

LEADERSHIP | PARTNERSHIP | STEWARDSHIP



FISCAL YEAR ENDED JUNE 30, 2023

*Annual Comprehensive
Financial Report*

HIGHLAND, CALIFORNIA



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Intentionally

Annual Comprehensive Financial Report

Fiscal Year Ended

June 30, 2023

East Valley Water District



Prepared by: Finance Department

3111 Greenspot Road
Highland, CA 92346



Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2023

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Intentionally



Introductory Section



Phillip R. Goodrich
Chairman of the Board

James Morales, Jr.
Vice Chairman

Chris Carrillo
Governing Board Member

Ronald L. Coats
Governing Board Member

David E. Smith
Governing Board Member

Michael Moore, P.E.
General Manager/CEO

3111 Greenspot Road
Highland, CA 92346

(909) 889-9501
www.eastvalley.org

October 11, 2023

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

We are pleased to submit the Annual Comprehensive Financial Report (Annual Report) for East Valley Water District for the year ended June 30, 2023. This report was prepared by District staff in accordance with standards established by the Governmental Accounting Standards Board (GASB).

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

The Annual Report follows the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. In November 2023, the District will, again, submit the Annual Report to this organization for review and possible recognition for achievement in reporting excellence.

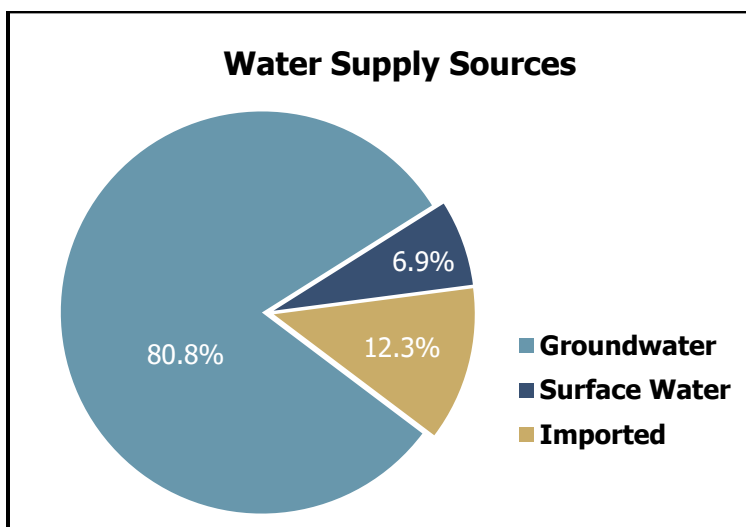
Background

East Valley Water District (the District) was formed on January 18, 1954, and since then, has provided retail water service to customers in an expanding service area which now covers 30.1 square miles. The District directly serves treated water to approximately 104,000 people in the City of Highland, the eastern portion of the City of San Bernardino, the San Manuel Band of Mission Indians, and portions of the County of San Bernardino. In 1964, the District began providing wastewater collection services to the same service area.

As of June 30, 2023, the District had 21,679 water connections and 19,831 wastewater connections.

Water Supply and Reliability

The District's water supply for the year ended June 30, 2023 includes groundwater (80.8 percent), surface water (6.9 percent), and imported water (12.3 percent). Groundwater is pumped from the Bunker Hill Basin, and surface water from the Santa Ana River is diverted based on rights acquired from the North Fork Water Company.



Local Economy

East Valley Water District is located within San Bernardino County in a metropolitan area referred to as the “Inland Empire”. Since 2014, the District’s population has grown by more than 9 percent and currently, comprised of mostly residential and commercial customers, with no major industrial users. Large consumers remain consistent year to year with the San Bernardino City Unified School District, Patton State Hospital, City of Highland, San Manuel Indian Bingo & Casino, and Village Lakes Homeowners Association forming the list of top five users.

In 2023, the average household income within the District’s service area was \$56,514, approximately 22% lower than the County of San Bernardino. Customers who reside in the City of Highland account for approximately 65% of the District’s customer base. These customers had an average household income of \$68,105, approximately 21% higher than the overall District average.

Financial Management

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

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

Internal Control

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

Budgetary Control

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

Debt Administration

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

The District received a credit rating of AA- from Standard and Poor's and Fitch when the Revenue Bonds were issued in September 2020. This rating was affirmed by Standard and Poor's Global Rating as the result of a review conducted in January 2023.

Investment Policy

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

Audit and Financial Reporting

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 11th year that the District has achieved this prestigious award. To be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

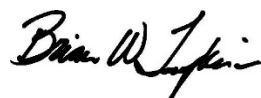
Acknowledgements

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

Respectfully submitted,

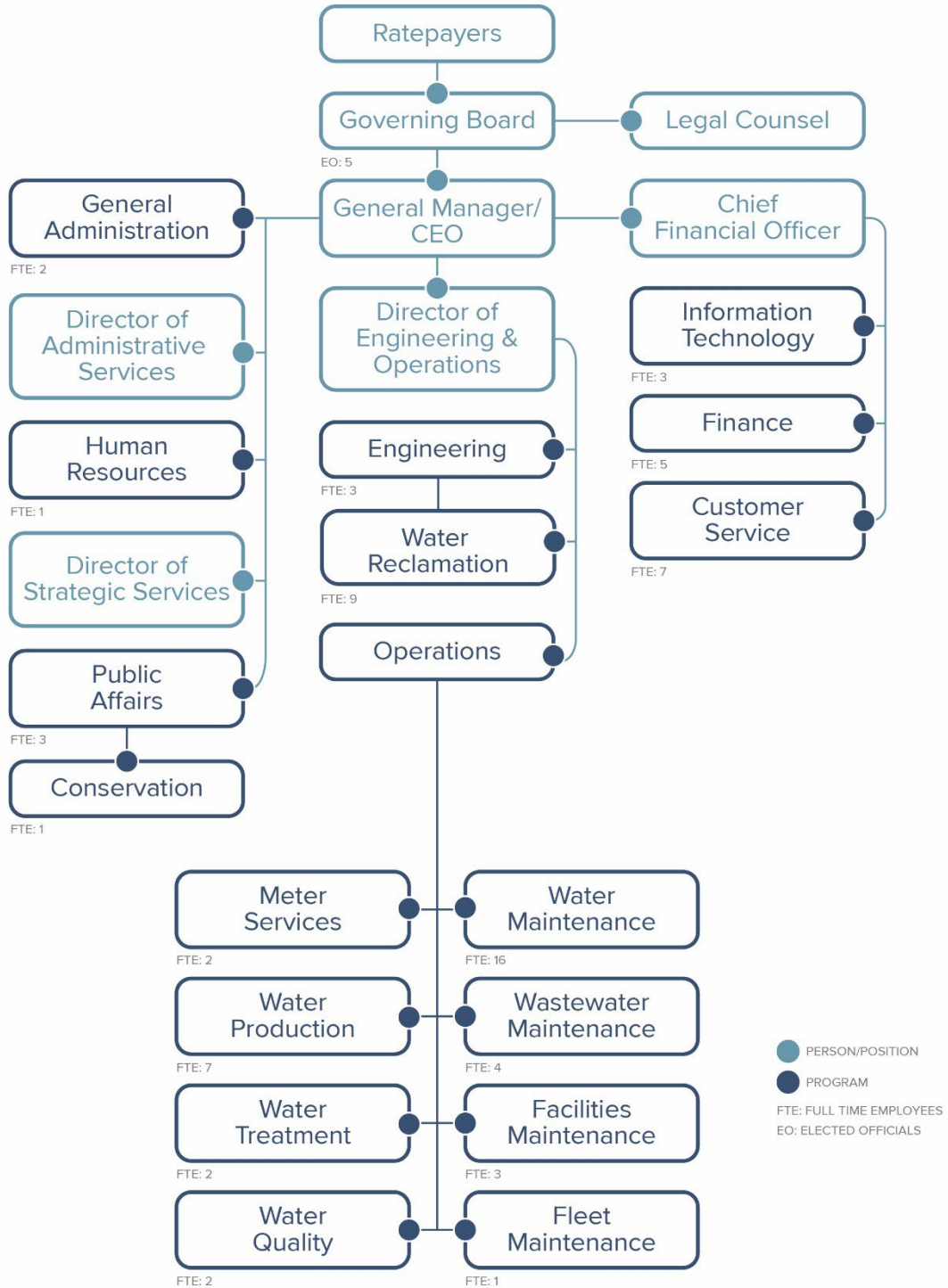


Michael Moore
General Manager/CEO



Brian W. Tompkins
Chief Financial Officer

**EAST VALLEY WATER DISTRICT
Organizational Structure
Year Ended June 30, 2023**



**EAST VALLEY WATER DISTRICT
Principal Officials
Year Ended June 30, 2023**

Vision

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

Core Values

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

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

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

**East Valley Water District
Governing Board Members as of June 30, 2023**

<u>Name</u>	<u>Title</u>	<u>Elected / Appointed</u>	<u>Current Term</u>
Phillip R. Goodrich	Chairman of the Board	Elected	2022 - 2026
James Morales, Jr.	Vice-Chairman of the Board	Elected	2022 - 2026
David E. Smith	Governing Board Member	Elected	2020 - 2024
Ronald L. Coats	Governing Board Member	Elected	2022 - 2026
Chris Carrillo	Governing Board Member	Elected	2020 - 2024

Contact Information

East Valley Water District
Michael Moore, General Manager/CEO
31111 Greenspot Road
Highland, CA 92346

(909) 889-9501
www.eastvalley.org

**EAST VALLEY WATER DISTRICT
GFOA Certificate
Year Ended June 30, 2022**



Government Finance Officers Association

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

Presented to

**East Valley Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



FINANCIAL SECTION

Financial Section

EAST VALLEY WATER DISTRICT
Independent Auditor's Report
Year Ended June 30, 2023



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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San Bernardino, CA 92408
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909 889 5361 F
ramscca.net

Independent Auditor's Report

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Brenda L. Odle, CPA, MST (Partner Emeritus)

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
John Maldonado, CPA, MSA
Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA
Jeffrey McKennan, CPA

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

California Society of
Certified Public Accountants



Board of Directors
East Valley Water District
Highland, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Valley Water District (the District), as of and for the year ended June 30, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed an unmodified opinion on the respective financial statements in our report dated December 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

STABILITY. ACCURACY. TRUST.

EAST VALLEY WATER DISTRICT
Independent Auditor's Report
Year Ended June 30, 2023

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the 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.

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 and *Government Auditing 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 and *Government Auditing 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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

EAST VALLEY WATER DISTRICT
Independent Auditor's Report
Year Ended June 30, 2023

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 letter of transmittal and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinion 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 material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 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 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.

Rogers, Anderson, Malochy & Scott, LLP.

San Bernardino, California
October 11, 2023

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

The District

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

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

The Basic Financial Statements

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

The following financial statements for the year ended June 30, 2023 (2022 for comparative purposes only) consist of three interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

Summary Financial Information and Analysis

Financial Condition

During the year ended June 30, 2023, the District's total assets and deferred outflows increased by \$24.5 million, to \$385.1 million. The increase was the combined result of increases to both Current assets and Capital assets.

Current assets increased \$9.0 million (25%) to \$45.4 million. While the increase is a net between increases and decreases of the various current asset line items, the primary reason for the increase was in the amount Due From Other Governments, which grew from \$10.3 million to \$20.5 million. This category recognizes outstanding

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

reimbursement claims from the state revolving fund for loan eligible construction activity on the Sterling Natural Resource Center (SNRC), or reimbursements receivable from partner agencies in the construction of regional recycled water facilities.

Utility Accounts Receivable balances fell 14.8% to \$5.9 million for two reasons. First, the District resumed full collection efforts on delinquent accounts, up to and including service disconnection, which is the District's most effective tool for collections. The Governor's moratorium on disconnections for non-payment between April of 2020 and December 2021 allowed some customers to accumulate delinquent balances for up to two years, balances that they would not be able to pay without financial assistance. Securing external financial assistance was the second tool that helped lower customer balances, which the District facilitated by enrolling in two programs - CAPP and LIHWAP. The California Arrearage Payment Program (CAPP) supplied state funds which could be applied to customer account balances incurred over a qualifying period during the pandemic. More recently the District enrolled in the Low Income Household Water Assistance Program (LIHWAP) which supplied federal funds to pay customer account balances if they were eligible, based on income thresholds. More than \$600 thousand in external funding has been applied to customer balances through June 2023.

Inventory balances remained level, increasing just 3.2% to \$974 during FY 2022-23.

Restricted Asset balances increased from \$11.0 to \$12.4 million. The increase is the result of significant development activity and the related collection of restricted development impact fees. Restricted assets do not include large retentions held on the construction contract of the Sterling Natural Resource Center, as payment of the retentions will be made with loan proceeds borrowed from the state revolving fund (converted to Long Term debt) rather than paid out of current financial resources.

	2023	2022
Current Assets	\$ 45.4	\$ 36.4
Restricted Assets	12.4	11.0
Other Assets	0.3	0.3
Capital Assets - Net	319.7	309.2
Total Assets	<u>377.8</u>	<u>356.9</u>
Total Deferred Outflow of Resources	<u>7.3</u>	<u>3.7</u>
Current Liabilities	26.4	21.0
Non-Current Liabilities	207.9	186.9
Total Liabilities	<u>234.3</u>	<u>207.9</u>
Total Deferred Inflows of Resources	<u>3.0</u>	<u>7.6</u>
Net Position		
Net Investment in Capital Assets	112.9	117.1
Restricted	10.8	9.1
Unrestricted	24.1	18.9
Total Net Position	<u>\$ 147.8</u>	<u>\$ 145.1</u>

Capital Assets increased by \$10.5 million during the 2022-23 fiscal year. For purposes of the table above, Capital Assets includes construction in progress (CIP), utility plant in service, and the related accumulated depreciation. Changes in Capital Assets included additions of \$16.8 million, Net of Asset Retirements with a book value of \$0.01 million and an annual depreciation charge of \$6.3 million. Capital additions during the year were primarily

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

Construction in Progress on the SNRC. A more detailed description of capital spending is in the Capital Assets section of this analysis.

Total Deferred Outflow of Resources consists of pension contributions made after the most recent pension plan actuarial valuation, as well as differences between projected and actual earnings on pension plan investments and changes in assumptions. Investment losses of 6.1% on pension plan assets during the plan year ended June 2022, compounded by actuarial assumptions that the assets would earn 6.8%, led to a significant increase in Deferred Outflows-Pensions for 2022-23 of \$3.3 million. This amount was accompanied by an increase in Deferred Outflows related to Other Post Employment Benefits (OPEB) of \$0.3 million.

As current assets increased by \$9.0 million, current liabilities also increased by \$5.1 million, the result of a growing retentions payable balance and an increase of \$3.1 million in year-end vendor payables compared to the prior year end. These increase in the current balances resulted in no change to the District's current ratio which remained at 1.7:1. However, by removing \$10.6 million in retentions payable related to the SNRC from the calculation, the current ratio improves to 2.9:1. Justification for removing the SNRC retentions payable from the calculation is that when the contractor is paid the retention, the District will request a draw against its SRF loan for the retentions, rather than drawing on District financial resources, in effect converting retentions to long-term debt.

Non-Current Liabilities increased by \$20.9 million, the net effect of:

- \$16.1 million in draws on the State Revolving Fund loan for the SNRC; plus
- \$(2.5) million in principal payments and premium amortization;
- \$(0.1) million decrease in Long-Term Debt amounts classified as Current Liabilities;
- \$0.2 million increase in Compensated Absences and Other Post-Employment Benefit obligations calculated in accordance with GASB statement 75 (retiree medical); and
- \$7.2 million increase in unfunded pension benefit obligations due to extraordinary losses on pension plan assets held by CalPERS for the year ended June 2022, the date of the valuation on which current obligations are calculated.

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

The District's total Net Position was \$147.8 million at the end of fiscal year 2023, a \$2.7 million increase compared to the end of the previous fiscal year. Of the \$147.8 million Net Position balance, \$112.9 million is categorized as Net Investment in Capital Assets, \$10.8 million is Restricted for Capital Expansion Projects, and \$24.1 million is Unrestricted. The calculation of Net Investment in Capital Assets is included in Note 7 of the accompanying financial statements.

Looking at longer term results, the District's total Net Position has increased \$24.5 million and \$25.7 million over five and ten year periods, respectively.

**EAST VALLEY WATER DISTRICT
Management’s Discussion and Analysis
Year Ended June 30, 2023**

Results of Operations and Changes in Net Position

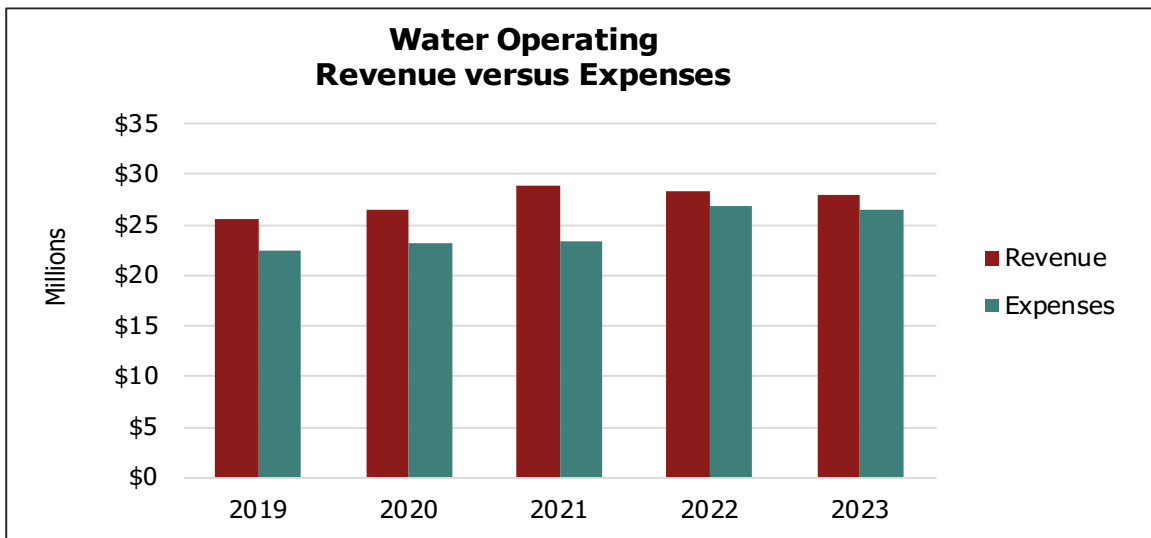
Water Operations

Water sales for fiscal year 2022-23 decreased 8.0% to \$17.0 million, the result of a decrease in water demand by customers from 17,998 acre-feet in 2021-22, to 15,341 acre-feet. The significant decline in demand, or consumption, is attributable to historic levels of snowfall and rain in California during the winter of 2023. Locally, the District’s weather station in Highland, California recorded 24.03 inches of rain from July 2022 to June 2023, compared to 10.44 inches recorded in the previous fiscal year.

Sales revenue of \$17.0 million fell short of 2022-23 projections of \$17.7 million. Projections are based on historical usage, and follow a predictable pattern, but again, extraordinary levels of rain throughout the winter months suppressed demand for water, especially water used for irrigation. Sales for irrigation purposes fell by approximately 21%, while residential usage decreased by approximately 15%. Usage by commercial / business customers had the smallest decline in usage at about 5%.

Total water produced by the District during the year was 16,408 acre feet, with the difference between water produced and water sold of 1,067 acre feet (6.5%) being the result of District flushing programs, water use at District facilities, and system leaks. The District, like all California water agencies, participates in an annual water audit to identify and work to mitigate unidentified water losses from the District’s water distribution system.

The other major water operating revenue collected by the District is Water System, or Meter Charge revenue. Meter Charge revenue grew by 6.9% to \$9.8 million for fiscal year 2022-23. The increase was due to a 3% rate increase that became effective in February of 2023, and to a lesser extent, new development. The District has three active residential developments during 2022-23 and added approximately 100 new customers as a result.



