

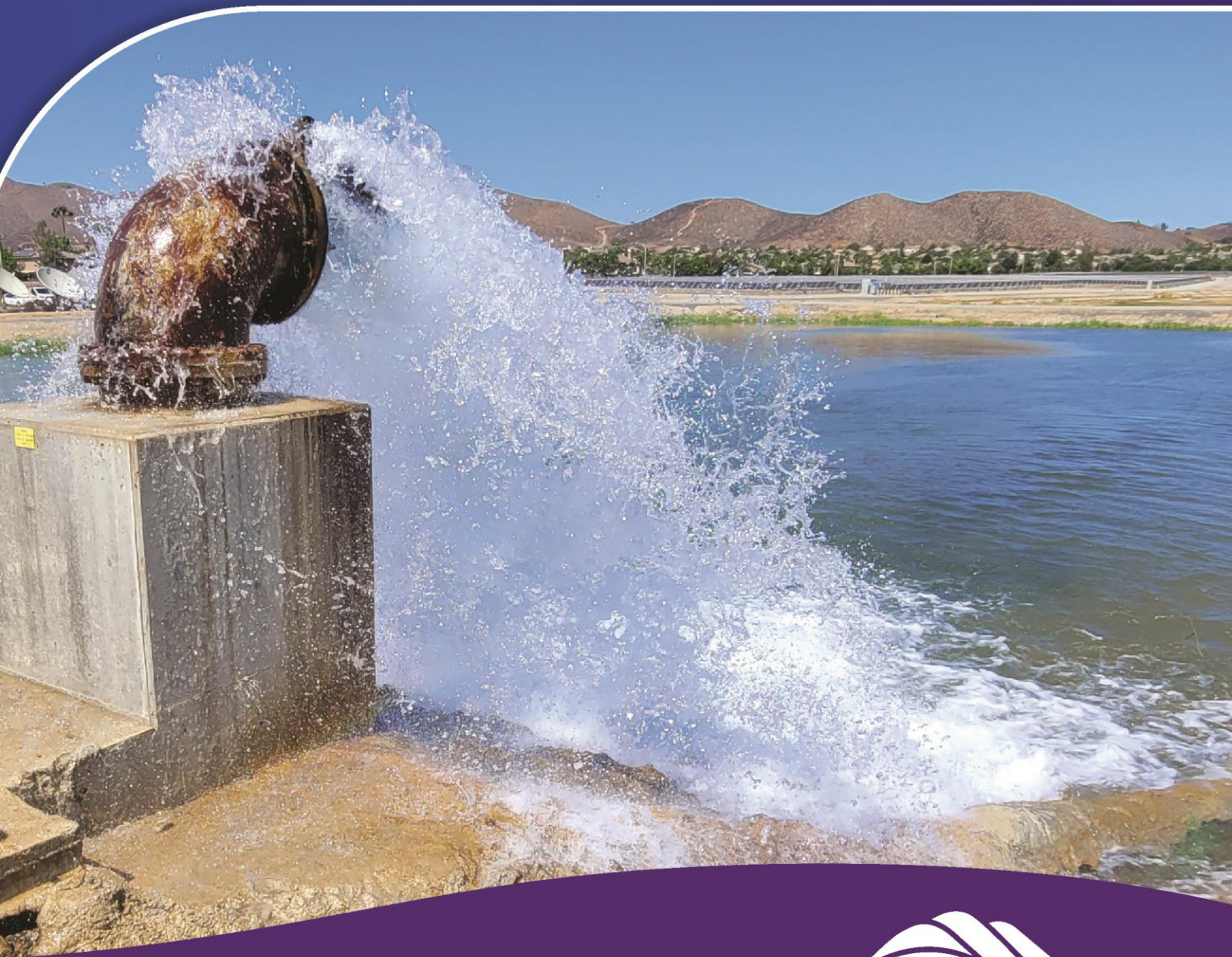
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# Annual Comprehensive Financial Report

**For Fiscal Year Ended June 30, 2022**

*Perris, California*

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**WATER • WASTEWATER • RECYCLED WATER**



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# **Annual Comprehensive Financial Report**

*For Fiscal Year Ended June 30, 2022*



Prepared by the

Eastern Municipal Water District  
Finance Department

2270 Trumble Road  
Perris, CA 92570

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# EASTERN MUNICIPAL WATER DISTRICT

## Annual Comprehensive Financial Report For Fiscal Year Ended June 30, 2022

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# EASTERN MUNICIPAL WATER DISTRICT

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# Introductory Section

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November 18, 2022

Board of Directors  
Eastern Municipal Water District



We are pleased to present the Eastern Municipal Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. State law and debt covenants require that the District publish, within six months and 180 days of the close of each fiscal year, respectively, a complete set of audited financial statements. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public and other interested parties these basic financial statements.

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

Lance Soll and Lunghard, LLP, a firm of licensed certified public accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2022. The independent auditors' report is presented as the first component of the financial section of this report.

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

Board of Directors

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

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T 951.928.3777 • F 951.928.6177   [www.emwd.org](http://www.emwd.org)

## Profile of the District



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

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

The District is located in Southern California and its service area lies within western Riverside County, encompassing approximately 558 square miles. In 1951, the District's service area consisted of 86 square miles. Today, growth has resulted from annexations ranging in area from 1 to 72,000 acres. The assessed valuation has grown from \$72.0 million when formed to approximately \$95.7 billion for this past fiscal year. The District is divided into separate regional service areas for water service and sewer service.

Riverside County has a population of 2.5 million people. Of this population, the District serves approximately 888 thousand or 6 percent, including the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, Moreno Valley, Perris, Wildomar and unincorporated areas in Riverside County. A map of the service area is on page 22 of this report.

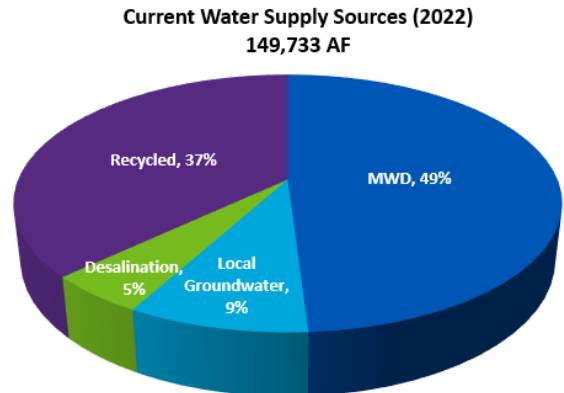
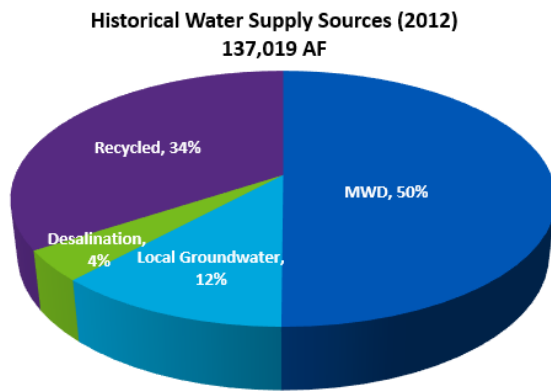
The mission of the District is to deliver value to its customers and the communities it serves by providing safe, reliable, economical, and environmentally sustainable water, wastewater, and recycled water services. It provides three primary products and services: potable water, wastewater collection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

The District's approximately 596 employees are responsible for providing excellent customer service driven by its standards to provide safe, reliable, economical, and environmentally friendly service.

## Water Supply and Reliability

The District's total water supply includes 9 percent local groundwater, 49 percent imported water, and 37 percent recycled water. The sole source of the District's imported water is MWD.

The District has made significant efforts to provide a safe and reliable supply of water and diversify the sources of water. In 2012, the District received 50 percent of its water through purchases from MWD, which in turn obtains its water supply from two primary imported sources: the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. Other sources of water supply in 2012 were 34 percent recycled water and 12 percent local groundwater and desalination. By 2022, the District's level of imported water was reduced to 49 percent of supply as a result of investments in local groundwater, desalination, and recycled water improvements.



## Sewer and Recycled Water Services

For the purposes of transmission, treatment and disposal of wastewater, the District is divided into five sewer service areas: Hemet/San Jacinto, Moreno Valley, Sun City, Temecula Valley, and Perris Valley. The service areas are served by five regional water reclamation facilities (RWRF). The facilities are capable of treating 77 million gallons per day (MGD) of wastewater and serve approximately 888 thousand people. Customers' monthly bills include a daily service charge based on household size, which covers the fixed and variable costs of operating the sewer system and contributions to infrastructure replacement costs. They are linked through a network of 1,962 miles of pipeline and 51 active lift stations.



The District currently generates approximately 49 MGD of effluent at its regional water reclamation facilities. The District's goal is to reuse 100 percent of the water from the treatment plants and offer recycled water for sale to customers within the District's service area. In doing so, the District reduces the need to import water or to use other local groundwater supplies. In 2022, approximately 39,216 acre feet or 71.6 percent of recycled water produced was sold to customers.

## The Local Economy



The District is located within Riverside County which is the fourth largest county in the State. Riverside County and San Bernardino County comprises the Inland Empire which is one of the fastest growing metropolitan areas in the nation. The Inland Empire covers more than 27,000 square miles with a population of about 4.7 million. The labor market in the Inland Empire has now surpassed its pre-pandemic peak and has added back more jobs than what was lost during the coronavirus crisis. Since April 2020, the labor market has expanded by 151,200 jobs, which is 1.4 percent or 22,500 jobs higher than the prior peak. The region has experienced higher

job growth as California as a state has recovered roughly 92 percent of jobs lost during the same time. The unemployment rate for July 2022 was 3.9 percent, which is down from 4.0 percent in June 2022 and 8.0 percent from the year prior. This compares to 3.9 percent for California as a state and 3.8 percent as a nation. Wages in the Inland Empire grew by 2.3% but has been overpowered by historic inflation rates. Consumer spending in the Inland Empire has continued to surge, similar to that of the nation, led by the Federal government stimulus packages. Fuel prices hit record highs in the early part of 2022.

The Inland Empire has historically been an affordable housing alternative to the higher priced homes in the coastal regions of Southern California and with the pandemic, remote work capabilities, and low interest rates, it had experienced one of the largest housing booms on record. This is part of the larger trend nationwide, however, the Inland Empire is seeing some of the largest changes. The Inland Empire had housing growth of 18.3 percent with the median single-family home priced at \$517 thousand. This compares to prices in San Diego, Los Angeles, and Orange Counties at \$832 thousand, \$860 thousand, and \$1.07 million, respectively. As of June 2022, this sellers' market is shifting to a buyers' market as homes are sitting on the market longer driven largely by higher interest rates. Instead of bidding wars, buyers are now able to get deals on homes including new construction and home upgrades. The rental market experienced the same surge in housing with rents expanding by 17.4 percent on average. Demand for warehouse space continued to increase. The warehouse vacancy rate fell to 3.6 percent from the previous 5 percent driven by high consumer spending. Business activity in the Inland Empire had seen a steady increase since 2012, however, that came to a halt in 2020 when GDP fell due to the Coronavirus pandemic. Health care spending drove this decrease, as it had also done nationally, as non-essential procedures were delayed in anticipation of a surge of COVID-19 patients. As of the fourth quarter of 2021, the Inland Empire's economy had officially transitioned from recovery to expansion.



Riverside County's property assessment roll for fiscal year 2021 was \$313 billion, an increase of \$11.1 billion or 3.7 percent from \$302 billion in fiscal year 2020. This represents the eighth consecutive year of growth, exceeding the County's previous peak assessment. The District's property assessment roll for its service areas increased \$5.7 billion or 6.3 percent to \$95.7 billion in fiscal year 2022. Its service areas include the cities of Temecula, Murrieta,

Menifee, Hemet, San Jacinto, and Moreno Valley, Perris, Wildomar and unincorporated areas in Riverside County. The largest growth among the District’s incorporated service areas are in the cities of Menifee, 9.2 percent; and Perris, 9.0 percent; and San Jacinto, 6.0 percent.

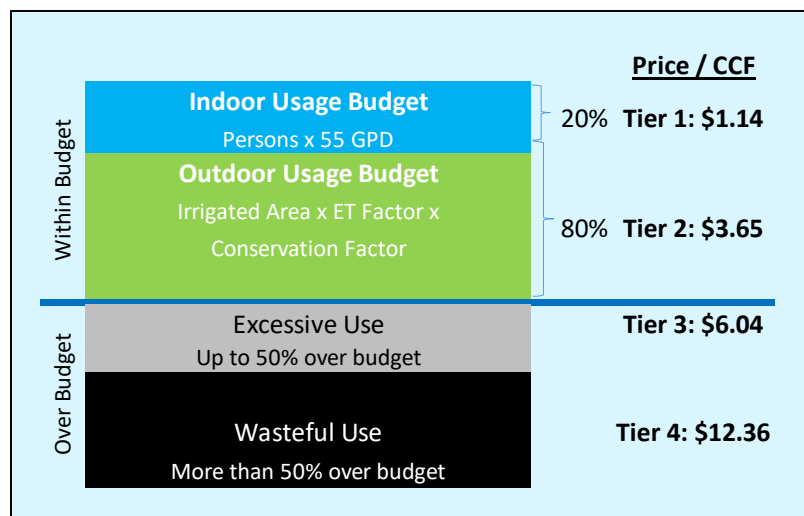
The District is conveniently accessible by truck and rail service from several significant national and international cargo facilities including the Port of Los Angeles/Long Beach complex, Los Angeles International Airport, Ontario International Airport, and Port of San Diego. Additionally, the March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

### Sound Financial Policies and Practices

The District continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs through careful planning, preserving investments, safeguarding reserves, and active debt management. In fiscal year 2021, the District completed major updates to the Reserve Policy and Comprehensive Debt Policy and updated the Investment Policy in fiscal year 2022. The updates to these policies show that the Board of Directors is committed to maintaining the strong financial health of the District through modernizing financial policies and transparency to stakeholders.

### Water and Sewer Rates

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



The use of water budgets for the Districts residential customers was first implemented in 2009. These customers received a monthly water budget allocation customized to meet their household and landscape irrigation needs. Effective January 1, 2018, under the new rate structure, customers continued to receive water budgets based on household and landscape size, however, these budgets no longer align with a specific rate. The amount of water billed for each tier is now based on the availability of the Districts water supply sources such as groundwater, treated groundwater and imported water. All residential customers are billed at the low volume, Tier 1 rate for the first twenty percent of their monthly budget, according to the proportional amount of local, low- cost water supplies available. The remaining portion of the water budget is billed at the Tier 2 budgeted rate for budgeted supplies and the Tier 3 and Tier 4 rates cover usage in excess of the total budget. With this rate structure, water efficient households realize cost savings and customers who stay within their water budgets pay the lowest cost for water.

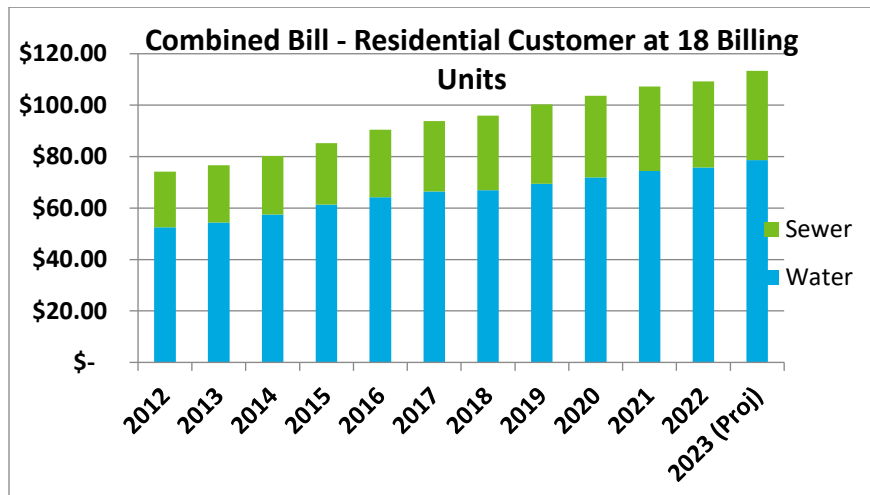
The Board approved increases effective January 1, 2022 whereby these charges will recover the cost in the water rate structures' three primary charges, the daily service charge based on water meter size, the water supply and reliability capital charge that supports the District's ongoing capital projects and the water use or commodity rates charged for each unit of water used (tiered rate). The impact to a typical water bill is approximately \$1.37 per month in 2022 and \$2.86 in 2023.

Effective January 1, 2022, sewer rates increased to recover the cost to collect, treat and recycle or dispose of wastewater. The sewer system capital projects charge also increased to provide funds for future sewer system capital improvement projects essential for maintaining the Districts four water reclamation facilities and meeting regulatory and environmental requirements. The impact to a typical sewer bill is approximately \$0.62 per month in 2022 and \$1.18 per month in 2023.

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

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

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



## Water Use Efficiency

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

In 2009, the District first implemented the use of water budgets for its residential customers. The tiered water rate structure was designed to promote water conservation by encouraging efficient water use and discouraging wasteful water usage. All residential customers received a monthly water budget allocation customized to meet

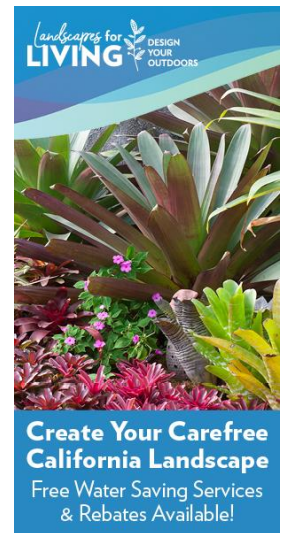
their specific household and landscape irrigation needs. The rate structure set budgets for indoor usage and usage in excess of the total budget.

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

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

In 2021, the District launched its Landscapes for Living program, designed to assist residential customers to become more water efficient. The program integrates home consultations with a landscape expert, free direct installation of smart irrigation controllers and high-efficiency nozzles, landscape design assistance, and staff support to assist customers who want to apply for water-saving rebates through the Metropolitan Water District of Southern California (MWD).

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



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

Additionally, the District is an industry leader in recycled water, one of the largest by volume recyclers in the nation and one of the few agencies that routinely achieves 100 percent beneficial reuse. Its recycled water system receives and treats more than 44 million gallons of wastewater each day at its four operating regional treatment plants. The District's recycled water is treated to a tertiary level and is sold to agricultural, landscape, wholesale, environmental and industrial customers. Over 700 meters provide recycled water service to schools, parks, city streetscapes and HOA's as well as Riverside County, golf courses, wetlands habitat areas, and industrial cooling towers. The District operates over 263 miles of transmission and distribution pipelines, 24 pumping facilities, 19.5 million gallons of elevated storage, and more than 7,500-acre feet of recycled water seasonal storage ponds. With significant urban development, it is prepared to manage the increase in recycled water production and is securing the regions' water future through expansion of the recycled water distribution system and moving forward with the Purified Water Replenishment (PWR) groundwater augmentation project.

In November 2021, the District moved to Stage 3a of its Water Shortage Contingency Plan, which asks customers to eliminate water waste and suspended variances for establishing new landscape and filling swimming pools. As

water supply conditions or state regulations evolve during the coming months, the District may be forced to ask more of its customers. However, at this time, we are asking that our customers continue their longstanding commitment to using water efficiently and consider more efficient landscape options. Any subsequent actions by the District will be determined by statewide water supply conditions and corresponding regulations and be done in accordance with EMWD's Water Shortage Contingency Plan.

In June 2022, The State Water Resources Control Board and EMWD both adopted regulations prohibiting the irrigation of nonfunctional turf with potable water, with some exceptions – most notably if trees or perennial shrubs are on the same irrigation station as the nonfunctional turf. Commercial, Industrial, and Institutional (CII) customers include businesses and business centers, schools, parks, public landscaping, government facilities, industrial sites, homeowners' association-maintained landscaping, and many other non-residential sites. Nonfunctional turf is grass that is decorative and serves no active recreational benefits. Functional turf is in areas like parks, schools, golf courses, and other areas where families may safely and actively recreate.



## Financial Planning

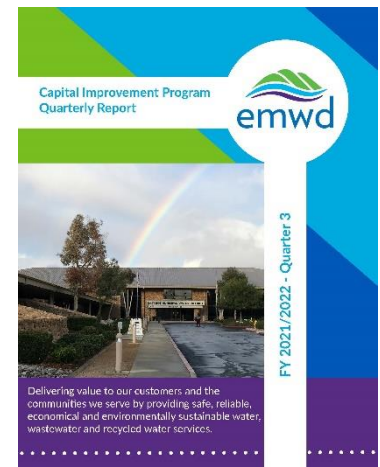
The Board approves and adopts a biennial budget as a financial management tool which provides the Board and stakeholders a complete view of the District's financial health and resources available to support the District's mission, values, strategic goals, and objectives. The biennial budget is developed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

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

Although many public agencies have faced difficult financial challenges due to the COVID-19 pandemic and economic downturn that followed, the District was recently credited by Fitch Ratings as having low leverage, a framework of very strong revenue defensibility, and low operating risk.

In November 2021, the District's subordinate lien was upgraded from AA+ to AAA rating by Fitch Ratings, who also had previously assigned a AAA rating for the District's senior lien. These excellent ratings result in lower interest rates when issuing bonds for critical infrastructure projects that enhance system reliability.

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





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

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

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

### ***Reserve Policy***

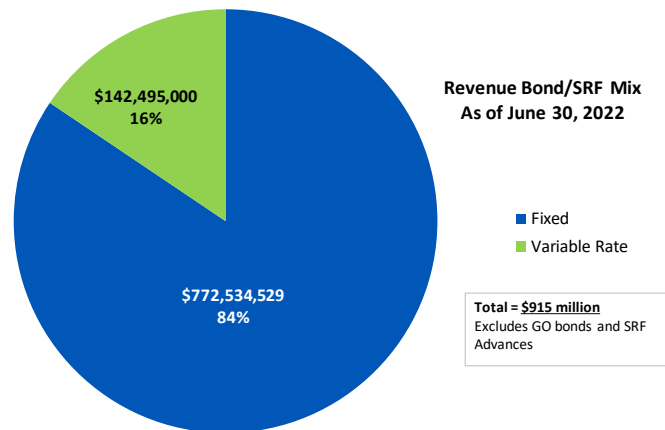
The District adopted a new reserve policy in 2021. The new policy principles are to maintain the strong financial health of the District, provide operating liquidity for rate stability to customers, ensure funding is available for current and future replacement of assets, provide financial flexibility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

### ***Administrative Code and Investment Policy***

In 2013, the Board of Directors adopted an Administrative Code, which incorporates various policies and administrative duties. The District amended its Investment Policy in 2021, which provides guidelines for the prudent investment of the District's funds while achieving the objects of safety, liquidity, and yield in a diversified investment portfolio. In accordance with Government Code 53600.3, the Treasurer and District staff responsible for managing the investment portfolio are fiduciaries subject to the Prudent Investor Standard which states while investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, District staff shall act with care, skill, prudence, and diligence to meet the object set forth in the Policy to safeguard investment principal, maintain the liquidity needs of the District, and earn a reasonable return. The investment policy outlines authorized investments meeting minimum credit and maturity requirements while staying in compliance with California Government Code. Investment staff shall provide regular investment reporting to the Board of Directors and conduct an annual review of the Investment Policy. Changes or amendments to the policy shall be approved and adopted by the Board.

## Debt Administration

The District has adopted a Comprehensive Debt Policy (Debt Policy) in accordance with California Government Code § 8855. The Debt Policy, which was most recently updated on April 7, 2021, sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to staff regarding the timing and purposes for which debt may be issued, the types and amounts of permissible debt, and the methods of sale that may be used. Adherence to the Debt Policy helps to ensure that the District's debt is issued and managed prudently in order to maintain a sound fiscal position and optimal credit ratings. Furthermore, the District actively manages its debt portfolio and seeks to minimize its total debt costs. This goal is achieved through the issuance of both fixed and variable rate debt to fund its capital projects or refund outstanding debt. The District has primarily issued revenue bonds (Bonds) and has borrowed from state revolving fund (SRF) loans to fund its CIP. As of June 30, 2022, the District's total revenue bonds and SRF loans outstanding was \$915 million, of which 84 percent were fixed interest rate and 16 percent were variable interest rate, for an overall weighted average cost of funds of 2.19 percent.



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

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

## Triennial Strategic Plan and Major Initiatives

EMWD first developed a strategic plan in 1994, based on input from the Board of Directors and a select group of employees. Though the document was updated sporadically, it was not until 2003 that it was systematically developed, deployed and utilized by many within the organization. The Triennial Strategic Plan is reviewed and updated every three years and was most recently adopted for 2022-2024. With a clearly defined mission and vision, as well as guiding principles that define our conduct as an organization, the District is driven by standards to provide safe, reliable, economical, and environmentally friendly services. These standards and services include highly reliable and cost-effective water, wastewater, and recycled water service, protection of public and environmental health, superior customer service, sound planning and operational efficiency, fiscal responsibility and appropriate investment, exemplary employer and effective communication, advocacy, and community partnerships.

## Highly Reliable and Cost-Effective Water, Wastewater, and Recycled Water Service

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

## ***Groundwater Reliability Plus Initiative***

Current and future growth within the District’s service area increase demands for sustainable local water supplies. The District is committed to a comprehensive and collaborative approach toward its local groundwater resources through its Board adopted Groundwater Reliability Plus Initiative to promote long- term water supply reliability. The District currently operates 15 active potable wells and 14 active desalter wells that provide 15 percent of its water supply portfolio. This number is anticipated to grow in the future through the Groundwater Reliability Plus Initiative, a comprehensive approach to groundwater management with the goal of continually improving the quality and quantity of water in the District’s local groundwater basins. The initiative ensures that the District can meet the long-term needs of its service area through expanded groundwater services, including desalination, replenishment of aquifers and the protection of water quality through environmental health initiatives.

## ***Purified Water Replenishment (PWR) Project***

In August 2022 the District received a received a \$10 million appropriation from the United States Bureau of Reclamation (USBR) to support its Purified Water Replenishment program through the recently enacted Bipartisan Infrastructure Law signed by President Biden. For its Purified Water Replenishment (PWR) program, EMWD will construct an advance treatment facility adjacent to its existing San Jacinto Valley Regional Water Reclamation Facility. The new facility will further treat recycled water through microfiltration and reverse osmosis, resulting in a purified water source. That water will then be piped to EMWD’s Mountain Avenue West Groundwater Replenishment Facility, where it will percolate into the local groundwater basin. After at least five years of natural soil aquifer filtration underground and blending with groundwater, the water will be pumped out, disinfected one final time, then used as a safe and reliable drinking water source. EMWD is in the design stage of its PWR program and is anticipated to begin construction of the facility in 2023.



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

The District is one of five member agencies of the Santa Ana Watershed Project Authority (SAWPA) that is participating in a first of its kind regional groundwater banking program known as the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). This multi-agency watershed wide program will bank imported water to enhance water supply reliability and increase available dry year supplies in the Santa Ana River Watershed. The program will also integrate water conservation measures, habitat enhancements and recreational use. It will develop dry year yield by banking wet year water with 137,000-acre feet capacity over a ten-year period. The District will implement the San Jacinto Basin component of the program by storing approximately 19,500 plus acre-feet of wet year water per ten-year period. The District will install a one-mile educational hiking trail and forty acres of open space in the form of a recharge basin in the Santa Ana River Watershed. The five participating agencies include the District, Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD) and Western Municipal Water District (WMWD).

In November 2019, the District broke ground on the Mountain Avenue West Groundwater Replenishment Facility located on the northeast corner of Mountain and Esplanade avenues in the City of San Jacinto. The Facility will comprise of two large basins that will allow imported water from Northern California to seep into the District's local groundwater aquifer where it will be available for use during dry years. The facility will help mitigate the impacts of future droughts by increasing local groundwater basin levels, increasing water supply reliability for future years, and helping the District improve groundwater quality in the aquifer.

In November 2021, the SARCCUP agencies and the Metropolitan Water District of Southern California (MWD) entered into an agreement for the purchase of surplus imported water supplies. This long-term agreement provides the terms and conditions required for the purchase and storage of the surplus imported water supplies. The agreement term is to 2035, which coincides with the termination of the State Water Project agreement between SBVMWD and the State Water Project Contractors. In addition, the SARCCUP agencies initiated the development of a software tracking tool for the purchase of the surplus imported water supplies. EMWD has led this effort utilizing the consultant DBS&A, and the costs were shared equally by the SARCCUP agencies.

In the summer of 2022, the District completed the Mountain Avenue Gap Pipeline project, which consisted of approximately 1,800 feet of eighteen (18") inch diameter potable water pipeline along Mountain Avenue from Oak Knoll Road to Old Mountain Avenue in San Jacinto. The project consisted of interconnecting existing potable water lines to provide a looped water system which results in an increased level of service, reliability, and redundancy to adjacent customers.

