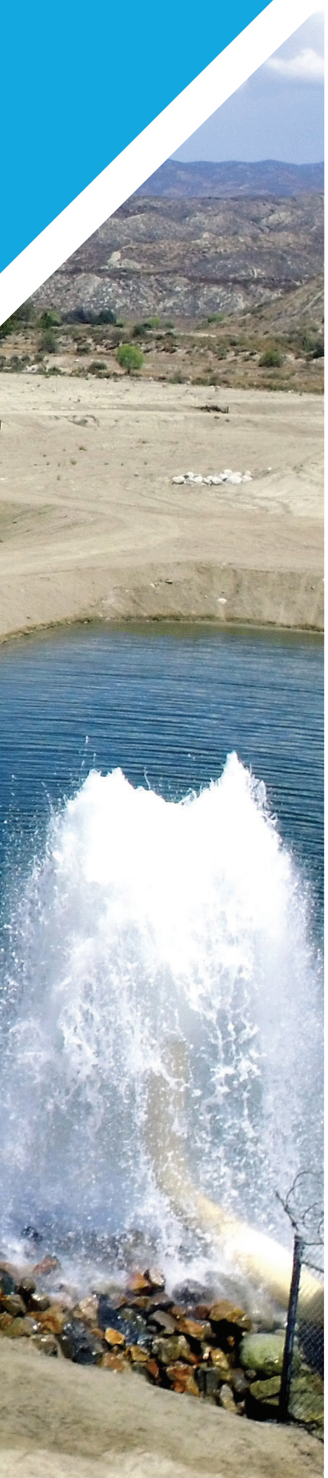
emwd EASTERN MUNICIPAL WATER DISTRICT

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2020

Perris, California



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Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2020

emwd

Prepared by the

Eastern Municipal Water District
Finance Department

2270 Trumble Road
Perris, CA 92570

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Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2020

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November 12, 2020

Board of Directors
Eastern Municipal Water District

We are pleased to present the Eastern Municipal Water District's (District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. 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.

Davis Farr 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, 2020. 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
Ronald W. Sullivan, *President* Philip E. Paule, *Vice President* Stephen J. Corona Randy A. Record David J. Slawson

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Profile of the District

The Eastern Municipal Water District (District) was incorporated in 1950 under the Municipal Water District Act of 1911 and the provisions of the California Water Code. The District's 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 555 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 $85.0 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 850 thousand or 34 percent, including the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, Moreno Valley, Perris, Canyon Lake, Wildomar and unincorporated areas in Riverside County. A map of the service area is on page 19 of this report.

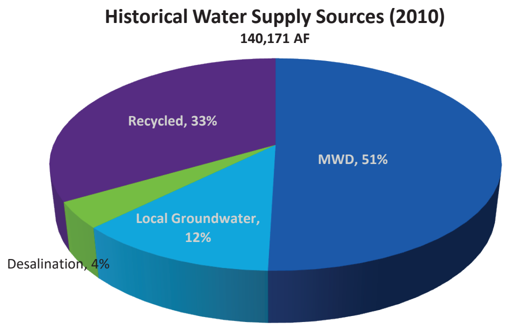
The mission of the District is to deliver value to its customers and the communities it serves by providing safe, reliable, economical, and environmentally sustainable water, wastewater, and recycled water services. The District provides three primary products and services: potable water, wastewater collection and treatment and recycled water.

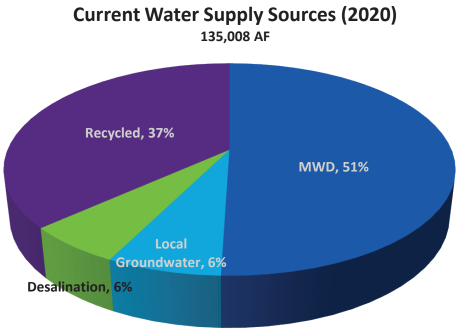
The District's approximately 610 employees are responsible for providing excellent customer service driven by standards to provide safe, reliable, economical, and environmentally friendly services.

Water Supply and Reliability

The District's total water supply includes 12 percent local groundwater, 51 percent imported water and 37 percent recycled water. The sole source of the District's imported water is MWD.

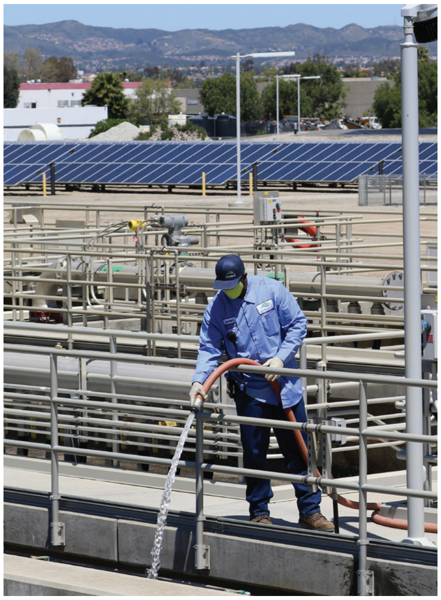
The District has made significant efforts to provide a safe and reliable supply of water and diversify the sources of water. In 2010, the District received 51 percent of its water through purchases from MWD, which in turn obtains its water supply from two primary imported sources: the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. Other sources of water supply in 2010 were 33 percent recycled water and 16 percent local groundwater and desalination. In 2020, the District entered into a cyclic purchase agreement with MWD, whereby the District would purchase additional treated water in lieu of well production. The 4,337-acre feet cyclic purchase resulted in a credit from MWD of $975 thousand, which lowered the treated purchase cost.





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 69 million gallons per day (MGD) of wastewater and serve approximately 850 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 1,868 miles of pipeline and 48 active lift stations.



The District currently generates approximately 45 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 2020, approximately 29,191-acre feet or 58.9 percent of recycled water produced was sold to customers. This was lower than anticipated due to the unusually heavy rainfall amounts in the first quarter of the calendar year 2020.

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 comprises 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 2019, the Inland Empire's job growth of 2.0 percent exceeded the national and state rates of 1.4 percent and 1.8 percent, respectively. This growth rate also surpassed Los Angeles metro area's 1.3 percent and Orange County's 1.2 percent and matches San Diego County's 2.0 percent. This is partially driven by the more affordable housing compared to surrounding areas. Unemployment was previously forecasted to stay low at 4.2 percent and had averaged about 4 percent; however, the Coronavirus (COVID-19) pandemic caused a spike of 15.1 percent unemployment in May 2020. This rate is consistent with the national unemployment increase due to the pandemic. Restaurants, entertainment, and retail are sectors among others whose unemployment rates were most affected by the pandemic.

The Inland Empire is an affordable housing alternative to the higher priced homes in the coastal regions of Southern California and is expected to continue as the fastest growing part of Southern California over the next few years due to homes having more space and being more affordable. The region has continued to see a steady increase in real estate prices due to low inventory of houses for sale and increasing demand resulting from higher income and migration to the region. The median price of homes in the region was $471 thousand, an increase of 11.0 percent in one year compared to $971 thousand in Los Angeles and Orange Counties with an increase of 14.0 percent in one year. The Inland Empire had 8,530 total listings, a decrease of 47.0 percent in one year compared to 17,355 total listings in Los Angeles and Orange Counties, with a decrease of 26.0 percent. New escrows in the Inland Empire have increased by 5.5 percent in one year compared to a 3.8 percent increase in Los Angeles and Orange Counties. Non-residential construction, which was depressed from 2009 to 2012, bounced back in 2013 with an increase of new investment in the retail and industrial sectors with several large infrastructure projects and notable growth in the warehousing sector. Permitting for industrial space grew the most in Riverside County, increasing 365 percent year to date through the second quarter of 2017. During the first three quarters of 2018, the total value of building permits increased 20.5 percent. Non-residential construction for 2020 is projected to be 11.8 percent lower than 2019 with the biggest decrease in commercial buildings.

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 COVID-19. 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. The construction sector had a strong year in 2017 and continued to grow in 2018 due to strong demand for housing and other construction activities including building of roadways, other transportation projects and massive e-commerce centers. Most e-commerce centers in Southern California are built in the Inland Empire, including Amazon's 10 e-commerce centers with two more to build.

Riverside County's property assessment roll for the fiscal year 2019 exceeded the record set in fiscal year 2008 with a value of $286 billion, a 6.3 percent increase over fiscal year 2018. The amount for 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.

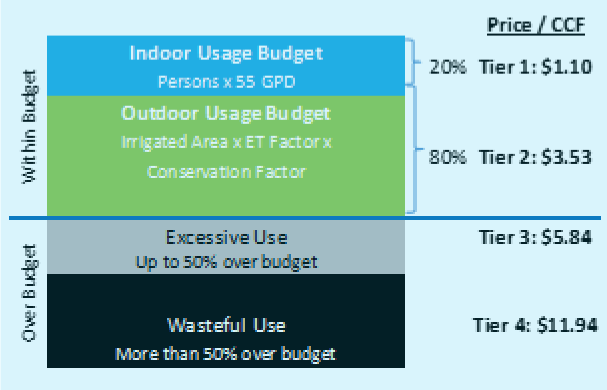
The District's property assessment roll for its service areas increased $5.1 billion or 6.7 percent in fiscal year 2020. The District's service area includes the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, Moreno Valley, Perris, Canyon Lake, and Wildomar as well as unincorporated areas in Riverside County. The largest growth among the District's incorporated service area is in the cities of Perris, 9.9 percent; Moreno Valley, 8.8 percent; and Menifee, 8.4 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, San Diego International Airport, and the Port of San Diego. Additionally, the March Air Reserve Base (MARB), 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.

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 District's 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 District's 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 District's water supply sources such as groundwater, treated groundwater and imported water. All residential customers are billed at the low volume, 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 the new 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 in 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

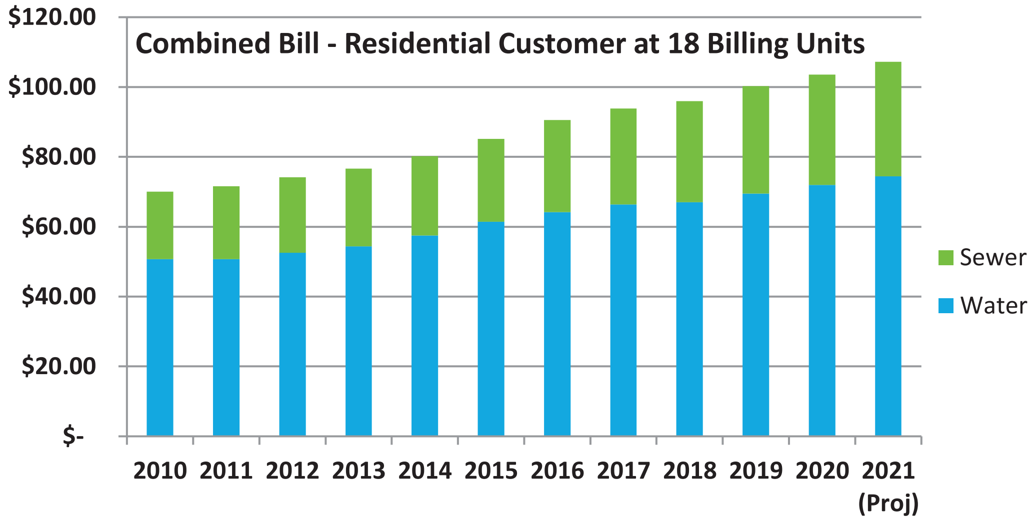
District's ongoing capital projects and the water use or commodity rates charged for each unit of water used (tiered rate). The impact to a typical water bill is approximately $2.45 per month in 2020 and $2.46 in 2021.

Effective January 1, 2020, 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 District's four water reclamation facilities and meeting regulatory and environmental requirements. The impact to a typical sewer bill is approximately $.91 per month in 2020 and $1.22 per month in 2021.

The District's 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. The new 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.

The District offers a wide range of free and low-cost programs for its residential customers, including partnering with the Metropolitan Water District of Southern California (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.

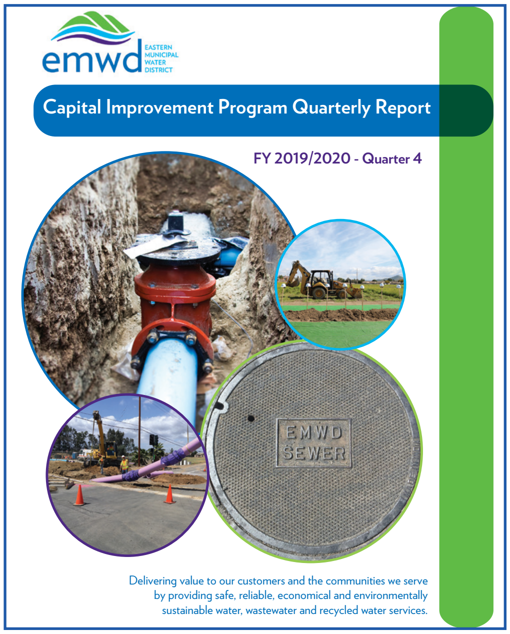
The District is also working with government agencies and the business community to develop long-term sustainable approaches to see the benefits that the average residential customers may realize. It is partnering with the cities it serves in introducing a landscape transformation program, promoting investments in climate appropriate landscaping in commercial, industrial, and instructional 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.

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 achieves 100 percent beneficial reuse. Its recycled water system receives and treats more than 45 million gallons of wastewater each day at its four operating regional treatment plants. About 75 percent of the District's production is sold to agricultural irrigation, landscaping, and industrial customers. It also serves several schools, parks, cities, and county streetscaping, HOA landscape areas, golf courses, wetlands habitat areas and industrial cooling towers. The District has the ability to store more than two 2 billion gallons of recycled water. With significant urban development, it is prepared to manage the increase in recycled water production and is securing the regions' water future through Water Banking and its groundwater reliability efforts.

Financial Planning

The Board approves a biennial budget as a management tool. 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 comparison reports of budget to actual are prepared, and quarterly budget-to-actual results by system are provided to and discussed with the Board, along with financial position and other key performance information.

The District prepares a five-year financial plan to anticipate funding needs, reserve levels, and expected impacts to rates. A key component to the plan is the District's Capital Improvement Plan (CIP), which calls for total expenses for water, sewer, and recycled water facilities of approximately $449.8 million for the period from 2021 through 2025. The CIP is expected to be financed through a combination of property taxes, developer connection fees, rates, and 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.



As many public agencies have faced difficult financial realities due to the ongoing pandemic and economic downturn, the District was recently reaffirmed as a model of financial stability by the major rating agencies.

In September 2020, the District was reaffirmed as an Aa2 agency by Moody's Investor Services for its subordinate revenue bonds and is also the holder of a AAA rating for its parity revenue bonds by Standard and Poor's, 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 its high rating with Moody's, Standard and Poor's and Fitch rating agencies.

This strong financial standing has benefited ratepayers. A recent study by the University of California, Riverside (UCR) has shown 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 recently cited for 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.

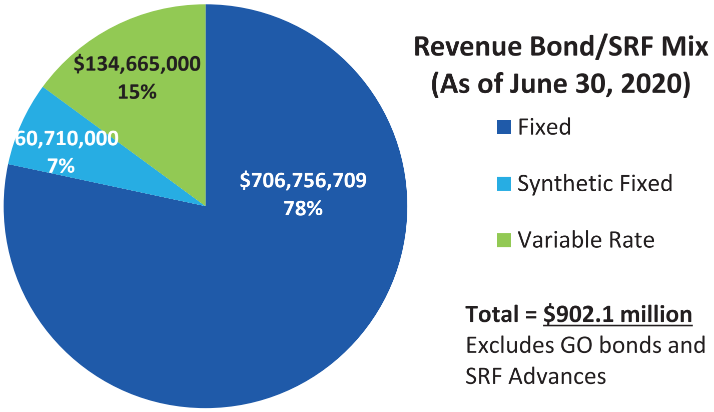
Other steps taken by the District to ensure a more sustainable financial future includes the aggressive pursuit of external funding opportunities; shared financial responsibility between the District and its employees, for current and post-employment benefits and commitment to funding policies regarding fully funding the Other Post-Employment Benefit (OPEB) and pension obligations over an appropriate period of time.

Accounting Systems

The Finance Department is responsible for providing the financial services for the District, including financial accounting and reporting, payroll, and 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.

Debt Administration

The District actively manages its debt portfolio and seeks to minimize its total debt costs. This goal is achieved by issuing both fixed and variable rate debt to fund its capital projects. 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, 2020, the District's total revenue bonds and SRF loans outstanding was $902.1 million of which 78 percent were fixed interest rate, 15 percent were variable interest rate and 7 percent were synthetically fixed through Swap agreements with Wells Fargo Bank, for an overall weighted average cost of funds of 2.14 percent.



The District's parity revenue bond debt has been assigned AAA, Aa1, and AA+ ratings and the subordinate refunding revenue bonds have been assigned ratings of AA+, Aa2, and AA+ from Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Rating's Services, respectively. More information about the District's long-term debt and other non-current liabilities is presented in Note 4 to the Financial Statements.

Reserve Policy

The District adopted a reserve policy, which states the purpose, source, and funding limits for each of its designated reserves within its four main funds: operating, construction, debt service, and trust. The reserves are essential for maintaining liquidity in the marketplace, which enables the District to access the lowest cost-of-capital borrowing opportunities.

Administrative Code and Investment Policy

In 2013, the Board of Directors adopted an Administrative Code, which incorporates various policies and administrative duties. The District previously adopted an Investment Policy, which was incorporated into the Administrative Code. 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.

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.

