

# Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2021

*Perris, California*



Water

Wastewater

Recycled  
Water



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# Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2021



Prepared by the

Eastern Municipal Water District  
Finance Department

2270 Trumble Road  
Perris, CA 92570

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# EASTERN MUNICIPAL WATER DISTRICT

## Annual Comprehensive Financial Report For Fiscal Year Ended June 30, 2021

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# EASTERN MUNICIPAL WATER DISTRICT

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# Introductory Section

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October 22, 2021

Board of Directors  
Eastern Municipal Water District

We are pleased to present the Eastern Municipal Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. State law and debt covenants require that the District publish, within six months and 180 days of the close of each fiscal year, respectively, a complete set of audited financial statements. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public and other interested parties these basic financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lance Soll and Lunghard, LLP, a firm of licensed certified public accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2021. The independent auditors' report is presented as the first component of the financial section of this report.

Included are all disclosures management believes necessary to enhance your understanding of the financial condition of the District. Generally accepted accounting principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

Board of Directors

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

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## Profile of the District



The Eastern Municipal Water District was incorporated in 1950 under the Municipal Water District Act of 1911 and the provisions of the California Water Code. Its primary purpose was to import Colorado River water to its service area to augment local water supplies. Prior to the District's formation, the local water supply was primarily from groundwater wells.

The District is governed by a five-member Board of Directors elected by the public for a four-year term, each representing comparably sized districts based on population. This five-member Board is responsible to the general public within the District for proper conduct of District affairs. The District is a member of the Metropolitan Water District of Southern California (MWD), a cooperative organization of twenty-six member agencies responsible for providing imported water to Southern California.

The District is located in Southern California and its service area lies within western Riverside County, encompassing approximately 558 square miles. In 1951, the District's service area consisted of 86 square miles. Today, growth has resulted from annexations ranging in area from 1 to 72,000 acres. The assessed valuation has grown from \$72.0 million when formed to approximately \$90.0 billion for this past fiscal year. The District is divided into separate regional service areas for water service and sewer service.

Riverside County has a population of 2.5 million people. Of this population, the District serves approximately 870 thousand or 34 percent, including the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, Moreno Valley, Perris, Wildomar and unincorporated areas in Riverside County. A map of the service area is on page 19 of this report.

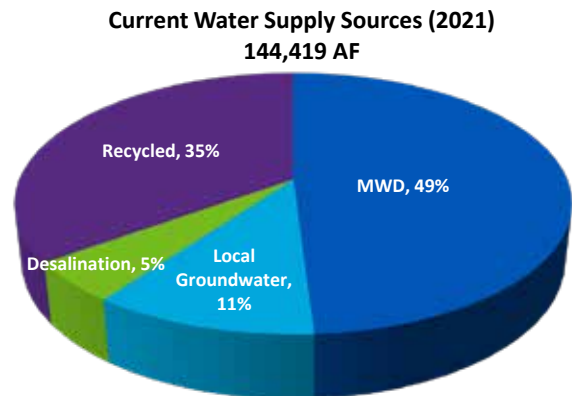
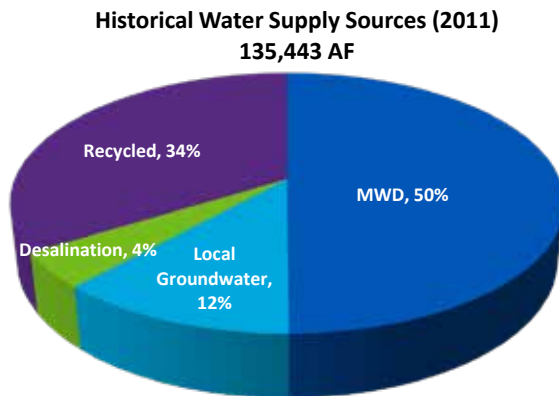
The mission of the District is to deliver value to its customers and the communities it serves by providing safe, reliable, economical, and environmentally sustainable water, wastewater, and recycled water services. It provides three primary products and services: potable water, wastewater collection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

The District's approximately 619 employees are responsible for providing excellent customer service driven by its standards to provide safe, reliable, economical, and environmentally friendly services.

## Water Supply and Reliability

The District's total water supply includes 11 percent local groundwater, 49 percent imported water and 35 percent recycled water. The sole source of the District's imported water is MWD.

The District has made significant efforts to provide a safe and reliable supply of water and diversify the sources of water. In 2011, the District received 50 percent of its water through purchases from MWD, which in turn obtains its water supply from two primary imported sources: the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. Other sources of water supply in 2011 were 34 percent recycled water and 12 percent local groundwater and desalination. In 2021, the District's level of imported water was 49 percent of supply as a result of investments in local groundwater, desalination, and recycled water improvements.



## Sewer and Recycled Water Services

For the purposes of transmission, treatment and disposal of wastewater, the District is divided into five sewer service areas: Hemet/San Jacinto, Moreno Valley, Sun City, Temecula Valley, and Perris Valley. Each service area is served by a single regional water reclamation facility (RWRf), for which methods of treatment vary. The facilities are capable of treating 77 million gallons per day (MGD) of wastewater and serve approximately 870 thousand people. Customers' monthly bills include a daily service charge based on household size, which covers the fixed and variable costs of operating the sewer system and contributions to infrastructure replacement costs. They are linked through a network of 1,913 miles of pipeline and 51 active lift stations.

The District currently generates approximately 47 MGD of effluent at its regional water reclamation facilities. The District's goal is to reuse 100 percent of the water from the treatment plants and offer recycled water for sale to customers within the District's service area. In doing so, the District reduces the need to import water or to use other local groundwater supplies. In 2021, approximately 33,746 acre feet or 66.9 percent of recycled water produced was sold to customers.





## The Local Economy



The District is located within Riverside County which is the fourth largest county in the State. Riverside County and San Bernardino County comprise the Inland Empire which is one of the fastest growing metropolitan areas in the nation. The Inland Empire covers more than 27,000 square miles with a population of about 4.6 million. In 2020, the Inland Empire experienced one of the largest annual job declines on record, due mostly to the coronavirus pandemic. An estimated 110,600 jobs were lost between 2019 and 2020; however, the Inland Empire has managed to add back 93,100 since April 2020. The region has experienced higher job growth during this time period than the State of California though not outperforming that of the nation. With the increase in job growth, unemployment has also improved. The Inland Empire's unemployment rate of 9.2% is slightly lower than California's 9.3% but still far from the prior year's 4% unemployment rate. Leisure and hospitality sectors have been the hardest hit with 27,600 fewer workers than the same time one year ago. Economists are hopeful that vaccines will help to further spur the economic recovery.

The Inland Empire has historically been an affordable housing alternative to the higher priced homes in the coastal regions of Southern California and with the pandemic, remote work capabilities, and

low interest rates, it has experienced one of the largest housing booms on record. This is part of the larger trend nationwide, however, the Inland Empire is seeing some of the largest changes. Riverside and San Bernardino Counties have both seen a drop in the number of days for a house to have a pending sale, from 30 days in December 2019 to 11 days in December 2020. For comparison, Los Angeles County saw a drop from 25 days to 13 days for the same time period. With lower homes in inventory, the price of homes has increased dramatically. The appreciation of homes year over year for the Inland Empire was 26.0% with a median home price of \$529 thousand compared to 23.9% and \$731 thousand, respectively, in Los Angeles County. Construction of new single-family homes increased 12% in the Inland Empire while the number of multi-family permits declined by 45%. Non-residential construction declined due to the pandemic in 2020 but since the economy began to reopen, rising rents and soaring demand for warehouses has motivated developers for new construction starts. In the first quarter of 2021, industrial space under construction jumped 24.4% from the prior quarter. Vacant space decreased 20.4% from 2020 to 2021 and average rent increased by 1.4%.

Business activity in the Inland Empire had seen a steady increase since 2012, however, that came to a halt in the first quarter of 2020 when GDP fell 0.2 percent due to the Coronavirus pandemic. The second quarter was far worse with a decrease of 26.5 percent. Health care spending drove this decrease, as it has also done nationally, as non-essential procedures were delayed in anticipation of a surge of COVID-19 patients. One year later, business activity

has made a clear recovery and is expected to reach pre-pandemic levels by the end of 2021. In the first quarter of 2021, business activity in the Inland Empire has increased at an annualized rate of 7%, which compares favorably to the 6.4% growth in the U.S. and is expected to continue into 2021.

Riverside County’s property assessment roll for the fiscal year 2020 has continued to increase with a value of \$302 billion, a 5.6 percent increase over fiscal year 2019. This is the seventh consecutive year of growth, exceeding the County’s peak assessment roll of \$242.9 billion in 2008.

The District’s property assessment roll for its service areas increased \$5.0 billion or 6.3 percent in fiscal year 2021. Its service areas include the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, and Moreno Valley, Perris, Wildomar and unincorporated areas in Riverside County. The largest growth among the District’s incorporated service areas are in the cities of Perris, 10.4 percent; and Menifee, 8.6 percent; and Moreno Valley, 7.1 percent.

The District is conveniently accessible by truck and rail service from several significant national and international cargo facilities including the Port of Los Angeles/Long Beach complex, Los Angeles International Airport, Ontario International Airport, and Port of San Diego. Additionally, the March Air Reserve Base (March ARB), a 12 square-mile airfield and logistics center, is located in the District.

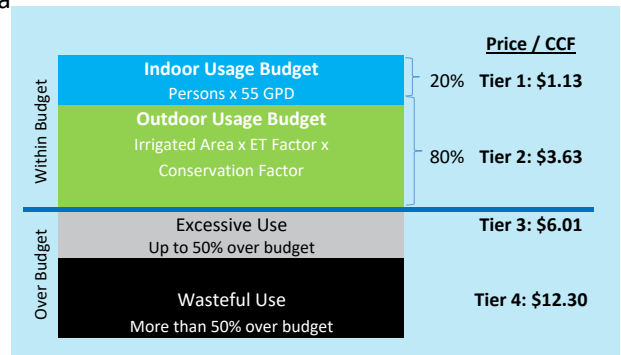
### Sound Financial Policies and Practices

The District continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs through careful planning, preserving investments, safeguarding reserves, and active debt management. The District recently completed major updates to the Reserve Policy and Comprehensive Debt Policy and has plans to update the Investment Policy in the upcoming fiscal year. The updates to these policies show that the Board of Directors is committed to maintaining the strong financial health of the District through modernizing financial policies and transparency to stakeholders.

### Water and Sewer Rates

In 2017, the District completed a cost-of-service study resulting in a new rate structure, moving from tiered water rates aligned to indoor and outdoor water budgets to new tiered water rates aligned to the Districts sources of water supply. The objectives of the study were to simplify and develop a consistent rate structure for all customers, to provide sufficient revenue for the District to recover operations and maintenance costs incurred in providing water service and to proportionately allocate these costs among customers. This new water rate structure was adopted by the Board in December 2017 with an effective date of January 1, 2018.

The use of water budgets for the Districts residential customers was first implemented in 2009. These customers received a monthly water budget allocation customized to meet their household and landscape irrigation needs. Effective January 1, 2018, under the new rate structure, customers continued to receive water budgets based on household and landscape size, however, these budgets no longer align with a specific rate. The amount of water billed for each tier is now based on the availability of the Districts water supply sources such as groundwater, treated groundwater and imported water. All residential customers are billed at the low volume,



Tier 1 rate for the first twenty percent of their monthly budget, according to the proportional amount of local, low-cost water supplies available. The remaining portion of the water budget is billed at the Tier 2 budgeted rate for budgeted supplies and the Tier 3 and Tier 4 rates cover usage in excess of the total budget. With this rate structure, water efficient households realize cost savings and customers who stay within their water budgets pay the lowest cost for water.

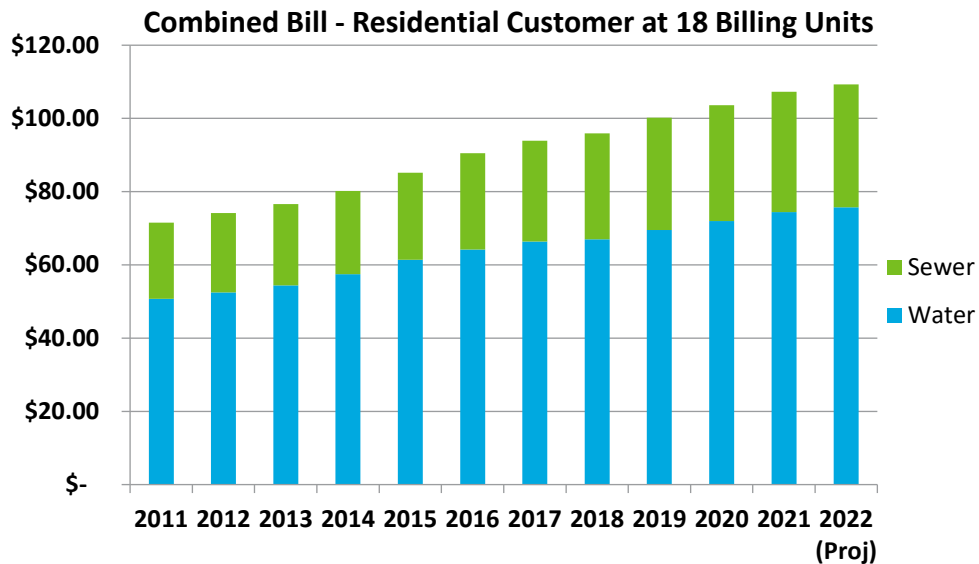
The Board approved increases effective January 1, 2021 whereby these charges will recover the cost in the water rate structures' three primary charges, the daily service charge based on water meter size, the water supply and reliability capital charge that supports the District's ongoing capital projects and the water use or commodity rates charged for each unit of water used (tiered rate). The impact to a typical water bill is approximately \$2.46 per month in 2021 and \$1.37 in 2022.

Effective January 1, 2021, sewer rates increased to recover the cost to collect, treat and recycle or dispose of wastewater. The sewer system capital projects charge also increased to provide funds for future sewer system capital improvement projects essential for maintaining the Districts four water reclamation facilities and meeting regulatory and environmental requirements. The impact to a typical sewer bill is approximately \$1.22 per month in 2021 and \$0.62 per month in 2022.

The Districts sewer rates are calculated using a baseline daily service charge and block factors based on household occupancy. Residential customers are assigned from one to four sewer blocks depending on number of people in the household. This sewer rate structure better reflects the demands on the sewer system based on updated customer data. Blocks 1 and 4 proportions are reduced and is expected to result in cost savings with a minimal increase in rates.

The Board approved nominal water and sewer rate increases also reflect the increased costs of imported water, rising maintenance and environmental regulatory compliance costs and investments in technology and infrastructure.

The chart below reflects the monthly charges for an average four-person household residential customer with an average monthly consumption of eighteen billing units (ccf):





## Water Use Efficiency

The District has established itself as a statewide leader in water use efficiency and continues to promote water conservation through investments in infrastructure, technology, education, and community outreach programs.

In 2009, the District first implemented the use of water budgets for its residential customers. The tiered water rate structure was designed to promote water conservation by encouraging efficient water use and discouraging wasteful water usage. All residential customers received a monthly water budget allocation customized to meet their specific household and landscape irrigation needs. The rate structure set budgets for indoor usage and usage in excess of the total budget.

In 2017, the Board adopted a new water rate structure, adjusted to meet new State standards that call for making water efficiency a permanent way of life. The changes maintained the principles behind the District's rate structure, reflecting the cost of service while rewarding customers who use less and penalize those who are wasteful.

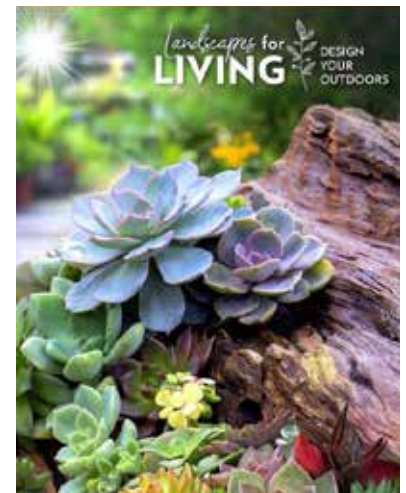
In 2019, the District launched its WaterWise Plus program, a comprehensive and forward-thinking program designed to assist customers and partner agencies with finding new and cost-effective ways to become more water efficient. The program integrates existing water use efficiency-based programs with long-term solutions that are promoted regardless of drought conditions. These programs help customers make lifestyle changes to their water use habits resulting in becoming more efficient with their water use, gaining a better understanding of their water usage, and making them better able to manage their monthly bills.

In 2021, the District launched its Landscapes for Living program, designed to assist residential customers to become more water efficient. The program integrates home consultations with a landscape expert, free direct installation of smart irrigation controllers and drip irrigation, landscape design assistance, Conservation Scorecards emailed weekly or monthly to update customers on their water use compared to water budget, and staff support to assist customers who want to apply for water saving rebates through the Metropolitan Water District of Southern California (MWD).

The District offers a wide range of free and low-cost programs for its residential customers, including partnering with MWD in promoting and offering regional indoor and outdoor rebate opportunities to help customers stay WaterWise. Residential programs and rebates include the smart controller direct install program, free conservation scorecard, SoCal WaterSmart rebates, free deep drip watering stakes and free conservation packets. The District's Demonstration Garden is also available for customers to view to obtain ideas on various water efficient and sustainable landscape options.

The District is also working with government agencies and the business community to develop long-term sustainable approaches to see the benefits that the average residential customers may realize. It is partnering with the cities it serves in introducing a landscape transformation program, promoting investments in climate appropriate landscaping in commercial, industrial, and institutional areas through turf replacement programs. The District is also partnering with its local agricultural customers to better understand current irrigation practices and to incorporate programs that will further assist local farmers in managing their water use.

Additionally, the District is an industry leader in recycled water, one of the largest by volume recyclers in the nation and one of the few agencies that routinely achieves 100 percent beneficial reuse. Its recycled water system receives and treats more than 47 million gallons of wastewater each day at its four operating regional treatment plants. The District's recycled water is treated to a tertiary level and is sold to agricultural, landscape, wholesale, environmental and



industrial customers. Over 700 meters provide recycled water service to schools, parks, city streetscapes and HOA's as well as Riverside County, golf courses, wetlands habitat areas, and industrial cooling towers. The District operates over 240 miles of transmission and distribution pipelines, ten pond pump stations, 19.5 million gallons of elevated storage, eight booster pump stations and more than 7,000-acre feet of recycled water seasonal storage ponds. With significant urban development, it is prepared to manage the increase in recycled water production and is securing the regions' water future through expansion of the recycled water distribution system and moving forward with the Purified Water Replenishment (PWR) groundwater augmentation project.

## Financial Planning

The Board approves and adopts a biennial budget as a financial management tool which provides the Board and stakeholders a complete view of the District's financial health and resources available to support the District's mission, values, strategic goals, and objectives. The biennial budget is developed with input from the various departments within the organization and adopted prior to the start of each fiscal year. Monthly budget-to-actual comparison reports are prepared and quarterly budget-to-actual results by system are presented to the Board along with financial position and other key performance information.

The District prepares a five-year Capital Improvement Plan (CIP), which calls for total expenses for water, sewer, and recycled water facilities of approximately \$534.5 million for the period from 2022 through 2026. The CIP is expected to be financed through a combination of property taxes, developer connection fees, rates, charges, publicly financed bond proceeds, reserves, grants, and low-interest loans from the California State Revolving Fund. The CIP is modified on an annual basis to reflect updated assumptions regarding future growth within the District's service area.

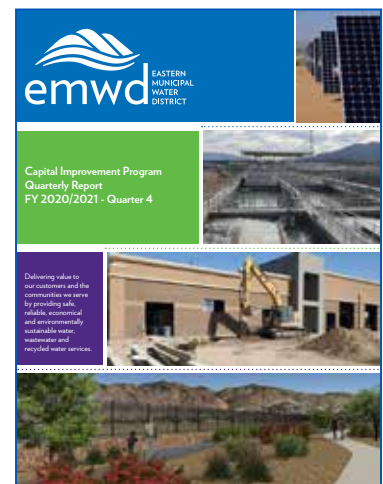
Although many public agencies have faced difficult financial challenges due to the ongoing COVID-19 pandemic and economic downturn, the District was recently reaffirmed as a model of financial stability by the major rating agencies.

In April 2021, the District was reaffirmed as an AA+ agency by S&P Global Ratings for its subordinate lien and affirmed as an AA+ agency with positive outlook by Fitch Ratings, who also previously assigned a AAA rating for the District's senior lien, the highest possible rating that can be assigned. These excellent ratings result in lower interest rates when issuing bonds for critical infrastructure projects that enhance system reliability while also keeping rates low for its customers.

The District's allocation-based rate structure and its recovery of fixed costs through daily service charges instead of volumetric water use, is a major factor in achieving such high ratings from the rating agencies.

The District's strong financial standing has benefited ratepayers. A study published in February 2020 by the University of California, Riverside (UCR) showed monthly water and sewer costs accounted for approximately 1.5 percent of median household income in the District's service area. This is well below the United States Environmental Protection Agency's (EPA) affordability threshold of 4.5 percent for water and sewer services.

Other factors contributing to the District's financial strength include its rate setting approach, including yearly nominal rate increases instead of large rate spikes after extended periods of no rate adjustments; strong financial reserves to meet extended periods of revenue uncertainty during economic downturns, extended droughts, or the current COVID-19 pandemic; and lastly, manageable capital needs with no planned borrowing for the next five years. This is possible due to the District's aggressive program in securing grant funding.



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

### Reserve Policy

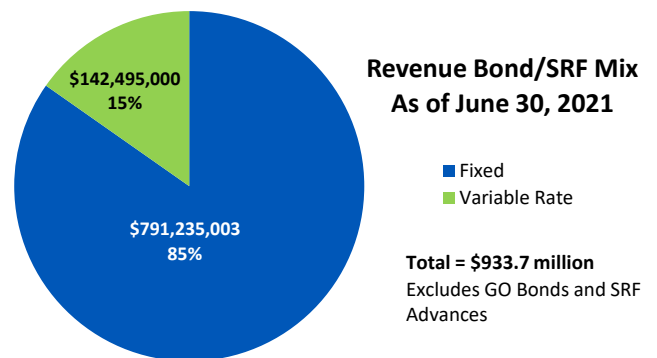
The District adopted a new reserve policy in 2021. The new policy principles are to maintain the strong financial health of the District, provide operating liquidity for rate stability to customers, ensure funding is available for current and future replacement of assets, provide financial flexibility for unanticipated costs and emergency expenses, assure that the District maintains the highest possible credit ratings, and establish bond proceeds and debt service reserves in compliance with bond documents. The revised policy separates reserves into restricted and unrestricted, board designated and by category: operating, debt service, and capital. The Reserve Policy is important to the District because it exhibits to stakeholders that the District’s Board of Directors is committed to the District’s long term financial health and it provides certainty, stability, and reliability with respect to the level of service and charges to the District’s customers.

### Administrative Code and Investment Policy

In 2013, the Board of Directors adopted an Administrative Code, which incorporates various policies and administrative duties. The District adopted a Comprehensive Investment Policy in September 2021. The Investment Policy provides standards and guidelines for prudent investment of the District’s funds. The District invests its funds in instruments permitted by California Government Code Sections 53601, et seq., and in accordance with its Investment Policy. The investment objectives of the District are to first preserve capital, followed by maintaining liquidity, and finally, maximizing the rate of return without compromising the first two objectives. The Investment Policy outlines authorized investments meeting minimum credit and maturity requirements while staying in compliance with California Government Code. Investment staff shall provide regular investment reporting to the Board of Directors and conduct an annual review of the Investment Policy.

### Debt Administration

The District has adopted a Comprehensive Debt Policy (Debt Policy) in accordance with California Government Code § 8855. The Debt Policy, which was most recently updated on April 7, 2021, sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to staff regarding the timing and purposes for which debt may be issued, the types and amounts of permissible debt, and the methods of sale that may be used. Adherence to the Debt Policy helps to ensure that the District’s debt is issued and managed prudently in order to maintain a sound fiscal position and optimal credit ratings. Furthermore, the District actively manages



its debt portfolio and seeks to minimize its total debt costs. This goal is achieved through the issuance of both fixed and variable rate debt to fund its capital projects or refund outstanding debt. The District has primarily issued revenue bonds (Bonds) and has borrowed from state revolving fund (SRF) loans to fund its CIP. As of June 30, 2021, the District’s total revenue bonds and SRF loans outstanding was \$933.7 million, of which 85 percent were fixed interest rate and 15 percent were variable interest rate, for an overall weighted average cost of funds of 2.11 percent.



The District's parity revenue bond debt has been assigned AAA, AA+, and Aa1 ratings and the subordinate refunding revenue bonds have been assigned ratings of AA+, AA+, and Aa2 from Fitch Ratings, S&P Global Rating's Services, and Moody's Investors Service, Inc., respectively.

More information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 to the Basic Financial Statements.

## Major Initiatives

The District is driven by standards to provide safe, reliable, economical, and environmentally friendly services. These standards and services include highly reliable water, wastewater service and recycled water service, protection of public and environmental health, superior customer service, sound planning and operational efficiency, fiscal responsibility and appropriate investment, exemplary employer and effective communication, advocacy, and community partnerships.

### Highly Reliable Water, Recycled Water and Wastewater Service

To provide a safe, reliable, and cost-effective water supply portfolio that is sustainable and achieves an optimum balance of water resources including imported water, surface water, groundwater, wastewater treatment, reuse and resource recovery, the District identified and invests in the following initiatives:

#### Groundwater Reliability Plus Initiative

Current and future growth within the District's service area increase demands for sustainable local water supplies. The District is committed to a comprehensive and collaborative approach toward its local groundwater resources through its Board adopted Groundwater Reliability Plus Initiative to promote long-term water supply reliability. The District currently operates 14 active potable wells and 13 active desalter wells that provides 12 percent of its water supply portfolio. This number is anticipated to grow in the future through the Groundwater Reliability Plus Initiative, a comprehensive approach to groundwater management with the goal of continually improving the quality and quantity of water in the District's local groundwater basins. The initiative ensures that the District can meet the long-term needs of its service area through expanded groundwater services, including desalination, replenishment of aquifers and the protection of water quality through environmental health initiatives.



#### Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) – Water Banking

The District is one of five member agencies of the Santa Ana Watershed Project Authority (SAWPA) that is participating in a first of its kind regional groundwater banking program known as the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). This multi-agency watershed wide program will bank imported water to enhance water supply reliability and increase available dry year supplies in the Santa Ana River Watershed. The program will also integrate water conservation measures, habitat enhancements and recreational use. It will develop dry year yield by banking wet year water with 180,000-acre feet capacity over a ten-year period. The District will implement the San Jacinto Basin component of the program by storing 19,500 plus acre-feet of wet year water per ten-year period. The District will install a one-mile educational hiking trail and forty acres of open space in the form of a recharge basin in the Santa Ana River Watershed. The five participating agencies include the District, Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD) and Western Municipal Water District (WMWD).

In November 2019, the District broke ground on the Mountain Avenue West Groundwater Replenishment Facility located on the northeast corner of Mountain and Esplanade avenues in the City of San Jacinto. The Facility will comprise of two large basins that will allow imported water from Northern California to seep into the District's local groundwater aquifer where it will be available for use during dry years and will serve as the future home of the District's Water Banking project. The facility will help mitigate the impacts of future droughts by increasing local groundwater basin levels, increase water supply reliability for future years and help the District improve groundwater quality in the aquifer. Upcoming in Fall 2021, the District has plans to start the Mountain Avenue Gap Pipeline project which will consist of approximately 1,800 feet of eighteen (18") inch diameter potable water pipeline along Mountain Avenue from Oak Knoll Road to Old Mountain Avenue in San Jacinto. The scope of the project is to interconnect existing potable water lines to provide a looped water system which will result in an increased level of service, reliability, and redundancy to adjacent customers. The project is expected to be completed in spring of 2022.

