35
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$4,032,713,208	\$28,271	\$ 57,630,311	\$4,090,371,790
2018-19	4,571,365,145	0	64,658,544	4,636,023,689
2019-20	5,333,492,237	0	63,251,473	5,396,743,710
2020-21	5,999,707,555	0	59,563,314	6,059,270,869
2021-22	6,864,731,927	0	103,911,110	6,968,643,037

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-35 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-35
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 4,675,477	0.07%	13	0.07%
Commercial/Office	603,488,826	8.79	150	0.85
Vacant Commercial	40,858,130	0.60	35	0.20
Industrial	33,578,798	0.49	11	0.06
Recreational	<u>22,396,190</u>	<u>0.33</u>	<u>2</u>	<u>0.01</u>
Subtotal Non-Residential	\$ 704,997,421	10.27%	211	1.19%
Residential:				
Single Family Residence	\$ 5,723,297,302	83.37%	15,108	85.23%
Condominium	35,134,894	0.51	116	0.65
Mobile Home	3,641,819	0.05	11	0.06
Mobile Home Park	4,428,563	0.06	1	0.01
2-4 Residential Units	2,380,736	0.03	4	0.02
5+ Residential Units/Apartments	278,657,010	4.06	5	0.03
Vacant Residential	<u>112,194,182</u>	<u>1.63</u>	<u>2,271</u>	<u>12.81</u>
Subtotal Residential	\$ 6,159,734,506	89.73%	17,516	98.81%
Total	\$ 6,864,731,927	100.00%	17,727	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-35 are shown in the table below.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-35 FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Menifee Multifamily	Apartments	\$ 92,625,716	1.35%
2. Malcolm Jerome & Maxine Winer Trust	Apartments	91,477,994	1.33
3. Donahue Schriber Realty Group	Shopping Center	57,894,551	0.84
4. Antelope Ridge Apartments	Apartments	47,730,235	0.70
5. Cantabria Development	Apartments	46,823,065	0.68
6. Lennar Homes of California	Residential Development	45,983,799	0.67
7. Health Care Reit Inc.	Medical Buildings	44,295,146	0.65
8. Richmond American Homes of Maryland	Residential Development	41,014,869	0.60
9. Kaiser Foundation Hospitals	Medical Buildings	36,081,772	0.53
10. Target Corp.	Department Store	<u>23,132,104</u>	<u>0.34</u>
TOTAL		<u>\$527,059,251</u>	7.68%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$6,864,731,927.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-35**”) for ID U-35 effective October 1, 2021. The Debt Report–ID U-35 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-35 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-35 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-35 (except as indicated) nor are they necessarily obligations secured by land within ID U-35. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-35
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$6,968,643,037

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.197%	\$ 52,855
Riverside County Flood Control and Water Conservation District Promissory Notes	10.350	815,580
Eastern Municipal Water District Improvement District No. U-35	100.000	6,835,000⁽¹⁾
Eastern Municipal Water District Improvement District No. U-36	100.000	6,844,000 ⁽¹⁾
Eastern Municipal Water District Improvement District No. U-2	0.682	4,399
Mount San Jacinto Community College District	6.433	16,288,034
Hemet Unified School District	2.332	5,389,485
Perris Union High School District	31.537	97,388,852
Menifee Union School District	44.626	55,757,831
Menifee Union School District Community Facilities Districts	41.265 – 100.000	146,755,241
Romoland School District Community Facilities Districts	1.018 – 100.000	87,266,600
Perris Union High School District Community Facilities District No. 92-1	60.339	19,254,080
Riverside County Community Facilities Districts	45.020-98.061	24,535,992
City of Murrieta Community Facilities Districts	99.612 – 100.000	31,859,368
Eastern Municipal Water District Community Facilities Districts	62.092 – 100.000	68,864,555
Eastern Municipal Water District Assessment District No. 20	85.148	<u>2,167,023</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$570,078,895

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	2.106%	\$ 15,109,272
Riverside County Pension Obligation Bonds	2.106	18,565,970
Hemet Unified School District Certificates of Participation	2.332	895,721
Perris Union High School District Certificates of Participation	31.537	12,884,741
Menifee Union School District Certificates of Participation	44.626	20,621,186
City of Murrieta General Fund Obligations	5.435	<u>205,987</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 68,282,877

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 4,569,403

COMBINED TOTAL DEBT \$642,931,175⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$13,679,000)	0.20%
Total Direct and Overlapping Tax and Assessment Debt.....	8.18%
Combined Total Debt	9.23%

Ratios to Redevelopment Incremental Valuation (\$396,448,905):

Overlapping Tax Increment Debt.....	1.15%
-------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-35 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-35 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$ 878,805	\$ 863,656	\$15,149	1.72%
2017-18	779,974	767,442	12,532	1.61
2018-19	881,384	869,415	11,969	1.36
2019-20	1,020,222	1,003,651	16,571	1.62
2020-21	1,151,402	1,137,498	13,904	1.21

Source: Eastern Municipal Water District.

IMPROVEMENT DISTRICT NO. U-36 (SUN CITY AREA 10 – WATER)

Location

Improvement District No. U-36 (Sun City Area 10 – Water) (“**ID U-36**”) consists of 5,326 acres located in the west central portion of the District within the Menifee Valley and includes surrounding lands south of Sun City. The lands within ID U-36 are on gentle slopes and are surrounded by low hills, ranging up to 2,250 feet in elevation. The boundaries of ID U-35 and ID U-36 are coterminous. Interstate 215 traverses ID U-36. The area is served by a network of county streets and roads in the City of Menifee.

History

ID U-36 was formed on June 21, 1995 with a bond authorization of \$19,700,000 for the purpose of the acquisition and construction of a waterworks system, including conduits, pipelines, reservoirs, works, machinery and other property useful and necessary for any of the foregoing. \$10,688,000 in bond authorization remains for ID U-36.

Land Use

The development of the previously agricultural lands within ID U-36 for commercial and residential purposes is complete. ID U-36 has no remaining undeveloped land.

Security

The ID U-36 District Bonds are general obligations of ID U-36 and are secured by the taxing power of the District within ID U-36. The District is obligated to levy *ad valorem* taxes on all taxable property within ID U-36 (without limit as to rate or amount) in an amount that is sufficient to pay principal and interest on the ID U-36 District Bonds. See the Official Statement under the caption “*AD VALOREM TAXES.*” The total combined tax rate required to pay debt service on the ID U-36 District Bonds is \$0.019 per \$100 assessed valuation for Fiscal Year 2021-22.

No Litigation

The District is not aware of any litigation which would materially adversely affect ID U-36.

Assessed Valuations

The following is a table summarizing the assessed valuation history in ID U-36.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-36
HISTORICAL ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2017-18	\$4,032,713,208	\$28,271	\$ 57,630,311	\$4,090,371,790
2018-19	4,571,365,145	0	64,658,544	4,636,023,689
2019-20	5,333,492,237	0	63,251,473	5,396,743,710
2020-21	5,999,707,555	0	59,563,314	6,059,270,869
2021-22	6,864,731,927	0	103,911,110	6,968,643,037

Source: California Municipal Statistics, Inc.

The following is a table summarizing the assessed valuation by land use type in ID U-36 for Fiscal Year 2021-22.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-36
ASSESSED VALUATIONS BY LAND USE TYPE**

	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
Non-Residential:				
Agricultural/Rural	\$ 4,675,477	0.07%	13	0.07%
Commercial/Office	603,488,826	8.79	150	0.85
Vacant Commercial	40,858,130	0.60	35	0.20
Industrial	33,578,798	0.49	11	0.06
Recreational	<u>22,396,190</u>	<u>0.33</u>	<u>2</u>	<u>0.01</u>
Subtotal Non-Residential	\$ 704,997,421	10.27%	211	1.19%
Residential:				
Single Family Residence	\$ 5,723,297,302	83.37%	15,108	85.23%
Condominium	35,134,894	0.51	116	0.65
Mobile Home	3,641,819	0.05	11	0.06
Mobile Home Park	4,428,563	0.06	1	0.01
2-4 Residential Units	2,380,736	0.03	4	0.02
5+ Residential Units/Apartments	278,657,010	4.06	5	0.03
Vacant Residential	<u>112,194,182</u>	<u>1.63</u>	<u>2,271</u>	<u>12.81</u>
Subtotal Residential	\$ 6,159,734,506	89.73%	17,516	98.81%
Total	\$ 6,864,731,927	100.00%	17,727	100.00%

Source: California Municipal Statistics, Inc.

Largest Property Taxpayers

The largest secured property taxpayers as of Fiscal Year 2021-22 for ID U-36 are shown in the table below.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-36 FISCAL YEAR 2021-22 LARGEST PROPERTY TAXPAYERS

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>Fiscal Year 2021-22 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1. Menifee Multifamily	Apartments	\$ 92,625,716	1.35%
2. Malcolm Jerome & Maxine Winer Trust	Apartments	91,477,994	1.33
3. Donahue Schriber Realty Group	Shopping Center	57,894,551	0.84
4. Antelope Ridge Apartments	Apartments	47,730,235	0.70
5. Cantabria Development	Apartments	46,823,065	0.68
6. Lennar Homes of California	Residential Development	45,983,799	0.67
7. Health Care Reit Inc.	Medical Buildings	44,295,146	0.65
8. Richmond American Homes of Maryland	Residential Development	41,014,869	0.60
9. Kaiser Foundation Hospitals	Medical Buildings	36,081,772	0.53
10. Target Corp.	Department Store	<u>23,132,104</u>	<u>0.34</u>
TOTAL		<u>\$527,059,251</u>	7.68%

⁽¹⁾ Fiscal Year 2021-22 Local Secured Assessed Valuation: \$6,864,731,927.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth in the table below is a direct and overlapping debt report (the “**Debt Report–ID U-36**”) for ID U-36 effective October 1, 2021. The Debt Report–ID U-36 was prepared by California Municipal Statistics, Inc., and the District and the Authority express no opinion on the completeness or accuracy of such reports and makes no representation in connection therewith.

California Municipal Statistics, Inc. reports that the Debt Report–ID U-36 generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of ID U-36 in whole or in part. Such long-term obligations generally are not payable from revenues of the District or ID U-36 (except as indicated) nor are they necessarily obligations secured by land within ID U-36. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT DISTRICT NO. U-36
DIRECT AND OVERLAPPING DEBT**

Fiscal Year 2021-22 Assessed Valuation: \$6,968,643,037

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Metropolitan Water District	0.197%	\$ 52,855
Riverside County Flood Control and Water Conservation District Promissory Notes	10.350	815,580
Eastern Municipal Water District Improvement District No. U-35	100.000	6,835,000 ⁽¹⁾
Eastern Municipal Water District Improvement District No. U-36	100.000	6,844,000⁽¹⁾
Eastern Municipal Water District Improvement District No. U-2	0.682	4,399
Mount San Jacinto Community College District	6.433	16,288,034
Hemet Unified School District	2.332	5,389,485
Perris Union High School District	31.537	97,388,852
Menifee Union School District	44.626	55,757,831
Menifee Union School District Community Facilities Districts	41.265 – 100.000	146,755,241
Romoland School District Community Facilities Districts	1.018 – 100.000	87,266,600
Perris Union High School District Community Facilities District No. 92-1	60.339	19,254,080
Riverside County Community Facilities Districts	45.020-98.061	24,535,992
City of Murrieta Community Facilities Districts	99.612 – 100.000	31,859,368
Eastern Municipal Water District Community Facilities Districts	62.092 – 100.000	68,864,555
Eastern Municipal Water District Assessment District No. 20	85.148	<u>2,167,023</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$570,078,895

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	2.106%	\$ 15,109,272
Riverside County Pension Obligation Bonds	2.106	18,565,970
Hemet Unified School District Certificates of Participation	2.332	895,721
Perris Union High School District Certificates of Participation	31.537	12,884,741
Menifee Union School District Certificates of Participation	44.626	20,621,186
City of Murrieta General Fund Obligations	5.435	<u>205,987</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 68,282,877

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$ 4,569,403

COMBINED TOTAL DEBT \$642,931,175⁽²⁾

Ratios to Fiscal Year 2021-22 Assessed Valuation:

Direct Debt (\$13,679,000)	0.20%
Total Direct and Overlapping Tax and Assessment Debt.....	8.18%
Combined Total Debt	9.23%

Ratios to Redevelopment Incremental Valuation (\$396,448,905):

Overlapping Tax Increment Debt.....	1.15%
-------------------------------------	-------

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Delinquencies

The following is a table summarizing delinquencies in the collection of *ad valorem* taxes in ID U-36 in the last five fiscal years.

EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT DISTRICT NO. U-36 HISTORICAL DELINQUENCIES

<i>Fiscal Year</i>	<i>Levy</i>	<i>Collections</i>	<i>Delinquencies</i>	<i>Delinquency Rate</i>
2016-17	\$ 878,805	\$ 863,656	\$15,149	1.72%
2017-18	779,974	767,442	12,532	1.61
2018-19	881,384	869,415	11,969	1.36
2019-20	1,025,508	1,008,705	16,803	1.64
2020-21	1,151,402	1,137,498	13,904	1.21

Source: Eastern Municipal Water District.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2021

Perris, California



Water

Wastewater

Recycled
Water



THIS PAGE INTENTIONALLY LEFT BLANK



Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2021



Prepared by the
Eastern Municipal Water District
Finance Department

2270 Trumble Road
Perris, CA 92570

THIS PAGE INTENTIONALLY LEFT BLANK

EASTERN MUNICIPAL WATER DISTRICT

Annual Comprehensive Financial Report For Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Letter of Transmittal.....	3-17
GFOA Certificate of Achievement	18
Service Area Map and Incorporated Cities.....	19
District Officials	20
Organizational Chart	21

II. FINANCIAL SECTION

Independent Auditor’s Report	25-27
Management’s Discussion and Analysis.....	28-38

Basic Financial Statements:

Statement of Net Position	40-41
Statement of Revenues, Expenses and Changes in Net Position	42
Statement of Cash Flows	43-44
Statement of Fiduciary Net Position.....	45
Statement of Changes in Fiduciary Net Position	46
Notes to Financial Statements.....	47-89

Required Supplementary Information:

Schedule of Changes in Net Pension Liability and Related Ratios	93-94
Schedule of Pension Plan Contributions.....	95
Schedule of Changes in Net OPEB Liability and Related Ratios	96
Schedule of OPEB Contributions	97-98

Combining Fiduciary Fund Financial Statements:

Combining Statement of Fiduciary Net Position	103
Combining Statement of Changes in Fiduciary Net Position	104

EASTERN MUNICIPAL WATER DISTRICT

Annual Comprehensive Financial Report For Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

III. STATISTICAL SECTION

Financial Trends:

Net Position by Component - Last Ten Fiscal Years.....	110
Changes in Net Position - Last Ten Fiscal Years.....	111
Revenues by Source - Last Ten Fiscal Years.....	112
Expenses by Function - Last Ten Fiscal Years.....	113

Revenue Capacity:

Water Produced and Consumed and Wastewater Treated - Last Ten Fiscal Years.....	114
Water and Sewer Rates - Last Ten Fiscal Years.....	115
Customers by Water Service Type - Last Ten Fiscal Years.....	116
Water Service Type by Customer Category - Fiscal Year 2021.....	116
Largest Domestic Water Customers - As of June 30, 2021 & 2012.....	117
Largest Agricultural and Irrigation Water Customers - As of June 30, 2021 & 2012.....	118
Largest Recycled Water Customers - As of June 30, 2021 & 2012.....	119
Largest Sewer Customers - As of June 30, 2021 & 2012.....	120
Summary of Imported Water Rates - Last Ten Fiscal Years.....	121
Annual Domestic Consumption (AF) - Last Ten Fiscal Years.....	122

Debt Capacity:

Ratios of Outstanding Debt by Type - Last Ten Fiscal Years.....	123
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years.....	124
Parity Debt Service Coverage - Last Ten Fiscal Years.....	125

Demographic and Economic Information:

Demographic and Economic Statistics - Last Ten Calendar Years.....	126
Principal Employers - Fiscal Year Ended June 30, 2021 & 2012.....	127

Operating Information:

Employees by Function - Last Ten Fiscal Years.....	128
Operating and Capital Indicators - Last Ten Fiscal Years.....	129
Customer Account Write Offs as a Percentage of Sales - Last Ten Fiscal Years.....	130
Bad Debt Reserves as a Percentage of Accounts Receivable Balance - Last Ten Fiscal Years.....	130



Introductory Section

THIS PAGE INTENTIONALLY LEFT BLANK



October 22, 2021

Board of Directors
Eastern Municipal Water District

We are pleased to present the Eastern Municipal Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. State law and debt covenants require that the District publish, within six months and 180 days of the close of each fiscal year, respectively, a complete set of audited financial statements. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public and other interested parties these basic financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lance Soll and Lunghard, LLP, a firm of licensed certified public accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2021. The independent auditors' report is presented as the first component of the financial section of this report.

Included are all disclosures management believes necessary to enhance your understanding of the financial condition of the District. Generally accepted accounting principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

Board of Directors
Philip E. Paule, President Randy A. Record, Vice President Jeff Armstrong Stephen J. Corona David J. Slavson

2270 Trumble Road • P.O. Box 8300 • Perris, CA 92572-8300
T 951.928.3777 • F 951.928.6177 www.emwd.org

Profile of the District



The Eastern Municipal Water District was incorporated in 1950 under the Municipal Water District Act of 1911 and the provisions of the California Water Code. Its primary purpose was to import Colorado River water to its service area to augment local water supplies. Prior to the District's formation, the local water supply was primarily from groundwater wells.

The District is governed by a five-member Board of Directors elected by the public for a four-year term, each representing comparably sized districts based on population. This five-member Board is responsible to the general public within the District for proper conduct of District affairs. The District is a member of the Metropolitan Water District of Southern California (MWD), a cooperative organization of twenty-six member agencies responsible for providing imported water to Southern California.

The District is located in Southern California and its service area lies within western Riverside County, encompassing approximately 558 square miles. In 1951, the District's service area consisted of 86 square miles. Today, growth has resulted from annexations ranging in area from 1 to 72,000 acres. The assessed valuation has grown from \$72.0 million when formed to approximately \$90.0 billion for this past fiscal year. The District is divided into separate regional service areas for water service and sewer service.

Riverside County has a population of 2.5 million people. Of this population, the District serves approximately 870 thousand or 34 percent, including the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, Moreno Valley, Perris, Wildomar and unincorporated areas in Riverside County. A map of the service area is on page 19 of this report.

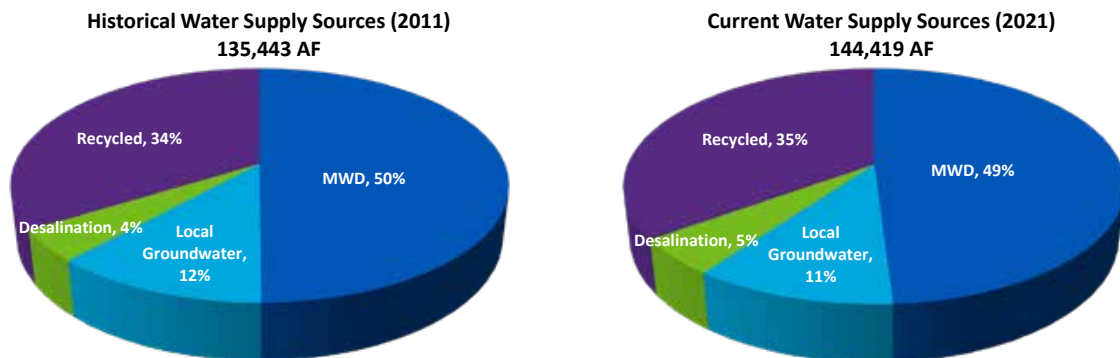
The mission of the District is to deliver value to its customers and the communities it serves by providing safe, reliable, economical, and environmentally sustainable water, wastewater, and recycled water services. It provides three primary products and services: potable water, wastewater collection and treatment and recycled water.

The District's approximately 619 employees are responsible for providing excellent customer service driven by its standards to provide safe, reliable, economical, and environmentally friendly services.

Water Supply and Reliability

The District's total water supply includes 11 percent local groundwater, 49 percent imported water and 35 percent recycled water. The sole source of the District's imported water is MWD.

The District has made significant efforts to provide a safe and reliable supply of water and diversify the sources of water. In 2011, the District received 50 percent of its water through purchases from MWD, which in turn obtains its water supply from two primary imported sources: the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. Other sources of water supply in 2011 were 34 percent recycled water and 12 percent local groundwater and desalination. In 2021, the District's level of imported water was 49 percent of supply as a result of investments in local groundwater, desalination, and recycled water improvements.



Sewer and Recycled Water Services

For the purposes of transmission, treatment and disposal of wastewater, the District is divided into five sewer service areas: Hemet/San Jacinto, Moreno Valley, Sun City, Temecula Valley, and Perris Valley. Each service area is served by a single regional water reclamation facility (RWRf), for which methods of treatment vary. The facilities are capable of treating 77 million gallons per day (MGD) of wastewater and serve approximately 870 thousand people. Customers' monthly bills include a daily service charge based on household size, which covers the fixed and variable costs of operating the sewer system and contributions to infrastructure replacement costs. They are linked through a network of 1,913 miles of pipeline and 51 active lift stations.

The District currently generates approximately 47 MGD of effluent at its regional water reclamation facilities. The District's goal is to reuse 100 percent of the water from the treatment plants and offer recycled water for sale to customers within the District's service area. In doing so, the District reduces the need to import water or to use other local groundwater supplies. In 2021, approximately 33,746 acre feet or 66.9 percent of recycled water produced was sold to customers.



The Local Economy



The District is located within Riverside County which is the fourth largest county in the State. Riverside County and San Bernardino County comprise the Inland Empire which is one of the fastest growing metropolitan areas in the nation. The Inland Empire covers more than 27,000 square miles with a population of about 4.6 million. In 2020, the Inland Empire experienced one of the largest annual job declines on record, due mostly to the coronavirus pandemic. An estimated 110,600 jobs were lost between 2019 and 2020; however, the Inland Empire has managed to add back 93,100 since April 2020. The region has experienced higher job growth during this time period than the State of California though not outperforming that of the nation. With the increase in job growth, unemployment has also improved. The Inland Empire's unemployment rate of 9.2% is slightly lower than California's 9.3% but still far from the prior year's 4% unemployment rate. Leisure and hospitality sectors have been the hardest hit with 27,600 fewer workers than the same time one year ago. Economists are hopeful that vaccines will help to further spur the economic recovery.

The Inland Empire has historically been an affordable housing alternative to the higher priced homes in the coastal regions of Southern California and with the pandemic, remote work capabilities, and

low interest rates, it has experienced one of the largest housing booms on record. This is part of the larger trend nationwide, however, the Inland Empire is seeing some of the largest changes. Riverside and San Bernardino Counties have both seen a drop in the number of days for a house to have a pending sale, from 30 days in December 2019 to 11 days in December 2020. For comparison, Los Angeles County saw a drop from 25 days to 13 days for the same time period. With lower homes in inventory, the price of homes has increased dramatically. The appreciation of homes year over year for the Inland Empire was 26.0% with a median home price of \$529 thousand compared to 23.9% and \$731 thousand, respectively, in Los Angeles County. Construction of new single-family homes increased 12% in the Inland Empire while the number of multi-family permits declined by 45%. Non-residential construction declined due to the pandemic in 2020 but since the economy began to reopen, rising rents and soaring demand for warehouses has motivated developers for new construction starts. In the first quarter of 2021, industrial space under construction jumped 24.4% from the prior quarter. Vacant space decreased 20.4% from 2020 to 2021 and average rent increased by 1.4%.

Business activity in the Inland Empire had seen a steady increase since 2012, however, that came to a halt in the first quarter of 2020 when GDP fell 0.2 percent due to the Coronavirus pandemic. The second quarter was far worse with a decrease of 26.5 percent. Health care spending drove this decrease, as it has also done nationally, as non-essential procedures were delayed in anticipation of a surge of COVID-19 patients. One year later, business activity

has made a clear recovery and is expected to reach pre-pandemic levels by the end of 2021. In the first quarter of 2021, business activity in the Inland Empire has increased at an annualized rate of 7%, which compares favorably to the 6.4% growth in the U.S. and is expected to continue into 2021.

Riverside County’s property assessment roll for the fiscal year 2020 has continued to increase with a value of \$302 billion, a 5.6 percent increase over fiscal year 2019. This is the seventh consecutive year of growth, exceeding the County’s peak assessment roll of \$242.9 billion in 2008.

The District’s property assessment roll for its service areas increased \$5.0 billion or 6.3 percent in fiscal year 2021. Its service areas include the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, and Moreno Valley, Perris, Wildomar and unincorporated areas in Riverside County. The largest growth among the District’s incorporated service areas are in the cities of Perris, 10.4 percent; and Menifee, 8.6 percent; and Moreno Valley, 7.1 percent.

The District is conveniently accessible by truck and rail service from several significant national and international cargo facilities including the Port of Los Angeles/Long Beach complex, Los Angeles International Airport, Ontario International Airport, and Port of San Diego. Additionally, the March Air Reserve Base (March ARB), a 12 square-mile airfield and logistics center, is located in the District.

Sound Financial Policies and Practices

The District continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs through careful planning, preserving investments, safeguarding reserves, and active debt management. The District recently completed major updates to the Reserve Policy and Comprehensive Debt Policy and has plans to update the Investment Policy in the upcoming fiscal year. The updates to these policies show that the Board of Directors is committed to maintaining the strong financial health of the District through modernizing financial policies and transparency to stakeholders.

Water and Sewer Rates

In 2017, the District completed a cost-of-service study resulting in a new rate structure, moving from tiered water rates aligned to indoor and outdoor water budgets to new tiered water rates aligned to the Districts sources of water supply. The objectives of the study were to simplify and develop a consistent rate structure for all customers, to provide sufficient revenue for the District to recover operations and maintenance costs incurred in providing water service and to proportionately allocate these costs among customers. This new water rate structure was adopted by the Board in December 2017 with an effective date of January 1, 2018.

The use of water budgets for the Districts residential customers was first implemented in 2009. These customers received a monthly water budget allocation customized to meet their household and landscape irrigation needs. Effective January 1, 2018, under the new rate structure, customers continued to receive water budgets based on household and landscape size, however, these budgets no longer align with a specific rate. The amount of water billed for each tier is now based on the availability of the Districts water supply sources such as groundwater, treated groundwater and imported water. All residential customers are billed at the low volume,

		<u>Price / CCF</u>
Within Budget	Indoor Usage Budget Persons x 55 GPD	20% Tier 1: \$1.13
	Outdoor Usage Budget Irrigated Area x ET Factor x Conservation Factor	80% Tier 2: \$3.63
Over Budget	Excessive Use Up to 50% over budget	Tier 3: \$6.01
	Wasteful Use More than 50% over budget	Tier 4: \$12.30

Tier 1 rate for the first twenty percent of their monthly budget, according to the proportional amount of local, low-cost water supplies available. The remaining portion of the water budget is billed at the Tier 2 budgeted rate for budgeted supplies and the Tier 3 and Tier 4 rates cover usage in excess of the total budget. With this rate structure, water efficient households realize cost savings and customers who stay within their water budgets pay the lowest cost for water.

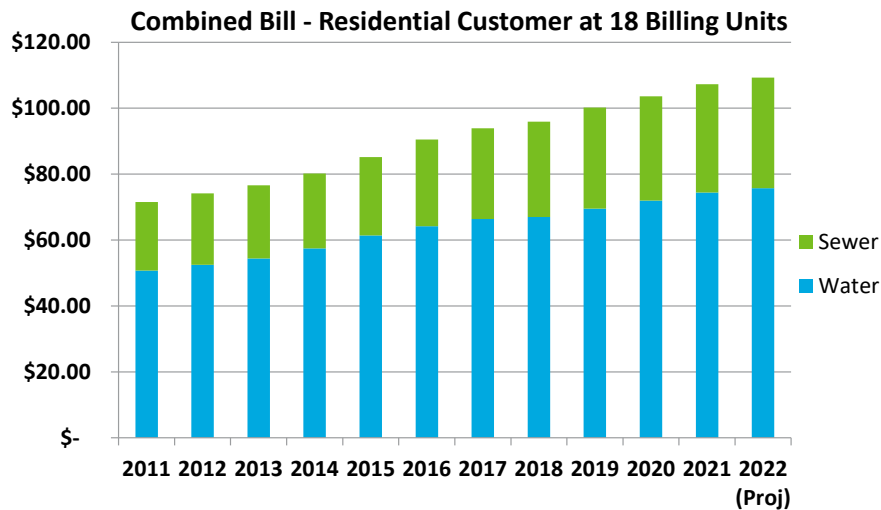
The Board approved increases effective January 1, 2021 whereby these charges will recover the cost in the water rate structures' three primary charges, the daily service charge based on water meter size, the water supply and reliability capital charge that supports the District's ongoing capital projects and the water use or commodity rates charged for each unit of water used (tiered rate). The impact to a typical water bill is approximately \$2.46 per month in 2021 and \$1.37 in 2022.

Effective January 1, 2021, sewer rates increased to recover the cost to collect, treat and recycle or dispose of wastewater. The sewer system capital projects charge also increased to provide funds for future sewer system capital improvement projects essential for maintaining the Districts four water reclamation facilities and meeting regulatory and environmental requirements. The impact to a typical sewer bill is approximately \$1.22 per month in 2021 and \$0.62 per month in 2022.

The Districts sewer rates are calculated using a baseline daily service charge and block factors based on household occupancy. Residential customers are assigned from one to four sewer blocks depending on number of people in the household. This sewer rate structure better reflects the demands on the sewer system based on updated customer data. Blocks 1 and 4 proportions are reduced and is expected to result in cost savings with a minimal increase in rates.

The Board approved nominal water and sewer rate increases also reflect the increased costs of imported water, rising maintenance and environmental regulatory compliance costs and investments in technology and infrastructure.

The chart below reflects the monthly charges for an average four-person household residential customer with an average monthly consumption of eighteen billing units (ccf):



Water Use Efficiency

The District has established itself as a statewide leader in water use efficiency and continues to promote water conservation through investments in infrastructure, technology, education, and community outreach programs.

In 2009, the District first implemented the use of water budgets for its residential customers. The tiered water rate structure was designed to promote water conservation by encouraging efficient water use and discouraging wasteful water usage. All residential customers received a monthly water budget allocation customized to meet their specific household and landscape irrigation needs. The rate structure set budgets for indoor usage and usage in excess of the total budget.

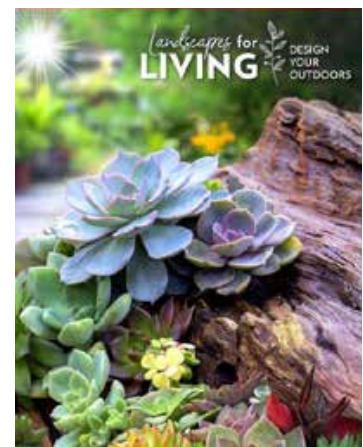
In 2017, the Board adopted a new water rate structure, adjusted to meet new State standards that call for making water efficiency a permanent way of life. The changes maintained the principles behind the District's rate structure, reflecting the cost of service while rewarding customers who use less and penalize those who are wasteful.

In 2019, the District launched its WaterWise Plus program, a comprehensive and forward-thinking program designed to assist customers and partner agencies with finding new and cost-effective ways to become more water efficient. The program integrates existing water use efficiency-based programs with long-term solutions that are promoted regardless of drought conditions. These programs help customers make lifestyle changes to their water use habits resulting in becoming more efficient with their water use, gaining a better understanding of their water usage, and making them better able to manage their monthly bills.

In 2021, the District launched its Landscapes for Living program, designed to assist residential customers to become more water efficient. The program integrates home consultations with a landscape expert, free direct installation of smart irrigation controllers and drip irrigation, landscape design assistance, Conservation Scorecards emailed weekly or monthly to update customers on their water use compared to water budget, and staff support to assist customers who want to apply for water saving rebates through the Metropolitan Water District of Southern California (MWD).

The District offers a wide range of free and low-cost programs for its residential customers, including partnering with MWD in promoting and offering regional indoor and outdoor rebate opportunities to help customers stay WaterWise. Residential programs and rebates include the smart controller direct install program, free conservation scorecard, SoCal WaterSmart rebates, free deep drip watering stakes and free conservation packets. The District's Demonstration Garden is also available for customers to view to obtain ideas on various water efficient and sustainable landscape options.

The District is also working with government agencies and the business community to develop long-term sustainable approaches to see the benefits that the average residential customers may realize. It is partnering with the cities it serves in introducing a landscape transformation program, promoting investments in climate appropriate landscaping in commercial, industrial, and institutional areas through turf replacement programs. The District is also partnering with its local agricultural customers to better understand current irrigation practices and to incorporate programs that will further assist local farmers in managing their water use.



Additionally, the District is an industry leader in recycled water, one of the largest by volume recyclers in the nation and one of the few agencies that routinely achieves 100 percent beneficial reuse. Its recycled water system receives and treats more than 47 million gallons of wastewater each day at its four operating regional treatment plants. The District's recycled water is treated to a tertiary level and is sold to agricultural, landscape, wholesale, environmental and

industrial customers. Over 700 meters provide recycled water service to schools, parks, city streetscapes and HOA's as well as Riverside County, golf courses, wetlands habitat areas, and industrial cooling towers. The District operates over 240 miles of transmission and distribution pipelines, ten pond pump stations, 19.5 million gallons of elevated storage, eight booster pump stations and more than 7,000-acre feet of recycled water seasonal storage ponds. With significant urban development, it is prepared to manage the increase in recycled water production and is securing the regions' water future through expansion of the recycled water distribution system and moving forward with the Purified Water Replenishment (PWR) groundwater augmentation project.

Financial Planning

The Board approves and adopts a biennial budget as a financial management tool which provides the Board and stakeholders a complete view of the District's financial health and resources available to support the District's mission, values, strategic goals, and objectives. The biennial budget is developed with input from the various departments within the organization and adopted prior to the start of each fiscal year. Monthly budget-to-actual comparison reports are prepared and quarterly budget-to-actual results by system are presented to the Board along with financial position and other key performance information.

The District prepares a five-year Capital Improvement Plan (CIP), which calls for total expenses for water, sewer, and recycled water facilities of approximately \$534.5 million for the period from 2022 through 2026. The CIP is expected to be financed through a combination of property taxes, developer connection fees, rates, charges, publicly financed bond proceeds, reserves, grants, and low-interest loans from the California State Revolving Fund. The CIP is modified on an annual basis to reflect updated assumptions regarding future growth within the District's service area.

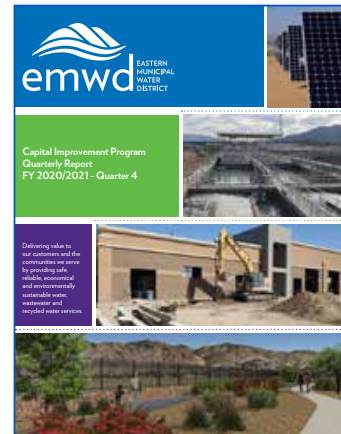
Although many public agencies have faced difficult financial challenges due to the ongoing COVID-19 pandemic and economic downturn, the District was recently reaffirmed as a model of financial stability by the major rating agencies.

In April 2021, the District was reaffirmed as an AA+ agency by S&P Global Ratings for its subordinate lien and affirmed as an AA+ agency with positive outlook by Fitch Ratings, who also previously assigned a AAA rating for the District's senior lien, the highest possible rating that can be assigned. These excellent ratings result in lower interest rates when issuing bonds for critical infrastructure projects that enhance system reliability while also keeping rates low for its customers.

The District's allocation-based rate structure and its recovery of fixed costs through daily service charges instead of volumetric water use, is a major factor in achieving such high ratings from the rating agencies.

The District's strong financial standing has benefited ratepayers. A study published in February 2020 by the University of California, Riverside (UCR) showed monthly water and sewer costs accounted for approximately 1.5 percent of median household income in the District's service area. This is well below the United States Environmental Protection Agency's (EPA) affordability threshold of 4.5 percent for water and sewer services.

Other factors contributing to the District's financial strength include its rate setting approach, including yearly nominal rate increases instead of large rate spikes after extended periods of no rate adjustments; strong financial reserves to meet extended periods of revenue uncertainty during economic downturns, extended droughts, or the current COVID-19 pandemic; and lastly, manageable capital needs with no planned borrowing for the next five years. This is possible due to the District's aggressive program in securing grant funding.



Other steps taken by the District to ensure a more sustainable financial future includes the aggressive pursuit of external funding opportunities, shared financial responsibility between the District and its employees for current and post-employment benefits, and commitment to funding policies regarding fully funding the Other Post-Employment Benefit (OPEB) and pension obligations over an appropriate period of time.

