

**For Fiscal Year
Ending June 30, 2018**

Elsinore Valley Municipal Water District

31315 Chaney Street, Lake Elsinore, CA 92530
(951) 674-3146 www.evmwd.com

Comprehensive Annual Financial Report



Elsinore Valley Municipal Water District

Lake Elsinore, California

Prepared by the Finance Department

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Introductory Section

Comprehensive Annual Financial Report

Board of Directors
Harvey R. Ryan, President
Andy Morris, Vice President
Phil Williams, Treasurer
George Cambero, Director
Nancy Horton, Director



General Manager
John D. Vega
District Secretary
Terese Quintanar
Legal Counsel
Best Best & Krieger

Our Mission...

EVMWD will provide reliable, cost-effective, high quality water and wastewater services that are dedicated to the people we serve.

December 13, 2018

Board of Directors
Elsinore Valley Municipal Water District
31315 Chaney Street
Lake Elsinore, CA 92530

We are pleased to present the Elsinore Valley Municipal Water District's ("District") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2018.

This report was prepared by District staff following financial reporting guidelines set forth by the Governmental Accounting Standards Board. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements presented are free of any material misstatements.

Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, have issued an unmodified "clean" opinion on the District's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The District was incorporated on December 23, 1950, under the legal authority of the California Municipal Water District Act of 1911. This Act allows the District to supply and distribute water, treat and dispose of wastewater, make beneficial use of reclaimed water, and manage water-related recreational activities. The District provides service to a population of approximately 155,743 within 61,948 acres or 97 square miles of land located in the western portion of Riverside County and a portion of Orange County along the Ortega Highway. The District primarily provides service to the cities of Lake Elsinore, Canyon Lake, Wildomar, the California Oaks Development within the City of Murrieta, and the unincorporated communities of Lakeland Village, Meadowbrook, Rancho Capistrano/El Cariso Village, Horsethief Canyon, and Temescal Canyon. The District is a member agency of the Western Municipal Water District ("WMWD"), which is a member agency of the Metropolitan Water District of Southern California ("MWD").

The financial data presented includes information relating to certain separate legal entities whose activities are significantly controlled by the District. These include the Water Employee Services Authority ("WESA"), Elsinore Valley Water and Sewer Facilities Corporation, Elsinore Valley Municipal Water District Financing Authority, and the Meeks and Daley Water Company in which the District owns a controlling interest. WESA was established in 2003 and started providing employee services to the District and Meeks and Daley on January 1, 2008. WESA is also available to provide this service to other water and wastewater agencies. The District continues the tradition of providing high quality, professional water and wastewater services to the communities it serves.

The District is governed by a five member Board of Directors (“Board”) elected by the voters within their respective divisions for staggered four-year terms. The District’s Board includes:

Nancy Horton, Director	Division 1
Harvey R. Ryan, President	Division 2
George Cambero, Director	Division 3
Phil Williams, Treasurer	Division 4
Andy Morris, Vice-President	Division 5

The District is not legally required to adopt and adhere to a budget or to present budgetary comparison information. However, the Board chooses to approve a bi-annual budget as a management tool, which serves as the foundation for the District’s financial planning and control. The budget is prepared by fund, function, and department. The Board does not formally amend the budget after approval.

LOCAL ECONOMY

Over the last ten years the District’s population has grown by a total of 19.9%. During this fiscal year, the number of active water meters and wastewater service connections grew by 710 (1.6%) and 579 (1.6%), respectively, compared to the prior year. The population of Riverside County also increased by approximately 1.4% over the same period. The District has planned for a growth rate of 1.5% in water services and 1.9% in wastewater services for the next fiscal year. Should the actual growth rate in utility services be higher than projections, adequate water and wastewater capacities are available to meet the demand for District services.

MAJOR INITIATIVES

The District has continued to perform water and wastewater system upgrades and expansions as needed to provide safe and reliable services. Currently, the District has over 100 ongoing capital projects with total authorized costs of approximately \$135.1 million, of which, approximately \$66.7 million has been expended as of June 30, 2018 on these projects. Several noteworthy projects are described below.

Water Facilities – The District has authorized \$37.7 million for 64 smaller water related projects that have an individual authorized amount of \$2.3 million or less each. A few of the larger projects are the Skymeadows Pump Station (\$2.3 million), the SARCCUP Wells (\$2.2 million), the Corrosion Protection of the Lake Street Reservoir (\$1.8 million), and the Watermain Replacements at Country Club Heights (\$1.7 million).

Wastewater Facilities – The District has authorized \$26.3 million for 36 smaller wastewater related projects that have an individual authorized amount of \$2.5 million or less each. A few of the larger projects are the Rehabilitation of the A2 Lift Station (\$2.5 million), the Repair to the Sewer Line in Flint & Pottery Street (\$2.0 million), the Replacement of the Distributed Control System (DCS) to the Supervisory Control and Data Acquisition system (SCADA) at the Regional Wastewater Reclamation Plant (\$2.0 million), and the Regional Wastewater Reclamation Plant Upgrade Planning (\$1.9 million).

Desalter Project - Due to a high concentration of total dissolved solids (“TDS”) in imported water supplies, the District experiences elevated TDS concentrations in its recycled water effluent which affects the waste discharge permits. Therefore, the Santa Ana Regional Water Quality Control Board (“RWQCB”) requires the District to have a plan in place to offset the TDS discharge. The District’s Offset Plan indicates that capital construction of a desalter will be necessary to reduce TDS levels to meet plan goals. Staff is currently negotiating a Maximum Benefit Study with RWQCB that may potentially defer and reduce the size of the desalter project required. The District has authorized \$15.3 million for anticipated construction.

Regional Water Reclamation Facility Expansion Planning – The Regional Water Reclamation Facility (“RWRF”) was originally constructed in 1984 and most recently expanded in 2000-2001. Growth within the service area combined with many of the facilities reaching the end of their useful life and/or no longer meeting current regulatory requirements has necessitated additional expansion. A master plan was completed in June 2016 which included plans for the upgrade and expansion of this facility. Costs for the recommended 4.0 million gallons per day (“MGD”) Phase 1 Expansion design are estimated at \$13.1 million. \$6.9 million has been authorized to date for this project

and a loan in the amount of \$6.3 million was awarded from the Clean Water State Revolving Fund (“CWSRF”).

Horsethief Canyon Water Reclamation Facility Expansion – Temescal, SAM, JBJ, and Renaissance Ranch are the new development planned northeast of the existing Horsethief Canyon development, in the northern section of the District’s service area. The development consists of approximately 1,184 residential homes with no parks or commercial areas. In order to accommodate the new development and future development, this project consists of facility improvements that include a lift station, force mains, and expansion of the District’s existing Horsethief Canyon Water Reclamation Facility. The project is expected to be completed by December 2020, with \$7.9 million authorized to date and an estimated project cost of \$24.5 million

Flagler Well Conversion (Near Term Project No. 1) - The purpose of the Flagler Well Conversion Project is to provide an additional source of potable water by converting existing wells, which were previously used for the Temescal Irrigation System, for potable use. The conversion allows the District to reduce its reliance on imported water. \$6.2 million has been authorized to date for this project.

In order to convert the two existing wells for potable water use, a pipeline connection was constructed to the Temescal Valley Pipeline (“TVP”). The pressure produced by the existing wells is inadequate to pump to the TVP; therefore, a booster pump system was constructed to overcome the high pressure in the TVP. Since these wells require a longer chlorine contact time, a 108,000 chlorine tank (CCT) was constructed as part of the treatment process. Additional components of the facility are disinfection equipment, ammonia injection, and supervisory control & data acquisition (“SCADA”) equipment.

The Flagler Well Facility is completely operational and the final punch item list work is in progress. The Department of Drinking Water (DDW) permits are finalized and the facility can pump water from Flagler Well 2A, Flagler Well 3A or both wells. The Facility has a total capacity of 1,200 gallons per minute (gpm).

Palomar Well Project (Near Term Project No. 2) – The purpose of the Palomar Well Project is to provide an additional source of potable water in the southern area of the District’s service area. Since this site had an existing well that did not have sanitary seals, etc. the plan was to drill a new potable well and associated wellhead facilities. Phase 1 – Palomar Well Flushing Pipelines is complete. This project constructed both sewer and storm drain to facilitate the drilling of the new well and to allow for routine maintenance. This also required the removal of several septic systems in the area. This project also completed all potable transmission water pipelines from the well site. Phase 2 – Well Drilling was awarded in October and will start construction on October 23, 2018. Phase 3 – Wellhead Facilities will be bid in December 2018 for a construction start date of late March 2019. This project was awarded Bureau of Reclamation (BOR) grant funding through the Drought Contingency Program (DCP).

Barney Lee Wells Project (Near Term Project No. 3) – The purpose of the Barney Lee Wells Project is to provide an additional source of potable water in the northern area of the District’s service area. This project has been sited on a District owned property. A borehole exploratory study and water quality testing was conducted and found to be successful from both a capacity and water quality parameters. Therefore, an in depth geotechnical study is currently being conducted. A Preliminary Design Report will be prepared and submitted by January 2019. The project is anticipated to be constructed in two phases: Phase 1- Well Drilling and Phase 2 – Wellhead Facilities and offsite Pipelines. This project is part of the Santa Ana Regional Conservation Conjunctive Use Program (SARCCUP).

Warm Springs Basin Well Project (Near Term Project No. 4) – The purpose of the Warm Springs Basin Well Project is to provide an additional source of potable water in the Warm Springs Basin. The Warm Springs Basin did not have a defined Basin Study and therefore a detailed Basin Study was completed in the Spring of 2018. This Basin Study identified an area where potential new wells would be feasible for both hydrogeology and water quality factors. The District’s on call Real Estate Appraisal Consultant is reviewing the suitability of the various properties. Once this step is complete then the borehole and water quality testing will be conducted.

Near Term Water Supply Project – Population within the District’s service area is expected to increase by approximately 66% over the next 20 years. Consequently, to accommodate for this growth, water demand is expected to increase from 23,160 acre feet per year (“AFY”) to 48,800 AFY during the same time period. In addition, build out demands are estimated to be approximately 84,000 AFY. As a result, these projected growth estimates will put a considerable amount of strain on the District’s local and imported water sources.

In anticipation of this demand, a near term (three year) water supply capital project implementation strategy was developed by District staff. The intent of this program is to expedite several water supply projects that will ultimately provide a local, sustainable water supply. The projects vary in complexity and difficulty and range from studies to groundwater production wells. The District set aside \$7.2 million to fund these near term projects. This commitment is already included in the project discussions above and is spread among several different projects.

LONG-TERM FINANCIAL PLANNING

The District is committed to investing into its major capital facilities and infrastructure in order to provide for continued high levels of water, wastewater, and recycled water services in the future. In addition, maintenance and replacement of current District facilities is also performed as necessary to ensure they will be available for continued future use. As costs increase, the District may be required to increase rates in order to maintain its ability to provide a consistent high level of service. The District continues to analyze its long-term capital investments to determine the best means of financing these projects. Most of the projects discussed above are planned as cash (pay-as-you-go) projects.

Recently, the District began taking advantage of low interest rate (approx. 1.7 - 1.9%) loans being offered by the CWSRF to finance larger projects such as the RWRf upgrade and expansion projects rather than using traditional debt financing to fund these types of projects due to the amount of cost savings involved. In the event that these types of loans are no longer offered in the future, or the District does not qualify for them, the District will likely fund larger projects of these types through debt issuance.

In the past, the District has funded larger capital investments through debt financing and will continue to do so on an as needed basis. The District maintains an AA credit rating with Fitch, an AA+ rating with Standard & Poor's, and an Aa2 rating with Moody's. The District reviews all potential debt against its capital needs with the intent to maintain or improve its credit rating.

The District's next fiscal year budget includes capital improvement projects with a total cost of approximately \$16.3 million with the largest of these projects being the New Diamond Regional Lift Station (\$2.4 million), the Railroad Canyon Yard Piping (\$1.5 million), the Sewer Main Replacement on Palomar Street from McVicar to Mission Trail (\$1.5 million), Skymeadow Pump Station (\$1.3 million) and SARRCUP ASR Wells (\$1.3 million).

To maintain fiscal stability, proposed utility rates were developed to match variable costs with commodity rates, fixed costs with fixed rates, and to include a goal of Capital Replacement Program funding at 100% depreciation by fiscal year 2029-2030. The District plans to maintain Rate Stabilization Reserve funding at a minimum of 15% and maximum of 30% of operating costs. To ensure that there is sufficient funding to implement its Capital Improvement Program, the District maintains cash flow and non-operating rate projections for all sources of project funding five years into the future.

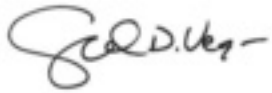
AWARDS AND ACKNOWLEDGEMENTS

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 CAFR for the fiscal year ending June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The District has received a Certificate of Achievement from the GFOA for the last twenty-five (25) consecutive fiscal years (fiscal years ended 1993-2017). We believe our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA.

We would like to express our appreciation to all members of the District's staff, particularly the members of the Finance & Accounting Department, who have participated in the preparation of this report. 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.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Vega".

John D. Vega
General Manager

A handwritten signature in black ink, appearing to read "Robert A. Hartwig".

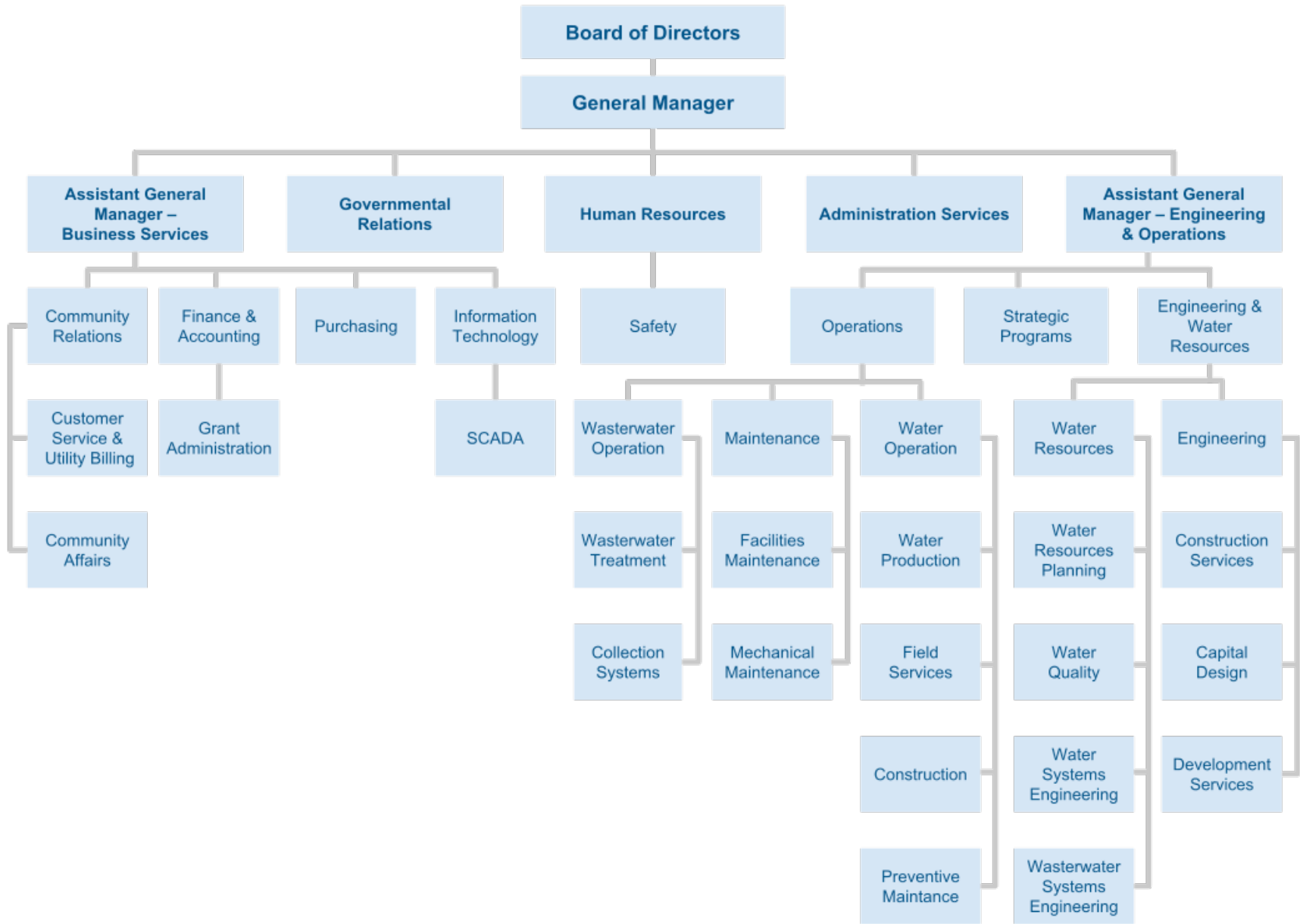
Robert A. Hartwig, CPA, MBA
Assistant General Manager - Business Services Division

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018**

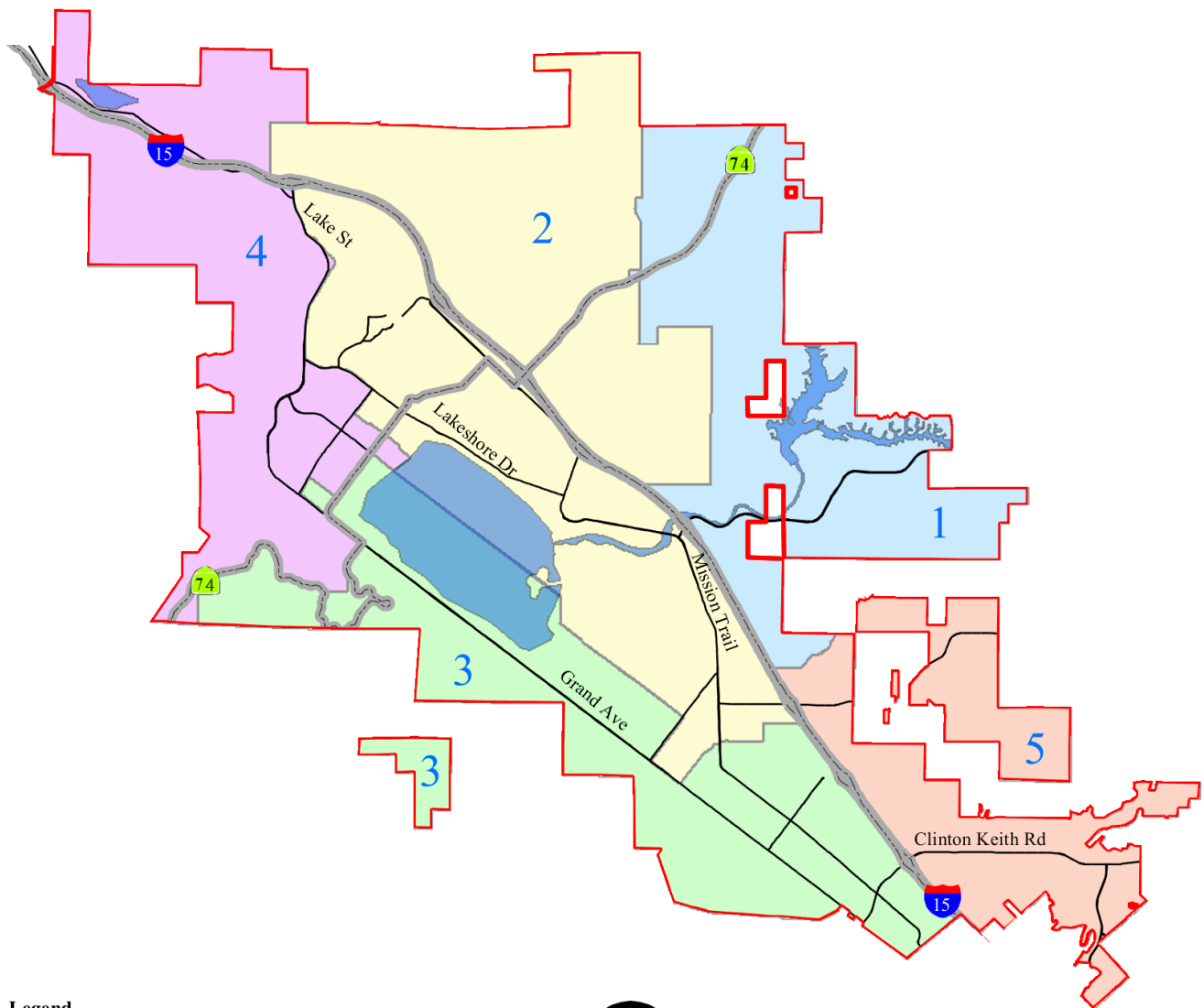
DISTRICT MANAGEMENT

John D. Vega	General Manager
(Position Vacant)	Assistant General Manager – Engineering & Operations
Robert A. Hartwig	Assistant General Manager - Business Services
Margie Armstrong	Director of Strategic Programs
Greg Morrison	Government Relations Officer
James Ollerton	Director of Information Technology
Jase Warner	Director of Operations
Jason Dafforn	Director of Engineering & Water Resources
Terese Quintanar	District Secretary/Administrative Services Supervisor









Organizational Chart



DISTRICT MAP



Legend

-  EVMWD Boundary
-  Highways
-  Waterbodies
-  Nancy Horton, Director
-  Harvey R. Ryan, President
-  George Cambero, Director
-  Phil Williams, Treasurer
-  Andy Morris, Vice President



NOT TO SCALE





Government Finance Officers Association

**Certificate of
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Presented to

**Elsinore Valley
Municipal 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

Comprehensive Annual Financial Report



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

Independent Auditor's Report

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San Bernardino, CA 92408
909 889 0871 T
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To the Board of Directors
Elsinore Valley Municipal Water District
Lake Elsinore, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanhbag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA

Report on the Financial Statements

We have audited the accompanying financial statements of the Elsinore Valley Municipal 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

The District's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 audit 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 entity'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 entity'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.



MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants

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

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 changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller’s Office and state regulations governing special districts.

Other Matters

Prior Year Comparative Information

We have previously audited the District’s 2017 financial statements, and we expressed an unmodified opinion in our report dated November 9, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year then 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements. The introductory section, exhibits of schedules of maturities and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The exhibits of schedule of maturities are the responsibility of management and were derived from and relate 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 exhibits of schedule of maturities are 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 20, 2018

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This discussion and analysis of the Elsinore Valley Municipal Water District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter beginning on page 1 and the District's basic financial statements.

FINANCIAL STATEMENTS

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. As an enterprise fund, the District's basic financial statements are comprised of two components: financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The financial statements conform to accounting principles set forth by Generally Accepted Accounting Principles ("GAAP"). The District's financial statements consist of the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position includes the District's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference reported as net position. This statement also provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net position accounts for the District's revenues and expenses for the fiscal years ended June 30, 2017 and 2018. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operations, non-capital financing, capital financing, and investments during the reporting period.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

FINANCIAL HIGHLIGHTS

For fiscal year ending June 30, 2018, the District's financial position remained strong with a \$28.4 million (4.6%) increase in net position as compared to the ending balance for the prior fiscal year.

STATEMENT OF NET POSITION

<u>(Dollars in Thousands)</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase / (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Assets				
Current Assets	\$ 120,916	\$ 83,455	\$ 37,462	44.9%
Other Assets	132,978	149,773	(16,795)	-11.2%
Capital Assets, Net	589,945	579,550	10,395	1.8%
Total Assets	843,839	812,778	31,062	3.8%
Deferred Outflow of resources	14,634	15,656	(1,023)	-6.5%
Liabilities				
Current Liabilities	24,473	21,966	2,508	11.4%
Long-term Liabilities	192,136	190,801	1,335	0.7%
Total Liabilities	216,609	212,767	3,843	1.8%
Deferred Inflow of resources	448	2,659	(2,211)	-83.2%
Net Position				
Net investment in capital assets	427,769	416,011	11,759	2.8%
Restricted	52,158	49,833	2,325	4.7%
Unrestricted	161,489	147,165	14,324	9.7%
Total Net Position	\$ 641,416	\$ 613,008	\$ 28,407	4.6%

Allow for rounding differences

The following explains the significant changes in net position between fiscal years 2017/2018 and 2016/2017 as shown in the above table:

- Current assets increased by approximately \$37.5 million (44.9%) during the year. This was mainly the result of investments that had a maturity date of greater than one year (Other Assets) in the previous fiscal year being reclassified to either cash and cash equivalents (increase of \$24.1 million) or investments maturing in less than a year (increase of \$15.5 million) due to their maturity dates. These increases were partially offset by net decreases in accounts receivable and prepaid expenses of \$3.1 million.
- Other assets decreased by approximately \$17.0 million (11.2%). This was mainly the result of investments (\$21.0 million) that had a maturity date of greater than one year in the previous fiscal year being reclassified to either cash and cash equivalents or investments maturing in less than a year (Current Assets) due to their maturity dates. That decrease was partially offset by an increase to the District's investment in the Santa Rosa Regional Resources Authority ("SRRRA") JPA of \$4.0 million.
- Capital assets increased by approximately \$10.4 million (1.8%) during the year. This was the result of increases in construction in progress of \$23.2 million and capitalized assets of \$6.7 million. These increases were partially offset by depreciation of \$19.5 million.
- Deferred outflow of resources decreased by approximately \$1.0 million (6.5%). This was a result of a \$500 thousand decrease in the changes in assumptions and actuarial earnings calculations for the employee pension plan as required by GASB 68, as well as a \$500 thousand decrease in bond redemption amortization as compared to the prior fiscal year.