This \$22.9 million SARCCUP project is partly funded by a \$12.7 million Proposition 84 Integrated Regional Water Management Program (IRWMP) grant from SAWPA and is estimated to be completed in August 2022.

### ***Perris II Reverse Osmosis Treatment Facility – Desalination***

The Perris II Reverse Osmosis (RO) Treatment Facility Project is a multi-phase project that will produce potable water from the contaminated Perris South Water Groundwater Management Zone. The project consists of construction of RO treatment process facilities, four water supply wells, pipelines, and additional treatment trains at the RO treatment facilities. The Perris II Desalter will treat degraded groundwater from the West San Jacinto Basin so that the water can be used for potable purposes within the District's service area. The facility will be constructed adjacent to the two existing desalters, the Menifee and Perris I Desalter. The Perris II Desalter, which will initially produce 3.6 million gallons per day, will be equipped to support expansion to a capacity of 5.4 million gallons per day, meeting the potable water demands of up to 12,000 homes in the Perris and Menifee service areas.

The District was successful in securing a \$22.5 million Proposition I Groundwater grant funding from the State Water Resources Board in July 2018 to partly fund this \$41.0 million project. A Local Resources Program (LRP) agreement from the Metropolitan Water District of Southern California (MWD) was also secured to provide a subsidy of \$305 per acre foot up to 5,500-acre feet every year over twenty-five years. If the maximum amount of groundwater is recovered for beneficial use, MWD will subsidize \$41.9 million for the 137,500 acre-feet. The LRP program is an incentive program for MWD member agencies to produce water that would otherwise be supplied by MWD. The project, which started in December 2014, is anticipated to be completed in 2021.

### ***Perris North Basin Groundwater Project***

In June 2020, the District was awarded a \$44.9 million Proposition 1 grant from the State Water Resources Control Board to fund 50 percent of the estimated \$89.9 million Perris North Basin Groundwater Contamination Prevention and Remediation Project. The program is a long-term solution to improve groundwater quality in the North Perris Groundwater Basin located in Moreno Valley and will have the additional benefit of providing safe drinking water for approximately 15,000 additional households annually. The program would make beneficial use of available local groundwater supplies, up to 6,700-acre feet annually, further reducing reliance on imported water supplies. Groundwater in Perris North Basin includes the area of March Airforce Base (MARB), which is served potable water by Western Municipal Water District (WMWD). The District continues to work with WMWD and the Department of Defense (DOD) on interagency agreements and other potential opportunities, such as the ability to partner with WMWD for a local, more sustainable water supply for MARB. This construction project is currently in the 90 percent design level and anticipated to go to bid for construction in late 2021 with a potential construction award in early 2022.



## Sound Planning and Operational Efficiency

To deliver the highest quality products and services in a cost-effective manner by leveraging work force, technology, and business resources and implementing industry leading processes and practices.

### Energy Efficiency Programs

The District continues to actively pursue alternative sources of energy and electrical power supply to address capacity issues and cost of electrical power by investing in solar, digester gas, fuel cell technology and microturbines.

Phase III solar power generation system is installed at the Perris, Moreno Valley, San Jacinto, and Sun City facilities. The Phase III Project adds 15.9 Megawatts of additional solar power, bringing EMWD's combined total of renewable generation to 22.6 Megawatts. The Phase III Project is anticipated to provide more than \$63 million of power savings over the 25-year life of the facilities.

Digester gas driven fuel cells are installed at the District's Moreno Valley and Perris Valley regional water reclamation facilities. These fuel cells, which operate on renewable fuel, provide 20 to 40 percent of these facilities' energy requirements, produce zero emissions cutting greenhouse gases by more than 10,600 tons annually and save an estimated \$1.0 million annually on energy costs.

The District currently has nine 60 kW microturbines that provide additional power generation that save more than \$300,000 each year. The exhaust from these microturbines heats water necessary to power a 150-ton air conditioning unit.



### Alternative Fuel Vehicle Fleet

As part of its effort to expand its clean energy fleet, reduce its carbon footprint and adapt to a changing regulatory environment for vehicle emissions, the District continues to expand its clean energy fleet. EMWD currently operates nine (9) CNG powered Heavy Duty vehicles, three (3) plug-in hybrid electric sedans, and one (1) all electric sedan. As existing vehicles reach the end of their service life, they will be replaced with additional clean energy vehicles. The District has a ten-port electric vehicle charging station and also uses publicly accessible CNG charging stations.

## Superior Customer and Community Service

The District is committed to consistently exceed customer expectations in all facets of its service through customer awareness, service, and technology.

### Community Outreach

In April 2019, the District was presented with two Excellence in Public Information and Communications awards through the California Association of Public Information Officials (CAPIO). The District was recognized for its Water Tax Education and Healthy Sewers campaigns.

The District's Healthy Sewer Program is a public program that promotes the responsible disposal of prescription medication and fats, oils, and grease. By reducing contaminants in the wastewater collection system, the District can reduce treatment costs, help sustain a high-quality recycled water supply and ultimately protect future groundwater quality. It also received the EPIC Award from the California Association of Public Information Officials for its Patrick the Poo mascot video which was created to educate children about what not to put down the drain.

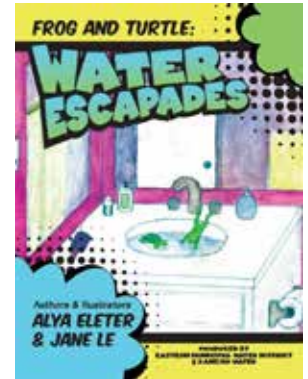




In addition to the CAPIO awards, the District received five awards from the Public Relations Society of America's Inland Empire Chapter for Outstanding Community Outreach. These award-winning programs, which signify the highest standards of performance and outstanding public relations tactics and programs include the Water Bottle Fill Station Program, the Education Program, the Water Leaders Academy Program, the Healthy Sewers Program, and the Employee Photo Contest Program.

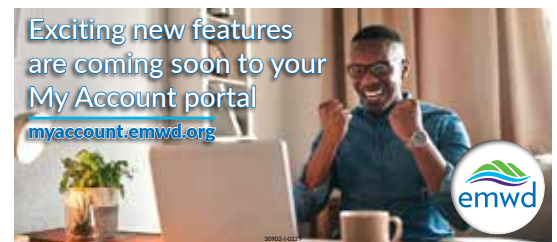
### Education

The District's award-winning Education Program is actively engaged in fostering and understanding of water and wastewater issues and promoting wise water use among students at all grade levels, from K to 12. Its extensive education program provides interested schools within the District's service area complimentary lesson plans, curriculum packets, materials and a host of other activities and programs. The District sponsors annual poster and write-off contests open to students in K-middle schools with different yearly themes including water conservation and being sewer smart. The winners of the poster contest, along with the student's teachers, are honored at an awards ceremony hosted by EMWD. The top 5 posters are submitted to the Metropolitan Water District for consideration of a possible spot on their Water is Life calendar. Other activities offered include field trips to District facilities which are open to school districts and private schools within the District's service area, which includes 11 school districts and private schools. The tours are 3 ½ hours each and include EMWD's Hemet/San Jacinto Regional Water Reclamation Facility and Wetlands. These trips are popular and are fully booked in advance of the school year end. For high school students, the District partners with the Metropolitan Water District (MWD) by annually sponsoring teams to the Solar Cup competition. The competition is a solar-powered boat race where students design, build and race solar-powered boats allowing the use of alternative power and also allowing the students to understand the project-based learning and teamwork. In 2020, the District launched its first-ever video contest, *Pipeline Productions – A Video Contest by EMWD*. Other District sponsored education programs include complimentary bird walks, education videos, paper and electronic books and student recognition events.



### Customer Information and Billing System (CIS) Replacement and Customer Self-Service Portal (CSS) Implementation

The District completed the replacement of its legacy customer information and billing system as well as implemented a customer self-service portal that would provide customers with integrated payment capabilities and access to water usage data. District staff recently completed the final testing cycle of the new application and the project was completed in late October 2021.



## Fiscal Responsibility and Appropriate Investment

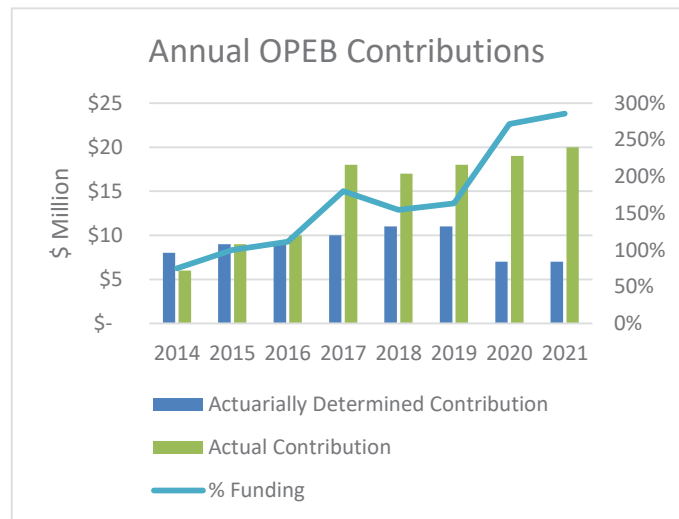
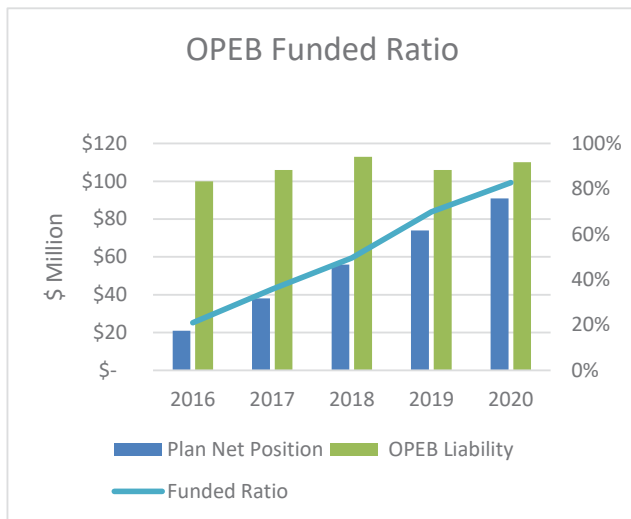
The District continues to focus its efforts in areas that will ensure financial stability and demonstrate responsible stewardship of public funds.

### Connection Fee (Financial Participation Charge) Study

The District is committed to providing excellent services with accurate fee and rate structures. To do this, the District is engaging a consultant to perform a connection fee study for capacity and system buy-in charges or financial participation charges. The last connection fee study was completed in 2011. The current study is expected to be completed in 2021 with proposed increases to fees to be presented to the Board in December 2021 for consideration. If approved, updated charges would be effective in 2022.

### Other Post-Employment Benefits

The District established a funding policy to fund its retiree health program through the California Employers' Retiree Benefit Trust (CERBT) and started funding in fiscal year 2013 with a goal to achieve full funding by fiscal year 2034. The District began funding future costs in July 2012 and July 2013 with initial \$2.8 and \$5.7 million deposits to CERBT. In fiscal year 2014, the District implemented a new tier of OPEB benefits for future hires that will dramatically improve the plan funding and viability over the long term. In addition, the District adopted funding policy principles that direct how the OPEB Trust will be funded over time, in accordance with sound funding principles. Commencing in fiscal year 2015, the District made its full Actuarially Determined Contribution (ADC) and intends to continue to do so until its OPEB obligations are fully funded. In fiscal years 2019, 2020 and 2021, the District's contribution to the Trust exceeded the ADC by \$7.6 million, \$12.4 million, and \$13.5 million, respectively. As of June 30, 2020, the District's OPEB Liability was 83 percent funded, this was substantially sooner than anticipated when the OPEB funding policy principles were adopted by the Board of Directors.



## Accounting Systems

The Finance Department is responsible for providing the financial services for the District, including financial accounting and reporting, payroll, accounts payable, custody and investment of funds, billing and collection of water and wastewater charges, taxes, and other revenues. The District's books and records are maintained on an enterprise basis, as it is the intent of the Board to manage the District's operations as a business, thus matching the revenues against the costs of providing the services. Revenues and expenses are recorded on the accrual basis in the period in which the revenue is earned, and the expenses are incurred.

## Internal Controls

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with GAAP. Management follows the concept of reasonable assurance in recognizing that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments. The most recent audits have not uncovered any weaknesses in internal control that would cause concern. However, recommendations for improvement are always welcome and are implemented where feasible.

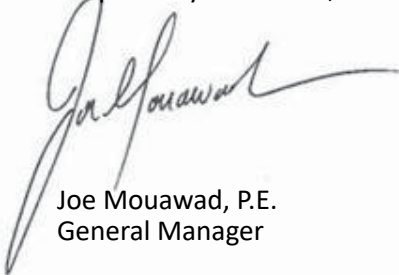
## Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Eastern Municipal Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the seventeenth consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance department. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. We would also like to thank the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Joe Mouawad, P.E.  
General Manager



Laura M. Chavez-Nomura, CPA  
Deputy General Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Eastern Municipal Water District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

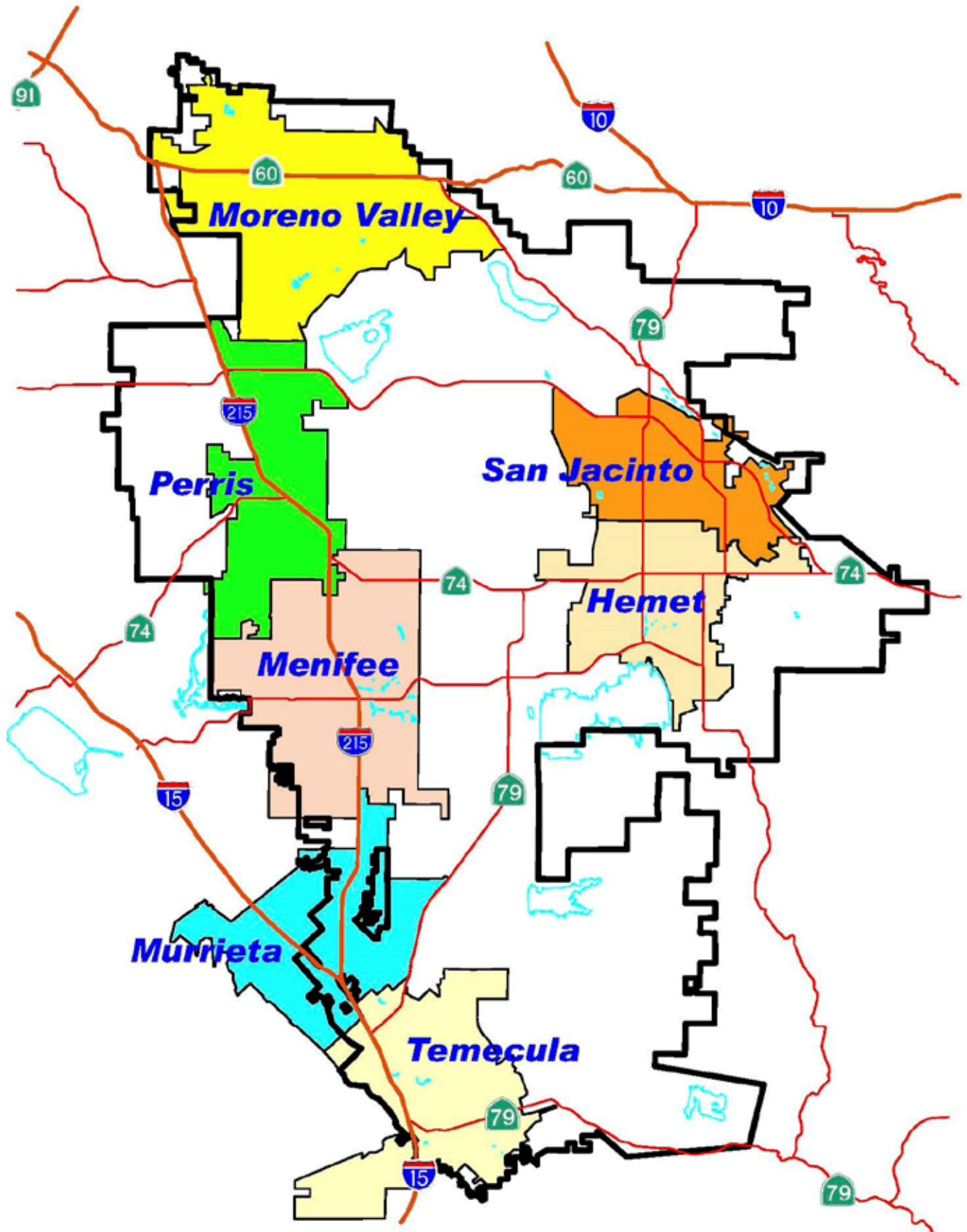
*Christopher P. Morill*

Executive Director/CEO



# EASTERN MUNICIPAL WATER DISTRICT

## SERVICE AREA MAP AND INCORPORATED CITIES



## EASTERN MUNICIPAL WATER DISTRICT

List of Elected & Appointed Officials  
June 30, 2021

### BOARD OF DIRECTORS

Position	Name	Elected	Current Term of Office
President	Philip E. Paule	1/2003	2019- 2023
Vice President	David J. Slawson	1/1995	2019- 2023
Director	Jeff Armstrong	11/2020	2021-2025
Director	Stephen J. Corona	1/2019	2019- 2023
Director	Randy A. Record	1/2001	2017- 2021

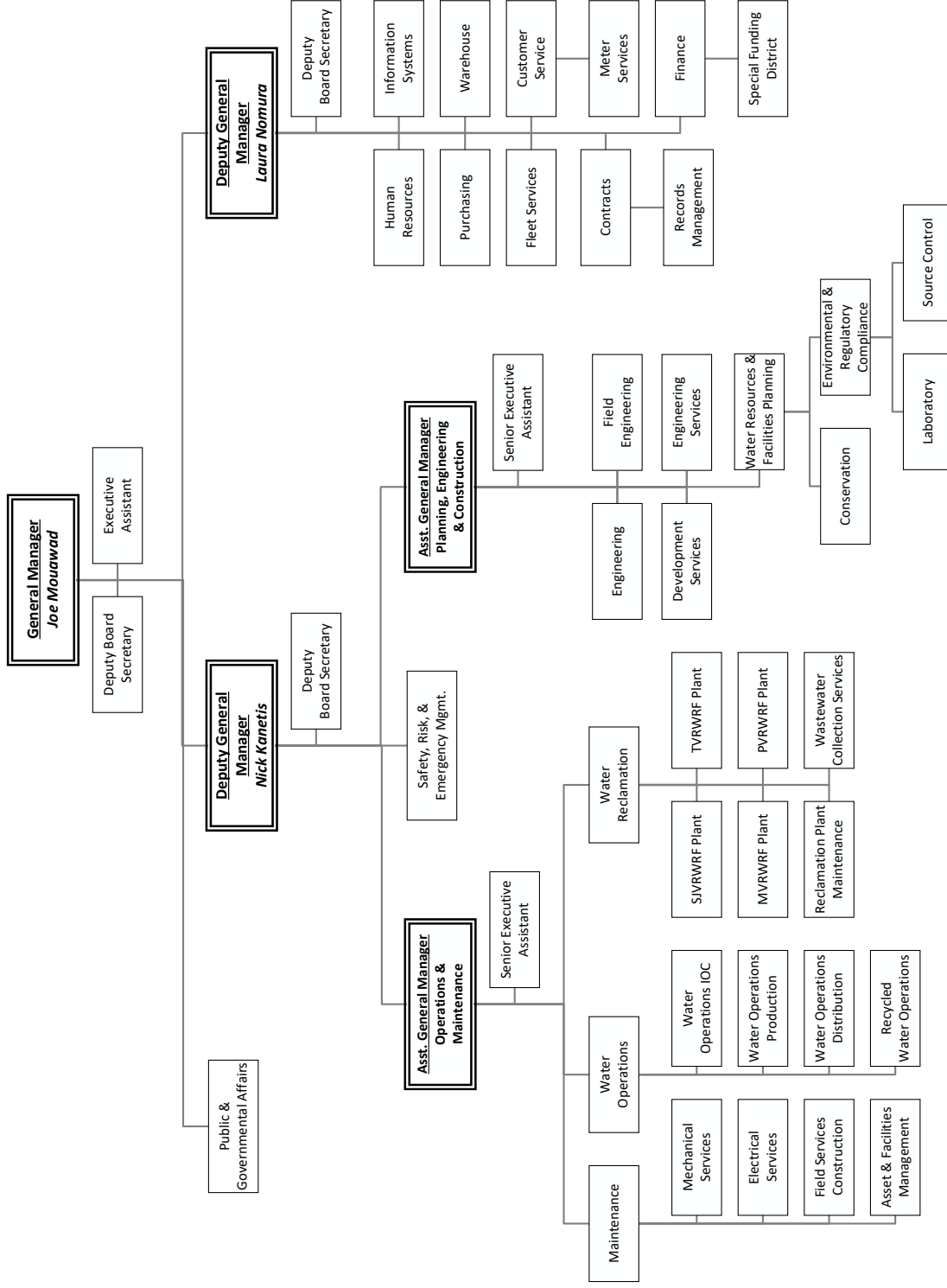
### EXECUTIVE MANAGEMENT

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



# EASTERN MUNICIPAL WATER DISTRICT

## ORGANIZATIONAL CHART



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# Financial Section

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Eastern Municipal Water District  
City of Perris, California

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Eastern Municipal Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Eastern Municipal Water District as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special District. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the date of the financial statements.







To the Board of Directors  
Eastern Municipal Water District  
City of Perris, California

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. According, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Responsibilities***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information



To the Board of Directors  
Eastern Municipal Water District  
City of Perris, California

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Matter***

The summarized comparative information presented herein as of and for the year ended June 30, 2020, was audited by other auditors who express an unmodified opinion on those statements on November 12, 2020.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll &amp; Loughard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
October 22, 2021

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

On behalf of the Eastern Municipal Water District (the "District"), we are pleased to offer the following narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage all readers of the District's financial statements to consider the financial information presented in this section in conjunction with the accompanying financial statements, notes, analyses, and additional information furnished in our letter of transmittal at the opening of this report.

### Financial Highlights

- Total assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$1,828.1 million (net position). The District's net position, which increased \$86.4 million or 5.0 percent from the prior fiscal year, includes net investment in capital assets of \$1,452.2 million; restricted for debt service and construction, \$115.7 million; and unrestricted, \$260.2 million.
- Total assets are \$3,162.2 million, an increase of \$73.2 million or 2.4 percent over the prior fiscal year. The increase in total assets is primarily due to a \$53.2 million increase in net capital assets. The District added \$193.3 million in capital assets during the fiscal year, offset by an increase of \$93.7 million in accumulated depreciation.
- Total liabilities are \$1,385.9 million, a decrease of \$12.9 million or 0.9 percent over the prior fiscal year. The decrease in total liabilities include \$19.2 million in principal debt payments, \$10.5 million in terminated and matured interest rate swap agreements, and \$13.2 million in net other post-employment benefits obligation, offset by increases in advances from developers and other current liabilities.
- Total revenue and capital contributions exceeded operating and non-operating expenses by \$98.5 million (change in net position). The change in net position decreased \$6.4 million or 6.1 percent from the prior fiscal year primarily due to a \$22.8 million decrease in capital contributions.
- Total revenues, \$414.4 million, increased \$27.3 million or 7.0 percent over the prior fiscal year. Operating revenues increased \$28.7 million or 11.2 percent primarily due to an increase in domestic water sales of \$21.2 million or 15.2 percent due to combined higher acre feet sales and board approved rate increases.
- Total expenses, \$377.6 million, increased \$10.8 million or 3.0 percent over the prior fiscal year. Operating expenses increased \$15.1 million primarily due to an increase in purchased water cost resulting from increased demand from domestic water sales. Non-operating expenses decreased \$4.2 million as a result of lower conservation program costs and lower standby bank fees related to the District's variable rate debt(s).
- Capital contributions are \$61.7 million, a decrease of \$22.8 million from the prior fiscal year. Capital grants and developer contributions were \$22.8 million lower due to decreases in grant and developer funded capital assets placed in service during the current fiscal year compared to the prior fiscal year.

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

### Overview of the Financial Statements

The District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows and notes to the basic financial statements. This report also includes other supplementary information in addition to the basic financial statements.

- *Statement of Net Position:* This statement presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- *Statement of Revenue, Expenses and Changes in Net Position:* This statement presents information on the District's current fiscal year's revenue and expense. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.
- *Statement of Cash Flows:* This statement provides relevant information about the District's cash receipts and cash payments segregated among operating, capital, and related financing, and investing activities.
- *Notes to the Basic Financial Statements:* These notes provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

### Financial Analysis

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's total activity.

**Table 1, Net Position**

### STATEMENT OF NET POSITION FOR THE FISCAL YEARS ENDED JUNE 3, 2021 AND JUNE 30, 2020

	2021	2020	Increase (Decrease)	
			Amount	% Change
<b>ASSETS</b>				
Current assets	\$ 492,250,583	\$ 461,426,312	\$ 30,824,271	6.7%
Restricted assets	245,685,548	256,536,402	(10,850,854)	-4.2%
Net capital assets	2,424,243,664	2,371,050,394	53,193,270	2.2%
<b>Total Assets</b>	<b>\$ 3,162,179,795</b>	<b>\$ 3,089,013,108</b>	<b>\$ 73,166,687</b>	<b>2.4%</b>
<b>Total Deferred Outflows of Resources</b>				
	\$ 63,002,873	\$ 68,102,745	\$ (5,099,872)	-7.5%
<b>LIABILITIES</b>				
Current liabilities	\$ 120,373,174	\$ 109,852,664	\$ 10,520,510	9.6%
Other liabilities	213,086,000	265,013,834	(51,927,834)	-19.6%
Long-term debt outstanding	1,052,472,015	1,023,954,882	28,517,133	2.8%
<b>Total Liabilities</b>	<b>\$ 1,385,931,189</b>	<b>\$ 1,398,821,380</b>	<b>\$ (12,890,191)</b>	<b>-0.9%</b>
<b>Total Deferred Inflows of Resources</b>				
	\$ 11,154,898	\$ 16,623,322	\$ (5,468,424)	-32.9%
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,452,207,616	\$ 1,407,118,856	\$ 45,088,760	3.2%
Restricted	115,714,192	123,619,605	(7,905,413)	-6.4%
Unrestricted	260,174,773	210,932,690	49,242,083	23.3%
<b>Total Net Position</b>	<b>\$ 1,828,096,581</b>	<b>\$ 1,741,671,151</b>	<b>\$ 86,425,430</b>	<b>5.0%</b>
<b>Ratio of Liabilities and Deferred Inflows to Assets and Deferred Outflows of Resources</b>				
	<b>43%</b>	<b>45%</b>		



# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

Comparing net position over time may serve as a useful indicator of a district's financial position. As shown on Table 1, the District's statement of net position includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,828.1 million (net position) representing an increase of \$86.4 million or 5.0 percent from fiscal year 2020.

The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources decreased from 45 percent in fiscal year 2020 to 43 percent in fiscal year 2021. This ratio indicates the degree to which the District's assets are financed through borrowing and other obligations.

