



AGENDA

SPECIAL STUDY SESSION

December 1, 2020

9:00 AM

DIRECTORS PRESENT: McBride ☐ Burke ☐ Morris ☐ Ryan ☐ Williams ☐

PUBLIC COMMENTS

DISCUSSION ITEMS

1. Review of the Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ending June 30, 2020
2. Fiscal Year 2020/2021 - 1st Quarter Financial Report (Unaudited)
3. Review of Reorganization of Board Committees and Representations, Board Policy, and Best Practices
4. Project Updates
5. Board Committee Updates
6. Other
7. Adjournment

Pursuant to the Governor's Executive Order N-25-20, and in the interest of public health and safety, this meeting will be held telephonically. Remote public participation is encouraged in one of the following ways:

For Online Participation:

Go to: www.webex.com and select Join
Enter Meeting ID: 126 183 6613
Meeting Password: 92530

For Call-in Only:

Call: (213) 306-3065
Enter Meeting ID: 126 183 6613
Meeting Password: 92530

To request a disability-related modification or accommodation regarding agendas or attendance, contact Terese Quintanar, at (951)674-3146, extension 8223 at least 48 hours before the meeting.



STUDY SESSION
DISCUSSION OUTLINE

Date: December 1, 2020

Originator: Scott Thompson- Finance

Subject: REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDING JUNE 30, 2020

BACKGROUND AND RECOMMENDATION

The Generally Accepted Accounting Principles (“GAAP”) for State and Local governments was defined in the mid 1930's by the National Committee on Municipal Accounting (NCMA). GAAP is designed to provide all primary users of general-purpose external financial reports with the minimum standards to assess an entity's finances.

The main objective of financial reporting standards is accountability for both the fiscal and operational information that can be used effectively by decision makers. Thus, governments are strongly encouraged to go beyond the minimum standards and present a Comprehensive Annual Financial Report (“CAFR”).

The District's auditors, Rogers, Anderson, Malody, & Scott, LLP (“RAMS”) have completed their audit field work and provided an independent auditor's report expressing their opinion on the financial statements for both EVMWD and WESA. The independent auditors' reports are located beginning on page 13 of the EVMWD financials statements and page 1 of the WESA financial statements. The reports indicate that no significant or material adjustments were encountered during the audit and that the financial statements present fairly, in all material respects, the financial position of EVMWD and WESA as of June 30th, 2020, and the changes in financial position and cash flows for the year then ended in accordance with GAAP.

The unaudited 4th quarter financial statements for EVMWD were presented to the Board in detail at the September 30, 2020 Study Session. Since that time there was an accrual made to recognize approximately \$1 million in Federal grant revenue as a result of the District receiving Title XVI funds for the Regional Expansion planning project. The receipt of these funds will be used in lieu of SRF loan funding for this project. Other than the forementioned change, there have been no other material changes or adjustments made to the financial statements as compared to what is reported in the final audited CAFR.

The audit partner from RAMS, Scott Manno, will be present to provide a brief overview of their audit process and findings to the Board.

ENVIRONMENTAL WORK STATUS

Not applicable.

FISCAL IMPACT

Not applicable.

Attachments:

FY2020 EVMWD COMPREHENSIVE ANNUAL FINANCIAL REPORT
FY2020 EVMWD APPROPRIATIONS REPORT
FY2020 EVMWD GAGAS LETTER
FY2020 EVMWD SAS114 POST AUDIT LETTER
FY2020 WESA ANNUAL FINANCIAL REPORT
FY2020 WESA GAGAS LETTER
FY2020 WESA SAS114 POST AUDIT LETTER



Overview of FY 2019/2020 Comprehensive Annual Financial Report (“CAFR”) and Audit Findings

**December 1st, 2020
Study Session**

Key Points

- CAFR for EVMWD and WESA have both been completed
- Independent audit has been performed on both
- Audit Opinion Letters have been issued on both showing an “Unmodified” or “Clean” opinion
- During the audit, there were no material audit findings and no material financial statements adjustments recommended
- One change made to the financial statements since they were presented at the September 30th, 2020 Study Session

Audit Letters Issued

- Independent Auditors Report
- Report on Internal Controls
- Required Communications Letter (SAS114)
- Report on Agreed Upon Procedures applied to Appropriation Limit (GAAN) Worksheet (EVMWD Only)

Independent Auditors Report

- EVMWD (Pages 24-26) & WESA (Pages 157-158)
- Opinion Section – Auditors issued an “Unmodified” or “Clean” opinion for both EVMWD and WESA. This means that the financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with GAAP

Report on Internal Controls

- EVMWD (Pages 150-151) & WESA (Pages 189-190)
 - In planning and performing the audit, the auditors considered the strength of the Districts internal controls over financial reporting to determine the appropriate audit procedures to perform
 - The auditors do not express an opinion as the effectiveness of the Districts internal control
 - However, during the audit process, the auditors did not identify any material weaknesses or significant deficiencies in the District internal controls

Required Communications Letter (SAS114)

- EVMWD (Pages 142-145) & WESA (Pages 182-184)
 - The purpose of this letter is for the auditors to communicate directly to the Board regarding the scope of the audit procedures performed, significant findings and other information not communicated in the CAFR
 - No issues with our Accounting Policies, Accounting Estimates or Financial Statement Disclosures, and
 - There were no significant difficulties encountered, no uncorrected/corrected misstatements, no disagreements with management and no other significant matters, material findings or issues encountered during the audit

Report on Agreed Upon Procedures applied to Appropriation Limit (GAAN) Worksheet

- EVMWD (Pages 139-141)
 - Report required by Section 1.5 of Article XIII-B of the CA constitution
 - Performed procedures to compare the limit & annual adjustment factors (Inflation + Population Growth) included in the worksheets to those adopted by Board resolution, added last year's approved limit to the current year's adjustments and agreed to this year's approved limit and also verified prior year appropriation limits to those previously adopted by the Board.
 - There were no finding and no exceptions noted as a result of the procedures.

QUESTIONS?



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

Comprehensive Annual Financial Report

FOR THE
FISCAL YEAR
ENDED
JUNE 30, 2020



**ELSINORE VALLEY
MUNICIPAL WATER
DISTRICT**

Lake Elsinore, California

Prepared by the Finance Department

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020

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INTRODUCTORY SECTION



Board of Directors

Andy Morris, President
Phil Williams, Vice President
Darcy Burke, Treasurer
Harvey R. Ryan, Director
Jared K. McBride, Director



General Manager
Greg Thomas
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 10, 2020

Board of Directors and
Customers Served by the District
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, 2020.

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, 2020. 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 157,000 within 61,949 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.

Board of Directors
Andy Morris, President
Phil Williams, Vice President
Darcy Burke, Treasurer
Harvey R. Ryan, Director
Jared K. McBride, Director



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The District's Board includes:

Darcy M. Burke, Treasurer	Division 1
Harvey R. Ryan, Director	Division 2
Jared McBride, Director	Division 3
Phil Williams, Vice President	Division 4
Andy Morris, 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 19.5%. During this fiscal year, the number of active water meters and wastewater service connections grew by 197 (0.4%) and 263 (0.7%), respectively, compared to the prior year. The population of Riverside County increased by approximately 0.6% 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 110 ongoing capital projects with total authorized costs of approximately \$133.6 million, of which, approximately \$52.4 million has been expended as of June 30, 2020 on these projects. Several noteworthy projects are described below.

Wastewater Facilities – The District has authorized \$26.6 million for 38 smaller wastewater related projects that have an individual authorized amount of \$3.0 million or less each. A few of the larger projects are the Rehabilitation of the A2 Lift Station (\$2.9 million), the Recycled Pipe to Lake Elsinore (\$2.8 million), and the Replacement of the Distributed Control System (DCS) to the Supervisory Control and Data Acquisition system (SCADA) at the Regional Wastewater Reclamation Plant (\$2.4 million).

Water Facilities – The District has authorized \$22.0 million for 42 smaller water related projects that have an individual authorized amount of \$2.0 million or less each. A few of the larger projects are the Lee Lake Dam Upgrades (\$1.8 million), the Canyon Lake Water Treatment Plant Master Plan Phase I Improvements Study (\$1.7 million), and the 1467 Zone Water Main Phase V Project (\$1.4 million).

Board of Directors

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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 \$16.0 million for anticipated construction.

Regional Water Reclamation Facility Upgrades Construction – The Regional Water Reclamation Facility (“RWRP”) was originally constructed in 1984 and most recently expanded in 2000-2001. Many of the facilities have reached the end of their useful life and/or no longer meet current regulatory requirements which has necessitated an upgrade of the existing facility. A master plan was completed in June 2016 which included plans for the upgrade and expansion of this facility. Costs for the recommended upgrade are estimated at \$46.0 million. \$8.9 million has been authorized to date for this project. A loan in the amount of \$46.0 million was awarded from the Clean Water State Revolving Fund (“CWSRF”).

Regional Water Reclamation Facility Expansion Planning – The Regional Water Reclamation Facility (“RWRP”) 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 upgrades and 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 and existing plant upgrade design are estimated at \$13.1 million. \$11.0 million has been authorized to date for this project. A loan in the amount of \$6.3 million was awarded from the Clean Water State Revolving Fund (“CWSRF”) and a grant in the amount of \$1.4 million was awarded from the Bureau of Reclamation WaterSMART Title XVI.

Horsethief Canyon Water Reclamation Facility Expansion – There are four proposed developments planned northeast of the existing Horsethief Canyon WRF, in the northern section of the District’s service area. The developments consist of approximately 1,200 residential homes with no parks or commercial areas. In order to accommodate the new development, the Horsethief WRF will be expanded by 0.3 million gallons per day. The project is expected to be completed by December 2023, with \$9.0 million authorized to date and an estimated project cost of \$24.5 million.

Lee Lake Wells Project (Integrated Resource Project) – The purpose of the Lee Lake 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. A Preliminary Design Report was received in March 2019. The project is anticipated to be constructed in two phases: Phase 1- Well Drilling is expected to begin in January 2021 and Phase 2 – Wellhead Facilities and offsite Pipelines is estimated to be bid in December 2021. This project is part of the Santa Ana Regional Conservation Conjunctive Use Program (SARCCUP). The District has entered into an agreement with Western Municipal Water District to receive \$3.0 million in funding for this project from the Department of Water Resource Proposition 84 through Santa Ana Watershed Project Authority. The District has authorized \$7.3 million in funding to date for this project.

Diamond Regional Lift Station – The construction of the Diamond Regional Lift Station will ultimately replace four existing lift stations and will accommodate existing and future development flows. The lift station will be designed to accommodate initial flow of about 3.0 million gallons per day (MGD) and future upgrades to pump 6.6 MGD. The Project design is expected to be completed by January 2021 with construction anticipated by 2024. The District has authorized \$4.8 million to date and an estimated project cost of \$35 million.

Board of Directors

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Diamond Regional Dual Force Main – The purpose of the Diamond Regional Dual Force Main Project is to construct new sewer force mains that will convey wastewater from the new Diamond Regional Lift Station to the existing 54-inch sewer line in Lakeshore Drive and Elm Street. The force mains will be designed and constructed to accommodate existing flows and future development flows. The Project design is expected to be completed by January 2021 with construction anticipated by 2024. The District has authorized \$6.7 million to date and an estimated project cost of \$15 million.

Other Facilities – The District has authorized \$6.4 million for 28 smaller projects for other facilities that have an individual authorized amount of \$1.8 million or less each. A few of the larger projects are the Administration Building Repairs (\$1.8 million), Additional District Parking (\$731 thousand), and the Condition Assessment of Motor Control Centers (\$500 thousand).

LONG-TERM FINANCIAL PLANNING

The District is heavily 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 continue to increase, the District has been 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.

The District continues to take advantage of low interest rate loans being offered by the Clean Water State Revolving Fund ("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 \$78.3 million with the largest of these projects being the Regional Water Reclamation Facility Upgrades Construction (\$20.0 million), Diamond Regional Lift Station (\$12.1 million), Regional Water Reclamation Facility Expansion (\$12.0 million), Diamond Regional Lift Station Dual Force Main (\$6.0 million), and Mayhew Well (\$3.6 million).

To maintain fiscal stability, 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 a 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.

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COVID 19

Beginning in December 2019, a novel strain of coronavirus (COVID-19) spread around the world resulting in business and social disruptions. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business activity of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus.

The District acted quickly in an attempt to minimize any anticipated effects that this pandemic could potentially have on operations and business activity. Efforts by the District were two-fold: 1) Health and Safety, and 2) Financial

- Utility systems are critical infrastructure, and some staff must work on site each day. Since the beginning of the pandemic, health and safety efforts include assigning approximately 50% of office staff to work from home. In addition:
 - Staff who are required to work onsite are segregated into cohorts to reduce exposure.
 - A pandemic response plan and an updated transition plan were implemented, providing guidelines for the initial response, and safely transitioning back to regular operations.
 - Face coverings are required for all staff and visitors and are provided by the District at no cost.
 - Cleaning and disinfecting products have been placed in all high traffic areas.
 - Meetings are held either virtually, or as hybrid meetings to reduce the number of staff in conference rooms.
 - Conference rooms and break rooms have been redesigned to ensure proper social distancing.
 - Signage has been placed throughout the District informing employees of proper health and safety measures, and safety training provided.
 - Staff are required to self-certify daily before the start of their work shift that they do not have symptoms of illness.
 - All common areas and frequently touched surfaces are cleaned twice each day.
 - Contact tracing is performed when necessary based on exposure or illness.
 - Appropriate accommodations are made for employees who may have been exposed but still need to report to work.
 - A telecommuting policy was adopted to properly identify, document, and compensate employees who are working from home due to the pandemic.
- Financial efforts included staff identifying potential operational cost savings to help offset the anticipated effects on net operating income. These cost savings were necessary due to:
 - Rate deferrals adopted by the Board to ease the economic burden on rate payers, and
 - An increase in uncollectible customer accounts caused by economic conditions and State-imposed mandates as a result of COVID-19.

The District has not included any contingencies in the financial statements specific to this issue.

Board of Directors

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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, 2019. 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-seven (27) consecutive fiscal years (fiscal years ended 1993-2019). 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,

Greg Thomas
General Manager

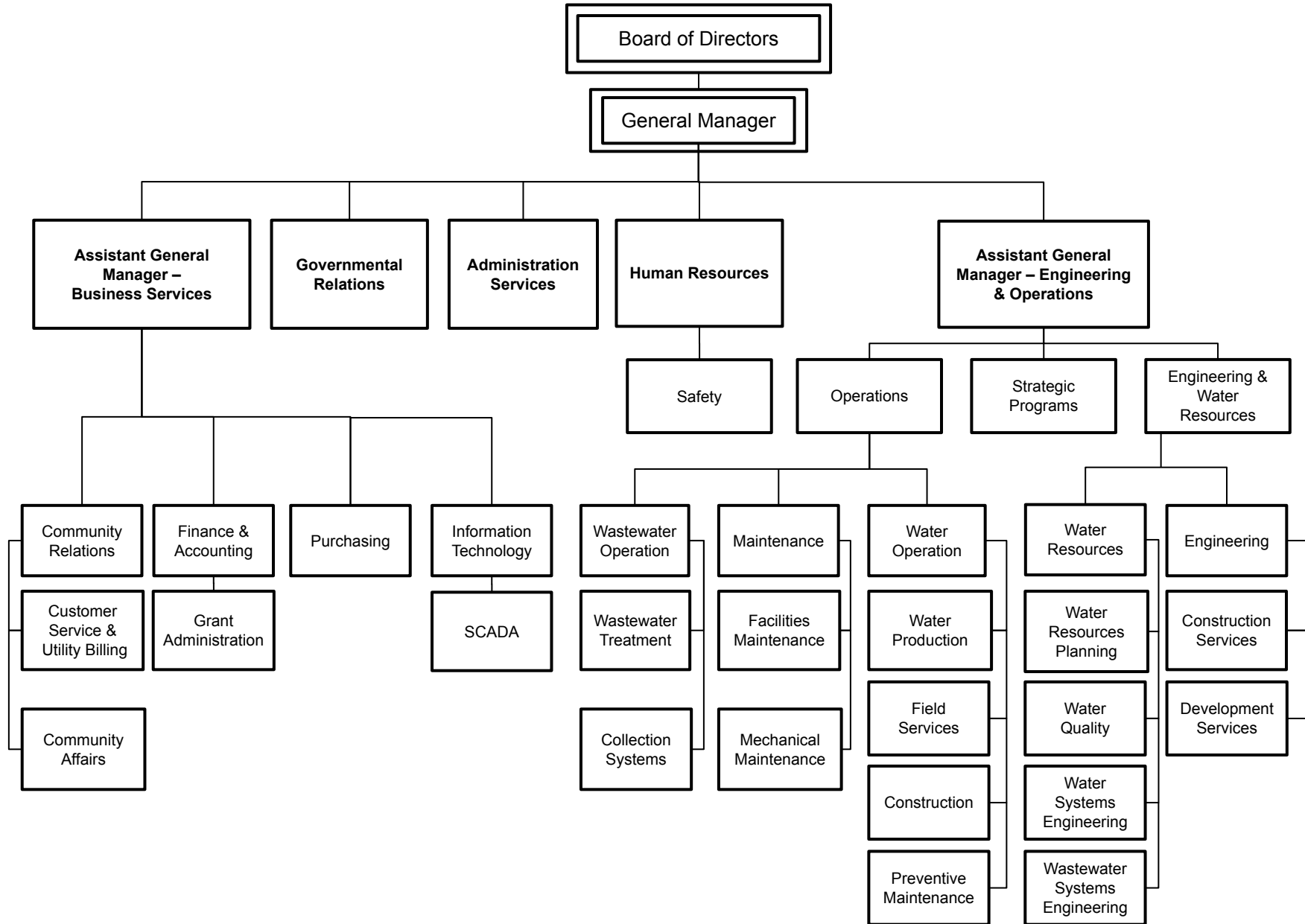
Robert A. Hartwig, CPA, MBA
Assistant General Manager - Business Services Division

BOARD OF DIRECTORS

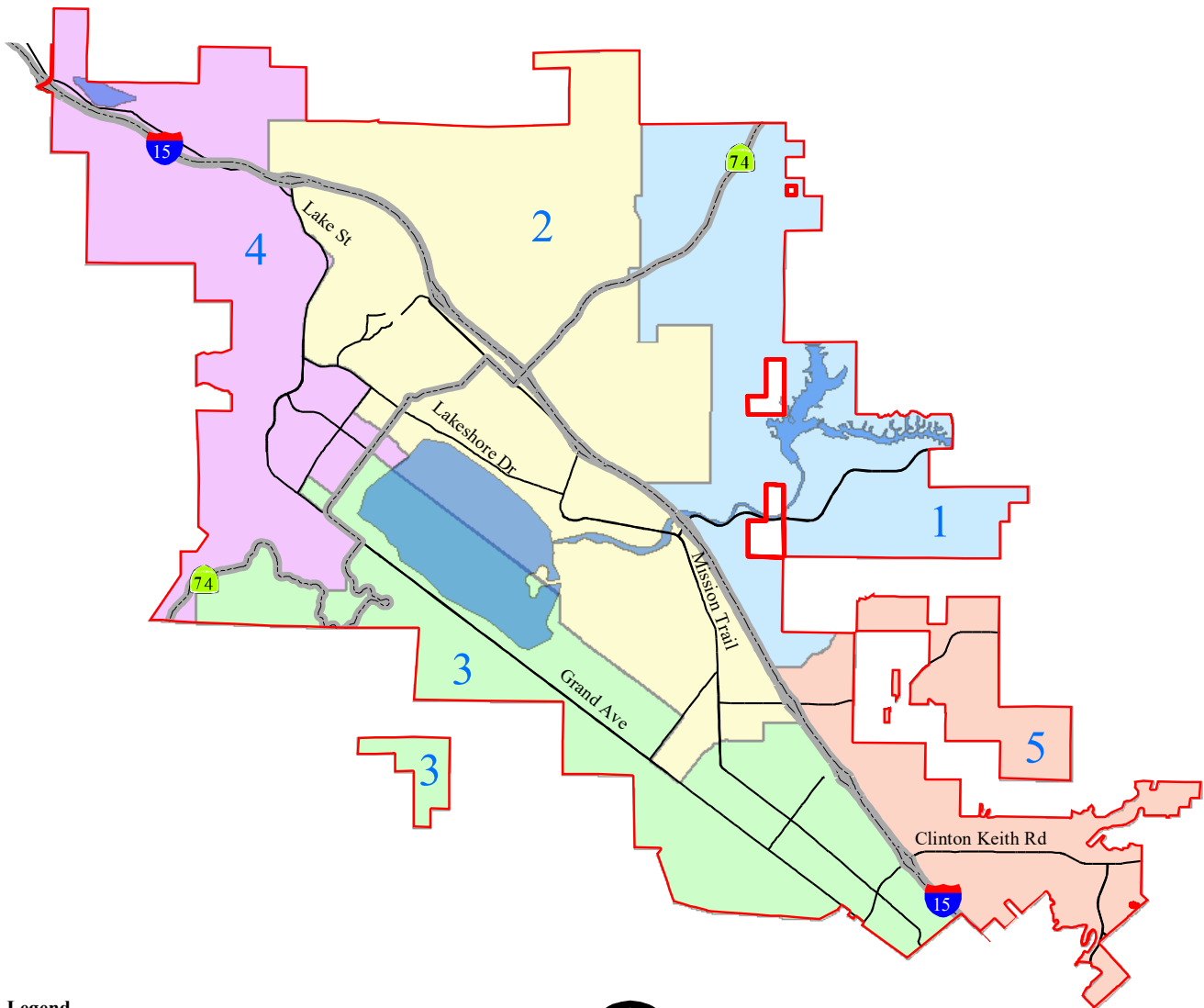
Name	Position	District
Andy Morris	President	Division 5
Phil Williams	Vice President	Division 4
Darcy M. Burke	Treasurer	Division 1
Jared K. McBride	Director	Division 3
Harvey R. Ryan	Director	Division 2

DISTRICT MANAGEMENT









Name	Position
Greg Thomas	General Manager
Ganesh Krishnamurthy	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
Jennifer Dancho	Director of Human Resources
Terese Quintanar	District Secretary/Administrative Services Supervisor



DISTRICT MAP



Legend

-  EVMWD Boundary
-  Highways
-  Waterbodies
-  Darcy M. Burke, Treasurer
-  Harvey R. Ryan, Director
-  Jared McBride, Director
-  Phil Williams, Vice President
-  Andy Morris, President



NOT TO SCALE





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Elsinore Valley Municipal Water District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION





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

Independent Auditor's Report

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Louis Fernandez, CPA
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Quality Center*

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Audit Quality Center*

California Society of
Certified Public Accountants



To the Board of Directors
Elsinore Valley Municipal Water District
Lake Elsinore, California

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, 2020, 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

STABILITY. ACCURACY. TRUST.

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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year then ended June 30, 2019, 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 19, 2020 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 19, 2020

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MANAGEMENTS DISCUSSION AND ANALYSIS



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, 2020. 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 made up 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; the statement of cash flows; and the notes to the basic financial statements.

- **Statement of Net Position:** This statement 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.
- **Statement of Revenues, Expenses and Changes in Net Position:** This statement accounts for the District's revenues and expenses. 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.
- **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 investing activities during the reporting period.
- **Notes to the Basic Financial Statements:** These notes provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise presented in the financial statements.

FINANCIAL HIGHLIGHTS

The District's net position, on average, has grown by approximately 2.6% per year over the past ten fiscal years from approximately \$558 million at June 30, 2011 to \$692 million at June 30, 2020. During the current fiscal year, the District's net position grew by \$28.8 million or 4.3% from the prior fiscal year. The yearly comparison of changes in net position for the prior ten fiscal years are shown on page 94 of the Statistical Section.

