



EAST VALLEY  
WATER DISTRICT

*comprehensive*

# ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

HIGHLAND, CALIFORNIA

EAST VALLEY  
WATER DISTRICT



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# **Comprehensive Annual Financial Report**

**Fiscal Year Ended**

**June 30, 2018**

**East Valley Water District**



Prepared by: Finance Department

31111 Greenspot Road  
Highland, CA 92346

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Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2018

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Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2018

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**WATER DISTRICT**



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## INTRODUCTORY SECTION

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# EAST VALLEY WATER DISTRICT

LEADERSHIP • PARTNERSHIP • STEWARDSHIP

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## BOARD OF DIRECTORS

Chris Carrillo  
President

David E. Smith  
Vice President

James Morales, Jr.  
Director

Ronald L. Coats  
Director

Phillip R. Goodrich  
Director

John Mura, General Manager/CEO

October 2, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for East Valley Water District for the year ended June 30, 2018. This report was prepared by District staff in accordance with standards established by the Governmental Accounting Standards Board.

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

The CAFR follows the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. In November 2018, the District will, again, submit the CAFR to this organization for review and possible recognition for achievement in reporting excellence.

### **Background**

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

As of June 30, 2018, the District had 21,613 active water connections and 20,581 active wastewater connections.

### **Water Supply and Reliability**

The District's water supply for the year ended June 30, 2018 includes groundwater (79.9 percent) and surface water (20.1 percent). Groundwater is pumped from the Bunker Hill Basin, and surface water from the Santa Ana River is diverted based on rights acquired from the North Fork Water Company.



# EAST VALLEY WATER DISTRICT

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## BOARD OF DIRECTORS

Chris Carrillo  
President

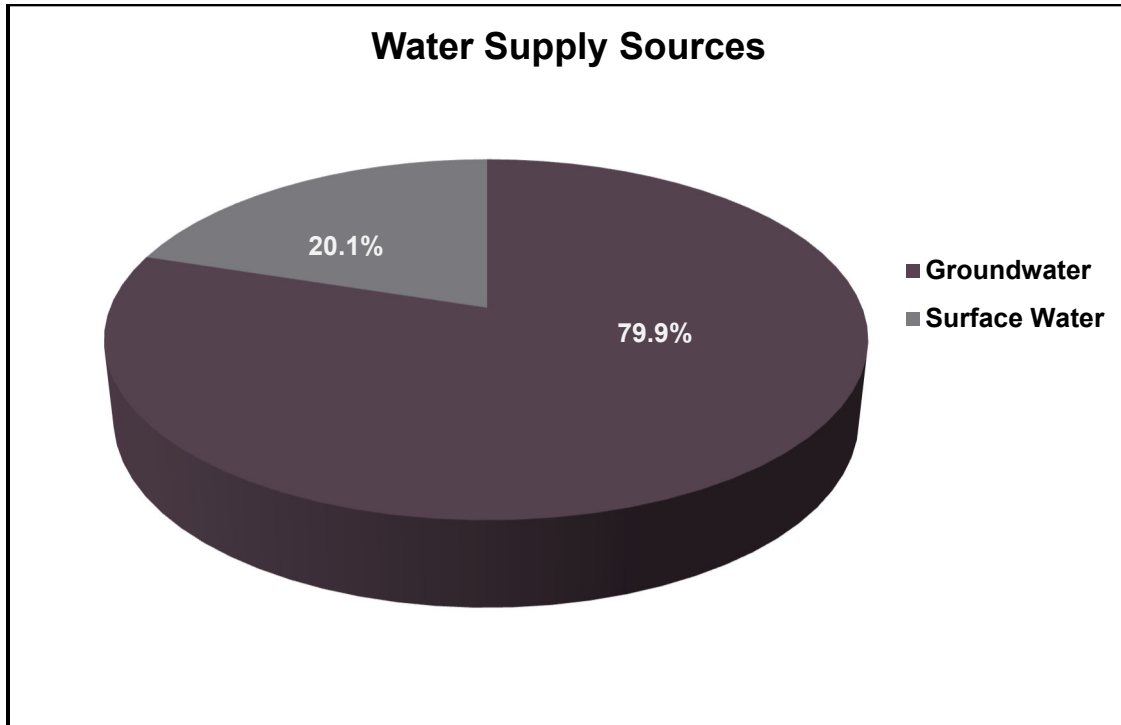
David E. Smith  
Vice President

James Morales, Jr.  
Director

Ronald L. Coats  
Director

Phillip R. Goodrich  
Director

John Mura, General Manager/CEO



## Local Economy

East Valley Water District is located within San Bernardino County in a metropolitan area referred to as the “Inland Empire”. Since 2009, the District’s population has grown by nearly 64 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 Mission Indians, and the San Manuel Indian Bingo & Casino, forming the list of top five users.

In 2018, the average household income within the District’s service area was \$47,016, approximately 16% percent lower than the County of San Bernardino. Customers who reside in the City of Highland account for approximately 75 percent of the District’s customer base. These customers had an average household income of \$54,117, approximately 15% higher than the overall District average.

## Financial Management

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



# EAST VALLEY WATER DISTRICT

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## BOARD OF DIRECTORS

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John Mura, General Manager/CEO

that water resources are adequate, water quality is maintained, and the water and wastewater service needs of current and future customers are met. The CIP is reviewed annually by the District's Board of Directors 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 FEMA, and have applied for water and energy efficiency project funding from the Bureau of Reclamation and Edison.

### Internal Control

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

### Budgetary Control

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

### Debt Administration

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

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

### Investment Policy

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



# EAST VALLEY WATER DISTRICT

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## BOARD OF DIRECTORS

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Ronald L. Coats  
Director

Phillip R. Goodrich  
Director

John Mura, General Manager/CEO

### Audit and Financial Reporting

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the six year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### Acknowledgements

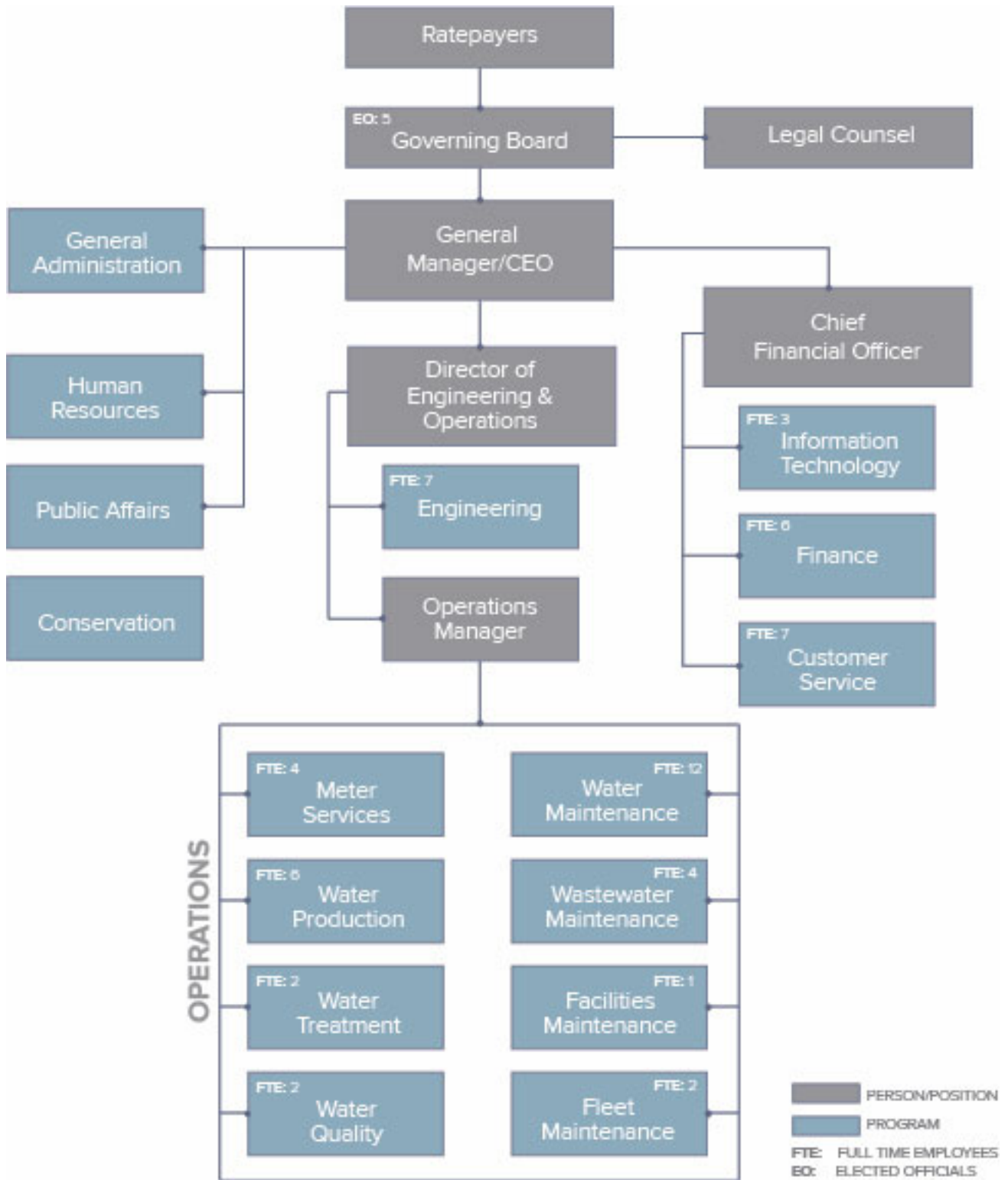
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedication and professionalism that our staff bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation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

Respectfully submitted,

John Mura  
General Manager

Brian W. Tompkins  
Chief Financial Officer

**EAST VALLEY WATER DISTRICT  
Organizational Structure  
Year Ended June 30, 2018**



**EAST VALLEY WATER DISTRICT  
Principal Officials  
Year Ended June 30, 2018**

## **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, 2018**

<u>Name</u>	<u>Title</u>	<u>Elected / Appointed</u>	<u>Current Term</u>
Chris Carrillo	Chairman of the Board	Elected	2015 - 2020
David E. Smith	Vice-Chairman of the Board	Elected	2015 - 2020
Ronald L. Coats	Governing Board Member	Elected	2013 - 2018
James Morales, Jr.	Governing Board Member	Elected	2013 - 2018
Phillip R. Goodrich	Governing Board Member	Appointed	Feb - Nov 2018

## **Contact Information**

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

(909) 889-9501  
[www.eastvalley.org](http://www.eastvalley.org)

**EAST VALLEY WATER DISTRICT  
GFOA Certificate  
Year Ended June 30, 2017**



Government Finance Officers Association

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

Presented to

**East Valley Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

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## FINANCIAL SECTION

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**EAST VALLEY WATER DISTRICT  
Independent Auditor's Report  
Year Ended June 30, 2018**



CliftonLarsonAllen LLP  
CLAconnect.com

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
East Valley Water District  
Highland, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of East Valley Water District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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



**EAST VALLEY WATER DISTRICT  
Independent Auditor's Report  
Year Ended June 30, 2018**

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
East Valley Water District  
Page 2

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of Statement No. 75, the District reported a restatement for the change in accounting principle (see Note 11). Our auditors' opinion was not modified with respect to the restatement.

**Other Matters**

*Prior Period Comparative Information*

We have previously audited the District's 2017 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated September 26, 2017. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**EAST VALLEY WATER DISTRICT  
Independent Auditor's Report  
Year Ended June 30, 2018**

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
East Valley Water District  
Page 3

*Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen, LLP**  
Glendora, California  
October 2, 2018

**EAST VALLEY WATER DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

**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 of San Bernardino, and the County of San Bernardino in California.

**The Basic Financial Statements**

East Valley Water District is a special-purpose government 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.

The following financial statements for the year ended June 30, 2018 (2017 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 Revenue, 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, 2018, the District's total assets increased by \$0.8 million to 186.3 million— the net effect of increases in Current and Restricted assets, and a decrease in Capital assets.

Current assets increased 23% to \$24.0 million. This increase is substantially all in Cash and Investments which accumulated while, for various reasons, capital spending slowed significantly. The primary reason for low capital spending was long term planning, for example, in updating the District's water and wastewater system master plans, and in the design of a significant transmission pipeline that greatly enhance the District's feasibility in delivering water throughout the distribution system.

**EAST VALLEY WATER DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

Restricted Asset balances increased from \$6.4 to \$6.8 million with the receipt of capacity fees from small development projects occurring within the District. The nature of Restricted Cash balances at June 30, 2018 are further detailed in Note 3 of the financial statements.

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 24.0	\$ 19.5
Restricted Assets	6.8	6.4
Other Assets	0.4	0.4
Capital Assets - Net	155.1	159.2
Total Assets	<u>186.3</u>	<u>185.5</u>
Total Deferred Outflow of Resources	<u>4.5</u>	<u>3.2</u>
Current Liabilities	7.4	8.0
Non-Current Liabilities	63.4	62.5
Total Liabilities	<u>70.8</u>	<u>70.5</u>
Total Deferred Inflows of Resources	<u>0.6</u>	<u>0.5</u>
Net Position		
Net Investment in Capital Assets	103.2	104.7
Restricted	3.3	2.8
Unrestricted	12.9	10.2
<b>Total Net Position</b>	<u><b>\$ 119.4</b></u>	<u><b>\$ 117.7</b></u>

Capital Assets decreased by \$4.1 million during the 2017-18 fiscal year. This amount is a net between capital additions of \$3.0 million, and recognition of \$7.0 million in charges for depreciation during the year. Additions to capital assets during the year included completion of a state water project turnout and hydroelectric generation facility at the District's Plant 134, and continued planning efforts for the Sterling Natural Resource Center (SNRC) water recycling plant.

Total Deferred Outflow of Resources increased \$1.3 million reflecting pension contributions made subsequent to the measurement date (June 30, 2017) and net differences between projected and actual earnings on pension plan investments, as well as changes in assumptions.

While current assets have increased by \$4.5 million, current liabilities decreased by \$0.6 million. As a result, the District's current ratio has improved from 2.4:1 to 3.2:1, and the liquidity ratio from 1.6:1 at June 30, 2017, to 2.5:1 at June 30, 2018.

Non-Current Liabilities increased by \$0.9 million, the net effect of:

- \$(2.6) million in principal payments on outstanding debt.
- \$3.5 million increase in employee post-retirement obligations calculated in accordance with Governmental Accounting Standards Board (GASB) statements number 68 (pensions) and 75 (retiree medical).

2017-18 is the first year for which retiree healthcare benefit obligations, or OPEB (Other Post Employment Benefits) is required to be shown on the Statement of Net Position. OPEB and Pensions are further discussed in Notes 8 and 11 accompanying the financial statements. Compensated absences and Long term debt are further explained in financial statement Notes 6 and 5, respectively.

**EAST VALLEY WATER DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

The District's total Net Position was \$119.4 million at the end of fiscal year 2018, a \$1.7 million increase compared to the end of the previous fiscal year. Of the \$119.4 million Net Position balance, \$103.2 million is categorized as Investment in Capital Assets, \$3.3 million is Restricted for Capital Expansion Projects, and \$12.9 million is Unrestricted. The calculation of Net Position Invested in Capital Assets is included in Note 7 of the accompanying financial statements. Restricted Net Position consists of developer capacity fees, and Unrestricted Net Position is the amount available for encumbrance at June 30, 2018.

Looking at longer term results, the District's total Net Position has increased \$4.8 million, and \$19.9 million over five and ten year periods, respectively.