- Total assets increased \$73.2 million or 2.4 percent from the prior fiscal year. Current assets increased \$30.8 million. Current cash and investments, which include receipts from customers and general levy property taxes, increased \$43.2 million. This increase is offset by decreases in property tax receivables, \$10.4 million, and grants receivable, \$13.4 million. The beginning net position of the District, which reflects a \$12.1 million restatement to property taxes receivable, includes an adjustment of \$9.8 million to the general levy receivable balance due to Riverside County's delinquency amounts accumulated from prior fiscal years.
- Total liabilities decreased \$12.9 million or 0.9 percent in the current fiscal year. Decreases in net other post-employment benefits obligation, \$13.2 million; fair value of swap contracts, \$10.5 million, and revenue bonds payable, \$10.7 million were offset by increases in advances from developers, \$8.2 million; net pension liability, \$10.8 million; and other current liabilities, \$5.7 million. Overall, the District's funding of the Other Post Employment Benefit Trust above the actuarially determined contribution resulted in a \$13.2 million decrease in net other post-employment liability, increasing its funded ratio from 70 percent in fiscal year 2020 to 83 percent in the fiscal year 2021, well ahead of its goal to fully fund the Trust by fiscal year 2033-2034. Principal payments of \$12.0 million resulted in a decrease of \$10.7 million in revenue bonds payable. The termination and maturity of two interest rate swap agreements resulted in a \$10.5 million decrease in the fair value of swap contracts.
- Deferred outflow of resources decreased \$5.1 million or 7.5 percent over the prior fiscal year, due primarily to a \$5.2 million decrease in the accumulated increase in fair value of swap contracts from prior fiscal years as a result of the termination and maturity of two interest rate swap agreements in July and June of the current fiscal year.
- Deferred inflow of resources decreased by \$5.5 million or 32.9 percent in the current fiscal year due to changes in experience and actuarial assumptions for pension and other post-employment benefits.

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

**Table 2, Changes in Net Position**

### CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and JUNE 30, 2020

	2021	2020	Increase (Decrease)	
			Amount	% Change
<b>REVENUES</b>				
Operating revenues	\$ 285,596,691	\$ 256,906,920	\$ 28,689,771	11.2%
Non-operating revenues	128,814,769	130,253,558	(1,438,789)	-1.1%
<b>Total Revenues</b>	<b>414,411,460</b>	<b>387,160,478</b>	<b>27,250,982</b>	<b>7.0%</b>
<b>EXPENSES</b>				
Operating expenses	336,518,137	321,449,399	15,068,738	4.7%
Non-operating expenses	41,107,203	45,351,484	(4,244,281)	-9.4%
<b>Total Expenses</b>	<b>377,625,340</b>	<b>366,800,883</b>	<b>10,824,457</b>	<b>3.0%</b>
<b>Increase (Decrease) in</b>				
<b>Net Position before capital contribution</b>	<b>36,786,120</b>	20,359,595	16,426,525	80.7%
Capital contributions	61,710,544	84,545,177	(22,834,633)	-27.0%
<b>Change in Net Position</b>	<b>98,496,664</b>	104,904,772	(6,408,108)	-6.1%
<b>Net Position - Beginning of Year</b>	<b>1,741,671,151</b>	1,636,766,379	104,904,772	6.4%
Adjustment (Note 15)	(12,071,234)	-	(12,071,234)	-100.0%
<b>Net Position - End of Year</b>	<b>\$ 1,828,096,581</b>	<b>\$ 1,741,671,151</b>	<b>\$ 86,425,430</b>	<b>5.0%</b>

# EASTERN MUNICIPAL WATER DISTRICT

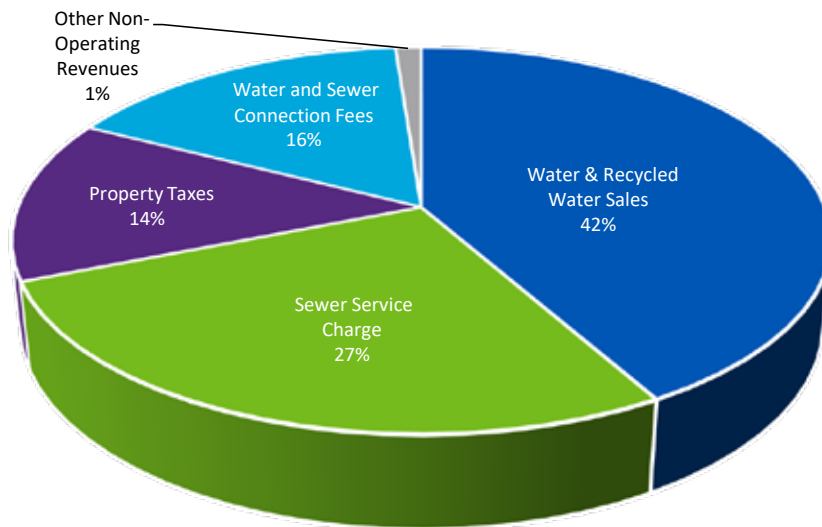
## Management's Discussion and Analysis

### Changes in Financial Performance of the District

The District's statement of revenue, expenses, and changes in net position reports the results of its operations for the fiscal year ended June 30, 2021. A summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020 is reported on Table 2 of the previous page.

### Revenues

**Revenue Sources (Operating and Non-Operating)**



The District's operating revenues, which include water sales, sewer service charges, and recycled water sales, contributed \$285.6 million or 68.9 percent to total revenues. The increase in operating revenues from the prior fiscal year was \$28.7 million or 11.2 percent and was primarily due to a 7.7 percent increase in domestic water acre feet sales combined with rate increases approved by the Board effective January 1, 2021. Domestic water sales is \$21.2 million higher than the prior fiscal year sales, an increase of 15.2 percent.

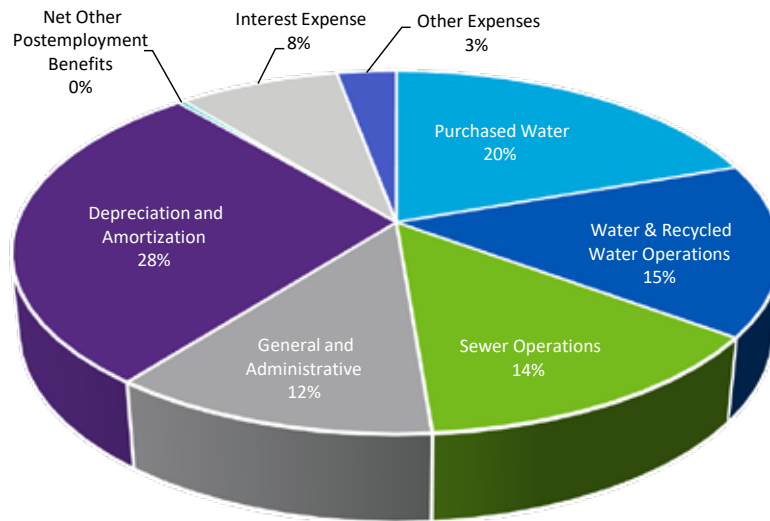
# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

Non-operating revenues, which include property taxes, water and sewer connection fees and other revenues, contributed \$128.8 million or 31.1 percent to total revenues. The decrease in non-operating revenues from the prior fiscal year was \$1.4 million or 1.1 percent. Water and sewer connections fees increased \$22.1 million and property tax revenue increased \$4.4 million while other non-operating revenues decreased \$27.9 million. The \$22.1 million or 48.8 percent higher water and sewer connection fee revenues reflect an increase in new water (56.2 percent) and wastewater (36.5 percent) connections. Development activity in the District's service area has been steadily increasing over the prior years, with a significant increase in the current fiscal year. Property tax revenue was \$4.4 million or 8.4 percent higher due to increases in the general tax levy resulting from continued growth in median home prices and commercial-industrial properties within the District's service area. Interest revenue decreased \$9.4 million as a result of significantly lower interest rates, compared to the prior fiscal year, and the termination/maturity of two interest rate swap agreements. Other miscellaneous revenue decreased \$8.9 million mostly due to late fees not being charged to outstanding balances on customer accounts in the current fiscal year. Other decreases in non-operating revenue include the change in the fair value of investments, \$7.5 million decrease, and operating grant revenue, \$2.1 million decrease.

### Expenses

#### Functional Expenses (Operating and Non-Operating)



The District's operating expenses, which include the cost of purchased water, water service, sewer service and recycled water operating costs, total \$336.5 million or 89.1 percent of total expenses. Total operating expenses increased \$15.1 million or 4.7 percent from the prior fiscal year primarily due to increases in the cost of purchased water, \$7.3 million, and general and administrative costs, \$4.2 million. The District's water supply, which is 9,411 acre feet higher than the prior fiscal year's, reflects a decrease in the ratio of imported/purchased water from 51 percent in fiscal year 2020 to 49 percent in fiscal year 2021, while reflecting an increase in local groundwater supply/well production, from 6 percent

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

to 11 percent.

The \$4.2 million increase in general and administrative costs are due to the effect of the prior fiscal year's workers compensation reserve balance adjusted down by \$4.2 million, otherwise, other costs comprising general and administrative expenses remained at the same level as the prior fiscal year's expenses.

Non-operating expenses, which include the loss on disposal of capital assets, interest expense on debt obligations and other expenses, were \$4.2 million or 9.4 percent lower in fiscal year 2021. This change reflects decreases in interest expense, \$1.7 million, research and development costs, \$1.0 million, and other expenses, \$2.3 million. The decrease of \$2.3 million in other expenses is mostly due to lower conservation program costs, \$1.4 million, and standby bank fees, \$602.7 thousand.

### Capital Contributions

Capital contributions total \$61.7 million, a decrease of \$22.8 million or 27.0 percent from the prior fiscal year. This decrease is primarily due to \$18.2 million or 57.8 percent less in federal, state, and other local agency grant funding received and recognized in the current fiscal year. Most grant revenues recognized in a fiscal year are related to the period when grant funded project expenses are incurred. Grant funded capital project costs were higher in fiscal year 2020 compared to the current fiscal year. In particular, \$16.8 million of the State's \$22.5 million funding for the Perris II Reverse Osmosis capital project was incurred and recognized in fiscal year 2020.

### Capital Assets

The District reported an increase of \$53.2 million in net capital assets in fiscal year 2021. A comparison of changes in capital assets is provided in Table 3 below.

**Table 3, Capital Assets**

**Capital Assets  
For the Fiscal Years Ended June 30, 2021 and 2020**

	2021	2020	Increase (Decrease)	
			Amount	% Change
Land	\$ 73,155,783	\$ 66,356,156	\$ 6,799,627	10.2%
Tunnel Water Seepage Agreement	1,750,900	1,750,900	-	0.0%
Water capacity rights	32,430,476	32,430,476	-	0.0%
Water plant, lines and equipment	1,503,261,843	1,381,704,935	121,556,908	8.8%
Sewer plant, lines and equipment	2,135,537,859	2,074,895,524	60,642,335	2.9%
Equipment and general facilities	95,798,230	91,459,921	4,338,309	4.7%
Construction in progress	119,344,324	165,821,485	(46,477,161)	-28.0%
Total capital assets	3,961,279,415	3,814,419,397	146,860,018	3.9%
Less accumulated depreciation	(1,537,035,751)	(1,443,369,003)	(93,666,748)	6.5%
Net capital assets	\$ 2,424,243,664	\$ 2,371,050,394	\$ 53,193,270	2.2%

Capital assets, before accumulated depreciation, increased \$193.3 million from the prior fiscal year. This increase



# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

includes \$186.5 million in water and sewer plant, lines, and equipment, offset by a decrease of \$46.5 million in construction in progress.

Significant additions to the water and sewer plant, lines and equipment include the substantial completion of the Perris II Desalter project, \$65.4 million; the Mountain Avenue West Replenishment Basin project, \$17.5 million; and the Recycled Water Reclamation Facility Blower Electrification project, \$12.7 million.

The Perris II Desalter Project is part of the District's Desalination Complex located in the City of Menifee. Perris II will be situated adjacent to existing Desalters 8.0 MGD and will produce 5.4 MGD of potable water for a total complex capacity of 13.4 MGD. This facility is designed to treat brackish groundwater to potable water standards utilizing reverse osmosis technology. The District's desalination program provides local water resources to local disadvantaged communities and reduces its reliance on more costly imported water. This project, which was substantially completed on June 30, 2021, is estimated to be completed on December 31, 2021.

The Mountain Avenue West Replenishment Basin Project is located on the northwest corner of Mountain Avenue and Esplanade Avenue in the City of San Jacinto. The project consists of design and construction of the Mountain Avenue West Groundwater Replenishment Facility and supporting infrastructure (pipelines, flow control, perimeter monitoring wells, etc.). It is a part of the San Jacinto Water Bank Recharge and Recovery Program and is funded by the Santa Ana River Conservation and Conjunctive Use Program. This project was substantially complete as of June 30, 2021, with final work to be completed by August 2021.

The Regional Water Reclamation Facility (RWRF) Blower Electrification project will convert existing engine-driven blowers at the Moreno Valley, San Jacinto Valley, and Temecula Valley Regional Water Reclamation Facilities to electric

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

motor-driven blowers to address South Coast Air Quality Management District's Rule 1110.2 emissions requirements that was effective in 2019. This project was substantially complete as of June 30, 2021, with an estimated completion date of September 2021 for all remaining work.

During the year, additions to construction in progress totaled approximately \$126.9 million. Some of the major projects currently underway and where in fiscal year 2021 exceeded \$2.0 million include:

	<u>Millions</u>
• Perris II Desalter (5.4 MGD)	\$ 29.7
• Fifteen water and sewer projects between \$1,000,000 - \$2,000,000	20.7
• Seventy-five water and sewer projects between \$100,000 - \$500,000	16.3
• Seventeen water and sewer projects between \$500,000 - \$1,000,000	12.1
• Remaining water and sewer projects with expenses less than \$100,000	9.6
• Mountain Avenue West Replenishment Basin	8.0
• Customer Information and Billing System Replacement Project	6.6
• Sky Canyon Sewer	5.7
• Wells 65, 66 and 209 Drilling and Testing	3.7
• MVRWRF Tertiary Effluent Equalization	3.1
• Pala Lift Station Electrical Upgrade	2.7
• McCall Boulevard Pipeline Replacement	2.4
• Perris North Cactus Corridor Area Facilities	2.2
• Pat Rd Booster Engine Replacements	2.1
• IOC-SCADA Hardware & Software System Upgrade	2.0
	<u>\$ 126.9</u>

The District had \$102.8 million in construction contract commitments as of June 30, 2021 (additional information can be found in Note 9 of the Basic Financial Statements).

### Long-Term Liabilities

Long-Term liabilities consist of outstanding debt and other liabilities. Long-term debt includes advances for construction, notes, and assessments, revenue bonds, general obligation bonds and unamortized deferred amounts for premiums and discounts related to debt issuances. Other long-term liabilities include state revolving fund (SRF) loans, advances from developers, other accrued expenses, compensated absences, and net other post-employment benefits obligation.

The District had a total of \$1,052.5 million in outstanding debt and \$213.1 million in other non-current liabilities at June 30, 2021, a decrease of \$23.4 million or 16.8 percent from the prior fiscal year. This change is due to the following: a \$10.5 million decrease in fair value of swap contracts resulting from the termination and maturity of two

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

interest rate swap agreements; a \$13.2 million decrease in net other post-employment benefits obligation resulting from funding the Trust in excess of the actuarially determined contribution; and \$12.0 million in scheduled principal debt payments made during the fiscal year.

The District's debt obligations have been assigned the following ratings:

<u>Rating Agency</u>	<u>Parity Revenue Bond</u>	<u>Subordinate Revenue Bond</u>
Fitch Ratings	AAA	AA+
Moody's	Aa1	Aa2
Standard and Poor's	AA+	AA+

More detailed information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 to the financial statements.

### Contacting the District's Financial Management

This financial report is designed to provide Eastern Municipal Water District's elected officials, citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions regarding any of the information provided in this report or need additional financial information, please contact the District's Finance Department at 2270 Trumble Road, P.O. Box 8300, Perris, CA 92572-8300. General information relating to the District can be found on its website <http://www.emwd.org>.

**BASIC FINANCIAL STATEMENTS**

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2021

(with prior year data for comparison purposes only)

	June 30	
	2021	2020
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and investments	\$ 397,992,229	\$ 354,748,487
Utility accounts receivable, net of allowance	39,873,725	32,885,897
Property taxes receivable	1,975,749	12,399,108
Accrued interest receivable	979,332	1,576,573
Other receivables	12,577,315	6,059,903
Prepaid expenses	4,318,043	3,569,582
Materials and supplies inventory	4,076,187	3,969,621
Water inventory	13,858,457	16,179,802
Grants receivable	16,599,546	30,037,339
Total current assets	492,250,583	461,426,312
<b>Noncurrent assets:</b>		
Restricted assets:		
Debt service covenants cash and investments	113,732,695	98,974,727
Property taxes receivable	77,702	1,632,017
Soboba reimbursement receivable	12,998,778	12,998,778
Construction cash and investments	117,077,951	140,936,517
Notes receivable	1,798,422	1,994,363
Total restricted assets	245,685,548	256,536,402
Capital assets:		
Land	73,155,783	66,356,156
Tunnel water seepage agreement	1,750,900	1,750,900
Structures, improvements and water rights	3,671,230,178	3,489,030,935
Equipment and general facilities	95,798,230	91,459,921
Construction in progress	119,344,324	165,821,485
Total capital assets	3,961,279,415	3,814,419,397
Less accumulated depreciation	(1,537,035,751)	(1,443,369,003)
Total net capital assets	2,424,243,664	2,371,050,394
Total noncurrent assets	2,669,929,212	2,627,586,796
<b>Total assets</b>	<b>3,162,179,795</b>	<b>3,089,013,108</b>
<b>Deferred outflows of resources:</b>		
Accumulated increase in fair value of swap contracts	-	5,161,004
Deferred outflows from pension (Note 5)	28,925,713	29,368,041
Deferred outflows from OPEB (Note 7)	21,760,611	19,006,063
Deferred charges on debt refundings	12,316,549	14,567,637
<b>Total deferred outflow of resources</b>	<b>63,002,873</b>	<b>68,102,745</b>

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



# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2021 (with prior year data for comparison purposes only)

	JUNE 30	
	2021	2020
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 39,578,654	\$ 40,583,051
Accrued salaries and benefits	2,986,876	2,586,148
Customer deposits	12,499,842	11,298,012
Compensated absences	10,153,322	9,009,510
Accrued interest payable	16,045,319	13,446,000
Other payables	9,492,000	7,082,587
Advances for construction, notes and assessments	4,673,118	3,270,700
Revenue bonds	21,114,135	18,323,024
General obligation bonds	1,260,341	1,205,393
Advances from developers	870,506	1,326,563
Other accrued expenses payable	1,699,061	1,721,676
Total Current Liabilities	120,373,174	109,852,664
<b>Noncurrent liabilities:</b>		
Compensated absences	4,252,511	3,914,103
Advances for construction, notes and assessments	114,998,705	71,691,010
Revenue bonds	909,354,714	922,884,935
General obligation bonds	28,118,596	29,378,937
State revolving fund construction advances	-	47,052,375
Advances from developers	35,059,142	26,397,867
Other accrued expenses payable	2,077,296	3,083,012
Net other postemployment benefits obligation	18,632,848	31,836,264
Net pension liability	153,064,203	142,220,668
Fair value of swap contracts	-	10,509,545
Total Noncurrent liabilities	1,265,558,015	1,288,968,716
Total liabilities	1,385,931,189	1,398,821,380
<b>Deferred inflows of resources:</b>		
Deferred inflows from pension (Note5)	1,705,611	5,281,954
Deferred inflows from OPEB (Note 7)	9,449,287	11,341,368
<b>Total deferred inflows of resources</b>	11,154,898	16,623,322
<b>Net position:</b>		
Net investment in capital assets	1,452,207,616	1,407,118,856
Restricted for debt service covenants	88,139,539	94,665,692
Restricted for construction	27,574,653	28,953,913
Unrestricted	260,174,773	210,932,690
Total Net Position	\$ 1,828,096,581	\$ 1,741,671,151

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

(with prior year data for comparison purposes only)

	June 30	
	2021	2020
<b>Operating revenues:</b>		
Water sales - domestic	\$ 160,667,782	\$ 139,470,921
Water sales - irrigation	2,446,103	1,832,130
Sewer service charge	112,533,433	107,541,964
Recycled water sales	9,949,373	8,061,905
Total operating revenues	<u>285,596,691</u>	<u>256,906,920</u>
<b>Operating expenses:</b>		
Purchased water	74,297,141	67,025,558
Water operations	50,512,860	49,180,247
Sewer operations	51,654,247	49,780,561
Recycled water operations	7,563,997	7,371,736
General and administrative	44,680,486	40,521,610
Depreciation and amortization	106,659,451	103,217,866
Net other postemployment benefits	1,149,955	4,351,821
Total operating expenses	<u>336,518,137</u>	<u>321,449,399</u>
Operating income (loss)	<u>(50,921,446)</u>	<u>(64,542,479)</u>
<b>Nonoperating revenues (expenses):</b>		
Property taxes - general levy	44,907,361	41,014,090
Property taxes - general bond levy	6,076,662	5,408,351
Availability (standby) assessments	5,598,011	5,779,756
Water and sewer connection fees	67,256,487	45,186,191
Interest revenue	1,082,056	10,506,376
Net increase (decrease) in fair value of investments	(4,426,687)	3,110,836
Grant revenues	655,381	2,715,243
Other revenues	7,665,498	16,532,715
Gain (loss) on disposal of capital assets	(3,944,258)	(3,231,192)
Interest expense	(30,059,064)	(31,761,424)
General obligation fund service fees	(30,864)	(30,864)
Research and development costs	(4,097,780)	(5,097,315)
Other expenses	(2,975,237)	(5,230,689)
Total nonoperating revenues (expenses)	<u>87,707,566</u>	<u>84,902,074</u>
Income (loss) before contributions	<u>36,786,120</u>	<u>20,359,595</u>
<b>Capital contributions:</b>		
Developer contributions	46,566,041	52,141,182
Capital grants	13,281,421	31,479,351
Other capital contributions	1,863,082	924,644
Total capital contributions	<u>61,710,544</u>	<u>84,545,177</u>
Change in net position	98,496,664	104,904,772
Total net position - Beginning of year	1,741,671,151	1,636,766,379
Adjustment (Note 15)	(12,071,234)	-
Total net position - End of Year	<u>\$ 1,828,096,581</u>	<u>\$ 1,741,671,151</u>

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (with prior year data for comparison purposes only)

	June 30	
	2021	2020
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 274,826,634	\$ 259,876,949
Receipts from availability (standby) assessments	5,590,719	5,878,214
Other receipts	7,665,498	16,532,715
Payments for water	(72,067,461)	(71,299,086)
Payments to employee for services	(106,522,541)	(96,020,082)
Payments to suppliers for goods and services	(48,284,216)	(46,670,643)
Payments for energy and utilities	(17,806,627)	(17,131,381)
Net cash (used for) provided by operating activities	43,402,006	51,166,686
<b>Cash flows from noncapital financing activities:</b>		
Proceeds from property taxes, general levy	44,825,334	41,159,524
Proceeds from operating grants	209,670	3,227,277
Net cash (used for) provided by noncapital	45,035,004	44,386,801
<b>Cash flows from capital and related financing activities:</b>		
Acquisitions and construction of capital assets	(115,936,280)	(119,714,157)
Proceeds from sale of capital assets	568,424	322,928
Proceeds from long-term debt issuance	98,911,702	155,550,405
Proceeds from SRF construction advances	4,620,963	40,608,897
Repayment of notes, bonds and revenue bonds	(121,354,927)	(173,893,006)
Interest paid	(23,022,951)	(35,419,320)
Proceeds from property taxes, GO bond levy	6,069,577	5,366,585
Proceeds from water and sewer connection fees	67,256,487	45,186,191
Proceeds from developer advances	17,948,087	10,832,464
Repayments of developer advances	(9,742,869)	(7,344,328)
Proceeds from capital grants	27,164,925	29,980,832
Net cash (used for) capital and related financing activities	(47,516,862)	(48,522,509)
<b>Cash flows from investing activities:</b>		
Purchases of investments	(315,556,041)	(267,975,932)
Proceeds from sales and maturities of investments	219,701,217	277,598,441
Proceeds from earnings on investments	5,257,883	11,226,368
Net cash (used for) provided by investing activities	(90,596,941)	20,848,877
<b>Total (decrease) increase in cash and cash equivalents</b>	<b>(49,676,793)</b>	<b>67,879,855</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>265,796,628</b>	<b>197,916,773</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 216,119,835</b>	<b>\$ 265,796,628</b>

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (with prior year data for comparison purposes only)

	June 30	
	2021	2020
<b>Reconciliation of loss from operations to net cash (used for) provided by operating activities:</b>		
Loss from operations	\$ (50,921,446)	\$ (64,542,479)
Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	106,659,451	103,217,866
Other revenues	6,190,492	12,909,111
(Increase) decrease in utility accounts receivable	(6,987,828)	(2,878,803)
(Increase) decrease in other receivables	(6,521,860)	2,901,963
(Increase) decrease in prepaid expenses	(748,461)	181,705
(Increase) decrease in materials and supplies inventory	(106,566)	160,580
(Increase) decrease in water inventory	2,321,345	(4,186,754)
(Increase) decrease in notes receivable	195,941	170,027
Increase (decrease) in accounts payable	(1,004,397)	7,288,824
Increase (decrease) in accrued expenses	1,781,810	215,754
Increase (decrease) in customer deposits	1,201,830	765,024
Increase (decrease) in compensated absences	1,482,220	913,243
Increase (decrease) in net other postemployment benefits obligation	(13,203,416)	(25,014,947)
Increase (decrease) in net pension liability	10,843,535	9,431,412
Increase (decrease) in deferred inflows	(5,468,424)	9,331,275
(Increase) decrease in deferred outflows	(2,312,220)	302,885
Net cash (used for) provided by operating activities	\$ 43,402,006	\$ 51,166,686
<b>Reconciliation of cash and cash equivalent to statement of net position:</b>		
Current cash and investments	\$ 397,992,229	\$ 354,748,487
Restricted cash and investments:		
Debt service/covenants	113,732,695	98,974,727
Construction	117,077,951	140,936,517
Total cash and investments	628,802,875	594,659,731
Less investments	412,683,040	328,863,103
<b>Cash and cash equivalents</b>	\$ 216,119,835	\$ 265,796,628
<b>Noncash capital, financing, and investing activities:</b>		
Capital asset contributions from developers	\$ 48,429,123	\$ 52,141,182
Net increase (decrease) in fair value of investments	(4,426,687)	3,110,836
Termination of interest rate swap hedge effectiveness	(3,578,586)	-
Amortization of bond premiums, discounts, and loss on debt refundings	4,467,658	(3,592,462)

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2021

	<u>Custodial Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 58,868,750
Receivables:	
Special assessments for other governments	374,357
Total assets	<u>59,243,107</u>
<b>Deferred outflows of resources:</b>	
Deferred charges on debt refunding	1,637,345
Total deferred outflows of resources	<u>1,637,345</u>
<b>Liabilities:</b>	
Accrued interest payable	3,360,638
Bonds payable:	
Due within one year	8,769,195
Due in more than one year	228,719,872
Total liabilities	<u>240,849,705</u>
<b>Net position:</b>	
Restricted for:	
Debt obligations	(179,969,253)
Total net position (deficit)	<u>\$ (179,969,253)</u>

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



# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>
<b>Additions:</b>	
Interest income	\$ 9,577
Special assessment collections for other entities	21,659,020
Total additions	<u>21,668,597</u>
<b>Deductions:</b>	
Administrative expenses	2,769,557
Interest expense	8,560,693
Payments to other entities	11,143,414
Costs of issuance	2,366,388
Trustee fees	113,075
Total deductions	<u>24,953,127</u>
Net increase (decrease) in fiduciary net position	(3,284,530)
<b>Total net position (deficit) - beginning of year, as restated</b>	<u>(176,684,723)</u>
<b>Total net position (deficit) - end of year</b>	<u>\$ (179,969,253)</u>

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

## Notes to Financial Statements June 30, 2021

### **NOTE 1 – Description of Reporting Entity and Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Eastern Municipal Water District (District) was formed in October 1950, under the California Water Code for the primary purpose of importing Colorado River Water to augment local water supplies. In 1962, the District began providing wastewater treatment services to customers within its service area and, consequently, has become actively involved in the production of recycled water (i.e., wastewater which has been treated to a level acceptable for nondomestic purposes) and has been recognized as an industry leader in the management of ground water basins and the related beneficial uses of recycled water. The District's water and wastewater customers include retail customers (e.g., residential, commercial, and agricultural) located in both incorporated and unincorporated areas within the District's service area, as well as wholesale customers (e.g., municipalities and local water Districts) located within its service area.