STATEMENT OF NET POSITION

(Dollars in Thousands)	June 30, 2020	June 30, 2019	Increase / (Decrease)	
			\$ Amount	% Percent
Assets:				
Current Assets	\$ 153,132	\$ 104,456	\$ 48,676	46.6%
Other Non-Current Assets	141,966	160,315	(18,349)	-11.4%
Capital Assets, Net	604,590	597,575	7,016	1.2%
Total Assets	899,689	862,346	37,343	4.3%
Deferred Outflow of Resources	11,040	11,762	(722)	-6.1%
Liabilities:				
Current Liabilities	29,917	24,318	5,599	23.0%
Long-term Liabilities	188,082	185,658	2,424	1.3%
Total Liabilities	217,999	209,976	8,023	3.8%
Deferred Inflow of Resources	569	815	(245)	-30.1%
Net Position:				
Net investment in capital assets	446,212	439,789	6,423	1.5%
Restricted	54,819	55,241	(422)	-0.8%
Unrestricted	191,130	168,287	22,843	13.6%
Total Net Position	\$ 692,161	\$ 663,317	\$ 28,844	4.3%

Allow for rounding differences

The following explains the significant changes in net position between fiscal years 2019/2020 and 2018/2019 as shown in the above table:

- Current assets increased by approximately \$48.7 million or 46.6% during the year. This was mainly the result of an increase in the amount of investments that matured during the year that were placed into short-term investment pools rather than being re-invested into longer term maturities. Cash and cash equivalents increased by \$22.3 million, investments maturing in less than a year increased by \$14.8 million and restricted assets increased by \$1.1 million. In addition, accounts receivable increased by \$2.0 million and other receivables increased by \$7.3 million in combined grant reimbursement due from the State Water Resources Control Board for the RWRP upgrade and SCADA projects.
- Other assets decreased by approximately \$18.3 million or 11.4%. This was mainly due to long term investments decreasing by \$21.8 million during the year. This was the result of long term investments maturing during the year which were reinvested into shorter term maturities (current assets) to maximize investment returns caused by current market conditions. This decrease was partially offset by a \$2.7 million increase in the District's investment in the Santa Rosa Regional Resources Authority ("SRRRA") and an increase of \$800 thousand in notes receivable due from SRRRA.
- Capital assets, net of depreciation increased by approximately \$7.0 million or 1.2% during the year. This was the result of increases in capitalized assets of \$35.5 million, offset by decreases in construction in progress of \$7.5 million and depreciation of \$21.0 million.

- Deferred outflow of resources decreased by approximately \$700 thousand or 6.1%. This was a result of a \$242 thousand decrease in employee pension related items as required by GASB 68, in addition to a \$480 thousand decrease in unamortized bond redemption costs.
- Total current liabilities increased by approximately \$5.6 million or 23.0% during the year. This was the result of an increase in accrued water purchases of \$2.5 million related to the Metropolitan Water District CUP program and a \$3.1 million increase in accrued liabilities related to District CIP related project costs.
- Long-term liabilities increased by approximately \$2.4 million or 1.3%. This change was mainly the result of an increase in loans payable of \$7.1 million due to new SRF loans related to the Regional Upgrades & Expansion design, SCADA implementation and Regional Upgrades construction loans. Other notable increases were related to net pension liability of \$2.3 million and compensated absences of \$161 thousand. These increases were partially offset by decreases in Certificates of Participation of \$4.8 million, Water Revenue Bonds of \$1.9 million, Advances from the US Government of \$386 thousand, and amounts due within one year of \$77 thousand due to debt service payments.
- Net investment in capital assets increased by approximately \$6.4 million or 1.5% over the previous year. This change was the result of a \$7.0 million increase in capital expenditures and a \$592 thousand increase 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 decreased by approximately \$422 thousand or 0.8% during the year. This was primarily the result of increases in operating reserves of \$1.4 million and customer deposits of \$57 thousand which were offset by a decrease of \$1.8 million in capacity fees, which are funds earmarked for future capital projects.
- 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 \$22.8 million or 13.6% during the fiscal year due to increases of \$14.1 million in reserves for encumbered projects; \$2.8 million in debt service reserves; \$9.1 million in other unrestricted net positions; and \$1.2 million in operational reserves. This was offset by decreases of \$2.7 million in special revenue reserves and \$1.7 million in replacement reserves.

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

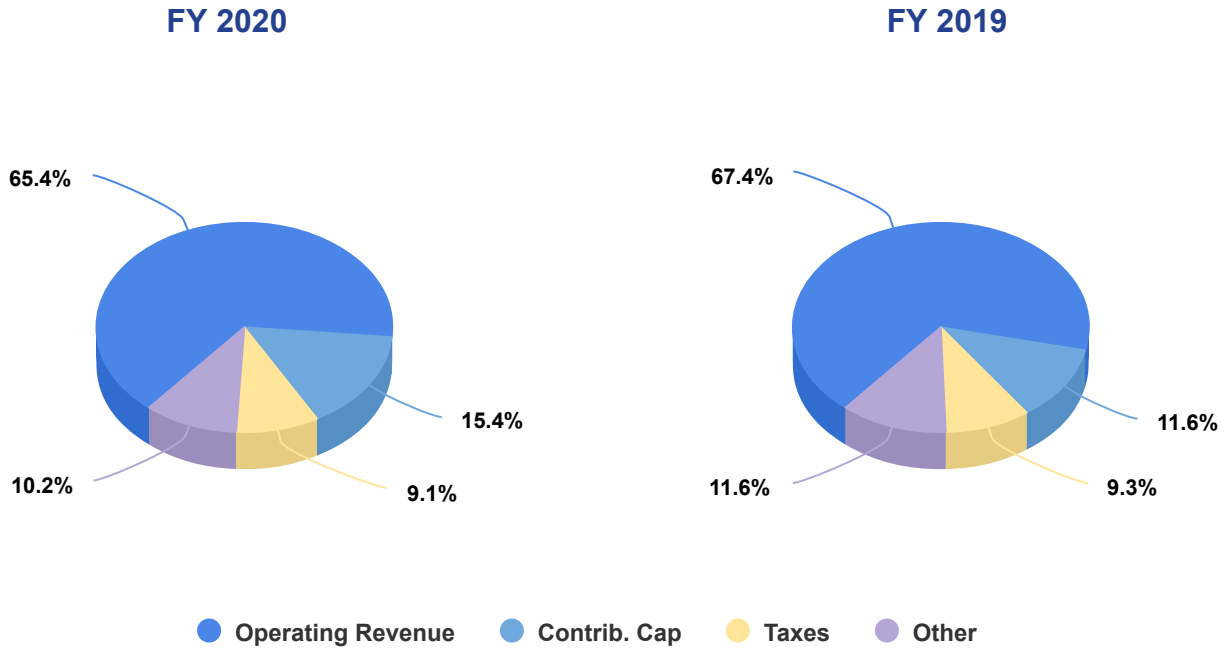
As the following table shows, net position increased by \$28.8 million in fiscal year 2019/2020, an increase of 4.3% from the prior year.

(Dollars in Thousands)	June 30, 2020	June 30, 2019	Increase / (Decrease)	
			Amount	Percent
Operating Revenues:				
Water Revenues	\$ 51,092	\$ 48,111	\$ 2,981	6.2%
Wastewater Revenues	25,723	25,333	390	1.5%
Recycled Water Revenues	1,354	1,043	311	29.8%
Total Operating Revenues	78,169	74,487	3,682	4.9%
Non-Operating Revenues:				
Property and Other Related Taxes	10,828	10,290	538	5.2%
Standby Charges	758	636	122	19.2%
Investment Income	8,370	8,134	236	2.9%
Other Non-Operating Revenues	3,101	4,096	(995)	-24.3%
Total Non-Operating Revenues	23,057	23,156	(99)	-0.4%
Total Revenues	101,226	97,643	3,583	3.7%
Operating Expenses:				
Water Purchases	18,428	20,646	(2,218)	-10.7%
Water Operations	17,345	15,426	1,919	12.4%
Wastewater Operations	11,363	11,221	142	1.3%
Recycled Water Operations	1,003	947	56	5.9%
General and Other Operating Expenses	16,552	14,264	2,288	16.0%
Depreciation and Amortization	21,531	20,751	780	3.8%
Total Operating Expenses	86,222	83,255	2,967	3.6%
Non-Operating Expenses:				
Interest Expense	3,206	3,535	(329)	-9.3%
Other Expenses	1,322	1,782	(460)	-25.8%
Total Non-Operating Expenses	4,528	5,317	(789)	-14.8%
Total Expenses	90,750	88,572	2,178	2.5%
Income/(Loss) Before Contributions	10,476	9,071	1,405	15.5%
Capital Contributions	18,367	12,829	5,538	43.2%
Change in Net Position	28,843	21,900	6,943	31.7%
Beginning Net Position	663,316	641,416	21,900	3.4%
Ending Net Position	\$ 692,159	\$ 663,316	\$ 28,843	4.3%

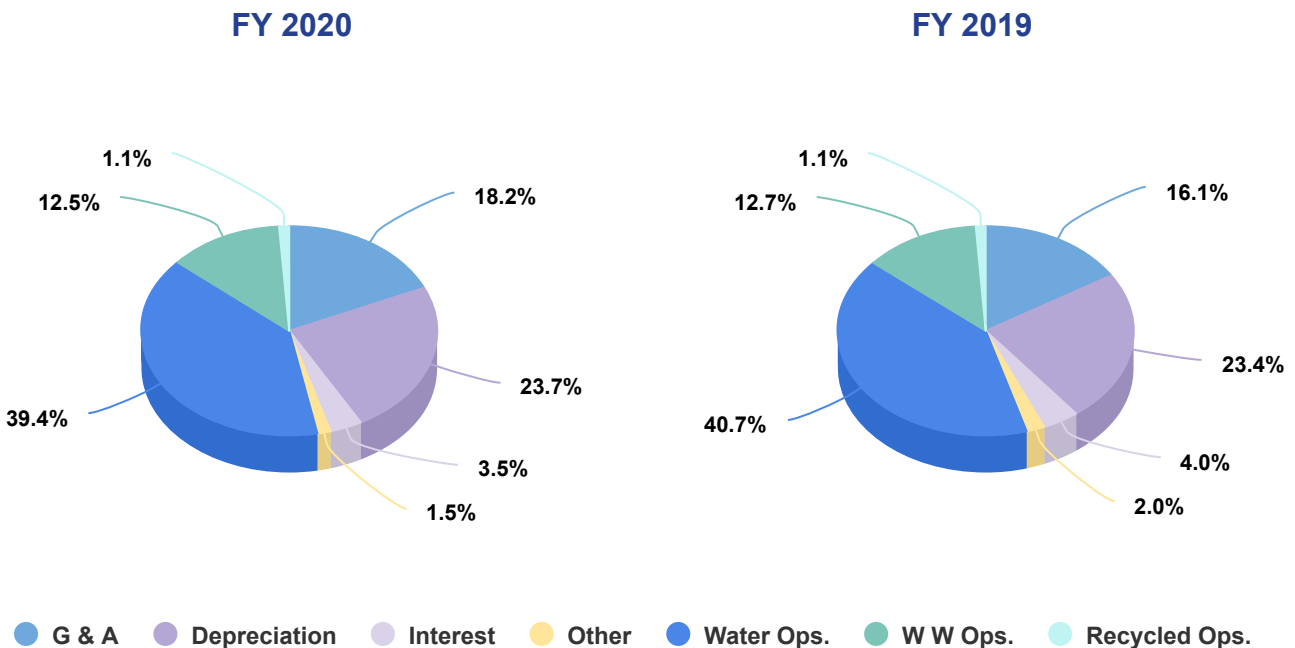
Allow for rounding differences

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:

SOURCE OF REVENUE



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. 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 2019/2020 and 2018/2019 as shown on the statement of revenues, expenses and changes in net position.

- Water revenues increased by approximately \$3.0 million or 6.2% during the fiscal year. The majority of this change was related to increased fixed and variable water rates adopted during the year as well as an increase in overall water accounts. This was partially offset by lower than expected domestic/irrigation water sales attributed to above average rainfall during the year.
- Wastewater revenues increased by approximately \$390 thousand or 1.5% during fiscal year 2019/2020. This can be attributed to an overall increase in wastewater accounts serviced by the District. There were no increases to wastewater rates during the current fiscal year.
- Recycled water revenues increased by approximately \$311 thousand or 29.8% during the year. This was mostly the result of increased recycled water production/sales of over 90 million gallons as compared to the prior year. Other contributing factors were due to an increase in recycled water accounts and increases to recycled water rates adopted during the year.
- Non-operating revenues decreased by \$99 thousand or 0.4%. This was primarily the result of a \$122 thousand increase in standby charges; \$538 thousand increase in property taxes; and additional \$236 thousand in investment. These increases were offset by the decrease in other operating revenue by \$995 thousand.
- Total operating expenses increased by approximately \$3.0 million or 3.6%. This was largely due to increases in general administrative and other operating expenses of \$2.3 million; water operations of \$1.9 million; depreciation expense of \$780 thousand; wastewater and recycled water operations of \$142 thousand and \$56 thousand respectively. On the other hand, water purchases decreased by approximately \$2.2 million due to increased local water production and lower water sales.
- Non-operating expenses decrease by \$789 thousand or 14.8%. This change was partially due to a decrease in interest expense of \$329 thousand resulting from the retirement of some District debt and lower than normal interest rates on variable rate debt obligations due to current market conditions. Other expenses decreased by \$460 thousand and were a combination of lower bond handling costs, legal settlement fees and lake maintenance costs.
- Capital contributions increased by approximately \$5.5 million or 43.2%. This was directly attributable to increases in capital grants received of \$5.4 million; capacity fees of \$1.1 million; and capital reimbursement fees of \$171 thousand. These were offset by decreases in developer contributions of \$688 thousand; and other revenue from outside agencies of \$395 thousand. Grant contributions are only recognized to the extent of grant related expenditures incurred during the year.

CAPITAL ASSETS AND INFRASTRUCTURE

The District provides water services to approximately 46,000 domestic customers through 751 miles of pipeline ranging in size from 6 to 36 inches in diameter, 55 booster stations, 72 reservoirs, and 14 wells. In addition, the District provides wastewater services to approximately 37,000 customers through 3 treatment plants, 37 lift stations, and a 410 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, 2020, the District had invested approximately \$604.6 million in capital assets net of accumulated depreciation, as shown below. This amount represents a net increase of \$7.0 million (1.2%) which is the combination of several factors including a decrease in construction in progress of \$7.5 million, an increase in capitalized assets of \$35.5 million, and depreciation of \$21 million. More detailed information about Capital Assets are presented in Note 7 of the financial statements.

The District's Capital Improvement Program is financed from a variety of sources including SRF loans, long-term debt or by cash funding through property taxes or the use of existing replacement or capacity fee reserves. Replacement reserves are funded annually through transfers from the operating funds and are used to cash fund replacement and/or major refurbishment projects. Capacity fee reserves are funded through the receipt of capacity fees collected from developers for connecting to District facilities and are used to cash fund new development projects. Projects may be funded through a combination of funding sources or reserves depending upon whether the project is for replacement to accommodate growth, new development, or a combination of both.

(Dollars in Thousands)	June 30, 2020	June 30, 2019	Incr (Decr)
Capital Assets Not Being Depreciated			
Land	\$ 7,908	\$ 7,572	\$ 336
Construction in progress	52,363	59,895	(7,532)
Water Rights	19,815	19,815	-
Total Capital Assets Not Being Depreciated	80,086	87,282	(7,196)
Capital Assets Being Depreciated (Net)			
Infrastructure - Water	255,549	242,621	12,928
Infrastructure - Wastewater	258,689	257,959	730
Building & Structures	9,684	9,337	347
Vehicles & Equipment	276	75	201
Miscellaneous	307	302	5
Total Capital Assets Being Depreciated	524,505	510,294	14,211
Total Capital Assets, net	\$ 604,591	\$ 597,576	\$ 7,015

Allow for rounding differences

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

- \$6.6 - Flagler Well Conversion
- \$3.8 - Developer Projects
- \$3.4 - Wildomar Sewer System Improvements
- \$1.6 - Corrosion Protection of the Lake Street Reservoir
- \$1.6 - Corrosion Protection of the Railroad Canyon Reservoir
- \$1.4 - Advanced Metering Infrastructure Phase II
- \$1.3 - Palomar Flushing Line/Sewer Extension

The District's fiscal year 2020-21 budget includes \$78.3 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, 2020, the District had approximately \$188.1 million in long-term liabilities outstanding (\$195.996 million total, less \$7.9 million due in one year), a net increase of \$2.4 million or (1.3%) from the prior year. The majority of this change is due to an increase in the District's net pension liability of \$2.3 million. Other long-term liabilities remain relatively unchanged due to principal reductions offset by the addition of a new loan and additional disbursements received on existing loans from the State of California Water Resources Control Board. More detailed information about 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, 2019, using standard methods. For the measurement period ended June 30th, 2019, the total pension liability was \$105.4 million, offset by the fiduciary net position of \$78.3 million resulting in a net pension liability of \$27.1 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 \$7.0 million. The District had an obligation of \$4.4 million at June 30th, 2020 for compensated absences relating to accrued vacation pay, sick leave and savings clause benefits with an amount due within one year of \$923 thousand. 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 are 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 relates 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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Basic Financial Statements



STATEMENT OF NET POSITION

As of June 30, 2020

(With Comparative Amounts for 2019)

	<u>June 2020</u>	<u>June 2019</u>
ASSETS:		
<u>Current Assets:</u>		
Cash and cash equivalents (Notes 1j and 2)	\$ 61,230,775	\$ 38,906,064
Restricted assets (Notes 1k and 2)	12,004,067	10,935,476
Investments maturing in less than a year (Notes 1n and 2)	56,209,149	41,382,642
Accounts receivable, net of allowances (Note 1l)	9,344,165	7,377,153
Other receivables	11,511,322	3,107,456
Accrued interest receivable	154,683	634
Materials and supplies inventories (Note 1m)	963,296	949,241
Prepaid expenses	1,702,698	1,784,690
Deposits	12,158	12,473
Total Current Assets	<u>153,132,313</u>	<u>104,455,829</u>
<u>Noncurrent Assets:</u>		
Investments (Notes 1n and 2)	123,838,178	145,608,472
Investment in Mutual Water Company (Note 3)	4,455,925	4,403,204
Investment in SRRRA (Note 4)	10,516,218	7,773,226
Accrued interest receivable	972,580	1,096,991
Receivable from CFD (Note 5)	83,307	133,307
Notes and contracts receivable (Note 6)	2,100,000	1,300,000
Capital assets, depreciated - net (Notes 1o and 7)	524,505,401	510,292,812
Capital assets, not depreciated (Notes 1o and 7)	80,084,766	87,281,762
Total Noncurrent Assets	<u>746,556,375</u>	<u>757,889,774</u>
Total Assets	<u>899,688,688</u>	<u>862,345,603</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized bond redemption (Note 1p)	6,066,480	6,546,644
Deferred outflows - employee pension contributions (Notes 1p and 8)	3,737,822	3,303,806
Deferred outflows - employee pension related items (Notes 1p and 8)	1,236,081	1,911,909
Total Deferred Outflow of Resources	<u>11,040,383</u>	<u>11,762,359</u>
LIABILITIES:		
<u>Current Liabilities:</u>		
Accounts payable and accrued expenses	13,046,560	7,785,761
Retentions payable	943,358	546,503
Customer deposits	2,727,635	2,825,220
Interest payable	1,715,049	1,910,443
Long-term liabilities due within one year (Note 10)	7,908,329	7,770,926
Developer and other advances	1,217,784	1,064,611
Held for bondholders (Note 9)	2,357,966	2,414,670
Total Current Liabilities	<u>29,916,681</u>	<u>24,318,134</u>

Allow for rounding differences

See notes to the basic financial statements

STATEMENT OF NET POSITION (Continued)

As of June 30, 2020

(With Comparative Amounts for 2019)

	June 2020	June 2019
Noncurrent Liabilities:		
Certificates of participation payable (Notes 10 and 12)	\$ 66,134,700	\$ 70,893,330
Revenue bond payable (Notes 10 and 13)	78,843,586	80,705,984
Loans payable (Notes 10 and 14)	15,214,744	8,095,070
Advances from U.S. Government (Notes 10 and 15)	4,251,202	4,637,675
Accrued compensated absences (Notes 1q, 10 and 11)	4,421,210	4,260,428
Net pension liability (Notes 8 and 10)	27,124,893	24,836,475
Less amount due within one year (Note 10)	<u>(7,908,329)</u>	<u>(7,770,926)</u>
Total Noncurrent Liabilities	<u>188,082,006</u>	<u>185,658,036</u>
Total Liabilities	<u>217,998,687</u>	<u>209,976,170</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - employee pension related items (Notes 1p and 8)	569,482	814,959
NET POSITION (Note 17)		
Net investment in capital assets	446,212,414	439,789,160
<u>Restricted for:</u>		
Rate stabilization fund	3,000,000	3,000,000
Operating reserve	13,285,482	11,919,851
Customer deposits	3,909,011	3,851,875
Debt service reserves	4,351,515	4,351,508
Capacity fees	<u>30,272,742</u>	<u>32,117,649</u>
Total Restricted Net Position	54,818,750	55,240,883
Unrestricted	<u>191,129,738</u>	<u>168,286,790</u>
Total Net Position	<u><u>\$692,160,902</u></u>	<u><u>\$663,316,833</u></u>

Allow for rounding differences

See notes to the basic financial statements

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)

	<u>June 2020</u>	<u>June 2019</u>
OPERATING REVENUES:		
Water revenues	\$ 51,092,053	\$ 48,111,048
Wastewater revenues	25,723,353	25,332,984
Recycled water revenues	1,353,922	1,043,280
Total Operating Revenues	<u>78,169,328</u>	<u>74,487,312</u>
OPERATING EXPENSES:		
Water purchases	18,427,794	20,646,287
Water operations	17,345,188	15,425,962
Wastewater operations	11,362,953	11,221,102
Recycled water operations	1,002,544	946,532
General and administrative	16,552,478	14,263,892
Depreciation/amortization (Notes 1o and 7)	21,530,659	20,751,084
Total Operating Expenses	<u>86,221,616</u>	<u>83,254,859</u>
Operating Income/(Loss)	<u>(8,052,288)</u>	<u>(8,767,547)</u>
NON-OPERATING REVENUES:		
<u>Property taxes: (Note 1r)</u>		
General purpose	7,080,598	6,867,032
Redevelopment	3,221,072	2,915,254
Temescal Valley Project	526,009	508,160
Total Property taxes	<u>10,827,679</u>	<u>10,290,446</u>
Standby charges	758,323	636,398
Investment Income	8,317,596	8,106,997
Mutual Water Company (Note 3)	52,721	27,282
Lease income (Note 16)	1,530,985	1,385,928
Other income	1,569,526	2,709,678
Total Nonoperating Revenues	<u>23,056,830</u>	<u>23,156,729</u>
NON-OPERATING EXPENSES:		
<u>Interest Expense:</u>		
Certificates of Participation	3,152,586	3,492,809
Bonds and Loans	53,241	41,874
Other expenses	1,321,827	1,782,127
Total Nonoperating Expenses	<u>4,527,654</u>	<u>5,316,810</u>
INCOME BEFORE CONTRIBUTIONS:	10,476,888	9,072,372
<u>Capital Contributions (Note 1t)</u>		
Capacity fees	8,394,691	7,335,180
Capital grant	5,364,290	25,315
Other contributions	4,608,199	5,468,114
Total Capital Contributions	<u>18,367,180</u>	<u>12,828,609</u>
Change in Net Position	28,844,068	21,900,981
NET POSITION, BEGINNING OF YEAR	663,316,833	641,415,852
NET POSITION, END OF YEAR	<u>\$692,160,901</u>	<u>\$663,316,833</u>

Allow for rounding differences

See notes to the basic financial statements

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)

	June 2020	June 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 68,762,673	\$ 75,889,940
Cash payments to employees for services	(25,847,375)	(24,056,965)
Cash payments to suppliers for goods and services	(30,616,555)	(38,018,075)
Other operating income	725,232	1,426,512
Net Cash Provided By Operating Activities	13,023,975	15,241,412
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Property taxes	11,654,500	10,397,772
Property tax collection activities	(28,117)	(29,827)
Net Cash Provided By Noncapital And Related Financing Activities	11,626,383	10,367,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond handling fees	(449,416)	(469,134)
Proceeds from loans	7,454,397	2,239,657
Principal payments of long - term debt	(6,501,196)	(6,228,673)
Purchase, construction, and disposal of capital assets	(24,234,576)	(23,265,911)
Capacity fees	8,394,692	7,335,179
Capital grant	4,331,569	25,315
Other contributions	776,688	948,526
Interest and penalty payments	(4,242,249)	(4,653,364)
Receipts of funds held for bondholders	21,492	27,986
Payment of funds held for bondholders	(78,196)	(56,736)
Loan payments received/(issued)	(800,000)	(1,300,000)
Net Cash (Used For) Capital and Related Financing Activities	(15,326,794)	(25,397,155)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Lease income	1,530,985	1,385,928
Investment income received	5,594,966	5,963,188
Sale of investments and maturities	49,409,065	5,862,840
Purchase of investments	(43,533,868)	(25,537,090)
Net Cash Provided By/(Used For) Investing Activities	13,001,148	(12,325,134)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:	22,324,712	(12,112,931)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	38,906,067	51,018,999
CASH AND CASH EQUIVALENT, END OF YEAR	\$ 61,230,779	\$ 38,906,067

Allow for rounding differences

See notes to the basic financial statements

STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)

	<u>June 2020</u>	<u>June 2019</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH		
PROVIDED BY/(USED FOR) OPERATING ACTIVITIES:		
Operating Income/(loss)	\$ (8,052,289)	\$ (8,767,547)
<u>Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:</u>		
Depreciation/amortization	21,530,659	20,751,084
Bad debt expense - operating	302,261	220,171
Other operating income	725,232	1,426,512
Employee pension expense	2,288,418	(1,267,231)
<u>Changes in assets and liabilities:</u>		
(Inc)/Dec in accounts receivable	(9,708,915)	1,182,456
(Inc)/Dec in inventory, prepaid expenses and deposits	68,252	(717,528)
Inc/(Dec) in accounts payable, accrued expenses and deposits	5,316,387	(603,571)
Inc/(Dec) in retentions payable	396,854	(31,400)
Inc/(Dec) in accrued compensated absences	160,782	405,326
<u>Changes in deferred inflows and outflows:</u>		
(Inc)/Dec in deferred outflows-employee pension contributions	(3,666)	2,643,140
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 13,023,975</u>	<u>\$ 15,241,412</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Change in unrealized gain (loss) in fair value of investment	\$ 4,104,322	\$ 4,536,430
Capital contribution	3,831,511	4,519,589
Change in deferred outflows of resources, Unamortized bond redemption	(480,164)	(595,500)
Change in amortized premium/discount	(841,029)	(996,406)

Allow for rounding differences

See notes to the basic financial statements

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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 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 audited 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 audited 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 (“EVMW DFA”) 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 EVMW DFA provided the ability to assist in financing or refinancing public capital improvement projects that will encourage economic development. It has been determined that EVMW DFA 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, 2020, in the opinion of legal counsel, the District had no material claims which would require loss provision in the financial statements.