Reserve Policy

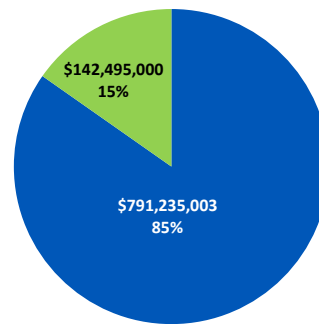
The District adopted a new reserve policy in 2021. The new policy principles are to maintain the strong financial health of the District, provide operating liquidity for rate stability to customers, ensure funding is available for current and future replacement of assets, provide financial flexibility for unanticipated costs and emergency expenses, assure that the District maintains the highest possible credit ratings, and establish bond proceeds and debt service reserves in compliance with bond documents. The revised policy separates reserves into restricted and unrestricted, board designated and by category: operating, debt service, and capital. The Reserve Policy is important to the District because it exhibits to stakeholders that the District’s Board of Directors is committed to the District’s long term financial health and it provides certainty, stability, and reliability with respect to the level of service and charges to the District’s customers.

Administrative Code and Investment Policy

In 2013, the Board of Directors adopted an Administrative Code, which incorporates various policies and administrative duties. The District adopted a Comprehensive Investment Policy in September 2021. The Investment Policy provides standards and guidelines for prudent investment of the District’s funds. The District invests its funds in instruments permitted by California Government Code Sections 53601, et seq., and in accordance with its Investment Policy. The investment objectives of the District are to first preserve capital, followed by maintaining liquidity, and finally, maximizing the rate of return without compromising the first two objectives. The Investment Policy outlines authorized investments meeting minimum credit and maturity requirements while staying in compliance with California Government Code. Investment staff shall provide regular investment reporting to the Board of Directors and conduct an annual review of the Investment Policy.

Debt Administration

The District has adopted a Comprehensive Debt Policy (Debt Policy) in accordance with California Government Code § 8855. The Debt Policy, which was most recently updated on April 7, 2021, sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to staff regarding the timing and purposes for which debt may be issued, the types and amounts of permissible debt, and the methods of sale that may be used. Adherence to the Debt Policy helps to ensure that the District’s debt is issued and managed prudently in order to maintain a sound fiscal position and optimal credit ratings. Furthermore, the District actively manages its debt portfolio and seeks to minimize its total debt costs.



**Revenue Bond/SRF Mix
As of June 30, 2021**

- Fixed
- Variable Rate

Total = \$933.7 million
Excludes GO Bonds and SRF Advances

This goal is achieved through the issuance of both fixed and variable rate debt to fund its capital projects or refund outstanding debt. The District has primarily issued revenue bonds (Bonds) and has borrowed from state revolving fund (SRF) loans to fund its CIP. As of June 30, 2021, the District’s total revenue bonds and SRF loans outstanding was \$933.7 million, of which 85 percent were fixed interest rate and 15 percent were variable interest rate, for an overall weighted average cost of funds of 2.11 percent.

The District's parity revenue bond debt has been assigned AAA, AA+, and Aa1 ratings and the subordinate refunding revenue bonds have been assigned ratings of AA+, AA+, and Aa2 from Fitch Ratings, S&P Global Rating's Services, and Moody's Investors Service, Inc., respectively.

More information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 to the Basic Financial Statements.

Major Initiatives

The District is driven by standards to provide safe, reliable, economical, and environmentally friendly services. These standards and services include highly reliable water, wastewater service and recycled water service, protection of public and environmental health, superior customer service, sound planning and operational efficiency, fiscal responsibility and appropriate investment, exemplary employer and effective communication, advocacy, and community partnerships.

Highly Reliable Water, Recycled Water and Wastewater Service

To provide a safe, reliable, and cost-effective water supply portfolio that is sustainable and achieves an optimum balance of water resources including imported water, surface water, groundwater, wastewater treatment, reuse and resource recovery, the District identified and invests in the following initiatives:

Groundwater Reliability Plus Initiative

Current and future growth within the District's service area increase demands for sustainable local water supplies. The District is committed to a comprehensive and collaborative approach toward its local groundwater resources through its Board adopted Groundwater Reliability Plus Initiative to promote long-term water supply reliability. The District currently operates 14 active potable wells and 13 active desalter wells that provides 12 percent of its water supply portfolio. This number is anticipated to grow in the future through the Groundwater Reliability Plus Initiative, a comprehensive approach to groundwater management with the goal of continually improving the quality and quantity of water in the District's local groundwater basins. The initiative ensures that the District can meet the long-term needs of its service area through expanded groundwater services, including desalination, replenishment of aquifers and the protection of water quality through environmental health initiatives.



Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) – Water Banking

The District is one of five member agencies of the Santa Ana Watershed Project Authority (SAWPA) that is participating in a first of its kind regional groundwater banking program known as the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). This multi-agency watershed wide program will bank imported water to enhance water supply reliability and increase available dry year supplies in the Santa Ana River Watershed. The program will also integrate water conservation measures, habitat enhancements and recreational use. It will develop dry year yield by banking wet year water with 180,000-acre feet capacity over a ten-year period. The District will implement the San Jacinto Basin component of the program by storing 19,500 plus acre-feet of wet year water per ten-year period. The District will install a one-mile educational hiking trail and forty acres of open space in the form of a recharge basin in the Santa Ana River Watershed. The five participating agencies include the District, Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD) and Western Municipal Water District (WMWD).

In November 2019, the District broke ground on the Mountain Avenue West Groundwater Replenishment Facility located on the northeast corner of Mountain and Esplanade avenues in the City of San Jacinto. The Facility will comprise of two large basins that will allow imported water from Northern California to seep into the District's local groundwater aquifer where it will be available for use during dry years and will serve as the future home of the District's Water Banking project. The facility will help mitigate the impacts of future droughts by increasing local groundwater basin levels, increase water supply reliability for future years and help the District improve groundwater quality in the aquifer. Upcoming in Fall 2021, the District has plans to start the Mountain Avenue Gap Pipeline project which will consist of approximately 1,800 feet of eighteen (18") inch diameter potable water pipeline along Mountain Avenue from Oak Knoll Road to Old Mountain Avenue in San Jacinto. The scope of the project is to interconnect existing potable water lines to provide a looped water system which will result in an increased level of service, reliability, and redundancy to adjacent customers. The project is expected to be completed in spring of 2022.

This \$22.9 million SARCCUP project is partly funded by a \$12.7 million Proposition 84 Integrated Regional Water Management Program (IRWMP) grant from SAWPA and is estimated to be completed in August 2022.

Perris II Reverse Osmosis Treatment Facility – Desalination

The Perris II Reverse Osmosis (RO) Treatment Facility Project is a multi-phase project that will produce potable water from the contaminated Perris South Water Groundwater Management Zone. The project consists of construction of RO treatment process facilities, four water supply wells, pipelines, and additional treatment trains at the RO treatment facilities. The Perris II Desalter will treat degraded groundwater from the West San Jacinto Basin so that the water can be used for potable purposes within the District's service area. The facility will be constructed adjacent to the two existing desalters, the Menifee and Perris I Desalter. The Perris II Desalter, which will initially produce 3.6 million gallons per day, will be equipped to support expansion to a capacity of 5.4 million gallons per day, meeting the potable water demands of up to 12,000 homes in the Perris and Menifee service areas.

The District was successful in securing a \$22.5 million Proposition I Groundwater grant funding from the State Water Resources Board in July 2018 to partly fund this \$41.0 million project. A Local Resources Program (LRP) agreement from the Metropolitan Water District of Southern California (MWD) was also secured to provide a subsidy of \$305 per acre foot up to 5,500-acre feet every year over twenty-five years. If the maximum amount of groundwater is recovered for beneficial use, MWD will subsidize \$41.9 million for the 137,500 acre-feet. The LRP program is an incentive program for MWD member agencies to produce water that would otherwise be supplied by MWD. The project, which started in December 2014, is anticipated to be completed in 2021.

Perris North Basin Groundwater Project

In June 2020, the District was awarded a \$44.9 million Proposition 1 grant from the State Water Resources Control Board to fund 50 percent of the estimated \$89.9 million Perris North Basin Groundwater Contamination Prevention and Remediation Project. The program is a long-term solution to improve groundwater quality in the North Perris Groundwater Basin located in Moreno Valley and will have the additional benefit of providing safe drinking water for approximately 15,000 additional households annually. The program would make beneficial use of available local groundwater supplies, up to 6,700-acre feet annually, further reducing reliance on imported water supplies. Groundwater in Perris North Basin includes the area of March Airforce Base (MARB), which is served potable water by Western Municipal Water District (WMWD). The District continues to work with WMWD and the Department of Defense (DOD) on interagency agreements and other potential opportunities, such as the ability to partner with WMWD for a local, more sustainable water supply for MARB. This construction project is currently in the 90 percent design level and anticipated to go to bid for construction in late 2021 with a potential construction award in early 2022.



Sound Planning and Operational Efficiency

To deliver the highest quality products and services in a cost-effective manner by leveraging work force, technology, and business resources and implementing industry leading processes and practices.

Energy Efficiency Programs

The District continues to actively pursue alternative sources of energy and electrical power supply to address capacity issues and cost of electrical power by investing in solar, digester gas, fuel cell technology and microturbines.

Phase III solar power generation system is installed at the Perris, Moreno Valley, San Jacinto, and Sun City facilities. The Phase III Project adds 15.9 Megawatts of additional solar power, bringing EMWD's combined total of renewable generation to 22.6 Megawatts. The Phase III Project is anticipated to provide more than \$63 million of power savings over the 25-year life of the facilities.

Digester gas driven fuel cells are installed at the District's Moreno Valley and Perris Valley regional water reclamation facilities. These fuel cells, which operate on renewable fuel, provide 20 to 40 percent of these facilities' energy requirements, produce zero emissions cutting greenhouse gases by more than 10,600 tons annually and save an estimated \$1.0 million annually on energy costs.

The District currently has nine 60 kW microturbines that provide additional power generation that save more than \$300,000 each year. The exhaust from these microturbines heats water necessary to power a 150-ton air conditioning unit.



Alternative Fuel Vehicle Fleet

As part of its effort to expand its clean energy fleet, reduce its carbon footprint and adapt to a changing regulatory environment for vehicle emissions, the District continues to expand its clean energy fleet. EMWD currently operates nine (9) CNG powered Heavy Duty vehicles, three (3) plug-in hybrid electric sedans, and one (1) all electric sedan. As existing vehicles reach the end of their service life, they will be replaced with additional clean energy vehicles. The District has a ten-port electric vehicle charging station and also uses publicly accessible CNG charging stations.

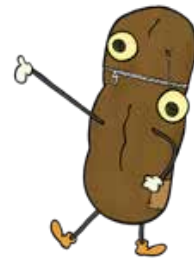
Superior Customer and Community Service

The District is committed to consistently exceed customer expectations in all facets of its service through customer awareness, service, and technology.

Community Outreach

In April 2019, the District was presented with two Excellence in Public Information and Communications awards through the California Association of Public Information Officials (CAPIO). The District was recognized for its Water Tax Education and Healthy Sewers campaigns.

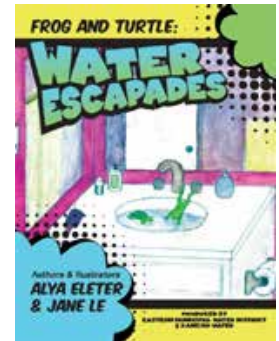
The District's Healthy Sewer Program is a public program that promotes the responsible disposal of prescription medication and fats, oils, and grease. By reducing contaminants in the wastewater collection system, the District can reduce treatment costs, help sustain a high-quality recycled water supply and ultimately protect future groundwater quality. It also received the EPIC Award from the California Association of Public Information Officials for its Patrick the Poo mascot video which was created to educate children about what not to put down the drain.



In addition to the CAPIO awards, the District received five awards from the Public Relations Society of America's Inland Empire Chapter for Outstanding Community Outreach. These award-winning programs, which signify the highest standards of performance and outstanding public relations tactics and programs include the Water Bottle Fill Station Program, the Education Program, the Water Leaders Academy Program, the Healthy Sewers Program, and the Employee Photo Contest Program.

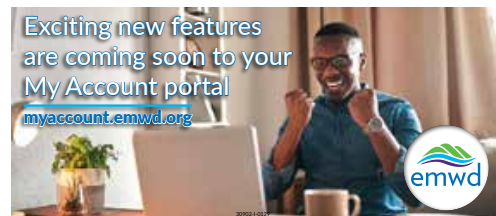
Education

The District's award-winning Education Program is actively engaged in fostering and understanding of water and wastewater issues and promoting wise water use among students at all grade levels, from K to 12. Its extensive education program provides interested schools within the District's service area complimentary lesson plans, curriculum packets, materials and a host of other activities and programs. The District sponsors annual poster and write-off contests open to students in K-middle schools with different yearly themes including water conservation and being sewer smart. The winners of the poster contest, along with the student's teachers, are honored at an awards ceremony hosted by EMWD. The top 5 posters are submitted to the Metropolitan Water District for consideration of a possible spot on their Water is Life calendar. Other activities offered include field trips to District facilities which are open to school districts and private schools within the District's service area, which includes 11 school districts and private schools. The tours are 3 ½ hours each and include EMWD's Hemet/San Jacinto Regional Water Reclamation Facility and Wetlands. These trips are popular and are fully booked in advance of the school year end. For high school students, the District partners with the Metropolitan Water District (MWD) by annually sponsoring teams to the Solar Cup competition. The competition is a solar-powered boat race where students design, build and race solar-powered boats allowing the use of alternative power and also allowing the students to understand the project-based learning and teamwork. In 2020, the District launched its first-ever video contest, *Pipeline Productions – A Video Contest by EMWD*. Other District sponsored education programs include complimentary bird walks, education videos, paper and electronic books and student recognition events.



Customer Information and Billing System (CIS) Replacement and Customer Self-Service Portal (CSS) Implementation

The District completed the replacement of its legacy customer information and billing system as well as implemented a customer self-service portal that would provide customers with integrated payment capabilities and access to water usage data. District staff recently completed the final testing cycle of the new application and the project was completed in late October 2021.



Fiscal Responsibility and Appropriate Investment

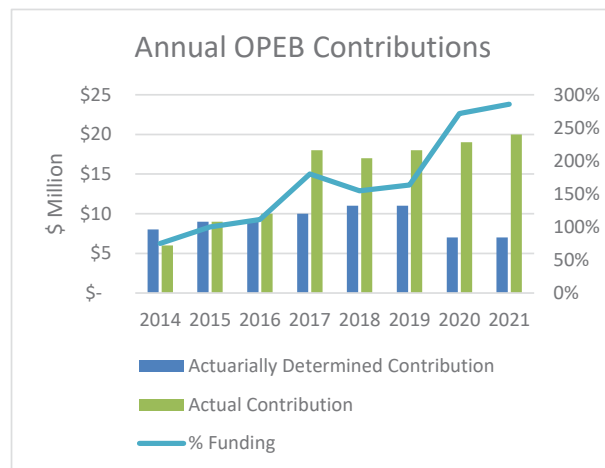
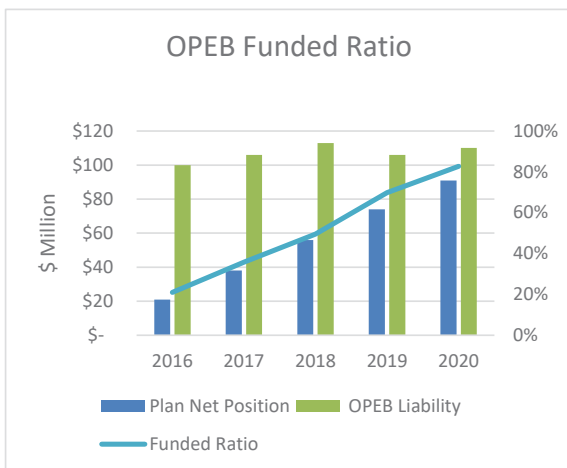
The District continues to focus its efforts in areas that will ensure financial stability and demonstrate responsible stewardship of public funds.

Connection Fee (Financial Participation Charge) Study

The District is committed to providing excellent services with accurate fee and rate structures. To do this, the District is engaging a consultant to perform a connection fee study for capacity and system buy-in charges or financial participation charges. The last connection fee study was completed in 2011. The current study is expected to be completed in 2021 with proposed increases to fees to be presented to the Board in December 2021 for consideration. If approved, updated charges would be effective in 2022.

Other Post-Employment Benefits

The District established a funding policy to fund its retiree health program through the California Employers' Retiree Benefit Trust (CERBT) and started funding in fiscal year 2013 with a goal to achieve full funding by fiscal year 2034. The District began funding future costs in July 2012 and July 2013 with initial \$2.8 and \$5.7 million deposits to CERBT. In fiscal year 2014, the District implemented a new tier of OPEB benefits for future hires that will dramatically improve the plan funding and viability over the long term. In addition, the District adopted funding policy principles that direct how the OPEB Trust will be funded over time, in accordance with sound funding principles. Commencing in fiscal year 2015, the District made its full Actuarially Determined Contribution (ADC) and intends to continue to do so until its OPEB obligations are fully funded. In fiscal years 2019, 2020 and 2021, the District's contribution to the Trust exceeded the ADC by \$7.6 million, \$12.4 million, and \$13.5 million, respectively. As of June 30, 2020, the District's OPEB Liability was 83 percent funded, this was substantially sooner than anticipated when the OPEB funding policy principles were adopted by the Board of Directors.



Accounting Systems

The Finance Department is responsible for providing the financial services for the District, including financial accounting and reporting, payroll, accounts payable, custody and investment of funds, billing and collection of water and wastewater charges, taxes, and other revenues. The District's books and records are maintained on an enterprise basis, as it is the intent of the Board to manage the District's operations as a business, thus matching the revenues against the costs of providing the services. Revenues and expenses are recorded on the accrual basis in the period in which the revenue is earned, and the expenses are incurred.

Internal Controls

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with GAAP. Management follows the concept of reasonable assurance in recognizing that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments. The most recent audits have not uncovered any weaknesses in internal control that would cause concern. However, recommendations for improvement are always welcome and are implemented where feasible.

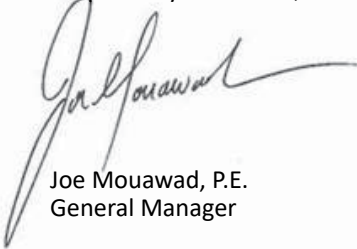
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Eastern Municipal Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the seventeenth consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance department. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. We would also like to thank the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Joe Mouawad, P.E.
General Manager



Laura M. Chavez-Nomura, CPA
Deputy General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Eastern Municipal Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

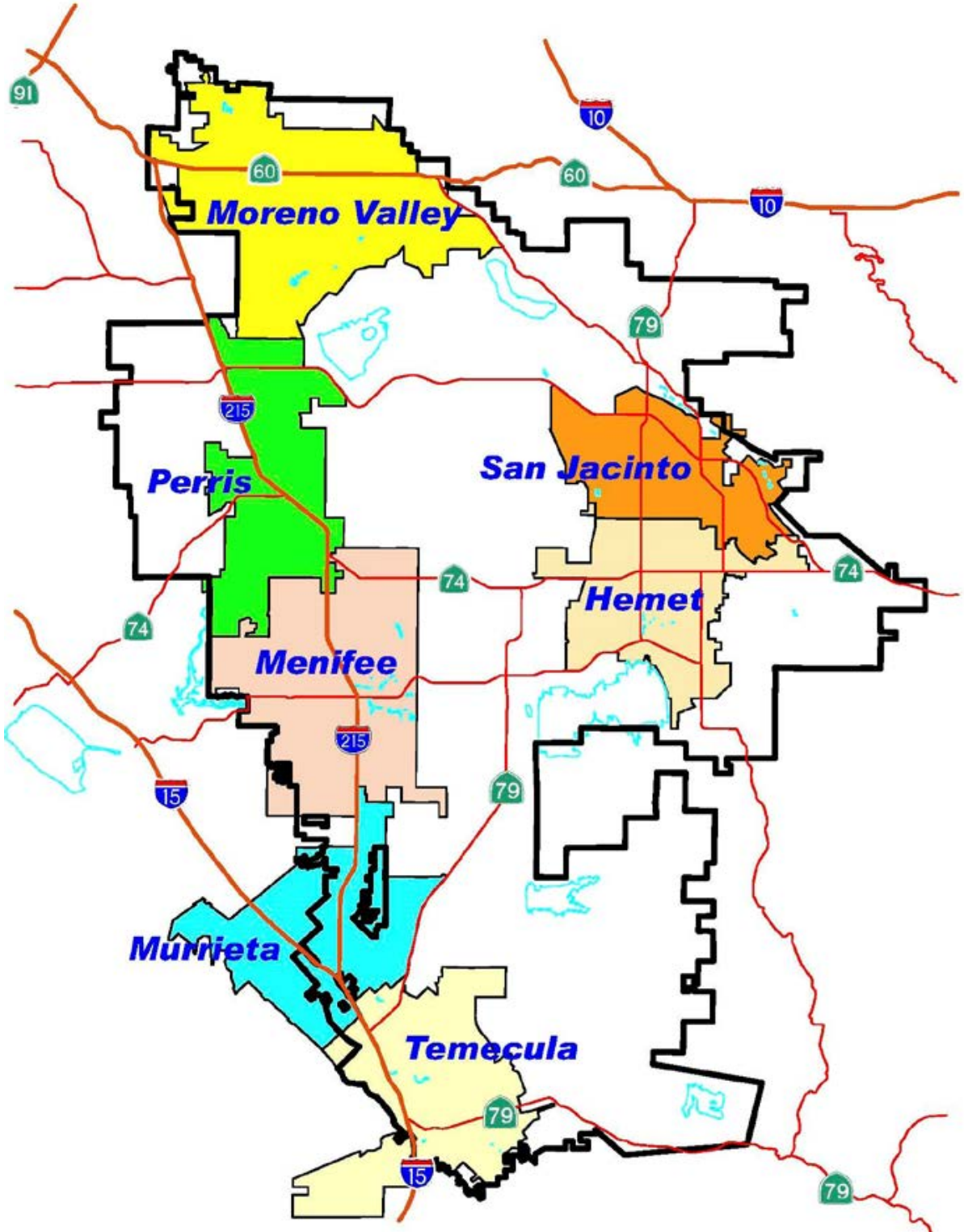
June 30, 2020

Christopher P. Morill

Executive Director/CEO

EASTERN MUNICIPAL WATER DISTRICT

SERVICE AREA MAP AND INCORPORATED CITIES



EASTERN MUNICIPAL WATER DISTRICT

List of Elected & Appointed Officials June 30, 2021

BOARD OF DIRECTORS

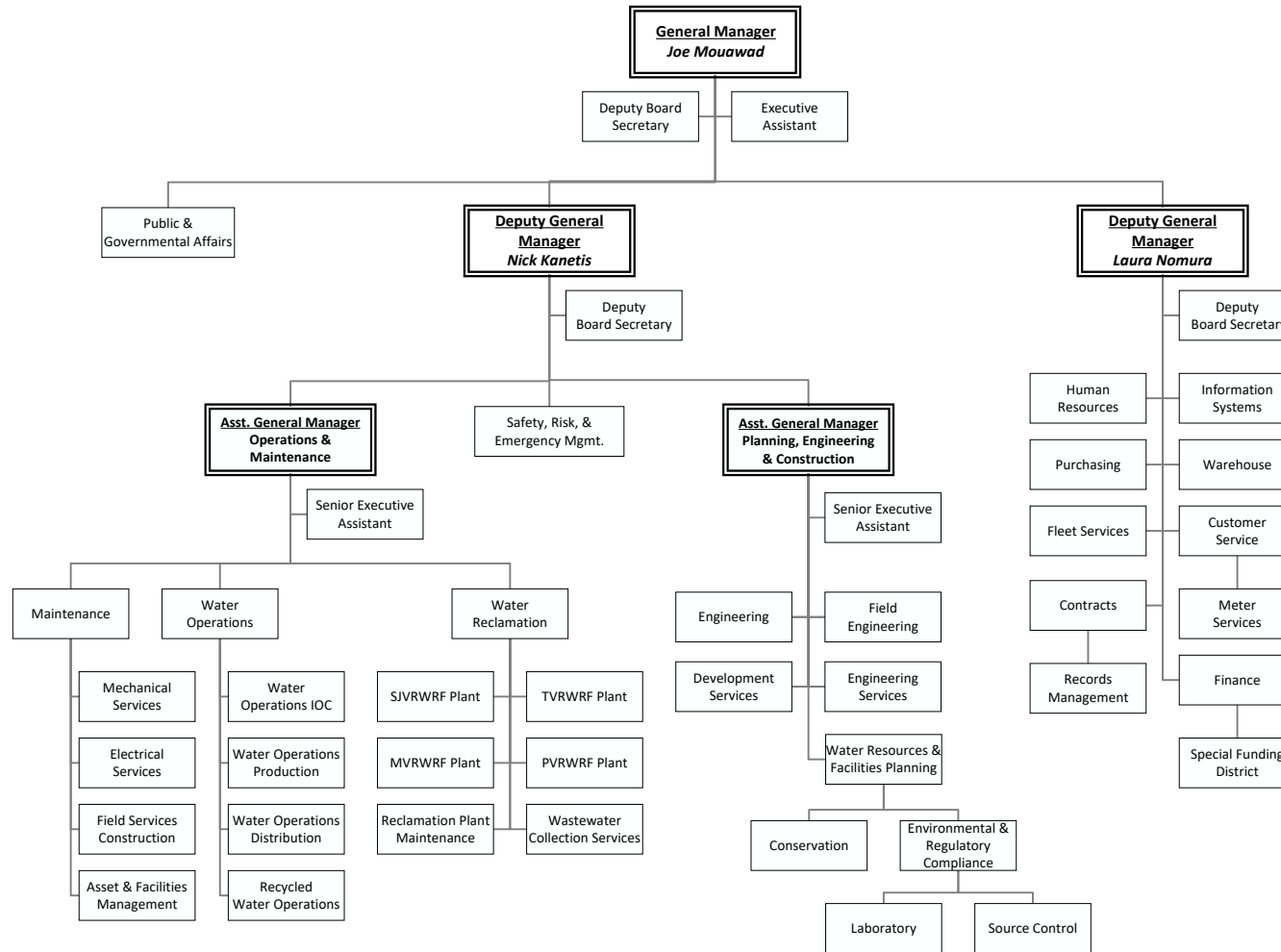
Position	Name	Elected	Current Term of Office
President	Philip E. Paule	1/2003	2019- 2023
Vice President	David J. Slawson	1/1995	2019- 2023
Director	Jeff Armstrong	11/2020	2021-2025
Director	Stephen J. Corona	1/2019	2019- 2023
Director	Randy A. Record	1/2001	2017- 2021

EXECUTIVE MANAGEMENT

Position	Name
General Manager	Joe Mouawad, P.E.
Deputy General Manager	Laura M. Nomura, CPA
Deputy General Manager	Nicolas Kanetis, P.E.
Assistant General Manager	Jeff D. Wall, P.E.

EASTERN MUNICIPAL WATER DISTRICT

ORGANIZATIONAL CHART



THIS PAGE INTENTIONALLY LEFT BLANK



Financial Section

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eastern Municipal Water District
City of Perris, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Eastern Municipal Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Eastern Municipal Water District as of June 30, 2021, and the respective 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special District. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the date of the financial statements.





To the Board of Directors
Eastern Municipal Water District
City of Perris, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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. According, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information



To the Board of Directors
Eastern Municipal Water District
City of Perris, California

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Matter

The summarized comparative information presented herein as of and for the year ended June 30, 2020, was audited by other auditors who express an unmodified opinion on those statements on November 12, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Loughard, LLP".

Brea, California
October 22, 2021

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

On behalf of the Eastern Municipal Water District (the "District"), we are pleased to offer the following narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage all readers of the District's financial statements to consider the financial information presented in this section in conjunction with the accompanying financial statements, notes, analyses, and additional information furnished in our letter of transmittal at the opening of this report.

Financial Highlights

- Total assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$1,828.1 million (net position). The District's net position, which increased \$86.4 million or 5.0 percent from the prior fiscal year, includes net investment in capital assets of \$1,452.2 million; restricted for debt service and construction, \$115.7 million; and unrestricted, \$260.2 million.
- Total assets are \$3,162.2 million, an increase of \$73.2 million or 2.4 percent over the prior fiscal year. The increase in total assets is primarily due to a \$53.2 million increase in net capital assets. The District added \$193.3 million in capital assets during the fiscal year, offset by an increase of \$93.7 million in accumulated depreciation.
- Total liabilities are \$1,385.9 million, a decrease of \$12.9 million or 0.9 percent over the prior fiscal year. The decrease in total liabilities include \$19.2 million in principal debt payments, \$10.5 million in terminated and matured interest rate swap agreements, and \$13.2 million in net other post-employment benefits obligation, offset by increases in advances from developers and other current liabilities.
- Total revenue and capital contributions exceeded operating and non-operating expenses by \$98.5 million (change in net position). The change in net position decreased \$6.4 million or 6.1 percent from the prior fiscal year primarily due to a \$22.8 million decrease in capital contributions.
- Total revenues, \$414.4 million, increased \$27.3 million or 7.0 percent over the prior fiscal year. Operating revenues increased \$28.7 million or 11.2 percent primarily due to an increase in domestic water sales of \$21.2 million or 15.2 percent due to combined higher acre feet sales and board approved rate increases.
- Total expenses, \$377.6 million, increased \$10.8 million or 3.0 percent over the prior fiscal year. Operating expenses increased \$15.1 million primarily due to an increase in purchased water cost resulting from increased demand from domestic water sales. Non-operating expenses decreased \$4.2 million as a result of lower conservation program costs and lower standby bank fees related to the District's variable rate debt(s).
- Capital contributions are \$61.7 million, a decrease of \$22.8 million from the prior fiscal year. Capital grants and developer contributions were \$22.8 million lower due to decreases in grant and developer funded capital assets placed in service during the current fiscal year compared to the prior fiscal year.

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

Overview of the Financial Statements

The District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows and notes to the basic financial statements. This report also includes other supplementary information in addition to the basic financial statements.

- *Statement of Net Position:* This statement presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- *Statement of Revenue, Expenses and Changes in Net Position:* This statement presents information on the District's current fiscal year's revenue and expense. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.
- *Statement of Cash Flows:* This statement provides relevant information about the District's cash receipts and cash payments segregated among operating, capital, and related financing, and investing activities.
- *Notes to the Basic Financial Statements:* These notes provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

Financial Analysis

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's total activity.

Table 1, Net Position

STATEMENT OF NET POSITION FOR THE FISCAL YEARS ENDED JUNE 3, 2021 AND JUNE 30, 2020

	2021	2020	Increase (Decrease)	
			Amount	% Change
ASSETS				
Current assets	\$ 492,250,583	\$ 461,426,312	\$ 30,824,271	6.7%
Restricted assets	245,685,548	256,536,402	(10,850,854)	-4.2%
Net capital assets	2,424,243,664	2,371,050,394	53,193,270	2.2%
Total Assets	\$ 3,162,179,795	\$ 3,089,013,108	\$ 73,166,687	2.4%
Total Deferred Outflows of Resources	\$ 63,002,873	\$ 68,102,745	\$ (5,099,872)	-7.5%
LIABILITIES				
Current liabilities	\$ 120,373,174	\$ 109,852,664	\$ 10,520,510	9.6%
Other liabilities	213,086,000	265,013,834	(51,927,834)	-19.6%
Long-term debt outstanding	1,052,472,015	1,023,954,882	28,517,133	2.8%
Total Liabilities	\$ 1,385,931,189	\$ 1,398,821,380	\$ (12,890,191)	-0.9%
Total Deferred Inflows of Resources	\$ 11,154,898	\$ 16,623,322	\$ (5,468,424)	-32.9%
NET POSITION				
Net investment in capital assets	\$ 1,452,207,616	\$ 1,407,118,856	\$ 45,088,760	3.2%
Restricted	115,714,192	123,619,605	(7,905,413)	-6.4%
Unrestricted	260,174,773	210,932,690	49,242,083	23.3%
Total Net Position	\$ 1,828,096,581	\$ 1,741,671,151	\$ 86,425,430	5.0%
Ratio of Liabilities and Deferred Inflows to Assets and Deferred Outflows of Resources	43%	45%		

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

Comparing net position over time may serve as a useful indicator of a district's financial position. As shown on Table 1, the District's statement of net position includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,828.1 million (net position) representing an increase of \$86.4 million or 5.0 percent from fiscal year 2020.

The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources decreased from 45 percent in fiscal year 2020 to 43 percent in fiscal year 2021. This ratio indicates the degree to which the District's assets are financed through borrowing and other obligations.

- Total assets increased \$73.2 million or 2.4 percent from the prior fiscal year. Current assets increased \$30.8 million. Current cash and investments, which include receipts from customers and general levy property taxes, increased \$43.2 million. This increase is offset by decreases in property tax receivables, \$10.4 million, and grants receivable, \$13.4 million. The beginning net position of the District, which reflects a \$12.1 million restatement to property taxes receivable, includes an adjustment of \$9.8 million to the general levy receivable balance due to Riverside County's delinquency amounts accumulated from prior fiscal years.
- Total liabilities decreased \$12.9 million or 0.9 percent in the current fiscal year. Decreases in net other post-employment benefits obligation, \$13.2 million; fair value of swap contracts, \$10.5 million, and revenue bonds payable, \$10.7 million were offset by increases in advances from developers, \$8.2 million; net pension liability, \$10.8 million; and other current liabilities, \$5.7 million. Overall, the District's funding of the Other Post Employment Benefit Trust above the actuarially determined contribution resulted in a \$13.2 million decrease in net other post-employment liability, increasing its funded ratio from 70 percent in fiscal year 2020 to 83 percent in the fiscal year 2021, well ahead of its goal to fully fund the Trust by fiscal year 2033-2034. Principal payments of \$12.0 million resulted in a decrease of \$10.7 million in revenue bonds payable. The termination and maturity of two interest rate swap agreements resulted in a \$10.5 million decrease in the fair value of swap contracts.
- Deferred outflow of resources decreased \$5.1 million or 7.5 percent over the prior fiscal year, due primarily to a \$5.2 million decrease in the accumulated increase in fair value of swap contracts from prior fiscal years as a result of the termination and maturity of two interest rate swap agreements in July and June of the current fiscal year.
- Deferred inflow of resources decreased by \$5.5 million or 32.9 percent in the current fiscal year due to changes in experience and actuarial assumptions for pension and other post-employment benefits.

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

Table 2, Changes in Net Position

CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and JUNE 30, 2020

	2021	2020	Increase (Decrease)	
			Amount	% Change
REVENUES				
Operating revenues	\$ 285,596,691	\$ 256,906,920	\$ 28,689,771	11.2%
Non-operating revenues	128,814,769	130,253,558	(1,438,789)	-1.1%
Total Revenues	414,411,460	387,160,478	27,250,982	7.0%
EXPENSES				
Operating expenses	336,518,137	321,449,399	15,068,738	4.7%
Non-operating expenses	41,107,203	45,351,484	(4,244,281)	-9.4%
Total Expenses	377,625,340	366,800,883	10,824,457	3.0%
Increase (Decrease) in				
Net Position before capital contribution	36,786,120	20,359,595	16,426,525	80.7%
Capital contributions	61,710,544	84,545,177	(22,834,633)	-27.0%
Change in Net Position	98,496,664	104,904,772	(6,408,108)	-6.1%
Net Position - Beginning of Year	1,741,671,151	1,636,766,379	104,904,772	6.4%
Adjustment (Note 15)	(12,071,234)	-	(12,071,234)	-100.0%
Net Position - End of Year	\$ 1,828,096,581	\$ 1,741,671,151	\$ 86,425,430	5.0%

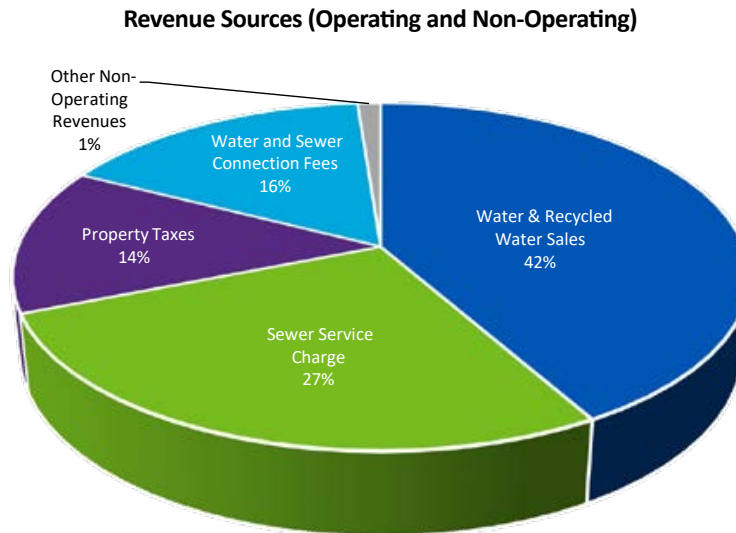
EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

Changes in Financial Performance of the District

The District's statement of revenue, expenses, and changes in net position reports the results of its operations for the fiscal year ended June 30, 2021. A summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020 is reported on Table 2 of the previous page.