The District formed the Eastern Municipal Water District Facilities Corporation (Facilities Corporation) on April 10, 1979, under the Non-Profit Public Benefit Corporation Law, State of California, for the purpose of rendering financing assistance to the District by acquiring, constructing and operating or providing for the operation of water and wastewater facilities, including water and wastewater transmission pipelines, treatment plants and related facilities for the use, benefit and enjoyment of the public within the District's boundaries. The Facilities Corporation is a blended component unit of the District.

The District formed the Eastern Municipal Water District Financing Authority (Financing Authority) on April 1, 2015, under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Financing Authority was formed to enable the District to finance, refinance, or provide interim financing for the acquisition, construction, and operation of water supplies, water and wastewater infrastructure, water rights, public facilities, other public capital improvements, or other projects whenever there are significant public benefits. The Financing Authority is a blended component unit of the District.

The District's reporting entity includes the General District, the related improvement Districts located within the service area of the General District, the Facilities Corporation, and the Financing Authority. Although the District, the Facilities Corporation and the Financing Authority are legally separate entities, the District's Board of Directors also serve as the Facilities Corporation and the Financing Authority's Board of Directors, and therefore, the accompanying financial statements include the accounts and records of the Facilities Corporation and the Financing Authority as required by generally accepted accounting principles using the blending method. There are no separate financial statements for the Facilities Corporation and the Financing Authorities, they merely serve as the legal entity used by the District to issue long-term debt. Accordingly, the Facilities Corporation and the Financing Authority have no separate financial activity to be reported as separate funds of the District.

#### **Basis of Accounting and Measurement Focus**

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

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

#### Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements beginning after December 15, 2018. The District implemented this statement during the current fiscal year 2021. The implementation of this statement resulted in a prior period adjustment of (\$176,684,723), refer to Note 14 for additional information.

#### Cash and Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

#### Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

#### Classification of Revenues and Expenses

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

Non-operating revenues and expenses are those not directly associated with the normal business of supplying water and wastewater treatment services. Non-operating revenues mainly consist of property taxes, availability (infrastructure availability assessments), investment income, connection fees and miscellaneous income. Capital contributions consist of facilities built by developers and turned over to the District to operate and maintain and federal, state, and private grants used to fund capital assets. Non-operating expenses mainly consist of debt service interest and debt-related fees.

#### Capital Assets

Both purchased capital assets and self-constructed capital assets are recorded at acquisition cost. The cost of self-constructed assets includes direct labor, materials, contracted services and overhead. Contributed capital assets are recorded at acquisition value at the time they are received. These assets consist primarily of distribution lines and connections constructed and donated by developers. The Districts capitalization threshold starts at \$5,000 with a useful life 3 years or more, for all purchased or constructed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

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

#### Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established for utility accounts receivables that are 60 or more days delinquent at year-end. This allowance is netted against the receivable on the Statement of Net Position and amounts to \$1,406,706 on June 30, 2021.

#### Inventories

Material and supplies inventory consist primarily of materials used in the construction and maintenance of utility plant and is valued at weighted average cost. Water inventory consists of native groundwater and purchased water holdings in the Hemet-San Jacinto Basin. It is valued based upon purchase cost and weighted average cost of consumption.

#### Restricted Assets

Amounts shown as restricted assets have been restricted by bond indenture, law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets.

Restricted assets include water and sewer connection fees. The resolution establishing the authority for water and sewer connection fees restricts the use of these fees to the construction, acquisition, or financing of capital assets. The water and sewer connection fees are exchange transactions (non-operating revenues). The connecting party receives a benefit (connection to the system) approximately equal in value to the amount paid. These fees do not represent capital contributions (non-exchange transactions).

Generally, restricted resources are not commingled with unrestricted resources in financing projects and activities and are used for specific types of projects for which such funding is designated. When both restricted and unrestricted resources are available for use, the District may use restricted resources or unrestricted resources, depending upon the type of project or activity, as determined by Board action.

#### Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed daily on thirty-day cycles. Wastewater customers are also billed and included with the water billing. In certain areas of the District, the wastewater billing is handled by another water utility agency, however, revenues are accrued by the District each month. Collections are forwarded monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$12,971,723 on June 30, 2021.

#### Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of countywide assessed valuations. The property taxes are placed in a pool and are then allocated to the local governmental units based upon complex formulas. Property tax revenue is recognized in the fiscal year in which the taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First Installment - November 1 Second Installment - February 1
Delinquent date:	First installment - December 10 Second installment - April 10

## Notes to Financial Statements June 30, 2021

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

#### **Debt Discounts, Premiums, and Deferred Amounts on Refunding**

General obligation bond and revenue bond premiums and discounts are deferred and amortized over the term of the bonds. The discounts and premiums are presented as an addition (or reduction) of the face amount of the debt. Furthermore, in accordance with GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, deferred charges on refunding are presented as deferred outflows of resources on the Statement of Net Position.

#### **Compensated Absences**

The District has a policy whereby an employee can accumulate unused paid time off up to a maximum of 675 hours. Hours more than the maximum are paid out to employees each November. All employees who separate from the District are entitled to receive 100 percent of their accumulated unused paid time off. The District provides for these future costs by accruing 100 percent of all earned and unused paid time off.

#### **Pensions**

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019 to June 30, 2020

#### **Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019 to June 30, 2020



## Notes to Financial Statements June 30, 2021

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has the following items that qualify for reporting in this category: Employer contributions subsequent to measurement date for pension and OPEB, and deferred actuarial amounts related to pension and deferred refunding charges.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category: Deferred actuarial amounts related to pension and OPEB. This is reported on the Statement of Net Position.

#### Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The fair value of the District's investments is categorized within Level 2 of the fair value hierarchy using the institutional bond quotes with evaluations based on various market and industry inputs.

#### Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles, and therefore include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from those estimates.

## Notes to Financial Statements June 30, 2021

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

#### **Prior Year Data**

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

#### **Interest Rate Swap Contracts**

The District was a party to two interest rate swap agreements recorded in the financial statements in accordance with Governmental Accounting Standard Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which was in effect for the period beginning with fiscal year ended June 30, 2010. All derivatives were reported in the Statement of Net Position at fair value, and all hedges were tested for effectiveness to qualify for hedge accounting. Depending on the test results, the change in fair value was either reported in the Statement of Net Position or in the Statement of Revenue, Expenses and Changes in Net Position.

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk (the mark-to-market value excludes the risk of nonperformance). The Statement is effective for reporting periods beginning after June 15, 2015. The District adopted GASB 72 beginning Fiscal Year ended 2016.

The District engaged an independent party to perform the valuation and required tests on these two swaps. The swap associated to Series 2018B Revenue Bonds was terminated on June 2, 2021, and the swap associated to Series 2018C matured on July 1, 2020. Therefore, hedge accounting has ended and no tests are required as of June 30, 2021.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 2 – Cash and Investments**

Cash and investments are classified in the accompanying statements as follows:

Statement of Net Position:	
Cash and investments	\$ 397,992,229
Restricted assets:	
Debt service covenants	113,732,695
Construction	117,077,951
Total	<u>628,802,875</u>
Statement of Fiduciary Net Position:	
Cash and investments	58,868,750
Total	<u>58,868,750</u>
Total cash and investments	<u>\$ 687,671,625</u>

Cash and investments on the Statement of Net Position consisted of the following:

	<u>2021</u>
Cash on hand	\$ 6,500
Deposits with financial institutions	13,112,524
Investments	615,683,851
Total cash and investments	<u>\$ 628,802,875</u>

Cash and cash equivalents on the Statement of Net Position consisted of the following:

	<u>2021</u>
Demand accounts and on hand	\$ 13,119,024
Local Agency Investment Fund (LAIF)	100,592,315
Investment Trust of California (CalTRUST)	70,897,458
Money market mutual funds	31,511,038
Total cash and cash equivalents	<u>\$ 216,119,835</u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 2 – Cash and Investments (cont’d)

#### Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District’s investment policy. The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

<b>Investment Types Authorized by State Law</b>	<b>Authorized by Investment Policy</b>	<b>Maximum Maturity*</b>	<b>Maximum Percentage of Portfolio*</b>	<b>Maximum Investment in One Issuer*</b>
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 <sup>1</sup>	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 <sup>2</sup>	30% <sup>3</sup>	25% <sup>3</sup>
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, 2021

### NOTE 2 – Cash and Investments (cont’d)

#### Investments Authorized by Debt Agreements

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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
State obligations or political subdivision of states	None	None	None
Bankers’ acceptances	1 Year	None	None
Certificates of deposit	None	None	None
Commercial paper	None	None	None
Guaranteed investment contracts	None	None	None
Repurchase agreements	30 Days	None	None
Money market mutual funds	None	None	None
LAIF	None	None	None

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 2 – Cash and Investments (cont'd)

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operation.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the table below, which shows the distribution of the District's investment by remaining maturity.

Investment Type	Months			
	Total	12 or Less	13 to 24	25 to 60
U.S. Agency Securities:				
Federal Farm Credit Bank (FFCB)	\$ 55,484,483	\$ 7,024,980	\$ 9,983,050	\$ 38,476,453
Federal Home Loan Bank (FHLB)	97,494,061	3,016,911	-	94,477,150
Federal Home Loan Mortgage Corp. (FHLMC)	39,945,800	15,010,150	5,011,700	19,923,950
Federal National Mortgage Assn. (FNMA)	28,739,630	-	-	28,739,630
Corporate - Fixed	29,329,480	8,996,630	5,113,600	15,219,250
Money Market Mutual Funds	59,529	59,529	-	-
California Agency Securities	125,691,868	21,000,092	26,497,924	78,193,852
LAIF	100,592,315	100,592,315	-	-
Investment Trust of California (CalTRUST)	70,897,458	70,897,458	-	-
U.S. Treasury Obligations	35,997,718	35,997,718	-	-
Held by Trustee:				
Money Market Mutual Funds	31,451,509	31,451,509	-	-
<b>Total Investments</b>	<b>\$ 615,683,851</b>	<b>\$ 294,047,292</b>	<b>\$ 46,606,274</b>	<b>\$ 275,030,285</b>



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 2 – Cash and Investments (cont'd)

#### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below shows the minimum rating required by the California Government Code, the District investment policy, or debt agreements and the actual Standard and Poor's Rating Services credit rating as of year-end for each investment type.

Category	Total	Minimum Legal Rating	Rating at June 30, 2021			
			AAA	AA	A	Not Rated
U.S. Agency Securities						
FFCB	\$ 55,484,483	N/A	\$ -	\$ 55,484,483	\$ -	\$ -
FHLB	97,494,061	N/A	-	97,494,061	-	-
FHLMC	39,945,800	N/A	-	39,945,800	-	-
FNMA	28,739,630	N/A	-	28,739,630	-	-
Corporate - Fixed	29,329,480	A	-	25,372,500	3,956,980	-
Money Market Mutual Funds	59,529	AAA*	59,529	-	-	-
California Agency Securities	125,691,868	N/A	10,548,786	115,143,082	-	-
LAIF	100,592,315	N/A	-	-	-	100,592,315
CalTRUST	70,897,458	N/A	-	70,897,458	-	-
U.S. Treasury Obligations	35,997,718	N/A	-	35,997,718	-	-
Held by Trustee:						
Money Market Mutual Funds	31,451,509	AAA*	31,451,509	-	-	-
<b>Total Investments</b>	<b>\$ 615,683,851</b>		<b>\$ 42,059,824</b>	<b>\$ 469,074,732</b>	<b>\$ 3,956,980</b>	<b>\$ 100,592,315</b>

\*Money market mutual funds are rated Aaa-mf by Moody's at June 30, 2021. This rating meets minimum rating requirements.

#### Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer other than U.S. Treasury securities, mutual funds and external investment pools that represent five percent or more of the District's total investments are show below, as of June 30, 2021:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Agency	\$ 97,494,061
Federal Farm Credit Bank	U.S. Agency	55,484,483
Federal Home Loan Mortgage Corp	U.S. Agency	39,945,800

## Notes to Financial Statements June 30, 2021

### **NOTE 2 – Cash and Investments (cont'd)**

#### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2021, all the District's deposits with financial institutions are collateralized by an interest in an undivided collateral pool as required by law. To protect investments against custodial credit risk caused by the collapse of individual securities dealers, all negotiable securities owned by the District are settled with delivery versus payment procedures and held in safekeeping by the District's custodial bank acting as agent for the District under the terms of a custody agreement.

#### **Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized costs of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded at fair market value. Additional information about the State of California's LAIF can be found on their website – [www.treasurer.ca.gov/pmia.laif](http://www.treasurer.ca.gov/pmia.laif).

#### **Investment in Investment Trust of California (CalTRUST)**

The District is a voluntary participant in CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair market value, securities are normally priced daily on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined based on the market value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 2 – Cash and Investments (cont'd)

#### Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2021:

Category	Fair Value Hierarchy			
	Total	Level 1	Level 2	Level 3
Investments reported at Fair Value				
U.S. Agency				
FFCB	\$ 55,484,483	\$ -	\$ 55,484,483	\$ -
FHLB	97,494,061	-	97,494,061	-
FHLMC	39,945,800	-	39,945,800	-
FNMA	28,739,630	-	28,739,630	-
Corporate - Fixed	29,329,480	-	29,329,480	-
California Agency Securities	125,691,868	-	125,691,868	-
US Treasury	35,997,718	-	35,997,718	-
Total Investments at Fair Value	<u>\$ 412,683,040</u>	<u>\$ -</u>	<u>\$ 412,683,040</u>	<u>\$ -</u>

### NOTE 3 – Capital Assets

The capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
	June 30, 2020			June 30, 2021
<b>Capital assets, not being depreciated</b>				
Land	\$ 66,356,156	\$ 6,800,727	\$ (1,100)	\$ 73,155,783
Tunnel Water Seepage Agreement	1,750,900	-	-	1,750,900
Construction in progress	165,821,485	126,910,757	(173,387,918)	119,344,324
Total capital assets not being depreciated	<u>233,928,541</u>	<u>133,711,484</u>	<u>(173,389,018)</u>	<u>194,251,007</u>
<b>Capital assets, being depreciated</b>				
Water plant, lines and equipment	1,381,704,935	126,893,197	(5,336,289)	1,503,261,843
Water capacity rights	32,430,476	-	-	32,430,476
Sewer plant, lines and equipment	2,074,895,524	71,144,157	(10,501,822)	2,135,537,859
Equipment and general facilities	91,459,921	6,005,583	(1,667,274)	95,798,230
Total capital assets being depreciated	<u>3,580,490,856</u>	<u>204,042,937</u>	<u>(17,505,385)</u>	<u>3,767,028,408</u>
<b>Less accumulated depreciation for</b>				
Water plant, lines and equipment	574,596,131	44,584,044	(3,137,639)	616,042,536
Water capacity rights	12,422,477	781,633	-	13,204,110
Sewer plant, lines and equipment	761,545,984	52,527,540	(8,012,934)	806,060,590
Equipment and general facilities	94,804,411	8,766,234	(1,842,130)	101,728,515
Total accumulated depreciation	<u>1,443,369,003</u>	<u>106,659,451</u>	<u>(12,992,703)</u>	<u>1,537,035,751</u>
Total capital assets being depreciated, net	<u>2,137,121,853</u>	<u>97,383,486</u>	<u>(4,512,682)</u>	<u>2,229,992,657</u>
<b>Capital assets, net</b>	<u>\$ 2,371,050,394</u>	<u>\$ 231,094,970</u>	<u>\$ (177,901,700)</u>	<u>\$ 2,424,243,664</u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 4 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Ending Balance June 30, 2020	Additions	Reductions	Ending Balance June 30, 2021	Due Within One Year	Long Term
<b>Long-Term Debt</b>						
<b>Advances for Construction, Notes and Assessments:</b>						
CA DWR Prop 204 (HWFP)	\$ 15,318,028	\$ -	\$ (1,766,770)	\$ 13,551,258	\$ 898,471	\$ 12,652,787
SWRCB SRF loan (APAD)	28,957,740	-	(2,171,672)	26,786,068	2,180,836	24,605,232
SWRCB SRF loan (SCATT)	23,885,806	-	(1,883,367)	22,002,439	-	22,002,439
SWRCB SRF loan (N. Trumble Pond)	6,800,136	-	(220,634)	6,579,502	222,840	6,356,662
SWRCB SRF loan (TVRWRF)	-	51,955,040	(1,202,484)	50,752,556	1,370,971	49,381,585
Total notes payable	74,961,710	51,955,040	(7,244,927)	119,671,823	4,673,118	114,998,705
<b>Revenue Bonds:</b>						
2011A refunding	4,750,000	-	(4,750,000)	-	-	-
2015B	74,430,000	-	-	74,430,000	-	74,430,000
2016A Refunding	189,600,000	-	(5,765,000)	183,835,000	8,430,000	175,405,000
2016B Refunding	120,855,000	-	(1,490,000)	119,365,000	-	119,365,000
2017C Refunding	17,515,000	-	-	17,515,000	5,555,000	11,960,000
2017D	102,500,000	-	-	102,500,000	-	102,500,000
2018A Refunding	94,455,000	-	-	94,455,000	-	94,455,000
2018B Refunding	53,140,000	-	(53,140,000)	-	-	-
2018C Refunding	47,780,000	-	(47,780,000)	-	-	-
2020A Refunding	122,145,000	-	-	122,145,000	-	122,145,000
2021A Refunding	-	50,590,000	-	50,590,000	-	50,590,000
2021B Refunding	-	48,040,000	-	48,040,000	-	48,040,000
Unamortized premium	114,037,959	9,712,891	(6,157,001)	117,593,849	7,129,135	110,464,714
Total revenue bonds	941,207,959	108,342,891	(119,082,001)	930,468,849	21,114,135	909,354,714
<b>General Obligation Bonds:</b>						
2005A	10,290,000	-	(580,000)	9,710,000	605,000	9,105,000
2009	19,995,000	-	(605,000)	19,390,000	635,000	18,755,000
Net unamort prem/disc	299,330	-	(20,393)	278,937	20,341	258,596
Total GO bonds	30,584,330	-	(1,205,393)	29,378,937	1,260,341	28,118,596
Sub-total long term debt	1,046,753,999	160,297,931	(127,532,321)	1,079,519,609	27,047,594	1,052,472,015
<b>Other Noncurrent Liabilities</b>						
Compensated absences	12,923,613	8,597,969	(7,115,749)	14,405,833	10,153,322	4,252,511
<b>Total long-term liabilities</b>	<b>\$ 1,059,677,612</b>	<b>\$ 168,895,900</b>	<b>\$ (134,648,070)</b>	<b>\$ 1,093,925,442</b>	<b>\$ 37,200,916</b>	<b>\$ 1,056,724,526</b>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

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

The following schedule summarizes the major terms of outstanding long-term debt:

	Date of Issue	Original Issue	Revenue Sources	Lien	Final Maturity Date	Interest Rates
<b>Advances for construction, notes and assessments:</b>						
CA DWR Prop 204 (HWFP) <i>Hemet Water Filtration Plant Construction Project</i>	03/03/05	\$ 42,098,388	(a)	Subordinate	07/01/28	Imputed -2.273%
SWRCB SRF loan (APAD) <i>Moreno Valley RWRP Acid Phase Anaerobic Digestion Project</i>	09/15/09	43,908,096	(a)	Subordinate	03/16/33	0.422%
SWRCB SRF loan (SCATT) <i>Moreno Valley RWRP Secondary Clarifier &amp; Tertiary Treatment Expansion Project</i>	06/23/09	38,302,852	(a)	Subordinate	07/05/32	1.0%
SWRCB SRF loan (N. Trumble) <i>Recycled Water Pond Optimization Project - N. Trumble &amp; Perris Valley RWRP</i>	04/26/18	7,455,594	(a)	Subordinate	06/30/47	1.0%
SWRCB SRF loan (TVRWRF) <i>Recycled Water Optimization Program</i>	12/21/20	51,955,040	(a)	Subordinate	12/21/49	1.8%
<b>Revenue Bonds:</b>						
2011A Refunding	07/20/11	56,225,000	(a)	Senior	07/01/20	4% to 5%
2015B	06/18/15	74,430,000	(a)	Subordinate	07/01/46	4% to 5%
2016A Refunding	04/05/16	209,230,000	(a)	Subordinate	07/01/45	2% to 5%
2016B Refunding	09/14/16	124,925,000	(a)	Subordinate	07/01/35	2% to 5%
2017C Refunding	05/02/17	17,515,000	(a)	Subordinate	07/01/23	5.0%
2017D	05/18/17	102,500,000	(a)	Subordinate	07/01/47	5.0% to 5.25%
2018A Refunding	09/26/18	94,455,000	(a)	Subordinate	07/01/46	Variable
2020A Refunding	05/27/20	122,145,000	(a)	Subordinate	07/01/38	4% to 5%
2021A Refunding	06/10/21	50,590,000	(a)	Subordinate	07/01/30	3% to 4%
2021B Refunding	06/10/21	48,040,000	(a)	Subordinate	07/01/46	Variable
<b>General Obligation Bonds:</b>						
2005A	06/07/15	18,255,000	(b)	N/A	09/01/35	4% to 5%
2009	08/12/09	31,625,000	(b)	N/A	09/01/39	4.25% to 5.625%

(a) Net water and sewer revenues

(b) Ad valorem taxes levied and collected on sixty-one special improvement districts within the District's service area

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

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

Future principal and interest requirements on all long-term debt are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 19,898,118	\$ 33,557,360	\$ 53,455,478
2023	23,646,862	33,947,356	57,594,218
2024	24,348,845	33,040,046	57,388,891
2025	26,642,477	32,125,725	58,768,202
2026	27,392,793	31,216,549	58,609,342
2027-2031	152,791,685	140,056,416	292,848,101
2032-2036	186,060,341	105,066,158	291,126,499
2037-2041	188,612,873	64,787,183	253,400,056
2042-2046	214,111,841	33,829,528	247,941,369
2047-2050	98,140,988	4,697,891	102,838,879
TOTAL	961,646,823	512,324,212	1,473,971,035
Add: Unamortized premium	117,872,786	-	117,872,786
Total	\$ 1,079,519,609	\$ 512,324,212	\$ 1,591,843,821

### Advances for Construction, Notes and Assessments

Advances for construction, notes and assessments include project financing agreements executed with the State of California Department of Water Resources and the State of California Water Resources Control Board between March 2005 and December 2020. These agreements, detailed in the summary of major terms of outstanding long-term debt, provide financing for various projects and construction costs.

Future principal payments and interest payments on these advances for construction, notes and assessments are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 4,673,118	\$ 1,379,631	\$ 6,052,749
2023	7,516,862	1,715,028	9,231,890
2024	7,613,845	1,622,547	9,236,392
2025	7,712,477	1,528,460	9,240,937
2026	7,812,793	1,432,737	9,245,530
2027-2031	35,246,685	5,789,170	41,035,855
2032-2036	18,345,341	4,301,800	22,647,141
2037-2041	10,447,873	3,495,173	13,943,046
2042-2046	11,366,841	2,710,842	14,077,683
2047-2050	8,935,988	678,509	9,614,497
Total	\$ 119,671,823	\$ 24,653,897	\$ 144,325,720



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

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

#### Revenue Bonds

The outstanding revenue bonds were issued to provide financing for various projects and facility improvements and to refund certain prior revenue Bonds issued for the purpose of decreasing related debt service costs. Outstanding revenue Bonds are detailed in the summary of major terms of outstanding long-term debt.

Future principal and interest payments on all revenue Bonds as of June 30, 2021 are as follows:

Year ending June 30	Principal	Interest	Total
2021	\$ 13,985,000	\$ 30,686,870	\$ 44,671,870
2022	14,845,000	30,800,959	45,645,959
2023	15,390,000	30,048,936	45,438,936
2024	17,525,000	29,295,259	46,820,259
2025	18,280,000	28,549,006	46,829,006
2026-2030	110,215,000	129,158,123	239,373,123
2031-2035	158,320,000	97,828,013	256,148,013
2036-2040	172,365,000	60,616,167	232,981,167
2041-2045	202,745,000	31,118,686	233,863,686
2046-2048	89,205,000	4,019,382	93,224,382
	<u>812,875,000</u>	<u>472,121,401</u>	<u>1,284,996,401</u>
Add: Unamortized premium	117,593,849	-	117,593,849
Total	<u>\$ 930,468,849</u>	<u>\$ 472,121,401</u>	<u>\$ 1,402,590,250</u>

#### 2021A Refunding Revenue Bonds

In June 2021, the District issued \$50,590,000 in Refunding Revenue Bonds, Series 2021A. The net proceeds were used to current refund the District's outstanding Refunding Revenue Bonds, Series 2018B, unwind the associated swap agreement integrated with the Series 2018B bonds, and to pay the costs of issuance of the 2021A bonds.

The 2021A bonds were issued on the subordinate lien, keeping the senior lien open and free of any outstanding debt obligations. The 2018B bonds were variable rate bonds synthetically fixed through a swap agreement with Wells Fargo Bank carried forward from the Refunding Revenue Bonds, Series 2017E. The 2021A bonds were issued as fixed rate bonds and the termination of the swap agreement was incorporated into the refunding, resulting in \$1.5 million in net present value savings.

The 2021A bonds include principal installments due in varying amounts ranging from \$135,000 to \$7,910,000 from July 1, 2022 to July 1, 2030. Interest is payable semiannually at 3 percent from July 1, 2022 to July 1, 2025 and at 4 percent from July 1, 2026 to July 1, 2030.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

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

#### 2021B Refunding Revenue Bonds

In June 2021, the District issued \$48,040,000 in Refunding Revenue Bonds, Series 2021B. The net proceeds were used to current refund the outstanding Refunding Revenue Bonds, Series 2018C and to pay the costs of issuance of the 2021B bonds.

The 2021B bonds were also issued on the subordinate lien. The 2021B and 2018C bonds are variable rate debt based on the SIFMA Index. The 2021B bonds have a spread of 10 basis points whereas the 2018C bonds had a spread of 25 basis points. The spread differential of 15 basis points is estimated to achieve approximately \$215,000 net present value savings.

The 2021B bonds include principal installments due in varying amounts ranging from \$5,285,000 to \$6,775,000 from July 1, 2039 to July 1, 2046. Interest is payable monthly at a variable interest rate based on the SIFMA Index plus 10 basis points.