**Activities and Changes in Net Position**

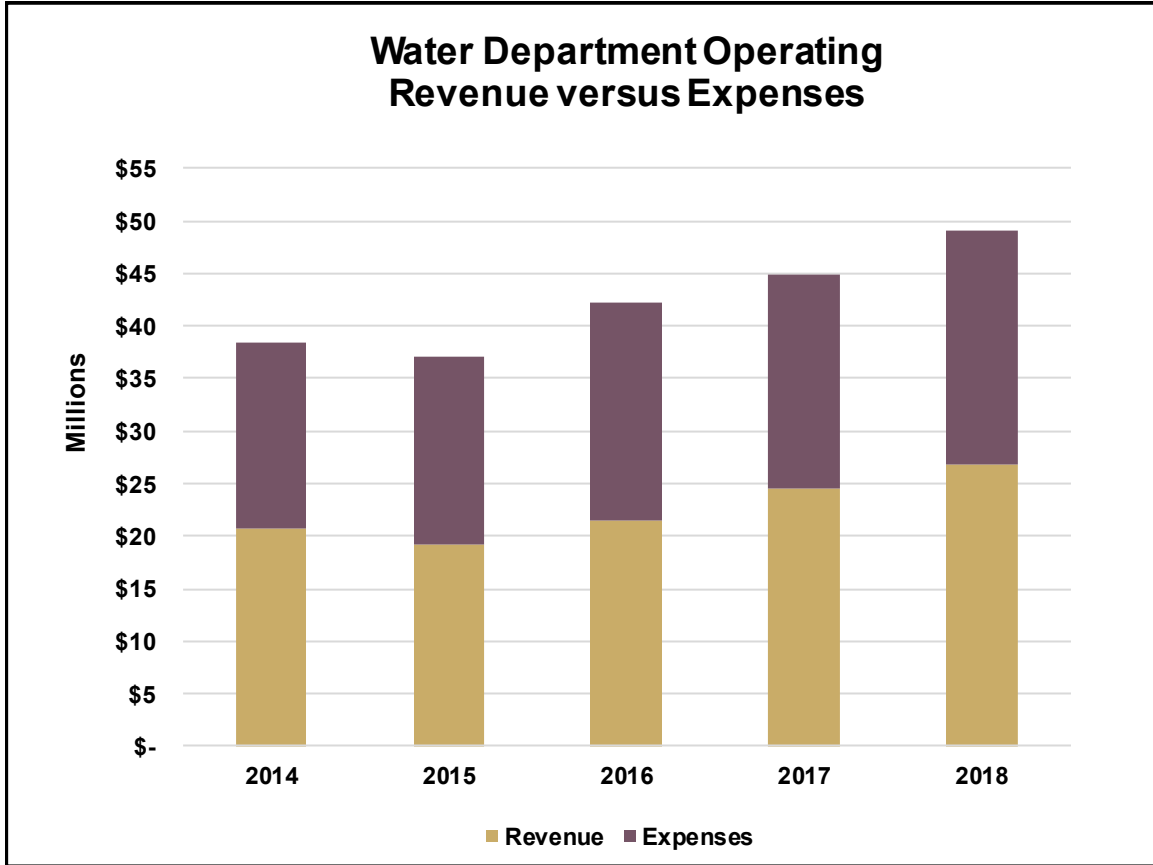
Water Operations

East Valley Water District, and the rest of California, entered the 2016-17 fiscal year in a 'state of emergency' declared during five years of severe drought. Extraordinarily heavy rain and snowfall during the 2017 winter months caused the California Governor to declare an end to the drought on April 7, 2017, and to relax drought restrictions and emergency conservation mandates. The changing circumstances effected both water revenues and expenses.

Water sales for 2017-18 increased 17% to \$17.1 million, the net result of rate increases at the beginning of the fiscal year, offset by a decrease in customer consumption. The rate adjustment deployed was the third and final phase of adjustments adopted in March 2015, however, adjustments were held to just 6%, half of the 12% authorized in 2015. With respect to consumption, the District produced 18,361 acre feet of water and sold 17,305 acre feet to consumers during the year, a 5.7% decrease compared to the prior fiscal year. The difference between water produced and water sold of 1,056 acre feet (9.5%) was the result of District flushing programs, water use at District facilities, and system leaks.

Water System, or Meter Charge revenue, increased 0.6% to \$8,999,756. No rate adjustments were effective for these charges in 2017-18, so the revenue increase was due to small tract development and infill projects – 52 new utility service connections were added by the District in 2017-18.

**EAST VALLEY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2018**



Though the drought ended in April 2017, the impacts on water supplies to Southern California agencies continued past April and into fiscal year 2017-18. Low reservoir levels during the drought led to water quality issues with water imported through the State Water Project, leading the District to rely more heavily on production from the local groundwater basin.

The District's shift to groundwater production offset some of the energy savings the District was realizing, as a result of energy conservation measures implemented in 2014, but did not result in a large spike in power costs. Some significant variances that did occur during the year include:

- Source of Supply: costs decreased by \$806 thousand (31.1%) due to the end of a regional program to buy imported water for basin recharge after the 2017 winter storms. Power costs for wells did increase by 10% due to the heavier reliance on groundwater production mentioned above.
- Pumping: power costs for boosting water to higher pressure zones increased by 10%, again, because more water was produced by wells, which are situated in the lowest elevations of the District, and had to be boosted to higher elevations for distribution to customers.
- Water Treatment: costs increased 29% during the 2017-18 with increases primarily in Labor and Contract Services. Labor costs increased as Production staff was trained on operation of a Hydroelectric generation facility at the District's water treatment plant, and Contract Services increased as treatment facilities were refurbished and re-coated to optimize efficient operations.



**EAST VALLEY WATER DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

- Transmission & Distribution (T&D): costs increased 14% as two additional staff were added to pipeline repair crews to address system leaks. Identification of water leak sources and immediate repairs have added emphasis due to the recent drought in California.

Throughout the year, the District analyzed possible solutions to overcome the water quality issues with imported water, including tank mixers, new transmission mains, and upgrades to treatment processes at the District's surface water treatment plant. Multiple construction projects have been added to the District's Capital Improvement Program to address water quality issues.

### **Wastewater Operations**

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

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

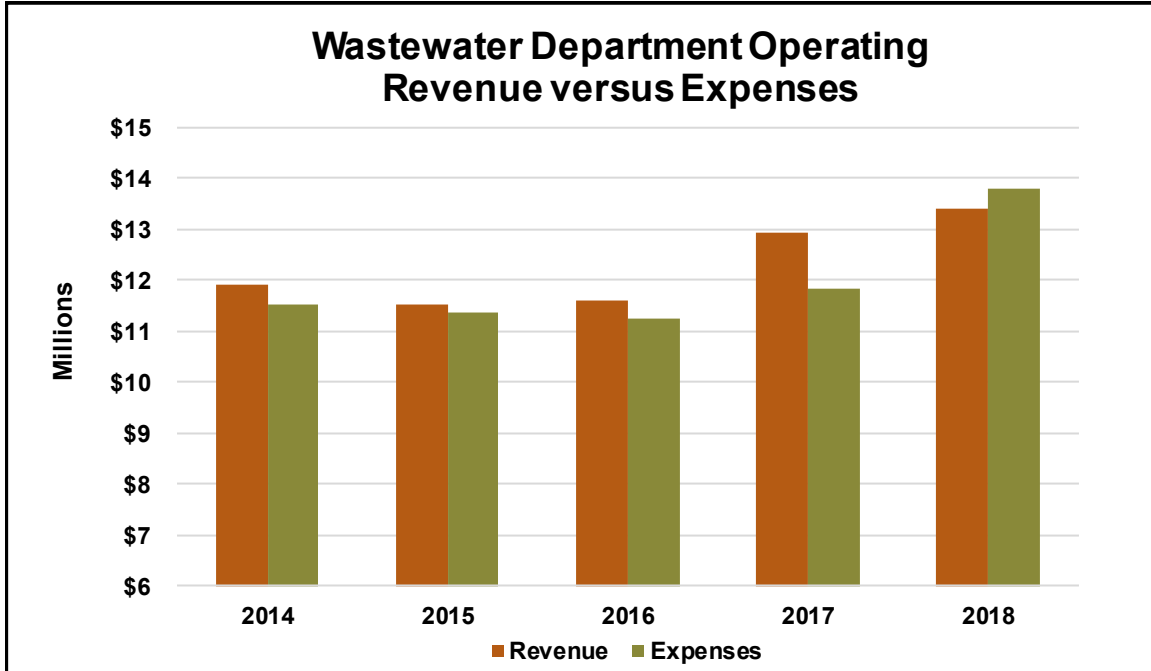
During the 2017-18 fiscal year wastewater operating revenues increased 3.7%, from \$12.9 to \$13.4 million.

System charges, assessed by the District for maintenance of wastewater collection mains, decreased by 0.7% as a result of lower water usage by commercial customers. Commercial customers, which include multi-family residential complexes larger than 4 units, are billed for wastewater charges based on water consumption. Therefore, the 5.7% decrease in water consumption discussed above, had a related impact on wastewater revenue. A complete list of wastewater rates in effect for the last 10 years is included in the statistical section at the end of this document.

Wastewater treatment revenues, and costs, both rose 7.0% to \$8.7 million. The primary reason for the increase was rate adjustments implemented by the City of San Bernardino. City treatment rates were increased in phases over three years, with the final phase becoming effective during the 2017-18 fiscal year. Lower water usage by commercial customers offset some of the increase in treatment charge revenue.

Wastewater collection line maintenance costs increased by 77% compared to the prior year as the District doubled the number of full time employees dedicated to line maintenance to four. Accordingly, there were anticipated increases in labor and benefits costs, and in contract services as well. In 2017-18 the District continued a contract for tree root control to prevent intrusion into wastewater mains, began a new contract for the treatment of manhole covers for insect control, and responded to ten emergency sewer repairs, a 40% increase over the previous year.

**EAST VALLEY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2018**



Costs related to Customer Accounts (Water & Wastewater Operations) increased \$163 thousand, or 8.6%, due primarily to increased labor and benefit costs. Benefit cost increases affected departments across the District as explained below.

Administrative and general costs for the District increased by 28.1% to \$10.7 million. The primary reason for the increase was Salaries and Benefits which increased \$1.5 million to \$6.6 million. Salaries increased as positions vacated in the previous year were evaluated and filled, and annual pay adjustments were awarded. Also, pension expense increased as a result of growing unfunded pension liabilities with the California Public Employees Retirement System (CalPERS). To address this liability, the District's contributions to the CalPERS plan, both required and voluntary, increased by 40% over the previous year.

Other significant changes in general and administrative costs included:

1. Legal Services increased 107% as the District settled or ended multiple legal disputes and expensed legal costs that, in some situations, had accumulated in previous years. The District also remains committed to dissolving old mutual water companies abandoning related infrastructure.

Depreciation expense recorded by the District's water department increased from \$5.7 million to \$6.1 million, while wastewater department depreciation increased from \$0.8 million to \$1.0 million. Prior year expense included approximately \$600 thousand in accelerated depreciation on certain assets whose remaining useful lives had been shortened to align with District experience and standards published by the California State Controller. Affected assets included pumps, valves and other mechanical components capitalized as part of a larger utility plant assets. Wastewater department depreciation expense remained consistent at approximately \$800 thousand.

**Non-Operating Activities**

The District's non-operating revenue of \$480 thousand includes investment earnings of \$221 thousand, discussed below, and \$259 thousand in miscellaneous income and reimbursements. Non-operating expenses includes \$1.78 million in interest on District long-term obligations.

**EAST VALLEY WATER DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

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

	<u>2018</u>	<u>2017</u>
Water Revenues	\$ 26.9	\$ 24.5
Water Operating Expenses	(22.2)	(20.5)
Wastewater Services	13.4	12.9
Wastewater Operating Expenses	(13.8)	(11.8)
Non-Operating Revenues	0.5	0.5
Non-Operating Expenses	(1.8)	(1.8)
Income Before Contributions & Special Item	<u>3.0</u>	<u>3.8</u>
Developer Contributions	0.5	0.5
Grant Funds Contributed	-	2.0
Special Item - Abandon Projects	-	(1.6)
Special Item - Hazard Mitigation	(0.2)	-
Change in Net Position	3.3	4.7
Beginning Net Position, as Previously Reported	117.7	113.0
Cumulative Effect of Change in Accounting Principle	(1.7)	-
<b>Ending Net Position</b>	<b><u>\$ 119.3</u></b>	<b><u>\$ 117.7</u></b>

Investment earnings increased 150% compared to the prior year due to an increase in the balance of investible funds held at year end – the District typically holds investments to maturity. The increase was enhanced by earnings on funds deposited with the California Local Agency Investment Fund, which raised the interest rate paid on deposits by 98 basis points to 1.90% during fiscal year 2017-18.

**Capital Contributions and Special Item**

Contributions received during 2017-18 included \$525 thousand in developer capacity fees. The District has also recorded a one-time charge of \$155 thousand to fortify and abandon a wastewater manhole that had been exposed by soil erosion in the middle of a creek bed. The flow of the creek was altered during very heavy rains, shifting course to so that the manhole was in its path. Costs to fortify this above ground pipe are included as a Special Item for Hazard Mitigation and is further explained in Note 13 to the financial statements.

**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 to the accompanying financial statements. The balance at June 30, 2018 is \$103.2 million, a decrease of \$1.5 million compared to June 30, 2017. The decrease is the net result of the acquisition or construction of capital assets for \$2.2 million and a \$2.6 million decrease in outstanding debt, offset by a net increase in accumulated depreciation of \$6.3 million.

**EAST VALLEY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2018**

Restricted

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

Unrestricted

Unrestricted Net Position is the balance after amounts to be classified as Invested in Capital Assets or Restricted have been determined. Unrestricted Net Position increased \$2.6 million to \$12.8 million in 2017-18.

**Capital Assets**

The District spent approximately \$2.9 million for expansion or replacement of property, plant, and equipment during 2017-18. These amounts are reflected in Utility Plant, or as additions to Construction in Progress, in the accompanying financial statements.

Placed in Service

During the 2017-18 fiscal year, District staff, consultants, and contractors completed work on the following:

- Completed abandonment of manhole in City Creek flow path.
- Completed State Water Project turnout at District surface water treatment plant (134) and hydroelectric generation facility to capitalize on head-pressure of water coming from the turnout.

**Construction in Progress (CIP)**

Construction in progress decreased \$3.6 million to \$12.7 million (see note 4) between June 30, 2017 and June 30, 2018. With approximately 15 jobs in progress, additions to CIP totaled \$2.6 million, while \$6.2 million was capitalized and transferred to utility plant in service.

**EAST VALLEY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2018**

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

<u>Department</u>	<u>2018</u>	<u>2017</u>
Water		
Source of Supply	\$ 18.5	\$ 16.6
Pumping	14.4	14.4
Transmission & Distribution	98.8	98.4
Treatment	27.8	25.0
Wastewater		
Collection Lines	26.8	27.0
General		
Buildings & Improvements	17.9	17.4
Equipment	9.7	9.2
<b>Total</b>	<b><u>\$ 213.9</u></b>	<b><u>\$ 208.0</u></b>

Of the \$12.7 million remaining in CIP at June 30, 2018, 93% is related to two projects:

1. Conceptual design, environmental, legal and financing package costs related to the Sterling Natural Resource Center water recycling facility. The facility will capture, treat, and recycle all of the wastewater flows generated by District customers. Recycled water produced by the plant would be used to recharge the Bunker Hill Basin from which the District produces groundwater.  
  
Preliminary concepts for the Sterling Natural Resource Center include a first phase with a capacity of 6 million gallons per day (mgd), expandable to 10 mgd in a second phase giving the District the capability to provide treatment services to significant housing developments being planned within the District's service area. The project will also include ancillary pipelines and lift stations to deliver wastewater to the plant, and recycled water pipelines to deliver the treated water to recharge basins.
2. The installation of automated metering infrastructure (AMI). Phase 1, which was funded by a grant from the EPA was completed in June 2017. Phase 2 is currently in implementation and installations will be complete in November 2018. Phases 3 through 6 will be funded and completed over the next five years with completion of full AMI implementation anticipated by June 2021.

**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:

- Design and construction of additional storage tanks to allow pumping during hours of off-peak demand for power and to enhance water availability during peak water use and for fire suppression.
- Replacement of aging water distribution pipelines that require frequent repair and are suspected of causing system water losses.

**EAST VALLEY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2018**

**Future Capital Improvements - Wastewater**

The District maintains a list of recommended wastewater main replacements / rehabilitations based on assessments of pipeline condition noted during video logging of the collections system. Pipelines assessed at the highest risk of structural failure are prioritized on the District's 5-year Capital Improvement Plan (CIP). The District will also update its Wastewater Collection System Master Plan in fiscal year 2017-18 in order to identify wastewater pipelines that are susceptible to surcharging during heavy rains. Undersized pipelines can impede new development and will be included in discussions with developers as necessary.