- Total current liabilities increased by approximately \$2.5 million (11.4%) due mostly to a \$2.0 million accrual to record the legal settlement expense related to the Hydro Company, Inc. lawsuit, an increase in long term debts due within one year of \$370 thousand, and a net increase of \$137 thousand in other accounts payable, retentions and customer deposits.
- Net long-term liabilities increased by approximately \$1.3 million (0.7%). This change was mainly the result of an increase in the net pension liability of \$3.6 million resulting from a change in the CalPERS assumption of discount rate from 7.75% to 7.15%. Additionally, this was partially offset by a \$6.6 million decrease in revenue bonds and COP's payable, an increase in loans payable of 4.8 million (AMI, Regional Water Reclamation Facility ("RWRF") upgrade planning/design and RWRF expansion planning/design) and a \$300 thousand decrease in advances from the U.S. Government.
- Net investment in capital assets increased by approximately \$11.8 million (2.8%) over the previous year. This change was the result of a \$10.4 million increase in capital expenditures and a \$1.4 million decrease in debt offsetting capital assets.
- Restricted net position includes amounts that are legally constrained by creditors, grantors, and contributors; and bylaws and regulations of other governments. Total restricted net position increased by approximately \$2.3 million (4.7%) primarily due to the increase of \$3.0 million in capacity fee reserves which are funds earmarked for future capital projects offset by a net \$700 thousand decrease in debt service operating reserve and customer deposits.
- Unrestricted net position includes amounts that have been designated for various purposes. These designations have been established and maintained to provide sound financial management and a stable and equitable rate structure. The total unrestricted net position increased by approximately \$14.3 million (9.7%) during the fiscal year due to a \$6.3 million increase in operational reserves; \$5.6 million increase in debt service reserves; \$4.8 million increase in replacement reserves, a \$2.8 million increase in employee pension reserves and a \$500 thousand increase in special revenue reserves. This was offset by a \$3.0 million decrease in other unrestricted assets and a \$2.7 million decrease in reserve for encumbered projects.

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

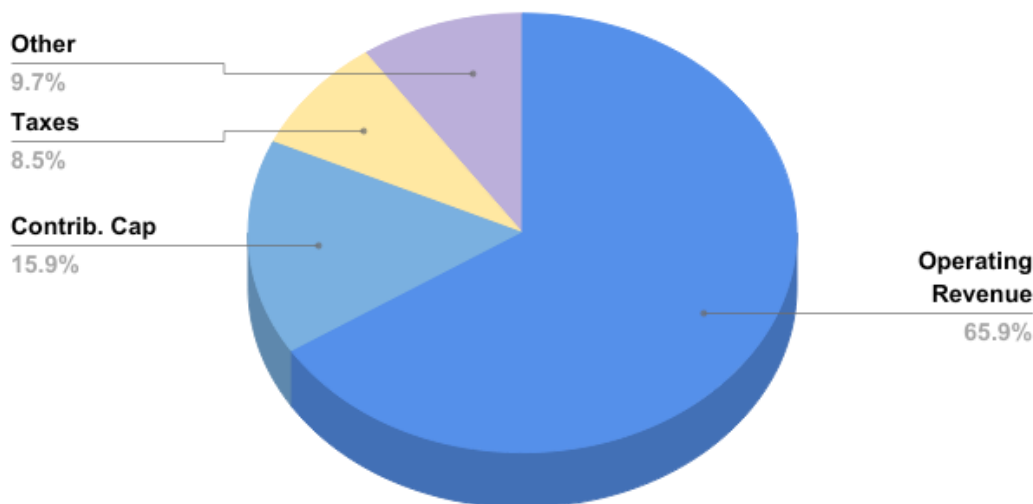
As the following table shows, net position increased by \$28.4 million in fiscal year 2017/2018, an increase of 4.6% from the prior year.

<u>(Dollars in Thousands)</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase / (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Revenues				
Water Revenues	\$ 49,193	\$ 44,164	\$ 5,029	11.4%
Wastewater Revenues	24,046	22,262	1,784	8.0%
Recycled Water Revenues	1,147	1,036	111	10.7%
Total Operating Revenues	<u>74,386</u>	<u>67,462</u>	<u>6,924</u>	<u>10.3%</u>
Non-Operating Revenues				
Property and Other Related Taxes	9,636	9,133	502	5.5%
Standby Charges	618	595	22	3.8%
Investment Income	866	59	806	636.2%
Other Non-Operating Revenues	9,530	365	9,165	2511.3%
Total Non-Operating Revenues	<u>20,650</u>	<u>10,152</u>	<u>10,496</u>	<u>103.4%</u>
Total Revenues	<u>95,036</u>	<u>77,614</u>	<u>17,420</u>	<u>22.4%</u>
Operating Expenses				
Water Purchases	18,036	16,267	1,770	10.9%
Water Operations	14,756	16,047	(1,291)	-8.0%
Wastewater Operations	10,123	11,250	(1,127)	-10.0%
Recycled Water Operations	948	976	(28)	-2.9%
General and Other Operating Expenses	14,268	10,561	3,707	35.1%
Depreciation and Amortization	19,983	19,895	88	0.4%
Total Operating Expenses	<u>78,115</u>	<u>74,997</u>	<u>3,118</u>	<u>4.2%</u>
Non-Operating Expenses				
Interest Expense	3,625	3,552	73	2.0%
Other Expenses	2,805	1,598	1,207	75.5%
Total Non-Operating Expenses	<u>6,430</u>	<u>5,150</u>	<u>1,280</u>	<u>24.8%</u>
Total Expenses	<u>84,545</u>	<u>80,146</u>	<u>4,398</u>	<u>5.5%</u>
Income (Loss) Before Contributions	<u>10,492</u>	<u>(2,532)</u>	<u>13,022</u>	<u>-</u>
Capital Contributions	<u>17,917</u>	<u>24,351</u>	<u>(6,434)</u>	<u>-26.4%</u>
Change in Net Position	28,408	21,818	6,590	30.2%
Beginning Net Position (as restated)	<u>613,008</u>	<u>591,190</u>	<u>21,819</u>	<u>3.7%</u>
Ending Net Position	<u>\$ 641,416</u>	<u>\$ 613,008</u>	<u>\$ 28,409</u>	<u>4.6%</u>

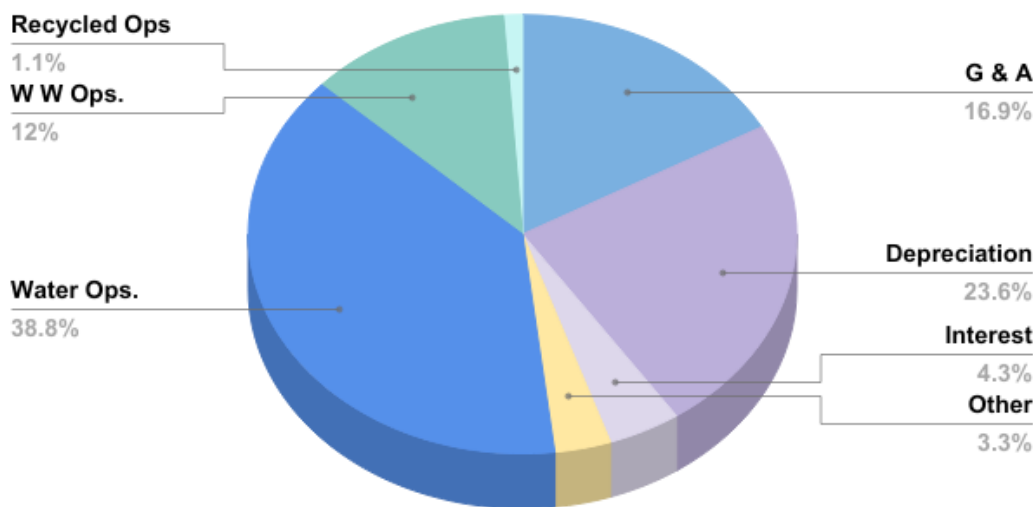
Allow for rounding differences

As previously stated, the operations of the District are accounted for as an enterprise fund, which is financed and operated in a manner like a private business enterprise. The costs (expenses, including depreciation) of providing water, wastewater, and recycled water services on a continuing basis are financed or recovered primarily through user fees. The following graphs illustrate the District's major sources and uses of revenue:

Sources of Revenues



Functional Expenses



Water, wastewater, and recycled water user fees are evaluated annually based primarily upon the budget requirements for total operation, maintenance, and capital expenditures for providing water, wastewater and recycled water treatment services. Capacity fees (amounts charged for new developments) are the major source of contributed capital. These fees are reviewed annually. Capacity fees are determined based on the funding requirements for current and planned capital projects relating to system expansion. Property tax revenues, the major source of tax revenues, may be used for any general purpose of the District, however, in the past they have generally been used for the payment of debt service and for capital funding relating to repair and replacement of existing capital assets.

The following explains some of the significant differences between fiscal years 2017/2018 and 2016/2017 as shown in the table on page 20.

- Total operating revenues increased approximately \$6.9 million (10.3%) which came mostly from water revenues. There was a slight increase of 1.6% in water accounts in fiscal year 2017/2018, actual water sales revenues increased by \$5.0 million (11.4%) due to the rate increase in effect beginning on August 1, 2017, along with increased sales of water as the result of extended hot, dry weather. The District hired a third-party financial firm that conducted a comprehensive rate study. The rate changes were intended to ensure that the District can deliver a sustainable supply of water service at rates that are fair and equitable, and that the District can continue to maintain its capital assets in good working condition.
- Wastewater accounts also increased by 1.6% in fiscal year 2017/2018, while wastewater revenue increased of approximately \$1.8 million (8.0%). Wastewater rates increased on August 1, 2017. The District also converted from a fixed rate structure to a new structure with both a fixed and variable component. The new variable component is based on the number of people in the household. This more accurately reflects the impacts that a household may have on the sewer system and in turn spreads the District's cost out more equitably to its customers.
- Recycled water revenue increased by approximately \$111 thousand (10.7%) from the prior year due to higher demand, and very minimal increase in recycled water rates.
- Non-operating revenues increased by approximately \$10.5 million (103.4%) in the current year. The increase was primarily due to receipt of \$6.6 million from the Rancho California Water District in accordance with the Facilities Acquisition Agreement of the Santa Rosa Regional Resources Authority (SRRRA). In addition, there was a combined increase of approximately \$2.3 million on gains on disposal of assets and other income, an \$800 thousand increase in investment income, a \$500 thousand increase in property taxes, and a \$300 thousand refund from ACWA/JPIA due to lower than expected claims experience.
- Total operating expenses increased by approximately \$3.1 million (4.2%) mainly due to the combined increases in general and administrative expenses of \$3.7 million and water purchases of \$1.8 million. The increase in the general administrative expenses was due to the \$1.9 million increase in the employer contribution due to CalPERS' change in assumption from a discount rate of 7.75% to 7.15%, and a combined increases of \$1.8 million in other general and administrative expenses such as salaries and wages, lease expenses, maintenance agreements and miscellaneous expenses. Hot, dry weather conditions during the year, combined with several wells and two water treatment plants that were not operational during the year due to major maintenance projects, caused the \$1.8 million increase in water purchases. These increases were offset by decreases in combined water and wastewater operation costs of \$2.4 million. These operational savings were the direct result of system maintenance projects completed in the current and prior years.
- Non-operating expenses increased by approximately \$1.3 million (24.8%). The increase is mainly due to the \$2.0 million accrual of settlement litigation expense to be paid to Hydro Company, Inc. This increase was partially offset by a decrease of \$700 thousand in lake maintenance costs. The decrease was the result of a one-time adjustment made to lake maintenance costs to record the District's unused portion of prior-year contributions to the Lake Maintenance Fund as a prepaid expense rather than expensing the entire amount of the annual contribution as done in previous years. Please refer to Note 22 - Subsequent Events for further details regarding the settlement with Hydro Company, Inc. and Note 1g - Comparative Data & Reclassification for the details on the treatment of payments to the Lake Maintenance fund.
- Capital contributions decreased by approximately \$6.4 million (26.4%). The majority of the decrease was capacity fees of \$4.7 million and a \$3.9 million decrease from grants, offset by an increase of \$2.0 million in other developer contributions. Capacity fees and developer contributions are related to new development.

While still robust (1% growth in housing in the past 12 months) the rate of growth was slower than the prior year. Grant contributions are only recognized to the extent of grant related expenditures incurred during the year. After the completion of the AMI grant project in the prior year, there were fewer grant expenditures incurred in FY2018.

CAPITAL ASSETS AND INFRASTRUCTURE

The District provides water services to 45,328 domestic customers through 743 miles of pipeline ranging in size from 6 to 36 inches in diameter, 55 booster stations, 72 reservoirs, and 12 wells. In addition, the District provides wastewater services to 36,089 customers through three treatment plants, 37 lift stations, and a 407 mile collection system. The District performs routine inspections and maintenance of all facilities on a regular basis as part of its preventive maintenance program. The District also has a comprehensive facilities and resources protection program in place to ensure the integrity and continuity of its assets.

As of June 30th, 2018, the District had invested approximately \$590 million in capital assets net of accumulated depreciation, as shown below. This amount represents a net increase of \$10.4 million (1.8%) which is the combination of several factors including an increase in construction in progress of \$23.2 million and capitalized assets of \$6.7 million. These increases were partially offset by depreciation of \$19.5 million.

The District's Capital Improvement Program is financed with long-term debt and through the use of existing reserves. Cash funding is provided from replacement funds through annual transfers, from the capacity fee fund through the collection of capacity charges, or from a combination of funds depending upon whether the project is for replacement to accommodate growth, or a combination of both.

<u>(Dollars in Thousands)</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Incr (Decr)</u>
Capital Assets Not Being Depreciated			
Land	\$ 7,572	\$ 7,572	\$ -
Construction in progress	66,654	43,485	23,169
Water Rights	19,815	19,815	-
Total Capital Assets Not Being Depreciated	<u>94,041</u>	<u>70,872</u>	<u>23,169</u>
Capital Assets Being Depreciated (Net)			
Infrastructure - Water	225,169	234,762	(9,593)
Infrastructure - Wastewater	259,744	263,461	(3,717)
Building & Structures	9,869	9,408	461
Vehicles & Equipment	808	990	(182)
Miscellaneous	314	57	257
Total Capital Assets Being Depreciated	<u>495,904</u>	<u>508,678</u>	<u>(12,774)</u>
Total Capital Assets, net	<u>\$ 589,945</u>	<u>\$ 579,550</u>	<u>\$ 10,395</u>

Major capital asset additions for the current fiscal year included (in millions):

- \$2.1 - Developer Projects
- \$2.0 - Developer Contributed Lift Station
- \$0.9 - Capital Outlay
- \$0.6 - District Lobby Renovation
- \$0.4 - Mobile Emergency Pump-Wastewater
- \$0.3 - Infor XI Upgrade
- \$0.2 - Renewable Energy Project

The District’s fiscal year 2018-19 budget includes \$16.3 million for additions and improvements to water, recycled water, and wastewater facilities. More detailed information about the District’s capital assets are presented in Note 7 of the financial statement.

LONG – TERM LIABILITIES

At June 30th, 2018, the District had approximately \$192.1 million in long-term liabilities outstanding (\$199.2 million total, less \$7.1 million due in one year), a net increase of \$1.3 million, or 0.7% from the prior year. The total change is due to an increase in the District’s net pension liability of \$3.6 million and a decrease of \$2.3 million in other long-term liabilities. The decrease in other long-term liabilities is due to principal payments offset by the addition of three new loans from the State of California Water Resources Control Board totaling \$5.0 million. More detailed information about the loans is presented in Note 14 of the financial statements.

In accordance with GASB Statement No. 68 and effective for fiscal years beginning after June 15th, 2014, the District is required to include the net pension liability on the financial statements. The net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The new pension liability was measured as of June 30th, 2017, using standard methods. For the measurement period ended June 30th, 2017, the total pension liability was \$93.8 million, offset by the fiduciary net position of \$67.7 million.

Other long-term liabilities consist of Certificates of Participation, Water Revenue bonds, advances from the U.S. government, loans payable, and accrued compensated absences. The amount of debt due within one year totaled \$6.2 million. The District had an obligation of \$3.9 million at June 30th, 2018 for compensated absences relating to accrued vacation pay, sick leave and savings clause benefits with an amount due within one year of \$940,000. At fiscal year end, the District had no long-term material claims or judgments outstanding. More detailed information about the District’s long-term liabilities is presented in Notes 8 through 15 of the financial statements.

The District issues debt in compliance with its formally-adopted debt policy. This policy includes general management, financial management, and debt and capital management. It documents the District’s goals for the use of debt, especially as it related to financing District infrastructure and project needs. The following table is the most recent rating received for the District.

Rating Agency	Date	Rating	Rating Reflects
Fitch	February 2018	AA	Strong Financial Performance; Strong Debt Service Coverage; Extraordinarily Strong Liquidity; Significant Capital Reserves
Moody’s	February 2016	Aa2	Healthy Debt Service Coverage; Strong Liquidity; Strong Management of Rates and CIP; Diverse Operating Revenues
Standard & Poor’s	February 2016	AA+	Strong Liquidity; Low Debt to Capitalization Level; Stable Debt Service Coverage; Comprehensive Financial Management

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's accountability for the financial resources it manages. If you have any questions concerning this report or need additional financial information, contact the Elsinore Valley Municipal Water District's Finance & Accounting Department at 31315 Chaney Street, Lake Elsinore, California 92530.

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Financial Statement

Comprehensive Annual Financial Report

Exhibit A-1

STATEMENT OF NET POSITION
June 30, 2018
(With Comparative Amounts for 2017)

	<u>June 2018</u>	<u>June 2017</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents (Notes 1j and 2)	\$ 51,018,996	\$ 26,966,841
Restricted assets (Notes 1k and 2)	11,910,048	10,796,701
Investments maturing in less than a year (Notes 1n and 2)	44,532,306	29,067,704
Accounts receivable, net of allowances (Note 1l)	8,382,860	8,102,611
Other receivables	2,975,305	6,154,255
Accrued interest receivable	67,988	-
Materials and supplies inventories (Note 1m)	928,149	942,914
Prepaid expenses	1,087,624	1,410,531
Deposits	13,103	13,103
Total current assets	<u>120,916,379</u>	<u>83,454,660</u>
Noncurrent Assets:		
Investments (Notes 1n and 2)	121,809,987	142,577,805
Investment in Mutual Water Company (Note 3)	4,369,180	4,437,999
Investment in SRRRA (Note 4)	5,739,575	1,746,123
Accrued interest receivable	919,221	613,997
Receivable from CFD (Note 5)	140,307	147,307
Notes and contracts receivable (Note 6)	-	250,000
Capital assets, depreciated - net (Notes 1o and 7)	495,903,783	508,677,525
Capital assets, not depreciated (Notes 1o and 7)	94,040,875	70,872,257
Total noncurrent assets	<u>722,922,928</u>	<u>729,323,013</u>
Total Assets	<u>843,839,307</u>	<u>812,777,673</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized bond redemption (Note 1p)	7,142,144	7,635,123
Deferred outflows- employee pension contributions (Notes 1p and 8)	2,908,487	2,747,053
Deferred outflows- actuarial (Notes 1p and 8)	4,583,025	5,274,247
Total Deferred Outflow of Resources	<u>14,633,656</u>	<u>15,656,423</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued expenses	8,454,393	6,598,287
Retentions Payable	577,903	259,045
Customer deposits	2,663,850	2,600,251
Interest payable	2,032,719	2,082,994
Long-term liabilities due within one year (Notes 1q and 10)	7,140,226	6,770,492
Developer and other advances	1,160,919	1,249,719
Held for bondholders (Note 9)	2,443,420	2,404,777
Total Current liabilities	<u>24,473,430</u>	<u>21,965,565</u>

Allow for rounding differences

See notes to the basic financial statements

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2018

(With Comparative Amounts for 2017)

	<u>June 2018</u>	<u>June 2017</u>
Noncurrent Liabilities:		
Certificates of participation payable (Notes 10 and 12)	\$ 75,587,336	\$ 80,071,342
Revenue bond payable (Notes 10 and 13)	82,513,383	84,275,784
Loans payable (Notes 10 and 14)	6,192,613	1,416,590
Advances from U.S. Government (Notes 10 and 15)	5,024,148	5,410,621
Accrued compensated absences (Notes 1q, 10 and 11)	3,855,102	3,868,098
Net pension liability (Notes 8 and 10)	26,103,706	22,529,337
Less amount due within one year (Note 10)	<u>(7,140,226)</u>	<u>(6,770,492)</u>
Total noncurrent liabilities	<u>192,136,062</u>	<u>190,801,280</u>
Total liabilities	<u>216,609,492</u>	<u>212,766,845</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows-employee pension actuarial (Notes 1p and 8)	447,617	2,658,897
NET POSITION (Note 17)		
Net investment in capital assets	427,769,321	416,010,569
Restricted for:		
Rate stabilization fund	3,000,000	3,000,000
Operating reserve - debt service	11,518,180	12,364,710
Customer deposits	3,462,455	3,269,209
Unspent debt service reserves	4,351,508	4,351,491
Capacity fees	<u>29,825,719</u>	<u>26,847,590</u>
Total restricted net position	52,157,862	49,833,000
Unrestricted	<u>161,488,669</u>	<u>147,164,785</u>
Total Net Position	<u>\$ 641,415,852</u>	<u>\$ 613,008,354</u>

Allow for rounding differences

See notes to the basic financial statements

Exhibit A-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2018

(With Comparative Amounts for the Fiscal Year Ended June 30, 2017)

	<u>June 2018</u>	<u>June 2017</u>
OPERATING REVENUES:		
Water revenues	\$ 49,193,038	\$ 44,164,018
Wastewater revenues	24,046,130	22,261,812
Recycled water revenues	1,146,853	1,036,047
Total operating revenues	<u>74,386,021</u>	<u>67,461,877</u>
OPERATING EXPENSES:		
Water purchases	18,036,267	16,266,623
Water operations	14,756,060	16,047,064
Wastewater operations	10,123,413	11,250,489
Recycled water operations	948,191	976,330
General and administrative	14,268,344	10,561,347
Depreciation/amortization (Notes 1o and 7)	19,982,645	19,894,657
Total operating expenses	<u>78,114,920</u>	<u>74,996,510</u>
Operating income (loss)	<u>(3,728,899)</u>	<u>(7,534,633)</u>
NON-OPERATING REVENUES:		
Property taxes: (Note 1r)		
General purpose	6,508,824	6,225,970
Redevelopment	2,644,790	2,415,096
Temescal Valley Project	482,155	492,364
Total Property taxes	<u>9,635,769</u>	<u>9,133,430</u>
Standby charges	617,948	595,492
Investment Income	934,564	126,852
Mutual Water Company (Note 3)	(68,819)	(67,504)
Lease income (Note 16)	1,433,523	1,520,603
Other income	8,096,264	(1,156,661)
Total nonoperating revenues	<u>20,649,249</u>	<u>10,152,212</u>
NON-OPERATING EXPENSES:		
Interest Expense:		
Certificates of Participation	3,571,437	3,523,656
Bonds and Loans	53,146	28,382
Other expenses	2,805,062	1,597,944
Total nonoperating expenses	<u>6,429,645</u>	<u>5,149,982</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	10,490,705	(2,532,403)
Capital Contributions (Note 1t)		
Capacity fees	10,027,212	14,682,746
Capital grant	3,090,355	6,906,333
Other contributions	4,799,226	2,761,676
Total capital contributions	<u>17,916,793</u>	<u>24,350,755</u>
Increase (Decrease) in Net Position	28,407,498	21,818,352
NET POSITION, BEGINNING OF THE YEAR	<u>613,008,355</u>	<u>591,190,003</u>
NET POSITION, END OF YEAR	<u>\$ 641,415,853</u>	<u>\$ 613,008,355</u>

Allow for rounding differences

See notes to the basic financial statements

Exhibit A-3

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2018

(With Comparative Amounts for the Fiscal Year Ended June 30, 2017)

	<u>June 2018</u>	<u>June 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 77,284,721	\$ 63,420,943
Cash payments to employees for services	(22,596,981)	(27,919,262)
Cash payments to suppliers for goods and services	(31,167,976)	(28,067,674)
Other operating income	5,765,176	(2,244,005)
NET CASH PROVIDED BY OPERATING ACTIVITIES	29,284,940	5,190,002
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Property taxes	10,253,717	9,728,922
Property tax collection activities	(6,500)	(8,125)
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	10,247,217	9,720,797
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond handling fees	(467,473)	(502,472)
Proceeds from loans	5,001,637	-
Principal payments of long - term debt	(5,862,087)	(6,618,066)
Purchase, construction, and disposal of capital assets	(25,767,124)	(18,843,470)
Capacity fees	10,027,211	14,682,746
Capital grant	3,090,355	6,906,333
Other contributions	681,809	746,430
Interest and penalty payments	(4,671,264)	(3,671,881)
Receipts of funds held for bondholders	69,960	512,452
Payment of funds held for bondholders	(31,316)	(29,908)
Loan payments received	250,000	250,000
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(17,678,292)	(6,567,836)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Lease income	1,433,523	1,520,603
Investment income received	(3,425,100)	(1,873,802)
Sale of investments and maturities	38,796,043	11,984,018
Purchase of investments	(34,606,173)	(23,722,722)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES:	2,198,293	(12,091,903)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	24,052,158	(3,748,940)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	26,966,841	30,715,781
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	<u>\$ 51,018,999</u>	<u>\$ 26,966,841</u>

Allow for rounding differences

See notes to the basic financial statements

Exhibit A-3
(Continued)

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2018

(With Comparative Amounts for the Fiscal Year Ended June 30, 2017)

	<u>June 2018</u>	<u>June 2017</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Income (loss)	\$ (3,728,899)	\$ (7,534,633)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation/amortization	19,982,645	19,894,657
Bad debt expense - operating	174,207	256,996
Other operating income	5,765,176	(2,244,005)
Employee pension expense	3,574,369	54,767
Changes in assets and liabilities:		
(Inc) dec in accounts receivable	2,724,494	(4,297,930)
(Inc) dec in inventory, prepaid expenses and deposits	337,672	(274,893)
Inc (dec) in accounts payable, accrued expenses and deposits	1,830,907	(688,747)
Inc (dec) in retentions payable	318,858	88,816
Inc (dec) in accrued compensated absences	(12,996)	23,483
Changes in deferred inflows and outflows:		
(Inc) dec in deferred outflows-employee pension contributions	(1,681,492)	(88,509)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 29,284,940</u>	<u>\$ 5,190,002</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Change in unrealized gain (loss) in market value of investment	\$ 1,531,529	\$ (1,602,231)
Capital contribution	(4,117,418)	2,015,246
Change in Deferred outflows of resources, Unamortized bond redemption	(492,979)	(492,979)
Change in Amortized premium/discount	(996,406)	(996,405)

Allow for rounding differences

See notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**a. Reporting Entity:**

The reporting entity Elsinore Valley Municipal Water District (“District”) includes the accounts of the District, Water Employee Services Authority (“WESA”) and the Elsinore Valley Water and Sewer Facilities Corporation (“Corporation”).

