



EAST VALLEY
WATER DISTRICT

comprehensive

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

HIGHLAND, CALIFORNIA



EAST VALLEY

WATER DISTRICT

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Comprehensive Annual Financial Report

Fiscal Year Ended

June 30, 2019

East Valley Water District



Prepared by: Finance Department

31111 Greenspot Road
Highland, CA 92346



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019

Table of Contents

	<u>Page No.</u>
<u>Introductory Section</u>	
Letter of Transmittal	6
Organizational Structure	10
Principal Officials	11
GFOA Certificate	12
<u>Financial Section</u>	
Independent Auditors' Report.....	15-17
Management's Discussion and Analysis	18-28
Basic Financial Statements	
Statement of Net Position.....	31-32
Statement of Revenues, Expenses, and Changes in Net Position.....	33-34
Statement of Cash Flows	35-36
Notes to the Basic Financial Statements	37-65
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability.....	67
Schedule of Contributions	68
Schedule of Changes in the Net OPEB Liability	69
Schedule of OPEB Contributions	70
Supplementary Information	
History and Organization.....	74
Combining Schedule of Net Position	75-76
Combining Schedule of Revenues, Expenses, and Changes in Net Position	77-79
Combining Schedule of Cash Flows.....	81-82



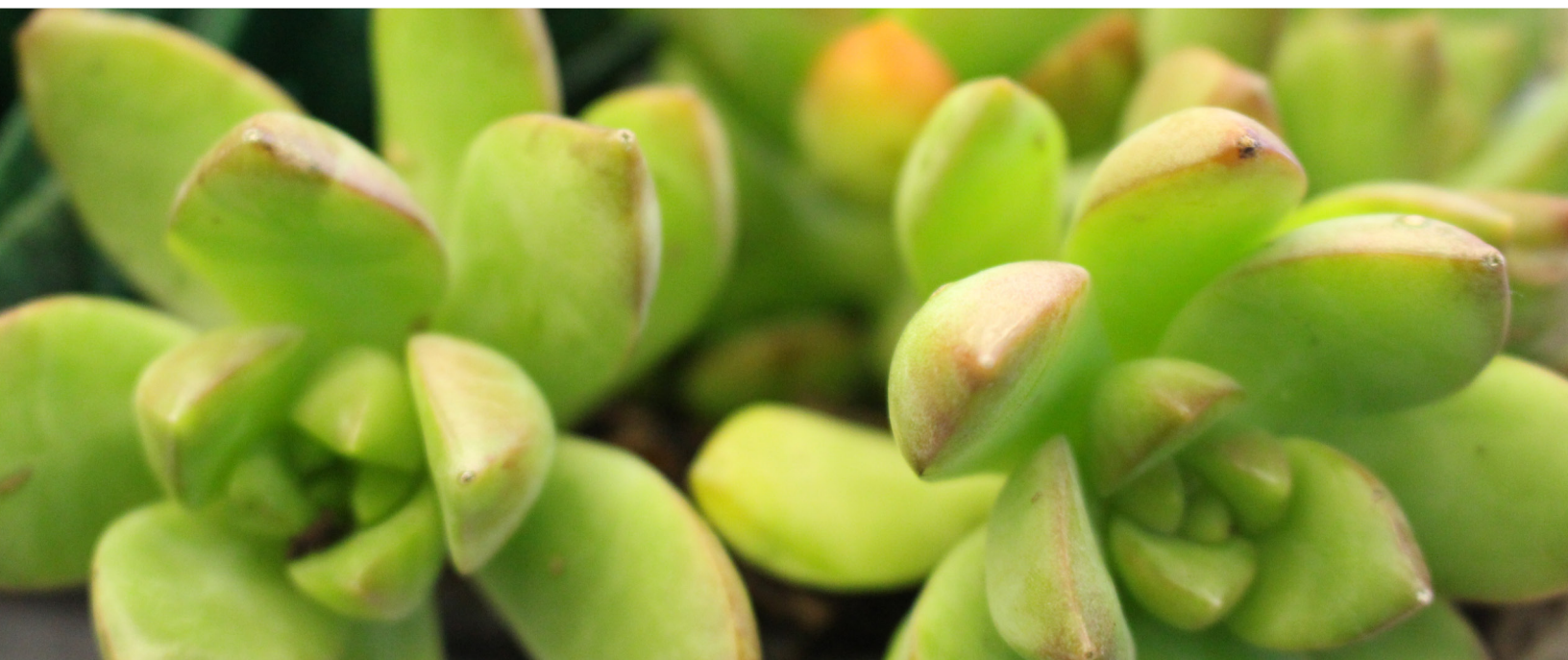
Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019

Table of Contents

	<u>Page No.</u>
<u>Statistical Information Section</u>	
Financial Trends	
Changes in Net Position by Component – Last Ten Fiscal Years.....	87-88
Operating Revenue by Source – Last Ten Fiscal Years	89
Water Operating Expenses – Last Ten Fiscal Years	90
Wastewater Operating Expenses – Last Ten Fiscal Years	91
Revenue Capacity	
Water Sales and Production – Last Ten Fiscal Years.....	92
Revenue Rates for Water – Last Ten Fiscal Years.....	93-94
Revenue Rates for Wastewater – Last Ten Fiscal Years.....	95-96
Active Services by Type – Last Ten Fiscal Years.....	97
Principal Customers – Current Fiscal Year and Nine Years Ago	98
Debt Capacity	
Ratio of Outstanding Debt – Last Ten Fiscal Years	99
Debt Service Coverage – Last Ten Fiscal Years	100
Demographic Information	
Demographic and Economic Statistics – Last Ten Calendar / Fiscal Years	101
Operating Information	
Full-Time Equivalent Employees by Department – Last Ten Fiscal Years.....	102
Operating and Capacity Indicators for Water and Wastewater – Last Ten Fiscal Years	103
<u>Other Information</u>	
Capacity Charge Funds	106-108

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Introductory Section





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EAST VALLEY WATER DISTRICT

LEADERSHIP • PARTNERSHIP • STEWARDSHIP

BOARD OF DIRECTORS

Chris Carrillo
President

David E. Smith
Vice President

Ronald L. Coats
Director

Phillip R. Goodrich
Director

James Morales, Jr.
Director

John Mura, General Manager/CEO

October 1, 2019

To the Board of Directors and Customers of East Valley Water District,

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for East Valley Water District for the year ended June 30, 2019. This report was prepared by District staff in accordance with standards established by the Governmental Accounting Standards Board.

The District's management is responsible for the presented data, and the completeness and fairness of the presentation, including the note disclosures. We believe that the report presented is accurate in all material respects, and that the financial statements and other information are presented in a manner that enables readers to gain a full understanding of the District's financial activities for the year. Readers should also refer to the Management's Discussion and Analysis in the Financial Section of the CAFR for a detailed discussion regarding the District's financial condition and results of operations.

The CAFR follows the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. In November 2019, the District will, again, submit the CAFR to this organization for review and possible recognition for achievement in reporting excellence.

Background

East Valley Water District (the District) was formed on January 18, 1954, and since then, has provided retail water service to customers in an expanding service area which now covers 30.1 square miles. The District directly serves treated water to approximately 102,000 people in the City of Highland, the eastern portion of the City of San Bernardino, the San Manuel Band of Mission Indians, and portions of the County of San Bernardino. In 1964, the District began providing wastewater collection services to the same service area.

As of June 30, 2019, the District had 21,612 water connections and 20,563 wastewater connections.

Water Supply and Reliability

The District's water supply for the year ended June 30, 2019 includes groundwater (77.5 percent), surface water (8.3 percent), and imported water (14.2 percent). Groundwater is pumped from the Bunker Hill Basin, and surface water from the Santa Ana River is diverted based on rights acquired from the North Fork Water Company.



EAST VALLEY WATER DISTRICT

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BOARD OF DIRECTORS

Chris Carrillo
President

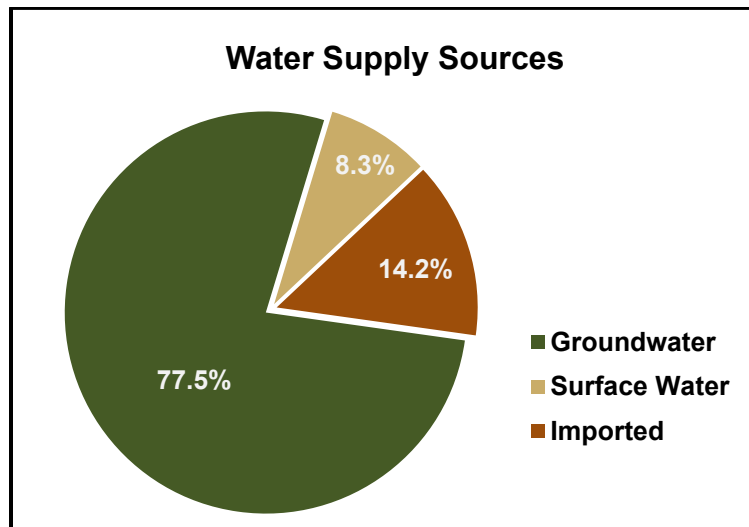
David E. Smith
Vice President

Ronald L. Coats
Director

Phillip R. Goodrich
Director

James Morales, Jr.
Director

John Mura, General Manager/CEO



Local Economy

East Valley Water District is located within San Bernardino County in a metropolitan area referred to as the “Inland Empire”. Since 2010, the District’s population has grown by more than 60 percent and currently, comprised of mostly residential and commercial customers, with no major industrial users. Large consumers remain consistent year to year with the San Bernardino City Unified School District, San Manuel Mission Indians, Patton State Hospital, San Manuel Indian Bingo & Casino, and the City of Highland, forming the list of top five users.

In 2019, the average household income within the District’s service area was \$49,060, approximately 14% lower than the County of San Bernardino. Customers who reside in the City of Highland account for approximately 65% of the District’s customer base. These customers had an average household income of \$55,130, approximately 12% higher than the overall District average.

Financial Management

The District manages its resources conservatively in order to deliver safe and reliable services to its customers at a fair and cost-effective price. It focuses on establishing fair rates, cost containment, long-term planning, maintaining and upgrading infrastructure, and pursuing alternative source of funding. This approach has allowed the District to undertake substantial capital improvement projects during tough economic times, while passing a series of modest rate increases. The keys to the District’s successful financial management are the District’s Capital Improvement and Financial Plan (CIFP), comprehensive reviews of water and wastewater rates, and the annual budget process. The CIFP provides a comprehensive view of infrastructure investments necessary over a seven year period to ensure that water resources are adequate, water quality is maintained, and the water and wastewater service needs of current and future customers are met. The CIFP is reviewed annually by the District’s Board of Directors (the



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John Mura, General Manager/CEO

Board) during the budget process, at which time the highest priority projects are adopted and receive authorization for expenditure along with the District's operating budget.

The District's financial planning also includes the establishment and funding of reserves, and the pursuit of alternative funding sources, both of which help reduce reliance on rates and rate increases. In recent years the District has been very successful in pursuing project funding from the State Revolving Fund and Federal Emergency Management Agency (FEMA), and have applied for water and energy efficiency project funding from the Bureau of Reclamation and Edison.

Internal Control

District management is responsible for establishing a system of internal accounting controls designed to provide reasonable assurances that assets of the District are safeguarded against losses from unauthorized use or disposition, and theft. The District's internal controls also ensure the proper recording of financial transactions, and the preparation of financial statements in accordance with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District's Board of Directors annually adopt a balanced operating and capital budget prior to the new fiscal year. The budget authorizes expenditures and provides a basis for accountability over the District's enterprise operations and capital projects. Each quarter, management provides the Board with a quarterly budget review to allow Board assessment of staff's progress in meeting goals and objectives, and budget adjustments, if necessary, are requested at the mid-year budget review in February.

Debt Administration

The District utilizes proceeds from long-term debt, along with reserves and contributions from the operating budget, to finance major construction projects. Current debt consists of Revenue Bonds and loans from US Bancorp, the State Revolving Fund, and the San Bernardino Valley Municipal Water District.

The District received a credit rating of AA- from Standard and Poor's and Fitch when the Revenue Bonds were issued in June 2013. This rating was affirmed by Fitch as the result of a review conducted in April 2017.

Investment Policy

The Board of Directors annually adopts an investment policy that conforms to California State Law, District ordinances and resolutions, and the prudent person standard. The objectives of the policy are safety, liquidity, and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund (LAIF), and Federal government Treasury notes or agency obligations.



EAST VALLEY WATER DISTRICT

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Phillip R. Goodrich
Director

James Morales, Jr.
Director

John Mura, General Manager/CEO

Audit and Financial Reporting

State law requires the District to obtain an annual audit of its financial statements by an independent Certified Public Accountant. This year, the District's Financial statements were audited by CliftonLarsonAllen LLP from Glendora, California. Their audit opinion is included in the Basic Financial Statements section of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the seventh year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity 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 that 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.

Acknowledgements

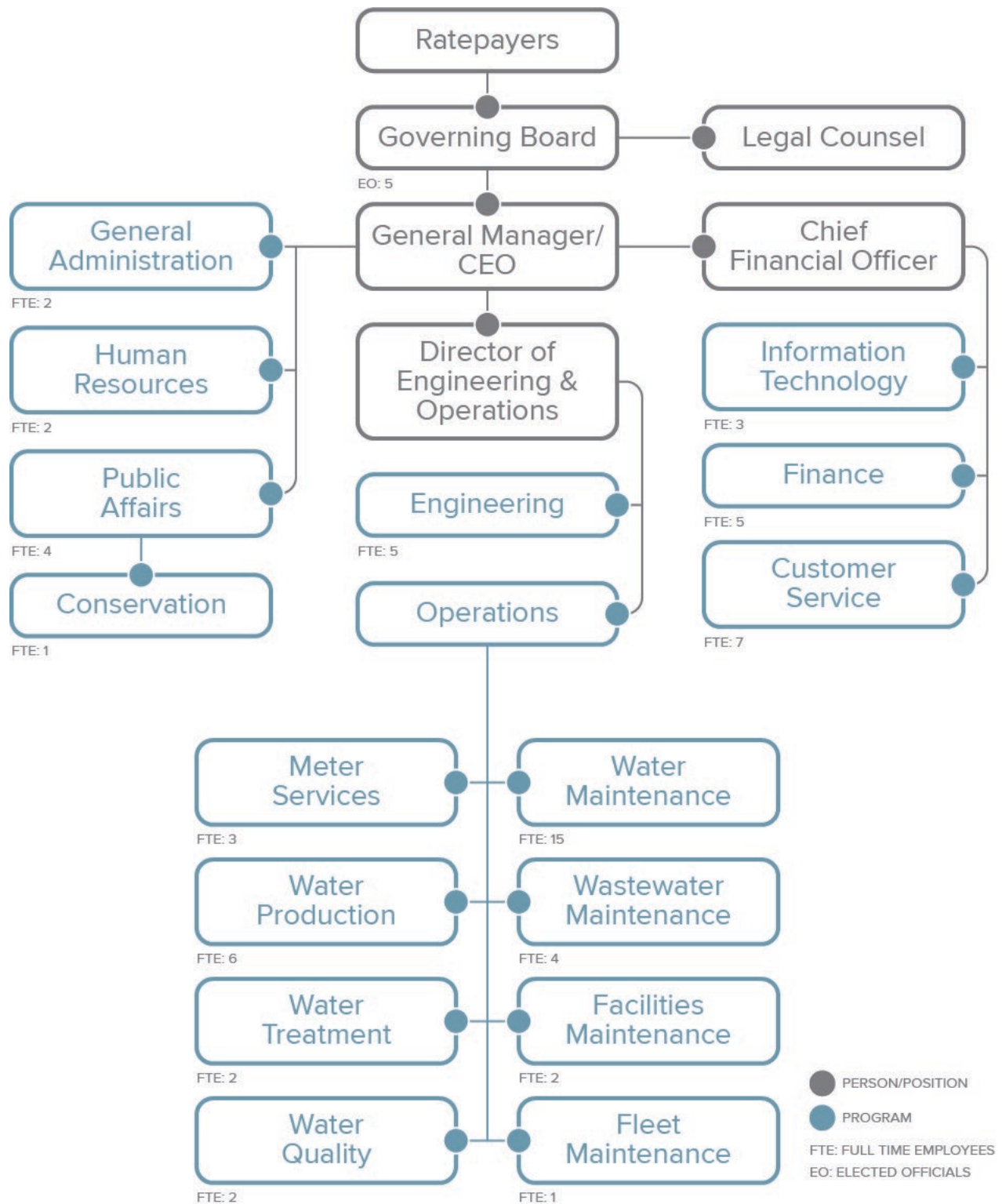
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedication and professionalism that our staff bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the financial affairs of the District.

Respectfully submitted,

John Mura
General Manager

Brian W. Tompkins
Chief Financial Officer

EAST VALLEY WATER DISTRICT
Organizational Structure
Year Ended June 30, 2019



EAST VALLEY WATER DISTRICT
Principal Officials
Year Ended June 30, 2019

Vision

Enhance and preserve the quality of life for our community through innovative leadership and world class public service.

Core Values

Leadership: Motivating a group of people to act towards achieving a common goal or destination.

Partnership: Developing relationships between a wide range of groups and individuals through collaboration and shared responsibility.

Stewardship: Embracing the responsibility of enhancing and protecting resources considered worth caring for and preserving.

East Valley Water District **Governing Board Members as of June 30, 2019**

Name	Title	Elected / Appointed	Current Term
Chris Carrillo	Chairman of the Board	Elected	2015 - 2020
David E. Smith	Vice-Chairman of the Board	Elected	2015 - 2020
Ronald L. Coats	Governing Board Member	Elected	2018 - 2022
James Morales, Jr.	Governing Board Member	Elected	2018 - 2022
Phillip R. Goodrich	Governing Board Member	Elected	2018 - 2022

Contact Information

East Valley Water District
John Mura, General Manager/CEO
31111 Greenspot Road
Highland, CA 92346

(909) 889-9501
www.eastvalley.org

**EAST VALLEY WATER DISTRICT
GFOA Certificate
Year Ended June 30, 2018**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**East Valley Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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Financial Section



**EAST VALLEY WATER DISTRICT
Independent Auditor's Report
Year Ended June 30, 2019**



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
East Valley Water District
Highland, California

Report on the Financial Statements

We have audited the accompanying financial statements of East Valley Water District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the policies and procedures of the *State Controller's Office Division of Local Government Fiscal Affairs Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



**EAST VALLEY WATER DISTRICT
Independent Auditor's Report
Year Ended June 30, 2019**

INDEPENDENT AUDITORS' REPORT

Board of Directors
East Valley Water District
Page 2

Opinion

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

Emphasis of a Matter

During fiscal year ended June 30, 2019, the Districted adopted the provision of Governmental Accounting Standards Board Statement (GASB) No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (see Note 5). Our auditors' opinion was not modified with respect to the implementation.

Other Matters

Prior Period Comparative Information

We have previously audited the District's 2018 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated October 2, 2018. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The introductory section, the supplementary information as listed in the table of contents,

**EAST VALLEY WATER DISTRICT
Independent Auditor's Report
Year Ended June 30, 2019**

INDEPENDENT AUDITORS' REPORT

Board of Directors
East Valley Water District
Page 3

and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen, LLP
Glendora, California
October 1, 2019

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

The District

East Valley Water District (District) is a California Special District established under section 30000 et seq. of the California Water Code. The District is engaged in pumping, treating, and distributing water to its customers, as well as maintaining a collection system for residential and commercial wastewater that is delivered for treatment at a plant owned by the City of San Bernardino Water Department.

The District serves the City of Highland and portions of the City and County of San Bernardino in California.

The Basic Financial Statements

East Valley Water District is a special-purpose government agency, engaged in activities that are supported exclusively by user charges. As such, the District's financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board (GASB).

The following financial statements for the year ended June 30, 2019 (2018 for comparative purposes only) consist of three interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents financial information on the District's assets, liabilities, and deferred inflow and outflows of resources, with the difference reported as net position as of the last day of the District's fiscal year. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the East Valley Water District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. 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.

The Statement of Cash Flows (direct method) conveys to financial statement users how the District managed cash resources during the year. This statement converts the change in net position presented on the Statement of Revenues, Expenses, and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the District obtains cash through financing and investing activities, and conversely, how cash is spent for these purposes.

Summary Financial Information and Analysis

Financial Condition

During the year ended June 30, 2019, the District's total assets increased by \$30.5 million, to \$216.8 million, and included increases to Current, Restricted, and Capital asset categories.

Current assets increased 61% to \$38.6 million. The increase is almost entirely in a single line item – Due From Other Governments. This receivable is related to a funding agreement with the California State Water Resources Control Board (SWRCB) for the District's Sterling Natural Resource Center (SNRC) recycled water project. The receivable balance is accumulated construction costs paid by the District but not yet reimbursed by the SWRCB due to difficulties encountered by the State during implementation of a new financial reporting / cost-tracking program. The problems causing delays should be resolved, and the District reimbursed, by November 2019.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

During this period, the District has maintained moderate liquidity through the sale of a large parcel of vacant land and by deferring the start of other projects.

Restricted Asset balances increased from \$6.8 to \$8.2 million. The increase is the result of retentions from contractor payments on the SNRC project mentioned above. The nature of Restricted Cash balances at June 30, 2019 are further detailed in Note 3 of the financial statements.