**Long Term Debt / Credit**

The District's long-term debt consists of Revenue Bonds issued through the East Valley Water District Financing Authority (Authority), a blended component unit, design and construction loans from the California Department of Water Resources (DWR), a capital lease purchase with US Bank for construction or installation of energy conservation measures (ECM), and a loan from the San Bernardino Valley Municipal Water District (SBVMWD). Outstanding balances as of June 30, 2018 were as follows:

2010 Refunding Bonds	\$	24,715,000
2013 Refunding Bonds		12,085,000
SBVMWD Loan		3,870,000
AVAD Construction		84,526
EFAD Construction		325,402
Plant 134 Construction		6,301,767
Plant 150 Design		10,000
U.S. Bank Lease Purchase		2,522,306
<b>Total</b>	<b>\$</b>	<b><u>49,914,001</u></b>

As explained in Note 5 to the accompanying financial statements, proceeds from the 2010 and 2013 revenue bonds were used to retire debt previously issued by the District (2010 bonds only) and to construct water and wastewater capital projects.

DWR loans for the Arroyo Verde and Eastwood Farms water company consolidation projects are ultimately the obligation of property owners within Assessment Districts that replaced these water companies previously operating independently within the District's service area. Semi-annual loan payments are paid from assessments on property within the assessment districts.

Other DWR loans include \$6,301,767, payable over 26 years at 0% interest, for upgrade of the District's Plant 134, and \$10,000 at 0% interest to be paid in fiscal year 2018-19 remaining on a loan used to help pay for the design of a new treatment plant in the District's lower pressure zone.

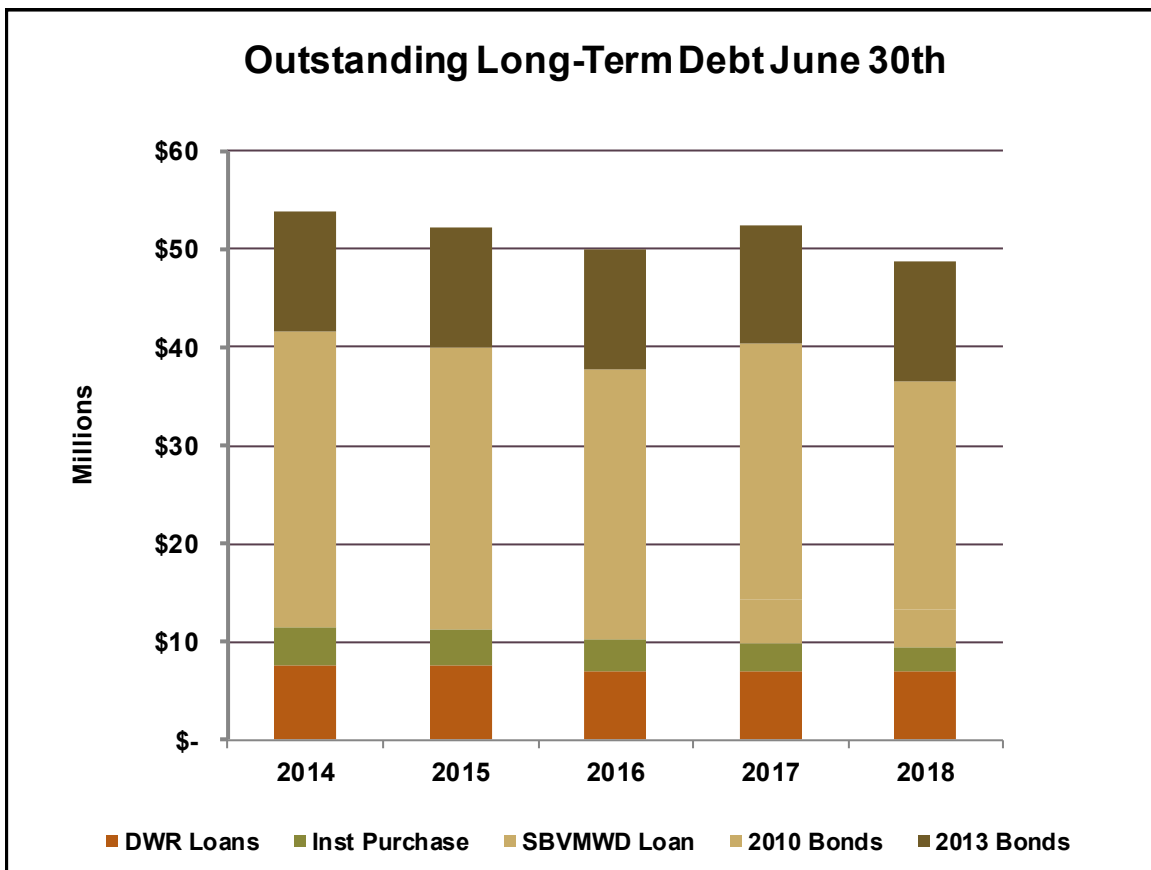
The Lease Purchase Agreement with US Bank was entered into in November 2013 to finance the construction of energy conservation projects recommended by an Energy and Operational Efficiency Study prepared by Honeywell. The lease is payable in semi-annual installments over 10 years at an interest rate of 2.38%.

The loan with SBVMWD was entered into in January 2015 to finance the project discussed previously in the Construction in Progress section. The loan is payable over 10 years at the Local Agency Investment Fund apportionment rate, currently 1.90%.

**EAST VALLEY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2018**

A new funding agreement with the State Water Resources Control Board, consisting of a \$119.3 million loan at 1.8% and a \$6.7 million grant, was finalized on June 26<sup>th</sup>, 2018. This funding was secured for the construction of the Sterling Natural Resource Center water recycling plant. Debt service of \$5.6 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, and Local Resource Program payments received from the San Bernardino Valley Municipal Water Department for the use of recycled water, produced by the plant, for groundwater recharge. A loan balance will be recognized by the District as it draws on available loan funding to pay plant construction costs.

All scheduled debt payments for fiscal year 2017-18 were paid timely.



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

**Rate Increases**

The District has contracted with Raftelis Financial Consultants to perform water and wastewater utility Cost of Service Analysis'. The analysis will determine the need for rate adjustments, if necessary, over the next 3 to 5 years and should be complete by June of 2019.

**EAST VALLEY WATER DISTRICT  
Management's Discussion and Analysis  
Year Ended June 30, 2018**

Additional information about the District's Water Budget based rate structure can be found on the District's website at [www.eastvalley.org](http://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.





*basic financial statements*

**EAST VALLEY WATER DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	<b>2018</b>	<b>For Comparative Purposes Only 2017</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 13,095,699	\$ 7,556,013
Investments	5,350,547	4,995,176
Accounts Receivable, Net	4,541,364	4,519,062
Interest Receivable	89,549	37,233
Other Receivables	421,035	375,893
Due from Other Governments	16,145	1,401,449
Inventory	285,218	326,023
Prepaid Expenses	203,871	297,408
Total Current Assets	24,003,428	19,508,257
Non-Current Assets:		
Restricted Cash and Cash Equivalents	6,788,132	6,474,787
Assessments Receivable	355,731	386,243
Capital Assets not being Depreciated	24,266,922	27,944,625
Capital Assets, Net (Note 4)	130,806,547	131,271,911
Total Non-Current Assets	162,217,332	166,077,566
Total Assets	186,220,760	185,585,823
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Refunding	120,546	138,482
Deferred Outflows - Pensions	4,195,967	3,044,585
Deferred Outflows - OPEB	193,763	-
Total Deferred Outflows Of Resources	4,510,276	3,183,067
Total Assets and Deferred Outflows of Resources	\$ 190,731,036	\$ 188,768,890

(Continued)

The accompanying notes are an integral part of this statement.

**EAST VALLEY WATER DISTRICT**  
**Statement of Net Position - Continued**  
**June 30, 2018**

	<u>2018</u>	<u>For Comparative Purposes Only 2017</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,608,069	\$ 2,461,885
Accrued Payroll and Benefits	483,730	362,999
Customer Service Deposits	1,588,918	1,670,446
Construction Advances and Retentions	109,500	119,250
Accrued Interest Payable	496,031	469,463
Current Portion of Compensated Absences	419,713	323,638
Current Portion of Long-Term Debt	2,696,748	2,632,902
Total Current Liabilities	<u>7,402,709</u>	<u>8,040,583</u>
Non-Current Liabilities:		
Compensated Absences, Less Current Portion	532,533	398,275
Net Pension Liability	11,601,798	10,024,712
Net OPEB Liability	1,932,370	-
Long-Term Debt, Less Current Portion	49,304,441	52,062,321
Total Non-Current Liabilities	<u>63,371,142</u>	<u>62,485,308</u>
Total Liabilities	<u>70,773,851</u>	<u>70,525,891</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pensions	562,295	519,364
Deferred Inflows - OPEB	1,224	-
Total Deferred Inflows Of Resources	<u>563,519</u>	<u>519,364</u>
Total Liabilities and Deferred Inflows Of Resources	<u>71,337,370</u>	<u>71,045,255</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	103,210,762	104,659,796
Restricted for:		
Future Capital Expansion Projects	3,334,940	2,847,924
Unrestricted	12,847,964	10,215,915
Total Net Position	<u>\$ 119,393,666</u>	<u>\$ 117,723,635</u>

The accompanying notes are an integral part of this statement.

**EAST VALLEY WATER DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2018**

	<b>2018</b>	<b>For Comparative Purposes Only 2017</b>
<b>OPERATING REVENUES</b>		
Water Sales	\$ 17,063,891	\$ 14,556,339
Wastewater Treatment Charges	8,697,671	8,128,030
System Charges	13,668,679	13,648,091
Other Charges	860,884	1,116,089
Total Operating Revenues	40,291,125	37,448,549
<b>OPERATING EXPENSES</b>		
Water Department:		
Source of Supply	2,595,071	3,401,062
Pumping	683,296	646,940
Treatment	969,460	750,052
Transmission and Distribution	2,538,910	2,222,953
Customer Accounts	1,623,198	1,505,433
Total Water Department	8,409,935	8,526,440
Wastewater Department:		
Wastewater Treatment	8,697,671	8,128,030
Wastewater Collection	753,000	425,944
Customer Accounts	417,399	372,587
Total Wastewater Department	9,868,070	8,926,561
Administrative and General	10,674,218	8,329,112
Operating Expenses Before Depreciation	28,952,223	25,782,113
Depreciation	7,027,876	6,517,474
Total Operating Expenses	35,980,099	32,299,587
Operating Income	\$ 4,311,026	\$ 5,148,962

(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, 2018**

	<b>2018</b>	<b>For Comparative Purposes Only 2017</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	\$ 221,359	\$ 69,237
Other Income (Loss)	258,560	401,323
Interest Expense	(1,777,852)	(1,776,684)
Total Non-Operating Revenues (Expenses)	(1,297,933)	(1,306,124)
Income Before Contributions and Special Item	3,013,093	3,842,838
<b>CONTRIBUTIONS</b>		
Capacity Charges	525,004	473,164
Contributed Plant	(1,086)	-
Capital Grants	-	1,972,954
Total Contributions	523,918	2,446,118
<b>SPECIAL ITEM</b>		
Hazard Mitigation	(155,177)	(1,615,241)
<b>CHANGE IN NET POSITION</b>	3,381,834	4,673,715
<b>TOTAL NET POSITION, BEGINNING (AS PREVIOUSLY REPORTED)</b>	117,723,635	113,049,920
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	(1,711,803)	-
<b>TOTAL NET POSITION, ENDING</b>	\$ 119,393,666	\$ 117,723,635

The accompanying notes are an integral part of this statement.

**EAST VALLEY WATER DISTRICT**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**

	<b>2018</b>	<b>For Comparative Purposes Only 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 40,182,134	\$ 36,545,048
Cash Payments for Employees Services	(10,095,939)	(9,170,392)
Cash Payments to Suppliers	(18,761,838)	(17,463,184)
Cash from Other Sources	137,689	615,049
<b>Net Cash Provided by Operating Activities</b>	<b>11,462,046</b>	<b>10,526,521</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grant Funds Received	1,384,218	587,650
Contributed Capital	525,004	473,164
Proceeds from Loan of Capital Debt	-	4,367,926
Principal Paid on Capital Debt	(2,594,349)	(2,041,735)
Interest Paid on Capital Debt	(1,751,304)	(1,874,946)
Acquisition of Capital Assets	(3,016,768)	(11,814,780)
<b>Net Cash Used for Capital and Related Financing Activites</b>	<b>(5,453,199)</b>	<b>(10,302,721)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received from Investments	241,756	126,018
Acquisition of Investments	(1,388,461)	(3,694,267)
Proceeds from Sale of Investments	960,377	3,602,588
Loan Collections	30,512	27,391
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(155,816)</b>	<b>61,730</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	5,853,031	285,530
<b>Cash and Equivalents, Beginning of Year</b>	14,030,800	13,745,270
<b>Cash and Equivalents, End of Year</b>	<b>\$ 19,883,831</b>	<b>\$ 14,030,800</b>
 <b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents	\$ 13,095,699	\$ 7,556,013
Restricted Cash and Cash Equivalents	6,788,132	6,474,787
<b>Total Cash and Cash Equivalents</b>	<b>\$ 19,883,831</b>	<b>\$ 14,030,800</b>

(Continued)

The accompanying notes are an integral part of this statement.

**EAST VALLEY WATER DISTRICT**  
**Statements of Cash Flows - Continued**  
**Year Ended June 30, 2018**

	<b>2018</b>	<b>For Comparative Purposes Only 2017</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income	\$ 4,311,026	\$ 5,148,962
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	7,027,876	6,517,474
Other Income	258,560	615,049
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(22,302)	(953,317)
(Increase) Decrease in Other Receivables	(126,871)	-
(Increase) Decrease in Inventory	22,463	(73,061)
(Increase) Decrease in Prepaids	93,537	(5,895)
(Increase) in Deferred Outflows of Resources - Pensions	(1,126,421)	(1,794,588)
Increase (Decrease) in Accounts Payable	(835,477)	(458,495)
Increase (Decrease) in Accrued Salaries and Benefits	120,732	(243,198)
Increase (Decrease) in Compensated Absences	230,333	(48,051)
Increase in Net Pension Liability	1,577,086	2,096,539
Increase in Net OPEB Liability	54,910	-
Decrease in Deferred Inflows of Resources	(32,128)	(324,714)
Increase (Decrease) in Customer Deposits	(81,528)	40,066
Increase (Decrease) in Developer Deposits	(9,750)	9,750
	<b>\$ 11,462,046</b>	<b>\$ 10,526,521</b>
 <b>NON-CASH INVESTING, CAPITAL, AND NONCAPITAL FINANCING ACTIVITIES:</b>		
Write off Abandoned Project Costs	\$ (155,177)	\$ (1,615,241)
Fair Value Adjustments to Investments	(72,713)	(56,183)

The accompanying notes are an integral part of this statement.

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Reporting Entity**

The East Valley Water District (the District) is a special district 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 25 square miles and provides water and wastewater service to the City of Highland, parts of the City of San Bernardino, and unincorporated parts of the County of San Bernardino, California.