Revenues



The District's operating revenues, which include water sales, sewer service charges, and recycled water sales, contributed \$285.6 million or 68.9 percent to total revenues. The increase in operating revenues from the prior fiscal year was \$28.7 million or 11.2 percent and was primarily due to a 7.7 percent increase in domestic water acre feet sales combined with rate increases approved by the Board effective January 1, 2021. Domestic water sales is \$21.2 million higher than the prior fiscal year sales, an increase of 15.2 percent.

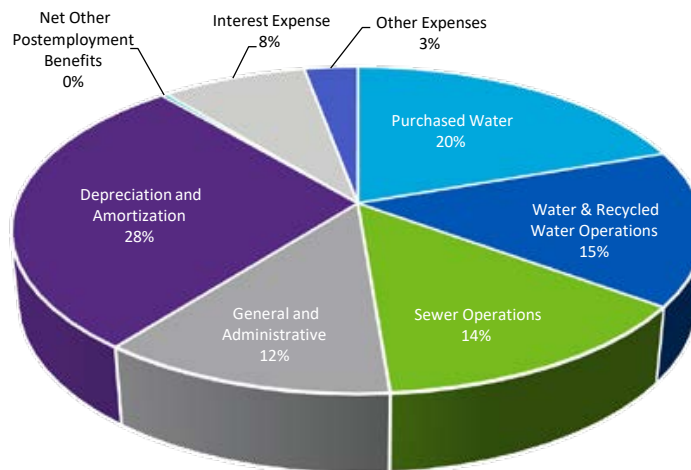
EASTERN MUNICIPAL WATER DISTRICT

Management’s Discussion and Analysis

Non-operating revenues, which include property taxes, water and sewer connection fees and other revenues, contributed \$128.8 million or 31.1 percent to total revenues. The decrease in non-operating revenues from the prior fiscal year was \$1.4 million or 1.1 percent. Water and sewer connections fees increased \$22.1 million and property tax revenue increased \$4.4 million while other non-operating revenues decreased \$27.9 million. The \$22.1 million or 48.8 percent higher water and sewer connection fee revenues reflect an increase in new water (56.2 percent) and wastewater (36.5 percent) connections. Development activity in the District’s service area has been steadily increasing over the prior years, with a significant increase in the current fiscal year. Property tax revenue was \$4.4 million or 8.4 percent higher due to increases in the general tax levy resulting from continued growth in median home prices and commercial-industrial properties within the District’s service area. Interest revenue decreased \$9.4 million as a result of significantly lower interest rates, compared to the prior fiscal year, and the termination/maturity of two interest rate swap agreements. Other miscellaneous revenue decreased \$8.9 million mostly due to late fees not being charged to outstanding balances on customer accounts in the current fiscal year. Other decreases in non-operating revenue include the change in the fair value of investments, \$7.5 million decrease, and operating grant revenue, \$2.1 million decrease.

Expenses

Functional Expenses (Operating and Non-Operating)



The District’s operating expenses, which include the cost of purchased water, water service, sewer service and recycled water operating costs, total \$336.5 million or 89.1 percent of total expenses. Total operating expenses increased \$15.1 million or 4.7 percent from the prior fiscal year primarily due to increases in the cost of purchased water, \$7.3 million, and general and administrative costs, \$4.2 million. The District’s water supply, which is 9,411 acre feet higher than the prior fiscal year’s, reflects a decrease in the ratio of imported/purchased water from 51 percent in fiscal year 2020 to 49 percent in fiscal year 2021, while reflecting an increase in local groundwater supply/well production, from 6 percent

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

to 11 percent.

The \$4.2 million increase in general and administrative costs are due to the effect of the prior fiscal year's workers compensation reserve balance adjusted down by \$4.2 million, otherwise, other costs comprising general and administrative expenses remained at the same level as the prior fiscal year's expenses.

Non-operating expenses, which include the loss on disposal of capital assets, interest expense on debt obligations and other expenses, were \$4.2 million or 9.4 percent lower in fiscal year 2021. This change reflects decreases in interest expense, \$1.7 million, research and development costs, \$1.0 million, and other expenses, \$2.3 million. The decrease of \$2.3 million in other expenses is mostly due to lower conservation program costs, \$1.4 million, and standby bank fees, \$602.7 thousand.

Capital Contributions

Capital contributions total \$61.7 million, a decrease of \$22.8 million or 27.0 percent from the prior fiscal year. This decrease is primarily due to \$18.2 million or 57.8 percent less in federal, state, and other local agency grant funding received and recognized in the current fiscal year. Most grant revenues recognized in a fiscal year are related to the period when grant funded project expenses are incurred. Grant funded capital project costs were higher in fiscal year 2020 compared to the current fiscal year. In particular, \$16.8 million of the State's \$22.5 million funding for the Perris II Reverse Osmosis capital project was incurred and recognized in fiscal year 2020.

Capital Assets

The District reported an increase of \$53.2 million in net capital assets in fiscal year 2021. A comparison of changes in capital assets is provided in Table 3 below.

Table 3, Capital Assets

**Capital Assets
For the Fiscal Years Ended June 30, 2021 and 2020**

	2021	2020	Increase (Decrease)	
			Amount	% Change
Land	\$ 73,155,783	\$ 66,356,156	\$ 6,799,627	10.2%
Tunnel Water Seepage Agreement	1,750,900	1,750,900	-	0.0%
Water capacity rights	32,430,476	32,430,476	-	0.0%
Water plant, lines and equipment	1,503,261,843	1,381,704,935	121,556,908	8.8%
Sewer plant, lines and equipment	2,135,537,859	2,074,895,524	60,642,335	2.9%
Equipment and general facilities	95,798,230	91,459,921	4,338,309	4.7%
Construction in progress	119,344,324	165,821,485	(46,477,161)	-28.0%
Total capital assets	3,961,279,415	3,814,419,397	146,860,018	3.9%
Less accumulated depreciation	(1,537,035,751)	(1,443,369,003)	(93,666,748)	6.5%
Net capital assets	\$ 2,424,243,664	\$ 2,371,050,394	\$ 53,193,270	2.2%

Capital assets, before accumulated depreciation, increased \$193.3 million from the prior fiscal year. This increase

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

includes \$186.5 million in water and sewer plant, lines, and equipment, offset by a decrease of \$46.5 million in construction in progress.

Significant additions to the water and sewer plant, lines and equipment include the substantial completion of the Perris II Desalter project, \$65.4 million; the Mountain Avenue West Replenishment Basin project, \$17.5 million; and the Recycled Water Reclamation Facility Blower Electrification project, \$12.7 million.

The Perris II Desalter Project is part of the District's Desalination Complex located in the City of Menifee. Perris II will be situated adjacent to existing Desalters 8.0 MGD and will produce 5.4 MGD of potable water for a total complex capacity of 13.4 MGD. This facility is designed to treat brackish groundwater to potable water standards utilizing reverse osmosis technology. The District's desalination program provides local water resources to local disadvantaged communities and reduces its reliance on more costly imported water. This project, which was substantially completed on June 30, 2021, is estimated to be completed on December 31, 2021.

The Mountain Avenue West Replenishment Basin Project is located on the northwest corner of Mountain Avenue and Esplanade Avenue in the City of San Jacinto. The project consists of design and construction of the Mountain Avenue West Groundwater Replenishment Facility and supporting infrastructure (pipelines, flow control, perimeter monitoring wells, etc.). It is a part of the San Jacinto Water Bank Recharge and Recovery Program and is funded by the Santa Ana River Conservation and Conjunctive Use Program. This project was substantially complete as of June 30, 2021, with final work to be completed by August 2021.

The Regional Water Reclamation Facility (RWRF) Blower Electrification project will convert existing engine-driven blowers at the Moreno Valley, San Jacinto Valley, and Temecula Valley Regional Water Reclamation Facilities to electric

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

motor-driven blowers to address South Coast Air Quality Management District's Rule 1110.2 emissions requirements that was effective in 2019. This project was substantially complete as of June 30, 2021, with an estimated completion date of September 2021 for all remaining work.

During the year, additions to construction in progress totaled approximately \$126.9 million. Some of the major projects currently underway and where in fiscal year 2021 exceeded \$2.0 million include:

	<u>Millions</u>
• Perris II Desalter (5.4 MGD)	\$ 29.7
• Fifteen water and sewer projects between \$1,000,000 - \$2,000,000	20.7
• Seventy-five water and sewer projects between \$100,000 - \$500,000	16.3
• Seventeen water and sewer projects between \$500,000 - \$1,000,000	12.1
• Remaining water and sewer projects with expenses less than \$100,000	9.6
• Mountain Avenue West Replenishment Basin	8.0
• Customer Information and Billing System Replacement Project	6.6
• Sky Canyon Sewer	5.7
• Wells 65, 66 and 209 Drilling and Testing	3.7
• MVRWRF Tertiary Effluent Equalization	3.1
• Pala Lift Station Electrical Upgrade	2.7
• McCall Boulevard Pipeline Replacement	2.4
• Perris North Cactus Corridor Area Facilities	2.2
• Pat Rd Booster Engine Replacements	2.1
• IOC-SCADA Hardware & Software System Upgrade	2.0
	<u>\$ 126.9</u>

The District had \$102.8 million in construction contract commitments as of June 30, 2021 (additional information can be found in Note 9 of the Basic Financial Statements).

Long-Term Liabilities

Long-Term liabilities consist of outstanding debt and other liabilities. Long-term debt includes advances for construction, notes, and assessments, revenue bonds, general obligation bonds and unamortized deferred amounts for premiums and discounts related to debt issuances. Other long-term liabilities include state revolving fund (SRF) loans, advances from developers, other accrued expenses, compensated absences, and net other post-employment benefits obligation.

The District had a total of \$1,052.5 million in outstanding debt and \$213.1 million in other non-current liabilities at June 30, 2021, a decrease of \$23.4 million or 16.8 percent from the prior fiscal year. This change is due to the following: a \$10.5 million decrease in fair value of swap contracts resulting from the termination and maturity of two

EASTERN MUNICIPAL WATER DISTRICT

Management's Discussion and Analysis

interest rate swap agreements; a \$13.2 million decrease in net other post-employment benefits obligation resulting from funding the Trust in excess of the actuarially determined contribution; and \$12.0 million in scheduled principal debt payments made during the fiscal year.

The District's debt obligations have been assigned the following ratings:

<u>Rating Agency</u>	<u>Parity Revenue Bond</u>	<u>Subordinate Revenue Bond</u>
Fitch Ratings	AAA	AA+
Moody's	Aa1	Aa2
Standard and Poor's	AA+	AA+

More detailed information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 to the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide Eastern Municipal Water District's elected officials, citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions regarding any of the information provided in this report or need additional financial information, please contact the District's Finance Department at 2270 Trumble Road, P.O. Box 8300, Perris, CA 92572-8300. General information relating to the District can be found on its website <http://www.emwd.org>.

BASIC FINANCIAL STATEMENTS

EASTERN MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2021

(with prior year data for comparison purposes only)

	June 30	
	2021	2020
Assets:		
Current assets:		
Cash and investments	\$ 397,992,229	\$ 354,748,487
Utility accounts receivable, net of allowance	39,873,725	32,885,897
Property taxes receivable	1,975,749	12,399,108
Accrued interest receivable	979,332	1,576,573
Other receivables	12,577,315	6,059,903
Prepaid expenses	4,318,043	3,569,582
Materials and supplies inventory	4,076,187	3,969,621
Water inventory	13,858,457	16,179,802
Grants receivable	16,599,546	30,037,339
Total current assets	492,250,583	461,426,312
Noncurrent assets:		
Restricted assets:		
Debt service covenants cash and investments	113,732,695	98,974,727
Property taxes receivable	77,702	1,632,017
Soboba reimbursement receivable	12,998,778	12,998,778
Construction cash and investments	117,077,951	140,936,517
Notes receivable	1,798,422	1,994,363
Total restricted assets	245,685,548	256,536,402
Capital assets:		
Land	73,155,783	66,356,156
Tunnel water seepage agreement	1,750,900	1,750,900
Structures, improvements and water rights	3,671,230,178	3,489,030,935
Equipment and general facilities	95,798,230	91,459,921
Construction in progress	119,344,324	165,821,485
Total capital assets	3,961,279,415	3,814,419,397
Less accumulated depreciation	(1,537,035,751)	(1,443,369,003)
Total net capital assets	2,424,243,664	2,371,050,394
Total noncurrent assets	2,669,929,212	2,627,586,796
Total assets	3,162,179,795	3,089,013,108
Deferred outflows of resources:		
Accumulated increase in fair value of swap contracts	-	5,161,004
Deferred outflows from pension (Note 5)	28,925,713	29,368,041
Deferred outflows from OPEB (Note 7)	21,760,611	19,006,063
Deferred charges on debt refundings	12,316,549	14,567,637
Total deferred outflow of resources	63,002,873	68,102,745

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

EASTERN MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2021

(with prior year data for comparison purposes only)

	JUNE 30	
	2021	2020
Liabilities:		
Current liabilities:		
Accounts payable	\$ 39,578,654	\$ 40,583,051
Accrued salaries and benefits	2,986,876	2,586,148
Customer deposits	12,499,842	11,298,012
Compensated absences	10,153,322	9,009,510
Accrued interest payable	16,045,319	13,446,000
Other payables	9,492,000	7,082,587
Advances for construction, notes and assessments	4,673,118	3,270,700
Revenue bonds	21,114,135	18,323,024
General obligation bonds	1,260,341	1,205,393
Advances from developers	870,506	1,326,563
Other accrued expenses payable	1,699,061	1,721,676
Total Current Liabilities	<u>120,373,174</u>	<u>109,852,664</u>
Noncurrent liabilities:		
Compensated absences	4,252,511	3,914,103
Advances for construction, notes and assessments	114,998,705	71,691,010
Revenue bonds	909,354,714	922,884,935
General obligation bonds	28,118,596	29,378,937
State revolving fund construction advances	-	47,052,375
Advances from developers	35,059,142	26,397,867
Other accrued expenses payable	2,077,296	3,083,012
Net other postemployment benefits obligation	18,632,848	31,836,264
Net pension liability	153,064,203	142,220,668
Fair value of swap contracts	-	10,509,545
Total Noncurrent liabilities	<u>1,265,558,015</u>	<u>1,288,968,716</u>
Total liabilities	<u>1,385,931,189</u>	<u>1,398,821,380</u>
Deferred inflows of resources:		
Deferred inflows from pension (Note5)	1,705,611	5,281,954
Deferred inflows from OPEB (Note 7)	9,449,287	11,341,368
Total deferred inflows of resources	<u>11,154,898</u>	<u>16,623,322</u>
Net position:		
Net investment in capital assets	1,452,207,616	1,407,118,856
Restricted for debt service covenants	88,139,539	94,665,692
Restricted for construction	27,574,653	28,953,913
Unrestricted	260,174,773	210,932,690
Total Net Position	<u>\$ 1,828,096,581</u>	<u>\$ 1,741,671,151</u>

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

EASTERN MUNICIPAL WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(with prior year data for comparison purposes only)

	June 30	
	2021	2020
Operating revenues:		
Water sales - domestic	\$ 160,667,782	\$ 139,470,921
Water sales - irrigation	2,446,103	1,832,130
Sewer service charge	112,533,433	107,541,964
Recycled water sales	9,949,373	8,061,905
Total operating revenues	<u>285,596,691</u>	<u>256,906,920</u>
Operating expenses:		
Purchased water	74,297,141	67,025,558
Water operations	50,512,860	49,180,247
Sewer operations	51,654,247	49,780,561
Recycled water operations	7,563,997	7,371,736
General and administrative	44,680,486	40,521,610
Depreciation and amortization	106,659,451	103,217,866
Net other postemployment benefits	1,149,955	4,351,821
Total operating expenses	<u>336,518,137</u>	<u>321,449,399</u>
Operating income (loss)	<u>(50,921,446)</u>	<u>(64,542,479)</u>
Nonoperating revenues (expenses):		
Property taxes - general levy	44,907,361	41,014,090
Property taxes - general bond levy	6,076,662	5,408,351
Availability (standby) assessments	5,598,011	5,779,756
Water and sewer connection fees	67,256,487	45,186,191
Interest revenue	1,082,056	10,506,376
Net increase (decrease) in fair value of investments	(4,426,687)	3,110,836
Grant revenues	655,381	2,715,243
Other revenues	7,665,498	16,532,715
Gain (loss) on disposal of capital assets	(3,944,258)	(3,231,192)
Interest expense	(30,059,064)	(31,761,424)
General obligation fund service fees	(30,864)	(30,864)
Research and development costs	(4,097,780)	(5,097,315)
Other expenses	(2,975,237)	(5,230,689)
Total nonoperating revenues (expenses)	<u>87,707,566</u>	<u>84,902,074</u>
Income (loss) before contributions	<u>36,786,120</u>	<u>20,359,595</u>
Capital contributions:		
Developer contributions	46,566,041	52,141,182
Capital grants	13,281,421	31,479,351
Other capital contributions	1,863,082	924,644
Total capital contributions	<u>61,710,544</u>	<u>84,545,177</u>
Change in net position	98,496,664	104,904,772
Total net position - Beginning of year	1,741,671,151	1,636,766,379
Adjustment (Note 15)	(12,071,234)	-
Total net position - End of Year	<u>\$ 1,828,096,581</u>	<u>\$ 1,741,671,151</u>

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

EASTERN MUNICIPAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (with prior year data for comparison purposes only)

	June 30	
	2021	2020
Cash flows from operating activities:		
Receipts from customers	\$ 274,826,634	\$ 259,876,949
Receipts from availability (standby) assessments	5,590,719	5,878,214
Other receipts	7,665,498	16,532,715
Payments for water	(72,067,461)	(71,299,086)
Payments to employee for services	(106,522,541)	(96,020,082)
Payments to suppliers for goods and services	(48,284,216)	(46,670,643)
Payments for energy and utilities	(17,806,627)	(17,131,381)
Net cash (used for) provided by operating activities	43,402,006	51,166,686
Cash flows from noncapital financing activities:		
Proceeds from property taxes, general levy	44,825,334	41,159,524
Proceeds from operating grants	209,670	3,227,277
Net cash (used for) provided by noncapital	45,035,004	44,386,801
Cash flows from capital and related financing activities:		
Acquisitions and construction of capital assets	(115,936,280)	(119,714,157)
Proceeds from sale of capital assets	568,424	322,928
Proceeds from long-term debt issuance	98,911,702	155,550,405
Proceeds from SRF construction advances	4,620,963	40,608,897
Repayment of notes, bonds and revenue bonds	(121,354,927)	(173,893,006)
Interest paid	(23,022,951)	(35,419,320)
Proceeds from property taxes, GO bond levy	6,069,577	5,366,585
Proceeds from water and sewer connection fees	67,256,487	45,186,191
Proceeds from developer advances	17,948,087	10,832,464
Repayments of developer advances	(9,742,869)	(7,344,328)
Proceeds from capital grants	27,164,925	29,980,832
Net cash (used for) capital and related financing activities	(47,516,862)	(48,522,509)
Cash flows from investing activities:		
Purchases of investments	(315,556,041)	(267,975,932)
Proceeds from sales and maturities of investments	219,701,217	277,598,441
Proceeds from earnings on investments	5,257,883	11,226,368
Net cash (used for) provided by investing activities	(90,596,941)	20,848,877
Total (decrease) increase in cash and cash equivalents	(49,676,793)	67,879,855
Cash and cash equivalents at beginning of year	265,796,628	197,916,773
Cash and cash equivalents at end of year	\$ 216,119,835	\$ 265,796,628

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

EASTERN MUNICIPAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (with prior year data for comparison purposes only)

	June 30	
	2021	2020
Reconciliation of loss from operations to net cash (used for) provided by operating activities:		
Loss from operations	\$ (50,921,446)	\$ (64,542,479)
Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	106,659,451	103,217,866
Other revenues	6,190,492	12,909,111
(Increase) decrease in utility accounts receivable	(6,987,828)	(2,878,803)
(Increase) decrease in other receivables	(6,521,860)	2,901,963
(Increase) decrease in prepaid expenses	(748,461)	181,705
(Increase) decrease in materials and supplies inventory	(106,566)	160,580
(Increase) decrease in water inventory	2,321,345	(4,186,754)
(Increase) decrease in notes receivable	195,941	170,027
Increase (decrease) in accounts payable	(1,004,397)	7,288,824
Increase (decrease) in accrued expenses	1,781,810	215,754
Increase (decrease) in customer deposits	1,201,830	765,024
Increase (decrease) in compensated absences	1,482,220	913,243
Increase (decrease) in net other postemployment benefits obligation	(13,203,416)	(25,014,947)
Increase (decrease) in net pension liability	10,843,535	9,431,412
Increase (decrease) in deferred inflows	(5,468,424)	9,331,275
(Increase) decrease in deferred outflows	(2,312,220)	302,885
Net cash (used for) provided by operating activities	\$ 43,402,006	\$ 51,166,686
Reconciliation of cash and cash equivalent to statement of net position:		
Current cash and investments	\$ 397,992,229	\$ 354,748,487
Restricted cash and investments:		
Debt service/covenants	113,732,695	98,974,727
Construction	117,077,951	140,936,517
Total cash and investments	628,802,875	594,659,731
Less investments	412,683,040	328,863,103
Cash and cash equivalents	\$ 216,119,835	\$ 265,796,628
Noncash capital, financing, and investing activities:		
Capital asset contributions from developers	\$ 48,429,123	\$ 52,141,182
Net increase (decrease) in fair value of investments	(4,426,687)	3,110,836
Termination of interest rate swap hedge effectiveness	(3,578,586)	-
Amortization of bond premiums, discounts, and loss on debt refundings	4,467,658	(3,592,462)

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

EASTERN MUNICIPAL WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2021

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	\$ 58,868,750
Receivables:	
Special assessments for other governments	374,357
Total assets	<u>59,243,107</u>
Deferred outflows of resources:	
Deferred charges on debt refunding	1,637,345
Total deferred outflows of resources	<u>1,637,345</u>
Liabilities:	
Accrued interest payable	3,360,638
Bonds payable:	
Due within one year	8,769,195
Due in more than one year	228,719,872
Total liabilities	<u>240,849,705</u>
Net position:	
Restricted for:	
Debt obligations	<u>(179,969,253)</u>
Total net position (deficit)	<u>\$ (179,969,253)</u>

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

EASTERN MUNICIPAL WATER DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>
Additions:	
Interest income	\$ 9,577
Special assessment collections for other entities	21,659,020
Total additions	<u>21,668,597</u>
Deductions:	
Administrative expenses	2,769,557
Interest expense	8,560,693
Payments to other entities	11,143,414
Costs of issuance	2,366,388
Trustee fees	113,075
Total deductions	<u>24,953,127</u>
Net increase (decrease) in fiduciary net position	(3,284,530)
Total net position (deficit) - beginning of year, as restated	<u>(176,684,723)</u>
Total net position (deficit) - end of year	<u>\$ (179,969,253)</u>

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

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Eastern Municipal Water District (District) was formed in October 1950, under the California Water Code for the primary purpose of importing Colorado River Water to augment local water supplies. In 1962, the District began providing wastewater treatment services to customers within its service area and, consequently, has become actively involved in the production of recycled water (i.e., wastewater which has been treated to a level acceptable for nondomestic purposes) and has been recognized as an industry leader in the management of ground water basins and the related beneficial uses of recycled water. The District's water and wastewater customers include retail customers (e.g., residential, commercial, and agricultural) located in both incorporated and unincorporated areas within the District's service area, as well as wholesale customers (e.g., municipalities and local water Districts) located within its service area.

The District formed the Eastern Municipal Water District Facilities Corporation (Facilities Corporation) on April 10, 1979, under the Non-Profit Public Benefit Corporation Law, State of California, for the purpose of rendering financing assistance to the District by acquiring, constructing and operating or providing for the operation of water and wastewater facilities, including water and wastewater transmission pipelines, treatment plants and related facilities for the use, benefit and enjoyment of the public within the District's boundaries. The Facilities Corporation is a blended component unit of the District.

The District formed the Eastern Municipal Water District Financing Authority (Financing Authority) on April 1, 2015, under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Financing Authority was formed to enable the District to finance, refinance, or provide interim financing for the acquisition, construction, and operation of water supplies, water and wastewater infrastructure, water rights, public facilities, other public capital improvements, or other projects whenever there are significant public benefits. The Financing Authority is a blended component unit of the District.

The District's reporting entity includes the General District, the related improvement Districts located within the service area of the General District, the Facilities Corporation, and the Financing Authority. Although the District, the Facilities Corporation and the Financing Authority are legally separate entities, the District's Board of Directors also serve as the Facilities Corporation and the Financing Authority's Board of Directors, and therefore, the accompanying financial statements include the accounts and records of the Facilities Corporation and the Financing Authority as required by generally accepted accounting principles using the blending method. There are no separate financial statements for the Facilities Corporation and the Financing Authorities, they merely serve as the legal entity used by the District to issue long-term debt. Accordingly, the Facilities Corporation and the Financing Authority have no separate financial activity to be reported as separate funds of the District.

Basis of Accounting and Measurement Focus

The District accounts for its operations on a fund basis. In governmental accounting, a fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Because the activities of the District receive significant support from fees and charges, it uses a proprietary (enterprise) fund. Enterprise fund accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services.

The District uses the economic resources measurement focus and the accrual basis of accounting. Measurement focus determines what is measured in a set of financial statements and under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements beginning after December 15, 2018. The District implemented this statement during the current fiscal year 2021. The implementation of this statement resulted in a prior period adjustment of (\$176,684,723), refer to Note 14 for additional information.

Cash and Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Classification of Revenues and Expenses

An enterprise fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for domestic, agricultural and irrigation, and recycled water sales, and sewer service charges. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation of capital assets.

Non-operating revenues and expenses are those not directly associated with the normal business of supplying water and wastewater treatment services. Non-operating revenues mainly consist of property taxes, availability (infrastructure availability assessments), investment income, connection fees and miscellaneous income. Capital contributions consist of facilities built by developers and turned over to the District to operate and maintain and federal, state, and private grants used to fund capital assets. Non-operating expenses mainly consist of debt service interest and debt-related fees.

Capital Assets

Both purchased capital assets and self-constructed capital assets are recorded at acquisition cost. The cost of self-constructed assets includes direct labor, materials, contracted services and overhead. Contributed capital assets are recorded at acquisition value at the time they are received. These assets consist primarily of distribution lines and connections constructed and donated by developers. The Districts capitalization threshold starts at \$5,000 with a useful life 3 years or more, for all purchased or constructed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Transmission and distribution	3-100
Pumping Plants	5-67
Source of Supply	3-40
Reclamation facilities	3-50
General Plant	3-67

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established for utility accounts receivables that are 60 or more days delinquent at year-end. This allowance is netted against the receivable on the Statement of Net Position and amounts to \$1,406,706 on June 30, 2021.

Inventories

Material and supplies inventory consist primarily of materials used in the construction and maintenance of utility plant and is valued at weighted average cost. Water inventory consists of native groundwater and purchased water holdings in the Hemet-San Jacinto Basin. It is valued based upon purchase cost and weighted average cost of consumption.

Restricted Assets

Amounts shown as restricted assets have been restricted by bond indenture, law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets.

Restricted assets include water and sewer connection fees. The resolution establishing the authority for water and sewer connection fees restricts the use of these fees to the construction, acquisition, or financing of capital assets. The water and sewer connection fees are exchange transactions (non-operating revenues). The connecting party receives a benefit (connection to the system) approximately equal in value to the amount paid. These fees do not represent capital contributions (non-exchange transactions).

Generally, restricted resources are not commingled with unrestricted resources in financing projects and activities and are used for specific types of projects for which such funding is designated. When both restricted and unrestricted resources are available for use, the District may use restricted resources or unrestricted resources, depending upon the type of project or activity, as determined by Board action.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed daily on thirty-day cycles. Wastewater customers are also billed and included with the water billing. In certain areas of the District, the wastewater billing is handled by another water utility agency, however, revenues are accrued by the District each month. Collections are forwarded monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$12,971,723 on June 30, 2021.

Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of countywide assessed valuations. The property taxes are placed in a pool and are then allocated to the local governmental units based upon complex formulas. Property tax revenue is recognized in the fiscal year in which the taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First Installment - November 1 Second Installment - February 1
Delinquent date:	First installment - December 10 Second installment - April 10

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Debt Discounts, Premiums, and Deferred Amounts on Refunding

General obligation bond and revenue bond premiums and discounts are deferred and amortized over the term of the bonds. The discounts and premiums are presented as an addition (or reduction) of the face amount of the debt. Furthermore, in accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, deferred charges on refunding are presented as deferred outflows of resources on the Statement of Net Position.

Compensated Absences

The District has a policy whereby an employee can accumulate unused paid time off up to a maximum of 675 hours. Hours more than the maximum are paid out to employees each November. All employees who separate from the District are entitled to receive 100 percent of their accumulated unused paid time off. The District provides for these future costs by accruing 100 percent of all earned and unused paid time off.

Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019 to June 30, 2020

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019 to June 30, 2020

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has the following items that qualify for reporting in this category: Employer contributions subsequent to measurement date for pension and OPEB, and deferred actuarial amounts related to pension and deferred refunding charges.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category: Deferred actuarial amounts related to pension and OPEB. This is reported on the Statement of Net Position.

Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The fair value of the District's investments is categorized within Level 2 of the fair value hierarchy using the institutional bond quotes with evaluations based on various market and industry inputs.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles, and therefore include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from those estimates.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

Interest Rate Swap Contracts

The District was a party to two interest rate swap agreements recorded in the financial statements in accordance with Governmental Accounting Standard Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which was in effect for the period beginning with fiscal year ended June 30, 2010. All derivatives were reported in the Statement of Net Position at fair value, and all hedges were tested for effectiveness to qualify for hedge accounting. Depending on the test results, the change in fair value was either reported in the Statement of Net Position or in the Statement of Revenue, Expenses and Changes in Net Position.

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk (the mark-to-market value excludes the risk of nonperformance). The Statement is effective for reporting periods beginning after June 15, 2015. The District adopted GASB 72 beginning Fiscal Year ended 2016.

The District engaged an independent party to perform the valuation and required tests on these two swaps. The swap associated to Series 2018B Revenue Bonds was terminated on June 2, 2021, and the swap associated to Series 2018C matured on July 1, 2020. Therefore, hedge accounting has ended and no tests are required as of June 30, 2021.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 2 – Cash and Investments

Cash and investments are classified in the accompanying statements as follows:

Statement of Net Position:	
Cash and investments	\$ 397,992,229
Restricted assets:	
Debt service covenants	113,732,695
Construction	117,077,951
Total	<u>628,802,875</u>
Statement of Fiduciary Net Position:	
Cash and investments	<u>58,868,750</u>
Total	<u>58,868,750</u>
Total cash and investments	<u>\$ 687,671,625</u>

Cash and investments on the Statement of Net Position consisted of the following:

	<u>2021</u>
Cash on hand	\$ 6,500
Deposits with financial institutions	13,112,524
Investments	<u>615,683,851</u>
Total cash and investments	<u>\$ 628,802,875</u>

Cash and cash equivalents on the Statement of Net Position consisted of the following:

	<u>2021</u>
Demand accounts and on hand	\$ 13,119,024
Local Agency Investment Fund (LAIF)	100,592,315
Investment Trust of California (CalTRUST)	70,897,458
Money market mutual funds	<u>31,511,038</u>
Total cash and cash equivalents	<u>\$ 216,119,835</u>

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 2 – Cash and Investments (cont'd)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
U.S. treasury obligations	Yes	5 Years	None	None
U.S. agency securities	Yes	5 Years	None	None
Bankers' acceptances	Yes	180 Days	40%	30%
Negotiable certificates of deposit	Yes	1 Year	30%	25%
Commercial paper	Yes	270 Days	25%	10%
Repurchase agreements	No ¹	1 Year	None	None
Reverse repurchase agreements	No	92 Days	20%	None
Medium-term notes	Yes	5 Years	30%	25%
Mortgage pass – through securities	No	5 Years	None	None
LAIF	Yes	None	None	\$65,000,000
CA local agency securities	Yes	5 Years ²	30% ³	25% ³
Mutual funds	No	N/A	None	None
Money market mutual funds	Yes	N/A	15%	10%
County pooled investment funds	No	N/A	None	None
Joint powers authority (CalTRUST)	Yes	N/A	15%	15%
Investment contracts	Yes	None	None	None

* Based upon State law or investment policy requirements, whichever is more restrictive.

1. Only permitted for use in the District's sweep account.

2. Maturities may exceed 5 years with specific required credit ratings.

3. Investments in the District's own tendered securities may exceed percentages on a temporary basis.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 2 – Cash and Investments (cont'd)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
State obligations or political subdivision of states	None	None	None
Bankers' acceptances	1 Year	None	None
Certificates of deposit	None	None	None
Commercial paper	None	None	None
Guaranteed investment contracts	None	None	None
Repurchase agreements	30 Days	None	None
Money market mutual funds	None	None	None
LAIF	None	None	None

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 2 – Cash and Investments (cont’d)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operation.

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the table below, which shows the distribution of the District’s investment by remaining maturity.

Investment Type	Months			
	Total	12 or Less	13 to 24	25 to 60
U.S. Agency Securities:				
Federal Farm Credit Bank (FFCB)	\$ 55,484,483	\$ 7,024,980	\$ 9,983,050	\$ 38,476,453
Federal Home Loan Bank (FHLB)	97,494,061	3,016,911	-	94,477,150
Federal Home Loan Mortgage Corp. (FHLMC)	39,945,800	15,010,150	5,011,700	19,923,950
Federal National Mortgage Assn. (FNMA)	28,739,630	-	-	28,739,630
Corporate - Fixed	29,329,480	8,996,630	5,113,600	15,219,250
Money Market Mutual Funds	59,529	59,529	-	-
California Agency Securities	125,691,868	21,000,092	26,497,924	78,193,852
LAIF	100,592,315	100,592,315	-	-
Investment Trust of California (CalTRUST)	70,897,458	70,897,458	-	-
U.S. Treasury Obligations	35,997,718	35,997,718	-	-
Held by Trustee:				
Money Market Mutual Funds	31,451,509	31,451,509	-	-
Total Investments	\$ 615,683,851	\$ 294,047,292	\$ 46,606,274	\$ 275,030,285

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 2 – Cash and Investments (cont'd)

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. The table below shows the minimum rating required by the California Government Code, the District investment policy, or debt agreements and the actual Standard and Poor's Rating Services credit rating as of year-end for each investment type.

Category	Total	Minimum Legal Rating	Rating at June 30, 2021			
			AAA	AA	A	Not Rated
U.S. Agency Securities						
FFCB	\$ 55,484,483	N/A	\$ -	\$ 55,484,483	\$ -	\$ -
FHLB	97,494,061	N/A	-	97,494,061	-	-
FHLMC	39,945,800	N/A	-	39,945,800	-	-
FNMA	28,739,630	N/A	-	28,739,630	-	-
Corporate - Fixed	29,329,480	A	-	25,372,500	3,956,980	-
Money Market Mutual Funds	59,529	AAA*	59,529	-	-	-
California Agency Securities	125,691,868	N/A	10,548,786	115,143,082	-	-
LAIF	100,592,315	N/A	-	-	-	100,592,315
CalTRUST	70,897,458	N/A	-	70,897,458	-	-
U.S. Treasury Obligations	35,997,718	N/A	-	35,997,718	-	-
Held by Trustee:						
Money Market Mutual Funds	31,451,509	AAA*	31,451,509	-	-	-
Total Investments	\$ 615,683,851		\$ 42,059,824	\$ 469,074,732	\$ 3,956,980	\$ 100,592,315

*Money market mutual funds are rated Aaa-mf by Moody's at June 30, 2021. This rating meets minimum rating requirements.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer other than U.S. Treasury securities, mutual funds and external investment pools that represent five percent or more of the District's total investments are shown below, as of June 30, 2021:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Agency	\$ 97,494,061
Federal Farm Credit Bank	U.S. Agency	55,484,483
Federal Home Loan Mortgage Corp	U.S. Agency	39,945,800

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 2 – Cash and Investments (cont'd)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal 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. As of June 30, 2021, all the District's deposits with financial institutions are collateralized by an interest in an undivided collateral pool as required by law. To protect investments against custodial credit risk caused by the collapse of individual securities dealers, all negotiable securities owned by the District are settled with delivery versus payment procedures and held in safekeeping by the District's custodial bank acting as agent for the District under the terms of a custody agreement.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized costs of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded at fair market value. Additional information about the State of California's LAIF can be found on their website – www.treasurer.ca.gov/pmia.laif.