Water Operating expenses decreased 1.2% to \$26.6 million for fiscal year 2022-23. The primary factors contributing to this significant increase were a market median wage adjustment for positions found by an independent study to

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

be significantly below market median, energy costs, and inflationary pressure on the price of goods and services overall.

The rising cost of energy has had a significant impact on water operations for the past three years. Although the District has recently implemented two rate adjustments, Edison rate increases, combined with rising insurance costs and fuel costs, have kept the District from being able to build on reserves. In addition to rate increases, Edison redefined daily 'peak' hours. Peak hours and the high rates associated with them, were shifted away from the period 1:00 p.m. to 5:00 p.m., hours during which demands on the electrical grid have fallen because many customers are generating their own solar energy during those hours, to 4:00 p.m. to 9:00 p.m. when customers returning home from work/school are using electrical appliances but cannot generate solar energy. The District was able to adjust to the shift in peak hours during weekdays, but another revision that added peak hour pricing to weekend days disrupted District operational strategies that avoided peak hour rates by filling all reservoirs during the weekend.

The effects of power cost increases and other costs fluctuations on the various cost centers and programs are outlined below:

- Source of Supply: power costs related to groundwater well production increased \$834 thousand (46%) as water production was shifted from the District's Surface Water Treatment Plant to wells while new Granular Activated Carbon treatment trains were installed at the treatment plant.
- Pumping: power costs related to boosting water to higher pressure zones increased \$117 thousand (18%) to \$763 thousand due to continued changes in Edison rates and rate structures explained above.
- Treatment: these costs increased \$167 thousand (16%) overall primarily due to a \$125 thousand increase in materials and supplies, as District staff replaced fittings and valves on Plant 134 membrane treatment trains as these fittings were 15 years old. Staff also had to contract for the replacement of GAC filter media at the District's Plant 28, which led to a 54% increase in Contract Services costs for the treatment program compared to prior year costs. Power and chemical costs decreased slightly due to the shift in water production from the treatment plant to wells explained above.
- Transmission and Distribution: distribution system maintenance costs increased \$748 thousand (21%) due to increases to all the major budget line items for this program – salaries & benefits, contract services, and materials and supplies. The costs were higher than projected as District crews responded to more than 200 main leaks, five of which involved significant water loss. Contracted paving services increased along with the number of leaks repaired.

Wastewater Collection Operations

Wastewater Collections operating revenues consist of System Charges and Other Operating Revenue.

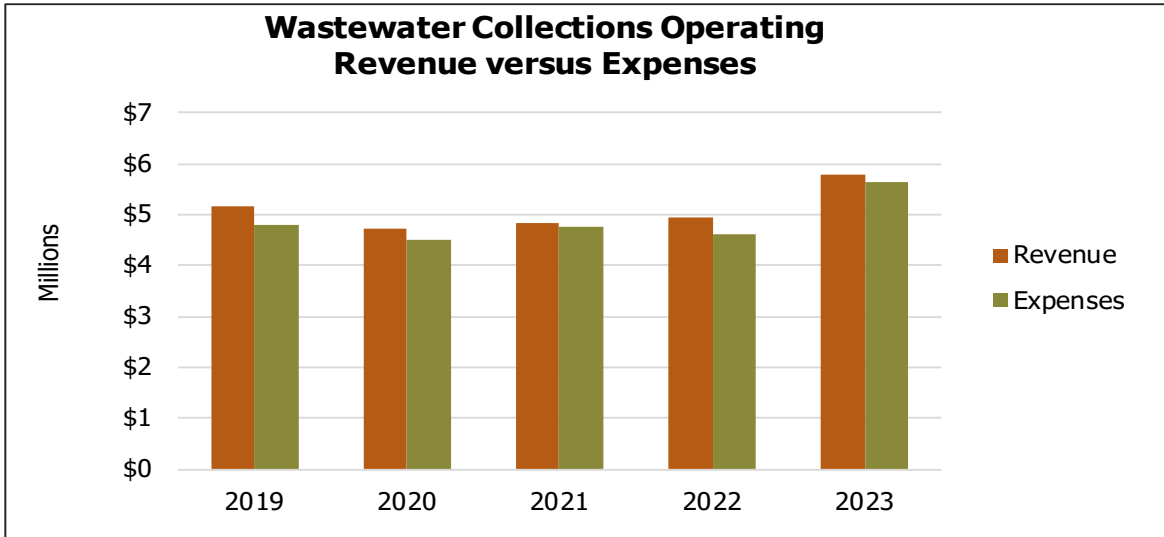
System Charge rates are set by the District to cover the cost of maintaining the District's wastewater collection system and to cover a portion of administrative and general expenses. A rate adjustment implemented in January 2023 was primarily responsible for an increase in System charge revenue to \$5.6 million for 2022-23.

Other Operating Revenue includes inspections, plan checking, and other development related fees; and periodic reimbursements from other public agencies or utilities for shared costs or participation in conservation programs.

**EAST VALLEY WATER DISTRICT
Management’s Discussion and Analysis
Year Ended June 30, 2023**

In fiscal year 2022-23, Other Operating Revenue included significant service connection fees related to Additional Dwelling Units (ADUs) built on parcels with existing residential units.

Wastewater Collection pipeline maintenance costs increased by 28% compared to the prior year. This change is the result of increased salaries and benefits costs as the District filled a vacant position on the maintenance crew.



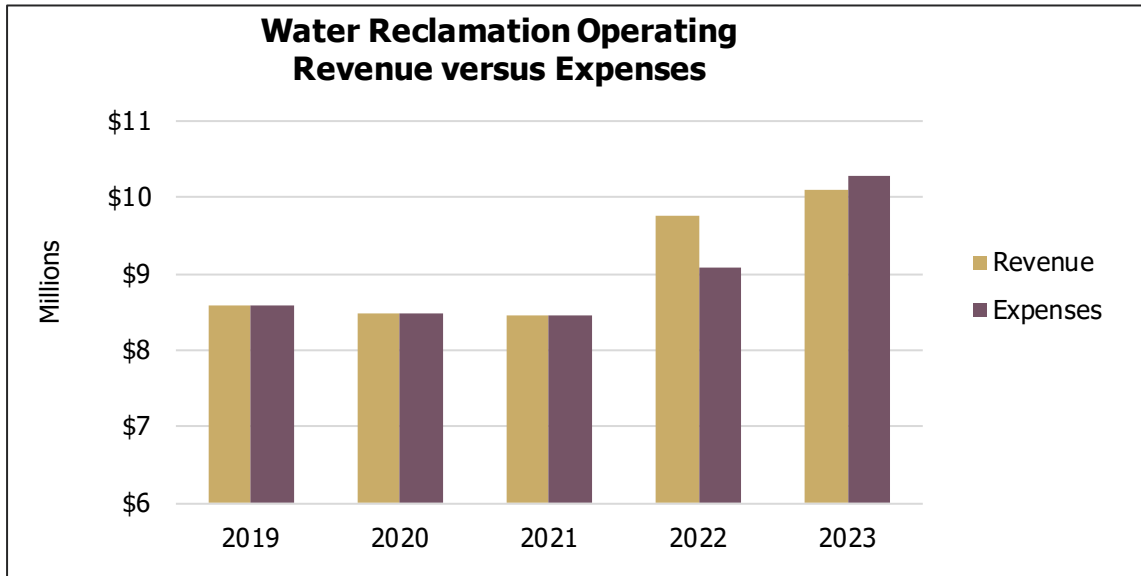
Water Reclamation Operations

Water Reclamation operating revenue consists primarily of Wastewater Treatment charges. Treatment Charge rates have historically been established by the City of San Bernardino Water Department (City), which currently, and until approximately February 2024, treats wastewater flows generated by District customers. In February, upon completion of the SNRC, the District should have the capability to treat its own wastewater.

The graph below depicts the District’s revenue and expenses related to the treatment of wastewater. Through FY 2021 the District used the City rates to bill its customers and then remit payment to the City at the end of each month. Under this relationship, treatment revenue collected was exactly equal to treatment fees paid to the City. In May 2022, the District established and implemented its own rates and began hiring operators and covering startup costs for commencement of operations at the SNRC. The District’s Wastewater Treatment rates were adopted with three phases. Phases 1 and 2 were implemented in May 2022 and January 2023, respectively, with phase 3 scheduled for implementation in January 2024. The District’s rate structure consists of fixed monthly charges for all residential customers, and for non-residential customers, a combination of fixed and variable charges, which are assessed based on water usage.

For the year ended June 2023, Water Reclamation revenue was \$10.1 million, compared to \$9.7 million in the previous fiscal year. The increase was substantially due to the rate adjustment that became effective in January 2023.

**EAST VALLEY WATER DISTRICT
Management’s Discussion and Analysis
Year Ended June 30, 2023**



Water Reclamation is presented as a separate fund for the first time in 2022-23 and costs that are being incurred have no prior year numbers for comparison purposes. Therefore, just a brief description of costs that were incurred in the inaugural year follows.

Water Reclamation operating costs include continued monthly treatment fees paid to the City; these payments will continue until the SNRC is operational and flows can be diverted away from the City’s treatment plant. Treatment fees (included in Contract Services) were \$8.5 million, compared to \$9.0 million in the previous fiscal year; a 6% decrease. Treatment fees include a significant component based on water usage, which as explained in previous sections, was down significantly in 2022-23

Other treatment operating costs totaled \$1.1 million and included operator labor and benefits, power costs, and supplies. In addition, costs for maintenance of the plant, such as facilities labor and benefits, insurance, security, and tools, totaled \$0.7 million.

Shared Customer Account & Administrative Costs

Costs related to Customer Accounts are generated by the Customer Service and Meter Services departments. The burden for funding these costs is allocated between the Water and Wastewater Collection funds at roughly a 70%-30% split; the Water Reclamation fund does not currently share in these costs, and will not until the fund is more established and revenues are able to cover costs sufficiently.

Customer account costs did increase 31% in 2022-23, primarily due to the opening of a second Customer Service counter at the new SNRC campus in July 2022. The cost experiencing the most significant increases were salaries and benefits, contract services, and postage. Salaries & benefits increased due to normal pay range step increases, the creation of a second Lead position for the new office, and increased reliance on temporary labor to fill in for vacations and illnesses. Contract Services increased because of duplicate services needed at the second site (e.g. Armored car), and the ramping up of bill collection efforts when the moratorium on disconnections for non-payment was lifted by the Governor. Increased delinquent notice delivery related to the collection efforts was also the reason

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

for an increase in postage. Administrative and general costs for the District decreased by 5.0% to \$13.2 million. The decrease is the net effect of several factors, the most significant of which are the following:

1. Salaries & Benefits decreased \$2.4 million to \$6.0 million, compared to \$8.4 million incurred in the previous year. This unlikely variance between years is the result of accounting entries to adjust pension and OPEB liabilities to actuarially calculated balances. These adjustments had the effect of increasing Benefits costs by \$1.4 million in the previous year, and decreasing them by \$1.0 million in the current year. If these adjustments are ignored, salaries and benefits remained constant at about \$7.0 million, with the normal pressures for increases from raises and COLA adjustments that were offset by vacated positions that had not been filled as of June 2023.
2. Insurance costs continued to climb, by 52.5% to \$1.2 million in 2022-23. The insurance industry in California continues to feel the effects of costly wildfires in 2019, including the District's risk pool which buys excess insurance on the open market.
3. Contract Services increased 45.8% to \$3.8 million. The most significant items were incurred at the new SNRC administrative campus, where security services, landscaping and other maintenance services, software licensing and maintenance, and utilities added approximately \$800 thousand to annual costs.

Non-Operating Activities

The District's non-operating revenue of \$432 thousand includes investment income of \$352 thousand, a gain on disposal of surplus vehicles of \$30 thousand, and miscellaneous income of \$50 thousand.

Investment income is earned on the District's portfolio of US Treasury and Agency Bonds and deposits with the Local Agency Investment Fund (LAIF). During 2022-23, the District's investment earnings increased 50% compared to the prior year, with yields on U.S. obligations exceeding 5% and the apportionment rate paid by LAIF more than quadrupled from 0.75% to 3.15%. At year end, however, the District booked an unrealized loss on investments due to fair value fluctuations, and the loss of \$87 thousand (presented with non-operating expenses) reduces the net income on investments to \$265 thousand.

One additional item shown as non-operating expense is interest paid on Long-Term Debt of \$869 thousand.

Capital Contributions

Contributions received during fiscal year 2022-23 included \$1.9 million in developer capacity fees and \$62 thousand in operating cost reimbursement grants related to COVID-19.

Capacity fees were received for 113 Equivalent Dwelling Units (EDUs) throughout the fiscal year, with 36 of the units being classified as commercial, and the remaining 77 units coming from two moderate developments of single-family homes.

Grant funds received were \$58 thousand FEMA funds for COVID-19 pandemic related expenses and safety protocols put in place during 2021. The remaining \$4 thousand is administrative cost reimbursements for the District's participation in the California Arrearage Payment Program (CAPP) in which the state paid delinquent customer accounts for bills incurred during the pandemic.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Sales	\$ 17.0	\$ 18.5	\$ 19.3
System Charges	15.5	14.0	13.9
Treatment Charges	10.1	9.8	8.5
Other Operating Rev	1.2	0.8	0.5
Supply & Pumping	(4.9)	(4.3)	(4.2)
Distribution / Collection	(5.1)	(4.2)	(4.0)
Treatment	(10.8)	(10.1)	(9.5)
Customer Accounts	(2.2)	(1.7)	(1.6)
General & Administrative	(13.2)	(13.9)	(10.7)
Depreciation	(6.3)	(6.4)	(6.5)
Non-Operating Revenues	0.4	1.3	0.2
Interest Expense	(0.9)	(1.6)	(2.6)
Income Before Contributions & Special Item	<u>0.8</u>	<u>2.2</u>	<u>3.3</u>
Developer Contributions	1.8	2.7	0.6
Grant Funds Contributed	0.1	0.1	0.3
Change in Net Position	<u>2.7</u>	<u>5.0</u>	<u>4.2</u>
Beginning Net Position, as Previously Reported	145.1	140.1	135.9
Ending Net Position	<u>\$ 147.8</u>	<u>145.1</u>	<u>140.1</u>

Components of Net Position

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

Net Investment in Capital Assets

The components comprising Net Investment in Capital Assets are presented in Note 7 of the accompanying financial statements. The balance at June 30, 2023 is \$112.9 million, a decrease of \$4.2 million compared to June 30, 2022. The decrease is the net result of the acquisition or construction of capital assets for \$16.7 million, offset by a \$14.6 million increase in outstanding debt (includes associated deferred inflows/outflows), and depreciation of \$6.3 million.

Restricted

Restricted Net Position consists of unexpended development impact fees which may only be appropriated for a project included in the District's Capital Improvement Program. During fiscal year 2022-23 the District received \$1.9 million in capacity fees while no restricted funds were used to fund current projects. A summary of the accumulation and use of these funds is presented as Other Information in this document.

EAST VALLEY WATER DISTRICT
Management’s Discussion and Analysis
Year Ended June 30, 2023

Unrestricted

Unrestricted Net Position is the balance after amounts to be classified as Net Investment in Capital Assets or Restricted have been determined. Unrestricted Net Position increased \$5.2 million to \$24.1 million in fiscal year 2022-23.

Capital Assets

The District spent approximately \$16.7 million for expansion or replacement of property, plant, and equipment during the 2022-23 fiscal year. These amounts are reflected in Utility Plant, or as additions to Construction in Progress, in the accompanying financial statements.

Placed in Service

During the 2022-23 fiscal year, District staff, consultants, and contractors completed work on the following:

- Rehabilitated 2 million gallon storage tank at Plant 108;
- Installed emergency generator (grant funded) at Plant 101;
- Replaced and upsized approximately 1,800 feet of water main in Elmwood Road and Pleasant Hill Drive with District crews; and
- Completed renovations to Boardroom and Customer Service counters to enhance security and functionality.

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

<u>Department</u>	<u>2023</u>	<u>2022</u>
Water		
Source of Supply	\$ 19.8	\$ 19.5
Pumping	15.2	15.2
Transmission & Distribution	102.2	100.9
Treatment	29.3	29.2
Wastewater		
Collection Lines	27.9	27.8
General		
Plant	32.6	31.2
Total	<u>\$ 227.0</u>	<u>\$ 223.8</u>

Construction in Progress (CIP)

Construction in Progress increased \$12.7 million to \$196.7 million (see note 4) between June 30, 2022 and June 30, 2023. With approximately 45 projects in progress, additions to CIP totaled \$15.6 million, while \$2.9 million was capitalized and transferred to Utility Plant in Service, or expenses.

Of the \$196.7 million balance in Construction in Progress at June 30, 2023, 96% is related to a single project, the Sterling Natural Resource Center.

EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023

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

Other significant work in progress includes upgrades to treatment processes at the District Surface Water Treatment Plant (134), and drilling of two monitoring wells to monitor effects of recharging recycled water in the groundwater basin.

Future Capital Improvements - Water

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

- Rehabilitation of District water storage tanks;
- Replacement of aging water distribution pipelines that require frequent repair and are suspected of causing system water losses;
- Seismic retrofits for multiple water tanks / reservoirs to help ensure structural integrity of the tank during a major earthquake; and
- Partner with developers to increase the capacity of new storage tanks they plan to build to serve their project.

The District has been awarded 10% match funding under the State's Prepare California Match Program for a \$6.8 million project to complete seismic retrofits on several water storage tanks. A District application for FEMA 2022 Building Resilient Infrastructure and Communities (BRIC) grant funds to cover 90% of the project is under review and should be finalized early in 2023.

The District has also been awarded Phase 1 FEMA funding of over \$1.1 million for design of a significant water main replacement project. Once design is complete, the District will work to finalize Phase 2 funding to cover up to \$40 million in replacement of pipelines which qualify for hazard mitigation assistance. The District is also exploring the feasibility of building a new surface water treatment plant in the District's east end, closest to the source of surface water and to the largest areas of undeveloped land in the District's service area.

Future Capital Improvements - Wastewater

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

The District will also update its Wastewater Collection System Master Plan during fiscal year 2024-25 to identify undersized main pipelines that are susceptible to surcharging during heavy rains. Undersized pipelines can impede new development and will be included in discussions with developers as necessary. Pipelines identified in the District's Wastewater Collection System Master Plan will be built into models developed for an update to the District's capacity fees.

**EAST VALLEY WATER DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2023**

Long Term Debt / Credit

The District's long-term debt consists of Revenue Bonds, loans from the California Department of Water Resources (DWR) State Revolving Fund, a capital lease purchase with U.S. Bank, and a loan from the San Bernardino Valley Municipal Water District (SBVMWD). Outstanding balances as of June 30, 2023 were as follows:

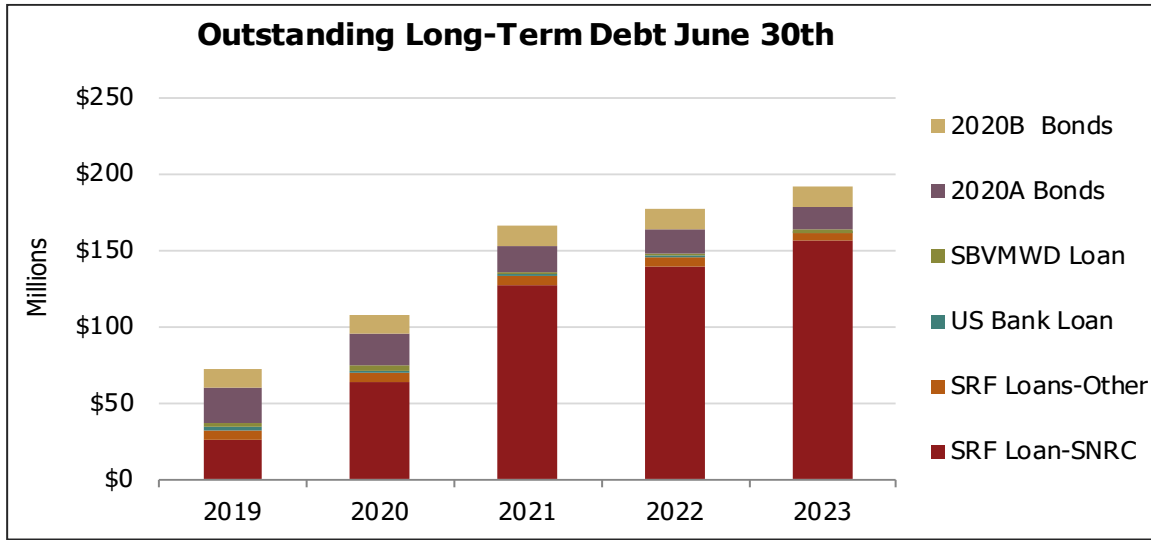
2020A Refunding Bonds	\$	15,050,000
2020B Refunding Bonds		13,060,000
SBVMWD Loan		1,275,000
AVAD Construction		50,716
EFAD Construction		260,323
Plant 134 Construction		5,134,773
SNRC Construction		155,723,918
U.S. Bank Lease Purchase		444,375
Total		<u>\$ 190,999,105</u>

The funding agreement with the State Water Resources Control Board for the SNRC construction consists of a \$150.3 million loan at 1.8% and a \$6.7 million grant, and was finalized on November 21, 2019. In May of 2023 the District was approved for an increase in the loan to \$168.3 million for three purposes, 1) finance a large emergency storage basin for off-spec water in the event of an SNRC emergency shutdown, 2) upgrade boosters to move recycled water farther to a revised location for recharge, and 3) to fund a gap between the amount of contracts signed to build digesters at the SNRC, and the existing loan funding for those digesters.