This \$40.0 million SARCCUP project is partly funded by a \$12.7 million Proposition 84 Integrated Regional Water Management Program (IRWMP) grant from SAWPA and is estimated to be completed in February 2024.

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

The Perris II Reverse Osmosis (RO) Treatment Facility Project is a multi-phase project that will produce potable water from the contaminated Perris South Water Groundwater Management Zone. The project consisted of construction of RO treatment process facilities, four water supply wells, pipelines, and additional treatment trains at the RO treatment facilities. The Perris II Desalter treats degraded groundwater from the West San Jacinto Basin so that the water can be used for potable purposes within the District's service area. The facility was constructed adjacent to the two existing desalters, the Menifee and Perris I Desalter. The Perris II Desalter is equipped to support a capacity of 5.4 million gallons per day, meeting the potable water demands of up to 15,000 homes in the Perris and Menifee service areas.



The District was successful in securing a \$22.5 million Proposition I Groundwater grant funding from the State Water Resources Board in July 2018 to partly fund this \$72.9 million project. Additional funding and in-kind



support was provided by the United States Army Corps of Engineers, which provided \$10.8 million toward the construction of wells to support the new facility; the California Department of Water Resources; United States Bureau of Reclamation; Santa Ana Watershed Project Authority and the Metropolitan Water District of Southern California (MWD). A Local Resources Program (LRP) agreement from the MWD was also secured to provide a subsidy of \$215 per acre foot up to 5,500-acre feet every year over twenty-five years. If the maximum amount of groundwater is recovered for beneficial use, MWD will subsidize \$30.0 million for the 137,500 acre-feet. The LRP program is an incentive program for MWD member agencies to produce water that would otherwise be supplied by MWD. The project, which started in December 2014, was completed in May 2022.

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



In June 2020, the District was awarded a \$44.9 million Proposition 1 grant from the State Water Resources Control Board (SWRCB) to partly fund the estimated \$125.0 million Perris North Basin Groundwater Contamination Prevention and Remediation Project. The program is a long-term solution to improve groundwater quality in the North Perris Groundwater Basin located in Moreno Valley and will have the additional benefit of providing safe drinking water for approximately 7,700 additional households annually. The program would make beneficial use of available

local groundwater supplies, up to 3,500-acre feet annually, further reducing reliance on imported water supplies. Groundwater in Perris North Basin includes the area of March Airforce Base (MARB), which is served potable water by Western Municipal Water District (WMWD). The District continues to work with WMWD and the Department of Defense (DOD) on interagency agreements and other potential opportunities, such as the ability to partner with WMWD for a local, more sustainable water supply for MARB. The Program has been separated into several construction projects, generally categorized as wells, raw water transmission pipelines, and a centralized groundwater treatment facility. The Award of construction contracts for the transmission pipeline, the well equipping, and centralized groundwater treatment facility projects are anticipated to be awarded in early 2023, with construction of the groundwater treatment facilities expected to last two years.

### ***Sound Planning and Operational Efficiency***

To deliver the highest quality products and services in a cost-effective and efficient manner by strategically leveraging workforce, technology, and business partnerships, the District identified and invests in the following initiative:

## Energy Efficiency Programs

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

Phase III solar power generation system is installed at the Perris, Moreno Valley, San Jacinto, and Sun City facilities. The Phase III Project adds 15.9 megawatts of additional solar power, bringing EMWD’s combined total of renewable generation to 22.6 megawatts. The Phase III Project is anticipated to provide more than \$63 million of power savings over the 25-year life of the facilities. The District currently has nine 60 kW microturbines that provide additional power generation that save more than \$300,000 each year. The exhaust from these microturbines heats water necessary to power a 150-ton air conditioning unit.

The District is currently working on the design and installation project for Battery Energy Storage System (BESS) projects at the Temecula Valley RWRf, Perris Valley RWRf, Sun City RWRf, Hemet Water Filtration, and Sanderson Lift Station facilities. These BESS will add 2.6 megawatts / 10.6 megawatt-hours of energy flexibility to each site and are anticipated to provide approximately \$4.6 million in power and energy savings over the 15-year life of the facilities. In addition, they will provide critical, clean backup power for these sites in the event of a grid failure.

## Effective Communication, Advocacy and Community Partnerships

To communicate with clarity and purpose, conduct constructive advocacy, and engage in mutually beneficial partnerships, the District identified and invests in the following initiatives:

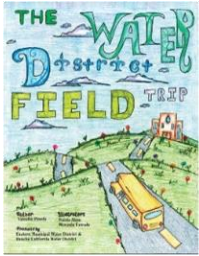
### Community Outreach

In September 2022, the District was presented with two Excellence in Public Information and Communications awards through the California Association of Public Information Officials (CAPIO). The District was recognized for its Water Use Efficiency Program work – Landscapes for Living.

The District’s Landscapes for Living program is an Outdoor Water Use Efficiency Program that offers rebates and free installation of water-saving equipment to help our residential customers reduce outdoor water use, save money, and gain beautiful front and backyards with low-maintenance, water-efficient landscaping. The District was recognized with an Excellence in Public Information and Communications (EPIC) Award for its Landscapes for Living microsite, earning top honors in the category. EMWD also received an Award of Distinction in the “Communications and Marketing Plan – Consultant Supported” category.



## **Education**



The District's award-winning education program is actively engaged in fostering and understanding water and wastewater issues and promotes wise water use among students at all grade levels who attend school in one of the 11 school districts and private schools EMWD serves. Its extensive education program provides interested schools within the complimentary lesson plans, curriculum packets, materials, and a host of other activities and programs focused on water, wastewater, and recycled water topics. Throughout the year, the District sponsors events, and contests such as the poster and write-off contests open to students in elementary and middle schools with different yearly themes, including water conservation and careers in the water industry. The winners of the poster contest, along with the student's teachers, are honored at an awards ceremony hosted by EMWD. The top 5 posters are submitted to the Metropolitan Water District for consideration for a possible spot on their Water is Life calendar. Other activities offered include field trips to EMWD facilities. The tours are 1 to 3 ½ hours each and include EMWD's Hemet/San Jacinto Regional Water Reclamation Facility and Wetlands, the Desalination Complex in Menifee, and the Hemet Water Filtration Plant. These popular trips provide students with hands-on activities and experiences that complement in-class learning. In 2022, the District partnered with Hemet Unified School District's West Valley High School on the first water pathway career technical education (CTE) program in the area. As an industry partner to the program, the District provides facility tours, hands-on activities, and employee time in order to bring the "real world" into the classroom setting.

Additionally, the District's education program is embarking on partnerships with local youth programs to grow awareness of the water industry and the careers available – no matter what the future holds for a student once they graduate high school.

## **Superior Customer Service**

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

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

In October 2021, the District completed the replacement of its legacy customer information and billing system as well as implemented a customer self- service portal that would provide customers with integrated payment capabilities and access to water usage data.

## **Fiscal Responsibility and Appropriate Investment**

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

## **Recycled Water Rate Study**

In April 2022, the District completed a Recycled Water Rate Study to evaluate the costs and benefits of EMWD's Recycled Water Program and align rates to directly reflect those costs and benefits. The study was conducted for the purposes of evaluating the District's costs associated with the recycled water program, understanding the benefits the recycled water program provides, and allocating costs appropriately between district services to ensure a fair and equitable recycled rate structure for District customers. The Board of Directors approved the proposed recycled water rates in June 2022 and rates are effective January 1, 2023.

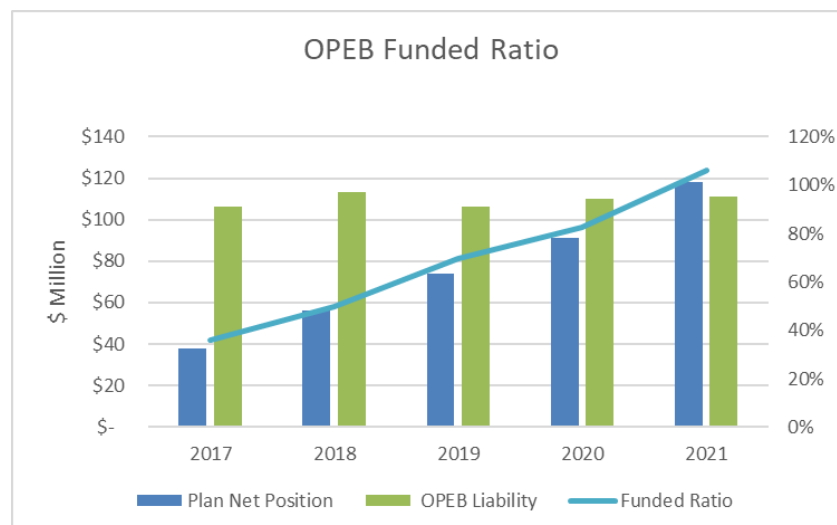
## Water and Wastewater Cost of Service Study

The District is committed to providing excellent services with accurate fee and rate structures to ensure that each customer pays its proportionate fair share, while generating adequate revenues to meet the District’s financial obligations. To do this, the District is engaging a consultant to perform a cost of service update of current rates for water and wastewater services. The last cost of service fee study was completed in 2017. The current study is expected to be completed in 2023 with proposed increases to fees to be presented to the Board in June 2023 for consideration. If approved, updated charges would be effective in January 2024.

## Other Post-Employment Benefits

The District established a funding policy to fund its retiree health program through the California Employers’ Retiree Benefit Trust (CERBT) and started funding in fiscal year 2013 with a goal to achieve full funding by fiscal year 2033-2034. The District began funding future costs in July 2012 and July 2013 with initial \$2.8 and \$5.7 million deposits to CERBT. In fiscal year 2014, the District implemented a new tier of OPEB benefits for future hires that dramatically improved the plan funding and viability over the long term. In addition, the District adopted funding policy principles that direct how the OPEB Trust will be funded over time, in accordance with sound funding principles. Commencing in fiscal year 2015, the District made its full Actuarially Determined Contribution (ADC) and continued to do so until fiscal year 2021.

In June 2022, the OPEB assets from the CERBT Program were transferred to the Eastern Municipal Water District (EMWD) Section 115 Trust, OPEB Portfolio, a single employer defined benefit plan, as authorized by a resolution adopted by the Board of Directors on December 15, 2021. The EMWD OPEB Trust will continue to provide funding for postemployment healthcare benefits to all qualified employees, through CalPERS or other future OPEB plans, including the postemployment group life insurance. As of June 30, 2022, the total value of assets in the OPEB Trust was \$117.5 million, as reported in the Statement of Fiduciary Net Position of the Basic Financial Statements. The District reached its goal of fully funding its OPEB obligations, sooner than its target fiscal year 2033-2034. As of June 30, 2022, the District reported \$23.9 million in net OPEB assets on the Statement of Net Position.





## ***Eastern Municipal Water District Section 115 Trust***

On December 15, 2021, the District's Board of Directors adopted Resolution No. 2021-200, approving the Eastern Municipal Water District Section 115 Trust Agreement. The Trust, established to invest and accumulate funds for pension, retiree health, and other postemployment benefits, are comprised of two portfolios, the pension portfolio (Pension Benefit Trust) and the OPEB portfolio (OPEB Trust). The Pension Benefit Trust invest funds designated for payment to CalPERS (or other future pension plans sponsored by the District) and may also be used to fund current employer contributions (normal pension costs) or pay down the unfunded pension liability. The OPEB Trust provides funding for postemployment healthcare benefits to District retired employees meeting the OPEB plan's requirements through CalPERS and other plans, including group life insurance. The Retirement Trust Committee, which oversees the Trust and its investments policy, is comprised of two members of the District's Board of Directors, the District's General Manager, Deputy General Manager, and Chief Financial Officer. As of June 30, 2022, the fiscal year the Trust was established, the value of assets in the Pension Benefits Trust was \$13.4 million. The value of assets in the OPEB Trust, which was transferred from CERBT (refer to Other Post-employment Benefits section on the previous page) in June 2022, was \$117.5 million.

## ***Accounting Systems***

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

## ***Internal Controls***

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

## ***Awards and Acknowledgments***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Eastern Municipal Water District for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the eighteenth consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive 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.

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

Respectfully submitted,



Joe Mquawad, P.E.  
General Manager



Laura M. Nomura, CPA, MSOL  
Deputy General Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Eastern Municipal Water District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

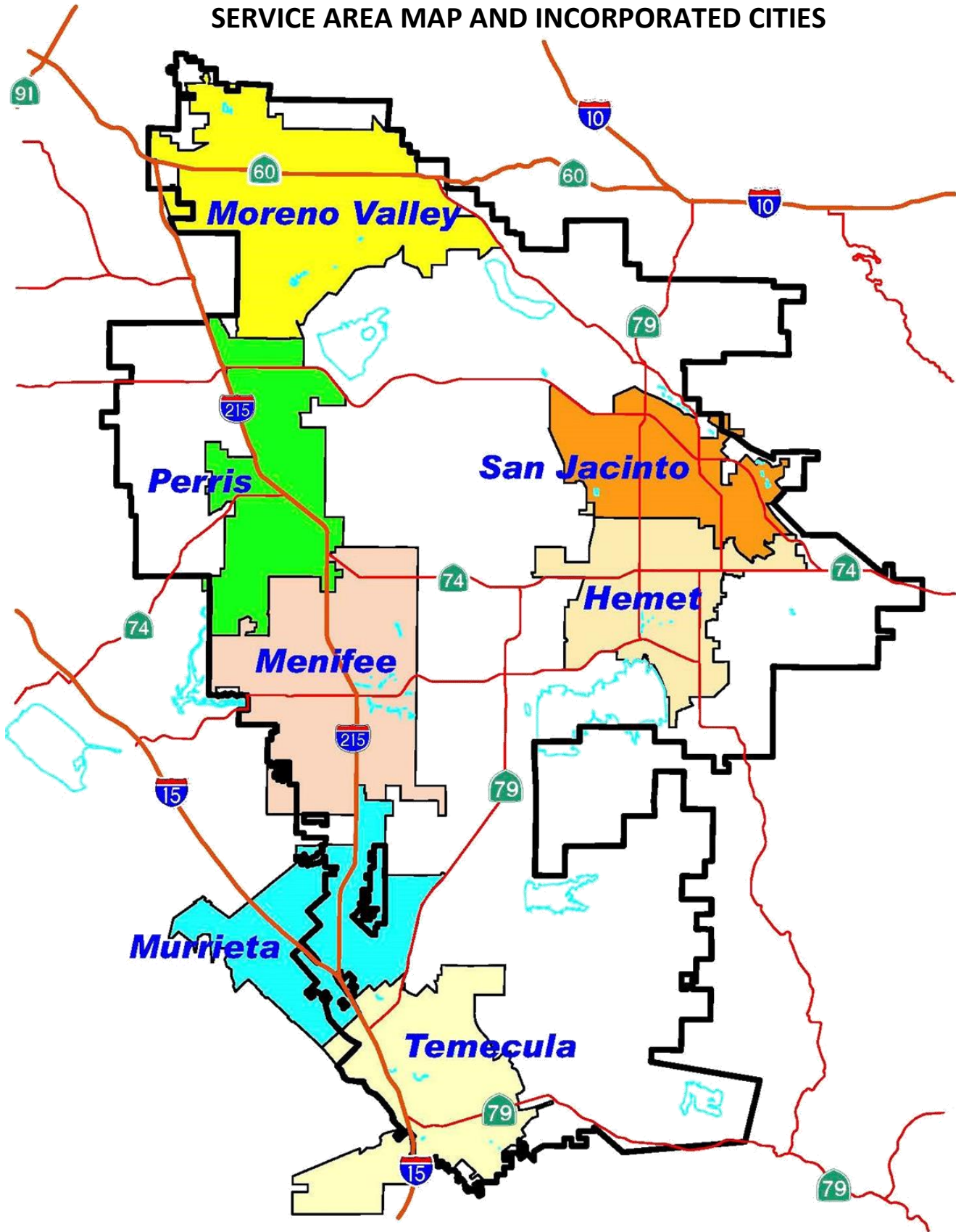
June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# EASTERN MUNICIPAL WATER DISTRICT

## SERVICE AREA MAP AND INCORPORATED CITIES



# EASTERN MUNICIPAL WATER DISTRICT

List of Elected & Appointed Officials  
June 30, 2022

## BOARD OF DIRECTORS

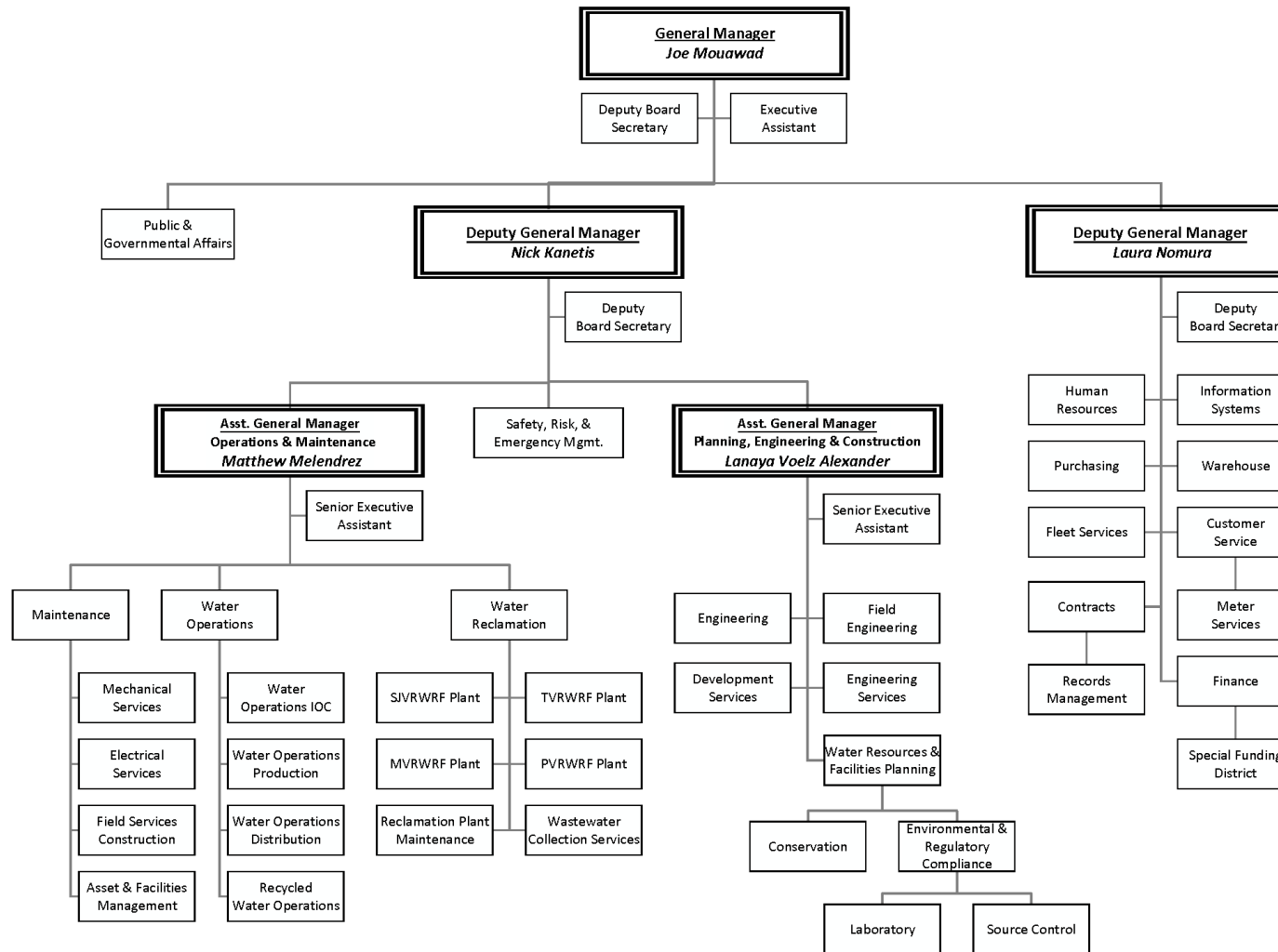
Position	Name	Elected	Current Term of Office
President	Philip E. Paule	11/07/2006	2018 – 2022
Vice President	Randy A. Record	11/07/2000	2020 – 2024
Director	Jeff Armstrong	11/03/2020	2020 – 2024
Director	Stephen J. Corona	11/06/2018	2018 – 2022
Director	David J. Slawson	01/04/1995	2018 – 2022

## EXECUTIVE MANAGEMENT

Position	Name
General Manager	Joe Mouawad, P.E.
Deputy General Manager	Laura M. Nomura, CPA, MSOL
Deputy General Manager	Nicolas Kanetis, P.E.
Assistant General Manager	Matthew Melendrez, P.E.
Assistant General Manager	Lanaya Voelz-Alexander, P.E.

# EASTERN MUNICIPAL WATER DISTRICT

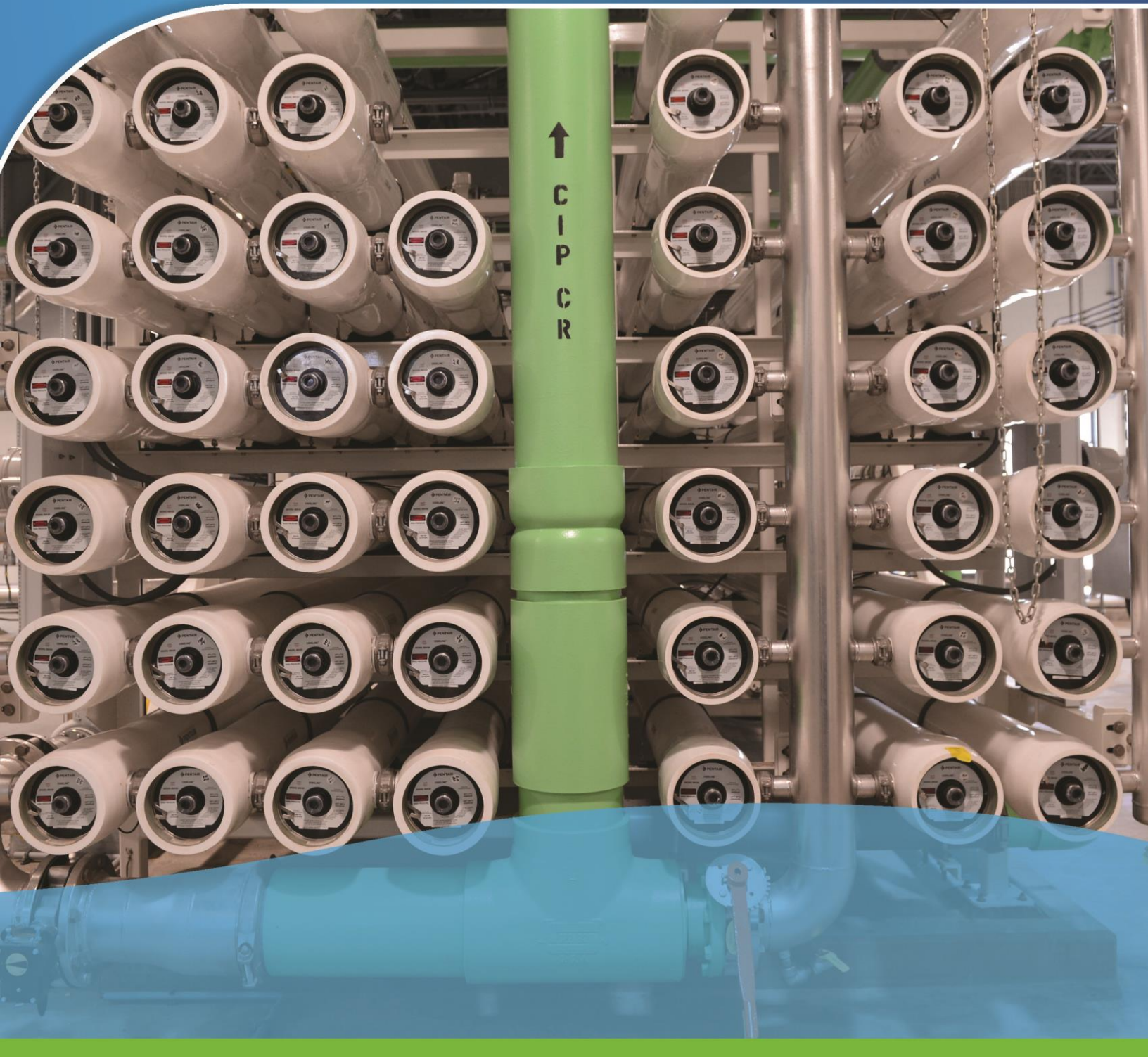
## DISTRICT ORGANIZATIONAL CHART



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# Financial Section

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# Independent Auditor's Report



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Eastern Municipal Water District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Emphasis of Matter*

##### *Change in Accounting Principle*

As described in Note 1 to the financial statements, in the fiscal year ended June 30, 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

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



# Independent Auditor's Report



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

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

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards we:

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

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

## ***Other Reporting Responsibilities***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

# Independent Auditor's Report



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

## *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fiduciary fund financial statements (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 is fairly stated, in all material respects in relation to the basic financial statements as a whole.

## *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## *Report on Summarized Comparative Information*

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, except for the retroactive implementation of GASB statement No. 87, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lunghard, LLP".

Brea, California  
November 18, 2022

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

On behalf of the Eastern Municipal Water District (the "District"), we are pleased to offer the following narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage all readers of the District's financial statements to consider the financial information presented in this section in conjunction with the accompanying financial statements, notes, analyses, and additional information furnished in our letter of transmittal at the opening of this report.

### Financial Highlights

- Total assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$1,938.6 million (net position). The District's net position, which increased \$110.4 million or 6.0 percent from the prior fiscal year, includes net investment in capital assets of \$1,427.9 million; restricted for debt service and construction, \$190.0 million; restricted for pension benefits trust, \$13.4 million; and unrestricted, \$307.3 million.
- Total assets are \$3,266.4 million, an increase of \$97.2 million or 3.1 percent over the prior fiscal year. The increase is due to higher net capital assets of \$42.4 million and higher cash and investments of \$53.9 million. The District added \$163.9 million in capital assets during the fiscal year, offset by an increase of \$111.5 million in accumulated depreciation.
- Total deferred outflows of resources are \$15.1 million or 24.0 percent lower this fiscal year due to the \$14.8 million decrease in deferred outflows from other postemployment benefits obligation.
- Total liabilities are \$1,296.8 million, a decrease of \$90.7 million or 6.5 percent over the prior fiscal year. This includes decreases of \$26.5 million in principal debt payments; \$18.6 million in net other post-employment benefits obligation; and \$48.5 million in net pension liability.
- Total deferred inflows of resources are \$62.4 million or 376.4 percent higher than the prior fiscal year due to increases in deferred inflows from pension, \$38.1 million, and deferred inflows from other postemployment benefits, \$23.9 million.
- Total revenue and capital contributions exceeded operating and non-operating expenses by \$110.4 million (change in net position). The change in net position is \$11.8 million or 12.0 percent higher than the prior fiscal year. Operating and non-operating revenues, combined with capital contributions, are \$44.3 million higher. These revenue increases are offset by increases in operating and non-operating expenses of \$32.5 million, mostly due to a \$27.7 million decrease in the fair value of investments resulting from unfavorable market conditions during the current fiscal year.
- Total operating and non-operating revenues, \$ 454.8 million, increased \$35.9 million or 8.6 percent over the prior fiscal year. Operating revenues increased \$13.2 million or 4.6 percent mostly due to an increase in water sales of \$9.2 million or 5.7 percent. Non-operating revenues increased \$22.6 million or 17.0 percent as a result of increases in property tax revenue, \$2.6 million; water and sewer connection fees, \$6.7 million; grant revenues, \$5.0 million; and other revenues, \$4.8 million.
- Total expenses, \$414.6 million, increased \$32.5 million or 8.5 percent over the prior fiscal year. Of this increase, \$30.9 million or 67.9 percent is due to the \$27.7 million decrease in fair value of investments.
- Capital contributions of \$70.2 million, are \$8.5 million higher than the prior fiscal year, due to an increase of \$8.3 million in developer contributions.