Investment in Investment Trust of California (CalTRUST)

The District is a voluntary participant in CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair market value, securities are normally priced daily on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined based on the market value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 2 – Cash and Investments (cont'd)

Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2021:

Category	Fair Value Hierarchy			
	Total	Level 1	Level 2	Level 3
Investments reported at Fair Value				
U.S. Agency				
FFCB	\$ 55,484,483	\$ -	\$ 55,484,483	\$ -
FHLB	97,494,061	-	97,494,061	-
FHLMC	39,945,800	-	39,945,800	-
FNMA	28,739,630	-	28,739,630	-
Corporate - Fixed	29,329,480	-	29,329,480	-
California Agency Securities	125,691,868	-	125,691,868	-
US Treasury	35,997,718	-	35,997,718	-
Total Investments at Fair Value	<u>\$ 412,683,040</u>	<u>\$ -</u>	<u>\$ 412,683,040</u>	<u>\$ -</u>

NOTE 3 – Capital Assets

The capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
	June 30, 2020			June 30, 2021
Capital assets, not being depreciated				
Land	\$ 66,356,156	\$ 6,800,727	\$ (1,100)	\$ 73,155,783
Tunnel Water Seepage Agreement	1,750,900	-	-	1,750,900
Construction in progress	165,821,485	126,910,757	(173,387,918)	119,344,324
Total capital assets not being depreciated	<u>233,928,541</u>	<u>133,711,484</u>	<u>(173,389,018)</u>	<u>194,251,007</u>
Capital assets, being depreciated				
Water plant, lines and equipment	1,381,704,935	126,893,197	(5,336,289)	1,503,261,843
Water capacity rights	32,430,476	-	-	32,430,476
Sewer plant, lines and equipment	2,074,895,524	71,144,157	(10,501,822)	2,135,537,859
Equipment and general facilities	91,459,921	6,005,583	(1,667,274)	95,798,230
Total capital assets being depreciated	<u>3,580,490,856</u>	<u>204,042,937</u>	<u>(17,505,385)</u>	<u>3,767,028,408</u>
Less accumulated depreciation for				
Water plant, lines and equipment	574,596,131	44,584,044	(3,137,639)	616,042,536
Water capacity rights	12,422,477	781,633	-	13,204,110
Sewer plant, lines and equipment	761,545,984	52,527,540	(8,012,934)	806,060,590
Equipment and general facilities	94,804,411	8,766,234	(1,842,130)	101,728,515
Total accumulated depreciation	<u>1,443,369,003</u>	<u>106,659,451</u>	<u>(12,992,703)</u>	<u>1,537,035,751</u>
Total capital assets being depreciated, net	<u>2,137,121,853</u>	<u>97,383,486</u>	<u>(4,512,682)</u>	<u>2,229,992,657</u>
Capital assets, net	<u>\$ 2,371,050,394</u>	<u>\$ 231,094,970</u>	<u>\$ (177,901,700)</u>	<u>\$ 2,424,243,664</u>

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 4 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Ending Balance June 30, 2020	Additions	Reductions	Ending Balance June 30, 2021	Due Within One Year	Long Term
Long-Term Debt						
Advances for Construction, Notes and Assessments:						
CA DWR Prop 204 (HWFP)	\$ 15,318,028	\$ -	\$ (1,766,770)	\$ 13,551,258	\$ 898,471	\$ 12,652,787
SWRCB SRF loan (APAD)	28,957,740	-	(2,171,672)	26,786,068	2,180,836	24,605,232
SWRCB SRF loan (SCATT)	23,885,806	-	(1,883,367)	22,002,439	-	22,002,439
SWRCB SRF loan (N. Trumble Pond)	6,800,136	-	(220,634)	6,579,502	222,840	6,356,662
SWRCB SRF loan (TVRWRF)	-	51,955,040	(1,202,484)	50,752,556	1,370,971	49,381,585
Total notes payable	74,961,710	51,955,040	(7,244,927)	119,671,823	4,673,118	114,998,705
Revenue Bonds:						
2011A refunding	4,750,000	-	(4,750,000)	-	-	-
2015B	74,430,000	-	-	74,430,000	-	74,430,000
2016A Refunding	189,600,000	-	(5,765,000)	183,835,000	8,430,000	175,405,000
2016B Refunding	120,855,000	-	(1,490,000)	119,365,000	-	119,365,000
2017C Refunding	17,515,000	-	-	17,515,000	5,555,000	11,960,000
2017D	102,500,000	-	-	102,500,000	-	102,500,000
2018A Refunding	94,455,000	-	-	94,455,000	-	94,455,000
2018B Refunding	53,140,000	-	(53,140,000)	-	-	-
2018C Refunding	47,780,000	-	(47,780,000)	-	-	-
2020A Refunding	122,145,000	-	-	122,145,000	-	122,145,000
2021A Refunding	-	50,590,000	-	50,590,000	-	50,590,000
2021B Refunding	-	48,040,000	-	48,040,000	-	48,040,000
Unamortized premium	114,037,959	9,712,891	(6,157,001)	117,593,849	7,129,135	110,464,714
Total revenue bonds	941,207,959	108,342,891	(119,082,001)	930,468,849	21,114,135	909,354,714
General Obligation Bonds:						
2005A	10,290,000	-	(580,000)	9,710,000	605,000	9,105,000
2009	19,995,000	-	(605,000)	19,390,000	635,000	18,755,000
Net unamort prem/disc	299,330	-	(20,393)	278,937	20,341	258,596
Total GO bonds	30,584,330	-	(1,205,393)	29,378,937	1,260,341	28,118,596
Sub-total long term debt	1,046,753,999	160,297,931	(127,532,321)	1,079,519,609	27,047,594	1,052,472,015
Other Noncurrent Liabilities						
Compensated absences	12,923,613	8,597,969	(7,115,749)	14,405,833	10,153,322	4,252,511
Total long-term liabilities	\$ 1,059,677,612	\$ 168,895,900	\$ (134,648,070)	\$ 1,093,925,442	\$ 37,200,916	\$ 1,056,724,526

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 4 – Long-Term Liabilities (cont'd)

The following schedule summarizes the major terms of outstanding long-term debt:

	Date of Issue	Original Issue	Revenue Sources	Lien	Final Maturity Date	Interest Rates
Advances for construction, notes and assessments:						
CA DWR Prop 204 (HWFP) <i>Hemet Water Filtration Plant Construction Project</i>	03/03/05	\$ 42,098,388	(a)	Subordinate	07/01/28	Imputed -2.273%
SWRCB SRF loan (APAD) <i>Moreno Valley RWWF Acid Phase Anaerobic Digestion Project</i>	09/15/09	43,908,096	(a)	Subordinate	03/16/33	0.422%
SWRCB SRF loan (SCATT) <i>Moreno Valley RWWF Secondary Clarifier & Tertiary Treatment Expansion Project</i>	06/23/09	38,302,852	(a)	Subordinate	07/05/32	1.0%
SWRCB SRF loan (N. Trumble) <i>Recycled Water Pond Optimization Project - N. Trumble & Perris Valley RWWF</i>	04/26/18	7,455,594	(a)	Subordinate	06/30/47	1.0%
SWRCB SRF loan (TVRWRF) <i>Recycled Water Optimization Program</i>	12/21/20	51,955,040	(a)	Subordinate	12/21/49	1.8%
Revenue Bonds:						
2011A Refunding	07/20/11	56,225,000	(a)	Senior	07/01/20	4% to 5%
2015B	06/18/15	74,430,000	(a)	Subordinate	07/01/46	4% to 5%
2016A Refunding	04/05/16	209,230,000	(a)	Subordinate	07/01/45	2% to 5%
2016B Refunding	09/14/16	124,925,000	(a)	Subordinate	07/01/35	2% to 5%
2017C Refunding	05/02/17	17,515,000	(a)	Subordinate	07/01/23	5.0%
2017D	05/18/17	102,500,000	(a)	Subordinate	07/01/47	5.0% to 5.25%
2018A Refunding	09/26/18	94,455,000	(a)	Subordinate	07/01/46	Variable
2020A Refunding	05/27/20	122,145,000	(a)	Subordinate	07/01/38	4% to 5%
2021A Refunding	06/10/21	50,590,000	(a)	Subordinate	07/01/30	3% to 4%
2021B Refunding	06/10/21	48,040,000	(a)	Subordinate	07/01/46	Variable
General Obligation Bonds:						
2005A	06/07/15	18,255,000	(b)	N/A	09/01/35	4% to 5%
2009	08/12/09	31,625,000	(b)	N/A	09/01/39	4.25% to 5.625%

(a) Net water and sewer revenues

(b) Ad valorem taxes levied and collected on sixty-one special improvement districts within the District's service area

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 4 – Long-Term Liabilities (cont'd)

Future principal and interest requirements on all long-term debt are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 19,898,118	\$ 33,557,360	\$ 53,455,478
2023	23,646,862	33,947,356	57,594,218
2024	24,348,845	33,040,046	57,388,891
2025	26,642,477	32,125,725	58,768,202
2026	27,392,793	31,216,549	58,609,342
2027-2031	152,791,685	140,056,416	292,848,101
2032-2036	186,060,341	105,066,158	291,126,499
2037-2041	188,612,873	64,787,183	253,400,056
2042-2046	214,111,841	33,829,528	247,941,369
2047-2050	98,140,988	4,697,891	102,838,879
TOTAL	961,646,823	512,324,212	1,473,971,035
Add: Unamortized premium	117,872,786	-	117,872,786
Total	\$ 1,079,519,609	\$ 512,324,212	\$ 1,591,843,821

Advances for Construction, Notes and Assessments

Advances for construction, notes and assessments include project financing agreements executed with the State of California Department of Water Resources and the State of California Water Resources Control Board between March 2005 and December 2020. These agreements, detailed in the summary of major terms of outstanding long-term debt, provide financing for various projects and construction costs.

Future principal payments and interest payments on these advances for construction, notes and assessments are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 4,673,118	\$ 1,379,631	\$ 6,052,749
2023	7,516,862	1,715,028	9,231,890
2024	7,613,845	1,622,547	9,236,392
2025	7,712,477	1,528,460	9,240,937
2026	7,812,793	1,432,737	9,245,530
2027-2031	35,246,685	5,789,170	41,035,855
2032-2036	18,345,341	4,301,800	22,647,141
2037-2041	10,447,873	3,495,173	13,943,046
2042-2046	11,366,841	2,710,842	14,077,683
2047-2050	8,935,988	678,509	9,614,497
Total	\$ 119,671,823	\$ 24,653,897	\$ 144,325,720

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 4 – Long-Term Liabilities (cont'd)

Revenue Bonds

The outstanding revenue bonds were issued to provide financing for various projects and facility improvements and to refund certain prior revenue Bonds issued for the purpose of decreasing related debt service costs. Outstanding revenue Bonds are detailed in the summary of major terms of outstanding long-term debt.

Future principal and interest payments on all revenue Bonds as of June 30, 2021 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 13,985,000	\$ 30,686,870	\$ 44,671,870
2022	14,845,000	30,800,959	45,645,959
2023	15,390,000	30,048,936	45,438,936
2024	17,525,000	29,295,259	46,820,259
2025	18,280,000	28,549,006	46,829,006
2026-2030	110,215,000	129,158,123	239,373,123
2031-2035	158,320,000	97,828,013	256,148,013
2036-2040	172,365,000	60,616,167	232,981,167
2041-2045	202,745,000	31,118,686	233,863,686
2046-2048	89,205,000	4,019,382	93,224,382
	<u>812,875,000</u>	<u>472,121,401</u>	<u>1,284,996,401</u>
Add: Unamortized premium	117,593,849	-	117,593,849
Total	<u>\$ 930,468,849</u>	<u>\$ 472,121,401</u>	<u>\$ 1,402,590,250</u>

2021A Refunding Revenue Bonds

In June 2021, the District issued \$50,590,000 in Refunding Revenue Bonds, Series 2021A. The net proceeds were used to current refund the District's outstanding Refunding Revenue Bonds, Series 2018B, unwind the associated swap agreement integrated with the Series 2018B bonds, and to pay the costs of issuance of the 2021A bonds.

The 2021A bonds were issued on the subordinate lien, keeping the senior lien open and free of any outstanding debt obligations. The 2018B bonds were variable rate bonds synthetically fixed through a swap agreement with Wells Fargo Bank carried forward from the Refunding Revenue Bonds, Series 2017E. The 2021A bonds were issued as fixed rate bonds and the termination of the swap agreement was incorporated into the refunding, resulting in \$1.5 million in net present value savings.

The 2021A bonds include principal installments due in varying amounts ranging from \$135,000 to \$7,910,000 from July 1, 2022 to July 1, 2030. Interest is payable semiannually at 3 percent from July 1, 2022 to July 1, 2025 and at 4 percent from July 1, 2026 to July 1, 2030.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 4 – Long-Term Liabilities (cont'd)

2021B Refunding Revenue Bonds

In June 2021, the District issued \$48,040,000 in Refunding Revenue Bonds, Series 2021B. The net proceeds were used to current refund the outstanding Refunding Revenue Bonds, Series 2018C and to pay the costs of issuance of the 2021B bonds.

The 2021B bonds were also issued on the subordinate lien. The 2021B and 2018C bonds are variable rate debt based on the SIFMA Index. The 2021B bonds have a spread of 10 basis points whereas the 2018C bonds had a spread of 25 basis points. The spread differential of 15 basis points is estimated to achieve approximately \$215,000 net present value savings.

The 2021B bonds include principal installments due in varying amounts ranging from \$5,285,000 to \$6,775,000 from July 1, 2039 to July 1, 2046. Interest is payable monthly at a variable interest rate based on the SIFMA Index plus 10 basis points.

General Obligation (GO) Bonds

The outstanding general obligation bonds were issued by the Western Riverside Water and Wastewater Financing Authority in May 2005 and August 2009 to finance certain water and/or sewer facilities for the improvement districts and to pay the costs of executing and delivering the GO Bonds. The major terms of these bonds are detailed in the summary of major terms of outstanding long-term debt.

Future principal and interest payments on total general obligation bonds are as follows:

Year ending June 30	Principal	Interest	Total
2022	\$ 1,240,000	\$ 1,490,859	\$ 2,730,859
2023	1,285,000	1,431,369	2,716,369
2024	1,345,000	1,368,563	2,713,563
2025	1,405,000	1,302,006	2,707,006
2026	1,300,000	1,234,806	2,534,806
2027-2031	7,330,000	5,109,123	12,439,123
2032-2036	9,395,000	2,936,345	12,331,345
2037-2040	5,800,000	675,843	6,475,843
Sub-total	29,100,000	15,548,914	44,648,914
Add: Unamortized premium	278,937	-	278,937
Total	<u>\$ 29,378,937</u>	<u>\$ 15,548,914</u>	<u>\$ 44,927,851</u>

The general obligation bonds are callable prior to maturity, subject to certain call premiums. The liability for the general district bonds and improvements within the respective special districts, and the funds for retirement thereof, are derived from a bond redemption levy based on the assessed valuation within the individual improvement districts. On June 30, 2021, general obligation bonds authorized but not issued total \$547,650,000.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 4 – Long-Term Liabilities (cont'd)

Other Accrued Expenses Payable

Included in other accrued expenses payable are software licenses with payments extending beyond one year. The license agreements have maturities from two to five years:

Future payments on the agreements are as follows:

<u>Year Ending June 30</u>	
2022	\$ 499,637
2023	276,053
2024	261,578
2025	<u>16,961</u>
Total	<u>\$ 1,054,229</u>

Debt Service Reserve Funds

The District is required to maintain Debt Service Reserve Funds to be used for the payment of principal and interest on State Revolving Fund loans. The current required reserve amounts and reserve balances on June 30, 2021 for the outstanding debt are as follows:

<u>Description</u>	<u>Required</u>	<u>Actual</u>	<u>Excess (Deficiency)</u>
Hemet WFP SRF - \$4.21M ¹	\$ 2,104,920	\$ 2,160,583	\$ 55,663
N. Trumble Pond SRF	288,635	288,635	-
TVRWRF SRF	2,260,735	2,260,735	-
APAD SRF	2,293,874	2,293,874	-
SCATT SRF	2,122,225	2,122,225	-
Total Debt Service Reserve Funds	<u>\$ 9,070,389</u>	<u>\$ 9,126,052</u>	<u>\$ 55,663</u>

¹The total required reserve per loan agreement is \$2,104,920. Half of this amount is required to be and was deposited by the first of ten semi-annual payments (July 1, 2013) and the remainder of the balance was required to be deposited by the tenth year of the repayment period (approximately July 1, 2018).

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 4 – Long-Term Liabilities (cont'd)

Master Resolution

The District adopted Resolution No. 2667, entitled “A Resolution of the Board of Directors of the Eastern Municipal Water District Providing for the Allocation of Water and Sewer Revenue” (the “Master Resolution”) to establish various reserves and covenants of which the following are required to be maintained:

1. Debt Coverage Ratio

The District has covenanted that Net Water and Sewer Revenues shall be at least 1.15 times the sum of all Debt Service on all Parity Obligations, plus the amount of all deposits required to be made to the Operating Reserve Fund. As of June 30, 2021, the District’s parity and subordinate obligation debt service coverage ratios were 38.0 times and 3.6 times, respectively.

2. Operating Reserve Fund

The District has covenanted that it will maintain a minimum of one quarter of its annual maintenance and operating costs as set forth in its operating budget in a separate reserve fund. The required reserve amount and the actual reserve balance on June 30, 2021 was \$54,318,619.

Standby Certificate Purchase Agreements

Included in long-term debt on June 30, 2021 are \$94,455,000 Series 2018A Revenue Bonds. This variable rate debt issuance has a tender provision for bondholders on seven-day notice, to tender their bonds at par value plus accrued interest. In connection with the issuance of the debt, the District executed a Standby Purchase Agreement (SPA) between the Corporation and Bank of America, N.A. The SPA expiration date is September 27, 2022. The SPA is terminated prior to the expiration date only if there is an occurrence of “events of defaults.” As of June 30, 2021, there were no outstanding bonds that have been tendered but failed to be remarketed.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 5 – Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s agent multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. The Plans’ provisions and benefits in effect on June 30, 2021 are summarized as follows:

	Miscellaneous		
	<u>Prior to 11/1/10</u>	<u>11/1/10-1/1/13</u>	<u>On or after 1/1/2013</u>
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	62-67
Monthly Benefits as a % of eligible compensation	2.5%	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	6.25%
Required employer contribution rates	10.29%	10.29%	10.29%

Employees Covered

The following employees were covered by the benefit terms as of the measurement date:

Active Members	612
Transferred Members	83
Terminated Members	111
Retired Members and Beneficiaries	<u>541</u>
Total	<u><u>1,347</u></u>

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 5 – Defined Benefit Pension Plan (cont'd)

Contribution Description

Section 20814 (c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used To Determine Total Pension Liability

As of June 30, 2021, the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.5% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.5% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 5 – Defined Benefit Pension Plan (cont’d)

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set-up equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class ¹	Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

¹In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are in both Global Equity Securities and Global Debt Securities.

²An expected inflation of 2.00% used for this period.

³An expected inflation of 2.92% used for this period.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 5 – Defined Benefit Pension Plan (cont'd)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 6/30/2019 (VD)	\$ 475,903,504	\$ 333,682,836	\$ 142,220,668
Changes Recognized for the Measurement Period:			
Service Cost	9,154,083	-	9,154,083
Interest on the Total Pension Liability	33,789,499	-	33,789,499
Differences between Expected and Actual Experience	3,192,129	-	3,192,129
Contributions - Employer	-	14,572,036	(14,572,036)
Contributions - Employees	-	4,521,539	(4,521,539)
Net Investment Income	-	16,669,012	(16,669,012)
Benefit Payments, including Refunds of Employee Contributions	(22,184,522)	(22,184,522)	-
Administrative Expense	-	(470,411)	470,411
Other Miscellaneous Income(Expense)	-	-	-
Net Changes during 2019-2020	\$ 23,951,189	\$ 13,107,654	\$ 10,843,535
Balance at 6/30/2020 (MD)	\$ 499,854,693	\$ 346,790,490	\$ 153,064,203

(VD) Valuation Date

(MD) Measurement Date

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 5 – Defined Benefit Pension Plan (cont’d)

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 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate:

	Discount Rate -1% 6.15%	Current Discount 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability/(Asset)	\$ 220,547,192	\$ 153,064,203	\$ 97,172,310

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 inflows and deferred outflows to be recognized in future pension expense.

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

Differences between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The EARSL for the Plan for the measurement period ending June 30, 2020 is 4.5 years, which was obtained by dividing the total service years of 6,199 (the sum of remaining service lifetimes of the active employees) by 1,380 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 5 – Defined Benefit Pension Plan (cont'd)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2020 (the measurement date), the District recognized a pension expense of \$24,152,402 for the plan.

As of June 30, 2021, the District reported other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 16,404,317	\$ -
Changes of Assumptions	3,252,369	(1,308,532)
Differences between Expected and Actual Experience	6,719,135	(397,079)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,549,892	-
Total	\$ 28,925,713	\$ (1,705,611)

The \$16,404,317 reported as deferred outflows of resources related to employer contributions after the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ 3,235,509
2022	2,715,939
2023	3,109,587
2024	1,754,750
2025	-

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 6 – Defined Contribution Plan

The District maintains the EMWD 401(a) Plan, a defined contribution money purchase pension plan that is qualified under Internal Revenue Code Section 401(a). The District has an agreement with Nationwide Retirement Solutions (Nationwide) whereby Nationwide receives, invests, and reports on the funds sent to them on behalf of eligible employees. Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its Union. Employees are vested in the funds contributed on their behalf after one year of service and have several investment options within the lineup of funds available at Nationwide. The 401(a) Plan was adopted in January 1978 and may be amended by the District, provided Nationwide joins in such amendment. The District's required contributions to the 401(a) Plan are 7.15 percent of each eligible employee's compensation, up to a maximum annual compensation of \$16,500. The District's contribution to the 401(a) Plan was \$766,952 for the fiscal year ended June 30, 2021.

In July 2011, the District executed a plan amendment to its 401(a) Plan to provide for a contribution to this 401(a) Plan on behalf of the General Manager in accordance with his employment contract. Contribution to this 401(a) Plan was \$29,500 for the fiscal year ended June 30, 2021.

The district provides a voluntary 457(b) deferred compensation plan for employees to contribute to their retirement on a tax-deferred basis. In October 2013, the District executed an amendment to its 401(a) Plan to provide for a matching contribution for those employees contributing to the 457(b) deferred compensation plan. The District's matching contributions will be paid into the 401(a) plan equal to 100 percent of an employee's 457(b) contribution at a rate of 4.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or before December 31, 2012 and 5.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or after January 1, 2013 (this is not applicable to employees who are re-hired and are vested for retiree medical higher than the PEMHCA minimum; these employees will be eligible for the 4.0 percent match noted earlier.) Matching contributions to the 401(a) plan totaled \$2,058,538 for the fiscal year ended June 30, 2021.

NOTE 7 - Postemployment Benefits Other Than Pension

Plan Description

Health Care Benefits - The District provides postemployment health care benefits to all qualified employees who meets the District's California Public Employees' Retirement System (PERS) plan requirements. This plan is an agent multiple employer defined benefit OPEB plan. This plan contributes an amount for the retiree and dependents, as applicable, with eligibility based on the Health Benefit Vesting Requirements found in Government Code 22893 (Vesting for Contracting Agency Employees). This amount of District's contribution varies according to the retiree's medical benefit tiers as follows:

Tier 1 (hired prior to August 1, 2005) –The District's contribution is 100 percent of the coverage level elected by the retiree up to the greater of the basic monthly rate under PEMHCA. The District's medical premium contributions will be adjusted using the average of the percentage premium increases from all District offered medical plans which had active employee enrollments in July, rounded up to the next whole dollar, respectively. If the cost of an employee's medical coverage provided through PEMHCA or Kaiser 'A' exceeds the District's total contributions towards the coverage, the employee will be responsible for contributing the difference. Employee contributions will be made through the District's cafeteria plan on a pre-tax basis (or as mandated by regulations).

Effective for the 2020 calendar year, the District's contribution is 100 percent of the coverage level elected by the retiree up to the maximum of \$738 per month for single coverage, \$1,474 per month for two-party coverage and \$1,911 per month for family coverage. The District's contribution consists of the CalPERS statutory minimum required contribution of \$139 per month for 2020 and \$143 per month for 2021 and a contribution through a health reimbursement arrangement (HRA). Retirees in the Kaiser A HMO are required to pay a monthly contribution based on the family coverage category elected. The District's contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)

Tier 2 (hired from August 1, 2005 to March 26, 2014) – The District’s contribution is 100 percent of the coverage level elected by the retiree up to the greater of the same contribution amount as a retiree hired prior to August 1, 2005 multiplied by a vesting schedule or the 100/90 amount per PEMHCA. The 100/90 amount is 100 percent of the weighted average of single coverage and 90 percent of the weighted average of additional premium for the two-party and family coverage for the four PEMHCA plans with the highest State enrollment in the prior year (for 2020: \$767 per month for single, \$1,474 per month for two-party and \$1,911 per month for family). The vesting percentages, according to PEMHCA Section 22893, range from 50 percent to 100 percent for retirees with service of ten years to 20 years or more. The District’s contribution consists of the CalPERS statutory minimum required contribution of \$139 per month for 2020 and \$143 per month for 2021 and a contribution through a health reimbursement arrangement (HRA). The District’s contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

Tier 3 (hired after March 26, 2014) – The District’s contribution is the PEMHCA minimum required contribution of \$139 per month in 2020 and \$143 per month for 2021.

The District also provides healthcare benefits to elected official retirees in accordance with the District’s Administrative Code. This plan contributes up to the District’s contribution amount for employees and dependent coverage.

Life Insurance Benefits - In addition, the District provides postemployment group life insurance to eligible retired employees and elected officials with a death benefit of \$10,000 up to age 70 and \$5,000 thereafter for retired employees; and a death benefit of \$5,000 up to age 70 and \$2,500 thereafter for elected officials.

The benefit provisions for retiree employee health care and life insurance are established and amended through the memorandum of understanding between the District and the Union. The benefit provisions for retired elected official life insurance are established through the District’s contract with the life insurance company. The District does not issue separate stand-alone financial reports for these plans.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	606
Inactive employees or beneficiaries currently receiving benefits	405
Inactive employees entitled to but not yet receiving benefits	66
Total	<u>1,077</u>

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)

Contributions

Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its union. The contribution requirements of the District for retired elected officials may be amended through Board action to update the Ordinance 70, for the health benefit plan, or with the life insurance company, for the life insurance benefits. The District's policy is to achieve full funding of its unfunded actuarial accrued or net OPEB liability by fiscal year 2033-2034. The District's funding practice is to fund at least the actuarially determined contribution, inclusive of direct payments for retiree health payments and the implied subsidy, which is determined based on the normal cost plus an amortization of the net (unfunded accrued) OPEB liability over a reasonable period (currently fifteen years). For the fiscal year ended June 30, 2021, the District's cash contributions were \$19.0 million in payments to the trust and the estimated implied subsidy was \$1,103,875.

On April 18, 2012, the District's Board of Directors adopted a resolution to establish an OPEB Trust and to authorize an agreement with PERS to join the California Employers' Retiree Benefit Trust (CERBT) Program. On June 12, 2012, the District joined the CERBT Program, an agent multiple-employer plan consisting of an aggregation of single-employer plans. PERS issues a publicly available financial report that includes financial statements and required supplementary information relating to the CERBT program. The report can be obtained through their website at www.calpers.ca.gov.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 7 – Postemployment Benefits Other Than Pension (cont’d)

Net OPEB Liability

The District’s net OPEB liability was measured on June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal																		
Actuarial Assumptions:																			
Discount Rate	7.00%																		
Inflation	2.50%																		
Salary Increases	2.75% per annum plus CalPERS merit scale																		
Investment Rate of Return	7.00 % per year; assumes the District invests in the CERBT asset allocation Strategy 1 with a margin of adverse deviation of 28 bps																		
Mortality Rate ¹	Derived from the 2014 CalPERS experience study																		
Pre-Retirement Turnover ²	Derived from the 2017 CalPERS pension plan valuation																		
Healthcare Trend Rate	Medical costs are adjusted in future years by the following trends:																		
	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding-right: 10px;"><u>Year</u></th> <th style="text-align: left;"><u>Trend</u></th> </tr> </thead> <tbody> <tr><td>2021</td><td>6.25%</td></tr> <tr><td>2022</td><td>6.00%</td></tr> <tr><td>2023</td><td>5.75%</td></tr> <tr><td>2024</td><td>5.50%</td></tr> <tr><td>2025</td><td>5.25%</td></tr> <tr><td>2026</td><td>5.00%</td></tr> <tr><td>2027</td><td>4.75%</td></tr> <tr><td>2028+</td><td>4.50%</td></tr> </tbody> </table>	<u>Year</u>	<u>Trend</u>	2021	6.25%	2022	6.00%	2023	5.75%	2024	5.50%	2025	5.25%	2026	5.00%	2027	4.75%	2028+	4.50%
<u>Year</u>	<u>Trend</u>																		
2021	6.25%																		
2022	6.00%																		
2023	5.75%																		
2024	5.50%																		
2025	5.25%																		
2026	5.00%																		
2027	4.75%																		
2028+	4.50%																		

Notes:

- ¹ Mortality rates are based on:
 Healthy Actives & Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019
 Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
 Disabled Retirees: SOA Pub-2010 Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019
- ² The pre-retirement turnover information was developed based on the termination rates under the CalPERS pension plan.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Strategy 1	
	Target Allocation	Long-Term Expected Rate of Return
Global Equity	59.00%	5.50%
Global Debt Securities	25.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITS ¹	8.00%	3.65%
Total	100.00%	

¹REITS - Real Estate Investment Trusts

Long-term expected rate of return is 7.00 percent.

Discount Rate

The discount rate used to measure total OPEB liability was 7.00 percent, assuming full funding by 2033/2034.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)

Changes in OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at 6/30/2020 (MD June 30, 2019)	\$ 106,314,704	\$ 74,478,440	\$ 31,836,264
Changes Recognized for the Measurement Period:			
Service Cost	2,577,029	-	2,577,029
Interest	7,444,293	-	7,444,293
Differences between expected and actual experience	(1,094,510)		(1,094,510)
Changes of assumptions	-		-
Contributions from the Employer	-	19,006,063	(19,006,063)
Net Investment Income	-	3,169,036	(3,169,036)
Benefit Payments	(5,176,928)	(5,176,928)	-
Administrative Expense	-	(44,871)	44,871
Other	-	-	-
Net Changes	\$ 3,749,884	\$ 16,953,300	\$ (13,203,416)
Balance at 6/30/2021 (MD June 30, 2020)	\$ 110,064,588	\$ 91,431,740	\$ 18,632,848

(MD) Measurement Date

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 33,104,010	\$ 18,632,848	\$ 6,686,056

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 7 – Postemployment Benefits Other Than Pension (cont’d)

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	1% Decrease (5.25%HMO/5.25%PPO decreasing to 3.50%HMO/3.50%PPO)	Current Healthcare Cost Trend Rates (6.25%HMO/6.25%PPO decreasing to 4.50%HMO/4.50%PPO)	1% Increase (7.25%HMO/7.25%PPO decreasing to 5.50%HMO/5.50%PPO)
Net OPEB Liability	\$ 4,556,760	\$ 18,632,848	\$ 36,001,590

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For fiscal year June 30, 2021, the District recognized OPEB expense of \$1,149,955. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 20,103,875	\$ -
Differences between expected and actuarial experience	-	(5,587,305)
Changes of assumptions	-	(3,861,982)
Differences between actual and projected earnings	1,656,736	-
Total	\$ 21,760,611	\$ (9,449,287)

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)

The \$20,103,875 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ended June 30	Deferred Outflows (Inflows) of Resources
2021	\$ (2,124,581)
2022	(1,906,423)
2023	(1,766,156)
2024	(1,812,971)
2025	(182,420)
	<u>\$ (7,792,551)</u>

NOTE 8 – Restricted and Unrestricted Net Position

Restricted Net Position

Net Position restricted for debt service/covenants represent constraints required by the District's Master Resolution and third-party general obligation bondholders.

Net Position restricted for construction represent constraints on legally restricted funds received and unspent from developers as required by State law.

Unrestricted Net Position

As required by GASB Statement No. 34, net position has been classified according to guidelines established for restricted net position. The unrestricted net position, although not legally restricted, has been established pursuant to Board Resolution No. 2021-054 and is primarily composed of reserves for various purposes.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 9 – Commitments

Construction Contracts

The District is committed to approximately \$229,558,682 of open contracts as of June 30, 2021. The Contracts with the largest remaining balances include:

	<u>Contract Amount</u>	<u>Balance To Complete</u>
Murrieta Road Transmission Pipeline	\$ 13,920,000	\$ 12,222,400
Sky Canyon Sewer Project	9,897,282	4,562,165
Wells 206, 207 and 208 Drilling and Testing	4,144,075	3,734,730
Pat Rd Booster Engine Replacements	4,504,933	2,812,034
Eucalyptus Booster Pump Station	4,093,322	2,756,099
Perris II Desalination Facility	55,496,028	2,462,809
Wells 65, 66 and 204 Drilling and Testing	4,526,850	1,537,153
Wells 201, 202 and 203 Phase 1B Conveyance Pipeline	1,688,888	1,284,831
MVRWRF Tertiary Effluent Equalization	3,601,889	857,075
MVRWRF Solids Handling MCC Replacement	967,600	831,330
TOTAL	<u>\$ 102,840,867</u>	<u>\$ 33,060,626</u>

Claims and Judgments

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, error and omissions, road and walkway design hazards, vehicle accidents and flooding for which the District maintains various insurance programs. The District has entered contracts to oversee and administer these programs.

The District maintains excess insurance coverage of \$10,000,000 per occurrence with a \$1,000,000 self-insured retention per incident for losses sustained because of liability imposed on the District by the Workers' Compensation Act. For general liability, the District maintains excess insurance coverage of \$30,000,000 per occurrence with a \$1,000,000 self-insured retention.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 9 – Commitments (cont'd)

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is included in other accrued expenses. The District did not have any non-incremental claims adjustment expenses that needed to be included as part of the unpaid claims liability. Changes in claims payable for the year ended June 30, 2021 are as follows:

	Beginning Balance June 30, 2020	Additions	Deletions	Ending Balance June 30, 2021	Due Within One Year
General Liability	\$ 549,600	\$ 416,789	\$ (100,321)	\$ 866,068	\$ 866,068
Workers Compensation	2,029,838	880,232	(1,347,173)	1,562,898	205,268
	<u>\$ 2,579,438</u>	<u>\$ 1,297,021</u>	<u>\$ (1,447,494)</u>	<u>\$ 2,428,966</u>	<u>\$ 1,071,336</u>

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2020 to 2021. There were no settlements that exceeded insurance coverage for the three prior fiscal years ended June 30, 2020, June 30, 2019, and June 30, 2018.

Soboba Settlement Act

The District is a party to the Soboba Settlement Act (Act). This Act was signed into Law by the President of the United States of America on July 31, 2008 and approved the Settlement Agreement between the Soboba Band of Luiseño Indians; the United States of America (as trustee for the Soboba Tribe); the Lake Hemet Municipal Water District (LHMWD), the Metropolitan Water District of Southern California (MWD), and the District. The Soboba Tribe negotiated a water rights claim with these local water districts for the Tribe's lost water resources from springs and creeks on its reservation caused by construction of the San Jacinto Tunnel by MWD, and by construction of Lake Hemet by the LHMWD. Notice regarding the statement of findings for the act was published in the Federal Register on November 28, 2011 and the Settlement Agreement became enforceable.