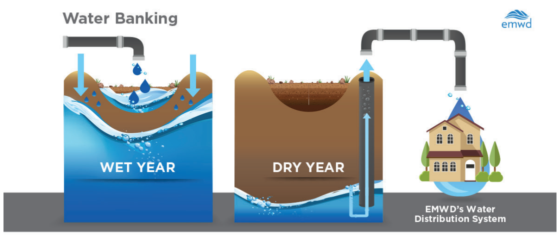
Major Initiatives

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



In dry years, banked water from wet years would be used to meet water demands.

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.

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 (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 March 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 design phase.

Temecula Valley Regional Water Reclamation Facility Expansion

In June 2019, the District substantially completed construction of the 5 million gallon per day (MGD) wastewater treatment capacity expansion project at its Temecula Valley Regional Water Reclamation Facility (TVRWRF), located in the central commercial area of Temecula. The expansion project increased the total capacity of the wastewater treatment plant to 25 MGD. The increased capacity, which was needed to accommodate growth in the region, included the new primary, secondary, tertiary, solids handling and effluent pumping facilities and storage.

The District received $95.3 million in funding from the State Water Resources Control Board to partly fund the $120 million Recycled Water Optimization Project. The funding included a $15 million Proposition 1 grant and an $80.3 million State Revolving Fund Loan, with an estimated principal amount due of $64.1 million at the end construction. The optimization project, which expanded the District's recycled water portfolio, included the Temecula Valley Regional Water Reclamation Facility, with final work expected to be completed in December 2020.

Sound Planning and Appropriate Investment

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.

Solar power generation systems are installed at the Perris, Moreno Valley, Temecula, San Jacinto, and Sun City facilities. These facilities benefit from an average of 30 percent of its energy usage provided through the solar power generation systems that produce an average of 1,000 kW of power at each site. These solar systems are anticipated to save ratepayers over $1.0 million over the life of the systems.

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.

Automated Metering Infrastructure

The District's Automated Meter Infrastructure (AMI) project, a multi-year project completed in May 2019, replaced approximately 158,500 water meters with automated (smart) meters. These smart meters improved customer service options and saves on labor costs while minimizing water loss. AMI technology provides a remote data link between the meters and the District for real time monitoring and allows hand free meter reading for more efficient water reads, eliminating the need to manually read meters each month, resulting in a reduction in mileage driven by District fleet vehicles by approximately 170,000 miles each year. The smart meters, which are used in conjunction with the District's existing AMI Tower Gateway and Meter Data Management System, provides daily and up to date customer water usage information and analysis through an online portal that enables customers to track their water usage in real time, projects their monthly bills and identifies potential leaks in their property. Continuous and early leak detection is a component of water conservation. Projected water savings from smart meters is 1,945-acre feet each year with an associated energy savings of 47.1 million kilowatt hours (kWh) per year achieved after five years with an associated 88.4 KWh per year.

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 has expanded its clean energy fleet through the purchase of six new compressed natural gas (CNG) powered high definition (HD) vehicles which include 2 tandem axle dump trucks, 3 class 8 service trucks and 1-4,000 gallon tanker truck, for wastewater collections operations. These six new trucks are in addition to an already expanding list of alternative fuel vehicles. Other clean energy vehicles in the fleet include four plug-in hybrid vehicles, one battery electric vehicle and one hybrid vehicle. As existing vehicles reach the end of their service life, they will be replaced with clean energy vehicles. The District has a ten-port electric vehicle charging station and also uses public, 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

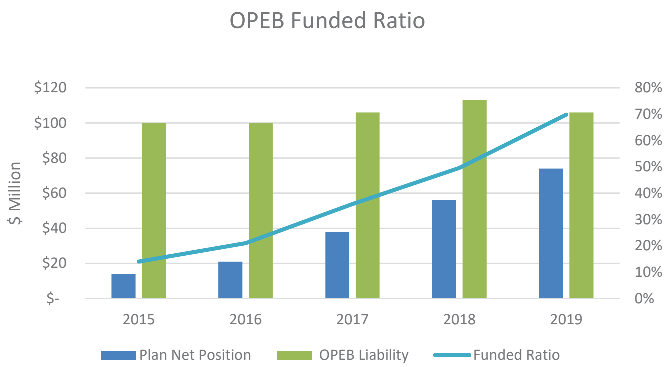
The District's award-winning Education Program is actively engaged in fostering and understanding of water and wastewater issues and promoting wise water use among students at all grade levels, from K to 12. Its extensive education program provides interested schools within the District's service area 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. Other activities offered include field trips to District facilities which are open to school districts and private schools within the District's service area, 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. Other District sponsored education programs include complimentary bird walks, education videos, paper and electronic books and student recognition events.

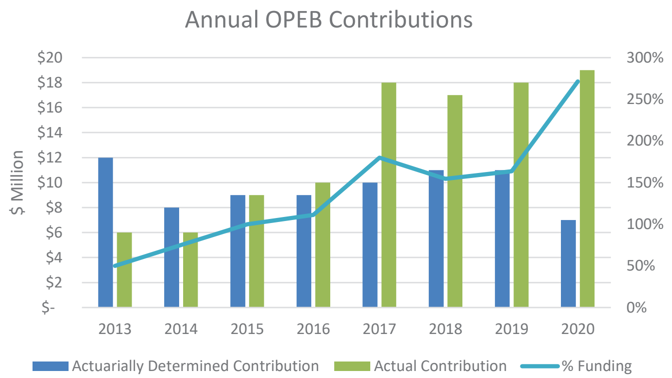
Fiscal Responsibility and Appropriate Investment

The District continues to focus its efforts in areas that will ensure financial stability and demonstrate responsible stewardship of public funds.

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 2018, 2019 and 2020, the District's contribution to the Trust exceeded the ADC by $6.5 million, $7.6 million, and $12.4 million, respectively. As of June 30, 2019, the District's OPEB Liability was 70 percent funded, this was substantially sooner than anticipated when the OPEB funding policy principles were adopted by the Board of Directors.





Response to COVID-19

The District has continued providing water, wastewater, and recycled water services throughout COVID-19. Staff, equipment, and infrastructure are in place to maintain all services, while also incorporating remote working and social distancing to protect the health and well-being of employees, customers, and the community.

The District continues to serve clean, safe, and reliable water to the community for drinking and hand washing. The District also continues to process approximately 55,000 water quality tests annually through highly skilled staff in a State certified laboratory to ensure high quality tap water.

The District understands the financial hardships that customers may experience due to COVID-19 and is committed to work in partnership with customers throughout the pandemic. The District offers several options to customers needing assistance, including flexible payment arrangements, due date adjustments, and late fee waivers. In addition, the District is not shutting off services due to non-payment during this time.

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, 2019. This was the sixteenth 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,

Paul D. Jones II, 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

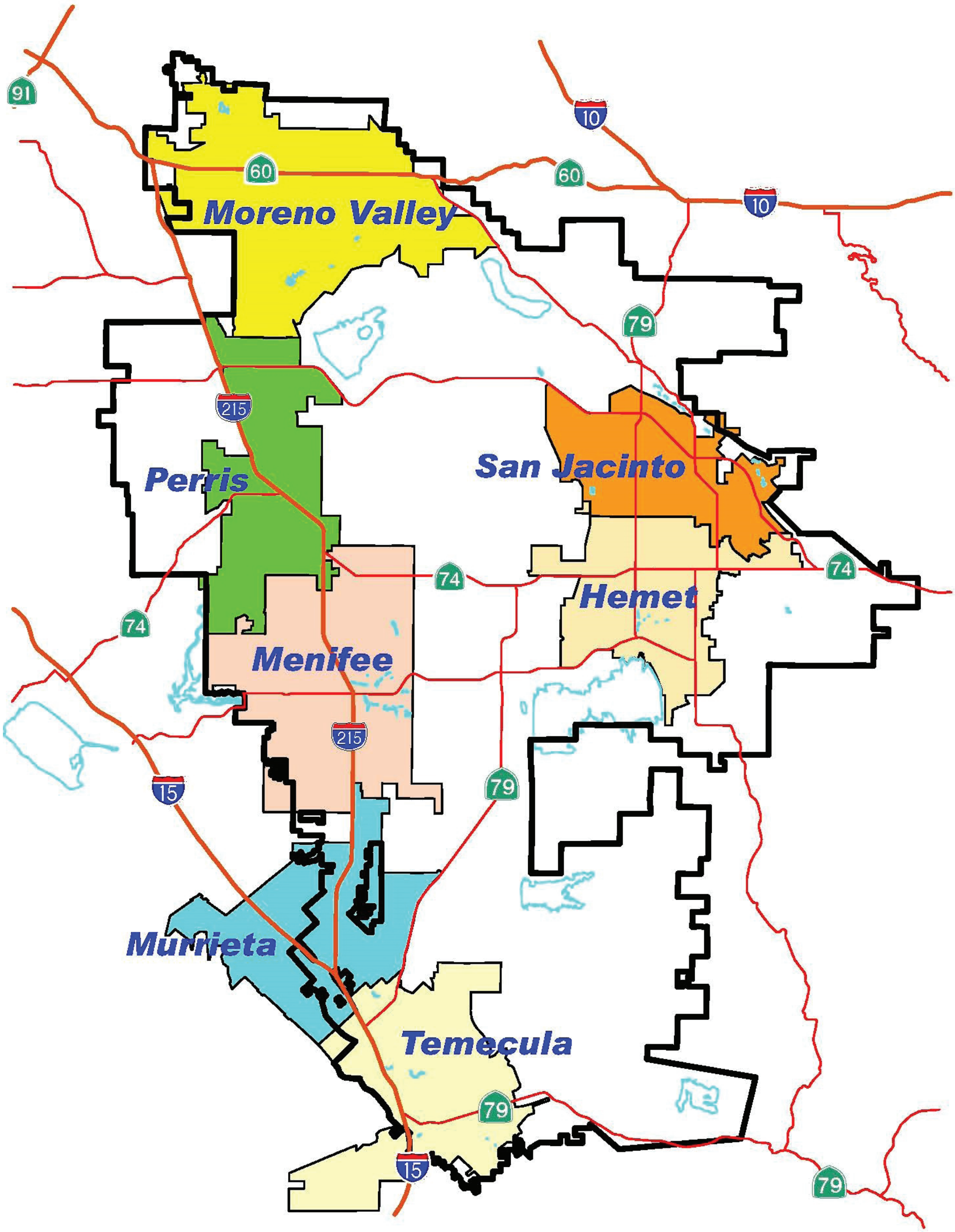
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

SERVICE AREA MAP AND INCORPORATED CITIES



List of Elected & Appointed Officials
June 30, 2020

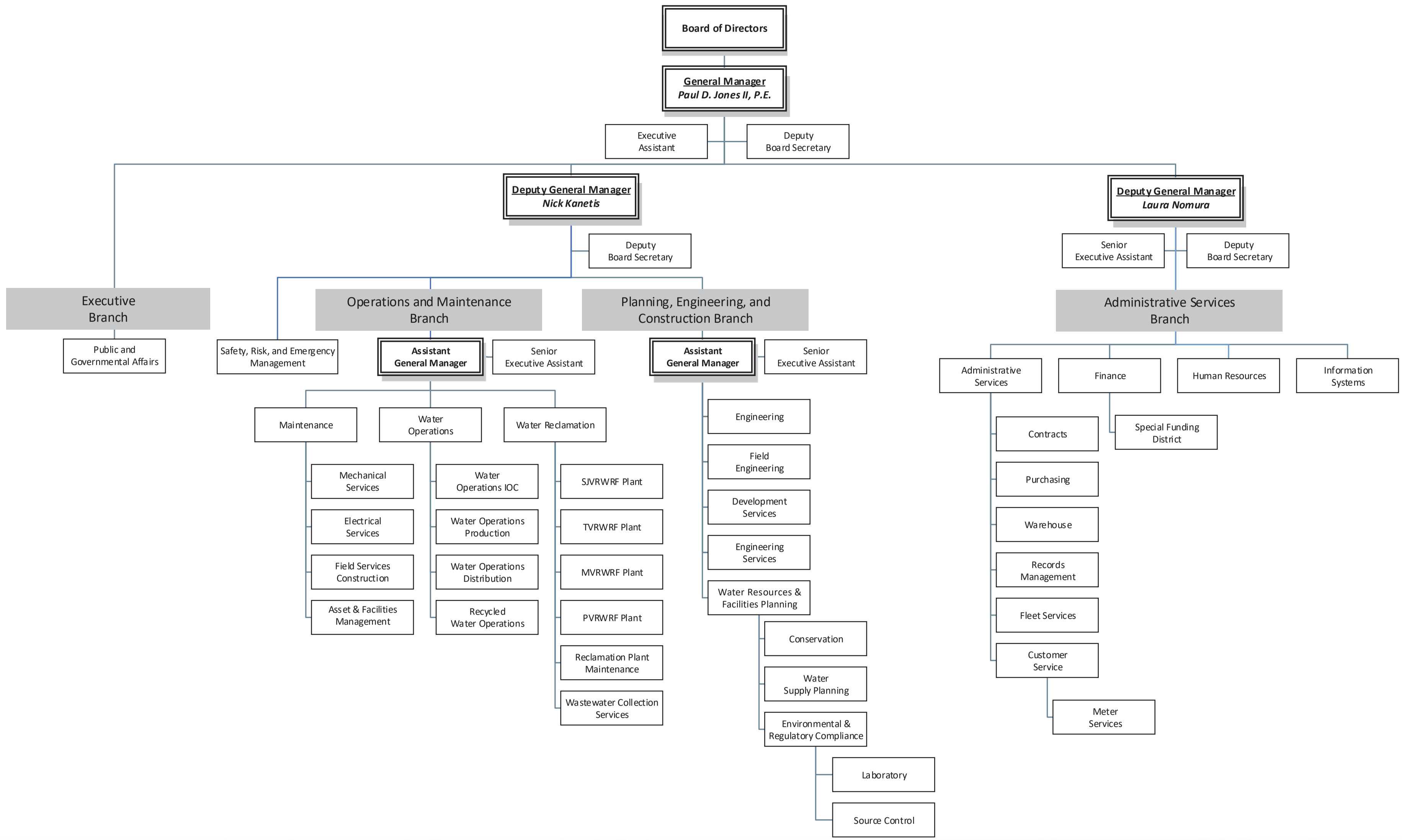
BOARD OF DIRECTORS

Position	Name	Elected	Current Term of Office
President	Ronald W. Sullivan	1/2003	2017- 2021
Vice President	Philip E. Paule	1/2007	2019- 2023
Director	Stephen J. Corona	1/2019	2019- 2023
Director	David J. Slawson	1/1995	2019- 2023
Director	Randy A. Record	1/2001	2017- 2021

EXECUTIVE MANAGEMENT

Position	Name
General Manager	Paul D. Jones II, P.E.
Deputy General Manager	Laura M. Nomura/CPA
Deputy General Manager	Nicolas Kanetis, P.E.
Assistant General Manager	Jeff D. Wall, P.E.
Assistant General Manager	Joe Mouawad, P.E.

DISTRICT ORGANIZATIONAL CHART



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Financial Section

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Davis Farr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

Board of Directors
Eastern Municipal Water District
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Municipal Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period, Schedule of Pension Plan Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios for the Measurement Period,* and the *Schedule of OPEB Contributions* 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 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing* Standards, we have also issued our report dated November 12, 2020 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 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 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.

DavisFarr LLP

Irvine California
November 12, 2020

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, 2020. 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 of the District exceeded its liabilities and deferred inflow of resources at the close of fiscal year 2020 by $1,741.7 million (net position). The District's net position, which increased $104.9 million or 6.4 percent from the prior fiscal year, includes net investment in capital assets of $1,407.1 million; restricted for debt service and construction, $123.6 million and unrestricted, $210.9 million.

Total revenue and capital contributions exceeded operating and non-operating expenses by $104.9 million, the change in net position, for the fiscal year 2020. The change in net position increased by $16.9 million from the prior fiscal year as a result of increases in developer contributions, $24.8 million, and capital grant revenue, $3.8 million.

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.

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
JUNE 30, 2020 AND 2019

			Increase (Decrease)	
	2020	**2019**	**Amount**	**% Change**
ASSETS				
Current assets	**$ 461,426,312**	$ 399,376,725	$ 62,049,587	15.5%
Restricted assets	**256,536,402**	253,403,700	3,132,702	1.2%
Net capital assets	**2,371,050,394**	2,305,967,041	65,083,353	2.8%
Total Assets	**$ 3,089,013,108**	$ 2,958,747,466	$ 130,265,642	4.4%
Total Deferred Outflows of Resources	**$ 68,102,745**	$ 67,070,833	$ 1,031,912	1.5%
LIABILITIES				
Current liabilities	**$ 109,852,664**	$ 96,033,392	$ 13,819,272	14.4%
Other liabilities	**242,214,717**	215,796,604	26,418,113	12.2%
Long-term debt outstanding	**1,046,753,999**	1,069,929,877	(23,175,878)	-2.2%
Total Liabilities	**$ 1,398,821,380**	$ 1,381,759,873	$ 17,061,507	1.2%
Total Deferred Inflows of Resources	**$ 16,623,322**	$ 7,292,047	$ 9,331,275	128.0%
NET POSITION				
Net investment in capital assets	**$ 1,407,118,856**	$ 1,389,284,069	$ 17,834,787	1.3%
Restricted	**123,619,605**	92,561,916	31,057,689	33.6%
Unrestricted	**210,932,690**	154,920,394	56,012,296	36.2%
Total Net Position	**$ 1,741,671,151**	$ 1,636,766,379	$ 104,904,772	6.4%
Ratio of Liabilities and Deferred Inflows to Assets and Deferred Outflows of Resources	**45%**	46%		

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 $1,741.7 million (net position) representing an increase of $104.9 million or 6.4 percent from fiscal year 2019.