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board (“GASB”) Statement 14, as amended by GASB 61. The District is the primary government unit. Despite being legally separate, the Corporation and WESA are so intertwined with the District that they are, in substance, part of the District’s operations. Accordingly, the balances and transactions of these component units are reported within the accounts of the District. Component units are those entities which are financially accountable to the primary government. Blended component units, although separate legal entities, are in substance part of the government’s operations. The District has accounted for the Corporation and WESA as blended component units. WESA’s Board of Directors is comprised of the District’s Board of Directors and WESA provides services almost entirely to the District. The Corporation’s Board of Directors is appointed by the District’s Board of Directors and the Corporation provides service entirely to the District.

The District was incorporated on December 23, 1950, under the provisions of the California Municipal Water District Act of 1911. The District’s 97 square mile service area lies in Western Riverside County between the cities of Corona and Temecula.

The Corporation was organized on April 21, 1980, pursuant to the NonProfit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2, of the California Corporations Code), solely for the purpose of providing financial assistance to the District. The Elsinore Valley Water and Sewer Facilities Corporation is a non-profit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State in 1980. The corporation was formed solely for the purpose of providing financial assistance to the District by acquiring, constructing, improving and developing certain real and personal property for the use, benefit and enjoyment of the District. The Corporation is blended with the District’s financial statements and does not issue separate financial statements.

In August 2003, the Board approved an agreement for the formation of the Water Employee Services Authority and an operating agreement between the District and WESA. WESA was established as a joint powers authority between the District and Meeks and Daley Mutual Water Company (“Meeks & Daley”). The purpose of WESA is to provide professional water and wastewater employee services to both agencies. In September 2003, the Meeks and Daley Board also approved both agreements. With approval of these operating agreements, District employees were transferred to WESA. A separately issued financial report is available for WESA and may be obtained by contacting the District’s office.

In May 2013, the District and WESA formed the Elsinore Valley Municipal Water District Financing Authority (“EVMWDF”) to facilitate a pooled refunding of existing Community Facilities District (“CFD”) Bonds. These bonds were originally issued to finance water and sewer facilities owned and operated by the District. The formation of EVMWDF provided the ability to assist in financing or refinancing public capital improvement projects that will encourage economic development. It has been determined that EVMWDF is not a component unit of the District. A separately issued financial report is available for the Authority and may be obtained by contacting the District’s Office.

b. Basis of Accounting and Measurement Focus:

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise. The costs of providing goods and services to the general public on a continuing basis (including depreciation), are financed through user fees and charges. For financial reporting purposes, all of the funds and component units of the District have been consolidated after elimination of significant inter-fund accounts and transactions. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. An enterprise fund is accounted for using the economic resources measurement focus. This means that all assets and liabilities associated with the activity (whether current or noncurrent) are included on the statement of net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District distinguishes between operating and non-operating revenues and expenses. Operating revenues are those revenues that are generated by providing water, wastewater and recycled water services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water, wastewater and recycled water services.

c. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Restricted Resources:

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

e. Budgetary Information:

Although the District prepares and approves an annual budget, budgetary information is not presented because the District is not legally required to adopt a budget. In this situation, GAAP does not require presentation of budgetary information.

f. Claims & Judgments:

When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program. As of June 30, 2018, in the opinion of legal counsel, the District had no material claims which would require loss provision in the financial statements other than the ongoing Hydro Company, Inc. litigation that has been settled as of July 27th, 2018, subsequent to year end. The effects of this subsequent event have been fully accrued and recognized as an expense in the current period. Please refer to note 22 – Subsequent Events for further details.

g. Comparative Data & Reclassifications:

Comparative data for prior years have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Two reclassifications were done this reporting period. One is the reclassification of the FY2017 accounts payable and accrued expenses. The two accounts were combined and restated to reflect a more comparable amount to FY2018 balances. Another change was in the accounting treatment of the payments made to the Lake Maintenance fund. Prior year's treatment was to book directly to expense, while this FY2018, payments were treated as a prepaid expense and amortized when consumed.

h. New Effective Accounting Pronouncements:

GASB has issued Statement No. 83, "Certain Asset Retirement Obligations." This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB has issued Statement No. 85, "Omnibus 2017". The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

GASB Statement No. 86, "Certain Debt Extinguishment Issues". The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

i. Future Accounting Pronouncements:

GASB Statement No. 84, "Fiduciary Activities ". This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements are the fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, "Certain Disclosures Related to Debt". The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of the Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No.89, "Accounting for Interest Cost Incurred before the end of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

j. Cash & Cash Equivalents:

For the statement of net position and the statement of cash flows, cash and cash equivalents have been defined as demand deposits, highly liquid investments purchased with an original maturity of 90 days or less from the original date of purchase, and investments with a maturity date of 90 days or less from fiscal year end.

k. Restricted Assets:

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

l. Allowance for Doubtful Accounts:

The District has a policy which requires that uncollectible accounts for water, wastewater, and other services be written off 90 days after the invoice date. The Allowance for Doubtful Accounts is deducted against the Account and Note Receivable on the Statement of Net Assets. The amount of allowance for doubtful accounts is \$66,211 as of June 30, 2018 and \$34,467 as of June 30, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The amount written off is \$174,207 for June 30, 2018 and \$256,996 for June 30, 2017.

m. Inventories:

The District utilizes a standard (or average) cost method of valuing inventories consisting of materials and supplies for utility plant construction and repairs.

n. Investments:

As a governmental entity other than an external investment pool, in accordance with GASB 31, the District’s investments are stated at fair value. In applying GASB 31, the District utilizes the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio does not hold investments in:
 - (a) Items subject to involuntary participation in an external pool,
 - (b) Items associated with a fund other than the fund to which the income is assigned;
- 3) The gain or loss resulting from valuation is reported within the revenue account, “Investment Income” on the Statement of Revenues, Expenses and Changes in Net Position.

o. Capital Assets:

Capital Assets are valued at historical cost or estimated historical cost if actual cost is not available. Contributed assets are valued at acquisition value on the date contributed. The District maintains a threshold of \$10,000 for capital asset capitalization.

Depreciation of capital assets used by the District is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method with asset lives as follows:

Category	Number of Years
Reservoirs - storage	50 - 100
Source of supply	5 - 30
Pumping and water treatment facilities	40
Transmission and distribution	50
Meter and services	30
Wastewater treatment plant and collection system	5 - 50
Transportation equipment	5 - 20
Studies, Tools, Equipment (Office or Laboratory)	5 - 10

p. Deferred Outflows of Resources:

Deferred outflow of resources is defined as the current consumption of net assets that is applicable to a future reporting period while Deferred inflows of resources is defined as the current acquisition of net assets that is applicable to a future reporting period.

The District has three items that qualify as deferred outflow of resources. The first is the unamortized bond redemption costs. The bond redemption costs resulted from refunding the Series 2000 and 2007 Certificates of Participation with the Series 2016A Revenue Bonds. This amount is deferred and amortized over the remaining period of the 2016A Bonds. As of June 30, 2018, the District reported a balance of \$7.1 million in unamortized bond redemption due to the refunding.

GASB 68 took effect for fiscal years beginning after June 15, 2014. The purpose of this statement is to improve accounting and financial reporting by public agencies for pensions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The implementation of GASB 68 created the second and third deferred outflow of resources: employee pension contributions, changes in assumptions and actuarial earnings. As of June 30, 2018, the District reported a combined balance of \$7.5 million in deferred outflows of resources related to pensions. The detailed description of the deferred outflows-employee pension contribution account and how it was calculated are discussed in Note 8.

The implementation of GASB 68 also created the District’s first deferred inflow of resources- employee pension actuarial. As of June 30, 2018, the District reported a balance of \$447.6 thousand in employee pension actuarial contributions. The detailed description of the deferred inflows-employee pension actuarial account and how it was calculated are discussed in Note 8.

q. Compensated Absences:

Accumulated unpaid vacation, sick pay, and savings clause amounts are accrued when incurred. Total accrued compensated absences are \$3,855,101 and \$3,868,098 at June 30, 2018 and 2017, respectively (see Notes 10 and 11).

r. Property Taxes:

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government.

The property tax calendar is as follows:

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

Taxes are collected by Riverside County and are remitted to the District periodically according to the following schedule. Dates and percentages may vary slightly from year to year

December 11-15	30% Advance - First Installment
January 15-19	Balance of First Installment (to 55%)
April 9-13	10% Advance - Second Installment
May 14-18	Balance of Second Installment (to 95%)
August 1-7	Third Installment (to 100%)
October 15-19	Final Teeter Plan Settlement

In addition, the District has assessed property taxes to provide for payment of bond principal and interest in the improvement district. All taxes collected for debt service are maintained in separate accounts designated for payment of the debt.

s. Maintenance Costs:

All expenditures for maintenance and repair of property, including refurbishment of minor items, are charged to the appropriate maintenance expense accounts. A betterment or replacement of a unit of property is accounted for as an addition or retirement of property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

t. Capital Contributions:

Capital Contributions represent: (a) cash or capital asset additions contributed to the District by property owners or developers desiring services that require capital expenditures or capacity commitment, and (b) costs of capital asset additions funded by grants. Depreciation of contributed capital asset additions is charged to operations.

The following special charges levied by the District against newly connecting customers are being accounted for as capital contributions as of June 30, 2018:

Water Facilities:

Meter Installations (by meter size)	\$ 505	to \$4,300 per service
Storage Participation Tank Charges	\$ 1,117	per capacity unit
Temescal Valley Project	\$ 2,416	per capacity unit
Pumping Plant	\$ 1,372	per capacity unit
Transmission Facilities	\$ 2,679	per capacity unit
Source of Supply	\$ 1,656	per capacity unit
Administration	\$ 44	per capacity unit

Wastewater Facilities (per Equivalent Dwelling Unit):

Sewer Facility	Regional / Canyon Lake	Alberhill
Treatment Plant	\$ 2,726	\$ 8,313
Collection	5,199	5,199
Total	\$ 7,925	\$ 13,512
Recycled Water Facilities	\$ 1,036	per EDU (Equivalent Dwelling Unit)

2. CASH AND INVESTMENTS:

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

Statement of net position:

Current Assets:

Cash & cash equivalents	\$ 51,018,996
Restricted assets	11,910,048
Investments maturing ≤ one year	44,532,306

Noncurrent Assets:

Investments	121,809,987
Total cash and investments	<u>\$ 229,271,337</u>

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

Cash on hand	217,571
Deposits with financial institutions	6,133,490
Investments (includes market value adjustment)	222,920,276
Total cash and investments	<u>\$ 229,271,337</u>

Cash & cash equivalents:

LAIF	\$ 10,019,630
Investments Maturing ≤ 90 days	25,482,990
Deposits with financial institutions	6,133,490
Money Market Mutual Funds	9,165,316
Cash on Hand	217,570
	<u>\$ 51,018,996</u>

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

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

2. CASH AND INVESTMENTS (CONTINUED):

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment per Issuer
State and Local Instruments	Yes	5 Years	10%	None
U.S. Treasury Obligations	Yes	5 Years	None	None
Federal Agency Securities	Yes	5 Years	40%	None
Banker's Acceptances	Yes	180 Days	10%	30 %
Commercial Paper	Yes	270 Days	10%	None
Non-Negotiable CDs	Yes	None	10%	None
Repurchase Agreements	Yes	90 Days	5%	None
Medium Term Notes	Yes	5 Years	20%	None
Supranational Obligation	Yes	5 Years	10%	None
Mutual Funds Yes	Yes	5 Years	20%	10%
Money Market Mutual Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$65M	\$65M
Passbook Savings	Yes	N/A	None	None

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee, are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The tables on the following pages identify certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	30 Years	None	None
Federal Agency Securities	5 Years	40%	None
Bankers Acceptances	180 days	10%	30%
Commercial Paper	270 days	10%	None
Non-Negotiable CDs	None	None	None
Repurchase Agreements	90 Days	5%	None
Money Market Mutual Funds	N/A	15%	10%
Investment Contracts	None	None	None
LAIF	N/A	\$65M	\$65M
Passbook Savings	N/A	None	None

2. CASH AND INVESTMENTS (CONTINUED):

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 market value is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations. The District monitors the inherent interest rate risk in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

Investment Type	Total Amount	Weighted Average Maturity (in years)	Maturity		
			≤ 90 days	≤ one year	> one year
U.S. Treasury Obligations	\$67,138,295	1.0	\$18,386,655	\$26,956,832	\$21,794,809
Federal Agency Securities	70,400,046	1.6	5,697,777	7,877,722	56,824,547
Supranationals	14,539,061	3.3			14,539,061
Medium Term Notes	36,047,880	2.3	1,398,558	9,697,752	24,951,570
Local Agency Bonds	3,700,000	14.4	-	-	3,700,000
	<u>191,825,282</u>		<u>\$25,482,990</u>	<u>\$44,532,306</u>	<u>\$121,809,987</u>
Money Market Mutual Funds	9,165,316	n/a			
LAIF	10,019,630	n/a			
Held with Fiscal Agent:					
Money Market Mutual Funds	<u>11,910,048</u>	n/a			
Total	<u>\$222,920,276</u>				

Concentration of Credit Risk:

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District’s investment in a single investment. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issue (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5 percent or more of the total District’s investments are as follows:

Issuer	Investments		
	Type	Amount	%
Federal Home Loan Banks	Federal Agency	\$ 11,877,994	5.3%
Federal Home Loan Mortgage Corporation	Federal Agency	\$ 21,123,019	9.5%
Federal National Mortgage Association	Federal Agency	\$ 37,399,033	16.8%

2. CASH AND INVESTMENTS (CONTINUED):

Credit Risk:

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 nationally recognized statistical rating organization. The following is the minimum rating required by the California Government Code (where applicable), the District's investment policy, or debt agreements, and the actual rating (as rated by Moody's or S&P) as of year-end for each investment type:

Investment Type	Amount	Min Legal Rating	Not Required to be Rated	Ratings as of Year End			
				Aaa	Aa	A	Unrated
U.S. Treasury Obligations	\$67,138,295	N/A	\$67,138,295	\$ -	\$ -	\$ -	\$ -
Federal Agency Securities	70,400,046	N/A	-	70,400,046	-	-	-
Supranationals	14,539,061			14,539,061			
Medium Term Notes	36,047,880	A	-	8,325,406	12,262,228	15,460,246	-
Local Agency Bonds	3,700,000	N/A	-	-	-	-	3,700,000
Money Market Mutual Funds	9,165,316	Aaa	-	9,165,316	-	-	-
LAIF	10,019,630	N/A	-	-	-	-	10,019,630
Held with Fiscal Agent:							
Money Market Mutual	11,910,048	Aaa	-	11,910,048	-	-	-
	\$			\$			
Total	<u>222,920,276</u>		<u>\$67,138,295</u>	<u>114,339,877</u>	<u>\$12,262,228</u>	<u>\$15,460,246</u>	<u>\$13,719,630</u>

Custodial Credit Risk:

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District 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.

GASB Statement No. 40 requires the disclosure of the deposits into a financial institution that are not covered by FDIC depository insurance and are uncollateralized. As of June 30, 2018, the carrying amount of the District's deposits was \$5,803,737 and the corresponding bank balance was \$9,806,798. The difference of \$4,003,062 was primarily due to outstanding warrants, wires and deposits in transit. Of the bank balance, \$250,000 was insured by FDIC depository insurance, and the remainder secured by pledged securities as discussed above.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

2. CASH AND INVESTMENTS (CONTINUED):

As of June 30, 2018, District investments in the following investment types were held by the safekeeping department of Bank of America utilized by the District in the management of its investments.

Investment Type	Total Amount
U.S. Treasury Obligations	\$ 67,138,295
Federal Agency Securities	70,400,046
Medium Term Notes	36,047,880
Supranationals	14,539,061
Money Market Mutual Funds	9,165,316

Fair Value Measurements:

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The District has the following recurring fair value measurements as of June 30, 2018:

Investment by Fair Value Level	Quoted Prices - Level 1	Observable Inputs - Level 2	Unobservable Inputs - Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 67,138,295	\$ -	\$ 67,138,295
Federal Agency Securities	-	70,400,046	-	70,400,046
Medium Term Notes	-	36,047,880	-	36,047,880
Supranationals	-	14,539,061	-	14,539,061
Local Agency Bonds	3,700,000	-	-	3,700,000
	<u>\$ 3,700,000</u>	<u>\$ 188,125,282</u>	<u>\$ -</u>	<u>\$ 191,825,282</u>

Investments Measured at the Net Asset Value

LAI	10,019,630
Money Market Mutual Funds	9,165,316
Held with Fiscal Agent:	
Money Market Mutual Funds	11,910,048
Total	<u>\$ 222,920,276</u>

2. CASH AND INVESTMENTS (CONTINUED):

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. The District does not have any securities that fall within Level 3 of the fair value hierarchy.

In accordance with GASB 72, certain investments that were measured at Net Asset Value ("NAV") per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net position.

Investment in State Investment Pool:

The District is a voluntary participant in the Local Agency Investment Fund ("LAIF") that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, other asset backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes.

3. INVESTMENT IN COMMON STOCK – MUTUAL WATER COMPANY:

The Meeks and Daley Water Company ("Meeks and Daley") is a mutual water company whose purpose is to provide non-potable water to its shareholders based upon the number of shares owned. The District owns shares in Meeks and Daley and considers this as an investment in common stock, accounting for it under the equity method.

As of June 30, 2018, the District owned 468,095 shares of voting common stock representing an ownership interest of approximately 57.9 percent. The carrying value of the District's investment approximates its share of the underlying equity in the net position of the company. Meeks and Daley's reported assets of \$7,812,980, liabilities of \$260,376 and a net loss of \$118,961 for the year ended June 30, 2018.

The District recorded a loss of \$68,819 from its investment in the Meeks and Daley for the year ended June 30, 2018, which decreased its investment balance from \$4,437,999 to \$4,369,180.

Separate audited financial statements for the Company can be obtained from the District at 31315 Chaney Street, Lake Elsinore, CA 92530.

4. INVESTMENT IN JOINT VENTURE - SRRRA:

On November 12, 2015, the District, under Section 6500 of the Government Code of the State of California, entered into a Joint Exercise of Powers Agreement between Rancho California Water District ("RCWD") and Western Municipal Water District ("WMWD"); to create the Santa Rosa Regional Resources Authority ("SRRRA"). SRRRA was created as a public agency, separate from its Member Agencies, for the ownership, operation, maintenance, and administration of the Santa Rosa Water Reclamation Facilities ("SRWRF"), on a cooperative basis for the collection, transmission, treatment, and disposal of wastewater, and the management of wastewater treatment byproducts.

The Member Agencies will have the capacity and recycled effluent rights on the facilities. Each Member Agency shall own and have the right to control, transfer and derive all financial benefit from the treated wastewater and recycled water produced by the Facilities for treatment, less any amount consumed during the operation of the Facilities.

Until such time as SRWRF is conveyed from RCWD to the SRRRA, annual budgeting shall occur pursuant to the terms of the Facilities Acquisition Agreement. Thereafter, budgeting shall occur in accordance with the Joint Exercise of Powers Agreement for SRRRA. Budgeting will occur in four sections; general operating, non-operating, capital projects and specific projects. Each Member Agency shall be responsible for paying its corresponding share of these budgeted amounts payable on agreed terms and dates.

4. INVESTMENT IN JOINT VENTURE - SRRRA (CONTINUED):

The District has an explicit, measurable right to the net resources of SRRRA and considers this as an investment in a joint venture, accounting for it under the equity method.

Separate audited financial statements for the Company can be obtained from the Rancho California Water District at 42135 Winchester Road, Temecula, CA 92590. The summary as of June 30, 2018 and 2017 are as follows:

	<u>June 2018</u>	<u>June 2017</u>
Total Assets	\$ 61,965,440	\$ 1,949,122
Total Liabilities	59,797,548	1,474,565
Total Net Position	<u>\$ 2,167,892</u>	<u>\$ 474,557</u>
 Increase/decrease in Net Position	 <u>\$ 1,693,335</u>	 <u>\$ 460,726</u>

5. RECEIVABLE FROM CFDs:

The Receivable from CFD represents the amount owed to the District from the 2016 Special Tax Refunding Bonds. In fiscal year 2016, property tax receipts totaling \$147,307 from CFD 2003-1 Watermark were improperly applied to CFD 2004-1 Woodmoor. The misapplied funds were inadvertently included in the funds determined to be available for the refunding of the original CFD 2004-1 Woodmoor Bonds. As a result, the 2016 Special Tax Refunding Bonds will repay the District these funds through the annual assessment of administration expenses for the remaining life of the bonds (22 years). Payments commenced in fiscal year 2017/2018 and the balance as of June 30, 2018 is \$140,307.