#### General Obligation (GO) Bonds

The outstanding general obligation bonds were issued by the Western Riverside Water and Wastewater Financing Authority in May 2005 and August 2009 to finance certain water and/or sewer facilities for the improvement districts and to pay the costs of executing and delivering the GO Bonds. The major terms of these bonds are detailed in the summary of major terms of outstanding long-term debt.

Future principal and interest payments on total general obligation bonds are as follows:

Year ending June 30	Principal	Interest	Total
2022	\$ 1,240,000	\$ 1,490,859	\$ 2,730,859
2023	1,285,000	1,431,369	2,716,369
2024	1,345,000	1,368,563	2,713,563
2025	1,405,000	1,302,006	2,707,006
2026	1,300,000	1,234,806	2,534,806
2027-2031	7,330,000	5,109,123	12,439,123
2032-2036	9,395,000	2,936,345	12,331,345
2037-2040	5,800,000	675,843	6,475,843
Sub-total	29,100,000	15,548,914	44,648,914
Add: Unamortized premium	278,937	-	278,937
Total	\$ 29,378,937	\$ 15,548,914	\$ 44,927,851

The general obligation bonds are callable prior to maturity, subject to certain call premiums. The liability for the general district bonds and improvements within the respective special districts, and the funds for retirement thereof, are derived from a bond redemption levy based on the assessed valuation within the individual improvement districts. On June 30, 2021, general obligation bonds authorized but not issued total \$547,650,000.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

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

#### Other Accrued Expenses Payable

Included in other accrued expenses payable are software licenses with payments extending beyond one year. The license agreements have maturities from two to five years:

Future payments on the agreements are as follows:

<u>Year Ending June 30</u>	
2022	\$ 499,637
2023	276,053
2024	261,578
2025	16,961
Total	<u>\$ 1,054,229</u>

#### Debt Service Reserve Funds

The District is required to maintain Debt Service Reserve Funds to be used for the payment of principal and interest on State Revolving Fund loans. The current required reserve amounts and reserve balances on June 30, 2021 for the outstanding debt are as follows:

<u>Description</u>	<u>Required</u>	<u>Actual</u>	<u>Excess (Deficiency)</u>
Hemet WFP SRF - \$4.21M <sup>1</sup>	\$ 2,104,920	\$ 2,160,583	\$ 55,663
N. Trumble Pond SRF	288,635	288,635	-
TVRWRF SRF	2,260,735	2,260,735	-
APAD SRF	2,293,874	2,293,874	-
SCATT SRF	2,122,225	2,122,225	-
Total Debt Service Reserve Funds	<u>\$ 9,070,389</u>	<u>\$ 9,126,052</u>	<u>\$ 55,663</u>

<sup>1</sup> 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).

## Notes to Financial Statements June 30, 2021

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

#### **Master Resolution**

The District adopted Resolution No. 2667, entitled “A Resolution of the Board of Directors of the Eastern Municipal Water District Providing for the Allocation of Water and Sewer Revenue” (the “Master Resolution”) to establish various reserves and covenants of which the following are required to be maintained:

1. Debt Coverage Ratio

The District has covenanted that Net Water and Sewer Revenues shall be at least 1.15 times the sum of all Debt Service on all Parity Obligations, plus the amount of all deposits required to be made to the Operating Reserve Fund. As of June 30, 2021, the District’s parity and subordinate obligation debt service coverage ratios were 38.0 times and 3.6 times, respectively.

2. Operating Reserve Fund

The District has covenanted that it will maintain a minimum of one quarter of its annual maintenance and operating costs as set forth in its operating budget in a separate reserve fund. The required reserve amount and the actual reserve balance on June 30, 2021 was \$54,318,619.

#### **Standby Certificate Purchase Agreements**

Included in long-term debt on June 30, 2021 are \$94,455,000 Series 2018A Revenue Bonds. This variable rate debt issuance has a tender provision for bondholders on seven-day notice, to tender their bonds at par value plus accrued interest. In connection with the issuance of the debt, the District executed a Standby Purchase Agreement (SPA) between the Corporation and Bank of America, N.A. The SPA expiration date is September 27, 2022. The SPA is terminated prior to the expiration date only if there is an occurrence of “events of defaults.” As of June 30, 2021, there were no outstanding bonds that have been tendered but failed to be remarketed.

## Notes to Financial Statements June 30, 2021

### **NOTE 5 – Defined Benefit Pension Plan**

#### Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s agent multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. The Plans’ provisions and benefits in effect on June 30, 2021 are summarized as follows:

	<u>Miscellaneous</u>		
	<u>Prior to 11/1/10</u>	<u>11/1/10-1/1/13</u>	<u>On or after 1/1/2013</u>
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	62-67
Monthly Benefits as a % of eligible compensation	2.5%	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	6.25%
Required employer contribution rates	10.29%	10.29%	10.29%

#### Employees Covered

The following employees were covered by the benefit terms as of the measurement date:

Active Members	612
Transferred Members	83
Terminated Members	111
Retired Members and Beneficiaries	541
Total	1,347

## Notes to Financial Statements June 30, 2021

### **NOTE 5 – Defined Benefit Pension Plan (cont'd)**

#### Contribution Description

Section 20814 (c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements are classified as plan member contributions.

#### Actuarial Methods and Assumptions Used To Determine Total Pension Liability

As of June 30, 2021, the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	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

<sup>1</sup> The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.



## Notes to Financial Statements June 30, 2021

### NOTE 5 – Defined Benefit Pension Plan (cont'd)

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set-up equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class <sup>1</sup>	Asset Allocation	Real Return Years 1 - 10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

<sup>1</sup>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.

<sup>2</sup>An expected inflation of 2.00% used for this period.

<sup>3</sup>An expected inflation of 2.92% used for this period.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 5 – Defined Benefit Pension Plan (cont'd)

#### Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at 6/30/2019 (VD)</b>	<b>\$ 475,903,504</b>	<b>\$ 333,682,836</b>	<b>\$ 142,220,668</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	9,154,083	-	9,154,083
Interest on the Total Pension Liability	33,789,499	-	33,789,499
Differences between Expected and Actual Experience	3,192,129	-	3,192,129
Contributions - Employer	-	14,572,036	(14,572,036)
Contributions - Employees	-	4,521,539	(4,521,539)
Net Investment Income	-	16,669,012	(16,669,012)
Benefit Payments, including Refunds of Employee Contributions	(22,184,522)	(22,184,522)	-
Administrative Expense	-	(470,411)	470,411
Other Miscellaneous Income(Expense)	-	-	-
<b>Net Changes during 2019-2020</b>	<b>\$ 23,951,189</b>	<b>\$ 13,107,654</b>	<b>\$ 10,843,535</b>
<b>Balance at 6/30/2020 (MD)</b>	<b>\$ 499,854,693</b>	<b>\$ 346,790,490</b>	<b>\$ 153,064,203</b>

(VD) Valuation Date

(MD) Measurement Date

## Notes to Financial Statements June 30, 2021

### NOTE 5 – Defined Benefit Pension Plan (cont'd)

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate:

	Discount Rate -1% 6.15%	Current Discount 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability/(Asset)	\$ 220,547,192	\$ 153,064,203	\$ 97,172,310

#### Recognition of Gains and Losses

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

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

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

Differences between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The EARSL for the Plan for the measurement period ending June 30, 2020 is 4.5 years, which was obtained by dividing the total service years of 6,199 (the sum of remaining service lifetimes of the active employees) by 1,380 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 5 – Defined Benefit Pension Plan (cont'd)**

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

For the measurement period ending June 30, 2020 (the measurement date), the District recognized a pension expense of \$24,152,402 for the plan.

As of June 30, 2021, the District reported other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension Contributions Subsequent to Measurement Date	\$ 16,404,317	\$ -
Changes of Assumptions	3,252,369	(1,308,532)
Differences between Expected and Actual Experience	6,719,135	(397,079)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,549,892	-
Total	\$ 28,925,713	\$ (1,705,611)

The \$16,404,317 reported as deferred outflows of resources related to employer contributions after the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period Ending June 30</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2021	\$ 3,235,509
2022	2,715,939
2023	3,109,587
2024	1,754,750
2025	-

## Notes to Financial Statements June 30, 2021

### **NOTE 6 – Defined Contribution Plan**

The District maintains the EMWD 401(a) Plan, a defined contribution money purchase pension plan that is qualified under Internal Revenue Code Section 401(a). The District has an agreement with Nationwide Retirement Solutions (Nationwide) whereby Nationwide receives, invests, and reports on the funds sent to them on behalf of eligible employees. Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its Union. Employees are vested in the funds contributed on their behalf after one year of service and have several investment options within the lineup of funds available at Nationwide. The 401(a) Plan was adopted in January 1978 and may be amended by the District, provided Nationwide joins in such amendment. The District's required contributions to the 401(a) Plan are 7.15 percent of each eligible employee's compensation, up to a maximum annual compensation of \$16,500. The District's contribution to the 401(a) Plan was \$766,952 for the fiscal year ended June 30, 2021.

In July 2011, the District executed a plan amendment to its 401(a) Plan to provide for a contribution to this 401(a) Plan on behalf of the General Manager in accordance with his employment contract. Contribution to this 401(a) Plan was \$29,500 for the fiscal year ended June 30, 2021.

The district provides a voluntary 457(b) deferred compensation plan for employees to contribute to their retirement on a tax-deferred basis. In October 2013, the District executed an amendment to its 401(a) Plan to provide for a matching contribution for those employees contributing to the 457(b) deferred compensation plan. The District's matching contributions will be paid into the 401(a) plan equal to 100 percent of an employee's 457(b) contribution at a rate of 4.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or before December 31, 2012 and 5.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or after January 1, 2013 (this is not applicable to employees who are re-hired and are vested for retiree medical higher than the PEMHCA minimum; these employees will be eligible for the 4.0 percent match noted earlier.) Matching contributions to the 401(a) plan totaled \$2,058,538 for the fiscal year ended June 30, 2021.

### **NOTE 7 - Postemployment Benefits Other Than Pension**

#### **Plan Description**

**Health Care Benefits** - The District provides postemployment health care benefits to all qualified employees who meets the District's California Public Employees' Retirement System (PERS) plan requirements. This plan is an agent multiple employer defined benefit OPEB plan. This plan contributes an amount for the retiree and dependents, as applicable, with eligibility based on the Health Benefit Vesting Requirements found in Government Code 22893 (Vesting for Contracting Agency Employees). This amount of District's contribution varies according to the retiree's medical benefit tiers as follows:

Tier 1 (hired prior to August 1, 2005) –The District's contribution is 100 percent of the coverage level elected by the retiree up to the greater of the basic monthly rate under PEMHCA. The District's medical premium contributions will be adjusted using the average of the percentage premium increases from all District offered medical plans which had active employee enrollments in July, rounded up to the next whole dollar, respectively. If the cost of an employee's medical coverage provided through PEMHCA or Kaiser 'A' exceeds the District's total contributions towards the coverage, the employee will be responsible for contributing the difference. Employee contributions will be made through the District's cafeteria plan on a pre-tax basis (or as mandated by regulations).

Effective for the 2020 calendar year, the District's contribution is 100 percent of the coverage level elected by the retiree up to the maximum of \$738 per month for single coverage, \$1,474 per month for two-party coverage and \$1,911 per month for family coverage. The District's contribution consists of the CalPERS statutory minimum required contribution of \$139 per month for 2020 and \$143 per month for 2021 and a contribution through a health reimbursement arrangement (HRA). Retirees in the Kaiser A HMO are required to pay a monthly contribution based on the family coverage category elected. The District's contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)**

Tier 2 (hired from August 1, 2005 to March 26, 2014) – The District’s contribution is 100 percent of the coverage level elected by the retiree up to the greater of the same contribution amount as a retiree hired prior to August 1, 2005 multiplied by a vesting schedule or the 100/90 amount per PEMHCA. The 100/90 amount is 100 percent of the weighted average of single coverage and 90 percent of the weighted average of additional premium for the two-party and family coverage for the four PEMHCA plans with the highest State enrollment in the prior year (for 2020: \$767 per month for single, \$1,474 per month for two-party and \$1,911 per month for family). The vesting percentages, according to PEMHCA Section 22893, range from 50 percent to 100 percent for retirees with service of ten years to 20 years or more. The District’s contribution consists of the CalPERS statutory minimum required contribution of \$139 per month for 2020 and \$143 per month for 2021 and a contribution through a health reimbursement arrangement (HRA). The District’s contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

Tier 3 (hired after March 26, 2014) – The District’s contribution is the PEMHCA minimum required contribution of \$139 per month in 2020 and \$143 per month for 2021.

The District also provides healthcare benefits to elected official retirees in accordance with the District’s Administrative Code. This plan contributes up to the District’s contribution amount for employees and dependent coverage.

*Life Insurance Benefits* - In addition, the District provides postemployment group life insurance to eligible retired employees and elected officials with a death benefit of \$10,000 up to age 70 and \$5,000 thereafter for retired employees; and a death benefit of \$5,000 up to age 70 and \$2,500 thereafter for elected officials.

The benefit provisions for retiree employee health care and life insurance are established and amended through the memorandum of understanding between the District and the Union. The benefit provisions for retired elected official life insurance are established through the District’s contract with the life insurance company. The District does not issue separate stand-alone financial reports for these plans.

### Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	606
Inactive employees or beneficiaries currently receiving benefits	405
Inactive employees entitled to but not yet receiving benefits	66
Total	<u>1,077</u>



## Notes to Financial Statements June 30, 2021

### **NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)**

#### **Contributions**

Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its union. The contribution requirements of the District for retired elected officials may be amended through Board action to update the Ordinance 70, for the health benefit plan, or with the life insurance company, for the life insurance benefits. The District's policy is to achieve full funding of its unfunded actuarial accrued or net OPEB liability by fiscal year 2033-2034. The District's funding practice is to fund at least the actuarially determined contribution, inclusive of direct payments for retiree health payments and the implied subsidy, which is determined based on the normal cost plus an amortization of the net (unfunded accrued) OPEB liability over a reasonable period (currently fifteen years). For the fiscal year ended June 30, 2021, the District's cash contributions were \$19.0 million in payments to the trust and the estimated implied subsidy was \$1,103,875.

On April 18, 2012, the District's Board of Directors adopted a resolution to establish an OPEB Trust and to authorize an agreement with PERS to join the California Employers' Retiree Benefit Trust (CERBT) Program. On June 12, 2012, the District joined the CERBT Program, an agent multiple-employer plan consisting of an aggregation of single-employer plans. PERS issues a publicly available financial report that includes financial statements and required supplementary information relating to the CERBT program. The report can be obtained through their website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

## Notes to Financial Statements June 30, 2021

### **NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)**

#### Net OPEB Liability

The District's net OPEB liability was measured on June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal																		
Actuarial Assumptions:																			
Discount Rate	7.00%																		
Inflation	2.50%																		
Salary Increases	2.75% per annum plus CalPERS merit scale																		
Investment Rate of Return	7.00 % per year; assumes the District invests in the CERBT asset allocation Strategy 1 with a margin of adverse deviation of 28 bps																		
Mortality Rate <sup>1</sup>	Derived from the 2014 CalPERS experience study																		
Pre-Retirement Turnover <sup>2</sup>	Derived from the 2017 CalPERS pension plan valuation																		
Healthcare Trend Rate	Medical costs are adjusted in future years by the following trends:																		
	<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th style="text-align: left;"><u>Trend</u></th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>6.25%</td> </tr> <tr> <td>2022</td> <td>6.00%</td> </tr> <tr> <td>2023</td> <td>5.75%</td> </tr> <tr> <td>2024</td> <td>5.50%</td> </tr> <tr> <td>2025</td> <td>5.25%</td> </tr> <tr> <td>2026</td> <td>5.00%</td> </tr> <tr> <td>2027</td> <td>4.75%</td> </tr> <tr> <td>2028+</td> <td>4.50%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Trend</u>	2021	6.25%	2022	6.00%	2023	5.75%	2024	5.50%	2025	5.25%	2026	5.00%	2027	4.75%	2028+	4.50%
<u>Year</u>	<u>Trend</u>																		
2021	6.25%																		
2022	6.00%																		
2023	5.75%																		
2024	5.50%																		
2025	5.25%																		
2026	5.00%																		
2027	4.75%																		
2028+	4.50%																		

Notes:

- <sup>1</sup> 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
- <sup>2</sup> The pre-retirement turnover information was developed based on the termination rates under the CalPERS pension plan.

## Notes to Financial Statements June 30, 2021

### **NOTE 7 – Postemployment Benefits Other Than Pension (cont’d)**

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Strategy 1	
	Target Allocation	Long-Term Expected Rate of Return
Global Equity	59.00%	5.50%
Global Debt Securities	25.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITS <sup>1</sup>	8.00%	3.65%
<b>Total</b>	<b>100.00%</b>	

<sup>1</sup>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.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)

#### Changes in OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
<b>Balance at 6/30/2020 (MD June 30, 2019)</b>	<b>\$ 106,314,704</b>	<b>\$ 74,478,440</b>	<b>\$ 31,836,264</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	2,577,029	-	2,577,029
Interest	7,444,293	-	7,444,293
Differences between expected and actual experience	(1,094,510)		(1,094,510)
Changes of assumptions	-		-
Contributions from the Employer	-	19,006,063	(19,006,063)
Net Investment Income	-	3,169,036	(3,169,036)
Benefit Payments	(5,176,928)	(5,176,928)	-
Administrative Expense	-	(44,871)	44,871
Other	-	-	-
<b>Net Changes</b>	<b>\$ 3,749,884</b>	<b>\$ 16,953,300</b>	<b>\$ (13,203,416)</b>
<b>Balance at 6/30/2021 (MD June 30, 2020)</b>	<b>\$ 110,064,588</b>	<b>\$ 91,431,740</b>	<b>\$ 18,632,848</b>

(MD) Measurement Date

#### Sensitivity of the Net OPEB Obligation Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 33,104,010	\$ 18,632,848	\$ 6,686,056

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)**

#### Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

	<b>1% Decrease</b> (5.25%HMO/5.25%PPO decreasing to 3.50%HMO/3.50%PPO)	<b>Current Healthcare Cost Trend Rates</b> (6.25%HMO/6.25%PPO decreasing to 4.50%HMO/4.50%PPO)	<b>1% Increase</b> (7.25%HMO/7.25%PPO decreasing to 5.50%HMO/5.50%PPO)
Net OPEB Liability	\$ 4,556,760	\$ 18,632,848	\$ 36,001,590

#### Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

#### OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For fiscal year June 30, 2021, the District recognized OPEB expense of \$1,149,955. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB contributions subsequent to measurement date	\$ 20,103,875	\$ -
Differences between expected and actuarial experience	-	(5,587,305)
Changes of assumptions	-	(3,861,982)
Differences between actual and projected earnings	1,656,736	-
Total	<u>\$ 21,760,611</u>	<u>\$ (9,449,287)</u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 7 – Postemployment Benefits Other Than Pension (cont'd)**

The \$20,103,875 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<b>Measurement Period Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2021	\$ (2,124,581)
2022	(1,906,423)
2023	(1,766,156)
2024	(1,812,971)
2025	(182,420)
	<u>\$ (7,792,551)</u>

### **NOTE 8 – Restricted and Unrestricted Net Position**

#### Restricted Net Position

Net Position restricted for debt service/covenants represent constraints required by the District's Master Resolution and third-party general obligation bondholders.

Net Position restricted for construction represent constraints on legally restricted funds received and unspent from developers as required by State law.

#### Unrestricted Net Position

As required by GASB Statement No. 34, net position has been classified according to guidelines established for restricted net position. The unrestricted net position, although not legally restricted, has been established pursuant to Board Resolution No. 2021-054 and is primarily composed of reserves for various purposes.



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 9 – Commitments

#### Construction Contracts

The District is committed to approximately \$229,558,682 of open contracts as of June 30, 2021. The Contracts with the largest remaining balances include:

	<u>Contract Amount</u>	<u>Balance To Complete</u>
Murrieta Road Transmission Pipeline	\$ 13,920,000	\$ 12,222,400
Sky Canyon Sewer Project	9,897,282	4,562,165
Wells 206, 207 and 208 Drilling and Testing	4,144,075	3,734,730
Pat Rd Booster Engine Replacements	4,504,933	2,812,034
Eucalyptus Booster Pump Station	4,093,322	2,756,099
Perris II Desalination Facility	55,496,028	2,462,809
Wells 65, 66 and 204 Drilling and Testing	4,526,850	1,537,153
Wells 201, 202 and 203 Phase 1B Conveyance Pipeline	1,688,888	1,284,831
MVRWRF Tertiary Effluent Equalization	3,601,889	857,075
MVRWRF Solids Handling MCC Replacement	967,600	831,330
TOTAL	<u>\$ 102,840,867</u>	<u>\$ 33,060,626</u>

#### Claims and Judgments

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, error and omissions, road and walkway design hazards, vehicle accidents and flooding for which the District maintains various insurance programs. The District has entered contracts to oversee and administer these programs.

The District maintains excess insurance coverage of \$10,000,000 per occurrence with a \$1,000,000 self-insured retention per incident for losses sustained because of liability imposed on the District by the Workers' Compensation Act. For general liability, the District maintains excess insurance coverage of \$30,000,000 per occurrence with a \$1,000,000 self-insured retention.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 9 – Commitments (cont'd)

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is included in other accrued expenses. The District did not have any non-incremental claims adjustment expenses that needed to be included as part of the unpaid claims liability. Changes in claims payable for the year ended June 30, 2021 are as follows:

	<b>Beginning Balance June 30, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2021</b>	<b>Due Within One Year</b>
General Liability	\$ 549,600	\$ 416,789	\$ (100,321)	\$ 866,068	\$ 866,068
Workers Compensation	2,029,838	880,232	(1,347,173)	1,562,898	205,268
	<u>\$ 2,579,438</u>	<u>\$ 1,297,021</u>	<u>\$ (1,447,494)</u>	<u>\$ 2,428,966</u>	<u>\$ 1,071,336</u>

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2020 to 2021. There were no settlements that exceeded insurance coverage for the three prior fiscal years ended June 30, 2020, June 30, 2019, and June 30, 2018.

### Soboba Settlement Act

The District is a party to the Soboba Settlement Act (Act). This Act was signed into Law by the President of the United States of America on July 31, 2008 and approved the Settlement Agreement between the Soboba Band of Luiseño Indians; the United States of America (as trustee for the Soboba Tribe); the Lake Hemet Municipal Water District (LHMWD), the Metropolitan Water District of Southern California (MWD), and the District. The Soboba Tribe negotiated a water rights claim with these local water districts for the Tribe's lost water resources from springs and creeks on its reservation caused by construction of the San Jacinto Tunnel by MWD, and by construction of Lake Hemet by the LHMWD. Notice regarding the statement of findings for the act was published in the Federal Register on November 28, 2011 and the Settlement Agreement became enforceable.

The Settlement Agreement provides that:

- a) The Tribe shall have a senior right to 9,000-acre feet of water each year;
- b) The local agencies shall develop a groundwater management plan (and a committee to operate that plan);
- c) The District shall contract with MWD for a long-term water supply agreement to bring 7,500-acre feet of additional imported settlement water into the area each year to meet the current and future needs;
- d) The local agencies shall construct facilities to bring in the additional water and recharge it into the groundwater basin;
- e) The groundwater management plan is to include arrangements between the municipal pumpers in the area (LHMWD, the cities of Hemet and San Jacinto, and the District) regarding limitations on pumping from the groundwater basin;
- f) The federal government shall provide some funding for compliance with the agreement; and,
- g) MWD and the District will transfer land that each agency owns to the Tribe in full satisfaction of the tribe's damages because of construction of the San Jacinto Tunnel.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 9 – Commitments (cont’d)**

The District’s share for the construction of the facilities and use of Tribe’s water is estimated to be \$8,966,222. The District and local agencies established a financing plan for the construction costs of the facilities. This plan is based upon the repayment schedule for the 2008H COP (while the 2008H COP has been refunded, it does not change the Soboba repayment schedule) and requires the local agencies to contribute towards principal payments totaling \$12,998,778 and interest payments at their proportionate share. All amounts paid or accrued relating to the financing plan are recorded on the District’s books.

In association with this settlement agreement, the stipulated judgment required that a watermaster be established to develop and implement a groundwater management plan and administer the provisions of the judgment. The Hemet-San Jacinto Watermaster (Watermaster) was established on April 18, 2013 and began operations in June 2013. Prior to formation of the Watermaster, the local agencies established an interim plan for imported water deliveries from MWD for in-lieu and replenishment water. The local agencies have agreed that the District will continue to purchase and deliver in-lieu and replenishment settlement water and bill the agencies directly on behalf of the Watermaster. The District did not have any outstanding billings of imported settlement water deliveries as of June 30, 2021.

Due to drought and less than favorable conditions over the last two years, recharge water was not made available to the District in the last half of calendar year 2020 and the first half of 2021. As a result, zero-acre feet of water was purchased for recharge. The District’s share of imported settlement water recorded in fiscal year 2021 was zero-acre feet.

In June 2013, the District established a methodology for valuing its share of the native groundwater in the Hemet-San Jacinto Groundwater Basin, including additions and withdrawals. The District recorded \$13,858,457 in water inventory for the fiscal year ended June 30, 2021. The District’s methodology identifies various water layers in the basin and assigns a zero-dollar value to native water, with additions of imported settlement water valued at purchased cost and withdrawals valued at a weighted average cost of all inventory layers. The following table illustrates the changes in water inventory for the fiscal year ended June 30, 2021. The zero-dollar value for additions is due to zero-acre feet of imported settlement water purchased in fiscal year 2021. The 7,303 acre-feet of additions represents only native water, which has a zero-dollar value.

	<b>Beginning Balance June 30, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2021</b>
Acre feet	91,833	7,303	(12,635)	86,501
Dollar value	\$ 16,179,802	\$ -	\$ (2,321,345)	\$ 13,858,457

## Notes to Financial Statements June 30, 2021

### **NOTE 10 – Contingencies**

The District is a defendant in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on the District's financial position or results of operations.

### **NOTE 11 – Santa Ana Watershed Project Authority**

The District became a member of the Santa Ana Watershed Project Authority (SAWPA) in September 1984. SAWPA was formed in 1975, pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise powers common to public agencies. The purpose of SAWPA is to undertake projects for water quality control and protection and pollution abatement in the Santa Ana Watershed. The authority is governed by a 5-member Commission, consisting of one member from each of the five-member agencies; an alternate from each member agency is also designated. The Commission members select a Commissioner and an alternate.

According to the latest available audited financial statements, as of June 30, 2020 SAWPA had total assets of \$171,906,687 and total net assets of \$73,325,106. SAWPA Financial Statements can be obtained by contacting SAWPA at 11615 Sterling Avenue, Riverside, CA 92503 or at [www.sawpa.org](http://www.sawpa.org). The District does not have a measurable equity interest in SAWPA.

### **NOTE 12 – Advances from Developers**

The District receives deposits from developers in advance to cover various costs for both sewer and water related projects. On June 30, 2021, the amount of refundable deposits was \$35,929,648. When a project is closed, the developer is refunded only the amount remaining after offsetting all accumulated construction in progress costs. If costs exceed the deposit amount during the project, the developer is billed for additional deposits.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt**

Bonds issued to finance public improvement projects in certain assessment districts and community facilities districts are liabilities of property owners and are secured by liens against the assessed property. The District acts as an agent for the collection of special assessments from the property owners and the payment of principal and interest to the bondholders. The District has no obligation or duty to pay any delinquency out of any available funds of the District. Neither the faith, credit, nor the taxing power of the District is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying financial statements. Instead, they are reported as custodial funds in the statement of fiduciary activities. The balance in the reserve accounts at the end of the fiscal year for each bond issue was above the reserve requirement.