The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources decreased from 46 percent in fiscal year 2019 to 45 percent in fiscal year 2020. This ratio indicates the degree to which the District's assets are financed through borrowing and other obligations.

- Total assets increased $130.3 million or 4.4 percent from fiscal year 2019 due to increases in cash and investments, $61.4 million or 11.5 percent; net capital assets, $65.1 million or 2.8 percent and water inventory, $4.2 million or 34.9 percent.
- Total liabilities increased $17.1 million or 1.2 percent primarily due to increases of $40.6 million in state revolving fund construction advances and $9.4 million in net pension liability, offset by decreases of $25.0 million in net other postemployment benefits obligation and $23.2 million in long term debt outstanding.
- Deferred outflow of resources increased $1.0 million or 1.5 percent due to combined increases of $4.7 million in fair value of swap contracts and deferred outflows for pension contributions, offset by a $3.4 million decrease in deferred outflows for pension actuarial and deferred charges on debt refunding.
- Deferred inflow of resources increased by $9.3 million as a result of a $10.1 million increase in deferred inflow of other postemployment benefits, a reduction of liability, due to changes in actuarial assumptions and differences between expected and actuarial experience in the measurement of total other post-employment benefit liability. Assumption changes include retirement rates, withdrawal rates, disability rates and payroll growth which were updated to the most recent CalPERS table.

Table 2, Changes in Net Position

CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

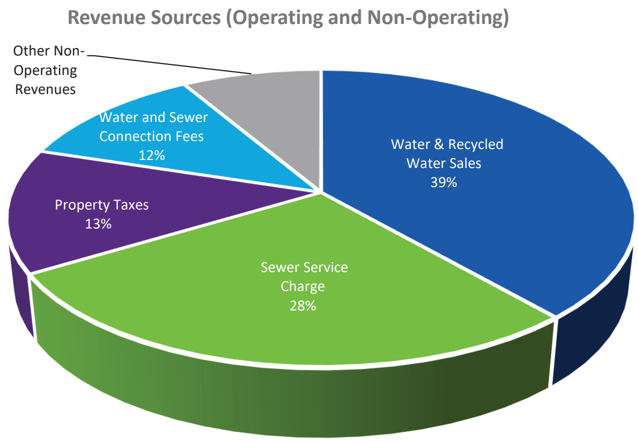
	2020	2019	Increase (Decrease) Amount	Increase (Decrease) % Change
REVENUES				
Operating revenues	**$ 256,906,920**	$ 241,919,404	$ 14,987,516	6.2%
Non-operating revenues	**130,253,558**	133,898,190	(3,644,632)	-2.7%
Total Revenues	**387,160,478**	375,817,594	11,342,884	3.0%
EXPENSES				
Operating expenses	**321,449,399**	302,687,296	18,762,103	6.2%
Non-operating expenses	**45,351,484**	41,846,404	3,505,080	8.4%
Total Expenses	**366,800,883**	344,533,700	22,267,183	6.5%
Increase (Decrease) in				
Net Position before capital contribution	**20,359,595**	31,283,894	(10,924,299)	-34.9%
Capital contributions	**84,545,177**	56,664,831	27,880,346	49.2%
Change in Net Position	**104,904,772**	87,948,725	16,956,047	19.3%
Net Position - Beginning of Year	**1,636,766,379**	1,548,817,654	87,948,725	5.7%
Net Position - End of Year	**$ 1,741,671,151**	$ 1,636,766,379	$ 104,904,772	6.4%

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, 2020. A summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019 are reported on Table 2 of the previous page.

Revenues

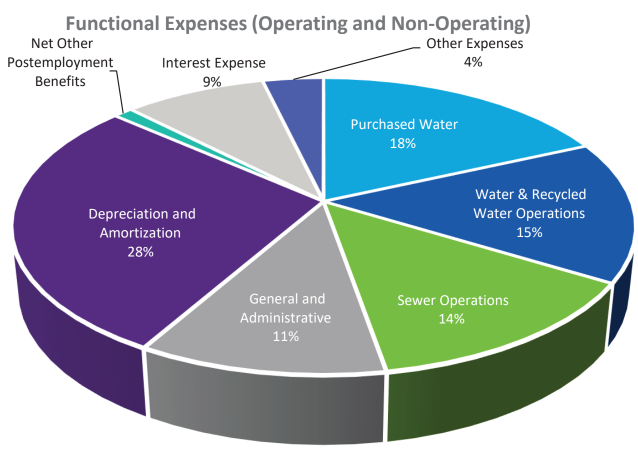
The District's operating revenues include water sales, sewer service charges and recycled water sales. Operating revenues, which increased $15.0 million or 6.2 percent in fiscal year 2020, reflects an $8.5 million increase in water sales combined with increases of $6.5 million in sewer service charges and recycled water sales. The $8.5 million increase in water sales is primarily due to higher domestic water sales and rate increases approved by the Board effective January 1, 2020. Sewer service charges increased by $5.5 million due to a 3.8 percent rate increase and annual growth in sewer connections. Recycled water sales increased by $1.0 million due to higher demand for recycled water, resulting from an increase in the recycled retrofit program, and recycled water rate increase effective January 1, 2020.



Non-operating revenues, which include property taxes, water and sewer connection fees and other revenues, were $3.6 million or 2.7 percent less in fiscal year 2020. Water and sewer connections fees decreased $9.5 million while property taxes, operating grant revenue and other revenue increased $8.1 million. The lower water and sewer connection fee revenues are due to a 17 percent decrease in EDU and EMS connections in fiscal year 2020. Property tax revenue was $3.3 million or 6.7 percent higher in fiscal year 2020 primarily 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. Operating grant revenue increased by $2.4 million from the prior fiscal year due to the recognition of revenue for expenses related to conservation and design phase or preconstruction phase of District projects funded by five new grant funding sources.

Expenses

The District's operating expenses include the cost of purchased water, water service operating cost, sewer service operating cost, recycled water operating cost, general and administrative cost, depreciation cost and other employment benefit cost. Total operating expenses were $18.8 million higher compared to fiscal year 2019 as a result of increases in purchased water cost, water and sewer operational costs and depreciation expense. The Purchased water cost increase of $6.6 million or 10.8 percent is partly due to a 2 percent change in the source of water supply from local groundwater production to imported water purchase from MWD as part of the District's Cyclic Storage Agreement with MWD to purchase about 4,500 acre feet of treated water during fiscal year 2020 which will result in future cost savings. Sewer operating cost increased $7.0 million or 16.4 percent primarily due to increases in direct labor cost and electric expenses. Fiscal year 2020 is the first year that solar credits were not available to offset electric costs due to full solar credits or buyout being received and recognized in fiscal year 2019.



Non-operating expenses, which include the loss on disposal of capital assets, interest expense on debt obligations and other expenses, were $3.5 million or 8.4 percent higher in fiscal year 2020. This change reflects combined increases of $4.9 million in loss on disposal of capital assets, research and development costs and interest expense, offset by a $1.5 million increase in other expenses. Depreciation expense increased $5.5 million or 5.6 percent in fiscal year 2020 due to the net addition of $122.9 million of depreciable capital assets.

Capital Contributions

Capital contributions were $27.9 million higher in fiscal year 2020, reflecting increases in developer contributions of $24.8 million and capital grants, $3.8 million. The $24.8 million increase in developer contributions is primarily due to large capital projects completed during the fiscal year, including the Perris Desalination Water Brackish Well 94, Conestoga Recycled Water Infrastructure Pipeline, French Valley Airport Lift Station, several water and sewer facility projects, including those located in the Prologis Park in Moreno Valley.

Capital Assets

The District reported an increase of $65.1 million in net capital assets in fiscal year 2020. 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, 2020 and 2019

			Increase (Decrease)	
	2020	**2019**	**Amount**	**% Change**
Land	**$ 66,356,156**	$ 64,866,802	$ 1,489,354	2.3%
Tunnel Water Seepage Agreement	**1,750,900**	1,750,900	-	0.0%
Water capacity rights	**32,430,476**	30,074,350	2,356,126	7.8%
Water plant, lines and equipment	**1,381,704,935**	1,289,906,207	91,798,728	7.1%
Sewer plant, lines and equipment	**2,074,895,524**	2,011,894,372	63,001,152	3.1%
Equipment and general facilities	**91,459,921**	125,749,213	(34,289,292)	-27.3%
Construction in progress	**165,821,485**	130,468,086	35,353,399	27.1%
Total capital assets	**3,814,419,397**	3,654,709,930	159,709,467	4.4%
Less accumulated depreciation	**(1,443,369,003)**	(1,348,742,889)	(94,626,114)	7.0%
Net capital assets	**$ 2,371,050,394**	$ 2,305,967,041	$ 65,083,353	2.8%

The $159.7 million increase in capital assets, before accumulated depreciation, include increases in water and sewer plant, lines, and equipment of $154.8 million and construction in progress, $35.4 million, offset by a decrease of $34.3 million in equipment and general facilities. Included in the increases in plant, lines and equipment are $35.9 million transfers from the equipment and general facilities line due to capital asset reclassifications resulting from the District's capitalization policy implemented in fiscal year 2020.

Significant additions to the water and sewer plant, lines and equipment include the substantial completion of the Brackish Water Wells 94, 95 and 96 project, $12.7 million; the Temecula Valley RWRF 23 MGD Expansion project, $10.1 million; and the Solar Renewable Energy initiative project, $9.5 million.

The Brackish Water Wells 94, 95 & 96 project includes the well drilling and equipping for the brackish desalter feed. These wells are in the community of Nuevo, an unincorporated area of Riverside County. The wells will provide brackish groundwater to support the District's desalination facilities. This project, which was substantially completed on July 31, 2019, is estimated to be completed on September 30, 2020.

The Temecula Valley RWRF 23 MGD Expansion project will provide 5 MGD additional wastewater treatment capacity by constructing Plant 3 and modifications of existing facilities to increase the treatment capacity to 23 MGD. The Plant 3 facilities include new primary, secondary, tertiary, solids handling and effluent pumping facilities and storage. This project, which was substantially completed on June 30, 2019, is estimated to be completed on August 31, 2020.

The Solar Renewable Energy Initiative Phase III Site Preparation Construction project comprises construction of site grading and yard piping, including earthwork for the solar panel area graded pads, import and export of soil material, drainage features such as culverts, storm drainpipes, catch basins, concrete swales and grouted riprap, fine grading and access roadways, pipeline removal, abandonment and relocations, concrete headworks and temporary controls and restoration. This phase of the program, which was substantially completed on June 30, 2020, is estimated to be completed on September 30, 2020.

Other significant additions to capital assets include the Potable Water Well 38 project, $7.4 million, and the Phase 1 of the Pump Electrification Project, $4.7 million.

The Potable Water Well 38 project is located at 1930 East Mountain Avenue, between Esplanade Avenue and Hemet Street, adjacent to the Meridian Channel in the City of San Jacinto. Well 38, which replaced the collapsed Well 28 on the existing site, will produce 2,000 gallons per minute of potable water and will restore critical local water supply to the surrounding area and communities. The project consists of the abandonment and destruction of Well 28 and the construction of the new replacement Well 38 and related appurtenances. The scope of the project included re-drilling, development, testing, site work, well building, mechanical and electrical equipping. The project was substantially complete at the end of fiscal year 2020, with final completion anticipated by November 30, 2020.

The Pump Electrification Phase I project converted the existing natural gas engine pump drives to electric motor drives at three existing booster sites, Heacock, Pettit and Oleander, located in the City of Moreno Valley. The scope of work included engine replacement with premium efficient electric motors, new motor control centers, variable frequency drives, a new standby generator at Heacock and Pettit, salvage, demolition, replacement of check valves and flow meters and related electrical and appurtenant work. The project provided safety, improved reliability, standardization of equipment, favorable cost competition for capital equipment, reduced operations, and maintenance costs, reduced GHG emissions, reduced air quality restrictions and operational flexibility. This project was substantially complete at the end of fiscal year 2020, with final work to be completed by September 30, 2020.

During the year, additions to construction in progress totaled approximately $122.2 million. Some of the major projects currently underway and where expenditures in the fiscal year 2020 exceeded $2.0 million include:

	Millions
• Perris II Desalter (5.4 MGD)	$ 26.1
• Seventy-nine water and sewer projects between $100,000 - $500,000	16.9
• Seven water and sewer projects between $1,000,000 - $2,000,000	10.2
• Thirteen water and sewer projects between $500,000 - $1,000,000	8.9
• Mountain Avenue West Replenishment Basin	8.2
• Temecula Valley Recycled Water Pipeline	8.1
• Solar Phase 3-Grading	7.7
• MV/SJV/TV RWRF's Blower Electrification	7.3
• Remaining water and sewer projects with expenses less than $100,000	7.0
• Customer Information and Billing System Replacement Project	6.1
• Temecula Valley RWRF 23 MGD Expansion	4.2
• Pala 24" Force Main	2.7
• Reach 4 Booster Station Pump Upgrade-Recycled Water	2.5
• PVRWRF Biofilter Media Conversion	2.2
• OMC Laboratory Modification Project	2.1
• MVRWRF TEPS MCC Replacement	2.0
	$ 122.2

The District had $201.9 million in construction contract commitments as of June 30, 2020 (additional information can be found in Note 10 of the Basic Financial Statements).

Long-Term Liabilities

Long-term liabilities consist of debt and other liabilities. Long-term debt includes advances for construction, notes and assessments, revenue bonds, general obligation (GO) bonds and unamortized deferred amounts for premiums/discounts relating to debt issuances. Other long-term liabilities include state revolving fund (SRF) loans, construction advances, advances from developers, other accrued expenses, compensated absences, net other postemployment benefits obligation and the fair value of swap contracts.

The District had a total of $1,288.9 million of outstanding debt and other noncurrent liabilities at June 30, 2020, an increase of $3.2 million or less than 1.0 percent from the prior fiscal year. This change reflects an increase of $40.6 million in state revolving fund construction advances, for the Recycled Water Optimization Project, offset by decreases of $25.0 million in net other post-employment benefits obligations and $17.9 million in revenue bonds. The $25.0 million decrease in net other post-employment benefits is due to the District's $19.2 million OPEB contribution more than the actuarially determined contribution, and increase in net investment income, $4.2 million. The $17.9 million decrease in revenue bonds is a result of scheduled debt service payments made during the fiscal year. There were no new debt issuances in fiscal year 2020 other than the refunding of the 2015A, 2017A and 2017B revenue bonds.

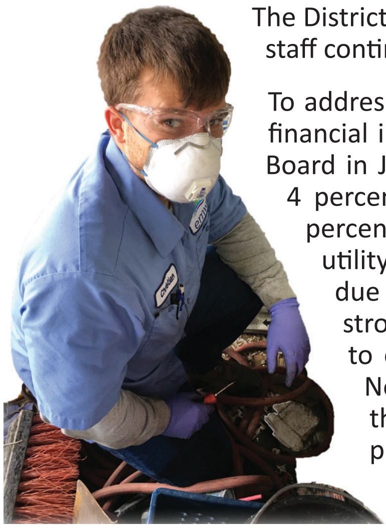
The District's parity Revenue Bond debt has been assigned an AAA, Aa1 and AA+ rating and the subordinate Refunding Revenue Bonds have been assigned ratings of AA+, Aa2, and AA+ from Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Rating Services, respectively. More detailed information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 to the financial statements.

Management's Discussion and Analysis

Addressing the Covid-19 Pandemic

In February 2020, Senate Bill 998, Discontinuation of Residential Water Service for Urban and Community Water Systems, went into effect. The bill requires public water systems, that supply water to more than 3,000 customers, to change how customers receive service shut-off notifications. For other water systems, with over 200 service connections, this bill went into effect in April 1, 2020. The requirements of the bill include written discontinuation policies available in different languages spoken by 10 percent of the customers within the water service area. Water systems may not discontinue residential water service due until payments are delinquent for 60 days.

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. Although the order protects water customers, who may not be able to pay their water service, from shutoffs, it does not eliminate their obligation to pay their water bill. The District is following both SB998 and the Governor's executive order and its customer service staff continue to assist with customer payment options and late fees adjustments.



To address the potential economic and financial impact of Covid-19, the District completed a financial impact study and revised its operating budget for fiscal year 2021, approved by the Board in June 2020. Changes to the budget included a 3.8 percent decrease in water sales, 4 percent decrease in property taxes, 13 percent decrease in connection fees and a 1.8 percent decrease in operating expenses. In June 2020, it was also projected that unpaid utility customer bills, 61 days or older, will increase from $350 thousand to $1.5 million due to both SB998 and Covid-19. This financial projection demonstrates the District's strong financial position and maintenance of its AAA and AA+ bond ratings. It continues to evaluate its monthly financial position and will provide an update to the Board in November 2020. Preliminary fiscal year 2021 financial results already demonstrates the District exceeding its budgeted revenue as reflected in water sales which are 6.7 percent more than budget, connection fee revenues which are $5.0 million over budget, operating expenses which are under budget and customer account write-offs which are less than the projected $1.0 million for the year.