The Settlement Agreement provides that:

- a) The Tribe shall have a senior right to 9,000-acre feet of water each year;
- b) The local agencies shall develop a groundwater management plan (and a committee to operate that plan);
- c) The District shall contract with MWD for a long-term water supply agreement to bring 7,500-acre feet of additional imported settlement water into the area each year to meet the current and future needs;
- d) The local agencies shall construct facilities to bring in the additional water and recharge it into the groundwater basin;
- e) The groundwater management plan is to include arrangements between the municipal pumpers in the area (LHMWD, the cities of Hemet and San Jacinto, and the District) regarding limitations on pumping from the groundwater basin;
- f) The federal government shall provide some funding for compliance with the agreement; and,
- g) MWD and the District will transfer land that each agency owns to the Tribe in full satisfaction of the tribe's damages because of construction of the San Jacinto Tunnel.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 9 – Commitments (cont’d)

The District’s share for the construction of the facilities and use of Tribe’s water is estimated to be \$8,966,222. The District and local agencies established a financing plan for the construction costs of the facilities. This plan is based upon the repayment schedule for the 2008H COP (while the 2008H COP has been refunded, it does not change the Soboba repayment schedule) and requires the local agencies to contribute towards principal payments totaling \$12,998,778 and interest payments at their proportionate share. All amounts paid or accrued relating to the financing plan are recorded on the District’s books.

In association with this settlement agreement, the stipulated judgment required that a watermaster be established to develop and implement a groundwater management plan and administer the provisions of the judgment. The Hemet-San Jacinto Watermaster (Watermaster) was established on April 18, 2013 and began operations in June 2013. Prior to formation of the Watermaster, the local agencies established an interim plan for imported water deliveries from MWD for in-lieu and replenishment water. The local agencies have agreed that the District will continue to purchase and deliver in-lieu and replenishment settlement water and bill the agencies directly on behalf of the Watermaster. The District did not have any outstanding billings of imported settlement water deliveries as of June 30, 2021.

Due to drought and less than favorable conditions over the last two years, recharge water was not made available to the District in the last half of calendar year 2020 and the first half of 2021. As a result, zero-acre feet of water was purchased for recharge. The District’s share of imported settlement water recorded in fiscal year 2021 was zero-acre feet.

In June 2013, the District established a methodology for valuing its share of the native groundwater in the Hemet-San Jacinto Groundwater Basin, including additions and withdrawals. The District recorded \$13,858,457 in water inventory for the fiscal year ended June 30, 2021. The District’s methodology identifies various water layers in the basin and assigns a zero-dollar value to native water, with additions of imported settlement water valued at purchased cost and withdrawals valued at a weighted average cost of all inventory layers. The following table illustrates the changes in water inventory for the fiscal year ended June 30, 2021. The zero-dollar value for additions is due to zero-acre feet of imported settlement water purchased in fiscal year 2021. The 7,303 acre-feet of additions represents only native water, which has a zero-dollar value.

	Beginning Balance June 30, 2020	Additions	Reductions	Ending Balance June 30, 2021
Acre feet	91,833	7,303	(12,635)	86,501
Dollar value	\$ 16,179,802	\$ -	\$ (2,321,345)	\$ 13,858,457

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 10 – Contingencies

The District is a defendant in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on the District's financial position or results of operations.

NOTE 11 – Santa Ana Watershed Project Authority

The District became a member of the Santa Ana Watershed Project Authority (SAWPA) in September 1984. SAWPA was formed in 1975, pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise powers common to public agencies. The purpose of SAWPA is to undertake projects for water quality control and protection and pollution abatement in the Santa Ana Watershed. The authority is governed by a 5-member Commission, consisting of one member from each of the five-member agencies; an alternate from each member agency is also designated. The Commission members select a Commissioner and an alternate.

According to the latest available audited financial statements, as of June 30, 2020 SAWPA had total assets of \$171,906,687 and total net assets of \$73,325,106. SAWPA Financial Statements can be obtained by contacting SAWPA at 11615 Sterling Avenue, Riverside, CA 92503 or at www.sawpa.org. The District does not have a measurable equity interest in SAWPA.

NOTE 12 – Advances from Developers

The District receives deposits from developers in advance to cover various costs for both sewer and water related projects. On June 30, 2021, the amount of refundable deposits was \$35,929,648. When a project is closed, the developer is refunded only the amount remaining after offsetting all accumulated construction in progress costs. If costs exceed the deposit amount during the project, the developer is billed for additional deposits.

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt

Bonds issued to finance public improvement projects in certain assessment districts and community facilities districts are liabilities of property owners and are secured by liens against the assessed property. The District acts as an agent for the collection of special assessments from the property owners and the payment of principal and interest to the bondholders. The District has no obligation or duty to pay any delinquency out of any available funds of the District. Neither the faith, credit, nor the taxing power of the District is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying financial statements. Instead, they are reported as custodial funds in the statement of fiduciary activities. The balance in the reserve accounts at the end of the fiscal year for each bond issue was above the reserve requirement.

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2021
AD 5	(Romoland)	\$ 1,165,803	\$ 435,000
AD 7	(Homeland/Green Acres)	4,389,454	705,000
AD 8	(StageCoach Road)	4,167,528	2,075,000
AD 9	(East Pourroy Road)	270,046	68,775
AD 12	(Pigeon Pass Road)	2,224,919	1,235,000
AD 19A	(GlenOaks)	3,642,402	3,061,740
AD 20	(Menifee Valley Development)	4,995,000	2,990,000
CFD 2001-01 IA A	(French Valley)	18,380,000	14,610,000
CFD 2001-01 IA B	(French Valley)	1,350,000	1,095,000
CFD 2001-02 IA A	(Springfield/Arbor Glen)	3,590,000	2,990,000
CFD 2001-02 IA B	(Springfield/Arbor Glen)	585,000	480,000
CFD 2002-03	(Willows)	2,295,000	1,865,000
CFD 2002-04 IA 1	(Sheffield/RBV)	1,815,000	1,500,000
CFD 2002-04 IA 2	(Sheffield/RBV)	3,070,000	2,595,000
CFD 2002-04 IA 3	(Sheffield/RBV)	645,000	470,000
CFD 2002-04 IA 4	(Sheffield/RBV)	490,000	365,000
CFD 2002-04 IA 5	(Sheffield/RBV)	995,000	835,000
CFD 2002-05	(Crown Valley Village)	10,230,000	7,765,000
CFD 2002-06 IA A	(Morgan Hill)	5,050,000	4,205,000
CFD 2002-06 IA B	(Morgan Hill)	9,009,000	7,114,000
CFD 2002-06 IA C	(Morgan Hill)	4,485,000	4,485,000
CFD 2002-07 IA A	(Pacific Mayfield)	1,985,000	1,985,000
CFD 2002-07 IA B	(Pacific Mayfield)	3,285,000	3,085,000
CFD 2002-07 IA C	(Pacific Mayfield)	6,070,000	5,920,000
CFD 2002-08	(Serena Hills)	2,435,000	2,015,000
CFD 2002-09	(Woodside Homes)	1,405,000	1,010,000
CFD 2002-10	(Summit Ridge)	1,820,000	1,530,000

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2021
CFD 2003-12 IA A	(Temecula Creek)	\$ 1,865,000	\$ 1,405,000
CFD 2003-12 IA B	(Temecula Creek)	2,510,000	1,905,000
CFD 2003-14 IA A	(Clinton Keith/Meadowlark)	1,435,000	1,105,000
CFD 2003-14 IA B	(Clinton Keith/Meadowlark)	3,330,000	2,585,000
CFD 2003-14 IA C	(Clinton Keith/Meadowlark)	1,635,000	1,250,000
CFD 2003-15 IA A	(Morgan Valley)	5,835,000	4,705,000
CFD 2003-16	(Promontory Park)	3,055,000	2,310,000
CFD 2003-19 IA A	(Eastridge/Westridge)	2,035,000	1,570,000
CFD 2003-19 IA B	(Eastridge/Westridge)	3,705,000	2,880,000
CFD 2003-20 IA A	(Corman Leigh)	1,405,000	1,070,000
CFD 2003-20 IA B	(Corman Leigh)	298,000	216,000
CFD 2003-20 IA C	(Corman Leigh)	951,821	713,479
CFD 2003-20 IA D	(Corman Leigh)	1,970,000	1,970,000
CFD 2003-25 IA B	(Pacific Communities)	2,425,000	2,295,000
CFD 2003-25 IA C	(Pacific Communities)	4,700,000	4,460,000
CFD 2003-25 IA D	(Pacific Communities)	3,070,000	2,415,000
CFD 2004-26 IA 1	(San Jacinto)	4,675,000	3,630,000
CFD 2004-26 IA 2	(San Jacinto)	2,780,000	2,135,000
CFD 2004-27	(Cottonwood Ranch)	7,296,000	5,857,000
CFD 2004-28	(Quinta Do Lago)	3,735,000	2,875,000
CFD 2004-29	(Sun Ranch)	4,617,000	3,699,000
CFD 2004-30	(Barrington Heights)	2,220,000	1,710,000
CFD 2004-32 IA A	(Rancho San Jacinto)	1,524,000	1,242,000
CFD 2004-32 IA B	(Rancho San Jacinto)	1,046,000	836,000
CFD 2004-34	(Faircrest)	5,470,000	4,215,000
CFD 2004-35 IA A	(Mountain Gate)	1,825,000	1,590,000
CFD 2004-35 IA C	(Mountain Gate)	850,000	635,000
CFD 2004-35 IA D	(Mountain Gate)	1,180,000	1,180,000
CFD 2004-36	(Adeline's Farm)	4,845,000	3,900,000
CFD 2005-38 IA A	(Autumn Ridge)	2,650,000	2,095,000
CFD 2005-38 IA B	(Autumn Ridge)	628,000	478,000
CFD 2005-39	(Marsden)	2,225,000	2,035,000
CFD 2005-40	(Mahogany/Promontory)	2,416,000	1,919,000
CFD 2005-42	(Belicia Ranch)Zone 1, Zone 2	2,151,000	1,738,000
CFD 2005-43 IA A	(Kona Road)	4,470,000	4,040,000

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2021
CFD 2005-43 IA B	(Kona Road)	\$ 3,360,000	\$ 3,125,000
CFD 2005-44	(Vista Del Valle/Calder Ranch)	3,710,000	3,710,000
CFD 2005-47 IA A	(The Lakes)	10,540,000	9,950,000
CFD 2006-52	(Nelson Project)	1,445,000	1,140,000
CFD 2006-56	(Rancho Diamante)	3,635,000	3,635,000
CFD 2006-58	(Meadowbrook II/Stein/Cimmarron)	595,000	595,000
CFD 2010-60	(Paseo Del Sol)	2,605,000	2,400,000
CFD 2012-61	(Creekside)	3,675,000	3,675,000
CFD 2013-63 IA A	(Belle Terre)	3,370,319	3,370,319
CFD 2013-64	(Atherton and Terracina)	13,510,000	13,020,000
CFD 2014-66	(Meadow Creek)	1,275,000	1,245,000
CFD 2014-67 IA A	(The Lakes/Yates)	4,260,000	4,015,000
CFD 2014-67 IA B	(The Lakes/Yates)	3,005,000	2,800,000
CFD 2016-72	(Hidden Hills)	2,400,000	2,400,000
CFD 2016-74 IA C	(Menifee Town Center)	4,145,000	4,145,000
CFD 2016-75	(Washington Road)	2,440,000	2,440,000
CFD 2016-76	(Conestoga)	3,585,000	3,585,000
CFD 2018-82	(Aspen Pointe)	2,095,000	2,095,000
		<u>\$ 266,322,292</u>	<u>\$ 222,498,313</u>

Summary of outstanding debt – ADs and CFDs:

Bond payable outstanding - CFDs	\$ 211,927,798
Bond payable outstanding - ADs	10,570,515
Total outstanding debt	<u>\$ 222,498,313</u>

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont’d)

Reconciliation of the Statement of Fiduciary Net Position:

CFDs:	
Bonds payable outstanding	\$ 211,927,798
Premium on bonds payable	15,038,784
Discount on bonds payable	(48,030)
Total CFDs	226,918,552
ADs:	
Bonds payable outstanding	10,570,515
Statement of Fiduciary Net Position:	
Bonds payable	\$ 237,489,067

Note 14 – Restatement of Beginning Fiduciary Net Position

As discussed in Note 1, the District implemented GASB Statement No. 84. Accordingly, beginning net position on the fiduciary fund statement of net position for the year ended June 30, 2021 has been restated for changes related to the implementation of GASB Statement No. 84 as follows:

	Community Facilities Districts	Assessment Districts	Total Custodial Funds
Net Position, as previously reported	\$ -	\$ -	\$ -
Prior period adjustment	(167,942,501)	(8,742,222)	(176,684,723)
Net position (deficit), as restated	\$ (167,942,501)	\$ (8,742,222)	\$ (176,684,723)

EASTERN MUNICIPAL WATER DISTRICT

Notes to Financial Statements June 30, 2021

NOTE 15 – Restatement of Beginning Net Position

The net position of the District as of June 30, 2020 was restated for adjustments to the property tax receivable balances related to its share of Riverside County's general ad-valorem property tax levy, the general obligation bond tax levy, and the standby tax assessments on properties within the District's service area. The adjustment to the property taxes receivable balance is because historic adjustments to property tax levies and delinquency information is not available beyond prior year reporting. Property taxes receivable as of June 30, 2021 are estimated to be \$2,053,451 and is based on estimates including historic information of prior year taxes received the following fiscal year. The overall adjustment to property taxes receivable balances resulted in reducing the net position of the District by \$12,071,234 at the beginning of fiscal year 2021 and are detailed below:

Summary of adjustments to beginning net position:

General property tax levy	\$ 9,809,934
Stanby tax assessment	699,900
General obligation bond levy	1,561,400
Total adjustment to net position	<u>\$ 12,071,234</u>

Note 16 – Joint Venture

The Marks-Roos Local Bond Pooling Act of 1985 authorizes local municipalities to work together through creating a Joint Powers Authority for the purpose of issuing a large series of bonds to finance several smaller projects. In 2004, EMWD and Rancho California Water District (RCWD) entered into a joint exercise powers agreement to form the Western Riverside Water and Wastewater Financing Authority (WRWWFA). The WRWWFA Board comprises of two members from EMWD and two members from RCWD. Separate financial statements for this joint venture are not available.

Note 17 – Subsequent Event

To address the potential economic and financial impact of the Covid-19 pandemic, the District continues to evaluate its financial position, including its utility accounts receivable balances. The pandemic has made it difficult for many California residents to pay their bills due to job loss and other hardships.

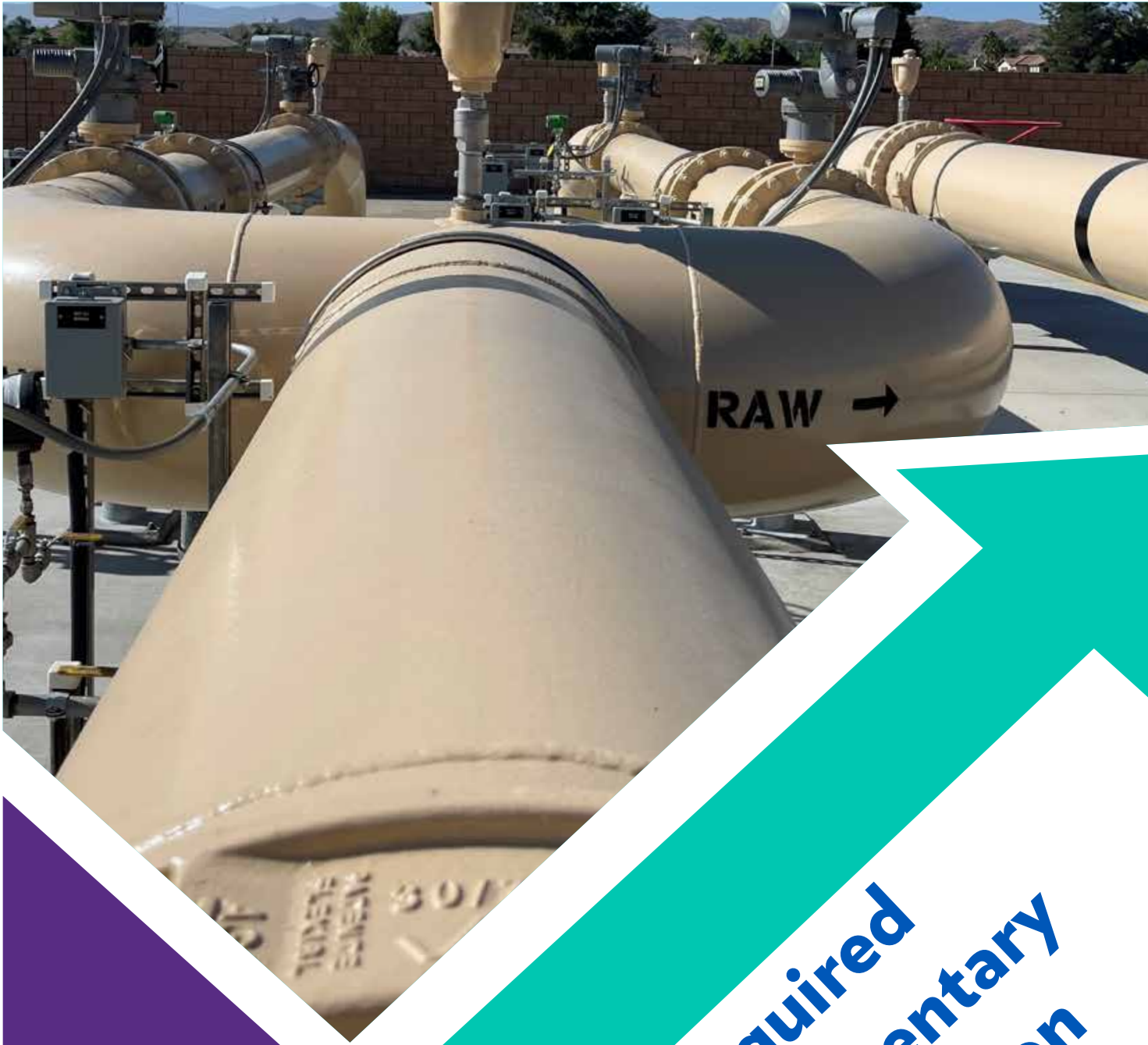
In April 2020, the Governor signed an executive order restricting water shutoffs to homes and small businesses while the state responds to the Covid-19 pandemic. The order does not eliminate the customers' obligation to pay their water bill. The executive order, initially set to expire September 30, 2021, was recently extended through December 31, 2021, with the Governor signing Senate Bill 155 (SB155). The bill applies to all community water systems, all delinquent payments and all classes of customers.

As of June 30, 2021, the District's customer arrearages, account balances over sixty days past due, were \$5.65 million, increasing to \$5.95 million as of September 30, 2021.

The District continues to assist customers with payment options and late fee adjustments. In December 2020, it launched an outreach program educating customers on bill pay assistance and successfully secured assistance for over 1,000 customers with various county and local programs, including CAP CARES, funded through federal COVID relief funds and administered by Riverside County's Community Action Partnership; United Lift Rental Assistance Program, a Riverside County program funded by the federal COVID aid for renters; and Help2Others, the District's low-income assistance program, in partnership with United Way.

Subsequent to the June 30, 2021, the District requested \$3.56 million in funding from the State Water Board, under its California Water and Wastewater Arrearage Payment Program, to support its water customers with financial hardship during the pandemic and to fund the amount of customer arrearages during the 16-month pandemic period. Funding from the State Water Board will be disbursed through January 31, 2022.

THIS PAGE INTENTIONALLY LEFT BLANK



**Required
Supplementary
Information
Section**

THIS PAGE INTENTIONALLY LEFT BLANK

EASTERN MUNICIPAL WATER DISTRICT

Required Supplementary Information June 30, 2021

Schedule of Changes in Net Position Liability and Related Ratios During the Measurement Period Last Ten Fiscal Years*

Measurement Period	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Total Pension Liability							
Service Cost	\$ 9,154,083	\$ 9,193,622	\$ 8,950,991	\$ 8,944,792	\$ 7,843,422	\$ 7,679,279	\$ 7,775,568
Interest on total pension liability	33,789,499	32,144,217	30,364,075	28,922,504	27,711,744	26,241,865	24,817,574
Difference between Expected and Actual Experience	3,192,129	5,259,636	3,493,286	(3,044,287)	(377,219)	(117,683)	-
Changes of Assumptions	-	-	(3,617,710)	24,934,841	-	(6,714,237)	-
Benefit Payments, Including Refunds of Employee Contributions	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Change in Total Pension Liability	23,951,189	25,783,493	20,406,780	43,373,380	20,100,697	13,342,678	19,173,413
Total Pension Liability - Beginning	475,903,504	450,120,011	429,713,231	386,339,851	366,239,154	352,896,476	333,723,063
Total Pension Liability - Ending (a)	<u>\$ 499,854,693</u>	<u>\$ 475,903,504</u>	<u>\$ 450,120,011</u>	<u>\$ 429,713,231</u>	<u>\$ 386,339,851</u>	<u>\$ 366,239,154</u>	<u>\$ 352,896,476</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 14,572,036	\$ 12,446,688	\$ 10,748,951	\$ 9,699,290	\$ 8,782,080	\$ 8,161,529	\$ 7,786,103
Contributions - Employee	4,521,539	4,054,435	4,437,439	4,294,049	4,187,293	4,204,174	4,510,815
Net Investment Income	16,669,012	20,890,658	25,160,942	30,717,223	1,420,440	6,028,932	40,103,890
Benefit Payments, Including Refunds of Employee Contributions	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Plan to Plan Resource Movement	-	-	(736)	2,059	-	-	-
Administrative Expense	(470,411)	(226,454)	(462,980)	(397,425)	(164,570)	(303,937)	-
Other Miscellaneous Income(Expense) ¹	-	736	(879,206)	-	-	-	-
Net Change in Fiduciary Net Position	13,107,654	16,352,081	20,220,548	27,930,726	(852,007)	4,344,152	38,981,079
Plan Fiduciary Net Position - Beginning ²	333,682,836	317,330,755	297,110,207	269,179,481	270,031,488	265,687,336	226,706,257
Plan Fiduciary Net Position - Ending (b)	<u>\$ 346,790,490</u>	<u>\$ 333,682,836</u>	<u>\$ 317,330,755</u>	<u>\$ 297,110,207</u>	<u>\$ 269,179,481</u>	<u>\$ 270,031,488</u>	<u>\$ 265,687,336</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ 153,064,203</u>	<u>\$ 142,220,668</u>	<u>\$ 132,789,256</u>	<u>\$ 132,603,024</u>	<u>\$ 117,160,370</u>	<u>\$ 96,207,666</u>	<u>\$ 87,209,140</u>
Pension Liability	69.38%	70.12%	70.50%	69.14%	69.67%	73.73%	75.29%
Covered Payroll ³	\$ 54,038,273	\$ 53,151,539	\$ 51,697,994	\$ 51,823,823	\$ 50,596,193	\$ 49,467,138	\$ 48,184,720
Plan Net Pension Liability as a Percentage of Covered Payroll	283.25%	267.58%	256.86%	255.87%	231.56%	194.49%	180.99%

*Fiscal Year 2015 was the first year of implementation, therefore, only seven years are shown above.

¹ During Fiscal Year 2017-18, as a result of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefit Plan Other than Pensions, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participated in various State of California agent pension plans and during Fiscal Year 2017-2018, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting & Financial Reporting for Pensions.

² Includes any beginning of year adjustment.

³ Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-20; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014-17.

EASTERN MUNICIPAL WATER DISTRICT

Required Supplementary Information June 30, 2021

Notes To Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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

EASTERN MUNICIPAL WATER DISTRICT

Required Supplementary Information June 30, 2021 Schedule of Pension Plan Contributions Last Ten Fiscal Years*

Fiscal Year	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 16,404,317	\$ 14,572,035	\$ 12,446,689	\$ 10,748,951	\$ 9,699,290	\$ 8,782,080	\$ 8,160,464
Contributions in Relation to the Actuarially Determined Contribution	(16,404,317)	(14,572,035)	(12,446,689)	(10,748,951)	(9,699,290)	(8,782,080)	(8,160,464)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 59,486,804	\$ 54,038,273	\$ 53,151,539	\$ 51,697,994	\$ 51,823,823	\$ 50,596,193	\$ 49,467,138
Contributions as a Percentage of Covered Payroll	27.58%	26.97%	23.42%	20.79%	18.72%	17.36%	16.50%

*Fiscal Year 2015 was the first year of implementation, therefore, only seven years are shown above.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-2021 were from the June 30, 2018 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost
Amortization Method/Period	20-year period with a 5-year ramp-up/ramp down in accordance with CalPERS Board policy. ¹
Asset Valuation Method	Market Value of Assets ¹
Inflation	2.50%
Salary Increase	Varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.25%, net of Pension Plan Investment Expenses, includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement mortality rates include twenty years of projected mortality improvement using Scale BB published by the Society of Actuaries.

¹ For details, see June 30, 2018 Funding Valuation Report

EASTERN MUNICIPAL WATER DISTRICT

Required Supplementary Information June 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios During the Measurement Period* Last Ten Fiscal Years

Measurement Period	2020	2019	2018	2017
Service Cost	\$ 2,577,029	\$ 3,248,883	\$ 3,154,255	\$ 2,947,902
Interest	7,444,293	7,945,843	7,509,723	7,081,960
Differences between expected and actual experience	(1,094,510)	(7,012,819)	-	-
Changes of assumptions	-	(5,792,972)	-	-
Benefit Payments, Including Refunds of Member Contributions	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Net Change in Total OPEB Liability	3,749,884	(6,285,857)	6,282,138	6,161,077
Total OPEB Liability - Beginning	106,314,704	112,600,561	106,318,423	100,157,346
Total OPEB Liability - Ending (a)	<u>\$ 110,064,588</u>	<u>\$ 106,314,704</u>	<u>\$ 112,600,561</u>	<u>\$ 106,318,423</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 19,006,063	\$ 19,240,938	\$ 17,947,401	\$ 18,111,235
Net Investment Income	3,169,036	4,177,706	3,861,399	3,066,258
Benefit Payments, Including Refunds of Member Contributions	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Administrative Expenses	(44,871)	(14,762)	(26,780)	(16,558)
Other Expense	-	-	(50,818)	-
Net Change in Plan Fiduciary Net Position	\$ 16,953,300	\$ 18,729,090	\$ 17,349,362	\$ 17,292,150
Plan Fiduciary Net Position - Beginning	74,478,440	55,749,350	38,399,988	21,107,838
Plan Fiduciary Net Position - Ending (b)	<u>\$ 91,431,740</u>	<u>\$ 74,478,440</u>	<u>\$ 55,749,350</u>	<u>\$ 38,399,988</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 18,632,848</u>	<u>\$ 31,836,264</u>	<u>\$ 56,851,211</u>	<u>\$ 67,918,435</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	83.1%	70.1%	49.5%	36.1%
Covered Employee Payroll ¹	\$ 55,075,911	\$ 53,601,860	\$ 51,020,000	\$ 51,020,000
Net OPEB Liability as a Percentage of Covered Payroll				
Employee Payroll	33.8%	59.4%	111.4%	133.1%

*Fiscal Year 2018 was the first year of implementation, therefore, only four years are shown above.

¹ Not based on measure of pay

EASTERN MUNICIPAL WATER DISTRICT

Required Supplementary Information June 30, 2021

Schedule of OPEB Contributions Last Ten Fiscal Years*

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 6,642,486	\$ 6,566,657	\$ 10,934,835	\$ 10,833,584
Contributions in Relation to ADC	20,103,875	19,006,063	19,240,938	17,947,401
Contribution Deficiency (Excess)	<u>\$ (13,461,389)</u>	<u>\$ (12,439,406)</u>	<u>\$ (8,306,103)</u>	<u>\$ (7,113,817)</u>
Covered Employee Payroll ¹	\$ 55,568,945	\$ 55,075,911	\$ 53,601,860	\$ 51,020,000
Contributions as a Percentage of Covered Payroll	36.18%	34.51%	35.90%	35.18%

*Fiscal Year 2018 was the first year of implementation, therefore, only four years are shown above.

¹ Not based on measure of pay

EASTERN MUNICIPAL WATER DISTRICT

Required Supplementary Information June 30, 2021

Notes To Schedule

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were from the June 30, 2019 actuarial valuation:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal																		
Amortization Method/Period	Level dollar amortization method over 13 years																		
Asset Valuation Method	Market value																		
Inflation	2.50%																		
Payroll Growth	2.75% per annum plus CalPERS merit scale																		
Investment Rate of Return	7.00% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1.																		
Healthcare cost-trend rates	Medical costs are adjusted in future years by the following trends:																		
	<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Year</u></th> <th style="text-align: center;"><u>Trend</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2021</td> <td style="text-align: center;">6.25%</td> </tr> <tr> <td style="text-align: center;">2022</td> <td style="text-align: center;">6.00%</td> </tr> <tr> <td style="text-align: center;">2023</td> <td style="text-align: center;">5.75%</td> </tr> <tr> <td style="text-align: center;">2024</td> <td style="text-align: center;">5.50%</td> </tr> <tr> <td style="text-align: center;">2025</td> <td style="text-align: center;">5.25%</td> </tr> <tr> <td style="text-align: center;">2026</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td style="text-align: center;">2027</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td style="text-align: center;">2028+</td> <td style="text-align: center;">4.50%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Trend</u>	2021	6.25%	2022	6.00%	2023	5.75%	2024	5.50%	2025	5.25%	2026	5.00%	2027	4.75%	2028+	4.50%
<u>Year</u>	<u>Trend</u>																		
2021	6.25%																		
2022	6.00%																		
2023	5.75%																		
2024	5.50%																		
2025	5.25%																		
2026	5.00%																		
2027	4.75%																		
2028+	4.50%																		
Retirement Age	According to the retirement rates under the 2017 CalPERS pension valuation. According to the following retirement tables: Employees hired before 11/04/2010: 2.5%@55 (Tier 1) Employees hired on or after 11/04/2010: 2%@55 (Tier 2) Employees hired on or after 01/01/2013: Classic: 2%@55 New Member: 2%@62 Terminated employees with vested benefits are assumed to retire at age 60.																		
Mortality	Mortality Table using Scale MP-2019, Continuing Survivor Headcount Weighted Mortality Table using Scale MP-2019 and SOA Pub-2010 Disabled Headcount Weighted Mortality Table using Scale MP-2019. Rates updated from the 2014 CalPERS experience study																		

*Historical information is required only for measurement periods for which GASB 75 is applicable.

Future years' information will be displayed up to 10 years as information becomes available.

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK



Combining Fiduciary Fund Statements Section

THIS PAGE INTENTIONALLY LEFT BLANK

EASTERN MUNICIPAL WATER DISTRICT

Reported in the following combining fiduciary fund statements are special assessment and special tax bonds related to various special assessment and community facility districts within the District's service area. The District acts as an agent for the property owners benefited by the bond financed projects. The District collects the assessments and taxes and forwards these collections to the bondholders. The District may also initiate foreclosure proceedings when appropriate. Neither the faith, credit, or taxing power of the District is pledged for the payment of the bonds nor is the District legally obligated to pay the bonds. Total bonds payable at June 30, 2021 is \$237,489,067.

COMBINING STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2021

	Community Facilities Districts	Assessment Districts	Total Custodial Funds
Assets:			
Cash and cash equivalents	\$ 55,886,241	\$ 2,982,509	\$ 58,868,750
Receivables:			
Special assessments for other governments	250,074	124,283	374,357
Total assets	56,136,315	3,106,792	59,243,107
Deferred outflows of resources:			
Deferred charges on debt refunding	1,637,345	-	1,637,345
Total deferred outflows of resources	1,637,345	-	1,637,345
Liabilities:			
Accrued interest payable	3,201,429	159,209	3,360,638
Bonds payable:			
Due within one year	7,743,595	1,025,600	8,769,195
Due in more than one year	219,174,957	9,544,915	228,719,872
Total liabilities	230,119,981	10,729,724	240,849,705
Net position:			
Restricted for:			
Debt obligations	(172,346,321)	(7,622,932)	(179,969,253)
Total net position (deficit)	\$ (172,346,321)	\$ (7,622,932)	\$ (179,969,253)

EASTERN MUNICIPAL WATER DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Community Facilities Districts	Assessment Districts	Total Custodial Funds
Additions:			
Interest income	\$ 9,070	\$ 507	\$ 9,577
Special assessment collections for other entities	20,007,391	1,651,629	21,659,020
Total additions	<u>20,016,461</u>	<u>1,652,136</u>	<u>21,668,597</u>
Deductions:			
Administrative expenses	2,729,057	40,500	2,769,557
Interest expense	8,075,672	485,021	8,560,693
Payments to other entities	11,143,414	-	11,143,414
Costs of issuance	2,366,388	-	2,366,388
Trustee fees	105,750	7,325	113,075
Total deductions	<u>24,420,281</u>	<u>532,846</u>	<u>24,953,127</u>
Net increase (decrease) in fiduciary net position	(4,403,820)	1,119,290	(3,284,530)
Total net position (deficit) - beginning of year, as restated	<u>(167,942,501)</u>	<u>(8,742,222)</u>	<u>(176,684,723)</u>
Total net position (deficit) - end of year	<u>\$ (172,346,321)</u>	<u>\$ (7,622,932)</u>	<u>\$ (179,969,253)</u>

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK



Statistical Section

THIS PAGE INTENTIONALLY LEFT BLANK

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

This section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements, notes disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other agencies.

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Net Position by Component Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015¹</u>	<u>2016</u>	<u>2017</u>	<u>2018²</u>	<u>2019</u>	<u>2020</u>	<u>2021³</u>
Net investment in capital assets	\$ 1,231,275,509	\$ 1,239,753,130	\$ 1,300,393,466	\$ 1,370,476,337	\$ 1,403,875,420	\$ 1,338,331,638	\$ 1,349,982,180	\$ 1,389,284,069	\$ 1,407,118,856	\$ 1,452,207,616
Restricted for debt service/covenants	64,333,290	73,268,230	70,625,613	74,689,785	80,348,698	71,207,358	80,159,371	86,400,881	94,665,692	88,139,539
Restricted for construction	99,513,601	56,375,249	45,199,054	40,347,436	38,265,888	60,632,573	23,827,435	6,161,035	28,953,913	27,574,653
Unrestricted	<u>126,867,540</u>	<u>148,512,588</u>	<u>134,353,793</u>	<u>(7,842,690)</u>	<u>(1,974,861)</u>	<u>62,360,074</u>	<u>94,848,668</u>	<u>154,920,394</u>	<u>210,932,690</u>	<u>260,174,773</u>
Total net position	<u><u>\$ 1,521,989,940</u></u>	<u><u>\$ 1,517,909,197</u></u>	<u><u>\$ 1,550,571,926</u></u>	<u><u>\$ 1,477,670,868</u></u>	<u><u>\$ 1,520,515,145</u></u>	<u><u>\$ 1,532,531,643</u></u>	<u><u>\$ 1,548,817,654</u></u>	<u><u>\$ 1,636,766,379</u></u>	<u><u>\$ 1,741,671,151</u></u>	<u><u>\$ 1,828,096,581</u></u>
% Increase	0.7%	-0.3%	2.2%	-4.7%	2.9%	0.8%	1.1%	5.7%	6.4%	5.0%

Notes:

1. The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of (\$103,259,883).
2. The District implemented GASB Statement No. 75 for the fiscal year ended June 30, 2018. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of (\$16,478,890).
3. The balance in net position includes a net prior period adjustment of \$12,071,234 for adjustments made to the property tax receivable balances.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Changes in Net Position Last Ten Fiscal Years

Fiscal Year	Operating Revenues		Operating Expenses		Operating Loss	Non-operating Revenues/ (Expenses)	Income Before Capital Contributions	Capital Contributions ¹	Change in Net Position
	Water	Wastewater	Water	Wastewater					
2012	\$ 104,741,242	\$ 71,118,648	\$ 148,531,957	\$ 107,780,498	\$ (80,452,565)	\$ 33,845,761	\$ (46,606,804)	\$ 56,730,879	\$ 10,124,075
2013	112,456,804	74,633,171	154,950,442	108,169,114	(76,029,581)	45,528,065	(30,501,516)	30,446,825	(54,691)
2014	122,724,175	79,225,506	163,774,490	111,720,396	(73,545,205)	57,381,626	(16,163,579)	48,826,308	32,662,729
2015	117,295,152	83,513,268	162,871,146	116,781,896	(78,844,622)	49,992,435	(28,852,187)	59,211,012	30,358,825
2016	112,457,426	93,833,665	154,989,658	121,778,812	(70,477,379)	75,675,617	5,198,238	37,646,039	42,844,277
2017	120,870,937	100,328,285	167,605,351	124,278,289	(70,684,418)	61,439,040	(9,245,378)	21,261,876	12,016,498
2018	135,428,866	105,078,613	180,352,180	124,831,968	(64,676,669)	76,036,077	11,359,408	21,405,493	32,764,901
2019	132,847,172	109,072,232	176,569,992	126,117,304	(60,767,892)	92,051,786	31,283,894	56,664,831	87,948,725
2020	141,303,051	115,603,869	186,515,757	134,933,642	(64,542,479)	84,902,074	20,359,595	84,545,177	104,904,772
2021	\$ 163,113,885	\$ 122,482,806	\$ 199,340,876	\$ 137,177,261	\$ (50,921,446)	\$ 87,707,566	\$ 36,786,120	\$ 61,710,544	\$ 98,496,664

Notes:

1. Fluctuations in contributed capital are due to the volume of construction activity and project close outs in a fiscal year.