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2021
AD 5	(Romoland)	\$ 1,165,803	\$ 435,000
AD 7	(Homeland/Green Acres)	4,389,454	705,000
AD 8	(StageCoach Road)	4,167,528	2,075,000
AD 9	(East Pourroy Road)	270,046	68,775
AD 12	(Pigeon Pass Road)	2,224,919	1,235,000
AD 19A	(GlenOaks)	3,642,402	3,061,740
AD 20	(Menifee Valley Development)	4,995,000	2,990,000
CFD 2001-01 IA A	(French Valley)	18,380,000	14,610,000
CFD 2001-01 IA B	(French Valley)	1,350,000	1,095,000
CFD 2001-02 IA A	(Springfield/Arbor Glen)	3,590,000	2,990,000
CFD 2001-02 IA B	(Springfield/Arbor Glen)	585,000	480,000
CFD 2002-03	(Willows)	2,295,000	1,865,000
CFD 2002-04 IA 1	(Sheffield/RBV)	1,815,000	1,500,000
CFD 2002-04 IA 2	(Sheffield/RBV)	3,070,000	2,595,000
CFD 2002-04 IA 3	(Sheffield/RBV)	645,000	470,000
CFD 2002-04 IA 4	(Sheffield/RBV)	490,000	365,000
CFD 2002-04 IA 5	(Sheffield/RBV)	995,000	835,000
CFD 2002-05	(Crown Valley Village)	10,230,000	7,765,000
CFD 2002-06 IA A	(Morgan Hill)	5,050,000	4,205,000
CFD 2002-06 IA B	(Morgan Hill)	9,009,000	7,114,000
CFD 2002-06 IA C	(Morgan Hill)	4,485,000	4,485,000
CFD 2002-07 IA A	(Pacific Mayfield)	1,985,000	1,985,000
CFD 2002-07 IA B	(Pacific Mayfield)	3,285,000	3,085,000
CFD 2002-07 IA C	(Pacific Mayfield)	6,070,000	5,920,000
CFD 2002-08	(Serena Hills)	2,435,000	2,015,000
CFD 2002-09	(Woodside Homes)	1,405,000	1,010,000
CFD 2002-10	(Summit Ridge)	1,820,000	1,530,000

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2021
CFD 2003-12 IA A	(Temecula Creek)	\$ 1,865,000	\$ 1,405,000
CFD 2003-12 IA B	(Temecula Creek)	2,510,000	1,905,000
CFD 2003-14 IA A	(Clinton Keith/Meadowlark)	1,435,000	1,105,000
CFD 2003-14 IA B	(Clinton Keith/Meadowlark)	3,330,000	2,585,000
CFD 2003-14 IA C	(Clinton Keith/Meadowlark)	1,635,000	1,250,000
CFD 2003-15 IA A	(Morgan Valley)	5,835,000	4,705,000
CFD 2003-16	(Promontory Park)	3,055,000	2,310,000
CFD 2003-19 IA A	(Eastridge/Westridge)	2,035,000	1,570,000
CFD 2003-19 IA B	(Eastridge/Westridge)	3,705,000	2,880,000
CFD 2003-20 IA A	(Corman Leigh)	1,405,000	1,070,000
CFD 2003-20 IA B	(Corman Leigh)	298,000	216,000
CFD 2003-20 IA C	(Corman Leigh)	951,821	713,479
CFD 2003-20 IA D	(Corman Leigh)	1,970,000	1,970,000
CFD 2003-25 IA B	(Pacific Communities)	2,425,000	2,295,000
CFD 2003-25 IA C	(Pacific Communities)	4,700,000	4,460,000
CFD 2003-25 IA D	(Pacific Communities)	3,070,000	2,415,000
CFD 2004-26 IA 1	(San Jacinto)	4,675,000	3,630,000
CFD 2004-26 IA 2	(San Jacinto)	2,780,000	2,135,000
CFD 2004-27	(Cottonwood Ranch)	7,296,000	5,857,000
CFD 2004-28	(Quinta Do Lago)	3,735,000	2,875,000
CFD 2004-29	(Sun Ranch)	4,617,000	3,699,000
CFD 2004-30	(Barrington Heights)	2,220,000	1,710,000
CFD 2004-32 IA A	(Rancho San Jacinto)	1,524,000	1,242,000
CFD 2004-32 IA B	(Rancho San Jacinto)	1,046,000	836,000
CFD 2004-34	(Faircrest)	5,470,000	4,215,000
CFD 2004-35 IA A	(Mountain Gate)	1,825,000	1,590,000
CFD 2004-35 IA C	(Mountain Gate)	850,000	635,000
CFD 2004-35 IA D	(Mountain Gate)	1,180,000	1,180,000
CFD 2004-36	(Adeline's Farm)	4,845,000	3,900,000
CFD 2005-38 IA A	(Autumn Ridge)	2,650,000	2,095,000
CFD 2005-38 IA B	(Autumn Ridge)	628,000	478,000
CFD 2005-39	(Marsden)	2,225,000	2,035,000
CFD 2005-40	(Mahogany/Promontory)	2,416,000	1,919,000
CFD 2005-42	(Belicia Ranch)Zone 1, Zone 2	2,151,000	1,738,000
CFD 2005-43 IA A	(Kona Road)	4,470,000	4,040,000



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2021
CFD 2005-43 IA B	(Kona Road)	\$ 3,360,000	\$ 3,125,000
CFD 2005-44	(Vista Del Valle/Calder Ranch)	3,710,000	3,710,000
CFD 2005-47 IA A	(The Lakes)	10,540,000	9,950,000
CFD 2006-52	(Nelson Project)	1,445,000	1,140,000
CFD 2006-56	(Rancho Diamante)	3,635,000	3,635,000
CFD 2006-58	(Meadowbrook II/Stein/Cimmarron)	595,000	595,000
CFD 2010-60	(Paseo Del Sol)	2,605,000	2,400,000
CFD 2012-61	(Creskside)	3,675,000	3,675,000
CFD 2013-63 IA A	(Belle Terre)	3,370,319	3,370,319
CFD 2013-64	(Atherton and Terracina)	13,510,000	13,020,000
CFD 2014-66	(Meadow Creek)	1,275,000	1,245,000
CFD 2014-67 IA A	(The Lakes/Yates)	4,260,000	4,015,000
CFD 2014-67 IA B	(The Lakes/Yates)	3,005,000	2,800,000
CFD 2016-72	(Hidden Hills)	2,400,000	2,400,000
CFD 2016-74 IA C	(Menifee Town Center)	4,145,000	4,145,000
CFD 2016-75	(Washington Road)	2,440,000	2,440,000
CFD 2016-76	(Conestoga)	3,585,000	3,585,000
CFD 2018-82	(Aspen Pointe)	2,095,000	2,095,000
		<u>\$ 266,322,292</u>	<u>\$ 222,498,313</u>

Summary of outstanding debt – ADs and CFDs:

Bond payable outstanding - CFDs	\$ 211,927,798
Bond payable outstanding - ADs	<u>10,570,515</u>
Total outstanding debt	<u><u>\$ 222,498,313</u></u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 13 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)**

Reconciliation of the Statement of Fiduciary Net Position:

CFDs:	
Bonds payable outstanding	\$ 211,927,798
Premium on bonds payable	15,038,784
Discount on bonds payable	<u>(48,030)</u>
Total CFDs	<u>226,918,552</u>
ADs:	
Bonds payable outstanding	<u>10,570,515</u>
Statement of Fiduciary Net Position:	
Bonds payable	<u><u>\$ 237,489,067</u></u>

### **Note 14 – Restatement of Beginning Fiduciary Net Position**

As discussed in Note 1, the District implemented GASB Statement No. 84. Accordingly, beginning net position on the fiduciary fund statement of net position for the year ended June 30, 2021 has been restated for changes related to the implementation of GASB Statement No. 84 as follows:

	Community Facilities Districts	Assessment Districts	Total Custodial Funds
Net Position, as previously reported	\$ -	\$ -	\$ -
Prior period adjustment	<u>(167,942,501)</u>	<u>(8,742,222)</u>	<u>(176,684,723)</u>
Net position (deficit), as restated	<u><u>\$ (167,942,501)</u></u>	<u><u>\$ (8,742,222)</u></u>	<u><u>\$ (176,684,723)</u></u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2021

### **NOTE 15 – Restatement of Beginning Net Position**

The net position of the District as of June 30, 2020 was restated for adjustments to the property tax receivable balances related to its share of Riverside County’s general ad-valorem property tax levy, the general obligation bond tax levy, and the standby tax assessments on properties within the District’s service area. The adjustment to the property taxes receivable balance is because historic adjustments to property tax levies and delinquency information is not available beyond prior year reporting. Property taxes receivable as of June 30, 2021 are estimated to be \$2,053,451 and is based on estimates including historic information of prior year taxes received the following fiscal year. The overall adjustment to property taxes receivable balances resulted in reducing the net position of the District by \$12,071,234 at the beginning of fiscal year 2021 and are detailed below:

Summary of adjustments to beginning net position:

General property tax levy	\$ 9,809,934
Stanby tax assessment	699,900
General obligation bond levy	<u>1,561,400</u>
Total adjustment to net position	<u>\$ 12,071,234</u>

### **Note 16 – Joint Venture**

The Marks-Roos Local Bond Pooling Act of 1985 authorizes local municipalities to work together through creating a Joint Powers Authority for the purpose of issuing a large series of bonds to finance several smaller projects. In 2004, EMWD and Rancho California Water District (RCWD) entered into a joint exercise powers agreement to form the Western Riverside Water and Wastewater Financing Authority (WRWWFA). The WRWWFA Board comprises of two members from EMWD and two members from RCWD. Separate financial statements for this joint venture are not available.

### **Note 17 – Subsequent Event**

To address the potential economic and financial impact of the Covid-19 pandemic, the District continues to evaluate its financial position, including its utility accounts receivable balances. The pandemic has made it difficult for many California residents to pay their bills due to job loss and other hardships.

In April 2020, the Governor signed an executive order restricting water shutoffs to homes and small businesses while the state responds to the Covid-19 pandemic. The order does not eliminate the customers’ obligation to pay their water bill. The executive order, initially set to expire September 30, 2021, was recently extended through December 31, 2021, with the Governor signing Senate Bill 155 (SB155). The bill applies to all community water systems, all delinquent payments and all classes of customers.

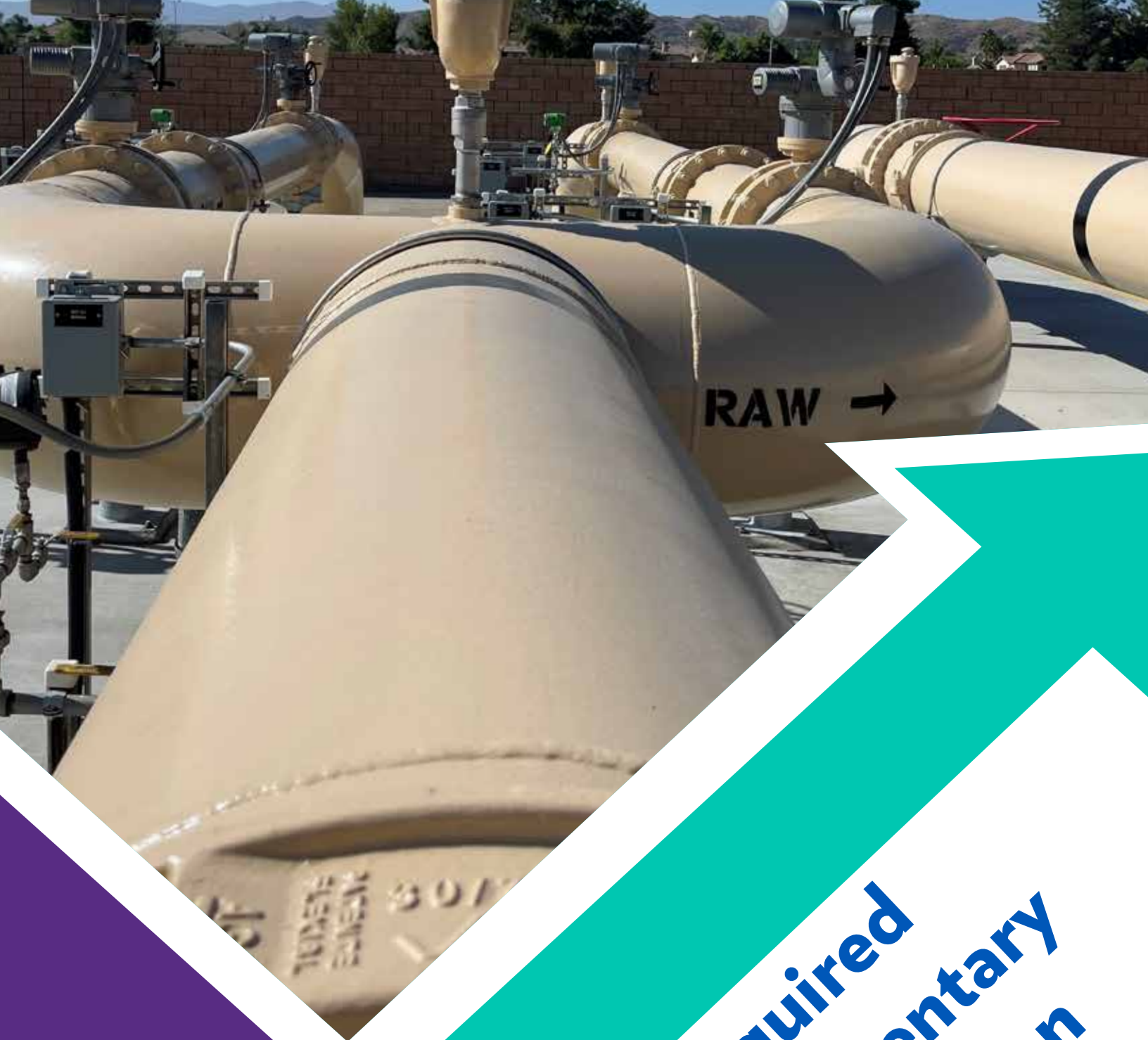
As of June 30, 2021, the District’s customer arrearages, account balances over sixty days past due, were \$5.65 million, increasing to \$5.95 million as of September 30, 2021.

The District continues to assist customers with payment options and late fee adjustments. In December 2020, it launched an outreach program educating customers on bill pay assistance and successfully secured assistance for over 1,000 customers with various county and local programs, including CAP CARES, funded through federal COVID relief funds and administered by Riverside County’s Community Action Partnership; United Lift Rental Assistance Program, a Riverside County program funded by the federal COVID aid for renters; and Help2Others, the District’s low-income assistance program, in partnership with United Way.

Subsequent to the June 30, 2021, the District requested \$3.56 million in funding from the State Water Board, under its California Water and Wastewater Arrearage Payment Program, to support its water customers with financial hardship during the pandemic and to fund the amount of customer arrearages during the 16-month pandemic period. Funding from the State Water Board will be disbursed through January 31, 2022.

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**Required Supplementary Information**

**June 30, 2021**

**Schedule of Changes in Net Position Liability and Related Ratios During the Measurement Period Last Ten Fiscal Years\***

Measurement Period	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
<b>Total Pension Liability</b>							
Service Cost	\$ 9,154,083	\$ 9,193,622	\$ 8,950,991	\$ 8,944,792	\$ 7,843,422	\$ 7,679,279	\$ 7,775,568
Interest on total pension liability	33,789,499	32,144,217	30,364,075	28,922,504	27,711,744	26,241,865	24,817,574
Difference between Expected and Actual Experience	3,192,129	5,259,636	3,493,286	(3,044,287)	(377,219)	(117,683)	-
Changes of Assumptions	-	-	(3,617,710)	24,934,841	-	(6,714,237)	-
Benefit Payments, Including Refunds of Employee Contributions	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Change in Total Pension Liability	23,951,189	25,783,493	20,406,780	43,373,380	20,100,697	13,342,678	19,173,413
Total Pension Liability - Beginning	475,903,504	450,120,011	429,713,231	386,339,851	366,239,154	352,896,476	333,723,063
Total Pension Liability - Ending (a)	\$ 499,854,693	\$ 475,903,504	\$ 450,120,011	\$ 429,713,231	\$ 386,339,851	\$ 366,239,154	\$ 352,896,476
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 14,572,036	\$ 12,446,688	\$ 10,748,951	\$ 9,699,290	\$ 8,782,080	\$ 8,161,529	\$ 7,786,103
Contributions - Employee	4,521,539	4,054,435	4,437,439	4,294,049	4,187,293	4,204,174	4,510,815
Net Investment Income	16,669,012	20,890,658	25,160,942	30,717,223	1,420,440	6,028,932	40,103,890
Benefit Payments, Including Refunds of Employee Contributions	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Plan to Plan Resource Movement	-	-	(736)	2,059	-	-	-
Administrative Expense	(470,411)	(226,454)	(462,980)	(397,425)	(164,570)	(303,937)	-
Other Miscellaneous Income(Expense) <sup>1</sup>	736	-	(879,206)	-	-	-	-
Net Change in Fiduciary Net Position	13,107,654	16,352,081	20,220,548	27,930,726	(852,007)	4,344,152	38,981,079
Plan Fiduciary Net Position - Beginning <sup>2</sup>	333,682,836	317,330,755	297,110,207	269,179,481	270,031,488	265,687,336	226,706,257
Plan Fiduciary Net Position - Ending (b)	\$ 346,790,490	\$ 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)	\$ 153,064,203	\$ 142,220,668	\$ 132,789,256	\$ 132,603,024	\$ 117,160,370	\$ 96,207,666	\$ 87,209,140
<b>Pension Liability</b>	69.38%	70.12%	70.50%	69.14%	69.67%	73.73%	75.29%
Covered Payroll <sup>3</sup>	\$ 54,038,273	\$ 53,151,539	\$ 51,697,994	\$ 51,823,823	\$ 50,596,193	\$ 49,467,138	\$ 48,184,720
Plan Net Pension Liability as a Percentage of Covered Payroll	283.25%	267.58%	256.86%	255.87%	231.56%	194.49%	180.99%

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

<sup>1</sup> 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.

<sup>2</sup> Includes any beginning of year adjustment.

<sup>3</sup> Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-20; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014-17.

## Required Supplementary Information June 30, 2021

### Notes To Schedule:

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in Assumptions:** In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

## Required Supplementary Information

**June 30, 2021**

### Schedule of Pension Plan Contributions Last Ten Fiscal Years\*

Fiscal Year	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 16,404,317	\$ 14,572,035	\$ 12,446,689	\$ 10,748,951	\$ 9,699,290	\$ 8,782,080	\$ 8,160,464
Contributions in Relation to the Actuarially Determined Contribution	(16,404,317)	(14,572,035)	(12,446,689)	(10,748,951)	(9,699,290)	(8,782,080)	(8,160,464)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 59,486,804	\$ 54,038,273	\$ 53,151,539	\$ 51,697,994	\$ 51,823,823	\$ 50,596,193	\$ 49,467,138
Contributions as a Percentage of Covered Payroll	27.58%	26.97%	23.42%	20.79%	18.72%	17.36%	16.50%

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

### Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-2021 were from the June 30, 2018 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost
Amortization Method/Period	20-year period with a 5-year ramp-up/ramp down in accordance with CalPERS Board policy. <sup>1</sup>
Asset Valuation Method	Market Value of Assets <sup>1</sup>
Inflation	2.50%
Salary Increase	Varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.25%, net of Pension Plan Investment Expenses, includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement mortality rates include twenty years of projected mortality improvement using Scale BB published by the Society of Actuaries.

<sup>1</sup> For details, see June 30, 2018 Funding Valuation Report

# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2021

### Schedule of Changes in Net OPEB Liability and Related Ratios During the Measurement Period\* Last Ten Fiscal Years

Measurement Period	2020	2019	2018	2017
Service Cost	\$ 2,577,029	\$ 3,248,883	\$ 3,154,255	\$ 2,947,902
Interest	7,444,293	7,945,843	7,509,723	7,081,960
Differences between expected and actual experience	(1,094,510)	(7,012,819)	-	-
Changes of assumptions	-	(5,792,972)	-	-
Benefit Payments, Including Refunds of Member Contributions	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Net Change in Total OPEB Liability	3,749,884	(6,285,857)	6,282,138	6,161,077
Total OPEB Liability - Beginning	106,314,704	112,600,561	106,318,423	100,157,346
Total OPEB Liability - Ending (a)	<u>\$ 110,064,588</u>	<u>\$ 106,314,704</u>	<u>\$ 112,600,561</u>	<u>\$ 106,318,423</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 19,006,063	\$ 19,240,938	\$ 17,947,401	\$ 18,111,235
Net Investment Income	3,169,036	4,177,706	3,861,399	3,066,258
Benefit Payments, Including Refunds of Member Contributions	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Administrative Expenses	(44,871)	(14,762)	(26,780)	(16,558)
Other Expense	-	-	(50,818)	-
Net Change in Plan Fiduciary Net Position	\$ 16,953,300	\$ 18,729,090	\$ 17,349,362	\$ 17,292,150
Plan Fiduciary Net Position - Beginning	74,478,440	55,749,350	38,399,988	21,107,838
Plan Fiduciary Net Position - Ending (b)	<u>\$ 91,431,740</u>	<u>\$ 74,478,440</u>	<u>\$ 55,749,350</u>	<u>\$ 38,399,988</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 18,632,848</u>	<u>\$ 31,836,264</u>	<u>\$ 56,851,211</u>	<u>\$ 67,918,435</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	83.1%	70.1%	49.5%	36.1%
Covered Employee Payroll <sup>1</sup>	\$ 55,075,911	\$ 53,601,860	\$ 51,020,000	\$ 51,020,000
Net OPEB Liability as a Percentage of Covered Payroll Employee Payroll	33.8%	59.4%	111.4%	133.1%

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

<sup>1</sup> Not based on measure of pay

# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2021

### Schedule of OPEB Contributions Last Ten Fiscal Years\*

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 6,642,486	\$ 6,566,657	\$ 10,934,835	\$ 10,833,584
Contributions in Relation to ADC	20,103,875	19,006,063	19,240,938	17,947,401
Contribution Deficiency (Excess)	<u>\$ (13,461,389)</u>	<u>\$ (12,439,406)</u>	<u>\$ (8,306,103)</u>	<u>\$ (7,113,817)</u>
Covered Employee Payroll <sup>1</sup>	\$ 55,568,945	\$ 55,075,911	\$ 53,601,860	\$ 51,020,000
Contributions as a Percentage of Covered Payroll	36.18%	34.51%	35.90%	35.18%

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

<sup>1</sup> Not based on measure of pay

# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2021

### Notes To Schedule

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were from the June 30, 2019 actuarial valuation:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal																		
Amortization Method/Period	Level dollar amortization method over 13 years																		
Asset Valuation Method	Market value																		
Inflation	2.50%																		
Payroll Growth	2.75% per annum plus CalPERS merit scale																		
Investment Rate of Return	7.00% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1.																		
Healthcare cost-trend rates	Medical costs are adjusted in future years by the following trends: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th style="text-align: left;"><u>Trend</u></th> </tr> </thead> <tbody> <tr><td>2021</td><td>6.25%</td></tr> <tr><td>2022</td><td>6.00%</td></tr> <tr><td>2023</td><td>5.75%</td></tr> <tr><td>2024</td><td>5.50%</td></tr> <tr><td>2025</td><td>5.25%</td></tr> <tr><td>2026</td><td>5.00%</td></tr> <tr><td>2027</td><td>4.75%</td></tr> <tr><td>2028+</td><td>4.50%</td></tr> </tbody> </table>	<u>Year</u>	<u>Trend</u>	2021	6.25%	2022	6.00%	2023	5.75%	2024	5.50%	2025	5.25%	2026	5.00%	2027	4.75%	2028+	4.50%
<u>Year</u>	<u>Trend</u>																		
2021	6.25%																		
2022	6.00%																		
2023	5.75%																		
2024	5.50%																		
2025	5.25%																		
2026	5.00%																		
2027	4.75%																		
2028+	4.50%																		
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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# Combining Fiduciary Fund Statements Section

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## EASTERN MUNICIPAL WATER DISTRICT

Reported in the following combining fiduciary fund statements are special assessment and special tax bonds related to various special assessment and community facility districts within the District's service area. The District acts as an agent for the property owners benefited by the bond financed projects. The District collects the assessments and taxes and forwards these collections to the bondholders. The District may also initiate foreclosure proceedings when appropriate. Neither the faith, credit, or taxing power of the District is pledged for the payment of the bonds nor is the District legally obligated to pay the bonds. Total bonds payable at June 30, 2021 is \$237,489,067.