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

### Overview of the Financial Statements

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

### Financial Analysis

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

**Table 1, Net Position**

### STATEMENT OF NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021	Increase (Decrease)	
			Amount	% Change
<b>ASSETS</b>				
Current assets	\$ 533,196,581	\$ 492,665,797	\$ 40,530,784	8.2%
Noncurrent assets	265,003,253	250,793,365	14,209,888	5.7%
Net capital and right-to-use assets	2,468,207,218	2,425,762,425	42,444,793	1.7%
<b>Total Assets</b>	<b>\$ 3,266,407,052</b>	<b>\$ 3,169,221,587</b>	<b>\$ 97,185,465</b>	<b>3.1%</b>
<b>Total Deferred Outflows of Resources</b>				
	\$ 47,909,499	\$ 63,002,873	\$ (15,093,374)	-24.0%
<b>LIABILITIES</b>				
Current liabilities	\$ 132,602,145	\$ 120,929,049	\$ 11,673,096	9.7%
Other liabilities	141,068,286	209,810,662	(68,742,376)	-32.8%
Long-term debt outstanding	1,023,109,694	1,056,724,526	(33,614,832)	-3.2%
<b>Total Liabilities</b>	<b>\$ 1,296,780,125</b>	<b>\$ 1,387,464,237</b>	<b>\$ (90,684,112)</b>	<b>-6.5%</b>
<b>Total Deferred Inflows of Resources</b>				
	\$ 78,946,380	\$ 16,570,687	\$ 62,375,693	376.4%
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,427,892,259	\$ 1,444,600,326	\$ (16,708,067)	-1.2%
Restricted for debt service covenants	113,075,796	\$ 95,704,191	\$ 17,371,605	18.2%
Restricted for pension benefit trust	13,390,147	-	13,390,147	100.0%
Restricted for construction	76,942,299	27,574,653	49,367,646	179.0%
Unrestricted	307,289,545	260,310,366	46,979,179	18.0%
<b>Total Net Position</b>	<b>\$ 1,938,590,046</b>	<b>\$ 1,828,189,536</b>	<b>\$ 110,400,510</b>	<b>6.0%</b>
<b>Ratio of Liabilities and Deferred Inflows to Assets and Deferred Outflows of Resources</b>				
	<b>42%</b>	<b>43%</b>		

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

Comparing net position over time may serve as a useful indicator of a district's financial position. As shown on Table 1, the District's statement of net position includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,938.6 million (net position) representing an increase of \$110.4 million or 6.0 percent from the prior fiscal year.

The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources decreased from 43 percent in fiscal year 2021 to 42 percent in fiscal year 2022. This ratio indicates the degree to which the District's assets are financed through borrowing and other obligations.

- Total assets increased \$97.2 million or 3.1 percent from the prior fiscal year. This change includes increases in cash and investments, \$53.9 million; net other postemployment benefit (OPEB) asset, \$23.9 million; and net capital assets, \$42.4 million. The increase in cash and investments are accompanied by decreases in account receivable balances of \$23.3 million. Significant changes in receivable balances include decreases in utility accounts receivable, \$1.4 million; grants receivable, \$7.1 million; Soboba reimbursement receivable, \$6.7 million; and other receivables, \$8.1 million. The \$6.7 million decrease in Soboba reimbursement receivable is a result of the prepayment agreement executed between the District and Lake Hemet Municipal Water District (LHMWD), authorizing the early payoff of LHMWD's financial obligation relating to the financing plan for the construction costs of the Hemet/San Jacinto Integrated Recharge and Recovery Program (HSJIRRP) facilities, as part of a settlement agreement with the Soboba Bank of Luiseno Indians.

The District's Other Postemployment Benefits (OPEB) plan achieved full funding status in fiscal year 2022, resulting in a shift from a net OPEB liability of \$18.6 million in fiscal year 2021, to a \$23.9 million net OPEB asset in the current fiscal year. Achieving full funding status in the current fiscal year far exceeds the District's policy of fully funding the Trust in fiscal year 2033-2034.

The \$42.4 million increase in net capital assets represent net increases of \$41.7 million in capital assets and \$781 thousand in right to use lease assets. Significant additions to capital assets include the Customer Information and Billing System Replacement project, \$14.8 million; Murrieta Road Transmission Pipeline Improvement project, \$14.2 million; and the Sky Canyon Sewer Pipeline project, \$12.2 million.

- Total liabilities decreased \$90.7 million or 6.5 percent in the current fiscal year. These changes include decreases in revenue bonds payable, \$26.5 million; net other post-employment benefits obligation, \$18.6 million; and net pension liability, \$48.5 million. The District's policy of funding the Other Post Employment Benefit (OPEB) Trust above the actuarially determined contribution resulted in the \$18.6 million decrease in net other post-employment liability and a 100 percent increase in net OPEB asset of \$23.9 million, increasing funded ratio from 83 percent in fiscal year 2021 to over 100 percent in the fiscal year 2022, well ahead of the goal to fully fund the Trust by fiscal year 2033-2034. The \$48.5 million decrease in net pension liability is primarily due to a \$62.0 million increase in the Plan's net investment income, offset by \$15.5 million of combined increases in the Plan's service cost, interest on total pension liability, and the difference between expected and actual experience, for the June 30, 2021 measurement period.
- Deferred outflow of resources decreased \$15.1 million or 24.0 percent over the prior fiscal year, as a result of a \$14.8 million decrease in contributions to the Other Postemployment Benefits (OPEB) Trust, due to the Trust achieving full funding status during the fiscal year.
- Deferred inflow of resources increased by \$62.4 million due to changes in experience for pension, \$38.1 million, and other postemployment benefits, \$23.9 million. These changes include higher than expected earnings on plan investments.

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

**Table 2, Changes in Net Position**

### CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	June 30		Increase (Decrease)	
	2022	2021	Amount	% Change
<b>Operating revenues:</b>				
Water sales	\$ 172,342,283	\$ 163,113,885	\$ 9,228,398	5.7%
Sewer service charge	116,893,529	112,533,433	4,360,096	3.9%
Recycled water sales	9,610,661	9,949,373	(338,712)	-3.4%
Total operating revenues	<u>298,846,473</u>	<u>285,596,691</u>	<u>13,249,782</u>	<u>4.6%</u>
<b>Non-operating revenues:</b>				
Property taxes	59,234,196	56,582,034	2,652,162	4.7%
Water and sewer connection fees	73,951,090	67,256,487	6,694,603	10.0%
Interest revenue	4,538,974	1,149,152	3,389,822	295.0%
Grant revenues	5,641,424	655,381	4,986,043	760.8%
Lease revenue	524,018	448,247	75,771	16.9%
Other revenues	12,081,834	7,257,397	4,824,437	66.5%
Total non-operating revenues	<u>155,971,536</u>	<u>133,348,698</u>	<u>22,622,838</u>	<u>17.0%</u>
<b>Total revenues</b>	<u>454,818,009</u>	<u>418,945,389</u>	<u>35,872,620</u>	<u>8.6%</u>
<b>Operating expenses:</b>				
Purchased water	78,171,078	74,297,141	3,873,937	5.2%
Water operations	58,469,496	50,179,296	8,290,200	16.5%
Sewer operations	55,659,676	51,654,247	4,005,429	7.8%
Recycled water operations	8,265,324	7,563,997	701,327	9.3%
General and administrative	26,081,407	45,830,441	(19,749,034)	-43.1%
Depreciation and amortization	111,479,720	106,995,298	4,484,422	4.2%
Total operating expenses	<u>338,126,701</u>	<u>336,520,420</u>	<u>1,606,281</u>	<u>0.5%</u>
<b>Non-operating expenses:</b>				
Net decrease in fair value of investments	32,146,234	4,426,687	27,719,547	626.2%
Loss on disposal of capital assets	2,260,347	3,944,258	(1,683,911)	-42.7%
Interest expense	26,974,805	30,071,068	(3,096,263)	-10.3%
General obligation fund service fees	185,612	30,864	154,748	501.4%
Research and development costs	6,149,073	4,097,780	2,051,293	50.1%
Other expenses	8,736,921	2,975,237	5,761,684	193.7%
Total non-operating expenses	<u>76,452,992</u>	<u>45,545,894</u>	<u>30,907,098</u>	<u>67.9%</u>
<b>Total expenses</b>	<u>414,579,693</u>	<u>382,066,314</u>	<u>32,513,379</u>	<u>8.5%</u>
Income (loss) before contributions	40,238,316	36,879,075	3,359,241	9.1%
Capital contributions	70,162,194	61,710,544	8,451,650	13.7%
<b>Change in net position</b>	<u>110,400,510</u>	<u>98,589,619</u>	<u>11,810,891</u>	<u>12.0%</u>
<b>Total net position - beginning of year, as restated (Note 1)</b>	<u>1,828,189,536</u>	<u>1,729,599,917</u>	<u>98,589,619</u>	<u>5.7%</u>
<b>Total net position - end of year</b>	<u>\$ 1,938,590,046</u>	<u>\$ 1,828,189,536</u>	<u>\$ 110,400,510</u>	<u>6.0%</u>



# EASTERN MUNICIPAL WATER DISTRICT

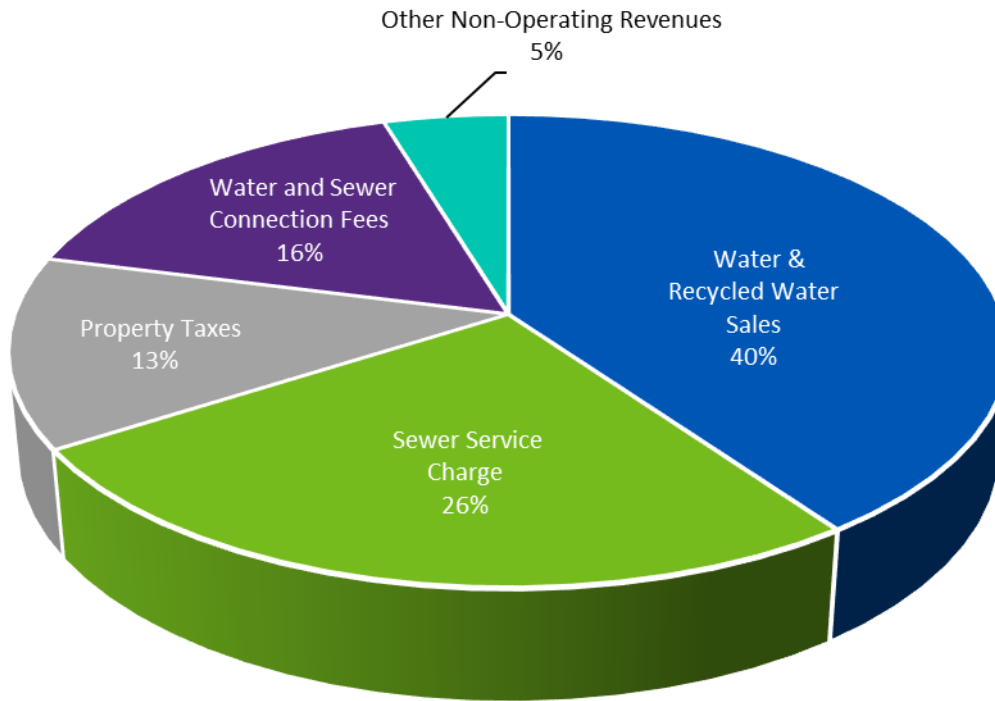
## Management's Discussion and Analysis

### Changes in Financial Performance of the District

The District's statement of revenue, expenses, and changes in net position reports the results of its operations for the fiscal year ended June 30, 2022. A summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021 is reported on Table 2 of the previous page.

### Revenues

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



The District's operating revenues, which include water sales, sewer service charges, and recycled water sales, contributed \$298.8 million or 66.0 percent to total revenues. The increase in operating revenues from the prior fiscal year was \$13.2 million or 4.6 percent and was due to combined increases in water and sewer sales of \$13.6 million or 4.9 percent. Water sales were \$9.2 million or 5.7 percent higher than the prior fiscal year, due to increases in both domestic and wholesale sales volumes and rates increases effective January 1, 2022.

Non-operating revenues, which include property taxes, water and sewer connection fees, and other revenues, contributed \$156.0 million or 34.3 percent to total revenues. The increase in non-operating revenues from the prior fiscal year was \$22.6 million or 17.0 percent. These changes include increases in water and sewer connections fees, \$6.7 million; grant revenues, \$5.0 million; interest revenue, \$3.4 million; property tax revenue, \$2.7 million; and other revenue, \$4.8 million. Water and sewer connections fees, which are 10.0 percent higher than the prior fiscal year, reflect a 6.8 percent increase in sewer connections (equivalent dwelling units or EDUs), offset by a 1.3 percent decrease in water connections (equivalent meter size or EMS). Within the District's service

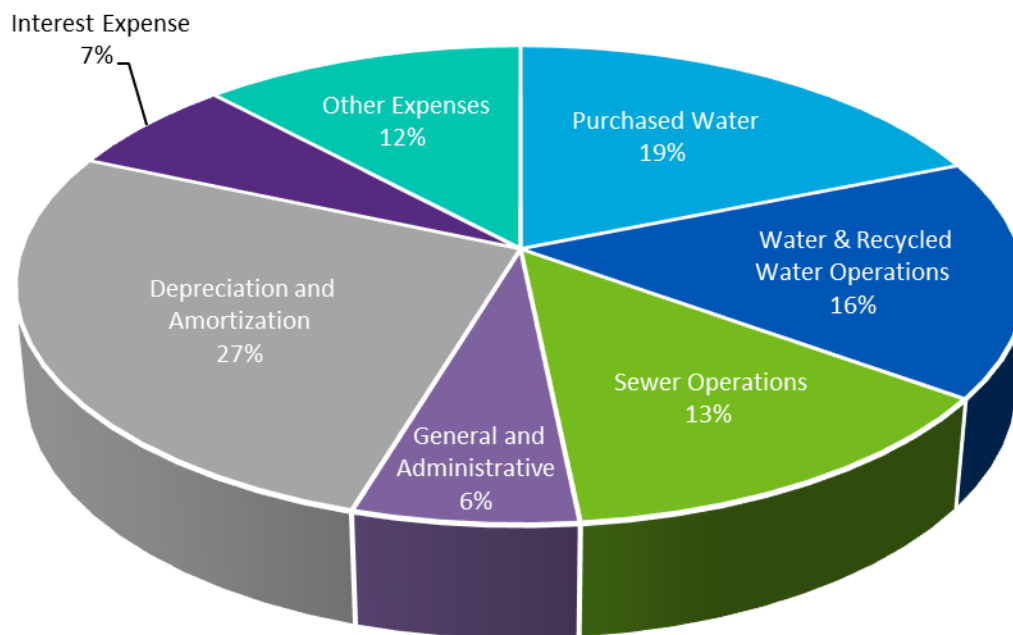
# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

area, the highest sewer connection revenues by regions, were in the Menifee/Romoland and Temecula/Murrieta areas, at \$14.1 million and \$11.1 million, respectively. The \$5.0 million increase in grant revenue reflects \$5.2 million of American Rescue Plan Act (ARPA) funding received from the State of California Water and Wastewater Arrearage Program (CWWAP). The funding was applied to residential and commercial customer water and sewer past due accounts during the COVID-19 pandemic bill relief period. Other Revenue, which increased \$4.8 million, includes \$5.0 million in late fees which were reinstated effective September 2021 (the current fiscal year), after the Board approved a temporary suspension in the prior fiscal year due to the COVID-19 pandemic.

### Expenses

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



The District's operating expenses, which include the cost of purchased water, water service, sewer service and recycled water operating costs, total \$338.1 million or 81.6 percent of total expenses. The increase in total operating expenses from the prior fiscal year was \$1.6 million or 0.5 percent. Combined increases of \$21.6 million or 7.35 percent in purchased water, water/sewer/recycled water costs, and depreciation expense, are offset by a \$19.7 million or 43.1 percent decrease in general and administrative costs. Purchased water cost is \$3.9 million or 5.2 percent higher than the prior fiscal year due to higher untreated water purchases resulting from the Operational Shift Cost Program (OSCOPI) agreement entered into with the Metropolitan Water District (MWD) in April 2021, increasing the volume of untreated water purchases while decreasing the volume of treated water purchase (to maximize available Colorado River supplies and save limited State Water Project storage for potential

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

future drought years). The combined cost of water, sewer, and recycled water increased \$16.2 million or 9.2 percent, with water operations reflecting an increase of \$8.3 million. Included in the water operations increased costs are higher water treatment expense, \$3.7 million and higher energy costs, \$2.2 million. The \$3.7 million increase in treatment cost is related to the higher volume of untreated water purchase mentioned above. In exchange for the higher costs resulting from this operational change, MWD paid the District a cost offset of \$0.4 million (16,550 acre feet). The \$2.2 million increase in water operation's energy cost is due to Southern California Edison's (SCE) rate increase and the change in shift time from 12pm to 5pm (non-peak hours) to 4pm to 9pm (peak hours). Sewer operational costs increased \$4.0 million or 7.8 percent due to higher energy costs resulting from SCE's rate increase. General and administrative cost is \$19.7 million or 43.1 percent lower due to decreases in pension expense, \$14.0 million, and other postemployment benefits, \$3.9 million.

Non-operating expenses, which include loss on disposal of capital assets, interest expense on debt obligations, research and development costs, other expenses, and decrease in fair value of investments, total \$76.5 million or 18.4 percent of total expenses. Non-operating expenses increased \$35.3 million or 85.9 percent due to the change (decrease) in fair value of investments, \$27.7 million, resulting from unfavorable market conditions during the fiscal year.

### Capital Contributions

Capital contributions total \$70.2 million, an increase of \$8.5 million or 13.7 percent from the prior fiscal year. This increase is due to an \$8.3 million increase in developer contributions resulting from the completion of the Solar Phase 3 capital project, with \$9.7 million in developer funding.

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

### Capital Assets

The District reported an increase of \$42.4 million in net capital assets in fiscal year 2022. A comparison of changes in capital assets is provided in Table 3 below.

**Table 3, Capital Assets**

### Capital Assets For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021	Increase (Decrease)	
			Amount	% Change
Land	\$ 74,084,100	\$ 73,155,783	\$ 928,317	1.3%
Tunnel Water Seepage Agreement	1,750,900	1,750,900	-	0.0%
Water capacity rights	32,430,476	32,430,476	-	0.0%
Water plant, lines and equipment	1,597,537,824	1,503,261,843	94,275,981	6.3%
Sewer plant, lines and equipment	2,184,263,213	2,135,537,859	48,725,354	2.3%
Equipment and general facilities	94,120,288	95,798,230	(1,677,942)	-1.8%
Construction in progress	117,794,986	119,344,324	(1,549,338)	-1.3%
<b>Total capital assets</b>	<b>4,101,981,787</b>	<b>3,961,279,415</b>	<b>140,702,372</b>	<b>3.6%</b>
Less accumulated depreciation	(1,636,074,705)	(1,537,035,751)	(99,038,954)	6.4%
<b>Net capital assets</b>	<b>\$ 2,465,907,082</b>	<b>\$ 2,424,243,664</b>	<b>\$ 41,663,418</b>	<b>41.0%</b>
Right to use assets, being amortized:				
Right to use-leased land	558,878	691,422	(132,544)	-19.2%
Right to use-leased equipment	1,446,428	1,163,186	283,242	24.4%
Right to use-leased SAWPA capacity rights	1,037,340	-	1,037,340	100.0%
Total right to use assets	3,042,646	1,854,608	1,188,038	64.1%
Less accumulated amortization	(742,510)	(335,847)	(406,663)	121.1%
<b>Net right to use assets</b>	<b>\$ 2,300,136</b>	<b>\$ 1,518,761</b>	<b>\$ 781,375</b>	<b>100.0%</b>
<b>Tota net capital assets and right to use assets</b>	<b>\$ 2,468,207,218</b>	<b>\$ 2,425,762,425</b>	<b>\$ 42,444,793</b>	<b>1.7%</b>

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, during the fiscal year. The new statement required the recognition of right to use leased assets in the amount of \$2.3 million (net). This amount is included in the increase of \$42.4 million in net capital assets. Additional information can be found in Note 1 and Note 5 of the Basic Financial Statements.

Significant additions to capital assets include the Customer Information and Billing System (CIS) project, \$14.8 million; the Murrieta Road Transmission Pipeline Improvement project, \$14.2 million; and the Sky Canyon Sewer Pipeline project, \$12.2 million.

The CIS Replacement project, which was substantially completed in October 2021, replaced the District's legacy billing system, COINS, which was developed in-house over twenty-seven years ago. The new Customer Information System (CIS) includes a customer self-service portal and a mobile work management system. Final work on the project is expected to be completed in September 2022.

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

The Murrieta Road Transmission Pipeline Improvement project constructed a 36-inch diameter pipeline from Eastern Municipal Water District's (EMWD) Desalination Complex on Murrieta Road between Salt Creek Trail and Mountain Park Drive/La Piedra Road. The project increases EMWD's water transmission capacity allowing the District to continue to serve the community and surrounding areas with reliable and quality water service. It increases transmission pipeline capacity along the western side of Perris Valley South. This project was substantially complete as of June 30, 2022, with final work to be completed by October 2022.

Development growth within the French Valley area has increased sewer flows within the Temecula Valley Trunk Sewer System. The Sky Canyon Sewer project will install approximately 6,670 linear feet of 36-inch diameter sewer. The pipeline is parallel to Winchester Road from Borel Road in easements to Sky Canyon Drive and then along Sky Canyon Drive to south of Murrieta Hot Springs Road within the unincorporated area of the County of Riverside. The new sewer addresses growth impacts in the area and will provide relief to existing 24-inch sewer along Hunter Road, which is currently operating near capacity. This project was substantially complete as of March 31, 2022, with final work to be completed by September 2022.

During the fiscal year, additions to construction in progress totaled approximately \$119.7 million. Some of the major projects currently underway and exceeding \$2.0 million include:

	<u>Millions</u>
• Sixteen water and sewer projects between \$1,000,000 - \$2,000,000	\$ 20.8
• Seventy-two water and sewer projects between \$100,000 - \$500,000	17.6
• Remaining water and sewer projects with expenses less than \$100,000	13.5
• Murrieta Road Transmission Pipeline Improvements	11.2
• Thirteen water and sewer projects between \$500,000 - \$1,000,000	10.0
• Perris II Desalter (5.4 MGD)	7.5
• Wells 201, 202, 203 and 205 Equipping	6.4
• Sky Canyon Sewer Pipeline	5.3
• Cactus II Feeder Transmission Pipeline	5.2
• San Jacinto Valley Raw Water Conveyance Facilities	4.4
• Perris North-Wells 206, 207 and 208 Drilling and Testing	3.7
• Eucalyptus Booster Pump Station	3.2
• TVRWRF Stormwater Assessment and Improvement	3.0
• Customer Information and Billing System Replacement Project	2.7
• Pat Road Booster Engine Replacements	2.7
• Sherman Road Brackish Water Transmission Pipeline	2.5
	<u>\$ 119.7</u>

# EASTERN MUNICIPAL WATER DISTRICT

## Management's Discussion and Analysis

The District had \$196.9 million in construction contract commitments as of June 30, 2022 (additional information can be found in Note 10 of the Basic Financial Statements).

### Long-Term Liabilities

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

The District had a total of \$1,023.1 million in outstanding debt and \$141.0 million in other liabilities at June 30, 2022, a decrease of \$102.4 million or 8.1 percent from the prior fiscal year. This change is due to the following: \$27.3 million decrease in revenue bonds outstanding due to scheduled principal debt payments of \$21.1 million and \$5.4 million in partial defeasance of the 2016B revenue bond; decrease of \$18.6 million in net other postemployment benefits obligation resulting from achieving full funding of the plan in the current fiscal year; and \$48.5 million decrease in net pension liability due to a \$62.0 million increase in the Plan's net investment income offset by \$15.5 million of combined increases service cost, interest on total pension liability, and the difference between expected and actual experience, for the June 30, 2021 measurement period.

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

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

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

### Contacting the District's Financial Management

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

**BASIC FINANCIAL STATEMENTS**

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2022

(with prior year data for comparison purposes only)

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and investments	\$ 455,197,500	\$ 397,992,229
Utility accounts receivable, net of allowance	38,511,511	39,873,725
Property taxes receivable	1,529,413	1,975,749
Accrued interest receivable	1,563,729	985,302
Grants receivable	9,516,331	16,599,546
Leases receivable	429,373	409,244
Other receivables	4,433,536	12,577,315
Prepaid expenses	3,843,376	4,318,043
Materials and supplies inventory	4,233,638	4,076,187
Water inventory	13,938,174	13,858,457
Total current assets	<u>533,196,581</u>	<u>492,665,797</u>
<b>Noncurrent assets:</b>		
Debt service covenants cash and investments - restricted	132,955,095	113,732,695
Pension benefit trust cash and investments - restricted	13,390,147	-
Construction cash and investments - restricted	81,152,875	117,077,951
Property taxes receivable	44,700	77,702
Leases receivable	5,596,513	5,107,817
Soboba reimbursement receivable	6,293,526	12,998,778
Notes receivable	1,616,305	1,798,422
Net OPEB asset	23,954,092	-
Capital assets not being depreciated	193,629,986	194,251,007
Capital assets being depreciated, net	2,272,277,096	2,229,992,657
Capital assets - right to use lease assets, net	2,300,136	1,518,761
Total noncurrent assets	<u>2,733,210,471</u>	<u>2,676,555,790</u>
<b>Total assets</b>	<u><b>3,266,407,052</b></u>	<u><b>3,169,221,587</b></u>
<b>Deferred outflows of resources:</b>		
Deferred outflows from pension	30,501,898	28,925,713
Deferred outflows from OPEB	6,989,939	21,760,611
Deferred charges on debt refundings	10,417,662	12,316,549
<b>Total deferred outflow of resources</b>	<u><b>47,909,499</b></u>	<u><b>63,002,873</b></u>

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



# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2022 (with prior year data for comparison purposes only)

	<u>2022</u>	<u>2021</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 44,768,072	\$ 39,578,654
Accrued salaries and benefits	3,878,125	2,986,876
Customer deposits	12,614,601	12,499,842
Compensated absences	10,845,410	10,153,322
Lease liability	528,509	554,771
Accrued interest payable	16,330,668	16,046,423
Other payables	8,071,039	9,492,000
Advances for construction, notes and assessments	4,919,423	4,673,118
Revenue bonds	21,916,924	21,114,135
General obligation bonds	4,030,748	1,260,341
Advances from developers	1,899,261	870,506
Other accrued expenses payable	2,799,365	1,699,061
Total Current Liabilities	132,602,145	120,929,049
<b>Noncurrent liabilities:</b>		
Compensated absences	3,199,958	4,252,511
Lease liability	1,797,467	977,173
Advances for construction, notes and assessments	114,951,425	114,998,705
Revenue bonds	882,054,046	909,354,714
General obligation bonds	22,904,265	28,118,596
Advances from developers	32,576,110	35,059,142
Other accrued expenses payable	2,101,733	2,077,296
Net other postemployment benefits obligation	-	18,632,848
Net pension liability	104,592,976	153,064,203
Total Noncurrent liabilities	1,164,177,980	1,266,535,188
Total liabilities	1,296,780,125	1,387,464,237
<b>Deferred inflows of resources:</b>		
Deferred inflows from pension	39,801,436	1,705,611
Deferred inflows from OPEB	33,335,104	9,449,287
Deferred inflows from leases	5,809,840	5,415,789
Total deferred inflows of resources	78,946,380	16,570,687
<b>Net position:</b>		
Net investment in capital assets	1,427,892,259	1,444,600,326
Restricted for debt service covenants	113,075,796	95,704,191
Restricted for pension benefit trust	13,390,147	-
Restricted for construction	76,942,299	27,574,653
Unrestricted	307,289,545	260,310,366
Total Net Position	\$ 1,938,590,046	\$ 1,828,189,536

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

## EASTERN MUNICIPAL WATER DISTRICT

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(with prior year data for comparison purposes only)

	<u>2022</u>	<u>2021</u>
<b>Operating revenues:</b>		
Water sales - domestic	\$ 166,724,780	\$ 160,667,782
Water sales - agriculture	5,617,503	2,446,103
Sewer service charge	116,893,529	112,533,433
Recycled water sales	9,610,661	9,949,373
Total operating revenues	<u>298,846,473</u>	<u>285,596,691</u>
<b>Operating expenses:</b>		
Purchased water	78,171,078	74,297,141
Water operations	58,469,496	50,179,296
Sewer operations	55,659,676	51,654,247
Recycled water operations	8,265,324	7,563,997
General and administrative	26,081,407	45,830,441
Depreciation and amortization	111,479,720	106,995,298
Total operating expenses	<u>338,126,701</u>	<u>336,520,420</u>
Operating income (loss)	<u>(39,280,228)</u>	<u>(50,923,729)</u>
<b>Nonoperating revenues (expenses):</b>		
Property taxes - general levy	46,946,017	44,907,361
Property taxes - general bond levy	6,474,372	6,076,662
Availability infrastructure assessments	5,813,807	5,598,011
Water and sewer connection fees	73,951,090	67,256,487
Interest revenue	4,395,689	1,082,056
Interest revenue - pension benefit trust	57,679	-
Interest revenue - leases	85,606	67,096
Net increase (decrease) in fair value of investments	(30,575,943)	(4,426,687)
Net increase (decrease) in fair value of pension benefit trust investments	(1,570,291)	-
Grant revenues	5,641,424	655,381
Lease revenue	524,018	448,247
Other revenues	12,081,834	7,257,397
Gain (loss) on disposal of capital assets	(2,260,347)	(3,944,258)
Interest expense	(26,974,805)	(30,071,068)
General obligation fund service fees	(185,612)	(30,864)
Research and development costs	(6,149,073)	(4,097,780)
Other expenses	(8,736,921)	(2,975,237)
Total nonoperating revenues (expenses)	<u>79,518,544</u>	<u>87,802,804</u>
Income (loss) before contributions	<u>40,238,316</u>	<u>36,879,075</u>
<b>Capital contributions:</b>		
Developer contributions	54,817,836	46,566,041
Capital grants	13,217,391	13,281,421
Other capital contributions	2,126,967	1,863,082
Total capital contributions	<u>70,162,194</u>	<u>61,710,544</u>
Change in net position	<u>110,400,510</u>	<u>98,589,619</u>
<b>Total net position - beginning of year, as restated (Note 1)</b>	<u>1,828,189,536</u>	<u>1,729,599,917</u>
<b>Total net position - end of year</b>	<u>\$ 1,938,590,046</u>	<u>\$ 1,828,189,536</u>