6. NOTES & CONTRACTS RECEIVABLE:

	<u>2018</u>	<u>2017</u>
Original receivable was in the amount of \$2,500,000 due from the City of Corona per the agreement dated December 1, 2008 for the sale of agreed upon assets in the Coldwater Basin in Temescal Canyon. The assets within Coldwater Basin included in this sale are related to the No. 2 Line, The Riverside MWD WR 19b Connection and miscellaneous pipelines and service laterals. The note is billed annually on November 1st in the amount of \$250,000 with final payment due December 1, 2018.	\$ 250,000	\$ 500,000
Less current portion of the receivable	<u>(250,000)</u>	<u>(250,000)</u>
Total Notes and Contracts Receivable	<u>\$ -</u>	<u>\$ 250,000</u>

7. CAPITAL ASSETS:

	Balance June 30, 2017	Additions	Retirements/ Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 7,572,493	\$ -	\$ -	\$ 7,572,493
Construction in Progress	43,485,084	29,899,757	(6,731,139)	66,653,702
Water Rights	19,814,681			19,814,681
Total capital assets not being depreciated	<u>70,872,258</u>	<u>29,899,757</u>	<u>(6,731,139)</u>	<u>94,040,876</u>
Capital assets being depreciated:				
Infrastructure - Water	392,675,490	658,721	(87,912)	393,246,299
Infrastructure - Wastewater	377,623,287	4,161,317	-	381,784,604
Buildings and Structures	22,173,886	964,432	-	23,138,318
Vehicles and Equipment	7,031,903	651,184	(743,150)	6,939,937
Miscellaneous	1,013,247	295,485	-	1,308,732
Total capital assets being depreciated	<u>800,517,813</u>	<u>6,731,139</u>	<u>(831,062)</u>	<u>806,417,890</u>
Less accumulated depreciation for:				
Infrastructure - Water	(157,913,972)	(10,251,678)	87,912	(168,077,738)
Infrastructure - Wastewater	(114,162,482)	(7,878,572)	-	(122,041,054)
Buildings and Structures	(12,766,011)	(503,193)	-	(13,269,204)
Vehicles and Equipment	(6,042,036)	(815,997)	726,409	(6,131,624)
Miscellaneous	(955,789)	(38,742)	-	(994,531)
Total accumulated depreciation	<u>(291,840,290)</u>	<u>(19,488,182)</u>	<u>814,321</u>	<u>(310,514,151)</u>
Total capital assets being depreciated, net	<u>508,677,523</u>	<u>(12,756,999)</u>	<u>(16,741)</u>	<u>495,903,783</u>
Capital assets, net	<u>\$ 579,549,781</u>	<u>\$ 17,142,758</u>	<u>\$ (6,747,880)</u>	<u>\$ 589,944,659</u>

	Amount Authorized	Expenditures June 30, 2018	Unexpended Commitments
Major components of Construction Work In Progress (CIP):			
Water Facilities	\$ 37,713,149	\$ 22,091,707	\$ 15,621,442
Wastewater Facilities	26,325,259	13,501,346	12,823,913
Salt Removal Projects (Desalter)	15,256,857	631	15,256,226
Regional Water Reclamation Facility Expansion	9,167,554	4,936,195	4,231,359
Horsethief Treatment Plant Expansion	7,860,530	1,885,177	5,975,353
AMI Phase III	7,159,423	6,867,790	291,633
Flagler Well Conversion	6,249,219	3,891,535	2,357,684
20/24" Pipeline Waite Street Tank	4,731,988	4,644,285	87,703
County Water Company Consolidation	4,548,215	4,001,767	546,448
Warm Springs Basin Well	4,256,979	254,590	4,002,389
Wildomar Sewer System Improvements	3,871,551	3,563,708	307,843
Barney Lee Well Conversion	3,100,000	20,213	3,079,787
Palomar Well	2,558,150	698,415	1,859,735
Other Facilities	2,261,828	296,343	1,965,485
Total Major Components of CIP	<u>\$ 135,060,702</u>	<u>\$ 66,653,702</u>	<u>\$ 68,407,000</u>

Allow for rounding differences

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM:

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

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

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

General Information about the Pension Plan

Plan Description:

The Plan is an agent, multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (“CalPERS”). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the June 30, 2016, Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website.

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following; the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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

The Plan’s provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous		
	Inactive before January 1, 2008	Active & Classic On or Before January 1, 2013	New Members On or After January 1, 2013
Hire Date			
Benefit Formula	2.0% @ 55	2.7% @ 55	2.0% @ 62
Benefit Vesting	5 years service	5 years service	5 years service
Vesting Schedule	monthly for life	monthly for life	monthly for life
Payments Retirement Age	50 - 63	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	1.1% to 2.4%	2.0 % to 2.7%	1.0% to 2.0%
Required Employee Contribution Rates	7.00%	8.00%	6.75%
Required Employer Contribution Rates	12.13%	12.13%	12.13%
Employer Payment of Unfunded Liability	11.79%	11.79%	11.79%

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

Employees Covered:

At June 30, 2018, the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	134
Inactive employees entitled to but not yet receiving benefits	252
Active employees	<u>158</u>
Total	<u><u>544</u></u>

Contribution Description:

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 1st following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contribution.

Employer Contributions to the Plan for the fiscal year ended June 30, 2018, were \$2,908,487.

Net Pension Liability

The District’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability:

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017, total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CALPERS’ Membership data for all Funds
	Contract COLA up to 2.75% until Purchasing Power Protection Allowance
Post Retirement Benefit Increase	Floor on purchasing power applies, 2.75% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011 including updates to salary increase, mortality, and retirement rates. The Experience Study report can be obtained at CalPERS' website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions:

In 2017, the accounting discount rate reduced from 7.65 to 7.15% which resulted in a net increase of \$5,623,164 in net pension liability and an increase of \$2,050,104 in pension expense.

Discount Rate:

The discount rate used to measure the total pension liability was 7.15%. 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. The test revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund ("PERF"). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff considered both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Considering historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 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 PERF fund. The expected rate of return was set by calculating the 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 rounded down to the nearest one quarter of one percent.

The table below reflects 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	Current Strategic Allocation	Real Return Years 1 -10 ⁽¹⁾	Real Return Years 11 ⁽²⁾
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%

⁽¹⁾ An expected inflation of 2.5% used for this period

⁽²⁾ An expected inflation of 3.0% used for this period

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

Pension Plan Fiduciary Net Position:

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2016	\$ 83,206,291	\$ 60,676,954	\$ 22,529,337
Changes Recognized for the Measurement Period:			
Service Cost	2,636,694	-	2,636,694
Interest on the Total Pension liability	6,285,034	-	6,285,034
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	(579,128)	-	(579,128)
Net Plan to Plan Resource Movement	-	(2,059)	2,059
Changes of Assumptions	5,623,164	-	5,623,164
Contributions- employer	-	2,742,846	(2,742,846)
Contributions- employee	-	979,078	(979,078)
Net Investment Income	-	6,761,115	(6,761,115)
Benefit Payments, including Refunds of Employee Contributions	(3,332,206)	(3,332,206)	-
Administrative Expense	-	(89,585)	89,585
Net Changes during 2016-2017	10,633,558	7,059,189	3,574,369
Balance at: 6/30/2017	\$ 93,839,849	\$ 67,736,143	\$ 26,103,706

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

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

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

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability / (Asset)	\$40,085,884	\$26,103,706	\$14,711,685

Subsequent Events:

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources:

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

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

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

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

Expected Average Remaining Service Lifetime ("EARSL"):

The EARSL for the Plan for measurement period ending the June 30, 2017 measurement is 2.9 years, which was obtained by dividing the total service years of 1,560 (the sum of remaining service lifetimes of the active employees) by 544 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to -0-. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

Pension Expense/(Income) for Measurement Period ended June 30, 2017

As of the start of the measurement period (July 1, 2016), the net pension liability was \$22,529,337.

For the measurement period ending June 30, 2017 (the measurement date), the Authority incurred a pension expense/(income) of \$4,797,157 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,636,694
Interest on the Total Pension Liability	6,285,034
Changes of the Benefit Terms	-
Recognized Differences between Expected and Actual Experience	1,449,330
Recognized Changes of Assumptions	(371,099)
Net Plan to Plan Resource Movement	2,059
Employee Contributions	(979,078)
Projected Earnings on Pension Plan Investments	(4,341,843)
Recognized Differences between Projected and Actual Earnings on	
Plan Investments	26,475
Administrative Expense	89,585
Other Miscellaneous Income	-
	<hr/>
Total Pension Expense/(Income)	\$ 4,797,157

Deferred Outflows and Deferred Inflows of Resources Related to Pensions:

The following table represents deferred outflows and deferred inflows of resources related to pensions as of June 30, 2018. Note that no adjustments have been made for contributions subsequent to the measurement date. Appropriate treatment of any contributions made after the measurement date is the responsibility of the employer.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,908,487	
Differences between Expected and Actual Experience		\$ (447,617)
Changes in Assumptions	3,684,142	
Net Difference between Projected and Actual Earnings on Pension Plan Investment	898,883	
Total	<u>\$ 7,491,512</u>	<u>\$ (447,617)</u>

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

\$2,908,487 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 ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources (net amount of \$4,135,408) related to pensions will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2018	\$ 1,697,611
2019	2,556,675
2020	364,978
2021	(483,856)
2022	-
Thereafter	-

Note: For employers with June 30th year-end, the fiscal year will be one year later than the measurement period. For example, the 2018 measurement period presented in the above table will be listed as year 2018 in the employer’s fiscal year ending June 30, 2018 financial statements.

Payable to the Pension Plan

At June 30, 2018, the Authority reported a payable of \$291,643 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

9. COMMUNITIES FACILITIES DISTRICT BONDS:

The District currently has six outstanding Community Facilities District (CFD) Bonds. These CFD bonds are not reported as a liability in the accompanying financial statements. Thus, the District has no liability for the CFD bonds in the event of default by the property owners. The District's only obligation is to act as an agent remitting to bondholders' amounts collected from property owners.

A Reserve Fund was established for CFD 1999-1, 2002-1, 2003-1, 2003-2 in an amount equal to the reserve requirement as of the closing date of the bonds. These reserves are to be used solely in the event of any deficiency at any time for the purpose of making any principal, interest or premium payments. A Reserve Fund was not established for CFD 1998-2 since the District is the sole bondholder.

To take advantage of low interest rates in 2014 the District formed the Elsinore Valley Municipal Water District Financing Authority (Authority) to help facilitate a pooled refunding of existing CFD bonds. The Authority assists the District in financing or refinancing public capital improvement projects, financing relating to the encouragement of economic development, and the stimulation of public revenues. The Authority is able to issue bonds for the purpose of completing a pooled refinancing of the CFD Bonds.

On December 22, 1998, CFD 1998-2 was formed in order to finance, in part, the acquisition and construction of water and sewer improvements necessary to provide service for nine parcels representing approximately 368 acres in the Wildomar area. The District provided a cash contribution to the project, which is anticipated to be reimbursed through an additional facilities charge on undeveloped property within the benefit area. Bonds in the amount of \$5,500,000 were issued on February 9, 2000, with repayment being provided by a special tax to be placed on each parcel of taxable property. The District purchased the bonds and is still the sole bondholder. These unrated bonds are shown as part of the District's total investments and are set to expire September 1, 2030. The outstanding balance as of June 30, 2018 is \$3,700,000.

On June 23, 1999, CFD 1999-1 was formed to provide tax-exempt financing for public sewer improvements and payment of water and sewer connection fees for approximately 81 acres located in the City of Murrieta. Bonds in the amount of \$4,000,000 were issued on January 4, 2000. In December 2006, CFD 1999-1 was refunded through the issuance of 2006 Special Tax Refunding Bonds. Bonds in the amount of \$4,315,000 were issued on December 28, 2006. In June 2016, the outstanding bonds were refunded through the private placement of the 2016 Special Tax Refunding Bonds. Bonds in the amount of \$2,673,000 were issued on June 22, 2016, with repayment being provided by a special tax to be placed on each parcel of taxable property. The bonds will expire September 1, 2029 and the outstanding balance as of June 30, 2018 is \$2,541,000.

On June 27, 2002, CFD 2002-1 was formed to provide financing for the construction and acquisition of public facilities and payment of water and sewer connection fees, as well as, Lake Elsinore Unified School District's capacity and school facilities fees for approximately 31.95 acres located in the unincorporated area known as Wildomar. Bonds in the amount of \$2,240,000 were issued May 26, 2004. In February 2014, CFD 2002-1 was refunded through the issuance of the 2014A Special Tax Refunding Bonds. Bonds in the amount of \$1,818,000 were issued on February 20, 2014 by Elsinore Valley Municipal Water District Financing Authority (Authority) with repayment being provided by a special tax to be placed on each parcel of taxable property. The bonds will expire September 1, 2034 and the outstanding balance as of June 30, 2018 is \$1,586,000.

On August 14, 2003, CFD 2003-1 was formed to provide financing for the construction and acquisition of public facilities and payment of water and sewer connection fees for approximately 64.5 acres located in the City of Lake Elsinore. Bonds in the amount of \$4,410,000 were issued September 23, 2004. In February 2014, CFD 2003-1 was refunded through the issuance of the 2014A Special Tax Refunding Bonds. Bonds in the amount of \$3,634,000 were issued on February 20, 2014 by the Authority with repayment being provided by a special tax to be placed on each parcel of taxable property. The bonds will expire September 1, 2034 and the outstanding balance as of June 30, 2018 is \$3,173,000.

On July 10, 2003, CFD 2003-2 was formed to provide financing for the construction and acquisition of public facilities for approximately 135 acres located in the City of Murrieta. Bonds in the amount of \$1,985,000 were issued March 23, 2004. In February 2014, CFD 2003-2 was refunded through the issuance of the 2014A Special Tax Refunding Bonds. Bonds in the amount of \$1,340,000 were issued on February 20, 2014 by the Authority with repayment being provided by a special tax to be placed on each parcel of taxable property. The bonds will expire September 1, 2034 and the outstanding balance as of June 30, 2018 is \$1,163,000.

9. COMMUNITIES FACILITIES DISTRICT BONDS (CONTINUED):

On December 20, 2004, CFD 2004-1 was formed to provide financing for the construction and acquisition of public facilities and payment of water and sewer connection fees for approximately 62.3 acres located in the City of Lake Elsinore. Bonds in the amount of \$2,130,000 were issued December 30, 2009. In June 2016, the outstanding bonds were refunded through the private placement of the 2016 Special Tax Refunding bonds. Bonds in the amount of \$1,461,000 were issued on June 22, 2016, with repayment being provided by a special tax to be placed on each parcel of taxable property. The bond will expire September 1, 2039 and the outstanding balance as of June 30, 2018 is \$1,426,000.

As of June 30, 2018, the available funds for each CFD are as follows:

CFD #	Amount
1998-2	\$ 851,414
1999-1	343,319
2004-1	150,813
2014-1	1,097,874
	<u>\$ 2,443,420</u>

10. LONG TERM LIABILITIES:

Long-Term Liabilities for the year-ended June 30, 2018 are as follows:

	Balance at June 30, 2017	Additions/ Amortizations	Deletions	Balance at June 30, 2018	Amounts Due In One Year
Certificates of Participation Payable	\$ 80,071,342	\$ (144,006)	\$ 4,340,000	\$ 75,587,336	\$ 4,550,000
Water Revenue Bonds	84,275,784	(852,400)	910,000	82,513,384	955,000
Loans Payable	1,416,590	5,001,637	225,614	6,192,613	309,244
Advances from U.S. Government	5,410,621	-	386,473	5,024,148	386,473
Total Long-Term Debt, net of Unamortized Premium	171,174,337	4,005,231	5,862,087	169,317,481	6,200,717
Net Pension Liability	22,529,337	10,633,558	7,059,189	26,103,706	-
Accrued Compensated Absences	3,868,098	1,867,062	1,880,059	3,855,101	939,509
Total Long-Term Liabilities	<u>\$ 197,571,772</u>	<u>\$ 16,505,851</u>	<u>\$ 14,801,335</u>	<u>\$ 199,276,288</u>	<u>\$ 7,140,226</u>

10. LONG TERM LIABILITIES (CONTINUED):

Total future long-term debt maturities as of June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 6,200,717	\$ 4,654,845	\$ 10,855,562
2020	6,772,985	4,394,936	11,167,921
2021	7,068,859	4,172,977	11,241,836
2022	7,369,927	3,886,998	11,256,925
2023	7,691,194	3,586,871	11,278,065
2024-2028	42,484,164	12,929,619	55,413,783
2029-2033	49,637,014	4,559,246	54,196,260
2034-2038	28,496,901	723,872	29,220,773
Total	155,721,761	38,909,364	194,631,125
Unamortized Premium/ Discount	13,595,720	-	13,595,720
Total	<u>\$ 169,317,481</u>	<u>\$ 38,909,364</u>	<u>\$ 208,226,845</u>

Allow for rounding differences

11. EMPLOYEE SAVINGS CLAUSE PLAN:

WESA has two “savings clause” plans; one that is administered for the benefit of the Employee Association (“EA”) for employees hired prior to January 1, 2012 and the other for the benefit of the Management Team Association (“MTA”) for employees hired prior to January 1, 2013. EA employees hired after January 1, 2012 and MTA employees hired after January 1, 2013 are not eligible for the employee savings clause benefit. Both plans credit employees with 160 hours of savings allowance upon completion of 60 months of active service. Beginning with the 63rd month of active service, employees are credited with an additional 40 hours and receive 40 hours of additional savings clause accrual for each 12 months of active service thereafter, to a maximum total of 800 hours. Employees are paid the savings benefit at the rate of pay the employees were earning on their last day of employment with WESA.

Effective this fiscal year, employees were granted the option to cash out their savings clause early, without the ability or right to continue to earn any additional savings clause and/or to receive any savings clause at retirement or termination. The balance accrued is reported with the compensated absences balance. The amount under this plan was \$1,488,395 and \$1,749,330 as of June 30, 2018 and June 30, 2017, respectively.

12. CERTIFICATES OF PARTICIPATION:

	<u>2018</u>	<u>2017</u>
COPs Series 2002, partial advance refunding of the 1992 Certificates of Participation totaling \$23,715,000, dated November 20, 2002. Interest payable semi-annually on July 1 and January 1, at 5.375%. Principal amounts are payable annually on each July 1, ranging from \$2,815,000 in July 2013 and \$3,855,000 in July 2019.	\$ 7,515,000	\$ 10,990,000
COPs Series 2008B, refunding of 2005 and 1995A Certificates of Participation totaling \$54,655,000, dated October 28, 2008. The interest rate is variable with resets on a weekly basis and reported at the rate in effect on June 30 (1.30%). Principal amounts are payable annually on each July 1, ranging from \$7,795,000 in July 2030 to \$5,240,000 in July 2035.	47,465,000	47,465,000
COPs Series 2011, refinancing of a U.S. Bureau of Reclamation Advance totaling \$25,485,000, dated May 25, 2011. The interest rate is variable with resets on a weekly basis and reported at the rate in effect on June 30 (1.30%). Principal amounts are payable annually on each July 1, ranging from \$770,000 in July 2013 to \$1,445,000 in July 2035.	20,650,000	21,515,000
Total Certificates of Participation Payable	<u>75,630,000</u>	<u>79,970,000</u>
Unamortized Premium/discount on issue	<u>(42,664)</u>	<u>101,342</u>
Net Certificates of Participation Payable	<u>\$ 75,587,336</u>	<u>\$ 80,071,342</u>

Future long-term certificates of participation maturities as of June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,550,000	\$ 1,191,064	\$ 5,741,064
2020	4,770,000	977,528	5,747,528
2021	945,000	862,030	1,807,030
2022	970,000	849,745	1,819,745
2023	1,000,000	837,135	1,837,135
2024-2028	5,435,000	3,983,460	9,418,460
2029-2033	30,630,000	3,300,765	33,930,765
2034-2036	27,330,000	665,730	27,995,730
Total	<u>\$ 75,630,000</u>	<u>\$ 12,667,457</u>	<u>\$ 88,297,457</u>

The Certificates of Participation (“COP”) were issued by the Elsinore Valley Water and Sewer Facilities Corporation (“Corporation”) to assist the District in financing various construction projects and to advance refund prior debt issues. The COP’s are payable solely from installment payments to be made by the District. The District is obligated to make annual installment payments from any and all lawfully available revenues. The District has covenanted to budget and annually appropriate sufficient sums to pay all required installment payments when due.

On November 20, 2002, the Corporation issued Refunding COP Series 2002 consisting of \$23,715,000 in Certificates at an interest rate of 5.375%. The proceeds were used to advance refund the term certificates of the Refunding COP Series 1992A. A portion of the proceeds was placed in an irrevocable escrow fund with an escrow bank to provide the remaining debt service payments on the refunded debt.

The advance refunding met the requirements of an in-substance defeasance and that portion of the COPs were removed from the District’s financial statements.

12. CERTIFICATES OF PARTICIPATION (CONTINUED):

Principal repayment for the 2002 COP commenced in July 2013 and will continue through July 2019.

The reserve requirement for the 2002 COP was replaced by the purchase of a surety bond from Financial Guaranty Insurance Corporation ("FGIC").

In the event that the District does not have sufficient funds to pay principal and interest on the COP, the FGIC will guarantee the payment of principal and interest up to \$2,371,500, an amount equal to the previous reserve requirement for the 2002 COP. The surety bond will expire on the earlier of July 1, 2019 or when all 2002 COPs have been retired.

In 2008, FGIC entered into a Reinsurance Agreement with MBIA Insurance Corporation ("MBIA") to reinsure certain insurance policies issued by FGIC. Under the Reinsurance Agreement, MBIA agreed, for as long as the Reinsurance Agreement remains in place, to pay claims in accordance with the existing FGIC policies. In 2009, MBIA assigned its rights, interests and obligations under the Reinsurance Agreement to MBIA Insurance Corp. of Illinois, who has since changed its name to National Public Finance Guarantee Corporation ("NPFGC").

On October 28, 2008, the Corporation issued Refunding COP Series 2008B in the amount of \$54,665,000 at variable interest rates, calculated and paid on a weekly basis. The proceeds were utilized to refund the variable rate COP Series 2005. COP Series 2005 was issued to finance water and wastewater improvements as well as refunding COP Series 1995A. Principal repayment for the 2008B COP commenced July 2009 and continued through July 2015, with no payments due and payable from 2016 through 2029. Principal payments will begin again in July 2030 for a six-year period. The interest rate at June 30, 2018 was 1.30%. The average annual interest rate experienced in the fiscal year was 1.06% and actual interest paid was \$508,513 for fiscal year ended June 30, 2018.

Pursuant to the Reserve Requirement of the 2008B COPs, a Reserve Fund was established and amounts deposited with the Trustee on the Closing Date of the Bonds. The District shall maintain the Reserve Fund until all required 2008B Installment Payments, and interest thereon, are paid in full pursuant to the 2008B Installment Sale Agreement and until the first date upon which the Series B Certificates are no longer outstanding.

In connection with the issuance of the COP Series 2008B, the District executed a Letter of Credit and Reimbursement Agreement between the District and US Bank National Association. The Letter of Credit with US Bank expired February 2014 and a new letter of credit and reimbursement agreement was established with Bank of America, N.A. The new letter of credit with Bank of America was set to expire in February 2017 but was extended for a three-year term. It is subject to termination and extension upon the occurrence of certain events.

On May 25, 2011, the Corporation issued Refunding COP Series 2011 in the amount of \$25,485,000 at variable interest rates, calculated and paid on a weekly basis. The proceeds were utilized to repay the District's loan from the Bureau of Reclamation for the Temescal Valley Pipeline. The issuance of the 2011 COP provided a more cost effective manner of paying for the Temescal Valley Pipeline. Principal repayment for the 2011 COP commenced July 2012 and will continue through July 2035. The interest rate at June 30, 2018 was 1.30%. The average interest rate experienced in the fiscal year was 1.06% and actual interest paid was \$221,201 for fiscal year ended June 30, 2018.

In connection with the issuance of the Series 2011 COP, the District executed a Letter of Credit and Reimbursement Agreement between the District and Union Bank, N.A. The Letter of Credit was set to expire May 2018, but was extended in accordance with its terms to May 24, 2021. It is subject to termination and extension upon the occurrence of certain events.

13. WATER REVENUE BONDS PAYABLE:

	<u>2018</u>	<u>2017</u>
Water Revenue Bonds, Series 2016A totaling \$71,660,000, dated April 14, 2016, issued to advance refund the 2007A and 2008A Certificates of Participation. Interest is payable semi-annually on July 1 and January 1, with rates ranging from 2.00% in 2016 to 5.00% in 2019 and beyond. Principal amounts are payable annually on each July 1, ranging from \$910,000 in July 2017 and \$310,000 in July 2034.	\$ 68,875,000	\$ 69,785,000
Total Water Revenue Bonds Payable	68,875,000	69,785,000
Unamortized Premium/discount on issue	<u>13,638,384</u>	<u>14,490,784</u>
Net Water Revenue Bonds Payable	<u>\$ 82,513,384</u>	<u>\$ 84,275,784</u>

Future long-term water revenue bond maturities as of June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 955,000	\$ 3,415,100	\$ 4,370,100
2020	1,010,000	3,370,750	4,380,750
2021	5,120,000	3,217,500	8,337,500
2022	5,385,000	2,954,875	8,339,875
2023	5,665,000	2,678,625	8,343,625
2024-2028	33,045,000	8,720,375	41,765,375
2029-2033	17,035,000	1,185,125	18,220,125
2034-2035	660,000	32,000	692,000
Total	<u>\$ 68,875,000</u>	<u>\$ 25,574,350</u>	<u>\$ 94,449,350</u>

On May 6, 2013, the Elsinore Valley Municipal Water District Financing Authority (“Authority”) was established to assist the District in the financing and refinancing of public capital improvement projects through the issuance and refunding of District indebtedness. The debt issued by the Authority is payable solely from installment payments made by the District. The District is obligated to make annual installment payments from any and all lawfully available revenues. The District has covenanted to budget and annually appropriate sufficient sums to pay all required installment payments when due.