### COMBINING STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2021

	<b>Community Facilities Districts</b>	<b>Assessment Districts</b>	<b>Total Custodial Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 55,886,241	\$ 2,982,509	\$ 58,868,750
Receivables:			
Special assessments for other governments	250,074	124,283	374,357
Total assets	56,136,315	3,106,792	59,243,107
<b>Deferred outflows of resources:</b>			
Deferred charges on debt refunding	1,637,345	-	1,637,345
Total deferred outflows of resources	1,637,345	-	1,637,345
<b>Liabilities:</b>			
Accrued interest payable	3,201,429	159,209	3,360,638
Bonds payable:			
Due within one year	7,743,595	1,025,600	8,769,195
Due in more than one year	219,174,957	9,544,915	228,719,872
Total liabilities	230,119,981	10,729,724	240,849,705
<b>Net position:</b>			
Restricted for:			
Debt obligations	(172,346,321)	(7,622,932)	(179,969,253)
Total net position (deficit)	\$ (172,346,321)	\$ (7,622,932)	\$ (179,969,253)

# EASTERN MUNICIPAL WATER DISTRICT

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Community Facilities Districts	Assessment Districts	Total Custodial Funds
<b>Additions:</b>			
Interest income	\$ 9,070	\$ 507	\$ 9,577
Special assessment collections for other entities	20,007,391	1,651,629	21,659,020
Total additions	<u>20,016,461</u>	<u>1,652,136</u>	<u>21,668,597</u>
<b>Deductions:</b>			
Administrative expenses	2,729,057	40,500	2,769,557
Interest expense	8,075,672	485,021	8,560,693
Payments to other entities	11,143,414	-	11,143,414
Costs of issuance	2,366,388	-	2,366,388
Trustee fees	105,750	7,325	113,075
Total deductions	<u>24,420,281</u>	<u>532,846</u>	<u>24,953,127</u>
Net increase (decrease) in fiduciary net position	(4,403,820)	1,119,290	(3,284,530)
<b>Total net position (deficit) - beginning of year, as restated</b>	<u>(167,942,501)</u>	<u>(8,742,222)</u>	<u>(176,684,723)</u>
<b>Total net position (deficit) - end of year</b>	<u>\$ (172,346,321)</u>	<u>\$ (7,622,932)</u>	<u>\$ (179,969,253)</u>



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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

## STATISTICAL SECTION

Net Position by Component  
Last Ten Fiscal Years

	2012	2013	2014	2015 <sup>1</sup>	2016	2017	2018 <sup>2</sup>	2019	2020	2021 <sup>3</sup>
Net investment in capital assets	\$ 1,231,275,509	\$ 1,239,753,130	\$ 1,300,393,466	\$ 1,370,476,337	\$ 1,403,875,420	\$ 1,338,331,638	\$ 1,349,982,180	\$ 1,389,284,069	\$ 1,407,118,856	\$ 1,452,207,616
Restricted for debt service/covenants	64,333,290	73,268,230	70,625,613	74,689,785	80,348,698	71,207,358	80,159,371	86,400,881	94,665,692	88,139,539
Restricted for construction	99,513,601	56,375,249	45,199,054	40,347,436	38,265,888	60,632,573	23,827,435	6,161,035	28,953,913	27,574,653
Unrestricted	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	260,174,773
Total net position	\$ 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	\$ 1,828,096,581
% Increase	0.7%	-0.3%	2.2%	-4.7%	2.9%	0.8%	1.1%	5.7%	6.4%	5.0%

Notes:

1. The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of (\$103,259,883).
2. The District implemented GASB Statement No. 75 for the fiscal year ended June 30, 2018. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of (\$16,478,890).
3. The balance in net position includes a net prior period adjustment of \$12,071,234 for adjustments made to the property tax receivable balances.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Changes in Net Position  
Last Ten Fiscal Years

Fiscal Year	Operating Revenues		Operating Expenses		Operating Loss	Non-operating Revenues/ (Expenses)	Income Before Capital Contributions	Capital Contributions <sup>1</sup>	Change in Net Position
	Water	Wastewater	Water	Wastewater					
2012	\$ 104,741,242	\$ 71,118,648	\$ 148,531,957	\$ 107,780,498	\$ (80,452,565)	\$ 33,845,761	\$ (46,606,804)	\$ 56,730,879	\$ 10,124,075
2013	112,456,804	74,633,171	154,950,442	108,169,114	(76,029,581)	45,528,065	(30,501,516)	30,446,825	(54,691)
2014	122,724,175	79,225,506	163,774,490	111,720,396	(73,545,205)	57,381,626	(16,163,579)	48,826,308	32,662,729
2015	117,295,152	83,513,268	162,871,146	116,781,896	(78,844,622)	49,992,435	(28,852,187)	59,211,012	30,358,825
2016	112,457,426	93,833,665	154,989,658	121,778,812	(70,477,379)	75,675,617	5,198,238	37,646,039	42,844,277
2017	120,870,937	100,328,285	167,605,351	124,278,289	(70,684,418)	61,439,040	(9,245,378)	21,261,876	12,016,498
2018	135,428,866	105,078,613	180,352,180	124,831,968	(64,676,669)	76,036,077	11,359,408	21,405,493	32,764,901
2019	132,847,172	109,072,232	176,569,992	126,117,304	(60,767,892)	92,051,786	31,283,894	56,664,831	87,948,725
2020	141,303,051	115,603,869	186,515,757	134,933,642	(64,542,479)	84,902,074	20,359,595	84,545,177	104,904,772
2021	\$ 163,113,885	\$ 122,482,806	\$ 199,340,876	\$ 137,177,261	\$ (50,921,446)	\$ 87,707,566	\$ 36,786,120	\$ 61,710,544	\$ 98,496,664

Notes:

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

Source: Eastern Municipal Water District

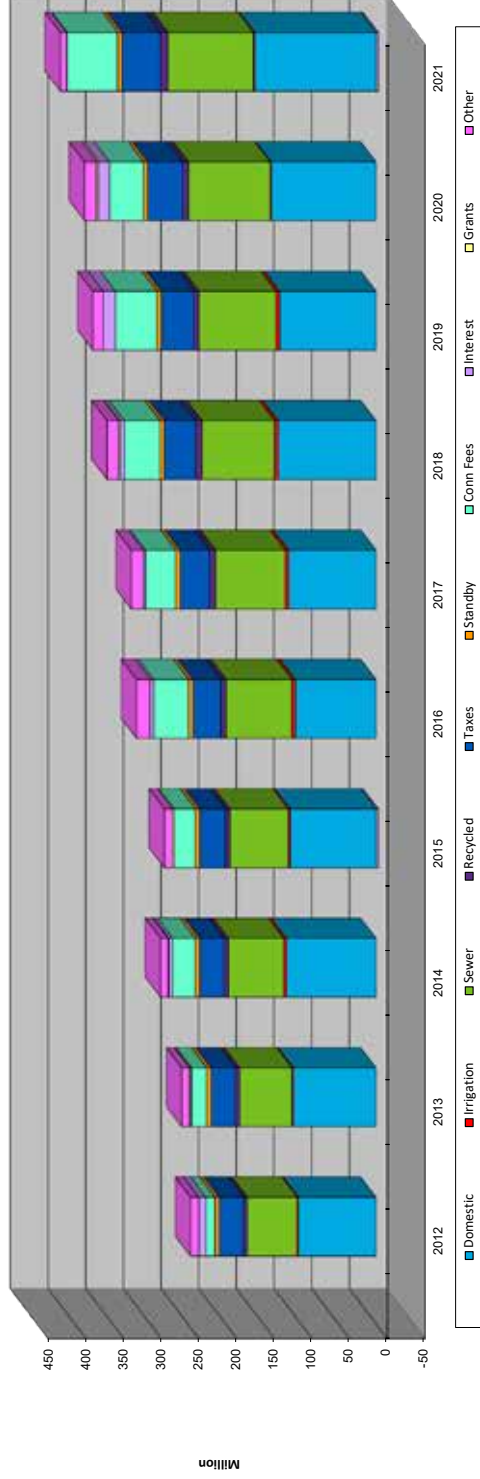


# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Revenues by Source  
Last Ten Fiscal Years

Fiscal Year	Domestic Water Sales	% of Total	Ag & Irrig Water Sales	% of Total	Sewer Service Charges	% of Total	Recycled Water Sales	% of Total	Taxes & Asmnts	% of Total	Standby Asmnts	% of Total	Connect Fees	% of Total	Interest <sup>1</sup> Income	% of Total	Grants	% of Total	Other	% of Total	Total Revenues
2012	\$ 103,226,203	41.9%	\$ 1,515,039	0.6%	\$ 65,983,462	26.8%	\$ 5,135,186	2.1%	\$ 31,730,750	12.9%	\$ 5,600,661	2.3%	\$ 12,150,826	4.9%	\$ 9,208,523	3.7%	\$ 373,285	0.2%	\$ 11,553,511	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%	891,935	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%	6,083,078	1.7%	1,646,062	0.5%	15,092,302	4.2%	356,776,568
2019	127,831,377	34.0%	5,015,795	1.3%	102,037,610	27.2%	7,034,622	1.9%	43,088,264	11.5%	5,828,077	1.6%	54,665,900	14.5%	15,924,001	4.2%	272,250	0.1%	14,119,698	3.8%	375,817,594
2020	139,470,921	36.0%	1,832,130	0.5%	107,541,964	27.8%	8,061,905	2.1%	46,422,441	12.0%	5,779,756	1.5%	45,186,191	11.7%	13,617,212	3.5%	2,715,243	0.7%	16,532,715	4.3%	387,160,478
2021	\$ 160,667,782	38.8%	\$ 2,446,103	0.6%	\$ 112,533,433	27.2%	\$ 9,949,373	2.4%	\$ 50,984,023	12.3%	\$ 5,598,011	1.4%	\$ 67,256,487	16.2%	\$ (3,344,631)	-0.8%	\$ 655,381	0.2%	\$ 7,665,498	1.8%	\$ 414,411,460



Notes:  
 1. Interest income, \$1,082,056, is net of the decrease in fair value of investments, (\$4,426,687). Interest income significantly decreased in fiscal year 2021 due to the lower Federal Reserve benchmark rate of .49% in June 2021 compared to 1.08% in June 2020. The decrease in the fair value of investments is largely due to the termination and maturity of the District's two swap agreements in June 2021 and July 2020.

Source: Eastern Municipal Water District

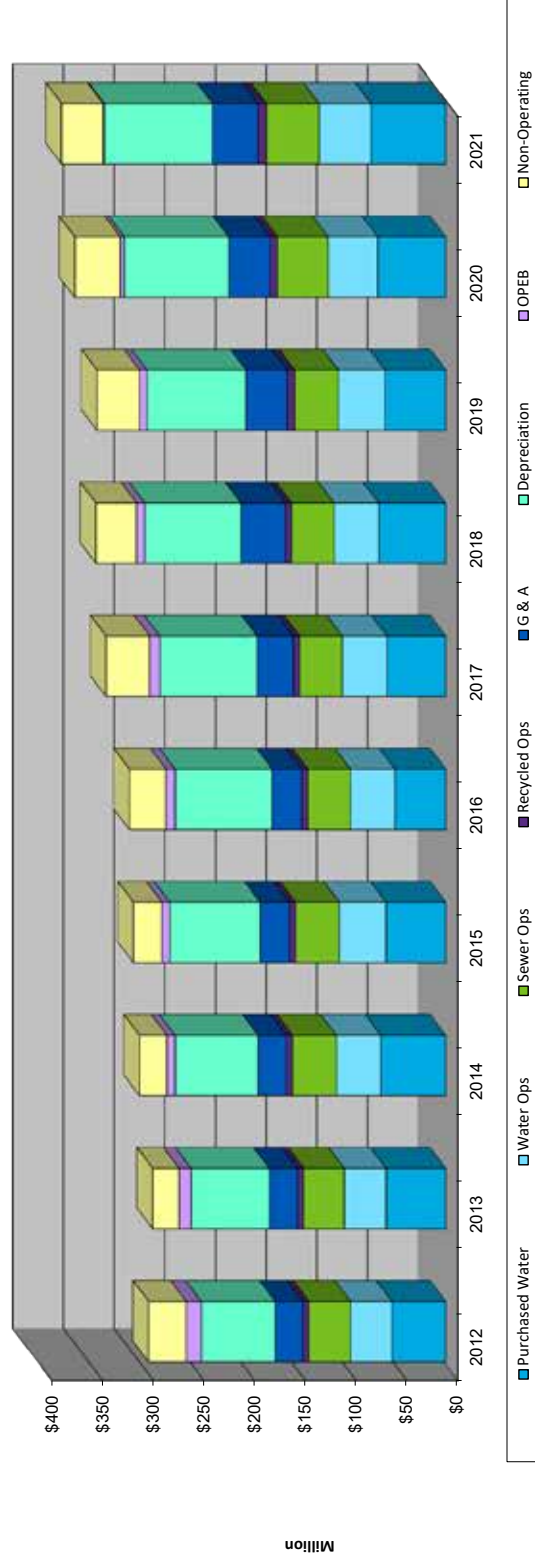


# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	Purchased Water	% of Total	Water Operations	% of Total	Sewer Operations	% of Total	Recycled Water Operations	% of Total	General & Admin	% of Total	Depr. & Amort	% of Total	Net OPEB	% of Total	Total Non-Operating Expenses	% of Total	Total Expenses
2012	\$ 52,697,993	18.0%	\$ 40,789,231	13.9%	\$ 41,308,806	14.1%	\$ 5,748,205	2.0%	\$ 27,112,598	9.3%	\$ 73,369,622	25.0%	\$ 15,286,000	5.2%	\$ 36,751,795	12.5%	\$ 293,064,250
2013	58,445,847	20.3%	40,994,915	14.2%	40,279,734	14.0%	5,992,260	2.1%	28,392,519	9.8%	77,162,281	26.7%	11,852,000	4.1%	25,490,370	8.8%	288,609,926
2014	63,850,688	21.1%	44,193,507	14.6%	42,710,741	14.1%	5,992,372	2.0%	28,352,049	9.4%	82,037,529	27.2%	8,358,000	2.8%	26,563,390	8.8%	302,058,276
2015	59,040,009	19.2%	45,691,510	14.8%	42,743,947	13.9%	6,101,759	2.0%	28,677,026	9.3%	88,830,791	28.9%	8,568,000	2.8%	28,110,148	9.1%	307,763,190
2016	50,334,462	16.1%	43,582,087	13.9%	42,095,206	13.5%	6,287,916	2.0%	29,687,364	9.5%	95,302,858	30.5%	9,478,577	3.0%	36,071,890	11.5%	312,840,360
2017	57,512,425	17.2%	44,089,564	13.2%	42,232,322	12.6%	6,064,944	1.8%	36,283,686	10.8%	95,968,255	28.7%	9,732,444	2.9%	42,757,780	12.8%	334,641,420
2018	65,846,363	19.1%	44,202,187	12.8%	42,110,008	12.2%	6,417,615	1.9%	43,901,997	12.7%	94,853,174	27.5%	7,852,804	2.3%	40,233,012	11.6%	345,417,160
2019	60,469,414	17.6%	46,398,474	13.5%	42,748,806	12.4%	6,682,894	1.9%	41,420,672	12.0%	97,743,963	28.4%	7,223,073	2.1%	41,846,404	12.1%	344,533,700
2020	67,025,558	18.3%	49,180,247	13.4%	49,780,561	13.6%	7,371,736	2.0%	40,521,610	11.0%	103,217,866	28.1%	4,351,821	1.2%	45,351,484	12.4%	366,800,883
2021	\$ 74,297,141	19.7%	\$ 50,512,860	13.4%	\$ 51,654,247	13.7%	\$ 7,563,997	2.0%	\$ 44,680,486	11.8%	\$ 106,659,451	28.2%	\$ 1,149,955	0.3%	\$ 41,107,203	10.9%	\$ 377,625,340



Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Water Produced and Consumed and Wastewater Treated  
Last Ten Fiscal Years

Fiscal Year	Gallons Produced <sup>1,6,7</sup>			Water		Gallons Consumed			Unbilled		Gallons of Wastewater Treated	Total Direct Rate	
	Purchased	Wells	Desalters	Total	Domestic	Ag & Irrig	Total	Total	Avg %	Base Rate <sup>2,5</sup>		Usage Rate <sup>3,5</sup>	Sewer <sup>4</sup>
2012	22,365	5,244	1,783	29,392	27,154	690	27,844	1,548	5.3%	16,425	10.52	47.50	23.96
2013	23,709	5,683	1,909	31,301	28,078	860	28,938	2,363	7.6%	16,363	10.52	49.92	24.72
2014	25,057	6,192	1,820	33,069	28,982	1,820	30,802	2,267	6.9%	16,389	10.77	52.50	25.90
2015	22,246	3,789	2,427	28,462	26,040	1,449	27,489	971	3.4%	16,334	11.16	53.76	27.01
2016	19,016	4,820	2,285	26,121	21,608	2,086	23,695	2,426	9.3%	15,483	11.59	57.56	30.12
2017	21,366	5,125	2,194	28,685	23,618	1,951	25,569	3,117	10.9%	15,812	11.83	56.70	31.47
2018	22,908	4,901	2,138	29,947	26,429	1,711	28,140	1,806	6.0%	15,538	11.86	57.34	32.19
2019	21,096	4,699	2,463	28,258	23,022	1,770	24,792	3,466	12.3%	16,284	12.78	62.82	33.65
2020	22,453	3,526	2,472	28,450	24,923	556	25,479	2,971	10.4%	16,932	13.42	62.52	34.92
2021	23,180	5,489	2,359	31,028	26,848	751	27,599	3,429	11.1%	17,111	14.03	68.98	35.97

Notes:

- Gallons are presented in millions.
- 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".
- Rate shown is an average rate for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
- 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.
- In January 2018, the District revised the daily fixed charge meter factors for all domestic retail customers with meter sizes greater than 3/4".
- 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.
- This information does not include recycled water.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Water and Sewer Rates Last Ten Fiscal Years

Fiscal Year Water Rates <sup>4,5</sup>	2012	2013	2014	2015	2016	2017	2018 <sup>3</sup>	2019	2020	2021
<b>Monthly base rate (meter size)</b>										
<=1"	\$ 10.55	\$ 10.52	\$ 10.77	\$ 11.16	\$ 11.62	\$ 11.83	\$ 11.86	\$ 12.60	\$ 13.20	\$ 13.80
1"							16.12	17.10	17.95	18.77
1 1/2"	27.76	27.68	28.29	29.50	30.50	31.03	44.71	47.40	49.63	51.89
2"	51.55	51.40	52.62	54.45	56.73	57.79	69.35	73.50	76.96	80.45
3"	171.72	171.25	175.20	181.59	189.10	192.54	135.05	143.10	149.95	156.77
4"	271.15	270.40	276.49	286.83	298.60	303.86	208.96	221.40	231.92	242.47
6"	506.91	505.53	517.08	536.25	558.15	568.18	414.28	438.90	459.76	480.65
8"	635.01	633.28	647.88	671.60	699.06	712.05	660.65	699.90	733.26	766.59
10"	-	-	-	-	-	-	989.15	1,047.90	1,097.84	1,147.75
12"	-	-	-	-	-	-	1,390.04	1,472.40	1,542.55	1,612.67
<b>Usage rate (per billing unit)<sup>1</sup></b>	\$ 47.50	\$ 49.92	\$ 52.50	\$ 53.76	\$ 57.56	\$ 56.70	\$ 57.34	\$ 62.82	\$ 62.52	\$ 68.98
<b>Sewer Rates (avg per month)<sup>2</sup></b>	\$ 23.96	\$ 24.72	\$ 25.90	\$ 27.01	\$ 30.12	\$ 31.47	\$ 32.19	\$ 33.65	\$ 34.92	\$ 35.97

**Notes:**

1. Rate shown is an average for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
2. In February 2013, a new block rate sewer methodology was implemented, which uses number of household occupants. Previously, the District charged all customers a fixed daily service rate for sewer service for each of its 5 sewer service areas. The average per month is calculated as a weighted average monthly rate per customer.
3. In January 2018, the District revised the daily fixed charge meter factors for all domestic retail customers.
4. Rates are adopted by the Board of Directors annually and become effective on the date of adoption or per Board direction.
5. This information does not include recycled water.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Customers by Water Service Type  
Last Ten Fiscal Years

Fiscal Year	Residential & Non-Residential <sup>1</sup>				Treated and Untreated Water				Total	Recycled	Total
	Commercial	Industrial	Public Agency	Construction & Temporary	Commercial	Industrial	Irrigation	Agricultural			
2012	3,272	144	625	353	2,310	694	139,478	283	139,761		
2013	3,308	142	646	373	2,344	692	140,784	297	141,081		
2014	3,347	136	679	426	2,412	721	142,377	316	142,693		
2015	3,410	138	665	412	2,446	759	144,255	356	144,611		
2016	3,472	137	663	432	2,484	790	146,225	379	146,604		
2017	3,573	136	645	449	2,526	812	148,473	420	148,893		
2018	3,617	145	662	510	2,496	227	150,674	511	151,185		
2019	3,787	148	647	533	2,575	204	153,378	575	153,953		
2020	3,881	162	651	565	2,610	206	155,918	626	156,544		
2021	3,966	165	675	558	2,671	212	159,257	686	159,943		

Treated and Untreated Water Service Type by Customer Category  
Fiscal Year 2021

	Residential & Non-Residential <sup>1</sup>				Treated and Untreated Water Service Type by Customer Category				Total
	Commercial	Industrial	Public Agency	Construction & Temporary	Commercial	Industrial	Irrigation	Agricultural	
Domestic	3,965	164	638	558	2,668	109	159,112		
Agricultural	1	1	6	-	3	103	114		
Wholesale	-	-	31	-	-	-	31		
<b>Total</b>	<b>3,966</b>	<b>165</b>	<b>675</b>	<b>558</b>	<b>2,671</b>	<b>212</b>	<b>159,257</b>		

Note:

1. Effective 1/1/18, Non-Residential customers applies to Landscape accounts only and excludes Commercial, Industrial and Institutional accounts.

Source: Eastern Municipal Water District



# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Largest Domestic Water Customers<sup>3</sup>  
As of June 30, 2021 and June 30, 2012

Rank	Customer Name	2021			2012		
		Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	City of Perris <sup>1</sup>	2,003	\$ 2,845,001	20.4%	1,733	\$ 1,682,576	18.2%
2	Western Municipal Water District <sup>1,2</sup>	1,714	2,225,520	15.9%	1,412	1,370,106	14.9%
3	Valley-Wide Recreation Park	857	1,897,141	13.6%	870	1,062,001	11.5%
4	City of Moreno Valley	806	1,561,937	11.2%	899	1,082,503	11.7%
5	Moreno Valley Unified School District	801	1,349,404	9.7%	1,127	1,200,577	13.0%
6	City of Murrieta	531	1,024,823	7.3%	498	612,385	6.6%
7	Val Verde Unified School District	521	975,347	7.0%	660	760,878	8.2%
8	County of Riverside	555	852,844	6.1%	398	449,968	4.9%
9	City of Hemet <sup>1</sup>	1,328	829,754	5.9%			
10	City of Menifee	195	416,205	3.0%			
	Shadow Mountain Comm. Assoc.				477	597,171	6.5%
	Menifee Union School District				323	406,861	4.4%
	<b>Total</b>	<b>9,311</b>	<b>\$ 13,977,976</b>		<b>8,397</b>	<b>\$ 9,225,026</b>	
	Total domestic water sales	82,395	\$ 160,667,782		83,332	\$ 103,226,203	
	Percentage of total	11.3%	8.7%		10.1%	8.9%	

Notes:

- Wholesale customer.
- Sales relate to Murrieta County Water District customers. This water district was purchased by the Western Municipal Water District.
- Data includes potable water sales to all non-agricultural customers.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Largest Agricultural & Irrigation Water Customers<sup>1</sup>  
As of June 30, 2021 and June 30, 2012

Rank	Customer Name	2021				2012			
		Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage	
1	Metropolitan Water District	226	\$ 310,743	26.0%	5	86	\$ 89,394	9.4%	
2	Pauline Doan	222	303,265	25.4%	2	124	127,400	13.4%	
3	Hollandia Farms North	115	95,180	8.0%					
4	HP Mobile Estates	69	94,424	7.9%	7	63	63,397	6.7%	
5	C & R Farms	116	93,229	7.8%	1	493	223,986	23.6%	
6	Sunsui Farms	84	68,641	5.7%					
7	Hein Hettinga Dairy	75	62,550	5.2%					
8	Brothers Nursery	45	61,701	5.2%					
9	Demler Egg Ranch	66	54,673	4.6%	9	90	48,290	5.1%	
10	McLaughlin Margaret	38	51,594	4.3%					
	Mc Anally Egg Enterprises				3	115	118,272	12.5%	
	Abacherli Dairy				4	99	101,858	10.7%	
	Valley Wide Recreation & Park				8	74	62,519	6.6%	
	MCM Poultry				10	46	47,005	5.0%	
	AGRI Empire				6	173	67,467	7.1%	
	<b>Total</b>	<b>1,056</b>	<b>\$ 1,196,000</b>			<b>1,363</b>	<b>\$ 949,588</b>		
	Total ag. & irrigation water sales	2,305	\$ 2,446,103			2,116	\$ 1,515,039		
	Percentage of total	45.8%	48.9%			64.4%	62.7%		

Notes:

- The District has a number of irrigation water rates depending upon service area and whether deliveries are scheduled or unscheduled.

Source: Eastern Municipal Water District



# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Largest Recycled Water Customers<sup>1</sup>  
As of June 30, 2021 and June 30, 2012

Rank	Customer Name	2021			2012		
		Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	Valley Wide Recreation	1,221	\$ 792,842	24.1%	457	\$ 142,227	5.9%
2	Marvo Holstein	3,129	413,322	12.6%			
3	Pastime Lakes Dairy	2,503	350,842	10.7%			
4	America Greenworld Inc.	747	341,700	10.4%			
5	Pechanga Water Systems	544	311,076	9.5%	325	103,877	4.3%
6	Dept. of Fish and Wildlife	3,996	257,592	7.8%			
7	A-G Sod Farms Inc.	1,650	226,286	6.9%	2,300	190,232	7.9%
8	GCGI Partners Inc.	386	220,595	6.7%			
9	Bean Don	1,580	189,603	5.8%	1,749	131,012	5.5%
10	A & E Sheep Inc.	1,340	187,212	5.7%			
	Inland Empire Energy Center LLC				3,006	936,267	39.0%
	The Golf Club at Rancho California				512	159,437	6.6%
	Hemet Golf Club Landmark				355	156,760	6.5%
	Rancho Casa Loma				4,294	200,105	8.3%
	City of Moreno Valley				409	127,286	5.3%
	Agri Empire				3,758	255,523	10.6%
	<b>Total</b>	<b>17,096</b>	<b>\$ 3,291,070</b>		<b>17,165</b>	<b>\$ 2,402,725</b>	
	Total recycled water sales	33,745	\$ 9,949,372		34,679	\$ 5,135,186	
	Percentage of total	50.7%	33.1%		49.5%	46.8%	

**Notes:**

- The District has a number of recycled water rates depending upon size of pipe, agricultural or non-agricultural usage and level of treatment.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Largest Sewer Customers

As of June 30, 2021 and June 30, 2012

Rank	Customer Name	2021		2012	
		Annual Revenues	Percentage	Annual Revenues	Percentage
1	Pechanga Resort and Casino	\$ 927,906	37.3%	\$ 482,843	25.7%
2	Murrieta Valley Unified School District	291,308	11.7%	149,630	8.0%
3	Val Verde School District	231,195	9.3%	135,374	7.2%
4	Hemet Unified School District	216,697	8.7%	130,230	6.9%
5	Casabella Owner's Association	198,555	8.0%		
6	Eagle Glen Apartments LLC	141,369	5.7%		
7	Soboba Casino Resort	127,810	5.1%		
8	Perris Union School District	124,449	5.0%		
9	Menifee Union School District	117,208	4.7%		
10	Western States Mobil Home Park	112,677	4.5%	145,813	7.8%
	Broadstone Vista Apartments			257,246	13.7%
	Silverado Apartment Homes			131,087	7.0%
	Waterstone at Murrieta Apartments			176,431	9.4%
	Westwind Enterprises			141,095	7.5%
	Palm Court Apartments			127,497	6.8%
	<b>Total</b>	<b>\$ 2,489,174</b>		<b>\$ 1,877,246</b>	
	Total sewer revenue	\$ 112,533,433		\$ 65,983,462	
	Percentage of total revenue	2.2%		2.8%	

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

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

	Rates Effective Beginning January	Full Service Domestic	
		Treated	Untreated
2012	Tier 1	\$ 794	\$ 560
	Tier 2	920	686
2013	Tier 1	847	593
	Tier 2	997	743
2014	Tier 1	890	593
	Tier 2	1,032	735
2015	Tier 1	923	582
	Tier 2	1,055	714
2016	Tier 1	942	594
	Tier 2	1,076	728
2017	Tier 1	979	666
	Tier 2	1,073	760
2018	Tier 1	1,015	695
	Tier 2	1,101	781
2019	Tier 1	1,050	731
	Tier 2	1,136	817
2020	Tier 1	1,078	755
	Tier 2	1,165	842
2021	Tier 1	1,104	777
	Tier 2	1,146	819

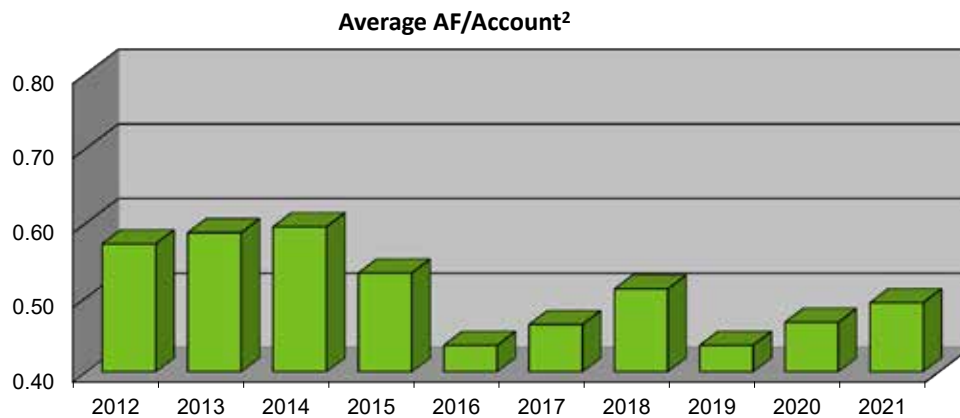
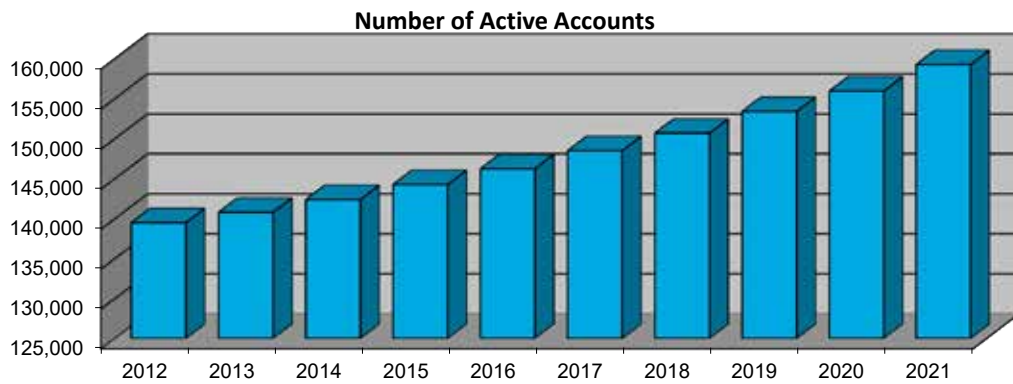
Source: Metropolitan Water District of Southern California (MWD)

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Annual Domestic Consumption (AF) Last Ten Fiscal Years

Fiscal Year	Usage (AF) <sup>1</sup>	Active Accounts	Average AF per Account <sup>2</sup>
2012	79,752	139,478	0.57
2013	82,591	140,784	0.59
2014	84,650	142,377	0.59
2015	76,832	144,255	0.53
2016	63,673	146,225	0.44
2017	68,813	148,473	0.46
2018	77,020	150,674	0.51
2019	66,803	153,378	0.44
2020	72,733	155,918	0.47
2021	78,459	159,257	0.49



**Notes:**

1. Amounts exclude wholesale accounts.
2. Several factors may impact fluctuations in the average AF per account each year including conservation efforts, the level of bank-owned homes relating to the economic downturn, and changes in weather patterns.