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (with prior year data for comparison purposes only)

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 310,751,146	\$ 274,826,634
Receipts from availability (standby) assessments	5,881,917	5,590,719
Other receipts	12,081,834	7,257,397
Payments for water	(78,390,368)	(72,067,461)
Payments to employee for services	(91,061,501)	(106,188,977)
Payments to suppliers for goods and services	(59,966,195)	(48,284,216)
Payments for energy and utilities	(24,554,924)	(17,806,627)
Net cash (used for) provided by operating activities	74,741,909	43,327,469
<b>Cash flows from noncapital financing activities:</b>		
Proceeds from property taxes, general levy	47,441,896	44,825,334
Proceeds from operating grants	5,763,884	209,670
Net cash (used for) provided by noncapital	53,205,780	45,035,004
<b>Cash flows from capital and related financing activities:</b>		
Acquisitions and construction of capital assets	(105,596,393)	(115,936,280)
Proceeds from sale of capital assets	7,705,137	568,424
Proceeds from long-term debt issuance	7,990,414	98,911,702
Lease payments	(145,525)	91,407
Proceeds from SRF construction advances	-	4,620,963
Repayment of notes, bonds and revenue bonds	(48,811,137)	(121,354,927)
Interest paid	(28,549,089)	(23,033,851)
Proceeds from property taxes, GO bond levy	28,862,374	6,069,577
Proceeds from water and sewer connection fees	73,951,090	67,256,487
Proceeds from developer advances	31,388,007	17,948,087
Repayments of developer advances	(32,842,284)	(9,742,869)
Proceeds from capital grants	20,178,146	27,164,925
Net cash (used for) capital and related financing activities	(45,869,260)	(47,436,355)
<b>Cash flows from investing activities:</b>		
Purchases of investments	(212,019,330)	(315,556,041)
Proceeds from sales and maturities of investments	54,620,000	219,701,217
Proceeds from earnings on investments	3,960,547	5,251,913
Net cash (used for) provided by investing activities	(153,438,783)	(90,602,911)
<b>Total (decrease) increase in cash and cash equivalents</b>	<b>(71,360,354)</b>	<b>(49,676,793)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>216,119,835</b>	<b>265,796,628</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 144,759,481</b>	<b>\$ 216,119,835</b>

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

## EASTERN MUNICIPAL WATER DISTRICT

### STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (with prior year data for comparison purposes only)

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of loss from operations to net cash (used for) provided by operating activities:</b>		
Loss from operations	\$ (39,280,228)	\$ (50,923,729)
Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	111,479,720	106,995,298
Other revenues	3,009,647	5,782,391
(Increase) decrease in utility accounts receivable	1,362,214	(6,987,828)
(Increase) decrease in other receivables	8,094,237	(6,521,860)
(Increase) decrease in prepaid expenses	474,667	(748,461)
(Increase) decrease in materials and supplies inventory	(157,451)	(106,566)
(Increase) decrease in water inventory	(79,717)	2,321,345
(Increase) decrease in notes receivable	182,117	195,941
Increase (decrease) in accounts payable	5,189,418	(1,004,397)
Increase (decrease) in accrued expenses	595,029	1,781,810
Increase (decrease) in customer deposits	114,759	1,201,830
Increase (decrease) in compensated absences	(360,465)	1,482,220
Increase (decrease) in net other postemployment benefits obligation	(42,586,940)	(13,203,416)
Increase (decrease) in net pension liability	(48,471,227)	10,843,535
Increase (decrease) in deferred inflows	61,981,642	(5,468,424)
(Increase) decrease in deferred outflows	13,194,487	(2,312,220)
Net cash (used for) provided by operating activities	\$ 74,741,909	\$ 43,327,469
<b>Reconciliation of cash and cash equivalent to statement of net position:</b>		
Current cash and investments	\$ 455,197,500	\$ 397,992,229
Restricted cash and investments:		
Debt service/covenants	132,955,095	113,732,695
Pension benefit trust cash and investments	13,390,147	-
Construction	81,152,875	117,077,951
Total cash and investments	682,695,617	628,802,875
Less investments	537,936,136	412,683,040
<b>Cash and cash equivalents</b>	<b>\$ 144,759,481</b>	<b>\$ 216,119,835</b>
<b>Noncash capital, financing, and investing activities:</b>		
Capital asset contributions from developers	\$ 56,944,803	\$ 48,429,123
Net increase (decrease) in fair value of investments	(30,575,943)	(4,426,687)
Termination of interest rate swap hedge effectiveness		(3,578,586)
Amortization of bond premiums, discounts, and loss on debt refundings	(1,672,916)	4,467,658

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2022

	OPEB Trust Fund	Custodial Funds
<b>Assets:</b>		
Cash and cash equivalents	\$ 7,785,433	\$ 76,631,835
Receivables:		
Interest and dividends	99,606	-
Special assessments for other governments	-	332,949
Investments at fair value:		
Mutual funds - equity	75,487,970	-
Mutual funds - fixed income	34,168,957	-
Total assets	117,541,966	76,964,784
<b>Liabilities:</b>		
Total liabilities	-	-
<b>Net position:</b>		
Restricted for:		
Post employment benefits other than pension	117,541,966	-
Debt obligations	-	76,964,784
<b>Total net position</b>	<b>\$ 117,541,966</b>	<b>\$ 76,964,784</b>

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

## EASTERN MUNICIPAL WATER DISTRICT

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2022

	OPEB Trust Fund	Custodial Funds
<b>Additions:</b>		
Contributions	\$ 117,186,877	\$ -
Net increase in fair value of investments	243,707	-
Interest, dividends, and other	127,580	45,721
Special assessment collections for other entities	-	22,783,616
Debt proceeds collected on behalf of other entities	-	46,432,026
Total additions	117,558,164	69,261,363
<b>Deductions:</b>		
Administrative expenses	-	1,949,486
Debt service payments to bondholders	-	9,623,113
Interest expense	-	9,713,133
Payments to other entities	-	28,249,551
Costs of issuance	-	962,345
Trustee fees	16,198	131,825
Transfer of funds held for prior bonds	-	910,232
Total deductions	16,198	51,539,685
Net increase (decrease) in fiduciary net position	117,541,966	17,721,678
<b>Total net position - beginning of year, as restated</b>	-	59,243,106
<b>Total net position - end of year</b>	\$ 117,541,966	\$ 76,964,784

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Reporting Entity

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

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

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

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

#### Basis of Accounting and Measurement Focus

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

The District also reports fiduciary fund activities. The OPEB Trust Fund is used to account for contributions and distributions to the retiree medical plan and other postemployment benefit plans. The Custodial Funds account for the Community Facilities Districts (CFDs) and Assessment Districts (ADs) activity. The fiduciary fund reporting focuses on economic resources and are accounted for under the accrual basis of accounting.

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

The District implemented the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This Statement requires recognition of certain lease assets and liabilities, for leases that were previously classified as operating leases, and establishes a single model for lease accounting. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for the financial statements beginning after December 15, 2019. As a result of the implementation, the prior fiscal year financial statement, June 30, 2021, was restated for comparison purposes and the beginning net position, June 1, 2020, was retroactively restated from \$1,741,671,151 to \$1,729,599,917.

#### Cash and Investments

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

#### Cash Equivalents

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

#### Classification of Revenues and Expenses

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

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



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Capital Assets and Right To Use Leased Assets

Both purchased capital assets and self-constructed capital assets are recorded at acquisition cost. The cost of self-constructed assets includes direct labor, materials, contracted services and overhead. Contributed capital assets are recorded at acquisition value at the time they are received. These assets consist primarily of distribution lines and connections constructed and donated by developers. The Districts capitalization threshold starts at \$5,000 with a useful life 3 years or more, for all purchased or constructed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. The District also reports the value of intangible right-to-use assets according to the provisions of GASB Statement No. 87, Leases. These assets are amortized each year according to the term of the contract.

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

<u>Assets</u>	<u>Years</u>
Transmission and Distribution	3-100
Pumping Plants	5-67
Source of Supply	3-40
Reclamation Facilities	3-50
General Plant	3-67
Right to Use Leased Assets	1-20

#### Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established for utility accounts receivables that are 60 or more days delinquent at year-end. This allowance is netted against the receivable on the Statement of Net Position and amounts to \$1,697,106 on June 30, 2022.

#### Inventories

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

#### Restricted Assets

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

Restricted assets include water and sewer connection fees. The resolution establishing the authority for water and sewer connection fees restricts the use of these fees to the construction, acquisition, or financing of capital assets. The water and sewer connection fees are exchange transactions (non-operating revenues). The connecting party receives a benefit (connection to the system) approximately equal in value to the amount paid. These fees

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

Also included in restricted assets are cash and investments in the Pension Benefits Trust established by resolution to invest funds designated for payment to CalPERS or other future pension plans sponsored or enrolled in by the District.

#### Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed daily on thirty-day cycles. Wastewater customers are also billed and included with the water billing. In certain areas of the District, the wastewater billing is handled by another water utility agency, however, revenues are accrued by the District each month. Collections are forwarded monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through the fiscal year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$13,950,682 at June 30, 2022.

#### Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of countywide assessed valuations. The property taxes are placed in a pool and are then allocated to the local governmental units based upon complex formulas. Property tax revenue is estimated based on a percentage of actual amount collected to the total amount levied by the County for the prior fiscal year.

The property tax calendar is as follows:

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

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

#### Compensated Absences

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

#### Pensions

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

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

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

#### Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan), the assets of which are held by the District's Section 115 Trust and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Deferred Outflows/Inflows of Resources

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

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

#### Fair Value Measurements

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

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

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

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

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Use of Estimates

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

### **NOTE 2 – Cash and Investments**

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

#### Statement of Net Position:

District Cash and Investments	\$ 455,197,500
Restricted assets:	
Debt service covenants	132,955,095
Pension Benefits Trust Investment	13,390,147
Construction	<u>81,152,875</u>
Total	<u>682,695,617</u>

#### Statement of Fiduciary Net Position:

Cash and investments - OPEB Trust	117,442,360
Cash and investments - Custodial Funds	<u>76,631,835</u>
Total	<u>194,074,195</u>
Total cash and investments	<u>\$ 876,769,812</u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

Current assets	\$ 455,197,500
Restricted assets:	
Debt service covenants	132,955,095
Construction	81,152,875
Totals	<u>\$ 669,305,470</u>

Cash and investments consisted of the following:

District Cash and Investments:	
Cash on hand	\$ 6,500
Deposits with financial institutions	7,465,832
Investments	661,833,138
Total District cash and investments	<u>\$ 669,305,470</u>

Pension Benefits Trust:	
Deposits with financial institutions	\$ 1,317
Equity - mutual funds	9,020,401
Fixed income -mutual funds	3,383,158
Money Market - mutual funds	985,271
Total Pension Benenefits Trust cash and investments	<u>\$ 13,390,147</u>

Fiduciary Fund - OPEB Trust:	
Deposits with financial institutions	\$ 11,775
Equity - mutual funds	75,487,971
Fixed income -mutual funds	34,168,957
Money market - mutual funds	7,773,657
Total OPEB Trust cash and investments	<u>\$ 117,442,360</u>

Fiduciary Fund - Custodial Funds:	
Deposits with financial institutions	\$ 76,631,835
Total Custodial Funds cash and investments	<u>\$ 76,631,835</u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

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

<b>Investment Types Authorized by State Law</b>	<b>Authorized by Investment Policy</b>	<b>Maximum Maturity*</b>	<b>Maximum Percentage of Portfolio*</b>	<b>Maximum Investment in One Issuer*</b>
U.S. treasury obligations	Yes	5 Years	None	None
U.S. agency securities	Yes	5 Years	None	None
Bankers’ acceptances	Yes	180 Days	40%	30%
Negotiable certificates of deposit	Yes	1 Year	30%	25%
Commercial paper	Yes	270 Days	25%	10%
Repurchase agreements	No <sup>1</sup>	1 Year	None	None
Reverse repurchase agreements	No	92 Days	20%	None
Medium-term notes	Yes	5 Years	30%	25%
Mortgage pass – through securities	No	5 Years	None	None
LAIF	Yes	None	None	\$75,000,000
CA local agency securities	Yes	5 Years <sup>2</sup>	30% <sup>3</sup>	25% <sup>3</sup>
Mutual funds	No	N/A	None	None
Money market mutual funds	Yes	N/A	15%	10%
County pooled investment funds	No	N/A	None	None
Joint powers authority (CalTRUST)	Yes	N/A	15%	15%
Investment contracts	Yes	None	None	None

\* Based upon State law or investment policy requirements, whichever is more restrictive.

1. Only permitted for use in the District’s sweep account.

2. Maturities may exceed 5 years with specific required credit ratings.

3. Investments in the District’s own tendered securities may exceed percentages on a temporary basis.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Investments Authorized by Debt Agreements

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

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



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Interest Rate Risk

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

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

Investment Type	Months			
	Total	12 or Less	13 to 24	25 to 60
U.S. Agency Securities:				
Federal Farm Credit Bank (FFCB)	\$ 83,788,117	\$ 9,778,750	\$ 19,258,000	\$ 54,751,367
Federal Home Loan Bank (FHLB)	154,583,700	-	33,594,050	120,989,650
Federal Home Loan Mortgage Corp. (FHLMC)	23,836,350	4,900,650	14,368,150	4,567,550
Federal National Mortgage Assn. (FNMA)	27,020,660	-	-	27,020,660
Corporate - Fixed	28,913,550	4,998,100	-	23,915,450
Money Market Mutual Funds	32,715,640	32,715,640	-	-
California Agency Securities	115,873,063	25,854,662	34,059,940	55,958,461
LAIF	60,313,008	60,313,008	-	-
Investment Trust of California (CalTRUST)	44,258,500	44,258,500	-	-
U.S. Treasury Obligations	90,530,550	14,854,100	33,832,100	41,844,350
<b>Total Investments</b>	<b>\$ 661,833,138</b>	<b>\$ 197,673,410</b>	<b>\$ 135,112,240</b>	<b>\$ 329,047,488</b>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Credit Risk

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

Category	Total	Minimum Legal Rating	Rating at June 30, 2022			
			AAA	AA	A	Not Rated
U.S. Agency Securities						
FFCB	\$ 83,788,117	N/A	\$ -	\$ 83,788,117	\$ -	\$ -
FHLB	154,583,700	N/A	-	154,583,700	-	-
FHLMC	23,836,350	N/A	-	23,836,350	-	-
FNMA	27,020,660	N/A	-	27,020,660	-	-
Corporate - Fixed	28,913,550	A	-	28,913,550	-	-
Money Market Mutual Funds	32,715,640	AAA*	32,715,640	-	-	-
California Agency Securities	115,873,063	N/A	7,528,870	107,371,932	972,261	-
LAIF	60,313,008	N/A	-	-	-	60,313,008
CalTRUST	44,258,500	N/A	-	44,258,500	-	-
U.S. Treasury Obligations	90,530,550	N/A	-	90,530,550	-	-
<b>Total Investments</b>	<b>\$ 661,833,138</b>		<b>\$ 40,244,510</b>	<b>\$ 560,303,359</b>	<b>\$ 972,261</b>	<b>\$ 60,313,008</b>

#### Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Investments in any one issuer other than U.S. Treasury securities, mutual funds and external investment pools that represent five percent of more of the District’s total investments are show below, as of June 30, 2022:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Agency	\$ 154,583,700
Federal Farm Credit Bank	U.S. Agency	83,788,118

## Notes to Financial Statements June 30, 2022

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

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2022, all the District's deposits with financial institutions are collateralized by an interest in an undivided collateral pool as required by law. To protect investments against custodial credit risk caused by the collapse of individual securities dealers, all negotiable securities owned by the District are settled with delivery versus payment procedures and held in safekeeping by the District's custodial bank acting as agent for the District under the terms of a custody agreement.

#### Investment in State Investment Pool

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

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Fair Value Measurement

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2022:

Category	Fair Value Hierarchy			
	Total	Level 1	Level 2	Level 3
Investments reported at Fair Value				
U.S. Agency				
FFCB	\$ 83,788,117	\$ -	\$ 83,788,117	\$ -
FHLB	154,583,700	-	154,583,700	-
FHLMC	23,836,350	-	23,836,350	-
FNMA	27,020,660	-	27,020,660	-
Corporate - Fixed	28,913,550	-	28,913,550	-
California Agency Securities	115,873,063	-	115,873,063	-
US Treasury	90,530,550	90,530,550	-	-
Total Investments at Fair Value	<u>\$ 524,545,990</u>	<u>\$ 90,530,550</u>	<u>\$ 434,015,440</u>	<u>\$ -</u>

#### Pension Trust Fund

#### Investments Authorized by the Trust Agreement

Investments of the Pension Benefit Trust Fund are held by the Trustee and governed by the provisions of the trust agreement, rather than the general provisions of the California Government Code. The table below identifies the investment classes that are authorized for investments held by the trustee.

Authorized Investment Type / Asset Class	Portfolio % Range	Portfolio % Target
Growth Assets		
Domestic Equity	22-66%	46%
International Equity	0-44%	24%
Other	0-15%	0%
Income Assets		
Fixed Income	10-50%	30%
Other	0-15%	0%
Real Return Assets	0-15%	0%
Cash Equivalents	0-20%	0%

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### **Concentration of Credit Risk**

The Pension Benefit Trust Fund's investment policy states no more than the greater of 5% or weighting in the relevant index of the total equity portfolio valued at market may be invested in the common equity of any one corporation. Ownership of the shares of one company shall not exceed 5% of those outstanding, and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at the time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investments grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

Other Assets may consist of non-traditional asset classes. The total allocation to this category may not exceed 15% of the overall portfolio.

#### **OPEB Trust Fund**

#### **Investments Authorized by the Trust Agreement**

Investments of the OPEB Trust Fund are held by the Trustee and governed by the provisions of the trust agreement, rather than the general provisions of the California Government Code. The table below identifies the investment classes that are authorized for investments held by the trustee.

<b>Authorized Investment Type / Asset Class</b>	<b>Portfolio % Range</b>	<b>Portfolio % Target</b>
Growth Assets		
Domestic Equity	22-62%	42%
International Equity	0-43%	23%
Other	0-15%	0%
Income Assets		
Fixed Income	10-55%	35%
Other	0-15%	0%
Real Return Assets	0-15%	0%
Cash Equivalents	0-20%	0%

## Notes to Financial Statements June 30, 2022

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

#### **Concentration of Credit Risk**

The OPEB Trust Fund's investment policy states no more than the greater of 5% or weighting in the relevant index of the total equity portfolio valued at market may be invested in the common equity of any one corporation. Ownership of the shares of one company shall not exceed 5% of those outstanding, and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at the time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investments grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

Other Assets may consist of non-traditional asset classes. The total allocation to this category may not exceed 15% of the overall portfolio.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### NOTE 3 – Capital Assets and Right to Use Assets

The capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance June 30, 2021	Additions	Reductions	Transfers	Ending Balance June 30, 2022
<b>Capital assets, not being depreciated</b>					
Land	\$ 73,155,783	\$ -	\$ (76,425)	\$ 1,004,742	\$ 74,084,100
Tunnel Water Seepage Agreement	1,750,900	-	-	-	1,750,900
Construction in progress	119,344,324	119,738,117	(7,391,963)	(113,895,492)	117,794,986
Total capital assets not being depreciated	194,251,007	119,738,117	(7,468,388)	(112,890,750)	193,629,986
<b>Capital assets, being depreciated</b>					
Water plant, lines and equipment	1,503,261,843	23,894,038	(3,328,195)	73,710,138	1,597,537,824
Water capacity rights	32,430,476	-	-	-	32,430,476
Sewer plant, lines and equipment	2,135,537,859	18,290,721	(7,775,044)	38,209,677	2,184,263,213
Equipment and general facilities	95,798,230	618,320	(3,267,197)	970,935	94,120,288
Total capital assets being depreciated	3,767,028,408	42,803,079	(14,370,436)	112,890,750	3,908,351,801
<b>Less accumulated depreciation for</b>					
Water plant, lines and equipment	616,042,536	49,759,913	(2,158,484)	49,084,218	712,728,183
Water capacity rights	13,204,110	781,633	-	-	13,985,743
Sewer plant, lines and equipment	806,060,590	52,563,701	(6,493,150)	(9,232,446)	842,898,695
Equipment and general facilities	101,728,515	7,807,046	(3,221,705)	(39,851,772)	66,462,084
Total accumulated depreciation	1,537,035,751	110,912,293	(11,873,339)	-	1,636,074,705
Total capital assets being depreciated, net	2,229,992,657	(68,109,214)	(2,497,097)	112,890,750	2,272,277,096
<b>Right to use assets, being amortized</b>					
Right to use-leased land	691,422	-	(132,544)	-	558,878
Right to use-leased equipment	1,163,186	311,461	(28,219)	-	1,446,428
Right to use-leased water capacity rights	-	1,037,340	-	-	1,037,340
Total right to use assets	1,854,608	1,348,801	(160,763)	-	3,042,646
<b>Less lease accumulated amortization</b>					
Right to use-leased land	129,933	129,933	(132,545)	-	127,321
Right to use-leased equipment	205,914	333,760	(28,219)	-	511,455
Right to use-leased water capacity rights	-	103,734	-	-	103,734
Total right to use lease accumulated amortization	335,847	567,427	(160,764)	-	742,510
Total right to use lease assets, net	1,518,761	781,374	(321,527)	-	2,300,136
<b>Capital assets and right to use assets, net</b>	<b>\$ 2,425,762,425</b>	<b>\$ 52,410,277</b>	<b>\$ (10,287,012)</b>	<b>\$ -</b>	<b>\$ 2,468,207,218</b>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### NOTE 4 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2022 is as follows:

	Ending Balance June 30, 2021	Additions	Reductions	Ending Balance June 30, 2022	Due Within One Year	Long Term
<b>Long-Term Debt</b>						
<b>Advances for Construction, Notes and Assessments:</b>						
CA DWR Prop 204 (HWFP)	\$ 13,551,258	\$ -	\$ (1,807,152)	\$ 11,744,106	\$ 919,006	\$ 10,825,100
SWRCB SRF loan (APAD)	26,786,068	-	(2,180,836)	24,605,232	2,190,040	22,415,192
SWRCB SRF loan (SCATT)	22,002,439	-	(1,902,200)	20,100,239	-	20,100,239
SWRCB SRF loan (N. Trumble Pond)	6,579,502	-	(222,841)	6,356,661	225,069	6,131,592
SWRCB SRF loan (TVRWRF)	50,752,556	7,990,414	(1,678,360)	57,064,610	1,585,308	55,479,302
Total notes payable	119,671,823	7,990,414	(7,791,389)	119,870,848	4,919,423	114,951,425
<b>Revenue Bonds:</b>						
2015B	74,430,000	-	-	74,430,000	-	74,430,000
2016A Refunding	183,835,000	-	(8,430,000)	175,405,000	8,880,000	166,525,000
2016B Refunding	119,365,000	-	(4,640,000)	114,725,000	-	114,725,000
2017C Refunding	17,515,000	-	(5,555,000)	11,960,000	5,830,000	6,130,000
2017D	102,500,000	-	-	102,500,000	-	102,500,000
2018A Refunding	94,455,000	-	-	94,455,000	-	94,455,000
2020A Refunding	122,145,000	-	-	122,145,000	-	122,145,000
2021A Refunding	50,590,000	-	-	50,590,000	135,000	50,455,000
2021B Refunding	48,040,000	-	-	48,040,000	-	48,040,000
Unamortized premium	117,593,849	-	(7,872,879)	109,720,970	7,071,924	102,649,046
Total revenue bonds	930,468,849	-	(26,497,879)	903,970,970	21,916,924	882,054,046
<b>General Obligation Bonds:</b>						
2005A	9,710,000	-	(9,710,000)	-	-	-
2009	19,390,000	-	(19,390,000)	-	-	-
2021 Refunding	-	22,355,000	-	22,355,000	3,725,000	18,630,000
Net unamort prem/disc	278,937	4,580,013	(278,937)	4,580,013	305,748	4,274,265
Total GO bonds	29,378,937	26,935,013	(29,378,937)	26,935,013	4,030,748	22,904,265
Sub-total long term debt	1,079,519,609	34,925,427	(63,668,205)	1,050,776,831	30,867,095	1,019,909,736
<b>Other Noncurrent Liabilities</b>						
Compensated absences	14,405,833	8,989,508	(9,349,972)	14,045,368	10,845,410	3,199,958
<b>Total long-term liabilities</b>	<b>\$ 1,093,925,442</b>	<b>\$ 43,914,935</b>	<b>\$ (73,018,177)</b>	<b>\$ 1,064,822,199</b>	<b>\$ 41,712,505</b>	<b>\$ 1,023,109,694</b>



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

	Date of Issue	Original Issue	Revenue Sources	Lien	Final Maturity Date	Interest Rates
<b>Advances for construction, notes and assessments:</b>						
CA DWR Prop 204 (HWFP) <i>Hemet Water Filtration Plant Construction Project</i>	03/03/05	\$ 42,098,388	(a)	Subordinate	07/01/28	Imputed -2.273%
SWRCB SRF loan (APAD) <i>Moreno Valley RWRF Acid Phase Anaerobic Digestion Project</i>	09/15/09	43,908,096	(a)	Subordinate	03/16/33	0.422%
SWRCB SRF loan (SCATT) <i>Moreno Valley RWRF Secondary Clarifier &amp; Tertiary Treatment Expansion Project</i>	06/23/09	38,302,852	(a)	Subordinate	07/05/32	1.0%
SWRCB SRF loan (N. Trumble) <i>Recycled Water Pond Optimization Project - N. Trumble &amp; Perris Valley RWRF</i>	04/26/18	7,455,594	(a)	Subordinate	06/30/47	1.0%
SWRCB SRF loan (TVRWRF) <i>Recycled Water Optimization Program</i>	12/21/20	59,945,454	(a)	Subordinate	12/21/49	1.8%
<b>Revenue Bonds:</b>						
2015B	06/18/15	74,430,000	(a)	Subordinate	07/01/46	4% to 5%
2016A Refunding	04/05/16	209,230,000	(a)	Subordinate	07/01/45	2% to 5%
2016B Refunding	09/14/16	124,925,000	(a)	Subordinate	07/01/35	2% to 5%
2017C Refunding	05/02/17	17,515,000	(a)	Subordinate	07/01/23	5.0%
2017D	05/18/17	102,500,000	(a)	Subordinate	07/01/47	5.0% to 5.25%
2018A Refunding	09/26/18	94,455,000	(a)	Subordinate	07/01/46	Variable
2020A Refunding	05/27/20	122,145,000	(a)	Subordinate	07/01/38	4% to 5%
2021A Refunding	06/10/21	50,590,000	(a)	Subordinate	07/01/30	3% to 4%
2021B Refunding	06/10/21	48,040,000	(a)	Subordinate	07/01/46	Variable
<b>General Obligation Bonds:</b>						
2021A Refunding	12/17/21	22,355,000	(b)	N/A	09/01/39	4% to 5%

(a) Net water and sewer revenues

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 23,489,423	\$ 33,594,053	\$ 57,083,476
2024	24,186,128	33,140,589	57,326,717
2025	26,368,672	32,237,494	58,606,166
2026	27,137,969	31,342,898	58,480,867
2027	28,079,054	30,392,037	58,471,091
2028-2032	156,603,404	135,058,002	291,661,406
2033-2037	180,825,534	99,059,393	279,884,927
2038-2042	197,606,149	60,882,620	258,488,769
2043-2047	219,021,007	28,697,738	247,718,745
2048-2050	53,158,508	1,413,781	54,572,289
TOTAL	936,475,848	485,818,605	1,422,294,453
Add: Unamortized premium	114,300,983	-	114,300,983
Total	\$ 1,050,776,831	\$ 485,818,605	\$ 1,536,595,436

### Advances for Construction, Notes and Assessments

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

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 4,919,423	\$ 1,328,018	\$ 6,247,441
2024	7,831,128	1,590,997	9,422,125
2025	7,933,672	1,488,452	9,422,124
2026	8,037,969	1,384,156	9,422,125
2027	8,144,054	1,278,071	9,422,125
2028-2032	34,753,404	4,990,001	39,743,405
2033-2037	15,475,534	3,446,098	18,921,632
2038-2042	12,071,149	2,434,386	14,505,535
2043-2047	13,141,007	1,364,526	14,505,533
2048-2050	7,563,508	273,906	7,837,414
Total	\$ 119,870,848	\$ 19,578,611	\$ 139,449,459

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Revenue Bonds

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

Future principal and interest payments on all revenue Bonds as of June 30, 2022 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 14,845,000	\$ 31,473,891	\$ 46,318,891
2024	15,390,000	30,721,867	46,111,867
2025	17,425,000	29,970,692	47,395,692
2026	18,170,000	29,228,892	47,398,892
2027	18,950,000	28,431,991	47,381,991
2028-2032	116,335,000	127,443,876	243,778,876
2033-2037	159,015,000	94,419,295	253,434,295
2038-2042	182,645,000	58,270,234	240,915,234
2043-2047	205,880,000	27,333,212	233,213,212
2048	45,595,000	1,139,875	46,734,875
	<u>794,250,000</u>	<u>458,433,825</u>	<u>1,252,683,825</u>
Add: Unamortized premium	109,720,970	-	109,720,970
Total	<u>\$ 903,970,970</u>	<u>\$ 458,433,825</u>	<u>\$ 1,362,404,795</u>

#### 2016B Revenue Bonds Partial Defeasance

The District defeased certain bonds of the 2016B refunding revenue bonds by placing the proceeds in an irrevocable trust to provide for future debt service payments on the bonds being defeased. The difference in debt service between the defeased bonds and the remaining debt is \$9.5 million. Accordingly, the assets in the trust account and the liability for the defeased debt are not included on the District's financial statements. On June 30, 2022, \$4,640,000 of bonds outstanding were considered defeased.