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.*

STATEMENT OF NET POSITION
JUNE 30, 2020
(with prior year data for comparison purposes only)

	June 30	
	2020	2019
Assets:		
Current assets:		
Cash and investments	**$ 354,748,487**	$ 296,641,268
Utility accounts receivable, net of allowance	**32,885,897**	30,007,094
Property taxes receivable	**12,399,108**	12,643,000
Accrued interest receivable	**1,576,573**	2,296,565
Other receivables	**6,059,903**	8,863,408
Prepaid expenses	**3,569,582**	3,751,287
Materials and supplies inventory	**3,969,621**	4,130,201
Water inventory	**16,179,802**	11,993,048
Grants receivable	**30,037,339**	29,050,854
Total current assets	**461,426,312**	399,376,725
Noncurrent assets:		
Restricted assets:		
Debt service covenants cash and investments	**98,974,727**	87,228,218
Property taxes receivable	**1,632,017**	1,590,251
Soboba reimbursement receivable	**12,998,778**	12,998,778
Construction cash and investments	**140,936,517**	149,422,063
Notes receivable	**1,994,363**	2,164,390
Total restricted assets	**256,536,402**	253,403,700
Capital assets:		
Land	**66,356,156**	64,866,802
Tunnel water seepage agreement	**1,750,900**	1,750,900
Structures, improvements and water rights	**3,489,030,935**	3,331,874,929
Equipment and general facilities	**91,459,921**	125,749,213
Construction in progress	**165,821,485**	130,468,086
Total capital assets	**3,814,419,397**	3,654,709,930
Less accumulated depreciation	**(1,443,369,003)**	(1,348,742,889)
Total net capital assets	**2,371,050,394**	2,305,967,041
Total noncurrent assets	**2,627,586,796**	2,559,370,741
Total assets	**3,089,013,108**	2,958,747,466
Deferred outflows of resources:		
Accumulated increase in fair value of swap contracts	**5,161,004**	2,585,392
Deferred outflows - pension contributions	**14,572,035**	12,446,689
Deferred outflows - OPEB contributions	**19,006,063**	19,240,938
Deferred outflows - actuarial	**14,796,006**	16,989,362
Deferred charges on debt refundings	**14,567,637**	15,808,452
Total deferred outflow of resources	**68,102,745**	67,070,833

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

STATEMENT OF NET POSITION
JUNE 30, 2020
(with prior year data for comparison purposes only)

	JUNE 30	
	2020	2019
Liabilities:		
Current liabilities:		
Accounts payable	**$ 40,583,051**	$ 33,294,227
Accrued salaries and benefits	**2,586,148**	1,671,492
Customer deposits	**11,298,012**	10,532,988
Compensated absences	**9,009,510**	8,725,167
Accrued interest payable	**13,446,000**	13,480,570
Other payables	**7,082,587**	5,874,805
Advances for construction, notes and assessments	**3,270,700**	3,239,761
Revenue bonds	**18,323,024**	16,417,008
General obligation bonds	**1,205,393**	1,155,393
Advances from developers	**1,326,563**	631,096
Other accrued expenses payable	**1,721,676**	1,010,885
Total Current Liabilities	**109,852,664**	96,033,392
Noncurrent liabilities:		
Compensated absences	**3,914,103**	3,285,203
Advances for construction, notes and assessments	**71,691,010**	77,694,955
Revenue bonds	**922,884,935**	940,838,430
General obligation bonds	**29,378,937**	30,584,330
State revolving fund construction advances	**47,052,375**	6,443,478
Advances from developers	**26,397,867**	23,605,198
Other accrued expenses payable	**3,083,012**	5,700,487
Net other postemployment benefits obligation	**31,836,264**	56,851,211
Net pension liability	**142,220,668**	132,789,256
Fair value of swap contracts	**10,509,545**	7,933,933
Total Noncurrent liabilities	**1,288,968,716**	1,285,726,481
Total liabilities	**1,398,821,380**	1,381,759,873
Deferred inflows of resources:		
Deferred inflows - actuarial	**5,281,954**	6,076,509
Deferred inflows - other postemployment benefits	**11,341,368**	1,215,538
Total deferred inflows of resources	**16,623,322**	7,292,047
Net position:		
Net investment in capital assets	**1,407,118,856**	1,389,284,069
Restricted for debt service covenants	**94,665,692**	86,400,881
Restricted for construction	**28,953,913**	6,161,035
Unrestricted	**210,932,690**	154,920,394
Total Net Position	**$ 1,741,671,151**	$ 1,636,766,379

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(with prior year data for comparison purposes only)

	June 30	
	2020	2019
Operating revenues:		
Water sales - domestic	**$ 139,470,921**	$ 127,831,377
Water sales - irrigation	**1,832,130**	5,015,795
Sewer service charge	**107,541,964**	102,037,610
Recycled water sales	**8,061,905**	7,034,622
Total operating revenues	**256,906,920**	241,919,404
Operating expenses:		
Purchased water	**67,025,558**	60,469,414
Water operations	**49,180,247**	46,398,474
Sewer operations	**49,780,561**	42,748,806
Recycled water operations	**7,371,736**	6,682,894
General and administrative	**40,521,610**	41,420,672
Depreciation and amortization	**103,217,866**	97,743,963
Net other postemployment benefits	**4,351,821**	7,223,073
Total operating expenses	**321,449,399**	302,687,296
Operating income (loss)	**(64,542,479)**	(60,767,892)
Nonoperating revenues (expenses):		
Property taxes - general levy	**41,014,090**	38,204,912
Property taxes - general bond levy	**5,408,351**	4,883,352
Availability (standby) assessments	**5,779,756**	5,828,077
Water and sewer connection fees	**45,186,191**	54,665,900
Interest revenue	**10,506,376**	11,897,412
Net increase (decrease) in fair value of investments	**3,110,836**	4,026,589
Grant revenues	**2,715,243**	272,250
Other revenues	**16,532,715**	14,119,698
Gain (loss) on disposal of capital assets	**(3,231,192)**	(2,212,310)
Interest expense	**(31,761,424)**	(30,303,310)
General obligation fund service fees	**(30,864)**	(30,864)
Research and development costs	**(5,097,315)**	(2,617,459)
Other expenses	**(5,230,689)**	(6,682,461)
Total nonoperating revenues (expenses)	**84,902,074**	92,051,786
Income (loss) before contributions	**20,359,595**	31,283,894
Capital contributions:		
Developer contributions	**52,141,182**	27,304,942
Capital grants	**31,479,351**	27,694,361
Other capital contributions	**924,644**	1,665,528
Total capital contributions	**84,545,177**	56,664,831
Change in net position	**104,904,772**	87,948,725
Total net position - Beginning of year	**1,636,766,379**	1,548,817,654
Total net position - End of Year	**$ 1,741,671,151**	$ 1,636,766,379

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(with prior year data for comparative purposes only)

	June 30	
	2020	2019
Cash flows from operating activities:		
Receipts from customers	$ **259,876,949**	$ 244,631,449
Receipts from availability (standby) assessments	**5,878,214**	5,713,451
Other receipts	**16,532,715**	13,663,884
Payments for water	**(71,299,086)**	(64,387,590)
Payments to employee for services	**(96,020,082)**	(98,069,792)
Payments to suppliers for goods and services	**(46,670,643)**	(49,402,933)
Payments for energy and utilities	**(17,131,381)**	(11,494,313)
Net cash (used for) provided by operating	**51,166,686**	40,654,156
Cash flows from noncapital financing activities:		
Proceeds from property taxes, general levy	**41,159,524**	38,020,752
Proceeds from operating grants	**3,227,277**	244,680
Net cash (used for) provided by noncapital	**44,386,801**	38,265,432
Cash flows from capital and related financing activities:		
Acquisitions and construction of capital assets	**(119,714,157)**	(105,098,634)
Proceeds from sale of capital assets	**322,928**	306,042
Proceeds from long-term debt issuance	**155,550,405**	195,720,000
Proceeds from SRF construction advances	**40,608,897**	119,932
Repayment of notes, bonds and certificates of participation	**(173,893,006)**	(213,095,782)
Interest paid	**(35,419,320)**	(33,993,020)
Proceeds from property taxes, GO bond levy	**5,366,585**	4,870,213
Proceeds from water and sewer connection fees	**45,186,191**	54,665,900
Proceeds from developer advances	**10,832,464**	8,577,843
Repayments of developer advances	**(7,344,328)**	(6,238,839)
Proceeds from capital grants	**29,980,832**	1,114,676
Net cash (used for) capital and related financing activities	**(48,522,509)**	(93,051,669)
Cash flows from investing activities:		
Purchases of investments	**(267,975,932)**	(198,226,368)
Proceeds from sales and maturities of investments	**277,598,441**	154,346,616
Proceeds from earnings on investments	**11,226,368**	11,854,299
Net cash (used for) provided by investing activities	**20,848,877**	(32,025,453)
Total (decrease) increase in cash and cash equivalents	**67,879,855**	(46,157,534)
Cash and cash equivalents at beginning of year	**197,916,773**	244,074,307
Cash and cash equivalents at end of year	$ **265,796,628**	$ 197,916,773

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(with prior year data for comparison purposes only)

	June 30	
	2020	2019
Reconciliation of loss from operations to net cash (used for) provided by operating activities:		
Loss from operations	**$ (64,542,479)**	$ (60,767,892)
Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	**103,217,866**	97,743,963
Other revenues	**12,909,111**	11,857,569
(Increase) decrease in utility accounts receivable	**(2,878,803)**	1,747,667
(Increase) decrease in other receivables	**2,901,963**	(2,474,260)
(Increase) decrease in prepaid expenses	**181,705**	(262,619)
(Increase) decrease in materials and supplies inventory	**160,580**	1,702,687
(Increase) decrease in water inventory	**(4,186,754)**	(3,833,079)
(Increase) decrease in notes receivable	**170,027**	(162,226)
Increase (decrease) in accounts payable	**7,288,824**	637,963
Increase (decrease) in accrued expenses	**215,754**	1,161,588
Increase (decrease) in customer deposits	**765,024**	507,254
Increase (decrease) in compensated absences	**913,243**	(87,938)
Increase (decrease) in net other postemployment benefits obligation	**(25,014,947)**	(11,067,224)
Increase (decrease) in net pension liability	**9,431,412**	186,232
Increase (decrease) in deferred inflows	**9,331,275**	1,084,107
(Increase) decrease in deferred outflows	**302,885**	2,680,364
Net cash (used for) provided by operating activities	**$ 51,166,686**	$ 40,654,156
Reconciliation of cash and cash equivalent to statement of net position:		
Current cash and investments	**$ 354,748,487**	$ 296,641,268
Restricted cash and investments:		
Debt service/covenants	**98,974,727**	87,228,218
Construction	**140,936,517**	149,422,063
Total cash and investments	**594,659,731**	533,291,549
Less investments	**328,863,103**	335,374,776
Cash and cash equivalents	**$ 265,796,628**	$ 197,916,773
Noncash capital, financing, and investing activities:		
Capital asset contributions from developers	**$ 52,141,182**	$ 27,304,942
Net increase (decrease) in fair value of investments	**3,110,836**	4,026,589
Amortization of bond premiums, discounts, and loss on debt refundings	**(3,592,462)**	(3,426,209)

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

Notes to Financial Statements
June 30, 2020

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, as a consequence, 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 is 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.

Notes to Financial Statements
June 30, 2020

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

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 (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.

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:

Assets	Years
Transmission and distribution	3-100
Pumping Plants	5-67
Source of Supply	3-40
Reclamation facilities	3-50
General Plant	3-67

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 $1,427,802 at June 30, 2020.

Notes to Financial Statements
June 30, 2020

NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

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 $12,186,560 at June 30, 2020.

Property Taxes

Property tax in California is levied in accordance with Article XIIIA 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

Notes to Financial Statements
June 30, 2020

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 in excess of 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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

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, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

Notes to Financial Statements
June 30, 2020

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 five items that qualify for reporting in this category: the accumulated increase in fair value of swap contracts, the deferred outflows on pension contributions, the deferred outflows on OPEB contributions, the actuarial difference between projected and actual experience and changes in assumptions on pension plan investments and the deferred charges on debt refunding. These are reported on the Statement of Net Position.

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 two items that qualify for reporting in this category, the actuarial difference between expected and actual experience on pension plan investments and the actuarial difference between projected and actual earnings on OPEB plan investments. 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.

Notes to Financial Statements
June 30, 2020

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 entered into interest rate swap contracts to fix the interest rates on certain outstanding variable rate debt. These contracts are recorded at fair value.

Fair values of these interest rate swap contracts are reported as noncurrent liabilities, and its changes in the fair value are reported as deferred inflows of resources in the statement of net position. As of June 30, 2020, all potential hedging instruments of the District are considered effective hedges.

NOTE 2 - Cash and Investments

Cash and investments are classified in the accompanying Statement of Net Position as follows:

	2020
Current assets	$ 354,748,487
Restricted assets:	
Debt service covenants	98,974,727
Construction	140,936,517
Totals	$ 594,659,731

Cash and investments consisted of the following:

	2020
Cash on hand	$ 6,500
Deposits with financial institutions	54,771,323
Investments	539,881,908
Total cash and investments	$ 594,659,731

Cash and cash equivalents consisted of the following:

	2020
Demand accounts and on hand	$ 54,777,823
Local Agency Investment Fund (LAIF)	100,972,230
Investment Trust of California (CalTRUST)	82,465,359
Money market mutual funds	27,581,216
Total cash and cash equivalents	$ 265,796,628

Notes to Financial Statements
June 30, 2020

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.

Notes to Financial Statements
June 30, 2020

NOTE 2 – Cash and Investments (cont'd)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bonds 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

Notes to Financial Statements
June 30, 2020

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.

		Months		
Investment Type	**Total**	**12 or Less**	**13 to 24**	**25 to 60**
U.S. Agency Securities:				
Federal Farm Credit Bank (FFCB)	$ 68,508,644	$ 23,596,977	$ 2,077,922	$ 42,833,745
Federal Home Loan Bank (FHLB)	62,168,385	49,036,304	3,125,481	10,006,600
Federal Home Loan Mortgage Corp. (FHLMC)	65,972,600	-	25,002,850	40,969,750
Federal National Mortgage Assn. (FNMA)	17,537,050	-	-	17,537,050
Tennessee Valley Authority (TVA)	4,667,854	4,667,854	-	-
Corporate - Fixed	45,690,681	25,728,001	14,794,530	5,168,150
Money Market Mutual Funds	210,347	210,347	-	-
Municipal	62,651,565	31,539,613	14,118,007	16,993,945
LAIF	100,972,230	100,972,230	-	-
Investment Trust of California (CalTRUST)	82,465,359	82,465,359	-	-
U.S. Treasury Obligations	1,666,324	1,666,324	-	-
Held by Trustee:				
Money Market Mutual Funds	27,370,869	27,370,869	-	-
Total Investments	$ 539,881,908	$ 347,253,878	$ 59,118,790	$ 133,509,240

Notes to Financial Statements
June 30, 2020

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.

		Minimum	Rating at June 30, 2020			
Category	**Total**	**Legal Rating**	**AAA**	**AA**	**A**	**Not Rated**
U.S. Agency Securities						
FFCB	$ 68,508,644	N/A	$ -	$ 68,508,644	$ -	$ -
FHLB	62,168,385	N/A	-	62,168,385	-	-
FHLMC	65,972,600	N/A	-	65,972,600	-	-
FNMA	17,537,050	N/A	-	17,537,050	-	-
TVA	4,667,854	N/A	-	4,667,854	-	-
Corporate - Fixed	45,690,681	A	-	27,526,726	18,163,955	-
Money Market Mutual Funds	210,347	AAA*	210,347	-	-	-
Municipal	62,651,565	N/A	2,459,202	60,192,363	-	-
LAIF	100,972,230	N/A	-	-	-	100,972,230
CalTRUST	82,465,359	N/A	-	82,465,359	-	-
U.S. Treasury Obligations	1,666,324	N/A	-	1,666,324	-	-
Held by Trustee:						
Money Market Mutual Funds	27,370,869	AAA*	27,370,869	-	-	-
Total Investments	$ 539,881,908		$ 30,040,418	$ 390,705,305	$ 18,163,955	$100,972,230

*Money market mutual funds are rated Aaa-mf by Moody's at June 30, 2020. 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, 2020:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	U.S. Agency	$ 68,508,644
Federal Home Loan Bank	U.S. Agency	62,168,385
Federal Home Loan Mortgage Corp	U.S. Agency	65,972,600

Notes to Financial Statements
June 30, 2020

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 deposits 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, 2020, 100 percent of the District's investments were held in collateralized accounts in the District's name.

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 on a daily basis 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.