	2019	2018
Current Assets	\$ 38.6	\$ 24.0
Restricted Assets	8.2	6.8
Other Assets	0.3	0.4
Capital Assets - Net	169.7	155.1
Total Assets	<u>216.8</u>	<u>186.3</u>
Total Deferred Outflow of Resources	<u>3.6</u>	<u>4.5</u>
Current Liabilities	11.5	7.4
Non-Current Liabilities	<u>85.0</u>	<u>63.4</u>
Total Liabilities	<u>96.5</u>	<u>70.8</u>
Total Deferred Inflows of Resources	<u>0.7</u>	<u>0.6</u>
Net Position		
Net Investment in Capital Assets	95.4	103.2
Restricted	3.5	3.3
Unrestricted	<u>24.3</u>	<u>12.9</u>
Total Net Position	<u>\$ 123.2</u>	<u>\$ 119.4</u>

Capital Assets increased by \$14.6 million during the 2018-19 fiscal year. This amount is a net between capital additions of \$28.8 million, less the sale of land valued at \$7.5 million, and \$6.7 million in charges for depreciation during the year. Capital additions were primarily spent on design and construction of the SNRC. A more detailed description of capital spending is in the Capital Assets section of this analysis.

Total Deferred Outflow of Resources consists of pension contributions made after the most recent pension plan actuarial valuation, as well as differences between projected and actual earnings on pension plan investments and changes in assumptions. Deferred outflows decreased as of June 30, 2019 because the prior year amount included an additional voluntary contribution.

While current assets increased by \$14.6 million, current liabilities also increased by \$4.1 million, the result of a significant contractor invoice and retentions payable at year-end. The impact of these increases improved the District's current ratio from 3.2:1 to 3.4:1, however, as the District's cash balances did not improve during the 2018-19 fiscal year due to the large receivable from the State, the District's liquidity ratio dropped from 2.5:1 at June 30, 2018, to 1.6:1 at June 30, 2019.

Non-Current Liabilities increased by \$21.6 million, the net effect of:

- \$25.5 million in new State Revolving Fund loans;
- \$3.1 million in principal payments on outstanding debt; and
- \$0.7 million decrease in employee post-retirement benefit obligations calculated in accordance with GASB statements number 68 (pensions) and 75 (retiree medical).

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

Pensions and OPEB (Other Post Employment Benefits) are further discussed in Notes 8 and 11 of the accompanying financial statements. Compensated absences and Long-term debt are further explained in financial statement Notes 6 and 5, respectively.

The District's total Net Position was \$123.2 million at the end of fiscal year 2019, a \$3.8 million increase compared to the end of the previous fiscal year. Of the \$123.2 million Net Position balance, \$95.4 million is categorized as Net Investment in Capital Assets, \$3.5 million is Restricted for Capital Expansion Projects, and \$24.3 million is Unrestricted. The calculation of Net Investment in Capital Assets is included in Note 7 of the accompanying financial statements.

Looking at longer term results, the District's total Net Position has increased \$10.5 million and \$24.3 million over five and 10 year periods, respectively.

Activities and Changes in Net Position

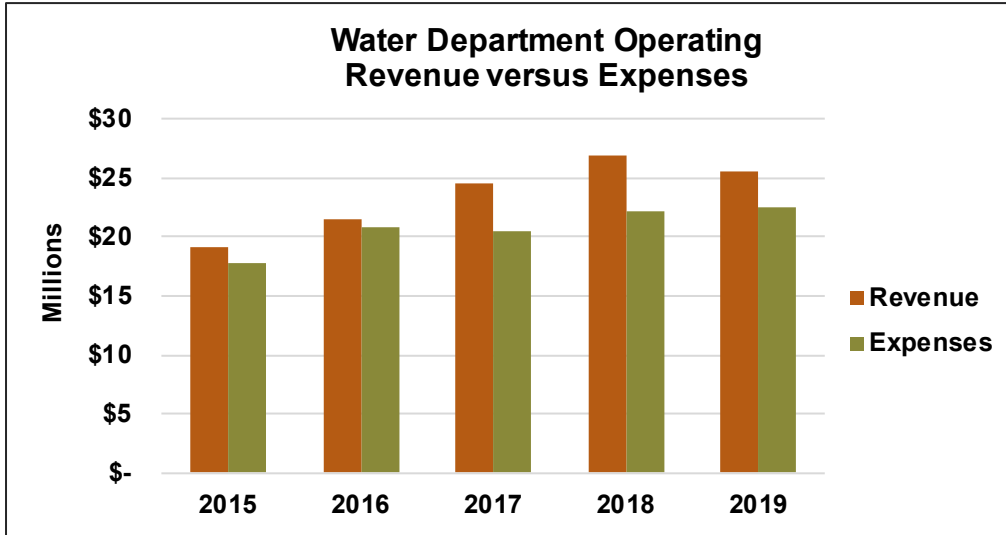
Water Operations

California emerged from four years of severe drought in the winter of 2017 with the Governor lifting a 'state of emergency' and declaring an end to the drought on April 7, 2017. During the ensuing 2017-18 fiscal year, consumption by District customers reached its highest levels since 2014 and water sales increased 17% to \$17.1 million. However, though the drought had ended, conservation measures remained, as did the District's water budget based, tiered rates which were adopted in March 2015 and are designed to make inefficient use of water more expensive. Water consumption billed as inefficient use at the District's highest rates totaled \$4.4 million.

Water sales for fiscal year 2018-19 decreased 7.7% to \$15.7 million, as customer consumption reflected a return to more efficient water use. Of the \$15.7 million in sales, \$3.7 million was billed as inefficient use. During the year the District produced 17,397 acre feet of water and sold 16,167 acre feet. The difference between water produced and water sold of 1,230 acre feet (7.1%) was the result of District flushing programs, water use at District facilities, and system leaks.

Water System, or Meter Charge revenue, increased 0.1% to \$9 million. No rate adjustments were effective for these charges in fiscal year 2018-19, therefore any revenue increase was due to small tract development and infill projects.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019



The storms that ended the California drought with heavy rainfall and snow in Northern California created opportunities for member agencies of the State Water Project in Southern California, such as EVWD, to purchase water being sent down the California aqueduct for the purpose of filling reservoirs and recharging groundwater basins. The District also increased purchases of State water for delivery at its surface water treatment plant to utilize a newly commissioned hydro-electric generation facility. At the same time, water consumption fell, leading to overall cost savings in the production of water.

- Source of Supply: costs increased by \$380 thousand (14.7%) due to increased water purchases. Power costs for wells dropped slightly due to the decrease in water production.
- Pumping: costs for boosting water to higher pressure zones decreased by 14.3% due to the decrease in water production, especially production from wells that required boosting.
- Water Treatment: costs decreased 13.3% during the 2018-19 fiscal year due to a 58% drop in contract services. Prior year costs for this line item included \$150 thousand for the periodic change-out of filter media at the District's Plant 28.
- Transmission & Distribution (T&D): costs increased 11% because of two line items – Labor and Contract Services. Labor increased because of the addition of two field staff in the previous year, and Contract Services increased due to a higher number of main leaks that required assistance from on-call contractors.

Wastewater Operations

Wastewater operating revenues consist of System Charges and Treatment Charges. System Charge rates are set by the District to cover the cost of maintaining the District's wastewater collection system and to cover a portion of administrative and general expenses.

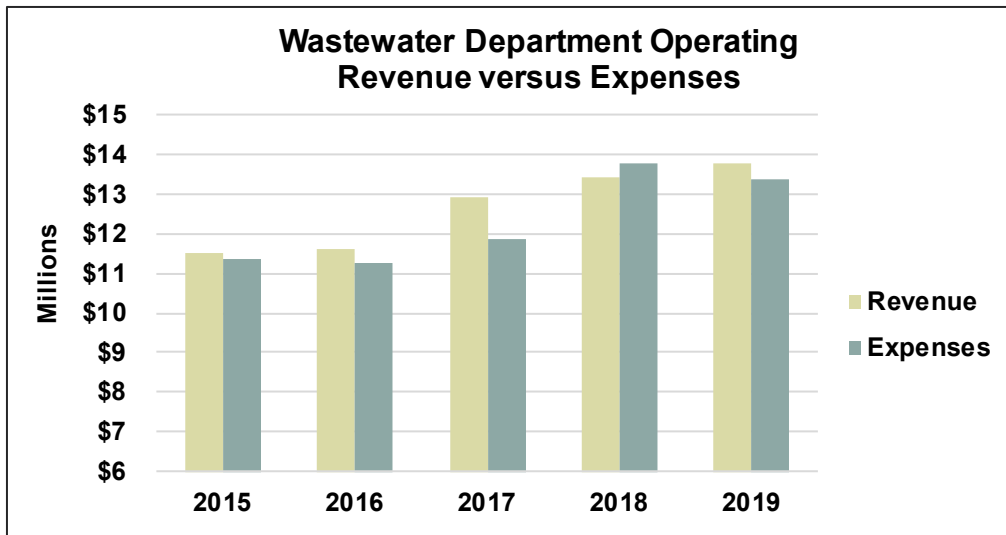
Treatment Charge rates are established by the City of San Bernardino Water Department, which treats the wastewater generated by the District's customers – the District currently has no wastewater treatment facilities. All wastewater treatment revenues collected by the District are directly offset by remittance payments to the City of San Bernardino Water Department, therefore, wastewater treatment has no net effect on the District's operating results.

**EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019**

During the 2018-19 fiscal year wastewater operating revenues increased 3.0%, from \$13.4 to \$13.8 million. System charges, assessed by the District for maintenance of wastewater collection mains, decreased by 0.5% as a result of lower water usage by commercial customers. Commercial customers, which include multi-family residential complexes larger than three units, are billed for wastewater charges based on water consumption. Therefore, the decrease in water consumption discussed above, had a related impact on wastewater revenue. A complete list of wastewater rates in effect for the last 10 years is included in the statistical section at the end of this document.

Wastewater treatment revenues and costs, both fell 1.2% to \$8.6 million in fiscal year 2018-19. As with billing for system charges, commercial customer bills have a component based on water consumption, therefore lower water consumption led to a drop in revenue.

Wastewater collection line maintenance costs decreased by 7% compared to the prior year. This change is the net result of lower Labor costs due to the retirement of a long-term employee, and increased Contract Services costs as the District addressed several difficult and expensive repairs identified through video logging and assessment of collection line conditions.



Costs related to Customer Accounts (Water & Wastewater Operations) decreased \$116 thousand, or 5.7%, due primarily to the elimination of a position in the Customer Service Department. The full impact of this decision is not evident in cost savings as two part-time employees were added and there were moderate wage and benefit increases, not just in Customer Service, but in departments across the District as explained below.

Administrative and general costs for the District increased by 1% to \$10.8 million. The primary reasons for the increase were renewed efforts to issue conservation rebates of \$711 thousand, and the use of consultants under Contract Services to supplement staff as the District dealt with four key retirements.

Other significant changes in general and administrative costs included:

1. Legal Services decreased 70% as the District avoided further litigation related to the SNRC.
2. Printing and Publishing costs increased as the District undertook several outreach programs directed at community members around the SNRC project site – a condition of State funding.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

Depreciation expense recorded by the District's water department decreased from \$6 million to \$5.9 million, while wastewater department depreciation decreased from \$1.0 million to \$0.8 million. Prior year expense included approximately \$600 thousand in accelerated depreciation on certain assets whose remaining useful lives had been shortened to align with District experience and standards published by the California State Controller. Affected assets included pumps, valves, and other mechanical components capitalized as part of larger utility plant assets.

Non-Operating Activities

The District's non-operating revenue of \$1.6 million includes investment earnings of \$571 thousand, discussed below, a \$705 thousand gain on the sale of surplus land, and \$307 thousand in miscellaneous income and reimbursements. Non-operating expenses is \$1.68 million in interest on District long-term obligations.

East Valley Water District Changes in Net Position
(in millions)

	2019	2018
Water Revenues	\$ 25.5	\$ 26.9
Water Operating Expenses	(22.5)	(22.2)
Wastewater Services	13.8	13.4
Wastewater Operating Expenses	(13.4)	(13.8)
Non-Operating Revenues	1.6	0.5
Non-Operating Expenses	(1.7)	(1.8)
Income Before Contributions & Special Item	3.3	3.0
Developer Contributions	0.6	0.5
Grant Funds Contributed	-	-
Special Item - Abandon Projects	-	-
Special Item - Hazard Mitigation	-	(0.2)
Change in Net Position	3.9	3.3
Beginning Net Position, as Previously Reported	119.3	117.7
Cumulative Effect of Change in Accounting Principle	-	(1.7)
Ending Net Position	\$ 123.2	\$ 119.3

Investment earnings increased 153% compared to the prior year due to an increase in the balance of investible funds held at year-end – the District typically holds investments to maturity. The increase was enhanced by earnings on funds deposited with the California Local Agency Investment Fund, which raised the interest rate paid on deposits by 67 basis points to 2.57% during fiscal year 2018-19.

Capital Contributions and Special Items

Contributions received during fiscal year 2018-19 included \$612 thousand in developer capacity fees.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

Components of Net Position

The District is required to present its net position in three categories: Net Investment in Capital Assets, Restricted, and Unrestricted.

Net Investment in Capital Assets

The components comprising Net Investment in Capital Assets are presented in Note 7 of the accompanying financial statements. The balance at June 30, 2019 is \$95.4 million, a decrease of \$7.7 million compared to June 30, 2018. The decrease is the net result of the acquisition or construction of capital assets for \$21.3 million, offset by a \$22.3 million increase in outstanding debt, and a net increase in accumulated depreciation of \$6.7 million.

Restricted

Restricted Net Position consists of unexpended development impact fees which may only be appropriated by approval of the Board of Directors for a project included in the District's Capital Improvement Program.

Unrestricted

Unrestricted Net Position is the balance after amounts to be classified as Net Investment in Capital Assets or Restricted have been determined. Unrestricted Net Position increased \$11.6 million to \$24.4 million in fiscal year 2018-19.

Capital Assets

The District spent approximately \$28.8 million for expansion or replacement of property, plant, and equipment during the 2018-19 fiscal year. These amounts are reflected in Utility Plant, or as additions to Construction in Progress, in the accompanying financial statements.

Placed in Service

During the 2018-19 fiscal year, District staff, consultants, and contractors completed work on the following:

- Replaced second complete train of filtration membranes in District's surface water treatment plant;
- Installed 2,709 new automated meters.
- Purchased land to serve as the site for a new reservoir in the District's Canal pressure zone.
- Replaced 1,285 feet of sewer main.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

Utility Plant in Service – June 30th
(in millions)

Department	2019	2018
Water		
Source of Supply	\$ 18.9	\$ 18.5
Pumping	14.4	14.4
Transmission & Distribution	100.1	98.8
Treatment	28.2	27.8
Wastewater		
Collection Lines	27.5	26.8
General		
Buildings & Improvements	18.1	17.9
Equipment	9.8	9.7
Total	\$ 217.0	\$ 213.9

Construction in Progress (CIP)

Construction in progress increased \$25.1 million to \$37.7 million (see note 4) between June 30, 2018 and June 30, 2019. With approximately 15 projects in progress, additions to CIP totaled \$28.0 million, while \$3.0 million was capitalized and transferred to Utility Plant in Service.

Of the \$37.7 million balance in Construction in Progress at June 30, 2019, 95% is related to a single project, the Sterling Natural Resource Center.

The SNRC is a water recycling plant capable of converting six million gallons per day (mgd) of wastewater into recycled water that can be recharged into the local groundwater basin. Future phases will increase capacity of the plant to 10 mgd.

The SNRC project includes new interceptor mains to divert wastewater flows, treatment plant and administration facilities, solid waste digesters, and a recycled water pipeline for delivering water to recharge ponds. The total cost to build the project is approximately \$181 million. Through June 30, 2019, project costs totaled \$35.7 million.

Funding for the project will include a grant and low interest loan from the SWRCB totaling \$157 million, an \$18 million contribution for the basin water master for the recycled water pipeline, \$4.5 million from anticipated sales tax exclusions / Edison rebates, and \$1.5 million from District development impact fees or other reserves.

One other very important project is the installation of automated metering infrastructure (AMI). Three of seven phases of a plan to convert all District meters to remote read capability are completed and approximately half of the District's 22 thousand accounts have been converted. The District plans to complete the remaining phases by June of 2022.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

Future Capital Improvements - Water

The District's ability to meet water quality requirements, promote water conservation, and increase efficiencies in conducting District business are the driving forces by which District management develops long term capital plans. To meet these objectives, the District's 5-year Capital Improvement Plan includes the following projects:

- Rehabilitation of District water storage tanks.
- Replacement of aging water distribution pipelines that require frequent repair and are suspected of causing system water losses.

Additional water storage capacity was identified in a water system master plan update as a top priority over the next five years. To address this issue, land has been purchased for a reservoir site, and discussions with developers include upsizing on their plans to provide storage for their project. The master plan also discussed the feasibility of building a new surface water treatment plant in the District's east end, closest to the source of surface water and to the largest areas of undeveloped land in the District's service area.

Future Capital Improvements - Wastewater

The District maintains a list of recommended wastewater main replacements / rehabilitations based on assessments of pipeline condition noted during video logging of the collections system. Pipelines assessed at the highest risk of structural failure are prioritized on the District's 5-year Capital Improvement Plan (CIP).

The District also completed an update to its Wastewater Collection System Master Plan in fiscal year 2018-19 which identified three wastewater pipelines that are susceptible to surcharging during heavy rains. Undersized pipelines can impede new development and will be included in discussions with developers as necessary.

Long Term Debt / Credit

The District's long-term debt consists of Revenue Bonds issued through the East Valley Water District Financing Authority (Authority), a blended component unit, loans from the California Department of Water Resources (DWR), a capital lease purchase with US Bank, and a loan from the San Bernardino Valley Municipal Water District (SBVMWD). Outstanding balances as of June 30, 2019 were as follows:

2010 Refunding Bonds	\$	23,215,000
2013 Refunding Bonds		12,085,000
SBVMWD Loan		3,006,022
AVAD Construction		77,764
EFAD Construction		312,386
Plant 134 Construction		6,068,369
SNRC Construction		25,489,032
U.S. Bank Lease Purchase		2,125,216
Total	\$	<u>72,378,789</u>

The purposes for issuing the above debt and a schedule of debt related activity are contained in Note 5 to the accompanying financial statements.

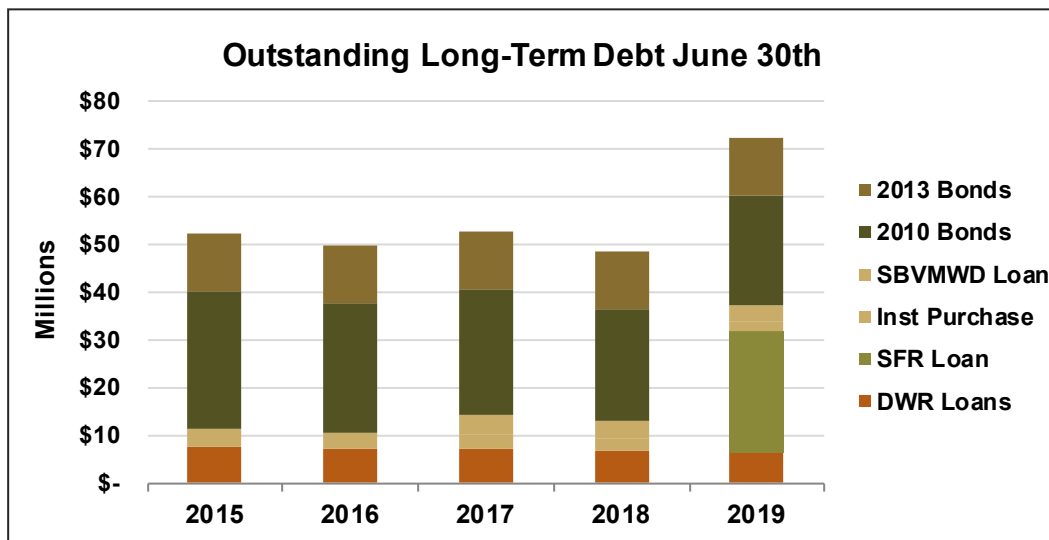
A new funding agreement with the State Water Resources Control Board, consisting of a \$119.3 million loan at 1.8% and a \$6.7 million grant, was finalized on June 26th, 2018. This funding was secured for the construction of

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019

the SNRC water recycling plant. In July 2019 the District submitted a Final Budget Adjustment Form requesting that the loan be increased to \$150.3 million in order to add anaerobic digesters to the plant. Approval for the Final Budget Adjustment is expected in October 2019.

Debt service of \$6.8 million and plant operating expenses will be paid with \$8.7 million currently paid to the City of San Bernardino Water Department for wastewater treatment, Local Resource Investment Program payments received from the San Bernardino Valley Municipal Water Department for the use of recycled water produced by the plant for groundwater recharge, tipping fees from waste haulers who dispose of liquid waste at the District digesters, and energy sales of excess power produced by the digesters. The loan balance as of June 30, 2019 is \$25.5 million; loan payments will begin one year after the Notice of Completion is filed for the SNRC.

All scheduled debt payments for fiscal year 2018-19 were paid timely.



Standard & Poor's and Fitch rated the EVWDF 2013 Revenue Bonds at the time of issuance. Both agencies gave the bonds a rating of AA-. Fitch affirmed their rating of AA- in April 2017 after having conducted an agency specific, review. Dun & Bradstreet (D&B), based on audited financial statements and creditor input, also rate the District. The rating given by D&B is currently 5A1 accompanied by a financial condition assessment of 'strong', which is no change from previous years.

Rate Increases

The District has contracted with IB Consulting, LLC to perform water and wastewater utility Cost of Service Analysis'. The analysis' will determine the need for rate adjustments, if necessary, over the next three to five years and should be completed by January of 2020.