#### General Obligation (GO) Bonds

The outstanding general obligation bonds were issued by the Financing Authority to refund prior general obligation bonds issued to provide financing for certain water and/or sewer facilities for improvement districts of Eastern Municipal Water District. The major terms of the outstanding general obligation bonds are detailed in the summary of major terms of outstanding long-term debt.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

Year ending June 30	Principal	Interest	Total
2023	\$ 3,725,000	\$ 792,144	\$ 4,517,144
2024	965,000	827,725	1,792,725
2025	1,010,000	778,350	1,788,350
2056	930,000	729,850	1,659,850
2027	985,000	681,975	1,666,975
2028-2032	5,515,000	2,624,125	8,139,125
2033-2037	6,335,000	1,194,000	7,529,000
2038-2040	2,890,000	178,000	3,068,000
Sub-total	22,355,000	7,806,169	30,161,169
Add: Unamortized premium	4,580,013	-	4,580,013
Total	\$ 26,935,013	\$ 7,806,169	\$ 34,741,182

### 2021 Refunding General Obligation Bonds

In December 2021, the Financing Authority issued \$22,355,000 in General Obligation Refunding Bonds, Series 2021. The net proceeds were used to current refund outstanding general obligation bonds issued by the Western Riverside Water and Wastewater Financing Authority (refer to Note 16 – Joint Venture, for additional information) in 2005 (Series 2005A) and 2009 (Series 2009), and to pay the costs of issuance of the 2021 GO Bonds.

Low rates and the District's strong credit profile provided the District with the opportunity to refund the outstanding bonds and achieve considerable savings. The aggregate difference in debt service between the refunding debt and the refunded debt was \$10.66 million, resulting in \$9.42 million net present value savings.

The 2021 GO Bonds include principal installments due in varying amounts ranging from \$900,000 to \$3,725,000 from September 1, 2022 to September 1, 2039. Interest is payable semiannually at 5.0 percent from September 1, 2022 to September 1, 2032 and at 4.0 percent from September 1, 2033 to September 1, 2039.

The general obligation bonds are callable prior to maturity, subject to certain call premiums. The liability for the General District bonds and improvements within the respective special districts, and the funds for retirement thereof, are derived from a bond redemption levy based on the assessed valuation within the individual improvement districts. On June 30, 2022, general obligation bonds authorized but not issued total \$631,746,000.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Other Accrued Expenses Payable

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

Future payments on the agreements are as follows:

<u>Year Ending June 30</u>	
2023	\$ 617,143
2024	646,813
Total	<u>\$ 1,263,956</u>

#### Debt Service Reserve Funds

The District is required to maintain Debt Service Reserve Funds to be used for the payment of principal and interest on State Revolving Fund loans. The current required reserve amounts and reserve balances on June 30, 2022 for the outstanding debt are as follows:

<u>Description</u>	<u>Required</u>	<u>Actual</u>	<u>Excess (Deficiency)</u>
Hemet WFP SRF - \$4.21M <sup>1</sup>	\$ 2,104,920	\$ 2,162,073	\$ 57,153
N. Trumble Pond SRF	288,635	288,635	-
TVRWRF SRF	2,612,471	2,612,471	-
APAD SRF	2,293,874	2,293,874	-
SCATT SRF	2,122,225	2,122,225	-
Total Debt Service Reserve Funds	<u>\$ 9,422,125</u>	<u>\$ 9,479,278</u>	<u>\$ 57,153</u>

<sup>1</sup>The total required reserve per loan agreement is \$2,104,920. Half of this amount is required to be and was deposited by the first of ten semi-annual payments (July 1, 2013) and the remainder of the balance was required to be deposited by the tenth year of the repayment period (approximately July 1, 2018).

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Master Resolution

The District adopted Resolution No. 2021-054, entitled “A Resolution of the Board of Directors of Eastern Municipal Water District Establishing an Updated Reserve Policy” (the “Master Resolution”) to establish various reserves and covenants of which the following are required to be maintained:

1. Debt Coverage Ratio

The District has covenanted that Net Water and Sewer Revenues shall be at least 1.15 times the sum of all Debt Service on all Parity Obligations, plus the amount of all deposits required to be made to the Operating Reserve Fund. As of June 30, 2022, the District’s subordinate obligation debt service coverage ratio was 3.7 times.

2. Operating Reserve Fund

The District has covenanted that it will maintain a minimum of one quarter of its annual maintenance and operating costs as set forth in its operating budget in a separate reserve fund. The required reserve amount and the actual reserve balance on June 30, 2022 was \$59,774,994.

#### Standby Certificate Purchase Agreements

Included in long-term debt at June 30, 2022 are \$94,455,000 Series 2018A Revenue Bonds. This variable rate debt issuance has a tender provision for bondholders on seven-day notice, to tender their bonds at par value plus accrued interest. In connection with the issuance of the debt, the District executed a Standby Bond Purchase Agreement (SBPA) between the District and Bank of America, N.A. The SBPA expiration date is September 25, 2025. The SBPA is terminated prior to the expiration date only if there is an occurrence of “events of defaults.” As of June 30, 2022, there were no outstanding bonds that have been tendered but failed to be remarketed.

### **NOTE 5 – Leases**

For the year ended June 30, 2022, the financial statements include the adoption of Government Accounting Standards Board (GASB) Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about a government’s leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

#### Lease Receivables

The District leases a portion of its facilities for cellular tower antenna sites with lease terms ranging from 68 to 240 months. At June 30, 2020, an initial lease receivable for the cellular tower sites was recognized in the amount of \$6,715,730 and at June 30, 2022, the receivable balance was \$5,984,918. The annual CPI increase to these leased sites range from 3.0 to 4.0 percent and the monthly lease payments range from \$1,208 to \$3,900, with interest rates varying from 0.0703 to 2.29 percent. Deferred inflow of resources was \$5,766,633 and lease revenue recognized was \$506,743.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 5 – Leases (cont'd)**

The District also leases a portion of its land for agricultural use, with lease terms ranging from 18 to 60 months. At June 30, 2020, an initial land lease receivable was recognized in the amount of \$66,324 and at June 30, 2022, the balance of land lease receivable was \$40,968. The lessee is required to make fixed monthly payments ranging from \$1,140 to \$5,100, with interest rates varying from 0.42 to 1.09 percent. Deferred inflow of resources at June 30, 2022 was \$43,207 and lease revenue recognized during the fiscal year was \$17,275.

#### Principal and Interest to Maturity on Lease Receivables

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$ 429,373	\$ 85,430	\$ 514,803
2024	445,112	80,044	525,156
2025	466,700	74,390	541,090
2026	483,296	68,452	551,748
2027	470,357	62,350	532,707
2028 - 2032	2,127,578	221,155	2,348,733
2033 - 2037	1,155,783	90,856	1,246,639
2038 - 2042	447,687	14,569	462,256
Total	\$ 6,025,886	\$ 697,246	\$ 6,723,132

#### Lease Payables

At June 30, 2022, the District recorded land leases, with lease terms ranging from 24 to 217 months. At June 30, 2020, an initial lease liability was recorded in the amount of \$691,222 and, as of June 30, 2022, the value of the land lease payable was \$451,654. The monthly fixed payments of these leases range from \$1,744 to \$5,318, with interest rates varying from 0.45 to 1.59 percent. The value of right-to use land as of June 30, 2022 was \$558,878, with an accumulated amortization of \$127,321. Also reported on the Lease Assets by Major Classes table below is the value of right-to-use water capacity rights in the amount of \$1,037,340, with an accumulated amortization of \$103,734. At June 30, 2022, the capacity rights lease payable was \$935,413.

Also reported on the table below are equipment leases, with lease terms ranging from 20 to 60 months. At June 30, 2020, an initial lease liability was recorded in the amount of \$1,474,647 and, as of June 30, 2022, the value of the equipment lease payable was \$938,909. The monthly lease payments range from \$1,750 to \$17,637, with interest rates varying from 0.45 to 1.00 percent. The value of the right-to-use leased equipment as of June 30, 2022 was \$1,446,428, with an accumulated amortization of \$511,455.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### NOTE 5 – Leases (cont'd)

#### Lease Assets by Major Classes

<u>Asset Class</u>	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>
Land	\$ 558,878	\$ 127,321
Equipment	1,446,428	511,455
Water Capacity	1,037,340	103,734
Total Leases	<u>\$ 3,042,646</u>	<u>\$ 742,510</u>

#### Principal and Interest Requirements to Maturity on Lease Assets

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$ 528,509	\$ 22,587	\$ 551,096
2024	474,127	17,985	492,112
2025	479,541	13,410	492,951
2026	373,565	8,953	382,518
2027	138,125	5,828	143,953
2028-2032	125,697	21,665	147,362
2033-2037	164,796	10,224	175,020
2038-2040	41,616	387	42,003
Total	<u>\$ 2,325,976</u>	<u>\$ 101,039</u>	<u>\$ 2,427,015</u>

### NOTE 6 – Defined Benefit Pension Plan

#### Plan Description

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



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. The Plans' provisions and benefits in effect on June 30, 2022 are summarized as follows:

	<u>Miscellaneous</u>		
	<u>Prior to 11/1/10</u>	<u>11/1/10-1/1/13</u>	<u>On or after 1/1/2013</u>
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	62-67
Monthly Benefits as a % of eligible compensation	2.5%	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	7.00%
Required employer contribution rates	10.0%	10.0%	10.0%

#### Employees Covered

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

Active Members	606
Transferred Members	86
Terminated Members	119
Retired Members and Beneficiaries	569
Total	1,380

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Contribution Description

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

#### Pension Benefit Trust

In fiscal year 2022, the District established the Eastern Municipal Water District Section 115 Trust, comprised of the Pension Benefits Trust & OPEB Trust, to fund its unfunded pension liabilities and other postemployment benefits plans. The Pension Benefits Trust provides the District with an alternative option to pay down its unfunded pension liability by investing in funds designated for future payment to CalPERS. These funds may also be used to fund current contributions or normal pension costs. Any future contributions from the Trust to CalPERS will be at the District's discretion. The Retirement Trust Committee, appointed by the District, oversees the Trust and is assisted by a professional investment advisor in managing the Trust's investments, according to the established investment policy and guidelines.

As of June 30, 2022, the first year of the Trust, total value of assets in the Pension Benefits Trust was \$13.4 million.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

As of June 30, 2022, the total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.5% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.5% thereafter

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future 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 the funds' asset classes, expected compound 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 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 expected real rates of return by asset class are as follows:

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

<sup>1</sup>In the CalPERS ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are in both Global Equity Securities and Global Debt Securities.

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at 6/30/2020 (VD)</b>	<b>\$ 499,854,693</b>	<b>\$ 346,790,490</b>	<b>\$ 153,064,203</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	9,595,536	-	9,595,536
Interest on the Total Pension Liability	35,642,785	-	35,642,785
Differences between Expected and Actual Experience	5,514,252	-	5,514,252
Contributions - Employer	-	16,404,318	(16,404,318)
Contributions - Employees	-	4,456,022	(4,456,022)
Net Investment Income	-	78,709,883	(78,709,883)
Benefit Payments, including Refunds of Employee Contributions	(23,332,443)	(23,332,443)	-
Administrative Expense	-	(346,423)	346,423
Other Miscellaneous Income(Expense)	-	-	-
<b>Net Changes during 2020-2021</b>	<b>\$ 27,420,130</b>	<b>\$ 75,891,357</b>	<b>\$ (48,471,227)</b>
<b>Balance at 6/30/2021 (MD)</b>	<b>\$ 527,274,823</b>	<b>\$ 422,681,847</b>	<b>\$ 104,592,976</b>

(VD) Valuation Date

(MD) Measurement Date

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

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

	Discount Rate -1% 6.15%	Current Discount 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability/(Asset)	\$ 175,024,332	\$104,592,976	\$ 46,173,192

#### Recognition of Gains and Losses

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

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

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

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

For the measurement period ending June 30, 2021 (the measurement date), the District recognized a pension expense of \$10,172,889 for the plan.

As of June 30, 2022, the District reported other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension Contributions Subsequent to Measurement Date	\$ 22,089,913	\$ -
Changes of Assumptions	-	(538,806)
Differences between Expected and Actual Experience	8,411,985	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(39,262,630)
Total	\$ 30,501,898	\$ (39,801,436)

The \$22,089,913 reported as deferred outflows of resources related to employer contributions after the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period Ending June 30</b>	<b>Deferred Outflows/(Inflows of Resources</b>
2022	\$ (6,873,319)
2023	(6,479,671)
2024	(7,834,508)
2025	(10,201,953)
2026	-

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 7 – Defined Contribution Plan**

The District maintains the EMWD 401(a) Plan, a defined contribution money purchase pension plan that is qualified under Internal Revenue Code Section 401(a). The District has an agreement with Nationwide Retirement Solutions (Nationwide) whereby Nationwide receives, invests, and reports on the funds sent to them on behalf of eligible employees. Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its Union. Employees are vested in the funds contributed on their behalf after one year of service and have several investment options within the lineup of funds available at Nationwide. The 401(a) Plan was adopted in January 1978 and may be amended by the District, provided Nationwide joins in such amendment. The District's required contributions to the 401(a) Plan are 7.15 percent of each eligible employee's compensation, up to a maximum annual compensation of \$16,500. The District's contribution to the 401(a) Plan was \$751,537 for the fiscal year ended June 30, 2022.

In July 2011, the District executed a plan amendment to its 401(a) Plan to provide for a contribution to this 401(a) Plan on behalf of the General Manager in accordance with his employment contract. Contribution to this 401(a) Plan was \$32,500 for the fiscal year ended June 30, 2022.

The district provides a voluntary 457(b) deferred compensation plan for employees to contribute to their retirement on a tax-deferred basis. In October 2013, the District executed an amendment to its 401(a) Plan to provide for a matching contribution for those employees contributing to the 457(b) deferred compensation plan. The District's matching contributions will be paid into the 401(a) plan equal to 100 percent of an employee's 457(b) contribution at a rate of 4.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or before December 31, 2012 and 5.0 percent of annual base pay for employees hired and have maintained continuous employment with the District on or after January 1, 2013 (this is not applicable to employees who are re-hired and are vested for retiree medical higher than the PEMHCA minimum; these employees will be eligible for the 4.0 percent match noted earlier.) Matching contributions to the 401(a) plan totaled \$2,196,860 for the fiscal year ended June 30, 2022.

### **NOTE 8– Postemployment Benefits Other Than Pension**

#### Plan Description

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

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



## Notes to Financial Statements June 30, 2022

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

Effective for the 2021 calendar year, the District's contribution is 100 percent of the coverage level elected by the retiree up to the maximum of \$776 per month for single coverage, \$1,550 per month for two-party coverage and \$2,009 per month for family coverage. The District's contribution consists of the CalPERS statutory minimum required contribution of \$143 per month for 2021 and \$149 per month for 2022 and a contribution through a health reimbursement arrangement (HRA). Retirees in the Kaiser A HMO pay a monthly contribution based on the family coverage category elected if premium exceeds District contribution as stated above. The District's contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

Tier 2 (hired from August 1, 2005 to March 26, 2014) – The District's contribution is 100 percent of the coverage level elected by the retiree up to the greater of the same contribution amount as a retiree hired prior to August 1, 2005 multiplied by a vesting schedule or the 100/90 amount per PEMHCA. The 100/90 amount is 100 percent of the weighted average of single coverage and 90 percent of the weighted average of additional premium for the two-party and family coverage for the four PEMHCA plans with the highest State enrollment in the prior year (for 2021: \$776 per month for single, \$1,550 per month for two-party and \$2,009 per month for family). The vesting percentages, according to PEMHCA Section 22893, range from 50 percent to 100 percent for retirees with service of ten years to 20 years or more. The District's contribution consists of the CalPERS statutory minimum required contribution of \$143 per month for 2021 and \$149 per month for 2022 and a contribution through a health reimbursement arrangement (HRA). The District's contribution towards retiree medical benefits is paid for the lifetime of the eligible retiree or the surviving spouse upon the death of the eligible retiree.

Tier 3 (hired after March 26, 2014) – The District's contribution is the PEMHCA minimum required contribution of \$143 per month in 2021 and \$149 per month for 2022.

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

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 8– Postemployment Benefits Other Than Pension (cont’d)**

#### Employees Covered

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	610
Inactive employees or beneficiaries currently receiving benefits	480
Inactive employees entitled to but not yet receiving benefits	-
Total	<u>1,090</u>

#### Contributions

Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its union. The contribution requirements of the District for retired elected officials may be amended through Board action to update the Ordinance 70, for the health benefit plan, or with the life insurance company, for the life insurance benefits. The District’s policy is to achieve full funding of its unfunded actuarial accrued or net OPEB liability by fiscal year 2033-2034. The District’s funding practice is to fund at least the actuarially determined contribution, inclusive of direct payments for retiree health payments and the implied subsidy, which is determined based on the normal cost plus an amortization of the net (unfunded accrued) OPEB liability over a reasonable period (currently fifteen years). The District’s contribution to the OPEB Trust for the fiscal year ended June 30, 2022 was the estimated implied subsidy amount of \$1,188,882. The District achieved its full funding goal during the fiscal year, resulting in a net OPEB asset balance of \$23,954,092.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 8 – Postemployment Benefits Other Than Pension (cont’d)**

#### Net OPEB Liability

The District’s net OPEB liability was measured on June 30, 2021 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Level Percentage of Pay																		
Actuarial Assumptions:																			
Discount Rate	7.00%																		
Inflation	2.50%																		
Salary Increases	2.75% wage inflation plus seniority, merit and promotion salary increases based on CALPERS Experience Study and Review of Actuarial Assumptions, published in December 2017 for Public Agency Miscellaneous members.																		
Investment Rate of Return	7% per year; assumes the District invests in the CERBT asset allocation Strategy 1.																		
Mortality Rate	Based on Pub-2010 General Employees/Retirees/Disabled/Contingent Survivors Headcount Weighted Mortality Table projected fully generationally using Scale MP-2021.																		
Pre-Retirement Turnover	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 for Public Agency Miscellaneous members.																		
Healthcare Trend Rate	Medical costs are adjusted in future years by the following trends:																		
	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding-right: 20px;"><u>Year</u></th> <th style="text-align: left;"><u>Trend</u></th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>5.75%</td> </tr> <tr> <td>2023</td> <td>5.50%</td> </tr> <tr> <td>2024</td> <td>5.40%</td> </tr> <tr> <td>2025</td> <td>5.36%</td> </tr> <tr> <td>2030 to 2050</td> <td>5.18%</td> </tr> <tr> <td>2060</td> <td>4.83%</td> </tr> <tr> <td>2070</td> <td>4.38%</td> </tr> <tr> <td>2075+</td> <td>4.04%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Trend</u>	2022	5.75%	2023	5.50%	2024	5.40%	2025	5.36%	2030 to 2050	5.18%	2060	4.83%	2070	4.38%	2075+	4.04%
<u>Year</u>	<u>Trend</u>																		
2022	5.75%																		
2023	5.50%																		
2024	5.40%																		
2025	5.36%																		
2030 to 2050	5.18%																		
2060	4.83%																		
2070	4.38%																		
2075+	4.04%																		

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 8 – Postemployment Benefits Other Than Pension (cont’d)**

The long-term expected rate of return on OPEB plan investments is 7.0 percent and was determined using a building block method in which best-estimate ranges of expected future real rates of return, net of investment expense, 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. Best estimates of arithmetic real rates of return for each major asset class in the OPEB plan’s target allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Strategy 1	
	Target Allocation	Long-Term Expected Rate of Return
Global Equity	59.00%	5.78%
Fixed Income	25.00%	2.37%
REITS <sup>1</sup>	8.00%	4.70%
Treasury Inflation-Protected Securities (TIPS)	5.00%	1.26%
Commodities	3.00%	2.64%
<b>Total</b>	<b>100.00%</b>	

<sup>1</sup> REITS - Real Estate Investment Trusts

#### Discount Rate

The discount rate used to measure total OPEB liability was 7.00 percent, assuming full funding by 2033/2034.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

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

#### Changes in OPEB Liability

	Increase (Decrease)		Net OPEB
	Total OPEB Liability	Fiduciary Net Position	Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
<b>Balance at 6/30/2021 (MD June 30, 2020)</b>	<b>\$ 110,064,588</b>	<b>\$ 91,431,740</b>	<b>\$ 18,632,848</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	2,692,995	-	2,692,995
Interest	7,704,554	-	7,704,554
Differences between expected and actual experience	(11,057,440)		(11,057,440)
Changes of assumptions	6,961,268		6,961,268
Contributions from the Employer	-	19,000,000	(19,000,000)
Net Investment Income	-	29,929,821	(29,929,821)
Benefit Payments	(5,477,703)	(5,477,703)	-
Administrative Expense	-	(41,504)	41,504
Other	-	-	-
<b>Net Changes</b>	<b>\$ 823,674</b>	<b>\$ 43,410,614</b>	<b>\$ (42,586,940)</b>
<b>Balance at 6/30/2022 (MD June 30, 2021)</b>	<b>\$ 110,888,262</b>	<b>\$ 134,842,354</b>	<b>\$ (23,954,092)</b>

(MD) Measurement Date

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	\$ (9,710,672)	\$ (23,954,092)	\$ (35,756,017)

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 8 – Postemployment Benefits Other Than Pension (cont’d)**

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

	<b>1% Decrease</b>	<b>Healthcare Trend Rates</b>	<b>1% Increase</b>
	<b><u>(5% decreasing to 3.04%)</u></b>	<b><u>(6% decreasing to 4.04%)</u></b>	<b><u>(7% decreasing to 5.04%)</u></b>
Net OPEB Liability (Asset)	\$ (36,852,678)	\$ (23,954,092)	\$ (8,165,025)

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

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

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

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

For fiscal year June 30, 2022, the District recognized an OPEB expense of (\$3,930,451). As of the fiscal year ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB contributions subsequent to measurement date	\$ 1,188,882	\$ -
Differences between expected and actuarial experience	-	(13,450,617)
Changes in assumptions or other inputs	5,801,057	(2,896,487)
Differences between actual and projected earnings	-	(16,988,000)
<b>Total</b>	<b><u>\$ 6,989,939</u></b>	<b><u>\$ (33,335,104)</u></b>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 8– Postemployment Benefits Other Than Pension (cont’d)**

The \$1,188,882 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as an increase of the net OPEB asset during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<b>Measurement Period</b>	<b>Deferred</b>
<b>Ended June 30</b>	<b>Outflows (Inflows)</b>
	<b>of Resources</b>
2022	\$ (7,202,269)
2023	(7,062,002)
2024	(7,108,817)
2025	(5,478,267)
2026	(682,692)
	<u>\$ (27,534,047)</u>

### Subsequent Event

The District was enrolled in the California Employers’ Retiree Benefit Trust (CERBT) Program, an agent multiple employer plan, from June 2012 to June 2022. In June 2022, the OPEB assets from the CERBT Program were transferred to the Eastern Municipal Water District (EMWD) Section 115 Trust, OPEB Portfolio, a single employer defined benefit plan, as authorized by a resolution adopted by the Board of Directors on December 15, 2021. The purpose of the OPEB Trust is to continue to provide funding for postemployment healthcare benefits to all qualified employees who meets the District’s plan requirements through CalPERS or other future OPEB plans, including the postemployment group life insurance. As of June 30, 2022, the total value of assets in the OPEB Trust was \$117.5 million, as reported in the Statement of Fiduciary Net Position of the Basic Financial Statements.

### **NOTE 9 – Restricted and Unrestricted Net Position**

#### Restricted Net Position

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

Net Position restricted for pension benefit trust represent funds designated to be paid to CalPERS or any other future pension plans sponsored or enrolled in by the District. This Section 115 Trust was established in fiscal year 2022.

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 9 – Restricted and Unrestricted Net Position (cont’d)**

#### Unrestricted Net Position

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

### **NOTE 10 – Commitments**

#### Construction Contracts

The District is committed to approximately \$196,871,470 of open contracts as of June 30, 2022. The Contracts with the largest remaining balances include:

	<b>Contract Amount</b>	<b>Balance To Complete</b>
Wells 201, 202, 203 & 205 Equipping	\$ 19,612,179	\$ 14,062,524
San Jacinto Valley Raw Water Conveyance Facilities Phase 1 Pipeline	15,757,347	12,559,367
Cactus II Feeder-Phase I	11,923,295	7,327,834
Emergency Fuel Storage Facilities	3,060,731	2,374,743
Pettit Regulated Pressure Zone	2,534,783	2,131,004
Murrieta Road Transmission Pipeline	14,050,871	1,811,470
TVRWRF Multipurpose Building Rehabilitation and Retrofit	1,529,000	1,253,860
Redlands and Cottonwood Booster Electrical Replaceme	1,476,897	1,238,345
Pat Road Booster Engine Replacements	4,566,907	645,302
Temecula Valley Recycled Water Pipeline Phase 2	2,192,500	551,550
TOTAL	\$ 76,704,510	\$ 43,955,999

#### Claims and Judgments

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

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



# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 10– Commitments (cont’d)**

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is included in other accrued expenses. The District did not have any non-incremental claims adjustment expenses that needed to be included as part of the unpaid claims liability. Changes in claims payable for the year ended June 30, 2022 are as follows:

	Beginning			Ending	
	Balance			Balance	Due
	June 30, 2021	Additions	Deletions	June 30, 2022	Within One Year
General Liability	\$ 866,068	\$ 82,453	\$ (363,991)	\$ 584,530	\$ 584,530
Workers Compensation	1,562,898	852,149	(848,454)	1,566,593	260,268
	<u>\$ 2,428,966</u>	<u>\$ 934,602</u>	<u>\$ (1,212,445)</u>	<u>\$ 2,151,123</u>	<u>\$ 844,798</u>

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2021 to 2022. There were no settlements that exceeded insurance coverage for the three prior fiscal years ended June 30, 2021, June 30, 2020, and June 30, 2019.

#### Soboba Settlement Act

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

The Settlement Agreement provides that:

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

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 10 – Commitments (cont’d)**

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

In association with this settlement agreement, the stipulated judgment required that a watermaster be established to develop and implement a groundwater management plan and administer the provisions of the judgment. The Hemet-San Jacinto Watermaster (Watermaster) was established on April 18, 2013 and began operations in June 2013. Prior to formation of the Watermaster, the local agencies established an interim plan for imported water deliveries from MWD for in-lieu and replenishment water. The local agencies have agreed that the District will continue to purchase and deliver in-lieu and replenishment settlement water and bill the agencies directly on behalf of the Watermaster. The District did not have any outstanding billings of imported settlement water deliveries as of June 30, 2022.

In June 2013, the District established a methodology for valuing its share of the native groundwater in the Hemet-San Jacinto Groundwater Basin, including additions and withdrawals. The District recorded \$13,938,174 in water inventory for the fiscal year ended June 30, 2022. The District’s methodology identifies various water layers in the basin and assigns a zero-dollar value to native water, with additions of imported settlement water valued at purchased cost and withdrawals valued at a weighted average cost of all inventory layers. The following table illustrates the changes in water inventory for the fiscal year ended June 30, 2022.