Debt service of approximately \$7.5 million and plant operating expenses will be paid with \$8.7 million currently paid to the City of San Bernardino Water Department for wastewater treatment. Additional revenue streams will include Local Resource Investment Program payments received from the San Bernardino Valley Municipal Water Department for the recharge of recycled water produced by the SNRC, tipping fees from waste haulers who dispose of liquid waste at the District digesters, and energy cost avoidance through use of power produced by the digesters. The loan balance as of June 30, 2023 is \$155.7 million; loan payments will begin one year after the Notice of Completion is filed for the SNRC.

All scheduled debt payments for fiscal year 2022-23 were paid timely. See Note 5 to the accompanying financial statement notes for further discussion about Long-Term Debt.

**EAST VALLEY WATER DISTRICT
Management’s Discussion and Analysis
Year Ended June 30, 2023**



Standard & Poor’s and Fitch rated the District’s 2020 Series A and B Revenue Bonds at AA- at the time of issuance. Fitch affirmed this rating after a review of the District’s financial plans in June 2023. Dun & Bradstreet (D&B), based on audited financial statements and creditor input, also rated the District. The rating given by D&B is currently 5A1 accompanied by a financial condition assessment of ‘strong’, which is no change from previous years.

Rate Increases

On May 12, 2021 the District adopted rate adjustments for water and wastewater collection activities, and adopted inaugural rates for the District’s water reclamation activities which were implemented in May of 2022 to help pay startup costs being incurred prior to commencement of operations of the Sterling Natural Resource Center. Additional rate adjustments for all water and wastewater services are scheduled to become effective on January 1, 2024.

Additional information about the District’s water and wastewater rates can be found on the District’s website at www.eastvalley.org.

Contacting the District’s Financial Management

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

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

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BASIC FINANCIAL SECTION

EAST VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2023

	2023	For Comparative Purposes Only 2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,465,911	\$ 11,313,557
Investments	5,329,245	4,574,471
Accounts Receivable, Net	5,940,839	6,974,934
Interest Receivable	73,545	18,461
Other Receivables	1,847,810	1,994,056
Due from Other Governments	20,552,300	10,306,002
Inventory	974,820	944,539
Prepaid Expenses	256,800	270,497
Total Current Assets	45,441,270	36,396,517
Non-Current Assets:		
Restricted Cash and Cash Equivalents	12,357,894	10,960,683
Assessments Receivable	263,478	285,745
Capital Assets not being Depreciated	203,751,889	190,577,346
Capital Assets, Net	115,951,753	118,693,660
Total Non-Current Assets	332,325,014	320,517,434
Total Assets	377,766,284	356,913,951
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	854,647	896,852
Deferred Outflows - Pensions	5,317,071	2,024,887
Deferred Outflows - OPEB	1,184,326	794,163
Total Deferred Outflows Of Resources	7,356,044	3,715,902
Total Assets and Deferred Outflows of Resources	\$ 385,122,328	\$ 360,629,853

(Continued)

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Net Position - Continued
June 30, 2023

	2023	For Comparative Purposes Only 2022
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 8,423,138	\$ 5,283,932
Accrued Payroll and Benefits	825,377	772,778
Customer Service Deposits	1,403,962	1,390,220
Construction Advances and Retentions	12,142,565	10,188,813
Accrued Interest Payable	263,778	263,507
Current Portion of Compensated Absences	652,177	604,122
Current Portion of Long-Term Debt	2,555,654	2,499,787
Due to Other Governments	135,523	-
Total Current Liabilities	26,402,174	21,003,159
Non-Current Liabilities:		
Compensated Absences, Less Current Portion	775,590	683,507
Net Pension Liability	13,855,136	6,657,689
Net OPEB Liability	1,986,360	1,861,875
Long-Term Debt, Less Current Portion	191,256,816	177,740,054
Total Non-Current Liabilities	207,873,902	186,943,125
Total Liabilities	234,276,076	207,946,284
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Refunding	1,128,796	1,181,143
Deferred Inflows - Pensions	1,600,501	6,115,141
Deferred Inflows - OPEB	326,072	288,464
Total Deferred Inflows Of Resources	3,055,369	7,584,748
Total Liabilities and Deferred Inflows Of Resources	237,331,445	215,531,032
NET POSITION		
Net Investment in Capital Assets	112,909,956	117,079,071
Restricted for:		
Future Capital Expansion Projects	10,761,677	9,076,014
Unrestricted	24,119,250	18,943,736
Total Net Position	\$ 147,790,883	\$ 145,098,821

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

	2023	For Comparative Purposes Only 2022
OPERATING REVENUES		
Water Sales	\$ 17,004,576	\$ 18,472,876
Wastewater Treatment Charges	10,108,850	9,764,357
System Charges	15,483,115	14,020,823
Other Charges	1,213,471	835,559
Total Operating Revenues	43,810,012	43,093,615
OPERATING EXPENSES		
Water Department:		
Source of Supply	3,890,634	3,515,262
Pumping	1,003,038	756,843
Treatment	1,212,646	1,045,730
Transmission and Distribution	4,311,606	3,563,328
Customer Accounts	1,653,739	1,225,403
Total Water Department	12,071,663	10,106,566
Wastewater Department:		
Wastewater Collection	752,489	587,128
Customer Accounts	604,006	494,505
Total Wastewater Department	1,356,495	1,081,633
Reclamation Department:		
Customer Accounts	9,601,461	9,084,061
Total Reclamation Department	9,601,461	9,084,061
Administrative and General	13,221,140	13,927,491
Operating Expenses Before Depreciation	36,250,759	34,199,751
Depreciation	6,264,377	6,378,590
Total Operating Expenses	42,515,136	40,578,341
Operating Income	\$ 1,294,876	\$ 2,515,274

(Continued)

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position - Continued
Year Ended June 30, 2023

	2023	For Comparative Purposes Only 2022
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 352,273	\$ 165,989
Gain on Disposal	30,134	1,042,562
Other Income	49,404	33,706
Interest Expense	(869,397)	(1,295,223)
Unrealized Investment Losses	(87,280)	(303,474)
	(524,866)	(356,440)
Total Non-Operating Revenues (Expenses)		
	770,010	2,158,834
CONTRIBUTIONS		
Capacity Charges	1,860,020	2,722,948
Operating Grants	62,032	103,577
	1,922,052	2,826,525
Total Contributions		
	2,692,062	4,985,359
CHANGE IN NET POSITION		
TOTAL NET POSITION, BEGINNING	145,098,821	140,113,462
TOTAL NET POSITION, ENDING	\$ 147,790,883	\$ 145,098,821

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2023

	2023	For Comparative Purposes Only 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 45,004,610	\$ 42,383,540
Cash Payments for Employees Services	(12,286,780)	(12,167,869)
Cash Payments to Suppliers	(21,332,407)	(22,435,948)
Cash to/(from) Other Sources	49,404	(1,186,152)
Net Cash Provided by Operating Activities	11,434,827	6,593,571
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Reimbursements Received	3,103,376	8,287,456
Grant Funds Received	62,032	-
Proceeds from Sale of Capital Assets	40,093	3,368,677
Developer Fees Received	1,860,020	2,826,525
Assessments Received	93,827	23,081
Proceeds/Draws from SRF Loan	2,705,185	13,221,385
Principal Paid on Capital Debt	(2,336,691)	(2,290,011)
Interest Paid on Capital Debt	(1,024,807)	(1,527,660)
Acquisition of Capital Assets	(14,771,878)	(25,897,709)
Net Cash Used for Capital and Related Financing Activities	(10,268,843)	(1,988,256)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received from Investments	224,214	62,700
Acquisition of Investments	(1,139,837)	(3,456,732)
Proceeds from Sale of Investments	299,203	2,357,673
Net Cash Provided (Used) by Investing Activities	(616,420)	(1,036,359)
Net Increase (Decrease) in Cash and Cash Equivalents	549,564	3,568,956
Cash and Equivalents, Beginning of Year	22,274,241	18,705,285
Cash and Equivalents, End of Year	\$ 22,823,805	\$ 22,274,241
 RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 10,465,911	\$ 11,313,557
Restricted Cash and Cash Equivalents	12,357,894	10,960,683
Total Cash and Cash Equivalents	\$ 22,823,805	\$ 22,274,240

(Continued)

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Statement of Cash Flows - Continued
Year Ended June 30, 2023

	2023	For Comparative Purposes Only 2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 1,294,874	\$ 2,515,274
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	6,264,377	6,378,590
Miscellaneous Income/(Expense)	49,404	126,699
CIP Projects Expensed	18,656	714,343
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	1,412,339	(938,233)
(Increase) Decrease in Inventory	(30,281)	(440,925)
(Increase) Decrease in Prepaids	13,697	116,907
(Increase) in Deferred Outflows of Resources - Pensions	(3,682,347)	851,405
Increase (Decrease) in Accounts Payable	3,274,023	(2,053,069)
Increase (Decrease) in Accrued Salaries and Benefits	52,612	88,171
Increase (Decrease) in Compensated Absences	140,139	81,086
Increase (Decrease) in Net Pension Liability	7,197,447	(5,655,605)
Increase in Net OPEB Liability	124,485	(179,102)
Decrease in Deferred Inflows of Resources	(4,477,032)	6,072,725
Increase (Decrease) in Customer Deposits	(231,483)	(1,312,853)
Increase (Decrease) in Developer Deposits	13,917	228,158
	\$ 11,434,827	\$ 6,593,571
NON-CASH INVESTING, CAPITAL, AND NON-CAPITAL FINANCING ACTIVITIES:		
Fair Value Adjustments to Investments	\$ 300,746	\$ 300,746
Receivable Offset by Debt	\$ 13,349,674	\$ -
Capital Assets Acquired by Assuming Liabilities, Including Retainage Payable	\$ 1,953,751	\$ 2,079,355

The accompanying notes are an integral part of this statement.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

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

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

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

The Company was established in February 1885 to deliver water, taken from the Santa Ana River to its property owner /shareholders. The Company is governed by a Board of Directors comprised of, and elected by, Company shareholders. The District has purchased shares of Company stock as they become available to secure rights to the Santa Ana River water and have it delivered to the District's surface water treatment plant. At June 30, 2022, the District owned 7,146.99 of 7,156 outstanding Company shares.

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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

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

Table 1-1

	<u>District</u>	<u>NFWC</u>	<u>Eliminations</u>	<u>Total</u>
Statement of Net Position				
Current Assets	\$ 45,429,065	\$ 12,205	\$ -	\$ 45,441,270
Capital Assets	321,611,270	158,603	(2,066,231)	319,703,642
Other Assets	9,959,296	2,662,076	-	12,621,372
Deferred Outflows	7,356,044	-	-	7,356,044
Total Assets & Deferred Outflows	<u>384,355,675</u>	<u>2,832,884</u>	<u>(2,066,231)</u>	<u>385,122,328</u>
Current Liabilities	26,396,607	5,567	-	26,402,174
Long-Term Liabilities	207,873,902	-	-	207,873,902
Deferred Inflows	3,055,369	-	-	3,055,369
Total Liabilities & Deferred Inflows	<u>237,325,878</u>	<u>5,567</u>	<u>-</u>	<u>237,331,445</u>
Net Investment in Capital Assets	112,226,565	2,749,622	(2,066,231)	112,909,956
Restricted Net Position	10,683,982	77,695	-	10,761,677
Unrestricted Net Position	24,119,250	-	-	24,119,250
Total Net Position	<u>\$ 147,029,797</u>	<u>\$ 2,827,317</u>	<u>\$ (2,066,231)</u>	<u>\$ 147,790,883</u>
Statement of Changes in Net Position				
Sales and Services	\$ 42,596,541	\$ -	\$ -	\$ 42,596,541
Other Operating Revenue	1,213,471	-	-	1,213,471
Operating Expenses	36,138,327	112,432	-	36,250,759
Depreciation	6,208,540	55,837	-	6,264,377
Operating Income	<u>1,463,145</u>	<u>(168,269)</u>	<u>-</u>	<u>1,294,876</u>
Net Non-Operating Revenue (Expenses)	(596,426)	71,560	-	(524,866)
Capital Contributions	1,922,052	-	-	1,922,052
Special Items	-	-	-	-
Change in Net Position	<u>2,788,771</u>	<u>(96,709)</u>	<u>-</u>	<u>2,692,062</u>
Beginning Net Position	<u>144,241,026</u>	<u>2,924,026</u>	<u>(2,066,231)</u>	<u>145,098,821</u>
Ending Net Position	<u>\$ 147,029,797</u>	<u>\$ 2,827,317</u>	<u>\$ (2,066,231)</u>	<u>\$ 147,790,883</u>
Net Cash from Operating Activities	\$ 11,581,310	\$ (146,483)	\$ -	\$ 11,434,827
Net Cash from Capital and Related Financing Activities	(10,340,403)	71,560	-	(10,268,843)
Net Cash from Investing Activities	(616,420)	-	-	(616,420)
Beginning Cash and Equivalents	<u>22,042,173</u>	<u>232,068</u>	<u>-</u>	<u>22,274,241</u>
Ending Cash & Equivalents	<u>\$ 22,666,660</u>	<u>\$ 157,145</u>	<u>\$ -</u>	<u>\$ 22,823,805</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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

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

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

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

C) Comparative Data

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

D) Inventory Valuation

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

E) Capitalization and Depreciation

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

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

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

F) Restricted Assets

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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

G) Cash and Cash Equivalents

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

H) Investments

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

I) Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category: Deferred Inflows related to Pensions, Deferred Inflows related to OPEB, and Deferred Inflows related to Bond Refinancing.

J) Compensated Absences

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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

K) Classification of Revenue

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

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

L) Use of Restricted Resources

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

M) Use of Estimates

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

N) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently 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	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

O) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB liability related to the California Employer's Retirement Benefits Trust (CERBT), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERBT and additions to/deductions

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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

from the CERBT fiduciary net position have been determined on the same basis as they are reported by the CERBT. For this purpose, the CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

P) Future Accounting Pronouncements

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

Table 1-2

GASB Statement	Description	Effective Date
Statement No. 99	Omnibus 2022	Objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement is effective for reporting periods beginning after June 15, 2023.
Statement No. 100 (an amendment of GASB Statement No. 62)	Accounting Changes and Error Corrections	Prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections. The statement is effective for fiscal years beginning after June 15, 2023.
Statement No. 101	Compensated Absences	Updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

2) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Table 2-1

Cash and Cash Equivalents	\$ 10,465,911
Restricted Cash and Cash Equivalents	12,357,894
Investments	5,329,245
Total	<u>\$ 28,153,050</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2) CASH AND INVESTMENTS - Continued

Cash and investments as of June 30, 2023 consist of the following:

Table 2-2

Cash on Hand	\$	9,000
Deposits with Financial Institutions		8,781,290
Money Market Accounts with Financial Institutions		311,360
Investments with Local Agency Investment Fund		13,722,155
Investment in Debt Securities		5,329,245
Total		\$ 28,153,050

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

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

Table 2-3

Authorized Investment Type	Maximum Maturity	Authorized Limit	Required Rating
Municipal Securities including EVWD Issues	5 years	None	None
U.S. Treasury Bills, Notes, or Bonds	5 years	None	None
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None
U.S. Agencies	5 years	None	None
Placement Service Deposits	5 years	30%	None
Money Market Mutual Funds and Mutual Funds	5 years	15%	2 - AAA
Collateralized Bank Deposits	5 years	None	None
Commercial Papers	270 days	5%	A
Medium Term Notes	5 years	30%	AA
Local Government Investment Pools	N/A	25%	AA
Local Agency Investment Fund (LAIF)	N/A	None	None

At June 30, 2023, the District had no investments in repurchase agreements and did not utilize this investment media during the reporting year. As a matter of investment policy, the District does not borrow funds with reverse repurchase agreements.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District minimizes its exposure to this type of risk is by investing in investments with laddered maturity dates.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2) CASH AND INVESTMENTS - Continued

As of June 30, 2023, the District had the following investments and maturities:

Table 2-4

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Freddie Mac	\$ 91,310	2.14 years
Federal Home Loan Bank	2,983,235	1.74 years
Federal Farm Credit Bank	180,696	3.40 years
US Treasury	1,783,067	1.73 years
Tenn Valley Authority	290,937	1.21 years
LAIF	13,722,155	N/A
Money Market Mutual Funds	311,360	N/A
	<u>\$ 19,362,760</u>	

Disclosures Relating to Credit Risk

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

Table 2-5

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating at Year End AAA</u>	<u>Not Rated</u>
Freddie Mac	\$ 91,310	N/A	\$ -	\$ 91,310	\$ -
Federal Home Loan Bank	2,983,235	N/A	-	2,983,235	-
Federal Farm Credit Bank	180,696	-	-	180,696	-
US Treasury	1,783,067	N/A	1,783,067	-	-
Tenn Valley Authority	290,937	N/A	-	290,937	-
LAIF	13,722,155	N/A	-	-	13,722,155
Money Market Mutual Funds	311,360	N/A	-	311,360	-
	<u>\$19,362,760</u>		<u>\$1,783,067</u>	<u>\$3,857,538</u>	<u>\$13,722,155</u>

Fair Value Measurements

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

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2) CASH AND INVESTMENTS - Continued

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

The District has the following recurring fair value measurements as of June 30, 2023:

Table 2-6

	Fair Value Measurements Using			
Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt Securities				
Freddie Mac	\$ 91,310	\$ -	\$ -	\$ 91,310
Federal Home Loan Bank	2,983,235	-	-	2,983,235
Federal Farm Credit Bank	180,696	-	-	180,696
US Treasury	1,783,067	-	-	1,783,067
Tenn Valley Authority	290,937	-	-	290,937
Total Investments Measured at Fair Value	<u>\$ 5,329,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,329,245</u>
Investments Measured at Amortized Cost				
LAIF				13,722,155
Money Market Mutual Funds				311,360
Total Investments				<u>\$ 19,362,760</u>

Disclosure Related to Concentration of Credit Risk

The District's policy places no limits on amounts invested in any given issuer beyond that stipulated by the California Government Code. At June 30, 2023, there were no investments (other than external pools, U.S. Government Securities and Money Market Mutual Funds) that exceeded 5% of the District's total investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires California banks and savings and loan associations to secure deposits by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. As such, collateralized securities are held by the pledging financial institution's agent on behalf of the District. The fair value of the pledged securities must equal at least 110% of Districts deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2) CASH AND INVESTMENTS - Continued

public deposits. The District may waive collateral requirements for deposits which are fully insured by Federal depository insurance.

As of June 30, 2023, the District had \$7,931,933 deposited with financial institutions that were in excess of federal depository insurance limits. The federal deposit insurance limit is \$250,000.