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

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

The Company was established in February 1885 to deliver water, taken from the Santa Ana River, to its property owner /shareholders. The Company is governed by a Board of Directors comprised of, and elected by, Company shareholders. The District has purchased shares of Company stock as they become available in order to secure rights to the Santa Ana River water and have it delivered to the District's surface water treatment plant. At June 30, 2018, the District owned 5,954.48 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, 2018**

**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>Financing Authority</u>	<u>Eliminations</u>	<u>Total</u>
<b>Statement of Net Position</b>					
Current Assets	\$ 23,987,517	\$ 15,911	\$ 431,222	\$ (431,222)	\$ 24,003,428
Capital Assets	153,646,109	2,946,542	-	(1,519,182)	155,073,469
Other Assets	6,839,068	304,795	36,800,000	(36,800,000)	7,143,863
Deferred Outflows	4,510,276	-	-	-	4,510,276
Total Assets & Deferred Outflows	<u>188,982,970</u>	<u>3,267,248</u>	<u>37,231,222</u>	<u>(38,750,404)</u>	<u>190,731,036</u>
Current Liabilities	7,390,369	12,340	431,222	(431,222)	7,402,709
Long-Term Liabilities	63,371,142	-	36,800,000	(36,800,000)	63,371,142
Deferred Inflows	563,519	-	-	-	563,519
Total Liabilities & Deferred Inflows	<u>71,325,030</u>	<u>12,340</u>	<u>37,231,222</u>	<u>(37,231,222)</u>	<u>71,337,370</u>
Net Investment in Capital Assets	104,729,944	-	-	(1,519,182)	103,210,762
Restricted Net Position	3,154,062	180,878	-	-	3,334,940
Unrestricted Net Position	9,773,934	3,074,030	-	-	12,847,964
Total Net Position	<u>\$ 117,657,940</u>	<u>\$ 3,254,908</u>	<u>\$ -</u>	<u>\$ (1,519,182)</u>	<u>\$ 119,393,666</u>
<b>Statement of Changes in Net Position</b>					
Sales and Services	\$ 39,430,241	\$ -	\$ -	\$ -	\$ 39,430,241
Other Operating Revenue	860,884	-	-	-	860,884
Operating Expenses	29,108,587	(156,364)	-	-	28,952,223
Depreciation	7,082,525	(54,649)	-	-	7,027,876
Operating Income	<u>4,100,013</u>	<u>211,013</u>	<u>-</u>	<u>-</u>	<u>4,311,026</u>
Net Non-Operating Revenue (Expenses)	(1,605,641)	307,708	-	-	(1,297,933)
Capital Contributions	523,918	-	-	-	523,918
Special Items	(155,177)	-	-	-	(155,177)
Change in Net Position	<u>2,863,113</u>	<u>518,721</u>	<u>-</u>	<u>-</u>	<u>3,381,834</u>
Beginning Net Position, as Previously Reported	116,506,630	2,736,187	-	(1,519,182)	117,723,635
Cumulative Effect of Change in Accounting Principle	(1,711,803)	-	-	-	(1,711,803)
Ending Net Position	<u>\$ 117,657,940</u>	<u>\$ 3,254,908</u>	<u>\$ -</u>	<u>\$ (1,519,182)</u>	<u>\$ 119,393,666</u>
<b>Statement of Cash Flows</b>					
Net Cash from Operating Activities	\$ 11,514,724	(52,678)	\$ -	\$ -	\$ 11,462,046
Net Cash from Capital and Related Financing Activities	(5,453,199)	-	-	-	(5,453,199)
	23,388	(23,388)	3,169,863	(3,169,863)	-
Net Cash from Investing Activities	(155,663)	(153)	(3,169,863)	3,169,863	(155,816)
Beginning Cash and Equivalents	13,651,850	378,950	-	-	14,030,800
Ending Cash & Equivalents	<u>\$ 19,581,100</u>	<u>\$ 302,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,883,831</u>

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**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, 2018**

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

**G) Cash and Cash Equivalents**

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

**H) Investments**

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

**I) Deferred Outflows/Inflows of Resources**

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

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

**J) Compensated Absences**

The District has a policy whereby an employee can accumulate unused sick leave and vacation. Sick leave is to be used for extended periods of sickness; however, upon termination or retirement, a portion will be paid as additional benefits to the employee. At retirement or termination, employees who have accumulated over ten years of service will be paid between 50 to 70% of their unused sick leave (based upon their balance of unused sick leave) at their regular payroll rates in effect at the date of termination. Also, employees can cash out up to 300 hours of unused sick time, per calendar year, provided that a minimum of 160 hours is retained after said cashout. 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, 2018**

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

**K) Classification of Revenue**

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

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

**L) Use of Restricted Resources**

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

**M) Use of Estimates**

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

**N) Pension**

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

**O) Postemployment Benefits Other Than Pensions (OPEB)**

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

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

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

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

**P) Future Accounting Pronouncements**

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

Table 1-2

<b>GASB Statement</b>	<b>Description</b>	<b>Effective Date</b>
Statement No. 83	Certain Asset Retirement Obligations	The provisions in Statement 83 are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
Statement No. 84	Fiduciary Activities	The provisions in Statement 84 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement No. 87	Leases	The provisions in Statement 87 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
Statement No. 88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	The provisions in Statement 88 are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
Statement No. 90	Majority Equity Interests - an ammendment of GASB Statements No. 14 and No. 61	The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2018-19.

**2) CASH AND INVESTMENTS**

Cash and Investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Table 2-1

Cash and Cash Equivalents	\$ 13,095,699
Restricted Cash and Cash Equivalents	6,788,132
Investments	5,350,547
Total	<u>\$ 25,234,378</u>

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**2) CASH AND INVESTMENTS - Continued**

Cash and investments as of June 30, 2018 consist of the following:

Table 2-2

Cash on Hand	\$	5,250
Deposits with Financial Institutions		2,788,849
Money Market Accounts with Financial Institutions		184,065
Investments with Local Agency Investment Fund		16,905,667
Investment in Debt Securities		5,350,547
Total		\$ 25,234,378

**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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Authorized Limit</b>	<b>Required Rating</b>
Bonds and Certificates of Participation by EVWD	5 years	None	None
U.S. Treasury Bills, Notes, or Bonds	5 years	None	None
State Registered Warrants, Notes, or Bonds	5 years	20%	AA
Notes and Bonds of other Local California Agencies	5 years	None	None
U.S. Agencies	5 years	None	None
Negotiable Certificates of Deposits	5 years	30%	None
Money Market Mutual Funds and Mutual Funds	N/A	15%	2 - AAA
Collateralized Bank Deposits	5 years	None	None
Commerical Paper	270 days	15%	A
Placement Service Deposit	3 years	25%	None
Medium Term Notes	5 years	30%	AA
Local Agency Investment Fund (LAIF)	N/A	None	None

At June 30, 2018, the District had no investments in repurchase agreements and did not utilize this investment media during the reporting year. As a matter of investment policy, the District does not borrow funds through the use of reverse repurchase agreements.

**Disclosures Relating to Interest Rate Risk**

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

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**2) CASH AND INVESTMENTS – Continued**

As of June 30, 2018, the District had the following investments and maturities:

Table 2-4

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Fannie Mae	\$ 1,166,513	3.01 years
Freddie Mac	1,756,285	2.78 years
Federal Home Loan Bank	789,832	2.98 years
US Treasury	1,251,928	3.25 years
Tenn Valley Authority	385,989	2.46 years
LAIF	16,905,667	N/A
Money Market Mutual Funds	183,912	N/A
Total Fair Value	<u>\$ 22,440,126</u>	

**Disclosures Relating to Credit Risk**

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

Table 2-5

<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>End AAA</u>	<u>Not Rated</u>
Fannie Mae	\$ 1,166,513	N/A	\$ -	\$ 1,166,513	\$ -
Freddie Mac	1,756,285	N/A	-	1,756,285	-
Federal Home Loan Bank	789,832	N/A	-	789,832	-
US Treasury	1,251,928	N/A	1,251,928	-	-
Tenn Valley Authority	385,989	N/A	-	385,989	-
LAIF	16,905,667	N/A	-	-	16,905,667
Money Market Mutual Funds	183,912	N/A	-	183,912	-
	<u>\$22,440,126</u>		<u>\$ 1,251,928</u>	<u>\$ 4,282,531</u>	<u>\$16,905,667</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, 2018**

**2) CASH AND INVESTMENTS – Continued**

The District has the following recurring fair value measurements as of June 30, 2018:

Table 2-6  
**Fair Value Measurements Using**

<b>Investments by Fair Value Level</b>	<b>Quoted Prices</b>			<b>Total</b>
	<b>in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
<b>Debt Securities</b>				
Fannie Mae	\$ -	\$ 1,166,513	\$ -	\$ 1,166,513
Freddie Mac	-	1,756,285	-	1,756,285
Federal Home Loan Bank	-	789,832	-	789,832
US Treasury	1,251,928	-	-	1,251,928
Tenn Valley Authority	-	385,989	-	385,989
Total Investments Measured at Fair Value	\$ 1,251,928	\$ 4,098,619	\$ -	\$ 5,350,547
<b>Investments Measured at Amortized Cost</b>				
LAIF				16,905,667
Money Market Mutual Funds				183,912
Total Investments				\$ 22,440,126

**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, 2018, 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 public deposits. The District may waive collateral requirements for deposits which are fully insured by Federal depository insurance.

As of June 30, 2018, the District had \$2,549,634 deposited with financial institutions that were in excess of federal depository insurance limits. The federal deposit insurance limit is \$250,000.



**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**2) CASH AND INVESTMENTS – Continued**

**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, 2018, the carrying amount (at amortized cost) of the pool was \$88,813,999,646 and the estimated fair value of the pool was \$88,798,232,977. The District's proportionate share of the fair value (as determined by LAIF) as of June 30, 2018, was \$16,905,667. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

**3) RESTRICTED CASH AND CASH EQUIVALENTS**

Restricted cash and cash equivalents at June 30, 2018 are restricted as follows:

Table 3-1

Held for Debt Service	\$	1,632,920
Capacity Fees from Developers		3,154,063
Customer Deposits		1,588,918
Construction Advances		109,500
North Fork Water Company		302,731
Total		\$ 6,788,132

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**4) CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

Table 4-1

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>End of Year</u>
<b>Water Fund</b>					
<b>Non-Depreciable Assets</b>					
Land and Easements	\$ 10,155,925	\$ -	\$ (22,332)	\$ -	\$ 10,133,593
Water Rights	738,835	-	(6,000)	-	732,835
Construction in Progress	7,282,934	1,401,877	(5,892,607)	-	2,792,204
Total Non-Depreciable Assets	<u>18,177,694</u>	<u>1,401,877</u>	<u>(5,920,939)</u>	<u>-</u>	<u>13,658,632</u>
<b>Depreciable Assets</b>					
Source of Supply	16,590,849	1,888,982	-	-	18,479,831
Pumping Plant	14,384,825	91,965	-	(119,140)	14,357,650
Treatment Plant	25,029,543	2,786,269	(9,919)	25,908	27,831,801
Transmission and Distribution Plant	98,379,359	577,486	(305,021)	119,140	98,770,964
General Plant	17,326,329	1,036,004	(47,326)	(25,908)	18,289,099
Total Depreciable Assets	<u>171,710,905</u>	<u>6,380,706</u>	<u>(362,266)</u>	<u>-</u>	<u>177,729,345</u>
<b>Accumulated Depreciation</b>					
Source of Supply	(5,920,313)	(569,626)	-	-	(6,489,939)
Pumping Plant	(5,611,980)	(578,322)	-	-	(6,190,302)
Treatment Plant	(8,668,947)	(1,225,972)	9,919	-	(9,885,000)
Transmission and Distribution Plant	(35,614,215)	(2,824,535)	305,021	-	(38,133,729)
General Plant	(4,326,392)	(836,840)	47,326	-	(5,115,906)
Total Accumulated Depreciation	<u>(60,141,847)</u>	<u>(6,035,295)</u>	<u>362,266</u>	<u>-</u>	<u>(65,814,876)</u>
<b>Water Fund Capital Assets, Net</b>	<u>129,746,752</u>	<u>1,747,288</u>	<u>(5,920,939)</u>	<u>-</u>	<u>125,573,101</u>
<b>Wastewater Fund</b>					
<b>Non-Depreciable Assets</b>					
Land and Easements	713,940	-	-	-	713,940
Construction in Progress	9,052,991	1,166,606	(325,247)	-	9,894,350
Total Non-Depreciable Assets	<u>9,766,931</u>	<u>1,166,606</u>	<u>(325,247)</u>	<u>-</u>	<u>10,608,290</u>
<b>Depreciable Assets</b>					
Wastewater Collection Plant	27,047,561	47,354	(291,057)	-	26,803,858
General Plant	9,246,154	112,122	(47,326)	-	9,310,950
Total Depreciable Assets	<u>36,293,715</u>	<u>159,476</u>	<u>(338,383)</u>	<u>-</u>	<u>36,114,808</u>
<b>Accumulated Depreciation</b>					
Wastewater Collection Plant	(13,787,891)	(637,150)	291,057	-	(14,133,984)
General Plant	(2,802,971)	(333,101)	47,326	-	(3,088,746)
Total Accumulated Depreciation	<u>(16,590,862)</u>	<u>(970,251)</u>	<u>338,383</u>	<u>-</u>	<u>(17,222,730)</u>
<b>Wastewater Fund Capital Assets, Net</b>	<u>29,469,784</u>	<u>355,831</u>	<u>(325,247)</u>	<u>-</u>	<u>29,500,368</u>
<b>Total Capital Assets, Net</b>	<u>\$ 159,216,536</u>	<u>\$ 2,103,119</u>	<u>\$ (6,246,186)</u>	<u>\$ -</u>	<u>\$ 155,073,469</u>

In 2017-18, the District implemented GASB No. 89 which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there is no capitalized interest for the year ended June 30, 2018.

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**5) LONG-TERM DEBT**

The schedule below summarizes changes in long-term debt during the year ended June 30, 2018:

Table 5-1

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Payments</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long-Term Portion</b>
2010 Refunding Bonds	\$ 26,150,000	\$ -	\$ (1,435,000)	\$24,715,000	\$1,500,000	\$23,215,000
Unamortized Premium	1,668,061	-	(80,741)	1,587,320	80,741	1,506,579
2013 Refunding Bonds	12,085,000	-	-	12,085,000	-	12,085,000
Unamortized Premium	553,946	-	(20,300)	533,646	20,300	513,346
Unamortized Discount	(35,133)	-	1,353	(33,780)	(1,353)	(32,427)
U.S. Bank Lease Purchase	2,910,550	-	(388,244)	2,522,306	397,090	2,125,216
SBVMWD Loan	4,367,927	-	(497,925)	3,870,002	436,793	3,433,209
Dept Water Resources Contracts						
AVAD Construction	91,288	-	(6,762)	84,526	6,762	77,764
Plant 134 Construction	6,535,166	-	(233,399)	6,301,767	233,399	6,068,368
Plant 150 Design	30,000	-	(20,000)	10,000	10,000	-
EFAD Construction	338,418	-	(13,016)	325,402	13,016	312,386
Total	<u>\$ 54,695,223</u>	<u>\$ -</u>	<u>\$ (2,694,034)</u>	<u>\$52,001,189</u>	<u>\$2,696,748</u>	<u>\$49,304,441</u>

**2010 Refunding Revenue Bonds**

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

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

The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of \$259,548. This difference is included in the accompanying financial statements as a Deferred Outflows of Resources and is being charged to operations through the year 2024 using the straight-line method of amortization.

**2013 Revenue Bonds**

On June 19, 2013 the District issued \$12,085,000 of East Valley Water District Financing Authority Revenue Bonds, Series 2013 (2013 Bonds), with interest rates ranging from 4.00% to 5.00%. The purpose for issuing the 2013 Bonds was to provide financing for water and wastewater capital improvements, primarily construction of a new administration and operations headquarters complex.

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**5) LONG-TERM DEBT - Continued**

**US Bank Lease Purchase**

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

**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 1.90% at June 30, 2018. Debt service payments are to be made annually on February 1<sup>st</sup> over ten years.

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

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

**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.

**Department of Water Resources Contract 10PX102 - Plant 150 Design**

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

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**5) LONG-TERM DEBT - Continued**

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

On June 15, 2011 the District entered into a Funding Agreement for replacement of distribution pipelines in the section of the District's service area formerly serviced by the Eastwood Farms Water Users Association. The amount of the loan is \$390,482 with an annual interest rate of 0%. Semi-annual payments of \$6,508 are due for 30 years through January 2043. Repayment of the loan is secured by annual assessments to property owners within the Eastwood Farms Assessment District. The aggregate debt service requirements to maturity for long-term debt as of June 30, 2018 are as follows (excludes unamortized premiums/discounts):

Table 5-2

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 2,597,060	\$ 1,758,768	\$ 4,355,828
2020	2,676,104	1,667,848	4,343,952
2021	2,755,349	1,581,212	4,336,561
2022	2,249,802	1,510,628	3,760,430
2023	2,309,466	1,448,566	3,758,032
2024-2028	8,811,295	6,360,094	15,171,389
2029-2033	6,963,981	5,182,511	12,146,492
2034-2038	8,370,075	3,769,504	12,139,579
2039-2043	10,359,076	1,774,993	12,134,069
2044-2048	2,821,793	58,875	2,880,668
Total	<u>\$ 49,914,001</u>	<u>\$ 25,112,999</u>	<u>\$ 75,027,000</u>

Security for debt is as follows:

Table 5-3

<b>Debt</b>	<b>Security</b>
2010 and 2013 Refunding Revenue Bonds and Department of Water Resources Construction Loans	The District is required to maintain net revenues, as defined by the revenue bond trust agreements and State of California Department of Public Health Funding agreements of at least 120% of District's annual debt service (principal and interest). At June 30, 2018, net water revenues represented 289% of the annual water debt service and net wastewater revenues represented 301% of the annual wastewater debt service.