	<b>Beginning Balance June 30, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2022</b>
Acre feet	86,501	9,642	(10,624)	85,519
Dollar value	\$ 13,858,457	\$ 1,781,702	\$ (1,701,985)	\$ 13,938,174

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 11 – Contingencies**

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

### **NOTE 12 – Santa Ana Watershed Project Authority**

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

According to the latest available audited financial statements, as of June 30, 2021 SAWPA had total assets of \$176,898,456 and total net assets of \$73,327,002. SAWPA Financial Statements can be obtained by contacting SAWPA at 11615 Sterling Avenue, Riverside, CA 92503 or at [www.sawpa.org](http://www.sawpa.org). The District does not have a measurable equity interest in SAWPA.

### **NOTE 13 – Advances from Developers**

The District receives deposits from developers in advance to cover various costs for both sewer and water related projects. On June 30, 2022, the amount of refundable deposits was \$34,475,371. When a project is closed, the developer is refunded only the amount remaining after offsetting all accumulated construction in progress costs. If costs exceed the deposit amount during the project, the developer is billed for additional deposits.

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **NOTE 14 – Assessment District, Community Facilities District Bonds, and Conduit Debt**

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

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2022
AD 5	(Romoland)	\$ 1,165,803	\$ 345,000
AD 7	(Homeland/Green Acres)	4,389,454	125,000
AD 8	(StageCoach Road)	4,167,528	1,745,000
AD 9	(East Pourroy Road)	270,046	54,495
AD 12	(Pigeon Pass Road)	2,224,919	1,030,000
AD 19A	(GlenOaks)	3,642,402	2,856,502
AD 20	(Menifee Valley Development)	4,995,000	2,535,000
CFD 2001-01 IA A	(French Valley)	18,380,000	13,960,000
CFD 2001-01 IA B	(French Valley)	1,350,000	1,025,000
CFD 2001-02 IA A	(Springfield/Arbor Glen)	3,590,000	2,815,000
CFD 2001-02 IA B	(Springfield/Arbor Glen)	585,000	450,000
CFD 2002-03	(Willows)	2,295,000	1,745,000
CFD 2002-04 IA 1	(Sheffield/RBV)	1,815,000	1,415,000
CFD 2002-04 IA 2	(Sheffield/RBV)	3,070,000	2,460,000
CFD 2002-04 IA 3	(Sheffield/RBV)	645,000	440,000
CFD 2002-04 IA 4	(Sheffield/RBV)	490,000	345,000
CFD 2002-04 IA 5	(Sheffield/RBV)	995,000	790,000
CFD 2002-05	(Crown Valley Village)	10,230,000	7,345,000
CFD 2002-06 IA A	(Morgan Hill)	5,050,000	3,965,000
CFD 2002-06 IA B	(Morgan Hill)	9,009,000	6,751,000
CFD 2002-06 IA C	(Morgan Hill)	4,485,000	4,375,000
CFD 2002-07 IA A	(Pacific Mayfield)	1,985,000	1,935,000
CFD 2002-07 IA B	(Pacific Mayfield)	3,285,000	3,015,000
CFD 2002-07 IA C	(Pacific Mayfield)	6,070,000	5,800,000
CFD 2002-08	(Serena Hills)	2,435,000	1,895,000
CFD 2002-09	(Woodside Homes)	1,405,000	950,000
CFD 2002-10	(Summit Ridge)	1,820,000	1,450,000

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### NOTE 14 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2022
CFD 2003-12 IA A	(Temecula Creek)	\$ 1,865,000	\$ 1,330,000
CFD 2003-12 IA B	(Temecula Creek)	2,510,000	1,800,000
CFD 2003-14 IA A	(Clinton Keith/Meadowlark)	1,435,000	1,050,000
CFD 2003-14 IA B	(Clinton Keith/Meadowlark)	3,330,000	2,460,000
CFD 2003-14 IA C	(Clinton Keith/Meadowlark)	1,635,000	1,190,000
CFD 2003-15 IA A	(Morgan Valley)	5,835,000	4,515,000
CFD 2003-16	(Promontory Park)	3,055,000	2,180,000
CFD 2003-19 IA A	(Eastridge/Westridge)	2,035,000	1,495,000
CFD 2003-19 IA B	(Eastridge/Westridge)	3,705,000	2,740,000
CFD 2003-20 IA A	(Corman Leigh)	1,405,000	1,020,000
CFD 2003-20 IA B	(Corman Leigh)	298,000	203,000
CFD 2003-20 IA C	(Corman Leigh)	951,821	674,992
CFD 2003-20 IA D	(Corman Leigh)	1,970,000	1,920,000
CFD 2003-25 IA B	(Pacific Communities)	2,425,000	2,225,000
CFD 2003-25 IA C	(Pacific Communities)	4,700,000	4,340,000
CFD 2003-25 IA D	(Pacific Communities)	3,070,000	2,310,000
CFD 2004-26 IA 1	(San Jacinto)	4,675,000	3,455,000
CFD 2004-26 IA 2	(San Jacinto)	2,780,000	2,030,000
CFD 2004-27	(Cottonwood Ranch)	7,296,000	5,582,000
CFD 2004-28	(Quinta Do Lago)	3,735,000	2,735,000
CFD 2004-29	(Sun Ranch)	4,617,000	3,522,000
CFD 2004-30	(Barrington Heights)	2,220,000	1,625,000
CFD 2004-32 IA A	(Rancho San Jacinto)	1,524,000	1,186,000
CFD 2004-32 IA B	(Rancho San Jacinto)	1,046,000	801,000
CFD 2004-34	(Faircrest)	5,470,000	4,020,000
CFD 2004-35 IA A	(Mountain Gate)	1,825,000	1,530,000
CFD 2004-35 IA C	(Mountain Gate)	850,000	605,000
CFD 2004-35 IA D	(Mountain Gate)	1,180,000	1,125,000
CFD 2004-36	(Adeline's Farm)	4,845,000	3,735,000
CFD 2005-38 IA A	(Autumn Ridge)	2,650,000	2,005,000
CFD 2005-38 IA B	(Autumn Ridge)	628,000	453,000
CFD 2005-39	(Marsden)	2,225,000	1,980,000
CFD 2005-40	(Mahogany/Promontory)	2,416,000	1,827,000
CFD 2005-42	(Belicia Ranch)Zone 1, Zone 2	2,151,000	1,662,000
CFD 2005-43 IA A	(Kona Road)	4,470,000	3,945,000

## EASTERN MUNICIPAL WATER DISTRICT

### Notes to Financial Statements June 30, 2022

**NOTE 14 – Assessment District, Community Facilities District Bonds, and Conduit Debt (cont'd)**

Active ADs/CFDs	Name	Amount of Issue	Outstanding 6/30/2022
CFD 2005-43 IA B	(Kona Road)	\$ 3,360,000	\$ 3,045,000
CFD 2005-44	(Vista Del Valle/Calder Ranch)	3,710,000	3,610,000
CFD 2005-47 IA A	(The Lakes)	10,540,000	9,715,000
CFD 2006-52	(Nelson Project)	1,445,000	1,090,000
CFD 2006-56	(Rancho Diamante)	3,635,000	3,540,000
CFD 2006-58	(Meadowbrook II/Stein/Cimmarron)	595,000	575,000
CFD 2010-60	(Paseo Del Sol)	2,605,000	2,340,000
CFD 2012-61	(Creekside)	3,675,000	3,605,000
CFD 2013-63 IA A	(Belle Terre)	3,370,319	3,297,211
CFD 2013-64	(Atherton and Terracina)	13,510,000	12,830,000
CFD 2014-66	(Meadow Creek)	1,275,000	1,215,000
CFD 2014-67 IA A	(The Lakes/Yates)	4,260,000	3,920,000
CFD 2014-67 IA B	(The Lakes/Yates)	3,005,000	2,730,000
CFD 2016-72	(Hidden Hills)	2,400,000	2,390,000
CFD 2016-74 IA C	(Menifee Town Center)	4,145,000	4,055,000
CFD 2016-75	(Washington Road)	2,440,000	2,430,000
CFD 2016-76	(Conestoga)	3,585,000	3,500,000
CFD 2018-82	(Aspen Pointe)	2,095,000	2,095,000
CFD 2015-71	(Promontory)	3,550,000	3,550,000
CFD 2016-74 IA A	(Menifee Town Center)	4,185,000	4,185,000
CFD 2016-74 IA B	(Menifee Town Center)	6,000,000	6,000,000
CFD 2016-74 IA D	(Menifee Town Center)	6,665,000	6,665,000
CFD 2017-79	(Eagle Crest)	13,465,000	13,465,000
CFD 2019-83	(Winchester Ridge)	8,165,000	8,165,000
		<u>\$ 308,352,292</u>	<u>\$ 254,905,200</u>

Summary of outstanding debt – CFDs and ADs:

Bonds payable outstanding - CFDs	\$ 246,214,203
Bonds payable outstanding - ADs	8,690,997
Total outstanding debt	<u>\$ 254,905,200</u>

# EASTERN MUNICIPAL WATER DISTRICT

## Notes to Financial Statements June 30, 2022

### **Note 15 – Joint Venture**

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

### **Note 16 – Prior Period Adjustment**

In fiscal year 2021, at the implementation of GASB Statement No. 84, Fiduciary Activities, the District presented the custodial fund's long-term debt, related accrued interest, and deferred charges on the Statement of Fiduciary Net Position. As additional guidance and clarification was received subsequent to the first year of implementation, a \$239,482,435 prior period adjustment was made, removing the custodial fund's long-term debt from the Statement of Net Position, resulting in a restatement of beginning net position, from a \$179,969,253 deficit to a positive balance of \$59,243,106.

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# Required Supplementary Information Section

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# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2022

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

Measurement Period	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
<b>Total Pension Liability</b>								
Service Cost	\$ 9,595,536	\$ 9,154,083	\$ 9,193,622	\$ 8,950,991	\$ 8,944,792	\$ 7,843,422	\$ 7,679,279	\$ 7,775,568
Interest on total pension liability	35,642,785	33,789,499	32,144,217	30,364,075	28,922,504	27,711,744	26,241,865	24,817,574
Difference between Expected and Actual Experience	5,514,252	3,192,129	5,259,636	3,493,286	(3,044,287)	(377,219)	(117,683)	-
Changes of Assumptions		-	-	(3,617,710)	24,934,841	-	(6,714,237)	-
Benefit Payments, Including Refunds of Employee Contributions	(23,332,443)	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Change in Total Pension Liability	27,420,130	23,951,189	25,783,493	20,406,780	43,373,380	20,100,697	13,342,678	19,173,413
Total Pension Liability - Beginning	499,854,693	475,903,504	450,120,011	429,713,231	386,339,851	366,239,154	352,896,476	333,723,063
Total Pension Liability - Ending (a)	<u>\$ 527,274,823</u>	<u>\$ 499,854,693</u>	<u>\$ 475,903,504</u>	<u>\$ 450,120,011</u>	<u>\$ 429,713,231</u>	<u>\$ 386,339,851</u>	<u>\$ 366,239,154</u>	<u>\$ 352,896,476</u>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 16,404,318	\$ 14,572,036	\$ 12,446,688	\$ 10,748,951	\$ 9,699,290	\$ 8,782,080	\$ 8,161,529	\$ 7,786,103
Contributions - Employee	4,456,022	4,521,539	4,054,435	4,437,439	4,294,049	4,187,293	4,204,174	4,510,815
Net Investment Income	78,709,883	16,669,012	20,890,658	25,160,942	30,717,223	1,420,440	6,028,932	40,103,890
Benefit Payments, Including Refunds of Employee Contributions	(23,332,443)	(22,184,522)	(20,813,982)	(18,783,862)	(16,384,470)	(15,077,250)	(13,746,546)	(13,419,729)
Net Plan to Plan Resource Movement	-	-	-	(736)	2,059	-	-	-
Administrative Expense	(346,423)	(470,411)	(226,454)	(462,980)	(397,425)	(164,570)	(303,937)	-
Other Miscellaneous Income(Expense) <sup>1</sup>	-	-	736	(879,206)	-	-	-	-
Net Change in Fiduciary Net Position	75,891,357	13,107,654	16,352,081	20,220,548	27,930,726	(852,007)	4,344,152	38,981,079
Plan Fiduciary Net Position - Beginning <sup>2</sup>	346,790,490	333,682,836	317,330,755	297,110,207	269,179,481	270,031,488	265,687,336	226,706,257
Plan Fiduciary Net Position - Ending (b)	<u>\$ 422,681,847</u>	<u>\$ 346,790,490</u>	<u>\$ 333,682,836</u>	<u>\$ 317,330,755</u>	<u>\$ 297,110,207</u>	<u>\$ 269,179,481</u>	<u>\$ 270,031,488</u>	<u>\$ 265,687,336</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ 104,592,976</u>	<u>\$ 153,064,203</u>	<u>\$ 142,220,668</u>	<u>\$ 132,789,256</u>	<u>\$ 132,603,024</u>	<u>\$ 117,160,370</u>	<u>\$ 96,207,666</u>	<u>\$ 87,209,140</u>
Pension Liability	80.16%	69.38%	70.12%	70.50%	69.14%	69.67%	73.73%	75.29%
Covered Payroll <sup>3</sup>	\$ 57,116,286	\$ 54,038,273	\$ 53,151,539	\$ 51,697,994	\$ 51,823,823	\$ 50,596,193	\$ 49,467,138	\$ 48,184,720
Plan Net Pension Liability as a Percentage of Covered Payroll	183.12%	283.25%	267.58%	256.86%	255.87%	231.56%	194.49%	180.99%

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

<sup>1</sup> During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

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

<sup>3</sup> Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014.

## EASTERN MUNICIPAL WATER DISTRICT

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### Required Supplementary Information June 30, 2022

#### Notes To Schedule:

**Benefit Changes:** The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

**Changes in Assumptions:** None in 2019-2021. In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2022

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

Fiscal Year	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 22,089,913	\$ 16,404,318	\$ 14,572,035	\$ 12,446,689	\$ 10,748,951	\$ 9,699,290	\$ 8,782,080	\$ 8,160,464
Contributions in Relation to the Actuarially Determined Contribution	(22,089,913)	(16,404,318)	(14,572,035)	(12,446,689)	(10,748,951)	(9,699,290)	(8,782,080)	(8,160,464)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 61,624,360	\$ 57,116,286	\$ 54,038,273	\$ 53,151,539	\$ 51,697,994	\$ 51,823,823	\$ 50,596,193	\$ 49,467,138
Contributions as a Percentage of Covered Payroll	35.85%	28.72%	26.97%	23.42%	20.79%	18.72%	17.36%	16.50%

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

#### Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-2022 were from the June 30, 2019 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	20-year period with a 5-year ramp-up at the beginning of the amortization period.
Asset Valuation Method	Fair Value of Assets
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% net of Pension Plan Investment and Adm Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2022

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

Measurement Period	2021	2020	2019	2018	2017
Service Cost	\$ 2,692,995	\$ 2,577,029	\$ 3,248,883	\$ 3,154,255	\$ 2,947,902
Interest	7,704,554	7,444,293	7,945,843	7,509,723	7,081,960
Differences between expected and actual experience	(11,057,440)	(1,094,510)	(7,012,819)	-	-
Changes of assumptions or other inputs	6,961,268	-	(5,792,972)	-	-
Benefit Payments, Including Refunds of Member Contributions	(5,477,703)	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Net Change in Total OPEB Liability	823,674	3,749,884	(6,285,857)	6,282,138	6,161,077
Total OPEB Liability - Beginning	110,064,588	106,314,704	112,600,561	106,318,423	100,157,346
Total OPEB Liability - Ending (a)	<u>\$ 110,888,262</u>	<u>\$ 110,064,588</u>	<u>\$ 106,314,704</u>	<u>\$ 112,600,561</u>	<u>\$ 106,318,423</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 19,000,000	\$ 19,006,063	\$ 19,240,938	\$ 17,947,401	\$ 18,111,235
Net Investment Income	29,929,821	3,169,036	4,177,706	3,861,399	3,066,258
Benefit Payments, Including Refunds of Member Contributions	(5,477,703)	(5,176,928)	(4,674,792)	(4,381,840)	(3,868,785)
Trust Administrative Expenses	(41,504)	(44,871)	(14,762)	(26,780)	(16,558)
Other Expense		-	-	(50,818)	-
Net Change in Plan Fiduciary Net Position	\$ 43,410,614	\$ 16,953,300	\$ 18,729,090	\$ 17,349,362	\$ 17,292,150
Plan Fiduciary Net Position - Beginning	91,431,740	74,478,440	55,749,350	38,399,988	21,107,838
Plan Fiduciary Net Position - Ending (b)	<u>\$ 134,842,354</u>	<u>\$ 91,431,740</u>	<u>\$ 74,478,440</u>	<u>\$ 55,749,350</u>	<u>\$ 38,399,988</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ (23,954,092)</u>	<u>\$ 18,632,848</u>	<u>\$ 31,836,264</u>	<u>\$ 56,851,211</u>	<u>\$ 67,918,435</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	121.6%	83.1%	70.1%	49.5%	36.1%
Covered Employee Payroll <sup>1</sup>	\$ 57,855,800	\$ 55,075,911	\$ 53,601,860	\$ 51,020,000	\$ 51,020,000
Net OPEB Liability as a Percentage of Covered Employee Payroll	-41.4%	33.8%	59.4%	111.4%	133.1%

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2022

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

Fiscal Year Ended June 30	2022	2021	2020	2019	2018
Actuarially Determined Contribution <sup>2</sup>	\$ -	\$ 6,642,486	\$ 6,566,657	\$ 10,934,835	\$ 10,833,584
Contributions in Relation to ADC <sup>2</sup>	1,188,882	20,103,875	19,006,063	19,240,938	17,947,401
Contribution Deficiency (Excess)	\$ (1,188,882)	\$ (13,461,389)	\$ (12,439,406)	\$ (8,306,103)	\$ (7,113,817)
Covered Employee Payroll <sup>1</sup>	\$ 57,855,800	\$ 55,568,945	\$ 55,075,911	\$ 53,601,860	\$ 51,020,000
Contributions as a Percentage of Covered Employee Payroll	2.05%	36.18%	34.51%	35.90%	35.18%

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

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

<sup>2</sup> The OPEB Plan was fully funded in fiscal year 2022, therefore, actuarially determined contribution was \$0 and the net OPEB asset as June 30, 2022 was \$23.9 million. The \$1.2 million contribution represents the District's implied subsidy.

# EASTERN MUNICIPAL WATER DISTRICT

## Required Supplementary Information June 30, 2022

### Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022 were from the June 30, 2021 actuarial valuation:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal Level Percentage of Pay																		
Amortization Method/Period	Level Dollar over 11 years																		
Asset Valuation Method	Market value																		
Inflation	2.50%																		
Payroll Growth	2.75% wage inflation plus seniority, merit and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions, published in December 2017 for Public Agency Miscellaneous members																		
Investment Rate of Return	7.00% per year; assumes the District invests in the CERBT asset allocation Strategy 1																		
Healthcare cost-trend rates	Medical costs are adjusted in future years by the following trends:																		
	<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Year</u></th> <th style="text-align: center;"><u>Trend</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2022</td> <td style="text-align: center;">5.75%</td> </tr> <tr> <td style="text-align: center;">2023</td> <td style="text-align: center;">5.50%</td> </tr> <tr> <td style="text-align: center;">2024</td> <td style="text-align: center;">5.40%</td> </tr> <tr> <td style="text-align: center;">2025</td> <td style="text-align: center;">5.36%</td> </tr> <tr> <td style="text-align: center;">2030 to 2050</td> <td style="text-align: center;">5.18%</td> </tr> <tr> <td style="text-align: center;">2060</td> <td style="text-align: center;">4.83%</td> </tr> <tr> <td style="text-align: center;">2070</td> <td style="text-align: center;">4.38%</td> </tr> <tr> <td style="text-align: center;">2075+</td> <td style="text-align: center;">4.04%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Trend</u>	2022	5.75%	2023	5.50%	2024	5.40%	2025	5.36%	2030 to 2050	5.18%	2060	4.83%	2070	4.38%	2075+	4.04%
<u>Year</u>	<u>Trend</u>																		
2022	5.75%																		
2023	5.50%																		
2024	5.40%																		
2025	5.36%																		
2030 to 2050	5.18%																		
2060	4.83%																		
2070	4.38%																		
2075+	4.04%																		
Retirement	Based on CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 for Public Agency Miscellaneous members																		
Mortality	Based on Pub-2010 General Employees/Retirees/Disabled/Contingent Survivors Headcount Weighted Mortality Table projected fully generationally using Scale MP-2020																		

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.



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# Combining Fiduciary Fund Statement Section

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## EASTERN MUNICIPAL WATER DISTRICT

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

### COMBINING STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2022

	OPEB Trust Fund	Community Facilities Districts	Assessment Districts	Total Custodial Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 7,785,433	\$ 74,580,072	\$ 2,051,763	\$ 76,631,835
Receivables:				
Interest and dividends	99,606			
Special assessments for other governments	-	207,867	125,082	332,949
Investments at fair value:				
Mutual funds - equity	75,487,970	-	-	-
Mutual funds - fixed income	34,168,957	-	-	-
<b>Total assets</b>	<b>117,541,966</b>	<b>74,787,939</b>	<b>2,176,845</b>	<b>76,964,784</b>
<b>Liabilities:</b>				
Total liabilities	-	-	-	-
<b>Net position:</b>				
Restricted for:				
Post employment benefits other than pensions	117,541,966	-	-	-
Debt obligations	-	74,787,939	2,176,845	76,964,784
<b>Total net position</b>	<b>\$ 117,541,966</b>	<b>\$ 74,787,939</b>	<b>\$ 2,176,845</b>	<b>\$ 76,964,784</b>

# EASTERN MUNICIPAL WATER DISTRICT

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED JUNE 30, 2022

	OPEB Trust Fund	Custodial Funds		
		Community Facilities Districts	Assessment Districts	Total Custodial Funds
<b>Additions:</b>				
Contributions	\$ 117,186,877	\$ -	\$ -	\$ -
Net increase in fair value of investments	243,707	-	-	-
Interest, dividends, and other	127,580	49,930	(4,209)	45,721
Special assessment collections for other entities	-	21,217,652	1,565,964	22,783,616
Debt proceeds collected on behalf of other entities	-	46,432,026	-	46,432,026
<b>Total additions</b>	<b>117,558,164</b>	<b>67,699,608</b>	<b>1,561,755</b>	<b>69,261,363</b>
<b>Deductions:</b>				
Administrative expenses	-	1,802,236	147,250	1,949,486
Debt service payments to bondholders	-	7,743,595	1,879,518	9,623,113
Interest expense	-	9,255,524	457,609	9,713,133
Payments to other entities	-	28,249,551	-	28,249,551
Costs of issuance	-	962,345	-	962,345
Trustee fees	16,198	124,500	7,325	131,825
	-	910,232	-	910,232
<b>Total deductions</b>	<b>16,198</b>	<b>49,047,983</b>	<b>2,491,702</b>	<b>51,539,685</b>
Net increase (decrease) in fiduciary net position	117,541,966	18,651,625	(929,947)	17,721,678
<b>Total net position - beginning of year, as restated</b>	<b>-</b>	<b>56,136,314</b>	<b>3,106,792</b>	<b>59,243,106</b>
<b>Total net position - end of year</b>	<b>\$ 117,541,966</b>	<b>\$ 74,787,939</b>	<b>\$ 2,176,845</b>	<b>\$ 76,964,784</b>

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# Statistical Section

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## STATISTICAL SECTION

This section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements, notes disclosures, and required supplementary information says about the District's overall financial health.

### Contents

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other agencies.

#### **Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

#### **Sources**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Net Position by Component Last Ten Fiscal Years

	2013	2014	2015 <sup>1</sup>	2016	2017	2018 <sup>2</sup>	2019	2020	2021 <sup>3,4</sup>	2022
Net investment in capital assets	\$ 1,239,753,130	\$ 1,300,393,466	\$ 1,370,476,337	\$ 1,403,875,420	\$ 1,338,331,638	\$ 1,349,982,180	\$ 1,389,284,069	\$ 1,407,118,856	\$ 1,444,600,326	\$ 1,427,892,259
Restricted for debt service/covenants	73,268,230	70,625,613	74,689,785	80,348,698	71,207,358	80,159,371	86,400,881	94,665,692	95,704,191	113,075,796
Restricted for pension benefit trust <sup>5</sup>	-	-	-	-	-	-	-	-	-	13,390,147
Restricted for construction	56,375,249	45,199,054	40,347,436	38,265,888	60,632,573	23,827,435	6,161,035	28,953,913	27,574,653	76,942,299
Unrestricted	<u>148,512,588</u>	<u>134,353,793</u>	<u>(7,842,690)</u>	<u>(1,974,861)</u>	<u>62,360,074</u>	<u>94,848,668</u>	<u>154,920,394</u>	<u>210,932,690</u>	<u>260,310,366</u>	<u>307,289,545</u>
Total net position	<u>\$ 1,517,909,197</u>	<u>\$ 1,550,571,926</u>	<u>\$ 1,477,670,868</u>	<u>\$ 1,520,515,145</u>	<u>\$ 1,532,531,643</u>	<u>\$ 1,548,817,654</u>	<u>\$ 1,636,766,379</u>	<u>\$ 1,741,671,151</u>	<u>\$ 1,828,189,536</u>	<u>\$ 1,938,590,046</u>
% Increase		2.2%	-4.7%	2.9%	0.8%	1.1%	5.7%	6.4%	5.0%	6.0%

#### Notes:

1. The District implemented GASB Statement Nos. 68 and 71 for the fiscal year ended June 30, 2015. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of (\$103,259,883).
2. The District implemented GASB Statement No. 75 for the fiscal year ended June 30, 2018. As a result of this GASB implementation, the balance in net position includes a net prior period adjustment of (\$16,478,890).
3. The balance in net position for FY21 includes a net prior period adjustment of \$12,071,234 for adjustments made to the property tax receivable balances.
4. The District implemented GASB Statement No. 87 for the fiscal year ended June 30, 2022. As a result of this GASB implementation, the Net Position for fiscal year ended June 30, 2021 was restated for comparison purposes.
5. The District established a Section 115 Trust in FY 2022. The restricted for pension benefit trust represents funds designated to be paid to CalPERS or any other future pension plans sponsored or enrolled in by the District.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Changes in Net Position Last Ten Fiscal Years

Fiscal Year	Operating Revenues		Operating Expenses		Operating Loss	Non-operating Revenues/ (Expenses)	Income Before Capital Contributions	Capital Contributions <sup>1</sup>	Change in Net Position
	Water	Wastewater	Water	Wastewater					
2013	\$ 112,456,804	\$ 74,633,171	\$ 154,950,442	\$ 108,169,114	\$ (76,029,581)	\$ 45,528,065	\$ (30,501,516)	\$ 30,446,825	\$ (54,691)
2014	122,724,175	79,225,506	163,774,490	111,720,396	(73,545,205)	57,381,626	(16,163,579)	48,826,308	32,662,729
2015	117,295,152	83,513,268	162,871,146	116,781,896	(78,844,622)	49,992,435	(28,852,187)	59,211,012	30,358,825
2016	112,457,426	93,833,665	154,989,658	121,778,812	(70,477,379)	75,675,617	5,198,238	37,646,039	42,844,277
2017	120,870,937	100,328,285	167,605,351	124,278,289	(70,684,418)	61,439,040	(9,245,378)	21,261,876	12,016,498
2018	135,428,866	105,078,613	180,352,180	124,831,968	(64,676,669)	76,036,077	11,359,408	21,405,493	32,764,901
2019	132,847,172	109,072,232	176,569,992	126,117,304	(60,767,892)	92,051,786	31,283,894	56,664,831	87,948,725
2020	141,303,051	115,603,869	186,515,757	134,933,642	(64,542,479)	84,902,074	20,359,595	84,545,177	104,904,772
2021 <sup>2</sup>	163,113,885	122,482,806	199,480,026	137,040,394	(50,923,729)	87,802,804	36,879,075	61,710,544	98,589,619
2022	\$ 172,342,283	\$ 126,504,190	\$ 203,358,889	\$ 134,767,812	\$ (39,280,228)	\$ 79,518,544	\$ 40,238,316	\$ 70,162,194	\$ 110,400,510

Notes:

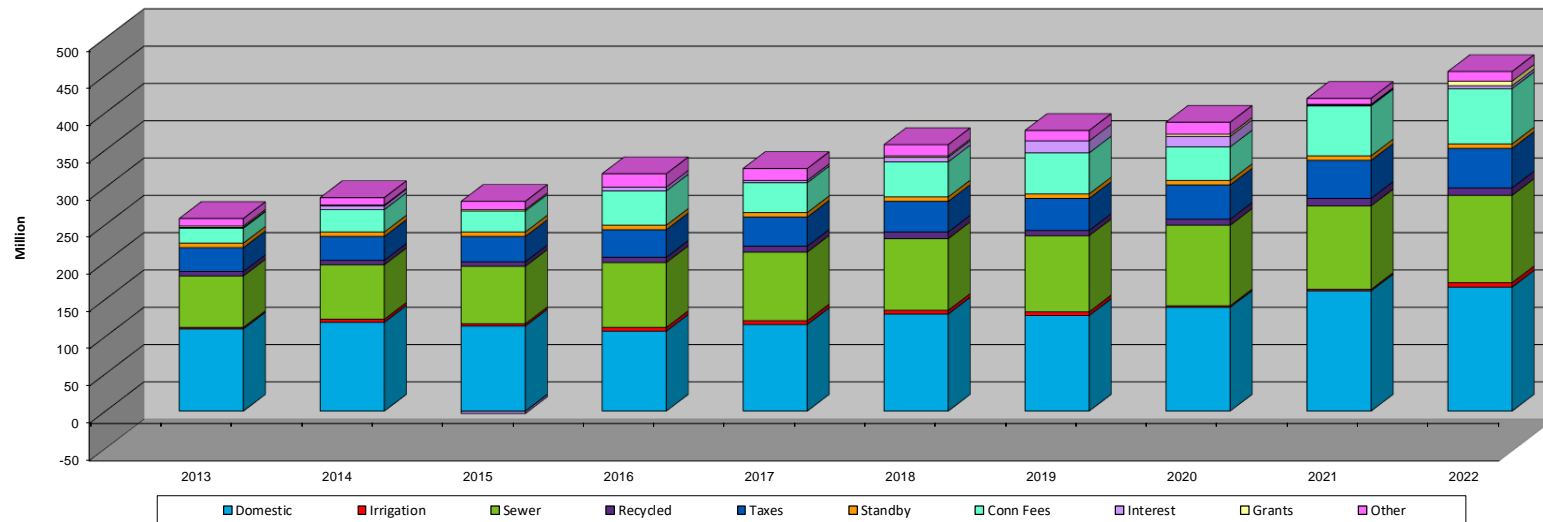
1. Fluctuations in contributed capital are due to the volume of construction activity and project close outs in a fiscal year.
2. The District implemented GASB Statement No.87 for the fiscal year ended June 30, 2022. As a result of this GASB implementation, the Change in Net Position for fiscal year ended June 30, 2021 was restated for comparison purposes.