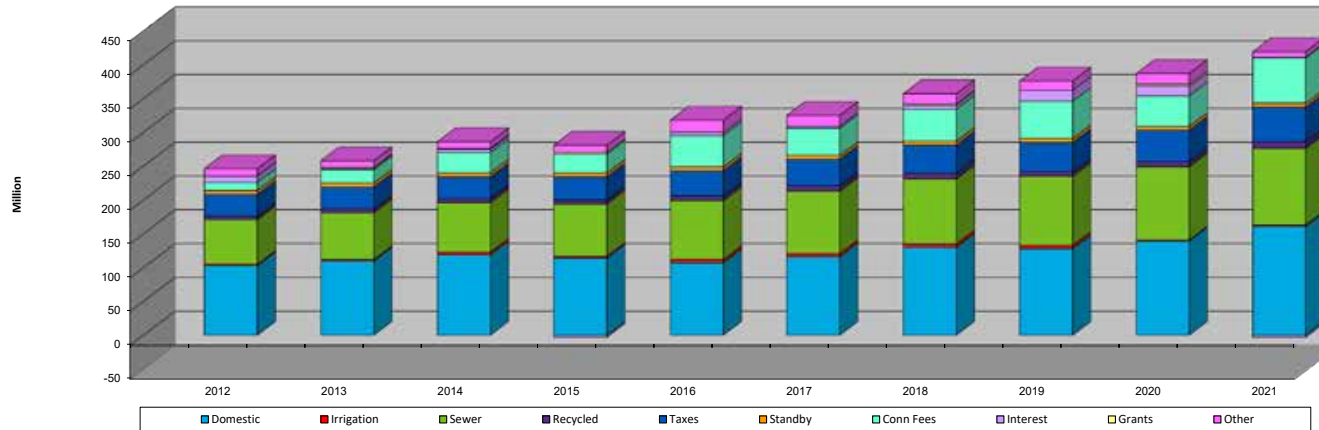
Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Domestic Water Sales	% of Total	Ag & Irrig Water Sales	% of Total	Sewer Service Charges	% of Total	Recycled Water Sales	% of Total	Taxes & Assmnts	% of Total	Standby Assmnts	% of Total	Connect Fees	% of Total	Interest ¹ Income	% of Total	Grants	% of Total	Other	% of Total	Total Revenues
2012	\$ 103,226,203	41.9%	\$ 1,515,039	0.6%	\$ 65,983,462	26.8%	\$ 5,135,186	2.1%	\$ 31,730,750	12.9%	\$ 5,600,661	2.3%	\$ 12,150,826	4.9%	\$ 9,208,523	3.7%	\$ 373,285	0.2%	\$ 11,533,511	4.7%	\$ 246,457,446
2013	110,468,194	42.8%	1,988,610	0.8%	68,957,128	26.7%	5,676,043	2.2%	32,555,228	12.6%	5,635,153	2.2%	20,364,185	7.9%	831,935	0.3%	2,052,613	0.8%	9,579,321	3.7%	258,108,410
2014	118,695,153	41.5%	4,029,022	1.4%	73,100,086	25.6%	6,125,420	2.1%	32,578,837	11.4%	5,700,591	2.0%	30,149,861	10.5%	4,923,583	1.7%	969,474	0.3%	9,622,670	3.4%	285,894,697
2015	113,859,511	40.8%	3,435,641	1.2%	77,120,505	27.7%	6,392,763	2.3%	34,100,580	12.2%	5,735,466	2.1%	28,307,625	10.1%	(2,593,627)	-0.9%	1,717,926	0.6%	10,834,613	3.9%	278,911,003
2016	107,319,708	33.7%	5,137,718	1.6%	87,184,856	27.4%	6,648,809	2.1%	36,876,790	11.6%	5,784,242	1.8%	45,715,784	14.4%	5,056,957	1.6%	-	0.0%	18,313,734	5.8%	318,038,598
2017	115,796,435	35.6%	5,074,502	1.6%	92,536,116	28.4%	7,792,169	2.4%	38,578,024	11.9%	5,831,357	1.8%	40,565,197	12.5%	2,650,750	0.8%	131,672	0.0%	16,439,820	5.1%	325,396,042
2018	130,596,237	36.6%	4,832,629	1.4%	96,049,786	26.9%	9,028,827	2.5%	40,802,919	11.4%	5,769,853	1.6%	46,924,875	13.2%	6,033,078	1.7%	1,646,062	0.5%	15,092,302	4.2%	356,776,568
2019	127,831,377	34.0%	5,015,795	1.3%	102,037,610	27.2%	7,034,622	1.9%	43,088,264	11.5%	5,828,077	1.6%	54,665,900	14.5%	15,924,001	4.2%	272,250	0.1%	14,119,698	3.8%	375,817,594
2020	139,470,921	36.0%	1,832,130	0.5%	107,541,964	27.8%	8,061,905	2.1%	46,422,441	12.0%	5,779,756	1.5%	45,186,191	11.7%	13,617,212	3.5%	2,715,243	0.7%	16,532,715	4.3%	387,160,478
2021	\$ 160,667,782	38.8%	\$ 2,446,103	0.6%	\$ 112,533,433	27.2%	\$ 9,949,373	2.4%	\$ 50,984,023	12.3%	\$ 5,598,011	1.4%	\$ 67,256,487	16.2%	\$ (3,344,631)	-0.8%	\$ 655,381	0.2%	\$ 7,665,498	1.8%	\$ 414,411,460



Notes:
1. Interest income, \$1,082,056, is net of the decrease in fair value of investments, (\$4,426,687). Interest income significantly decreased in fiscal year 2021 due to the lower Federal Reserve benchmark rate of .49% in June 2021 compared to 1.08% in June 2020. The decrease in the fair value of investments is largely due to the termination and maturity of the District's two swap agreements in June 2021 and July 2020.

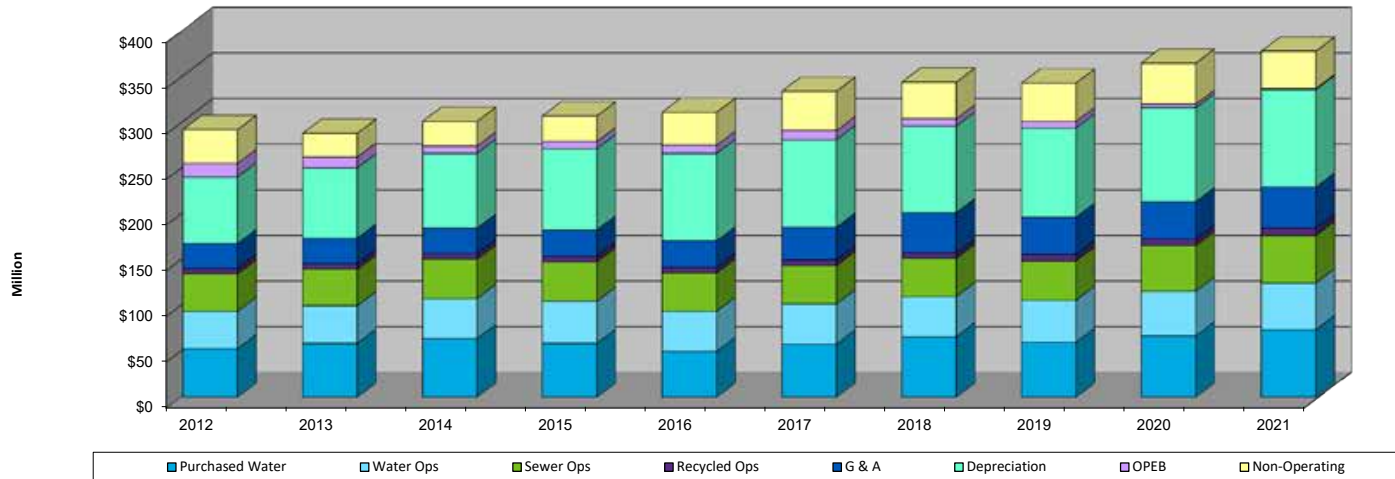
Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Expenses by Function
Last Ten Fiscal Years

Fiscal Year	Purchased Water	% of Total	Water Operations	% of Total	Sewer Operations	% of Total	Recycled Water Operations	% of Total	General & Admin	% of Total	Depr. & Amort	% of Total	Net OPEB	% of Total	Total Non-Operating Expenses	% of Total	Total Expenses
2012	\$ 52,697,993	18.0%	\$ 40,789,231	13.9%	\$ 41,308,806	14.1%	\$ 5,748,205	2.0%	\$ 27,112,598	9.3%	\$ 73,369,622	25.0%	\$ 15,286,000	5.2%	\$ 36,751,795	12.5%	\$ 293,064,250
2013	58,445,847	20.3%	40,994,915	14.2%	40,279,734	14.0%	5,992,260	2.1%	28,392,519	9.8%	77,162,281	26.7%	11,852,000	4.1%	25,490,370	8.8%	288,609,926
2014	63,850,688	21.1%	44,193,507	14.6%	42,710,741	14.1%	5,992,372	2.0%	28,352,049	9.4%	82,037,529	27.2%	8,358,000	2.8%	26,563,390	8.8%	302,058,276
2015	59,040,009	19.2%	45,691,510	14.8%	42,743,947	13.9%	6,101,759	2.0%	28,677,026	9.3%	88,830,791	28.9%	8,568,000	2.8%	28,110,148	9.1%	307,763,190
2016	50,334,462	16.1%	43,582,087	13.9%	42,095,206	13.5%	6,287,916	2.0%	29,687,364	9.5%	95,302,858	30.5%	9,478,577	3.0%	36,071,890	11.5%	312,840,360
2017	57,512,425	17.2%	44,089,564	13.2%	42,232,322	12.6%	6,064,944	1.8%	36,283,686	10.8%	95,968,255	28.7%	9,732,444	2.9%	42,757,780	12.8%	334,641,420
2018	65,846,363	19.1%	44,202,187	12.8%	42,110,008	12.2%	6,417,615	1.9%	43,901,997	12.7%	94,853,174	27.5%	7,852,804	2.3%	40,233,012	11.6%	345,417,160
2019	60,469,414	17.6%	46,398,474	13.5%	42,748,806	12.4%	6,682,894	1.9%	41,420,672	12.0%	97,743,963	28.4%	7,223,073	2.1%	41,846,404	12.1%	344,533,700
2020	67,025,558	18.3%	49,180,247	13.4%	49,780,561	13.6%	7,371,736	2.0%	40,521,610	11.0%	103,217,866	28.1%	4,351,821	1.2%	45,351,484	12.4%	366,800,883
2021	\$ 74,297,141	19.7%	\$ 50,512,860	13.4%	\$ 51,654,247	13.7%	\$ 7,563,997	2.0%	\$ 44,680,486	11.8%	\$ 106,659,451	28.2%	\$ 1,149,955	0.3%	\$ 41,107,203	10.9%	\$ 377,625,340



Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Water Produced and Consumed and Wastewater Treated Last Ten Fiscal Years

Fiscal Year	← Gallons Produced ^{1,6,7} →				Water →					Gallons of Wastewater Treated	← Total Direct Rate →		
	Gallons Produced ^{1,6,7}				Gallons Consumed			Unbilled			Base	Usage	
	Purchased	Wells	Desalters	Total	Domestic	Ag & Irrig	Total	Total	Avg %		Rate ^{2,5}	Rate ^{3,5}	Sewer ⁴
2012	22,365	5,244	1,783	29,392	27,154	690	27,844	1,548	5.3%	16,425	10.52	47.50	23.96
2013	23,709	5,683	1,909	31,301	28,078	860	28,938	2,363	7.6%	16,363	10.52	49.92	24.72
2014	25,057	6,192	1,820	33,069	28,982	1,820	30,802	2,267	6.9%	16,389	10.77	52.50	25.90
2015	22,246	3,789	2,427	28,462	26,040	1,449	27,489	971	3.4%	16,334	11.16	53.76	27.01
2016	19,016	4,820	2,285	26,121	21,608	2,086	23,695	2,426	9.3%	15,483	11.59	57.56	30.12
2017	21,366	5,125	2,194	28,685	23,618	1,951	25,569	3,117	10.9%	15,812	11.83	56.70	31.47
2018	22,908	4,901	2,138	29,947	26,429	1,711	28,140	1,806	6.0%	15,538	11.86	57.34	32.19
2019	21,096	4,699	2,463	28,258	23,022	1,770	24,792	3,466	12.3%	16,284	12.78	62.82	33.65
2020	22,453	3,526	2,472	28,450	24,923	556	25,479	2,971	10.4%	16,932	13.42	62.52	34.92
2021	23,180	5,489	2,359	31,028	26,848	751	27,599	3,429	11.1%	17,111	14.03	68.98	35.97

Notes:

1. Gallons are presented in millions.
2. Rate shown is based on the daily fixed charge for meters up to and including 1" through 2017. Effective 2018, the rate shown is for meters up to and including 3/4".
3. Rate shown is an average rate for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
4. Rate shown is an average rate for one month of service. In February 2013, a new block rate sewer methodology was implemented to compliment the domestic retail water rate structure. This methodology uses the number of household occupants to better align charges with wastewater system costs based upon flow levels.
5. In January 2018, the District revised the daily fixed charge meter factors for all domestic retail customers with meter sizes greater than 3/4".
6. Well gallons produced decreased by 25%, (1,412 million gallons), in 2020 due to EMWD purchasing treated water in lieu of operating wells during the months of August 2020-December 2020 as part of the MWD Cyclic Water Program.
7. This information does not include recycled water.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Water and Sewer Rates Last Ten Fiscal Years

Fiscal Year	2012	2013	2014	2015	2016	2017	2018 ³	2019	2020	2021
Water Rates^{4,5}										
Monthly base rate (meter size)										
<=1"	\$ 10.55	\$ 10.52	\$ 10.77	\$ 11.16	\$ 11.62	\$ 11.83	\$ 11.86	\$ 12.60	\$ 13.20	\$ 13.80
1"							16.12	17.10	17.95	18.77
1 1/2"	27.76	27.68	28.29	29.50	30.50	31.03	44.71	47.40	49.63	51.89
2"	51.55	51.40	52.62	54.45	56.73	57.79	69.35	73.50	76.96	80.45
3"	171.72	171.25	175.20	181.59	189.10	192.54	135.05	143.10	149.95	156.77
4"	271.15	270.40	276.49	286.83	298.60	303.86	208.96	221.40	231.92	242.47
6"	506.91	505.53	517.08	536.25	558.15	568.18	414.28	438.90	459.76	480.65
8"	635.01	633.28	647.88	671.60	699.06	712.05	660.65	699.90	733.26	766.59
10"	-	-	-	-	-	-	989.15	1,047.90	1,097.84	1,147.75
12"	-	-	-	-	-	-	1,390.04	1,472.40	1,542.55	1,612.67
Usage rate (per billing unit)¹	\$ 47.50	\$ 49.92	\$ 52.50	\$ 53.76	\$ 57.56	\$ 56.70	\$ 57.34	\$ 62.82	\$ 62.52	\$ 68.98
Sewer Rates (avg per month)²	\$ 23.96	\$ 24.72	\$ 25.90	\$ 27.01	\$ 30.12	\$ 31.47	\$ 32.19	\$ 33.65	\$ 34.92	\$ 35.97

Notes:

1. Rate shown is an average for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
2. In February 2013, a new block rate sewer methodology was implemented, which uses number of household occupants. Previously, the District charged all customers a fixed daily service rate for sewer service for each of its 5 sewer service areas. The average per month is calculated as a weighted average monthly rate per customer.
3. In January 2018, the District revised the daily fixed charge meter factors for all domestic retail customers.
4. Rates are adopted by the Board of Directors annually and become effective on the date of adoption or per Board direction.
5. This information does not include recycled water.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Customers by Water Service Type Last Ten Fiscal Years

Fiscal Year	Treated and Untreated Water								Recycled	Total
	Residential & Non-Residential ¹	Commercial	Industrial	Public Agency	Construction & Temporary	Irrigation	Agricultural	Total		
2012	132,080	3,272	144	625	353	2,310	694	139,478	283	139,761
2013	133,279	3,308	142	646	373	2,344	692	140,784	297	141,081
2014	134,656	3,347	136	679	426	2,412	721	142,377	316	142,693
2015	136,425	3,410	138	665	412	2,446	759	144,255	356	144,611
2016	138,247	3,472	137	663	432	2,484	790	146,225	379	146,604
2017	140,332	3,573	136	645	449	2,526	812	148,473	420	148,893
2018	143,017	3,617	145	662	510	2,496	227	150,674	511	151,185
2019	145,484	3,787	148	647	533	2,575	204	153,378	575	153,953
2020	147,843	3,881	162	651	565	2,610	206	155,918	626	156,544
2021	151,010	3,966	165	675	558	2,671	212	159,257	686	159,943

Treated and Untreated Water Service Type by Customer Category Fiscal Year 2021

	Residential & Non-Residential ¹	Commercial	Industrial	Public Agency	Construction & Temporary	Irrigation	Agricultural	Total
Domestic	151,010	3,965	164	638	558	2,668	109	159,112
Agricultural	-	1	1	6	-	3	103	114
Wholesale	-	-	-	31	-	-	-	31
Total	151,010	3,966	165	675	558	2,671	212	159,257

Note:

1. Effective 1/1/18, Non-Residential customers applies to Landscape accounts only and excludes Commercial, Industrial and Institutional accounts.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Largest Domestic Water Customers³
As of June 30, 2021 and June 30, 2012

		2021			2012			
Rank	Customer Name	Annual Water	Annual	Percentage	Rank	Annual Water	Annual	Percentage
		Sales in Acre Feet	Revenues			Sales in Acre Feet	Revenues	
1	City of Perris ¹	2,003	\$ 2,845,001	20.4%	1	1,733	\$ 1,682,576	18.2%
2	Western Municipal Water District ^{1,2}	1,714	2,225,520	15.9%	2	1,412	1,370,106	14.9%
3	Valley-Wide Recreation Park	857	1,897,141	13.6%	5	870	1,062,001	11.5%
4	City of Moreno Valley	806	1,561,937	11.2%	4	899	1,082,503	11.7%
5	Moreno Valley Unified School District	801	1,349,404	9.7%	3	1,127	1,200,577	13.0%
6	City of Murrieta	531	1,024,823	7.3%	7	498	612,385	6.6%
7	Val Verde Unified School District	521	975,347	7.0%	6	660	760,878	8.2%
8	County of Riverside	555	852,844	6.1%	9	398	449,968	4.9%
9	City of Hemet ¹	1,328	829,754	5.9%				
10	City of Menifee	195	416,205	3.0%				
	Shadow Mountain Comm. Assoc.				8	477	597,171	6.5%
	Menifee Union School District				10	323	406,861	4.4%
	Total	9,311	\$ 13,977,976			8,397	\$ 9,225,026	
	Total domestic water sales	82,395	\$ 160,667,782			83,332	\$ 103,226,203	
	Percentage of total	11.3%	8.7%			10.1%	8.9%	

Notes:

1. Wholesale customer.
2. Sales relate to Murrieta County Water District customers. This water district was purchased by the Western Municipal Water District.
3. Data includes potable water sales to all non-agricultural customers.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Largest Agricultural & Irrigation Water Customers¹
As of June 30, 2021 and June 30, 2012

Rank	Customer Name	2021			2012			
		Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	Metropolitan Water District	226	\$ 310,743	26.0%	5	86	\$ 89,394	9.4%
2	Pauline Doan	222	303,265	25.4%	2	124	127,400	13.4%
3	Hollandia Farms North	115	95,180	8.0%				
4	HP Mobile Estates	69	94,424	7.9%	7	63	63,397	6.7%
5	C & R Farms	116	93,229	7.8%	1	493	223,986	23.6%
6	Sunsui Farms	84	68,641	5.7%				
7	Hein Hettinga Dairy	75	62,550	5.2%				
8	Brothers Nursery	45	61,701	5.2%				
9	Demler Egg Ranch	66	54,673	4.6%	9	90	48,290	5.1%
10	McLaughlin Margaret	38	51,594	4.3%				
	Mc Anally Egg Enterprises				3	115	118,272	12.5%
	Abacherli Dairy				4	99	101,858	10.7%
	Valley Wide Recreation & Park				8	74	62,519	6.6%
	MCM Poultry				10	46	47,005	5.0%
	AGRI Empire				6	173	67,467	7.1%
	Total	1,056	\$ 1,196,000			1,363	\$ 949,588	
	Total ag. & irrigation water sales	2,305	\$ 2,446,103			2,116	\$ 1,515,039	
	Percentage of total	45.8%	48.9%			64.4%	62.7%	

Notes:

- The District has a number of irrigation water rates depending upon service area and whether deliveries are scheduled or unscheduled.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Largest Recycled Water Customers¹
As of June 30, 2021 and June 30, 2012

		2021			2012			
Rank	Customer Name	Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	Valley Wide Recreation	1,221	\$ 792,842	24.1%	7	457	\$ 142,227	5.9%
2	Marvo Holstein	3,129	413,322	12.6%				
3	Pastime Lakes Dairy	2,503	350,842	10.7%				
4	America Greenworld Inc.	747	341,700	10.4%				
5	Pechanga Water Systems	544	311,076	9.5%	10	325	103,877	4.3%
6	Dept. of Fish and Wildlife	3,996	257,592	7.8%				
7	A-G Sod Farms Inc.	1,650	226,286	6.9%	4	2,300	190,232	7.9%
8	GCGI Partners Inc.	386	220,595	6.7%				
9	Bean Don	1,580	189,603	5.8%	8	1,749	131,012	5.5%
10	A & E Sheep Inc.	1,340	187,212	5.7%				
	Inland Empire Energy Center LLC				1	3,006	936,267	39.0%
	The Golf Club at Rancho California				5	512	159,437	6.6%
	Hemet Golf Club Landmark				6	355	156,760	6.5%
	Rancho Casa Loma				3	4,294	200,105	8.3%
	City of Moreno Valley				9	409	127,286	5.3%
	Agri Empire				2	3,758	255,523	10.6%
	Total	17,096	\$ 3,291,070			17,165	\$ 2,402,725	
	Total recycled water sales	33,745	\$ 9,949,372			34,679	\$ 5,135,186	
	Percentage of total	50.7%	33.1%			49.5%	46.8%	

Notes:

- The District has a number of recycled water rates depending upon size of pipe, agricultural or non-agricultural usage and level of treatment.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Largest Sewer Customers As of June 30, 2021 and June 30, 2012

Rank	Customer Name	2021		2012		
		Annual Revenues	Percentage	Rank	Annual Revenues	Percentage
1	Pechanga Resort and Casino	\$ 927,906	37.3%	1	\$ 482,843	25.7%
2	Murrieta Valley Unified School District	291,308	11.7%	4	149,630	8.0%
3	Val Verde School District	231,195	9.3%	7	135,374	7.2%
4	Hemet Unified School District	216,697	8.7%	9	130,230	6.9%
5	Casabella Owner's Association	198,555	8.0%			
6	Eagle Glen Apartments LLC	141,369	5.7%			
7	Soboba Casino Resort	127,810	5.1%			
8	Perris Union School District	124,449	5.0%			
9	Menifee Union School District	117,208	4.7%			
10	Western States Mobil Home Park	112,677	4.5%	5	145,813	7.8%
	Broadstone Vista Apartments			2	257,246	13.7%
	Silverado Apartment Homes			8	131,087	7.0%
	Waterstone at Murrieta Apartments			3	176,431	9.4%
	Westwind Enterprises			6	141,095	7.5%
	Palm Court Apartments			10	127,497	6.8%
	Total	\$ 2,489,174			\$ 1,877,246	
	Total sewer revenue	\$ 112,533,433			\$ 65,983,462	
	Percentage of total revenue	2.2%			2.8%	

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Summary of Imported Water Rates
Last Ten Fiscal Years
(dollars per acre-foot)

Rates Effective Beginning January		Full Service Domestic	
		Treated	Untreated
2012	Tier 1	\$ 794	\$ 560
	Tier 2	920	686
2013	Tier 1	847	593
	Tier 2	997	743
2014	Tier 1	890	593
	Tier 2	1,032	735
2015	Tier 1	923	582
	Tier 2	1,055	714
2016	Tier 1	942	594
	Tier 2	1,076	728
2017	Tier 1	979	666
	Tier 2	1,073	760
2018	Tier 1	1,015	695
	Tier 2	1,101	781
2019	Tier 1	1,050	731
	Tier 2	1,136	817
2020	Tier 1	1,078	755
	Tier 2	1,165	842
2021	Tier 1	1,104	777
	Tier 2	1,146	819

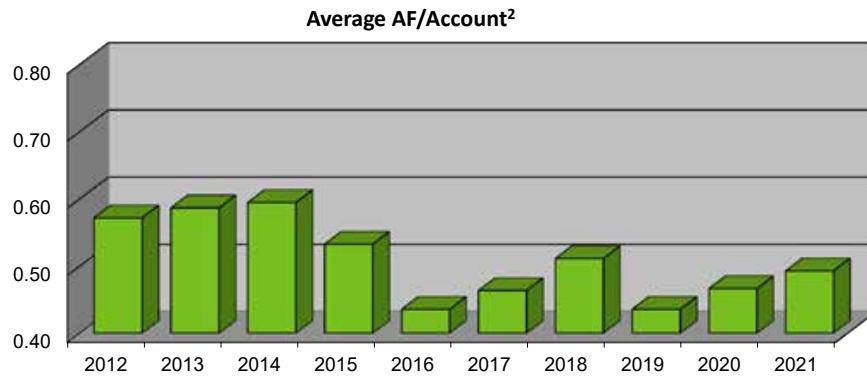
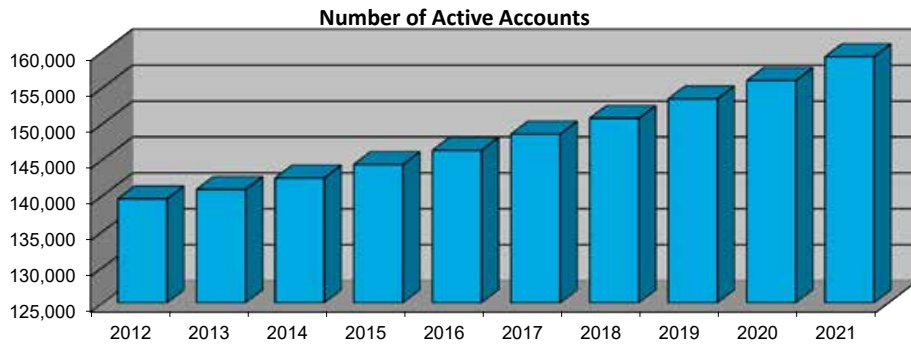
Source: Metropolitan Water District of Southern California (MWD)

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Annual Domestic Consumption (AF) Last Ten Fiscal Years

Fiscal Year	Usage (AF) ¹	Active Accounts	Average AF per Account ²
2012	79,752	139,478	0.57
2013	82,591	140,784	0.59
2014	84,650	142,377	0.59
2015	76,832	144,255	0.53
2016	63,673	146,225	0.44
2017	68,813	148,473	0.46
2018	77,020	150,674	0.51
2019	66,803	153,378	0.44
2020	72,733	155,918	0.47
2021	78,459	159,257	0.49



Notes:

1. Amounts exclude wholesale accounts.
2. Several factors may impact fluctuations in the average AF per account each year including conservation efforts, the level of bank-owned homes relating to the economic downturn, and changes in weather patterns.

Source: Eastern Municipal Water District

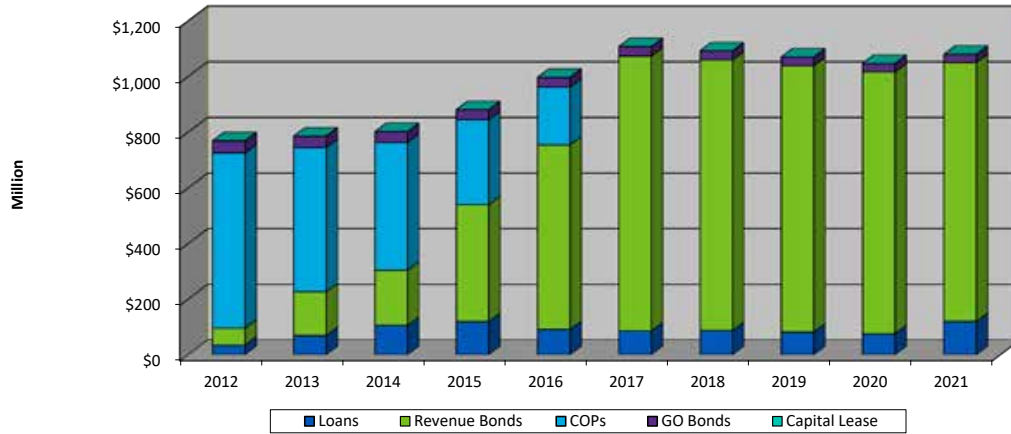
EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Ratio of Outstanding Debt by Type⁴ Last Ten Fiscal Years

* See Debt Footnotes for dollar amounts

Fiscal Year	Loans	Revenue Bonds ¹	Certificates of Participation ¹	General Obligation Bonds	Capital Lease	Total	Percentage of Personal Income ²	Debt per Capita ³
2012	\$ 33,651,101	\$ 61,452,320	\$ 630,227,034	\$ 43,145,504	\$ -	\$ 768,475,959	1.14%	\$ 1,000
2013	68,749,388	157,648,717	518,338,874	40,949,446	-	785,686,425	1.09%	1,011
2014	105,195,668	198,525,127	459,710,090	38,446,800	55,072	801,932,757	1.08%	1,022
2015	119,352,359	420,407,712	305,016,307	35,896,296	41,574	880,714,248	1.15%	1,108
2016	90,787,233	663,582,542	207,389,271	34,920,903	23,752	996,703,701	1.23%	1,240
2017	85,227,888	987,759,455	-	33,905,509	12,782	1,106,905,634	1.28%	1,356
2018	86,719,548	972,307,446	-	32,845,116	1,018	1,091,873,128	1.20%	1,320
2019	80,934,716	957,255,438	-	31,739,723	-	1,069,929,877	1.13%	1,275
2020	74,961,710	941,207,959	-	30,584,330	-	1,046,753,999	1.05%	1,231
2021	\$ 119,671,823	\$ 930,468,849	\$ -	\$ 29,378,937	\$ -	\$ 1,079,519,609	1.03%	\$ 1,240



Notes:

- In fiscal year 2017, the District issued six refunding revenue bonds to redeem all outstanding certificates of participation and five refunding revenue bonds. A new series revenue bond was issued to finance the construction of water and sewer capital improvements.
- Based upon Riverside County personal income amounts. The District is located in the County of Riverside.
See the personal income amounts on the Demographic and Economic Statistics schedule. Amounts for prior years are updated with the most recent available information.
- Based upon approximate population of District service area. See the Demographic and Economic Statistics schedule for amounts.
- Details regarding the District's outstanding debt can be found in Note 4 to the Basic Financial Statements.

Source: Eastern Municipal Water District

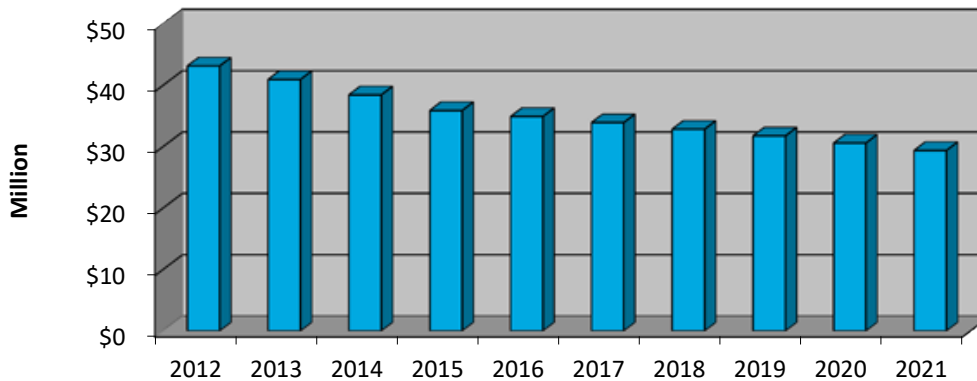
EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

**Ratio of General Bonded Debt Outstanding³
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Assessed Value ¹	Percentage of Assessed Value	Debt per Capita ²
2012	\$ 43,145,504	\$ 53,890,135,705	0.08%	\$ 56
2013	40,949,446	53,506,155,585	0.08%	53
2014	38,446,800	55,926,804,094	0.07%	49
2015	35,896,296	61,313,471,497	0.06%	45
2016	34,920,903	66,226,873,815	0.05%	43
2017	33,905,509	70,005,613,492	0.05%	42
2018	32,845,116	74,231,240,058	0.04%	40
2019	31,739,723	79,484,183,867	0.04%	38
2020	30,584,330	84,535,646,968	0.04%	36
2021	\$ 29,378,937	\$ 90,034,421,499	0.03%	\$ 34

Total Bonds Outstanding



Notes:

1. Bonds are issued by improvement district, but the amounts shown are for the District's entire service area. Beginning 2016, included District No. 04-5408: EMWD Detachment#2 in the assessed value.
2. Based upon approximate population of the District's entire service area. See the Demographic and Economic Statistics schedule for amounts.
3. Details regarding the District's outstanding debt can be found in Note 4 to the Basic Financial Statements.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

PARITY DEBT SERVICE COVERAGE Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPERATING REVENUES:										
Water sales	104,741,242	\$ 110,468,195	\$ 122,724,175	\$ 117,295,152	\$ 112,457,426	\$ 120,870,937	\$ 135,428,866	\$ 132,847,172	\$ 141,303,051	\$ 163,113,885
Sewer service sales	65,983,462	70,945,738	73,100,086	77,120,505	87,184,856	92,536,116	96,049,786	102,037,610	107,541,964	112,533,433
Recycled water	5,135,186	5,676,043	6,125,420	6,392,763	6,648,809	7,792,169	9,028,827	7,034,622	8,061,905	9,949,373
Total operating revenues	175,859,890	187,089,976	201,949,681	200,808,420	206,291,091	221,199,222	240,507,479	241,919,404	256,906,920	285,596,691
OPERATING EXPENSES:										
Water purchases	52,697,993	58,445,847	63,850,688	59,040,009	50,334,462	57,512,425	65,846,363	60,469,414	67,025,558	74,297,141
Water operations	40,789,231	40,994,915	44,193,507	45,691,510	43,582,087	44,089,564	44,202,187	46,398,474	49,180,247	50,512,860
Sewer operations	47,057,011	46,271,994	48,703,113	48,845,706	48,383,122	48,297,266	48,527,623	49,431,700	57,152,297	59,218,244
Other Post Employment Benefits (OPEB) Contribution	2,620,589	5,740,000	6,123,000	8,568,000	9,478,577	9,732,444	7,852,804	7,223,073	4,351,821	1,149,955
General & administrative	27,112,598	28,392,519	28,352,049	28,677,026	29,687,364	36,283,686	43,901,997	41,420,672	40,521,610	44,680,486
Total operating expenses	170,277,422	179,845,275	191,222,357	190,822,251	181,465,612	195,915,385	210,330,974	204,943,333	218,231,533	229,858,686
OPERATING INCOME (LOSS)	5,582,468	7,244,701	10,727,324	9,986,169	24,825,479	25,283,837	30,176,505	36,976,071	38,675,387	55,738,005
NON-OPERATING REVENUES:										
Property taxes - general purpose	26,574,300	27,243,491	28,061,489	30,843,713	32,271,305	33,971,127	36,294,389	38,204,912	41,014,090	44,907,361
Standby charges	5,600,661	5,635,153	5,700,591	5,735,466	5,784,242	5,831,357	5,769,853	5,828,077	5,779,756	5,598,011
Water and sewer connection fees	12,150,826	20,364,185	30,149,861	28,307,625	45,715,784	40,565,197	46,924,875	54,665,900	45,186,191	67,256,487
Interest income	7,431,966	4,485,217	3,133,313	3,092,643	3,405,039	4,733,897	8,181,973	11,897,412	10,506,376	1,082,056
Grant revenues	22,926,555	12,503,511	5,214,780	3,830,382	2,823,624	6,164,479	3,128,863	27,966,611	34,194,594	13,936,802
Other income/(expense)	(4,563,952)	2,967,319	947,126	829,006	2,859,968	(3,494,598)	6,195,691	2,576,604	2,942,655	(3,382,641)
Total non-operating revenues	70,120,356	73,198,876	73,207,160	72,638,835	92,859,962	87,771,459	106,495,644	141,139,516	139,623,662	129,398,076
Net Water and Sewer Revenues for Debt Coverage	75,702,824	80,443,577	83,934,484	82,625,004	117,685,441	113,055,296	136,672,149	178,115,587	178,299,049	185,136,081
PARITY OBLIGATION DEBT SERVICE:										
Parity Obligation Payments (COP/Bonds)	37,044,680	35,061,971	35,521,108	26,604,369	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750
State Loan Payments	4,115,116	4,322,228	4,013,353	5,877,892	-	-	-	-	-	-
Total Parity Obligation Debt Service	41,159,796	39,384,199	39,534,461	32,482,262	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750
PARITY OBLIGATION DEBT SERVICE COVERAGE	1.8	2.0	2.1	2.5	5.2	3.3	27.9	36.5	36.6	38.0
REVENUES AVAILABLE FOR SUBORDINATE OBLIGATIONS	34,543,028	41,059,378	44,400,023	50,142,742	95,139,611	78,888,904	131,764,999	173,234,087	173,423,424	180,267,331
SUBORDINATE OBLIGATION DEBT SERVICE	-	-	-	2,917,542	20,192,253	10,421,019	45,735,440	46,458,431	44,426,090	46,270,364
SUBORDINATE OBLIGATION DEBT SERVICE COVERAGE	NA	NA	NA	17.2	4.7	7.6	2.9	3.7	3.9	3.9
REMAINING REVENUES	34,543,028	41,059,378	44,400,023	47,225,200	74,947,358	68,467,886	86,167,809	126,775,656	128,997,334	133,996,967
TOTAL DEBT SERVICE	41,159,796	39,384,199	39,534,461	35,399,804	42,738,083	44,587,410	50,642,590	51,339,931	49,301,715	51,139,114
ALL-IN DEBT SERVICE COVERAGE	1.8	2.0	2.1	2.3	2.8	2.5	2.7	3.5	3.6	3.6

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Demographic and Economic Statistics Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income ² (thousands of \$)	Per Capita Personal Income ²	Unemployment Rate ²
2011	768,264	\$ 67,585,240	\$ 30,698	13.6%
2012	776,986	71,936,625	32,200	12.2%
2013	784,834	74,050,799	32,748	10.3%
2014	794,790	76,519,738	33,462	8.2%
2015	803,973	80,776,153	34,875	6.7%
2016	816,411	86,196,663	36,745	6.1%
2017	827,343	90,713,807	38,114	5.2%
2018	839,226	94,542,096	39,148	4.4%
2019	850,439	99,266,122	40,587	4.2%
2020	870,579	\$ 104,794,676	\$ 42,418	7.9%

- Notes:
1. Data is for the District's service area. Amounts for prior years are restated with the most recent available information.
 2. Data is for the County of Riverside. The District is located within the County. Amounts for prior years are updated with the most recent available information.