Notes to Financial Statements
June 30, 2020

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, 2020:

Category		Fair Value Hierarchy		
	Total	Level 1	Level 2	Level 3
Investments reported at Fair Value				
U.S. Agency				
FFCB	$ 68,508,644	$ -	$ 68,508,644	$ -
FHLB	62,168,385	-	62,168,385	-
FHLMC	65,972,600	-	65,972,600	-
FNMA	17,537,050	-	17,537,050	-
TVA	4,667,854	-	4,667,854	-
Corporate - Fixed	45,690,681	-	45,690,681	-
Municipal	62,651,565	-	62,651,565	-
US Treasury	1,666,324	-	1,666,324	-
Total Investments at Fair Value	$ 328,863,103	$ -	$ 328,863,103	$ -

NOTE 3 - Capital Assets

The capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance June 30, 2019	Additions	Reductions	Transfers	Ending Balance June 30, 2020
Capital assets, not being depreciated					
Land	$ 64,866,802	$ 1,489,354	$ -	$ -	$ 66,356,156
Tunnel Water Seepage Agreement	1,750,900	-	-		1,750,900
Construction in progress	130,468,086	122,181,478	(86,828,079)	-	165,821,485
Total capital assets not being depreciated	197,085,788	123,670,832	(86,828,079)	-	233,928,541
Capital assets, being depreciated					
Water plant, lines and equipment	1,289,906,207	81,899,930	(4,949,900)	14,848,698	1,381,704,935
Water capacity rights	30,074,350	-	-	2,356,126	32,430,476
Sewer plant, lines and equipment	2,011,894,372	48,853,853	(4,596,476)	18,743,775	2,074,895,524
Equipment and general facilities	125,749,213	4,258,803	(2,599,496)	(35,948,599)	91,459,921
Total capital assets being depreciated	3,457,624,142	135,012,586	(12,145,872)	-	3,580,490,856
Less accumulated depreciation for					
Water plant, lines and equipment	540,075,387	44,490,408	(2,534,889)	(7,434,775)	574,596,131
Water capacity rights	10,953,784	781,633	-	687,060	12,422,477
Sewer plant, lines and equipment	707,219,669	51,299,836	(3,555,690)	6,582,169	761,545,984
Equipment and general facilities	90,494,049	6,645,989	(2,501,173)	165,546	94,804,411
Total accumulated depreciation	1,348,742,889	103,217,866	(8,591,752)	-	1,443,369,003
Total capital assets being depreciated, net	2,108,881,253	31,794,720	(3,554,120)	-	2,137,121,853
Capital assets, net	$ 2,305,967,041	$ 155,465,552	$ (90,382,199)	$ -	$ 2,371,050,394

Notes to Financial Statements
June 30, 2020

NOTE 4 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020 is as follows:

	Ending Balance June 30, 2019	Additions	Reductions	Ending Balance June 30, 2020	Due Within One Year
Long-Term Debt					
Advances for Construction, Notes and Assessments:					
CA DWR Prop 204 (HWFP)	$ 17,045,319	$ -	$ (1,727,291)	$ 15,318,028	$ 878,394
SWRCB SRF loan (APAD)	31,120,286	-	(2,162,546)	28,957,740	2,171,672
SWRCB SRF loan (SCATT)	25,750,526	-	(1,864,720)	23,885,806	-
SWRCB SRF loan (N. Trumble Pond)	7,018,585	-	(218,449)	6,800,136	220,634
Total notes payable	80,934,716	-	(5,973,006)	74,961,710	3,270,700
Revenue Bonds:					
2011A refunding	9,275,000	-	(4,525,000)	4,750,000	4,750,000
2015A refunding	50,000,000	-	(50,000,000)	-	-
2015B	74,430,000	-	-	74,430,000	-
2016A Refunding	195,060,000	-	(5,460,000)	189,600,000	5,765,000
2016B Refunding	122,275,000	-	(1,420,000)	120,855,000	1,490,000
2017A Refunding	54,810,000	-	(54,810,000)	-	-
2017B Refunding	50,225,000	-	(50,225,000)	-	-
2017C Refunding	17,515,000	-	-	17,515,000	-
2017D	102,500,000	-	-	102,500,000	-
2018A Refunding	94,455,000	-	-	94,455,000	-
2018B Refunding	53,485,000	-	(345,000)	53,140,000	355,000
2018C Refunding	47,780,000	-	-	47,780,000	-
2020A Refunding	-	122,145,000	-	122,145,000	-
Unamortized premium	85,445,438	33,405,405	(4,812,884)	114,037,959	5,963,024
Total revenue bonds	957,255,438	155,550,405	(171,597,884)	941,207,959	18,323,024
General Obligation Bonds:					
2005A	10,845,000	-	(555,000)	10,290,000	580,000
2009	20,575,000	-	(580,000)	19,995,000	605,000
Net unamort prem/disc	319,723	-	(20,393)	299,330	20,393
Total GO bonds	31,739,723	-	(1,155,393)	30,584,330	1,205,393
Sub-total long term debt	1,069,929,877	155,550,405	(178,726,283)	1,046,753,999	22,799,117
Other Noncurrent Liabilities					
Compensated absences	12,010,370	9,096,935	(8,183,692)	12,923,613	9,009,510
Total long-term liabilities	$ 1,081,940,247	$ 164,647,340	$ (186,909,975)	$ 1,059,677,612	$ 31,808,627

Notes to Financial Statements
June 30, 2020

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)	03/03/05	$ 42,098,388	(a)	Subordinate	07/01/28	Imputed -2.273%
Hemet Water Filtration Plant Construction Project						
SWRCB SRF loan (APAD)	09/15/09	43,908,096	(a)	Subordinate	03/16/33	0.422%
Moreno Valley RWRF Acid Phase Anaerobic Digestion Project						
SWRCB SRF loan (SCATT)	06/23/09	38,302,852	(a)	Subordinate	07/05/32	1.0%
Moreno Valley RWRF Secondary Clarifier & Tertiary Treatment Expansion Project						
SWRCB SRF loan (N. Trumble)	04/26/18	7,455,594	(a)	Subordinate	06/30/47	1.0%
Recycled Water Pond Optimization Project - N. Trumble & Perris Valley RWRF						
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
2018B Refunding	09/13/18	53,485,000	(a)	Subordinate	07/01/30	Variable
2018C Refunding	09/13/18	47,780,000	(a)	Subordinate	07/01/46	Variable
2020A Refunding	05/27/20	122,145,000	(a)	Senior	07/01/38	Fixed
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

Notes to Financial Statements
June 30, 2020

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
2021	$ 16,815,700	$ 31,870,878	$ 48,686,578
2022	21,668,891	33,774,324	55,443,215
2023	22,519,995	32,913,436	55,433,431
2024	23,097,285	32,019,298	55,116,583
2025	25,375,778	31,015,896	56,391,674
2026-2030	140,816,866	140,422,222	281,239,088
2031-2035	169,838,580	109,386,344	279,224,924
2036-2040	179,871,619	69,329,016	249,200,635
2041-2045	200,953,270	37,053,865	238,007,135
2046-2048	131,458,726	8,074,996	139,533,722
Sub-total	932,416,710	525,860,275	1,458,276,985
Add: Unamortized premium/discount	114,337,289	-	114,337,289
Total	$ 1,046,753,999	$ 525,860,275	$ 1,572,614,274

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 January 2016. 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
2021	$ 3,270,700	$ 364,269	$ 3,634,969
2022	6,073,891	735,763	6,809,654
2023	6,144,995	664,657	6,809,652
2024	6,217,285	592,369	6,809,654
2025	6,290,778	518,874	6,809,652
2026-2030	29,406,866	1,484,023	30,890,889
2031-2035	14,308,580	382,890	14,691,470
2036-2040	1,306,619	136,559	1,443,178
2041-2045	1,373,270	69,908	1,443,178
2046-2047	568,726	8,544	577,270
Total	$ 74,961,710	$ 4,957,856	$ 79,919,566

Notes to Financial Statements
June 30, 2020

NOTE 4 – Long-Term Liabilities (cont'd)

On July 12, 2017, the District executed a project financing agreement with the State of California Water Resources Control Board to provide financing, under the Clean Water State Revolving Fund, for the Recycled Water Optimization Program project. This agreement provides $95,264,880 in funding with a future thirty-year loan at an interest rate of 1.8 percent. Contingent on the District's performance of its obligations under this agreement, the estimated amount of principal that will be due to the State Water Board is $64,104,188 with the remaining $15.0 million awarded as a grant. Loan repayment is expected to begin in December 21, 2020. Construction advances totaling $47,052,375 for this project were recorded through June 30, 2020.

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, 2020 are as follows:

Year ending June 30	Principal	Interest	Total
2021	$ 12,360,000	$ 29,961,553	$ 42,321,553
2022	14,355,000	31,547,702	45,902,702
2023	15,090,000	30,817,410	45,907,410
2024	15,535,000	30,058,366	45,593,366
2025	17,680,000	29,195,016	46,875,016
2026-2030	104,385,000	133,463,008	237,848,008
2031-2035	146,610,000	105,580,590	252,190,590
2036-2040	170,685,000	68,134,395	238,819,395
2041-2045	199,580,000	36,983,957	236,563,957
2046-2048	130,890,000	8,066,452	138,956,452
	827,170,000	503,808,449	1,330,978,449
Add: Unamortized premium	114,037,959	-	114,037,959
Total	$ 941,207,959	$ 503,808,449	$ 1,445,016,408

2020A Refunding Revenue Bonds

In May 2020, the Financing Authority issued $122,145,000 in Refunding Revenue Bonds, Series 2020A. The net proceeds were used to current refund the District's outstanding Refunding Revenue Bonds, Series 2015A; Refunding Revenue Bonds, Series 2017A; Refunding Revenue Bonds, Series 2017B; and to pay the costs of issuance of the 2020A bonds.

The 2015A bonds, 2017A bonds, and 2017B bonds were all variable rate debt. A combination of economic factors led to market rates hitting all-time historic lows. While low rates benefit variable rate instruments in the short term (i.e., low interest expense), by refunding these series of bonds with the 2020A bonds, the District took advantage of a cost-effective opportunity to fix-out a significant majority of its variable rate debt at a low rate, improved its credit and risk profile, and freed up the capacity to issue variable rate debt in the future during a rising interest rate environment. The refunding of the 2015A bonds, the 2017A bonds, and 2017B bonds resulted in $3.19 million net present value savings. The 2020A bonds were issued on the subordinate lien which maintained the debt service coverage on the District's outstanding senior debt.

Notes to Financial Statements
June 30, 2020

NOTE 4 – Long-Term Liabilities (cont'd)

The 2020A bonds include principal installments due in varying amounts from $2.5 million to $28.2 million due annually from July 1, 2024 to July 1, 2038, with interest payable semiannually at 5 percent from July 1, 2024 to July 1, 2027, 2.75 percent due July 1, 2028, and 5 percent from July 1, 2029 to July 1, 2038.

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
2021	$ 1,185,000	$ 1,545,056	$ 2,730,056
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
2026-2030	7,025,000	5,475,191	12,500,191
2031-2035	8,920,000	3,422,864	12,342,864
2036-2040	7,880,000	1,058,062	8,938,062
	30,285,000	17,093,970	47,378,970
Add: Unamortized premium	299,330	-	299,330
Total	$ 30,584,330	$ 17,093,970	$ 47,678,300

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. At June 30, 2020, general obligation bonds authorized but not issued total $547,650,000.

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 2-5 years.

Future payments on the agreements are as follows:

Year Ending June 30	
2021	$ 567,304
2022	519,436
2023	264,980
2024	264,980
Total	$ 1,616,700

Notes to Financial Statements
June 30, 2020

NOTE 4 – Long-Term Liabilities (cont'd)

Debt Service Reserve Funds

The District is required to maintain Debt Service Reserve Funds for three outstanding SRF Loans, the Hemet Water Filtration Plant (HWFP) State Revolving Fund, the North Trumble Pond State Revolving Fund and the TVRWRF State Revolving Fund. The Reserve Funds are equal to one year's debt service payment and shall be maintained for the full term of the loan agreements. The current required reserve amounts and the reserve balance at June 30, 2020 for the outstanding debt are as follows:

Description	Required	Actual	Excess (Deficiency)
Hemet WFP SRF - $4.21M[1]	$ 2,104,920	$ 2,160,149	$ 55,229
N. Trumble Pond SRF	288,635	288,635	-
TVRWRF SRF	3,492,269	3,492,269	-
Total Debt Service Reserve Funds	$ 5,885,824	$ 5,941,053	$ 55,229

[1] The 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).

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, 2020, the District's parity and subordinate obligation debt service coverage ratios were 36.6 times and 4.0, 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 at June 30, 2020 was $46,048,843 and $50,131,345, respectively.

Standby Certificate Purchase Agreements

Included in long-term debt at June 30, 2020 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, 2020, there were no outstanding bonds that have been tendered but failed to be remarketed.

Notes to Financial Statements
June 30, 2020

NOTE 5 – Interest Rate Swap Contracts

Plan Description

The fair value balances and notional amounts of financial instruments (instruments) outstanding at June 30, 2020, classified by type and the changes in fair value of such instruments for the year then ended are shown in the following table.

		Changes in Fair Value		Fair Value at June 30, 2020		
		Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedges:						
2018B Bonds	Pay-fixed interest swap	Deferred outflow	$ (2,877,955)	Debt	$ (10,477,957)	$ 53,140,000
2018C Bonds	Pay-fixed interest swap - cost of funds	Deferred inflow	$ 302,343	Debt	$ (31,588)	$ 7,570,000

The expected swap cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. The observability of inputs used to perform the measurement results in the swap fair values being categorized as Level 2.

Objective and Terms of Financial Instruments

The District entered into the financial instruments to increase interest rate savings realized by refunding various outstanding debt. The District realized greater interest savings from debt refinancing by issuing variable interest rate debt along with the financial instruments than would have been realized had the District issued conventional fixed rate debt.

The following table displays the objective and terms of the District's financial instruments outstanding at June 30, 2020, along with the credit rating of the associated counterparty.

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2018B debt issue	$ 53,140,000	11/01/14	07/01/30	Pay 3.1%, receive 66% of one-month LIBOR from WFB	S&P: A+ Moody's: Aa2
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2018C debt issue	$ 7,570,000	12/01/14	07/01/20	Pay 5.125%, receive the SIFMA Swap Index from WFB	S&P: A+ Moody's: Aa2

Notes to Financial Statements
June 30, 2020

NOTE 5 – Interest Rate Swap Contracts (cont'd)

Credit Risk

The counterparty credit ratings as of June 30, 2020 are shown in the table above. If the counterparty credit rating is lowered to or below Baa1 by Moody's Investors Service (Moody's) or BBB+ by Standard & Poor's (S&P), the financial instruments may be terminated. The counterparty credit ratings for Wells Fargo Bank either met or exceeded these rating requirements at June 30, 2020.

Interest Rate Risk

The District is exposed to interest rate risk on its financial instruments. As the 1-month LIBOR or the SIFMA Swap Index decreases, the District's net payment on the swap increases.

Basis Risk

The financial instruments expose the District to basis risk, which refers to a mismatch between the interest rate received from the swap contract and the interest paid on the variable rate payment to be made on the debt. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk

The financial instruments may be terminated by the District or its counterparty if the other party fails to perform under the terms of the contract. In addition, the District has the option to terminate the financial instruments upon proper notification to the counterparties. If the financial instruments are terminated, the District would prospectively pay the variable rates on the 2018B and 2018C bonds rather than fixed rate payments under the financial instruments. The termination could therefore increase the District's total debt service. If, at the time of termination, the financial instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the negative fair value.

Collateral Requirements

The financial instruments include provisions that require the District to post collateral in the event the lowest credit rating assigned to any of its long-term, unenhanced debt secured by a pledge of Net Water and Sewer Revenues falls below A- as issued by Fitch Ratings, A- as issued by Standard & Poor's Rating Services, or A3 as issued by Moody's Investors Service. The collateral posted is required to be in the form of cash or U.S. Treasury securities in the amount of the fair value of the financial instrument, net of agreed upon adjustments. If the District does not post collateral, the financial instruments may be terminated by the counterparty. At June 30, 2020, the aggregate fair value of all financial instruments with these collateral posting provisions is a negative $10,509,545. If the collateral posting requirements were triggered at June 30, 2020, the District would be required to post $10,509,545 to the counterparty. The District's credit ratings for its senior Revenue Bonds were AAA/Aa1/AA+ and the credit ratings for its subordinate Revenue Bonds were AA+/Aa2/AA+ by Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Rating Services, respectively; therefore, no collateral was posted at June 30, 2020.

Notes to Financial Statements
June 30, 2020

NOTE 6 – 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 at June 30, 2020 are summarized as follows:

	Miscellaneous		
Hire date	**Prior to 11/1/10**	**11/1/10-1/1/13**	**On or after 1/1/2013**
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	9.54%	9.54%	9.54%

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	541
Total	1,347

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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2019 (the measurement date), the District's average contribution rate is 17.19 percent of annual payroll. District contribution rates may change if plan contracts are amended. It is the responsibility of the District to make necessary accounting adjustments to reflect the impact due to any District Paid Member Contributions or situations where members are paying the portion of the District contribution.

Notes to Financial Statements
June 30, 2020

NOTE 6 – Defined Benefit Pension Plan (cont'd)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

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.

Notes to Financial Statements
June 30, 2020

NOTE 6 – Defined Benefit Pension Plan (cont'd)

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.

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 of 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]	New Strategic 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%
	100.00%		

[1]In 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.

[2]An expected inflation of 2.00% used for this period.

[3]An expected inflation of 2.92% used for this period.

Notes to Financial Statements
June 30, 2020

NOTE 6 – 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 6/30/2018 (VD)	**$ 450,120,011**	**$ 317,330,755**	**$ 132,789,256**
Changes Recognized for the Measurement Period:			
Service Cost	9,193,622	-	9,193,622
Interest on the Total Pension Liability	32,144,217	-	32,144,217
Differences between Expected and Actual Experience	5,259,636	-	5,259,636
Contributions - Employer	-	12,446,688	(12,446,688)
Contributions - Employees[1]	-	4,054,435	(4,054,435)
Net Investment Income	-	20,890,658	(20,890,658)
Benefit Payments, including Refunds of Employee Contributions	(20,813,982)	(20,813,982)	-
Administrative Expense	-	(226,454)	226,454
Other Miscellaneous Income(Expense)	-	736	(736)
Net Changes during 2018-2019	**$ 25,783,493**	**$ 16,352,081**	**$ 9,431,412**
Balance at 6/30/2019 (MD)	**$ 475,903,504**	**$ 333,682,836**	**$ 142,220,668**

(VD) Valuation Date
(MD) Measurement Date
[1]Includes both employee contributions and the employer paid member contributions.