Investment in State Investment Pool

The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has reported to its participating agencies that, as of June 30, 2023, the carrying amount (at amortized cost) of the pool was \$179,160,181,982 and the estimated fair value of the pool was \$176,442,053,163. LAIF is regulated by the California Government Code under the oversight of the Treasurers of California. The District's proportionate share of the fair value (as determined by LAIF) as of June 30, 2022, was \$13,722,155. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. Currently LAIF does not have an investment rating. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

3) RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents at June 30, 2023 are restricted as follows:

Table 3-1

Held for Debt Service	\$	279,428
Capacity Fees from Developers		10,408,760
Customer Deposits		1,403,059
Construction Advances		109,500
North Fork Water Company		157,147
Total		\$ 12,357,894

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

4) CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

Table 4-1

	Beginning of Year	Additions	Deletions	Adjustments	End of Year
Water Fund					
Non-Depreciable Assets					
Land and Easements	\$ 3,148,311	\$ 503,385	\$ -	\$ -	\$ 3,651,696
Water Rights	732,835	-	-	-	732,835
Construction in Progress	13,134,060	5,734,649	(2,546,191)	-	16,322,518
Total Non-Depreciable Assets	<u>17,015,206</u>	<u>6,238,034</u>	<u>(2,546,191)</u>	<u>-</u>	<u>20,707,049</u>
Depreciable Assets					
Source of Supply	19,485,560	328,669	-	-	19,814,229
Pumping Plant	15,186,844	93,653	(34,716)	-	15,245,781
Treatment Plant	29,227,351	121,422	-	-	29,348,773
Transmission and Distribution Plant	100,916,558	1,282,439	-	-	102,198,997
General Plant	21,207,565	1,504,970	(150,627)	-	22,561,908
Total Depreciable Assets	<u>186,023,878</u>	<u>3,331,153</u>	<u>(185,343)</u>	<u>-</u>	<u>189,169,688</u>
Accumulated Depreciation					
Source of Supply	(9,105,956)	(664,715)	-	-	(9,770,671)
Pumping Plant	(8,041,575)	(487,631)	34,716	-	(8,494,490)
Treatment Plant	(13,835,822)	(649,948)	-	-	(14,485,770)
Transmission and Distribution Plant	(45,246,131)	(2,520,713)	-	-	(47,766,844)
General Plant	(8,745,386)	(1,102,449)	150,627	-	(9,697,208)
Total Accumulated Depreciation	<u>(84,974,870)</u>	<u>(5,425,456)</u>	<u>185,343</u>	<u>-</u>	<u>(90,214,983)</u>
Water Fund Capital Assets, Net	<u>118,064,214</u>	<u>4,143,731</u>	<u>(2,546,191)</u>	<u>-</u>	<u>119,661,754</u>
Wastewater Fund					
Non-Depreciable Assets					
Land and Easements	2,698,706	-	-	-	2,698,706
Construction in Progress	13,954,185	859,076	-	-	14,813,261
Total Non-Depreciable Assets	<u>16,652,891</u>	<u>859,076</u>	<u>-</u>	<u>-</u>	<u>17,511,967</u>
Depreciable Assets					
Wastewater Collection Plant	27,841,682	36,452	(5,220)	-	27,872,914
General Plant	9,948,793	164,824	(159,871)	-	9,953,746
Total Depreciable Assets	<u>37,790,475</u>	<u>201,276</u>	<u>(165,091)</u>	<u>-</u>	<u>37,826,660</u>
Accumulated Depreciation					
Wastewater Collection Plant	(15,973,236)	(460,352)	5,220	-	(16,428,368)
General Plant	(4,172,587)	(378,569)	149,912	-	(4,401,244)
Total Accumulated Depreciation	<u>(20,145,823)</u>	<u>(838,921)</u>	<u>155,132</u>	<u>-</u>	<u>(20,829,612)</u>
Wastewater Fund Capital Assets, Net	<u>34,297,543</u>	<u>221,431</u>	<u>(9,959)</u>	<u>-</u>	<u>34,509,015</u>
Water Reclamation Fund					
Construction in Progress	156,909,249	8,623,624	-	-	165,532,873
Total Non-Depreciable Assets	<u>156,909,249</u>	<u>8,623,624</u>	<u>-</u>	<u>-</u>	<u>165,532,873</u>
Water Reclamation Fund Capital Assets	<u>156,909,249</u>	<u>8,623,624</u>	<u>-</u>	<u>-</u>	<u>165,532,873</u>
Total Capital Assets, Net	<u>\$ 309,271,006</u>	<u>\$ 12,988,786</u>	<u>\$ (2,556,150)</u>	<u>\$ -</u>	<u>\$ 319,703,642</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

5) LONG-TERM DEBT

The schedule below summarizes changes in long-term debt during the year ended June 30, 2023:

Table 5-1

	Beginning Balance (June 30, 2022)	Additions	Retirements / Payments	Ending Balance (June 30, 2023)	Current Portion	Long-Term Portion
Direct Placement:						
2020A Refunding Bonds	\$ 15,990,000	\$ -	\$ (940,000)	\$ 15,050,000	\$ 990,000	\$ 14,060,000
2020A Unamortized Premium	2,958,904	17,555	(163,094)	2,813,365	163,101	2,650,264
2020B Refunding Bonds	13,340,000	-	(280,000)	13,060,000	280,000	12,780,000
Subtotal Direct Placement	<u>32,288,904</u>	<u>17,555</u>	<u>(1,383,094)</u>	<u>30,923,365</u>	<u>1,433,101</u>	<u>29,490,264</u>
Direct Borrowing:						
U.S. Bank Lease Purchase	\$ 878,870	\$ -	\$ (434,495)	444,375	\$ 444,375	\$ -
SBVMWD Loan	1,704,019	-	(429,019)	1,275,000	425,000	850,000
DWR Contracts:						
AVAD Construction	57,478	-	(6,762)	50,716	6,762	43,954
Plant 134 Construction	5,368,172	-	(233,399)	5,134,773	233,398	4,901,375
EFAD Construction	273,339	-	(13,016)	260,323	13,018	247,305
SNRC	139,669,059	16,054,859	-	155,723,918	-	155,723,918
Subtotal Direct Borrowing	<u>147,950,937</u>	<u>16,054,859</u>	<u>(1,116,691)</u>	<u>162,889,105</u>	<u>1,122,553</u>	<u>161,766,552</u>
Total	<u>\$ 180,239,841</u>	<u>\$ 16,072,414</u>	<u>\$ (2,499,785)</u>	<u>\$ 193,812,470</u>	<u>\$ 2,555,654</u>	<u>\$ 191,256,816</u>

2020 Revenue Bonds

Series 2020A - On September 10, 2020, the District issued \$16,885,000 of East Valley Water District Refunding Revenue Bonds, Series 2020A (2020A Bonds), to accomplish a current refunding of then outstanding 2010 Revenue Bonds (\$21,635,000). The 2020A Bonds carry interest rates ranging from 3.00% to 5.00% and will be repaid in various principal increments with the final payment due on October 1, 2040. The refunded 2010 Bonds carried interest rates ranging from 4.00% to 5.00% and were due in various principal increments until October 1, 2040.

The 2020A bonds were issued at a premium of \$3,261,890, and after paying issuance costs of \$161,885, net proceeds were \$19,985,005. The net proceeds, combined with a \$2,129,931 sinking fund for 2010 bond debt service, were sufficient to accomplish the refunding of the existing debt. All refunded debt has been retired.

The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of \$259,548. This difference is included in the accompanying financial statements as a Deferred Outflows of Resources and is being charged to operations through the year 2040 using the straight-line method of amortization. The District completed the refunding to decrease total debt service over the next 20 years by \$6,052,794, and to obtain an economic gain (difference between the present values of the old and new debt service payment) of \$4,765,023.

Series 2020B - Also on September 10, 2020, the District issued \$13,615,000 of East Valley Water District Refunding Revenue Bonds, Series 2020B (2020B Bonds), to accomplish an advance refunding of then outstanding 2013 Revenue Bonds (\$12,085,000). The 2020B Refunding Bonds carry interest rates from 0.42 % to 2.93 % (federally taxable) and will be repaid in various principal increments with the final payment due

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

5) LONG-TERM DEBT - Continued

on October 1, 2043. The refunded 2013 Bonds carried interest rates ranging from 4.00% to 5.00% and were due in various principal increments until October 1, 2043.

The 2020B bonds were issued at face value, and after paying issuance costs of \$123,500, net proceeds were \$13,491,500. The net proceeds, combined with a \$292,563 sinking fund held for 2013 bond debt service, were used to purchase US Government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service on the 2013 Bonds until October 1, 2023 on which date all outstanding bonds will be redeemed. The advance refunding met the requirements of an in-substance defeasance therefore; accordingly, the 2013 Revenue Bonds are no longer reflected as a liability on the accompanying financial statements.

The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of \$259,548. This difference is included in the accompanying financial statements as a Deferred Outflows of Resources and is being charged to operations through the year 2043 using the straight-line method of amortization. The District completed the refunding to decrease total debt service over the next 23 years by \$3,014,190, and to obtain an economic gain (difference between the present values of the old and new debt service payment) of \$2,154,117.

US Bank Lease Purchase

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

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

On January 20, 2015, the District entered into an agreement with the SBVMWD for the construction, financing, and maintenance of a turnout by which the District's surface water treatment plant can receive State Project water. The total amount borrowed for construction of the project is \$4,367,927 bearing interest at the State of California Local Agency Investment Fund (LAIF) apportionment rate, which is 0.75% at June 30, 2022. Debt service payments are to be made annually on February 1st over ten years.

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

On June 30, 2004, the District entered into a Funding Agreement for replacement of distribution pipelines in the section of the District's service area formerly served by the Arroyo Verde Water Company. The original loan amount was \$169,052 with an annual interest rate of 0%. Semi-annual payments of \$3,381 are due through

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

5) LONG-TERM DEBT - Continued

January 2031 and are secured by annual assessments to property owners within the Arroyo Verde Assessment District. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Bonds and accrued interest thereon.

Department of Water Resources Contract 10CX110 - Plant 134

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

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

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

The aggregate debt service requirements to maturity for long-term debt as of June 30, 2023 are as follows (excludes unamortized premiums/discounts and the California State Water Resource Control Board Contract C-06-8106-110):

Table 5-2

Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,392,553	\$ 983,949	\$ 3,376,502
2025	1,983,177	909,493	2,881,365
2026	1,628,177	854,464	2,479,114
2027	1,243,177	808,729	2,051,906
2028	1,278,177	772,613	2,050,790
2029-2033	6,977,425	3,238,672	10,216,097
2034-2038	8,063,757	2,131,896	10,195,653
2039-2043	9,243,758	940,192	10,183,950
2044-2045	2,464,986	29,227	2,494,213
	<u>\$35,275,187</u>	<u>\$10,669,235</u>	<u>\$45,929,590</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

5) LONG-TERM DEBT - Continued

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

On June 26, 2018 the District entered into a Funding Agreement for the construction of a 6 million gallon per day (mgd) water recycling plant with the State Water Resources Control Board. The initial agreement approves \$11.5 million for design cost reimbursement, with a revised agreement covering design and construction costs totaling \$157 million executed on December 2, 2019. The revised Agreement includes a \$6.7 million grant and a low interest (1.8%) loan for the balance of \$150.3 million.

As of June 30, 2023 the District has incurred \$138.6 million in design and construction cost, the District has drawn approximately \$126.4 million, \$10.3 million is awaiting reimbursement (Due From Other Governments) of the \$150.3 million in loan financing available. Repayment on the loan will begin one year after the completion of construction and annual installment payments of principal and interest are projected to be approximately \$7.3 million. The District has pledged available water and wastewater revenue for the repayment of the loan, including the following new revenue streams:

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

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

Security for debt is as follows:

Table 5-3

Debt	Security
2020A and 2020B Refunding Revenue Bonds and Department of Water Resources Construction Loans	The District is required to maintain net revenues, as defined by the revenue bond trust agreements and State of California Department of Public Health Funding agreements of at least 120% of District's annual debt service (principal and interest). At June 30, 2023, net water revenues represented 240% of the annual water debt service and net wastewater revenues represented 639% of the annual wastewater debt service.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

6) COMPENSATED ABSENCES

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

Table 6-1

	Beginning of Year	Additions	Usage / Payments	End of Year	Current Portion	Long-Term Portion
Accrued Vacation Leave	\$ 630,133	\$ 658,926	\$(586,516)	\$ 702,543	\$ 385,383	\$ 317,160
Accrued Sick Leave	657,496	432,627	(364,899)	725,224	266,794	458,430
Total	<u>\$ 1,287,629</u>	<u>\$ 1,091,553</u>	<u>\$(951,415)</u>	<u>\$ 1,427,767</u>	<u>\$ 652,177</u>	<u>\$ 775,590</u>

7) NET INVESTMENT IN CAPITAL ASSETS

Net Investment in capital assets at June 30, 2023 consisted of the following:

Table 7-1

Non-Depreciable Capital Assets	\$ 203,751,889
Depreciable Capital Assets	226,996,348
Accumulated Depreciation	(111,044,595)
North Fork Water Company	651,683
Loans Payable	(176,247,855)
Bonds Payable	(30,923,365)
Deferred Inflows - Debt Refunding	(1,128,796)
Deferred Outflows - Debt Refunding	854,647
Total	<u>\$ 112,909,956</u>

8) DEFINED BENEFIT PENSION PLAN (PERS)

A) General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District participates in 2 rate plans (two miscellaneous). Benefit provisions under the Plan are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website, at www.calpers.ca.gov.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2 W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

Table 8-1

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.7% @55	2.0% @62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8.0%	7.0%
Required Employer Contribution Rates	13.66%	7.56%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plans were as follows:

Table 8-2

	Miscellaneous
Contributions - Employer	\$ 964,748

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

Table 8-3

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 13,855,136

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

Table 8-4

	Miscellaneous
Proportion - June 30, 2022	0.35063%
Proportion - June 30, 2023	0.29610%
Change - Increase (Decrease)	-0.05453%

Amortization of Deferred Outflows and Deferred Inflows of Resources

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 of resources related to pensions and are to be recognized in future pension expense.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued

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 lives (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

For the year ended June 30, 2023, the District recognized pension expense of \$173,810. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Table 8-5

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 278,238	\$ 186,352
Changes in Assumptions	1,419,748	-
Net differences between projected and actual earnings on plan investments	2,537,893	-
Change in employer's proportion	-	595,037
Difference between the employer's contributions and the employer's proportionate share of contributions	116,444	819,112
Pension contributions subsequent to measurement date	964,748	-
Total	\$ 5,317,071	\$ 1,600,501

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued

\$964,748 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Table 8-6

Year Ended June 30,	Amount
2024	\$ 573,249
2025	436,296
2026	190,015
2027	<u>1,552,262</u>
	<u>\$ 2,751,822</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with updated procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Table 8-7

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued

Change of Assumptions

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long-term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used 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.

Subsequent Events

On July 12, 2021, Cal PERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued

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

Table 8-8

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return (1)(2)</u>
Global Equity - cap weighted	30.0%	4.54%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100.0%</u>	

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

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

Table 8-9

	<u>Miscellaneous</u>
1% Decrease	5.90%
Net Pension Liability	\$ 21,373,930
Current Discount Rate	6.90%
Net Pension Liability	\$ 13,855,136
1% Increase	7.90%
Net Pension Liability	\$ 7,669,035

D) Pension Plan Fiduciary Net Position

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued

E) Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$0 for the outstanding number of contributions to the pension plan required for the year ended June 30, 2023.

9) COMMITMENTS AND CONTINGENCIES

Grant Awards

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

10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District participates in a joint powers agreement (JPA) with the Special District Risk Management Authority (Authority). The Authority is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500 et. sec. The Authority is governed by a Board consisting of 7 directors that are either a manager or Board member of a current member agency that were elected by members of SDRMA. The Board controls the operations of the Authority including selection of management and approval of operation budgets. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes. Settled claims have been immaterial and claims liabilities have not been reported in these financial statements as of June 30, 2023, or in the previous two fiscal years.

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

10) RISK MANAGEMENT - Continued

At June 30, 2023, the District's participation in the self-insurance programs of the Authority was as follows:

Table 10-1

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11) POST-EMPLOYMENT HEALTHCARE BENEFITS

The District provides post-employment healthcare benefits for retired employees and eligible surviving spouses in accordance with the plan as established by the District. As of June 30, 2023, the District's total liability for post-employment healthcare benefits and details of the plan are explained below:

Table 11-1

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Benefits Plan	\$1,986,360	\$ 1,184,326	\$ 326,072	\$ 311,790

Plan Description and Eligibility

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

Membership in the health benefit plan consisted of the following at July 1, 2023, the date of the latest actuarial valuation:

Table 11-2

Participant Type	Number of Participants
Inactive participants currently receiving benefits	27
Inactive participants entitled to but not yet receiving benefit	0
Active employees	65
Total	92

Funding Policy

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11) POST-EMPLOYMENT HEALTHCARE BENEFITS - Continued

Employees retiring with at least 10 years of District service will receive an additional District contribution through attainment of Medicare eligibility age. The additional contribution is based on the negotiated dollar amount at retirement (currently \$850 per month). The surviving spouse of an eligible retiree is eligible for the District's contribution upon the death of the retiree through the spouse's attainment of Medicare eligibility age.

The District's funding policy is to contribute the Annual Determined Contribution (ADC) to their account within the CERBT. For fiscal year ended June 30, 2022, the District paid \$556,222 to the plan including the implicit rate subsidy. The District contributed \$348,363 including the implicit rate subsidy for retiree health benefits to the Trust during the fiscal year ended June 30, 2023.

Net OPEB Liability

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

Table 11-3

	Balance June 30, 2023
Total OPEB Liability	\$ 3,567,214
Plan Fiduciary Net Position	(1,580,854)
District's Net OPEB Liability (Asset)	\$ 5,148,068

Investments

As described above, at June 30, 2023, all Plan investments are held in the CERBT through CalPERS.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as follows:

Table 11-4

Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 332,001	\$ -
Differences between expected and actuarial experience	391,150	155,907
Changes of assumptions	306,132	170,165
Differences between projected and actual earnings on OPEB plan investments	155,043	-
Total	\$ 1,184,326	\$ 326,072

The deferred outflow of resources results from a change of assumptions and is amortized over the expected average remaining service life (EARSL) of the plan participants. Contributions submitted subsequent to the measurement date will be recognized in the following fiscal year. The EARSL for the OPEB plan for

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11) POST-EMPLOYMENT HEALTHCARE BENEFITS - Continued

June 30, 2023 is five years. The year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods not to exceed four years.

The deferred inflows of resources related to OPEB resulting from the net differences between projected and actual earnings on planned investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

Deferred inflows and outflows will be amortized as follow:

Table 11-5

Year Ending June 30,	Amortization
2024	\$ 81,971
2025	82,665
2026	78,811
2027	105,300
2028	48,426
Thereafter	129,080
	<u>\$ 526,253</u>

Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

Table 11-6

Actuarial Methods and Assumptions

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	5.50%
Health Care Trend Rate	6.25% HMO / 6.25% PPO

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

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11) POST-EMPLOYMENT HEALTHCARE BENEFITS - Continued

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation at June 30, 2022 are shown herein:

Table 11-7

Asset Class	Target Allocation	L/T Expected Gross ROR
Global Equity	34%	N/A
Fixed Income	41%	N/A
Treasury Inflation - Protected Securities	5%	N/A
Commodities	3%	N/A
Real Estate Investment Trusts	17%	N/A
Total	<u>100%</u>	<u>5.50%</u>

The discount rate used to measure the total OPEB liability was 5.5 percent. The discount rate assumes the District continues to fully fund its retiree health benefits through the CERBT under its investment allocation strategy 2. The rate reflects the CERBT published median interest rate for strategy 2 with an additional margin for adverse deviation.