On April 14, 2016, the Authority issued the 2016A Water Revenue Bonds in the amount of \$71,660,000 with interest rates ranging from 2.00% to 5.00%. The proceeds were used to advance refund the District’s 2007A and 2008A Certificates of Participation and placed in an irrevocable escrow fund with an escrow bank to provide the remaining debt service payments on the refunded debt.

The COP series 2007A, consisting of \$75,720,000 in certificates with interest rates ranging from 4.25% to 5.00% were issued on August 7, 2007. The proceeds were utilized to finance the acquisition and construction of water and sewer system improvements. The outstanding balance at the time of refunding was \$62,355,000 with cash held in reserves of \$5.9 million.

The Refunding COP Series 2008A, in the amount of \$65,665,000 with interest rates ranging from 4.25% to 5.00%, were originally issued on August 14, 2008. The net proceeds were utilized to refund the District’s variable rate 2000A Certificates which were issued to finance water and wastewater improvements. The outstanding balance at the time of refunding was \$65,665,000 with cash held in reserves of \$6.5 million.

The refunding met the requirements of a legal defeasance and both COPs were removed from the District’s financial statements. The District utilized the cash held in reserves of \$12.4 million and contributed an additional \$39.1 million to the refunding. The reacquisition price exceeded the net carrying amount of the old debt by \$8,067,165.

13. WATER REVENUE BONDS PAYABLE (CONTINUED):

This amount is being netted against the new debt and being amortized over the remaining life of the refunding debt. The total savings in cash flow was \$35.2 million and the economic gain or net present value savings at 1.957% was \$21.5 million. Principal repayment for the revenue bonds commenced July 1, 2016 and continue through July 2034. There is no reserve requirement.

14. LOANS PAYABLE:

	2018	2017
State of California Water Resources Control Board – Division of Clean Water Programs. Original loan amount of \$5,000,000 used for the Regional Wastewater Reclamation Plant expansion. Imputed interest of 1.81% with annual principal payments of \$251,316 through February 28, 2023.	\$ 1,190,976	\$ 1,416,590
State Water Resources Control Board – California’s Clean Water State Revolving Fund. Original loan amount of \$6,401,533 authorized for the Advance Metering Infrastructure Phase III project with \$3,452,922 of principal forgiveness. A net amount of \$1,798,183 was disbursed as of June 30, 2018. Interest accrues at a rate of 1.7% upon the final disbursement request. Payments begin December 2018 and continue through December 2037.	1,798,183	-
State Water Resources Control Board – California’s Clean Water State Revolving Fund. Original loan amount of \$3,057,346 authorized for the Regional Water Reclamation Facility Expansion and Upgrade Design with \$500,000 of principal forgiveness. A total amount of \$1,398,864 was disbursed as of June 30, 2018. Interest accrues at a rate of 1.8% upon the final disbursement request and project completion date of October 30, 2018. Payments begin October 2019 and continue through October 2028.	1,398,864	-
State Water Resources Control Board – California’s Clean Water State Revolving Fund. Original loan amount of \$6,295,834 authorized for the Regional Water Reclamation Facility Expansion and Upgrade Design with \$500,000 of principal forgiveness. A total amount of \$1,804,590 was disbursed as of June 30, 2018. Interest accrues at a rate of 1.8% upon the final disbursement request and project completion date of March 30, 2019. Payments begin March 2020 and continue through March 2029.	1,804,590	-
Total Loans Payable	6,192,613	1,416,590
Unamortized Premium/discount on Loan	-	-
Net Loans Payable	\$ 6,192,613	\$ 1,416,590

14. LOANS PAYABLE (CONTINUED):

Future long-term maturities as of June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 309,244	\$ 48,681	\$ 357,925
2020	606,512	46,658	653,170
2121	617,386	93,447	710,833
2022	628,454	82,378	710,832
2023	639,721	71,111	710,832
2024-2028	2,071,799	225,784	2,297,583
2029-2033	812,596	73,356	885,952
2034-2038	506,901	26,142	533,043
Total	<u>\$ 6,192,613</u>	<u>\$ 667,557</u>	<u>\$ 6,860,170</u>

Allow for rounding differences

15. ADVANCES FROM U.S. GOVERNMENT:

In 1986, the District entered into a contract with the federal government under the provisions of Public Law 984, to provide funding for a portion of the Lake Management Project. The project was completed as of May 10, 1995. A summary of the total U.S. Bureau of Reclamation funding for the Lake Management Project is as follows:

Total Bureau funding (Lake Management)	\$ 26,000,000
Less: Non-repayable grant portion	<u>(9,405,500)</u>
Total loan proceeds	<u>\$ 16,594,500</u>
Distribution of loan proceeds:	
Agricultural component — non-interest bearing	\$ 4,894,000
Repayable grant component — non-interest bearing	9,405,500
Recreational, fish, and wildlife component — interest bearing at 10.875% per annum	<u>2,295,000</u>
Total loan proceeds	<u>\$ 16,594,500</u>

15. ADVANCES FROM U.S. GOVERNMENT (CONTINUED):

The loan proceeds are repayable in 40 annual installments varying from \$4,682 to \$606,389. In addition, interest at 10.875% was due on the recreational, fish and wildlife component. This component was fully repaid in 2007. Repayment of the loan commenced May 1, 1992. Principal of \$11,570,352 has been repaid as of June 30, 2018, with a current unpaid balance of \$5,024,148. The unpaid balance is non-interest bearing. Pursuant to the agreement, the District maintains reserve funds in an amount not to exceed \$90,000.

Future long-term advances from the U.S. government as of June 30, 2018 are as follows:

Fiscal Year	Principal
2019	\$ 386,473
2020	386,473
2021	386,473
2022	386,473
2023	386,473
2024-2028	1,932,365
2029-2031	1,159,418
Total	<u>\$ 5,024,148</u>

16. LEASE INCOME:

The District leases the exclusive right to use the Railroad Canyon Reservoir for boating, fishing and water sports to the Canyon Lake Property Owner’s Association. On March 10, 2017, the fifth amendment to Railroad Canyon Reservoir lease agreement was executed extending the current lease agreement through December 31, 2066. The terms of the amended lease contain an option for an additional forty-four year extension, on the same terms and conditions, with the right to exercise the option to extend at any time prior to the expiration date of the current lease.

A payment is due for each quarter beginning September 1st as compensation for minimum water level maintenance in Canyon Lake. The quarterly payment is calculated by adding to the Agreement’s Payment Base a cost of living adjustment based on the Consumer Price Index for All Urban Consumers (CPI-U) in the Los Angeles-Riverside-Orange County, CA Area published by the U.S. Bureau of Labor Statistics. Cost of living adjustments are cumulative. The amount recorded as revenue for the fiscal year 2017/ 2018 is \$1,433,523.

Minimum future rentals as of June 30, 2018 are as follows:

Fiscal Year	Lease Income
2019	\$ 1,490,593
2020	1,544,254
2021	1,587,494
2022	1,630,356
2023	1,674,375
2024	1,707,863
2025-2066	112,991,304
Total	<u>\$ 122,626,239</u>

17. NET POSITION

The following is a detailed breakdown of net position. Also shown below is a listing of the designations of unrestricted net position.

	<u>2018</u>	<u>2017</u>
Capital Assets (Net)	\$ 589,944,659	\$ 579,549,782
Less: Debt offsetting capital assets	(162,175,338)	(163,539,213)
Net investment in capital assets	427,769,321	416,010,569
Restricted Net Position	52,157,862	49,833,001
Unrestricted Net Position	<u>161,488,669</u>	<u>147,164,785</u>
Total Net Pension	<u>\$ 641,415,852</u>	<u>\$ 613,008,355</u>

Allow for rounding differences

Although not legally restricted, unrestricted net position has been designated for various purposes. These designations have been established and maintained to provide sound financial management and a stable and equitable rate structure. The June 30, 2018 and June 30, 2017 unrestricted net position amounts consist of the following:

	<u>2018</u>	<u>2017</u>
Debt Services Reserves	\$ 32,896,762	\$ 27,249,601
Reserve For Encumbered Projects	64,784,330	67,497,169
Special Revenue Reserve	22,906,877	22,407,716
Other Unrestricted Net Position	17,653,746	20,662,742
Operational Reserve	21,238,835	14,916,449
Replacement Reserve	12,739,135	7,909,178
Net Employee Pension Reserve (GASB 68)	<u>(10,731,016)</u>	<u>(13,478,070)</u>
Total Unrestricted Net Position	<u>\$ 161,488,669</u>	<u>\$ 147,164,785</u>

Allow for rounding differences

18. CONDENSED COMPONENT UNIT

Below is the condensed component unit information for the Water Employee Services Authority (WESA) and the Elsinore Valley Water and Sewer Facilities Corporation (Sewer Corp). Both component units are considered blended component units for the fiscal year ended June 30, 2018, and are included in the District's financial statements.

CONDENSED STATEMENT OF NET POSITION

	WESA	SEWER CORP	TOTAL
ASSETS			
Current Assets	\$ 1,969,850	\$ 4,814,283	\$ 6,784,133
Noncurrent Assets	21,975,403	70,922,000	92,897,403
Total Assets	<u>23,945,253</u>	<u>75,736,283</u>	<u>99,681,536</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,491,512</u>	<u>115,335</u>	<u>7,606,847</u>
LIABILITIES			
Current Liabilities	1,685,142	4,814,282	6,499,424
Noncurrent Liabilities	29,019,298	71,037,336	100,056,634
Total Liabilities	<u>30,704,440</u>	<u>75,851,618</u>	<u>106,556,058</u>
DEFERRED INFLOWS OF RESOURCES	<u>447,617</u>	<u>-</u>	<u>447,617</u>
NET POSITION			
Unrestricted	<u>\$ 284,708</u>	<u>\$ -</u>	<u>\$ 284,708</u>

CONDENSED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Operating Revenue	\$ 22,882,095	\$ -	\$ 22,882,095
Operating Expenses	<u>(22,882,095)</u>	<u>(12,815)</u>	<u>(22,894,910)</u>
Net Operating Income	-	(12,815)	(12,815)
Non-operating Revenue	-	7,829,920	7,829,920
Non-operating Expenses	-	(7,817,105)	(7,817,105)
Contributed Capital	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	-	-
Net Position, Beginning Of Year	<u>284,708</u>	<u>-</u>	<u>284,708</u>
Net Position, End Of Year	<u>\$ 284,708</u>	<u>\$ -</u>	<u>\$ 284,708</u>

CONDENSED STATEMENT OF CASH FLOW

NET CASH PROVIDED (USED) BY:			
Operating activities	\$ 10,383	\$ -	\$ 10,383
Investing activities	-	(389,651)	(389,651)
Capital and related financing activities	<u>-</u>	<u>389,651</u>	<u>389,651</u>
Net increase in cash and cash equivalents	10,383	-	10,383
CASH AND CASH EQUIVALENTS, beginning of the year	<u>939,240</u>	<u>-</u>	<u>939,240</u>
CASH AND CASH EQUIVALENTS, end the year	<u>\$ 949,623</u>	<u>\$ -</u>	<u>\$ 949,623</u>

Allow for rounding differences

19. CONTINGENCIES:***Grant:***

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Legal:

The District is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the District is not involved in any legal proceeding that would have a materially adverse effect on the Districts financial position or changes in net financial position other than the ongoing Hydro Company, Inc. litigation that has been settled as of July 27th, 2018, subsequent to year end. The effects of this subsequent event have been fully accrued and recognized as an expense in the current period. Please refer to note 22 – Subsequent Events for further details.

20. RISK MANAGEMENT:

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

a. Description of JPIA:

JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

b. Self-Insurance Programs of JPIA:

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

Property Loss: Insured up to replacement value with a \$5,000 deductible per occurrence on scheduled buildings and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$500 deductible per occurrence. JPIA is self-insured up to \$100,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 Program Limit per occurrence.

Workers' Compensation: Insured for statutory limits, and Employer's Liability is insured up to \$2,000,000 per accident and \$2,000,000 per disease. With a \$250 retrospective allocation point, JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

General Liability: Insured up to \$60,000,000 per occurrence with a \$50,000 retrospective allocation point. JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

Auto Liability: Insured up to \$60,000,000 per occurrence with a \$50,000 retrospective allocation point. JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

Public Officials Liability: Insured up to \$60,000,000 per occurrence with a \$50,000 retrospective allocation point. JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

Errors and Omissions: Insured up to \$60,000,000 per occurrence with a \$50,000 retrospective allocation point. JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased.

In addition to the above, the District has also purchased insurance coverage through JPIA as follows:

Dam Failure Liability Addendum covering Railroad Canyon and Lee Lake Liability: Insured up to \$5,000,000 per occurrence with a \$50,000 retention.

Employee Dishonesty/Crime Supplement: Insured up to \$100,000 per occurrence with a \$1,000 deductible for employee dishonesty which covers all employees, the Board of Directors, and the Treasurer. Insured up to \$100,000 per occurrence with a \$1,000 deductible for forgery or alteration. Insured up to \$100,000 per occurrence with a \$1,000 deductible for computer fraud. JPIA is self-insured up to \$100,000 per loss.

20. RISK MANAGEMENT (CONTINUED):

Underground Storage Tank Liability covering three (3) underground storage tanks at 31315 Chaney Street: Insured up to \$3,000,000 Each Pollution incident and Aggregate Limit; \$750,000 Aggregate Claims Expense, with a \$10,000 deductible. JPIA is self-insured up to \$500,000.

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661 or <http://www.acwajpia.com/FinancialStatements.aspx>.

For the past five fiscal years, the District had no settlements exceeding insurance coverage for these categories of risk. At June 30, 2018, in the opinion of legal counsel, the District had no material claims which would require loss provision in the financial statements and therefore no claims liability has been recorded.

21. JOINT VENTURE - BCGSA:

The Bedford-Coldwater Groundwater Sustainability Authority (“BCGSA”) was organized on February 28, 2017 under Section 6500 of the Government code of the State of California and pursuant to the Joint Exercise of Powers Agreement by and among the District, the City of Corona (“Corona”), and the Temescal Valley Water District (“TVWD”) for the management of the Bedford-Coldwater Sub-Basin of the Elsinore Basin. BCGSA was formed with the purpose and intent of jointly fulfilling the role and legal obligations of a Groundwater Sustainability Agency (“GSA”) as required by the Sustainable Groundwater Management Act (“SGMA”), including complying with SGMA and ensuring sustainable groundwater management throughout the Bedford-Coldwater Sub-Basin of the Elsinore Basin (“Sub-Basin”) so that the Members may collaboratively and cost-effectively develop, adopt, and implement a Groundwater Sustainability Plan (“GSP”) for the Sub-Basin in accordance with pertinent regulatory timelines.

The Authority may represent the Members, as appropriate, in discussions and transactions with other local agencies, to include (but not limited to) the development of inter-basin coordination agreements with other GSAs in Riverside County, and agreements with other local agencies or GSAs as may be required to ensure compliance with SGMA for the Sub-Basin.

Pursuant to the Joint Powers Agreement, each member provides an equal contribution to the operating fund, which is used to pay all administrative, operating and other expenses incurred. The rate or amount of the contributions is established in the annual Operating Budget and based upon an equal contribution by each member. The District acts as the Administering Member of BCGSA providing all administrative and financial services.

Separate audited financial statements for the Company can be obtained from the District at 31315 Chaney Street, Lake Elsinore, CA 92530. The summary as of June 30, 2018 is as follows:

	<u>June 2018</u>
Total Assets	\$ 290,596
Total Liabilities	<u>290,596</u>
Total Net Position	<u>\$ -</u>
Increase Decrease in Net Position	<u>\$ -</u>

22. SUBSEQUENT EVENT:

On September 12, 2012, a lawsuit was filed against Elsinore Valley Municipal Water District by the Hydro Company, Inc. During the course of the year, the District engaged in extensive settlement negotiations with the Hydro Company, Inc. while the action was stayed. As of June 30th, 2018, no settlement agreement had been reached and no reasonable estimate had been determined.

Subsequent to year-end, on July 27th, 2018, the District was able to reach a fair and equitable settlement agreement of the pending litigation. As a condition of the settlement, and as further consideration for the waivers/releases and dismissal of the lawsuit, the District has agreed to pay the Hydro Company, Inc. an additional monetary compensation amount of \$2,000,000. The effects of this subsequent event have been fully accrued and recognized as an expense in the current period.



Required Supplementary Information

Comprehensive Annual Financial Report

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

*Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years**

Measurement Period	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service Cost	\$ 2,636,694	\$ 2,449,304	\$ 2,408,523	\$ 2,458,216
Interest	6,285,034	5,933,814	5,551,505	5,183,730
Changes of Benefit Terms	-	-	-	-
Changes of Assumptions	5,623,164	-	(1,469,076)	-
Difference Between Expected and Actual Experience	(579,128)	(219,718)	(286,905)	-
Benefit Payments, Including Refunds of Employee Contributions	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Change in Total Pension Liability	10,633,558	5,126,670	3,714,374	5,313,952
Total Pension Liability - Beginning	83,206,291	78,079,621	74,365,247	69,051,295
Total Pension Liability - Ending (a)	\$ 93,839,849	\$ 83,206,291	\$ 78,079,621	\$ 74,365,247
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 2,742,846	\$ 2,656,957	\$ 2,500,495	\$ 2,232,962
Contributions - Employee	979,078	972,455	967,375	1,026,237
Net Investment Income	6,761,115	340,453	1,296,452	8,461,126
Benefit Payments, Including Refunds of Employee Contributions	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Plan to Plan Resource Movement	(2,059)	-	-	-
Administrative Expense	(89,585)	(36,433)	(67,288)	-
Net Change in Fiduciary Net Position	7,059,189	896,702	2,207,361	9,392,331
Plan Fiduciary Net Position - Beginning	60,676,954	59,780,252	57,572,891	48,180,560
Plan Fiduciary Net Position - Ending (b)	\$ 67,736,143	\$ 60,676,954	\$ 59,780,252	\$ 57,572,891
Plan Net Position Liability/(Asset) - Ending (a) - (b)	\$ 26,103,706	\$ 22,529,337	\$ 18,299,369	\$ 16,792,356
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.18%	72.92%	76.56%	77.42%
Covered-Employee Payroll	\$ 12,560,469	\$ 12,648,198	\$ 12,307,222	\$ 11,676,322
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	207.82%	178.12%	148.69%	143.82%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

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

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

* Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only four years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

*Schedule of Plan Contributions for the Measurement Periods Ended June 30⁽¹⁾
Last 10 Years**

Employer Fiscal Year End	2018	2017	2016	2015	2014
Actuarially Determined Contribution ⁽²⁾	(4) \$ 2,742,846	\$ 2,656,957	\$ 2,500,495	\$ 2,232,962	
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	<u>(2,908,487)</u>	<u>(2,747,053)</u>	<u>(2,658,544)</u>	<u>(2,501,159)</u>	<u>(2,232,962)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (4,207)</u>	<u>\$ (1,587)</u>	<u>\$ (664)</u>	<u>\$ -</u>
Covered-Employee Payroll ⁽³⁾	\$12,156,918	\$12,560,469	\$12,648,098	\$12,307,222	\$11,676,322
Contributions as a Percentage of Covered-Employee Payroll ⁽³⁾	23.92%	21.87%	21.01%	20.32%	19.12%

⁽¹⁾ As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be presented as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

⁽²⁾ Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may chose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

⁽³⁾ Includes one year's payroll growth using 3.0 percent payroll assumption

⁽⁴⁾ Information not available

* Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only five years are shown.



Supplementary Information

Comprehensive Annual Financial Report

**SCHEDULE OF MATURITIES OF
CERTIFICATES OF PARTICIPATION PAYABLE**

June 30, 2018 and 2017

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal Payments⁽¹⁾</u>	<u>Interest Payments⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Principal Balance⁽¹⁾</u>
Elsinore Valley Water and Sewer Facilities Corporation, 2002A - Partially Refunded 1992 - Original Issue \$23,715,000					
07/01/16	5.375	\$ 3,295,000	\$ 383,909	\$ 3,678,909	\$ 10,990,000
01/01/17	5.375	-	295,356	295,356	10,990,000
07/01/17	5.375	3,475,000	295,356	3,770,356	7,515,000
01/01/18	5.375	-	201,966	201,966	7,515,000
07/01/18	5.375	3,660,000	201,966	3,861,966	3,855,000
01/01/19	5.375	-	103,603	103,603	3,855,000
07/01/19	5.375	3,855,000	103,603	3,958,603	-
Elsinore Valley Water and Sewer Facilities Corporation, 2008B - Refunding of 2005A - Original Issue \$47,465,000 ⁽²⁾					
07/01/16	0.410	\$ -	\$ 194,607	\$ 194,607	\$ 47,465,000
07/01/17	0.890	-	422,439	422,439	47,465,000
07/01/18	1.300	-	617,045	617,045	47,465,000
07/01/19	1.300	-	617,045	617,045	47,465,000
07/01/20	1.300	-	617,045	617,045	47,465,000
07/01/21	1.300	-	617,045	617,045	47,465,000
07/01/22	1.300	-	617,045	617,045	47,465,000
07/01/23	1.300	-	617,045	617,045	47,465,000
07/01/24	1.300	-	617,045	617,045	47,465,000
07/01/25	1.300	-	617,045	617,045	47,465,000
07/01/26	1.300	-	617,045	617,045	47,465,000
07/01/27	1.300	-	617,045	617,045	47,465,000
07/01/28	1.300	-	617,045	617,045	47,465,000
07/01/29	1.300	-	617,045	617,045	47,465,000
07/01/30	1.300	7,795,000	617,045	8,412,045	39,670,000
07/01/31	1.300	8,105,000	515,710	8,620,710	31,565,000
07/01/32	1.300	8,450,000	410,345	8,860,345	23,115,000
07/01/33	1.300	8,770,000	300,495	9,070,495	14,345,000
07/01/34	1.300	9,105,000	186,485	9,291,485	5,240,000
07/01/35	1.300	5,240,000	68,120	5,308,120	-

⁽¹⁾ Rounded to the nearest Dollar

⁽²⁾ Interest payment is calculated using the interest rate in effect at 6/30/17 & 6/30/18 for 2019 forward

EXHIBIT B-1 (continued)

**SCHEDULE OF MATURITIES OF
CERTIFICATES OF PARTICIPATION PAYABLE**

June 30, 2018 and 2017

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal Payments⁽¹⁾</u>	<u>Interest Payments⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Principal Balance⁽¹⁾</u>
Elsinore Valley Water and Sewer Facilities Corporation, 2011A - Refi of TVP USBR Loan Original Issue \$25,485,000 ⁽²⁾					
07/01/16	0.410	\$ 840,000	\$ 91,656	\$ 931,656	\$ 21,515,000
07/01/17	0.890	865,000	191,484	1,056,484	20,650,000
07/01/18	1.300	890,000	268,450	1,158,450	19,760,000
07/01/19	1.300	915,000	256,880	1,171,880	18,845,000
07/01/20	1.300	945,000	244,985	1,189,985	17,900,000
07/01/21	1.300	970,000	232,700	1,202,700	16,930,000
07/01/22	1.300	1,000,000	220,090	1,220,090	15,930,000
07/01/23	1.300	1,025,000	207,090	1,232,090	14,905,000
07/01/24	1.300	1,055,000	193,765	1,248,765	13,850,000
07/01/25	1.300	1,085,000	180,050	1,265,050	12,765,000
07/01/26	1.300	1,120,000	165,945	1,285,945	11,645,000
07/01/27	1.300	1,150,000	151,385	1,301,385	10,495,000
07/01/28	1.300	1,185,000	136,435	1,321,435	9,310,000
07/01/29	1.300	1,220,000	121,030	1,341,030	8,090,000
07/01/30	1.300	1,255,000	105,170	1,360,170	6,835,000
07/01/31	1.300	1,290,000	88,855	1,378,855	5,545,000
07/01/32	1.300	1,330,000	72,085	1,402,085	4,215,000
07/01/33	1.300	1,365,000	54,795	1,419,795	2,850,000
07/01/34	1.300	1,405,000	37,050	1,442,050	1,445,000
07/01/35	1.300	1,445,000	18,785	1,463,785	-