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)	$ 207,365,676	$142,220,668	$ 88,334,402

Notes to Financial Statements
June 30, 2020

NOTE 6 – Defined Benefit Pension Plan (cont'd)

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, 2019 is 4.6 years, which was obtained by dividing the total service years of 6,184 (the sum of remaining service lifetimes of the active employees) by 1,347 (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.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2019 (the measurement date), the District recognized a pension expense of $23,276,901 for the plan.

As of June 30, 2020, 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	$ 14,572,035	$ -
Changes in Assumptions	8,672,987	(2,078,258)
Differences between Expected and Actual Experience	6,123,019	(1,121,752)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(2,081,944)
Total	$ 29,368,041	$ (5,281,954)

Notes to Financial Statements
June 30, 2020

NOTE 6 – Defined Benefit Pension Plan (cont'd)

The $14,572,035 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. 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
2020	$ 6,781,307
2021	1,126,079
2022	606,509
2023	1,000,157
2024	-

NOTE 7 – 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 $787,893 for the fiscal year ended June 30, 2020.

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 $48,733 the fiscal year ended June 30, 2020.

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 $1,839,422 for the fiscal year ended June 30, 2020.

Notes to Financial Statements
June 30, 2020

NOTE 8 - 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 2019 calendar year, the District's contribution is 100 percent of the coverage level elected by the retiree up to the maximum of $684 per month for single coverage, $1,367 per month for two-party coverage and $1,772 per month for family coverage. The District's contribution consists of the CalPERS statutory minimum required contribution of $136 per month for 2019 and $139 per month for 2020 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.

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 2019: $700 per month for single, $1,399 per month for two-party and $1,814 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 $136 per month for 2019 and $139 per month for 2020 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 $ $136 per month in 2019 and $139 per month for 2020.

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.

Notes to Financial Statements
June 30, 2020

NOTE 8 – Postemployment Benefits Other Than Pension (cont'd)

Employees Covered

As of the June 30, 2019 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	606
Inactive employees or beneficiaries receiving benefits	405
Inactive employees entitled to but not yet receiving benefits	66
Total	1,077

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 of time (currently fifteen years). For the fiscal year ended June 30, 2020, the District's cash contributions were $18.0 million in payments to the trust and the estimated implied subsidy was $1,006,063.

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.

Notes to Financial Statements
June 30, 2020

NOTE 8 – Postemployment Benefits Other Than Pension (cont'd)

Net OPEB Liability

The District's net OPEB liability was measured on June 30, 2019 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:

Year	Trend
2020	6.50%
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.

Notes to Financial Statements
June 30, 2020

NOTE 8 – 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:

	Strategy 1	
Asset Class	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%**	

[1]REITS - 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.

Notes to Financial Statements
June 30, 2020

NOTE 8 – 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 6/30/2019 (MD June 30, 2018)	**$ 112,600,561**	**$ 55,749,350**	**$ 56,851,211**
Changes Recognized for the Measurement Period:			
Service Cost	3,248,883	-	3,248,883
Interest	7,945,843	-	7,945,843
Differences between expected and actual experience	(7,012,819)		(7,012,819)
Changes of assumptions	(5,792,972)		(5,792,972)
Contributions from the Employer	-	19,240,938	(19,240,938)
Net Investment Income	-	4,177,706	(4,177,706)
Benefit Payments	(4,674,792)	(4,674,792)	-
Administrative Expense	-	(14,762)	14,762
Other	-	-	-
Net Changes	**$ (6,285,857)**	**$ 18,729,090**	**$ (25,014,947)**
Balance at 6/30/2020 (MD June 30, 2019)	**$ 106,314,704**	**$ 74,478,440**	**$ 31,836,264**

(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, 2019:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 45,947,959	$ 31,836,264	$ 20,195,742

Notes to Financial Statements
June 30, 2020

NOTE 8 – 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, 2019:

	1% Decrease (5.50%HMO/5.50%PPO decreasing to 3.50%HMO/3.50%PPO)	Current Healthcare Cost Trend Rates (6.50%HM0/6.50%PPO decreasing to 4.50%HMO/4.50%PPO)	1% Increase (7.50%HMO/7.50%PPO decreasing to 5.50%HMO/5.50%PPO)
Net OPEB Liability	$ 18,973,655	$ 31,836,264	$ 47,678,397

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, 2020, the District recognized OPEB expense of $4,351,821. As of fiscal year ended June 30, 2020, 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	$ 19,006,063	$ -
Differences between expected and actuarial experience	-	(5,844,016)
Changes of assumptions	-	(4,827,477)
Differences between actual and projected earnings	-	(669,875)
Total	$ 19,006,063	$ (11,341,368)

Notes to Financial Statements
June 30, 2020

NOTE 8 – Postemployment Benefits Other Than Pension (cont'd)

The $19,006,063 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Periods Ended June 30	Deferred Outflows (Inflows) of Resources
2020	(2,445,914)
2021	(2,445,912)
2022	(2,227,754)
2023	(2,087,487)
2024	(2,134,301)
	$ (11,341,368)

NOTE 9 - 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. 3359 and is primarily composed of reserves for various purposes.

Notes to Financial Statements
June 30, 2020

NOTE 10 – Commitments

Construction Contracts

	Contract Amount	Balance To Complete
Perris II Desalination Facility	$ 53,165,206	$ 25,963,381
Mountain Avenue West Replenishment Basin	13,911,751	6,749,813
Pala Lift Station Electrical Equipment Upgrade	2,257,000	2,036,950
Las Brisas Transmission Water Pipeline	1,575,555	1,480,055
I-215 Freeway & Placentia Avenue Interchange- Water & Sewer Relocation	1,717,777	1,366,199
TVRWRF Boiler Installation	1,566,000	1,312,162
MV/SJV/TV RWRF's Blower Electrification Project	7,696,138	1,037,651
Well 59 Wellhead Treatment Facility	2,476,350	991,650
Corwin Booter Electrical Replacement	794,645	769,645
Temecula Valley Recycled Water Pipeline	9,553,353	685,915
TOTAL	$ 94,713,775	$ 42,393,421

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 into contracts to oversee and administer these programs.

The District maintains excess insurance coverage of $10,000,000 per occurrence with a $1.0 million 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.

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. In November 2012, a worker's compensation claim stipulated was reached, which included a present value of $5.3 million in future payments calculated using a discount rate of 3.0 percent over 30 years. This claim, which was resolved and closed as of June 30, with no continued future liability, resulted in a decrease in the workers compensation liability. Changes in claims payable for the years ended June 30 are as follows:

	Beginning Balance June 30, 2019	Additions	Deletions	Ending Balance June 30, 2020	Due Within One Year
General Liability	$ 106,980	$ 524,388	$ (81,768)	$ 549,600	$ 549,600
Workers Compensation	6,108,582	864,894	(4,943,638)	2,029,838	177,775
	$ 6,215,562	$ 1,389,282	$ (5,025,406)	$ 2,579,438	$ 727,375

Notes to Financial Statements
June 30, 2020

NOTE 10 – Commitments (cont'd)

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2019 to 2020. There were no settlements that exceeded insurance coverage for the three prior fiscal years ended June 30, 2019, June 30, 2018, and June 30, 2017.

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.

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 receivables or outstanding billings of imported settlement water deliveries as of June 30, 2020.

Favorable weather and snowpack conditions in the last quarter of calendar year 2019 and the first quarter of 2020 resulted in an abundance of water supply. During this period, 14,330-acre feet of water was available for recharge to meet the calendar year 2019 required settlement obligation of 7,500-acre feet. In the first half of calendar 2020, the District imported 6,467-acre feet for recharge, leaving a balance of 1,033-acre feet to meet the 7,500-acre feet obligation for imported settlement water. The District's share of imported settlement water recorded in fiscal year 2020 was 7,008-acre feet.

Notes to Financial Statements
June 30, 2020

NOTE 10 – Commitments (cont'd)

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 $16,179,802 in water inventory for the fiscal year ended June 30, 2020. 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, 2020.

	Beginning Balance June 30, 2019	Additions	Reductions	Ending Balance June 30, 2020
Acre feet	84,969	14,224	(7,360)	91,833
Dollar value	$ 11,993,048	$ 5,220,935	$ (1,034,181)	$ 16,179,802

Special Funding District Bonds

These bonds are not direct liabilities of the District, and their payment is secured by valid liens on certain lands. Reserves have been established from the bond proceeds to meet delinquencies, should they occur. Neither the faith and credit nor the taxing power of the District is pledged to the payment of the Bonds. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay those delinquencies out of any other available funds. The District acts solely as an agent for those paying assessments or special taxes and the bondholders. The Special Funding District Bonds outstanding at June 30, 2020 was $214,935,566. These are not included in the District's financial statements.

NOTE 11 - 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 12 - 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, 2019 SAWPA had total assets of $176,927,279 and total net assets of $71,599,476. 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 13 – Advances from Developers

The District receives deposits from developers in advance to cover various costs for both sewer and water related projects. At June 30, 2020, the amount of refundable deposits was $27,724,430. 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.

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Required Supplementary Information Section

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Required Supplementary Information
June 30, 2020

Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years*

Measurement Period	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Total Pension Liability						
Service Cost	$ 9,193,622	$ 8,950,991	$ 8,944,792	$ 7,843,422	$ 7,679,279	$ 7,775,568
Interest on total pension liability	32,144,217	30,364,075	28,922,504	27,711,744	26,241,865	24,817,574
Difference between Expected and Actual Experience	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	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Change in Total Pension Liability	25,783,493	20,406,780	43,373,380	20,100,697	13,342,678	19,173,413
Total Pension Liability - Beginning	450,120,011	429,713,231	386,339,851	366,239,154	352,896,476	333,723,063
Total Pension Liability - Ending (a)	$ 475,903,504	$ 450,120,011	$ 429,713,231	$ 386,339,851	$ 366,239,154	$ 352,896,476
Plan Fiduciary Net Position						
Contributions - Employer	$ 12,446,688	$ 10,748,951	$ 9,699,290	$ 8,782,080	$ 8,161,529	$ 7,786,103
Contributions - Employee	4,054,435	4,437,439	4,294,049	4,187,293	4,204,174	4,510,815
Net Investment Income	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	(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	(226,454)	(462,980)	(397,425)	(164,570)	(303,937)	-
Other Miscellaneous Income(Expense)[1]	736	(879,206)	-	-	-	-
Net Change in Fiduciary Net Position	16,352,081	20,220,548	27,930,726	(852,007)	4,344,152	38,981,079
Plan Fiduciary Net Position - Beginning[2]	317,330,755	297,110,207	269,179,481	270,031,488	265,687,336	226,706,257
Plan Fiduciary Net Position - Ending (b)	$ 333,682,836	$ 317,330,755	$ 297,110,207	$ 269,179,481	$ 270,031,488	$ 265,687,336
Plan Net Pension Liability - Ending (a) - (b)	$ 142,220,668	$ 132,789,256	$ 132,603,024	$ 117,160,370	$ 96,207,666	$ 87,209,140
Pension Liability	70.12%	70.50%	69.14%	69.67%	73.73%	75.29%
Covered Payroll	$ 53,670,440	$ 52,372,367	$ 53,441,059	$ 51,405,543	$ 50,202,213	$ 48,184,720
Plan Net Pension Liability as a Percentage of Covered Payroll	264.99%	253.55%	248.13%	227.91%	191.64%	180.99%

*Fiscal Year 2015 was the first year of implementation, therefore, only six 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.

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.

Required Supplementary Information
June 30, 2020

Schedule of Pension Plan Contributions
Last Ten Fiscal Years*

Fiscal Year	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	$ 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	(14,572,035)	(12,446,689)	(10,748,951)	(9,699,290)	(8,782,080)	(8,160,464)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 56,295,602	$ 53,670,440	$ 52,372,367	$ 53,441,059	$ 51,405,543	$ 50,202,213
Contributions as a Percentage of Covered Payroll	25.88%	23.19%	20.52%	18.15%	17.08%	16.26%

*Fiscal Year 2015 was the first year of implementation, therefore, only six years are shown above.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were from the June 30, 2017 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	2.625%
Salary Increase	Varies by entry age and service
Payroll Growth	2.875%
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, 2017 Funding Valuation Report

Required Supplementary Information
June 30, 2020

Schedule of Changes in Net OPEB Liability and Related Ratios
During the Measurement Period*

Measurement Period	2019	2018	2017
Service Cost	$ 3,248,883	$ 3,154,255	$ 2,947,902
Interest	7,945,843	7,509,723	7,081,960
Differences between expected and actual experience	(7,012,819)	-	-
Changes of assumptions	(5,792,972)	-	-
Benefit Payments, Including Refunds of Member Contributions	(4,674,792)	(4,381,840)	(3,868,785)
Net Change in Total OPEB Liability	(6,285,857)	6,282,138	6,161,077
Total OPEB Liability - Beginning	112,600,561	106,318,423	100,157,346
Total OPEB Liability - Ending (a)	$ 106,314,704	$ 112,600,561	$ 106,318,423
Plan Fiduciary Net Position			
Contributions - Employer	$ 19,240,938	$ 17,947,401	$ 18,111,235
Net Investment Income	4,177,706	3,861,399	3,066,258
Benefit Payments, Including Refunds of Member Contributions	(4,674,792)	(4,381,840)	(3,868,785)
Administrative Expenses	(14,762)	(26,780)	(16,558)
Other Expense	-	(50,818)	-
Net Change in Plan Fiduciary Net Position	$ 18,729,090	$ 17,349,362	$ 17,292,150
Plan Fiduciary Net Position - Beginning	55,749,350	38,399,988	21,107,838
Plan Fiduciary Net Position - Ending (b)	$ 74,478,440	$ 55,749,350	$ 38,399,988
Net OPEB Liability - Ending (a) - (b)	$ 31,836,264	$ 56,851,211	$ 67,918,435
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	70.1%	49.5%	36.1%
Covered Employee Payroll[1]	$ 52,102,650	$ 50,222,638	$ 50,161,738
Net OPEB Liability as a Percentage of Covered Payroll Employee Payroll	61.1%	113.2%	135.4%

*Fiscal Year 2018 was the first year of implementation, therefore, only three years are shown above.

[1] Not based on measure of pay.

Required Supplementary Information
June 30, 2020

Schedule of OPEB Contributions
Last Ten Fiscal Years*

Fiscal Year Ended June 30	2020	2019	2018
Actuarially Determined Contribution	$ 6,566,657	$ 10,934,835	$ 10,833,584
Contributions in Relation to ADC	19,006,063	19,240,938	17,947,401
Contribution Deficiency (Excess)	$ (12,439,406)	$ (8,306,103)	$ (7,113,817)
Covered Employee Payroll[1]	$ 52,102,650	$ 50,222,638	$ 50,161,738
Contributions as a Percentage of Covered Payroll	36.48%	38.31%	35.78%

*Fiscal Year 2018 was the first year of implementation, therefore, only three years are shown above.

[1] Not based on measure of pay.

Required Supplementary Information
June 30, 2020

Notes to Schedule

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 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:

Year	Trend
2020	6.50%
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.

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Statistical Section

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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

Net Position by Component

Last Ten Fiscal Years

	2011	2012	2013	2014	2015[1]	2016	2017	2018[2]	2019	2020
Net investment in capital assets	$ 1,182,870,831	$ 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
Restricted for debt service/covenants	65,433,313	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
Restricted for construction	127,083,266	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
Unrestricted	136,478,455	126,867,540	148,512,588	134,353,793	(7,842,690)	(1,974,861)	62,360,074	94,848,668	154,920,394	210,932,690
Total net position	$ 1,511,865,865	$ 1,521,989,940	$ 1,517,909,197	$ 1,550,571,926	$ 1,477,670,868	$ 1,520,515,145	$ 1,532,531,643	$ 1,548,817,654	$ 1,636,766,379	$ 1,741,671,151
% Increase	0.9%	0.7%	-0.3%	2.2%	-4.7%	2.9%	0.8%	1.1%	5.7%	6.4%

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).