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. No reclassifications were deemed necessary in these financial statements.

h. New Effective Accounting Pronouncements:

The Governmental Accounting Standards Board has issued the following Statements, which may affect the District's financial reporting in the future.

Implementation Guide No. 2019-1, "Implementation Guidance Update -2019." The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 as the fiduciary activities. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2021.

Implementation Guide No. 2019-2, “Fiduciary Activities”. The objective of this Guide is to provide guidance that clarifies, or elaborates on the requirements of Statement No. 84, Fiduciary Activities. The requirements of this Implementation Guide will take effect for financial statements with the fiscal year that ends December 31, 2020.

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 will take effect for financial statements with the fiscal year that ends June 30, 2022.

Implementation Guide No. 2019-3, “Leases.” The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 87, Leases. The requirements of this Implementation Guide will take effect for financial statements with the fiscal year that ends June 30, 2022.

GASB Statement No.89, “Accounting for Interest Cost Incurred before the end of a Construction Period”. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for certain interest costs. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2022.

GASB Statement No. 90, “Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61”. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2021.

GASB Statement No.91, “Conduit Debt Obligations.” The objective of this statement is to better meet the information needs of the financial statement users by enhancing the comparability and consistency of the conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. This Statement also is intended to improve the relevance, reliability, and understandability of information about conduit debt obligations, as well as related transactions and events. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2023.

GASB Statement No.92, “Omnibus 2020.” The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2022.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

GASB Statement No.93, "Replacement of Interbank Offered Rates." The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No.94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No.95, "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2020, and later, essentially pushing them out a year.

GASB Statement No.96, "Subscription-Based Information Technology Arrangements." The purpose of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No.97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 30, 2022.

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 Position. The amount of allowance for doubtful accounts is \$323,093 as of June 30, 2020 and \$165,445 as of June 30, 2019.

The amount written off is \$302,261 for June 30, 2020 and \$220,171 for June 30, 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

p. Deferred Outflows/Inflows of Resources:

Deferred outflow of resources is defined as the current consumption of net position that is applicable to a future reporting period while deferred inflows of resources is defined as the current acquisition of net position 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, 2020, the District reported a balance of \$6.1 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.

The implementation of GASB 68 created the second and third deferred outflow of resources: employee pension contributions and other employee pension related items. As of June 30, 2020, the District reported a combined balance of \$5.0 million in deferred outflows of resources related to pensions. A more detailed description of the deferred outflows of resources related to employee pensions is discussed in Note 8.

The implementation of GASB 68 also created a deferred inflow of resources related to other employee pension related items. As of June 30, 2020, the District reported a balance of \$569 thousand in deferred inflows of resources related to pensions. A more detailed description of the deferred inflows of resources related to employee pensions is 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 \$4,421,210 and \$4,260,428 at June 30, 2020 and 2019, 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	30% Advance - First Installment
January	Balance of First Installment (to 55%)
April	10% Advance - Second Installment
May	Balance of Second Installment (to 95%)
August - September	Third Installment (to 100%)
October	Final Teeter Plan Settlement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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, 2020:

Water Facilities:

Meter Installations (by meter size)	\$	530	to \$5,157 per service
Storage Participation Tank Charges	\$	2,379	per capacity unit
Temescal Valley Project	\$	2,715	per capacity unit
Pumping Plant	\$	1,331	per capacity unit
Transmission Facilities	\$	3,991	per capacity unit
Source of Supply	\$	2,930	per capacity unit

Wastewater Facilities (per Equivalent Dwelling Unit):

Sewer Facility	Regional / Canyon Lake		Alberhill
Treatment Plant	\$	4,073	\$ 8,438
Collection		3,844	3,844
Total	\$	7,917	\$ 12,282

2. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash & cash equivalents	\$ 61,230,775
Restricted assets	12,004,067
Investments maturing ≤ one year	56,209,149

Noncurrent Assets:

Investments	123,838,178
Total Cash and Investments	<u>\$ 253,282,169</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on Hand	34,916
Deposits with financial institutions	8,478,105
Investments (includes fair value adjustment)	244,769,148
Total Cash and Investments	<u>\$ 253,282,169</u>

Cash & cash equivalents:

LAIF	\$ 33,642,668
CAMP	105,184
Investments Maturing ≤ 90 days	15,027,241
Deposits with financial institutions	8,478,105
Money Market Mutual Funds	3,942,661
Cash on Hand	34,916
	<u>\$ 61,230,775</u>

2. CASH AND INVESTMENTS (CONTINUED):

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.

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment per Issuer
State and Local Agency Securities	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
Negotiable & 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	5 Years	20%	10%
Money Market Mutual Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$65M	\$65M
Local Government Investment Pools (LGIPs)	Yes	N/A	None	None
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 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)			
			≤ 90 days	≤ one year	> one year
U.S. Treasury Obligations	\$ 69,776,028	1.7	\$ 7,919,078	\$ 22,554,164	\$ 39,302,786
Federal Agency Securities	64,988,959	1.5	5,204,934	23,262,671	36,521,354
Supranationals	17,360,039	1.3		3,534,285	13,825,754
Medium Term Notes	39,629,543	1.9	1,903,229	6,858,030	30,868,284
Local Agency Bonds	3,320,000	12.4			3,320,000
	195,074,569		<u>\$ 15,027,241</u>	<u>\$ 56,209,150</u>	<u>\$ 123,838,178</u>
Money Market Mutual Funds	3,942,661	n/a			
LGIPs	105,184				
LAIF	33,642,668	n/a			
Held with Fiscal Agent:					
Money Market Mutual Funds	12,004,066	n/a			
Total	<u>\$ 244,769,148</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	\$ 20,753,034	8.5%
Federal National Mortgage Association	Federal Agency	26,397,378	10.8%

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	\$ 69,776,028	N/A	\$ 69,776,028	\$ -	\$ -	\$ -	-
Federal Agency Securities	64,988,959	N/A	-	64,988,959	-	-	-
Supranationals	17,360,039	AA	-	17,360,039	-	-	-
Medium Term Notes	39,629,543	A	-	6,510,722	16,542,695	16,576,126	-
Local Agency Bonds	3,320,000	N/A	-	-	-	-	3,320,000
Money Market Mutual Funds	3,942,661	Aaa	-	3,942,661	-	-	-
CAMP	105,184	N/A	-	105,184	-	-	-
LAIF	33,642,668	N/A	-	-	-	-	33,642,668
<u>Held with Fiscal Agent:</u>							
Money Market Mutual	12,004,066	Aaa	-	12,004,066	-	-	-
Total	\$244,769,148		\$ 69,776,028	\$ 104,911,631	\$ 16,542,695	\$ 16,576,126	\$ 36,962,668

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 fair 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, 2020, the carrying amount of the District's deposits was \$8,478,105 and the corresponding bank balance was \$7,568,239. The difference of \$909,866 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, 2020, 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	\$ 69,776,028
Federal Agency Securities	64,988,959
Medium Term Notes	39,629,543
Supranationals	17,360,039
Money Market Mutual Funds	3,942,661

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, 2020:

Investment by Fair Value Level	Quoted Prices - Level 1	Observable Inputs - Level 2	Unobservable Inputs - Level 3	Total
U.S. Treasury Obligations	\$ -	\$ 69,776,028	\$ -	\$ 69,776,028
Federal Agency Securities	-	64,988,959	-	64,988,959
Medium Term Notes	-	39,629,543	-	39,629,543
Supranationals	-	17,360,039	-	17,360,039
Local Agency Bonds	3,320,000	-	-	3,320,000
	<u>\$ 3,320,000</u>	<u>\$ 191,754,569</u>	<u>\$ -</u>	<u>\$195,074,569</u>

Investments not subject to the Fair Value
heirarchy:

LAIF	33,642,668
CAMP	105,184
Money Market Mutual Funds	3,942,661
<u>Held with Fiscal Agent:</u>	
Money Market Mutual Funds	12,004,066
Total	<u>\$244,769,148</u>

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.

2. CASH AND INVESTMENTS (CONTINUED):

Investment Pools:

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. For withdrawals over \$10,000,000, LAIF requires at least 24-hour notice. Also, there is a \$5,000 minimum and a limit of 15 transactions per month.

The District is a voluntary participant in CAMP, a Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Code Section 601(p). CAMP is directed by a Board of Trustees (of which the Agency is a member), which is made up of experienced local government finance directors and treasurers. There are no withdrawal limitations or restrictions.

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, 2020, the District owned 468,457 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 \$7,756,962, liabilities of \$72,574 and a net income of \$74,541 for the year ended June 30, 2020.

The District recorded an income of \$52,721 from its investment in the Meeks and Daley for the year ended June 30, 2020, which increased its investment balance from \$4,403,204 to \$4,455,925.

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, treatment of wastewater and the disposal of wastewater treatment byproducts.

The Member Agencies have pipeline and treatment capacity, as well as recycled effluent rights. Each Member Agency owns and has the right to control, transfer and derive all financial benefit from the treated wastewater and recycled water produced by the Facilities, less any amount consumed during the operation of the Facilities.

Budgeting occurs in accordance with the Joint Exercise of Powers Agreement for SRRRA and is done in four sections; general operating, non-operating, capital projects and specific projects. Each Member Agency is responsible for paying its corresponding share of these budgeted amounts payable on agreed terms and dates.

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.

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

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, 2020 and 2019 are as follows:

	<u>June 2020</u>	<u>June 2019</u>
Total Assets	\$ 89,283,613	\$ 70,118,446
Total Liabilities	83,189,970	66,873,033
Total Net Position	<u>\$ 6,093,643</u>	<u>\$ 3,245,413</u>
Increase/(Decrease) in Net Position	<u>\$ 2,848,230</u>	<u>\$ 1,077,521</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 \$133,307 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, 2020 is \$83,307.

6. NOTES & CONTRACTS RECEIVABLE:

	<u>2020</u>	<u>2019</u>
As part of the Joint Exercise of Powers Agreement for Santa Rosa Regional Resources Authority (SRRRA), the District is required to contribute to the cost of rehabilitation projects. SRRRA received an SRF loan for a major portion of the cost of the rehabilitation project, however for various reasons there has been significantly delays in receiving SRF reimbursements. For cash flow purposes, and in order for SRRRA to be able to pay its contractors timely, the member agencies have advanced funds to SRRRA. These funds will be returned to its member agencies upon completion of the rehabilitation projects.	\$ 2,100,000	\$ 1,300,000
Total Notes and Contracts Receivable	<u>\$ 2,100,000</u>	<u>\$ 1,300,000</u>

7. CAPITAL ASSETS:

	Balance June 30, 2019	Additions	Retirements/ Transfers	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 7,572,493	\$ 340,480	\$ (5,452)	\$ 7,907,521
Construction in Progress	59,894,589	28,071,095	(35,603,119)	52,362,565
Water Rights	19,814,681	-	-	19,814,681
Total Capital Assets Not Being Depreciated	87,281,763	28,411,575	(35,608,571)	80,084,767
Capital Assets Being Depreciated:				
Infrastructure - Water	421,373,799	24,264,260	(21,577)	445,616,482
Infrastructure - Wastewater	388,012,358	8,999,969	-	397,012,327
Buildings and Structures	23,152,522	899,243	-	24,051,765
Vehicles and Equipment	6,699,537	1,031,204	-	7,730,741
Miscellaneous	1,354,325	68,406	-	1,422,731
Total Capital Assets Being Depreciated	840,592,541	35,263,082	(21,577)	875,834,046
Less Accumulated Depreciation:				
Infrastructure - Water	(178,753,076)	(11,335,852)	21,577	(190,067,351)
Infrastructure - Wastewater	(130,053,616)	(8,269,465)	-	(138,323,081)
Buildings and Structures	(13,815,847)	(551,970)	-	(14,367,817)
Vehicles and Equipment	(6,624,590)	(830,526)	-	(7,455,116)
Miscellaneous	(1,052,600)	(62,681)	-	(1,115,281)
Total Accumulated Depreciation	(330,299,729)	(21,050,494)	21,577	(351,328,646)
Total Capital Assets Being Depreciated, Net	510,292,812	14,212,588	-	524,505,400
Capital Assets, Net	\$ 597,574,575	\$ 42,624,163	\$ (35,608,571)	\$ 604,590,167

	Amount Authorized	Expenditures June 30, 2020	Unexpended Commitments
Major components of Construction Work In Progress (CIP):			
Wastewater Facilities	\$ 26,563,295	\$ 11,788,418	\$ 14,774,877
Water Facilities	21,962,493	4,881,874	17,080,619
Salt Removal Projects (Desalter)	15,998,853	631	15,998,222
Regional Water Reclamation Facility Expansion Planning	10,929,430	8,568,562	2,360,868
Horsethief Treatment Plant Expansion	8,965,537	3,131,957	5,833,580
Regional Water Reclamation Facility Upgrades Construction	8,941,887	8,942,751	(864)
Lee Lake Well Conversion	7,304,088	622,137	6,681,951
Diamond Regional Lift Station Dual Force Main	6,729,975	503,199	6,226,776
Other Facilities	6,408,969	1,653,170	4,755,799
Diamond Regional Lift Station	4,828,500	1,576,570	3,251,930
Palomar Wells	4,596,806	2,393,020	2,203,786
Regional Water Reclamation Facility Upgrades Planning	3,625,600	3,211,714	413,886
Skymeadows Pump Station	3,550,000	2,341,798	1,208,202
RRCWRF Yard Piping Modifications	3,242,109	2,746,765	495,344
Total Major Components of CIP	\$ 133,647,542	\$ 52,362,566	\$ 81,284,976

Allow for rounding differences

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM:

Overview:

Governmental Accounting Standards Board (GASB) Statement No.68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (GASB 68), requires public employers to comply with new accounting and financial reporting standards. GASB 68 outlines a different approach to the recognition and calculation of pension obligations. Under GASB 68, employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. This may be a net pension asset when the Plan's fiduciary net position exceeds its total pension liability.

Pension expense is the change in net pension liability from the previous reporting period to the current reporting period less adjustments. This may be a negative expense (pension income), which should be reported as a credit in pension expense.

Deferred outflows of resources and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expenses.

Summary of Significant Accounting Policies:

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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

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, 2018, 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 or 52 depending on the plan, 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.

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

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, 2020 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 Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
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	12.51%	12.51%	12.51%
Employer Payment of Unfunded Liability	15.31%	15.31%	15.31%

Employees Covered:

At June 30, 2020, the following employees were covered by the benefit terms:

	Miscellaneous
Active employees	155
Transferred members	151
Terminated employees	108
Retired members and beneficiaries	153
Total	567

Contribution Description:

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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, 2020, were \$3,737,822.

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 valuation was rolled forward to determine the June 30, 2019 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 Valuation Method	Market Value of assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CALPERS' Membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

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

Change of Assumptions:

There were no assumption changes.

Discount Rate:

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

Long-Term Expected Rate of Return:

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.

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

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

The expected real rates of return by asset class are as followed:

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 -10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

- (1) In the system's CAFR, Fixed Income is included in Global Debt Securities;
Liquidity is included in Short-term Investments;
Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (2) An expected inflation of 2.0% used for this period
- (3) An expected inflation of 2.92% used for this period

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.

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

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: 6/30/2018	\$ 98,169,288	\$ 73,332,813	\$ 24,836,475
Beginning of Year Adjustment	-	-	-
Adjusted Balance at: 6/30/2018	98,169,288	73,332,813	24,836,475
Changes Recognized for the Measurement Period:			
Service Cost	2,504,040	-	2,504,040
Interest on the Total Pension Liability	7,087,735	-	7,087,735
Differences between Expected and Actual Experience	1,730,513	-	1,730,513
Contributions- employer	-	3,299,273	(3,299,273)
Contributions- employee	-	1,016,843	(1,016,843)
Net Investment Income	-	4,769,917	(4,769,917)
Benefit Payments, including Refunds of Employee Contributions	(4,045,325)	(4,045,325)	-
Administrative Expense	-	(52,332)	52,332
Other Miscellaneous Income/(Expense)	-	169	(169)
Net Changes during 2018-2019	7,276,963	4,988,545	2,288,418
Balance at: 6/30/2019	\$ 105,446,251	\$ 78,321,358	\$ 27,124,893

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)	\$42,306,747	\$27,124,893	\$14,697,561

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.

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

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

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service 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, 2019 is 3.5 years, which was obtained by dividing the total service years of 1,681 (the sum of remaining service lifetimes of the active employees) by 484 (the total number of participants: active, transferred, terminated, 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.

Pension Expense/(Income) for Measurement Period ended June 30, 2019

As of the start of the measurement period (July 1, 2018), the net pension liability was \$24,836,475.

For the measurement period ending June 30, 2019 (the measurement date), the Authority incurred a pension expense/(income) of \$6,018,042 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,504,040
Interest on the Total Pension Liability	7,087,735
Recognized Differences between Expected and Actual Experience	215,668
Recognized Changes of Assumptions	1,509,823
Employee Contributions	(1,016,843)
Projected Earnings on Pension Plan Investments	(5,244,302)
Recognized Differences between Projected and Actual Earnings on	909,758
Administrative Expense	52,332
Other Miscellaneous (Income)/Expense	(169)
Total Pension Expense/(Income)	\$ 6,018,042

8. DISTRICT EMPLOYEES RETIREMENT SYSTEM (CONTINUED):

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, 2019. 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 District.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,737,822	
Differences between Expected and Actual Experience	1,236,081	\$ (89,132)
Changes in Assumptions	-	(211,766)
Net Difference between Projected and Actual Earnings on Pension Plan Investment	-	(268,584)
Total	\$ 4,973,903	\$ (569,482)

\$3,737,822 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources (net amount of \$666,599) related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2020	\$ 476,985
2021	(70,951)
2022	165,688
2023	94,877
2024	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2020, the Authority reported a payable of \$226,738 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

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 and 2004-1 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.

9. COMMUNITIES FACILITIES DISTRICT BONDS (CONTINUED):

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, 2020 is \$3,320,000.

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 the 2006 Special Tax Refunding Bonds. Bonds in the amount of \$4,315,000 were issued on December 28, 2006. Then in June 2016, the 2006 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, 2020 is \$2,211,000.

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 direct placement 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, 2020 is \$1,450,000. In the event of default, the Trustee and Fiscal Agent have the first right to collect payment for fees, charges and expenses incurred prior to payment of any bond. Installments of principal and interest will then be paid in the following order, on a pro rata basis if available amounts are insufficient; 1) interest on bonds then due and unpaid, 2) principal then due and payable, and 3) overdue installments of principal and interest.

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 direct placement 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, 2020 is \$2,904,000. In the event of default, the Trustee and Fiscal Agent have the first right to collect payment for fees, charges and expenses incurred prior to payment of any bond. Installments of principal and interest will then be paid in the following order, on a pro rata basis if available amounts are insufficient; 1) interest on bonds then due and unpaid, 2) principal then due and payable, and 3) overdue installments of principal and interest.

9. COMMUNITIES FACILITIES DISTRICT BONDS (CONTINUED):

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 direct placement 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, 2020 is \$1,059,000. In the event of default, the Trustee and Fiscal Agent have the first right to collect payment for fees, charges and expenses incurred prior to payment of any bond. Installments of principal and interest will then be paid in the following order, on a pro rata basis if available amounts are insufficient; 1) interest on bonds then due and unpaid, 2) principal then due and payable, and 3) overdue installments of principal and interest.

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, 2020 is \$1,334,000.

As of June 30, 2020, the available funds for each CFD are as follows:

CFD #	Amount
1998-2	\$ 786,979
1999-1	381,143
2004-1	129,525
2014-1	1,060,319
	\$ 2,357,966

10. LONG TERM LIABILITIES:

Long-Term Liabilities for the year-ended June 30, 2020 are as follows:

	Balance at June 30, 2019	Additions/ Amortizations	Deletions	Balance at June 30, 2020	Amounts Due In One Year
Certificates of Participation	\$ 70,893,330	\$ 11,370	\$ 4,770,000	\$ 66,134,700	\$ 945,000
Water Revenue Bonds	80,705,986	(852,399)	1,010,000	78,843,587	5,120,000
Direct Borrowings:					
Loans Payable	8,095,070	7,454,397	334,723	15,214,744	533,777
Advances from U.S. Government	4,637,675	-	386,473	4,251,202	386,473
Total Long-Term Debt, net of Unamortized Premium	164,332,061	6,613,368	6,501,196	164,444,233	6,985,250
Net Pension Liability	24,836,475	7,276,963	4,988,545	27,124,893	-
Accrued Compensated Absences	4,260,428	1,844,056	1,683,274	4,421,210	923,079
Total Long-Term Liabilities	\$ 193,428,964	\$ 15,734,387	\$ 13,173,015	\$ 195,990,336	\$ 7,908,329

Total future long-term debt maturities as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 6,985,250	\$ 3,333,365	\$ 10,318,615
2022	7,709,000	3,092,434	10,801,434
2023	8,256,410	2,807,836	11,064,246
2024	8,335,594	2,508,703	10,844,297
2025	8,681,706	2,198,845	10,880,551
2026-2030	49,178,517	6,023,700	55,202,217
2031-2035	53,931,558	725,366	54,656,924
2036-2040	8,929,700	146,159	9,075,859
2041-2042	678,211	13,109	691,320
Total	152,685,946	20,849,517	173,535,463
Unamortized Premium/Discount	11,758,286	-	11,758,286
Total	\$ 164,444,232	\$ 20,849,517	\$ 185,293,749

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 January 1, 2018, 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 \$1,384,968 and \$1,492,553 as of June 30, 2020 and June 30, 2019, respectively.