Additional information about the District's Water Budget based rate structure can be found on the District's website at www.eastvalley.org.

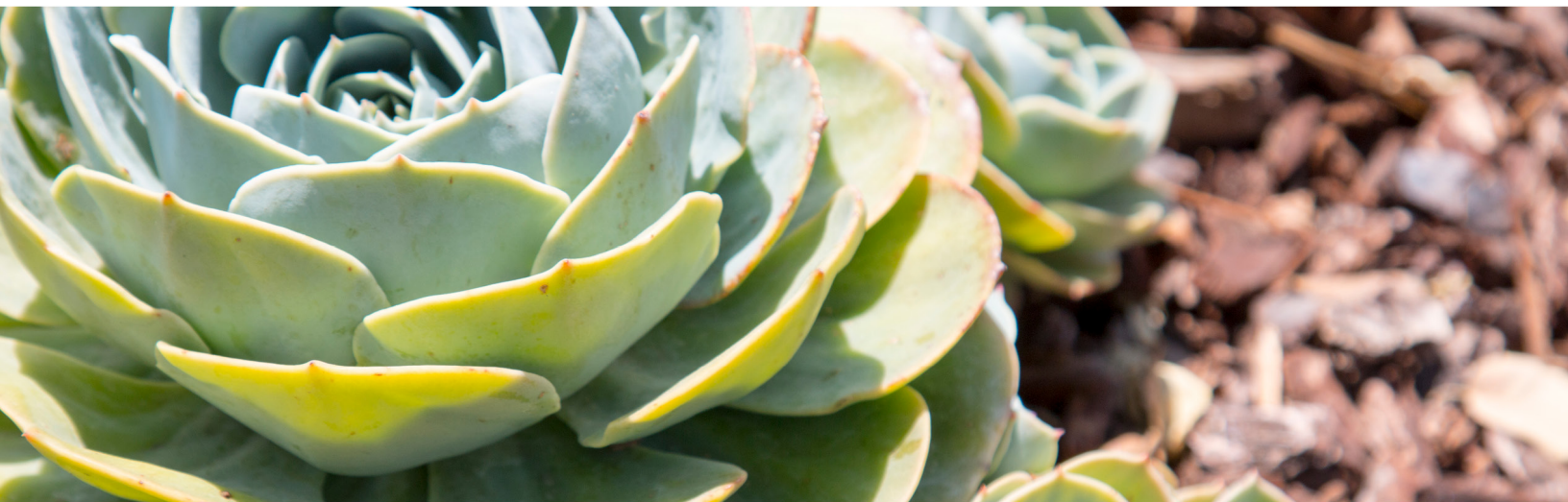
**EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2019**

Contacting the District's Financial Management

This financial report is designed to give our customers / ratepayers, creditors, and investors a general overview of the District's finances, and to demonstrate the District's accountability for money it receives, and stewardship over facilities it maintains.

If you have questions about this report, or need additional information, contact the District's Finance Department at 31111 Greenspot Road, Highland, California 92346, or call (909) 381-6463.

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Basic Financial Statements

EAST VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2019

	2019	For Comparative Purposes Only 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 13,377,049	\$ 13,095,699
Investments	5,328,361	5,350,547
Accounts Receivable, Net	4,129,816	4,541,364
Interest Receivable	103,867	89,549
Other Receivables	822,525	421,035
Due from Other Governments	14,268,673	16,145
Inventory	345,634	285,218
Prepaid Expenses	269,864	203,871
Total Current Assets	<u>38,645,789</u>	<u>24,003,428</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	8,171,966	6,788,132
Assessments Receivable	341,939	355,731
Capital Assets not being Depreciated	41,770,736	24,266,922
Capital Assets, Net	<u>127,952,243</u>	<u>130,806,547</u>
Total Non-Current Assets	<u>178,236,884</u>	<u>162,217,332</u>
Total Assets	<u>216,882,673</u>	<u>186,220,760</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	102,610	120,546
Deferred Outflows - Pensions	3,355,284	4,195,967
Deferred Outflows - OPEB	<u>183,404</u>	<u>193,763</u>
Total Deferred Outflows Of Resources	<u>3,641,298</u>	<u>4,510,276</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 220,523,971</u>	<u>\$ 190,731,036</u>

(Continued)

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Net Position - Continued
June 30, 2019

	2019	For Comparative Purposes Only 2018
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 4,570,788	\$ 1,608,069
Accrued Payroll and Benefits	493,278	483,730
Customer Service Deposits	1,550,338	1,588,918
Construction Advances and Retentions	1,276,212	109,500
Accrued Interest Payable	462,550	496,031
Current Portion of Compensated Absences	422,964	419,713
Current Portion of Long-Term Debt	2,769,898	2,696,748
Total Current Liabilities	<u>11,546,028</u>	<u>7,402,709</u>
Non-Current Liabilities:		
Compensated Absences, Less Current Portion	534,314	532,533
Net Pension Liability	10,846,955	11,601,798
Net OPEB Liability	2,016,418	1,932,370
Long-Term Debt, Less Current Portion	71,590,954	49,304,441
Total Non-Current Liabilities	<u>84,988,641</u>	<u>63,371,142</u>
Total Liabilities	<u>96,534,669</u>	<u>70,773,851</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions	672,725	562,295
Deferred Inflows - OPEB	918	1,224
Total Deferred Inflows Of Resources	<u>673,643</u>	<u>563,519</u>
Total Liabilities and Deferred Inflows Of Resources	<u>97,208,312</u>	<u>71,337,370</u>
NET POSITION		
Net Investment in Capital Assets	95,468,735	103,210,762
Restricted for:		
Future Capital Expansion Projects	3,460,835	3,334,940
Unrestricted	24,386,089	12,847,964
Total Net Position	<u>\$ 123,315,659</u>	<u>\$ 119,393,666</u>

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	2019	For Comparative Purposes Only 2018
OPERATING REVENUES		
Water Sales	\$ 15,746,654	\$ 17,063,891
Wastewater Treatment Charges	8,592,950	8,697,671
System Charges	13,653,613	13,668,679
Other Charges	1,316,081	860,884
	<hr/>	<hr/>
Total Operating Revenues	39,309,298	40,291,125
	<hr/>	<hr/>
OPERATING EXPENSES		
Water Department:		
Source of Supply	2,975,348	2,595,071
Pumping	585,585	683,296
Treatment	840,623	969,460
Transmission and Distribution	2,819,288	2,538,910
Customer Accounts	1,535,681	1,623,198
	<hr/>	<hr/>
Total Water Department	8,756,525	8,409,935
	<hr/>	<hr/>
Wastewater Department:		
Wastewater Treatment	8,592,950	8,697,671
Wastewater Collection	700,507	753,000
Customer Accounts	388,914	417,399
	<hr/>	<hr/>
Total Wastewater Department	9,682,371	9,868,070
	<hr/>	<hr/>
Administrative and General	10,778,943	10,674,218
	<hr/>	<hr/>
Operating Expenses Before Depreciation	29,217,839	28,952,223
	<hr/>	<hr/>
Depreciation	6,680,234	7,027,876
	<hr/>	<hr/>
Total Operating Expenses	35,898,073	35,980,099
	<hr/>	<hr/>
Operating Income	\$ 3,411,225	\$ 4,311,026
	<hr/>	<hr/>

(Continued)

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position - Continued
Year Ended June 30, 2019

	2019	For Comparative Purposes Only 2018
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 571,549	\$ 221,359
Gain on Disposal	705,285	-
Other Income	307,247	258,560
Interest Expense	(1,684,986)	(1,777,852)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(100,905)	(1,297,933)
	<hr/>	<hr/>
Income Before Contributions and Special Item	3,310,320	3,013,093
	<hr/>	<hr/>
CONTRIBUTIONS		
Capacity Charges	611,673	525,004
Contributed Plant	-	(1,086)
	<hr/>	<hr/>
Total Contributions	611,673	523,918
	<hr/>	<hr/>
SPECIAL ITEM		
Hazard Mitigation	-	(155,177)
	<hr/>	<hr/>
CHANGE IN NET POSITION	3,921,993	3,381,834
TOTAL NET POSITION, BEGINNING (AS PREVIOUSLY REPORTED)	119,393,666	117,723,635
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	(1,711,803)
	<hr/>	<hr/>
TOTAL NET POSITION, ENDING	\$ 123,315,659	\$ 119,393,666
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The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2019

	2019	For Comparative Purposes Only 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 40,848,979	\$ 40,182,134
Cash Payments for Employees Services	(9,986,866)	(10,095,939)
Cash Payments to Suppliers	(16,089,708)	(18,761,838)
Cash to/(from) Other Sources	(401,490)	137,689
Net Cash Provided by Operating Activities	14,370,915	11,462,046
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Gain on Disposal	705,286	-
Grant Funds Received	-	1,384,218
Contributed Capital	918,919	525,004
Proceeds from Loan of Capital Debt	11,236,504	-
Principal Paid on Capital Debt	(3,024,244)	(2,594,349)
Interest Paid on Capital Debt	(1,805,656)	(1,751,304)
Acquisition of Capital Assets	(21,329,743)	(3,016,768)
Net Cash Used for Capital and Related Financing Activities	(13,298,934)	(5,453,199)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received from Investments	508,352	241,756
Acquisition of Investments	(703,195)	(1,388,461)
Proceeds from Sale of Investments	774,255	960,377
Loan Collections	13,791	30,512
Net Cash Provided (Used) by Investing Activities	593,203	(155,816)
Net Increase in Cash and Cash Equivalents	1,665,184	5,853,031
Cash and Equivalents, Beginning of Year	19,883,831	14,030,800
Cash and Equivalents, End of Year	\$ 21,549,015	\$ 19,883,831
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 13,377,049	\$ 13,095,699
Restricted Cash and Cash Equivalents	8,171,966	6,788,132
Total Cash and Cash Equivalents	\$ 21,549,015	\$ 19,883,831

(Continued)

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Cash Flows - Continued
Year Ended June 30, 2019

	<u>2019</u>	<u>For Comparative Purposes Only 2018</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 3,411,225	\$ 4,311,026
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	6,680,234	7,027,876
Other Income	-	258,560
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	411,553	(22,302)
(Increase) Decrease in Other Receivables	(401,490)	(126,871)
(Increase) Decrease in Inventory	(60,416)	22,463
(Increase) Decrease in Prepaids	(65,993)	93,537
(Increase) in Deferred Outflows of Resources - Pensions	851,042	(1,126,421)
Increase (Decrease) in Accounts Payable	2,950,379	(835,477)
Increase (Decrease) in Accrued Salaries and Benefits	21,888	120,732
Increase (Decrease) in Compensated Absences	5,032	230,333
Increase (Decrease) in Net Pension Liability	(754,843)	1,577,086
Increase in Net OPEB Liability	84,048	54,910
Decrease in Deferred Inflows of Resources	110,124	(32,128)
Increase (Decrease) in Customer Deposits	(38,580)	(81,528)
Increase (Decrease) in Developer Deposits	1,166,712	(9,750)
Total Cash Provided by Operating Activities	<u>\$ 14,370,915</u>	<u>\$ 11,462,046</u>
NON-CASH INVESTING, CAPITAL, AND NON-CAPITAL FINANCING ACTIVITIES:		
Write off Abandoned Project Costs	\$ -	\$ (155,177)
Fair Value Adjustments to Investments	48,874	(72,713)

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The East Valley Water District is a special district that was formed in 1954, as a result of an election by local residents who desired water service by a public water agency. Later, as the population increased, a modern wastewater system was needed to replace the septic tanks used at the time. Citizens voted to give the District responsibility for that service. The District encompasses an area of approximately 30.1 square miles and provides water and wastewater service to the City of Highland, parts of the City of San Bernardino, and unincorporated parts of the County of San Bernardino, California.

The East Valley Water District Financing Authority (Authority), and the North Fork Water Company (Company) are component units of the East Valley Water District. A component unit is an entity which is financially accountable to the primary government, either because the primary government appoints a voting majority of the component unit's Board, or because the component unit will provide a financial benefit or impose a financial burden on the primary government. The Authority, and Company are blended component units. Only North Fork Water Company prepares separate financial statements.

The Authority was created in August 2010 by a joint exercise of powers agreement for the purpose of financing public capital improvements. It is governed by a Board of Directors comprised of the District's Board of Directors. The Authority issued debt in October 2010 which is secured solely from installment payments under an installment purchase agreement entered into by the District and the Authority.

The Company was established in February 1885 to deliver water, taken from the Santa Ana River, to its property owner /shareholders. The Company is governed by a Board of Directors comprised of, and elected by, Company shareholders. The District has purchased shares of Company stock as they become available in order to secure rights to the Santa Ana River water and have it delivered to the District's surface water treatment plant. At June 30, 2019, the District owned 6,588.15 of 7,156 outstanding Company shares.

Due to the number of Company shares owned, the District is able to appoint a majority of the Company's Governing Board and is therefore, financially accountable for the Company. In addition, management and staff of the District have complete responsibility for the operations of the Company. As a result, the Company's financial statements have been included in the accompanying financial statements as a blended component unit. Copies of the Company's financial statements may be obtained from the District's Finance Department at 31111 Greenspot Road, Highland, California 92346.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following condensed combining schedule shows how the District and its component units are blended in the accompanying financial statements:

Table 1-1

	District	NFWC	Financing Authority	Eliminations	Total
Statement of Net Position					
Current Assets	\$ 38,629,211	\$ 16,578	\$ 405,997	\$ (405,997)	\$ 38,645,789
Capital Assets	168,674,213	2,906,015	-	(1,857,249)	169,722,979
Other Assets	8,191,301	322,604	35,300,000	(35,300,000)	8,513,905
Deferred Outflow s	3,641,298	-	-	-	3,641,298
Total Assets & Deferred Outflow s	<u>219,136,023</u>	<u>3,245,197</u>	<u>35,705,997</u>	<u>(37,563,246)</u>	<u>220,523,971</u>
Current Liabilities	11,529,028	17,000	405,997	(405,997)	11,546,028
Long-Term Liabilities	84,988,641	-	35,300,000	(35,300,000)	84,988,641
Deferred Inflow s	673,643	-	-	-	673,643
Total Liabilities & Deferred Inflow s	<u>97,191,312</u>	<u>17,000</u>	<u>35,705,997</u>	<u>(35,705,997)</u>	<u>97,208,312</u>
Net Investment in Capital Assets	95,468,735	-	-	-	95,468,735
Restricted Net Position	3,279,957	180,878	-	-	3,460,835
Unrestricted Net Position	23,196,019	3,047,319	-	(1,857,249)	24,386,089
Total Net Position	<u>\$ 121,944,711</u>	<u>\$ 3,228,197</u>	<u>\$ -</u>	<u>\$ (1,857,249)</u>	<u>\$ 123,315,659</u>
Statement of Revenues, Expenses and Changes in Net Position					
Sales and Services	\$ 37,993,217	\$ -	\$ -	\$ -	\$ 37,993,217
Other Operating Revenue	1,316,081	-	-	-	1,316,081
Operating Expenses	28,765,771	452,068	-	-	29,217,839
Depreciation	6,624,397	55,837	-	-	6,680,234
Operating Income	<u>3,919,130</u>	<u>(507,905)</u>	<u>-</u>	<u>-</u>	<u>3,411,225</u>
Net Non-Operating Revenue (Expenses)	(244,031)	143,126	-	-	(100,905)
Capital Contributions	611,673	-	-	-	611,673
Special Items	-	-	-	-	-
Change in Net Position	<u>4,286,772</u>	<u>(364,779)</u>	<u>-</u>	<u>-</u>	<u>3,921,993</u>
Beginning Net Position, as Previously Reported	117,657,939	3,592,976	-	(1,857,249)	119,393,666
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-
Ending Net Position	<u>\$ 121,944,711</u>	<u>\$ 3,228,197</u>	<u>\$ -</u>	<u>\$ (1,857,249)</u>	<u>\$ 123,315,659</u>
Statement of Cash Flows					
Net Cash from Operating Activities	\$ 14,480,923	(110,008)	\$ -	\$ -	\$ 14,370,915
Net Cash used Capital and Related Financing Activities	(13,442,054)	143,120	-	-	(13,298,934)
Net Cash from Investing Activities	593,203	-	(3,161,488)	3,161,488	593,203
Beginning Cash and Equivalents	19,581,100	302,731	-	-	19,883,831
Ending Cash & Equivalents	<u>\$ 21,226,411</u>	<u>\$ 322,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,549,015</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District uses the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recorded when the liability is incurred.

C) Comparative Data

Prior year data has been included where practical for comparison purposes only. The prior year data does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America.

D) Inventory Valuation

Inventories are valued at cost using the average-cost method.

E) Capitalization and Depreciation

Capital assets purchased or constructed by the District are recorded at cost. Donated capital assets are recorded at acquisition value as of the date received. The District has a capitalization threshold of \$5,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the various assets. Water canals, water, and wastewater lines are depreciated over 25 to 50 years; office equipment and vehicles are depreciated over 5 years.

Water stock and rights contributed to the District are recorded at the same value the District is currently paying for the purchase of similar stock.

F) Restricted Assets

Certain assets of the District are restricted in use by ordinance or debt covenant and accordingly are shown as restricted assets on the accompanying statement of net position. Unexpended Bond proceeds are set aside for capital improvements, District deposits into Bond trustee accounts are to be used for debt service, and utility deposits must be returned to the customers at their request after their account has been paid timely for 12 consecutive months, or when their account is closed.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 3 months or less. The District invests funds with the Local Agency Investment Fund (LAIF) and Money Market Mutual Funds. Due to the high liquidity of these investments, these funds are classified as cash equivalents.

H) Investments

The District has adopted the provisions of GASB Statement No. 72, Fair Value Measurement and Application. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

I) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items which qualify for reporting in this category; Deferred Outflows Charge on Refunding, Deferred Outflows Related to Pensions, and Deferred Outflows Related to OPEB.

In addition to liabilities, the statement of financial position includes 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items which qualify for reporting in this category: Deferred Inflows related to Pensions and Deferred Inflows related to OPEB.

J) Compensated Absences

The District has a policy whereby an employee can accumulate unused sick leave and vacation. Sick leave is to be used for extended periods of sickness; however, upon termination or retirement, a portion will be paid as additional benefits to the employee. At retirement or termination, employees who have accumulated over ten years of service will be paid between 50 to 70% of their unused sick leave (based upon their balance of unused sick leave) at their regular payroll rates in effect at the date of termination. Also, employees can cash out up to 300 hours of unused sick time, per calendar year, provided that a minimum of 160 hours is retained after said cash-out. The District has provided for these future costs by accruing a range of the earned and unused sick leave and 100% of the earned and unused vacation.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K) Classification of Revenue

As an enterprise (proprietary) fund, the District classifies its revenues into three classifications: operating revenue, non-operating revenue, and contributions.

Operating revenues are defined as revenues realized by the District in exchange for providing its primary services of water distribution and wastewater collection to its customers. Non-operating revenues are those derived from the investment of cash reserves and from the disposal of excess property, and also include those resources received from entities other than customers, such as governmental agencies and developers, for purposes not related to capital improvement. Donated plant and cash received for capital improvement without the requirement that the District give resources in exchange are recorded as contributions.

L) Use of Restricted Resources

The District uses restricted resources, prior to using unrestricted resources, to pay expenses meeting the criteria imposed on the use of restricted resources by a third party.

M) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N) Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) are additions to/deductions from the Plans' fiduciary net position and 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.

O) Postemployment Benefits Other Than Pensions (OPEB)

During 2018, the District adopted new accounting guidance GASB Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits (GASB No. 75).

For purposes of measuring the District's OPEB liability related to the California Employer's Retirement Benefits Trust (CERBT), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERBT and additions to/deductions from the CERBT fiduciary net position have been determined on the same basis as they are reported by the CERBT. For this purpose, the CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P) Future Accounting Pronouncements

The applicable GASB Statements listed below will be implemented in future financial statements:

Table 1-2

GASB Statement	Description	Effective Date
Statement No. 84	Fiduciary Activities	The statement improves guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement No. 87	Leases	The statement addresses accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
Statement No. 89	Accounting for Interest Cost Incurred before the End of a Construction Period	The statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical costs of a capital asset reported in a business-type activity or enterprise fund. The statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
Statement No. 90	Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61	The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P) Future Accounting Pronouncements

GASB Statement	Description	Effective Date
Statement No. 91	Conduit Debt Obligations	The statement provides a single method of reporting conduit debt to eliminate diversity in reporting and the related note disclosures. The statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. The statement is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

2) CASH AND INVESTMENTS

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

Table 2-1

Cash and Cash Equivalents	\$ 13,377,049
Restricted Cash and Cash Equivalents	8,171,966
Investments	<u>5,328,361</u>
Total	<u><u>\$ 26,877,376</u></u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS - Continued

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

Table 2-2

Cash on Hand	\$ 5,250
Deposits with Financial Institutions	6,395,892
Money Market Accounts with Financial Institutions	350,938
Investments with Local Agency Investment Fund	14,796,935
Investment in Debt Securities	5,328,361
Total	<u>\$ 26,877,376</u>

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

The table below identifies the investment types that are authorized by the District's investment policy and in accordance with Section 52601 of the California Government Code. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk.