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Revenues by Source  
Last Ten Fiscal Years

Fiscal Year	Domestic Water Sales	% of Total	Ag & Irrig Water Sales	% of Total	Sewer Service Charges	% of Total	Recycled Water Sales	% of Total	Taxes & Assmnts	% of Total	Standby Assmnts	% of Total	Connect Fees	% of Total	Interest <sup>1</sup>	% of Total	Grants <sup>2</sup>	% of Total	Other	% of Total	Total Revenues
2013	\$ 110,468,194	42.8%	\$ 1,988,610	0.8%	\$ 68,957,128	26.7%	\$ 5,676,043	2.2%	\$ 32,555,228	12.6%	\$ 5,635,153	2.2%	\$ 20,364,185	7.9%	\$ 831,935	0.3%	\$ 2,052,613	0.8%	\$ 9,579,321	3.7%	\$ 258,108,410
2014	118,695,153	41.5%	4,029,022	1.4%	73,100,086	25.6%	6,125,420	2.1%	32,578,837	11.4%	5,700,591	2.0%	30,149,861	10.5%	4,923,583	1.7%	969,474	0.3%	9,622,670	3.4%	285,894,697
2015	113,859,511	40.8%	3,435,641	1.2%	77,120,505	27.7%	6,392,763	2.3%	34,100,580	12.2%	5,735,466	2.1%	28,307,625	10.1%	(2,593,627)	-0.9%	1,717,926	0.6%	10,834,613	3.9%	278,911,003
2016	107,319,708	33.7%	5,137,718	1.6%	87,184,856	27.4%	6,648,809	2.1%	36,876,790	11.6%	5,784,242	1.8%	45,715,784	14.4%	5,056,957	1.6%	-	0.0%	18,313,734	5.8%	318,038,598
2017	115,796,435	35.6%	5,074,502	1.6%	92,536,116	28.4%	7,792,169	2.4%	38,578,024	11.9%	5,831,357	1.8%	40,565,197	12.5%	2,650,750	0.8%	131,672	0.0%	16,439,820	5.1%	325,396,042
2018	130,596,237	36.6%	4,832,629	1.4%	96,049,786	26.9%	9,028,827	2.5%	40,802,919	11.4%	5,769,853	1.6%	46,924,875	13.2%	6,033,078	1.7%	1,646,062	0.5%	15,092,302	4.2%	356,776,568
2019	127,831,377	34.0%	5,015,795	1.3%	102,037,610	27.2%	7,034,622	1.9%	43,088,264	11.5%	5,828,077	1.6%	54,665,900	14.5%	15,924,001	4.2%	272,250	0.1%	14,119,698	3.8%	375,817,594
2020	139,470,921	36.0%	1,832,130	0.5%	107,541,964	27.8%	8,061,905	2.1%	46,422,441	12.0%	5,779,756	1.5%	45,186,191	11.7%	13,617,212	3.5%	2,715,243	0.7%	16,532,715	4.3%	387,160,478
2021	160,667,782	38.4%	2,446,103	0.6%	112,533,433	26.9%	9,949,373	2.4%	50,984,023	12.2%	5,598,011	1.3%	67,256,487	16.1%	1,149,152	0.3%	655,381	0.2%	7,705,644	1.8%	418,945,389
2022	\$ 166,724,780	36.7%	\$ 5,617,503	1.2%	\$ 116,893,529	25.7%	\$ 9,610,661	2.1%	\$ 53,420,389	11.7%	\$ 5,813,807	1.3%	\$ 73,951,090	16.3%	\$ 4,538,974	1.0%	\$ 5,641,424	1.2%	\$ 12,605,852	2.8%	\$ 454,818,009



Notes:

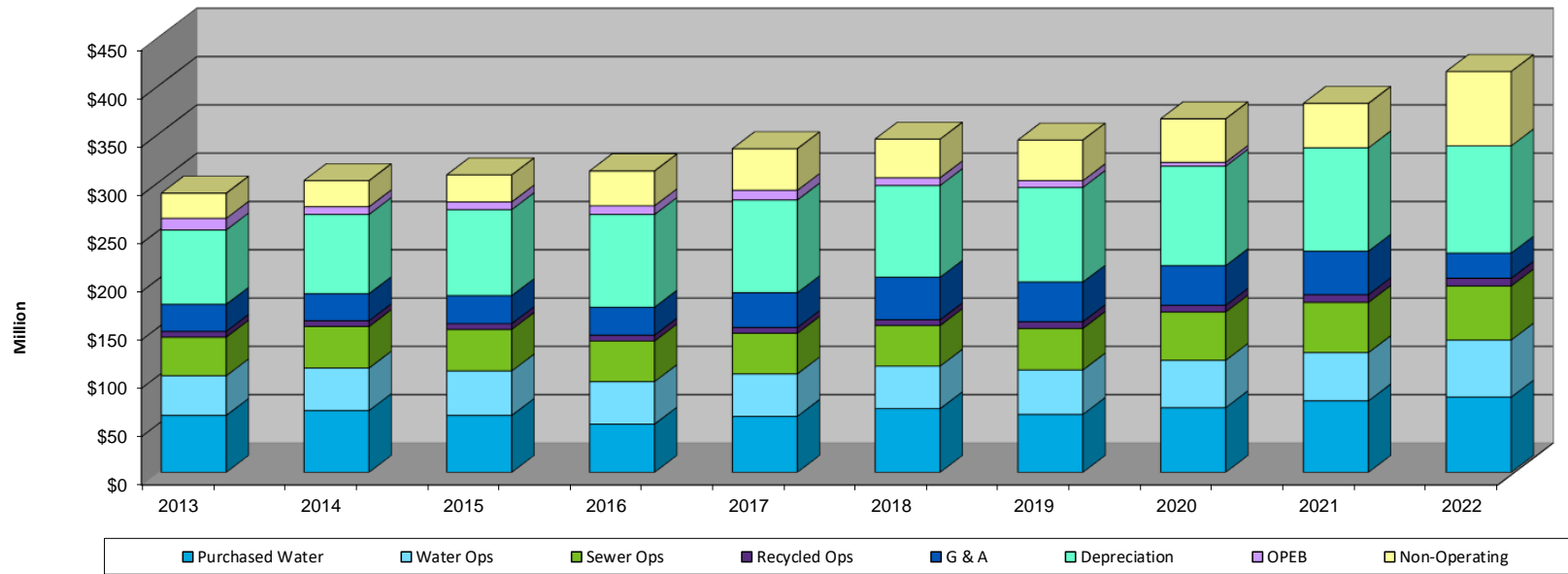
- Interest income significantly decreased in fiscal year 2021 due to the lower Federal Reserve benchmark rate of .49% in June 2021 compared to 1.08% in June 2020.
- For FY 2022, the \$5.0 million increase in grant revenue reflects the \$5.2 million ARPA funding received by the State of California and Wastewater Arrearage Program (CWAP).

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	Purchased Water	% of Total	Water Operations	% of Total	Sewer Operations	% of Total	Recycled Water Operations	% of Total	General & Admin <sup>1</sup>	% of Total	Depr. & Amort	% of Total	Net OPEB <sup>1</sup>	% of Total	Total Non-Operating Expenses <sup>2</sup>	% of Total	Total Expenses
2013	\$ 58,445,847	20.3%	\$ 40,994,915	14.2%	\$ 40,279,734	14.0%	\$ 5,992,260	2.1%	\$ 28,392,519	9.8%	\$ 77,162,281	26.7%	\$ 11,852,000	4.1%	\$ 25,490,370	8.8%	\$ 288,609,926
2014	63,850,688	21.1%	44,193,507	14.6%	42,710,741	14.1%	5,992,372	2.0%	28,352,049	9.4%	82,037,529	27.2%	8,358,000	2.8%	26,563,390	8.8%	302,058,276
2015	59,040,009	19.2%	45,691,510	14.8%	42,743,947	13.9%	6,101,759	2.0%	28,677,026	9.3%	88,830,791	28.9%	8,568,000	2.8%	28,110,148	9.1%	307,763,190
2016	50,334,462	16.1%	43,582,087	13.9%	42,095,206	13.5%	6,287,916	2.0%	29,687,364	9.5%	95,302,858	30.5%	9,478,577	3.0%	36,071,890	11.5%	312,840,360
2017	57,512,425	17.2%	44,089,564	13.2%	42,232,322	12.6%	6,064,944	1.8%	36,283,686	10.8%	95,968,255	28.7%	9,732,444	2.9%	42,757,780	12.8%	334,641,420
2018	65,846,363	19.1%	44,202,187	12.8%	42,110,008	12.2%	6,417,615	1.9%	43,901,997	12.7%	94,853,174	27.5%	7,852,804	2.3%	40,233,012	11.6%	345,417,160
2019	60,469,414	17.6%	46,398,474	13.5%	42,748,806	12.4%	6,682,894	1.9%	41,420,672	12.0%	97,743,963	28.4%	7,223,073	2.1%	41,846,404	12.1%	344,533,700
2020	67,025,558	18.3%	49,180,247	13.4%	49,780,561	13.6%	7,371,736	2.0%	40,521,610	11.0%	103,217,866	28.1%	4,351,821	1.2%	45,351,484	12.4%	366,800,883
2021	74,297,141	19.4%	50,179,296	13.1%	51,654,247	13.5%	7,563,997	2.0%	45,830,441	12.0%	106,995,298	28.0%	-	0.0%	45,545,894	11.9%	382,066,314
2022	\$ 78,171,078	18.9%	\$ 58,469,496	14.1%	\$ 55,659,676	13.4%	\$ 8,265,324	2.0%	\$ 26,081,407	6.3%	\$ 111,479,720	26.9%	\$ -	0.0%	\$ 76,452,992	18.4%	\$ 414,579,693



<sup>1</sup> General & Admin expenses includes Net of OPEB beginning in fiscal year ended June 30, 2022

<sup>2</sup> For FY 2022, non-operating expense increased due mostly to the decrease in fair value of investments of \$27.7 million as a result of unfavorable market conditions during the fiscal year.

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Water Produced and Consumed and Wastewater Treated Last Ten Fiscal Years

Fiscal Year	Water									Gallons of Wastewater Treated	Total Direct Rate		
	Gallons Produced <sup>1,6,7</sup>				Gallons Consumed			Unbilled			Water		Sewer <sup>4</sup>
	Purchased	Wells	Desalters	Total	Domestic	Ag & Irrig	Total	Total	Avg %		Base Rate <sup>2,5</sup>	Usage Rate <sup>3,5</sup>	
2013	23,709	5,683	1,909	31,301	28,078	860	28,938	2,363	7.6%	16,363	10.52	49.92	24.72
2014	25,057	6,192	1,820	33,069	28,982	1,820	30,802	2,267	6.9%	16,389	10.77	52.50	25.90
2015	22,246	3,789	2,427	28,462	26,040	1,449	27,489	971	3.4%	16,334	11.16	53.76	27.01
2016	19,016	4,820	2,285	26,121	21,608	2,086	23,695	2,426	9.3%	15,483	11.59	57.56	30.12
2017	21,366	5,125	2,194	28,685	23,618	1,951	25,569	3,117	10.9%	15,812	11.83	56.70	31.47
2018	22,908	4,901	2,138	29,947	26,429	1,711	28,140	1,806	6.0%	15,538	11.86	57.34	32.19
2019	21,096	4,699	2,463	28,258	23,022	1,770	24,792	3,466	12.3%	16,284	12.78	62.82	33.65
2020	22,453	3,526	2,472	28,450	24,923	556	25,479	2,971	10.4%	16,932	13.42	62.52	34.92
2021	23,180	5,085	2,359	30,624	26,848	751	27,599	3,025	9.9%	17,111	14.03	68.98	35.97
2022	24,048	4,514	2,381	30,944	28,038	2,167	30,205	739	2.4%	17,782	14.60	61.56	36.68

Notes:

1. Gallons are presented in millions.
2. Rate shown is based on the daily fixed charge for meters up to and including 1" through 2017. Effective 2018, the rate shown is for meters up to and including 3/4".
3. Rate shown is an average rate for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
4. Rate shown is an average rate for one month of service. In February 2013, a new block rate sewer methodology was implemented to complement the domestic retail water rate structure. This methodology uses the number of household occupants to better align charges with wastewater system costs based upon flow levels.
5. In January 2018, the District revised the daily fixed charge meter factors for all domestic retail customers with meter sizes greater than 3/4".
6. Well gallons produced decreased by 25%, (1,412 million gallons), in 2020 due to EMWD purchasing treated water in lieu of operating wells during the months of August 2020-December 2020 as part of the MWD Cyclic Water Program.
7. This information does not include recycled water.

Source: Eastern Municipal Water District



# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Water and Sewer Rates Last Ten Fiscal Years

Fiscal Year	2013	2014	2015	2016	2017	2018 <sup>3</sup>	2019	2020	2021	2022
<b>Water Rates<sup>4,5</sup></b>										
<b>Monthly base rate (meter size)</b>										
<=1"	\$ 10.52	\$ 10.77	\$ 11.16	\$ 11.62	\$ 11.83	\$ 11.86	\$ 12.60	\$ 13.20	\$ 13.80	\$ 14.40
1"						16.12	17.10	17.95	18.77	\$ 19.58
1 1/2"	27.68	28.29	29.50	30.50	31.03	44.71	47.40	49.63	51.89	\$ 54.14
2"	51.40	52.62	54.45	56.73	57.79	69.35	73.50	76.96	80.45	\$ 83.95
3"	171.25	175.20	181.59	189.10	192.54	135.05	143.10	149.95	156.77	\$ 163.58
4"	270.40	276.49	286.83	298.60	303.86	208.96	221.40	231.92	242.47	\$ 253.01
6"	505.53	517.08	536.25	558.15	568.18	414.28	438.90	459.76	480.65	\$ 501.55
8"	633.28	647.88	671.60	699.06	712.05	660.65	699.90	733.26	766.59	\$ 799.92
10"	-	-	-	-	-	989.15	1,047.90	1,097.84	1,147.75	\$ 1,197.65
12"	-	-	-	-	-	1,390.04	1,472.40	1,542.55	1,612.67	\$ 1,682.78
<b>Usage rate (per billing unit)<sup>1</sup></b>	\$ 49.92	\$ 52.50	\$ 53.76	\$ 57.56	\$ 56.70	\$ 57.34	\$ 62.82	\$ 62.52	\$ 68.98	\$ 61.56
<b>Sewer Rates (avg per month)<sup>2</sup></b>	\$ 24.72	\$ 25.90	\$ 27.01	\$ 30.12	\$ 31.47	\$ 32.19	\$ 33.65	\$ 34.92	\$ 35.97	\$ 36.68

**Notes:**

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Customers by Water Service Type Last Ten Fiscal Years

Fiscal Year	Treated and Untreated Water							Total	Recycled	Total
	Residential & Non-Residential <sup>1,2</sup>	Commercial <sup>2</sup>	Industrial <sup>2</sup>	Public Agency	Construction & Temporary	Irrigation <sup>3</sup>	Agricultural <sup>3</sup>			
2013	133,279	3,308	142	646	373	2,344	692	140,784	297	141,081
2014	134,656	3,347	136	679	426	2,412	721	142,377	316	142,693
2015	136,425	3,410	138	665	412	2,446	759	144,255	356	144,611
2016	138,247	3,472	137	663	432	2,484	790	146,225	379	146,604
2017	140,332	3,573	136	645	449	2,526	812	148,473	420	148,893
2018	143,017	3,617	145	662	510	2,496	227	150,674	511	151,185
2019	145,484	3,787	148	647	533	2,575	204	153,378	575	153,953
2020	147,843	3,881	162	651	565	2,610	206	155,918	626	156,544
2021	151,010	3,966	165	675	558	2,671	212	159,257	686	159,943
2022	154,773	6,464	373	641	559	0	113	162,923	718	163,641

### Treated and Untreated Water Service Type by Customer Category Fiscal Year 2022

	Residential & Non-Residential <sup>1,2</sup>	Commercial <sup>2</sup>	Industrial <sup>2</sup>	Public Agency	Construction & Temporary	Irrigation <sup>3</sup>	Agricultural <sup>3</sup>	Total
Domestic	154,773	6,464	373	609	559	-	-	162,778
Agricultural	-	-	-	-	-	-	113	113
Wholesale	-	-	-	32	-	-	-	32
<b>Total</b>	<b>154,773</b>	<b>6,464</b>	<b>373</b>	<b>641</b>	<b>559</b>	<b>-</b>	<b>113</b>	<b>162,923</b>

Note:

1. Effective 1/1/18, Non-Residential customers applies to Landscape accounts only and excludes Commercial, Industrial and Institutional accounts.
2. Effective fiscal year ended June 30, 2022, Includes water types previously categorized as Irrigation or Agricultural.
3. Effective fiscal year ended June 30, 2022, water types previously categorized as: Irrigation or Agricultural will be included in water types: Residential & Non-Residential, Commercial or Industrial.

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

Largest Water Customers<sup>3</sup>  
As of June 30, 2022 and June 30, 2013

Rank	Customer Name	2022			2013			
		Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	CITY OF PERRIS <sup>1</sup>	2,549	\$ 3,572,345	25.2%	1	1,859	\$ 1,910,503	19.4%
2	LHMWD STATE PROJECT WATER <sup>1</sup>	2,798	2,644,706	18.7%				
3	WESTERN MUNICIPAL WATER DISTRICT <sup>1,2</sup>	1,932	2,529,971	17.9%	2	1,251	1,283,222	13.1%
4	NUEVO MUTUAL WATER COMPANY <sup>1</sup>	808	1,046,169	7.4%				
5	VALLEY WIDE RECREATION	460	974,573	6.9%	5	892	1,144,595	11.7%
6	CITY OF HEMET <sup>1</sup>	2,056	878,418	6.2%				
7	VAL VERDE SCHOOL DISTRICT	374	718,581	5.1%	6	697	842,717	8.6%
8	CITY OF MORENO VALLEY	325	612,841	4.3%	4	903	1,155,421	11.8%
9	CITY OF MURRIETA	305	597,918	4.2%	8	473	632,663	6.4%
10	MORENO VALLEY SCHOOL DISTRICT	336	590,899	4.2%	3	1,146	1,268,380	12.9%
	Country Meadows II Assoc.				7	477	635,055	6.5%
	Riverside County EDA				9	463	556,563	5.7%
	Menifee Union School District				10	298	395,128	4.0%
	<b>Total</b>	<b>11,943</b>	<b>\$ 14,166,421</b>			<b>8,459</b>	<b>\$ 9,824,247</b>	
	Total water sales	92,694	\$ 172,342,283			86,169	\$ 110,468,194	
	Percentage of total	12.9%	8.2%			9.8%	8.9%	

Notes:

1. Wholesale customer.
2. Sales relate to Murrieta County Water District customers. This water district was purchased by the Western Municipal Water District.
3. Data includes potable water sales which includes domestic, irrigation and agricultural customers.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Largest Sewer Customers As of June 30, 2022 and June 30, 2013

Rank	Customer Name	2022		2013		
		Annual Revenues	Percentage	Rank	Annual Revenues	Percentage
1	PECHANGA RESORT & CASINO	\$ 969,771	43.9%	1	\$ 484,605	24.2%
2	TOWNGATE ON MEMORIAL APT LLC	174,154	7.9%			
3	MURRIETA VALLEY UNIFIED SCHOOL DISTRICT	169,066	7.7%	5	162,818	8.1%
4	RIVERSIDE COUNTY REGL MED CTR	167,509	7.6%			
5	VAL VERDE SCHOOL DISTRICT	134,481	6.1%	7	145,907	7.3%
6	1097 NORTH STATE LLC	132,185	6.0%			
7	EAGLE GLEN APARTMENTS LLC	119,137	5.4%			
8	COUNTY OF RIVERSIDE	117,683	5.3%			
9	SOBOBA CASINO RESORT	113,732	5.2%			
10	MONTEGO HOA	110,382	5.0%			
	Broadstone Vista Apartments			2	250,381	12.5%
	The Vineyards at Menifee			3	212,229	10.6%
	Waterstone at Murrieta Apartments			4	203,009	10.1%
	Rancho Bella Vista HOA			6	146,802	7.3%
	Westwind Enterprises			8	137,566	6.9%
	Hemet Unified School District			9	131,650	6.6%
	Palm Court Apartments			10	127,080	6.3%
	<b>Total</b>	<b>\$ 2,208,100</b>			<b>\$ 2,002,047</b>	
	Total sewer revenue	\$ 116,893,529			\$ 68,957,128	
	Percentage of total revenue	1.9%			2.9%	

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Largest Recycled Water Customers<sup>1</sup> As of June 30, 2022 and June 30, 2013

Rank	Customer Name	2022			2013			
		Annual Water Sales in Acre Feet	Annual Revenues	Percentage	Rank	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	RANCHO CALIFORNIA WATER DISTRICT <sup>2</sup>	1,079	\$ 714,717	18.3%				
2	VALLEY WIDE RECREATION	855	609,702	15.6%	10	440	\$ 109,766	4.8%
3	MARVO HOLSTEIN	3,640	471,942	12.1%				
4	DEPT OF FISH AND WILDLIFE	5,157	383,706	9.8%				
5	AMERICA GREENWORLD INC	710	346,461	8.9%				
6	ELIMWOOD HEMET GOLF RESORT LLC	412	315,476	8.1%				
7	RANCHO CASA LOMA	3,164	302,444	7.7%	2	4,037	229,291	10.0%
8	PECHANGA WATER SYSTEMS	502	300,759	7.7%	9	391	126,798	5.5%
9	RAMONA DAIRY	2,440	248,029	6.3%				
10	GCGI PARTNERS INC	360	217,096	5.6%				
	Inland Empire Energy Center LLC				1	2,538	822,313	35.8%
	Agri Empire				3	2,623	218,434	9.5%
	A G Sod Farms				4	2,195	184,361	8.0%
	Don Bean Farms				5	2,044	172,727	7.5%
	The Golf Club at Rancho California				6	512	165,894	7.2%
	City of Moreno Valley				7	427	138,320	6.0%
	Scott Bros Dairy				8	2,380	130,852	5.7%
	<b>Total</b>	<b>18,318</b>	<b>\$ 3,910,332</b>			<b>17,587</b>	<b>\$ 2,298,756</b>	
	Total recycled water sales	39,216	\$ 9,610,661			34,889	\$ 5,676,043	
	Percentage of total	46.7%	40.7%			50.4%	40.5%	

Notes:

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

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Summary of Property Tax Levies and Collections Last Ten Fiscal Years

	General Purpose	GO Bonds	Infrastructure Availability	Total Levied	Total Collected	Total Levy Collected %	Delinquent Collections <sup>1</sup>	Total Delinquent & Levy Collected	Total Delinquent & Levy Collected %	Total Penalty Collected
<b>2013</b>	\$ 22,513,977	\$ 4,473,706	\$ 5,635,153	\$ 32,622,836	\$ 30,083,533	92.2%	\$ 2,287,053	\$ 32,370,586	99.2%	\$ 671,302
<b>2014</b>	23,684,597	4,266,709	5,700,591	33,651,897	31,770,815	94.4%	1,694,199	33,465,014	99.4%	709,602
<b>2015</b>	26,026,026	4,313,709	5,879,086	36,218,821	34,540,057	95.4%	1,894,922	36,434,978	100.6%	654,060
<b>2016</b>	27,674,298	4,527,327	5,896,150	38,097,775	35,865,401	94.1%	1,774,071	37,639,471	98.8%	318,353
<b>2017</b>	29,287,092	4,497,271	5,940,860	39,725,223	37,808,659	95.2%	1,723,818	39,532,477	99.5%	397,588
<b>2018</b>	30,944,167	4,403,707	5,886,288	41,234,162	39,397,855	95.5%	1,770,080	41,167,935	99.8%	384,238
<b>2019</b>	32,714,303	4,839,634	5,831,335	43,385,272	41,413,614	95.5%	1,603,382	43,016,997	99.2%	210,251
<b>2020</b>	34,602,090	5,313,825	5,779,993	45,695,908	43,543,776	95.3%	2,187,383	45,731,159	100.1%	109,371
<b>2021</b>	36,726,030	5,929,512	5,598,248	48,253,790	46,130,398	95.6%	2,016,359	48,146,757	99.8%	85,181
<b>2022</b>	\$ 38,611,660	\$ 6,373,468	\$ 5,968,971	\$ 50,954,099	\$ 49,421,000	97.0%	\$ 2,495,901	\$ 51,916,902	101.9%	\$ 232,375

1. Delinquent collections are not identified by fiscal year from the County of Riverside and are therefore recorded in the fiscal year received.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

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

	Rates Effective Beginning January	Full Service Domestic	
		Treated	Untreated
2013	Tier 1	847	593
	Tier 2	997	743
2014	Tier 1	890	593
	Tier 2	1,032	735
2015	Tier 1	923	582
	Tier 2	1,055	714
2016	Tier 1	942	594
	Tier 2	1,076	728
2017	Tier 1	979	666
	Tier 2	1,073	760
2018	Tier 1	1,015	695
	Tier 2	1,101	781
2019	Tier 1	1,050	731
	Tier 2	1,136	817
2020	Tier 1	1,078	755
	Tier 2	1,165	842
2021	Tier 1	1,104	777
	Tier 2	1,146	819
2022	Tier 1	1,143	799
	Tier 2	1,185	841