Sources: State of California Employment Development Department
 State of California Department of Finance
 U.S. Department of Commerce, Bureau of Economic Analysis

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Principal Employers¹

Fiscal Year Ended June 30, 2021 and June 30, 2012

<u>Employer</u>	<u>2021</u>		<u>Employer</u>	<u>2012</u>	
	<u>No. of Employees</u>	<u>Percentage of Total Employment</u>		<u>No. of Employees</u>	<u>Percentage of Total Employment</u>
County of Riverside	22,952	2.2%	County of Riverside	17,702	2.2%
Amazon	10,500	1.0%	March Air Reserve Base	9,000	1.1%
March Air Reserve Base	9,600	0.9%	Stater Brothers Markets	6,900	0.9%
University of California, Riverside	8,909	0.9%	University of California, Riverside	5,790	0.7%
Stater Brothers Markets	8,304	0.8%	Wal-Mart	5,360	0.7%
Moreno Valley Unified School District	6,250	0.6%	Corona-Norco Unified School District	4,686	0.6%
Kaiser Permanente Riverside Medical Ctr	5,780	0.6%	Kaiser Permanente Riverside Medical Ctr	4,000	0.5%
Corona-Norco Unified School District	5,478	0.5%	Pechanga Resort and Casino	4,000	0.5%
Hemet Unified School District	4,460	0.4%	Riverside Unified School District	3,796	0.5%
Ross Dress For Less	4,313	0.4%	Moreno Valley Unified School District	3,500	0.4%
Total	<u>86,546</u>	<u>8.4%</u>	Total	<u>64,734</u>	<u>8.0%</u>
Total Employment	<u>1,027,400</u>		Total Employment	<u>810,600</u>	

Notes:

1. Data is for the County of Riverside. The District is located within the County.

Sources: Riverside County Economic Development Agency
State of California Employment Development Department

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Employees by Function Last Ten Fiscal Years

	2012	2013	2014	2015 ²	2016	2017	2018	2019	2020	2021
Operations and Maintenance Division										
Water Operations and Distribution	64	65	66	61	65	65	65	66	66	68
Water Reclamation	90	86	87	88	87	85	83	85	85	87
Assets & Facility Management (formerly Maintenance Services)	17	15	15	22	19	19	19	19	19	19
Auto Shop and Fabrication Shop (reassigned)	15	16	15	-	-	-	-	-	-	-
Wastewater Collection	13	14	14	15	14	14	14	15	15	15
Mechanical Services (includes Fab Shop)	30	28	29	31	31	31	30	31	32	32
Electrical Services	23	24	24	23	24	22	26	25	26	25
Pipeline Maintenance (formerly included Building & Grounds)	34	34	34	22	22	22	21	23	22	24
Total Operations & Maintenance Division	286	282	284	262	262	258	258	264	265	270
Engineering Division										
General Engineering ³	52	43	44	46	42	45	46	44	47	43
Construction Management and Inspections	39	35	33	29	32	30	31	32	30	31
Development Services ⁴	20	17	18	19	21	21	20	24	25	25
Total Engineering Division	111	95	95	94	95	96	97	100	102	99
Planning and Resources Division										
Planning and Resources ¹	20	20	19	20	24	24	24	22	24	22
Environmental and Regulatory Compliance	9	9	10	11	12	12	8	12	12	12
Water Quality and Laboratory	15	14	14	12	12	12	12	11	12	13
Source Control	9	9	10	10	10	11	11	10	11	10
Total Planning and Resources Division	53	52	53	53	58	59	55	55	59	57
Executive and Administration										
Executive and Administration ³	11	12	12	13	15	16	12	12	11	11
Public and Governmental Affairs	11	11	11	12	12	12	13	11	12	14
Human Resources (formerly included Risk Management)	13	11	12	8	6	7	7	6	7	7
Safety/Risk and Emergency Management	-	-	-	4	5	5	5	5	5	6
Billing/Customer Service ⁵	58	55	53	56	56	54	61	50	47	51
Meter Services ⁵	24	21	19	16	14	13	14	21	20	17
Finance and Accounting	26	22	22	22	22	22	22	23	21	23
Information Systems	34	33	31	30	27	23	24	23	23	24
Purchasing, Warehouse and Records Management	30	28	27	28	28	25	28	27	27	27
Fleet Services (formerly Auto Shop)	-	-	-	11	11	11	12	11	11	12
Total Executive and Administration	207	193	187	200	196	188	198	189	184	192
Total Filled Positions End of Year^{6,7}	657	622	619	609	611	601	608	608	610	618
Total Authorized Positions Start of Year	667	636	633	629	631	629	632	636	640	642
Change in Authorized Positions from Prior Year	(23)	(31)	(3)	(4)	2	(2)	3	4	4	2
Number of Vacant Positions as of June 30	10	13	10	20	20	28	24	28	30	28
Vacancy Rate as of June 30	1.5%	2.0%	1.6%	3.2%	3.2%	4.5%	3.8%	4.4%	4.7%	4.4%

Notes:

1. The Planning and Resources workgroup was reorganized in 2016.
2. Organizational changes in March 2015 affected all divisions and eliminated 3 vacant positions.
3. Organizational changes in December 2015 resulted in the movement of staff from General Engineering to Executive and Administration.
4. Department name changed in 2018 from New Business to Development Services
5. Seven employees moved from Billing/Customer Service to Meter Services in 2019
6. All directors and managers are included with their divisions.
7. Temporary, contract and summer help employees are not included.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

OPERATING AND CAPITAL INDICATORS LAST TEN FISCAL YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>POTABLE WATER SYSTEM</u>										
Miles of pipeline:										
transmission and distribution: ¹	2,430	2,443	2,448	2,463	2,465	2,380	2,476	2,442	2,482	2,534
as-built	2,296	2,366	2,376	2,391	2,399	2,314	2,397	2,368	2,393	2,407
construction in progress	134	77	72	72	66	66	79	74	89	127
Number of storage tanks	77	77	77	77	78	79	79	79	79	79
Maximum storage capacity (million gallons)	191	191	191	191	199	203	203	203	204	204
Number of active pumping plants	83	83	83	83	83	84	86	87	87	86
Number of active wells:										
domestic	21	18	18	18	16	16	14	14	14	14
desalter ⁴	8	7	11	11	12	12	12	12	13	13
Domestic well production capacity:										
gallons per minute	22,285	23,292	23,382	19,299	19,604	14,708	15,625	17,100	19,600	20,690
million gallons per day	32.1	33.5	33.7	27.8	28.2	21.2	22.5	24.6	28.2	29.8
acre feet per year	35,945	37,570	37,715	31,129	31,622	23,725	25,203	27,582	31,610	33,369
Number of water treatment plants:										
desalter	2	2	2	2	2	2	2	2	2	2
filtration	2	2	2	2	2	2	2	2	2	2
Treatment plant capacity: (million gallons per day)										
desalter plants	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
filtration plants	32.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Number of service connections: ⁵										
active domestic accounts	136,478	140,653	142,244	144,123	146,098	148,348	150,558	153,263	155,803	159,143
active agriculture accounts	122	131	133	132	127	125	116	115	115	114
<u>SEWER SYSTEM</u>										
Miles of sewer lines: ¹										
as-built	1,756	1,780	1,799	1,813	1,816	1,790	1,819	1,831	1,868	1,913
construction in progress	117	55	64	64	44	49	60	60	69	101
Number of treatment plants	5	5	5	5	5	5	5	5	5	5
Treatment plant average design capacity (MGD) ²	60	68	68	70	70	70	72	72	77	77
Average million gallons per day treated	45.0	44.8	44.9	44.8	42.4	43.3	42.6	44.6	46.3	46.8
Percentage of capacity utilized	75%	66%	66%	64%	61%	62%	59%	62%	60%	61%
Number of active lift stations	47	48	48	47	46	46	50	50	48	51
Cumulative Equivalent Dwelling Units (EDUs)	231,156	233,706	236,681	239,141	243,279	246,746	250,487	254,878	258,342	263,068
<u>RECYCLED WATER SYSTEM</u>										
Miles of pipeline:										
transmission and distribution: ¹	206	213	215	217	217	207	211	225	238	252
as-built	186	196	198	200	208	197	197	211	218	225
construction in progress	20	17	17	17	9	10	14	14	20	27
Number of active pumping facilities	20	21	24	24	24	24	24	24	24	24
Maximum storage capacity (acre feet) ³	5,721	5,736	6,184	6,448	6,448	7,571	7,599	7,599	7,642	7,648
<u>GENERAL INFORMATION</u>										
Service area (annexed property):										
acres	346,732	346,745	346,745	346,745	346,808	346,808	347,280	347,298	347,298	347,303
square miles	541.8	541.8	541.8	541.8	541.9	541.9	542.6	542.7	542.7	542.7
Gross service area (square miles)	555	555	555	555	555	555	555	555	555	558
Average years of service of employees	11.39	11.31	12.11	12.50	12.25	11.90	11.68	11.04	11.80	11.40

Notes:

1. Miles of pipelines as-built excludes open construction in progress (CIP). CIP reflects what was recorded as open projects as of the year end date.
2. The Sun City RWRf (3 MGD) was formerly included in the total capacity although it was decommissioned. Amounts are now reflected as average design capacity. The Perris RWRf expansion to 25 MGD was completed in 2014. Correction made to calculation starting in FY17 and adjusted through FY20. The Temecula RWRf expansion to 23 MGD was completed in 2020.
3. Recycled storage increases since 2014 are due to more accurate measurements from recent surveys, plus conversions of secondary storage to tertiary storage.
4. Desalter wells formerly inactive were placed back into service during 2014.
5. Starting 2013, the number of customer connections billed within the year was used instead of the number of customers as of June 30th.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT

STATISTICAL SECTION

Customer Account Write Offs as a Percentage of Sales Last Ten Fiscal Years

Fiscal Year	Retail Sales ¹	Write Offs	% of Sales
2012	149,580,286	703,666	0.5%
2013	159,559,632	717,146	0.4%
2014	170,496,733	851,419	0.5%
2015	169,744,235	823,650	0.5%
2016	171,146,902	714,213	0.4%
2017	182,818,310	475,022	0.3%
2018	200,388,220	331,561	0.2%
2019	201,083,661	266,364	0.1%
2020	219,187,773	279,090	0.1%
2021	245,091,730	279,538	0.1%
Total	<u>\$ 1,869,097,482</u>	<u>\$ 5,441,669</u>	<u>0.3%</u>

Notes:

1. Excludes sales collected by other agencies.

Source: Eastern Municipal Water District

Bad Debt Reserves as a Percentage of Accounts Receivable Last Ten Fiscal Years

Fiscal Year	Year End A/R Balance	Reserves ¹	% of A/R
2012	13,072,905	676,182	5.2%
2013	14,195,028	842,850	5.9%
2014	13,805,842	850,608	6.2%
2015	9,916,469	609,075	6.1%
2016	10,127,047	324,530	3.2%
2017	11,882,229	215,340	1.8%
2018	13,595,401	181,535	1.3%
2019	11,763,091	188,441	1.6%
2020 ²	12,620,425	1,427,802	11.3%
2021 ³	17,927,104	1,406,706	7.8%

Notes:

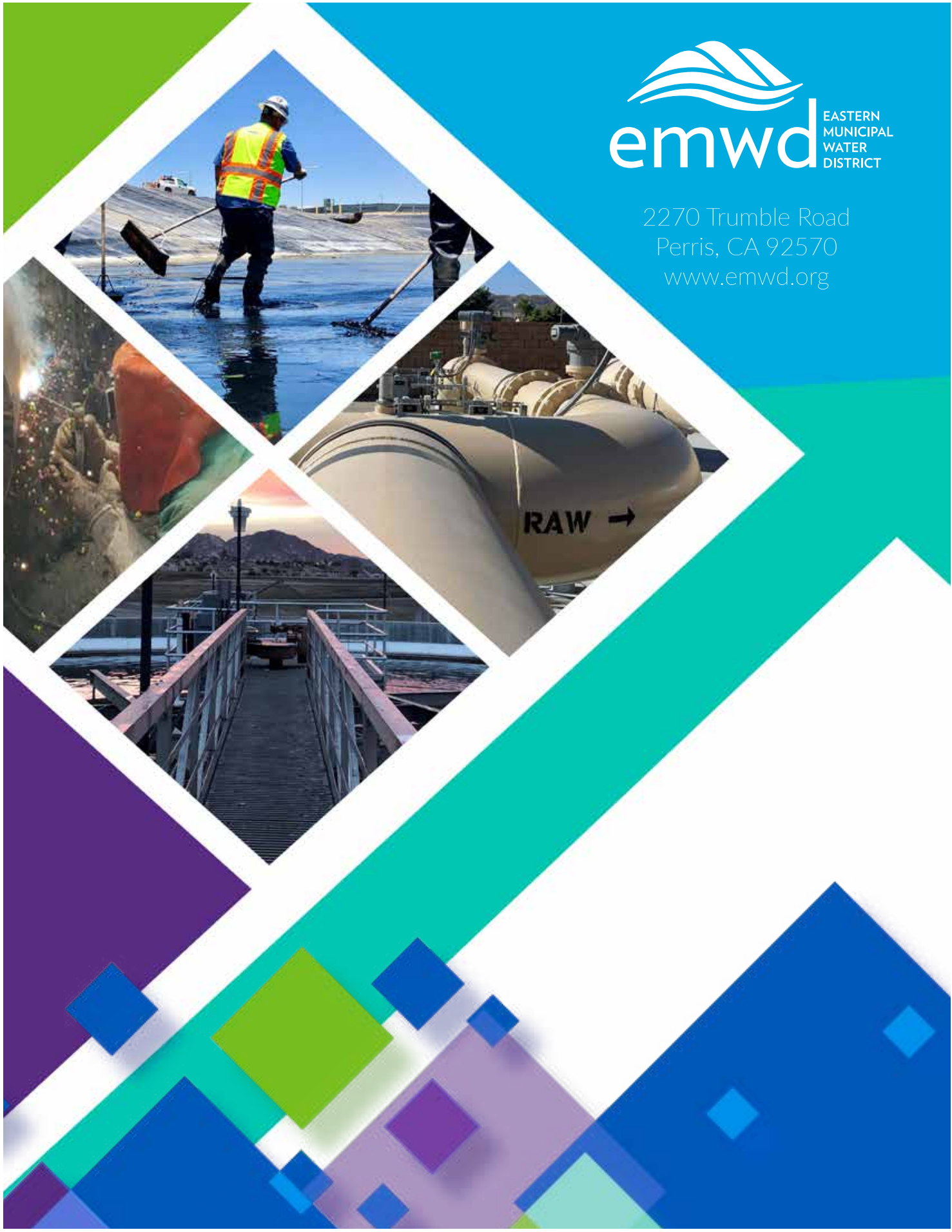
1. Reserves equal accounts over 60 days past due.
2. In 2020, reserves increased significantly due to the greater number of delinquent customer accounts. This was a direct result of the negative economic impact of the Coronavirus pandemic.
3. In 2021, the year-end A/R balance increased due to the CA Governor's order, which took effect in March of 2020, suspending the shut off of water service due to non-payment. This order was in response to the financial impact of the Coronavirus pandemic. The shut-off moratorium is set to be lifted on 12/31/21. Collection of delinquent balances will resume after 12/31/21.

Source: Eastern Municipal Water District

THIS PAGE INTENTIONALLY LEFT BLANK



2270 Trumble Road
Perris, CA 92570
www.emwd.org



APPENDIX D

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

December 17, 2021

Eastern Municipal Water District Financing Authority
Perris, California

Re: \$22,355,000 Eastern Municipal Water District Financing Authority Refunding Revenue Bonds, Series 2021 (Eastern Municipal Water District Improvement Districts General Obligation Refunding Bonds)

Members of the Board of Directors:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the Eastern Municipal Water District Financing Authority (the "Authority") in connection with the issuance by the Authority of the above-captioned obligations in the principal amount of \$22,355,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. The Bonds have been issued under that certain Indenture of Trust, dated as of December 1, 2021, by and between the Authority and U.S. Bank National Association, as trustee (the "Indenture"). In rendering our opinion, we have relied upon certain representations of fact and certifications made by the Authority, the Eastern Municipal Water District (the "District"), the original purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the authority contained in Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and an authorizing resolution adopted by the Authority on November 17, 2021 (the "Resolution"). The Bonds are dated as of the date of this opinion and mature on the dates and in the amounts set forth in the Indenture. Interest on the Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The Bonds are registered bonds in the form set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture.

All terms not defined herein have the meaning ascribed to those terms in the Indenture.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority. The Bonds are secured and payable solely from Revenues, which consist in part of amounts received by the Authority in respect of certain general obligation bonds of certain improvement districts of the District as and to the extent provided for in the Indenture. The Bonds are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California.

2. The Indenture has been duly authorized by the Authority, is valid and binding upon the Authority, creates a valid pledge of that which the Indenture purports to pledge and is enforceable in accordance with its terms.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received with respect thereto), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bonds to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions that are expressed herein as to the exclusion from gross income of interest on the Bonds are based upon certain representations of fact and certifications made by the District and the Authority and are subject to the condition that the District and the Authority comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the District have covenanted to comply with all such requirements.

The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

We call attention to the fact that the enforceability of and the rights and obligations under the Indenture and the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State.

Our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions that are expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to

inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE DISTRICT RESOLUTIONS

The following is a summary of certain provisions of the Indenture and the District Resolutions which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions. Each of the District Resolutions is substantially identical except for references to the applicable Improvement District.

INDENTURE

DEFINITIONS; RULES OF INTERPRETATION

Definitions. Unless the context otherwise requires, the terms defined in the Indenture will, for all purposes of the Indenture and of any indenture supplemental thereto and of any certificate, opinion or other document therein mentioned, have the meanings specified in the Indenture, to be equally applicable to both the singular and plural forms of any of the terms therein defined.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

“Authority” means the Eastern Municipal Water District Financing Authority, a joint powers authority that is organized and existing under the Act.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, Vice Chair, Secretary, Treasurer or Executive Director, or any other Person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chair, Vice Chair, Secretary, Treasurer or Executive Director and filed with the District and the Trustee; (b) with respect to the District, its President, Vice President, General Manager or any Deputy General Manager, or any other Person designated as an Authorized Representative of the District in a Written Certificate of the District signed by its President, Vice President, General Manager or any Deputy General Manager and filed with the Authority and the Trustee; and (c) with respect to the Trustee, any authorized officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

“Bond Acquisition Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bond Counsel” means Stradling, Yocca, Carlson & Rauth, a Professional Corporation, and its successors or any other firm of nationally recognized bond counsel selected by the District and acceptable to the Authority.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as amended from time to time.

“Bond Purchase Agreement” means the Improvement District Bonds Purchase Agreement, dated December 7, 2021, by and between the District and the Authority, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

“Bond Year” has the meaning that is given to such term in the Tax Certificate.

“Bonds” means the Eastern Municipal Water District Financing Authority Refunding Revenue Bonds, Series 2021 (Eastern Municipal Water District Improvement Districts General Obligation Refunding Bonds), issued

in the aggregate principal amount of \$22,355,000 and authorized by, and at any time Outstanding pursuant to, the Indenture.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which the New York Stock Exchange or banking institutions in the State of California or in any state in which the Office of the Trustee is located are closed.

“Closing Date” means the date on which the Bonds are delivered to the Original Purchaser.

“Depository” means The Depository Trust Company or a substitute therefor determined pursuant to the Indenture.

“District” means the Eastern Municipal Water District, and any successor thereto.

“Event of Default” means any of the events specified as such in the Indenture.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds purported to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period later selected and designated as the official fiscal year period of the Authority designated in a Written Certificate of the Authority delivered to the Trustee.

“Improvement District Bond Fiscal Agent” means U.S. Bank National Association, or any other entity that is designated in accordance with the respective Resolutions of Issuance of the Improvement District Bonds described in the Indenture as successor fiscal agent for the Improvement District Bonds.

“Improvement District Bonds” means the bonds delivered under and pursuant to the Bond Purchase Agreement as described in the Indenture.

“Improvement Districts” means Improvement District Nos. 15, 18, 22, 24, U-2, U-4, U-5, U 6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 and U-36 of the District.

“Indenture” means the Indenture of Trust, dated as of April 1, 2017, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental Indenture.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom: (a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects; (b) is in fact independent and not under the domination of the Authority; (c) does not have any substantial interest, direct or indirect, with the Authority; and (d) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make reports to the Authority.

“Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee.

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means March 1, 2022 and each March 1 and September 1 thereafter, so long as any Bonds remain Outstanding.

“Letter of Representations” means the letter of the Authority delivered to and accepted by the Depository on or prior to delivery of the Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the Authority delivered to and accepted by the Depository.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation for any reason no longer performs the functions of a securities rating agency, such term will be deemed to refer to any other nationally recognized rating agency designated by the District.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Office of the Trustee” means the principal corporate trust office of the Trustee in St. Paul, Minnesota, or such other offices as may be specified to the Authority by the Trustee in writing; provided, however, that for purposes of the surrender and presentation of Bonds for payment, transfer or exchange, the Office of the Trustee is the designated corporate trust operations or agency office of the Trustee.

“Original Purchaser” means J.P. Morgan Securities LLC, as the original purchaser of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority has been discharged in accordance with the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” or “Bond Owner” whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as securities depository.

“Permitted Investments” means the permitted investments described in the Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Rebate Regulations” means any proposed, final or temporary Treasury Regulation promulgated under Section 148(f) of the Tax Code.

“Record Date” means: (a) the fifteenth calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day; and (b) any date established by the Trustee pursuant to the Indenture as a special record date for the payment of defaulted interest on the Bonds.

“Redemption Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Resolutions of Issuance” means the respective Resolutions of Issuance adopted by the District providing for the issuance of the Improvement District Bonds.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Revenues” means: (a) all amounts derived from or with respect to the Improvement District Bonds, including but not limited to all payments of principal thereof, and interest thereon; and (b) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture, excluding moneys held in the Rebate Fund.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, and if such organization for any reason no longer performs the functions of a securities rating agency, such term will be deemed to refer to any other nationally recognized rating agency designated by the Authority.

“Securities Depositories” means The Depository Trust Company and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Tax Certificate” means that certain Tax Certificate executed on the Closing Date by the Authority with respect to the Bonds.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Tax Code will include the applicable regulations of the Department of the Treasury promulgated with respect to such provision.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States, having a principal corporate trust office in Los Angeles, California, or its successor, as Trustee under the Indenture, as provided in the Indenture.

“Written Certificate” and “Written Request” of the Authority or the District mean, respectively, a written certificate or written request signed in the name of the Authority by its Authorized Representative or in the name of the District by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

Indenture Constitutes Contract; Equal Security. In consideration of the purchase and acceptance of any and all of the Bonds issued under the Indenture by those who hold the same from time to time, the Indenture will be deemed to be and will constitute a contract among the Authority, the Trustee and the Owners of the Bonds. The pledge made in the Indenture and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Authority will be for the equal benefit, protection and security of the Owners of any and all of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, will be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Indenture.

THE BONDS

Transfer and Exchange of Bonds.

(a) Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds are surrendered for transfer, the Authority will

execute and the Trustee will authenticate and deliver a new Bond or Bonds for a like aggregate principal amount of the same maturity, in any authorized denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

(b) Exchange of Bonds. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations. The Authority may charge a reasonable sum for each new Bond issued upon any exchange (except in the case of any exchange of temporary Bonds for definitive Bonds and except in the case of the first exchange of any definitive Bond in the form in which it is originally issued); and the Trustee will require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which will be open to inspection during regular business hours and upon 24 hours' notice by the Authority and the District; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, will be of such authorized denominations as may be determined by the Authority, will be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Trustee and the Trustee will authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds will be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered thereunder.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the Authority, at the expense of the Owner of said Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor and series in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled by it and delivered to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond has matured or is about to mature, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Book Entry.

(a) Election of Book Entry System. Prior to the issuance of the Bonds, the Authority may provide that such Bonds will be initially issued as book entry Bonds. If the Authority elects to deliver any Bonds in book entry form, then the Authority will cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such Bonds in an authorized denomination corresponding to that total principal amount of the Bonds designated to mature on such date. Upon initial issuance, the ownership of each such Bond will be registered in the Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the Bonds, or any portion thereof may not thereafter be transferred except as provided in clause (e) below.

With respect to book entry Bonds, the Authority and the Trustee have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Registration Books, of any notice with respect to book entry Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry Bonds to be redeemed in the event that the Authority redeems the Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry Bonds. The Authority and the Trustee may treat and consider the person in whose name each book entry Bond is registered in the Registration Books as the absolute Owner of such book entry Bond for the purpose of payment of principal of, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Registration Books, or his respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Registration Books, will receive a Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the Bonds. Upon delivery by the Depository to the Authority and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry Bonds for the Depository's book entry system, the Authority and the Trustee (if required by the Depository) will execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations does not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book entry Bonds other than the Owners, as shown on the Registration Books. By executing a Letter of Representations, the Trustee has agreed to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Authority and the Trustee will take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry Bonds; or (ii) the Authority determines that continuation of the book entry system is not in the best interest of the beneficial owners of the Bonds or the Authority, then the Authority will discontinue the book entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority will prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in clause (e) below. If the Authority fails to identify another qualified securities depository to replace the Depository, then the Bonds will no longer be restricted to being registered in such Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Bonds designate, in accordance with the provisions of the Indenture.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such Bond and all notices with respect to such Bond will be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions in the Indenture.

(e) Transfer of Bonds to Substitute Depository.

(i) The Bonds will be initially issued as provided in the Indenture. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (A) to any successor of the Depository or its nominee, or of any substitute depository designated pursuant to clause (B) below (“Substitute Depository”); provided that any successor of the Depository or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any Substitute Depository, upon: (1) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that the Depository (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or (C) to any person as provided below, upon: (1) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that the Depository or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clauses (A) or (B) above, upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee designating the Substitute Depository, a single new Bond, which the Authority will prepare or cause to be prepared, will be issued for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer pursuant to clause (C) above, upon receipt of all Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, new Bonds, which the Authority will prepare or cause to be prepared, will be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the Authority, subject to the limitations of the Indenture, provided that the Trustee is not required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such Written Request from the Authority.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, the Depository or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee will not be liable for such Depository’s failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such Bonds will be controlling.

(iv) The Authority and the Trustee are entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS;
ACQUISITION OF IMPROVEMENT DISTRICT BONDS

Bond Acquisition Fund. There has been established a separate fund to be known as the “Bond Acquisition Fund,” which will be held by the Trustee in trust. On the Closing Date, the Trustee will withdraw from the Bond Acquisition Fund the amount deposited therein pursuant to the Indenture and apply such amount to the purchase on such date of the Improvement District Bonds, all pursuant to and in accordance with the provisions of the Indenture, the Bond Purchase Agreement and a Written Request of the Authority. The Improvement District Bonds will be delivered to and held by the Trustee on behalf of the Authority until paid.

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and will not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the acquisition of the Improvement District Bonds. The recital contained in the Bonds that the same are issued

pursuant to the Constitution and laws of the State of California will be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

REDEMPTION OF BONDS

Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Notice of Redemption. Notice of redemption having been mailed as described in the Indenture, and moneys for the redemption (including the interest to the applicable date fixed for redemption and including any applicable premium), having been set aside in the Redemption Account or the Principal Account, as the case may be, the Bonds will become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds will be paid at the redemption price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the redemption of all the Bonds to be redeemed, together with interest to said date, is held by the Trustee so as to be available therefor then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds to be redeemed.

SECURITY OF BONDS; FLOW OF FUNDS; INVESTMENTS

Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture, except money held in the Rebate Fund, have been pledged by the Authority to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in such assets and will attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee, upon the physical delivery thereof.

(b) The Authority has transferred in trust and assigned to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Improvement District Bonds, if any. The Trustee is entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority and will forthwith be paid by the Authority to the Trustee. The Trustee also will be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under and with respect to the Improvement District Bonds.

Application of Surplus. On September 1 of each year after all payments have been made on the Bonds as provided in the Indenture, the balance of money in the Revenue Fund will, at the Written Request of the Authority, be transferred to the Rebate Fund, the Interest Account, the Principal Account or returned to the District to be used for any lawful purpose of the District.

Permitted Investments. Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts are:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) U. S. Export-Import Bank – Direct obligations or fully guaranteed certificates of beneficial ownership; (ii) Farmers Home Administration (FmHA) – Certificates of beneficial ownership; (iii) Federal Financing Bank; (iv) Federal Housing Administration Debentures (FHA); (v) General Services Administration – Participation certificates; (vi) Government National Mortgage Association (GNMA or “Ginnie Mae”) – GNMA-guaranteed mortgage-backed bonds and GNMA-guaranteed pass-through obligations; (vii) U.S. Maritime Administration – Guaranteed Title XI financing (qualified under the Ship Financing Act of 1972); (viii) U.S. Department of Housing and Urban Development (HUD) – Project Notes and Local Authority Bonds.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) Federal Home Loan Bank System – Senior debt obligations; (ii) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) – Participation certificates and Senior debt obligations; (iii) Federal National Mortgage Association (FNMA or “Fannie Mae”) – Mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) Resolution Funding Corp. (REFCORP) obligation; (v) Farm Credit System – Consolidated systemwide bonds and notes; (vi) Student Loan Marketing Association (SLMA or “Sallie Mae”) – Senior debt obligations; (vii) Resolution Funding Corp (REFCORP) – The interest only component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York; (viii) Farm Credit System Corp. – Consolidated system-wide bonds and notes.

(d) Money market mutual funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAM G, AAAM, or AAM and by Moody’s of Aaa, Aa1 or Aa2 (including those for which the Trustee or any its affiliates receives and retains a fee for services provided to the fund, whether as transfer agent, custodian or otherwise).

(e) Certificates of deposit (including those that are placed by a third party pursuant to a separate agreement between the Authority and the Trustee) secured at all times by collateral described in clauses (a) and/or (b) above and having a maturity of one year or less. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks (which may include the Trustee or any of its affiliates) whose short-term obligations are rated A-1+ by S&P and Prime 1 by Moody’s. The collateral must be held by a third party and the Bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit (including those that are placed by a third party pursuant to a separate agreement between the Authority and the Trustee), savings accounts, deposit accounts, time deposits, bank deposit products, trust funds, demand deposits, trust accounts, overnight bank deposits, interest-bearing deposits, interest-bearing money market accounts or money market deposits which are fully insured by FDIC (including those of the Trustee and its affiliates).

(g) Investment Agreements, including guaranteed investment contracts.

(h) Commercial paper rated, at the time of purchase, Prime 1 by Moody’s and A-1+ or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers’ acceptances (including those of the Trustee or any of its affiliates) with a maximum term of one year of any bank which has an unsecured, uninsured or unguaranteed obligation rating of Prime 1 or A3 or better by Moody’s and A-1+ or better by S&P.

(k) Repurchase or reverse repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the

Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date or dates.

(l) Pre-refunded municipal bonds rated Aaa by Moody's and AAA by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy the foregoing condition.

(m) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(n) Other forms of investments (including repurchase agreements) and constituting the general obligation of a provider whose unsecured long term obligations are rated A or higher by S&P.

Investment of Moneys. Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority two Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Authority determines. All Permitted Investments will be acquired subject to any restrictive instructions given to the Trustee pursuant the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. Moneys in all funds and accounts will be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Authority, the Trustee will hold any funds held by it under the Indenture uninvested.

The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee will sell or present for redemption any Permitted Investments so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee will not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

Ratings of permitted investments will be determined at the time of purchase of such permitted investments and without regard to ratings subcategories. The Authority has acknowledged that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the Authority has specifically waived compliance with 12 C.F.R. 12 and has notified the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

PARTICULAR COVENANTS

Punctual Payment. The Authority will punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or of the Improvement District Bonds or the time of payment of any claims for interest by the purchase of such Bonds or of the Improvement District Bonds or by any other arrangement, and in case the maturity of any of the Bonds or of the Improvement District Bonds or the time of payment of any such claims for interest are extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in the Indenture will be deemed to limit the right of the Authority to issue Bonds for the purpose

of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to the foregoing limitation, the Authority has expressly reserved the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and has reserved the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided therein. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of the Indenture) will at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts, in which complete and accurate entries are made of all transactions relating to the proceeds of the Bonds, the Revenues, the Improvement District Bonds and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the District, during regular business hours and upon reasonable prior notice and under reasonable circumstances as agreed to by the Trustee.

Waiver of Laws. The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time later in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws has been expressly waived by the Authority to the extent permitted by law.

Collection of Revenues. The Trustee will collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and will enforce and cause to be enforced all rights of the Trustee under and with respect to the Improvement District Bonds.

Disposition of Improvement District Bonds. The Trustee will not sell or otherwise dispose of the Improvement District Bonds, or any interest therein, unless either: (a) there has occurred and is continuing an Event of Default under the Indenture of which the Trustee has actual knowledge; or (b) the proceeds derived by the Trustee from such sale or other disposition are sufficient to enable the Trustee to redeem or defease all of the Outstanding Bonds in accordance with the terms of the Indenture. Absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the Authority will not sell or permit the sale of the Improvement District Bonds.

Amendment of Improvement District Bonds. Neither the Trustee nor the Authority will consent or agree to consent to any amendment or modification of any of the Resolutions of Issuance or the Improvement District Bonds, unless the Authority has obtained, and caused to be filed with the Trustee: (a) the report of an Independent Financial Consultant acceptable to the Trustee and the District stating that such amendment or modification will not cause a reduction in the amount of Revenues required to pay annual debt service on the Bonds and will not materially adversely impair the interests of the Bond Owners under the Indenture; and (b) an opinion of Bond Counsel acceptable to the Trustee and the District stating that such amendment or modification will not cause interest on the Bonds to be includable in gross income of the Bond Owners for federal income tax purposes and that such amendment or modification will not materially adversely affect the rights or interests of Bond Owners.