12. CERTIFICATES OF PARTICIPATION:

	2020	2019
COPs Series 2002, partial advance refunding of the 1992A 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. Final payment was made July 2019.	\$ -	\$ 3,855,000
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 (0.10%). Principal amounts are payable annually on each July 1, ranging from \$7,795,000 in July 2030 to \$9,105,000 in July 2034 with final payment of \$5,240,000 in July 2035.	47,465,000	47,465,000
COPs Series 2011A, 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 (0.10%). Principal amounts are payable annually on each July 1, ranging from \$770,000 in July 2013 to \$1,445,000 in July 2035.	18,845,000	19,760,000
Total Certificates of Participation Payable	66,310,000	71,080,000
Unamortized Premium/Discount on issue	(175,300)	(186,670)
Net Certificates of Participation Payable	<u>\$ 66,134,700</u>	<u>\$ 70,893,330</u>

Future long-term certificates of participation maturities as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 945,000	\$ 66,310	\$ 1,011,310
2022	970,000	65,365	1,035,365
2023	1,000,000	64,395	1,064,395
2024	1,025,000	63,395	1,088,395
2025	1,055,000	62,370	1,117,370
2026-2030	5,760,000	295,390	6,055,390
2031-2035	48,870,000	183,695	49,053,695
2036	6,685,000	6,685	6,691,685
Total	<u>\$ 66,310,000</u>	<u>\$ 807,605</u>	<u>\$ 67,117,605</u>

Allow for rounding differences

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.

12. CERTIFICATES OF PARTICIPATION (CONTINUED):

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. Principal repayment for the 2002 COP commenced in July 2013 and final payment was made in July 2019.

Payments were secured by a pledge of net water and sewer revenues. In the event of default, the Trustee could not declare that the principal and interest on the bonds be due and payable immediately. However, provisions for the application of moneys after all fees and expenses of the Trustee had been paid, would be applied in the following order, on a pro rata basis if available amounts are insufficient; 1) interest on bonds then due, in order of due date, 2) unpaid principal then due, in order of due dates, and 3) to be held for future principal and interest payments not yet due.

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 did not have sufficient funds to pay principal and interest on the COP, the FGIC guaranteed 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 expired July 1, 2019 when all 2002 COPs had 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 bringing the principal balance down to \$47,465,000. No additional principal payments are 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, 2020 was 0.10%. The average annual interest rate experienced in the fiscal year was 0.96% and actual interest paid was \$463,923 for fiscal year ended June 30, 2020.

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 extended in January 2020 to January 2023 in accordance with its terms. It is subject to termination and extension upon the occurrence of certain events.

Payments for the 2008B Certificates are secured by a pledge of net water and sewer revenues. No event of default shall constitute the immediate payment of principal and interest except for events defined as automatic acceleration events. Upon such events, the Letter of Credit Bank may terminate the Letter of Credit and direct the Trustee to draw upon the Letter of Credit to purchase all outstanding 2008B Certificates for the account of the Bank and pay all fees accrued and payable to the Bank.

12. CERTIFICATES OF PARTICIPATION (CONTINUED):

On May 25, 2011, the Corporation issued Refunding COP Series 2011A 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 2011A COP provided a more cost effective manner of paying for the Temescal Valley Pipeline. Principal repayment for the 2011A COP commenced July 2012 and will continue through July 2035. The interest rate at June 30, 2020 was 0.10%. The average interest rate experienced in the fiscal year was 0.96% and actual interest paid was \$184,191 for fiscal year ended June 30, 2020.

In connection with the issuance of the Series 2011A 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 in 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.

Payments for the 2011A Certificates are secured by a pledge of net water and sewer revenues. Under certain events of default the Letter of Credit Bank can require all obligations to become immediately due and payable from immediately available funds.

13. WATER REVENUE BONDS PAYABLE:

	2020	2019
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 up to \$8,060,000 in July 2029 with a final payment of \$310,000 in July 2034.	\$ 66,910,000	\$ 67,920,000
Total Water Revenue Bonds Payable	66,910,000	67,920,000
Unamortized Premium/Discount on issue	11,933,586	12,785,985
Net Water Revenue Bonds Payable	<u>\$ 78,843,586</u>	<u>\$ 80,705,985</u>

Future long-term water revenue bond maturities as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
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	5,960,000	2,388,000	8,348,000
2025	6,270,000	2,082,250	8,352,250
2026-2030	36,540,000	5,243,250	41,783,250
2031-2035	1,970,000	224,000	2,194,000
Total	<u>\$ 66,910,000</u>	<u>\$ 18,788,500</u>	<u>\$ 85,698,500</u>

13. WATER REVENUE BONDS PAYABLE (CONTINUED):

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. 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.

In the event of default, the Trustee can not declare that the principal and interest on the bonds be due and payable immediately. However, provisions for the application of moneys after all fees and expenses of the Trustee have been paid, will be applied in the following order, on a pro rata basis if available amounts are insufficient; 1) interest on bonds then due, in order of maturity, 2) unpaid principal then due, in order of due dates, and 3) to be held for future principal and interest payments not yet due.

14. LOANS PAYABLE - Direct Borrowings:

	2020	2019
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 and interest payments of \$251,316 through February 28, 2023. Balance is net of discount being amortized.	\$ 727,394	\$ 961,269
State Water Resources Control Board – California’s Clean Water State Revolving Fund. Original loan amount of \$2,347,026 was used for the Advanced Metering Infrastructure Phase III project. Interest accrues at a rate of 1.7% with annual principal payments ranging from \$107,493 in December 2018 to \$136,598 in December 2037.	2,138,685	2,239,533

14. LOANS PAYABLE - Direct Borrowings (CONTINUED):

	2020	2019
State Water Resources Control Board – California’s Clean Water State Revolving Fund. Original loan amount of \$1,930,968 was used for the Regional Water Reclamation Facility Expansion and Upgrade Design. Interest accrues at a rate of 0.0% with annual principal payments of \$193,097. Payments begin October 2020 and continue through October 2029.	\$ 1,930,968	\$ 1,571,364
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 \$3,607,428 was disbursed as of June 30, 2020. Interest accrues at a rate of 0.0% upon the final disbursement request and project completion date of October 31, 2020. Payments begin October 2021 and continue through October 2030.”	3,607,428	2,669,628
State Water Resources Control Board – California’s Clean Water State Revolving Fund. Original loan amount of \$3,111,553 authorized for the Regional Water Reclamation Facility Supervisory Control and Data Acquisition (SCADA) Implementation with \$1,555,776 of principal forgiveness. A total amount of \$1,594,558 was disbursed as of June 30, 2020. Interest accrues at a rate of 1.8% upon the final disbursement request and project completion date of June 30, 2020. Payments begin December 2020 and continue through December 2039.	1,594,558	653,276
State Water Resources Control Board – California’s Clean Water State Revolving Fund. Original loan amount of \$45,987,100 authorized for the Regional Water Reclamation Facility Upgrades Construction with \$3,500,000 of principal forgiveness. A total amount of \$5,215,711 was disbursed as of June 30, 2020. Interest accrues at a rate of 1.3% upon the final disbursement request and project completion date of February 25, 2022. Payments begin August 2022 and continue through August 2041.	5,215,711	-
Total Loans Payable	<u>\$ 15,216,764</u>	<u>\$ 8,097,089</u>

Future long-term maturities as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 533,777	\$ 49,555	\$ 583,332
2022	967,528	72,193	1,039,721
2023	1,204,937	64,816	1,269,753
2024	964,121	57,308	1,021,429
2025	970,233	54,225	1,024,458
2026-2030	4,946,150	485,061	5,431,211
2031-2035	2,705,086	317,671	3,022,757
2036-2040	2,244,700	139,474	2,384,174
2041	678,211	13,109	691,320
Total	<u>\$ 15,214,744</u>	<u>\$ 1,253,412</u>	<u>\$ 16,468,156</u>

Allow for rounding differences

14. LOANS PAYABLE - Direct Borrowings (CONTINUED):

EVMWD has six outstanding loans through direct borrowing from the California Clean Water State Revolving Fund. All outstanding loans, with the exception of one (see below), are secured by a pledge of net revenues with an Enterprise and Reserve Fund being established for each loan. In the event of default, immediate repayment of funds plus accrued interest and penalties is required. Interest shall accrue on all amounts due at the highest legal rate of interest from the date of notice of termination to the date monies are received by the State Board. Any fraud or misuse of public funds will terminate the agreements and require the repayment of all funds.

The Regional Wastewater Reclamation Plan expansion loan is secured by a pledge of connection fees and other charges determined on an annual basis. In the event of default, repayment of the current balance and all penalty assessments are due immediately. Any breach affecting Tax Exempt Status requires reimbursement to the state equal to any damages paid by or loss incurred by the State due to the breach.

15. ADVANCES FROM U.S. GOVERNMENT - Direct Borrowings:

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>

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 \$12,343,298 has been repaid as of June 30, 2020, with a current unpaid balance of \$4,251,202. 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, 2020 are as follows:

Fiscal Year	Principal
2021	\$ 386,473
2022	386,473
2023	386,473
2024	386,473
2025	386,473
2026-2030	1,932,365
2031	<u>386,472</u>
Total	<u>\$ 4,251,202</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 was previously 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, but that is no longer published by the U.S. Bureau of Labor Statistics. Based on the Agreement, as of September 1, 2020, we are using the CPI-U in the Riverside-San Bernardino-Ontario County, CA Area to calculate lease payments.

Cost of living adjustments are cumulative. The amount recorded as revenue for the fiscal year 2019/2020 is \$1,530,985.

Minimum future rentals as of June 30, 2020 are as follows:

Fiscal Year	Lease Income
2021	\$ 1,561,596
2022	1,592,059
2023	1,623,900
2024	1,656,378
2025	1,689,505
2026-2066	107,895,562
Total	<u>\$ 116,019,000</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.

	2020	2019
Capital Assets (Net)	\$ 604,590,166	\$ 597,574,576
Less: Debt offsetting capital assets	<u>(158,377,752)</u>	<u>(157,785,416)</u>
Net investment in capital assets	446,212,414	439,789,160
Restricted Net Position	54,818,750	55,240,883
Unrestricted Net Position	<u>191,129,738</u>	<u>168,286,790</u>
Total Net Position	<u>\$ 692,160,902</u>	<u>\$ 663,316,833</u>

Allow for rounding differences

17. NET POSITION (CONTINUED):

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, 2020 and June 30, 2019 unrestricted net position amounts consist of the following:

	2020	2019
Debt Services Reserves	\$ 35,306,702	\$ 32,062,045
Reserve For Encumbered Projects	82,656,301	67,504,918
Special Revenue Reserve	21,683,144	24,414,732
Other Unrestricted Net Position	17,171,177	9,815,969
Operational Reserve	18,679,325	17,440,780
Replacement Reserve	15,633,089	17,048,347
Total Unrestricted Net Position	<u>\$ 191,129,738</u>	<u>\$ 168,286,790</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, 2020, and are included in the District's financial statements.

CONDENSED STATEMENT OF NET POSITION

	WESA	SEWER CORP	TOTAL
ASSETS:			
Current Assets	\$ 1,684,386	\$ 1,914,523	\$ 3,598,909
Noncurrent Assets	26,218,603	64,239,898	90,458,501
Total Assets	<u>27,902,989</u>	<u>66,154,421</u>	<u>94,057,410</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>4,973,903</u>	<u>-</u>	<u>4,973,903</u>
LIABILITIES:			
Current Liabilities	1,399,678	964,721	2,364,399
Noncurrent Liabilities	30,623,024	65,189,700	95,812,724
Total Liabilities	<u>32,022,702</u>	<u>66,154,421</u>	<u>98,177,123</u>
DEFERRED INFLOWS OF RESOURCES	<u>569,482</u>	<u>-</u>	<u>569,482</u>
NET POSITION			
Unrestricted	<u>\$ 284,708</u>	<u>\$ -</u>	<u>\$ 284,708</u>

18. CONDENSED COMPONENT UNIT (CONTINUED):

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

	WESA	SEWER CORP	TOTAL
Operating Revenue	\$ 27,079,873	\$ -	\$ 27,079,873
Operating Expenses	(27,079,873)	(3,676,156)	(30,756,029)
Net Operating Income	-	(3,676,156)	(3,676,156)
Non-Operating Revenue	-	3,676,156	3,676,156
Change in Net Position	-	-	-
Net Position, Beginning of Year	284,708	-	284,708
Net Position, End of Year	\$ 284,708	\$ -	\$ 284,708

CONDENSED STATEMENT OF CASH FLOW

	WESA	SEWER CORP	TOTAL
NET CASH PROVIDED (USED) BY:			
Operating activities	\$ (808,175)	\$ -	\$ (808,175)
Investing activities	-	430,138	430,138
Capital and related financing activities	-	(430,138)	(430,138)
Net increase in cash and cash equivalents	(808,175)	-	(808,175)
CASH AND CASH EQUIVALENTS, Beginning of Year	1,032,498	-	1,032,498
CASH AND CASH EQUIVALENTS, End of Year	\$ 224,323	\$ -	\$ 224,323

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 will have a material adverse effect on the financial position or changes in financial position of the District.

20. RISK MANAGEMENT:

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. To help mitigate these risks, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA).

Description of JPIA:

JPIA is an intergovernmental risk-pooling self-insurance authority, created under the 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.

Self-Insurance Programs of JPIA:

At June 30, 2020, 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, fixed equipment 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 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment.

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. JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased. The District's retrospective allocation point is \$250 per occurrence.

General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first \$5,000,000 and purchases excess coverage with limit up to \$55,000,000 with aggregated policy limits. The District retrospective allocation point is \$50,000 per occurrence.

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.

Cyber Liability: Including Cyber Security up to \$3,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability Deductible varies from \$10,000 to \$50,000 depending on District Revenue.

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.

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 seven fiscal years, the District had no settlements exceeding insurance coverage for these categories of risk. At June 30, 2020, 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, 2019 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, 2020 is as follows:

	June 2020	June 2019
Total Assets	\$ 969,283	\$ 110,767
Total Liabilities	716,883	110,767
Total Net Position	252,400	-
Net Position, Beginning of Year	-	-
Net Position, End of Year	\$ 252,400	\$ -

22. COVID 19:

Since December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Required Supplementary Information



Schedule of Changes in Net Pension Liability and Related Ratios Ended June 30th
Last 10 Years ⁽⁴⁾

Measurement Period	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:						
Service Cost	\$ 2,504,040	\$ 2,466,139	\$ 2,636,694	\$ 2,449,304	\$ 2,408,523	\$ 2,458,216
Interest	7,087,735	6,593,931	6,285,034	5,933,814	5,551,505	5,183,730
Changes of Assumptions	-	(682,360)	5,623,164	-	(1,469,076)	-
Difference Between Expected and Actual Experience	1,730,513	(287,200)	(579,128)	(219,718)	(286,905)	-
Benefit Payments, Including Refunds of Employee Contributions	(4,045,325)	(3,761,071)	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Change in Total Pension Liability	7,276,963	4,329,439	10,633,558	5,126,670	3,714,374	5,313,952
Total Pension Liability - Beginning	98,169,288	93,839,849	83,206,291	78,079,621	74,365,247	69,051,295
Total Pension Liability - Ending (a)	\$ 105,446,251	\$ 98,169,288	\$ 93,839,849	\$ 83,206,291	\$ 78,079,621	\$ 74,365,247
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	\$ 3,299,273	\$ 2,907,458	\$ 2,742,846	\$ 2,656,957	\$ 2,500,495	\$ 2,232,962
Contributions - Employee	1,016,843	1,041,634	979,078	972,455	967,375	1,026,237
Net Investment Income	4,769,917	5,714,814	6,761,115	340,453	1,296,452	8,461,126
Benefit Payments, Including Refunds of Employee Contributions	(4,045,325)	(3,761,071)	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Plan to Plan Resource Movement	-	(169)	(2,059)	-	-	-
Administrative Expense	(52,332)	(105,552)	(89,585)	(36,433)	(67,288)	-
Other Miscellaneous Income/ (Expense) ⁽¹⁾	169	(200,444)	-	-	-	-
Net Change in Fiduciary Net Position	4,988,545	5,596,670	7,059,189	896,702	2,207,361	9,392,331
Plan Fiduciary Net Position - Beginning ⁽²⁾	73,332,813	67,736,143	60,676,954	59,780,252	57,572,891	48,180,560
Plan Fiduciary Net Position - Ending (b)	\$ 78,321,358	\$ 73,332,813	\$ 67,736,143	\$ 60,676,954	\$ 59,780,252	\$ 57,572,891
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 27,124,893	\$ 24,836,475	\$ 26,103,706	\$ 22,529,337	\$ 18,299,369	\$ 16,792,356
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.28%	74.70%	72.18%	72.92%	76.56%	77.42%
Covered Payroll ⁽³⁾	\$ 12,560,391	\$ 12,085,954	\$ 12,560,469	\$ 12,648,198	\$ 12,307,222	\$ 11,676,322
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	215.96%	205.50%	207.82%	178.12%	148.69%	143.82%

⁽¹⁾ During Fiscal Year 2017-18, as a result of Governmental Standards Board Statement (GASB) N0.75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPED plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

⁽²⁾ Includes any beginning of year adjustment.

⁽³⁾ Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018 -19; 3.00 percent payroll growth for fiscal years ended June 30, 2014-17.

⁽⁴⁾ Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only six years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2018 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 of Assumptions: None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of 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.

**Schedule of Plan Contributions for the Measurement Periods Ended June 30⁽¹⁾
Last 10 Years⁽⁵⁾**

Employer Fiscal Year End	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution ⁽²⁾	\$ - ⁽⁴⁾	\$ 3,299,273	\$ 2,907,458	\$ 2,742,846	\$ 2,656,957	\$ 2,500,495	\$ 2,232,962
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(3,737,822)	(3,299,273)	(2,907,458)	(2,742,846)	(2,656,957)	(2,500,495)	(2,232,962)
Contribution Deficiency (Excess)	\$ (3,737,822)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 13,233,158	\$ 12,560,391	\$ 12,085,954	\$ 12,560,469	\$ 12,648,098	\$ 12,307,222	\$ 11,676,322
Contributions as a Percentage of Covered Payroll ⁽³⁾	28.25%	26.27%	24.06%	21.84%	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 2.75 percent payroll assumption for fiscal year June 30, 2019; 3.0 percent payroll assumption for fiscal years ended June 30, 2014-17.

⁽⁴⁾ Information not available

⁽⁵⁾ Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only seven years are shown.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were derived from the June 30, 2016 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2016 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2016 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of Retirement of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

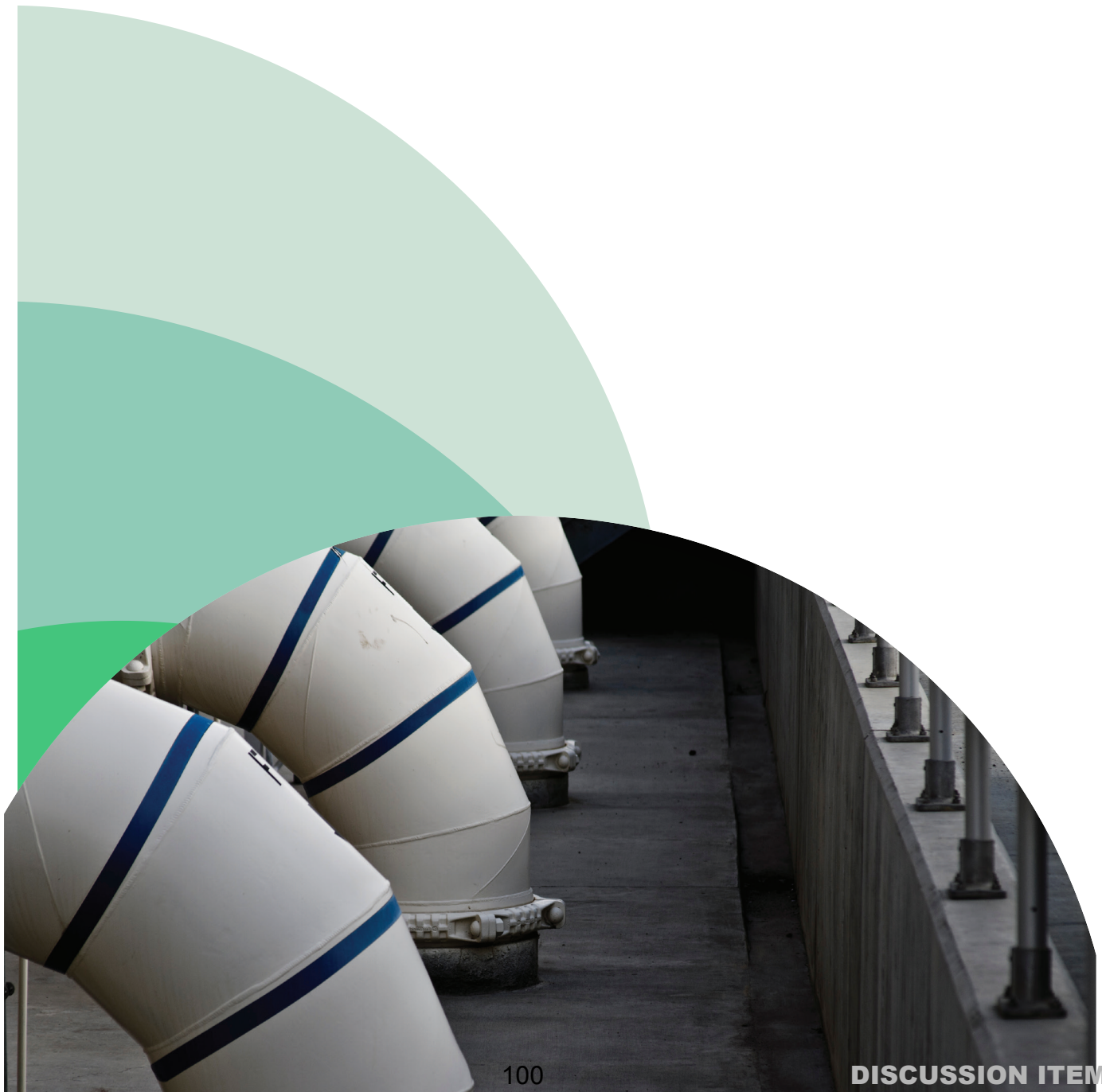
Other Information:

For changes to previous' year's information, refer to past GASB 68 reports.