Changes in the Net OPEB Liability

Table 11-8

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 3,276,038	\$ 1,414,163	\$ 1,861,875
Changes for the year:			
Service Cost	118,145	-	118,145
Interest	213,973	-	213,973
Differences between expected and actual experience	(173,230)	-	(173,230)
Employer Contributions	-	556,222	(556,222)
Net Investment Income	-	(181,313)	181,313
Change of assumptions	340,147	-	340,147
Benefit Payments	(207,859)	(207,859)	-
Administrative Expenses	-	(359)	359
Other Expenses	-	-	-
Net Changes	<u>291,176</u>	<u>166,691</u>	<u>124,485</u>
Balances at June 30, 2023	<u>\$ 3,567,214</u>	<u>\$ 1,580,854</u>	<u>\$ 1,986,360</u>

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11) POST-EMPLOYMENT HEALTHCARE BENEFITS - Continued

The following presents the District's net OPEB liability calculated using the discount rate of 5.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current rate:

Table 11-9

Discount Rate	Net OPEB Liability (Asset)
1% Decrease (4.50%)	\$ 2,382,842
Current Discount Rate (5.50%)	\$ 1,986,360
1% Increase (6.50%)	\$ 1,646,214

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 6.25 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

Table 11-10

Healthcare Trend Rate	Net OPEB Liability (Asset)
1% Decrease (5.25% HMO/5.25% PPO Decreasing to 3.50% HMO/3.50% PPO)	\$ 1,450,377
Current Healthcare Cost Trend Rates (6.25% HMO/6.25% PPO Decreasing to 4.50% HMO/4.50% PPO)	\$ 1,986,360
1% Increase (7.25% HMO/7.25%PPO Decreasing to 5.50% HMO/5.50% PPO)	\$ 2,403,025

OPEB Expense

For the year ended June 30, 2023, the District recognized OPEB expense of \$311,790 and recorded deferred outflows of resources of \$1,184,326 for contributions made during fiscal year 2023 after the measurement date. The deferred outflows will be recognized in OPEB expense for the period ending June 30, 2024.

The District recorded \$326,072 of deferred inflows of resources resulting from the differences between projected and actual earnings on OPEB plan investments for the period ending June 30, 2022. The deferred inflows of resources will be amortized and recognized in OPEB expense over three remaining periods ending June 30, 2026.

EAST VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2023

12) CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District has six significant active construction project commitments as of June 30, 2023. The following contracts are related to the construction of the Recycled Water Facility.

Table 12-1

Contractual Commitments	Spent to Date	Remaining Commitment
Valve Truck - Ford Super Duty F-550 Flatbed	\$ -	\$ 247,429
Drought Contingency Plan Development, Management, and Preparation	\$ 63,106	\$ 325,894
Water Main Seismic Retrofit	\$ 455,288	\$ 728,712
Design-Build Services of additional water storage in the District's Canal Pressure Zone	\$ 120,440	\$ 618,788
Design-Build Services of the Recycled Water Facility	\$ 213,343,235	\$ 5,666,880
Design-Build Services of the Digester	\$ 18,513,544	\$ 1,715,500

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Intentionally

REQUIRED SUPPLEMENTARY INFORMATION



East Valley Water District
Schedule of District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2023
Last Ten Years*

Schedule of District's Proportionate Share of the Net Pension Liability

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

	2023	2022	2021	2020
Proportion of the Net Pension Liability	0.119950%	0.123102%	0.113169%	0.115205%
Proportionate Share of the Net Pension Liability	\$ 13,855,136	\$ 6,657,689	\$12,313,294	\$11,805,140
Covered Payroll	\$ 6,536,459	\$ 6,188,589	\$ 5,888,338	\$ 5,658,626
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	211.97%	107.58%	209.11%	208.62%
Plan's Fiduciary Net Position	\$ 41,301,132	\$44,006,462	\$36,172,219	\$34,016,773
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	74.88%	86.86%	77.71%	77.73%

	2019	2018	2017	2016	2015
Proportion of the Net Pension Liability	0.28782%	0.11699%	0.11585%	0.11551%	0.10632%
Proportionate Share of the Net Pension Liability	\$10,846,955	\$ 11,601,798	\$10,024,712	\$ 7,928,173	\$ 6,615,935
Covered Payroll	\$ 5,447,702	\$ 4,489,575	\$ 5,097,156	\$ 4,715,712	\$ 4,436,236
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	199.11%	258.42%	196.67%	168.12%	149.13%
Plan's Fiduciary Net Position	\$33,563,265	\$ 27,706,747	\$27,529,345	\$28,045,198	\$29,336,566
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.69%	71.37%	74.06%	78.40%	79.82%

Note: Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The accompanying notes to required supplementary information are an integral part of this schedule.

**East Valley Water District
Schedule of District's Contributions
Year Ended June 30, 2023
Last Ten Years***

Schedule of District's Contributions

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution (Actuarially Determined)	\$ 964,748	\$ 1,019,834	\$ 1,900,537	\$ 1,798,495
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 964,748</u>	<u>\$ 1,019,834</u>	<u>\$ 1,900,537</u>	<u>\$ 1,798,495</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 7,289,703	\$ 6,536,459	\$ 6,188,589	\$ 5,888,338
Contributions as a Percentage of Covered Payroll	13.23%	15.60%	30.71%	30.54%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 1,228,277	\$ 1,579,268	\$ 1,035,102	\$ 895,822	\$ 742,546
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 1,228,277</u>	<u>\$ 1,579,268</u>	<u>\$ 1,035,102</u>	<u>\$ 895,822</u>	<u>\$ 742,546</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 5,658,626	\$ 5,447,702	\$ 4,489,575	\$ 5,097,156	\$ 4,715,712
Contributions as a Percentage of Covered Payroll	21.71%	28.99%	23.06%	17.57%	15.75%

Note: Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The accompanying notes to required supplementary information are an integral part of this schedule.

**East Valley Water District
Schedule of Changes in the Net OPEB Liability
Year Ended June 30, 2023
Last Ten Years***

Schedule of Changes in the Net OPEB Liability

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

<u>Total OPEB Liability</u>	<u>2023</u>
Service Cost	\$ 118,145
Interest	213,973
Differences between expected and actual experience	(173,230)
Changes of assumptions	340,147
Benefit Payments, including refunds of member contributions	<u>(207,859)</u>
Net Change in Total OPEB Liability	291,176
Total OPEB Liability - Beginning	3,276,038
Total OPEB Liability - Ending (a)	<u><u>\$3,567,214</u></u>
<u>Plan Fiduciary Net Position</u>	<u>2023</u>
Contributions - Employer	\$ 556,222
Net Investment Income	(181,313)
Benefit Payments	(207,859)
Administrative Expense	(359)
Other Expense	<u>-</u>
Net Change in Plan Fiduciary Net Position	\$ 166,691
Plan Fiduciary Net Position - Beginning	<u>1,414,163</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 1,580,854</u></u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u><u>\$ 1,986,360</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.32%
Covered Payroll	\$ 5,847,005
Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	33.97%

(Continued)

Note: Fiscal year 2018 was the first year of implementation, therefore only six years are shown. The accompanying notes to required supplementary information are an integral part of this schedule.

East Valley Water District
Schedule of Changes in the Net OPEB Liability
Year Ended June 30, 2023 – Continued
Last Ten Years*

Schedule of Changes in the Net OPEB Liability

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

Total OPEB Liability	2022	2021	2020	2019	2018
Service Cost	\$ 122,441	\$ 122,428	\$ 106,297	\$ 103,452	\$ 97,138
Interest	199,913	189,204	174,233	166,826	160,043
Differences between expected and actual experience	278,335	75,893	192,265	-	-
Changes of assumptions	(163,361)	-	(65,796)	-	-
Benefit Payments, including refunds of member contributions	<u>(225,321)</u>	<u>(220,316)</u>	<u>(168,787)</u>	<u>(149,550)</u>	<u>(168,724)</u>
Net Change in Total OPEB Liability	212,007	167,209	238,212	120,728	88,457
Total OPEB Liability - Beginning	3,064,031	2,896,822	2,658,610	2,537,882	2,449,425
Total OPEB Liability - Ending (a)	<u><u>\$3,276,038</u></u>	<u><u>\$3,064,031</u></u>	<u><u>\$2,896,822</u></u>	<u><u>\$2,658,610</u></u>	<u><u>\$2,537,882</u></u>
Plan Fiduciary Net Position	2022	2021	2020	2019	2018
Contributions - Employer	\$ 412,106	\$ 405,008	\$ 278,539	\$ 149,548	\$ 218,724
Net Investment Income	204,887	38,644	48,769	37,365	36,877
Benefit Payments	(225,321)	(220,316)	(168,787)	(149,548)	(168,724)
Administrative Expense	-	-	(330)	-	(261)
Other Expense	<u>(563)</u>	<u>(427)</u>	<u>(240)</u>	<u>(683)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	\$ 391,109	\$ 222,909	\$ 157,951	\$ 36,682	\$ 86,616
Plan Fiduciary Net Position - Beginning	1,023,054	800,145	642,194	605,512	518,896
Plan Fiduciary Net Position - Ending (b)	<u><u>\$1,414,163</u></u>	<u><u>\$1,023,054</u></u>	<u><u>\$ 800,145</u></u>	<u><u>\$ 642,194</u></u>	<u><u>\$ 605,512</u></u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u><u>\$1,861,875</u></u>	<u><u>\$2,040,977</u></u>	<u><u>\$2,096,677</u></u>	<u><u>\$2,016,416</u></u>	<u><u>\$1,932,370</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	43.17%	33.39%	27.62%	24.16%	23.86%
Covered Payroll	\$ 5,902,604	\$ 5,744,627	\$ 5,495,000	\$ 5,495,000	\$ 5,220,250
Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	31.54%	35.53%	38.16%	36.70%	37.02%

Note: Fiscal year 2018 was the first year of implementation, therefore only six years are shown. The accompanying notes to required supplementary information are an integral part of this schedule.

**East Valley Water District
Schedule of OPEB Healthcare Contributions
Year Ended June 30, 2023
Last Ten Years***

Schedule of OPEB Healthcare Contributions

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

<u>OPEB Contributions</u>	<u>2023</u>
Actuarially Determined Contribution (ADC)	\$ 332,001
Contributions in Relation to the ADC	(556,222)
Contribution Deficiency (Excess)	<u>\$ (224,221)</u>
District's Covered Payroll	<u>\$6,007,798</u>
Contributions as a Percentage of Covered-Employee Payroll	5.53%

<u>OPEB Contributions</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 348,363	\$ 350,024	\$ 362,533	\$ 285,551	\$ 144,415
Contributions in Relation to the ADC	(412,106)	(405,008)	(278,539)	(149,548)	(218,724)
Contribution Deficiency (Excess)	<u>\$ (63,743)</u>	<u>\$ (54,984)</u>	<u>\$ 83,994</u>	<u>\$ 136,003</u>	<u>\$ (74,309)</u>
District's Covered Payroll	\$5,847,000	\$5,903,000	\$5,745,000	\$5,495,000	\$5,495,000
Contributions as a Percentage of Covered-Employee Payroll	5.96%	5.93%	6.31%	5.20%	2.63%

Note: Fiscal year 2018 was the first year of implementation, therefore only six years are shown.

The accompanying notes to required supplementary information are an integral part of this schedule.

**East Valley Water District
Notes to the Required Supplementary Information
Purpose of Schedules
Year Ended June 30, 2023**

Schedule of District’s Proportionate Share of the Net Pension Liability

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

Schedule of District’s Contributions

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

Schedule of Changes in Net OPEB Liability

The schedule is intended to show the funded status of the District’s actuarially determined liability for postemployment benefits other than pensions. In the future, as data becomes available, 10 years of information will be presented.

Schedule of OPEB Healthcare Contributions

The schedule presents information on the District’s required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented. Pertinent valuation dates and methods and assumptions used to determine the OPEB liability and required contributions are as follows:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2022
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	12 years
Assets Valuation Method	5 Year
Inflation	2.50%
Salary Increases	2.75% Annually Plus Merit Increases Based on 2017 Experience Study
Investment Rate of Return	5.50%

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SUPPLEMENTARY INFORMATION

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**East Valley Water District
History and Organization
Year Ended June 30, 2023**

Formation of the District

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

East Valley Water District Financing Authority

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

Nature of Business

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

Location

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

Directors

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

Management

<u>East Valley Water District</u>	
Michael Moore	General Manager/CEO
Brian W. Tompkins	Chief Financial Officer/Treasurer

District General Counsel

<u>East Valley Water District</u>	
Jean Cihigoyenette	JC Law Firm

East Valley Water District
Combining Schedule of Net Position
June 30, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Water Reclamation</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 9,551,007	\$ 914,904	\$ -	\$ -	\$ 10,465,911
Investments	3,309,627	2,019,618	-	-	5,329,245
Accounts Receivable, Net	5,080,958	311,472	548,409	-	5,940,839
Interest Receivable	73,545	-	-	-	73,545
Other Receivables	1,847,810	-	-	-	1,847,810
Due From Other Fund	13,597,742	14,655,612	-	(28,253,354)	-
Due from Other Governments	-	-	20,552,300	-	20,552,300
Inventory	968,099	6,721	-	-	974,820
Prepaid Expenses	224,720	32,080	-	-	256,800
Total Current Assets	<u>34,653,508</u>	<u>17,940,407</u>	<u>21,100,709</u>	<u>(28,253,354)</u>	<u>45,441,270</u>
Non-Current Assets:					
Restricted Cash and Cash Equivalents	6,473,212	3,147,881	2,736,801	-	12,357,894
Assessments Receivable	263,478	-	-	-	263,478
Capital Assets not being Depreciated	20,707,049	17,511,967	165,532,873	-	203,751,889
Capital Assets, Net (Note 4)	98,954,705	16,997,048	-	-	115,951,753
Total Non-Current Assets	<u>126,398,444</u>	<u>37,656,896</u>	<u>168,269,674</u>	<u>-</u>	<u>332,325,014</u>
Total Assets	<u>161,051,952</u>	<u>55,597,303</u>	<u>189,370,383</u>	<u>(28,253,354)</u>	<u>377,766,284</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	581,827	272,820	-	-	854,647
Deferred Outflows - Pensions	4,125,794	1,191,277	-	-	5,317,071
Deferred Outflows - OPEB	829,028	355,298	-	-	1,184,326
Total Deferred Outflows	<u>5,536,649</u>	<u>1,819,395</u>	<u>-</u>	<u>-</u>	<u>7,356,044</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 166,588,601</u>	<u>\$ 57,416,698</u>	<u>\$ 189,370,383</u>	<u>\$ (28,253,354)</u>	<u>\$ 385,122,328</u>

(Continued)

East Valley Water District
Combining Schedule of Net Position – Continued
June 30, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Water Reclamation</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 8,217,541	\$ 193,817	\$ 11,780	\$ -	\$ 8,423,138
Accrued Payroll and Benefits	576,789	174,600	73,988	-	825,377
Customer Service Deposits	1,403,962	-	-	-	1,403,962
Construction Advances and Retentions	514,309	3,011,871	8,616,385	-	12,142,565
Accrued Interest Payable	239,067	24,711	-	-	263,778
Current Portion of Compensated Absences	449,527	137,617	65,033	-	652,177
Current Portion of Long-Term Debt	2,380,654	175,000	-	-	2,555,654
Due To Other Fund	-	6,500,000	21,753,354	(28,253,354)	-
Due To Other Governments	135,523	-	-	-	135,523
Total Current Liabilities	<u>13,917,372</u>	<u>10,217,616</u>	<u>30,520,540</u>	<u>(28,253,354)</u>	<u>26,402,174</u>
Non-Current Liabilities:					
Compensated Absences, Less Current Portion	530,612	127,575	117,403	-	775,590
Net Pension Liability	10,600,994	3,254,142	-	-	13,855,136
Net OPEB Liability	1,390,452	595,908	-	-	1,986,360
Long-Term Debt, Less Current Portion	31,327,898	4,205,000	155,723,918	-	191,256,816
Total Non-Current Liabilities	<u>43,849,956</u>	<u>8,182,625</u>	<u>155,841,321</u>	<u>-</u>	<u>207,873,902</u>
Total Liabilities	<u>57,767,328</u>	<u>18,400,241</u>	<u>186,361,861</u>	<u>(28,253,354)</u>	<u>234,276,076</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - Refunding	1,128,796	-	-	-	1,128,796
Deferred Inflows - Pensions	1,361,421	239,080	-	-	1,600,501
Deferred Inflows - OPEB	228,250	97,822	-	-	326,072
Total Deferred Inflows	<u>2,718,467</u>	<u>336,902</u>	<u>-</u>	<u>-</u>	<u>3,055,369</u>
Total Liabilities and Deferred Inflows of Resources	<u>60,485,795</u>	<u>18,737,143</u>	<u>186,361,861</u>	<u>(28,253,354)</u>	<u>237,331,445</u>
NET POSITION					
Net Investment in Capital Assets	86,057,916	26,852,040	-	-	112,909,956
Restricted for:					
Future Capital Expansion Projects	4,605,274	3,147,881	3,008,522	-	10,761,677
Unrestricted	15,439,616	8,679,634	-	-	24,119,250
Total Net Position	<u>\$ 106,102,806</u>	<u>\$ 38,679,555</u>	<u>\$ 3,008,522</u>	<u>\$ -</u>	<u>\$ 147,790,883</u>

East Valley Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Water Reclamation</u>	<u>Eliminations</u>	<u>Total</u>
OPERATING REVENUE					
Water Sales	\$ 17,004,576	\$ -	\$ -	\$ -	\$ 17,004,576
Wastewater Treatment Charges	-	-	10,108,850	-	10,108,850
System Charges	9,831,561	5,651,554	-	-	15,483,115
Other Revenue	<u>1,073,128</u>	<u>140,343</u>	<u>-</u>	<u>-</u>	<u>1,213,471</u>
Total Operating Revenue	<u>27,909,265</u>	<u>5,791,897</u>	<u>10,108,850</u>	<u>-</u>	<u>43,810,012</u>
OPERATING EXPENSES					
Source of Supply:					
Salary & Benefits	379,114	-	-	-	379,114
Contract Services	359,689	-	-	-	359,689
Utilities	2,645,670	-	-	-	2,645,670
Insurance	4,344	-	-	-	4,344
Materials & Supplies	83,705	-	-	-	83,705
Purchased Water	141,188	-	-	-	141,188
Water Assessments	115,973	-	-	-	115,973
Chemicals	135,241	-	-	-	135,241
Professional Development	234	-	-	-	234
Taxes	<u>25,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,476</u>
Total Source of Supply	<u>3,890,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,890,634</u>
Pumping:					
Salary & Benefits	168,229	-	-	-	168,229
Contract Services	57,993	-	-	-	57,993
Utilities	762,784	-	-	-	762,784
Materials & Supplies	<u>14,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,032</u>
Total Pumping	<u>1,003,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,003,038</u>
Treatment:					
Salary & Benefits	459,166	-	865,059	-	1,324,225
Contract Services	264,564	-	8,543,156	-	8,807,720
Utilities	168,266	-	178,367	-	346,633
Materials & Supplies	163,790	-	7,185	-	170,975
Legal Services	-	-	1,960	-	1,960
Chemicals	156,860	-	-	-	156,860
Memberships & Dues	-	-	602	-	602
Tools	-	-	1,746	-	1,746
Printing & Publishing	-	-	970	-	970
Professional Development	<u>-</u>	<u>-</u>	<u>2,416</u>	<u>-</u>	<u>2,416</u>
Total Treatment	<u>1,212,646</u>	<u>-</u>	<u>9,601,461</u>	<u>-</u>	<u>10,814,107</u>
Transmission & Distribution:					
Salary & Benefits	2,658,220	-	-	-	2,658,220
Contract Services	650,095	-	-	-	650,095
Materials & Supplies	910,949	-	-	-	910,949
Chemicals	30,516	-	-	-	30,516
Permits	6,835	-	-	-	6,835
Tools	<u>54,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,991</u>
Total Transmission & Distribution	<u>\$ 4,311,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,311,606</u>

(Continued)