⁽¹⁾ Rounded to the nearest Dollar

⁽²⁾ Interest payment is calculated using the interest rate in effect at 6/30/17 & 6/30/18 for 2019 forward

**SCHEDULE OF MATURITIES OF
WATER REVENUE BONDS PAYABLE**

June 30, 2018 and 2017

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal Payments⁽¹⁾</u>	<u>Interest Payments⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Principal Balance⁽¹⁾</u>
07/01/16	3.000	\$ 1,875,000	\$ 748,397	\$ 2,623,397	\$ 69,785,000
01/01/17	3.000	-	1,730,750	1,730,750	69,785,000
07/01/17	4.000	910,000	1,730,750	2,640,750	68,875,000
01/01/18	4.000	-	1,717,100	1,717,100	68,875,000
07/01/18	5.000	955,000	1,717,100	2,672,100	67,920,000
01/01/19	5.000	-	1,698,000	1,698,000	67,920,000
07/01/19	5.000	1,010,000	1,698,000	2,708,000	66,910,000
01/01/20	5.000	-	1,672,750	1,672,750	66,910,000
07/01/20	5.000	5,120,000	1,672,750	6,792,750	61,790,000
01/01/21	5.000	-	1,544,750	1,544,750	61,790,000
07/01/21	5.000	5,385,000	1,544,750	6,929,750	56,405,000
01/01/22	5.000	-	1,410,125	1,410,125	56,405,000
07/01/22	5.000	5,665,000	1,410,125	7,075,125	50,740,000
01/01/23	5.000	-	1,268,500	1,268,500	50,740,000
07/01/23	5.000	5,960,000	1,268,500	7,228,500	44,780,000
01/01/24	5.000	-	1,119,500	1,119,500	44,780,000
07/01/24	5.000	6,270,000	1,119,500	7,389,500	38,510,000
01/01/25	5.000	-	962,750	962,750	38,510,000
07/01/25	5.000	6,595,000	962,750	7,557,750	31,915,000
01/01/26	5.000	-	797,875	797,875	31,915,000
07/01/26	5.000	6,930,000	797,875	7,727,875	24,985,000
01/01/27	5.000	-	624,625	624,625	24,985,000
07/01/27	5.000	7,290,000	624,625	7,914,625	17,695,000
01/01/28	5.000	-	442,375	442,375	17,695,000
07/01/28	5.000	7,665,000	442,375	8,107,375	10,030,000
01/01/29	5.000	-	250,750	250,750	10,030,000
07/01/29	5.000	8,060,000	250,750	8,310,750	1,970,000
01/01/30	5.000	-	49,250	49,250	1,970,000
07/01/30	5.000	485,000	49,250	534,250	1,485,000
01/01/31	5.000	-	37,125	37,125	1,485,000
07/01/31	5.000	445,000	37,125	482,125	1,040,000
01/01/32	5.000	-	26,000	26,000	1,040,000
07/01/32	5.000	380,000	26,000	406,000	660,000
01/01/33	5.000	-	16,500	16,500	660,000
07/01/33	5.000	350,000	16,500	366,500	310,000
01/01/34	5.000	-	7,750	7,750	310,000
07/01/34	5.000	310,000	7,750	317,750	-

⁽¹⁾ Rounded to the nearest Dollar

**SCHEDULE OF MATURITIES OF
LOANS PAYABLE**

June 30, 2018 and 2017

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal Payments⁽¹⁾</u>	<u>Interest Payments⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Principal Balance⁽¹⁾</u>
State of California Water Resources Control Board - Original Loan \$5,000,000					
02/28/17	1.814	\$ 221,593	\$ 29,723	\$ 251,316	\$ 1,416,590
02/28/18	1.814	225,614	25,702	251,316	1,190,976
02/28/19	1.814	229,707	21,609	251,316	961,269
02/28/20	1.814	233,875	17,441	251,316	727,394
02/28/21	1.814	238,118	13,198	251,316	489,276
02/28/22	1.814	242,439	8,877	251,316	246,837
02/28/23	1.814	246,837	4,479	251,316	-
State of California Water Resources Control Board - Original Loan \$1,798,183					
12/31/17	1.700	\$ -	\$ -	\$ -	\$ 1,798,183
12/31/18	1.700	79,537	27,072	106,609	1,718,647
12/31/19	1.700	77,392	29,217	106,609	1,641,255
12/31/20	1.700	78,707	27,901	106,609	1,562,547
12/31/21	1.700	80,045	26,563	106,609	1,482,502
12/31/22	1.700	81,406	25,203	106,609	1,401,096
12/31/23	1.700	82,790	23,819	106,609	1,318,305
12/31/24	1.700	84,198	22,411	106,609	1,234,108
12/31/25	1.700	85,629	20,980	106,609	1,148,479
12/31/26	1.700	87,085	19,524	106,609	1,061,394
12/31/27	1.700	88,565	18,044	106,609	972,829
12/31/28	1.700	90,071	16,538	106,609	882,759
12/31/29	1.700	91,602	15,007	106,609	791,157
12/31/30	1.700	93,159	13,450	106,609	697,998
12/31/31	1.700	94,743	11,866	106,609	603,255
12/31/32	1.700	96,353	10,255	106,609	506,901
12/31/33	1.700	97,991	8,617	106,609	408,910
12/31/34	1.700	99,657	6,951	106,609	309,253
12/31/35	1.700	101,351	5,257	106,609	207,901
12/31/36	1.700	103,074	3,534	106,609	104,827
12/31/37	1.700	104,827	1,782	106,609	-

⁽¹⁾ Rounded to the nearest Dollar

⁽²⁾ Preliminary debt schedule. Figures subject to change. Current balance equal to amount disbursed to date.

EXHIBIT B-3 (Continued)

**SCHEDULE OF MATURITIES OF
LOANS PAYABLE**

June 30, 2018 and 2017

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal Payments⁽¹⁾</u>	<u>Interest Payments⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Principal Balance⁽¹⁾</u>
State of California Water Resources Control Board - Estimated Loan \$2,557,346 ⁽²⁾					
06/30/18	1.800	\$ -	\$ -	\$ -	\$ 1,398,864
10/30/18	1.800	-	-	-	1,398,864
10/30/19	1.800	128,926	-	128,926	1,269,938
10/30/20	1.800	131,247	22,859	154,106	1,138,691
10/30/21	1.800	133,609	20,496	154,106	1,005,082
10/30/22	1.800	136,014	18,091	154,106	869,068
10/30/23	1.800	138,462	15,643	154,106	730,606
10/30/24	1.800	140,955	13,151	154,106	589,651
10/30/25	1.800	143,492	10,614	154,106	446,159
10/30/26	1.800	146,075	8,031	154,106	300,085
10/30/27	1.800	148,704	5,402	154,106	151,381
10/30/28	1.800	151,381	2,725	154,106	-
State of California Water Resources Control Board - Estimated Loan \$5,795,834 ⁽²⁾					
06/30/18	1.800	\$ -	\$ -	\$ -	\$ 1,804,590
03/30/19	1.800	-	-	-	1,804,590
03/30/20	1.800	166,320	-	166,320	1,638,270
03/30/21	1.800	169,313	29,489	198,802	1,468,957
03/30/22	1.800	172,361	26,441	198,802	1,296,596
03/30/23	1.800	175,464	23,339	198,802	1,121,132
03/30/24	1.800	178,622	20,180	198,802	942,511
03/30/25	1.800	181,837	16,965	198,802	760,673
03/30/26	1.800	185,110	13,692	198,802	575,563
03/30/27	1.800	188,442	10,360	198,802	387,121
03/30/28	1.800	191,834	6,968	198,802	195,287
03/30/29	1.800	195,287	3,515	198,802	-

⁽¹⁾ Rounded to the nearest Dollar

⁽²⁾ Preliminary debt schedule. Figures subject to change. Current balance equal to amount disbursed to date.

**SCHEDULE OF MATURITIES OF
U.S. BUREAU OF RECLAMATION ADVANCES PAYABLE**

June 30, 2018 and 2017

<u>Payment Date</u>	<u>Interest Rate</u>	<u>Principal Payments⁽¹⁾</u>	<u>Interest Payments⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>	<u>Principal Balance⁽¹⁾</u>
U.S. Bureau of Reclamation - Lake Management Project - Original Advance \$16,594,500					
05/01/17		\$ 386,473	\$ -	\$ 386,473	\$ 5,410,621
05/01/18		386,473	-	386,473	5,024,148
05/01/19		386,473	-	386,473	4,637,675
05/01/20		386,473	-	386,473	4,251,202
05/01/21		386,473	-	386,473	3,864,729
05/01/22		386,473	-	386,473	3,478,256
05/01/23		386,473	-	386,473	3,091,783
05/01/24		386,473	-	386,473	2,705,310
05/01/25		386,473	-	386,473	2,318,837
05/01/26		386,473	-	386,473	1,932,364
05/01/27		386,473	-	386,473	1,545,891
05/01/28		386,473	-	386,473	1,159,418
05/01/29		386,473	-	386,473	772,945
05/01/30		386,473	-	386,473	386,472
05/01/31		386,472	-	386,472	-

⁽¹⁾ Rounded to the nearest Dollar



Statistical Section

Comprehensive Annual Financial Report

This part of Elsinore Valley Municipal Water District’s Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

CONTENTS

Financial Trends	84
These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	87
These schedules contain information to help the reader assess the District’s most significant local revenue source, charges for services, and the property tax.	
Debt Capacity	96
These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information	100
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	103
These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report (CAFR) for the relevant year.

Table I

ELSINORE VALLEY MUNICIPAL WATER DISTRICT

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u> ⁽¹⁾	<u>2012</u> ⁽²⁾	<u>2013</u>
NET POSITION					
Net investment in capital assets	\$ 287,598,220	\$ 285,171,276	\$ 330,620,265	\$ 334,449,334	\$ 346,436,891
Restricted	51,352,348	107,636,063	70,574,808	66,173,551	62,321,631
Unrestricted	<u>116,931,239</u>	<u>141,613,523</u>	<u>157,024,070</u>	<u>169,223,043</u>	<u>170,834,107</u>
TOTAL NET POSITION	<u>\$ 455,881,807</u>	<u>\$ 534,420,862</u>	<u>\$ 558,219,143</u>	<u>\$ 569,845,928</u>	<u>\$ 579,592,629</u>
	<u>2014</u> ⁽³⁾	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
NET POSITION					
Net investment in capital assets	\$ 353,090,158	\$ 356,641,697	\$ 407,432,038	\$ 416,010,569	\$ 427,769,322
Restricted	57,979,711	55,144,571	42,947,105	49,833,001	52,157,863
Unrestricted	<u>159,272,415</u>	<u>164,601,667</u>	<u>140,810,860</u>	<u>147,164,785</u>	<u>161,488,668</u>
TOTAL NET POSITION	<u>\$ 570,342,284</u>	<u>\$ 576,387,935</u>	<u>\$ 591,190,003</u>	<u>\$ 613,008,355</u>	<u>\$ 641,415,853</u>

Allow for rounding differences

⁽¹⁾ FY 2011 - Net position restated

⁽²⁾ FY 2013 - Net position restated due to retroactively applied GASB 65

⁽³⁾ FY 2014 - Net position restated to apply GASB 68

Source: Elsinore Valley Municipal Water District

Table II

ELSINORE VALLEY MUNICIPAL WATER DISTRICT
CHANGES IN NET POSITION
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
OPERATING REVENUES										
Water Revenues	\$ 40,355,821	\$ 42,779,396	\$ 39,981,819	\$ 41,552,294	\$ 45,076,540	\$ 48,018,729	\$ 44,456,826	\$ 46,387,145	\$ 44,164,018	\$ 49,193,038
Wastewater Revenues	19,219,213	20,095,882	20,228,555	20,399,307	21,379,577	22,831,226	23,368,664	21,961,717	22,261,812	24,046,130
Recycled Water Revenues	-	-	-	-	-	-	-	939,750	1,036,047	1,146,853
Total Operating Revenues	<u>59,575,034</u>	<u>62,875,278</u>	<u>60,210,374</u>	<u>61,951,601</u>	<u>66,456,117</u>	<u>70,849,955</u>	<u>67,825,490</u>	<u>69,288,612</u>	<u>67,461,877</u>	<u>74,386,021</u>
NON-OPERATING REVENUES										
Property Taxes	8,927,441	7,799,352	7,970,226	7,259,320	7,556,448	7,613,764	8,239,146	8,510,208	9,133,430	9,635,769
Standby Charges	746,302	833,424	867,870	788,119	884,932	964,603	913,699	680,793	595,492	617,948
Investment Income	8,417,123	5,467,913	2,777,723	2,006,145	555,805	1,626,111	1,610,326	2,453,021	126,852	934,564
Other Non-Operating Revenues	2,821,446	5,698,440	2,769,356	2,231,248	2,804,570	2,913,949	2,859,651	2,387,901	296,438	9,460,967
Total Non-Operating Revenues	<u>20,912,312</u>	<u>19,799,129</u>	<u>14,385,175</u>	<u>12,284,832</u>	<u>11,801,755</u>	<u>13,118,427</u>	<u>13,622,822</u>	<u>14,031,923</u>	<u>10,152,212</u>	<u>20,649,248</u>
Total Revenues	<u>80,487,346</u>	<u>82,674,407</u>	<u>74,595,549</u>	<u>74,236,433</u>	<u>78,257,872</u>	<u>83,968,382</u>	<u>81,448,312</u>	<u>83,320,535</u>	<u>77,614,089</u>	<u>95,035,269</u>
OPERATING EXPENSES										
Water Purchases	12,817,675	12,545,460	12,776,304	15,401,145	18,352,085	17,892,769	16,306,497	15,452,140	16,266,623	18,036,267
Water Operations	14,716,058	12,691,185	14,323,357	13,667,701	14,559,163	14,517,118	14,660,805	15,165,860	16,047,064	14,756,060
Wastewater Operations	10,447,046	10,227,038	10,942,166	11,674,513	12,294,717	12,829,515	13,460,542	11,876,091	11,250,489	10,123,413
Recycled Water Operations	-	-	-	-	-	-	-	1,340,151	976,330	948,191
General and Administrative	7,415,113	7,994,794	10,185,825	8,909,361	9,005,299	9,102,775	10,675,786	10,246,633	10,561,347	14,268,344
Depreciation and Amortization	12,478,287	13,767,027	15,666,722	17,716,565	22,363,524	19,483,896	19,520,795	19,626,434	19,894,657	19,982,645
Total Operating Expenses	<u>57,874,179</u>	<u>57,225,504</u>	<u>63,894,374</u>	<u>67,369,285</u>	<u>76,574,788</u>	<u>73,826,073</u>	<u>74,624,425</u>	<u>73,707,309</u>	<u>74,996,510</u>	<u>78,114,920</u>

Table II (continued)

ELSINORE VALLEY MUNICIPAL WATER DISTRICT
CHANGES IN NET POSITION
 Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
NON-OPERATING EXPENSES										
Interest Expense	10,011,160	10,473,817	7,307,509	5,000,322	8,030,063	7,687,073	7,379,384	6,561,178	3,552,038	3,624,583
Other Expenses	1,017,356	1,469,492	2,152,994	2,225,212	3,071,781	2,288,392	1,845,509	2,166,692	1,597,944	2,805,062
Total Non-Operating Expenses	<u>11,028,516</u>	<u>11,943,309</u>	<u>9,460,503</u>	<u>7,225,534</u>	<u>11,101,844</u>	<u>9,975,465</u>	<u>9,224,893</u>	<u>8,727,870</u>	<u>5,149,982</u>	<u>6,429,645</u>
Total Expenses	<u>68,902,695</u>	<u>69,168,813</u>	<u>73,354,877</u>	<u>74,594,819</u>	<u>87,676,632</u>	<u>83,801,538</u>	<u>83,849,318</u>	<u>82,435,179</u>	<u>80,146,492</u>	<u>84,544,565</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	11,584,651	13,505,594	1,240,672	(358,386)	(9,418,760)	166,844	(2,401,006)	885,356	(2,532,403)	10,490,704
CAPITAL CONTRIBUTIONS	<u>9,522,889</u>	<u>6,479,939</u>	<u>5,176,921</u>	<u>7,228,291</u>	<u>19,165,463</u>	<u>9,212,426</u>	<u>8,446,656</u>	<u>13,916,712</u>	<u>24,350,755</u>	<u>17,916,793</u>
CHANGE IN NET POSITION	<u>\$ 21,107,540</u>	<u>\$ 19,985,533</u>	<u>\$ 6,417,593</u>	<u>\$ 6,869,905</u>	<u>\$ 9,746,703</u>	<u>\$ 9,379,270</u>	<u>\$ 6,045,650</u>	<u>\$ 14,802,068</u>	<u>\$ 21,818,352</u>	<u>\$ 28,407,497</u>

Allow for rounding differences

Source: Elsinore Valley Municipal Water District

Table III

SCHEDULE OF CAPACITY FEE REVENUES

Last Ten Fiscal Years

Fiscal Year	Water Capacity Revenues						Wastewater Capacity Revenues						Percent Change
	Temescal Valley		Pumping Plant	Transmission Facilities	Water Supply		Canyon Lake Wastewater Capital	Regional		Southern		Total	
	Storage	Project			Facilities	Administration		Plant Capacity	Wastewater Capital	Wastewater Capital	Recycled		
2018	\$ 476,706	\$ 1,033,276	\$ 706,267	\$ 1,489,247	\$ 963,954	\$ 26,187	\$ 192,041	\$ 1,626,074	\$ 2,908,510	\$ -	\$ 595,620	\$ 10,017,883	(31.8)%
2017	723,788	1,191,779	926,864	2,146,548	1,374,392	41,426	70,775	2,692,052	4,693,149	-	821,974	14,682,747	45.9
2016	578,306	996,254	735,449	1,561,475	923,076	29,874	85,887	1,765,762	2,721,685	-	664,029	10,061,797	56.4
2015	(11,028)	581,173	512,455	1,156,193	697,766	24,181	70,095	1,416,906	1,477,388	-	508,245	6,433,374	(4.6)
2014	334,674	486,545	474,359	1,166,808	623,930	22,774	57,214	1,166,514	2,044,242	8,051	356,344	6,741,455	(26.4)
2013	375,958	488,959	575,460	1,592,705	1,001,021	30,005	18,582	1,741,462	2,877,270	143,371	319,517	9,164,310	29.8
2012	261,088	431,289	368,787	891,648	565,307	15,616	-	1,423,753	2,612,522	38,057	453,320	7,061,387	154.4
2011	103,606	151,588	147,184	368,751	237,142	7,052	93,136	522,530	843,116	134,458	167,564	2,776,126	(44.5)
2010	120,755	227,225	296,733	732,717	532,235	14,180	-	999,913	1,692,639	111,911	273,890	5,002,197	(28.9)
2009	228,528	194,453	264,597	503,166	306,104	8,433	245,874	1,486,582	2,899,251	26,739	868,294	7,032,021	2.9

Source: Elsinore Valley Municipal Water District

Table IV

WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED

Last Ten Fiscal Years

Fiscal Year	Water Produced (AF) ⁽¹⁾	Water Consumed (AF) ⁽¹⁾	Water Unbilled (AF)	Average Percent Unbilled	Wastewater Treated (AF)	Total Direct Rate		
						Base Rate ⁽²⁾	Usage Rate ⁽³⁾	Sewer ⁽⁴⁾
2018	23,160	22,491	669	2.9 %	8,331	\$ 23.77	\$ 2.78	\$ 45.87
2017	21,952	20,278	1,674	7.6	8,742	21.27	2.77	43.50
2016	20,194	19,291	903	4.5	7,818	21.08	2.75	43.50
2015	23,710	22,891	819	3.5	8,408	16.58	2.85	43.50
2014	26,055	25,375	680	2.6	8,241	15.78	2.78	43.50
2013	25,126	24,596	530	2.1	8,053	14.82	2.56	42.00
2012	23,249	23,292	(43)	(0.2)	8,224	14.35	2.56	42.00
2011	23,748	23,046	752	3.2	9,082	14.35	2.56	42.00
2010	24,413	24,509	(96)	(0.4)	8,456	13.85	2.32	42.75
2009	28,674	28,841	(167)	(0.6)	8,342	13.35	1.89	41.45

⁽¹⁾ Data shown is for Elsinore Division only; Production adjusted per correction from WMWD for FY2009 & FY2010.

⁽²⁾ Rate shown is for 3/4" meters. See Table VI for additional meter sizes and rates.

⁽³⁾ Outdoor Use Rate, per CCF (748 gallons)

⁽⁴⁾ Single Family Residential Rate, per EDU

Source: Elsinore Valley Municipal Water District

Table V

WATER AND SEWER RATES

Last Ten Fiscal Years

Meter Size	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
3/4"	\$ 13.35	\$ 13.85	\$ 14.35	\$ 14.35	\$ 14.82	\$ 15.78	\$ 16.58	\$ 21.08	\$ 21.27	\$ 23.77
1"	22.70	23.55	24.40	24.40	25.19	26.83	28.18	33.06	33.36	37.16
1-1/2"	44.06	45.71	47.36	47.36	48.91	52.09	54.70	63.01	63.58	70.63
2"	70.76	73.41	76.06	76.06	78.55	83.65	87.85	98.95	99.84	110.79
3"	133.50	138.50	143.50	143.50	148.20	157.83	165.76	212.76	214.67	237.96
4"	222.95	231.30	239.65	239.65	247.49	263.58	276.82	380.48	383.90	425.37
6"	444.56	461.21	477.86	477.86	493.51	525.59	551.98	961.51	970.16	1,074.63
8"	711.56	738.21	764.86	764.86	789.91	841.26	883.49	1,680.31	1,695.43	1,877.83
User Rate (Per CCF)	\$ 1.90	\$ 2.32	\$ 2.56	\$ 2.56	\$ 2.56	\$ 2.78	\$ 2.85	\$ 2.75	\$ 2.77	\$ 2.78
Sewer Rates ⁽¹⁾ (Per EDU)	\$ 41.45	\$ 42.75	\$ 42.00	\$ 42.00	\$ 42.00	\$ 43.50	\$ 43.50	\$ 43.50	\$ 43.50	\$ 45.87

Source: Elsinore Valley Municipal Water District

Table VI

TEN LARGEST CUSTOMERS - ELSINORE WATER DIVISION

Fiscal Year Ended June 30, 2018 and 2009

Fiscal Year Ended June 30, 2018

Customer Name	Business Type	Annual Water Sales in Acre Feet	Annual Water Revenues	Percentage of District Water Revenues
1. LEUSD	School District	711	\$ 1,297,007	2.64 %
2. City of Lake Elsinore	Government	433	759,284	1.54
3. Canyon Lake POA	Property Owners Association	444	497,733	1.01
4. Greer Ranch Community Association	Property Owners Association	253	462,721	0.94
5. Tuscany Hills Landscape & Rec Corp	Property Owners Association	317	449,022	0.91
6. Rosetta Canyon Community Assoc	Property Owners Association	222	440,075	0.89
7. City of Murrieta	Government	243	419,413	0.85
8. Farm Mutual Water Company	Water Company	187	361,121	0.73
9. Shore Pointe Association	Property Owners Association	152	349,321	0.71
10. The Colony at California Oaks	Property Owners Association	149	283,507	0.58
Total		<u>3,111</u>	<u>\$ 5,319,204</u>	<u>10.80 %</u>

Fiscal Year Ended June 30, 2009

1. Lake Elsinore Unified School District	School District	888	\$ 891,187	2.21 %
2. Tuscany Hills Homeowners Association	Property Owners Association	604	607,467	1.51
3. The Farm Mutual Water Company	Water Company	435	398,538	0.99
4. City of Lake Elsinore	Government	371	385,693	0.96
5. City of Murrieta	Government	322	347,666	0.86
6. Elsinore Water District	Water Utility	556	260,309	0.65
7. The Colony at California Oaks	Property Owners Association	245	254,589	0.63
8. Canyon Lake Property Owners Association	Property Owners Association	247	249,040	0.62
9. Greer Ranch Community Association	Property Owners Association	225	240,984	0.60
10. Pacific Clay Product	Manufacturing	252	218,055	0.54
Total		<u>4,145</u>	<u>\$ 3,853,528</u>	<u>9.57 %</u>

Source: Elsinore Valley Municipal Water District

Table VI (continued)