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Supplementary Information



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

June 30, 2020 and 2019

<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, 2002 - Partially Refunded 1992 - Original Issue \$23,715,000					
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 \$54,655,000 ⁽²⁾					
07/01/18	1.300%	\$ -	\$ 617,045	\$ 617,045	\$ 47,465,000
07/01/19	1.500	-	711,975	711,975	47,465,000
07/01/20	0.100	-	47,465	47,465	47,465,000
07/01/21	0.100	-	47,465	47,465	47,465,000
07/01/22	0.100	-	47,465	47,465	47,465,000
07/01/23	0.100	-	47,465	47,465	47,465,000
07/01/24	0.100	-	47,465	47,465	47,465,000
07/01/25	0.100	-	47,465	47,465	47,465,000
07/01/26	0.100	-	47,465	47,465	47,465,000
07/01/27	0.100	-	47,465	47,465	47,465,000
07/01/28	0.100	-	47,465	47,465	47,465,000
07/01/29	0.100	-	47,465	47,465	47,465,000
07/01/30	0.100	7,795,000	47,465	7,842,465	39,670,000
07/01/31	0.100	8,105,000	39,670	8,144,670	31,565,000
07/01/32	0.100	8,450,000	31,565	8,481,565	23,115,000
07/01/33	0.100	8,770,000	23,115	8,793,115	14,345,000
07/01/34	0.100	9,105,000	14,345	9,119,345	5,240,000
07/01/35	0.100	5,240,000	5,240	5,245,240	-

⁽¹⁾ Rounded to the nearest dollar

⁽²⁾ Interest payment is calculated using the interest rate in effect at 6/30/19 & 6/30/20 for 2021 forward

SCHEDULE OF MATURITIES OF CERTIFICATES OF PARTICIPATION PAYABLE (Continued)

June 30, 2020 and 2019

Payment Date	Interest Rate	Principal Payments ⁽¹⁾	Interest Payments ⁽¹⁾	Total Debt Service ⁽¹⁾	Principal Balance ⁽¹⁾
Elsinore Valley Water and Sewer Facilities Corporation, 2011A - Refi of TVP USBR Loan Original Issue \$25,485,000 ⁽²⁾					
07/01/18	1.300%	\$ 890,000	\$ 268,450	\$ 1,158,450	\$ 19,760,000
07/01/19	1.500	915,000	296,400	1,211,400	18,845,000
07/01/20	0.100	945,000	18,845	963,845	17,900,000
07/01/21	0.100	970,000	17,900	987,900	16,930,000
07/01/22	0.100	1,000,000	16,930	1,016,930	15,930,000
07/01/23	0.100	1,025,000	15,930	1,040,930	14,905,000
07/01/24	0.100	1,055,000	14,905	1,069,905	13,850,000
07/01/25	0.100	1,085,000	13,850	1,098,850	12,765,000
07/01/26	0.100	1,120,000	12,765	1,132,765	11,645,000
07/01/27	0.100	1,150,000	11,645	1,161,645	10,495,000
07/01/28	0.100	1,185,000	10,495	1,195,495	9,310,000
07/01/29	0.100	1,220,000	9,310	1,229,310	8,090,000
07/01/30	0.100	1,255,000	8,090	1,263,090	6,835,000
07/01/31	0.100	1,290,000	6,835	1,296,835	5,545,000
07/01/32	0.100	1,330,000	5,545	1,335,545	4,215,000
07/01/33	0.100	1,365,000	4,215	1,369,215	2,850,000
07/01/34	0.100	1,405,000	2,850	1,407,850	1,445,000
07/01/35	0.100	1,445,000	1,445	1,446,445	-

⁽¹⁾ Rounded to the nearest dollar

⁽²⁾ Interest payment is calculated using the interest rate in effect at 6/30/19 & 6/30/20 for 2021 forward

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

June 30, 2020 and 2019

<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 Municipal Water District Financing Authority, 2016A Water Revenue Bonds - Refunding of 2007A and 2008A - Original Issue \$71,660,000					
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, 2020 and 2019

Payment Date	Interest Rate	Principal Payments ⁽¹⁾	Interest Payments ⁽¹⁾	Total Debt Service ⁽¹⁾	Principal Balance ⁽¹⁾
State of California Water Resources Control Board - Original Loan \$5,000,000					
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 \$2,347,026					
12/31/18	1.700%	\$ 107,493	\$ 31,426	\$ 138,920	\$ 2,239,533
12/31/19	1.700	100,848	38,072	138,920	2,138,685
12/31/20	1.700	102,562	36,358	138,920	2,036,123
12/31/21	1.700	104,306	34,614	138,920	1,931,818
12/31/22	1.700	106,079	32,841	138,920	1,825,739
12/31/23	1.700	107,882	31,038	138,920	1,717,857
12/31/24	1.700	109,716	29,204	138,920	1,608,140
12/31/25	1.700	111,581	27,338	138,920	1,496,559
12/31/26	1.700	113,478	25,442	138,920	1,383,081
12/31/27	1.700	115,407	23,512	138,920	1,267,674
12/31/28	1.700	117,369	21,550	138,920	1,150,304
12/31/29	1.700	119,365	19,555	138,920	1,030,940
12/31/30	1.700	121,394	17,526	138,920	909,546
12/31/31	1.700	123,457	15,462	138,920	786,089
12/31/32	1.700	125,556	13,364	138,920	660,533
12/31/33	1.700	127,691	11,229	138,920	532,842
12/31/34	1.700	129,861	9,058	138,920	402,981
12/31/35	1.700	132,069	6,851	138,920	270,912
12/31/36	1.700	134,314	4,605	138,920	136,598
12/31/37	1.700	136,598	2,322	138,920	-

⁽¹⁾ Rounded to the nearest dollar

**SCHEDULE OF MATURITIES OF
LOANS PAYABLE (Continued)**

June 30, 2020 and 2019

<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 \$1,930,968					
06/30/19	1.800%	\$ -	\$ -	\$ -	\$ 1,571,364 ⁽²⁾
06/30/20	0.000	-	-	-	1,930,968
06/30/21	0.000	193,097	-	193,097	1,737,871
06/30/22	0.000	193,097	-	193,097	1,544,774
06/30/23	0.000	193,097	-	193,097	1,351,678
06/30/24	0.000	193,097	-	193,097	1,158,581
06/30/25	0.000	193,097	-	193,097	965,484
06/30/26	0.000	193,097	-	193,097	772,387
06/30/27	0.000	193,097	-	193,097	579,290
06/30/28	0.000	193,097	-	193,097	386,194
06/30/29	0.000	193,097	-	193,097	193,097
06/30/30	0.000	193,097	-	193,097	-
State of California Water Resources Control Board - Estimated Loan \$5,795,834 ⁽³⁾					
06/30/19	1.800%	\$ -	\$ -	\$ -	\$ 2,669,628 ⁽²⁾
06/30/20	0.000	-	-	-	3,607,428 ⁽²⁾
06/30/22	0.000	360,743	-	360,743	3,246,685
06/30/23	0.000	360,743	-	360,743	2,885,942
06/30/24	0.000	360,743	-	360,743	2,525,200
06/30/25	0.000	360,743	-	360,743	2,164,457
06/30/26	0.000	360,743	-	360,743	1,803,714
06/30/27	0.000	360,743	-	360,743	1,442,971
06/30/28	0.000	360,743	-	360,743	1,082,228
06/30/29	0.000	360,743	-	360,743	721,486
06/30/30	0.000	360,743	-	360,743	360,743
06/30/31	0.000	360,743	-	360,743	-

⁽¹⁾ Rounded to the nearest dollar

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

⁽³⁾ Loan amount authorized. See Note 14.

SCHEDULE OF MATURITIES OF LOANS PAYABLE (Continued)

June 30, 2020 and 2019

Payment Date	Interest Rate	Principal Payments ⁽¹⁾	Interest Payments ⁽¹⁾	Total Debt Service ⁽¹⁾	Principal Balance ⁽¹⁾
State of California Water Resources Control Board - Estimated Loan \$1,555,777 ⁽³⁾					
06/30/19	1.800%	\$ -	\$ -	\$ -	\$ 653,276 ⁽²⁾
06/30/20	1.800	-	-	-	1,594,558
06/30/21	1.800	66,944	28,702	95,646	1,527,614
06/30/22	1.800	68,149	27,497	95,646	1,459,465
06/30/23	1.800	69,376	26,270	95,646	1,390,089
06/30/24	1.800	70,624	25,022	95,646	1,319,465
06/30/25	1.800	71,896	23,750	95,646	1,247,569
06/30/26	1.800	73,190	22,456	95,646	1,174,379
06/30/27	1.800	74,507	21,139	95,646	1,099,872
06/30/28	1.800	75,848	19,798	95,646	1,024,024
06/30/29	1.800	77,213	18,433	95,646	946,811
06/30/30	1.800	78,603	17,043	95,646	868,208
06/30/31	1.800	80,018	15,628	95,646	788,190
06/30/32	1.800	81,459	14,187	95,646	706,731
06/30/33	1.800	82,925	12,721	95,646	623,806
06/30/34	1.800	84,417	11,229	95,646	539,389
06/30/35	1.800	85,937	9,709	95,646	453,452
06/30/36	1.800	87,484	8,162	95,646	365,968
06/30/37	1.800	89,059	6,587	95,646	276,909
06/30/38	1.800	90,662	4,984	95,646	186,247
06/30/39	1.800	92,293	3,353	95,646	93,954
06/30/40	1.800	93,954	1,692	95,646	-

⁽¹⁾ Rounded to the nearest dollar

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

⁽³⁾ Loan amount authorized. See Note 14.

**SCHEDULE OF MATURITIES OF
LOANS PAYABLE (Continued)**

June 30, 2020 and 2019

<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 \$42,487,100 ⁽³⁾					
06/30/20	1.300%	\$ -	\$ -	\$ -	\$ 5,215,711 ⁽²⁾
06/30/23	1.300	230,033	67,804	297,837	4,985,678
06/30/24	1.300	233,023	64,814	297,837	4,752,655
06/30/25	1.300	236,053	61,785	297,838	4,516,602
06/30/26	1.300	239,121	58,716	297,837	4,277,481
06/30/27	1.300	242,230	55,607	297,837	4,035,251
06/30/28	1.300	245,379	52,458	297,837	3,789,872
06/30/29	1.300	248,569	49,268	297,837	3,541,303
06/30/30	1.300	251,800	46,037	297,837	3,289,503
06/30/31	1.300	255,074	42,763	297,837	3,034,429
06/30/32	1.300	258,390	39,447	297,837	2,776,039
06/30/33	1.300	261,749	36,088	297,837	2,514,290
06/30/34	1.300	265,151	32,686	297,837	2,249,139
06/30/35	1.300	268,598	29,239	297,837	1,980,541
06/30/36	1.300	272,090	25,747	297,837	1,708,451
06/30/37	1.300	275,627	22,210	297,837	1,432,824
06/30/38	1.300	279,210	18,627	297,837	1,153,614
06/30/39	1.300	282,840	14,997	297,837	870,774
06/30/40	1.300	286,517	11,320	297,837	584,257
06/30/41	1.300	290,242	7,595	297,837	294,015
06/30/42	1.300	294,015	3,822	297,837	-

⁽¹⁾ Rounded to the nearest dollar

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

⁽³⁾ Loan amount authorized. See Note 14.

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

June 30, 2020 and 2019

Payment Date	Interest Rate	Principal Payments ⁽¹⁾	Interest Payments ⁽¹⁾	Total Debt Service ⁽¹⁾	Principal Balance ⁽¹⁾
U.S. Bureau of Reclamation - Lake Management Project - Original Advance \$16,594,500					
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



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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.

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	<u>2011</u> ⁽¹⁾	<u>2012</u>	<u>2013</u> ⁽²⁾	<u>2014</u> ⁽³⁾	<u>2015</u>
NET POSITION					
Net investment in capital assets	\$ 330,620,265	\$ 334,449,334	\$ 346,436,891	\$ 353,090,158	\$ 356,641,697
Restricted	70,574,808	66,173,551	62,321,631	57,979,711	55,144,571
Unrestricted	<u>157,024,070</u>	<u>169,223,043</u>	<u>170,834,107</u>	<u>159,272,415</u>	<u>164,601,667</u>
TOTAL NET POSITION	<u>\$ 558,219,143</u>	<u>\$ 569,845,928</u>	<u>\$ 579,592,629</u>	<u>\$ 570,342,284</u>	<u>\$ 576,387,935</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
NET POSITION					
Net investment in capital assets	\$ 407,432,038	\$ 416,010,569	\$ 427,769,322	\$ 439,789,160	\$ 446,212,414
Restricted	42,947,105	49,833,001	52,157,863	55,240,883	54,818,750
Unrestricted	<u>140,810,860</u>	<u>147,164,785</u>	<u>161,488,668</u>	<u>168,286,791</u>	<u>191,129,738</u>
TOTAL NET POSITION	<u>\$ 591,190,003</u>	<u>\$ 613,008,355</u>	<u>\$ 641,415,853</u>	<u>\$ 663,316,834</u>	<u>\$ 692,160,902</u>

Allow for rounding differences

⁽¹⁾ 2011 - Net position restated

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

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

Source: Elsinore Valley Municipal Water District

CHANGES IN NET POSITION

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES										
Water Revenues	\$39,981,819	\$41,552,294	\$45,076,540	\$48,018,729	\$44,456,826	\$46,387,145	\$44,164,018	\$49,193,038	\$ 48,111,048	\$51,092,053
Wastewater Revenues	20,228,555	20,399,307	21,379,577	22,831,226	23,368,664	21,961,717	22,261,812	24,046,130	25,332,984	25,723,353
Recycled Water Revenues	-	-	-	-	-	939,750	1,036,047	1,146,853	1,043,280	1,353,922
Total Operating Revenues	<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>	<u>74,487,312</u>	<u>78,169,328</u>
NON-OPERATING REVENUES										
Property Taxes	7,970,226	7,259,320	7,556,448	7,613,764	8,239,146	8,510,208	9,133,430	9,635,769	10,290,446	10,827,679
Standby Charges	867,870	788,119	884,932	964,603	913,699	680,793	595,492	617,948	636,398	758,323
Investment Income	2,777,723	2,006,145	555,805	1,626,111	1,610,326	2,453,021	126,852	934,564	8,106,997	8,317,596
Other Non-Operating Revenues	<u>2,769,356</u>	<u>2,231,248</u>	<u>2,804,570</u>	<u>2,913,949</u>	<u>2,859,651</u>	<u>2,387,901</u>	<u>296,438</u>	<u>9,460,968</u>	<u>4,122,888</u>	<u>3,153,232</u>
Total Non-Operating Revenues	<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>20,649,249</u>	<u>23,156,729</u>	<u>23,056,830</u>
Total Revenues	<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>95,035,270</u>	<u>97,644,041</u>	<u>101,226,158</u>
OPERATING EXPENSES										
Water Purchases	12,776,304	15,401,145	18,352,085	17,892,769	16,306,497	15,452,140	16,266,623	18,036,267	20,646,287	18,427,794
Water Operations	14,323,357	13,667,701	14,559,163	14,517,118	14,660,805	15,165,860	16,047,064	14,756,060	15,425,962	17,345,188
Wastewater Operations	10,942,166	11,674,513	12,294,717	12,829,515	13,460,542	11,876,091	11,250,489	10,123,413	11,221,102	11,362,953
Recycled Water Operations	-	-	-	-	-	1,340,151	976,330	948,191	946,532	1,002,544
General and Administrative	10,185,825	8,909,361	9,005,299	9,102,775	10,675,786	10,246,633	10,561,347	14,268,344	14,263,892	16,552,478
Depreciation and Amortization	<u>15,666,722</u>	<u>17,716,565</u>	<u>22,363,524</u>	<u>19,483,896</u>	<u>19,520,795</u>	<u>19,626,434</u>	<u>19,894,657</u>	<u>19,982,645</u>	<u>20,751,084</u>	<u>21,530,659</u>
Total Operating Expenses	<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>	<u>83,254,859</u>	<u>86,221,616</u>

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NON-OPERATING EXPENSES										
Interest Expense	\$ 7,307,509	\$ 5,000,322	\$ 8,030,063	\$ 7,687,073	\$ 7,379,384	\$ 6,561,178	\$ 3,552,038	\$ 3,624,583	\$ 3,534,683	\$ 3,205,827
Other Expenses	2,152,994	2,225,212	3,071,781	2,288,392	1,845,509	2,166,692	1,597,944	2,805,062	1,782,127	1,321,827
Total Non-Operating Expenses	9,460,503	7,225,534	11,101,844	9,975,465	9,224,893	8,727,870	5,149,982	6,429,645	5,316,810	4,527,654
Total Expenses	73,354,877	74,594,819	87,676,632	83,801,538	83,849,318	82,435,179	80,146,492	84,544,565	88,571,669	90,749,270
INCOME (LOSS) BEFORE CONTRIBUTIONS	1,240,672	(358,386)	(9,418,760)	166,844	(2,401,006)	885,356	(2,532,403)	10,490,705	9,072,372	10,476,888
CAPITAL CONTRIBUTIONS	5,176,921	7,228,291	19,165,463	9,212,426	8,446,656	13,916,712	24,350,755	17,916,793	12,828,609	18,367,180
CHANGE IN NET POSITION	<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>\$ 28,407,498</u>	<u>\$ 21,900,981</u>	<u>\$ 28,844,068</u>

Allow for rounding differences

Source: Elsinore Valley Municipal Water District

SCHEDULE OF CAPACITY FEE REVENUES

Last Ten Fiscal Years

Fiscal Year	Water Capacity Revenues						Wastewater Capacity Revenues						Percent Change
	Storage	Temescal Valley Project	Pumping Plant	Transmission Facilities	Water Supply Facilities	Adminis- tration	Canyon Lake Wastewater Capital	Regional Plant Capacity	Wastewater Capital	Southern Wastewater Capital	Recycled	Total	
2020	\$ 928,703	\$ 1,035,039	\$ 505,238	\$ 1,550,686	\$ 879,760	\$ (973)	\$ 27,132	\$ 1,281,191	\$ 1,838,067	\$ -	\$ 349,849	\$ 8,394,691	14.4 %
2019	472,046	845,622	514,352	1,090,152	673,981	21,529	117,625	576,556	2,606,595	-	416,722	7,335,180	(26.8)
2018	476,706	1,033,276	706,267	1,489,247	963,954	26,187	192,041	1,626,074	2,917,838	-	595,620	10,027,210	(31.7)
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	2,776,127	(44.5)

Source: Elsinore Valley Municipal Water District

WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED

Last Ten Fiscal Years

Fiscal Year	Water Produced (AF)	Water Consumed (AF)	Water Unbilled (AF)	Average Percent Unbilled	Wastewater Treated (AF)	Total Direct Rate			
						Water		Sewer ⁽³⁾	
						Base Rate ⁽¹⁾	Usage Rate ⁽²⁾	Base Rate ⁽⁴⁾	Usage Rate ⁽⁴⁾
2020	22,302	20,919	1,383	6.2 %	9,142	\$ 27.65	\$ 3.08	\$ 20.29	\$ 6.93
2019	23,961	22,949	1,012	4.2	8,739	26.27	2.84	20.29	6.93
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	702	3.2	9,082	14.35	2.56	42.00	-

⁽¹⁾ Rate shown is for 3/4" meters. See Water & Sewer Rates Table for additional meter sizes and rates.

⁽²⁾ Outdoor Use Rate, per CCF (748 gallons)

⁽³⁾ Single Family Residential, 4 person household

⁽⁴⁾ Beginning FY2019 the sewer rate changed from a fixed rate structure to a mixed rate structure (fixed & variable). The variable rate is charged per person in the household.

Source: Elsinore Valley Municipal Water District

WATER AND SEWER RATES

Last Ten Fiscal Years

WATER RATES

<u>Fixed Meter Charge:</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
3/4"	\$ 14.35	\$ 14.35	\$ 14.82	\$ 15.78	\$ 16.58	\$ 21.08	\$ 21.27	\$ 23.77	\$ 26.27	\$ 27.65
1"	24.40	24.40	25.19	26.83	28.18	33.06	33.36	37.16	41.29	46.08
1-1/2"	47.36	47.36	48.91	52.09	54.70	63.01	63.58	70.63	78.85	92.17
2"	76.06	76.06	78.55	83.65	87.85	98.95	99.84	110.79	123.91	147.47
3"	143.50	143.50	148.20	157.83	165.76	212.76	214.67	237.96	266.59	294.93
4"	239.65	239.65	247.49	263.58	276.82	380.48	383.90	425.37	476.87	460.83
6"	477.86	477.86	493.51	525.59	551.98	961.51	970.16	1,074.63	1,205.35	921.67
8"	764.86	764.86	789.91	841.26	883.49	1,680.31	1,695.43	1,877.83	2,106.55	1,474.67
<u>Variable Service Charge:</u>										
User Rate (per ccf)	\$ 2.56	\$ 2.56	\$ 2.56	\$ 2.78	\$ 2.85	\$ 2.75	\$ 2.77	\$ 2.78	\$ 2.84	\$ 3.08
Power Zone (per ccf)	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.26	\$ 0.29	\$ 0.29	\$ 0.29	\$ 0.29
<u>SEWER RATES</u>										
Fixed Service Charge	\$ 42.00	\$ 42.00	\$ 42.00	\$ 43.50	\$ 43.50	\$ 43.50	\$ 43.50	\$ 45.87	\$ 20.29	\$ 20.29
Variable (per person)	-	-	-	-	-	-	-	-	6.93	6.93

Source: Elsinore Valley Municipal Water District

TEN LARGEST CUSTOMERS - ELSINORE WATER DIVISION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020 and 2011

Fiscal Year Ended June 30, 2020

Customer Name	Business Type	Annual Water Sales in Acre Feet	Annual Water Revenues	Percentage of District Water Revenues
1. LEUSD	School District	561	\$ 1,114,391	2.18 %
2. City of Lake Elsinore	Government	394	673,292	1.32
3. Farm Mutual Water Company	Water Company	313	470,094	0.92
4. Greer Ranch Community Association	Property Owners Association	231	459,430	0.90
5. Shore Pointe Association	Property Owners Association	165	414,479	0.81
6. Canyon Lake POA	Property Owners Association	183	413,527	0.81
7. City of Murrieta	Government	194	411,332	0.81
8. Tuscany Hills Landscape & Rec Corp	Property Owners Association	221	410,581	0.80
9. Rosetta Canyon Community Assoc	Property Owners Association	150	313,773	0.61
10. The Colony at California Oaks	Property Owners Association	129	237,161	0.46
Total		2,541	\$ 4,918,060	9.62 %

Fiscal Year Ended June 30, 2011

Customer Name	Business Type	Annual Water Sales in Acre Feet	Annual Water Revenues	Percentage of District Water Revenues
1. LEUSD	School District	863	\$ 1,493,523	3.58 %
2. City of Lake Elsinore	Government	356	611,596	1.47
3. Tuscany Hills Homeowner's Association	Property Owners Association	272	436,773	1.05
4. Greer Ranch Community Association	Property Owners Association	224	356,743	0.85
5. Canyon Lake POA	Property Owners Association	174	348,971	0.84
6. Farm Mutual Water Company	Water Company	294	337,595	0.81
7. City of Murrieta	Government	189	322,043	0.77
8. Elsinore Water District	Water Utility	491	286,695	0.69
9. The Colony at California Oaks	Property Owners Association	168	283,266	0.68
10. Rosetta Canyon Community Assoc	Property Owners Association	155	245,869	0.59
Total		3,186	\$ 4,723,074	11.33 %

Source: Elsinore Valley Municipal Water District

TEN LARGEST CUSTOMERS - TEMESCAL WATER DIVISION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020 and 2011

Fiscal Year Ended June 30, 2020

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	24	\$ 40,212	0.08 %
2. Glen Ivy RVPOA	Property Owners Association	39	31,285	0.06
Butterfield Estates Homeowners				
3. Association	Property Owners Association	25	29,047	0.06
4. Bledsoe Construction	Business	8	8,361	0.02
5. Werner Corp	Sand & Gravel Mfg.	3	7,653	0.01
6. Glen Ivy Village Inc	Property Owners Association	8	6,887	0.01
7. Resident	Residence	3	4,364	0.01
8. Daylight Recovery Services	Business	2	4,313	0.01
9. Resident	Residence	3	3,708	0.01
10. Resident	Residence	2	3,689	0.01
Total		117	\$ 139,519	0.28 %

Fiscal Year Ended June 30, 2011

Customer Name	Business Type	Annual Water Sales in Acre Feet	Annual Water Revenues	Percentage of District Water Revenues
1. LWL Investments Group, LLC	Golf Course	709	\$ 575,708	1.38%
2. Werner Corporation	Sand & Gravel Mfg.	187	154,689	0.37
3. Cemex USA	Sand & Gravel Mfg.	161	139,282	0.33
4. Western Waste Industries	Landfill	104	87,712	0.21
5. Glen Ivy RVPOA	Property Owners Association	37	71,174	0.17
6. WSR /Butterfield	Property Owners Association	24	52,677	0.13
California Meadows Home Owners				
7. Association	Property Owners Association	16	37,195	0.09
8. Tom's Farm	Produce Retailer	26	34,578	0.08
9. Kenneth Holt	Agriculture	41	34,305	0.08
10. Corona Clay Company	Structural Clay Product Mfg.	28	26,508	0.06
Total		1,333	\$ 1,213,828	2.90%

Source: Elsinore Valley Municipal Water District

TEN LARGEST CUSTOMERS - WASTEWATER DIVISION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020 and 2011

Fiscal Year Ended June 30, 2020

Customer Name	Business Type	Annual Wastewater Revenues	Percentage of District Wastewater Revenues
1. Cottonwood Canyon Hills HOA	Property Owner Association	\$ 289,185	1.12 %
2. LEUSD	School District	249,337	0.97
3. City of Lake Elsinore	Government	241,912	0.94
4. Canyon Lake POA	Property Owners Association	226,666	0.88
5. Links at Summerly	Golf Course	153,291	0.60
6. Horsethief Canyon Ranch Maint. Corp.	Property Owners Association	110,215	0.43
7. Amanda Park Partners	Apartment Complex	99,113	0.39
8. Lake Elsinore Casino	Casino	88,639	0.34
9. Summerly Community Association	Property Owner Association	80,095	0.31
10. Gleiberman Properties	Apartment Complex	72,286	0.28
Total		\$ 1,610,739	6.26 %