Table 2-3

Authorized Investment Type	Maximum Maturity	Authorized Limit	Required Rating
Bonds and Certificates of Participation by EVWD	5 years	None	None
U.S. Treasury Bills, Notes, or Bonds	5 years	None	None
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None
U.S. Agencies	5 years	None	None
Negotiable Certificates of Deposits	5 years	30%	None
Money Market Mutual Funds and Mutual Funds	5 years	15%	2 - AAA
Collateralized Bank Deposits	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

At June 30, 2019, the District had no investments in repurchase agreements and did not utilize this investment media during the reporting year. As a matter of investment policy, the District does not borrow funds through the use of reverse repurchase agreements.

Disclosures Relating to 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 minimizes its exposure to this type of risk is by investing in investments with ladder maturity dates.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS – Continued

As of June 30, 2019, the District had the following investments and maturities:

Table 2-4

Investment Type	Fair Value	Average Maturity
Fannie Mae	\$ 1,192,791	1.44 years
Freddie Mac	1,495,216	1.69 years
Federal Home Loan Bank	1,204,515	1.19 years
Federal Farm Credit Bank	101,258	1.46 years
US Treasury	1,291,118	2.28 years
Tenn Valley Authority	114,523	1.63 years
LAIF	14,796,935	N/A
Money Market Mutual Funds	350,938	N/A
Total Fair Value	<u>\$ 20,547,294</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, and the actual rating as of year-end for each investment type.

Table 2-5

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating at Year End AAA	Not Rated
Fannie Mae	\$ 1,192,791	N/A	\$ -	\$1,192,791	\$ -
Freddie Mac	1,495,216	N/A	-	1,495,216	-
Federal Home Loan Bank	1,204,515	N/A	-	1,204,515	-
Federal Farm Credit Bank	101,258	N/A	-	101,258	-
US Treasury	1,291,118	N/A	1,291,118	-	-
Tenn Valley Authority	114,523	N/A	-	114,523	-
LAIF	14,796,935	N/A	-	-	14,796,935
Money Market Mutual Funds	350,938	N/A	-	350,938	-
	<u>\$ 20,547,294</u>		<u>\$ 1,291,118</u>	<u>\$4,459,241</u>	<u>\$ 14,796,935</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS – Continued

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

Valuation Technique: Level 2 Investments use the Market Approach which uses prices generated for identical or similar assets or liabilities.

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

Table 2-6

Investments by Fair Value Level	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Debt Securities				
Fannie Mae	\$ -	\$ 1,192,791	\$ -	\$ 1,192,791
Freddie Mac	-	1,495,216	-	1,495,216
Federal Home Loan Bank	-	1,204,515	-	1,204,515
Federal Farm Credit Bank	-	101,258	-	101,258
US Treasury	1,291,118	-	-	1,291,118
Tenn Valley Authority	-	114,523	-	114,523
Total Investments Measured at Fair Value	<u>\$ 1,291,118</u>	<u>\$ 4,108,303</u>	<u>\$ -</u>	<u>\$ 5,399,421</u>
Investments Measured at Amortized Cost				
LAIF				14,796,935
Money Market Mutual Funds				350,938
Total Investments				<u>\$ 20,547,294</u>

Disclosure Related to Concentration of Credit Risk

The District's policy places no limits on amounts invested in any given issuer beyond that stipulated by the California Government Code. At June 30, 2019, there were no investments (other than external pools, U.S. Government Securities and Money Market Mutual Funds) that exceeded 5% of the District's total investments.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2) CASH AND INVESTMENTS – Continued

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 the failure of the counterparty (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 requires California banks and savings and loan associations to secure deposits by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. As such, collateralized securities are held by the pledging financial institution's agent on behalf of the District. The fair value of the pledged securities must equal at least 110% of District's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for deposits which are fully insured by Federal depository insurance.

As of June 30, 2019, the District had \$5,567,791 deposited with financial institutions that were in excess of federal depository insurance limits. The federal deposit insurance limit is \$250,000.

Investment in State Investment Pool

The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has reported to its participating agencies that, as of June 30, 2019, the carrying amount (at amortized cost) of the pool was \$105,325,060,682 and the estimated fair value of the pool was \$105,814,483,092. The District's proportionate share of the fair value (as determined by LAIF) as of June 30, 2019, was \$14,796,935. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

3) RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents at June 30, 2019 are restricted as follows:

Table 3-1

Held for Debt Service	\$ 1,742,856
Capacity Fees from Developers	3,279,956
Customer Deposits	1,550,338
Construction Advances	1,276,212
North Fork Water Company	322,604
Total	<u>\$ 8,171,966</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

4) CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

Table 4-1

	Beginning of Year	Additions	Deletions	End of Year
Water Fund				
Non-Depreciable Assets				
Land and Easements	\$ 10,133,593	\$ -	\$ (7,550,536)	\$ 2,583,057
Water Rights	732,835	-	-	732,835
Construction in Progress	2,792,204	2,606,407	(1,878,891)	3,519,720
Total Non-Depreciable Assets	<u>13,658,632</u>	<u>2,606,407</u>	<u>(9,429,427)</u>	<u>6,835,612</u>
Depreciable Assets				
Source of Supply	18,479,831	395,089	-	18,874,920
Pumping Plant	14,357,650	64,698	-	14,422,348
Treatment Plant	27,831,801	330,978	-	28,162,779
Transmission and Distribution Plant	98,770,964	1,912,901	(536,243)	100,147,622
General Plant	18,289,099	341,675	(49,656)	18,581,118
Total Depreciable Assets	<u>177,729,345</u>	<u>3,045,341</u>	<u>(585,899)</u>	<u>180,188,787</u>
Accumulated Depreciation				
Source of Supply	(6,489,939)	(644,409)	-	(7,134,348)
Pumping Plant	(6,190,302)	(508,826)	-	(6,699,128)
Treatment Plant	(9,885,000)	(1,266,647)	-	(11,151,647)
Transmission and Distribution Plant	(38,133,729)	(2,598,595)	536,243	(40,196,081)
General Plant	(5,115,906)	(879,416)	49,656	(5,945,666)
Total Accumulated Depreciation	<u>(65,814,876)</u>	<u>(5,897,893)</u>	<u>585,899</u>	<u>(71,126,870)</u>
Water Fund Capital Assets, Net	<u>125,573,101</u>	<u>(246,145)</u>	<u>(9,429,427)</u>	<u>115,897,529</u>
Wastewater Fund				
Non-Depreciable Assets				
Land and Easements	713,940	2,642,688	(2,642,688)	713,940
Construction in Progress	9,894,350	24,764,528	(437,694)	34,221,184
Total Non-Depreciable Assets	<u>10,608,290</u>	<u>27,407,216</u>	<u>(3,080,382)</u>	<u>34,935,124</u>
Depreciable Assets				
Wastewater Collection Plant	26,803,858	706,387	-	27,510,245
General Plant	9,310,950	74,201	(27,345)	9,357,806
Total Depreciable Assets	<u>36,114,808</u>	<u>780,588</u>	<u>(27,345)</u>	<u>36,868,051</u>
Accumulated Depreciation				
Wastewater Collection Plant	(14,133,984)	(447,293)	-	(14,581,277)
General Plant	(3,088,746)	(335,047)	27,345	(3,396,448)
Total Accumulated Depreciation	<u>(17,222,730)</u>	<u>(782,340)</u>	<u>27,345</u>	<u>(17,977,725)</u>
Wastewater Fund Capital Assets, Net	<u>29,500,368</u>	<u>27,405,464</u>	<u>(3,080,382)</u>	<u>53,825,450</u>
Total Capital Assets, Net	<u>\$155,073,469</u>	<u>\$27,159,319</u>	<u>\$(12,509,809)</u>	<u>\$169,722,979</u>

In 2017-18, the District implemented GASB No. 89 which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there is no capitalized interest for the year ended June 30, 2019.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

5) LONG-TERM DEBT

The schedule below summarizes changes in long-term debt during the year ended June 30, 2019:

Table 5-1

	Beginning Balance	Additions	Retirements/ Payments	Ending Balance	Current Portion	Long-Term Portion
Direct Placement:						
2010 Refunding Bonds	\$24,715,000	\$ -	\$ (1,500,000)	\$23,215,000	\$1,580,000	\$21,635,000
Unamortized Premium	1,587,320	-	(80,741)	1,506,579	80,741	1,425,838
2013 Revenue Bonds	12,085,000	-	-	12,085,000	-	12,085,000
Unamortized Premium	533,646	-	(25,734)	507,912	21,200	486,712
Unamortized Discount	(33,780)	-	1,353	(32,427)	(1,353)	(31,074)
Subtotal Direct Placement	<u>38,887,186</u>	<u>-</u>	<u>(1,605,122)</u>	<u>37,282,064</u>	<u>1,680,588</u>	<u>35,601,476</u>
Direct Borrowing:						
U.S. Bank Lease Purchase	2,522,306	-	(397,091)	2,125,215	406,133	1,719,082
SBVMWD Loan	3,870,002	-	(863,980)	3,006,022	430,000	2,576,022
DWR Contracts						-
AVAD Construction	84,526	-	(6,762)	77,764	6,762	71,002
Plant 134 Construction	6,301,767	-	(233,398)	6,068,369	233,399	5,834,970
Plant 150 Design	10,000	-	(10,000)	-	-	-
EFAD Construction	325,402	-	(13,016)	312,386	13,016	299,370
SNRC	-	25,489,032	-	25,489,032	-	25,489,032
Subtotal Direct Borrowing	<u>13,114,003</u>	<u>25,489,032</u>	<u>(1,524,247)</u>	<u>37,078,788</u>	<u>1,089,310</u>	<u>35,989,478</u>
Total	<u>\$52,001,189</u>	<u>\$25,489,032</u>	<u>\$ (3,129,369)</u>	<u>\$74,360,852</u>	<u>\$2,769,898</u>	<u>\$71,590,954</u>

2010 Refunding Revenue Bonds

On October 29, 2010, the District issued \$33,545,000 of East Valley Water District Financing Authority Refunding Revenue Bonds, Series 2010 (2010 Bonds), with interest rates ranging from 2.00% to 5.00%. The purpose for issuing the 2010 Bonds was to provide \$16,000,000 for future capital improvements, and for refunding virtually all of the Districts outstanding long-term debt. The refunded debt included 1) \$5,935,000 in 2001 Certificates of Participation bearing interest rates ranging from 4.25% to 5.00%, 2) a \$7,867,528 balance on a 2004 Installment Sale Note bearing interest at 4.50%, and 3) a \$5,109,854 balance on a 2006 Installment Sale Note bearing interest at 4.95%.

The refunding portion of the 2010 Bonds (\$17,170,000) were issued at a premium of \$1,630,726, and after paying issuance costs of \$318,849, net proceeds were \$18,481,877. The net proceeds, combined with a \$920,318 sinking fund for 2001 COP debt service, were sufficient to accomplish the refunding of the existing debt. All refunded debt has been retired leaving \$0 of outstanding in-substance defeased debt.

The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of \$259,548. This difference is included in the accompanying financial statements as a Deferred Outflows of Resources and is being charged to operations through the year 2024 using the straight-line method of amortization. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Bonds and accrued interest thereon.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

5) LONG-TERM DEBT - Continued

2013 Revenue Bonds

On June 19, 2013 the District issued \$12,085,000 of East Valley Water District Financing Authority Revenue Bonds, Series 2013 (2013 Bonds), with interest rates ranging from 4.00% to 5.00%. The purpose for issuing the 2013 Bonds was to provide financing for water and wastewater capital improvements, primarily construction of a new administration and operations headquarters complex. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Bonds and accrued interest thereon.

US Bank Lease Purchase

On November 13, 2013 the District entered into a Lease Purchase Agreement with US Bancorp Government Leasing and Finance, Inc. (US Bank), in order to implement Energy Conservation Measures (ECM) identified in a comprehensive energy conservation and operational efficiency study prepared by Honeywell International, Inc. (Honeywell). Honeywell has been contracted to install the facilities necessary to achieve the energy savings identified in their study, and has guaranteed that the savings will be sufficient to pay the debt service on the lease with US Bank. Project costs paid to Honeywell, and the amount borrowed from US Bank under the lease agreement is \$3,998,560 with an interest rate of 2.38%. Semi-annual payments are \$226,398, to commence on September 2014 through March 2024. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Bonds and accrued interest thereon.

San Bernardino Valley Municipal Water District - City Creek Turnout and Plant 134 Hydroelectric Station Loan

On January 20, 2015, the District entered into an agreement with the SBVMWD for the construction, financing, and maintenance of a turnout by which the District's surface water treatment plant can receive State Project water. The total amount borrowed for construction of the project is \$4,367,927 bearing interest at the State of California Local Agency Investment Fund (LAIF) apportionment rate, which is 2.43% at June 30, 2019. Debt service payments are to be made annually on February 1st over ten years.

Department of Water Resources Contract 00C412 - Arroyo Verde Assessment District (AVAD)

On June 30, 2004, the District entered into a Funding Agreement for replacement of distribution pipelines in the section of the District's service area formerly served by the Arroyo Verde Water Company. The original loan amount was \$169,052 with an annual interest rate of 0%. Semi-annual payments of \$3,381 are due through January 2031 and are secured by annual assessments to property owners within the Arroyo Verde Assessment District. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Bonds and accrued interest thereon.

Department of Water Resources Contract 10CX110 - Plant 134

On December 21, 2010, the District entered into a Funding Agreement to upgrade treatment methods utilized by the District's surface water treatment plant (Plant 134). The amount borrowed under the agreement is \$7,001,964 with an annual interest rate of 0%. Semi-annual payments of \$116,699 are due through January 2045, and are secured by a pledge of net revenues of the District's water operating fund. The indenture authorizes, upon default, the State to declare immediate due and payable the total unpaid principal of the debt

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

5) LONG-TERM DEBT - Continued

and accrued interest thereon.

Department of Water Resources Contract 10PX102 - Plant 150 Design

On March 11, 2011 the District entered into a Funding Agreement to assist in financing the cost of studies and planning of treatment facilities to address water quality issues threatening the District's lower zone wells (Plant 150). The amount of the loan is \$100,000 with an annual interest rate of 0%. Semi-annual payments of \$10,000 are due through July 2018 and are secured by a pledge of net revenues of the District's water operating fund. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Bonds and accrued interest thereon.

Department of Water Resources Contract 11CX101 - Eastwood Farms Assessment District

On June 15, 2011 the District entered into a Funding Agreement for replacement of distribution pipelines in the section of the District's service area formerly serviced by the Eastwood Farms Water Users Association. The amount of the loan is \$390,482 with an annual interest rate of 0%. Semi-annual payments of \$6,508 are due for 30 years through January 2043. Repayment of the loan is secured by annual assessments to property owners within the Eastwood Farms Assessment District. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Bonds and accrued interest thereon.

The aggregate debt service requirements to maturity for long-term debt as of June 30, 2019 are as follows (excludes unamortized premiums/discounts and the California State Water Resource Control Board Contract C-06-8106-110):

Table 5-2

Year Ending June 30,	Principal	Interest	Total
2020	\$ 2,669,311	\$ 1,702,981	\$ 4,372,292
2021	2,748,556	1,609,845	4,358,401
2022	2,243,009	1,529,485	3,772,494
2023	2,302,673	1,468,447	3,771,120
2024	2,362,552	1,405,128	3,767,680
2025-2029	7,351,907	6,205,594	13,557,501
2030-2034	7,197,219	5,063,276	12,260,495
2035-2039	8,727,075	3,599,025	12,326,100
2040-2044	11,054,059	316,250	11,370,309
2045-2049	233,396	-	233,396
	<u>\$ 46,889,757</u>	<u>\$ 22,900,031</u>	<u>\$ 69,789,788</u>

California State Water Resources Control Board Contract C-06-8106-110 – Sterling Natural Resource Center

On June 26, 2018 the District entered into a Funding Agreement for the construction of a 6 million gallon per day (mgd) water recycling plant with the State Water Resources Control Board. The initial agreement approves \$11.5 million for design cost reimbursement, with a revised agreement covering design and construction costs

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

5) LONG-TERM DEBT - Continued

totaling \$157 million expected to be executed in October 2019. The revised Agreement will include a \$6.7 million grant and a low interest (1.8%) loan for the balance of \$150.3 million.

As of June 30, 2019 the District has incurred \$25.5 million in design and construction cost, the District has drawn approximately \$11.3 million, \$14.2 million is awaiting reimbursement (Due From Other Governments) of the \$150.3 million in loan financing available. Repayment on the loan will begin one year after the completion of construction and annual installment payments of principal and interest are projected to be approximately \$6.8 million. The District has pledged available water and wastewater revenue for the repayment of the loan, including the following new revenue streams:

- Wastewater treatment charges (previously paid to the City of San Bernardino)
- Sale of electrical energy produced by plant digesters (beyond energy used on site)
- Local Resource Investment Program fees for recycled water delivered for groundwater recharge
- Tipping fees from waste haulers

Estimated debt service on this loan is not included in the Table 5-2 above.

Security for debt is as follows:

Table 5-3

Debt	Security
2010 and 2013 Refunding Revenue Bonds and Department of Water Resources Construction Loans	The District is required to maintain net revenues, as defined by the revenue bond trust agreements and State of California Department of Public Health Funding agreements of at least 120% of District's annual debt service (principal and interest). At June 30, 2019, net water revenues represented 253% of the annual water debt service and net wastewater revenues represented 522% of the annual wastewater debt service.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

6) COMPENSATED ABSENCES

Compensated absences are comprised of unused vacation leave and a limited amount of sick leave which is accrued as earned in accordance with District policy. The District's liability for compensated absences is determined annually. Current portions are determined based on estimates of usage, amounts in excess of 196 hours that will be voluntarily cashed out and amounts that will be cashed out upon termination of employment.

Table 6-1

	Beginning of Year	Additions	Usage / Payments	End of Year	Current Portion	Long-Term Portion
Accrued Vacation Leave	\$ 491,137	\$ 360,048	\$(364,930)	\$ 486,255	\$ 260,481	\$ 225,774
Accrued Sick Leave	461,109	544,928	(535,014)	471,023	162,483	308,540
Total	<u>\$ 952,246</u>	<u>\$ 904,976</u>	<u>\$(899,944)</u>	<u>\$ 957,278</u>	<u>\$ 422,964</u>	<u>\$ 534,314</u>

7) NET INVESTMENT IN CAPITAL ASSETS

Net Investment in capital assets at June 30, 2019 consisted of the following:

Table 7-1

Non-Depreciable Capital Assets	\$ 41,770,736
Depreciable Capital Assets	217,060,837
Accumulated Depreciation	(89,104,594)
Loans Payable	(37,078,789)
Bonds Payable	(37,282,065)
Deferred Amount on Refunding	102,610
Total	<u>\$ 95,468,735</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8) DEFINED BENEFIT PENSION PLAN (PERS)

A) General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and East Valley Water District 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2 W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

Table 8-1

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.7% @55	2.0% @62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8.0%	6.5%
Required Employer Contribution Rates	11.913%	6.939%

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law 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 notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions recognized as part of pension expense for the Plans were as follows:

Table 8-2

	<u>Miscellaneous</u>
Contributions - Employer	\$ 1,228,277

B) Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

Table 8-3

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 10,846,955

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2018 was as follows:

Table 8-4

	<u>Miscellaneous Prior to January 1, 2013</u>
Proportion - June 30, 2017	0.116994%
Proportion - June 30, 2018	0.287816%
Change - Increase (Decrease)	0.170822%

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued

For the year ended June 30, 2019, the District recognized pension expense of \$1,424,547. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Table 8-5

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 380,179	\$ 129,373
Changes in Assumptions	1,129,621	276,848
Net differences between projected and actual earnings on plan investments	48,986	-
Change in employer's proportion	-	266,504
Difference between the employer's contributions and the employer's proportionate share of contributions	568,221	-
Pension contributions subsequent to measurement date	1,228,277	-
Total	<u>\$ 3,355,284</u>	<u>\$ 672,725</u>

\$1,228,277 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Table 8-6

Year June 30,	Amount
2020	\$ 1,091,929
2021	643,991
2022	(230,417)
2023	(51,221)
	<u>\$ 1,454,282</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Table 8-7

	<u>Miscellaneous</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Varies by Entry Age and
Projected Salary Increase	2.5
Investment Rate of Return	7.15% (1)

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability remained the same at 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS continues the Asset Liability Management (ALM) process to expand its review of assets and liabilities to ensure financial risks to the System are better understood, communicated, and mitigated. To establish appropriate levels of risk, ALM is focused on investment and actuarial policies. These policies include key decision factors and intend to drive optimum asset allocations, while stabilizing employer contribution rates, and the volatility of those rates year to year. Additionally, in order to better manage risks arising from terminating agencies, CalPERS has enhanced its oversight of contracting public agencies' financial health through its development of a standardized review criteria. These improvements include streamlining the collection and termination process to reduce the timeframe, accelerating notifications to the Board and members, and adopting a risk oversight process to improve early detection of financial hardship issues.