East Valley Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position -Continued
Year Ended June 30, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Water Reclamation</u>	<u>Eliminations</u>	<u>Total</u>
OPERATING EXPENSES - Continued					
Wastewater Collection:					
Salary & Benefits	\$ -	\$ 581,538	\$ -	\$ -	\$ 581,538
Contract Services	-	154,229	-	-	154,229
Materials & Supplies	-	9,607	-	-	9,607
Tools	-	7,115	-	-	7,115
Total Wastewater Collection	-	752,489	-	-	752,489
Customer Accounts:					
Salary & Benefits	876,660	277,854	-	-	1,154,514
Contract Services	618,220	262,319	-	-	880,539
Utilities	5,372	2,405	-	-	7,777
Materials & Supplies	5,593	-	-	-	5,593
General Office Supplies	8,217	1,567	-	-	9,784
Printing & Publishing	7,276	3,118	-	-	10,394
Postage	130,524	55,939	-	-	186,463
Professional Development	1,877	804	-	-	2,681
Total Customer Accounts	1,653,739	604,006	-	-	2,257,745
General & Administrative:					
Salary & Benefits	3,931,251	1,953,106	87,769	-	5,972,126
Contract Services	2,589,528	794,784	409,853	-	3,794,165
Conservation Rebates	227,661	-	-	-	227,661
Utilities	402,917	60,088	109,842	-	572,847
Insurance	923,621	238,174	8,811	-	1,170,606
Materials & Supplies	366,432	123,076	62,879	-	552,387
General Office Supplies	32,247	16,607	-	-	48,854
Legal Services	142,388	61,365	-	-	203,753
Permits	35,742	25,086	-	-	60,828
Memberships & Dues	110,503	40,295	-	-	150,798
Tools	15,336	2,077	1,037	-	18,450
Printing & Publishing	177,937	87,060	-	-	264,997
Professional Development	126,270	39,419	-	-	165,689
Rents & Leases	9,337	3,587	5,055	-	17,979
Total General & Administrative	9,091,170	3,444,724	685,246	-	13,221,140
OPERATING EXPENSES BEFORE DEPRECIATION					
	21,162,833	4,801,219	10,286,707	-	36,250,759
Depreciation	5,425,456	838,921	-	-	6,264,377
Total Operating Expenses	26,588,289	5,640,140	10,286,707	-	42,515,136
OPERATING INCOME (LOSS)	\$ 1,320,976	\$ 151,757	\$ (177,857)	\$ -	\$ 1,294,876

(Continued)

East Valley Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Continued
Year Ended June 30, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Water Reclamation</u>	<u>Eliminations</u>	<u>Total</u>
NON-OPERATING REVENUES					
Investment Income	\$ 323,438	\$ 28,835	\$ -	\$ -	\$ 352,273
Gain on Disposal of Assets	23,669	6,465	-	-	30,134
Other Income	49,404	-	-	-	49,404
Total Non-Operating Revenues	<u>396,511</u>	<u>35,300</u>	<u>-</u>	<u>-</u>	<u>431,811</u>
NON-OPERATING EXPENSES					
Interest Expense	756,845	112,552	-	-	869,397
Unrealized Investment Losses	55,399	31,881	-	-	87,280
Total Non-Operating Expenses	<u>812,244</u>	<u>144,433</u>	<u>-</u>	<u>-</u>	<u>956,677</u>
INCOME BEFORE CONTRIBUTIONS	<u>905,243</u>	<u>42,624</u>	<u>(177,857)</u>	<u>-</u>	<u>770,010</u>
CONTRIBUTIONS:					
Capacity Charges	967,401	443,041	449,578	-	1,860,020
Operating Grants	57,339	4,693	-	-	62,032
Total Contributions	<u>1,024,740</u>	<u>447,734</u>	<u>449,578</u>	<u>-</u>	<u>1,922,052</u>
CHANGE IN NET POSITION	1,929,983	490,358	271,721	-	2,692,062
TOTAL NET POSITION, BEGINNING	<u>104,172,823</u>	<u>38,189,197</u>	<u>2,736,801</u>	<u>-</u>	<u>145,098,821</u>
TOTAL NET POSITION, ENDING	<u>\$ 106,102,806</u>	<u>\$ 38,679,555</u>	<u>\$ 3,008,522</u>	<u>\$ -</u>	<u>\$ 147,790,883</u>

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**East Valley Water District
Combining Schedule of Cash Flows
Year Ended June 30, 2023**

	<u>Water</u>	<u>Wastewater</u>	<u>Water Reclamation</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 29,143,215	\$ 6,300,954	\$ 9,560,441	\$ -	\$45,004,610
Cash Payments for Employees Services	(9,625,431)	(1,964,945)	(696,404)	-	(12,286,780)
Cash Payments to Suppliers	(9,542,486)	(2,467,822)	(9,322,099)	-	(21,332,407)
Misc Income / (Expense)	49,404	-	-	-	49,404
Net Cash Provided by Operating Activities	<u>10,024,702</u>	<u>1,868,187</u>	<u>(458,062)</u>	<u>-</u>	<u>11,434,827</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Assessments Received	93,827	-	-	-	93,827
Proceeds from Sale of Capital Assets	23,669	16,424	-	-	40,093
Developer Fees Received	967,401	443,041	449,578	-	1,860,020
Reimbursements Received	-	-	3,103,376	-	3,103,376
Proceeds/Draws from SRF Loan	-	-	2,705,185	-	2,705,185
Grant Fund Received	57,339	4,693	-	-	62,032
Due (From) To Water Fund	-	999,433	1,946,638	(2,946,071)	-
Due (From) To Reclamation Fund	(1,108,517)	(1,837,554)	-	2,946,071	-
Principal Paid on Capital Debt	(2,161,691)	(175,000)	-	-	(2,336,691)
Interest Paid on Capital Debt	(925,492)	(99,315)	-	-	(1,024,807)
Acquisition of Capital Assets	(6,802,524)	(222,639)	(7,746,715)	-	(14,771,878)
Net Cash Used for Capital and Related Financing Activities	<u>(9,855,988)</u>	<u>(870,917)</u>	<u>458,062</u>	<u>-</u>	<u>(10,268,843)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received from Investments	193,814	30,400	-	-	224,214
Acquisition of Investment Securities	(597,678)	(542,159)	-	-	(1,139,837)
Proceeds from Sales of Investments	299,203	-	-	-	299,203
Net Cash Provided (Used) by Investing Activities	<u>(104,661)</u>	<u>(511,759)</u>	<u>-</u>	<u>-</u>	<u>(616,420)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	64,053	485,511	-	-	549,564
Cash and Equivalents:					
Beginning of Year	<u>15,960,166</u>	<u>3,577,274</u>	<u>2,736,801</u>	<u>-</u>	<u>22,274,241</u>
End of Year	<u>\$ 16,024,219</u>	<u>\$ 4,062,785</u>	<u>\$ 2,736,801</u>	<u>\$ -</u>	<u>\$ 22,823,805</u>
RECONCILIATION TO STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ 9,551,007	\$ 914,904	\$ -	\$ -	\$10,465,911
Restricted Cash and Cash Equivalents	<u>6,473,212</u>	<u>3,147,881</u>	<u>2,736,801</u>	<u>-</u>	<u>12,357,894</u>
Total Cash and Cash Equivalents	<u>\$ 16,024,219</u>	<u>\$ 4,062,785</u>	<u>\$ 2,736,801</u>	<u>\$ -</u>	<u>\$ 22,823,805</u>

(Continued)

East Valley Water District
Combining Schedule of Cash Flows - Continued
Year Ended June 30, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Water Reclamation</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to					
Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 1,320,974	\$ 151,757	\$ (177,857)	\$ -	\$ 1,294,874
Adjustments to Reconcile Operating					
Income (Loss) to Net Cash Provided by					
Operating Activities:					
Depreciation	5,425,456	838,921	-	-	6,264,377
Miscellaneous Income/(Expense)	49,404	-	-	-	49,404
CIP Projects Expensed	18,656	-	-	-	18,656
Change in Assets and Liabilities:					
Customer Receivables	1,451,691	509,057	(548,409)	-	1,412,339
Inventory	(30,281)	-	-	-	(30,281)
Prepays	11,492	2,205	-	-	13,697
Deferred Outflow of Resources	(2,827,691)	(854,656)	-	-	(3,682,347)
Accounts Payable - Supplier	3,162,011	100,232	11,780	-	3,274,023
Salaries & Benefits Payable	(32,606)	11,230	73,988	-	52,612
Compensated absences	(87,041)	44,744	182,436	-	140,139
Net Pension Liability	5,506,990	1,690,457	-	-	7,197,447
Net OPEB Liability	87,139	37,346	-	-	124,485
Deferred Inflows of Resources	(3,813,926)	(663,106)	-	-	(4,477,032)
Other Receivables	(231,483)	-	-	-	(231,483)
Customer / Developer Deposits	13,917	-	-	-	13,917
Total Cash Provided					
by Operating Activities	<u>\$ 10,024,702</u>	<u>\$ 1,868,187</u>	<u>\$ (458,062)</u>	<u>\$ -</u>	<u>\$ 11,434,827</u>
NON-CASH INVESTING, CAPITAL, AND					
NON-CAPITAL FINANCING ACTIVITIES:					
Fair Value Adjustments to Investments	\$ 208,616	\$ 92,130	\$ -	\$ -	\$ 300,746
Receivable Offset by Debt	\$ -	\$ -	\$ 13,349,674	\$ -	\$ 13,349,674
Capital Assets Acquired by Assuming					
Liabilities, Including Retainage	\$ 239,129	\$ 837,713	\$ 876,909	\$ -	\$ 1,953,751

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Statistical Information Section



Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2023

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

Year ended June 30,

	2014	2015	2016	2017	2018
Change In Net Position					
Operating Revenue	\$ 32,620,577	\$ 30,743,445	\$ 33,024,082	\$ 37,448,549	\$ 40,291,125
Operating Expenses	29,191,176	29,146,339	32,655,921	32,299,587	35,980,099
Operating Income (Loss)	<u>3,429,401</u>	<u>1,597,106</u>	<u>368,161</u>	<u>5,148,962</u>	<u>4,311,026</u>
Non-Operating Revenue (Expenses)					
Investment Income	49,846	100,830	146,874	69,237	221,359
Other Income	334,700	800,278	830,806	401,323	258,560
Interest Expense	(1,917,676)	(1,980,062)	(1,843,440)	(1,776,684)	(1,777,852)
Amortization	(99,688)	-	-	-	-
Gain (Loss) on Disposal of Assets	<u>(606,085)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (Expenses)	<u>(2,238,903)</u>	<u>(1,078,954)</u>	<u>(865,760)</u>	<u>(1,306,124)</u>	<u>(1,297,933)</u>
Special Item					
Abandoned Projects	-	(2,413,478)	-	(1,615,241)	-
Hazard Mitigation	-	-	-	-	(155,177)
Capital Contributions	6,369,890	596,940	732,642	2,446,118	523,918
Change in Net Position	7,560,388	(1,298,386)	235,043	4,673,715	3,381,834
Prior Period Adjustment	-	(7,956,231)	-	-	-
Cumulative Effect of Change in Accounting Principles	-	-	-	-	(1,711,803)
Net Position - Beginning	114,509,106	122,069,494	112,814,877	113,049,920	117,723,635
Net Position - Ending	<u>\$122,069,494</u>	<u>\$112,814,877</u>	<u>\$113,049,920</u>	<u>\$117,723,635</u>	<u>\$119,393,666</u>
Net Position By Component					
Net Investment in					
Capital Assets	\$101,757,787	\$ 98,091,685	\$103,222,160	\$104,659,796	\$103,210,762
Restricted	2,274,769	2,322,238	2,276,695	2,847,924	3,334,940
Unrestricted	18,036,938	12,400,954	7,551,065	10,215,915	12,847,964
	<u>\$122,069,494</u>	<u>\$112,814,877</u>	<u>\$113,049,920</u>	<u>\$117,723,635</u>	<u>\$119,393,666</u>

(Continued)

SOURCE: East Valley Water District - Finance Department

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

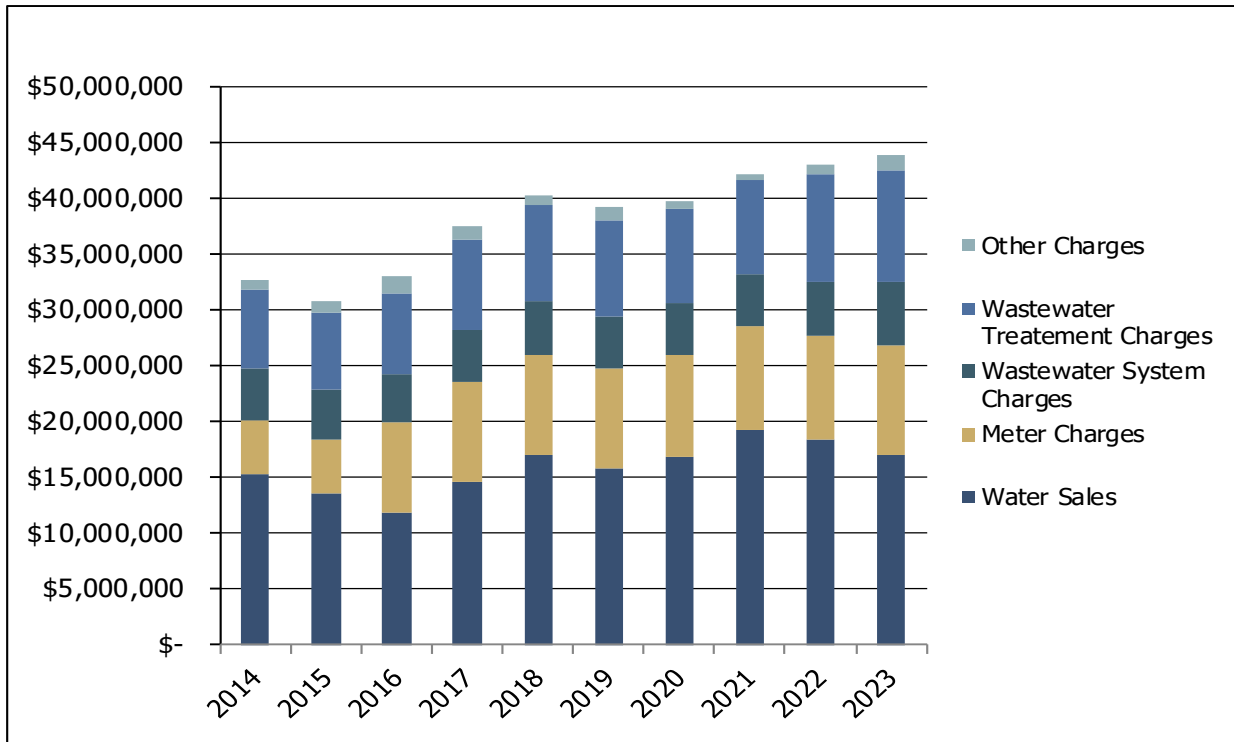
Year ended June 30,

	2019	2020	2021	2022	2023
Change In Net Position					
Operating Revenue	\$ 39,309,298	\$ 39,812,912	\$ 42,236,814	\$ 43,093,615	\$ 43,810,012
Operating Expenses	35,898,073	36,249,650	36,496,064	40,578,341	42,515,136
Operating Income (Loss)	<u>3,411,225</u>	<u>3,563,262</u>	<u>5,740,750</u>	<u>2,515,274</u>	<u>1,294,876</u>
Non Operating Revenue					
(Expenses)					
Investment Income	571,549	524,675	167,499	165,989	352,273
Other Income	307,247	121,983	43,744	(269,768)	(37,876)
Interest Expense	(1,684,986)	(1,579,104)	(1,387,113)	(1,295,223)	(869,397)
Amortization	-	-	-	-	-
Gain (Loss) on Disposal of Assets	705,285	-	(1,236,600)	1,042,562	30,134
	<u>(100,905)</u>	<u>(932,446)</u>	<u>(2,412,470)</u>	<u>(356,440)</u>	<u>(524,866)</u>
Special Item					
Abandoned Projects	-	-	-	-	-
Hazard Mitigation	-	-	-	-	-
Capital Contributions	611,673	9,961,522	877,185	2,826,525	1,922,052
Change in Net Position	3,921,993	12,592,338	4,205,465	4,985,359	2,692,062
Prior Period Adjustment	-	-	-	-	-
Cumulative Effect of Change in Accounting Principles	-	-	-	-	-
Net Position - Beginning	119,393,666	123,315,659	135,907,997	140,113,462	145,098,821
Net Position - Ending	<u>\$123,315,659</u>	<u>\$135,907,997</u>	<u>\$140,113,462</u>	<u>\$145,098,821</u>	<u>\$147,790,883</u>
Net Position By Component					
Net Investment in					
Capital Assets	\$ 95,468,735	\$106,708,555	\$114,767,362	\$117,079,071	\$112,909,956
Restricted	3,460,835	6,659,487	6,435,505	9,076,014	10,761,677
Unrestricted	24,386,089	22,539,955	18,910,595	18,943,736	24,119,250
	<u>\$123,315,659</u>	<u>\$135,907,997</u>	<u>\$140,113,462</u>	<u>\$145,098,821</u>	<u>\$147,790,883</u>

SOURCE: East Valley Water District - Finance Department

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

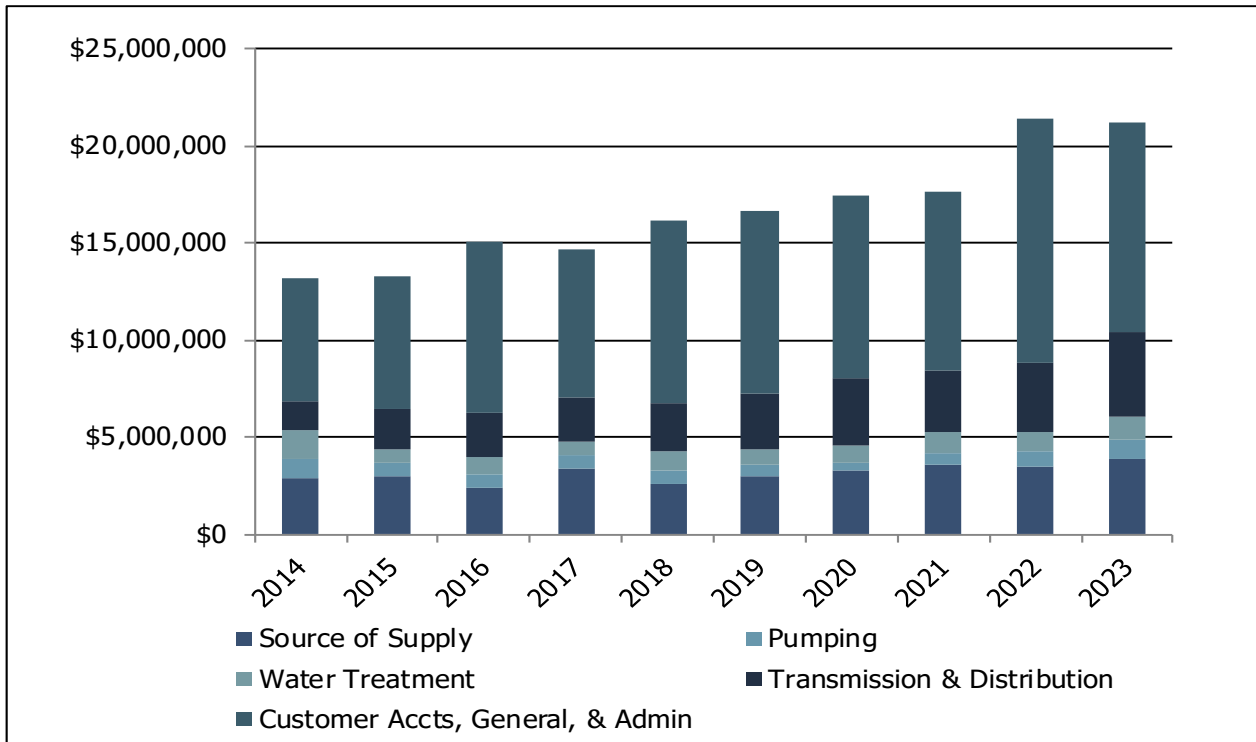
Year Ended June 30,	Water Sales	Meter Charges	Wastewater System Charges	Wastewater Treatment Charges	Other Charges	Total Operating Revenue
2014	\$15,351,609	\$4,704,036	\$4,649,212	\$7,197,418	\$ 718,302	\$32,620,577
2015	13,505,159	4,874,581	4,531,355	6,907,828	924,522	30,743,445
2016	11,927,523	8,063,077	4,286,594	7,165,655	1,581,233	33,024,082
2017	14,556,339	8,944,652	4,703,439	8,128,030	1,116,089	37,448,549
2018	17,063,891	8,999,756	4,668,923	8,697,671	860,884	40,291,125
2019	15,746,654	9,009,881	4,643,732	8,592,950	1,316,081	39,309,298
2020	16,902,370	9,023,267	4,647,347	8,496,012	743,916	39,812,912
2021	19,305,631	9,217,003	4,705,683	8,456,508	551,989	42,236,814
2022	18,472,876	9,192,297	4,828,526	9,764,357	835,559	43,093,615
2023	17,004,576	9,831,561	5,651,554	10,108,850	1,213,471	43,810,012



SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Water Operating Expenses
Last Ten Fiscal Years

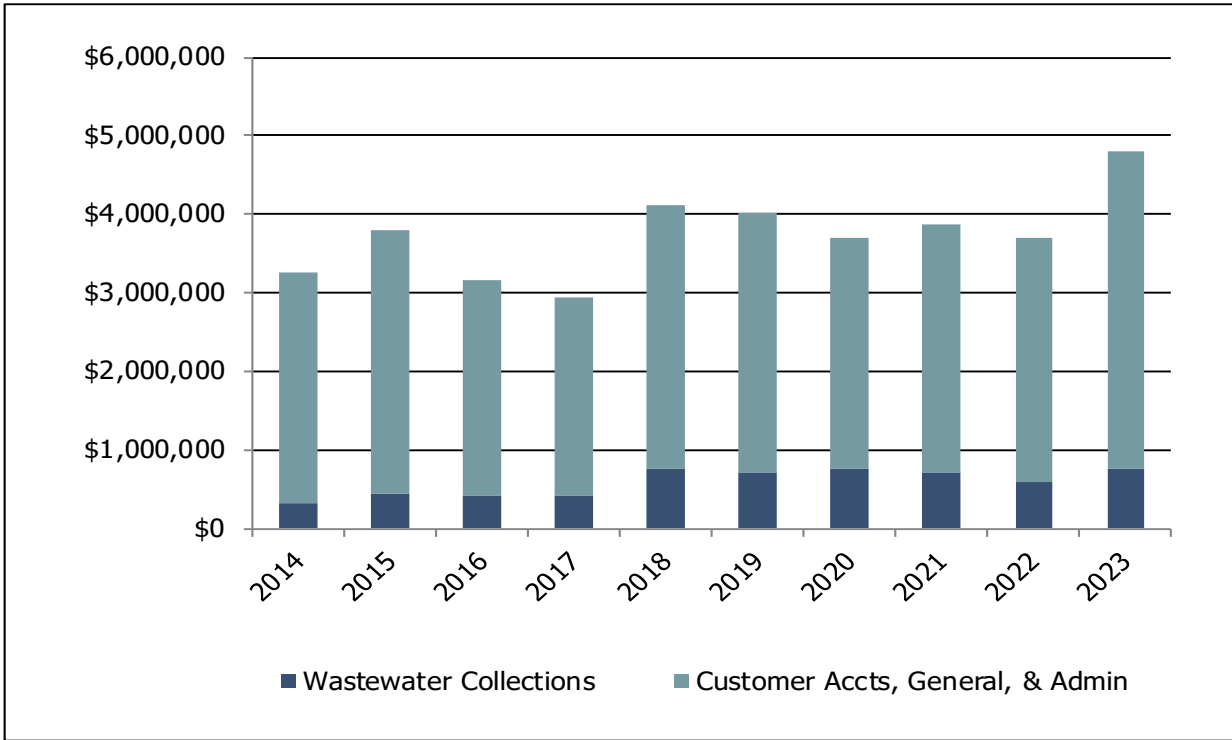
Year Ended June 30,	Source of Supply	Pumping	Water Treatment	Transmission & Distribution	Customer Accts, General, & Admin	Total Water Oper Expenses
2014	\$ 2,875,518	\$ 992,555	\$1,516,412	\$ 1,437,831	\$ 6,397,534	\$13,219,850
2015	3,025,714	615,147	743,099	2,120,374	6,785,909	13,290,243
2016	2,442,061	696,432	799,947	2,327,185	8,782,957	15,048,582
2017	3,401,062	646,940	750,052	2,222,953	7,696,211	14,717,218
2018	2,595,071	683,296	969,460	2,538,910	9,347,724	16,134,461
2019	2,975,348	585,585	840,623	2,819,288	9,393,555	16,614,399
2020	3,263,403	457,846	891,127	3,460,642	9,414,762	17,487,780
2021	3,617,788	596,586	1,008,129	3,253,175	9,208,176	17,683,854
2022	3,515,262	756,843	1,045,730	3,563,328	12,534,090	21,415,253
2023	3,890,634	1,003,038	1,212,646	4,311,606	10,744,909	21,162,833



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

**EAST VALLEY WATER DISTRICT
Wastewater Operating Expenses
Last Ten Fiscal Years**

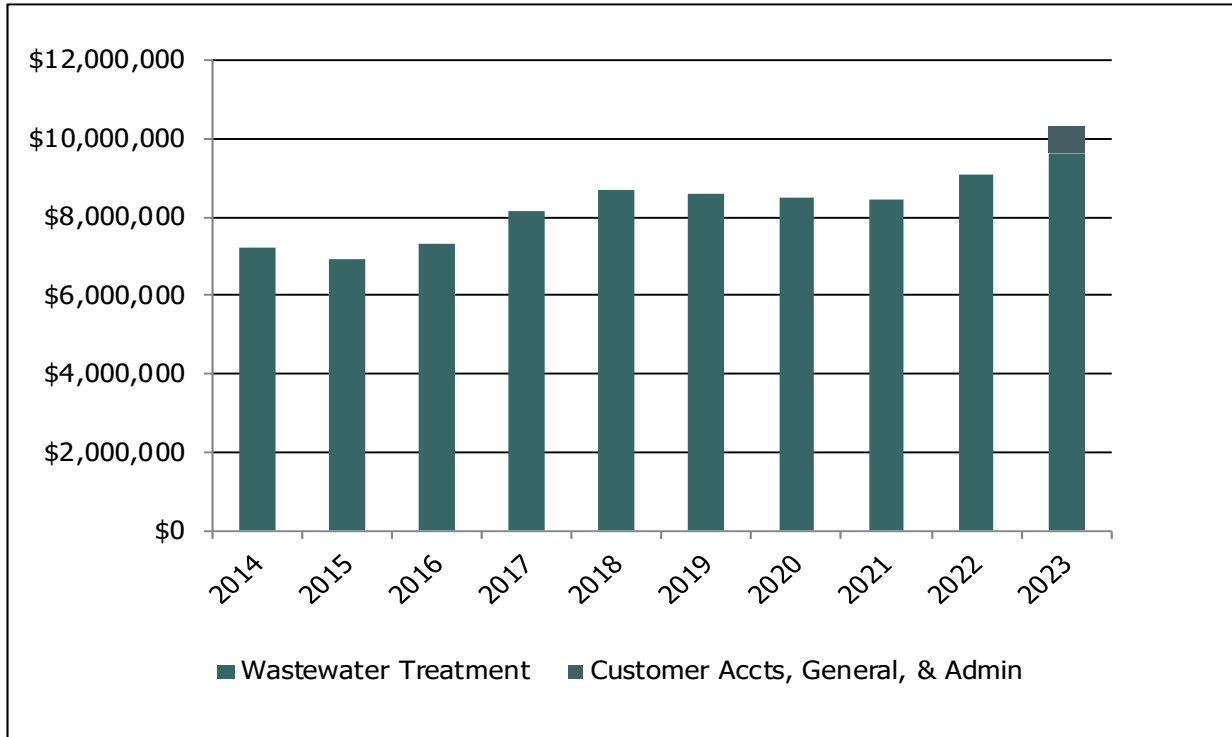
Year Ended June 30,	Wastewater Collections	Customer Accts, General, & Admin	Total Wastewater Oper Expenses
2014	\$ 312,193	\$ 2,953,997	\$ 3,266,190
2015	448,399	3,356,250	3,804,649
2016	407,913	2,752,779	3,160,692
2017	425,944	2,510,920	2,936,864
2018	753,000	3,367,091	4,120,091
2019	700,507	3,309,983	4,010,490
2020	767,448	2,922,949	3,690,397
2021	722,680	3,140,650	3,863,330
2022	587,128	3,113,309	3,700,437
2023	752,489	4,048,730	4,801,219



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

EAST VALLEY WATER DISTRICT
Water Reclamation Operating Expenses
Last Ten Fiscal Years

Year Ended June 30,	Wastewater Treatment	Customer Accts, General, & Admin	Total Water Recl Oper Expenses
2014	\$ 7,197,418	\$ -	\$ 7,197,418
2015	6,907,828	-	6,907,828
2016	7,302,389	-	7,302,389
2017	8,128,030	-	8,128,030
2018	8,697,671	-	8,697,671
2019	8,592,950	-	8,592,950
2020	8,496,012	-	8,496,012
2021	8,456,508	-	8,456,508
2022	9,084,061	-	9,084,061
2023	9,601,461	685,246	10,286,707



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

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

Year Ended June 30,	Water Sales (Acre Feet)	Water Produced (Acre Feet)
2014	19,910	20,665
2015	17,431	18,494
2016	14,999	16,614
2017	16,223	17,922
2018	18,361	18,997
2019	16,167	17,397
2020	17,037	17,596
2021	18,429	18,784
2022	17,998	18,789
2023	15,341	16,408



SOURCES: East Valley Water District - Finance and Operations Departments

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Intentionally

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

Water Consumption Rates

Year ended June 30,

	<u>2014</u>	<u>2015⁽¹⁾</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Charge per HCF	\$ 1.77	Tier 1-\$1.45 Tier 2-\$2.07 Tier 3-\$2.89	Tier 1-\$1.45 Tier 2-\$2.07 Tier 3-\$2.89	Tier 1-\$1.63 Tier 2-\$2.32 Tier 3-\$3.24	Tier 1-\$1.73 Tier 2-\$2.46 Tier 3-\$3.44

Water Monthly System Charges

Year ended June 30,

<u>Meter Size (inches)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
5/8	\$ 13.71	\$ 20.96	\$ 20.96	\$ 23.06	\$ 23.06
3/4	13.71	26.61	26.61	29.27	29.27
1	20.87	37.92	37.92	41.71	41.71
1 1/2	38.60	66.19	66.19	72.81	72.81
2	88.48	100.12	100.12	110.13	110.13
3	163.25	207.54	207.54	228.30	228.30
4	270.06	365.85	365.85	402.44	402.44
6	537.09	744.67	744.67	819.14	819.14
8	857.52	1,366.62	1,366.62	1,503.28	1,503.28

(Continued)

NOTES:

HCF = Hundred Cubic Feet = 748 gallons

- (1) On June 1, 2015 the District adopted Water Budget Based Rates.
- (2) On January 1, 2020 the District adopted New Water Rates.
- (3) On January 1, 2022 the District adopted New Water Rates.

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

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

Water Consumption Rates

Year ended June 30,

	<u>2019</u>	<u>2020⁽²⁾</u>	<u>2021</u>	<u>2022⁽³⁾</u>	<u>2023</u>
Charge per HCF	Tier 1-\$1.73	Tier 1-\$1.83	Tier 1-\$1.83	Tier 1-\$1.98	Tier 1-\$2.04
	Tier 2-\$2.46	Tier 2-\$2.61	Tier 2-\$2.61	Tier 2-\$2.54	Tier 2-\$2.62
	Tier 3-\$3.44	Tier 3-\$3.64	Tier 3-\$3.64	Tier 3-\$3.93	Tier 3-\$4.05

Water Monthly System Charges

Year ended June 30,

<u>Meter Size (inches)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022⁽³⁾</u>	<u>2023</u>
5/8	\$ 23.06	\$ 23.06	\$ 23.06	\$ 24.01	\$ 24.74
3/4	29.27	29.27	29.27	30.85	31.78
1	41.71	41.71	41.71	44.52	45.86
1 1/2	72.81	72.81	72.81	78.69	81.06
2	110.13	110.13	110.13	119.70	123.30
3	228.30	228.30	228.30	229.05	235.93
4	402.44	402.44	402.44	352.07	362.64
6	819.14	819.14	819.14	693.79	714.61
8	1,503.28	1,503.28	1,503.28	1,923.98	1,981.70

NOTES:

HCF = Hundred Cubic Feet = 748 gallons

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- (3) On January 1, 2022 the District adopted New Water Rates.

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

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

Wastewater Maintenance Charges					
	Year ended June 30,				
	<u>2014</u>	<u>2015⁽¹⁾</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Single-Family Residential (1 to 3 units)					
Flat Monthly Charge (per unit)	\$ 15.36	\$ 15.36	\$ 15.36	\$ 15.36	\$ 15.36
Multi-Family Residential (4 or more units)					
Flat Monthly Charge (per unit)	\$ 15.36	\$ 15.36	\$ 15.36	15.36	N/A
Commercial Non-Residential					
Flat Monthly Charge	3.90	3.90	3.90	3.90	3.90
plus,					
Charge per HCF	0.55	0.55	0.55	0.55	0.55

Wastewater Treatment Charges					
	Year ended June 30,				
	<u>2014</u>	<u>2015⁽¹⁾</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential (Flat Monthly Charge)					
Flat Monthly Charge					
Residential (1 unit)	\$ 18.50	\$ 18.50	\$ 19.18	\$ 20.85	\$ 21.55
Residential (2 units)	N/A	N/A	N/A	N/A	N/A
Residential (3 units)	N/A	N/A	N/A	N/A	N/A
Multi-Family (2 units)	37.00	37.00	38.37	41.72	43.10
Multi-Family (3 units)	55.50	55.50	57.55	62.58	64.64
Multi-Family (4 or more units)	N/A	N/A	N/A	N/A	N/A
Commercial					
Multi-Family (4+ units)	2.40	2.40	1.71	1.90	1.97
Non-Residential	2.40	2.40	3.18	3.42	3.52
plus,					
Charge per HCF:					
Multi-Family (4+ units)	1.25	1.25	1.36	1.48	1.53
Retail	2.10	2.10	2.28	2.47	2.55
Restaurants/Lounges	2.70	2.70	2.93	3.18	3.28
Schools/Churches	1.10	1.10	1.19	1.29	1.33
Governments/Municipal	1.50	1.50	1.63	1.77	1.83
Laundromats	1.50	1.50	1.63	1.77	1.83
Dry Cleaners	2.10	2.10	2.28	2.47	2.55
Convalescent Homes	1.35	1.35	1.46	1.58	1.63
Auto Repair/Svc Stations	1.30	1.30	1.41	1.53	1.58
Car Wash	1.30	1.30	1.41	1.53	1.58
Patton State Hospital	N/A	N/A	N/A	N/A	N/A
Hotels	2.70	2.70	2.93	3.18	3.28
Ofc Bldgs/Motels	1.50	1.50	1.63	1.77	1.83
Supermarkets	2.70	2.70	2.93	3.18	3.28

NOTES:

(Continued)

HCF = Hundred Cubic Feet = 748 gallons

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

(2) Starting in May 2022, the District transitioned from rates established by the City of San Bernardino to rates adopted as the result of a wastewater Cost of Service Analysis for the District's Sterling Natural Resource Center Water Reclamation Plant.

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

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

Wastewater Maintenance Charges					
	Year ended June 30,				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022⁽²⁾</u>	<u>2023</u>
Single-Family Residential (1 to 3 units)					
Flat Monthly Charge (per unit)	\$ 15.36	\$ 15.36	\$ 15.36	\$ 14.25	\$ 15.25
Multi-Family Residential (4 or more units)					
Flat Monthly Charge (per unit)	N/A	N/A	N/A	13.46	14.41
Commercial Non-Residential					
Flat Monthly Charge	3.90	3.90	3.90	10.33	11.06
plus,					
Charge per HCF	0.55	0.55	0.55	-	-
Wastewater Treatment Charges					
	Year ended June 30,				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022⁽²⁾</u>	<u>2023</u>
Residential (Flat Monthly Charge)					
Flat Monthly Charge					
Residential (1 unit)	\$ 21.55	\$ 21.55	\$ 21.55	\$ 23.37	\$ 25.01
Residential (2 units)	N/A	N/A	N/A	23.37	25.01
Residential (3 units)	N/A	N/A	N/A	23.37	25.01
Multi-Family (2 units)	43.10	43.10	43.10	20.86	22.33
Multi-Family (3 units)	64.64	64.64	64.64	20.86	22.33
Multi-Family (4 or more units)	N/A	N/A	N/A	20.86	22.33
Commercial					
Multi-Family (4+ units)	1.97	1.97	1.97	N/A	N/A
Non-Residential	3.52	3.52	3.52	10.83	11.59
plus,					
Charge per HCF:					
Multi-Family (4 + units)	1.53	1.53	1.53	N/A	N/A
Retail	2.55	2.55	2.55	1.31	1.41
Restaurants/Lounges	3.28	3.28	3.28	1.31	4.16
Schools/Churches	1.33	1.33	1.33	1.31	1.41
Governments/Municipal	1.83	1.83	1.83	1.31	1.41
Laundromats	1.83	1.83	1.83	1.99	2.14
Dry Cleaners	2.55	2.55	2.55	1.99	2.14
Convalescent Homes	1.63	1.63	1.63	1.99	2.14
Auto Repair/Svc Stations	1.58	1.58	1.58	1.99	2.14
Car Wash	1.58	1.58	1.58	1.99	1.41
Patton State Hospital	N/A	N/A	N/A	2.36	2.53
Hotels	3.28	3.28	3.28	3.88	4.16
Ofc Bldgs/Motels	1.83	1.83	1.83	3.88	1.41
Supermarkets	3.28	3.28	3.28	1.31	4.16

NOTES:

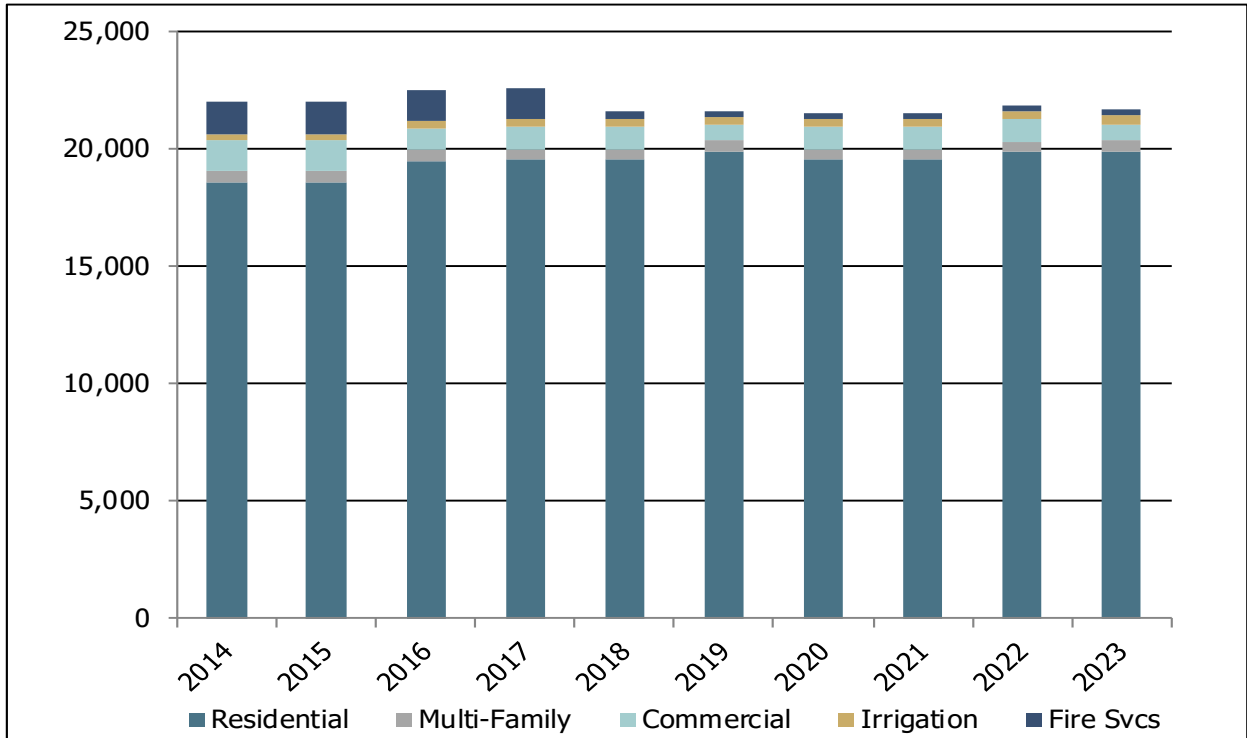
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SOURCE: East Valley Water District - Water and Wastewater Rate Resolutions