Fiscal Year Ended June 30, 2011

Customer Name	Business Type	Annual Wastewater Revenues	Percentage of District Wastewater Revenues
1. LEUSD	School District	\$ 196,020	0.82 %
2. Amanda Park Partners	Apartment Complex	175,532	0.73
3. Cottonwood Canyon Hills HOA	Property Owner Association	165,106	0.69
4. Santa Rosa Apartments	Apartment Complex	126,781	0.53
5. Pardee Homes	Developer	126,133	0.53
6. Wildomar Senior Partners	Apartment Complex	90,078	0.38
7. Brookview Terrace HOA	Property Owner Association	83,442	0.35
8. Inland Valley Medical Center	Regional Hospital	74,538	0.31
9. Harbor Grand Apartments	Apartment Complex	74,269	0.31
10. River's Edge Apartment Broadstone	Apartment Complex	72,335	0.30
Total		\$ 1,184,234	4.95 %

Source: Elsinore Valley Municipal Water District

WATER RATE COMPARISON FOR 20 CCF PER MONTH

As of June 30, 2020

	\$30	\$40	\$50	\$60	\$70	\$80	\$90	\$100+
City of Escondido								198.89
City of San Diego								161.73
Rainbow Municipal Water District								154.60
Western Municipal Water District (March East)								150.65
Valley Center Municipal Water District								147.61
Western Municipal Water District (Murrieta)								112.84
Farm Mutual Water Company								106.97
Western Municipal Water District (Rainbow)							98.73	
Western Municipal Water District (Riverside)							95.59	
Elsinore Valley Municipal Water District							88.84	
Temescal Valley Water District								83.50
Rancho California Water District (Santa Rosa Division)								82.00
City of Riverside (Outside City Limits)						74.76		
City of Corona						70.58		
Eastern Municipal Water District					66.62			
Eastern Municipal Water District (San Jacinto)				54.22				
Rancho California Water District (Rancho Division)		49.34						
City of Riverside (Inside City Limits)		45.28						

CCF = Hundred Cubic Feet

1 CCF = 748 Gallons

20 CCF = 14,960 Gallons

20 CCF = Approximately 500 Gallons per Day

Includes power zone 2 charge

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

Source: Elsinore Valley Municipal Water District



MONTHLY WASTEWATER SERVICE CHARGE COMPARISON

As of June 30, 2020

	\$20	\$30	\$40	\$50	\$60	\$70	\$80
City of Escondido						73.25	
Western Municipal Water District (Riverside, Perris, Cajalco)						71.03	
Valley Center Municipal Water District				56.45			
Rainbow Municipal Water District				55.07			
Elsinore Valley Municipal Water District(1)			48.01				
City of San Diego			47.71				
City of Corona			45.60				
Rancho California Water District			44.00				
Western Municipal Water District (treated by EMWD)			43.38				
City of Riverside			42.96				
Western Municipal Water District (treated by RCWD)			42.58				
Lee Lake Water District		38.57					
Eastern Municipal Water District (Perris Valley)		38.10					
Eastern Municipal Water District (Temecula Valley)		33.00					
Farm Mutual Water Company		32.00					
Eastern Municipal Water District (Sun City)	29.10						
Eastern Municipal Water District (San Jacinto)	27.90						

⁽¹⁾ Does Not Include Capital Surcharge

⁽²⁾ Based on a 4 person household

Source: Elsinore Valley Municipal Water District

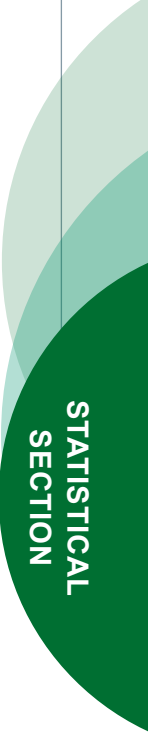
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Secured				Unsecured			
	Taxes Levied	Taxes Collected	Delinquency		Taxes Levied	Taxes Collected	Delinquency	
			Amount	Percent			Amount	Percent
2020	\$ 6,857,146	\$ 6,557,229	\$ 299,917	4.4%	\$ 339,870	\$ 275,341	\$ 64,529	19.0 %
2019	6,370,831	6,322,771	48,060	0.8	276,247	277,612	(1,365)	(0.5)
2018	6,036,883	5,932,781	104,102	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

Source: County of Riverside
Elsinore Valley Municipal Water District

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

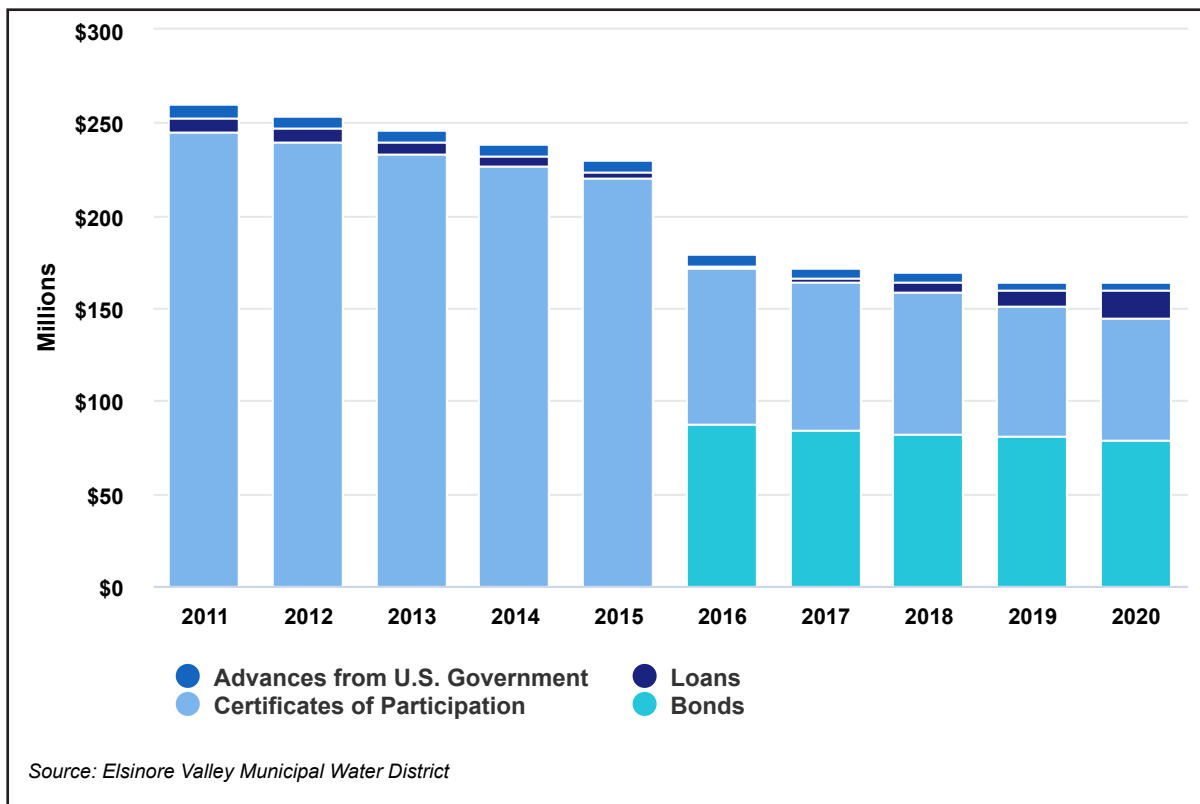


OUTSTANDING DEBT PER CUSTOMER BY TYPE

Last Ten Fiscal Years

Fiscal Year	Bonds	Certificates of Participation	Loans	Advances from U.S. Government	Total	Per Customer*
2020	\$ 78,843,587	\$ 66,134,700	\$ 15,214,744	\$ 4,251,202	\$ 164,444,233	2,012
2019	80,705,986	70,893,330	8,095,070	4,637,675	164,332,061	2,012
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	178,788,808	2,296
2015	-	219,687,192	3,684,401	6,183,567	229,555,160	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

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



COMPUTATION OF DEBT COVERAGE RATIOS

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES:										
Water Revenues	\$39,981,819	\$41,552,294	\$45,076,540	\$48,018,729	\$44,456,826	\$46,387,145	\$44,164,018	\$49,193,038	\$48,111,048	\$51,092,053
Sewer Revenues	20,228,555	20,399,307	21,379,577	22,831,226	23,368,664	21,961,717	22,261,812	24,046,130	25,332,984	25,723,353
Recycled Water Revenues	-	-	-	-	-	939,750	1,036,047	1,146,853	1,043,280	1,353,922
Property Taxes - General Purpose	5,452,808	4,734,507	5,299,387	5,240,713	5,815,315	5,890,345	6,225,970	6,508,824	6,867,032	7,080,598
Property Taxes - Redevelopment	1,417,964	1,817,164	1,761,239	1,868,517	1,972,079	2,186,033	2,415,096	2,644,790	2,915,254	3,221,072
Property Taxes - Temescal Valley Project	742,375	707,648	495,822	504,533	451,752	433,830	492,364	482,155	508,160	526,009
Standby Charges	"	788,119	884,932	964,603	913,699	680,793	595,492	617,948	636,398	758,323
Capacity Fees	2,776,126	7,061,387	9,164,310	6,741,455	6,433,375	10,061,797	14,682,746	10,027,211	7,335,180	8,394,691
Investment Income	2,775,959	2,005,609	563,761	1,626,111	1,610,326	2,453,021	126,852	934,561	8,106,997	8,317,596
Grants	2,295,041	-	7,000	112,299	286,910	817,868	6,906,333	3,090,355	25,315	5,364,290
Lease Income	1,241,053	1,326,196	1,417,622	1,455,795	1,445,901	1,453,542	1,520,603	1,433,523	1,385,928	1,530,985
Return of Principal	52,673	52,674	54,614	56,619	58,685	-	-	-	-	-
Transfer From (To) Rate										
Stabilization Fund	718,286	2,191,658	1,181,240	(3,306,178)	906,149	(42,352) ⁽²⁾	4,333,915 ⁽²⁾	(10,812,292) ⁽⁴⁾	4,256,563	(83,018)
Other	1,476,569	989,562	1,465,076	1,526,852	1,417,250	1,019,731	(1,156,661)	8,096,263	2,709,678	1,569,525
Total Gross Revenues	80,027,098	83,626,125	88,751,120	87,641,274	89,136,931	94,243,220	103,604,587	97,409,359	109,233,817	114,849,399
MAINTENANCE AND OPERATION COSTS:										
Water Purchases	12,776,304	15,401,145	18,352,085	17,892,769	16,306,497	15,452,140	16,266,623	18,036,267	20,646,287	18,427,794
Water Operations	14,323,357	13,667,701	14,559,163	14,517,118	14,660,805	15,165,860	16,047,064	14,756,060	15,425,962	17,345,188
Sewer Operations	10,942,166	11,674,513	12,294,717	12,829,515	13,460,542	11,876,091	11,250,489	10,123,413	11,221,102	11,362,953
Recycled Water Operations	-	-	-	-	-	1,340,151	976,330	948,191	946,532	1,002,544
General and Administrative	10,185,825	8,909,361	9,005,299	9,102,775	10,675,786	10,246,633	10,561,347	14,268,344	14,263,892	16,552,478
Maintenance & Operation Obligations	2,386,944	386,473	386,473	386,473	386,473	386,473	386,473	386,473	386,473	386,473
Other	1,883,655	1,940,572	2,900,086	2,341,024	1,904,771	2,136,442	1,536,746	2,733,523	1,754,127	1,263,975
Total Maintenance and Operations Costs	52,498,251	51,979,765	57,497,823	57,069,674	57,394,874	56,603,790	57,025,072	61,252,271	64,644,375	66,341,405
Net Revenue	27,528,847	31,646,360	31,253,297	30,571,600	31,742,057	37,639,430	46,579,515	36,157,088	44,589,442	48,507,994

COMPUTATION OF DEBT COVERAGE RATIOS (Continued)

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OBLIGATIONS EXPENDITURES:										
Principal	\$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	\$7,966,348	\$8,759,998
Interest	8,771,546	8,287,228	8,030,063	7,687,073	7,379,384	6,561,178	3,552,038	3,624,583	3,534,683	3,205,827
Total Obligation Expenditures	14,765,094	14,117,025	15,383,428	15,414,478	15,417,708	14,329,822	9,813,354	11,025,300	11,501,031	11,965,825
NET REVENUE AFTER OBLIGATION EXPENDITURES	<u>12,763,753</u>	<u>17,529,335</u>	<u>15,869,869</u>	<u>15,157,122</u>	<u>16,324,349</u>	<u>23,309,608</u>	<u>36,766,161</u>	<u>25,131,788</u>	<u>31,653,396</u>	<u>36,542,169</u>
DEBT SERVICE COVERAGE RATIO	<u>186%</u>	<u>224%</u>	<u>203%</u>	<u>198%</u>	<u>206%</u>	<u>263%</u>	<u>475%</u>	<u>328%</u>	<u>345%</u>	<u>405%</u>
ALTERNATIVE DEBT SERVICE COVERAGE RATIO (1)	<u>152%</u>	<u>174%</u>	<u>144%</u>	<u>154%</u>	<u>162%</u>	<u>187%</u>	<u>255%</u>	<u>209%</u>	<u>288%</u>	<u>290%</u>

Allow for rounding differences

⁽¹⁾ Excludes capacity fees, and grants

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

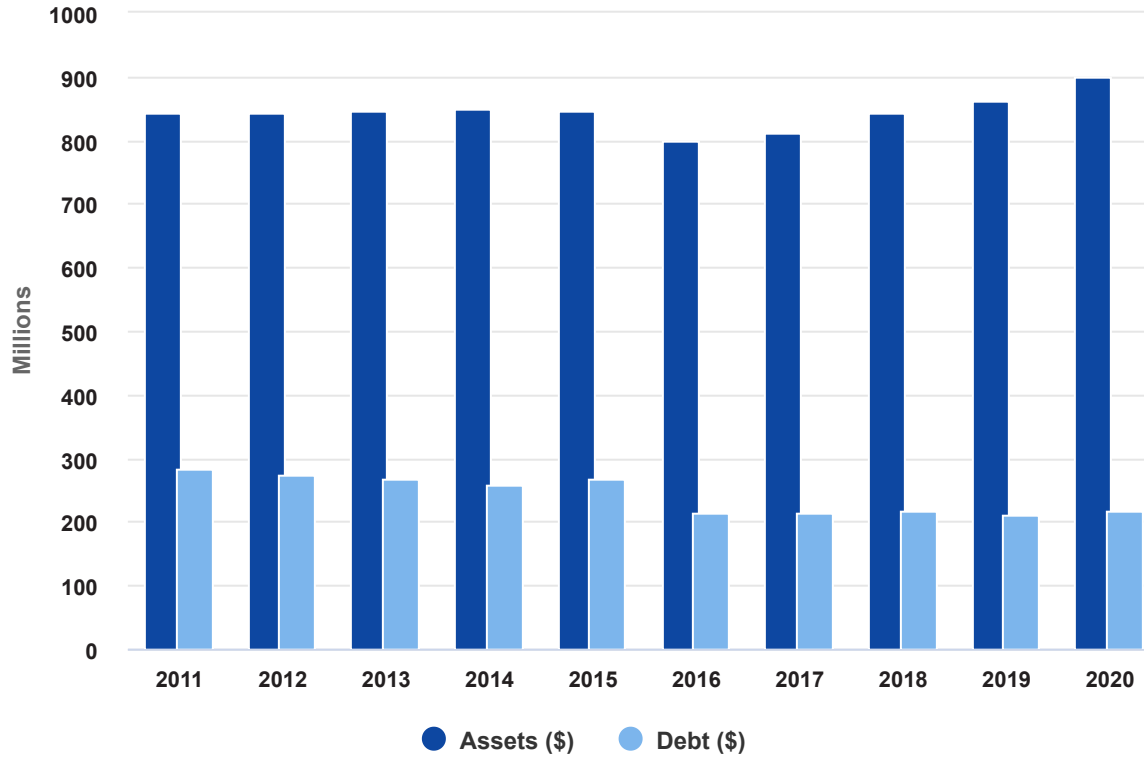
⁽³⁾ Excludes early prepayment on loans and COPs

⁽⁴⁾ FY 2018 Transfers from (to) Rate stabilization was updated to include the net transfers (in)/from the Sta Rosa (RCWD) Capital

Source: Elsinore Valley Municipal Water District

TOTAL DEBT TO ASSETS RATIO

Last Ten Fiscal Years



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets (\$)	\$ 843	\$ 842	\$ 846	\$ 848	\$ 846	\$ 797	\$ 813	\$ 844	\$ 862	\$ 900
Debt (\$)	\$ 285	\$ 272	\$ 266	\$ 259	\$ 268	\$ 215	\$ 213	\$ 217	\$ 210	\$ 218
Debt as % of Assets	33.8%	32.3%	31.4%	30.5%	31.7%	27.0%	26.2%	25.7%	24.4%	24.2%

⁽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



STATISTICAL SECTION

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
2020	63,453	0.8 %	11,000	(2.5)%	19,510	(0.1)%	37,183	3.1 %	26,508	(1.3)%	157,654	0.6%
2019	62,949	(0.7)	11,285	2.4	19,529	(0.1)	36,066	(0.6)	26,863	5.2	156,692	0.6
2018	63,365	2.1	11,018	1.2	19,546	0.0	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

⁽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

ECONOMIC STATISTICS

Last Ten Calendar Years

Year	Personal Income (1)	Per Capita Personal Income (2)	Riverside County Unemployment Rate (3)
2020	\$ 7,991,418	\$ 50,690	15.1%
2019	7,691,697	49,088	3.5
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

⁽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 2019

⁽³⁾ Bureau of Labor Statistics, Department of Labor

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

TEN LARGEST PRINCIPAL EMPLOYERS IN RIVERSIDE COUNTY

FISCAL YEAR ENDED JUNE 30, 2020 and 2011

Employer	2011 ⁽¹⁾			2020 ⁽²⁾		
	Rank	Employees	% of Total Labor Force	Rank	Employees	% of Total Labor Force
County of Riverside	1	18,000	1.9%	1	21,672	2.0%
Amazon				2	10,500	1.0
University of California, Riverside	4	4,907	0.5	3	9,770	0.9
March Air Reserve Base	2	8,525	0.9	4	9,600	0.9
Stater Bros. Markets	3	6,902	0.7	5	8,304	0.8
Kaiser Permanente Riverside Medical Center	8	3,500	0.4	6	5,700	0.5
Pechanga Resort & Casino	6	4,000	0.4	7	5,078	0.5
Walmart				8	4,931	0.4
Corona-Norco Unified School District	5	4,400	0.5	9	4,903	0.4
Ross Dress for Less				10	4,321	0.4
Riverside Unified School District	7	3,900	0.4			
Riverside Community College	9	3,141	0.3			
Abbot Vascular (Formerly Guidant Corporation)	10	3,000	0.3			
Total		60,275	4.4%		84,779	5.8%

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

MISCELLANEOUS STATISTICS - ELSINORE WATER DIVISION

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>WATER PRODUCTION SOURCES (AF)</u>										
Wells (Ground Storage)	1,715	2,973	3,437	5,521	6,440	4,384	3,861	2,747	2,593	4,670
Back Basin Water Treatment Plant	1,201	661	1,851	2,931	2,060	1,803	413	-	1,086	425
Canyon Lake Water Treatment Plant	3,659	2,252	27	948	2,510	435	2,460	1,215	922	1,503
MWD (Purchased Water) (1)	17,173	17,929	19,800	16,821	12,699	13,572	15,218	19,198	16,991	15,703
TOTAL WATER PRODUCTION	23,748	23,815	25,115	26,221	23,709	20,194	21,952	23,160	21,592	22,301
WATER SALES & USES (AF)	23,046	23,292	24,596	25,434	22,891	19,291	20,278	22,500	20,574	20,919
% OF UNACCOUNTABLE WATER	3.0%	2.2%	2.1%	3.0%	3.5%	4.5%	7.6%	2.8%	4.7%	6.2%
CANYON LAKE WATER PURCHASES (AF)	1,841	-	-	-	-	-	-	-	1,800	-
RECYCLED WATER SALES (AF)	484	669	531	595	747	690	864	872	918	1,193
CONJUNCTIVE USE PROGRAM (AF)	(2,571)	(3,038)	(2,285)	1,990	5,051	1,068	-	(4,370)	(417)	(1,025)
PEAK DAILY PRODUCTION (MG)	29.7	45.3	45.7	38.1	41.2	29.4	56.3	47.0	46.8	52.4
AVERAGE DAILY PRODUCTION (MG)	21.20	20.70	22.40	23.00	20.80	17.70	19.20	20.30	18.90	19.20
TOTAL DAILY PRODUCTION CAPACITY (MG)	60.20	60.20	60.20	61.70	63.60	63.60	63.60	63.60	63.60	60.10
STORAGE CAPACITY (MG)	89.20	91.90	91.90	91.90	89.60	90.10	90.10	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	75	75	74	69	70	70	70	70	70
MILES OF PIPE IN SERVICE	665	697	697	700	703	703	725	731	735	730
ACTIVE BOOSTER STATIONS	48	54	54	52	50	51	54	53	53	53
ACTIVE WATER PRODUCTION WELLS	10	10	10	10	10	10	10	10	12	12
WATER METERS	38,510	40,527	41,250	41,858	42,393	42,957	43,858	44,558	44,892	45,100
RECYCLED WATER METERS	68	73	78	83	83	114	116	115	115	140
POPULATION SERVED (2)	129,122	130,423	139,332	142,300	146,752	148,533	151,203	153,453	154,402	155,331
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	169	167	168	163	164	164	164	169	169	171

⁽¹⁾ Does not include purchases for Canyon Lake

⁽²⁾ Data restated from 2009 forward to account for a revised estimate calculation

AF = Acre Feet

MG = Million Gallons

Source: Elsinore Valley Municipal Water District

MISCELLANEOUS STATISTICS - TEMESCAL WATER DIVISION

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016 ⁽³⁾	2017	2018	2019	2020
WATER PRODUCTION SOURCES (AF)										
Wells (Ground Storage)	1,056	1,085	2,159	2,757	1,956	306	548	500	214	1,352
Lee Lake (Surface Water)	298	704	-	-	-	-	-	-	-	-
Other	342	-	-	-	-	-	-	-	-	-
Imported - MWD	-	-	-	-	-	46	12	71	350	-
TOTAL WATER PRODUCTION (AF)	1,696	1,789	2,159	2,757	1,956	352	560	571	564	1,352
PALM AVENUE PRODUCTION (AF)	-	8	-	-	708	1	521	958	883	363
WATER SALES & USES (AF)	1,695	1,551	1,785	2,158	1,936	327	541	542	515	1,401
% of UNACCOUNTABLE WATER (1)	0.0%	13.3%	17.3%	21.7%	1.0%	7.1%	3.4%	5.1%	8.7%	-3.6%
PEAK DAILY PRODUCTION(MG) (2)	8.1	13.4	6.9	3.9	7.4	4.6	14.4	4.7	7.5	4.9
AVERAGE DAILY PRODUCTION (MG)	1.9	1.4	1.2	1.9	2.3	0.3	1.0	0.5	1.1	1.2
TOTAL DAILY PRODUCTION CAPACITY (MGD)	7.4	7.4	7.4	8.6	2.2	2.2	2.2	2.2	2.0	2.2
STORAGE CAPACITY (MG)	0.4	0.4	0.4	0.4	0.4	0.3	0.3	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	2	2	2	2
MILES OF PIPE IN SERVICE	65	65	65	66	50	50	12	12	12	12
ACTIVE BOOSTER STATIONS	3	3	2	4	3	3	2	2	2	2
ACTIVE WATER PRODUCTION WELLS	13	13	13	13	11	11	2	2	2	2
ACTIVE WATER BASINS	6	6	6	6	6	6	6	6	6	6
WATER METERS	771	760	753	751	751	722	760	770	770	770
POPULATION SERVED	2,805	2,492	2,228	2,251	2,307	2,303	2,303	2,290	2,290	2,323
NON POTABLE ACREAGE SERVED	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) 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