The long-term expected rate of return on pension plan investments was determined using a building-block

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued

method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Table 8-8

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11 + (b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) An expected inflation of 2.0 % used for this period

(b) An expected inflation of 2.92 % used for this period

C) Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents East Valley Water District's proportionate share of the net pension liability for the Plan, calculated using the current discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued

Table 8-9

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 16,862,265
Current Discount Rate	7.15%
Net Pension Liability	\$ 10,846,955
1% Increase	8.15%
Net Pension Liability	\$ 5,887,926

D) Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

E) Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

9) COMMITMENTS AND CONTINGENCIES

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District participates in a joint powers agreement (JPA) with the Special District Risk Management Authority (Authority). The Authority is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500 et. sec. The Authority is governed by a Board consisting of 7 directors that are either a manager or Board member of a current member agency that were elected by members of SDRMA. The Board controls the operations of the Authority including selection of management and approval of operation budgets. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes. Settled claims have been immaterial and claims liabilities have not been reported in these financial statements as of June 30, 2019, or in the previous two fiscal years.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

10) RISK MANAGEMENT - Continued

The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2019, the District's participation in the self-insurance programs of the Authority was as follows:

Table 10-1

Description		Limits	Deductible
Personal Injury and Property Damage Liability Coverage - General	\$ 10,000,000	Per occurrence / aggregate where applicable	\$500 (property damage only)
Personal Injury and Property Damage Liability Coverage - Auto	\$ 10,000,000	Per accident	None
Public Officials and Employees Errors and Omissions Coverage	\$ 10,000,000	Per wrongful act / annual member aggregate	None
Employment Practices Liability	\$ 10,000,000	Per wrongful employment practice / aggregate limits per member included with Public Officials and Employee Errors and Omissions Coverage	None up to \$10,000, 50% co-insurance from \$10,000 to \$50,000, none for amounts greater than \$50,000
Employee Benefits Liability	\$ 10,000,000	Per wrongful act / annual member aggregate	None
Employee Dishonesty Coverage	\$ 1,000,000	Per loss	None
Public Officials Personal Liability	\$ 500,000	Per occurrence / annual aggregate per Board	\$ 500
Automobile Physical Damage	ACV Limits	Replacement cost (stated value adjusted for depreciation on selected vehicles)	\$250/\$500 or \$500/\$1,000 comprehensive / collision (as elected per vehicle)
Uninsured Motorist Bodily Injury Coverage	\$ 750,000	Per accident	None
Property Coverage	\$ 1,000,000,000	Replacement cost for scheduled property if replaced (if not replaced within two years, actual cash value basis)	\$ 1,000
Boiler and Machinery	\$ 100,000,000	Replacement cost	\$ 1,000

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

11) POST EMPLOYMENT HEALTHCARE BENEFITS

The District provides post employment healthcare benefits for retired employees and eligible surviving spouses in accordance with the plan as established by the District. As of June 30, 2019, the District's total liability for post-employment healthcare benefits and details of the plan are explained below:

Table 11-1

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Benefits Plan	\$ 2,016,418	\$ 183,404	\$ 918	\$ 232,139

Plan Description and Eligibility

The District contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. As of June 7, 2011, the District is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Membership in the health benefit plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Table 11-2

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	19
Inactive participants entitled to but not yet receiving benefit payments	0
Active employees	66
Total	85

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. At retirement, the District provides the minimum employer contribution under the CalPERS Health Program for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the District. Vesting requires at least five years of service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon death of the retiree.

Employees retiring with at least 10 years of District service will receive an additional District contribution through attainment of Medicare eligibility age. The additional contribution is based on the negotiated dollar amount at retirement (currently \$700 per month). The surviving spouse of an eligible retiree is eligible for the District's

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

11) POST EMPLOYMENT HEALTHCARE BENEFITS - Continued

contribution upon the death of the retiree through the spouse's attainment of Medicare eligibility age.

The District's funding policy is to contribute the Annual Determined Contribution (ADC) to their account within the CERBT. For fiscal year ended June 30, 2018, the District paid \$149,548 to the plan including the implicit rate subsidy. The District contributed \$183,404 including the implicit rate subsidy for retiree health benefits to the Trust during the fiscal year ended June 30, 2019.

Net OPEB Liability

The table herein shows the components of the net OPEB liability of the District:

Table 11-3

	Balance
	June 30, 2019
Total OPEB Liability	\$ 2,658,610
Plan Fiduciary Net Position	642,192
District's Net OPEB Liability (Asset)	<u>\$ 2,016,418</u>

Investments

As described above, at June 30, 2019, all Plan investments are held in the CERBT through CalPERS.

Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

Table 11-4

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.50%
Health Care Trend Rate	6.00% HMO / 6.50% PPO

Mortality rates were based upon the rates under the CalPERS pensions plan updated to reflect the most recent experience study.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

11) POST EMPLOYMENT HEALTHCARE BENEFITS - Continued

The long-term expected rate of return on 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 asset allocation at June 30, 2018 are shown herein:

Table 11-5

Asset Class	Percentage of Portfolio	Assumed Gross Return
Global Equity	40%	5.50%
REITs	8%	3.65%
US Fixed Income	39%	2.35%
Commodities	3%	1.75%
Inflation Assets	10%	1.50%

The discount rate used to measure the total OPEB liability was 6.50 percent. The discount rate assumes the District continues to fully fund for its retiree health benefits through the CERBT under its investment allocation strategy 2. The rate reflects the CERBT published median interest rate for strategy 2 with an additional margin for adverse deviation.

Changes in the Net OPEB Liability

Table 11-6

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 2,537,882	\$ 605,512	\$ 1,932,370
Changes for the year:			
Service Cost	103,452	-	103,452
Interest	166,826	-	166,826
Employer Contributions	-	149,548	(149,548)
Net Investment Income	-	37,365	(37,365)
Benefit Payments	(149,548)	(149,548)	-
Administrative Expenses	-	-	-
Other Expenses	-	(683)	683
Net Changes	120,730	36,682	84,048
Balances at June 30, 2019	\$ 2,658,612	\$ 642,194	\$ 2,016,418

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

11) POST EMPLOYMENT HEALTHCARE BENEFITS - Continued

The following presents the District's net OPEB liability calculated using the discount rate of 6.50 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

Table 11-7

Discount Rate	Net OPEB Liability (Asset)
1% Decrease (5.50%)	\$ 2,301,125
Current Discount Rate (6.50%)	\$ 2,016,418
1% Increase (7.50%)	\$ 1,772,914

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate:

Table 11-8

Healthcare Trend Rate	Net OPEB Liability (Asset)
1% Decrease (5.00% - 5.50% decreasing to 4.00% - 4.50%)	\$ 1,710,593
Current Healthcare Trend Rate (6.00% - 6.50%)	\$ 2,016,418
1% Increase (7.00% - 7.50% decreasing to 6.00% - 6.50%)	\$ 2,376,978

OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of \$232,139 and recorded deferred outflows of resources of \$183,404 for contributions made during fiscal year 2019 after the measurement date. The deferred outflows will be recognized in OPEB expense for the period ending June 30, 2020.

The District recorded \$918 of deferred inflows of resources resulting from the differences between projected and actual earnings on OPEB plan investments for the period ending June 30, 2018. The deferred inflows of resources will be amortized and recognized in OPEB expense over three remaining periods ending June 30, 2022.

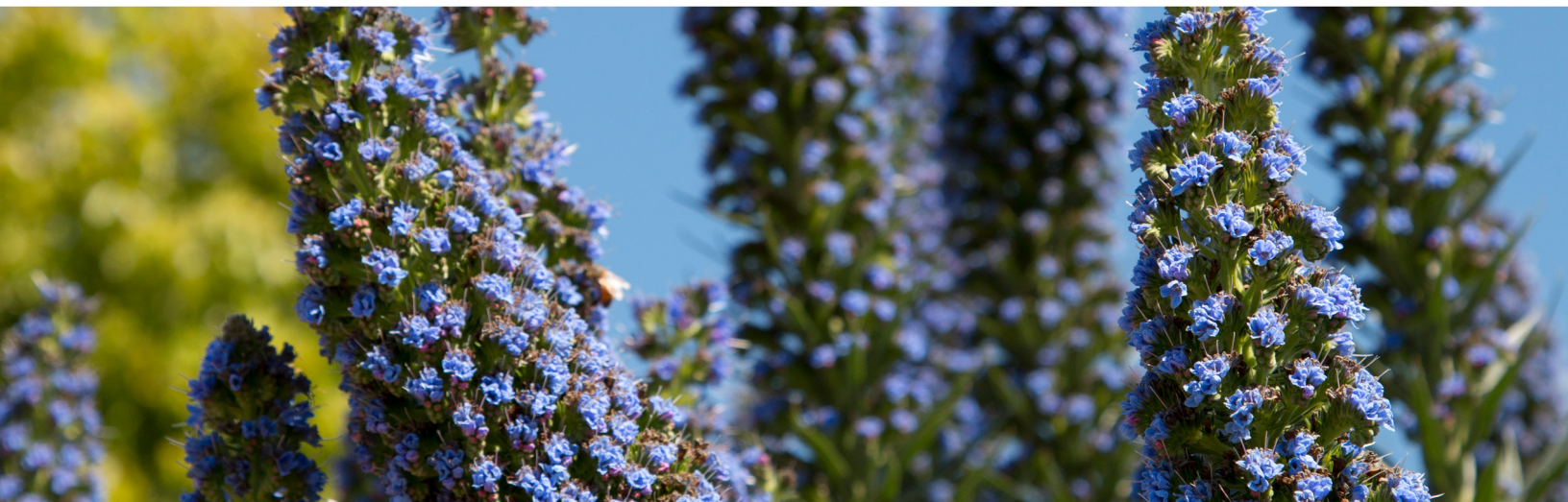
EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2019

12) CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District has three significant active construction project commitments as of June 30, 2019. The following contracts are related to the construction of the Recycled Water Facility.

Table 12-1

Contractual Commitments	Spent to Date	Remaining Commitment
Project Management for the Recycled Water Facility	\$ 116,955	\$ 368,045
Professional Services for Geotechnical, Material Testing, and Inspection Services for the Recycled Water Facility	\$ 80,935	\$ 532,738
Design-Build Services of the Recycled Water Facility	\$ 22,167,528	\$ 127,832,472



*Required Supplementary
Information*

East Valley Water District
Schedule of Proportionate Share of the Net Pension Liability
Year Ended June 30, 2019
Last Ten Years*

	2019	2018	2017	2016	2015
Proportion of the Net Pension Liability	0.28782%	0.11699%	0.11585%	0.11551%	0.10632%
Proportionate Share of the Net Pension Liability	\$10,846,955	\$11,601,798	\$10,024,712	\$ 7,928,173	\$ 6,615,935
Covered Payroll	\$ 5,447,702	\$ 4,489,575	\$ 5,097,156	\$ 4,715,712	\$ 4,436,236
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	199.11%	258.42%	196.67%	168.12%	149.13%
Plan's Fiduciary Net Position	\$33,563,265	\$27,706,747	\$27,529,345	\$28,045,198	\$29,336,566
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	71.37%	74.06%	78.40%	79.82%

* - Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

Schedule of Proportionate Share of the Net Pension Liability

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

**East Valley Water District
Schedule of Contributions
Year Ended June 30, 2019
Last Ten Years***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 1,278,460	\$ 1,579,268	\$ 1,035,102	\$ 895,822	\$ 742,546
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 1,278,460</u>	<u>\$ 1,579,268</u>	<u>\$ 1,035,102</u>	<u>\$ 895,822</u>	<u>\$ 742,546</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 5,658,626	\$ 5,447,702	\$ 4,489,575	\$ 5,097,156	\$ 4,715,712
Contributions as a Percentage of Covered Payroll	22.59%	28.99%	23.06%	17.57%	15.75%

* - Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

Schedule of Contributions

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

East Valley Water District
Schedule of Changes in the Net OPEB Liability
Year Ended June 30, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 103,452	\$ 97,138
Interest	166,826	160,043
Benefit Payments, including refunds of member contributions	(149,548)	(168,724)
Net Change in Total OPEB Liability	120,730	88,457
Total OPEB Liability - Beginning	2,537,882	2,449,425
Total OPEB Liability - Ending (a)	<u>\$ 2,658,612</u>	<u>\$ 2,537,882</u>
Plan Fiduciary Net Position	2019	2018
Contributions - Employer	\$ 149,548	\$ 218,724
Net Investment Income	37,365	36,877
Benefit Payments	(149,548)	(168,724)
Administrative Expense	-	(261)
Other Expense	(683)	-
Net Change in Plan Fiduciary Net Position	<u>\$ 36,682</u>	<u>\$ 86,616</u>
Plan Fiduciary Net Position - Beginning	<u>605,512</u>	<u>518,896</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 642,194</u></u>	<u><u>\$ 605,512</u></u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u><u>\$ 2,016,418</u></u>	<u><u>\$ 1,932,370</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.16%	23.86%
Covered-Employee Payroll	\$ 5,495,000	\$ 5,495,000
Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	36.70%	35.17%

Schedule of Changes in the Net OPEB Liability

Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

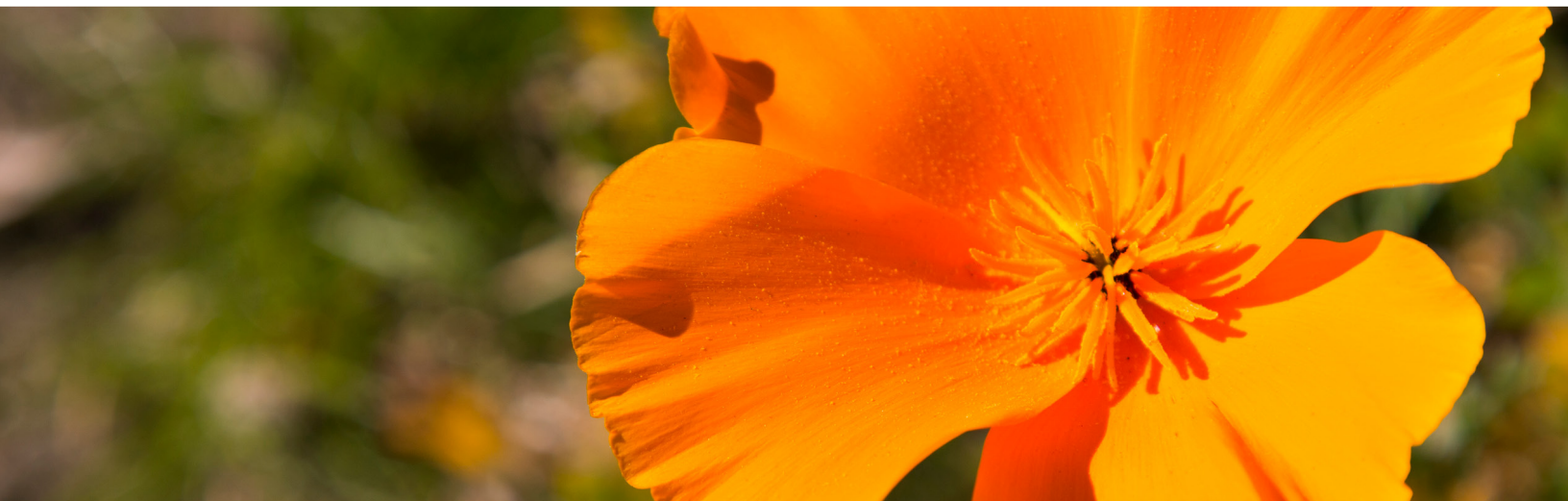
**East Valley Water District
Schedule of OPEB Contributions
Year Ended June 30, 2019**

OPEB Contributions	2019	2018
Actuarially Determined Contribution (ADC)	\$ 285,551	\$ 144,415
Contributions in Relation to the ADC	(149,548)	(218,724)
Contribution Deficiency (Excess)	<u>136,003</u>	<u>(74,309)</u>
District's Covered-Employee Payroll	\$ 5,495,000	\$ 5,495,000
Contributions as a Percentage of Covered-Employee Payroll	2.72%	3.98%

Schedule of OPEB Contributions

Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

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Supplementary Information



EAST VALLEY

WATER DISTRICT

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**East Valley Water District
History and Organization
Year Ended June 30, 2019**

Formation of the District

The Board of Supervisors of San Bernardino County approved a petition in writing for the formation of the East Valley Water District (formerly East San Bernardino County Water District) under Division 12 of the Water Code of the State of California and ordered an election held January 12, 1954. The formation of the District was voted by the electors. The Board of Supervisors of San Bernardino County, by action on January 18, 1954, approved the formation of the District. Incorporation of the "East Valley Water District" was approved by the State of California on February 1, 1954.

East Valley Water District Financing Authority

The East Valley Water District Financing Authority (Authority) is a public body organized and existing under a Joint Exercise of Powers Agreement, and under the Constitution and laws of the State of California, between East Valley Water District and the California Municipal Finance Authority. The Authority was formed to assist in the financing and refinancing of capital improvement projects of the District for the use, benefit, and enjoyment of the public.

Nature of Business

The District has been engaged in the furnishing of water service and wastewater transmission services to its customers since inception.

Location

The District office is located at 31111 Greenspot Road, Highland, California. The office is situated within the District's boundaries which encompass an area of approximately 30.1 square miles within the County of San Bernardino, California.

Directors

East Valley Water District		East Valley Water District Financing Authority	
Chris Carrillo	Chairman of the Board	Ronald Coats	President
David E. Smith	Vice-Chairman of the Board	Chris Carrillo	Vice President
Ronald L. Coats	Governing Board Member	John Mura	Secretary/Executive Director
James Morales, Jr.	Governing Board Member	Brian W. Tompkins	Director of Finance
Phillip R. Goodrich	Governing Board Member		

Management

East Valley Water District	
John Mura	General Manager/CEO
Brian W. Tompkins	Chief Financial Officer/Treasurer

Professional Consultants

The JC Law Firm serves as general counsel for the District. Additionally, the firms Buchalter Nemer, Filarsky & Watt LLP, Musick, Peeler & Garrett LLP, and Stradling Yocca Carson & Rauth, A Professional Group served as special counsel for the District.

East Valley Water District
Combining Schedule of Net Position
June 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash & Cash Equivalents	\$ 13,377,049	\$ -	-	\$ 13,377,049
Investments	3,425,943	1,902,418	-	5,328,361
Accounts Receivable, Net	3,859,002	270,814	-	4,129,816
Interest Receivable	100,490	3,377	-	103,867
Other Receivables	822,525	-	-	822,525
Due From Sewer Fund	10,182,102	-	10,182,102	-
Due from Other Governments	16,145	14,252,528	-	14,268,673
Inventory	338,913	6,721	-	345,634
Prepaid Expenses	240,518	29,346	-	269,864
Total Current Assets	<u>32,362,687</u>	<u>16,465,204</u>	<u>10,182,102</u>	<u>38,645,789</u>
Non-Current Assets:				
Restricted Cash & Cash Equivalents	5,586,932	2,585,034	-	8,171,966
Assessments Receivable	341,939	-	-	341,939
Capital Assets not being Depreciated	6,835,612	34,935,124	-	41,770,736
Capital Assets, Net (Note 4)	109,061,917	18,890,326	-	127,952,243
Total Non-Current Assets	<u>121,826,400</u>	<u>56,410,484</u>	<u>-</u>	<u>178,236,884</u>
Total Assets	<u>154,189,087</u>	<u>72,875,688</u>	<u>10,182,102</u>	<u>216,882,673</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	102,610	-	-	102,610
Deferred Outflows - Pensions	2,592,265	763,019	-	3,355,284
Deferred Outflows - OPEB	128,383	55,021	-	183,404
Total Deferred Outflows	<u>2,823,258</u>	<u>818,040</u>	<u>-</u>	<u>3,641,298</u>
Total Assets and Deferred Outflows of Resources	<u>\$157,012,345</u>	<u>\$ 73,693,728</u>	<u>\$10,182,102</u>	<u>\$220,523,971</u>

(Continued)

East Valley Water District
Combining Schedule of Net Position – Continued
June 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable & Accrued Expenses	\$ 4,179,936	\$ 390,852	\$ -	\$ 4,570,788
Accrued Payroll & Benefits	386,749	106,529	-	493,278
Customer Service Deposits	1,550,338	-	-	1,550,338
Construction Advances and Retentions	106,000	1,170,212	-	1,276,212
Accrued Interest Payable	410,056	52,494	-	462,550
Current Portion of Compensated Absences	352,523	70,441	-	422,964
Current Portion of Long-Term Debt	2,646,940	122,958	-	2,769,898
Due To Water Fund	-	10,182,102	10,182,102	-
Total Current Liabilities	<u>9,632,542</u>	<u>12,095,588</u>	<u>10,182,102</u>	<u>11,546,028</u>
Non-Current Liabilities:				
Compensated Absences, Less Current Portion	446,096	88,218	-	534,314
Net Pension Liability	8,394,845	2,452,110	-	10,846,955
Net OPEB Liability	1,411,493	604,925	-	2,016,418
Long-Term Debt, Less Current Portion	41,607,138	29,983,816	-	71,590,954
Total Non-Current Liabilities	<u>51,859,572</u>	<u>33,129,069</u>	<u>-</u>	<u>84,988,641</u>
Total Liabilities	<u>61,492,114</u>	<u>45,224,657</u>	<u>10,182,102</u>	<u>96,534,669</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	512,456	160,269	-	672,725
Deferred Inflows - OPEB	643	275	-	918
Total Deferred Inflows	<u>513,099</u>	<u>160,544</u>	<u>-</u>	<u>673,643</u>
Total Liabilities and Deferred Inflows of Resources	<u>62,005,213</u>	<u>45,385,201</u>	<u>10,182,102</u>	<u>97,208,312</u>
NET POSITION				
Net Investment in Capital Assets	71,750,057	23,718,678	-	95,468,735
Restricted for:				
Future Capital Expansion Projects	2,177,257	1,283,578	-	3,460,835
Unrestricted	21,079,818	3,306,271	-	24,386,089
Total Net Position	<u>\$ 95,007,132</u>	<u>\$ 28,308,527</u>	<u>\$ -</u>	<u>\$123,315,659</u>