Source: Eastern Municipal Water District

STATISTICAL SECTION

Eastern Municipal Water District
Changes in Net Position
Last Ten Fiscal Years

Fiscal	Operating Revenues		Operating Expenses		Operating	Non-operating Revenues/	Income Before Capital	Capital	Change in Net
Year	Water	Wastewater	Water	Wastewater	Loss	(Expenses)	Contributions	Contributions[1]	Position
2011	$ 102,009,545	$ 67,114,654	$ 137,981,887	$ 98,467,509	$ (67,325,197)	$ 41,208,043	$ (26,117,154)	$ 39,530,173	$ 13,413,019
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	(9,377,050)	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

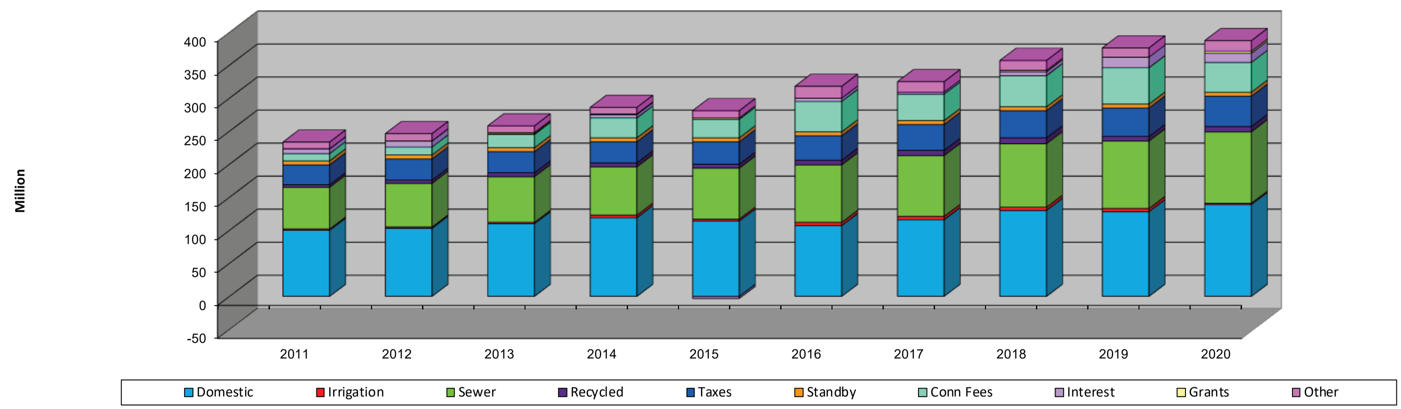
Notes:
1. Fluctuations in contributed capital are due to the volume of construction activity and project close outs in a fiscal year.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Eastern Municipal Water District
Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Domestic Water Sales	% of Total	Ag & Irrig Water Sales	% of Total[1]	Sewer Service Charges	% of Total	Recycled Water Sales	% of Total	Taxes & Assmnts	% of Total	Standby Assmnts	% of Total	Connect Fees	% of Total	Interest Income	% of Total	Grants	% of Total	Other	% of Total	Total Revenues
2011	100,198,290	42.8%	1,811,255	0.8%	62,609,731	26.8%	4,504,923	1.9%	30,354,685	13.0%	5,569,818	2.4%	10,815,294	4.6%	7,553,352	3.2%	517,888	0.2%	10,117,631	4.3%	234,052,867
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%	16,532,716	4.3%	387,160,479



Notes:

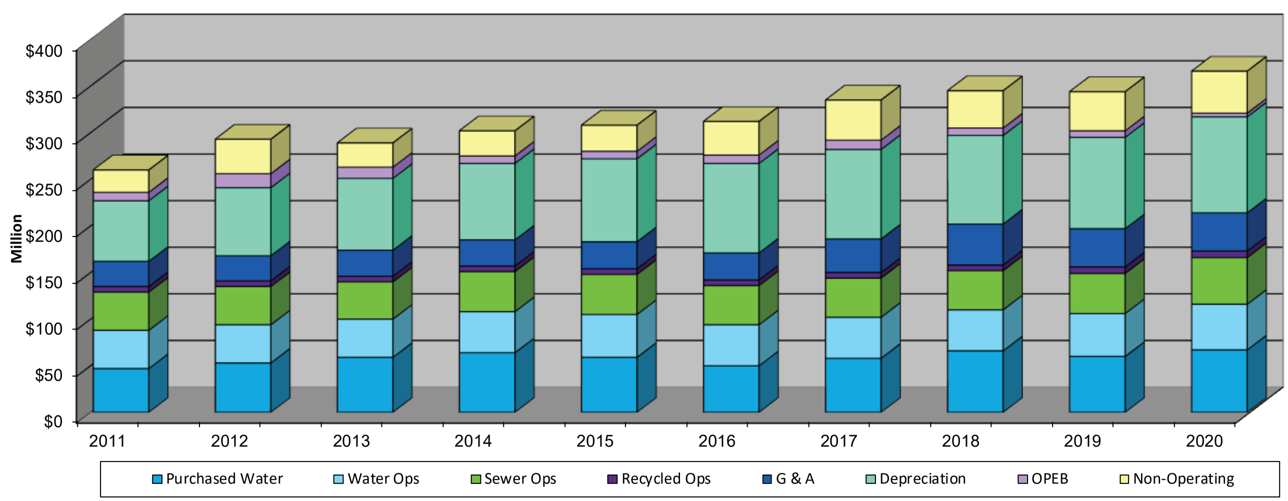
1. Sales for Ag & Irrigation Water decreased by approximately 1% in 2020 due to the decrease in the demand for base production rights ground water delivered to LHMWD

Source: Eastern Municipal Water District

STATISTICAL SECTION

Eastern Municipal Water District
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[1]	% of Total	Depr. & Amort	% of Total	Net OPEB	% of Total	Total Non-Operating Expenses	% of Total	Total Expenses
2011	46,489,850	17.9%	41,364,910	15.9%	41,247,883	15.9%	6,103,502	2.3%	26,707,578	10.3%	65,354,991	25.1%	9,180,682	3.5%	23,720,625	9.1%	260,170,021
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%	45,351,485	12.4%	366,800,884



Notes:
1. The increase in fiscal year 2017 includes a $4.6 million increase in unallocated pension expense. The higher general and administrative expense in fiscal year 2018 includes a $6.2 million increase in pension expense due to the change in the actuarial discount rate assumption.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Eastern Municipal Water District
Water Produced and Consumed and Wastewater Treated
Last Ten Fiscal Years

	Water									Gallons of	Total Direct Rate		
Fiscal	Gallons Produced[1,6,7]				Gallons Consumed			Unbilled		Wastewater	Water Base	Water Usage	
Year	Purchased	Wells	Desalters	Total	Domestic	Ag & Irrig	Total	Total	Avg %	Treated	Rate[2,5]	Rate[3,5]	Sewer[4]
2011	21,611	5,220	1,943	28,774	25,958	857	26,815	1,959	6.8%	16,805	10.52	48.26	22.90
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

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

STATISTICAL SECTION

Eastern Municipal Water District
Water and Sewer Rates
Last Ten Fiscal Years

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018[3]	2019	2020
Water Rates[4,5]										
Monthly base rate (meter size)										
<=1"	$ 10.52	$ 10.55	$ 10.52	$ 10.77	$ 11.16	$ 11.62	$ 11.83	$ 11.86	$ 12.60	$ 13.20
1"								16.12	17.10	17.95
1 1/2"	27.68	27.76	27.68	28.29	29.50	30.50	31.03	44.71	47.40	49.63
2"	51.40	51.55	51.40	52.62	54.45	56.73	57.79	69.35	73.50	76.96
3"	171.25	171.72	171.25	175.20	181.59	189.10	192.54	135.05	143.10	149.95
4"	270.40	271.15	270.40	276.49	286.83	298.60	303.86	208.96	221.40	231.92
6"	505.53	506.91	505.53	517.08	536.25	558.15	568.18	414.28	438.90	459.76
8"	633.28	635.01	633.28	647.88	671.60	699.06	712.05	660.65	699.90	733.26
10"	-	-	-	-	-	-	-	989.15	1,047.90	1,097.84
12"	-	-	-	-	-	-	-	1,390.04	1,472.40	1,542.55
Usage rate (per billing unit)[1]	$ 48.26	$ 47.50	$ 49.92	$ 52.50	$ 53.76	$ 57.56	$ 56.70	$ 57.34	$ 62.82	$ 62.52
Sewer Rates (avg per month)[2]	$ 22.90	$ 23.96	$ 24.72	$ 25.90	$ 27.01	$ 30.12	$ 31.47	$ 32.19	$ 33.65	$ 34.92

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

STATISTICAL SECTION

Eastern Municipal Water District
Customers by Water Service Type
Last Ten Fiscal Years

Fiscal Year	Residential & Non-Residential[2]	Commercial	Industrial	Public Agency	Construction & Temporary	Irrigation	Agricultural	Total	Recycled	Total
	Treated and Untreated Water									
2011[1]	131,308	3,240	142	596	327	2,285	670	138,568	265	138,833
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	2412	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

Treated and Untreated Water Service Type by Customer Category
Fiscal Year 2020

	Residential & Non-Residential[2]	Commercial	Industrial	Public Agency	Construction & Temporary	Irrigation	Agricultural	Total
Domestic	147,832	3,878	161	616	565	2,607	114	155,773
Agricultural	11	3	1	5	-	3	92	115
Wholesale	-	-	-	30	-	-	-	30
Total	147,843	3,881	162	651	565	2,610	206	155,918

Note:
1. Decreased amounts are due to level of bank-owned homes relating to the economic downturn and less construction.
2. Effective 1/1/18, Non-Residential customers applies to Landscape accounts only and excludes Commercial, Industrial and Institutional accounts.

Source: Eastern Municipal Water District

STATISTICAL SECTION

Eastern Municipal Water District
Largest Domestic Water Customers[3]
As of June 30, 2020 and June 30, 2011

		2020			2011			
Rank	Customer Name	Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	Western Municipal Water District[1,2]	1,809	$ 2,256,909	19.7%	2	1,624	$ 1,489,015	17.7%
2	City of Perris[1]	1,647	2,165,023	18.9%	1	1,695	1,561,378	18.5%
3	City of Moreno Valley	761	1,382,846	12.1%	4	807	960,189	11.4%
4	Valley-Wide Recreation Park	693	1,319,567	11.5%	5	744	906,620	10.8%
5	Moreno Valley Unified School District	692	1,113,866	9.7%	3	1,001	890,477	10.6%
6	Val Verde Unified School District	437	747,878	6.5%	6	616	706,260	8.4%
7	City of Murrieta	357	666,384	5.8%	7	420	509,701	6.1%
8	Hyde Park Owners	363	629,892	5.5%				
9	County of Riverside	407	567,010	4.9%	9	390	440,357	5.2%
10	City of Hemet[1]	1,792	617,525	5.4%				
	Shadow Mountain Comm. Assoc.				8	413	511,668	6.1%
	Menifee Union School District				10	322	437,214	5.2%
	Total	**8,958**	**$ 11,466,900**			**8,032**	**$ 8,412,879**	
	Total domestic water sales	76,487	$ 139,470,921			79,662	$ 100,668,729	
	Percentage of total	11.7%	8.2%			10.1%	8.4%	

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

STATISTICAL SECTION

Eastern Municipal Water District
Largest Agricultural & Irrigation Water Customers[1]
As of June 30, 2020 and June 30, 2011

		2020			2011			
Rank	Customer Name	Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	Metropolitan Water District	268	$ 355,699	29.1%	3	118	$ 110,774	14.0%
2	Pauline Doan	209	278,226	22.8%	2	113	114,130	14.5%
3	John Bootsma Dairy	204	156,393	12.8%				
4	C & R Farms	139	101,273	8.3%	5	186	91,363	11.5%
5	HP Mobile Estates	66	87,762	7.2%	8	60	50,183	6.3%
6	Sunsui Farms	80	59,566	4.9%				
7	Expressway Dairy	61	48,018	3.9%				
8	Moon Valley Nursery	34	45,584	3.7%				
9	Cottonwood Dairy	59	44,959	3.7%				
10	Demler Egg Ranch	59	44,268	3.6%	7	105	55,991	7.1%
	Mc Anally Egg Enterprises				1	128	130,003	16.5%
	Abacherli Dairy				4	97	97,941	12.4%
	Valley Wide Recreation & Park				6	77	64,197	8.1%
	MCM Poultry				9	43	43,743	5.5%
	Hein Hettinga Dairy				10	68	32,791	4.1%
	Total	**1,179**	**$ 1,221,748**			**995**	**$ 791,116**	
	Total ag. & irrigation water sales	1,706	$ 1,832,130			2,629	$ 1,811,255	
	Percentage of total	69.1%	66.7%			37.8%	43.7%	

Notes:

1. 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
Largest Recycled Water Customers[1]
As of June 30, 2020 and June 30, 2011

		2020			2011			
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 Park	871	$ 511,725	19.0%	10	336	$ 101,318	4.7%
2	Marvo Holstein	2,787	356,633	13.2%				
3	America Greenworld Inc	668	284,816	10.6%				
4	Pechanga Water Systems	490	260,638	9.7%	8	381	114,837	5.3%
5	Hemet Golf Club Landmark	363	245,355	9.1%	4	353	151,288	7.0%
6	Agri Empire	1,764	233,096	8.7%	2	3,160	225,408	10.5%
7	Dept of Fish and Wildlife	3,550	211,339	7.8%				
8	Rancho Casa Loma	2,477	208,265	7.7%	3	3,665	176,426	8.2%
9	A G Sod Farms	1,551	205,142	7.6%	6	1,899	140,897	6.6%
10	City of Moreno Valley	332	176,777	6.6%	7	385	115,836	5.4%
	Inland Empire Energy Center LLC				1	2,897	868,286	40.5%
	The Golf Club at Rancho California				5	486	146,445	6.8%
	Scott Bros Dairy				9	2,229	106,802	5.0%
	Total	14,853	$ 2,693,786			15,791	$ 2,147,543	
	Total recycled water sales	29,191	$ 8,061,905			28,926	$ 4,504,923	
	Percentage of total	50.9%	33.4%			54.6%	47.7%	

Notes:

1. 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

STATISTICAL SECTION

Eastern Municipal Water District
Largest Sewer Customers
As of June 30, 2020 and June 30, 2011

		2020		2011		
Rank	Customer Name	Annual Revenues	Percentage	Rank	Annual Revenues	Percentage
1	Pechanga Resort and Casino	$ 907,878	29.9%	1	$ 459,486	26.7%
2	The Overlook At Ranco Belago	425,222	14.0%			
3	Murrieta Valley Unified School District	290,215	9.6%	5	129,799	7.5%
4	Val Verde School District	239,463	7.9%	8	121,741	7.1%
5	Hyde Park Owners	237,523	7.8%			
6	Hemet Unified School District	207,743	6.8%			
7	Stonegate at Towngate	206,015	6.8%			
8	S-J Investments Property	185,038	6.1%			
9	Casabella Owner's Association	176,669	5.8%			
10	Westwind Enterprises	157,905	5.2%	3	142,612	8.3%
	Broadstone Vista Apartments			2	246,078	14.3%
	Western States Mobile Home Park			4	140,805	8.2%
	Silverado Apartment Homes			7	126,305	7.3%
	Waterstone at Murrieta Apartments			6	129,534	7.5%
	Sonoma at Mapleton Apartment Homes			9	113,189	6.6%
	Gables Alta Murrieta Apartments			10	111,391	6.5%
	Total	**$ 3,033,671**			**$ 1,720,940**	
	Total sewer revenue	$ 107,541,964			$ 62,840,013	
	Percentage of total revenue	2.8%			2.7%	

Source: Eastern Municipal Water District

Eastern Municipal Water District
Summary of Imported Water Rates
Last Ten Fiscal Years
(dollars per acre-foot)

Rates Effective Beginning January		Full Service Domestic	
		Treated	Untreated
2011	**Tier 1**	744	527
	Tier 2	869	652
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

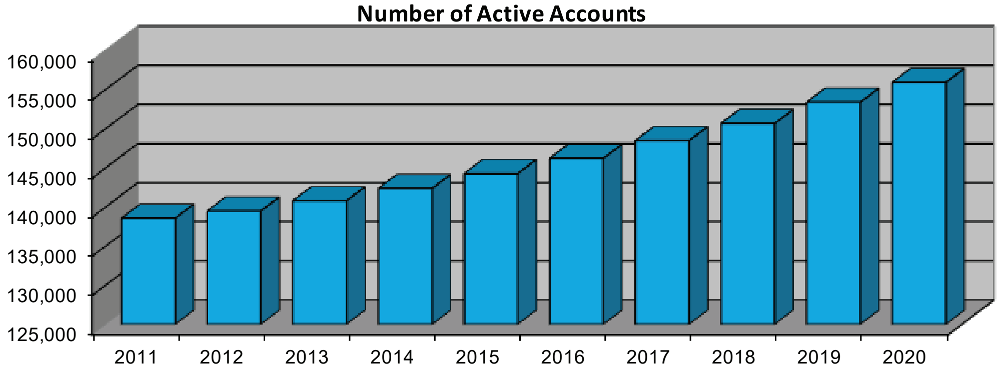
Source: Metropolitan Water District of Southern California (MWD)

STATISTICAL SECTION

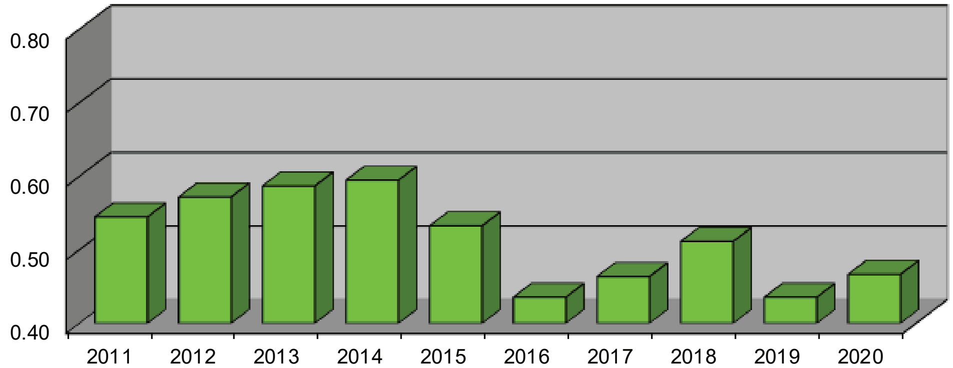
Eastern Municipal Water District
Annual Domestic Consumption (AF)
Last Ten Fiscal Years

Fiscal Year	Usage (AF)[1]	Active Accounts	Average AF per Account[2]
2011	75,461	138,568	0.54
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

Number of Active Accounts



Average AF/Account[2]



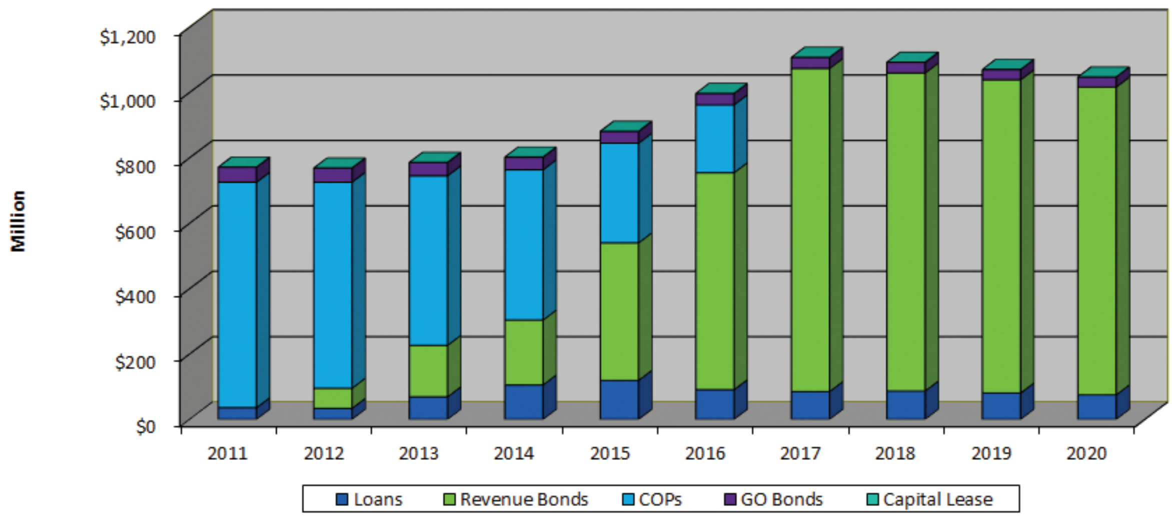
Notes:

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
Ratio of Outstanding Debt by Type[4]
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]
2011	$ 35,818,082	$ -	$ 689,723,765	$ 45,481,394	$ -	$ 771,023,241	1.18%	1,014
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	1.24%	1,240
2017	85,227,888	987,759,455	-	33,905,509	12,782	1,106,905,634	1.29%	1,356
2018	86,719,548	972,307,446	-	32,845,116	1,018	1,091,873,128	1.21%	1,320
2019	80,934,716	957,255,438	-	31,739,723	-	1,069,929,877	1.14%	1,275
2020	$ 74,961,710	$ 941,207,959	$ -	$ 30,584,330	$ -	$ 1,046,753,999	1.05%	1,231



Notes:

1. 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.
2. 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.
3. Based upon approximate population of District service area. See the Demographic and Economic Statistics schedule for amounts.
4. Details regarding the District's outstanding debt can be found in Note 4 to the Basic Financial Statements.