Tax Covenants Relating to Bonds. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the Bonds will not be adversely

affected for federal income tax purposes, the Authority has covenanted to comply with all applicable requirements of the Tax Code necessary to preserve such exclusion from gross income with respect to the Bonds and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Authority will take no action and refrain from taking any action, and the Authority will make no use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Tax Code;

(b) Arbitrage. The Authority will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, and the Authority will not take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code;

(c) Federal Guarantee. The Authority will make no use of the proceeds of the Bonds, and the Authority will not take or omit to take any action, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code;

(d) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Tax Code which is necessary to preserve the exclusion of interest on the Bonds pursuant to Section 103(a) of the Tax Code;

(e) Hedge Bonds. The Authority will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, and the Authority will not take any action or refrain from taking any action that would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Tax Code unless the Authority takes all necessary action to assure compliance with the requirements of Section 149(g) of the Tax Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. The Authority will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the Authority in connection with the issuance of the Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference in the Indenture.

The foregoing tax covenants are not applicable to, and nothing that is contained in the Indenture will be deemed to prevent the Authority from issuing revenue bonds or executing and delivering contracts that are payable on a parity with the Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Rebate Fund

(a) Establishment. The Trustee will establish a fund for the Bonds designated the “Rebate Fund” when required in accordance with the Indenture. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Authority will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Bonds will be governed by the Indenture and the Tax Certificate, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained in the Indenture or in the Tax Certificate, the Trustee: (i) will be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the Authority; (ii) has no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate and will not be deemed to have knowledge of the terms thereof; (iii) may rely conclusively on the Authority’s calculations and determinations and certifications relating to rebate matters; and (iv) has no responsibility to independently make any calculations or determinations or to review the Authority’s calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the Authority will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Tax Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Tax Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Tax Code (the “1½% Penalty”) has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The Authority will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the foregoing provision.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the Written Request of the Authority, an amount will be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the Authority in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund equals the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the Authority, the Trustee will withdraw the excess from the Rebate Fund and then credit the excess to the Revenue Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed by Written Request of the Authority, to the United States Treasury, out of amounts in the Rebate Fund: (A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) Not later than 60 days after the payment of all of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Tax Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provisions will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T (prepared by the Authority), or will be made in such other manner as provided under the Tax Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and the payments described in clause (a) above being made may be withdrawn by the Authority and utilized in any manner by the Authority.

(c) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance or payment in full of the Bonds.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided therein.

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Events of Default. The following events will be Events of Default:

(a) Failure to pay any installment of principal of any Bonds when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise;

(b) Failure to pay any installment of interest on any Bonds when and as the same becomes due and payable;

(c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof specifying such failure and requiring the same to be remedied has been given to the Authority by the Trustee or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority will thereafter diligently and in good faith cure such failure in a reasonable period of time, not to exceed 365 days from the date of the default notice sent by the Trustee or such Owners;

(d) The Authority files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or a court of competent jurisdiction approves a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property; and

(e) An event of default under any of the Resolutions of Issuance.

The Trustee will have no responsibility for making, or obligation to make, any determination that any such Event of Default has occurred by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Authority pursuant to the Indenture.

Remedies Under Improvement District Bonds. If any Event of Default occurs under clause (e) above or otherwise as a result of any event of default under any of the Resolutions of Issuance then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding may, upon notice in writing to the Authority, exercise any and all remedies available pursuant to law or granted with respect to the Improvement District Bonds.

Other Remedies of Bond Owners. Subject to the provisions of the Indenture, any Bond Owner will have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Bond Law;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an express trust.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner of the Bonds in any such proceeding, without the approval of the Owners of the Bonds so affected.

Application of Revenues and Other Funds After Default. If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of fees, charges and expenses of the Trustee (including fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) and, if the amount available is not sufficient to pay in full any installment or installments of principal maturing on the same date and interest due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

(c) Any remaining funds will be deposited in the Revenue Fund.

Trustee to Represent Bond Owners. The Trustee has been irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as will be deemed most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Resolutions of Issuance, the Bond Law or any other applicable law with respect to such Bonds, unless: (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission have been declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority. Nothing in the Indenture or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets therein pledged therefor and received by the

Authority or the Trustee, or affects or impairs the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Owners of the Bonds in the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given thereunder or now or later existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default will impair any such right or power or be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

THE TRUSTEE

Duties and Liabilities of Trustee.

(a) Duties of Trustee Generally. The Trustee has, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture, and no implied covenants or obligations will be read against the Trustee thereunder. The Trustee will, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) Removal of Trustee. The Authority may, and upon Written Request of the Authority will, upon 30 days' prior written notice, remove the Trustee at any time unless an Event of Default has occurred and then is continuing, and will remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee ceases to be eligible in accordance with the Indenture, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon the Authority will appoint a successor Trustee by an instrument in writing.

(c) Resignation of Trustee. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Authority, and to the Bond Owners notice of such resignation at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. The Trustee will not be relieved of its duties until such successor Trustee has accepted its appointment.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee will be qualified as provided in the Indenture. If no qualified successor Trustee has been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any Bond Owner (on behalf of such Bond Owner and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a

successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture will signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Authority will mail and carbon copy the Trustee, or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then maintains a rating on the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the Authority.

(e) Improvement District Bond Fiscal Agent To Act As Trustee Under Indenture. Notwithstanding anything in the Indenture to the contrary, so long as the Trustee is the owner of the Improvement District Bonds, no entity will be qualified to act as the Trustee (or to act as any successor Trustee) except the Improvement District Bond Fiscal Agent. Upon any resignation or removal of the Improvement District Bond Fiscal Agent in accordance with the Resolutions of Issuance for the Improvement District Bonds, such event will automatically cause the resignation or removal of the Trustee under the Indenture; and upon the appointment of a successor Improvement District Bond Fiscal Agent in accordance with the Bond Purchase Agreement, such appointment will automatically constitute the appointment of a successor Trustee under the Indenture. Under no circumstances may the Trustee be removed or resign under the Indenture unless the Improvement District Bond Fiscal Agent will be removed or resign as such under and pursuant to the Resolutions of Issuance for the Improvement District Bonds. The Trustee, as owner of the Improvement District Bonds, is not required to make any judgments or approvals or exercise any discretion in such capacity without the written direction of a majority in aggregate principal amount of the Owners of the Bonds.

In the event that the Trustee is no longer the owner of the Improvement District Bonds, the Trustee appointed under the provisions of the Indenture in succession to the Trustee will be a trust company or bank having the powers of a trust company, having a combined capital and surplus of at least \$75,000,000 or, in the event that the Trustee is part of a banking holding company system, the bank holding company must have a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state agency. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Trustee ceases to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it is a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such bank or trust company is eligible under the Indenture, will be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Rights of Trustee.

(a) The recitals of facts contained in the Indenture and in the Bonds will be taken as statements of the Authority, and the Trustee will not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or of the Bonds or incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations therein or in the Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture, and the Trustee will incur no responsibility in respect thereof. The Trustee is under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; or (ii) the application of the proceeds thereof (including Bond proceeds) paid to the Authority or others in accordance with the Indenture. The Trustee is not liable in connection with the performance of its duties under the Indenture, except for its own gross negligence or willful misconduct. The Trustee is not liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee represents the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made in good faith by a responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee will not be deemed to have knowledge of any default or Event of Default under the Indenture unless and until it has actual knowledge thereof, or has received written notice thereof, at the Office of Trustee. Except as otherwise provided in the Indenture, the Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee is not responsible for the validity or effectiveness of any collateral given to or held by it.

(f) No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of its right or powers. The Trustee has no obligation or liability to the Owners for the payment of interest or principal with respect to the Bonds.

(g) The Trustee is not bound to ascertain or inquire as to the validity or genuineness of any collateral given to or held by it. The Trustee is not responsible for the recording or filing of any document relating to the Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law to perfect the security interests in any collateral given or held by the Trustee in accordance with the provisions of the Indenture.

(h) The Trustee is not concerned with or accountable to anyone for the subsequent use or application of any moneys released or withdrawn in accordance with the provisions of the Indenture.

(i) The Trustee makes no representations or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or the use contemplated by the Authority or the District of the proceeds of the

Bonds. In no event will the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Indenture or the Bond Purchase Agreement.

(j) The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

(k) All immunities, indemnifications and releases from liability granted in the Indenture to the Trustee will extend to the directors, employees, officers and agents thereof.

(l) The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the provisions of the Indenture unless such Owners have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby.

(m) The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it thereunder either directly or by or through attorneys or agents, will not be liable for the acts or omissions of such attorneys or agents appointed with due care, and will be entitled to rely on advice of counsel concerning all matters of trust and its duty thereunder.

(n) The Trustee has responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(o) The Trustee is not required to determine the legality of any investments.

Right to Rely on Documents. The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds, facsimile transmission, electronic mail, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee need not investigate any fact or matter stated in the document. The Trustee may consult with counsel, who may be Authority Bond Counsel or other counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on any such opinion.

The Trustee will not be bound to recognize any Person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Authority, and such Written Certificate will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture will be retained in its possession and will be subject during business hours and upon 24 hours' notice to the inspection of the Authority, the District and their agents and representatives duly authorized in writing.

Compensation and Indemnification. The Authority will pay to the Trustee from time to time compensation for services rendered under the Indenture, and also all expenses, charges, legal and consulting fees and expenses and other disbursements and those of their attorney, agents, and employees, incurred in and about the performance of duties under the Indenture. To the extent permitted by law, the Authority has covenanted and agreed to indemnify the Trustee and its officers, directors, agents and employees against any loss, cost (including legal fees and expenses), suit, claim, damages, judgments, expense and liability arising out of or in the exercise and performance

of its power and duties under the Indenture which are not due to the Trustee's negligence or willful misconduct, including the costs and expenses of defending against any claim or liability. The Trustee may have separate counsel and the Authority will pay the fees and expenses of such counsel. None of the provisions contained in the Indenture require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The foregoing provisions will survive the termination of the Indenture and the earlier removal or resignation of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it in accordance with the Indenture.

Not Acting in Individual Capacity. In accepting the trusts created by the Indenture, the Trustee is acting solely as trustee thereunder and not in its individual capacity. The Trustee may execute any documents and perform any action indicating that it is executing such documents or performing such action as the Trustee and not in its individual capacity or words to the same effect, but failure to do so does not give rise to any presumption that the Trustee is acting or incurring liability in its individual capacity.

Force Majeure. The Trustee will not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Bonds, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Instructions. The Trustee has the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means. ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture). The Authority will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions will be deemed controlling. The Authority has understood and agreed that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The Authority has agreed: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions

provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

MODIFICATION OR AMENDMENT

Amendments Permitted. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which have been filed with the Trustee. No such modification or amendment may: (i) extend the fixed maturity of any Bonds, reduce the amount of principal thereof or extend the time of payment, without the consent of the Owner of each Bond so affected; (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment; or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners that Bond Owners approve the particular form of any supplemental Indenture, but it will be sufficient if such consent approves the substance thereof. Within 30 days after the execution by the Authority and the Trustee of any supplemental Indenture pursuant to the Indenture, the Trustee will mail a notice (the form of which will be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, does not, however, in any way impair or affect the validity of any such supplemental Indenture.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof) or to surrender any right or power reserved to or conferred upon the Authority in the Indenture;
- (b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;
- (c) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;
- (d) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and
- (e) in any other respect whatsoever as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture, in the opinion of Bond Counsel filed with the Authority and the Trustee.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by the foregoing clauses or the modification thereby of the trusts created by the Indenture, the Trustee is entitled to receive, and will be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental Indenture is authorized or permitted by the Indenture and complies with the terms thereof. The Trustee may, but is not obligated to, enter into any such supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Effect of Supplemental Indenture. Upon the execution of any supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all of the terms and conditions of any such supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation will be made on such Bonds. If the supplemental Indenture so provides, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds. The provisions of the Indenture do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Notice to S&P. The Authority has agreed to forward to S&P any amendments entered into pursuant to the Indenture.

DEFEASANCE

Discharge of Indenture. The Bonds may be paid in whole or in part by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority: (a) by paying or causing to be paid the principal of and interest on any or all of the Bonds, as and when the same become due and payable; (b) by depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity, money and/or Federal Securities in the necessary amount (as provided in the Indenture) to pay or redeem any or all of the Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, any or all of the Bonds then Outstanding.

If the Authority also pays or causes to be paid all other sums payable under the Indenture by the Authority including without limitation any compensation due and owing to the Trustee thereunder, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds have not been surrendered for payment, the Indenture and the pledge of Revenues and other assets made thereunder and all covenants, agreements and other obligations of the Authority thereunder will cease, terminate, become void and be completely discharged and satisfied, except for the Authority's obligations to compensate the Trustee. In such event, upon the Written Request of the Authority, and upon receipt of an opinion of Bond Counsel acceptable to the Trustee to the effect that all conditions precedent in the Indenture provided for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money and/or Federal Securities in the necessary amount (as provided the Indenture) to pay or redeem any or all Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the

Authority in respect of such Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money and/or securities in the necessary amount to pay Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) Lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or

(b) Non-callable Federal Securities the principal of, premium, if any, and interest on which when due, in the opinion or report of an independent accountant selected by the Authority, will provide money which, together with any money held pursuant to clause (a) above, will be sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid as such principal, premium and interest become due; provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such funds to the payment of such principal and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will be repaid to the Authority (without liability for interest) free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the Authority and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

MISCELLANEOUS

Liability of Authority Limited to Revenues. Notwithstanding anything contained in the Indenture or in the Bonds, neither the Authority nor any member thereof is required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Authority or the Trustee is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all of the covenants and agreements contained in the Indenture by or on behalf of the Authority or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and Bond Owners. Nothing in the Indenture or in the Bonds expressed or implied is intended or will be construed upon, or to give or grant to, any Person or entity, other than the Authority,

the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Bonds.

Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice is required to be given by mail, such requirement will be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, upon the Written Request of the Authority, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and deliver a certificate of such destruction to the Authority if so requested.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Bonds is for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability will not affect any other provision of the Indenture, and the Indenture will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The Authority has declared that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase thereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such Bond Owners in person or by an agent or agent duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, will be sufficient for any purpose of the Indenture and will be conclusive in favor of the Trustee and the Authority if made in the manner provided therein.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of registered Bonds will be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are actually known by the Trustee to be owned or held by or for the account of the Authority or the District, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Bonds are so owned or held, in which case no such Bonds will be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on

the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest and principal with respect to particular Bonds will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture, but without any liability for interest thereon.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts will at all times be maintained in accordance with corporate trust standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof.

Payment on Non-Business Days. In the event any payment is required to be made under the Indenture on a day which is not a Business Day, such payment will be made on the next succeeding Business Day.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority will be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Governing Laws. The Indenture will be governed by and construed in accordance with the laws of the State of California.

Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture will include: (a) a statement that the person making such certificate or opinion has read such covenant or condition; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of such person they have made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

DISTRICT RESOLUTIONS

Capitalized terms that are used in the below summary and not defined have the meanings that are set forth in the Indenture.

REGISTRATION OF BONDS

Any fully registered Improvement District Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the applicable District Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such fully registered Improvement District Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Fiscal Agent.

Whenever any fully registered Improvement District Bond or Bonds are surrendered for transfer, the Fiscal Agent will authenticate and deliver a new fully registered Improvement District Bond or Bonds of the same series and maturity, for the like aggregate principal amount of Improvement District Bond or Bonds surrendered.

Fully registered Improvement District Bonds may be exchanged at the designated corporate trust operations or agency office of the Fiscal Agent for a like aggregate principal amount of fully registered Improvement District Bonds of other authorized denominations of the same series and maturity.

The person, firm or corporation requesting the transfer or exchange will pay any tax or governmental charge that may be imposed in connection with the transfer or exchange.

REGISTRATION BOOKS

The Fiscal Agent will keep sufficient books for the registration and transfer of the Improvement District Bonds. The books will at all times be open to inspection by the District; and, upon presentation for such purpose, the Fiscal Agent will under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on the register, the Improvement District Bonds as provided in the District Resolutions.

CALL, REDEMPTION, AND REDEMPTION FUND

Optional Redemption. The Improvement District Bonds will be subject to call and redemption prior to maturity at the same time and terms as the Bonds. If less than all the Improvement District Bonds are to be redeemed at one time, the B Improvement District Bonds that will be subject to optional redemption will be selected by the District as proportionally as possible.

Mandatory Sinking Fund Redemption. The Improvement District Bonds are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount to be redeemed, without premium, plus accrued interest to the date of redemption as designated by the Underwriter and approved in writing by the General Manager, any Deputy General Manager, the Chief Financial Officer, the President or the Vice President of the District of the District (the "Authorized Officers").

Notice. Notice of redemption prior to maturity will be given by first class mailing, postage prepaid not less than 20 nor more than 60 days prior to the redemption date: (i) to the Authority, or if the Improvement District Bonds to be redeemed are not owned by the Authority, then to the registered owner of each such Improvement District Bond at the address shown on the registration books of the Fiscal Agent; and (ii) to the Securities Depositories as defined in the Indenture. Neither the failure to mail the notice nor any defect in any notice mailed will affect the sufficiency of the proceedings for the redemption of any Improvement District Bonds. The notice of redemption will: (a) state the redemption date; (b) state the redemption price; (c) state the principal amount of the Bonds to be redeemed; (d) state that interest on the principal portion of the Bonds designated for redemption will cease to accrue from and after the redemption date and that on the redemption date there will become due and payable on each of such Improvement District Bonds the redemption price for each Improvement District Bond; and (e) state that the redemption of the Improvement District Bonds is subject to and conditioned upon there being on deposit with the Fiscal Agent on the redemption date, moneys sufficient to redeem the portion of the Improvement District Bonds as set forth in the notice.

The actual receipt by the owner of any Improvement District Bond of notice of redemption will not be a condition precedent to redemption, and failure to receive notice will not affect the validity of the proceedings for the redemption of the Improvement District Bonds or the cessation of interest on the redemption date.

A certificate of an officer of the District that notice of redemption has been given in accordance with the applicable District Resolution will be conclusive as against all parties, and no Improvement District Bondholder whose Improvement District Bond is called for redemption may object to the redemption or the cessation of interest on the redemption date by claiming or showing that such Improvement District Bondholder failed to receive actual notice of call and redemption.

Upon surrender of any Improvement District Bond redeemed in part only, the District will execute and the Fiscal Agent will authenticate and deliver to the registered owner, at the expense of the District, a new Improvement District Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Improvement District Bond surrendered and of the same interest rate and same maturity. A partial redemption

will be valid upon payment of the amount required to be paid to the registered owner, and the District and the Fiscal Agent will be released and discharged from all liability to the extent of such payment.

Notice of redemption having been duly given as provided above, and moneys for payment of the principal of, premium, if any, and interest payable upon redemption of the Improvement District Bonds being set aside as provided above, the Improvement District Bonds, or parts thereof, called for redemption will, on the redemption date, become due and payable at the redemption price specified in the notice. Interest on the Bonds, or parts thereof, as the case may be, called for redemption will cease to accrue. The Improvement District Bonds, or parts thereof redeemed, will cease to be entitled to any lien, benefit or security under the District Resolutions, and the owners of the Improvement District Bonds will have no rights except to receive payment of the redemption price, and, in the case of partial redemption of Improvement District Bonds, also to receive a new Improvement District Bond or Bonds for the unredeemed balance as provided above.

Redemption Fund. The Fiscal Agent will establish, maintain and hold in trust separate funds which have been created for the purpose of each District Resolution entitled "Redemption Fund." The District will pay to the Fiscal Agent moneys for the purpose of and sufficient to redeem, at the premiums, if any, payable as provided in the applicable District Resolution, the Improvement District Bonds designated in the notice of redemption. The moneys set aside in the Redemption Fund for the redemption of the Improvement District Bonds will be paid to the Trustee, by 10:00 a.m. California time on the date of the redemption if the Improvement District Bonds to be redeemed are held by the Authority, or to the registered owner thereof, to be applied on or after the redemption date to the payment (principal and premium, if any) of the Improvement District Bonds to be redeemed upon presentation and surrender of the Improvement District Bonds.

Private Sale. Notwithstanding any other provision of the District Resolutions, if the entire water and wastewater system of the District is sold (or otherwise transferred) to a non-governmental entity in a trade or business, the District will take all necessary action to promptly defease the Improvement District Bonds.

CONSTRUCTION FUND

The Fiscal Agent will create special fund to be held in trust under each District Resolution entitled "Construction Fund." Money in the accounts in the Construction Fund will be used to pay: (A) any payments that may be due to the federal government with respect to the Bonds or the Improvement District Bonds; and (B) debt service on the Improvement District Bonds. The Fiscal Agent will pay money out of the Construction Fund upon the Written Request of the District in the form attached to each District Resolution.

BOND FUND; SECURITY FOR THE BONDS

The Fiscal Agent will create a special fund designated entitled "Bond Fund." The Bonds and the interest thereon will be paid from moneys received from annual ad valorem taxes to be levied and collected only from the taxable property within the Improvement District, except to the extent that provision has otherwise been made by the Board, and all taxable property in the Improvement District will be and remain liable to be assessed for the payment of the principal of and interest on the Bonds. The District has covenanted that it will levy ad valorem taxes without limit as to rate or amount on taxable property only (but only within the boundaries of the Improvement District), to the extent that it does not have available money from any other source, in amounts sufficient and at the times necessary to provide money for the payment of the principal and interest on the Bonds as the same become due. As additional security for the Bond owners: (a) there has been established a lien on the following funds received from or attributable to the Improvement District to the extent that said funds are received by the District for the payment of the principal of and the interest on the Bonds: (i) proceeds from the foreclosure of property to the extent necessary to pay delinquent ad valorem taxes; (ii) investment earnings, if any, on foreclosure proceeds and ad valorem tax proceeds collected by the District; and (b) in the event that sufficient funds are not available to pay the principal of and interest on the Bonds from ad valorem taxes, the District will pay such amounts from any legally available money of the District, including cash reserves and water and sewer revenues of the District available after the payment of: (i) maintenance and operation costs of the District's water and sewer system; and (ii) debt service and other contractual obligations of the District which are secured by a pledge and lien on such water and sewer revenues. Moneys raised by the District for the purpose of paying the principal and interest on the Bonds will be paid to the Fiscal Agent not less than three Business Days after receipt by the District, and the Fiscal Agent will

transfer from the Bond Fund to the Trustee not less than five Business Days prior to each Interest Payment Date as payment of the interest on and principal of the Bonds, as the case may be, the amount coming due on such Interest Payment Date. A "Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are closed.

DEFEASANCE

Subsequent to the payment of all amounts owed to the municipal bond insurer of the Bonds, if any, under the terms of any municipal bond insurance policy or surety bond pertaining thereto, if the District pays and discharges the indebtedness on all or any portion of the Improvement District Bonds outstanding in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of (including redemption premiums, if any) and interest on all or any portion of the Improvement District Bonds outstanding, as and when the same become due and payable; or

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the applicable Bond Fund, is fully sufficient to pay or redeem any portion of the Improvement District Bonds outstanding, including all principal, interest and redemption premiums, if any; or

(c) by delivering to the Fiscal Agent, for cancellation by it, all or any portion of the Improvement District Bonds outstanding; or

(d) by depositing with the Fiscal Agent, in trust, Federal Securities in such amount as an independent certified public accountant determines will, together with the income or interest to accrue thereon and any other moneys of the District made available for such purpose, be fully sufficient to pay and discharge the indebtedness on all or any portion of the Improvement District Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if the District will also pay or cause to be paid all other sums payable under the applicable District Resolution by the District, then and in that case, at the election of the District (evidenced by a resolution of the District signifying its intention to pay and discharge all such indebtedness, and signifying that all obligations of the District under the applicable District Resolution will cease and terminate, which will be filed with the Fiscal Agent), and notwithstanding that any Improvement District Bonds have not been surrendered for payment, all obligations of the District under the applicable District Resolution relating to the Bonds to be paid will cease, terminate and be completely discharged, and the owners of the Improvement District Bonds not so surrendered and paid will thereafter be entitled to payment only out of the money or Federal Securities deposited with the Fiscal Agent.

The District may at any time surrender to the Fiscal Agent for cancellation by it any Improvement District Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever; and such Improvement District Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

TAX COVENANTS RELATING TO THE IMPROVEMENT DISTRICT BONDS AND THE BONDS

Notwithstanding any other provision of the District Resolutions, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Improvement District Bonds will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Tax Code necessary to preserve such exclusion from gross income, and the District has specifically covenanted, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action and refrain from taking any action, and the District will make no use of the proceeds of the Bonds or of any other moneys or property, which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Tax Code;

(b) Arbitrage. The District will make no use of the proceeds of the Improvement District Bonds or of any other amounts or property, regardless of the source, and the District will not take any action or refrain from

taking any action, which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the Improvement District Bonds, and the District will not or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Tax Code which is necessary to preserve the exclusion of interest on the Bonds pursuant to Section 103(a) of the Tax Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the Improvement District Bonds or any other amounts or property, regardless of the source, and the District will not take any action or refrain from taking any action that would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Tax Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Tax Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference in the District Resolutions.

REBATE FUND

The Fiscal Agent will create special funds to be held in trust under each District Resolution designated “Rebate Fund” when required in accordance with the applicable District Resolution.

(a) General. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the District will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the applicable District Resolution and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Fiscal Agent in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund will be governed by the applicable District Resolution and the Tax Certificate, unless and to the extent that the District delivers to the Fiscal Agent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained in the District Resolutions or in the Tax Certificate, the Fiscal Agent: (i) will be deemed conclusively to have complied with the provisions thereof if it follows all written requests of the District; (ii) will have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate; (iii) may rely conclusively on the District’s calculations and determinations and certifications relating to rebate matters; and (iv) will have no responsibility to independently make any calculations or determinations or to review the District’s calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the District will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Tax Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Tax Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Tax Code (the “1½% Penalty”) has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The District will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the written request of the District, an amount will be deposited to the Rebate Fund by the Fiscal Agent from any *ad valorem* taxes levied and collected from the taxable property within the Improvement District and legally available for such purpose (as specified by the District in the aforesaid written request), if and to the extent required so that the balance in the Rebate Fund equals the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written request of the District, the Fiscal Agent will withdraw the excess from the Rebate Fund and then credit the excess to the Bond Fund.

(iii) Payment to the Treasury. The Fiscal Agent will pay, as directed by written request of the District, to the United States Treasury, out of amounts in the Rebate Fund: (A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) Not later than 60 days after the payment of all of the Improvement District Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Tax Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T (prepared by the District), or will be made in such other manner as provided under the Tax Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Improvement District Bonds and the payments described in clause (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in the District Resolutions to the contrary, the obligation to comply with the Rebate Fund requirements of the District Resolutions will survive the defeasance or payment in full of the Improvement District Bonds.

INVESTMENT OF FUNDS

Except as otherwise provided in the District Resolutions, all moneys in the Bond Funds and the Construction Funds will be invested by the Fiscal Agent in investments authorized pursuant to the laws of the State of California for the investment of District money ("Permitted Investments"), as directed in writing by the District at least two Business Days prior to the making of such investment, provided, however, that, if the District does not file such a request with the Fiscal Agent, such moneys will be held uninvested. Permitted Investments may be purchased at such prices as the District determines. All Permitted Investments will be acquired subject to any restrictive instructions given to the Fiscal Agent pursuant to the District Resolutions and such additional limitations or requirements consistent with the foregoing as may be established by the written request of the District.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment. Upon the written request of the District, the Fiscal Agent will sell or present for redemption any Permitted Investments so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Fiscal Agent will not be liable or responsible for any loss resulting from any investment made or sold pursuant to the District Resolutions. For purposes of investment, the Fiscal Agent may commingle moneys in any of the funds and accounts established under the District Resolutions.

The Fiscal Agent has no obligation to invest and reinvest any cash held by it under the District Resolutions in the absence of timely and specific written investment direction from the District. The Fiscal Agent may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may

charge its ordinary and customary fees for such trades, including investment maintenance fees. The Fiscal Agent may rely on the investment directions of the District as to both the suitability and legality of the directed investments. The District has acknowledged that regulations of the Comptroller of the Currency grant the District the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the District has specifically waived compliance with 12 C.F.R. 12 and has notified the Fiscal Agent that no brokerage confirmations need be sent relating to the security transactions as they occur.

Moneys in the Bond Funds will be invested and reinvested in Permitted Investments that mature by their terms prior to the date on which such invested amounts, together with other moneys held in such fund and available for such purpose, are required to be paid in respect of principal of or interest on the Improvement District Bonds on any payment date.

Moneys in the Rebate Fund will be invested in Permitted Investments which mature before the date such amounts are required to be paid to the United States.

Obligations purchased as an investment of moneys in any of the funds or accounts will be deemed at all times to be a part of such respective fund or account and, except as specifically otherwise provided, the interest accruing thereon and any gain realized from an investment will be credited to such fund or account and any loss resulting from any authorized investment will be charged to such fund or account without liability to the District or the members and officers thereof. The investment constituting a part of the fund or account will be valued at the lower of cost or the then estimated or appraised market value of the investment, provided, however, that investments in the Bond Funds will be valued at the cost thereof.

In determining the market value of investments in funds that it is holding pursuant to the terms of the District Resolutions, the Fiscal Agent may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

THE FISCAL AGENT AND TRUSTEE

U.S. Bank National Association has been appointed Fiscal Agent for the District for the purpose of receiving all moneys which the District is required to deposit with the Fiscal Agent under the District Resolutions and to allocate, use and apply the same as provided therein. The District has agreed that it will maintain a Fiscal Agent having a corporate trust office in Los Angeles, California, so long as any Improvement District Bonds are Outstanding.

The District may remove the Fiscal Agent initially appointed, and any successor thereto, upon 30 days' prior written notice, and may appoint a successor or successors thereto; provided that any such successor will be a bank or trust company having (or is included in a bank holding company system having) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company (or bank holding company, as the case may be) publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the District Resolutions the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Bond Owners notice by mail of such resignation. Upon receiving such notice of resignation, the District may promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent. If the District does not appoint a successor Fiscal Agent within 45 days of the Fiscal Agent's delivery of its notice of resignation, the Fiscal Agent may petition a court of competent jurisdiction for the appointment of a successor.

The Fiscal Agent has been authorized to pay the interest on the Improvement District Bonds and to redeem the Improvement District Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Improvement District Bonds upon payment thereof and return the same so cancelled to the District.

The recitals of facts, covenants and agreements in the District Resolutions and in the Improvement District Bonds contained will be taken as statements, covenants and agreements of the District, and the Fiscal Agent does not assume any responsibility for the correctness of the same or make any representation as to the validity or sufficiency of the District Resolutions or of the Improvement District Bonds, nor will the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the District Resolutions or in the Improvement District Bonds assigned to or imposed upon it. The Fiscal Agent will not be liable in connection with the performance of its duties under the District Resolutions, except for its own negligence or willful misconduct.

The Fiscal Agent will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered under the District Resolutions in good faith and in accordance therewith.

The Fiscal Agent is not bound to recognize any person as the Improvement District Bond Owner unless and until such Improvement District Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the District Resolutions the Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed in the District Resolutions) may, in the absence of bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a Certificate of the District and such Written Certificate will be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the District Resolutions upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent has undertaken to perform such duties, and only such duties, as have been specifically set forth in the District Resolutions, and no implied covenants or obligations will be read into the District Resolutions against the Fiscal Agent.

Any company into which the Fiscal Agency may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company is eligible under the District Resolutions, will be the successor to such Fiscal Agent without the execution or filing of any payer or any further act, anything in the District Resolutions to the contrary notwithstanding.

The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Improvement District Bonds. Except as provided the District Resolutions, the Fiscal Agent will be protected and will incur no liability in acting or preceding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the District Resolutions upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit or other paper or document which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the District Resolutions, and the Fiscal Agent is not under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent is not liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it is proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of the District Resolutions requires the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of any of its rights or powers.

The Fiscal Agent is not responsible for accounting for, or paying to, any party, including, but not limited to the Authority and the Improvement District Bond Owners, any returns on or benefit from funds held for payment of unredeemed Improvement District Bonds or outstanding checks; and no calculation of the same will affect, or result in any offset against, fees due to the Fiscal Agent under the District Resolutions.

The Fiscal Agent is under no obligation to exercise any of the rights or powers vested in it by the District Resolutions at the request or direction of any of the Improvement District Bond Owners pursuant to the District Resolutions unless such Improvement District Bond Owners have offered to the Fiscal Agent security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Improvement District Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent will keep proper books of record and account in accordance with trust accounting standards in which complete and correct entries are made of all transactions relating to the receipt, investment, disbursement, allocation and application of the funds under the District Resolutions. Such records will be open to inspection by the District and by any Owner at any reasonable time during regular business hours or reasonable notice. Not later than the fifteenth day of each month the Fiscal Agent will furnish to the District and to any Owner of at least \$1,000,000 in aggregate principal amount of the Improvement District Bonds who may so reasonably request (at the expense of such Owner) a complete statement covering the receipts, deposits and disbursements of the funds held by the Fiscal Agent under the District Resolutions for the preceding month.

The District will pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under the District Resolutions, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the District Resolutions; and the Fiscal Agent will have a lien therefor on any funds at any time held by it under the District Resolutions. The District has further agreed, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any costs, expenses (including legal fees and expenses), claims, judgments, damages, suits or liabilities which it may incur in the exercise and performance of its powers and duties under the District Resolutions which are not due to its negligence or willful misconduct. The foregoing obligations of the District will survive resignation or removal of the Fiscal Agent under the District Resolutions and payment of the Improvement District Bonds and discharge of the District Resolutions.

With respect to the Indenture, the District has covenanted and agreed, to the extent permitted by applicable law, to indemnify the Trustee against any loss, expense, and liability arising out of or in exercise and performance of its powers under the Indenture which are not due to the Trustee's negligence or willful misconduct, including the costs and expenses of defending against any claim, or liability. The District will defend the claims and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the District will pay the fees and expenses of such counsel.

CONTINUING DISCLOSURE

The District has agreed that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate referred to in the District Resolutions. Notwithstanding any other provision of the District Resolutions, failure of the District to comply with its obligations under the Continuing Disclosure Certificate will not be considered an event of default under the District Resolutions, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Certificate, will be an action to compel performance by any Beneficial Owner. For purposes of the foregoing, "Beneficial Owners" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Improvement District Bonds (including persons holding Improvement District Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Improvement District Bonds for federal income tax purposes.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Eastern Municipal Water District (the “District”) in connection with the issuance by the Eastern Municipal Water District Financing Authority (the “Authority”) of its \$22,355,000 Eastern Municipal Water District Financing Authority Refunding Revenue Bonds, Series 2021 (Eastern Municipal Water District Improvement Districts General Obligation Refunding Bonds) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2021 (the “Indenture”), by and between U.S. Bank National Association, as trustee, and the Authority. The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated December 7, 2021 relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The District shall provide not later than each February 1 following the end of its Fiscal Year to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate (except for the first Annual Report due February 1, 2022, which will consist solely of this Official Statement). Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The Comprehensive Annual Financial Report of the District for the prior Fiscal Year, which shall include audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Disclosure Report and audited financial statements will be provided when and if available; and

(b) To the extent not contained in the Comprehensive Annual Financial Report, updated financial information and operating data in substantially the form contained in the Official Statement, as follows:

(i) The principal amount of Bonds outstanding as of the September 2 preceding the Annual Report Date;

(ii) the assessed valuation of the taxable property within Improvement District Nos. 15, 18, 22, 24, U-2, U-4, U-5, U-6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 and U-36 for the then current Fiscal Year; and

(iii) the tax collections and delinquencies within Improvement District Nos. 15, 18, 22, 24, U-2, U-4, U-5, U-6, U-8, U-9, U-10, U-12, U-14, U-18, U-21, U-22, U-35 and U-36 for the completed Fiscal Year preceding the filing of the Annual Report.

Any or all of the items listed above may be included by specific reference to other documents, including Official Statements of debt issues of the District or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final Official Statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the District shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person; and
10. default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond Holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a Financial Obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

7. Termination of Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% in aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 17, 2021

EASTERN MUNICIPAL WATER DISTRICT

By: _____
Its: General Manager

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

BOOK ENTRY-ONLY PROVISIONS

The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that the District and the Authority believe to be reliable, but none of the District, the Authority or the Underwriter take any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Authority or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bond by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