East Valley Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	Water	Wastewater	Total
OPERATING REVENUE			
Water Sales	\$ 15,746,654	\$ -	\$ 15,746,654
Wastewater Treatment Charges	-	8,592,950	8,592,950
System Charges	9,009,881	4,643,732	13,653,613
Other Revenue	793,421	522,660	1,316,081
Total Operating Revenue	<u>25,549,956</u>	<u>13,759,342</u>	<u>39,309,298</u>
OPERATING EXPENSES			
Source of Supply:			
Salary & Benefits	546,268	-	546,268
Contract Services	564,658	-	564,658
Utilities	1,189,832	-	1,189,832
Insurance	3,106	-	3,106
Materials & Supplies	40,084	-	40,084
Purchased Water	404,919	-	404,919
Water Assessments	123,547	-	123,547
Chemicals	72,400	-	72,400
Professional Development	264	-	264
Taxes	30,270	-	30,270
Total Source of Supply	<u>2,975,348</u>	<u>-</u>	<u>2,975,348</u>
Pumping:			
Salary & Benefits	133,581	-	133,581
Contract Services	94,768	-	94,768
Utilities	352,486	-	352,486
Materials & Supplies	4,750	-	4,750
Total Pumping	<u>585,585</u>	<u>-</u>	<u>585,585</u>
Water Treatment:			
Salary & Benefits	427,092	-	427,092
Contract Services	129,629	-	129,629
Utilities	126,675	-	126,675
Materials & Supplies	55,760	-	55,760
Chemicals	101,467	-	101,467
Total Water Treatment	<u>840,623</u>	<u>-</u>	<u>840,623</u>
Wastewater Treatment:			
Treatment Services	<u>-</u>	<u>8,592,950</u>	<u>8,592,950</u>
Transmission & Distribution:			
Salary & Benefits	1,976,083	-	1,976,083
Contract Services	510,819	-	510,819
Materials & Supplies	247,833	-	247,833
Chemicals	53,651	-	53,651
Permits	13,500	-	13,500
Tools	17,312	-	17,312
	90	-	90
Total Transmission & Distribution	<u>\$ 2,819,288</u>	<u>\$ -</u>	<u>\$ 2,819,288</u>

(Continued)

East Valley Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Continued
Year Ended June 30, 2019

	Water	Wastewater	Total
OPERATING EXPENSES - Continued			
Wastewater Collection:			
Salary & Benefits	\$ -	\$ 311,226	\$ 311,226
Contract Services	-	357,353	357,353
Materials & Supplies	-	29,432	29,432
Tools	-	2,496	2,496
Total Wastewater Collection	-	700,507	700,507
Customer Accounts:			
Salary & Benefits	754,231	217,567	971,798
Contract Services	669,819	126,893	796,712
Utilities	3,642	1,589	5,231
Materials & Supplies	1,924	287	2,211
General Office Supplies	4,904	412	5,316
Tools	2,685	238	2,923
Printing & Publishing	6,570	2,816	9,386
Postage	89,457	38,339	127,796
Professional Development	2,449	773	3,222
Total Customer Accounts	1,535,681	388,914	1,924,595
General & Administrative:			
Salary & Benefits	4,379,748	1,558,360	5,938,108
Contract Services	1,583,037	821,446	2,404,483
Conservation Rebates	711,436	-	711,436
Utilities	236,271	45,987	282,258
Insurance	169,874	73,356	243,230
Materials & Supplies	228,536	195,955	424,491
General Office Supplies	8,019	18,808	26,827
Legal Services	170,526	70,323	240,849
Permits	53,768	1,518	55,286
Memberships & Dues	62,238	25,489	87,727
Tools	11,807	2,143	13,950
Printing & Publishing	124,277	62,074	186,351
Professional Development	93,258	38,444	131,702
Rents & Leases	25,079	7,166	32,245
Total General & Administrative	7,857,874	2,921,069	10,778,943
OPERATING EXPENSES BEFORE DEPRECIATION	16,614,399	12,603,440	29,217,839
Depreciation	5,897,894	782,340	6,680,234
Total Operating Expenses	22,512,293	13,385,780	35,898,073
OPERATING INCOME (LOSS)	\$ 3,037,663	\$ 373,562	\$ 3,411,225

(Continued)

East Valley Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Continued
Year Ended June 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
NON-OPERATING REVENUES			
Investment Income	\$ 446,734	\$ 124,815	\$ 571,549
Gain on Disposal	456,199	249,086	705,285
Other Income	307,247	-	307,247
Total Non-Operating Revenues	<u>1,210,180</u>	<u>373,901</u>	<u>1,584,081</u>
NON-OPERATING EXPENSES			
Interest Expense	<u>1,491,719</u>	<u>193,267</u>	<u>1,684,986</u>
Total Non-Operating Expenses	<u>1,491,719</u>	<u>193,267</u>	<u>1,684,986</u>
INCOME BEFORE CONTRIBUTIONS	<u>2,756,124</u>	<u>554,196</u>	<u>3,310,320</u>
CONTRIBUTIONS:			
Capacity Charges	<u>310,946</u>	<u>300,727</u>	<u>611,673</u>
Total Contributions	<u>310,946</u>	<u>300,727</u>	<u>611,673</u>
CHANGE IN NET POSITION	3,067,070	854,923	3,921,993
TOTAL NET POSITION, BEGINNING (AS PREVIOUSLY REPORTED)	<u>91,940,062</u>	<u>27,453,604</u>	<u>119,393,666</u>
TOTAL NET POSITION, ENDING	<u><u>\$ 95,007,132</u></u>	<u><u>\$ 28,308,527</u></u>	<u><u>\$ 123,315,659</u></u>

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East Valley Water District
Combining Schedule of Cash Flows
Year Ended June 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 25,917,338	\$ 14,931,641	\$ -	\$ 40,848,979
Cash Payments for Employees Services	(7,636,548)	(2,350,318)	-	(9,986,866)
Cash Payments to Suppliers	(5,824,817)	(10,264,891)	-	(16,089,708)
Cash from Other Sources	(401,490)	-	-	(401,490)
Net Cash Provided by Operating Activities	<u>12,054,483</u>	<u>2,316,432</u>	<u>-</u>	<u>14,370,915</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Gain on Disposal	456,200	249,086	-	705,286
Contributed Capital	618,192	300,727	-	918,919
Proceeds from Loan of Capital Debt	-	11,236,504	-	11,236,504
Due To Water Fund	-	10,182,102	(10,182,102)	-
Due From Sewer Fund	(10,182,102)	-	10,182,102	-
Principal Paid on Capital Debt	(2,924,244)	(100,000)	-	(3,024,244)
Interest Paid on Capital Debt	(1,593,181)	(212,475)	-	(1,805,656)
Acquisition of Capital Assets	3,777,679	(25,107,422)	-	(21,329,743)
Net Cash Used for Capital and Related Financing Activities	<u>(9,847,456)</u>	<u>(3,451,478)</u>	<u>-</u>	<u>(13,298,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received from Investments	414,879	93,473	-	508,352
Acquisition of Investment Securities	(699,864)	(3,331)	-	(703,195)
Proceeds from Sales of Investments	772,095	2,160	-	774,255
Loan Collections	13,791	-	-	13,791
Net Cash Provided (Used) by Investing Activities	<u>500,901</u>	<u>92,302</u>	<u>-</u>	<u>593,203</u>
Net (Decrease) Increase in Cash and Cash Equivalents	2,707,928	(1,042,744)	-	1,665,184
Cash and Equivalents, Beginning of Year	16,256,053	3,627,778	-	19,883,831
Cash and Equivalents, End of Year	<u>\$ 18,963,981</u>	<u>\$ 2,585,034</u>	<u>\$ -</u>	<u>\$ 21,549,015</u>
RECONCILIATION TO STATEMENT OF NET POSITION				
Cash and Cash Equivalents	\$ 13,377,049	\$ -	\$ -	\$ 13,377,049
Restricted Cash and Cash Equivalents	5,586,932	2,585,034	-	8,171,966
Total Cash and Cash Equivalents	<u>\$ 18,963,981</u>	<u>\$ 2,585,034</u>	<u>\$ -</u>	<u>\$ 21,549,015</u>

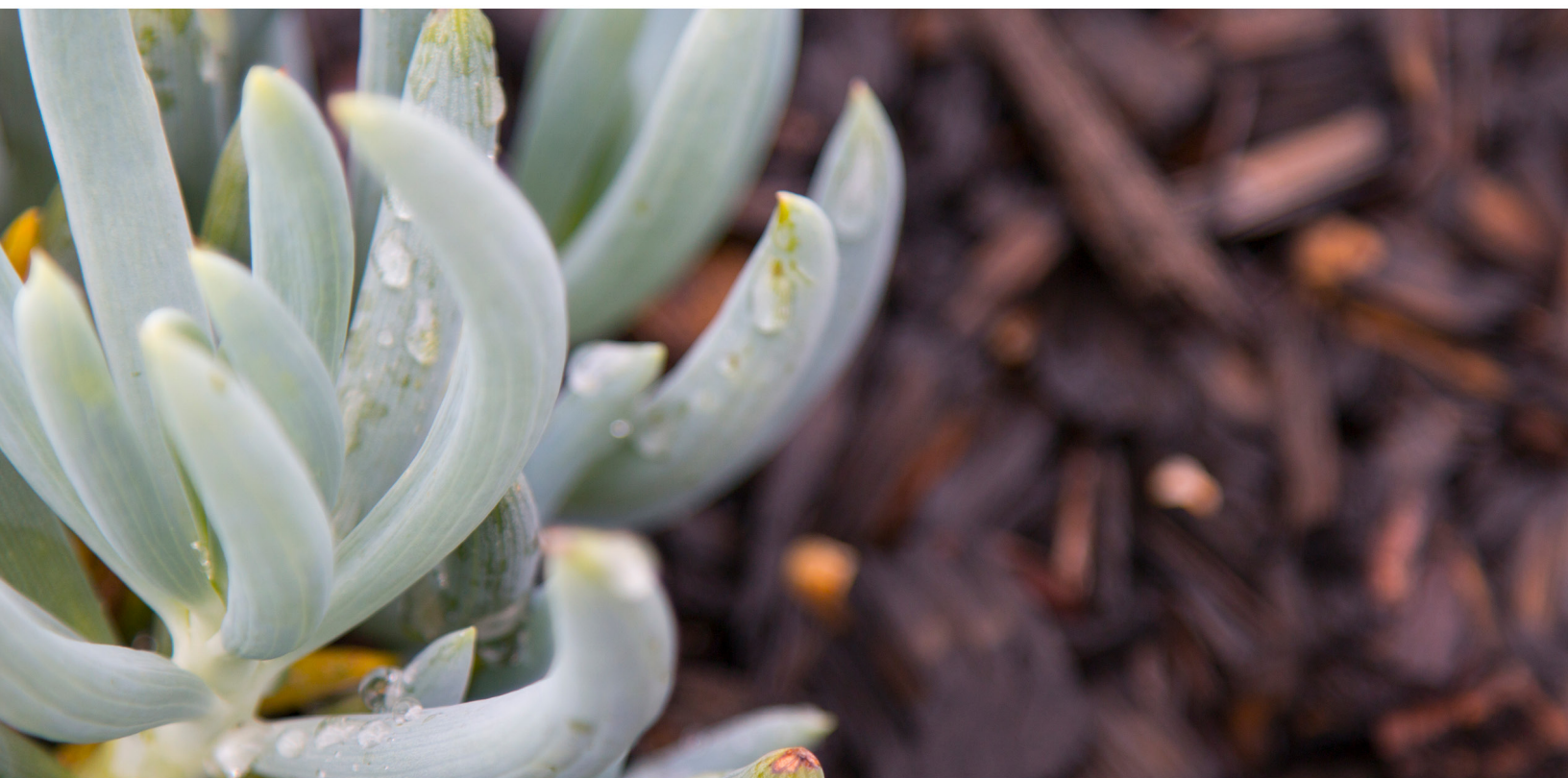
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East Valley Water District
Combining Schedule of Cash Flows - Continued
Year Ended June 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to				
Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 3,037,663	\$ 373,562	\$ -	\$ 3,411,225
Adjustments to Reconcile Operating				
Income (Loss) to Net Cash Provided by				
Operating Activities:				
Depreciation	5,897,894	782,340	-	6,680,234
Change in Assets and Liabilities:				
Customer Receivables	405,963	5,590	-	411,553
Other operating receivables	(401,490)	-	-	(401,490)
Inventory	(60,416)	-	-	(60,416)
Prepays	(43,134)	(22,859)	-	(65,993)
Deferred Outflow of Resources	595,729	255,313	-	851,042
Accounts Payable - Supplier	2,676,126	274,253	-	2,950,379
Salaries & Benefits Payable	14,796	7,092	-	21,888
Compensated absences	362,401	(357,369)	-	5,032
Net Pension Liability	(528,390)	(226,453)	-	(754,843)
Net OPEB Liability	58,834	25,214	-	84,048
Deferred Inflows of Resources	77,087	33,037	-	110,124
Customer Deposits	(38,580)	-	-	(38,580)
Developer Deposits	-	1,166,712	-	1,166,712
	<u>\$ 12,054,483</u>	<u>\$ 2,316,432</u>	<u>\$ -</u>	<u>\$ 14,370,915</u>
NON-CASH INVESTING, CAPITAL, AND				
NON-CAPITAL FINANCING ACTIVITIES:				
Fair Value Adjustments to Investments	\$ 340	\$ 48,534	\$ -	\$ 48,874

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Statistical Information Section





Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019

Table of Contents

	<u>Page No.</u>
<u>Statistical Information Section</u>	
Financial Trends	87-91
<i>These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
Changes in Net Position by Component – Last Ten Fiscal Years.....	87-88
Operating Revenue by Source – Last Ten Fiscal Years	89
Water Operating Expenses – Last Ten Fiscal Years	90
Wastewater Operating Expenses – Last Ten Fiscal Years	91
 Revenue Capacity	 92-98
<i>These schedules contain information to help the reader assess the District's most significant sources of revenue, water sales, meter charges, wastewater system charges, wastewater treatment charges, and other charges.</i>	
Water Sales and Production – Last Ten Fiscal Years.....	92
Revenue Rates for Water – Last Ten Fiscal Years.....	93-94
Revenue Rates for Wastewater – Last Ten Fiscal Years.....	95-96
Active Services by Type – Last Ten Fiscal Years	97
Principal Customers – Current Fiscal Year and Nine Years Ago	98
 Debt Capacity	 99-100
<i>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.</i>	
Ratio of Outstanding Debt – Last Ten Fiscal Years	99
Debt Service Coverage – Last Ten Fiscal Years	100



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019

Table of Contents

	<u>Page No.</u>
<u>Statistical Information Section - Continued</u>	
Demographic Information	101
<i>These schedules offer demographic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	
Demographic and Economic Statistics – Last Ten Calendar / Fiscal Years	101
Operating Information	102-103
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service provided by the District.</i>	
Full-Time Equivalent Employees by Department – Last Ten Fiscal Years	102
Operating and Capacity Indicators for Water and Wastewater – Last Ten Fiscal Years	103

EAST VALLEY WATER DISTRICT
Changes in Net Position by Component
Last Ten Fiscal Years

Year ended June 30,

	2010	2011	2012	2013	2014
Change In Net Position					
Operating Revenue	\$ 24,427,059	\$ 25,205,990	\$ 28,652,017	\$ 31,513,194	\$ 32,620,577
Operating Expenses	24,015,104	24,368,478	24,664,829	24,859,076	29,191,176
Operating Income (Loss)	411,955	837,512	3,987,188	6,654,118	3,429,401
Non Operating Revenue					
(Expenses)					
Investment Income	61,192	87,589	84,094	55,310	49,846
Other Income	178,515	195,070	137,094	397,796	334,700
Interest Expense	(989,019)	(1,286,352)	(1,451,516)	(1,445,981)	(1,917,676)
Amortization	(36,061)	(32,851)	(35,284)	(69,038)	(99,688)
Gain (Loss) on					
Disposal of Assets	(133,412)	(140,301)	-	-	(606,085)
	(918,785)	(1,176,845)	(1,265,612)	(1,061,913)	(2,238,903)
Special Item					
Abandoned Projects	-	-	-	-	-
Hazard Mitigation	-	-	-	-	-
Capital Contributions	101,233	778,049	3,562,822	832,515	6,369,890
Change in Net Position	(405,597)	438,716	6,284,398	6,424,720	7,560,388
Prior Period Adjustment	-	-	2,861,951	(537,099)	-
Cumulative Effect of Change					
in Accounting Principles	-	-	-	-	-
Net Position - Beginning	99,442,017	99,036,420	99,475,136	108,621,485	114,509,106
Net Position - Ending	<u>\$ 99,036,420</u>	<u>\$ 99,475,136</u>	<u>\$ 108,621,485</u>	<u>\$ 114,509,106</u>	<u>\$ 122,069,494</u>
Net Position By Component					
Net Investment in					
Capital Assets	93,380,410	95,251,762	96,919,789	95,258,164	101,757,787
Restricted	-	103,029	416,250	920,554	2,274,769
Unrestricted	5,656,010	4,120,345	11,285,446	18,330,388	18,036,938
	<u>\$ 99,036,420</u>	<u>\$ 99,475,136</u>	<u>\$ 108,621,485</u>	<u>\$ 114,509,106</u>	<u>\$ 122,069,494</u>

(Continued)

SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Changes in Net Position by Component - Continued
Last Ten Fiscal Years

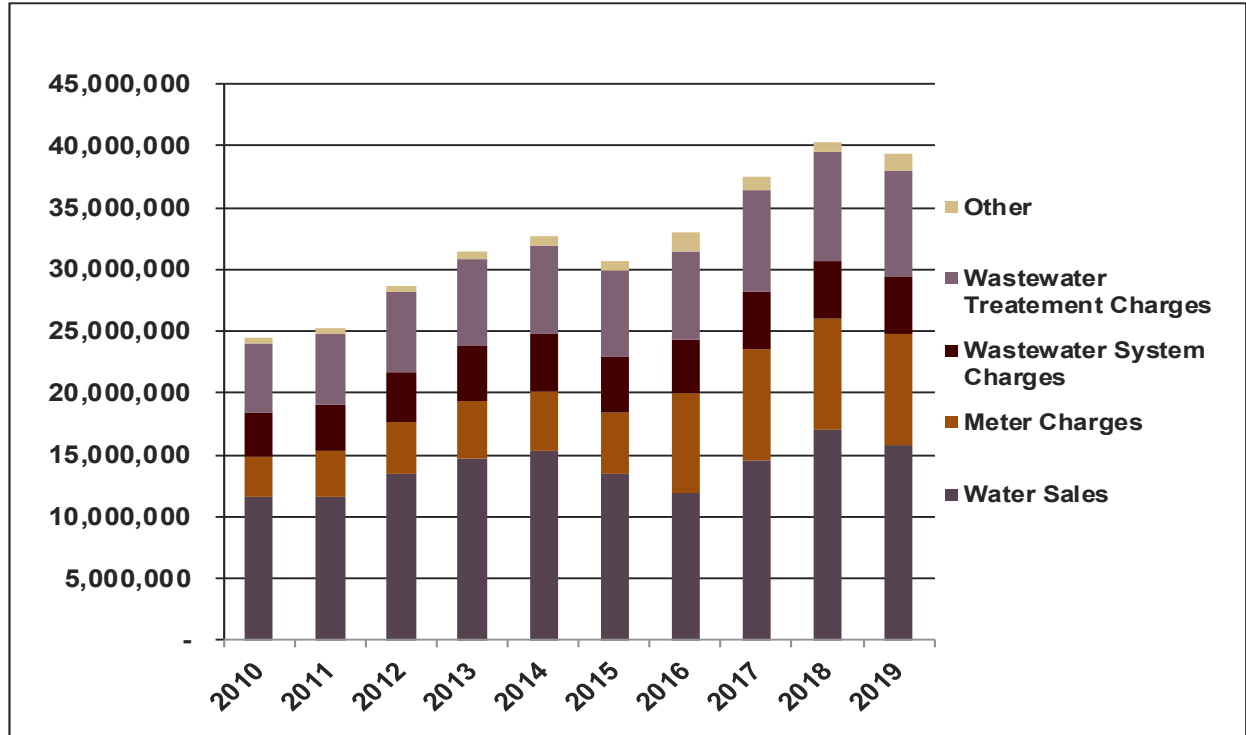
Year ended June 30,

	2015	2016	2017	2018	2019
Change In Net Position					
Operating Revenue	\$ 30,743,445	\$ 33,024,082	\$ 37,448,549	\$ 40,291,125	\$ 39,309,298
Operating Expenses	29,146,339	32,655,921	32,299,587	35,980,099	35,898,073
Operating Income (Loss)	1,597,106	368,161	5,148,962	4,311,026	3,411,225
Non Operating Revenue					
(Expenses)					
Investment Income	100,830	146,874	69,237	221,359	571,549
Other Income	800,278	830,806	401,323	258,560	307,247
Interest Expense	(1,980,062)	(1,843,440)	(1,776,684)	(1,777,852)	(1,684,986)
Amortization	-	-	-	-	-
Gain (Loss) on					
Disposal of Assets	-	-	-	-	705,285
	(1,078,954)	(865,760)	(1,306,124)	(1,297,933)	(100,905)
Special Item					
Abandoned Projects	(2,413,478)	-	(1,615,241)	-	-
Hazard Mitigation	-	-	-	(155,177)	-
Capital Contributions	596,940	732,642	2,446,118	523,918	611,673
Change in Net Position	(1,298,386)	235,043	4,673,715	3,381,834	3,921,993
Prior Period Adjustment	(7,956,231)	-	-	-	-
Cumulative Effect of Change					
in Accounting Principles	-	-	-	(1,711,803)	-
Net Position - Beginning	122,069,494	112,814,877	113,049,920	117,723,635	119,393,666
Net Position - Ending	<u>\$112,814,877</u>	<u>\$113,049,920</u>	<u>\$117,723,635</u>	<u>\$119,393,666</u>	<u>\$123,315,659</u>
Net Position By Component					
Net Investment in					
Capital Assets	98,091,685	103,222,160	104,659,796	103,210,762	95,468,735
Restricted	2,322,238	2,276,695	2,847,924	3,334,940	3,460,835
Unrestricted	12,400,954	7,551,065	10,215,915	12,847,964	24,386,089
	<u>\$112,814,877</u>	<u>\$113,049,920</u>	<u>\$117,723,635</u>	<u>\$119,393,666</u>	<u>\$123,315,659</u>

SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Operating Revenue by Source
Last Ten Fiscal Years

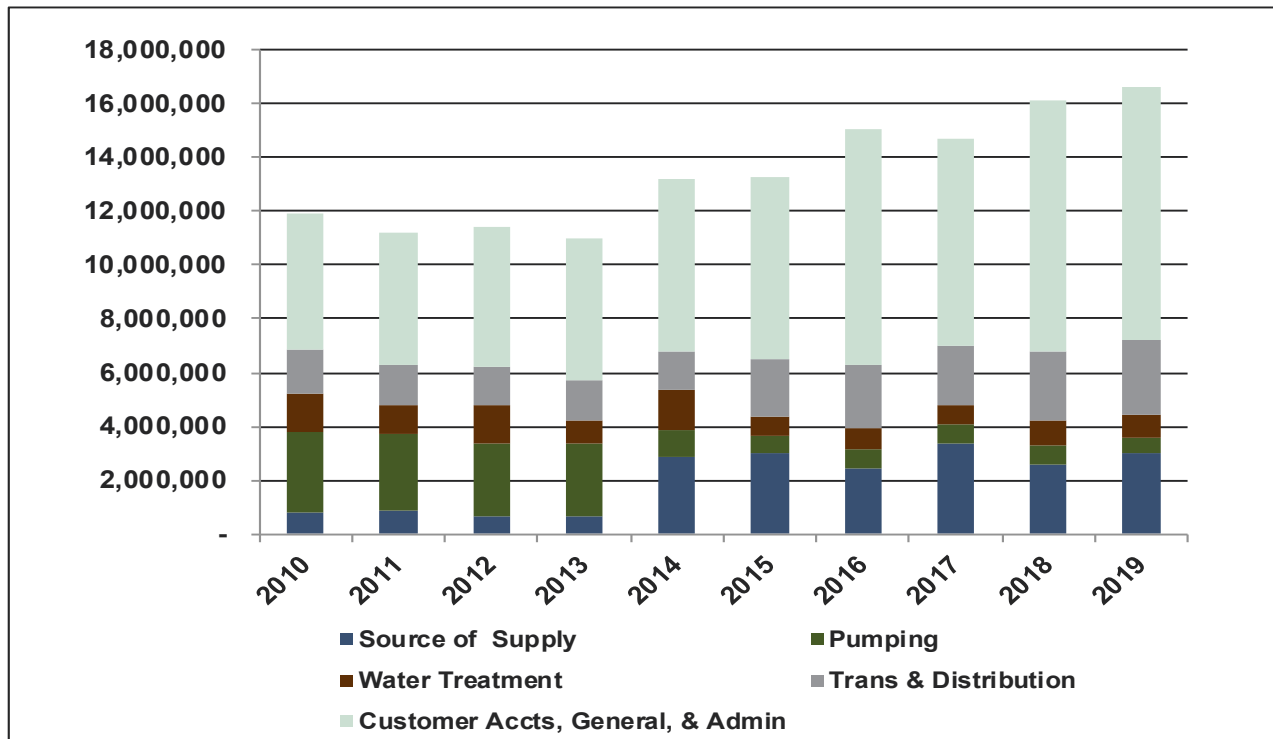
Year Ended June 30,	Water Sales	Meter Charges	Wastewater System Charges	Wastewater Treatment Charges	Other	Total Operating Revenue
2010	11,638,234	3,215,189	3,509,254	5,665,046	399,336	24,427,059
2011	11,625,249	3,695,345	3,708,815	5,761,956	500,831	25,292,196
2012	13,426,700	4,175,522	4,114,621	6,470,322	464,852	28,652,017
2013	14,780,448	4,555,414	4,473,032	6,998,487	705,813	31,513,194
2014	15,351,609	4,704,036	4,649,212	7,197,418	718,302	32,620,577
2015	13,505,159	4,874,581	4,531,355	6,907,828	924,522	30,743,445
2016	11,927,523	8,063,077	4,286,594	7,165,655	1,581,233	33,024,082
2017	14,556,339	8,944,652	4,703,439	8,128,030	1,116,089	37,448,549
2018	17,063,891	8,999,756	4,668,923	8,697,671	860,884	40,291,125
2019	15,746,654	9,009,881	4,643,732	8,592,950	1,316,081	39,309,298



SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Water Operating Expenses
Last Ten Fiscal Years

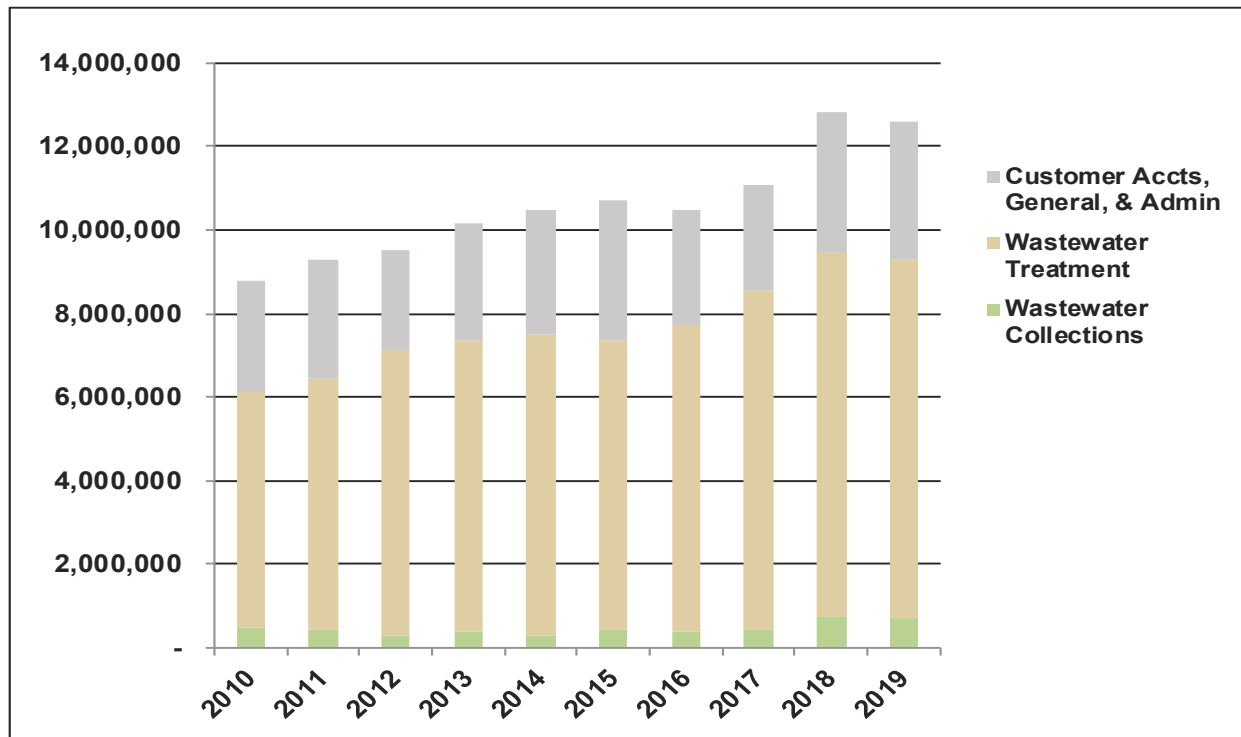
Year Ended June 30,	Source of Supply	Pumping	Water Treatment	Trans & Distribution	Customer Accts, General, & Admin	Total Water Oper Expenses
2010	815,349	2,971,681	1,453,365	1,586,237	5,112,974	11,939,606
2011	853,161	2,853,461	1,080,954	1,514,394	4,923,033	11,225,003
2012	658,481	2,700,867	1,412,079	1,449,491	5,203,981	11,424,899
2013	672,101	2,683,340	874,448	1,469,243	5,323,101	11,022,233
2014	2,875,518	992,555	1,516,412	1,437,831	6,397,534	13,219,850
2015	3,025,714	615,147	743,099	2,120,374	6,785,909	13,290,243
2016	2,442,061	696,432	799,947	2,327,185	8,782,957	15,048,582
2017	3,401,062	646,940	750,052	2,222,953	7,696,211	14,717,218
2018	2,595,071	683,296	969,460	2,538,910	9,347,724	16,134,461
2019	2,975,348	585,585	840,623	2,819,288	9,393,555	16,614,399



SOURCES: East Valley Water District - Customer Service, Finance, and Operations Departments

EAST VALLEY WATER DISTRICT
Wastewater Operating Expenses
Last Ten Fiscal Years

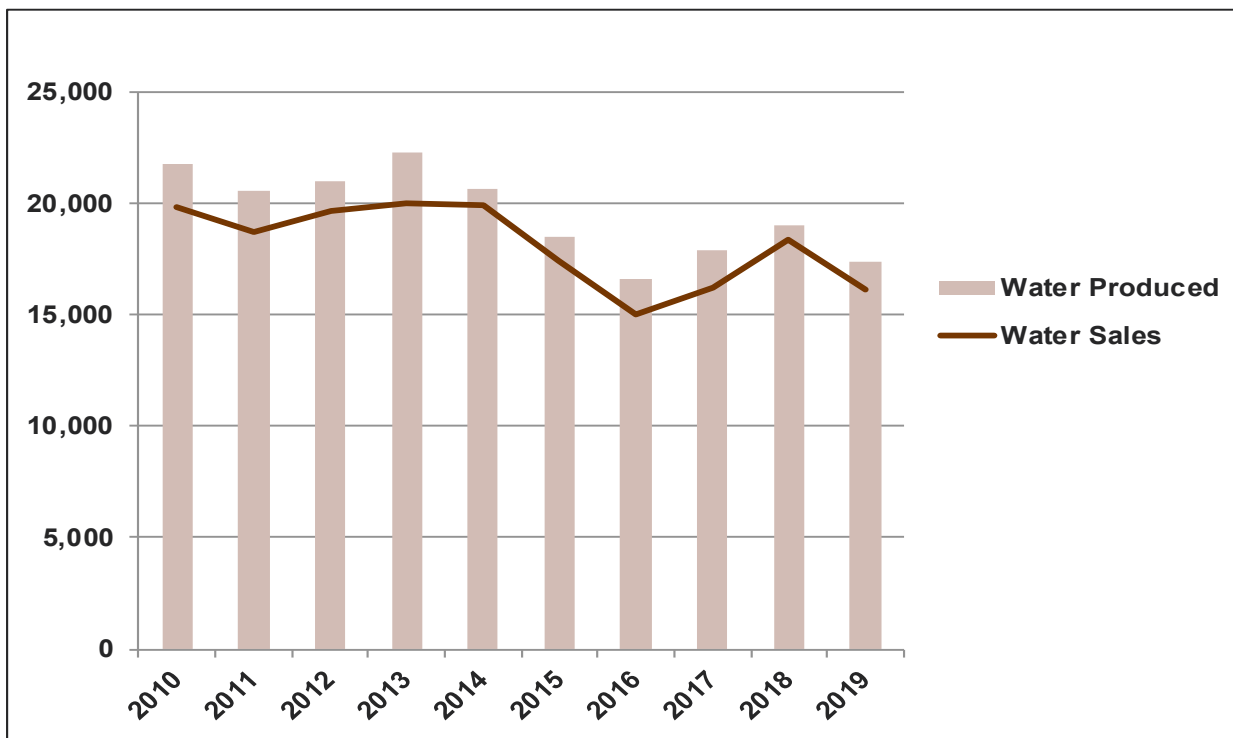
Year Ended June 30,	Wastewater Collections	Wastewater Treatment	Customer Accts, General, & Admin	Total Wastewater Oper Expenses
2010	474,244	5,665,046	2,621,931	8,761,221
2011	447,426	5,995,720	2,857,272	9,300,418
2012	310,834	6,800,369	2,389,631	9,500,834
2013	382,197	6,998,487	2,758,848	10,139,532
2014	312,193	7,197,418	2,953,997	10,463,608
2015	448,399	6,907,828	3,356,250	10,712,477
2016	407,913	7,302,389	2,752,779	10,463,081
2017	425,944	8,128,030	2,510,920	11,064,894
2018	753,000	8,697,671	3,367,091	12,817,762
2019	700,507	8,592,950	3,309,983	12,603,440



SOURCES: East Valley Water District - Customer Service and Finance Departments

EAST VALLEY WATER DISTRICT
Water Sales and Production
Last Ten Fiscal Years

Year Ended June 30,	Water Sales (Acre Feet)	Water Produced (Acre Feet)
2010	19,803	21,792
2011	18,712	20,605
2012	19,708	20,982
2013	20,036	22,308
2014	19,910	20,665
2015	17,431	18,494
2016	14,999	16,614
2017	16,223	17,922
2018	18,361	18,997
2019	16,167	17,397



SOURCES: East Valley Water District - Finance and Operations Departments

EAST VALLEY WATER DISTRICT
Revenue Rates for Water
Last Ten Fiscal Years

Water Consumption Rates

Year ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Charge per HCF	\$ 1.35	\$ 1.49	\$ 1.62	\$ 1.77	\$ 1.77

Water Monthly System Charges

Year ended June 30, ended June 30,

Meter Size (inches)	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
5/8	\$ 10.45	\$ 11.54	\$ 12.58	\$ 13.71	\$ 13.71
3/4	10.45	11.54	12.58	13.71	13.71
1	14.63	17.56	19.14	20.87	20.87
1 1/2	18.81	32.49	35.41	38.60	38.60
2	30.39	74.47	81.17	88.48	88.48
3	114.94	137.40	149.77	163.25	163.25
4	146.29	227.30	247.76	270.06	270.06
6	219.44	452.06	492.74	537.09	537.09
8	303.04	721.76	786.72	857.52	857.52

(Continued)

NOTES:

HCF = Hundred Cubic Feet = 748 gallons

* On June 1, 2015 the District adopted Water Budget Based Rates.

SOURCE: East Valley Water District - Water and Wastewater Rate Resolutions

EAST VALLEY WATER DISTRICT
Revenue Rates for Water - Continued
Last Ten Fiscal Years

Water Consumption Rates

Year ended June 30,

	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Charge per HCF	Tier 1-\$1.45	Tier 1-\$1.45	Tier 1-\$1.63	Tier 1-\$1.73	Tier 1-\$1.73
	Tier 2-\$2.07	Tier 2-\$2.07	Tier 2-\$2.32	Tier 2-\$2.46	Tier 2-\$2.46
	Tier 3-\$2.89	Tier 3-\$2.89	Tier 3-\$3.24	Tier 3-\$3.44	Tier 3-\$3.44

Water Monthly System Charges

Year ended June 30,

<u>Meter Size (inches)</u>	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
5/8	\$ 20.96	\$ 20.96	\$ 23.06	\$ 23.06	\$ 23.06
3/4	26.61	26.61	29.27	29.27	29.27
1	37.92	37.92	41.71	41.71	41.71
1 1/2	66.19	66.19	72.81	72.81	72.81
2	100.12	100.12	110.13	110.13	110.13
3	207.54	207.54	228.30	228.30	228.30
4	365.85	365.85	402.44	402.44	402.44
6	744.67	744.67	819.14	819.14	819.14
8	1,366.62	1,366.62	1,503.28	1,503.28	1,503.28

NOTES:

HCF = Hundred Cubic Feet = 748 gallons

* On June 1, 2015 the District adopted Water Budget Based Rates.

SOURCE: East Valley Water District - Water and Wastewater Rate Resolutions

EAST VALLEY WATER DISTRICT
Revenue Rates for Wastewater
Last Ten Fiscal Years

Wastewater Maintenance Charges

Year ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential (1 to 3 units)					
Flat Monthly Charge (per unit)	\$ 10.84	\$ 12.93	\$ 14.09	\$ 15.36	\$ 15.36
Commercial					
Flat Monthly Charge	-	3.28	3.58	3.90	3.90
plus,					
Charge per HCF	0.55	0.46	0.50	0.55	0.55

Wastewater Treatment Charges

Year ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential					
Flat Monthly Charge					
Residential (1 unit)	\$ 15.25	\$ 16.00	\$ 18.50	\$ 18.50	\$ 18.50
Multi-Family (2 units)	15.25	16.00	37.00	37.00	37.00
Multi-Family (3 units)	15.25	16.00	55.50	55.50	55.50
Commercial					
Multi-family (4+ units)	2.00	2.00	2.40	2.40	2.40
Non-Residential	2.00	2.00	2.40	2.40	2.40
plus,					
Charge per HCF:					
Multi-family (4+ units)	0.87	0.95	1.25	1.25	1.25
Retail	1.79	1.90	2.10	2.10	2.10
Restaurants/Lounges	1.93	2.00	2.70	2.70	2.70
Laundromats	1.21	1.30	1.50	1.50	1.50
Dry Cleaners	1.79	1.90	2.10	2.10	2.10
Schools/Churches	0.65	0.70	1.10	1.10	1.10
Governments/Municipal	1.39	1.50	1.50	1.50	1.50
Convalescent Homes	0.88	0.95	1.35	1.35	1.35
Hotels	1.93	2.00	2.70	2.70	2.70
Ofc Bldgs/Motels	1.39	1.50	1.50	1.50	1.50
Auto Repair/Svc Stations	1.23	1.30	1.30	1.30	1.30
Car Wash	1.23	1.30	1.30	1.30	1.30

NOTES:

(Continued)

HCF = Hundred Cubic Feet = 748 gallons

* On June 1, 2015 the District adopted Water Budget Based Rates.

SOURCE: East Valley Water District - Water and Wastewater Rate Resolutions

EAST VALLEY WATER DISTRICT
Revenue Rates for Wastewater - Continued
Last Ten Fiscal Years

Wastewater Maintenance Charges

Year ended June 30,

	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential (1 to 3 units)					
Flat Monthly Charge (per unit)	\$ 15.36	\$ 15.36	\$ 15.36	\$ 15.36	\$ 15.36
Commercial					
Flat Monthly Charge	3.90	3.90	3.90	3.90	3.90
plus,					
Charge per HCF	0.55	0.55	0.55	0.55	0.55

Wastewater Treatment Charges

Year ended June 30,

	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Residential (Flat Monthly Charge)					
Flat Monthly Charge					
Residential (1 unit)	\$ 18.50	\$ 19.18	\$ 20.85	\$ 21.55	\$ 21.55
Multi-Family (2 units)	37.00	38.37	41.72	43.10	43.10
Multi-Family (3 units)	55.50	57.55	62.58	64.64	64.64
Commercial					
Multi-family (4+ units)	2.40	1.71	1.90	1.97	1.97
Non-Residential	2.40	3.18	3.42	3.52	3.52
plus,					
Charge per HCF:					
Multi-family (4 + units)	1.25	1.36	1.48	1.53	1.53
Retail	2.10	2.28	2.47	2.55	2.55
Restaurants/Lounges	2.70	2.93	3.18	3.28	3.28
Laundromats	1.50	1.63	1.77	1.83	1.83
Dry Cleaners	2.10	2.28	2.47	2.55	2.55
Schools/Churches	1.10	1.19	1.29	1.33	1.33
Governments/Municipal	1.50	1.63	1.77	1.83	1.83
Convalescent Homes	1.35	1.46	1.58	1.63	1.63
Hotels	2.70	2.93	3.18	3.28	3.28
Ofc Bldgs/Motels	1.50	1.63	1.77	1.83	1.83
Auto Repair/Svc Stations	1.30	1.41	1.53	1.58	1.58
Car Wash	1.30	1.41	1.53	1.58	1.58

NOTES:

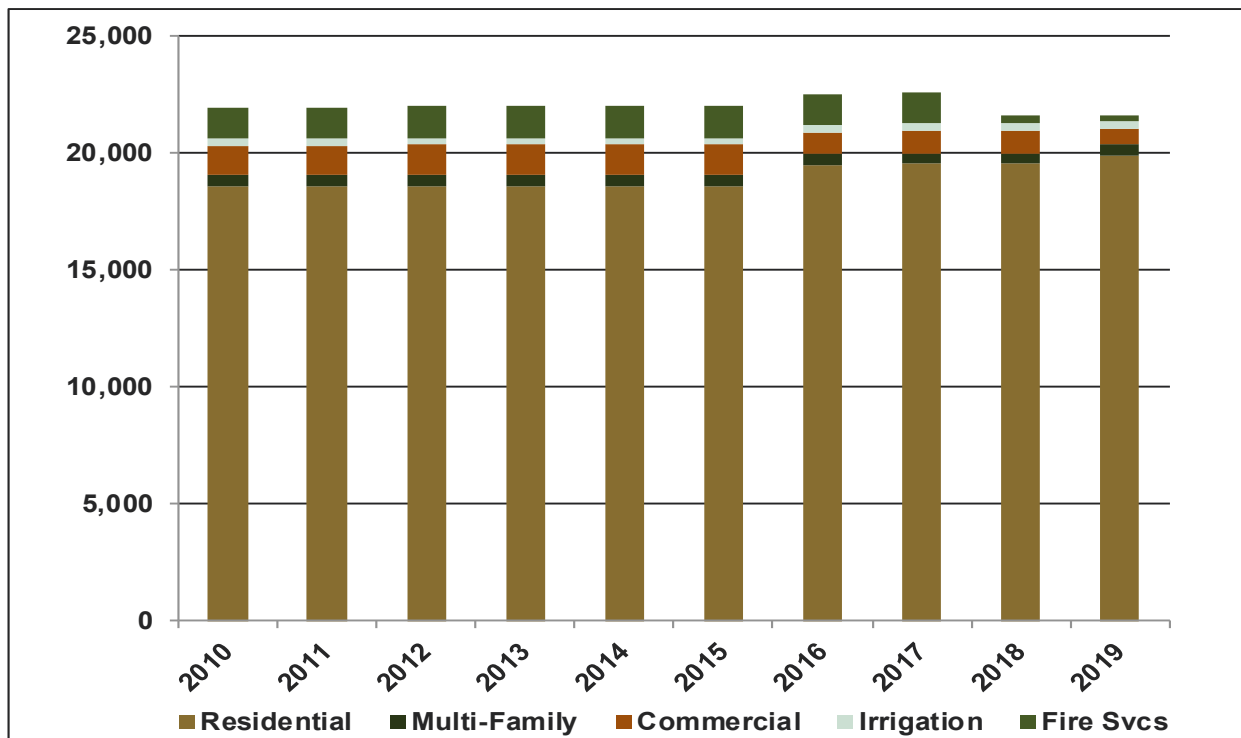
HCF = Hundred Cubic Feet = 748 gallons

* On June 1, 2015 the District adopted Water Budget Based Rates.