Source: Eastern Municipal Water District

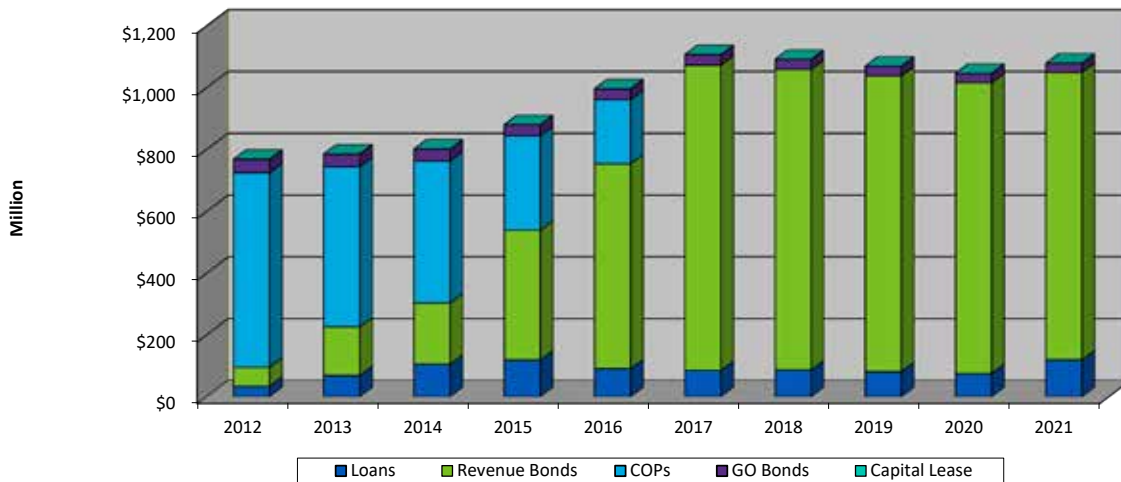
# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Ratio of Outstanding Debt by Type<sup>4</sup> Last Ten Fiscal Years

\* See Debt Footnotes for dollar amounts

Fiscal Year	Loans	Revenue Bonds <sup>1</sup>	Certificates of Participation <sup>1</sup>	General Obligation Bonds	Capital Lease	Total	Percentage of Personal Income <sup>2</sup>	Debt per Capita <sup>3</sup>
2012	\$ 33,651,101	\$ 61,452,320	\$ 630,227,034	\$ 43,145,504	\$ -	\$ 768,475,959	1.14%	\$ 1,000
2013	68,749,388	157,648,717	518,338,874	40,949,446	-	785,686,425	1.09%	1,011
2014	105,195,668	198,525,127	459,710,090	38,446,800	55,072	801,932,757	1.08%	1,022
2015	119,352,359	420,407,712	305,016,307	35,896,296	41,574	880,714,248	1.15%	1,108
2016	90,787,233	663,582,542	207,389,271	34,920,903	23,752	996,703,701	1.23%	1,240
2017	85,227,888	987,759,455	-	33,905,509	12,782	1,106,905,634	1.28%	1,356
2018	86,719,548	972,307,446	-	32,845,116	1,018	1,091,873,128	1.20%	1,320
2019	80,934,716	957,255,438	-	31,739,723	-	1,069,929,877	1.13%	1,275
2020	74,961,710	941,207,959	-	30,584,330	-	1,046,753,999	1.05%	1,231
2021	\$ 119,671,823	\$ 930,468,849	\$ -	\$ 29,378,937	\$ -	\$ 1,079,519,609	1.03%	\$ 1,240



**Notes:**

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

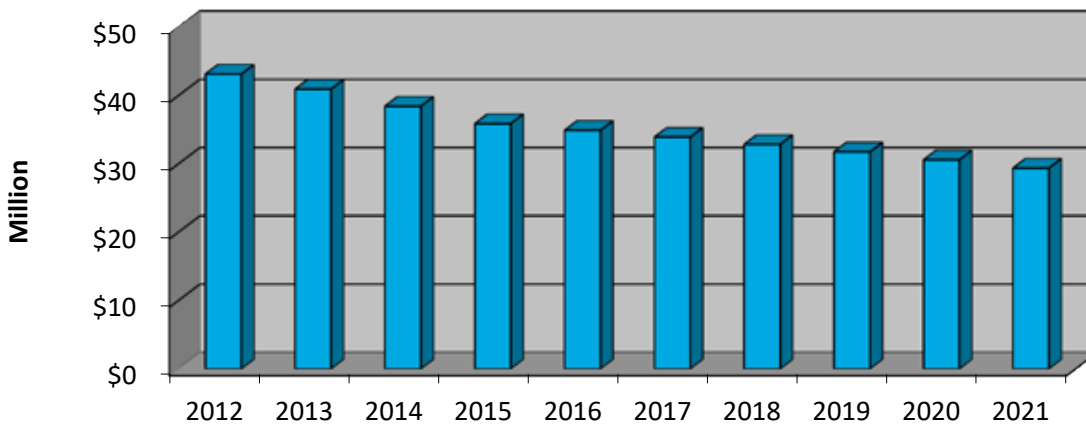
# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Ratio of General Bonded Debt Outstanding<sup>3</sup> Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Assessed Value <sup>1</sup>	Percentage of Assessed Value	Debt per Capita <sup>2</sup>
2012	\$ 43,145,504	\$ 53,890,135,705	0.08%	\$ 56
2013	40,949,446	53,506,155,585	0.08%	53
2014	38,446,800	55,926,804,094	0.07%	49
2015	35,896,296	61,313,471,497	0.06%	45
2016	34,920,903	66,226,873,815	0.05%	43
2017	33,905,509	70,005,613,492	0.05%	42
2018	32,845,116	74,231,240,058	0.04%	40
2019	31,739,723	79,484,183,867	0.04%	38
2020	30,584,330	84,535,646,968	0.04%	36
2021	\$ 29,378,937	\$ 90,034,421,499	0.03%	\$ 34

### Total Bonds Outstanding



Notes:

1. Bonds are issued by improvement district, but the amounts shown are for the District's entire service area. Beginning 2016, included District No. 04-5408: EMWD Detachment#2 in the assessed value.
2. Based upon approximate population of the District's entire service area. See the Demographic and Economic Statistics schedule for amounts.
3. Details regarding the District's outstanding debt can be found in Note 4 to the Basic Financial Statements.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### PARITY DEBT SERVICE COVERAGE Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>OPERATING REVENUES:</b>										
Water sales	104,741,242	\$ 110,468,195	\$ 122,724,175	\$ 117,295,152	\$ 112,457,426	\$ 120,870,937	\$ 135,428,866	\$ 132,847,172	\$ 141,303,051	\$ 163,113,885
Sewer service sales	65,983,462	70,945,738	73,100,086	77,120,505	87,184,856	92,536,116	96,048,786	102,037,610	107,541,964	112,533,433
Recycled water	5,135,186	5,676,043	6,125,420	6,392,763	6,648,809	7,792,169	9,028,827	7,034,622	8,061,905	9,949,373
Total operating revenues	175,859,890	187,089,976	201,949,681	200,808,420	206,291,091	221,199,222	240,507,479	241,919,404	256,906,920	285,596,691
<b>OPERATING EXPENSES:</b>										
Water purchases	52,697,993	58,445,847	63,850,688	59,040,009	50,334,462	57,512,425	65,846,363	60,469,414	67,025,558	74,297,141
Water operations	40,789,231	40,994,915	44,193,507	45,691,510	43,582,087	44,089,564	44,202,187	46,398,474	49,180,247	50,512,860
Sewer operations	47,057,011	46,271,994	48,703,113	48,845,706	48,383,122	48,297,266	48,527,623	49,431,700	57,152,297	59,218,244
Other Post Employment Benefits (OPEB) Contribution	2,620,589	5,740,000	6,123,000	8,568,000	9,478,577	9,732,444	7,852,804	7,223,073	4,351,821	1,149,955
General & administrative	27,112,598	28,392,519	28,352,049	28,677,026	29,687,364	36,283,686	43,901,997	41,420,672	40,521,610	44,680,486
Total operating expenses	170,277,422	179,845,275	191,222,357	190,822,251	181,465,612	195,915,385	210,330,974	204,943,333	218,231,533	229,858,686
<b>OPERATING INCOME (LOSS)</b>	5,582,468	7,244,701	10,727,324	9,986,169	24,825,479	25,283,837	30,176,505	36,976,071	38,675,387	55,738,005
<b>NON-OPERATING REVENUES:</b>										
Property taxes - general purpose	26,574,300	27,243,491	28,061,489	30,843,713	32,271,305	33,971,127	36,294,389	38,204,912	41,014,090	44,907,361
Standby charges	5,600,661	5,635,153	5,700,591	5,735,466	5,784,242	5,831,357	5,769,853	5,828,077	5,779,756	5,598,011
Water and sewer connection fees	12,150,826	20,364,185	30,149,861	28,307,625	45,715,784	40,565,197	46,924,875	54,665,900	45,186,191	67,256,487
Interest income	7,431,966	4,485,217	3,133,313	3,092,643	3,405,039	4,733,897	8,181,973	11,897,412	10,506,376	1,082,056
Grant revenues	22,926,555	12,933,511	5,214,780	3,830,382	2,823,624	6,164,479	3,128,863	27,966,611	34,194,594	13,936,802
Other income/(expense)	(4,563,952)	2,967,319	947,126	829,006	2,859,968	(3,494,598)	6,195,691	2,576,604	2,942,655	(3,382,641)
Total non-operating revenues	70,120,356	73,198,876	73,207,160	72,638,835	92,859,962	87,771,459	106,495,644	141,139,516	139,623,662	129,398,076
Net Water and Sewer Revenues for Debt Coverage	75,702,824	80,443,577	83,934,484	82,625,004	117,685,441	113,055,296	136,672,149	178,115,587	178,299,049	185,136,081
<b>PARITY OBLIGATION DEBT SERVICE:</b>										
Parity Obligation Payments (COP/Bonds)	37,044,680	35,061,971	35,521,108	26,604,369	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750
State Loan Payments	4,115,116	4,322,228	4,013,353	5,877,892	-	-	-	-	-	-
Total Parity Obligation Debt Service	41,159,796	39,384,199	39,534,461	32,482,262	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750
<b>PARITY OBLIGATION DEBT SERVICE COVERAGE</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>2.5</b>	<b>5.2</b>	<b>3.3</b>	<b>27.9</b>	<b>36.5</b>	<b>36.6</b>	<b>38.0</b>
<b>REVENUES AVAILABLE FOR SUBORDINATE OBLIGATIONS</b>	34,543,028	41,059,378	44,400,023	50,142,742	95,139,611	78,888,904	131,764,999	173,234,087	173,423,424	180,267,331
<b>SUBORDINATE OBLIGATION DEBT SERVICE COVERAGE</b>	-	-	-	2,917,542	20,192,253	10,421,019	45,735,440	46,458,431	44,426,090	46,270,364
<b>SUBORDINATE OBLIGATION DEBT SERVICE COVERAGE</b>	NA	NA	NA	17.2	4.7	7.6	2.9	3.7	3.9	3.9
<b>REMAINING REVENUES</b>	34,543,028	41,059,378	44,400,023	47,225,200	74,947,358	68,467,886	86,167,809	126,775,656	128,997,334	133,996,967
<b>TOTAL DEBT SERVICE</b>	41,159,796	39,384,199	39,534,461	35,399,804	42,738,083	44,587,410	50,642,590	51,339,931	49,301,715	51,139,114
<b>ALL-IN DEBT SERVICE COVERAGE</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>2.3</b>	<b>2.8</b>	<b>2.5</b>	<b>2.7</b>	<b>3.5</b>	<b>3.6</b>	<b>3.6</b>

Source: Eastern Municipal Water District



# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Demographic and Economic Statistics Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income<sup>2</sup> (thousands of \$)</u>	<u>Per Capita Personal Income<sup>2</sup></u>	<u>Unemployment Rate<sup>2</sup></u>
2011	768,264	\$ 67,585,240	\$ 30,698	13.6%
2012	776,986	71,936,625	32,200	12.2%
2013	784,834	74,050,799	32,748	10.3%
2014	794,790	76,519,738	33,462	8.2%
2015	803,973	80,776,153	34,875	6.7%
2016	816,411	86,196,663	36,745	6.1%
2017	827,343	90,713,807	38,114	5.2%
2018	839,226	94,542,096	39,148	4.4%
2019	850,439	99,266,122	40,587	4.2%
2020	870,579	\$ 104,794,676	\$ 42,418	7.9%

- Notes:
1. Data is for the District's service area. Amounts for prior years are restated with the most recent available information.
  2. Data is for the County of Riverside. The District is located within the County. Amounts for prior years are updated with the most recent available information.

Sources: State of California Employment Development Department  
State of California Department of Finance  
U.S. Department of Commerce, Bureau of Economic Analysis

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Principal Employers<sup>1</sup>

Fiscal Year Ended June 30, 2021 and June 30, 2012

Employer	2021		2012	
	No. of Employees	Percentage of Total Employment	No. of Employees	Percentage of Total Employment
County of Riverside	22,952	2.2%	17,702	2.2%
Amazon	10,500	1.0%	9,000	1.1%
March Air Reserve Base	9,600	0.9%	6,900	0.9%
University of California, Riverside	8,909	0.9%	5,790	0.7%
Stater Brothers Markets	8,304	0.8%	5,360	0.7%
Moreno Valley Unified School District	6,250	0.6%	4,686	0.6%
Kaiser Permanente Riverside Medical Ctr	5,780	0.6%	4,000	0.5%
Corona-Norco Unified School District	5,478	0.5%	4,000	0.5%
Hemet Unified School District	4,460	0.4%	3,796	0.5%
Ross Dress For Less	4,313	0.4%	3,500	0.4%
<b>Total</b>	<b>86,546</b>	<b>8.4%</b>	<b>64,734</b>	<b>8.0%</b>
<b>Total Employment</b>	<b>1,027,400</b>		<b>810,600</b>	

Notes:

1. Data is for the County of Riverside. The District is located within the County.

Sources: Riverside County Economic Development Agency  
State of California Employment Development Department

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Employees by Function Last Ten Fiscal Years

	2012	2013	2014	2015 <sup>2</sup>	2016	2017	2018	2019	2020	2021
<b>Operations and Maintenance Division</b>										
Water Operations and Distribution	64	65	66	61	65	65	65	66	66	68
Water Reclamation	90	86	87	88	87	85	83	85	85	87
Assets & Facility Management (formerly Maintenance Services)	17	15	15	22	19	19	19	19	19	19
Auto Shop and Fabrication Shop (reassigned)	15	16	15	-	-	-	-	-	-	-
Wastewater Collection	13	14	14	15	14	14	14	15	15	15
Mechanical Services (Includes Fab Shop)	30	28	29	31	31	31	30	31	32	32
Electrical Services	23	24	24	23	24	22	26	25	26	25
Pipeline Maintenance (formerly included Building & Grounds)	34	34	34	22	22	22	21	23	22	24
<b>Total Operations &amp; Maintenance Division</b>	<b>286</b>	<b>282</b>	<b>284</b>	<b>262</b>	<b>262</b>	<b>258</b>	<b>258</b>	<b>264</b>	<b>265</b>	<b>270</b>
<b>Engineering Division</b>										
General Engineering <sup>3</sup>	52	43	44	46	42	45	46	44	47	43
Construction Management and Inspections	39	35	33	29	32	30	31	32	30	31
Development Services <sup>4</sup>	20	17	18	19	21	21	20	24	25	25
<b>Total Engineering Division</b>	<b>111</b>	<b>95</b>	<b>95</b>	<b>94</b>	<b>95</b>	<b>96</b>	<b>97</b>	<b>100</b>	<b>102</b>	<b>99</b>
<b>Planning and Resources Division</b>										
Planning and Resources <sup>1</sup>	20	20	19	20	24	24	24	22	24	22
Environmental and Regulatory Compliance	9	9	10	11	12	12	8	12	12	12
Water Quality and Laboratory	15	14	14	12	12	12	12	11	12	13
Source Control	9	9	10	10	10	11	11	10	11	10
<b>Total Planning and Resources Division</b>	<b>53</b>	<b>52</b>	<b>53</b>	<b>53</b>	<b>58</b>	<b>59</b>	<b>55</b>	<b>55</b>	<b>59</b>	<b>57</b>
<b>Executive and Administration</b>										
Executive and Administration <sup>3</sup>	11	12	12	13	15	16	12	12	11	11
Public and Governmental Affairs	11	11	11	12	12	12	13	11	12	14
Human Resources (formerly included Risk Management)	13	11	12	8	6	7	7	6	7	7
Safety/Risk and Emergency Management	-	-	-	4	5	5	5	5	5	6
Billing/Customer Service <sup>5</sup>	58	55	53	56	56	54	61	50	47	51
Meter Services <sup>5</sup>	24	21	19	16	14	13	14	21	20	17
Finance and Accounting	26	22	22	22	22	22	22	23	21	23
Information Systems	34	33	31	30	27	23	24	23	23	24
Purchasing, Warehouse and Records Management	30	28	27	28	28	25	28	27	27	27
Fleet Services (formerly Auto Shop)	-	-	-	11	11	11	12	11	11	12
<b>Total Executive and Administration</b>	<b>207</b>	<b>193</b>	<b>187</b>	<b>200</b>	<b>196</b>	<b>188</b>	<b>198</b>	<b>189</b>	<b>184</b>	<b>192</b>
<b>Total Filled Positions End of Year <sup>6,7</sup></b>	<b>657</b>	<b>622</b>	<b>619</b>	<b>609</b>	<b>611</b>	<b>601</b>	<b>608</b>	<b>608</b>	<b>610</b>	<b>618</b>
<b>Total Authorized Positions Start of Year</b>	<b>667</b>	<b>636</b>	<b>633</b>	<b>629</b>	<b>631</b>	<b>629</b>	<b>632</b>	<b>636</b>	<b>640</b>	<b>642</b>
Change in Authorized Positions from Prior Year	(23)	(31)	(3)	(4)	2	(2)	3	4	4	2
Number of Vacant Positions as of June 30	10	13	10	20	20	28	24	28	30	28
Vacancy Rate as of June 30	1.5%	2.0%	1.6%	3.2%	3.2%	4.5%	3.8%	4.4%	4.7%	4.4%

#### Notes:

1. The Planning and Resources workgroup was reorganized in 2016.
2. Organizational changes in March 2015 affected all divisions and eliminated 3 vacant positions.
3. Organizational changes in December 2015 resulted in the movement of staff from General Engineering to Executive and Administration.
4. Department name changed in 2018 from New Business to Development Services
5. Seven employees moved from Billing/Customer Service to Meter Services in 2019
6. All directors and managers are included with their divisions.
7. Temporary, contract and summer help employees are not included.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### OPERATING AND CAPITAL INDICATORS LAST TEN FISCAL YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b><u>POTABLE WATER SYSTEM</u></b>										
Miles of pipeline:										
transmission and distribution: <sup>1</sup>	2,430	2,443	2,448	2,463	2,465	2,380	2,476	2,442	2,482	2,534
as-built	2,296	2,366	2,376	2,391	2,399	2,314	2,397	2,368	2,393	2,407
construction in progress	134	77	72	72	66	66	79	74	89	127
Number of storage tanks	77	77	77	77	78	79	79	79	79	79
Maximum storage capacity (million gallons)	191	191	191	191	199	203	203	203	204	204
Number of active pumping plants	83	83	83	83	83	84	86	87	87	86
Number of active wells:										
domestic	21	18	18	18	16	16	14	14	14	14
desalter <sup>4</sup>	8	7	11	11	12	12	12	12	13	13
Domestic well production capacity:										
gallons per minute	22,285	23,292	23,382	19,299	19,604	14,708	15,625	17,100	19,600	20,690
million gallons per day	32.1	33.5	33.7	27.8	28.2	21.2	22.5	24.6	28.2	29.8
acre feet per year	35,945	37,570	37,715	31,129	31,622	23,725	25,203	27,582	31,610	33,369
Number of water treatment plants:										
desalter	2	2	2	2	2	2	2	2	2	2
filtration	2	2	2	2	2	2	2	2	2	2
Treatment plant capacity: (million gallons per day)										
desalter plants	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
filtration plants	32.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Number of service connections: <sup>5</sup>										
active domestic accounts	136,478	140,653	142,244	144,123	146,098	148,348	150,558	153,263	155,803	159,143
active agriculture accounts	122	131	133	132	127	125	116	115	115	114
<b><u>SEWER SYSTEM</u></b>										
Miles of sewer lines: <sup>1</sup>										
as-built	1,756	1,780	1,799	1,813	1,816	1,790	1,819	1,831	1,868	1,913
construction in progress	117	55	64	64	44	49	60	60	69	101
Number of treatment plants	5	5	5	5	5	5	5	5	5	5
Treatment plant average design capacity (MGD) <sup>2</sup>	60	68	68	70	70	70	72	72	77	77
Average million gallons per day treated	45.0	44.8	44.9	44.8	42.4	43.3	42.6	44.6	46.3	46.8
Percentage of capacity utilized	75%	66%	66%	64%	61%	62%	59%	62%	60%	61%
Number of active lift stations	47	48	48	47	46	46	50	50	48	51
Cumulative Equivalent Dwelling Units (EDUs)	231,156	233,706	236,681	239,141	243,279	246,746	250,487	254,878	258,342	263,068
<b><u>RECYCLED WATER SYSTEM</u></b>										
Miles of pipeline:										
transmission and distribution: <sup>1</sup>	206	213	215	217	217	207	211	225	238	252
as-built	186	196	198	200	208	197	197	211	218	225
construction in progress	20	17	17	17	9	10	14	14	20	27
Number of active pumping facilities	20	21	24	24	24	24	24	24	24	24
Maximum storage capacity (acre feet) <sup>3</sup>	5,721	5,736	6,184	6,448	6,448	7,571	7,599	7,599	7,642	7,648
<b><u>GENERAL INFORMATION</u></b>										
Service area (annexed property):										
acres	346,732	346,745	346,745	346,745	346,808	346,808	347,280	347,298	347,298	347,303
square miles	541.8	541.8	541.8	541.8	541.9	541.9	542.6	542.7	542.7	542.7
Gross service area (square miles)	555	555	555	555	555	555	555	555	555	558
Average years of service of employees	11.39	11.31	12.11	12.50	12.25	11.90	11.68	11.04	11.80	11.40

**Notes:**

1. Miles of pipelines as-built excludes open construction in progress (CIP). CIP reflects what was recorded as open projects as of the year end date.
2. The Sun City RWRP (3 MGD) was formerly included in the total capacity although it was decommissioned. Amounts are now reflected as average design capacity. The Perris RWRP expansion to 25 MGD was completed in 2014. Correction made to calculation starting in FY17 and adjusted through FY20. The Temecula RWRP expansion to 23 MGD was completed in 2020.
3. Recycled storage increases since 2014 are due to more accurate measurements from recent surveys, plus conversions of secondary storage to tertiary storage.
4. Desalter wells formerly inactive were placed back into service during 2014.
5. Starting 2013, the number of customer connections billed within the year was used instead of the number of customers as of June 30th.

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Customer Account Write Offs as a Percentage of Sales Last Ten Fiscal Years

Fiscal Year	Retail Sales <sup>1</sup>	Write Offs	% of Sales
2012	149,580,286	703,666	0.5%
2013	159,559,632	717,146	0.4%
2014	170,496,733	851,419	0.5%
2015	169,744,235	823,650	0.5%
2016	171,146,902	714,213	0.4%
2017	182,818,310	475,022	0.3%
2018	200,388,220	331,561	0.2%
2019	201,083,661	266,364	0.1%
2020	219,187,773	279,090	0.1%
2021	245,091,730	279,538	0.1%
Total	<u>\$ 1,869,097,482</u>	<u>\$ 5,441,669</u>	<u>0.3%</u>

Notes:

1. Excludes sales collected by other agencies.

Source: Eastern Municipal Water District

### Bad Debt Reserves as a Percentage of Accounts Receivable Last Ten Fiscal Years

Fiscal Year	Year End A/R Balance	Reserves <sup>1</sup>	% of A/R
2012	13,072,905	676,182	5.2%
2013	14,195,028	842,850	5.9%
2014	13,805,842	850,608	6.2%
2015	9,916,469	609,075	6.1%
2016	10,127,047	324,530	3.2%
2017	11,882,229	215,340	1.8%
2018	13,595,401	181,535	1.3%
2019	11,763,091	188,441	1.6%
2020 <sup>2</sup>	12,620,425	1,427,802	11.3%
2021 <sup>3</sup>	17,927,104	1,406,706	7.8%

Notes:

1. Reserves equal accounts over 60 days past due.
2. In 2020, reserves increased significantly due to the greater number of delinquent customer accounts. This was a direct result of the negative economic impact of the Coronavirus pandemic.
3. In 2021, the year-end A/R balance increased due to the CA Governor's order, which took effect in March of 2020, suspending the shut off of water service due to non-payment. This order was in response to the financial impact of the Coronavirus pandemic. The shut-off moratorium is set to be lifted on 12/31/21. Collection of delinquent balances will resume after 12/31/21.

Source: Eastern Municipal Water District

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