TEN LARGEST CUSTOMERS - TEMESCAL WATER DIVISION

Fiscal Year Ended June 30, 2018 and 2009

Fiscal Year Ended June 30, 2018

Customer Name	Business Type	Annual Water Sales in Acre Feet	Annual Water Revenues	Percentage of District Water Revenues
1. California Meadows HOA	Property Owners Association	26	\$ 40,671	0.08 %
2. Glen Ivy RVPOA	Property Owners Association	42	33,573	0.07
3. Butterfield Estates HOA	Property Owners Association	21	24,284	0.05
4. Bledsoe Construction	Business	7	8,119	0.02
5. Werner Corp	Sand & Gravel Mfg.	2	6,179	0.01
6. Glen Ivy Village Inc	Property Owners Association	5	4,210	0.01
7. Resident	Residence	2	3,074	0.01
8. Resident	Residence	2	2,971	0.01
9. Resident	Residence	2	2,862	0.01
10. Resident	Residence	1	2,850	0.01
Total		<u>110</u>	<u>\$ 128,794</u>	<u>0.28 %</u>

Fiscal Year Ended June 30, 2009

1. LMT Management, Inc.	Golf Course	842	\$ 622,534	1.54%
2. Werner Corporation	Sand & Gravel Mfg.	217	164,354	0.41
3. Cemex USA	Sand & Gravel Mfg.	157	118,808	0.29
4. Glen Ivy RVPOA	Property Owners Association	42	95,706	0.24
5. CMS/Butterfield	Property Owners Association	36	63,377	0.16
6. California Meadows HOA	Property Owners Association	29	50,943	0.13
7. Tom's Farms	Nursery & Fruit Stand	30	49,548	0.12
8. Kenneth Holt	Agriculture	62	46,178	0.11
9. El Sobrante Landfill	Landfill	58	45,995	0.11
10. Corona Clay	Structural Clay Product Mfg.	36	27,724	0.07
Total		<u>1,507</u>	<u>\$ 1,285,167</u>	<u>3.18%</u>

Source: Elsinore Valley Municipal Water District

Table VI (continued)

TEN LARGEST CUSTOMERS - WASTEWATER DIVISION

Fiscal Year Ended June 30, 2018 and 2009

Fiscal Year Ended June 30, 2018

Customer Name	Business Type	Annual Wastewater Revenues	Percentage of District Wastewater Revenues
1. Cottonwood Canyon Hills HOA	Property Owner Association	\$ 333,015	1.38 %
2. Lake Elsinore Unified School District	School District	271,490	1.13
3. Amanda Park Partners	Apartment Complex	186,850	0.78
4. Santa Rosa Apartments	Apartment Complex	166,685	0.69
5. Oak Springs Ranch, LLC.	Property Owner Association	161,766	0.67
6. Ridgestone Apartments	Apartment Complex	150,059	0.62
7. Wildomar Senior Partners	Apartment Complex	137,634	0.57
8. Lake Elsinore Casino	Casino	133,153	0.55
9. Brookview Terrace HOA	Property Owner Association	122,508	0.51
10. River's Edge Apartments	Apartment Complex	112,424	0.47
Total		\$ 1,775,583	7.37 %

Fiscal Year Ended June 30, 2009

1. Lake Elsinore Unified School District	School District	\$ 168,359	0.88 %
2. Amanda Park Partners	Apartment Complex	167,529	0.87
3. Santa Rosa Apartments	Apartment Complex	156,433	0.81
4. Fairfield Development	Developer	105,825	0.55
5. Inland Hospital	Regional Hospital	88,681	0.46
6. Wildomar Senior Partners	Apartment Complex	84,464	0.44
7. Harbor Grand Apartments	Apartment Complex	66,157	0.34
8. River's Edge Apartment Broadstone	Apartment Complex	57,601	0.30
9. Grand Oaks Apartments	Apartment Complex	54,876	0.29
10. Gables At Oak Creek	Apartment Complex	54,494	0.28
Total		\$ 1,004,419	5.22 %

Source: Elsinore Valley Municipal Water District

Table VII

WATER RATE COMPARISON FOR 20 CCF PER MONTH

As of June 30, 2018

	\$30	\$40	\$50	\$60	\$70	\$80	\$90	\$100+
City of Escondido								177.97
City of San Diego								155.25
Rainbow Municipal Water District								148.30
Valley Center Municipal Water District								145.17
Western Municipal Water District (March East)								137.09
Farm Mutual Water Company								106.97
Western Municipal Water District (Murrieta)								104.27
Western Municipal Water District (Riverside)							90.45	
Western Municipal Water District (Rainbow)							92.17	
Elsinore Valley Municipal Water District						81.13		
Temescal Valley Water District					77.61			
Rancho California Water District (Santa Rosa Division)					75.14			
City of Corona					69.62			
Eastern Municipal Water District					69.59			
City of Riverside (Outside City Limits)				59.40				
Eastern Municipal Water District (San Jacinto)				52.44				
Rancho California Water District (Rancho Division)		45.82						
City of Riverside (Inside City Limits)	39.60							

CCF = Hundred Cubic Feet

1 CCF = 748 Gallons

20 CCF = 14,960 Gallons

20 CCF = Approximately 500 Gallons per Day

Based on Single-family Residential Customer with a 3/4 inch Meter

Source: Elsinore Valley Municipal Water District

Table VIII

MONTHLY WASTEWATER SERVICE CHARGE COMPARISON

As of June 30, 2018

	\$20	\$30	\$40	\$50	\$60	\$70	\$80
Western Municipal Water District (Riverside, Perris, Cajalco)					69.31		
City of Escondido					65.59		
Valley Center Municipal Water District				56.45			
Rainbow Municipal Water District				55.07			
City of San Diego			47.71				
Elsinore Valley Municipal Water District ⁽¹⁾			45.87				
City of Corona			45.60				
Western Municipal Water District (treated by RCWD)			42.58				
Western Municipal Water District (treated by EMWD)			40.87				
Rancho California Water District			40.75				
City of Riverside		39.59					
Lee Lake Water District		36.36					
Eastern Municipal Water District (Perris Valley)		34.98					
Farm Mutual Water Company		32.00					
Elsinore Valley Municipal Water District - Low User Rate		30.92					
Eastern Municipal Water District (Temecula Valley)		30.00					
Eastern Municipal Water District (Sun City)	26.40						
Eastern Municipal Water District (San Jacinto)	25.50						

⁽¹⁾ Does Not Include Capital Surcharge

Source: Elsinore Valley Municipal Water District

Table IX

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Secured					Unsecured				
	Taxes Levied	Taxes Collected	Delinquency		Taxes Levied	Taxes Collected	Delinquency			
			Amount	Percent			Amount	Percent		
2018	\$ 6,036,883	\$ 5,392,781	\$ 104,101	1.7%	\$ 264,093	\$ 260,763	\$ 3,330	1.3%		
2017	5,780,886	5,696,716	84,170	1.5	264,788	258,933	5,855	2.2		
2016	5,537,429	5,479,710	57,719	1.0	246,421	220,435	25,986	10.5		
2015	5,249,007	5,178,459	70,548	1.3	244,250	225,753	18,497	7.6		
2014	4,761,376	4,539,234	222,142	4.7	245,852	229,879	15,974	6.5		
2013	4,602,744	4,371,641	231,103	5.0	243,208	200,342	42,866	17.6		
2012	4,534,157	4,092,269	441,888	9.7	249,330	225,215	24,115	9.7		
2011	4,690,793	4,270,129	420,664	9.0	251,240	219,161	32,079	12.8		
2010	4,789,252	4,194,931	594,322	12.4	267,632	235,499	32,133	12.0		
2009	5,593,840	4,800,675	793,165	14.2	269,131	220,380	48,751	18.1		

Source: County of Riverside
Elsinore Valley Municipal Water District

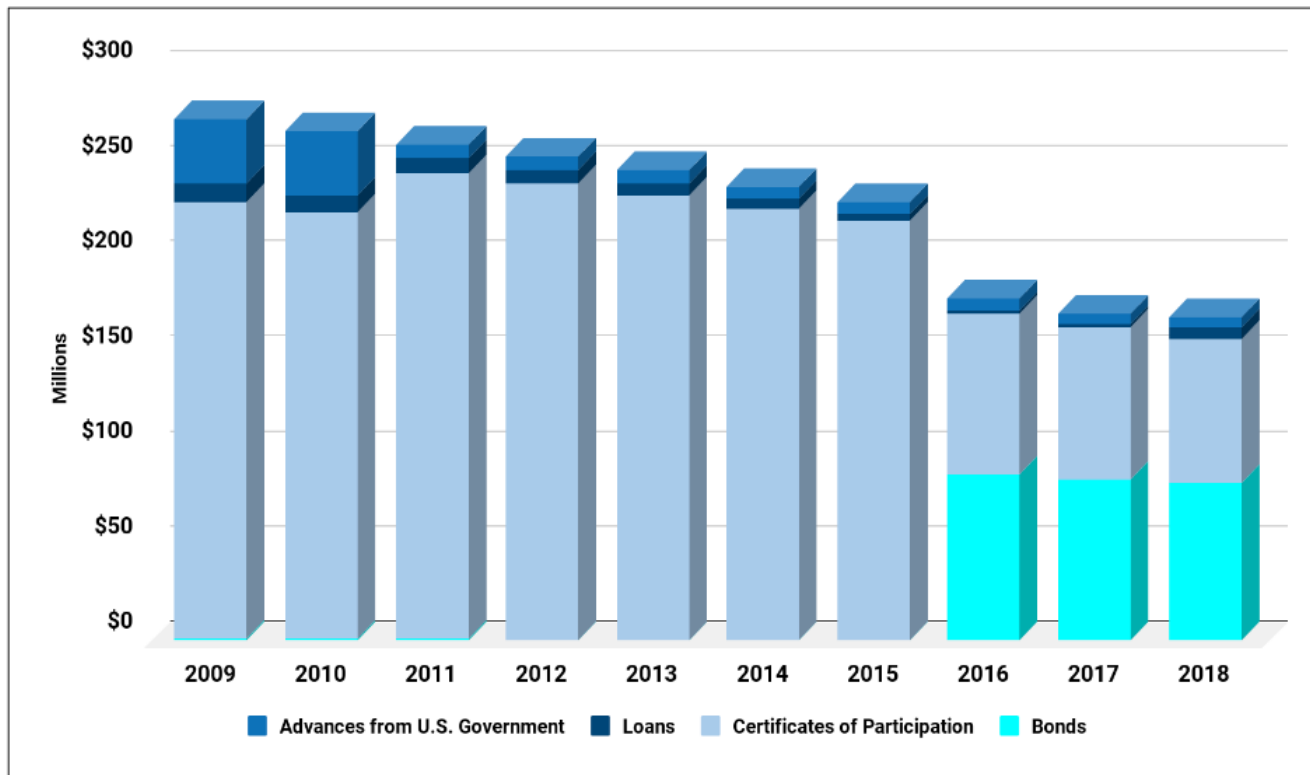
Note: Total taxes collected do not include prior year, supplemental, or EWD taxes collected

Table X

OUTSTANDING DEBT PER CUSTOMER BY TYPE

Last Ten Fiscal Years

Fiscal Year	Bonds	Certificates of Participation	Loans	Advances from U.S. Government	Total	Per Customer*
2018	\$ 82,513,384	\$ 75,587,336	\$ 6,192,613	\$ 5,024,148	\$ 169,317,481	\$ 2,106
2017	84,275,784	80,071,342	1,416,590	5,410,621	171,174,337	2,149
2016	87,003,183	84,350,348	1,638,183	5,797,094	178,788,809	2,296
2015	-	219,687,192	3,684,401	6,183,567	229,555,161	2,995
2014	-	226,625,290	4,884,683	6,570,040	238,080,013	3,148
2013	-	233,278,388	6,051,720	6,956,513	246,286,621	3,310
2012	-	239,422,174	7,176,670	7,342,986	253,941,830	3,478
2011	285,448	244,684,589	7,760,317	7,729,459	260,459,813	3,721
2010	556,345	224,330,116	8,736,480	33,433,800	267,056,741	3,841
2009	817,241	228,987,858	9,682,963	34,243,529	273,731,591	3,972



* Per customer rate relates to each water and wastewater connection. Most customers have both types of connections.

Source: Elsinore Valley Municipal Water District

Table XI

COMPUTATION OF DEBT COVERAGE RATIOS

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES:										
Water Revenues	\$ 40,059,631	\$ 42,779,396	\$ 39,981,819	\$ 41,552,294	\$ 45,076,540	\$ 48,018,729	\$ 44,456,826	\$ 46,387,145	\$ 44,164,018	\$ 49,193,038
Sewer Revenues	19,142,091	20,095,882	20,228,555	20,399,307	21,379,577	22,831,226	23,368,664	21,961,717	22,261,812	24,046,130
Recycled Water Revenues	-	-	-	-	-	-	-	939,750	1,036,047	1,146,853
Property Taxes - General Purpose	6,256,142	5,358,968	5,452,808	4,734,507	5,299,387	5,240,713	5,815,315	5,890,345	6,225,970	6,508,824
Property Taxes - Redevelopment	1,967,650	1,647,190	1,417,964	1,817,164	1,761,239	1,868,517	1,972,079	2,186,033	2,415,096	2,644,790
Property Taxes - Temescal Valley Project	394,875	482,470	742,375	707,648	495,822	504,533	451,752	433,830	492,364	482,155
Standby Charges	746,302	833,424	867,870	788,119	884,932	964,603	913,699	680,793	595,492	617,948
Capacity Fees	7,093,711	5,002,197	2,776,126	7,061,387	9,164,310	6,741,455	6,433,375	10,061,797	14,682,746	10,027,211
Investment Income	8,415,904	5,465,110	2,775,959	2,005,609	563,761	1,626,111	1,610,326	2,453,021	126,852	934,561
Grants	880,172	1,077,211	2,295,041	-	7,000	112,299	286,910	817,868	6,906,333	3,090,355
Lease Income	1,076,562	1,161,254	1,241,053	1,326,196	1,417,622	1,455,795	1,445,901	1,453,542	1,520,603	1,433,523
Annexation Fees	10,700	-	-	-	-	-	-	-	-	-
Return of Principal	49,047	51,822	52,673	52,674	54,614	56,619	58,685	-	-	-
Transfer From (To) Rate										
Stabilization Fund	(1,846,352)	(6,500,047)	718,286	2,191,658	1,181,240	(3,306,178)	906,149	(42,352) ⁽²⁾	4,333,915 ⁽²⁾	(5,449,365)
Other	2,306,412	3,482,802	1,476,569	989,562	1,465,076	1,526,852	1,417,250	1,019,731	(1,156,661)	8,096,263
Total Gross Revenues	86,552,847	80,937,679	80,027,098	83,626,126	88,751,119	87,641,274	89,136,931	94,243,220	103,604,587	102,772,286
MAINTENANCE AND OPERATION COSTS:										
Water Purchases	12,817,675	12,545,460	12,776,304	15,401,145	18,352,085	17,892,769	16,306,497	15,452,140	16,266,623	18,036,267
Water Operations	14,419,868	12,691,185	14,323,357	13,667,701	14,559,163	14,517,118	14,660,805	15,165,860	16,047,064	14,756,060
Sewer Operations	10,369,924	10,227,038	10,942,166	11,674,513	12,294,717	12,829,515	13,460,542	11,876,091	11,250,489	10,123,413
Recycled Water Operations	-	-	-	-	-	-	-	1,340,151	976,330	948,191
General and Administrative	8,287,887	7,994,794	10,185,825	8,909,361	9,005,299	9,102,775	10,675,786	10,246,633	10,561,347	14,268,344
Maintenance & Operation Obligations	233,927	2,271,146	2,386,944	386,473	386,473	386,473	386,473	386,473	386,473	386,473
Other	858,214	1,212,720	1,883,655	1,940,572	2,900,086	2,341,024	1,904,771	2,136,442	1,536,746	2,733,523
Total Maintenance and Operations Costs	46,987,496	46,942,343	52,498,251	51,979,765	57,497,824	57,069,675	57,394,874	56,603,790	57,025,072	61,252,271
Net Revenue	39,565,350	33,995,336	27,528,847	31,646,362	31,253,295	30,571,600	31,742,057	37,639,430	46,579,515	41,520,015

Table XI (continued)

COMPUTATION OF DEBT COVERAGE RATIOS

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OBLIGATIONS EXPENDITURES:										
Principal	5,189,118	5,604,999	5,993,548	5,829,797	7,353,365	7,727,405	8,038,324	7,768,644 ⁽³⁾	6,261,316	7,400,717
Interest	10,134,418	8,991,536	8,771,546	8,287,228	8,030,063	7,687,073	7,379,384	6,561,178	3,552,038	3,624,583
Total Obligation Expenditures	15,323,536	14,596,535	14,765,094	14,117,025	15,383,428	15,414,478	15,417,708	14,329,822	9,813,354	11,025,300
NET REVENUE AFTER OBLIGATION EXPENDITURES	<u>\$24,241,815</u>	<u>\$19,398,801</u>	<u>\$12,763,753</u>	<u>\$17,529,337</u>	<u>\$15,869,867</u>	<u>\$15,157,121</u>	<u>\$16,324,349</u>	<u>\$23,309,608</u>	<u>\$36,766,161</u>	<u>\$30,494,715</u>
DEBT SERVICE COVERAGE RATIO	<u>258%</u>	<u>233%</u>	<u>186%</u>	<u>224%</u>	<u>203%</u>	<u>198%</u>	<u>206%</u>	<u>263%</u>	<u>475%</u>	<u>377%</u>
ALTERNATIVE DEBT SERVICE COVERAGE RATIO ⁽¹⁾	<u>206%</u>	<u>191%</u>	<u>152%</u>	<u>174%</u>	<u>144%</u>	<u>154%</u>	<u>162%</u>	<u>187%</u>	<u>255%</u>	<u>258%</u>

Allow for rounding differences

⁽¹⁾ Excludes capacity fees, annexation fees, and grants

⁽²⁾ Includes transfers from (to) drought, turf replacement, and excess power surcharge reserves

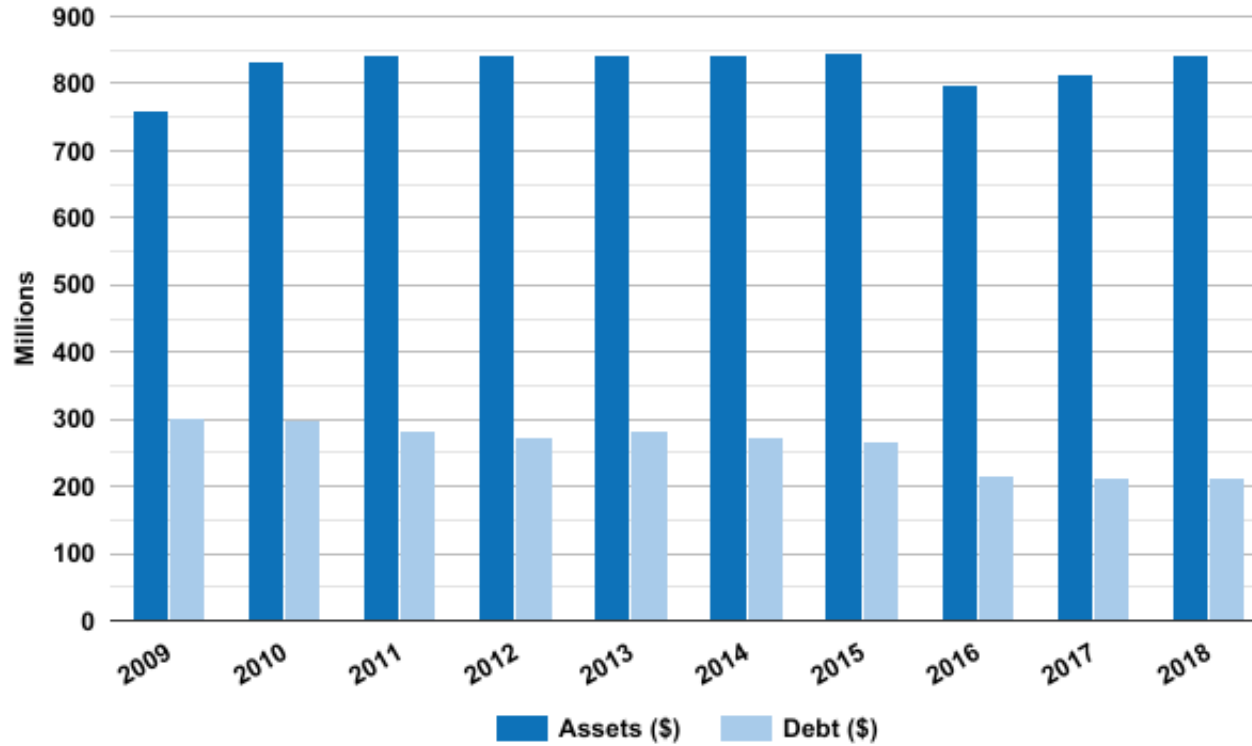
⁽³⁾ Excludes early prepayment on loans and COPs

Source: Elsinore Valley Municipal Water District

Table XII

Total Debt to Assets Ratio

Last Ten Fiscal Years



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets (\$)	\$ 759	\$ 832	\$ 843	\$ 842	\$ 843	\$ 842	\$ 846	\$ 797	\$ 813	\$ 844
Debt (\$)	\$ 303	\$ 298	\$ 285	\$ 272	\$ 285	\$ 272	\$ 266	\$ 215	\$ 213	\$ 215
Debt as % of Assets	39.9	35.8	33.8	32.3	33.8	32.3	31.5	27.0	26.2	25.4

⁽¹⁾ FY 2013 figures updated to reflect prior period adjustment to expense bond issuance costs in accordance with GASB 65.

Source: Elsinore Valley Municipal Water District

Table XIII

POPULATION WITHIN DISTRICT BOUNDARIES

Last Ten Calendar Years

Year	City of Lake Elsinore	% of Growth	City of Canyon Lake	% of Growth	City of Murrieta ⁽¹⁾	% of Growth	City of Wildomar ⁽²⁾	% of Growth	Unincorporated Riverside County ⁽¹⁾	% of Growth	Total Population	% of Growth
2018	63,365	2.1%	11,018	1.2 %	19,546	-%	36,287	1.4%	25,527	1.3 %	155,743	1.5%
2017	62,092	1.8	10,891	2.0	19,543	0.1	35,782	1.7	25,199	3.1	153,507	1.8
2016	61,006	4.4	10,681	(2.0)	19,529	0.1	35,168	3.0	24,452	(6.2)	150,836	1.2
2015	58,426	3.0	10,901	0.7	19,512	0.8	34,148	1.3	26,072	8.9	149,059	3.1
2014	56,718	2.3	10,826	0.5	19,351	0.4	33,718	1.6	23,938	4.4	144,551	2.1
2013	55,430	4.5	10,768	0.7	19,269	0.9	33,174	1.4	22,919	31.8 ⁽³⁾	141,560	6.5
2012	53,024	1.0	10,689	0.4	19,091	1.4	32,719	0.5	17,391	(0.1)	132,914	0.7
2011	52,503	3.0	10,647	(5.1)	18,827	1.1	32,543	1.7	17,407	(5.2)	131,927	0.6
2010	50,983	1.4	11,225	0.9	18,629	1.1	32,006	2.2	18,355	(2.4)	131,198	1.0
2009	50,267	0.9	11,128	0.7	18,427	12.4	31,321	7.1	18,801	(14.7)	129,944	1.1

⁽¹⁾ Projected population within District boundary. Data restated from 2009 forward to account for the number of multi-family residential units.

⁽²⁾ City of Wildomar incorporated in 2008

⁽³⁾ Projection methods were revised from 2013 forward to account for service accounts with multiple units, i.e. multi-family

Sources: - State of California Department of Finance - Cities of Lake Elsinore, Canyon Lake, Murrieta, Wildomar, and Unincorporated Riverside County

- www.cityofwildomar.org

- Elsinore Valley Municipal Water District

Table XIV

ECONOMIC STATISTICS

Last Ten Calendar Years

Year	Personal Income ⁽¹⁾	Per Capita Personal Income ⁽²⁾	Riverside County Unemployment Rate ⁽³⁾
2018	\$ 7,372,998	\$ 47,341	3.7%
2017	7,552,804	46,821	5.5
2016	7,132,651	45,219	6.3
2015	6,886,537	44,200	6.8
2014	6,793,790	44,158	8.2
2013	6,692,931	44,138	10.3
2012	6,632,502	44,506	12.2
2011	6,426,619	43,447	13.5
2010	6,229,282	42,347	13.7
2009	5,364,222	41,281	13.1

⁽¹⁾ Projected Personal Income within District boundary - in thousands

⁽²⁾ Occupation Employment Statistics (OES) for Riverside and San Bernardino Counties for the 1st Quarter of 2015

⁽³⁾ Bureau of Labor Statistics, Department of Labor

Sources: Employment Development Department, State of California, and Elsinore Valley Municipal Water District

Table XV

TEN LARGEST PRINCIPAL EMPLOYERS IN RIVERSIDE COUNTY

Fiscal Year Ended June 30, 2018 and 2009

Employer	2009 ⁽¹⁾			2018 ⁽²⁾		
	Rank	Employees	% of Total Labor Force	Rank	Employees	% of Total Labor Force
County of Riverside	1	19,818	2.2 %	1	22,038	2.0 %
March Air Reserve Base	2	8,400	0.9	2	9,000	0.8
University of California, Riverside	3	7,147	0.7	3	8,829	0.8
Stater Bros. Markets	5	6,500	0.7	4	8,500	0.8
Walmart	4	6,550	0.7	5	6,550	0.6
Kaiser Permanente Riverside Medical Center	10	3,200	0.3	6	5,500	0.5
Corona-Norco Unified School District				7	5,478	0.5
Pechanga Resort & Casino	7	5,000	0.5	8	4,750	0.4
Riverside Unified School District	6	5,099	0.6	9	4,200	0.4
Hemet Unified School District				10	4,058	0.4
Abbot Vascular (Formerly Guidant Corporation)	8	4,500	0.5			
Riverside Community College	9	3,765	0.4			
Total		69,979	7.5 %		78,903	7.2 %

Sources:

⁽¹⁾ County of Riverside - Note: Only the top ten employers that provided data to the Business Press annual census are listed.