MISCELLANEOUS STATISTICS - WASTEWATER DIVISIONS

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Wastewater Services</u>										
Regional	20,671	21,133	21,891	22,387	22,899	23,548	24,344	24,907	25,146	25,442
Railroad Canyon ⁽¹⁾	4,490	4,493	4,496	4,513	4,520	4,528	4,537	4,553	4,561	4,568
Southern ⁽²⁾	4,574	4,575	4,577	4,577	4,577	4,577	4,577	4,577	4,577	4,577
Horsethief Canyon	2,054	2,054	2,054	2,054	2,054	2,055	2,052	2,052	2,052	2,051
Total	31,789	32,255	33,018	33,531	34,050	34,708	35,510	36,089	36,336	36,638
<u>Equivalent Dwelling Units</u>										
Regional	29,021	29,626	30,577	31,067	31,586	32,241	33,325	34,607	35,025	35,345
Railroad Canyon ⁽¹⁾	4,898	4,894	4,897	4,913	4,920	4,928	4,937	4,953	4,961	4,968
Southern ⁽²⁾	5,064	5,069	5,086	5,086	5,086	5,086	5,078	5,079	5,079	5,079
Horsethief Canyon	2,097	2,097	2,097	2,097	2,097	2,098	2,052	2,052	2,052	2,051
Total	41,080	41,686	42,657	43,163	43,689	44,353	45,392	46,691	47,117	47,443
<u>Treatment Plant Capacity (MGD) ⁽³⁾</u>										
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	6.064	5.454	5.270	5.443	5.757	5.278	6.023	5.641	5.950	6.167
Railroad Canyon	0.800	0.698	0.702	0.754	0.641	0.569	0.705	0.696	0.696	0.651
Southern ⁽²⁾	0.868	0.820	0.849	0.803	0.754	0.795	0.734	0.768	0.824	0.879
Horsethief Canyon	0.376	0.370	0.368	0.357	0.354	0.337	0.342	0.333	0.331	0.386
Total	8.108	7.342	7.189	7.357	7.506	6.979	7.804	7.438	7.745	8.083

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 facilitated through Santa Rosa Regional Resources Authority

⁽³⁾ All Treatment is Tertiary

Source: Elsinore Valley Municipal Water District



MISCELLANEOUS STATISTICS - WASTEWATER DIVISIONS (Continued)

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<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	7.100	6.263	5.959	6.427	6.427	5.880	7.048	6.478	6.863	7.067
Railroad Canyon	1.180	1.037	0.950	0.875	0.875	0.720	0.842	0.841	0.804	0.793
Horsethief Canyon	0.520	0.475	0.459	0.449	0.449	0.440	0.463	0.412	0.428	0.506
Total	8.800	7.775	7.368	7.751	7.751	7.040	8.353	7.731	8.095	8.366
<u>% of Capacity Used</u>										
Regional	75.8	68.2	65.9	68.0	72.0	66.0	75.3	70.5	74.4	77.1
Railroad Canyon	66.7	58.2	58.5	62.8	53.4	47.4	58.8	58.0	58.0	54.2
Horsethief Canyon	75.1	74.0	73.6	71.4	70.8	67.3	68.4	66.6	66.2	77.2
<u>Miles of Pipe in Service</u>										
Regional	282.6	291.8	291.8	296.8	296.8	300.0	313.3	305.4	306.8	308.2
Railroad Canyon	52.5	48.9	48.9	48.9	48.9	48.9	49.2	46.2	46.2	46.3
Horsethief Canyon	19.0	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.2
Total	354.1	359.4	359.4	364.4	364.4	367.6	381.2	370.3	371.7	372.7
<u>Number of Lift Stations</u>										
Regional	26	26	28	28	28	28	29	29	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	36	36	36	36	37	37	37	37
<u>Recycled Water Production (MG)</u>										
Regional	2,298.0	2,118.6	2,044.4	1,986.6	2,101.3	1,926.6	2,198.3	2,059.0	2,171.7	2,257
Railroad Canyon	271.3	277.6	262.8	275.1	234.1	207.8	257.4	254.0	254.0	238.2
Horsethief Canyon	145.4	136.2	133.1	130.2	129.3	122.9	124.9	121.5	121.2	141.4
Total	2,714.7	2,532.4	2,440.3	2,391.9	2,464.7	2,257.3	2,580.6	2,434.5	2,546.9	2,636.8

Source: Elsinore Valley Municipal Water District

NUMBER OF AUTHORIZED EMPLOYEES BY IDENTIFIABLE ACTIVITY

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Water:</u>										
Administration	6.5	7.5	7.5	6.0	6.0	6.0	6.0	3.0	3.0	3.0
Water Resources Administration	-	-	-	1.0	2.0	2.0	2.0	1.0	1.0	1.0
Water Resources Planning	-	-	-	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Water Quality	11.0	9.0	8.0	5.0	5.0	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	4.0	4.0
Electrical Maintenance	6.0	6.0	6.0	6.0	-	-	-	-	-	-
Field Services	-	8.0	8.0	11.0	11.0	11.0	11.0	8.0	8.0	8.0
Preventive Maintenance	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Construction	11.0	9.0	9.0	9.0	9.0	9.0	9.0	11.0	11.0	11.0
Mechanical Maintenance	7.0	9.0	9.0	9.0	11.0	11.0	11.0	12.0	12.0	12.0
Facilities Maintenance	9.0	8.0	8.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Water Production	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Water Treatment	4.0	-	-	-	-	-	-	-	-	-
<u>Wastewater:</u>										
Administration	1.0	1.0	1.0	2.0	2.0	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	3.0	3.0
Industrial Waste/Pretreatment	3.0	-	-	-	-	-	-	-	-	-
Wastewater Collections	11.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	8.0	8.0
Wastewater Treatment	13.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
<u>Engineering:</u>										
Administration	3.0	4.0	5.0	4.0	4.0	4.0	4.0	3.0	8.0	8.0
Strategic Programs	-	-	-	6.0	2.0	2.0	2.0	2.0	2.0	2.0
Capital Design/Construction & Development Services	10.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0	8.0

Source: Elsinore Valley Municipal Water District

NUMBER OF AUTHORIZED EMPLOYEES BY IDENTIFIABLE ACTIVITY (Continued)

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>General and Administrative:</u>										
Administration	6.0	6.0	6.0	6.0	6.0	6.0	6.0	11.0	5.0	5.0
Legislative & Community Affairs	3.0	3.0	3.0	3.0	5.0	5.0	5.0	-	-	-
Government Relations	-	-	-	-	-	-	-	1.0	1.0	1.0
Human Resources/Safety	4.0	4.0	4.0	3.0	4.0	4.0	4.0	5.0	5.0	5.0
<u>Business Services</u>										
Administration	-	-	-	3.0	1.0	1.0	1.0	2.0	3.0	3.0
Finance & Accounting	12.0	13.0	13.0	11.0	11.0	11.0	11.0	13.0	13.0	13.0
Customer Service	11.0	13.0	13.0	14.0	14.0	14.0	14.0	-	-	-
Community Relations	-	-	-	-	-	-	-	18.0	18.0	18.0
Meter	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	6.0	6.0	9.0	9.0	9.0	10.0	10.0	10.0
Total	168.5	166.5	167.5	163.0	164.0	164.0	164.0	169.0	169.0	171.0

Source: Elsinore Valley Municipal Water District

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
2020	44,108	718	44,826	25,325	4,156	4,575	2,051	36,107	80.5 %
2019	43,853	712	44,565	25,068	4,149	4,575	2,052	35,844	80.4
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

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

Source: Elsinore Valley Municipal Water District

ACTIVE METERS ⁽¹⁾ BY METER SIZE - ENTIRE DISTRICT

Last Ten Fiscal Years

Meter Size	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
3/4"	36,514	38,262	38,968	39,560	40,080	40,650	41,292	42,041	42,293	42,527
1"	1,486	1,707	1,711	1,719	1,727	1,763	2,015	2,035	2,069	2,079
1-1/2"	360	375	376	384	390	399	410	409	426	424
2"	790	814	817	815	816	832	854	837	860	842
3"	49	48	48	48	48	55	58	50	59	51
4"	56	57	57	57	57	73	78	60	78	60
6"	16	14	14	14	14	11	16	15	17	16
8"	8	8	10	10	10	6	9	9	9	9
Other	2	2	2	2	2	2	2	2	2	2
Totals	39,281	41,287	42,003	42,609	43,144	43,791	44,734	45,458	45,813	46,010
Increase (Decrease)	220	2,006 ⁽²⁾	716	606	535	647	943	724	355	197
% Change	0.6	5.1	1.7	1.4	1.3	1.5	2.2	1.6	0.8	0.4

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

SCHEDULE OF IMPORTED WATER COSTS (PER ACRE FOOT)

Last Ten Fiscal Years

Calendar Year	MWD Untreated Rate-Tier 1 ⁽¹⁾	MWD Untreated Rate-Tier 2 ⁽¹⁾	WMWD Admin Surcharge	Total Imported Water Costs Untreated-Tier 1	MWD Treated Surcharge	Total Imported Water Costs Treated-Tier 1	WMWD Pipeline Surcharge ⁽²⁾	EMWD Surcharge ⁽²⁾	% of Rate Increase
2020	755.00	842.00	22.68	777.68	323.00	1,100.68	15.33	11.00	2.7%
2019	731.00	817.00	22.02	753.02	319.00	1,072.02	14.88	11.00	3.4
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

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

⁽²⁾ The District pays either the WMWD Pipeline Surcharge (\$15.33) 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



STATISTICAL SECTION

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DATA SECTION



DISTRICT EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PENSION PLAN)

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Covered Payroll	10,977,158	10,755,416	11,336,235	11,676,322	12,307,222	12,648,098	12,560,469	12,085,954	12,560,391	13,233,158 ⁽³⁾
Employer contributions	1,712,033	1,927,567	2,099,215	2,232,962	2,500,495	2,656,957	2,742,846	2,907,458	3,299,273	3,737,822 ⁽³⁾
Employer contribution rate	15.911%	18.690%	18.460%	19.124%	20.323%	21.019%	21.871%	24.057%	26.267%	28.246%
Employer paid										
employee contributions	289,227	361,987	36,519	10,253	10,465	10,320	10,420	9,875	10,320	10,947
Employer paid										
employee contributions										
rate	2.6%	3.4%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total PERS contribution	2,001,260	2,289,554	2,135,734	2,243,215	2,510,960	2,667,277	2,753,266	2,917,333	3,309,593	3,748,769
Total contributions										
expressed as a										
percentage										
of annual covered										
payroll	18.2%	21.3%	18.8%	19.2%	20.4%	21.1%	21.9%	24.1%	26.3%	28.3%
Funded Ratio	80.9%	80.3%	72.7%	83.4%	80.4%	77.7%	81.4%	78.1%	79.8%	(1)
Actuarial Value of Assets	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⁾	73,332,813 ⁽²⁾	78,321,358 ⁽²⁾	(1)
Actuarial Accrued Liability										
Entry Age	54,553,706	60,276,523	66,098,457	69,051,295 ⁽⁴⁾	74,365,247 ⁽⁴⁾	78,079,621 ⁽⁴⁾	83,206,291 ⁽⁴⁾	93,839,849 ⁽⁴⁾	98,169,288 ⁽⁴⁾	(1)
Unfunded actuarial accrued										
liability	10,406,270	11,876,380	18,016,645	16,792,356	18,299,369	22,529,337	26,103,706	24,836,475	27,124,893	(1)
Unfunded actuarial accrued										
liability as a percent of										
payroll	94.8%	110.4%	158.9%	143.8%	148.7%	178.1%	207.80%	205.50%	215.96%	(1)
Normal cost	11.217%	11.502%	11.559%	12.056%	12.023%	12.417%	12.297%	12.126%	12.203%	12.513%

⁽¹⁾ Information not available

⁽²⁾ Beginning in FY2014, information from CalPer's GASB 68 Accounting Valuation Report, RSI, measurement date of June 30, 2019

⁽³⁾ Information from District Financial Report, as of June 30, 2020

⁽⁴⁾ Beginning in FY2014, information from CalPer's GASB 68 Accounting Valuation Report, RSI, measurement date of June 30, 2019

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

ASSESSED VALUATION OF TAXABLE PROPERTY WITHIN THE DISTRICT

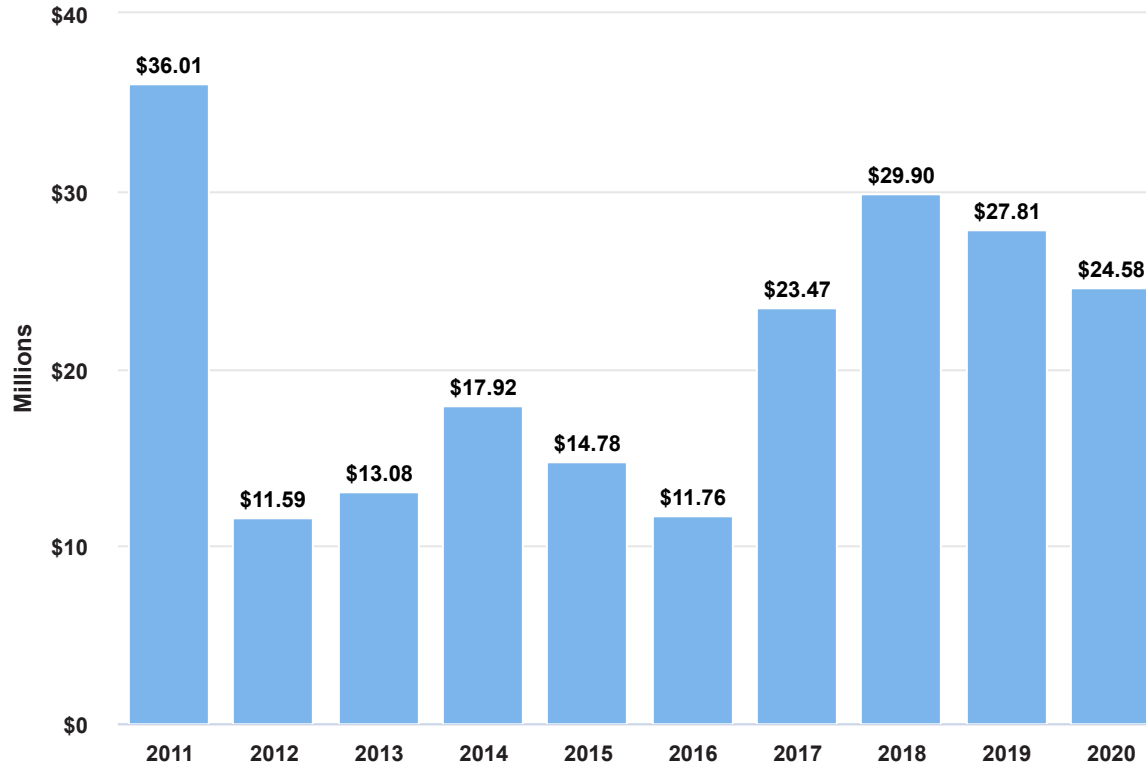
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total	Percent Change
2020	\$ 15,626,610,388	\$ 131,732,321	15,758,342,709	4.5%
2019	14,944,680,499	134,066,120	15,078,746,619	7.2
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)

Source: County of Riverside

CAPITAL EXPENDITURES

Last Ten Fiscal Years





735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

**INDEPENDENT ACCOUNTANT’S REPORT ON
AGREED-UPON PROCEDURES APPLIED TO
APPROPRIATIONS LIMIT WORKSHEETS**

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST

Board of Directors
Elsinore Valley Municipal Water District
Lake Elsinore, California

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Louis Fernandez, CPA
Abigail Hernandez Conde, CPA, MSA
Zoe Xinlu Zhang, CPA, MSA

We have performed the procedures enumerated below to the accompanying Appropriations Limit worksheet of the Elsinore Valley Municipal Water District (the District), for the year ended June 30, 2020. These procedures, which were agreed to by the Elsinore Valley Municipal Water District and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the District in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The District’s management is responsible for the Appropriations Limit worksheet. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

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

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the District Board. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

2. We added last year’s limit to total adjustments and agreed the resulting amount to this year’s limit.

Finding: No exceptions were noted as a result of our procedures.



3. We agreed the current year information presented to the documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by the Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIII-B of the California Constitution*.

This report is intended solely for the information and use of the Board of Directors and management of the Elsinore Valley Municipal Water District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 19, 2020

Elsinore Valley Municipal Water District
 Appropriations Limit Calculation
 June 30, 2020

	<u>2019-2020</u>
Per Capita Personal Income Change	3.85%
Population Change:	
County Population Growth	1.17%
CPI Change Converted to a Ratio	1.0385
Population Change Converted to a Ratio	1.0117
Calculation of Growth Factor	1.0507
2018-2019 Appropriations Limit	<u>\$ 14,068,770</u>
2019-2020 Appropriations Limit (\$14,068,770 x 1.0507)	<u>\$ 14,782,057</u>



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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

PARTNERS

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California Society of
Certified Public Accountants



To the Board of Directors
Elsinore Valley Municipal Water District
Lake Elsinore, California

We have audited the financial statements of Elsinore Valley Municipal District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated November 19, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 20, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital asset depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the unbilled accounts receivable is based on prorating the previous billing. We evaluated the key factors and assumptions used to develop these amounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The estimate of the net pension liability, related deferred inflows and deferred outflows and other pension information is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

The disclosure of accumulated depreciation and depreciation expense in the notes to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure of the net pension liability, related deferred inflows and outflows and other related pension information in the notes is based on actuarial assumptions which will differ from actual amounts in future periods.

The disclosure of the possible effects of the Covid-19 pandemic on the District.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 19, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the schedule of changes in the net pension liability and related ratios and the schedule of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of maturities, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the transmittal letter or the statistical section, which accompany the financial statements, but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP.

November 19, 2020

Board of Directors
Andy Morris, President
Phil Williams, Vice President
Darcy Burke, Treasurer
Harvey R. Ryan, Director
Jared K. McBride, Director



General Manager
Greg Thomas
District Secretary
Terese Quintanar
Legal Counsel
Best Best & Krieger

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

November 19, 2020

EMAIL

Rogers, Anderson, Malody, & Scott, LLP
735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408

SUBJECT: REPRESENTATION LETTER – EVMWD ANNUAL FINANCIALS

This representation letter is provided in connection with your audit of the basic financial statements of the Elsinore Valley Municipal Water District (the District) as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 19, 2020:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 20, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All components of net position are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the District's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans, if needed.
- We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the District's financial statements communicated by employees, former employees, vendors, regulators, or others.


- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements
- We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the District will make a payment on any guarantee, if applicable.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range, if applicable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- With respect to the supplementary information in the financial statements described above:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with any applicable criteria.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the District of the supplementary information and the auditor's report thereon.
 - e. We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
 - f. We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the District of the supplementary information and the auditor's report thereon.
- With respect to the required supplementary information in the financial statements described above:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with any applicable criteria.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Use of a Specialist

We agree with the findings of specialists in evaluating our pension liability and related deferrals and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Signature:  _____

Signature:  _____

Greg Thomas – General Manager

Robert Hartwig CPA, MBA – Assistant General
Manager – Business Services

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

735 E. Carnegie Dr. Suite 100
 San Bernardino, CA 92408
 909 889 0871 T
 909 889 5361 F
 ramscpa.net

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
 AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

PARTNERS

Brenda L. Odle, CPA, MST
 Terry P. Shea, CPA
 Scott W. Manno, CPA, CGMA
 Leena Shanbhag, CPA, MST, CGMA
 Bradferd A. Welebir, CPA, MBA, CGMA
 Jenny W. Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
 Gardenya Duran, CPA
 Brianna Schultz, CPA
 Jingjie Wu, CPA
 Evelyn Morentin-Barcena, CPA
 Veronica Hernandez, CPA
 Tara R. Thorp, CPA, MSA
 Laura Arvizu, CPA
 Louis Fernandez, CPA
 Abigail Hernandez Conde, CPA, MSA
 Zoe Xinlu Zhang, CPA, MSA

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*Governmental Audit
 Quality Center*

*Employee Benefit Plan
 Audit Quality Center*

California Society of
 Certified Public Accountants

To the Board of Directors
 Elsinore Valley Municipal Water District

We have audited, 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, the financial statements of the Elsinore Valley Municipal Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 19, 2020

**FOR THE FISCAL
YEAR ENDED
JUNE 30, 2020**

WESA
Water Employee Services Authority



ANNUAL FINANCIAL REPORT



WATER EMPLOYEE SERVICES AUTHORITY

**A COMPONENT UNIT OF THE
ELSINORE VALLEY MUNICIPAL
WATER DISTRICT**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED June 30, 2020**

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A COMPONENT UNIT OF THE ELSINORE VALLEY MUNICIPAL WATER DISTRICT

For The Fiscal Year Ended June 30, 2020
(With Comparative Amounts For The Fiscal Year Ended June 30, 2019)

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INDEPENDENT AUDITOR'S REPORT

For The Fiscal Year Ended June 30, 2020

WESA
Water Employee Services Authority



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

Independent Auditor's Report

735 E. Carnegie Dr. Suite 100
 San Bernardino, CA 92408
 909 889 0871 T
 909 889 5361 F
 ramscpa.net

To the Board of Directors
 Water Employee Services Authority
 Lake Elsinore, California

PARTNERS

Brenda L. Odle, CPA, MST
 Terry P. Shea, CPA
 Scott W. Manno, CPA, CGMA
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Report on the Financial Statements

We have audited the accompanying financial statements of the Water Employee Services Authority (the Authority), a component unit of the Elsinore Valley Municipal Water District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority'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. 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.

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

STABILITY. ACCURACY. TRUST.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Prior Year Comparative Information*

We have previously audited the Authority's 2019 financial statements, and we expressed an unmodified opinion in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year then ended June 30, 2019, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 10, 2020



BASIC FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

WESA
Water Employee Services Authority

STATEMENT OF NET POSITION
As of June 30, 2020
(With Comparative Amounts as of June 30, 2019)

	<u>JUNE 2020</u>	<u>JUNE 2019</u>
ASSETS:		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 224,323	\$ 1,032,498
Accounts Receivable	-	34,497
Accrued Compensated Absences, current portion (Note 1d & e)	923,079	878,861
Due from Member Agencies:		
Meeks and Daley Water Company	40,897	19,299
Elsinore Valley Municipal Water District (Note 8)	357,143	-
Prepaid Expenses (Note 3)	<u>138,944</u>	<u>130,914</u>
 Total Current Assets	 <u>1,684,386</u>	 <u>2,096,069</u>
Noncurrent Assets		
Due from Elsinore Valley Municipal Water District:		
Pension Receivable (Note 8)	22,720,472	20,435,719
Accrued Compensated Absences (Note 1d & e)	<u>3,498,131</u>	<u>3,381,567</u>
 Total Noncurrent Assets	 <u>26,218,603</u>	 <u>23,817,286</u>
 Total Assets	 <u>27,902,989</u>	 <u>25,913,355</u>
DEFERRED OUTFLOW OF RESOURCES: (Notes 5 & 6)		
Deferred Outflows- Employee Pension Contributions	3,737,822	3,303,806
Deferred Outflows- Expected vs Actual Experience	<u>1,236,081</u>	<u>1,911,909</u>
 Total Deferred Outflows of Resources	 <u>4,973,903</u>	 <u>5,215,715</u>
LIABILITIES:		
Current Liabilities		
Accounts Payable	43,998	29,727
Accrued Expenses	432,601	414,792
Accrued Compensated Absences, current portion (Note 1d & e)	923,079	878,861
Due to Elsinore Valley Municipal Water District Member Agencies (Note 8)	<u>-</u>	<u>487,981</u>
 Total Current Liabilities	 <u>1,399,678</u>	 <u>1,811,361</u>

Allow for rounding differences

The accompanying notes are an integral part of these financial statements

STATEMENT OF NET POSITION
AS OF JUNE 30, 2020
(With Comparative Amounts as of June 30, 2019)

	<u>JUNE 2020</u>	<u>JUNE 2019</u>
Noncurrent Liabilities		
Accrued Compensated Absences (Note 1d & e)	\$ 3,498,131	\$ 3,381,567
Net Pension Liability (Note 6)	<u>27,124,893</u>	<u>24,836,475</u>
Total Noncurrent Liabilities	<u>30,623,024</u>	<u>28,218,042</u>
Total Liabilities	32,022,702	30,029,403
DEFERRED INFLOW OF RESOURCES: (Notes 5 & 6)		
Changes of Assumptions	211,766	447,063
Differences Between Expected and Actual Experience	89,132	367,896
Actual Earnings on Pension Plan Investments	<u>268,584</u>	<u>-</u>
Total Deferred Inflow of Resources	569,482	814,959
NET POSITION:		
Unrestricted	<u>284,708</u>	<u>284,708</u>
Total Net Position	<u>\$ 284,708</u>	<u>\$ 284,708</u>

Allow for rounding differences

The accompanying notes are an integral part of these financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)

	<u>JUNE</u> <u>2020</u>	<u>JUNE</u> <u>2019</u>
OPERATING REVENUES:		
Charges for Services:		
Elsinore Valley Municipal Water District	\$ 27,008,339	\$ 24,531,931
Meeks and Daley Water Company	63,094	37,698
Other Income	8,440	10,274
Total Operating Revenues	<u>27,079,873</u>	<u>24,579,903</u>
OPERATING EXPENSES:		
Salaries	13,234,207	12,511,667
Fringe Benefits	12,728,881	11,087,735
Personnel Related Expenses	124,301	114,044
General Liability & Property Insurance	507,314	355,888
Supplies and Other Expenses	97,854	112,218
Consulting and Professional Fees	93,456	109,156
Repairs and Maintenance	-	15,713
Rent/Lease Expenses	6,384	6,384
Travel Expenses	191,494	243,109
Legal Expenses	31,580	20,576
Miscellaneous Expenses	64,402	3,413
Total Operating Expenses	<u>27,079,873</u>	<u>24,579,903</u>
OPERATING INCOME / (LOSS)	-	-
NET POSITION, BEGINNING OF YEAR	<u>284,708</u>	<u>284,708</u>
NET POSITION, END OF YEAR	<u>\$ 284,708</u>	<u>\$ 284,708</u>

Allow for rounding differences

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)

	<u>JUNE</u> <u>2020</u>	<u>JUNE</u> <u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from member agencies	\$ 23,818,938	\$ 23,233,509
Cash payments to employees for services	(23,617,500)	(22,104,649)
	<u>(1,009,613)</u>	<u>(1,045,985)</u>
Net Cash Provided/(Used) by Operating Activities	(808,175)	82,875
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,032,498</u>	<u>949,623</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 224,323</u>	<u>\$ 1,032,498</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:		
Operating Income/(Loss)	\$ -	\$ -
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:		
Net Pension expense	2,288,418	(1,267,231)
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	51,321	14,999
(Increase)/decrease in due from member agencies:		
Elsinore Valley Municipal Water District	(3,290,658)	(1,346,972)
Meeks and Daley Water Company	(21,598)	(14,421)
(Increase)/decrease in prepaid expenses	(8,031)	(104,569)
Increase/(decrease) in accounts payable	(2,554)	(82,092)
Increase/(decrease) in accrued expenses	17,810	(165,304)
Increase/(decrease) in accrued compensated absences payable	160,782	405,326
(Increase)/decrease in deferred outflow of resources	241,811	2,275,798
Increase/(decrease) in deferred inflow of resources	<u>(245,477)</u>	<u>367,342</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>\$ (808,175)</u>	<u>\$ 82,876</u>

Allow for rounding differences

The accompanying notes are an integral part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

WESA
Water Employee Services Authority

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Water Employee Services Authority (WESA), a Joint Powers Authority (JPA), was formed in August 2003 through an agreement with Elsinore Valley Municipal Water District (EVMWD) and Meeks & Daley Water Company (Meeks and Daley). The JPA agreement provides WESA the powers and functions of a municipal water district; and is an independent entity separate and apart from its members, with separate agreements and employees.