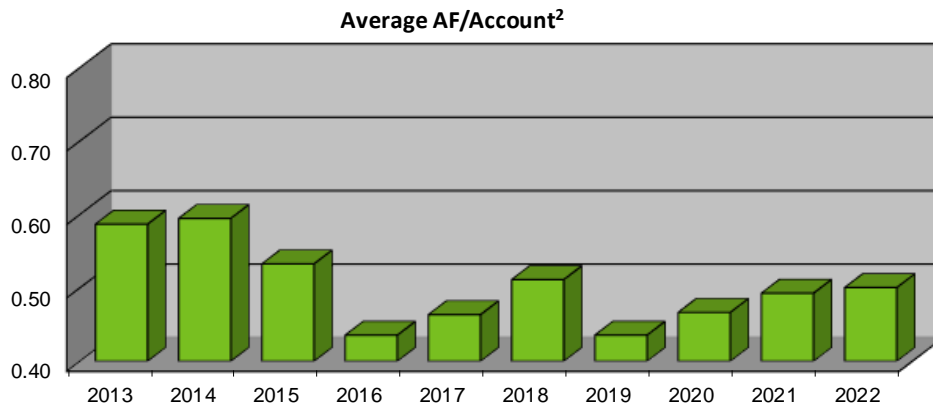
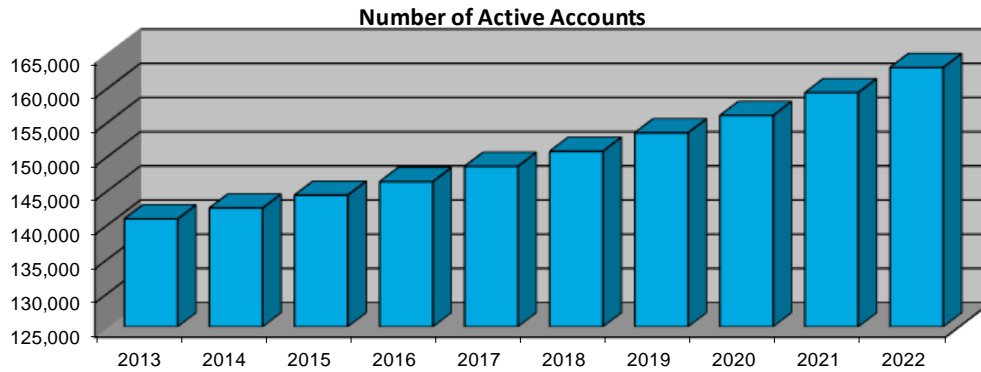
Source: Metropolitan Water District of Southern California (MWD)

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

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

Fiscal Year	Usage (AF) <sup>1</sup>	Active Accounts	Average AF per Account <sup>2</sup>
2013	82,591	140,784	0.59
2014	84,650	142,377	0.59
2015	76,832	144,255	0.53
2016	63,673	146,225	0.44
2017	68,813	148,473	0.46
2018	77,020	150,674	0.51
2019	66,803	153,378	0.44
2020	72,733	155,918	0.47
2021	78,459	159,257	0.49
2022	81,513	162,923	0.50



**Notes:**

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

Source: Eastern Municipal Water District



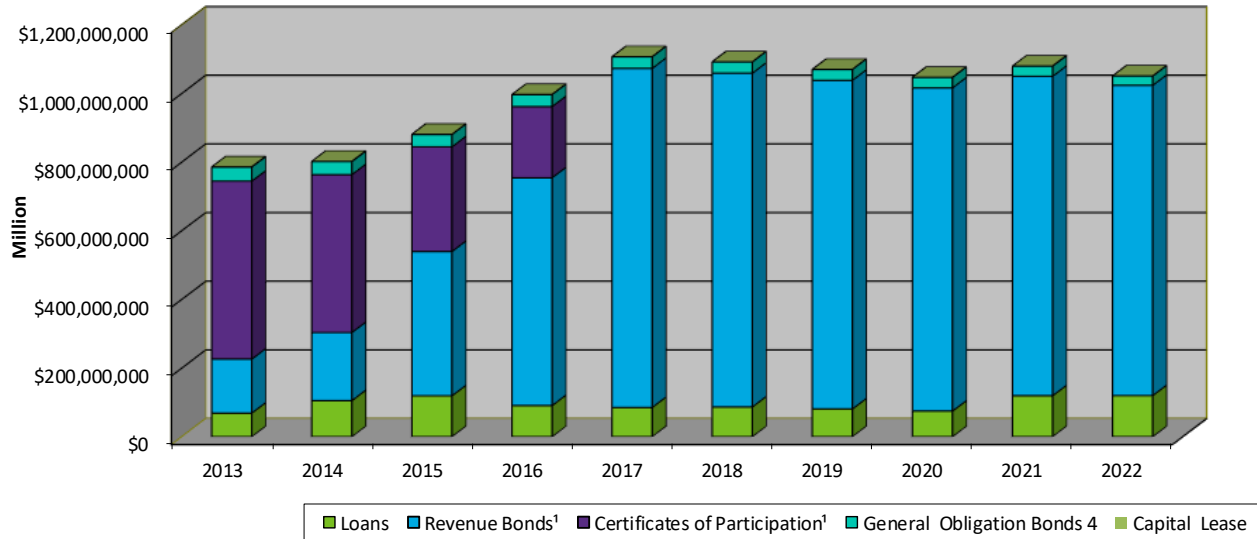
# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

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

\* See Debt Footnotes for dollar amounts

Fiscal Year	Loans	Revenue Bonds <sup>1</sup>	Certificates of Participation <sup>1</sup>	General Obligation Bonds <sup>4</sup>	Capital Lease	Total	Percentage of Personal Income <sup>2</sup>	Debt per Capita <sup>3</sup>
2013	\$ 68,749,388	\$ 157,648,717	\$ 518,338,874	\$ 40,949,446	\$ -	\$ 785,686,425	1.09%	1,011
2014	105,195,668	198,525,127	459,710,090	38,446,800	55,072	801,932,757	1.08%	1,022
2015	119,352,359	420,407,712	305,016,307	35,896,296	41,574	880,714,248	1.15%	1,108
2016	90,787,233	663,582,542	207,389,271	34,920,903	23,752	996,703,701	1.24%	1,240
2017	85,227,888	987,759,455	-	33,905,509	12,782	1,106,905,634	1.30%	1,356
2018	86,719,548	972,307,446	-	32,845,116	1,018	1,091,873,128	1.22%	1,320
2019	80,934,716	957,255,438	-	31,739,723	-	1,069,929,877	1.15%	1,275
2020	74,961,710	941,207,959	-	30,584,330	-	1,046,753,999	1.07%	1,231
2021	119,671,823	930,468,849	-	29,378,937	-	1,079,519,609	1.06%	1,240
2022	\$ 119,870,848	\$ 903,970,970	\$ -	\$ 26,935,013	\$ -	\$ 1,050,776,831	0.92%	1,183



**Notes:**

- In fiscal year 2017, the District issued six refunding revenue bonds to redeem all outstanding certificates of participation and five refunding revenue bonds. A new series revenue bond was issued to finance the construction of water and sewer capital improvements.
- Based upon Riverside County personal income amounts. The District is located in the County of Riverside. See the personal income amounts on the Demographic and Economic Statistics schedule. Amounts for prior years are updated with the most recent available information.
- Based upon approximate population of District service area. See the Demographic and Economic Statistics schedule for amounts.
- Details regarding the District's outstanding debt can be found in Note 4 to the Basic Financial Statements.

Source: Eastern Municipal Water District

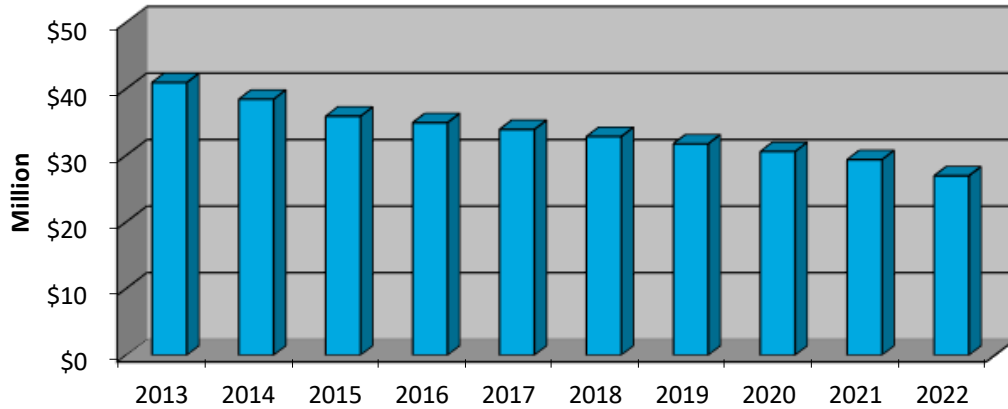
# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

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

Fiscal Year	General Obligation Bonds	Assessed Value <sup>1</sup>	Percentage of Assessed Value	Debt per Capita <sup>2</sup>
<b>2013</b>	\$ 40,949,446	\$ 53,506,155,585	0.08%	\$ 53
<b>2014</b>	38,446,800	55,926,804,094	0.07%	49
<b>2015</b>	35,896,296	61,313,471,497	0.06%	45
<b>2016</b>	34,920,903	66,226,873,815	0.05%	43
<b>2017</b>	33,905,509	70,005,613,492	0.05%	42
<b>2018</b>	32,845,116	74,231,240,058	0.04%	40
<b>2019</b>	31,739,723	79,484,183,867	0.04%	38
<b>2020</b>	30,584,330	84,535,646,968	0.04%	36
<b>2021</b>	29,378,937	90,034,421,499	0.03%	34
<b>2022</b>	\$ 26,935,013	\$ 95,712,231,899	0.03%	\$ 30

**Total Bonds Outstanding**



**Notes:**

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

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### PARITY DEBT SERVICE COVERAGE Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>OPERATING REVENUES:</b>										
Water sales	\$ 110,468,195	\$ 122,724,175	\$ 117,295,152	\$ 112,457,426	\$ 120,870,937	\$ 135,428,866	\$ 132,847,172	\$ 141,303,051	\$ 163,113,885	\$ 172,342,283
Sewer service sales	70,945,738	73,100,086	77,120,505	87,184,856	92,536,116	96,049,786	102,037,610	107,541,964	112,533,433	116,893,529
Recycled water	5,676,043	6,125,420	6,392,763	6,648,809	7,792,169	9,028,827	7,034,622	8,061,905	9,949,373	9,610,661
Total operating revenues	187,089,976	201,949,681	200,808,420	206,291,091	221,199,222	240,507,479	241,919,404	256,906,920	285,596,691	298,846,473
<b>OPERATING EXPENSES:</b>										
Water purchases	58,445,847	63,850,688	59,040,009	50,334,462	57,512,425	65,846,363	60,469,414	67,025,558	74,297,141	78,171,078
Water operations	40,994,915	44,193,507	45,691,510	43,582,087	44,089,564	44,202,187	46,398,474	49,180,247	50,512,860	58,469,496
Sewer operations	46,271,994	48,703,113	48,845,706	48,383,122	48,297,266	48,527,623	49,431,700	57,152,297	59,218,244	63,925,000
Other Post Employment Benefits (OPEB) Contribution	5,740,000	6,123,000	8,568,000	9,478,577	9,732,444	7,852,804	7,223,073	4,351,821	1,149,955	-
General & administrative	28,392,519	28,352,049	28,677,026	29,687,364	36,283,686	43,901,997	41,420,672	40,521,610	44,680,486	26,081,407
Total operating expenses	179,845,275	191,222,357	190,822,251	181,465,612	195,915,385	210,330,974	204,943,333	218,231,533	229,858,686	226,646,981
OPERATING INCOME (LOSS)	7,244,701	10,727,324	9,986,169	24,825,479	25,283,837	30,176,505	36,976,071	38,675,387	55,738,005	72,199,492
<b>NON-OPERATING REVENUES:</b>										
Property taxes - general purpose	27,243,491	28,061,489	30,843,713	32,271,305	33,971,127	36,294,389	38,204,912	41,014,090	44,907,361	46,946,017
Standby charges	5,635,153	5,700,591	5,735,466	5,784,242	5,831,357	5,769,853	5,828,077	5,779,756	5,598,011	5,813,807
Water and sewer connection fees	20,364,185	30,149,861	28,307,625	45,715,784	40,565,197	46,924,875	54,665,900	45,186,191	67,256,487	73,951,090
Interest income	4,485,217	3,133,313	3,092,643	3,405,039	4,733,897	8,181,973	11,897,412	10,506,376	1,082,056	4,453,368
Grant revenues	12,503,511	5,214,780	3,830,382	2,823,624	6,164,479	3,128,863	27,966,611	34,194,594	13,936,802	18,858,815
Other income/(expense)	2,967,319	947,126	829,006	2,859,968	(3,494,598)	6,195,691	2,576,604	2,942,655	(3,382,641)	(5,250,119)
Total non-operating revenues	73,198,876	73,207,160	72,638,835	92,859,962	87,771,459	106,495,644	141,139,516	139,623,662	129,398,076	144,772,978
Net Water and Sewer Revenues for Debt Coverage	80,443,577	83,934,484	82,625,004	117,685,441	113,055,296	136,672,149	178,115,587	178,299,049	185,136,081	216,972,470
<b>PARITY OBLIGATION DEBT SERVICE:</b>										
Parity Obligation Payments (COP/Bonds)	35,061,971	35,521,108	26,604,369	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750	-
State Loan Payments	4,322,228	4,013,353	5,877,892	-	-	-	-	-	-	-
Total Parity Obligation Debt Service	39,384,199	39,534,461	32,482,262	22,545,830	34,166,392	4,907,150	4,881,500	4,875,625	4,868,750	-
<b>PARITY OBLIGATION DEBT SERVICE COVERAGE</b>	<b>2.0</b>	<b>2.1</b>	<b>2.5</b>	<b>5.2</b>	<b>3.3</b>	<b>27.9</b>	<b>36.5</b>	<b>36.6</b>	<b>38.0</b>	<b>N/A</b>
<b>REVENUES AVAILABLE FOR SUBORDINATE OBLIGATIONS</b>	41,059,378	44,400,023	50,142,742	95,139,611	78,888,904	131,764,999	173,234,087	173,423,424	180,267,331	216,972,470
<b>SUBORDINATE OBLIGATION DEBT SERVICE</b>	-	-	2,917,542	20,192,253	10,421,019	45,735,440	46,458,431	44,426,090	46,270,364	59,227,975
<b>SUBORDINATE OBLIGATION DEBT SERVICE COVERAGE</b>	NA	NA	17.2	4.7	7.6	2.9	3.7	3.9	3.9	3.7
<b>REMAINING REVENUES</b>	41,059,378	44,400,023	47,225,200	74,947,358	68,467,886	86,167,809	126,775,656	128,997,334	133,996,967	157,744,495
<b>TOTAL DEBT SERVICE</b>	\$ 39,384,199	\$ 39,534,461	\$ 35,399,804	\$ 42,738,083	\$ 44,587,410	\$ 50,642,590	\$ 51,339,931	\$ 49,301,715	\$ 51,139,114	\$ 59,227,975
<b>ALL-IN DEBT SERVICE COVERAGE</b>	<b>2.0</b>	<b>2.1</b>	<b>2.3</b>	<b>2.8</b>	<b>2.5</b>	<b>2.7</b>	<b>3.5</b>	<b>3.6</b>	<b>3.6</b>	<b>3.7</b>

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Demographic and Economic Statistics Last Ten Calendar Years

Calendar Year	Population <sup>1</sup>	Personal Income <sup>2</sup> (thousands of \$)	Per Capita Personal Income <sup>2</sup>	Unemployment Rate <sup>2</sup>
<b>2012</b>	776,986	\$ 71,936,625	\$ 32,200	12.2%
<b>2013</b>	784,834	74,093,810	32,774	10.3%
<b>2014</b>	794,790	76,470,084	33,450	8.2%
<b>2015</b>	803,973	80,268,670	34,670	6.7%
<b>2016</b>	816,411	85,386,347	36,418	6.1%
<b>2017</b>	827,343	89,644,299	37,693	5.2%
<b>2018</b>	839,226	93,156,635	38,605	4.4%
<b>2019</b>	850,439	97,619,217	39,955	4.2%
<b>2020</b>	870,579	102,037,774	41,385	7.9%
<b>2021</b>	888,268	\$ 114,090,413	\$ 45,834	4.0%

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

**Principal Employers<sup>1</sup>**  
**Fiscal Year Ended June 30, 2022 and June 30, 2013**

<u>Employer</u>	<u>2022</u>		<u>Employer</u>	<u>2013</u>	
	<u>No. of Employees</u>	<u>Percentage of Total Employment</u>		<u>No. of Employees</u>	<u>Percentage of Total Employment</u>
County of Riverside	23,772	2.2%	County of Riverside	17,766	2.1%
Amazon	14,500	1.3%	March Air Reserve Base	9,000	1.1%
March Air Reserve Base	9,600	0.9%	Stater Brothers Markets	6,900	0.8%
University of California, Riverside	8,593	0.8%	Wal-Mart	5,681	0.7%
Moreno Valley Unified School District	6,020	0.5%	University of California, Riverside	5,497	0.7%
Kaiser Permanente Riverside Medical Ctr	5,817	0.5%	Riverside Unified School District	5,000	0.6%
Corona-Norco Unified School District	5,478	0.5%	Corona-Norco Unified School District	4,633	0.6%
Riverside Unified School District	5,431	0.5%	Kaiser Permanente Riverside Medical Ctr	4,500	0.5%
Stater Brothers Markets	4,699	0.4%	Moreno Valley Unified School District	3,355	0.4%
Mt San Jacinto Community College District	4,638	0.4%	Hemet Unified School District	3,270	0.4%
Total	<u>88,548</u>	<u>8.0%</u>	Total	<u>65,602</u>	<u>7.9%</u>
Total Employment	<u>1,102,300</u>		Total Employment	<u>828,800</u>	

Notes:

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

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

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### Employees by Function Last Ten Fiscal Years

	2013	2014	2015 <sup>2</sup>	2016	2017	2018	2019	2020	2021	2022
<b>Operations and Maintenance Division</b>										
Water Operations Administration, Production, and Distribution and Recycled Water Operations	65	66	61	65	65	65	66	66	68	68
Water Reclamation Administration and Plants Operations	86	87	88	87	85	83	85	85	87	81
Maintenance Services and Assets & Facilities Management	15	15	22	19	19	19	19	19	19	18
Auto Shop and Fabrication Shop (reassigned)	16	15	-	-	-	-	-	-	-	-
Wastewater Collection Services	14	14	15	14	14	14	15	15	15	15
Mechanical Services (includes Fab Shop)	28	29	31	31	31	30	31	32	32	30
Electrical Services	24	24	23	24	22	26	25	26	25	25
Field Services Construction	34	34	22	22	22	21	23	22	24	23
<b>Total Operations &amp; Maintenance Division</b>	<b>282</b>	<b>284</b>	<b>262</b>	<b>262</b>	<b>258</b>	<b>258</b>	<b>264</b>	<b>265</b>	<b>270</b>	<b>260</b>
<b>Planning, Engineering, and Construction Division</b>										
Water Resources, Facilities Planning, and Conservation <sup>1</sup>	20	19	20	24	24	24	22	24	22	22
Engineering <sup>3</sup>	43	44	46	42	45	46	44	47	43	42
Field Engineering (Construction Management and Inspections)	35	33	29	32	30	31	32	30	31	31
Development Services <sup>4</sup>	17	18	19	21	21	20	24	25	25	24
Environmental and Regulatory Compliance	9	10	11	12	12	8	12	12	12	12
Water Quality and Laboratory	14	14	12	12	12	12	11	12	13	13
Source Control	9	10	10	10	11	11	10	11	10	9
<b>Total Planning, Engineering, and Construction Division</b>	<b>147</b>	<b>148</b>	<b>147</b>	<b>153</b>	<b>155</b>	<b>152</b>	<b>155</b>	<b>161</b>	<b>156</b>	<b>153</b>
<b>Executive and Administration</b>										
Executive and Administration <sup>3</sup>	12	12	13	15	16	12	12	11	11	11
Public and Governmental Affairs	11	11	12	12	12	13	11	12	14	13
Human Resources	11	12	8	6	7	7	6	7	7	7
Safety/Risk and Emergency Management	-	-	4	5	5	5	5	5	6	6
Billing/Customer Service <sup>5</sup>	55	53	56	56	54	61	50	47	51	45
Meter Services <sup>5</sup>	21	19	16	14	13	14	21	20	17	17
Finance and Special Funding District	22	22	22	22	22	22	23	21	23	22
Information Systems	33	31	30	27	23	24	23	23	24	25
Purchasing, Contracts, Warehouse, and Records Management	28	27	28	28	25	28	27	27	27	26
Fleet Services (formerly Auto Shop)	-	-	11	11	11	12	11	11	12	11
<b>Total Executive and Administration</b>	<b>193</b>	<b>187</b>	<b>200</b>	<b>196</b>	<b>188</b>	<b>198</b>	<b>189</b>	<b>184</b>	<b>192</b>	<b>183</b>
<b>Total Filled Positions End of Year <sup>6,7</sup></b>	<b>622</b>	<b>619</b>	<b>609</b>	<b>611</b>	<b>601</b>	<b>608</b>	<b>608</b>	<b>610</b>	<b>618</b>	<b>596</b>
<b>Total Authorized Positions Start of Year</b>	<b>636</b>	<b>633</b>	<b>629</b>	<b>631</b>	<b>629</b>	<b>632</b>	<b>636</b>	<b>640</b>	<b>642</b>	<b>642</b>
Change in Authorized Positions from Prior Year	(31)	(3)	(4)	2	(2)	3	4	4	2	-
Number of Vacant Positions as of June 30	13	10	20	20	28	24	28	28	28	46
Vacancy Rate as of June 30	2.0%	1.6%	3.2%	3.2%	4.5%	3.8%	4.4%	4.4%	4.4%	7.2%

Notes:

1. The Planning and Resources workgroup was reorganized in 2016 and again in 2020
2. Organizational changes in March 2015 affected all divisions and eliminated 3 vacant positions.
3. Organizational changes in December 2015 resulted in the movement of staff from Engineering to Executive and Administration.
4. Department name changed in 2018 from New Business to Development Services
5. Seven employees moved from Billing/Customer Service to Meter Services in 2019
6. All directors and managers are included with their divisions.
7. Temporary, contract and summer help employees are not included.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

### OPERATING AND CAPITAL INDICATORS LAST TEN FISCAL YEARS

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b><u>POTABLE WATER SYSTEM</u></b>										
Miles of pipeline:										
transmission and distribution: <sup>1</sup>	2,443	2,448	2,463	2,465	2,380	2,476	2,442	2,482	2,534	2,594
as-built	2,366	2,376	2,391	2,399	2,314	2,397	2,368	2,393	2,407	2,424
construction in progress	77	72	72	66	66	79	74	89	127	170
Number of storage tanks	77	77	77	78	79	79	79	79	79	79
Maximum storage capacity (million gallons)	191	191	191	199	203	203	203	204	204	204
Number of active pumping plants	83	83	83	83	84	86	87	87	86	94
Number of active wells:										
domestic	18	18	18	16	16	14	14	14	14	15
desalter <sup>4</sup>	7	11	11	12	12	12	12	13	13	14
Domestic well production capacity:										
gallons per minute	23,292	23,382	19,299	19,604	14,708	15,625	17,100	19,600	20,690	18,700
million gallons per day	33.5	33.7	27.8	28.2	21.2	22.5	24.6	28.2	29.8	26.9
acre feet per year	37,570	37,715	31,129	31,622	23,725	25,203	27,582	31,610	33,369	30,132
Number of water treatment plants:										
desalter <sup>5</sup>	2	2	2	2	2	2	2	2	2	3
filtration	2	2	2	2	2	2	2	2	2	2
Treatment plant capacity: (million gallons per day)										
desalter plants <sup>5</sup>	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	13.4
filtration plants	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	37.1
Number of service connections:										
active domestic accounts	140,653	142,244	144,123	146,098	148,348	150,558	153,263	155,803	159,143	162,810
active agriculture accounts	131	133	132	127	125	116	115	115	114	113
<b><u>SEWER SYSTEM</u></b>										
Miles of sewer lines: <sup>1</sup>										
as-built	1,780	1,799	1,813	1,816	1,790	1,819	1,831	1,868	1,913	1,962
construction in progress	1,725	1,735	1,749	1,772	1,741	1,759	1,771	1,799	1,812	1,823
55	64	64	44	49	60	60	69	101	138	
Number of treatment plants	5	5	5	5	5	5	5	5	5	5
Treatment plant average design capacity (MGD) <sup>2</sup>	68	68	70	70	70	72	72	77	77	77
Average million gallons per day treated	44.8	44.9	44.8	42.4	43.3	42.6	44.6	46.3	48.0	49.0
Percentage of capacity utilized	66%	66%	64%	61%	62%	59%	62%	60%	62%	64%
Number of active lift stations	48	48	47	46	46	50	50	48	51	51
Cumulative Equivalent Dwelling Units (EDUs)	233,706	236,681	239,141	243,279	246,746	250,487	254,878	258,342	263,068	268,117
<b><u>RECYCLED WATER SYSTEM</u></b>										
Miles of pipeline:										
transmission and distribution: <sup>1</sup>	213	215	217	217	207	211	225	238	252	263
as-built	196	198	200	208	197	197	211	218	225	228
construction in progress	17	17	17	9	10	14	14	20	27	35
Number of active pumping facilities	21	24	24	24	24	24	24	24	24	24
Maximum storage capacity (acre feet) <sup>3</sup>	5,736	6,184	6,448	6,448	7,571	7,599	7,599	7,642	7,648	7,666
<b><u>GENERAL INFORMATION</u></b>										
Service area (annexed property):										
acres	346,745	346,745	346,745	346,808	346,808	347,280	347,298	347,298	347,303	347,303
square miles	541.8	541.8	541.8	541.9	541.9	542.6	542.7	542.7	542.7	542.7
Gross service area (square miles)	555	555	555	555	555	555	555	555	558	558
Average years of service of employees	11.31	12.11	12.50	12.25	11.90	11.68	11.04	11.80	11.40	11.50

Notes:

1. Miles of pipelines as-built excludes open construction in progress (CIP). CIP reflects what was recorded as open projects as of the year end date.
2. The Sun City RWRf (3 MGD) was formerly included in the total capacity although it was decommissioned. Amounts are now reflected as average design capacity. The Perris RWRf expansion to 25 MGD was completed in 2014. Correction made to calculation starting in FY17 and adjusted through FY20. The Temecula RWRf expansion to 23 MGD was completed in 2020.
3. Recycled storage increases since 2014 are due to more accurate measurements from recent surveys, plus conversions of secondary storage to tertiary storage. FY22, an additional pond was added to MVRWRf.
4. Desalter wells formerly inactive were placed back into service during 2014.
5. Perris Desalter II was placed online in May 2022.

Source: Eastern Municipal Water District

# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

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

<b>Fiscal Year</b>	<b>Retail Sales<sup>1</sup></b>	<b>Write Offs</b>	<b>% of Sales</b>
<b>2013</b>	\$ 159,559,632	\$ 717,146	0.4%
<b>2014</b>	170,496,733	851,419	0.5%
<b>2015</b>	169,744,235	823,650	0.5%
<b>2016</b>	171,146,902	714,213	0.4%
<b>2017</b>	182,818,310	475,022	0.3%
<b>2018</b>	200,388,220	331,561	0.2%
<b>2019</b>	201,083,661	266,364	0.1%
<b>2020</b>	219,187,773	279,090	0.1%
<b>2021</b>	245,091,730	279,538	0.1%
<b>2022<sup>2</sup></b>	255,060,441	938,577	0.4%
<b>Total</b>	<b>\$ 1,974,577,637</b>	<b>\$ 5,676,580</b>	<b>0.3%</b>

Notes:

1. Excludes sales collected by other agencies.
2. Write Offs were significantly higher in 2022 since accounts that would normally have been closed and sent to collections were allowed to remain open during the State shut-off moratorium. As a result, these accounts incurred larger than normal unpaid balances. Once the moratorium expired on 12/31/21, older unpaid accounts were closed, balances written off and sent to collections.

Source: Eastern Municipal Water District



# EASTERN MUNICIPAL WATER DISTRICT

## STATISTICAL SECTION

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

Fiscal Year	Year End A/R Balance	Reserves <sup>1</sup>	% of A/R
<b>2013</b>	\$ 14,195,028	\$ 842,850	5.9%
<b>2014</b>	13,805,842	850,608	6.2%
<b>2015</b>	9,916,469	609,075	6.1%
<b>2016</b>	10,127,047	324,530	3.2%
<b>2017</b>	11,882,229	215,340	1.8%
<b>2018</b>	13,595,401	181,535	1.3%
<b>2019</b>	11,763,091	188,441	1.6%
<b>2020</b> <sup>2</sup>	12,620,425	1,427,802	11.3%
<b>2021</b> <sup>3</sup>	17,927,104	1,406,706	7.8%
<b>2022</b> <sup>4</sup>	\$ 16,204,229	\$ 1,697,106	10.5%

Notes:

1. Reserves equal accounts over 60 days past due.
2. In 2020, reserves increased significantly due to the greater number of delinquent customer accounts. This was a direct result of the negative economic impact of the Coronavirus pandemic.
3. In 2021, the year-end A/R balance increased due to the CA Governor's order, which took effect in March of 2020, suspending the shut off of water service due to non-payment. This order was in response to the financial impact of the Coronavirus pandemic. The shut-off moratorium is set to be lifted on 12/31/21. Collection of delinquent balances will resume after 12/31/21.
4. In 2022, the year-end A/R balance remained higher than in previous years due to the CA Governor's no shut off order which expired 12/31/21. EMWD resumed disconnections in March 2021. At this point, customers with excessive unpaid balances were placed on payment plans for a max duration of 24 months.

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@EASTERNMUNI

# Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2022



SERVING  
OUR COMMUNITY  
TODAY AND  
TOMORROW