⁽²⁾ County Economic Redevelopment Agency

Table XVI

MISCELLANEOUS STATISTICS - ELSINORE WATER DIVISION

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
WATER PRODUCTION SOURCES ^(AF)										
Wells ^(Ground Storage)	6,738	3,659	1,715	2,973	3,437	5,521	6,440	4,384	3,861	2,747
Back Basin Water Treatment Plant	1,442	2,446	1,201	661	1,851	2,931	2,060	1,803	413	-
Canyon Lake Water Treatment Plant	1,444	2,473	3,659	2,252	27	948	2,510	435	2,460	1,215
MWD ^{(Purchased Water)^{(1),(2)}}	19,050	15,836	17,173	17,929	19,800	16,821	12,699	13,572	15,218	19,198
TOTAL WATER PRODUCTION	28,674	24,413	23,748	23,815	25,115	26,221	23,709	20,194	21,952	23,160
WATER SALES & USES ^(AF)	28,841	24,509	23,046	23,292	24,596	25,434	22,891	19,291	20,278	22,500
% OF UNACCOUNTABLE WATER	0.6%	0.4%	3.0%	2.2%	2.1%	3.0%	3.5%	4.5%	7.6%	2.8%
CANYON LAKE WATER PURCHASES ^(AF)	-	-	1,841	-	-	-	-	-	-	-
RECYCLED WATER SALES ^(AF)	409	420	484	669	531	595	747	690	864	872
CONJUNCTIVE USE PROGRAM ^(AF)	431		(2,571)	(3,038)	(2,285)	1,990	5,051	1,068	-	(4,370)
PEAK DAILY PRODUCTION ^(MG)	31.1	33.3	29.7	45.3	45.7	38.1	41.2	29.4	56.3	47.0
AVERAGE DAILY PRODUCTION ^(MG)	25.00	22.90	21.20	20.70	22.40	23.00	20.80	17.70	19.20	20.30
TOTAL DAILY PRODUCTION CAPACITY ^(MG)	63.40	60.20	60.20	60.20	60.20	61.70	63.60	63.60	63.60	63.60
STORAGE CAPACITY ^(MG)	88.40	88.40	89.20	91.90	91.90	91.90	89.60	90.10	90.10	90.10
UNTREATED OPEN RESERVOIR CAPACITY ^(MG)	1,531	1,531	1,531	1,531	1,531	1,531	1,531	1,531	1,531	1,531
NUMBER OF STORAGE FACILITIES	68	68	68	75	75	74	69	70	70	70
MILES OF PIPE IN SERVICE	704	663	665	697	697	700	703	703	725	731
ACTIVE BOOSTER STATIONS	48	48	48	54	54	52	50	51	54	53
ACTIVE WATER PRODUCTION WELLS	10	10	10	10	10	10	10	10	10	10
WATER METERS	37,968	38,281	38,510	40,527	41,250	41,858	42,393	42,957	43,858	44,558
RECYCLED WATER METERS	38	38	68	73	78	83	83	114	116	115
POPULATION SERVED ⁽³⁾	127,136	128,383	129,122	130,423	139,332	142,300	146,752	148,533	151,203	153,453
ACREAGE SERVED	61,948	61,948	61,948	61,948	61,948	61,948	61,948	61,948	61,948	61,948
TOTAL AUTHORIZED DISTRICT EMPLOYEES	171	170	169	167	168	163	164	164	164	169

⁽¹⁾ Does not include purchases for Canyon Lake

⁽²⁾ Imported water adjusted for FY2009 & FY2010 per correction received from WMWD

⁽³⁾ Data restated from 2009 forward to account for a revised estimate calculation

AF = Acre Feet

MG = Million Gallons

Source: Elsinore Valley Municipal Water District

Table XVI (Continued)

MISCELLANEOUS STATISTICS - TEMESCAL WATER DIVISION

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016 ⁽⁴⁾	2017	2018
WATER PRODUCTION SOURCES^(AF)										
Wells ^(Ground Storage)	2,512	1,551	1,056	1,085	2,159	2,757	1,956	306	548	500
Lee Lake ^(Surface Water)	135	166	298	704	-	-	-	-	-	-
Other	-	-	342	-	-	-	-	-	-	-
Imported - MWD	-	-	-	-	-	-	-	46	12	71
TOTAL WATER PRODUCTION^(AF)	2,647	1,717	1,695	1,789	2,159	2,757	1,956	352	560	571
PALM AVENUE PRODUCTION ^(AF)	1,507	750	-	8	-	-	708	-	560	869
TOTAL ANNUAL WATER SALES^(AF)	2,002	1,707	1,695	1,551	1,785	2,158	1,936	327	541	542
% of UNACCOUNTABLE WATER ⁽¹⁾	24.4%	0.6%	0.0%	13.3%	17.3%	21.7%	1.0%	7.1%	3.4%	5.1%
PEAK DAILY PRODUCTION ^{(MG)(2)}	4.3	7.0	8.1	13.4	6.9	3.9	7.4	4.6	14.4	4.7
AVERAGE DAILY PRODUCTION ^(MG)	3.7	2.2	1.9	1.4	1.2	1.9	2.3	0.3	1.0	0.5
TOTAL DAILY PRODUCTION CAPACITY ^(MGD)	7.2	7.2	7.4	7.4	7.4	8.6	2.2	2.2	2.2	2.2
STORAGE CAPACITY ^(MG)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3
UNTREATED OPEN RESERVOIR CAPACITY ^(MG)	246.0	246.0	246.0	246.0	246.0	246.0	246.0	246.0	246.0	246.0
NUMBER OF STORAGE FACILITIES	3	3	3	3	3	3	3	3	2	2
MILES OF PIPE IN SERVICE ⁽³⁾	64	64	65	65	65	66	50	50	12	12
ACTIVE BOOSTER STATIONS	3	3	3	3	2	4	3	3	2	2
ACTIVE WATER PRODUCTION WELLS	13	13	13	13	13	13	11	11	2	2
ACTIVE WATER BASINS	6	6	6	6	6	6	6	6	6	6
WATER METERS	779	780	771	760	753	751	751	722	760	770
POPULATION SERVED	2,808	2,815	2,805	2,492	2,228	2,251	2,307	2,303	2,303	2,290
NON POTABLE ACREAGE SERVED	1,088	1,088	1,088	1,088	1,088	1,088	1,088	-	-	-

⁽¹⁾ Does not include Palm Ave.

⁽²⁾ Increased peak daily production amounts are due to Palm Ave. production. This water is transferred to WMWD.

⁽³⁾ Miles of pipe in service revised for FY2010 to correct error

⁽⁴⁾ Reduced production result of Agricultural portion of the Temescal Water Division being sold off in March 2015

AF = Acre Feet

MG = Million Gallons

Source: Elsinore Valley Municipal Water District

Table XVII

MISCELLANEOUS STATISTICS - WASTEWATER DIVISIONS

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Wastewater Services</u>										
Regional	20,216	20,530	20,671	21,133	21,891	22,387	22,899	23,548	24,344	24,907
Railroad Canyon ⁽¹⁾	4,478	4,494	4,490	4,493	4,496	4,513	4,520	4,528	4,537	4,553
Southern ⁽²⁾	4,534	4,564	4,574	4,575	4,577	4,577	4,577	4,577	4,577	4,577
Horsethief Canyon	2,047	2,047	2,054	2,054	2,054	2,054	2,054	2,055	2,052	2,052
Total	31,275	31,635	31,789	32,255	33,018	33,531	34,050	34,708	35,510	36,089
<u>Equivalent Dwelling Units</u>										
Regional	28,117	28,244	29,021	29,626	30,577	31,067	31,586	32,241	33,325	34,607
Railroad Canyon ⁽¹⁾	4,788	4,806	4,898	4,894	4,897	4,913	4,920	4,928	4,937	4,953
Southern ⁽²⁾	5,017	5,017	5,064	5,069	5,086	5,086	5,086	5,086	5,078	5,079
Horsethief Canyon	2,071	2,071	2,097	2,097	2,097	2,097	2,097	2,098	2,052	2,052
Total	39,993	40,138	41,080	41,687	42,657	43,163	43,689	44,353	45,392	46,691
<u>Treatment Plant Capacity (MGD)</u> ⁽³⁾										
Regional	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Railroad Canyon	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Horsethief Canyon	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7
<u>Average Daily Flows (MG)</u>										
Regional	5.360	5.600	6.064	5.454	5.270	5.443	5.757	5.278	6.023	5.641
Railroad Canyon	0.830	0.775	0.800	0.698	0.702	0.754	0.641	0.569	0.705	0.696
Southern	0.880	0.807	0.868	0.820	0.849	0.803	0.754	0.795	0.734	0.768
Horsethief Canyon	0.380	0.380	0.376	0.370	0.368	0.357	0.354	0.337	0.342	0.333
Total	7.450	7.562	8.108	7.342	7.189	7.357	7.506	6.979	7.804	7.438

MG = Million Gallons

Services = Customer accounts with wastewater service

⁽¹⁾ Approximately 10% of Canyon Lake Sewer accounts are located in Eastern Municipal Water District

⁽²⁾ Treatment for Southern Wastewater Division is contracted with Rancho California Water District

⁽³⁾ All Treatment is Tertiary

Source: Elsinore Valley Municipal Water District

Table XVII (continued)

MISCELLANEOUS STATISTICS - WASTEWATER DIVISIONS

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Design Peak Hourly Flows (MG)</u>										
Regional	17.60	17.60	17.60	17.60	17.60	17.60	17.60	17.60	17.60	17.60
Railroad Canyon	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
Horsethief Canyon	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Total	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70	21.70
<u>Average Daily Peak (MG)</u>										
Regional	6.080	6.430	7.100	6.263	5.959	6.427	6.427	5.880	7.048	6.478
Railroad Canyon	1.130	0.830	1.180	1.037	0.950	0.875	0.875	0.720	0.842	0.841
Horsethief Canyon	0.490	0.400	0.520	0.475	0.459	0.449	0.449	0.440	0.463	0.412
Total	7.700	7.660	8.800	7.775	7.368	7.751	7.751	7.040	8.353	7.731
<u>% of Capacity Used</u>										
Regional	67.0	70.0	75.8	68.2	65.9	68.0	72.0	66.0	75.3	70.5
Railroad Canyon	69.2	64.6	66.7	58.2	58.5	62.8	53.4	47.4	58.8	58.0
Horsethief Canyon	76.0	76.0	75.1	74.0	73.6	71.4	70.8	67.3	68.4	66.6
<u>Miles of Pipe in Service</u>										
Regional	267.6	270.0	282.6	291.8	291.8	296.8	296.8	300.0	313.3	305.4
Railroad Canyon	50.1	50.1	52.5	48.9	48.9	48.9	48.9	48.9	49.2	46.2
Southern	38.2	38.2	38.2	36.8	36.8	36.8	36.8	36.8	36.8	36.8
Horsethief Canyon	18.1	18.1	19.0	18.7	18.7	18.7	18.7	18.7	18.7	18.7
Total	374.0	376.4	392.3	396.2	396.2	401.2	401.2	404.4	417.9	407.1
<u>Number of Lift Stations</u>										
Regional	26	26	26	26	28	28	28	28	29	29
Railroad Canyon	6	6	6	6	6	6	6	6	6	6
Horsethief Canyon	2	2	2	2	2	2	2	2	2	2
Total	34	34	34	34	36	36	36	36	37	37
<u>Recycled Water Production (MG)</u>										
Regional	1,953.8	2,046.1	2,298.0	2,118.6	2,044.4	1,986.6	2,101.3	1,926.6	2,198.3	2,059
Railroad Canyon	302.6	283.2	271.3	277.6	262.8	275.1	234.1	207.8	257.4	254.0
Horsethief Canyon	140.4	139.0	145.4	136.2	133.1	130.2	129.3	122.9	124.9	121.5
Total	2,396.8	2,468.3	2,714.7	2,532.4	2,440.3	2,392.0	2,464.7	2,257.2	2,580.6	2,434.5

Source: Elsinore Valley Municipal Water District

Table XVIII

NUMBER OF AUTHORIZED EMPLOYEES BY IDENTIFIABLE ACTIVITY

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Water:</u>										
Administration	5.5	6.5	6.5	7.5	7.5	6.0	6.0	6.0	6.0	3.0
Water Resources Administration	-	-	-	-	-	1.0	2.0	2.0	2.0	1.0
Water Resources Planning	-	-	-	-	-	2.0	2.0	2.0	2.0	2.0
Water Quality	12.0	11.5	11.0	9.0	8.0	5.0	5.0	5.0	5.0	5.0
Water Systems	-	-	-	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Electrical Maintenance	6.0	6.0	6.0	6.0	6.0	6.0	-	-	-	-
Field Services	-	-	-	8.0	8.0	11.0	11.0	11.0	11.0	8.0
Preventive Maintenance	9.0	9.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Construction	11.0	11.0	11.0	9.0	9.0	9.0	9.0	9.0	9.0	11.0
Mechanical Maintenance	7.0	7.0	7.0	9.0	9.0	9.0	11.0	11.0	11.0	12.0
Facilities Maintenance	9.0	9.0	9.0	8.0	8.0	5.0	5.0	5.0	5.0	5.0
Water Production	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Water Treatment	4.0	4.0	4.0	-	-	-	-	-	-	-
<u>Wastewater:</u>										
Administration	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Wastewater Systems	-	-	-	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Industrial Waste/Pretreatment	2.0	2.0	3.0	-	-	-	-	-	-	-
Wastewater Collections	11.0	11.0	11.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Wastewater Treatment	16.0	15.0	13.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
<u>Engineering:</u>										
Administration	3.0	3.0	3.0	4.0	5.0	4.0	4.0	4.0	4.0	3.0
Capital Design/Construction & Development Services	10.0	10.0	10.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

Source: Elsinore Valley Municipal Water District

Table XVIII (Continued)

NUMBER OF AUTHORIZED EMPLOYEES BY IDENTIFIABLE ACTIVITY

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>General and Administrative:</u>										
Administration	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	11.0
Legislative & Community Affairs	3.0	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0	0.0
Government Relations	-	-	-	-	-	-	-	-	-	1.0
Human Resources/Safety	4.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0	4.0	5.0
Strategic Programs	-	-	-	-	-	6.0	2.0	2.0	2.0	2.0
<u>Business Services</u>										
Administration	-	-	-	-	-	3.0	1.0	1.0	1.0	2.0
Finance & Accounting	12.0	12.0	12.0	13.0	13.0	11.0	11.0	11.0	11.0	13.0
Customer Service	11.0	11.0	11.0	13.0	13.0	14.0	14.0	14.0	14.0	-
Community Relations	-	-	-	-	-	-	-	-	-	18.0
Meter	8.0	8.0	8.0	6.0	6.0	-	-	-	-	-
Purchasing/Warehousing	4.0	4.0	4.0	4.0	4.0	-	4.0	4.0	4.0	4.0
Information Technology	5.0	5.0	5.0	5.0	6.0	6.0	9.0	9.0	9.0	10.0
Total	170.5	170.0	168.5	166.5	167.5	163.0	164.0	164.0	164.0	169.0

Source: Elsinore Valley Municipal Water District

Table XIX

WATER AND WASTEWATER PREMISES⁽¹⁾

Last Ten Fiscal Years

Year	Water			Wastewater					% of Wastewater vs. Water
	Elsinore	Temescal	Total Water	Regional	Railroad Canyon	Southern	Horsethief Canyon	Total Wastewater	
2018	43,591	712	44,303	24,837	4,136	4,575	2,052	35,600	80.4 %
2017	42,885	713	43,598	24,166	4,120	4,575	2,052	34,913	80.1
2016	41,917	714	42,631	23,348	4,114	4,575	2,055	34,092	80.0
2015	41,344	755	42,099	22,797	4,102	4,575	2,054	33,528	79.6
2014	40,816	755	41,571	22,289	4,095	4,575	2,054	33,013	79.4
2013	40,218	755	40,973	21,699	4,086	4,573	2,054	32,412	79.1
2012	39,522	755	40,277	21,009	4,085	4,573	2,054	31,721	78.8
2011	37,516	754	38,270	19,996	4,084	4,573	2,054	30,707	80.2
2010	37,312	761	38,073	19,751	4,083	4,571	2,054	30,459	80.0
2009	37,033	759	37,792	19,496	4,082	4,541	2,054	30,173	79.8

⁽¹⁾Premise = A distinct property to which the District provides water and/or wastewater service.

Source: Elsinore Valley Municipal Water District

Table XX

ACTIVE METERS(1) BY METER SIZE - ENTIRE DISTRICT

Last Ten Fiscal Years

Meter Size	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
3/4"	36,049	36,317	36,514	38,262	38,968	39,560	40,080	40,650	41,292	42,041
1"	1,470	1,480	1,486	1,707	1,711	1,719	1,727	1,763	2,015	2,035
1-1/2"	355	358	360	375	376	384	390	399	410	402
2"	748	777	790	814	817	815	816	832	854	829
3"	47	49	49	48	48	48	48	55	58	50
4"	53	56	56	57	57	57	57	73	78	60
6"	14	14	16	14	14	14	14	11	16	15
8"	8	8	8	8	10	10	10	6	9	9
Other	3	2	2	2	2	2	2	2	2	2
Totals	38,747	39,061	39,281	41,287	42,003	42,609	43,144	43,791	44,734	45,443
Increase (Decrease)	406	314	220	2,006 ⁽²⁾	716	606	535	647	943	709
% Change	1.1	0.8	0.6	5.1	1.7	1.4	1.3	1.5	2.2	1.6

Source: Elsinore Valley Municipal Water District

⁽¹⁾ - Includes Potable, Non-Potable and Recycled Water Meters

⁽²⁾ - Includes addition of approximately 1,600 Elsinore Water District customers

Table XXI

SCHEDULE OF IMPORTED WATER COSTS (PER ACRE FOOT)

Last Ten Fiscal Years

Fiscal Year	MWD	MWD	WMWD	Total	MWD	Total	WMWD	EMWD	% of Rate Increase
	Untreated Rate-Tier 1 ⁽¹⁾	Untreated Rate-Tier 2 ⁽¹⁾	Admin Surcharge	Imported Water Costs Untreated-Tier 1	Treated Surcharge	Imported Water Costs Treated-Tier 1	Pipeline Surcharge ⁽²⁾		
2018	\$695.00	\$781.00	\$21.38	\$716.38	\$320.00	\$1,036.38	\$14.45	\$11.00	3.7 %
2017	666.00	760.00	20.76	686.76	313.00	999.76	13.76	11.00	3.9
2016	594.00	728.00	20.16	614.16	348.00	962.16	13.10	11.00	2.1
2015	582.00	714.00	19.57	601.57	341.00	942.57	12.72	11.00	3.7
2014	593.00	735.00	19.00	612.00	297.00	909.00	12.35	11.00	5.0
2013	593.00	743.00	18.45	611.45	254.00	865.45	12.00	11.00	6.5
2012	560.00	686.00	18.45	578.45	234.00	812.45	3.50	11.00	7.4
2011	527.00	652.00	12.30	539.30	217.00	756.30	3.50	11.00	6.4
2010	484.00	594.00	9.75	493.75	217.00	710.75	3.50	11.00	21.4
2009	412.00	528.00	6.50	418.50	167.00	585.50	3.50	11.00	14.9

⁽¹⁾ In January 2003, MWD implemented a new two-tiered commodity rate structure

⁽²⁾ The District pays either the WMWD Pipeline Surcharge (\$13.76) or the EMWD (\$11.00) surcharge depending upon which connection is used to import water in addition to the total imported water cost-tier 1

MWD Metropolitan Water District of Southern California

EMWD Eastern Municipal Water District

WMWD Western Municipal Water District

Source: Elsinore Valley Municipal Water District

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Data Section

Comprehensive Annual Financial Report

Data Table I

DISTRICT EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PENSION PLAN)

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual Covered Payroll	\$ 9,977,906	\$ 10,555,613	\$ 10,977,158	\$ 10,755,416	\$ 11,336,235	\$ 11,676,322	\$ 12,307,222	\$ 12,648,098	\$ 12,560,469	\$ 12,156,918 ⁽³⁾
Employer contributions	1,834,583	1,663,744	1,712,033	1,927,567	2,099,215	2,232,962	2,501,159	2,658,544	2,747,053	2,908,487 ⁽³⁾
Employer contribution rate	18.386%	15.762%	15.596%	17.922%	18.518%	19.124%	20.323%	21.019%	21.871%	23.925%
Employer paid										
employee contributions	106,443	284,490	289,227	361,987	36,519	10,253	10,465	10,320	10,420	9,875
Employer paid										
employee contributions rate	1.1%	2.7%	2.6%	3.4%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
Total PERS contribution	1,941,026	1,948,234	2,001,260	2,289,554	2,135,734	2,243,215	2,511,624	2,668,864	2,757,473	2,918,362
Total contributions										
expressed as a percentage										
of annual covered payroll	19.5%	18.5%	18.2%	21.3%	18.8%	19.2%	20.4%	21.1%	22.0%	24.0%
Funded Ratio	78.8%	80.3%	80.9%	80.3%	72.7%	77.4%	76.6%	72.9%	72.2%	⁽¹⁾
Actuarial Value of Assets	36,341,698	40,014,300	44,147,436	48,400,143	48,081,812	57,572,891 ⁽²⁾	59,780,252 ⁽²⁾	60,676,954 ⁽²⁾	67,736,143 ⁽²⁾	⁽¹⁾
Actuarial Accrued Liability										
Entry Age	46,117,851	49,855,928	54,553,706	60,276,523	66,098,457	74,365,247 ⁽⁴⁾	78,079,621 ⁽⁴⁾	83,206,291 ⁽⁴⁾	93,839,849 ⁽⁴⁾	⁽¹⁾
Unfunded actuarial accrued liability	9,776,153	9,841,628	10,406,270	11,876,380	18,016,645	16,792,356	18,299,369	22,529,337	26,103,706	⁽¹⁾
Unfunded actuarial accrued liability as a percent of payroll	98.0%	93.2%	94.8%	110.4%	158.9%	143.8%	148.7%	178.1	207.8	⁽¹⁾
Normal cost	11.428%	11.328%	11.217%	11.502%	11.559%	12.056%	12.02%	12.417%	12.297%	12.297%

⁽¹⁾ Information not available

⁽²⁾ Beginning in FY2014, information from CalPer's GASB 68 Accounting Valuation Report, RSI, measurement date of June 30, 2017

⁽³⁾ Information from District Financial Report, as of June 30, 2018

⁽⁴⁾ Beginning in FY2014, information from CalPer's GASB 68 Accounting Valuation Report, RSI, measurement date of June 30, 2017

Source: Elsinore Valley Municipal Water District and California Public Employees' Retirement System (CalPERS)

Data Table II

ASSESSED VALUATION OF TAXABLE PROPERTY WITHIN THE DISTRICT
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total	Percent Change
2018	\$ 13,929,748,871	\$ 135,323,188	\$ 14,065,072,059	5.5%
2017	13,198,752,201	135,011,969	13,333,764,170	6.4
2016	12,394,604,722	134,577,017	12,529,181,739	6.6
2015	11,620,114,190	133,947,841	11,754,062,031	11.2
2014	10,437,685,697	135,314,622	10,573,000,319	3.9
2013	10,039,498,908	138,576,094	10,178,075,002	(1.4)
2012	10,182,807,916	141,507,428	10,324,315,344	1.0
2011	10,075,507,324	143,893,216	10,219,400,540	(4.9)
2010	10,605,520,638	142,393,688	10,747,914,326	(15.5)
2009	12,579,660,865	141,569,859	12,721,230,724	(2.6)

Source: County of Riverside

Data Table III

CAPITAL EXPENDITURES Last Ten Fiscal Years