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

Year Ended June 30,	Residential (1 to 3 units)	Multi-Family (4+ units)	Commercial	Irrigation	Fire Svcs	Total Service
2014	18,584	497	1,268	313	1,321	21,983
2015	18,584	497	1,268	313	1,321	21,983
2016	19,500	463	949	275	1,330	22,517
2017	19,526	463	988	275	1,339	22,591
2018	19,526	463	988	275	361	21,613
2019	19,883	474	681	322	252	21,612
2020	19,526	463	988	275	255	21,507
2021	19,526	463	988	275	255	21,507
2022	19,853	463	988	275	255	21,834
2023	19,876	474	715	354	260	21,679



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

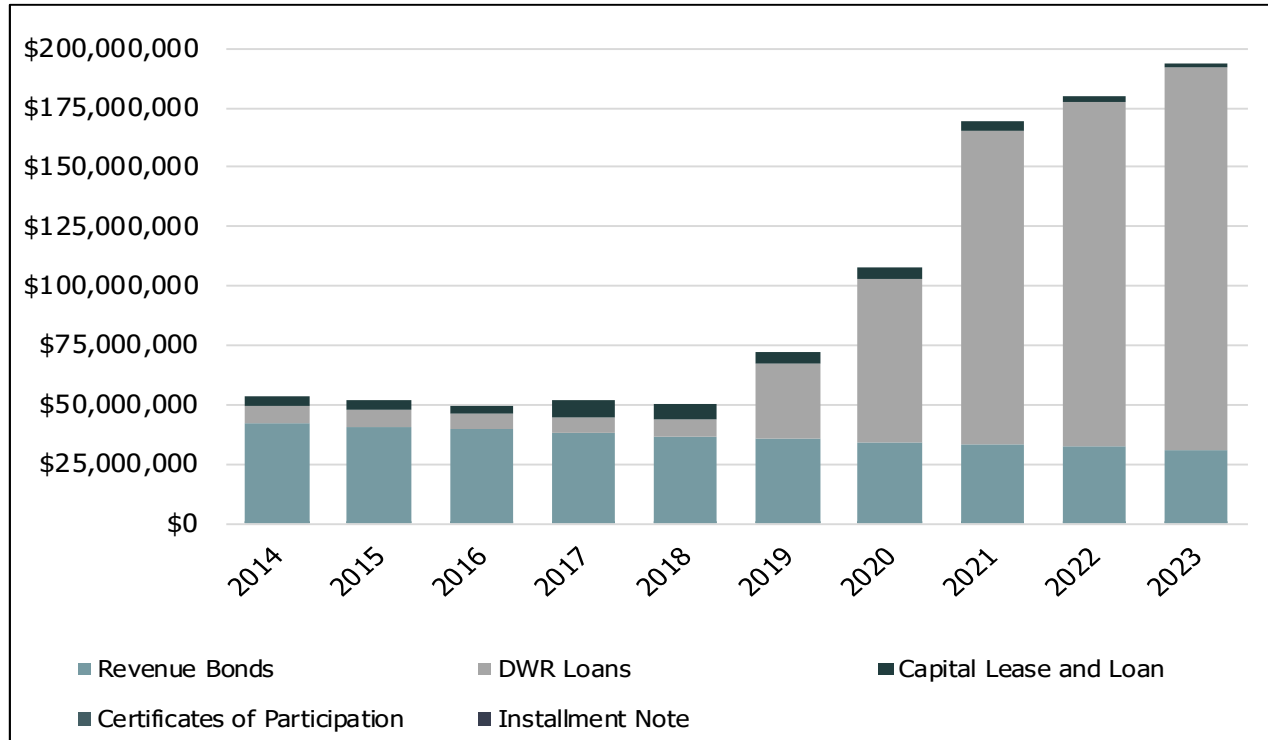
**EAST VALLEY WATER DISTRICT
Principal Customers
Current Fiscal Year and Nine Years Ago**

Customer	2023			2014		
	Water Consumed (AF)	Rank	Percentage of Total (%)	Water Consumed (AF)	Rank	Percentage of Total (%)
San Bernardino City Unified School District	507	1	3.09%	545	2	2.64%
Patton State Hospital	359	2	2.19%	595	1	2.88%
City of Highland	312	3	1.90%	297	4	1.44%
San Manuel Indian Bingo & Casino	309	4	1.88%	208	6	1.01%
Village Lakes Homeowners Association	164	5	1.00%	-		
East Highlands Ranch	151	6	0.92%	365	3	1.77%
San Manuel Mission Indians	151	7	0.92%	228	5	1.10%
Amusement Industry	142	8	0.87%	-		
Tuscany Apartment Homes	139	9	0.85%	95	10	0.46%
Victoria Village Apartments	105	10	0.64%	99	9	0.48%
Stubblefield Mobile Home Parks & Offices				154	7	0.75%
Valencia Lea Mobile Home Park				136	8	0.66%
Total - Top 10	2,339		14.26%	2,722		13.19%
Total - Water Produced	16,408		100.00%	20,665		100.00%

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

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

Fiscal Year	Revenue Bonds	DWR Loans	Capital Lease and Loan	Certificates of Participation	Installment Note	Outstanding Debt	\$ Per Capita	As a Share of Personal Income
2014	\$ 42,195,000	\$ 7,091,964	\$ 3,998,560	\$ -	\$ -	\$ 53,285,524	561	1.67%
2015	40,930,000	7,071,964	3,671,849	-	-	51,673,813	508	1.43%
2016	39,615,000	6,818,565	3,299,108	-	-	49,732,673	476	1.30%
2017	38,235,000	6,565,166	7,278,478	-	-	52,078,644	510	1.36%
2018	36,800,000	6,721,695	6,392,308	-	-	49,914,003	489	1.26%
2019	35,300,000	31,947,551	5,131,238	-	-	72,378,789	710	1.72%
2020	33,720,000	69,565,404	4,295,104	-	-	107,580,508	1,044	2.30%
2021	33,261,998	132,399,838	3,449,724	-	-	169,111,561	1,642	3.32%
2022	32,288,904	145,368,048	2,582,889	-	-	180,239,841	1,750	*
2023	30,923,365	161,169,730	1,719,375	-	-	193,812,470	1,864	*



NOTE:

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

SOURCE: East Valley Water District - Finance Department

EAST VALLEY WATER DISTRICT
Debt Service Coverage
Last Ten Fiscal Years

Water Department

Year Ended June 30,	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service			Coverage
				Principal ⁽³⁾	Interest	Total	
2014	\$27,397,559	\$13,219,850	\$14,177,709	\$1,167,718	\$1,840,671	\$3,008,389	4.71 %
2015	20,662,750	12,915,690	7,747,060	1,546,490	1,813,348	3,359,838	2.31
2016	22,543,107	15,048,582	7,494,525	1,851,139	1,718,658	3,569,797	2.10
2017	25,257,709	14,717,219	10,540,490	1,926,956	1,653,322	3,580,278	2.94
2018	27,537,072	16,134,461	11,402,611	2,479,570	1,584,820	4,064,390	2.81
2019	27,071,082	16,614,399	10,456,683	2,904,466	1,593,181	4,497,647	2.32
2020	27,466,707	17,487,780	9,978,927	2,564,310	1,456,842	4,021,152	2.48
2021	29,738,333	17,638,854	12,099,479	4,703,778	1,104,438	5,808,216	2.08
2022	30,465,196	21,415,253	9,049,943	2,100,233	957,953	3,058,186	2.96
2023	29,330,516	21,162,833	8,167,683	2,141,913	917,000	3,058,913	2.67

Wastewater Department

Year Ended June 30,	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2014	\$11,974,164	\$10,463,608	\$ 1,510,556	\$ 85,000	\$ 184,621	\$ 269,621	5.60 %
2015	11,578,742	10,606,751	971,991	85,000	229,725	314,725	3.09
2016	12,095,372	10,463,081	1,632,291	90,000	225,775	315,775	5.17
2017	13,134,564	11,064,894	2,069,670	95,000	221,625	316,625	6.54
2018	13,758,976	12,817,762	941,214	95,000	217,350	312,350	3.01
2019	14,433,970	12,603,440	1,830,530	100,000	212,475	312,475	5.86
2020	22,954,385	12,186,049	10,768,336	105,000	207,350	312,350	34.48
2021	13,586,909	12,319,838	1,267,071	110,000	158,476	268,476	4.72
2022	16,697,201	12,784,498	3,912,703	170,000	100,145	270,145	14.48
2023	6,274,931	4,801,219	1,473,712	175,000	99,315	274,315	5.37

NOTES:

- (1) Gross revenue includes all operating revenue, interest income, other non-operating revenue and connection fees from the utility fund.
- (2) Operating expenses, less depreciation, for the utility fund.
- (3) Excludes Debt Service for Assessment Districts' Arroyo Verde and Eastwood Farms.

SOURCE: East Valley Water District - Finance Department

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

Year Ended June 30,	District Population₍₃₎₍₄₎	County of San Bernardino			
		Unemployment Rate₍₁₎₍₃₎	Population ₍₂₎₊	Personal Income (thousands of dollars)₍₂₎₊	Personal Income Per Capita (dollars)₍₂₎₊
2014	95,000	8.9%	2,095,533	70,425,945	33,608
2015	101,733	7.2%	2,110,852	74,773,589	35,423
2016	104,457	6.0%	2,126,539	77,868,801	36,618
2017	102,208	5.5%	2,144,961	80,514,585	37,537
2018	102,000	4.4%	2,160,049	83,915,091	38,849
2019	102,000	4.0%	2,170,992	89,559,909	41,253
2020	103,000	6.4%	2,182,740	99,313,293	45,499
2021	103,000	9.0%	2,194,710	108,623,799	49,493
2022	104,000	5.4%	*	*	*
2023	104,000	4.2%	*	*	*

NOTES:

+ This data was revised in 2021₍₂₎

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

SOURCES:

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

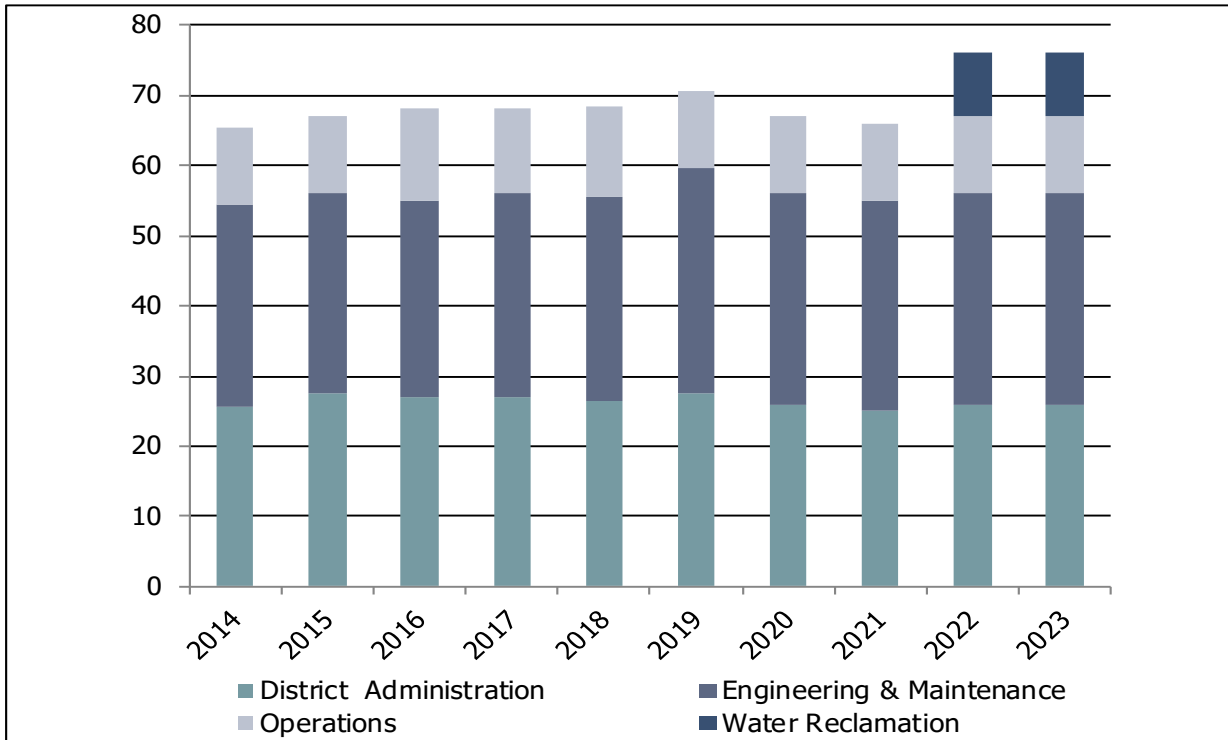
(2) Bureau of Economic Analysis (BEA)
 Computed using midyear population estimates.

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

(4) East Valley Water District - Finance Department

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

Year Ended June 30,	District Administration	Engineering & Maintenance	Operations	Water Reclamation⁽¹⁾	Total
2014	25.5	29	11	0	65.5*
2015	27.5	28.5	11	0	67*
2016	27	28	13	0	68*
2017	27	29	12	0	68*
2018	26.5	29	13	0	68.5*
2019	27.5	32	11	0	70.5*
2020	26	30	11	0	67
2021	25	30	11	0	66
2022	26	30	11	9	76
2023	26	30	11	9	76



NOTES:

* Includes Part-Time Employees (PTEs)

(1) Water Reclamation program started in FY 2021-22

SOURCES: East Valley Water District - Finance and Human Resources Departments

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

Water System				
Year Ended June 30,	Miles of Water Main	Number of Fire Hydrants	Annual Production (MG)	Average Production (MGD)
2014	297	2,976	6,488	18
2015	316	3,005	5,680	16
2016	316	3,005	4,887	13
2017	316	3,005	5,286	14
2018	300	3,018	5,983	16
2019	300	3,025	5,268	14
2020	300	3,025	5,552	15
2021	300	3,029	6,121	17
2022	300	3,043	6,122	17
2023	300	3,048	5,347	15

Wastewater System				
Year Ended June 30,	Miles of Wastewater	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2014	223	19,504	2,595.08	7.11
2015	224	19,544	2,271.96	6.22
2016	224	19,572	2,167.71	5.94
2017	260	20,290	2,175.40	5.96
2018	225	20,581	2,149.85	5.89
2019	214	20,563	2,091.45	5.73
2020	214	19,679	2,220.61	6.08
2021	214	19,686	2,220.61	6.08
2022	220	19,766	2,448.97	6.71
2023	220	19,831	2,138.63	5.86

SOURCE: East Valley Water District - Engineering and Finance Departments



Other Information

EAST VALLEY WATER DISTRICT
Capacity Charge Funds
Year Ended June 30, 2023

Capacity Charge Funds

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

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

The District has the following capacity charge funds:

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

Wastewater Capacity Fee Fund. This fund collects a fee for the capacity used by new wastewater connections and the funds are used to pay facilities and to help ensure the wastewater collection system can contain additional wastewater flows from new customers.

Water Reclamation Capacity Fee Fund. This fund collects fees for the expansion of the Sterling Natural Resource Center to treat the flows generated by new development.

**EAST VALLEY WATER DISTRICT
Capacity Charge Funds
Year Ended June 30, 2023**

A summary of changes in Water Fund Capacity Fees collected for the year ended June 30, 2023 is as follows:

<u>Categories</u>	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Usage</u>	<u>End of Year</u>
Storage	\$ 265,338	\$ 94,413	\$ -	\$ 359,751
Treatment	845,165	28,892	-	874,057
Supply	482,841	42,822	-	525,663
Trans & Distribution	1,323,394	454,431	-	1,777,825
General	189,280	25,614	-	214,894
East Treatment Plant	454,160	321,229	-	775,389
	<u>\$ 3,560,178</u>	<u>\$ 967,401</u>	<u>\$ -</u>	<u>\$ 4,527,579</u>

A summary of Projects Funded by Capacity Fees for the year ended June 30, 2023:

<u>Categories</u>	<u>CIP Project*</u>	<u>FY 2022-23 Expended</u>	<u>% Funded by Capacity</u>	<u>Total Capacity Fees Usage</u>
Storage		\$ -	0%	\$ -
Treatment				
Supply				
Trans & Distribution				
General				
New Treatment Plant				
		<u>\$ -</u>		<u>\$ -</u>

Note: * The District did not have any CIP projects utilizing Capacity Fee funds for the year ended June 30, 2023.

**EAST VALLEY WATER DISTRICT
Capacity Charge Funds
Year Ended June 30, 2023**

A summary of changes in Wastewater Fund Capacity Fees collected for the year ended June 30, 2023 is as follows:

<u>Categories</u>	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Usage</u>	<u>End of Year</u>
Collection	\$ 1,821,985	\$ 156,513	\$ -	\$ 1,978,498
General	281,356	22,782	-	304,138
Greenspot Main	399,412	176,145	-	575,557
5th Street Main	158,728	70,009	-	228,737
Lynwood Main	39,859	17,592	-	57,451
	<u>\$ 2,701,340</u>	<u>\$ 443,041</u>	<u>\$ -</u>	<u>\$ 3,144,381</u>

A summary Project Funded by Capacity Fees for the year ended June 30, 2023:

<u>Categories</u>	<u>CIP Project</u>	<u>FY 2022-23 Expended</u>	<u>% Funded by Capacity</u>	<u>Total Capacity Fees Usage</u>
Collection		\$ -	0%	\$ -
Transmission				-
Recharge				-
Operations				-
		<u>\$ -</u>		<u>\$ -</u>

EAST VALLEY WATER DISTRICT
Capacity Charge Funds
Year Ended June 30, 2023

A summary of changes in Water Reclamation Fund Capacity Fees collected for the year ended June 30, 2023 is as follows:

<u>Categories</u>	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Usage</u>	<u>End of Year</u>
Treatment	2,736,801	271,721	-	3,008,522
	<u>\$ 2,736,801</u>	<u>\$ 271,721</u>	<u>\$ -</u>	<u>\$ 3,008,522</u>

A summary Project Funded by Capacity Fees for the year ended June 30, 2023:

<u>Categories</u>	<u>CIP Project</u>	<u>FY 2022-23 Expended</u>	<u>% Funded by Capacity</u>	<u>Total Capacity Fees Usage</u>
Treatment		\$ -	0%	\$ -
		<u>\$ -</u>		<u>\$ -</u>

EAST VALLEY WATER DISTRICT



[JUNE 30, 2023]

Annual Comprehensive Financial Report



District Headquarters

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Highland, California 92346

Sterling Natural Resource Center

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eastvalley.org

[f](#) [i](#) [t](#) [v](#) @eastvalleywater

District Board Meetings

Second and Fourth Wednesday of Each Month at 5:30pm

District Headquarters Board Room
3111 Greenspot Road
Highland, CA 92346