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**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	\$ 326,121	\$ 527,015	\$(361,999)	\$ 491,137	\$ 261,535	\$ 229,602
Accrued Sick Leave	395,792	538,187	(472,870)	461,109	158,178	302,931
Total	<u>\$ 721,913</u>	<u>\$ 1,065,202</u>	<u>\$(834,869)</u>	<u>\$ 952,246</u>	<u>\$ 419,713</u>	<u>\$ 532,533</u>

**7) NET INVESTMENT IN CAPITAL ASSETS**

Net Investment in capital assets at June 30, 2018 consisted of the following:

Table 7-1

Non-Depreciable Capital Assets	\$ 24,266,922
Depreciable Capital Assets	213,844,151
Accumulated Depreciation	(83,037,606)
Loans Payable	(13,114,000)
Bonds Payable	(38,887,187)
Deferred Amount on Refunding	138,482
Total	<u>\$ 103,210,763</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 District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and East Valley Water District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**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 Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

Table 8-1

<u>Hire Date</u>	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit Formula	2.7% @55	2.0% @62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8.0%	6.5%
Required Employer Contribution Rates	11.388%	6.625%

**Contributions**

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

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plans were as follows:

Table 8-2

	<u>Miscellaneous</u>
Contributions - Employer	\$ 1,035,102

**EAST VALLEY WATER DISTRICT  
Notes to the Basic Financial Statements  
Year Ended June 30, 2018**

**8) DEFINED BENEFIT PENSION PLAN (PERS) - Continued**

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

Table 8-3

	<b>Proportionate Share of Net Pension Liability</b>
Miscellaneous	\$ 11,601,798

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

Table 8-4

	<b>Miscellaneous</b>	
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
Proportion - June 30, 2016	0.115851%	0.000025%
Proportion - June 30, 2017	0.116986%	0.000025%
Change - Increase (Decrease)	0.001135%	0.000000%



**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued**

For the year ended June 30, 2018, the District recognized pension expense of \$2,047,900. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Table 8-5

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 14,154	\$ 202,775
Changes in Assumptions	1,756,119	133,906
Net differences between projected and actual earnings on plan investments	397,162	-
Change in employer's proportion	449,267	-
Difference between the employer's contributions and the employer's proportionate share of contributions	-	225,614
Pension contributions subsequent to measurement date	1,579,265	-
Total	\$ 4,195,967	\$ 562,295

\$1,579,265 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, 2019. 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

<b>Year June 30,</b>	<b>Amount</b>
2018	\$ 492,900
2019	1,106,631
2020	672,928
2021	(218,052)
2022	-
Thereafter	-

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued**

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Table 8-7

	<b>Miscellaneous</b>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	2.75% (1)
Investment Rate of Return	7.00% (2)

(1) Depending on age; service and type of employment

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate**

The discount rate used to measure the total pension liability was changed from 7.65% to 7.15% due to a decrease in the long-term expected rate of return. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued**

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

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

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

Table 8-8

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11 + (b)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) expected inflation of 3.0% used for this period

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

The following presents East Valley Water District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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 1-percentage point lower or 1-percentage point higher than the current rate:

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**8) DEFINED BENEFIT PENSION PLAN (PERS) – Continued**

Table 8-9

		<b>Miscellaneous</b>
1% Decrease		6.15%
Net Pension Liability	\$	6,807,515
Current Discount Rate		7.15%
Net Pension Liability	\$	11,601,798
1% Increase		8.15%
Net Pension Liability	\$	17,390,470

**D) Pension Plan Fiduciary Net Position**

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

**E) Payable to the Pension Plan**

At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**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, 2018, 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, 2018**

**10) RISK MANAGEMENT - Continued**

At June 30, 2018, the District's participation in the self-insurance programs of the Authority was as follows:

Table 10-1

<u>Description</u>		<u>Limits</u>	<u>Deductible</u>
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 Employment Practices Liability	\$ 10,000,000	Per wrongful act / annual member aggregate	None
	\$ 10,000,000	Per wrongful employment practice / aggregate limits per member included with Public Officials and Employee Errors and	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	\$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

**11) CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

The beginning net position of the financial statements has been decreased \$1,711,803 to recognize the beginning balance of the net OPEB liability of \$1,930,527 and deferred outflows of resources of \$218,724 resulting from the implementation of GASB Statement No. 75. The beginning net position was not restated for the effect of deferred inflows of resources as the amount was not practical to determine.

The partial comparative information presented for the fiscal year ended June 30, 2017 was not restated. GASB statement No. 75 requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition date only if it is practical.

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**12) 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, 2018, the District's total liability for post-employment healthcare benefits and details of the plan are explained below:

Table 12-1

<b>OPEB Plan</b>	<b>Net OPEB Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>OPEB Expense</b>
Retiree Benefits Plan	\$ 1,932,370	\$ 193,763	\$ 1,224	\$ 221,791

**Plan Description and Eligibility**

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

Membership in the health benefit plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Table 12-2

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

**Funding Policy**

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

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

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

**12) POST EMPLOYMENT HEALTHCARE BENEFITS - Continued**

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

The District's funding policy is to contribute the Annual Determined Contribution (ADC) to their account within the CERBT. For fiscal year ended June 30, 2017, the District paid \$218,724 to the plan including the implicit rate subsidy. The District contributed \$193,763 including the implicit rate subsidy for retiree health benefits to the Trust during the fiscal year ended June 30, 2018.

**Net OPEB Liability**

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

Table 12-3

	<b>Balance June 30, 2018</b>
Total OPEB Liability	\$ 2,537,882
Plan Fiduciary Net Position	(605,512)
District's Net OPEB Liability (Asset)	1,932,370

**Investments**

As described above, at June 30, 2018, all Plan investments are held in the CERBT through CalPERS.

**Actuarial Methods and Assumptions**

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

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

Table 12-4

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

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

**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**12) 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, 2017 are shown herein:

Table 12-5

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

The discount rate used to measure the total OPEB liability was 6.50 percent. The discount rate assumes the District continues to fully fund for its retiree health benefits through the CERBT under its investment allocation strategy 1. The rate reflects the CERBT published median interest rate for strategy 2 of 6.73 percent with an additional margin for adverse deviation.

**Changes in the Net OPEB Liability**

Table 12-6

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2017	\$ 2,449,423	\$ 518,896	\$ 1,930,527
Changes for the year:			
Service Cost	97,138	-	97,138
Interest	160,045	-	160,045
Employer Contributions	-	218,724	(218,724)
Net Investment Income	-	36,877	(36,877)
Benefit Payments	(168,724)	(168,724)	-
Administrative Expenses	-	(261)	261
Net Changes	88,459	86,616	1,843
Balances at June 30, 2018	\$ 2,537,882	\$ 605,512	\$ 1,932,370



**EAST VALLEY WATER DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2018**

**12) POST EMPLOYMENT HEALTHCARE BENEFITS - Continued**

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

Table 12-7

<b>Discount Rate</b>	<b>Net OPEB Liability (Asset)</b>
1% Decrease (5.50%)	\$ 2,204,444
Current Discount Rate (6.50%)	\$ 1,932,370
1% Increase (7.50%)	\$ 1,699,799

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

Table 12-8

<b>Healthcare Trend Rate</b>	<b>Net OPEB Liability (Asset)</b>
1% Decrease (5.00% - 5.50% decreasing to 4.00% - 4.50%)	\$ 1,661,542
Current Healthcare Trend Rate (6.00% - 6.50%)	\$ 1,932,370
1% Increase (7.00% - 7.50% decreasing to 6.00% - 6.50%)	\$ 2,250,812

**OPEB Expense**

For the year ended June 30, 2018, the District recognized OPEB expense of \$221,791 and recorded deferred outflows of resources of \$193,763 for contributions made during fiscal year 2018 after the measurement date. The deferred outflows will be recognized in OPEB expense for the period ending June 30, 2019.

The District recorded \$1,224 of deferred inflows of resources resulting from the differences between projected and actual earnings on OPEB plan investments for the period ending June 30, 2017. The deferred inflows of resources will be amortized and recognized in OPEB expense over three remaining periods ending June 30, 2021.

**13) CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

On June 26, 2018 the District entered into a Funding Agreement with the State Water Resources Control Board (SWRCB) to finance the cost associated with the planning, design, and construction of the "Sterling Natural Resource Center" capital project. The agreement includes a loan for \$119,257,875 at 1.8% interest rate and a Prop 1 grant for \$6,742,125 for a total of \$126,000,000. Resolution 2018.15 was passed on September 19, 2018 to increase the SWRCB Funding Agreement to \$132 million.

As of June 30, 2018, no activity related to the loan or grant has been recorded on the accompanying statement of net position.

**EAST VALLEY WATER DISTRICT  
Notes to the Basic Financial Statements  
Year Ended June 30, 2018**

**13) CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS - Continued**

The District has one significant active construction project commitment as of June 30, 2018. The contract is related to the consulting firm the District hired to furnish certain professional architectural and engineering services for the Recycled Water Facility.

Table 13-1

<b>Contractual Commitments</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Project Management for the Wastewater Treatment Plant	\$ 340,958	\$ 609,042

**14) SPECIAL ITEMS – HAZARD MITIGATION**

In 2010 the District experienced flooding which resulted in the realignment of City Creek, consequently leaving a manhole exposed north of the flow of City Creek in the middle of the creek bed. The original manhole was designed and constructed to exist below ground, with the manhole exposed, it put the wastewater collection system at risk of contaminating the creek. The District consulted with several engineering firms to evaluate and provide a permanent solution to this hazardous risk to the creek and public health.

In February 2017, the District received a recommendation to fill the exposed manhole with concrete and abandon access to the sewer main located in the creek bed for a total project cost of \$155,177.

Since the manhole was sealed and abandoned the cost incurred will no longer result in a Capital Asset and have therefore been written off on the accompanying Statement of Revenues, Expenses, and Change in Net Position as a Special Item.



*required supplementary information*

**East Valley Water District  
Schedule of Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2018  
Last Ten Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	0.11699%	0.11585%	0.11551%	0.10632%
Proportionate Share of the Net Pension Liability	\$ 11,601,798	\$ 10,024,712	\$ 7,928,173	\$ 6,615,935
Covered Payroll	\$ 4,489,575	\$ 5,097,156	\$ 4,715,712	\$ 4,436,236
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	258.42%	196.67%	168.12%	149.13%
Plan's Fiduciary Net Position	\$ 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	71.37%	74.06%	78.40%	79.82%

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

**Schedule of Proportionate Share of the Net Pension Liability**

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

**East Valley Water District  
Schedule of Contributions  
Year Ended June 30, 2018  
Last Ten Years\***

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

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

**Schedule of Contributions**

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

**East Valley Water District  
Schedule of Changes in the Net OPEB Liability  
Year Ended June 30, 2018**

<b>Total OPEB Liability</b>	<b>2018</b>
Service Cost	\$ 97,138
Interest	160,045
Benefit Payments	(168,724)
Net Change in Total OPEB Liability	88,459
Total OPEB Liability - Beginning	2,449,423
Total OPEB Liability - Ending (a)	\$ 2,537,882
<b>Plan Fiduciary Net Position</b>	
<b>Plan Fiduciary Net Position</b>	<b>2018</b>
Contributions - Employer	\$ 218,724
Net Investment Income	36,877
Benefit Payments	(168,724)
Administrative Expense	(261)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>86,616</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>518,896</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 605,512</b>
<b>Net OPEB Liability (Asset) - Ending (a) - (b)</b>	<b>\$ 1,932,370</b>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	23.86%
Covered-Employee Payroll	\$ 5,495,000
Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	35.17%

**Schedule of Changes in the Net OPEB Liability**

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

**East Valley Water District  
Schedule of OPEB Contributions  
Year Ended June 30, 2018**

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

**Schedule of OPEB Contributions**

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



*supplementary information*



**East Valley Water District  
History and Organization  
Year Ended June 30, 2018**

**Formation of the District**

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

**East Valley Water District Financing Authority**

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

**Nature of Business**

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

**Location**

The District office is located at 31111 Greenspot Road, Highland, California. The office is situated within the District's boundaries which encompass an area of approximately 27.7 square miles within the County of San Bernardino, California.

**Directors**

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

**Management**

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

**Professional Consultants**

The JC Law Firm serves as general counsel for the District. Additionally, the firms Filarsky & Watt LLP and Musick, Peeler & Garrett LLP served as special counsel for the District.

**East Valley Water District  
Combining Schedule of Net Position  
June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash & Cash Equivalents	\$ 10,454,272	\$ 2,641,427	\$ 13,095,699
Investments	3,497,834	1,852,713	5,350,547
Accounts Receivable, Net	4,264,963	276,401	4,541,364
Interest Receivable	68,979	20,570	89,549
Other Receivables	421,035	-	421,035
Due from Other Governments	16,145	-	16,145
Inventory	278,497	6,721	285,218
Prepaid Expenses	197,384	6,487	203,871
Total Current Assets	<u>19,199,109</u>	<u>4,804,319</u>	<u>24,003,428</u>
Non-Current Assets:			
Restricted Cash & Cash Equivalents	5,801,781	986,351	6,788,132
Assessments Receivable	355,731	-	355,731
Capital Assets not being Depreciated	13,658,632	10,608,290	24,266,922
Capital Assets, Net (Note 4)	111,914,469	18,892,078	130,806,547
Total Non-Current Assets	<u>131,730,613</u>	<u>30,486,719</u>	<u>162,217,332</u>
Total Assets	<u>150,929,722</u>	<u>35,291,038</u>	<u>186,220,760</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	120,546	-	120,546
Deferred Outflows - Pensions	3,180,743	1,015,224	4,195,967
Deferred Outflows - OPEB	135,634	58,129	193,763
Total Deferred Outflows	<u>3,436,923</u>	<u>1,073,353</u>	<u>4,510,276</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 154,366,645</u>	<u>\$ 36,364,391</u>	<u>\$ 190,731,036</u>

(Continued)

**East Valley Water District**  
**Combining Schedule of Net Position – Continued**  
**June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable & Accrued Expenses	\$ 1,491,470	\$ 116,599	\$ 1,608,069
Accrued Payroll & Benefits	384,293	99,437	483,730
Customer Service Deposits	1,588,918	-	1,588,918
Construction Advances and Retentions	106,000	3,500	109,500
Accrued Interest Payable	442,287	53,744	496,031
Current Portion of Compensated Absences	340,321	79,392	419,713
Current Portion of Long-Term Debt	2,578,790	117,958	2,696,748
Total Current Liabilities	<u>6,932,079</u>	<u>470,630</u>	<u>7,402,709</u>
Non-Current Liabilities:			
Compensated Absences, Less Current Portion	95,898	436,635	532,533
Net Pension Liability	8,923,235	2,678,563	11,601,798
Net OPEB Liability	1,352,659	579,711	1,932,370
Long-Term Debt, Less Current Portion	44,686,700	4,617,741	49,304,441
Total Non-Current Liabilities	<u>55,058,492</u>	<u>8,312,650</u>	<u>63,371,142</u>
Total Liabilities	<u>61,990,571</u>	<u>8,783,280</u>	<u>70,773,851</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pensions	435,155	127,140	562,295
Deferred Inflows - OPEB	857	367	1,224
Total Deferred Inflows	<u>436,012</u>	<u>127,507</u>	<u>563,519</u>
Total Liabilities and Deferred Inflows of Resources	<u>62,426,583</u>	<u>8,910,787</u>	<u>71,337,370</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	78,446,093	24,764,669	103,210,762
Restricted for:			-
Future Capital Expansion Projects	2,352,090	982,850	3,334,940
Unrestricted	11,141,879	1,706,085	12,847,964
Total Net Position	<u>\$ 91,940,062</u>	<u>\$ 27,453,604</u>	<u>\$ 119,393,666</u>