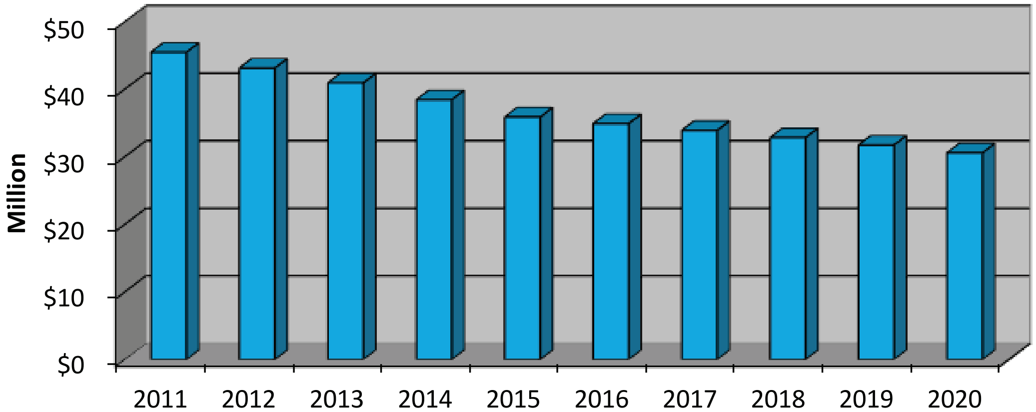
Source: Eastern Municipal Water District

STATISTICAL SECTION

Eastern Municipal Water District
Ratio of General Bonded Debt Outstanding[3]
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Assessed Value[1]	Percentage of Assessed Value	Debt per Capita[2]
2011	$ 45,481,394	$ 54,294,174,863	0.08%	60
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

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

STATISTICAL SECTION

EASTERN MUNICIPAL WATER DISTRICT
PARITY DEBT SERVICE COVERAGE
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES:										
Water sales	102,479,984	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
Sewer service sales	62,840,013	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
Recycled water	4,504,923	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
Total operating revenues	169,824,920	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
OPERATING EXPENSES:										
Water purchases	46,489,850	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
Water operations	41,364,910	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
Sewer operations	47,351,385	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
Other Post Employment Benefits (OPEB) Contribution[1]	-	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
General & administrative	26,707,578	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
Total operating expenses	161,913,723	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
OPERATING INCOME (LOSS)	7,911,197	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
NON-OPERATING REVENUES:										
Property taxes - general purpose	25,884,964	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
Standby charges	5,569,818	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
Water and sewer connection fees	10,815,294	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
Interest income[2]	7,664,191	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
Grant revenues	16,137,906	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
Other income/(expense)	1,727,067	(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
Total non-operating revenues	67,799,240	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
Net Water and Sewer Revenues for Debt Coverage	75,710,437	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
PARITY OBLIGATION DEBT SERVICE:										
Parity Obligation Payments (COP/Bonds)	32,731,966	37,044,680	35,061,971	35,521,108	26,604,369	22,545,830	34,166,392	4,907,150	4,988,750	4,868,750
State Loan Payments	5,703,603	4,115,116	4,322,228	4,013,353	5,877,892	-	-	-	-	-
Total Parity Obligation Debt Service	38,435,569	41,159,796	39,384,199	39,534,461	32,482,262	22,545,830	34,166,392	4,907,150	4,988,750	4,868,750
PARITY OBLIGATION DEBT SERVICE COVERAGE	**2.0**	**1.8**	**2.0**	**2.1**	**2.5**	**5.2**	**3.3**	**27.9**	**35.7**	**36.6**
REVENUES AVAILABLE FOR SUBORDINATE OBLIGATIONS	37,274,868	34,543,028	41,059,378	44,400,023	50,142,742	95,139,611	78,888,904	131,764,999	173,126,837	173,430,299
SUBORDINATE OBLIGATION DEBT SERVICE	-	-	-	-	2,917,542	20,192,253	10,421,019	45,597,190	46,254,481	42,828,620
SUBORDINATE OBLIGATION DEBT SERVICE COVERAGE	NA	NA	NA	NA	17.2	4.7	7.6	2.9	3.7	4.0
REMAINING REVENUES	37,274,868	34,543,028	41,059,378	44,400,023	47,225,200	74,947,358	68,467,886	86,167,809	126,872,356	130,601,679
TOTAL DEBT SERVICE	38,435,569	41,159,796	39,384,199	39,534,461	35,399,804	42,738,083	44,587,410	50,504,340	51,243,231	47,697,370
ALL-IN DEBT SERVICE COVERAGE	**2.0**	**1.8**	**2.0**	**2.1**	**2.3**	**2.8**	**2.5**	**2.7**	**3.5**	**3.7**

Notes:
1. Beginning FY 2012, OPEB contribution expense was separated from Water and Sewer operating expense.
2. Beginning FY 2012, excludes change in fair market value of investments (unrealized gain/loss) as these are non-cash items.

Source: Eastern Municipal Water District

Eastern Municipal Water District
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]
2010	760,128	65,363,159	30,448	14.7%
2011	768,264	67,585,240	30,698	13.6%
2012	776,986	71,936,625	32,196	12.2%
2013	784,834	74,050,799	32,737	10.3%
2014	794,790	76,511,910	33,440	8.2%
2015	803,973	80,555,648	34,753	6.7%
2016	816,411	86,033,655	36,642	6.1%
2017	827,343	90,385,180	37,936	5.2%
2018	839,226	94,210,345	38,975	4.4%
2019	850,439	99,591,680	40,637	4.2%

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

STATISTICAL SECTION

Eastern Municipal Water District
Principal Employers[1]
Fiscal Year Ended June 30, 2020 and June 30, 2011

	2020			2011	
Employer	No. of Employees	Percentage of Total Employment	Employer	No. of Employees	Percentage of Total Employment
County of Riverside	21,672	2.0%	County of Riverside	18,000	2.3%
Amazon	10,500	1.0%	March Air Reserve Base	8,525	1.1%
University of California, Riverside	9,770	0.9%	Stater Brothers Markets	6,902	0.9%
March Air Reserve Base	9,600	0.9%	University of California, Riverside	4,907	0.6%
Stater Brothers Markets	8,304	0.8%	Corona-Norco Unified School District	4,400	0.6%
Kaiser Permanente Riverside Medical Ctr	5,700	0.5%	Pechanga Resort and Casino	4,000	0.5%
Pechanga Resort and Casino	5,078	0.5%	Riverside Unified School District	3,900	0.5%
Walmart	4,931	0.5%	Kaiser Permanente Riverside Medical Ctr	3,500	0.5%
Corona-Norco Unified School District	4,903	0.5%	Riverside Community College	3,141	0.4%
Ross Dress For Less	4,321	0.4%	Abbott Vascular	3,000	0.4%
Total	84,779	8.0%	Total	60,275	7.8%
Total Employment	1,057,900		Total Employment	769,700	

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

STATISTICAL SECTION

Eastern Municipal Water District
Employees by Function
Last Ten Fiscal Years

	2011	2012	2013 [4]	2014	2015 [5]	2016	2017	2018	2019	2020
Operations and Maintenance Division										
Water Operations and Distribution	64	64	65	66	61	65	65	65	66	66
Water Reclamation	90	90	86	87	88	87	85	83	85	85
Assets & Facility Management (formerly Maintenance Services)	17	17	15	15	22	19	19	19	19	19
Auto Shop and Fabrication Shop (reassigned)	16	15	16	15	-	-	-	-	-	
Wastewater Collection	15	13	14	14	15	14	14	14	15	15
Mechanical Services (includes Fab Shop)	30	30	28	29	31	31	31	30	31	32
Electrical Services	22	23	24	24	23	24	22	26	25	26
Pipeline Maintenance (formerly included Building & Grounds)	37	34	34	34	22	22	22	21	23	22
Total Operations & Maintenance Division	**291**	**286**	**282**	**284**	**262**	**262**	**258**	**258**	**264**	**265**
Engineering Division										
General Engineering [1,6]	53	52	43	44	46	42	45	46	44	47
Construction Management and Inspections	39	39	35	33	29	32	30	31	32	30
Development Services [7]	26	20	17	18	19	21	21	20	24	25
Total Engineering Division	**118**	**111**	**95**	**95**	**94**	**95**	**96**	**97**	**100**	**102**
Planning and Resources Division										
Planning and Resources [2]	19	20	20	19	20	24	24	24	22	24
Environmental and Regulatory Compliance	9	9	9	10	11	12	12	8	12	12
Water Quality and Laboratory	15	15	14	14	12	12	12	12	11	12
Source Control	9	9	9	10	10	10	11	11	10	11
Total Planning and Resources Division	**52**	**53**	**52**	**53**	**53**	**58**	**59**	**55**	**55**	**59**
Executive and Administration										
Executive and Administration [6]	10	11	12	12	13	15	16	12	12	11
Public and Governmental Affairs [3]	3	11	11	11	12	12	12	13	11	12
Human Resources (formerly included Risk Management)	13	13	11	12	8	6	7	7	6	7
Safety/Risk and Emergency Management	-	-	-	-	4	5	5	5	5	5
Billing/Customer Service [8]	62	58	55	53	56	56	54	61	50	47
Meter Services [8]	24	24	21	19	16	14	13	14	21	20
Finance and Accounting	22	26	22	22	22	22	22	22	23	21
Information Systems	33	34	33	31	30	27	23	24	23	23
Purchasing, Warehouse and Records Management	27	30	28	27	28	28	25	28	27	27
Fleet Services (formerly Auto Shop)	-	-	-	-	11	11	11	12	11	11
Community Involvement [3]	8	-	-	-	-	-	-	-	-	-
Total Executive and Administration	**202**	**207**	**193**	**187**	**200**	**196**	**188**	**198**	**189**	**184**
Total Filled Positions End of Year [9,10]	**663**	**657**	**622**	**619**	**609**	**611**	**601**	**608**	**608**	**610**
Total Authorized Positions Start of Year	**690**	**667**	**636**	**633**	**629**	**631**	**629**	**632**	**636**	**640**
Change in Authorized Positions from Prior Year	14	(23)	(31)	(3)	(4)	2	(2)	3	4	4
Number of Vacant Positions as of June 30	27	10	13	10	20	20	28	24	28	30
Vacancy Rate as of June 30	3.9%	1.5%	2.0%	1.6%	3.2%	3.2%	4.5%	3.8%	4.4%	4.7%

Notes:
1. The General Engineering departments were reorganized in 2012.
2. The Planning and Resources workgroup was reorganized in 2016.
3. Community Involvement was restructured into Public and Governmental Affairs in 2012.
4. The decrease in filled positions is due to 43 employees accepting a retirement incentive and retiring effective June 30,2012.
5. Organizational changes in March 2015 affected all divisions and eliminated 3 vacant positions.
6. Organizational changes in December 2015 resulted in the movement of staff from General Engineering to Executive and Administration.
7. Department name changed in 2018 from New Business to Development Services
8. Seven employees moved from Billing/Customer Service to Meter Services in 2019
9. All directors and managers are included with their divisions.
10. Temporary, contract and summer help employees are not included.

Source: Eastern Municipal Water District

EASTERN MUNICIPAL WATER DISTRICT
OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
POTABLE WATER SYSTEM										
Miles of pipeline:										
transmission and distribution:[1]	2,428	2,430	2,443	2,448	2,463	2,465	2,380	2,476	2,442	2,482
as-built	2,280	2,296	2,366	2,376	2,391	2,399	2,314	2,397	2,368	2,393
construction in progress	148	134	77	72	72	66	66	79	74	89
Number of storage tanks	77	77	77	77	77	78	79	79	79	79
Maximum storage capacity (million gallons)	191	191	191	191	191	199	203	203	203	204
Number of active pumping plants	83	83	83	83	83	83	84	86	87	87
Number of active wells:										
domestic	21	21	18	18	18	16	16	14	14	14
desalter[4]	7	8	7	11	11	12	12	12	12	13
Domestic well production capacity:										
gallons per minute	22,326	22,285	23,292	23,382	19,299	19,604	14,708	15,625	17,100	19,600
million gallons per day	32.1	32.1	33.5	33.7	27.8	28.2	21.2	22.5	24.6	28.2
acre feet per year	36,013	35,945	37,570	37,715	31,129	31,622	23,725	25,203	27,582	31,610
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	32.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Number of service connections:[5]										
active domestic accounts	135,233	136,478	140,653	142,244	144,123	146,098	148,348	150,558	153,263	155,803
active agriculture accounts	124	122	131	133	132	127	125	116	115	115
SEWER SYSTEM										
Miles of sewer lines:[1]	1,736	1,756	1,780	1,799	1,813	1,816	1,790	1,819	1,831	1,868
as-built	1,626	1,639	1,725	1,735	1,749	1,772	1,741	1,759	1,771	1,799
construction in progress	110	117	55	64	64	44	49	60	60	69
Number of treatment plants	5	5	5	5	5	5	5	5	5	5
Treatment plant average design capacity (MGD)[2]	60	60	68	68	70	70	69	69	69	69
Average million gallons per day treated	46.0	45.0	44.8	44.9	44.8	42.4	43.3	42.6	44.6	46.3
Percentage of capacity utilized	77%	75%	66%	66%	64%	61%	63%	62%	65%	67%
Number of active lift stations	46	47	48	48	47	46	46	50	50	48
RECYCLED WATER SYSTEM										
Miles of pipeline:										
transmission and distribution:[1]	202	206	213	215	217	217	207	211	225	238
as-built	179	186	196	198	200	208	197	197	211	218
construction in progress	23	20	17	17	17	9	10	14	14	20
Number of active pumping facilities	20	20	21	24	24	24	24	24	24	24
Maximum storage capacity (acre feet)[3]	5,714	5,721	5,736	6,184	6,448	6,448	7,571	7,599	7,599	7,642
GENERAL INFORMATION										
Service area (annexed property):										
acres	346,732	346,732	346,745	346,745	346,745	346,808	346,808	347,280	347,298	347,298
square miles	541.8	541.8	541.8	541.8	541.8	541.9	541.9	542.6	542.7	542.7
Gross service area (square miles)	555	555	555	555	555	555	555	555	555	555
Average years of service of employees	10.84	11.39	11.31	12.11	12.50	12.25	11.90	11.68	11.04	11.80

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.
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

STATISTICAL SECTION

Eastern Municipal Water District
Customer Account Write Offs as a Percentage of Sales
Last Ten Fiscal Years

Fiscal Year	Retail Sales[1]	Write Offs	% of Sales
2011	143,427,078	734,381	0.5%
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%
Total	$ 1,767,432,830	$ 5,896,512	0.3%

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
2011	11,170,339	610,537	5.5%
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%

Notes:

1. Reserves equal accounts over 60 days past due.
2. In 2020, our reserves increased significantly due to the greater number of delinquent customer accounts. This was a direct result of the negative economic impact of the COVID-19 pandemic.

Source: Eastern Municipal Water District

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WATER

WASTEWATER

RECYCLED WATER

emwd
EASTERN MUNICIPAL WATER DISTRICT

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