SOURCE: East Valley Water District - Water and Wastewater Rate Resolutions

EAST VALLEY WATER DISTRICT
Active Services by Type
Last Ten Fiscal Years

Year Ended June 30,	Residential (1 to 3 units)	Multi-Family (4+ units)	Commercial	Irrigation	Fire Svcs	Total Service
2010	18,562	496	1,277	310	1,324	21,969
2011	18,564	502	1,273	310	1,318	21,967
2012	18,584	497	1,268	313	1,321	21,983
2013	18,584	497	1,268	313	1,321	21,983
2014	18,584	497	1,268	313	1,321	21,983
2015	18,584	497	1,268	313	1,321	21,983
2016	19,500	463	949	275	1,330	22,517
2017	19,526	463	988	275	1,339	22,591
2018	19,526	463	988	275	361	21,613
2019	19,883	474	681	322	252	21,612



SOURCES: East Valley Water District - Customer Service and Finance Departments

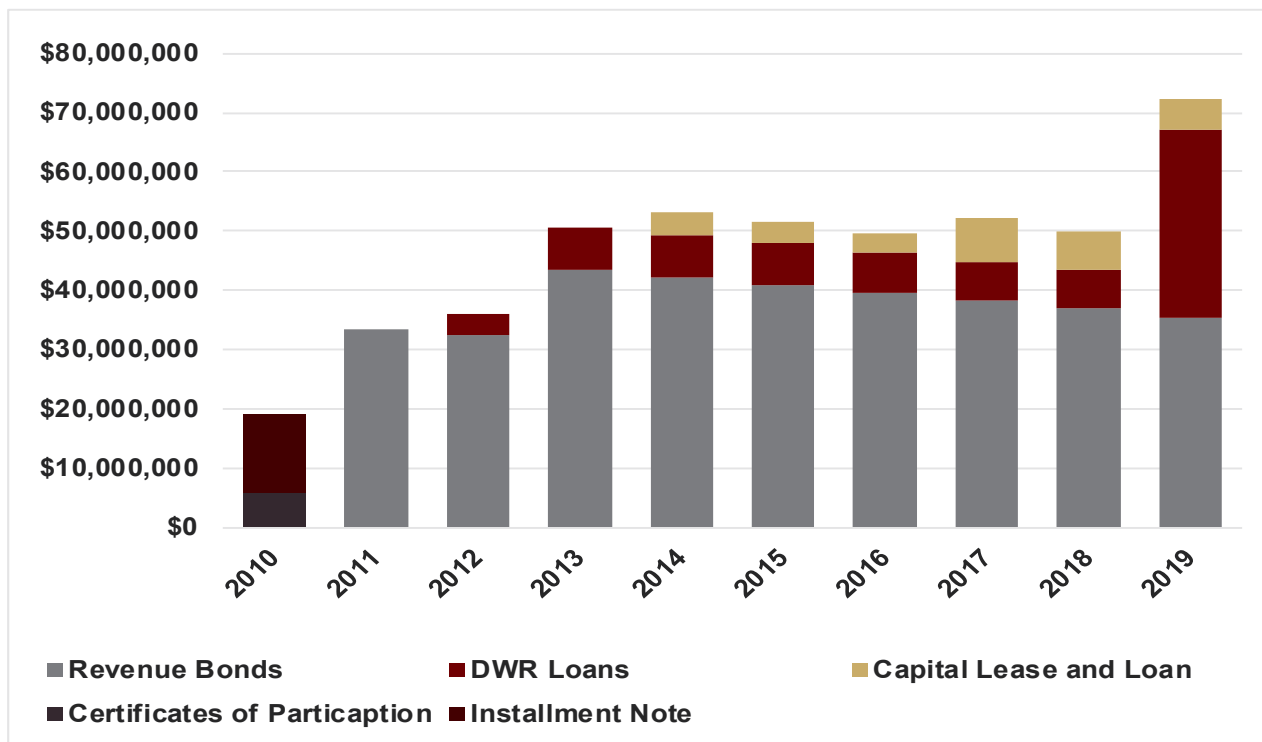
EAST VALLEY WATER DISTRICT
Principal Customers
Current Fiscal Year and Nine Years Ago

Customer	2019			2010		
	Water Consumed	Rank	Percentage of Total	Water Consumed	Rank	Percentage of Total
	(AF)		(%)	(AF)		(%)
San Bernardino City Unified School District	500	1	2.87%	545	2	2.50%
San Manuel Mission Indians	417	2	2.40%	317	5	1.45%
Patton State Hospital	374	3	2.15%	724	1	3.32%
San Manuel Indian Bingo & Casino	291	4	1.67%	396	4	1.82%
City of Highland	278	5	1.60%	239	6	1.10%
East Highlands Ranch	237	6	1.36%	499	3	2.29%
Village Lakes Homeowners Assoc	145	7	0.83%	147	8	0.67%
Tuscany Apartments	122	8	0.70%	123	10	0.56%
Stubblefield Mobile Home Parks & Offices	104	9	0.60%	208	7	0.95%
Woodman Realty Inc	102	10	0.59%			
Valencia Lea Mobile Home Park				131	9	0.60%
Total - Top 10	<u>2,570</u>		<u>14.77%</u>	<u>3,329</u>		<u>15.26%</u>
Total - District	<u><u>17,397</u></u>		<u><u>100.00%</u></u>	<u><u>21,792</u></u>		<u><u>100.00%</u></u>

SOURCES: East Valley Water District - Customer Service and IT Departments

EAST VALLEY WATER DISTRICT
Ratio of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	DWR Loans	Capital Lease and Loan	Certificates of Participation	Installment Note	Outstanding Debt	\$ Per Capita	As a Share of Personal Income
2010	-	-	-	5,935,000	13,286,480	19,221,480	302	1.02%
2011	33,545,000	-	-	-	-	33,545,000	518	1.67%
2012	32,490,000	3,460,760	-	-	-	35,950,760	546	1.72%
2013	43,400,000	7,101,964	-	-	-	50,501,964	540	1.67%
2014	42,195,000	7,091,964	3,998,560	-	-	53,285,524	561	1.64%
2015	40,930,000	7,071,964	3,671,849	-	-	51,673,813	508	1.40%
2016	39,615,000	6,818,565	3,299,108	-	-	49,732,673	476	*
2017	38,235,000	6,565,166	7,278,478	-	-	52,078,644	510	*
2018	36,800,000	6,721,695	6,392,308	-	-	49,914,003	489	*
2019	35,300,000	31,947,551	5,131,238	-	-	72,378,789	710	*



NOTE:

* This data was not developed in the format required for this fiscal year.

SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Debt Service Coverage
Last Ten Fiscal Years

Water Department

Year Ended June 30,	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service		Total	Coverage
				Principal ⁽³⁾	Interest		
2010	\$15,510,043	\$11,939,606	\$3,570,437	\$1,962,250	\$ 845,499	\$2,807,749	1.27 %
2011	16,911,310	11,129,387	5,781,923	1,347,250	828,894	2,176,144	2.66
2012	18,286,850	11,424,899	6,861,951	1,048,319	980,000	2,028,319	3.38
2013	20,225,013	11,022,233	9,202,780	1,095,000	1,382,013	2,477,013	3.72
2014	27,397,559	13,219,850	14,177,709	1,167,718	1,840,671	3,008,389	4.71
2015	20,662,750	12,915,690	7,747,060	1,546,490	1,813,348	3,359,838	2.31
2016	22,543,107	15,048,582	7,494,525	1,851,139	1,718,658	3,569,797	2.10
2017	25,257,709	14,717,219	10,540,490	1,926,956	1,653,322	3,580,278	2.94
2018	27,537,072	16,134,461	11,402,611	2,479,570	1,584,820	4,064,390	2.81
2019	27,071,082	16,614,399	10,456,683	2,904,466	1,593,181	4,497,647	2.32

Wastewater Department

Year Ended June 30,	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	\$10,674,998	\$ 9,500,834	\$1,174,164	\$ 75,000	\$ 36,650	\$ 111,650	10.52 %
2013	11,600,800	10,139,532	1,461,268	80,000	35,100	115,100	12.70
2014	11,974,164	10,463,608	1,510,556	85,000	184,621	269,621	5.60
2015	11,578,742	10,606,751	971,991	85,000	229,725	314,725	3.09
2016	12,095,372	10,463,081	1,632,291	90,000	225,775	315,775	5.17
2017	13,134,564	11,064,894	2,069,670	95,000	221,625	316,625	6.54
2018	13,758,976	12,817,762	941,214	95,000	217,350	312,350	3.01
2019	14,433,970	12,603,440	1,830,530	100,000	212,475	312,475	5.86

NOTES:

(1) Gross revenue includes all operating revenue, interest income, other non-operating revenue and connection fees from the utility fund.

(2) Operating expenses, less depreciation, for the utility fund.

(3) Excludes Debt Service for Assessment Districts' Arroyo Verde and Eastwood Farms.

* Not Applicable

SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Demographics and Economic Statistics
Last Ten Calendar / Fiscal Years

County of San Bernardino					
Year Ended	District	Unemployment		Personal	Personal
June 30,	Population⁽³⁾	Rate ^{(1), (3)}	Population^{(2), +}	Income	Income
				(thousands	Per Capita
				of dollars)^{(2), +}	(dollars)^{(2), +}
2010	63,567	13.4%	2,041,234	60,332,835	29,557
2011	64,698	13.3%	2,062,381	64,038,851	31,051
2012	65,850	12.2%	2,076,601	65,833,489	31,703
2013	93,500	10.6%	2,086,732	67,618,657	32,404
2014	95,000	8.9%	2,104,038	71,996,839	34,218
2015	101,733	7.2%	2,120,794	76,867,970	36,245
2016	104,457	6.0%	2,137,131	80,171,722	37,514
2017	102,208	5.5%	2,157,404	83,741,561	38,816
2018	102,000	4.4%	*	*	*
2019	102,000	4.0%	*	*	*

NOTES:

+ This data was revised in 2018 ⁽²⁾

* This data was not developed in the format required for this fiscal year.

SOURCES:

(1) U.S. Department of Labor, Bureau of Labor Statistics (BLS)
 Census Bureau midyear population estimates.

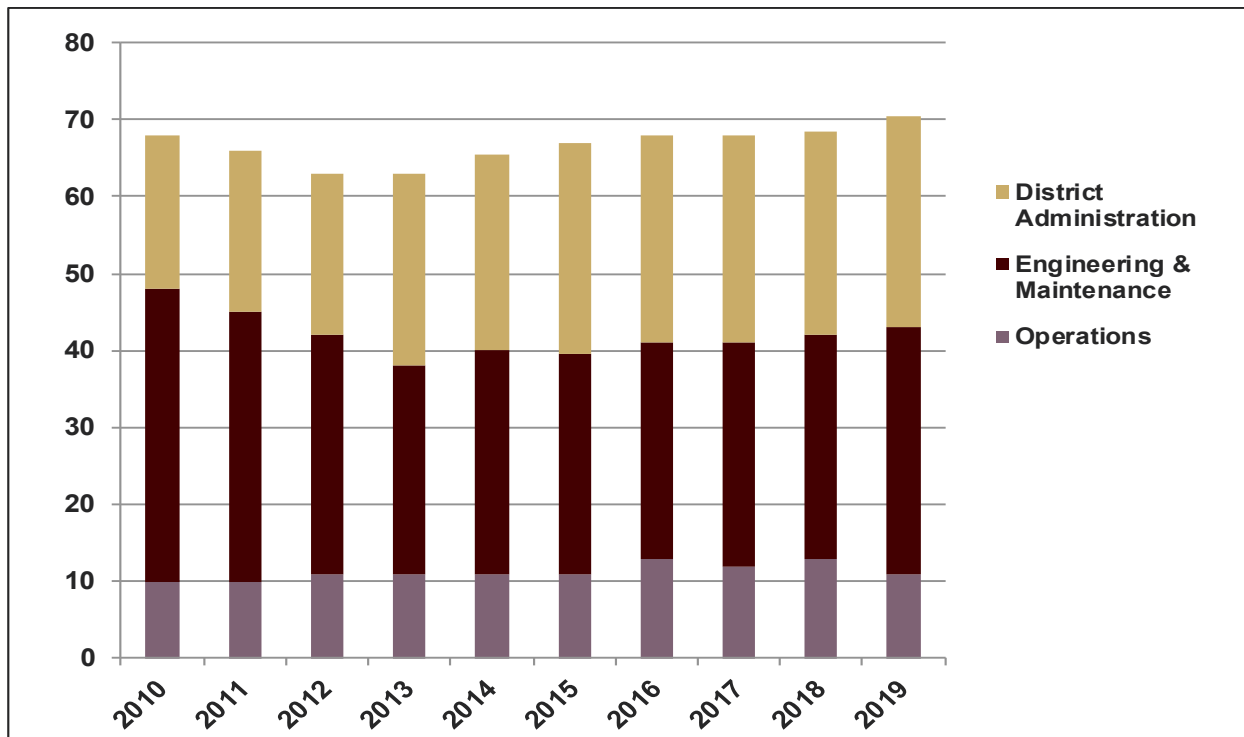
(2) Bureau of Economic Analysis (BEA)
 Computed using midyear population estimates.

(3) Fiscal Year ends on June 30 of the year that is shown.

SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Full-Time Equivalent Employees by Department
Last Ten Fiscal Years

Year Ended June 30,	District Administration	Engineering & Maintenance	Operations	Total
2010	20	38	10	68
2011	21	35	10	66
2012	21	31	11	63
2013	25	27	11	63
2014	25.5	29	11	65.5
2015	27.5	28.5	11	67
2016	27	28	13	68
2017	27	29	12	68
2018	26.5	29	13	68.5
2019	27.5	32	11	70.5



SOURCES: East Valley Water District - Finance and HR Departments

EAST VALLEY WATER DISTRICT
Operating and Capacity Indicators for Water and Wastewater
Last Ten Fiscal Years

Water System				
Year Ended June 30,	Miles of Water Main	Number of Fire Hydrants	Annual Production (MG)	Average Production (MGD)
2010	287	*	6,453	18
2011	294	2,854	6,097	17
2012	297	2,854	6,422	18
2013	303	2,915	6,529	18
2014	297	2,976	6,488	18
2015	316	3,005	5,680	16
2016	316	3,005	4,887	13
2017	316	3,005	5,286	14
2018	300	3,018	5,983	16
2019	300	3,025	5,268	14

Wastewater System				
Year Ended June 30,	Miles of Wastewater	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2010	208	19,333	2,129.43	5.83
2011	208	19,435	2,073.09	5.68
2012	224	19,477	2,247.66	6.16
2013	224	19,502	2,285.06	6.26
2014	223	19,504	2,595.08	7.11
2015	224	19,544	2,271.96	6.22
2016	224	19,572	2,167.71	5.94
2017	260	20,290	2,175.40	5.96
2018	225	20,581	2,149.85	5.89
2019	214	20,563	2,091.45	5.73

NOTES:

* This data was not developed in the format required for this fiscal year.

SOURCE: East Valley Water District - Engineering and IT Departments

Other Information





EAST VALLEY

WATER DISTRICT

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EAST VALLEY WATER DISTRICT
Capacity Charge Funds
Year Ended June 30, 2019

Capacity Charge Funds

Government Code Section 66013 requires local agencies that collect capacity charges to deposit and account for these fees in a separate capital facilities fund. In addition, local agencies are required to annual provide the information in this report to the public upon request. Government Code Section 66013 (b) (3) defines "Capacity charge" means a charge for public facilities at the time the charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the local agency involving capital expense related to its use of the use of existing or new public facilities. "

Government Code Section 66013 (d) outlines the reporting requirements on the capital facilities funds and expenditures. Government Code Section 66013 (f) (2) exempts capacity charges that are used to pay existing debt service from the reporting requirements of Section 66013 (d). Two of the District's capacity charges are used to pay existing debt service; therefore, they are exempt from the reporting requirements. For the purpose of enhancing transparency, the District has provided the reporting information on its capacity charges that are exempt from Section 66013 (d).

The District has the following capacity charge funds:

Water Capacity Fee Fund. This fund collects System Capacity Charges for new water service connections to pay for proportionate shares of the District equipment replacements and facility improvements.

Wastewater Capacity Fee Fund. This fund collects a fee for the capacity used by new wastewater connections and the funds are used to pay for equipment replacements and facility improvements.

A summary of changes in Water Fund Capacity Fees collected for the year ended June 30, 2019 is as follows:

Categories	Beginning of Year	Contributions	Usage	End of Year
Storage	\$ 486,203	\$ 68,035	\$ (485,779)	\$ 68,459
Treatment	503,432	154,629	-	658,061
Supply	350,574	40,294	-	390,868
Transmission	296,256	1,147	-	297,403
Distribution	413,657	33,275	-	446,932
Operations	121,090	13,566	-	134,656
	<u>\$ 2,171,212</u>	<u>\$ 310,946</u>	<u>\$ (485,779)</u>	<u>\$ 1,996,379</u>

EAST VALLEY WATER DISTRICT
Capacity Charge Funds
Year Ended June 30, 2019

A summary of Projects Funded by Capacity Fees for the year ended June 30, 2019:

Categories	CIP Project	FY 2018-19 Expended	% Funded by Capacity	Total Capacity Fees Usage
Storage	2168 - Canal Zone Reservoir	\$ 485,779	100%	\$ 485,779
Treatment		-	0%	-
Supply		-	0%	-
Transmission		-	0%	-
Distribution		-	0%	-
Operations		-	0%	-
		<u>\$ 485,779</u>		<u>\$ 485,779</u>

A summary of Projects Funded by Capacity Fees for the year ended June 30, 2020:

Categories	CIP Project *	FY 2019-20 Expended	% Funded by Capacity	Total Capacity Fees Usage
Storage		\$ -	0%	\$ -
Treatment		-	0%	-
Supply		-	0%	-
Transmission		-	0%	-
Distribution		-	0%	-
Operations		-	0%	-
		<u>\$ -</u>		<u>\$ -</u>

Note: * The District did not have any CIP projects utilizing Capacity Fee funds for the year ended June 30, 2020.

EAST VALLEY WATER DISTRICT
Capacity Charge Funds
Year Ended June 30, 2019

A summary of changes in Wastewater Fund Capacity Fees collected for the year ended June 30, 2019 is as follows:

Categories	Beginning of Year	Contributions	Usage	End of Year
Collection	\$ 456,767	\$ 93,987	\$ -	\$ 550,754
Transmission	131,374	27,032	-	158,406
Recharge	107,322	22,083	-	129,405
Operations	71,524	14,717	-	86,241
Treatment	215,864	142,908	-	358,772
	<u>\$ 982,851</u>	<u>\$ 300,727</u>	<u>\$ -</u>	<u>\$ 1,283,578</u>

A summary Project Funded by Capacity Fees for the year ended June 30, 2019:

Categories	CIP Project*	FY 2018-19 Expended	% Funded by Capacity	Total Capacity Fees Usage
Collection		\$ -	0%	\$ -
Transmission		-	0%	-
Recharge		-	0%	-
Operations		-	0%	-
Treatment		-	0%	-
		<u>\$ -</u>		<u>\$ -</u>

Note: * The District did not have any CIP projects utilizing Capacity Fee funds for the year ended June 30, 2019.

A summary of Projects Funded by Capacity Fees for the year ended June 30, 2020:

Categories	CIP Project **	FY 2019-20 Expended	% Funded by Capacity	Total Capacity Fees Usage
Collection		\$ -	0%	\$ -
Transmission		-	0%	-
Recharge		-	0%	-
Operations		-	0%	-
Treatment		-	0%	-
		<u>\$ -</u>		<u>\$ -</u>

Note: ** The District did not have any CIP projects utilizing Capacity Fee funds for the year ended June 30, 2020.



DISTRICT BOARD MEETINGS

Second and fourth Wednesday of each month
District Headquarters Board Room, 5:30pm

DISTRICT HEADQUARTERS

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