**East Valley Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Water Sales	\$ 17,063,891	\$ -	\$ 17,063,891
Wastewater Treatment Charges	-	8,697,671	8,697,671
System Charges	8,999,756	4,668,923	13,668,679
Other Revenue	808,386	52,498	860,884
Total Operating Revenue	<u>26,872,033</u>	<u>13,419,092</u>	<u>40,291,125</u>
<b>OPERATING EXPENSES</b>			
Source of Supply:			
Salary & Benefits	410,817	-	410,817
Contract Services	376,361	-	376,361
Utilities	1,206,701	-	1,206,701
Insurance	4,471	-	4,471
Materials & Supplies	42,615	-	42,615
Purchased Water	315,037	-	315,037
Water Assessments	118,312	-	118,312
Chemicals	91,715	-	91,715
Professional Development	265	-	265
Taxes	28,777	-	28,777
Total Source of Supply	<u>2,595,071</u>	<u>-</u>	<u>2,595,071</u>
Pumping:			
Salary & Benefits	127,484	-	127,484
Contract Services	67,793	-	67,793
Utilities	479,004	-	479,004
Materials & Supplies	9,015	-	9,015
Total Pumping	<u>683,296</u>	<u>-</u>	<u>683,296</u>
Water Treatment:			
Salary & Benefits	404,815	-	404,815
Contract Services	310,344	-	310,344
Utilities	128,769	-	128,769
Materials & Supplies	20,347	-	20,347
Chemicals	105,185	-	105,185
Total Water Treatment	<u>969,460</u>	<u>-</u>	<u>969,460</u>
Wastewater Treatment:			
Treatment Services	-	8,697,671	8,697,671
Transmission & Distribution:			
Salary & Benefits	1,809,787	-	1,809,787
Contract Services	432,801	-	432,801
Materials & Supplies	166,533	-	166,533
Chemicals	74,076	-	74,076
Permits	39,590	-	39,590
Tools	16,123	-	16,123
	-	-	-
Total Transmission & Distribution	<u>\$ 2,538,910</u>	<u>\$ -</u>	<u>\$ 2,538,910</u>

(Continued)

**East Valley Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position - Continued**  
**Year Ended June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>OPERATING EXPENSES - Continued</b>			
Wastewater Collection:			
Salary & Benefits	\$ -	\$ 478,009	\$ 478,009
Contract Services	-	225,315	225,315
Materials & Supplies	-	46,307	46,307
Tools	-	3,369	3,369
Total Wastewater Collection	<u>-</u>	<u>753,000</u>	<u>753,000</u>
Customer Accounts:			
Salary & Benefits	875,584	244,973	1,120,557
Contract Services	633,860	126,887	760,747
Utilities	4,289	1,580	5,869
Materials & Supplies	5,943	1,611	7,554
General Office Supplies	4,599	710	5,309
Tools	1,301	-	1,301
Printing & Publishing	2,641	1,132	3,773
Postage	89,043	38,161	127,204
Professional Development	5,938	2,345	8,283
Total Customer Accounts	<u>1,623,198</u>	<u>417,399</u>	<u>2,040,597</u>
General & Administrative:			
Salary & Benefits	4,610,620	1,958,361	6,568,981
Contract Services	1,271,679	514,211	1,785,890
Conservation Rebates	241,312	-	241,312
Utilities	239,930	48,884	288,814
Insurance	154,129	66,055	220,184
Materials & Supplies	201,159	92,976	294,135
General Office Supplies	12,310	13,035	25,345
Legal Services	667,751	141,773	809,524
Permits	74,135	14,205	88,340
Memberships & Dues	58,111	23,636	81,747
Tools	4,388	986	5,374
Printing & Publishing	60,202	28,525	88,727
Professional Development	116,833	41,916	158,749
Rents & Leases	11,967	5,129	17,096
Total General & Administrative	<u>7,724,526</u>	<u>2,949,692</u>	<u>10,674,218</u>
<b>OPERATING EXPENSES BEFORE DEPRECIATION</b>			
	16,134,461	12,817,762	28,952,223
Depreciation	6,057,626	970,250	7,027,876
Total Operating Expenses	<u>22,192,087</u>	<u>13,788,012</u>	<u>35,980,099</u>
<b>OPERATING INCOME (LOSS)</b>	\$ 4,679,946	\$ (368,920)	\$ 4,311,026

(Continued)

**East Valley Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position - Continued**  
**Year Ended June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>NON-OPERATING REVENUES</b>			
Investment Income	\$ 178,534	\$ 42,825	\$ 221,359
Other Income	245,462	13,098	258,560
Total Non-Operating Revenues	<u>423,996</u>	<u>55,923</u>	<u>479,919</u>
<b>NON-OPERATING EXPENSES</b>			
Interest Expense	<u>1,579,647</u>	<u>198,205</u>	<u>1,777,852</u>
Total Non-Operating Expenses	<u>1,579,647</u>	<u>198,205</u>	<u>1,777,852</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<u>3,524,295</u>	<u>(511,202)</u>	<u>3,013,093</u>
<b>CONTRIBUTIONS:</b>			
Capacity Charges	241,043	283,961	525,004
Contributed Plant	(1,086)	-	(1,086)
Capital Grants	-	-	-
Total Contributions	<u>239,957</u>	<u>283,961</u>	<u>523,918</u>
<b>SPECIAL ITEM:</b>			
Hazard Mitigation	<u>-</u>	<u>(155,177)</u>	<u>(155,177)</u>
<b>CHANGE IN NET POSITION</b>	<u>3,764,252</u>	<u>(382,418)</u>	<u>3,381,834</u>
<b>TOTAL NET POSITION, BEGINNING (AS PREVIOUSLY REPORTED)</b>	<u>89,374,072</u>	<u>28,349,563</u>	<u>117,723,635</u>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>(1,198,262)</u>	<u>(513,541)</u>	<u>(1,711,803)</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 91,940,062</u>	<u>\$ 27,453,604</u>	<u>\$ 119,393,666</u>

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**East Valley Water District  
Combining Schedule of Cash Flows  
Year Ended June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 26,781,992	\$ 13,400,142	\$ 40,182,134
Cash Payments for Employees Services	(7,928,726)	(2,167,213)	(10,095,939)
Cash Payments to Suppliers	(8,538,931)	(10,222,907)	(18,761,838)
Cash from Other Sources	124,590	13,099	137,689
<b>Net Cash Provided by Operating Activities</b>	<u>10,438,925</u>	<u>1,023,121</u>	<u>11,462,046</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Grant Funds Received	1,384,218	-	1,384,218
Contributed Capital	241,043	283,961	525,004
Principal Paid on Capital Debt	(2,499,349)	(95,000)	(2,594,349)
Interest Paid on Capital Debt	(1,533,954)	(217,350)	(1,751,304)
Acquisition of Capital Assets	(1,889,971)	(1,126,797)	(3,016,768)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(4,298,013)</u>	<u>(1,155,186)</u>	<u>(5,453,199)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received from Investments	175,411	66,345	241,756
Acquisition of Investment Securities	(698,676)	(689,785)	(1,388,461)
Proceeds from Sales of Investments	307,535	652,842	960,377
Loan Collections	30,512	-	30,512
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(185,218)</u>	<u>29,402</u>	<u>(155,816)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	5,955,694	(102,663)	5,853,031
<b>Cash and Equivalents, Beginning of Year</b>	10,300,359	3,730,441	14,030,800
<b>Cash and Equivalents, End of Year</b>	<u>\$ 16,256,053</u>	<u>\$ 3,627,778</u>	<u>\$ 19,883,831</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>			
Cash and Cash Equivalents	\$ 10,454,272	\$ 2,641,427	\$ 13,095,699
Restricted Cash and Cash Equivalents	5,801,781	986,351	6,788,132
<b>Total Cash and Cash Equivalents</b>	<u>\$ 16,256,053</u>	<u>\$ 3,627,778</u>	<u>\$ 19,883,831</u>

(Continued)



**East Valley Water District  
Combining Schedule of Cash Flows - Continued  
Year Ended June 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 4,679,946	\$ (368,920)	\$ 4,311,026
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	6,057,626	970,250	7,027,876
Other Income	245,462	13,098	258,560
Change in Assets and Liabilities:			
Customer Receivables	(3,353)	(18,949)	(22,302)
Other operating receivables	(126,871)	-	(126,871)
Inventory	22,463	-	22,463
Prepays	64,955	28,582	93,537
Deferred Outflow of Resources	(788,494)	(337,927)	(1,126,421)
Accounts Payable - Supplier	(724,996)	(110,481)	(835,477)
Salaries & Benefits Payable	104,889	15,843	120,732
Compensated absences	(148,170)	378,503	230,333
Net Pension Liability	1,103,960	473,126	1,577,086
Net OPEB Liability	54,357	553	54,910
Deferred Inflows of Resources	(16,161)	(15,967)	(32,128)
Customer Deposits	(81,528)	-	(81,528)
Developer Deposits	(5,160)	(4,590)	(9,750)
	<u>\$ 10,438,925</u>	<u>\$ 1,023,121</u>	<u>\$ 11,462,046</u>
<b>NON-CASH INVESTING, CAPITAL, AND NON-CAPITAL FINANCING ACTIVITIES:</b>			
Write-off of Abandoned Project Cost	\$ -	\$ (155,177)	\$ (155,177)
Fair Value Adjustments to Investments	(41,559)	(31,154)	(72,713)

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## STATISTICAL INFORMATION SECTION

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Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2018

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

Year ended June 30,

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Change In Net Position</b>					
Operating Revenue	\$ 24,535,251	\$ 24,427,059	\$ 25,205,990	\$ 28,652,017	\$ 31,513,194
Operating Expenses	22,867,601	24,015,104	24,368,478	24,664,829	24,859,076
Operating Income (Loss)	<u>1,667,650</u>	<u>411,955</u>	<u>837,512</u>	<u>3,987,188</u>	<u>6,654,118</u>
Non Operating Revenue					
(Expenses)					
Investment Income	235,826	61,192	87,589	84,094	55,310
Other Income	138,173	178,515	195,070	137,094	397,796
Interest Expense	(1,094,926)	(989,019)	(1,286,352)	(1,451,516)	(1,445,981)
Amortization	(37,956)	(36,061)	(32,851)	(35,284)	(69,038)
Loss on Disposal of Assets	(110,944)	(133,412)	(140,301)	-	-
	<u>(869,827)</u>	<u>(918,785)</u>	<u>(1,176,845)</u>	<u>(1,265,612)</u>	<u>(1,061,913)</u>
Special Item					
Abandoned Projects	-	-	-	-	-
Hazard Mitigation	-	-	-	-	-
Capital Contributions	1,737,025	101,233	778,049	3,562,822	832,515
Change in Net Position	2,534,848	(405,597)	438,716	6,284,398	6,424,720
Prior Period Adjustment	-	-	-	2,861,951	(537,099)
Cumulative Effect of Change in Accounting Principles	-	-	-	-	-
Net Position - Beginning	96,907,169	99,442,017	99,036,420	99,475,136	108,621,485
Net Position - Ending	<u>\$ 99,442,017</u>	<u>\$ 99,036,420</u>	<u>\$ 99,475,136</u>	<u>\$ 108,621,485</u>	<u>\$ 114,509,106</u>
<b>Net Position By Component</b>					
Invested in Capital Assets	\$ 93,342,590	\$ 93,380,410	\$ 95,251,762	\$ 96,919,789	\$ 95,258,164
Restricted	-	-	103,029	416,250	920,554
Unrestricted	6,099,427	5,656,010	4,120,345	11,285,446	18,330,388
	<u>\$ 99,442,017</u>	<u>\$ 99,036,420</u>	<u>\$ 99,475,136</u>	<u>\$ 108,621,485</u>	<u>\$ 114,509,106</u>

(Continued)

SOURCE: East Valley Water District - Finance Department

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

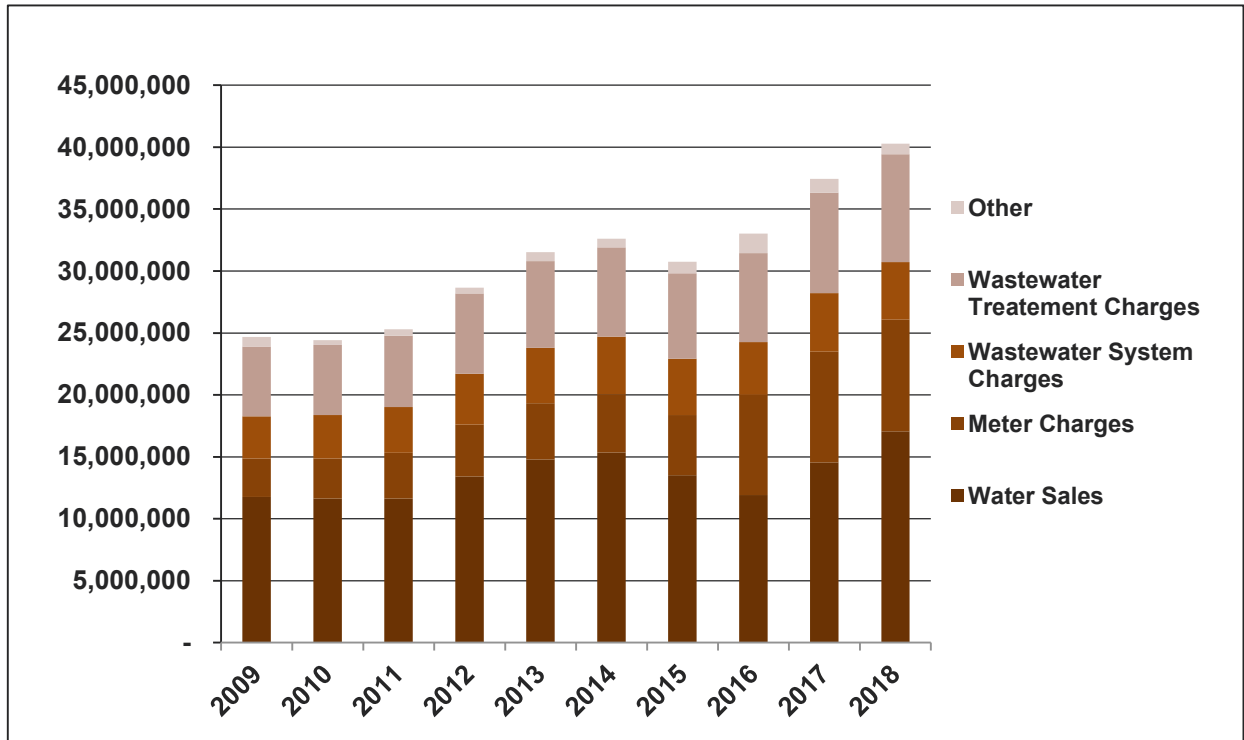
Year ended June 30,

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Change In Net Position</b>					
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)	-	-	-	-
Loss on Disposal of Assets	(606,085)	-	-	-	-
	<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>
<b>Net Position By Component</b>					
Invested 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>

SOURCE: East Valley Water District - Finance Department

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

<b>Year Ended June 30,</b>	<b>Water Sales</b>	<b>Meter Charges</b>	<b>Wastewater System Charges</b>	<b>Wastewater Treatment Charges</b>	<b>Other</b>	<b>Total Operating Revenue</b>
2009	11,767,683	3,096,902	3,407,900	5,631,258	763,245	24,666,988
2010	11,638,234	3,215,189	3,509,254	5,665,046	399,336	24,427,059
2011	11,625,249	3,695,345	3,708,815	5,761,956	500,831	25,292,196
2012	13,426,700	4,175,522	4,114,621	6,470,322	464,852	28,652,017
2013	14,780,448	4,555,414	4,473,032	6,998,487	705,813	31,513,194
2014	15,351,609	4,704,036	4,649,212	7,197,418	718,302	32,620,577
2015	13,505,159	4,874,581	4,531,355	6,907,828	924,522	30,743,445
2016	11,927,523	8,063,077	4,286,594	7,165,655	1,581,233	33,024,082
2017	14,556,339	8,944,652	4,703,439	8,128,030	1,116,089	37,448,549
2018	17,063,891	8,999,756	4,668,923	8,697,671	860,884	40,291,125

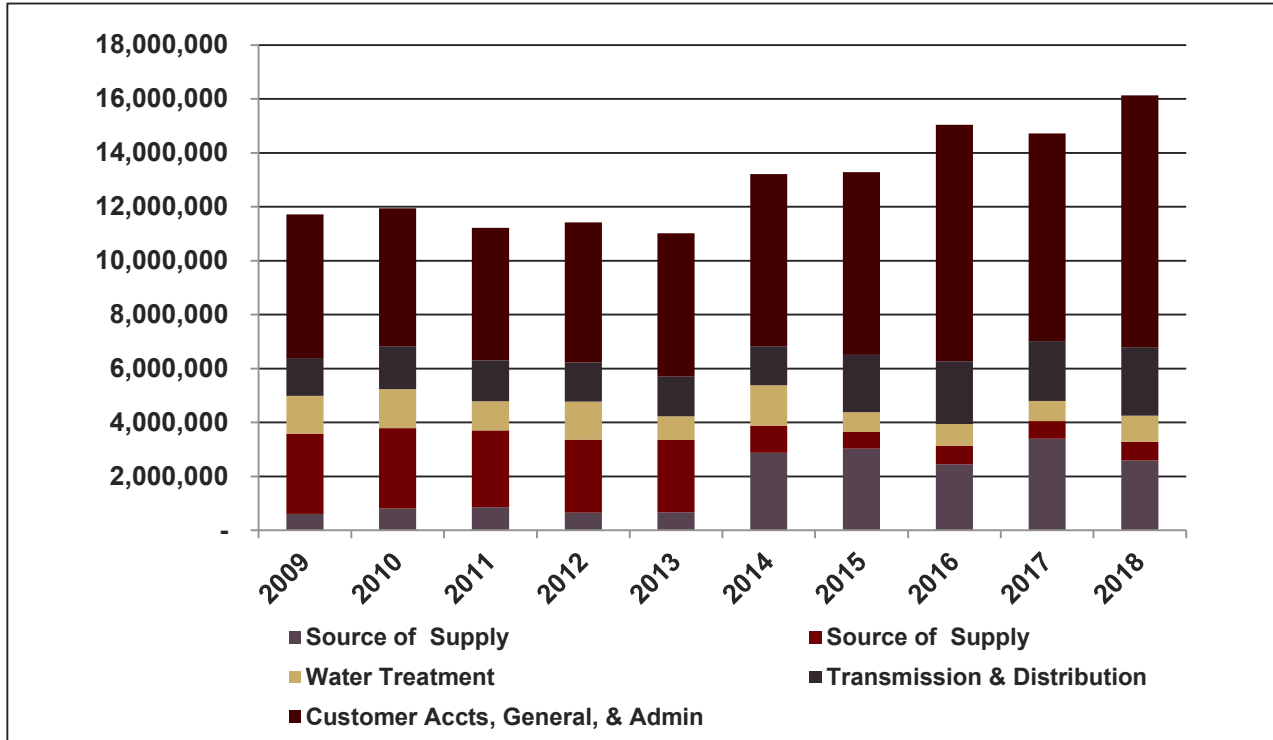


SOURCE: East Valley Water District - Finance Department



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

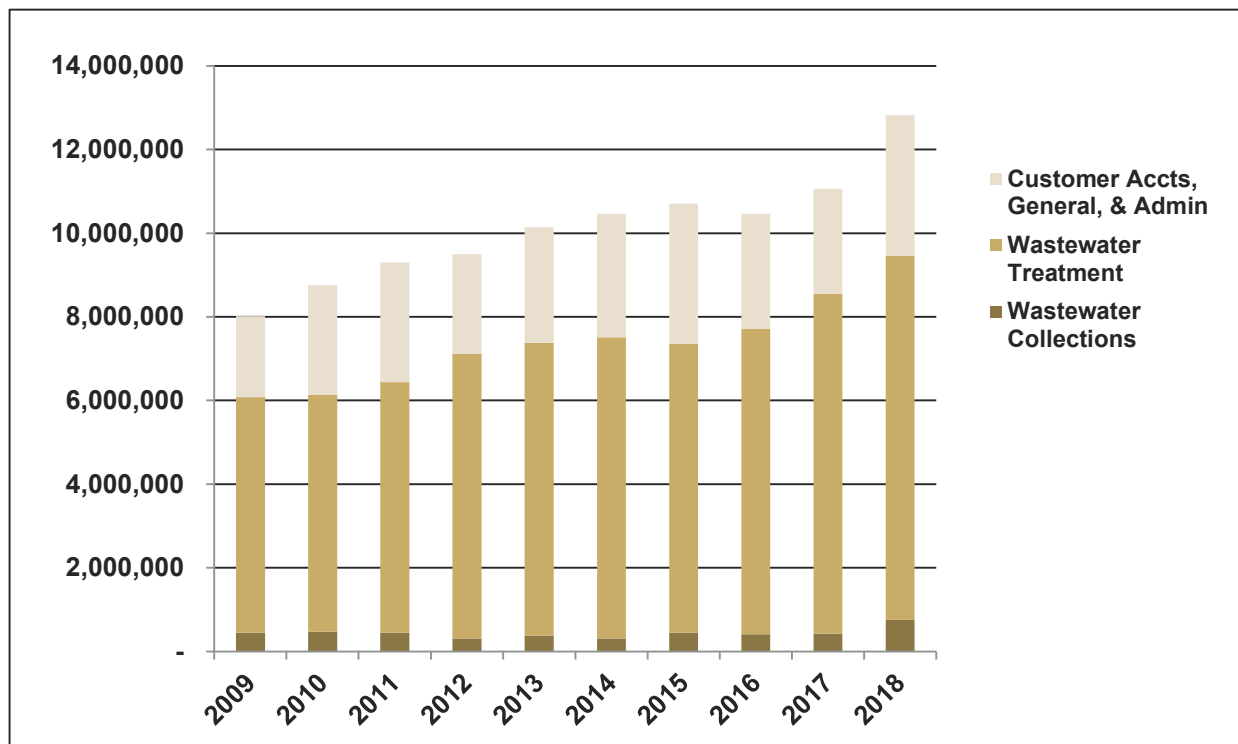
<b>Year Ended June 30,</b>	<b>Source of Supply</b>	<b>Pumping</b>	<b>Water Treatment</b>	<b>Transmission &amp; Distribution</b>	<b>Customer Accts, General, &amp; Admin</b>	<b>Total Water Oper Expenses</b>
2009	608,742	2,961,727	1,420,962	1,403,076	5,320,152	11,714,659
2010	815,349	2,971,681	1,453,365	1,586,237	5,112,974	11,939,606
2011	853,161	2,853,461	1,080,954	1,514,394	4,923,033	11,225,003
2012	658,481	2,700,867	1,412,079	1,449,491	5,203,981	11,424,899
2013	672,101	2,683,340	874,448	1,469,243	5,323,101	11,022,233
2014	2,875,518	992,555	1,516,412	1,437,831	6,397,534	13,219,850
2015	3,025,714	615,147	743,099	2,120,374	6,785,909	13,290,243
2016	2,442,061	696,432	799,947	2,327,185	8,782,957	15,048,582
2017	3,401,062	646,940	750,052	2,222,953	7,696,211	14,717,218
2018	2,595,071	683,296	969,460	2,538,910	9,347,724	16,134,461



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

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

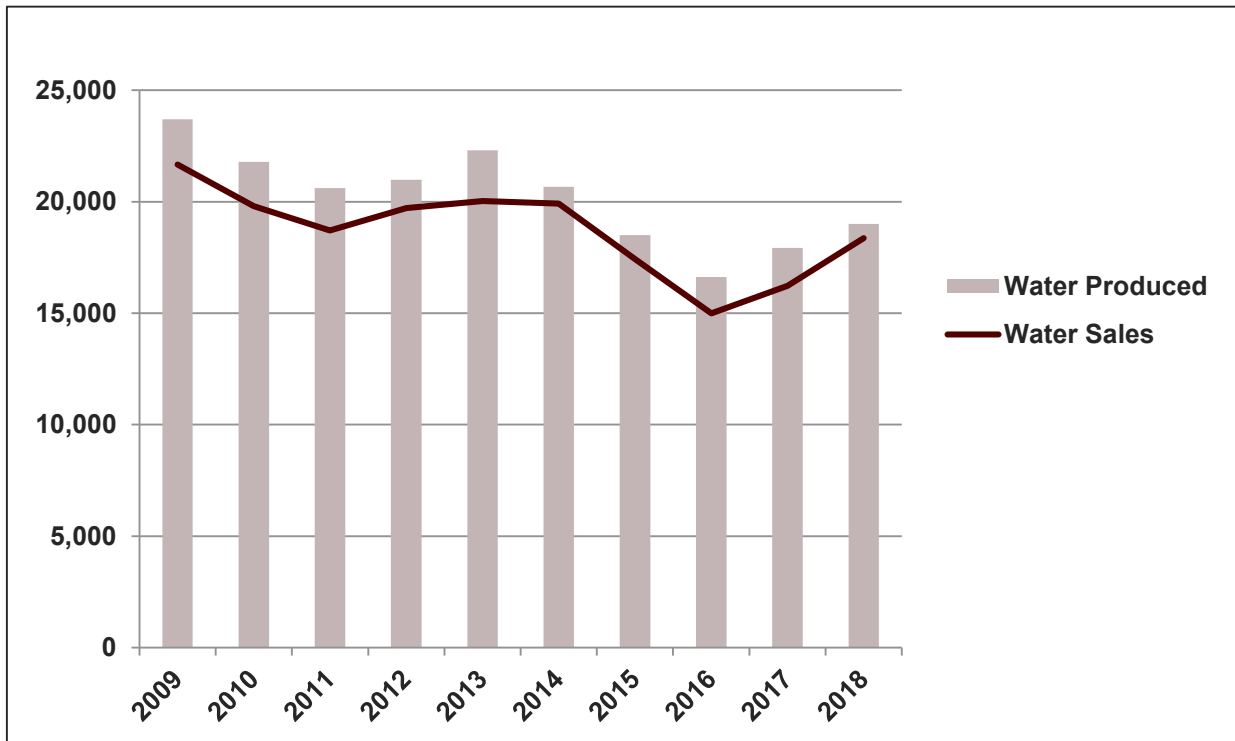
<u>Year Ended June 30,</u>	<u>Wastewater Collections</u>	<u>Wastewater Treatment</u>	<u>Customer Accts, General, &amp; Admin</u>	<u>Total Wastewater Oper Expenses</u>
2009	449,296	5,631,258	1,932,193	8,012,747
2010	474,244	5,665,046	2,621,931	8,761,221
2011	447,426	5,995,720	2,857,272	9,300,418
2012	310,834	6,800,369	2,389,631	9,500,834
2013	382,197	6,998,487	2,758,848	10,139,532
2014	312,193	7,197,418	2,953,997	10,463,608
2015	448,399	6,907,828	3,356,250	10,712,477
2016	407,913	7,302,389	2,752,779	10,463,081
2017	425,944	8,128,030	2,510,920	11,064,894
2018	753,000	8,697,671	3,367,091	12,817,762



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

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

<b>Year Ended June 30,</b>	<b>Water Sales (Acre Feet)</b>	<b>Water Produced (Acre Feet)</b>
2009	21,660	23,700
2010	19,803	21,792
2011	18,712	20,605
2012	19,708	20,982
2013	20,036	22,308
2014	19,910	20,665
2015	17,431	18,494
2016	14,999	16,614
2017	16,223	17,922
2018	18,361	18,997



SOURCES: East Valley Water District - Finance and Operations Departments

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

**Water Consumption Rates**

Year ended June 30,

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Charge per HCF</b>	\$ 1.35	\$ 1.35	\$ 1.49	\$ 1.62	\$ 1.77

**Water Monthly System Charges**

Year ended June 30,

<u>Meter Size (inches)</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
5/8	\$ 10.45	\$ 10.45	\$ 11.54	\$ 12.58	\$ 13.71
3/4	10.45	10.45	11.54	12.58	13.71
1	14.63	14.63	17.56	19.14	20.87
1 1/2	18.81	18.81	32.49	35.41	38.60
2	30.39	30.39	74.47	81.17	88.48
3	114.94	114.94	137.40	149.77	163.25
4	146.29	146.29	227.30	247.76	270.06
6	219.44	219.44	452.06	492.74	537.09
8	303.04	303.04	721.76	786.72	857.52

(Continued)

**NOTES:**

HCF = Hundred Cubic Feet = 748 gallons

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

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

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

**Water Consumption Rates**

Year ended June 30,

	<u>2014</u>	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Charge per HCF</b>	\$ 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

**NOTES:**

HCF = Hundred Cubic Feet = 748 gallons

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

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

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

**Wastewater Maintenance Charges**

Year ended June 30,

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Residential</b> (1 to 3 units)					
Flat Monthly Charge (per unit)	\$ 9.75	\$ 10.84	\$ 12.93	\$ 14.09	\$ 15.36
<b>Commercial</b>					
Flat Monthly Charge	-	-	3.28	3.58	3.90
plus, Charge per HCF	0.49	0.55	0.46	0.50	0.55

**Wastewater Treatment Charges**

Year ended June 30,

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Residential</b>					
Flat Monthly Charge					
Residential (1 unit)	\$ 15.25	\$ 15.25	\$ 16.00	\$ 18.50	\$ 18.50
Multi-Family (2 units)	15.25	15.25	16.00	37.00	37.00
Multi-Family (3 units)	15.25	15.25	16.00	55.50	55.50
<b>Commercial</b>					
Multi-family (4+ units)	2.00	2.00	2.00	2.40	2.40
Non-Residential	2.00	2.00	2.00	2.40	2.40
plus, Charge per HCF:					
Multi-family (4+ units)	0.87	0.87	0.95	1.25	1.25
Retail	1.79	1.79	1.90	2.10	2.10
Restaurants/Lounges	1.93	1.93	2.00	2.70	2.70
Laundromats	1.21	1.21	1.30	1.50	1.50
Dry Cleaners	1.79	1.79	1.90	2.10	2.10
Schools/Churches	0.65	0.65	0.70	1.10	1.10
Governments/Municipal	1.39	1.39	1.50	1.50	1.50
Convalescent Homes	0.88	0.88	0.95	1.35	1.35
Hotels	1.93	1.93	2.00	2.70	2.70
Ofc Bldgs/Motels	1.39	1.39	1.50	1.50	1.50
Auto Repair/Svc Stations	1.23	1.23	1.30	1.30	1.30
Car Wash	1.23	1.23	1.30	1.30	1.30

**NOTES:**

(Continued)

HCF = Hundred Cubic Feet = 748 gallons

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

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

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

**Wastewater Maintenance Charges**

Year ended June 30,

	<u>2014</u>	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Residential (1 to 3 units)</b>					
Flat Monthly Charge (per unit)	\$ 15.36	\$ 15.36	\$ 15.36	\$ 15.36	\$ 15.36
<b>Commercial</b>					
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*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Residential (Flat Monthly Charge)</b>					
Flat Monthly Charge					
Residential (1 unit)	\$ 18.50	\$ 18.50	\$ 19.18	\$ 20.85	\$ 21.55
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
<b>Commercial</b>					
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
Laundromats	1.50	1.50	1.63	1.77	1.83
Dry Cleaners	2.10	2.10	2.28	2.47	2.55
Schools/Churches	1.10	1.10	1.19	1.29	1.33
Governments/Municipal	1.50	1.50	1.63	1.77	1.83
Convalescent Homes	1.35	1.35	1.46	1.58	1.63
Hotels	2.70	2.70	2.93	3.18	3.28
Ofc Bldgs/Motels	1.50	1.50	1.63	1.77	1.83
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

**NOTES:**

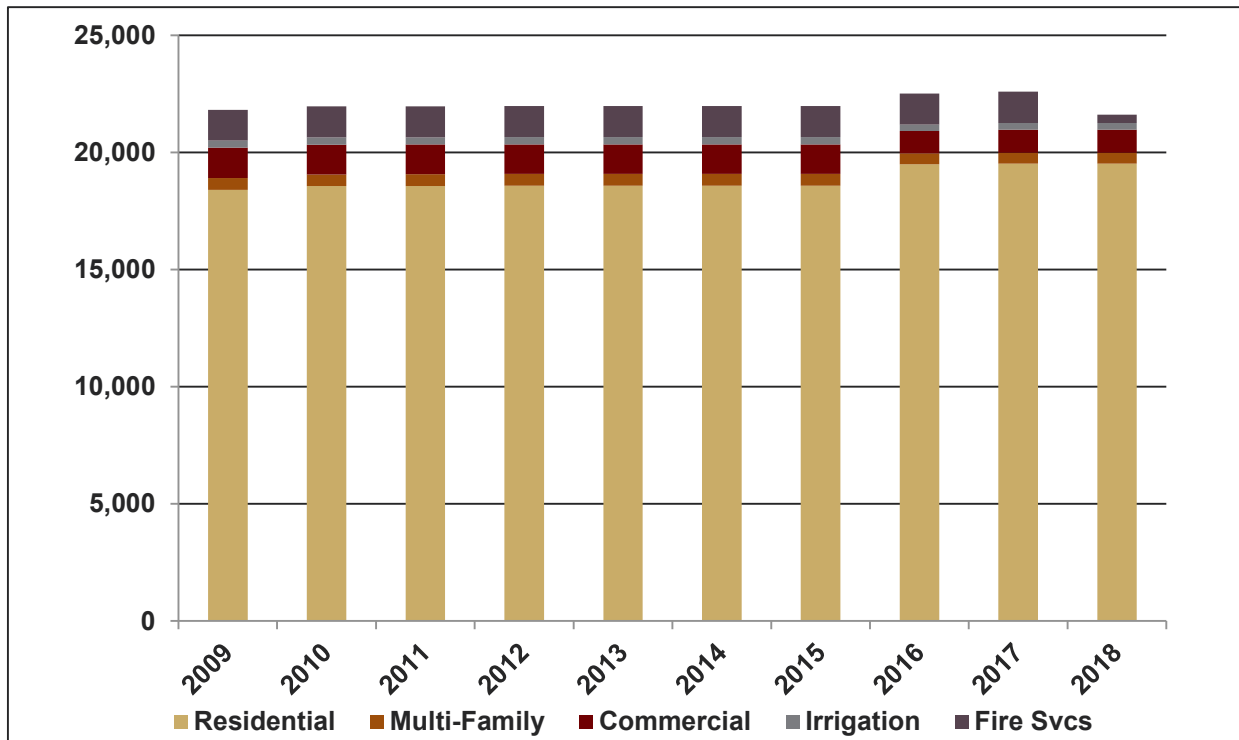
HCF = Hundred Cubic Feet = 748 gallons

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

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

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

<b>Year Ended June 30,</b>	<b>Residential (1 to 3 units)</b>	<b>Multi-Family (4+ units)</b>	<b>Commercial</b>	<b>Irrigation</b>	<b>Fire Svcs</b>	<b>Total Service</b>
2009	18,403	508	1,293	306	1,306	21,816
2010	18,562	496	1,277	310	1,324	21,969
2011	18,564	502	1,273	310	1,318	21,967
2012	18,584	497	1,268	313	1,321	21,983
2013	18,584	497	1,268	313	1,321	21,983
2014	18,584	497	1,268	313	1,321	21,983
2015	18,584	497	1,268	313	1,321	21,983
2016	19,500	463	949	275	1,330	22,517
2017	19,526	463	988	275	1,339	22,591
2018	19,526	463	988	275	361	21,613



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



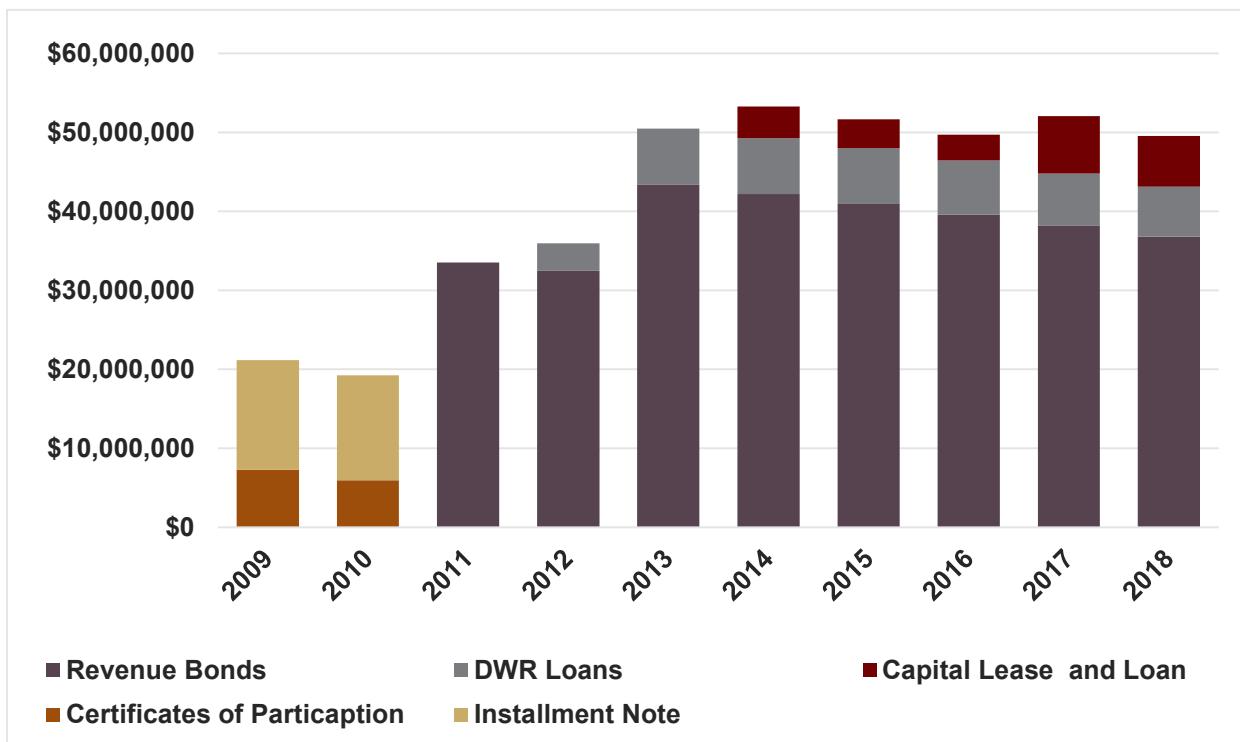
**EAST VALLEY WATER DISTRICT  
Principal Customers  
Current Fiscal Year and Nine Years Ago**

Customer	2018			2009		
	Water Consumed	Rank	Percentage of Total	Water Consumed	Rank	Percentage of Total
	(AF)		(%)	(AF)		(%)
San Bernardino City Unified School District	607	1	3.20%	636	1	2.68%
Patton State Hospital	388	2	2.04%	502	3	2.12%
City of Highland	377	3	1.98%	238	6	1.00%
San Manuel Mission Indians	300	4	1.58%	305	5	1.29%
San Manuel Indian Bingo & Casino	272	5	1.43%	416	4	1.76%
East Highlands Ranch	261	6	1.37%	588	2	2.48%
Village Lakes Homeowners Assoc	195	7	1.03%	156	8	0.66%
Stubblefield Mobile Home Parks & Offices	124	8	0.65%	222	7	0.94%
Lywood Owners Association	116	9	0.61%			
Tuscany Apartments	104	10	0.55%	130	10	0.55%
Valencia Lea Mobile Home Park				146	9	0.62%
<b>Total - Top 10</b>	<u>2,744</u>		<u>14.44%</u>	<u>3,339</u>		<u>14.10%</u>
<b>Total - District</b>	<u>18,997</u>		<u>100.00%</u>	<u>23,700</u>		<u>100.00%</u>

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

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

Fiscal Year	Revenue Bonds	DWR Loans	Capital Lease and Loan	Certificates of Participation	Installment Note	Outstanding Debt	\$ Per Capita	As a Share of Personal Income
2009	-	-	-	7,300,000	13,883,730	21,183,730	339	1.17%
2010	-	-	-	5,935,000	13,286,480	19,221,480	302	1.03%
2011	33,545,000	-	-	-	-	33,545,000	518	1.69%
2012	32,490,000	3,460,760	-	-	-	35,950,760	546	1.74%
2013	43,400,000	7,101,964	-	-	-	50,501,964	540	1.69%
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	*
2017	38,235,000	6,565,166	7,278,478	-	-	52,078,644	510	*
2018	36,800,000	6,311,767	6,453,441	-	-	49,565,208	486	*



**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 <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	\$15,510,043	\$11,714,619	\$3,795,424	\$1,865,373	\$1,035,456	\$2,900,829	1.31 %
2010	16,911,310	11,939,606	4,971,704	1,962,250	845,499	2,807,749	1.77
2011	18,286,850	11,129,387	7,157,463	1,347,250	828,894	2,176,144	3.29
2012	20,225,013	11,424,899	8,800,114	1,048,319	980,000	2,028,319	4.34
2013	27,397,559	11,022,233	16,375,326	1,095,000	1,382,013	2,477,013	6.61
2014	20,662,750	13,219,850	7,442,900	1,167,718	1,840,671	3,008,389	2.47
2015	20,662,750	13,290,243	7,372,507	1,546,490	1,813,348	3,359,838	2.19
2016	22,543,107	15,048,582	7,494,525	1,851,139	1,718,658	3,569,797	2.10
2017	25,565,417	14,506,205	11,059,212	1,926,956	1,653,322	3,580,278	3.09
2018	27,701,660	16,134,461	11,567,199	2,418,436	1,584,820	4,003,256	2.89

**Wastewater Department**

Year Ended June 30,	Gross Revenue <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2009	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	\$10,674,998	\$ 9,500,834	\$1,174,164	\$ 75,000	\$ 36,650	\$ 111,650	10.52 %
2013	11,600,800	10,139,532	1,461,268	80,000	35,100	115,100	12.70
2014	11,974,164	10,463,608	1,510,556	85,000	184,621	269,621	5.60
2015	11,578,742	10,712,477	866,265	85,000	229,725	314,725	2.75
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

**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.

\* Not Applicable

SOURCE: East Valley Water District - Finance Department

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

County of San Bernardino					
<u>Year Ended June 30,</u>	<u>District Population<sup>(3)</sup></u>	<u>Unemployment Rate <sup>(1), (3)</sup></u>	<u>Population<sup>(2)</sup></u>	<u>Personal Income (thousands of dollars)<sup>(2)</sup></u>	<u>Personal Income Per Capita (dollars)<sup>(2)</sup></u>
2009	62,455	10.5%	2,013,960	58,489,655 +	29,042 +
2010	63,567	13.4%	2,041,562 +	59,751,636 +	29,268 +
2011	64,698	13.3%	2,062,945 +	63,448,707 +	30,756 +
2012	65,850	12.2%	2,077,247 +	65,153,561 +	31,365 +
2013	93,500	10.6%	2,087,945 +	66,754,823 +	31,972 +
2014	95,000	8.9%	2,105,935 +	70,869,501 +	33,652 +
2015	101,733	7.2% **	2,122,545 +	75,619,404 +	35,627 +
2016	104,457	6.0%	2,140,096 +	78,830,801 +	36,835 +
2017	102,208	5.5% **	*	*	*
2018	102,000	4.4%	*	*	*

**NOTES:**

+ This data was revised in 2017 <sup>(2)</sup>

\*\* This data was revised on April 20, 2018 <sup>(1)</sup>

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

**SOURCES:**

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

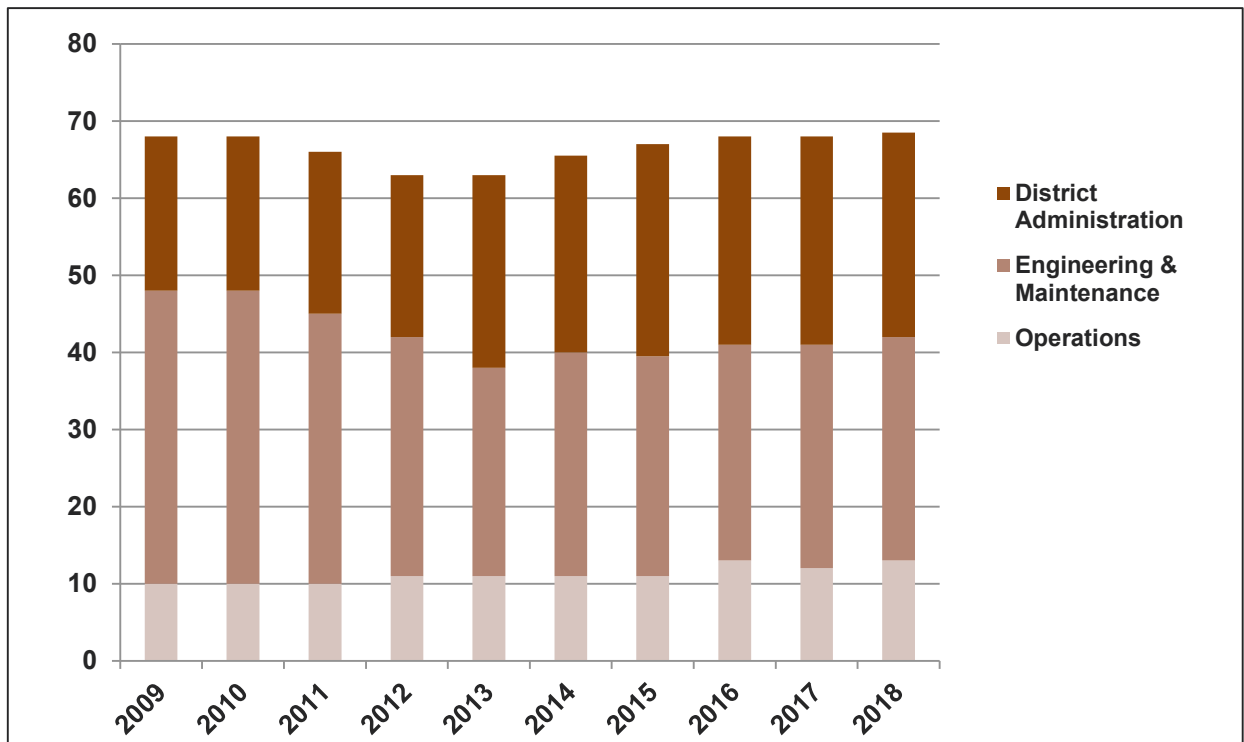
(2) Bureau of Economic Analysis (BEA)  
Computed using midyear population estimates.

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

SOURCE: East Valley Water District - Finance Department

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

<b>Year Ended June 30,</b>	<b>District Administration</b>	<b>Engineering &amp; Maintenance</b>	<b>Operations</b>	<b>Total</b>
2009	20	38	10	68
2010	20	38	10	68
2011	21	35	10	66
2012	21	31	11	63
2013	25	27	11	63
2014	25.5	29	11	65.5
2015	27.5	28.5	11	67
2016	27	28	13	68
2017	27	29	12	68
2018	26.5	29	13	68.5



SOURCES: East Valley Water District - Finance and HR Departments

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

<b>Water System</b>				
<b>Year Ended June 30,</b>	<b>Miles of Water Main</b>	<b>Number of Fire Hydrants</b>	<b>Annual Production (MG)</b>	<b>Average Production (MGD)</b>
2009	286	*	7,058	19
2010	287	*	6,453	18
2011	294	2,854	6,097	17
2012	297	2,854	6,422	18
2013	303	2,915	6,529	18
2014	297	2,976	6,488	18
2015	316	3,005	5,680	16
2016	316	3,005	4,887	13
2017	316	3,005	5,286	14
2018	300	3,018	5,983	16

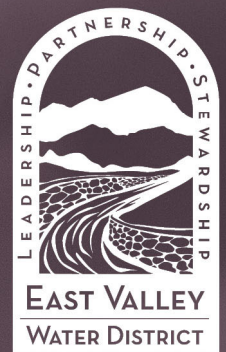
<b>Wastewater System</b>				
<b>Year Ended June 30,</b>	<b>Miles of Wastewater</b>	<b>Service Connections</b>	<b>Annual Sewerage (MG)</b>	<b>Daily Sewerage (MGD)</b>
2009	205	19,232	2,258.54	6.19
2010	208	19,333	2,129.43	5.83
2011	208	19,435	2,073.09	5.68
2012	224	19,477	2,247.66	6.16
2013	224	19,502	2,285.06	6.26
2014	223	19,504	2,595.08	7.11
2015	224	19,544	2,271.96	6.22
2016	224	19,572	2,167.71	5.94
2017	260	20,290	2,175.40	5.96
2018	225	20,581	2,149.85	5.89

**NOTES:**

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

The District Wastewater Master Plan was updated in October 2013, providing more accurate information on wastewater flows.

SOURCE: East Valley Water District - Engineering and IT Departments



**DISTRICT BOARD MEETINGS**

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

**DISTRICT HEADQUARTERS**

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(909) 889-9501 [www.eastvalley.org](http://www.eastvalley.org)