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. EVMWD is the primary government unit. Although legally separate, WESA is so intertwined with EVMWD that it is in substance, part of EVMWD's operations. Accordingly, the balances and transactions of the component units are reported within the accounts of EVMWD. 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. WESA is a blended component unit of EVMWD. WESA's Board of Directors is composed of EVMWD's Board of Directors and WESA provides services almost entirely to EVMWD.

In September 2003, EVMWD and Meeks & Daley approved an Operating Agreement with WESA for the purpose of providing professional water and wastewater employee services.

- a. Basis of Accounting – WESA operates and reports as an enterprise fund utilizing the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred. An enterprise fund is accounted for on the flow of 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.

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

- b. Use of Estimates – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.
- c. Cash and Cash Equivalents – For the purpose of the statement of cash flows, all cash and investments have been classified as cash and cash equivalents.
- d. Due from (to) Member Agencies – WESA and EVMWD are considered related parties. Thus, transactions between the two are recorded as Due from (to) member agencies. Due from EVMWD means EVMWD owes WESA while Due to EVMWD means WESA owes EVMWD. As a blended entity, the Due from (to) accounts have a zero effect on the consolidated financial statements.

Under the terms of WESA's agreement with member agencies, WESA charges the member agencies for administrative costs provided such as labor, fringe benefits, and other personnel related operating costs. The Operating Agreement issued in September 2003 and the First Amended Operating Agreement of November 2007 provide that the billings of WESA are to be based on the costs incurred for the administrative services provided. As a result, revenues earned under the Operating Agreement are equal to the amount of the administrative service costs that have been incurred by WESA. Revenues have been accrued to equal the amount of labor, fringe benefits, and other personnel related operating expenses incurred. Amounts shown as due from member agencies are the result of such intercompany billings.

- e. Compensated Absences – WESA records accrued receivables related to compensated absences to be received from its member agencies. The current portion is part of the due from member agencies and the long-term portion is a non-current asset. The Authority also records accrued compensated absences due to its employees. The accumulated liabilities for unpaid vacation for \$996,797, sick pay for \$1,999,451, employee savings clause for \$1,384,968, and combined floating holiday and compensated time-off for \$39,994 are accrued when incurred. Total accrued compensated absences are \$4,421,210 at June 30, 2020, of which \$923,079 is current and \$3,498,131 is noncurrent.
- f. Comparative Data & Reclassifications – Comparative data for the prior year have been presented in certain sections of the accompanying financial statements to provide an understanding of changes in WESA's financial position and operations.

- g. Net Position – WESA classifies net position in the financial statements as follows:

Unrestricted Net Position typically includes unrestricted liquid assets.

Net position flow assumption - Sometimes WESA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are applied. It is WESA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

- h. Implementation of New Pronouncement - The Governmental Accounting Standards Board has issued the following Statements, which may affect the District's financial reporting in the future.

Implementation Guide No. 2019-1, "*Implementation Guidance Update -2019.*" The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide will take effect for financial statements starting with the fiscal year that ends June 30, 2020.

- 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 will take effect for financial statements with the fiscal year that ends June 30, 2021.

Implementation Guide No. 2019-2, "*Fiduciary Activities*". The objective of this Guide is to provide guidance that clarifies, or elaborates on the requirements of Statement No. 84, Fiduciary Activities. The requirements of this Implementation Guide will take effect for financial statements with the fiscal year that ends December 31, 2020.

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 will take effect for financial statements with the fiscal year that ends June 30, 2022.

Implementation Guide No. 2019-3, "*Leases*." The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 87, Leases. The requirements of this Implementation Guide will take effect for financial statements with the fiscal year that ends June 30, 2022.

GASB Statement No.89, "*Accounting for Interest Cost Incurred before the end of a Construction Period*". The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for certain interest costs. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2022.

GASB Statement No. 90, "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*". The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2021.

GASB Statement No.91, “*Conduit Debt Obligations.*” The objective of this statement is to better meet the information needs of the financial statement users by enhancing the comparability and consistency of the conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. This Statement also is intended to improve the relevance, reliability, and understandability of information about conduit debt obligations, as well as related transactions and events. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2023.

GASB Statement No.92, “*Omnibus 2020.*” The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2022.

GASB Statement No.93, “*Replacement of Interbank Offered Rates.*” The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No.94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*” The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No.95, “*Postponement of the Effective Dates of Certain Authoritative Guidance.*” The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2020, and later.

GASB Statement No.96, “*Subscription-Based Information Technology Arrangements.*” The purpose of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No.97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*” The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 30, 2022.

- j. Reclassifications – There were no reclassifications made this fiscal year.

2. CASH & CASH EQUIVALENTS:

Cash and cash equivalents is \$224,323 for June 30, 2020. All amounts are held in a financial institution. Cash and cash equivalents are strictly funded by EVMWD and Meeks & Daley Water Company for the repayment of the operating expenses incurred for the professional water and wastewater services.

The California Government Code and WESA'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 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 WESA 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, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. GASB Statement No. 40 requires disclosure if deposits into a financial institution are not covered by FDIC depository insurance and are uncollateralized.

As of June 30, 2020, the carrying amount of WESA's deposits was \$230,131 and the corresponding bank balance was \$668,107. The difference of \$437,976 was primarily due to outstanding checks, wires, and deposits in transit. Of the bank balance, \$250,000 was insured by the FDIC depository insurance, the remaining amount is fully collateralized as described above.

3. PREPAID EXPENSES:

The prepaid expense balance is \$138,944 for June 30, 2020 and represents advances for prepaid travel expenses and general liability insurance related to WESA employees.

4. 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 no longer eligible to the employee savings clause benefits. 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. Effective January 1, 2018, 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 \$1,384,968 and \$1,492,553 as of June 30, 2020 and June 30, 2019, respectively.

5. DEFERRED OUTFLOW AND DEFERRED INFLOW OF RESOURCES:

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

As of June 30, 2020, WESA reported a balance of \$4,973,903 in deferred outflow of resources; \$3,737,822 is the amount of the current year's employer pension contribution. \$1,236,081 represents the net difference between projected and actual experience on pension plan investments.

As of June 30, 2020, WESA reported a balance of \$569,482 in deferred inflow of resources; \$211,766 is the amount from change of assumptions, \$89,132 the net difference between expected and actual experience, and \$268,584 net difference between projected and actual earnings on pension plan investments.

6. WESA EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PENSION PLAN):

Overview

Governmental Accounting Standards Board (GASB) Statement No.68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (GASB 68), requires public employers to comply with new accounting and financial reporting standards. GASB 68 outlines a different approach to the recognition and calculation of pension obligations. Under GASB 68, employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. This may be a net pension asset when the Plan's fiduciary net position exceeds its total pension liability.

Pension expense is the change in net pension liability from the previous reporting period to the current reporting period less adjustments. This may be a negative expense (pension income), which should be reported as a credit in pension expense.

Deferred outflows of resources and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expenses.

Summary of Significant Accounting Policies

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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

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, 2018, 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 or 52 depending on the plan, 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 Plans' provisions and benefits in effect at June 30, 2020, 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 Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
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	12.51%	12.51%	12.51%
Employer Payment of Unfunded Liability	15.31%	15.31%	15.31%

Employees Covered

At June 30, 2020, the following employees were covered by the benefit terms:

	Miscellaneous
Active employees	155
Transferred members	151
Terminated members	108
Retired members and beneficiaries	153
Total	567

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 person plan terms as plan member contribution requirements are classified as plan member contributions.

Employer Contributions to the Plan for the fiscal year ended June 30, 2020, were \$3,737,822.

Net Pension Liability

The Authority'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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 valuation was rolled forward to determine the June 30, 2019 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
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter
Post Retirement Benefit Increase	

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

Long-term Expected Rate of Return

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 expense and inflation) are developed for each major asset class.

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

The Expected real rates of return by asset are as follows:

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1-10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.0	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.0	6.3	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	-	-0.92

⁽¹⁾ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.0% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

Change in Assumption

There were no assumption changes.

Discount Rate

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

Asset Allocation

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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (c) = (a) - (b)
Balance at: 6/30/2018	\$98,169,288	\$73,332,813	\$24,836,475
Beginning of Year Adjustment	-	-	-
Adjusted Balance at: June 30, 2018	98,169,288	73,332,813	24,836,475
Changes Recognized for the Measurement Period:			
Service Cost	2,504,040	-	2,504,040
Interest on the Total Pension liability	7,087,735	-	7,087,735
Differences between Expected and Actual Experience	1,730,513	-	1,730,513
Contributions- employer	-	3,299,273	(3,299,273)
Contributions- employee	-	1,016,843	(1,016,843)
Net Investment Income	-	4,769,917	(4,769,917)
Benefit Payments, including Refunds of Employee Contributions	(4,045,325)	(4,045,325)	-
Administrative Expense	-	(52,332)	52,332
Other Miscellaneous Income/(Expense)	-	169	(169)
Net Changes during 2018-2019	\$7,276,963	\$4,988,545	\$2,288,418
Balance at: 6/30/2019	\$105,446,251	\$78,321,358	\$27,124,893

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)	\$42,306,747	\$27,124,893	\$14,697,561

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, 2019 measurement is 3.5 years, which was obtained by dividing the total service years of 1,681 (the sum of remaining service lifetimes of the active employees) by 484 (the total number of participants: active, transferred, terminated 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.

Pension Expense/(Income) for Measurement Period ended June 30, 2019

As of the start of the measurement period (July 1, 2018), the net pension liability was \$24,836,475.

For the measurement period ending June 30, 2019 (the measurement date), the Authority incurred a pension expense/(income) of \$6,018,042 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,504,040
Interest on the Total Pension Liability	7,087,735
Recognized Changes of Assumptions	1,509,823
Recognized Differences between Expected and Actual Experience	215,668
Employee Contributions	(1,016,843)
Projected Earnings on Pension Plan Investments	(5,244,302)
Recognized Differences between Projected and Actual Earnings on Plan Investments	909,758
Administrative Expense	52,332
Other Miscellaneous Income/(Expense)	(169)
Total Pension Expense/(Income)	\$ 6,018,042

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 the June 30, 2019 measurement date. 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	\$ 3,737,822	\$ -
Changes in Assumptions	-	(211,766)
Differences between Expected and Actual Experience	1,236,081	(89,132)
Net Difference between Projected and Actual Earnings on Pension Plan Investment	-	(268,584)
Total	\$ 4,973,903	\$ (569,482)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Periods Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2020	\$476,985
2021	(70,951)
2022	165,688
2023	94,877
2024	-
Thereafter	-

7. RISK MANAGEMENT:

WESA is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Authority).

- a. Description of the Authority: The Authority is a risk-pooling self-insurance authority, created under the provisions of California Government Code Sections 6500 et. Seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.
- b. Self-Insurance Programs of the Authority: At June 30, 2020 WESA's participation in the self-insurance programs of the Authority are as follows:

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. Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased. The Authority's retrospective allocation point is \$250 per occurrence.

General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first \$5,000,000 and purchases excess coverage with limits up to \$55,000,000 with aggregated policy limits. The District retrospective allocation point is \$50,000 per occurrence.

Cyber Liability: Including Cyber Security up to \$3,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability Deductible varies from \$10,000 to \$50,000 depending on the Authority's revenue.

- c. 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.

Separate financial statements of the Authority can be obtained at 5620 Birdcage St. Suite 200, Citrus Heights, CA 95610.

For the past five fiscal years, WESA had no settlements exceeding insurance coverage for these categories of risk. At June 30, 2020, in the opinion of legal counsel, WESA had no material claims which would require loss provision in the financial statements and therefore no claims liability has been recorded.

8. RELATED PARTY TRANSACTIONS:

The net receivable from EVMWD of \$23,077,615 represents the sum of the pension receivable of \$22,720,472 and the current receivable of \$357,143 from personnel and related operating expenses as of June 30, 2020.

9. COVID 19:

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.



REQUIRED SUPPLEMENTARY INFORMATION

For The Fiscal Year Ended June 30, 2020

WESA
Water Employee Services Authority

**Schedule of Changes in Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30
Last 10 Years ⁽⁴⁾**

Measurement Period	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:						
Service Cost	\$ 2,504,040	\$ 2,466,139	\$ 2,636,694	\$ 2,449,304	\$ 2,408,523	\$ 2,458,216
Interest on Total Pension Liability	7,087,735	6,593,931	6,285,034	5,933,814	5,551,505	5,183,730
Changes of Assumptions	-	(682,360)	5,623,164	-	(1,469,076)	-
Difference Between Expected and Actual Experience	1,730,513	(287,200)	(579,128)	(219,718)	(286,905)	-
Benefit Payments, Including Refunds of Employee Contributions	(4,045,325)	(3,761,071)	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Change in Total Pension Liability	7,276,963	4,329,439	10,633,558	5,126,670	3,714,374	5,313,952
Total Pension Liability - Beginning	98,169,288	93,839,849	83,206,291	78,079,621	74,365,247	69,051,295
Total Pension Liability - Ending (a)	\$ 105,446,251	\$ 98,169,288	\$ 93,839,849	\$ 83,206,291	\$ 78,079,621	\$ 74,365,247
PLAN FIDUCIARY NET POSITION:						
Contributions - Employer	3,299,273	2,907,458	2,742,846	2,656,957	2,500,495	2,232,962
Contributions - Employee	1,016,843	1,041,634	979,078	972,455	967,375	1,026,237
Net Investment Income	4,769,917	5,714,814	6,761,115	340,453	1,296,452	8,461,126
Benefit Payments, Including Refunds of Employee Contributions	(4,045,325)	(3,761,071)	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Plan to Plan Resource Movement	-	(169)	(2,059)	-	-	-
Administrative Expense	(52,332)	(105,552)	(89,585)	(36,433)	(67,288)	-
Other Miscellaneous Income (1)	169	(200,444)	-	-	-	-
Net Change in Fiduciary Net Position	4,988,545	5,596,670	7,059,189	896,702	2,207,361	9,392,331
Plan Fiduciary Net Position - Beginning (2)	73,332,813	67,736,143	60,676,954	59,780,252	57,572,891	48,180,560
Plan Fiduciary Net Position - Ending (b)	\$ 78,321,358	\$ 73,332,813	\$ 67,736,143	\$ 60,676,954	\$ 59,780,252	\$ 57,572,891
Plan Net Position Liability/(Asset) - Ending (a) - (b)	\$ 27,124,893	\$ 24,836,475	\$ 26,103,706	\$ 22,529,337	\$ 18,299,369	\$ 16,792,356

	2019	2018	2017	2016	2015	2014
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.3%	74.7%	72.2%	72.9%	76.6%	77.4%
Covered Payroll (3)	\$ 12,560,391	\$ 12,085,954	\$ 12,560,469	\$ 12,648,198	\$ 12,307,222	\$ 11,676,322
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	216.0%	205.5%	207.8%	178.1%	148.7%	143.8%

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

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

⁽²⁾ Includes any beginning of year adjustment

⁽³⁾ Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-19; 3.00 percent payroll growth for fiscal years ended June 30, 2014-17.

⁽⁴⁾ Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only six years are shown.

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, 2018 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: None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of 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.

**Schedule of Plan Contributions for the Fiscal Years Ended June 30 ⁽¹⁾
Last 10 Years ⁽⁵⁾**

Employer Fiscal Year End	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution ⁽²⁾	\$ - ⁽⁴⁾	\$ 3,299,273	\$ 2,907,458	\$ 2,742,846	\$ 2,656,957	\$ 2,500,495	\$ 2,232,962
Contributions in Relation to the Actuarially Determined Contributions ⁽²⁾	(3,737,822)	(3,299,273)	(2,907,458)	(2,742,846)	(2,656,957)	(2,500,495)	(2,232,962)
Contribution Deficiency (Excess)	<u>\$ (3,737,822)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ⁽³⁾	\$ 13,233,158	\$ 12,560,391	\$ 12,085,954	\$ 12,560,469	\$ 12,648,098	\$ 12,307,222	\$ 11,676,322
Contributions as a Percentage of Covered Payroll ⁽³⁾	28.25%	26.27%	24.06%	21.87%	21.02%	20.32%	19.12%

⁽¹⁾ As prescribed in GASB 68, paragraph 46, the information 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 2.75 percent payroll assumption for fiscal year ended June 30, 2019; 3.0 percent payroll assumption for fiscal years ended June 30, 2014-17.

⁽⁴⁾ Information not available

⁽⁵⁾ Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only seven years are shown.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were derived from the June 30, 2016 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2016 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2016 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of Retirement of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Other Information:

For changes to previous' year's information, refer to past GASB 68 reports.



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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
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To the Board of Directors
Water Employee Services Authority
Lake Elsinore, California

We have audited the financial statements of Water Employee Services Authority (the Authority) as of and for the year ended June 30, 2020, and have issued our report thereon dated November 10, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 20, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

The estimate of the net pension liability, related deferred inflows and outflows and related pension information is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Authority's financial statements relate to:

The disclosure of the net pension liability, related deferred inflows and outflows and other related pension information in the notes to the financial statements are based on actuarial assumptions which will differ from actual amounts in future periods.

The disclosure of the Covid-19 pandemic in the notes to the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 10, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Other Matters

We applied certain limited procedures to the schedule of changes in the net pension liability and related ratios and the schedule of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP.

November 10, 2020

November 16, 2020

EMAIL

Rogers, Anderson, Malody & Scott, LLP
735 E. Carnegie Dr., Suite 100
San Bernardino, CA 92408

SUBJECT: REPRESENTATION LETTER – WESA ANNUAL FINANCIALS

This representation letter is provided in connection with your audit of the basic financial statements of Water Employee Services Authority (the Authority) as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the Authority in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 11, 2020:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 20, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed, if applicable.
- All components of net position are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided


- We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans, if needed.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;

- b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
 - We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
 - We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
 - There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
 - The Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
 - We have disclosed to you all guarantees, whether written or oral, under which the Authority is contingently liable, if applicable.
 - We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee, if applicable.
 - For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range, if applicable.
 - We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
 - We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
 - There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62

- d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- With respect to the required supplementary information in the financial statements described above:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with any applicable criteria.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Use of a Specialist

We agree with the findings of specialists in evaluating our pension liability and related deferrals and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Signature: 

General Manager

Signature: 

Assistant General Manager – Business Services



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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
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Independent Auditor's Report

To the Board of Directors
Water Employee Services Authority
Lake Elsinore, California

We have audited, 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, the financial statements of the Water Employee Services Authority (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 10, 2020



STUDY SESSION
DISCUSSION OUTLINE

Date: December 1, 2020
Originator: Scott Thompson- Finance
Subject: FISCAL YEAR 2020/2021 - 1ST QUARTER FINANCIAL REPORT (UNAUDITED)

BACKGROUND AND RECOMMENDATION

Staff will be presenting the unaudited financial results for the first quarter of fiscal year 2020/2021.

ENVIRONMENTAL WORK STATUS

Not applicable.

FISCAL IMPACT

Not applicable.

Attachments:

1st Quarter Financial Report (Unaudited)

1st Quarter Financial Report (Unaudited)

December 1st Study Session

Reports to Discuss

- **Budget to Actual Reports**
 - Operating Revenues & Expense by Fund
 - Operating Expenses by Department (Summary)
- **District Wide Reports**
 - Statement of Revenues, Expenses, and Changes in Net Position

BUDGET TO ACTUAL

Operating Revenues & Expense – By Fund

	CURRENT YEAR - 2020 / 2021				PRIOR YEAR - 2019 / 2020			
	BUDGET	ACTUAL	REMAINING BUDGET	TARGET 25.0%	BUDGET	ACTUAL	REMAINING BUDGET	TARGET 25.0%
<u>Operating Revenue</u>								
1.0 Water Revenue	\$ 56,923,519	16,363,378	\$ 40,560,141	28.7%	\$ 54,186,840	\$ 15,071,258	\$ 39,115,582	27.8%
1.1 Wastewater Revenue	27,079,700	6,636,272	20,443,428	24.5%	26,683,163	6,525,194	20,157,969	24.5%
1.2 Recycled Water Revenue	1,095,555	561,980	533,575	51.3%	1,041,065	565,974	475,091	54.4%
1.3 Engineering Revenues	1,778,962	217,642	1,561,319	12.2%	1,681,530	334,577	1,346,952	19.9%
1.4 General & Other Operating Revenue	6,961,513	1,988,610	4,972,903	28.6%	6,371,382	1,775,737	4,595,645	27.9%
1.5 Total Operating Revenue	93,839,248	25,767,882	68,071,366	27.5%	89,963,980	24,272,741	65,691,239	27.0%
<u>Operating Expenses</u>								
2.0 Water Purchases	19,219,929	6,432,524	12,787,405	33.5%	18,336,693	6,809,154	11,527,539	37.1%
2.1 Water Operations	29,540,563	6,488,108	23,052,455	22.0%	28,690,456	6,729,476	21,960,980	23.5%
2.2 Wastewater Operations	18,261,697	3,863,129	14,398,568	21.2%	17,904,863	4,048,856	13,856,007	22.6%
2.3 Recycled Water Operations	1,428,866	332,029	1,096,837	23.2%	1,361,247	386,224	975,023	28.4%
2.4 Engineering Expenses	2,817,498	654,524	2,162,973	23.2%	2,634,765	703,250	1,931,516	26.7%
2.5 General & Other Operating Expenses	6,285,075	1,871,545	4,413,530	29.8%	5,760,881	1,703,083	4,057,798	29.6%
2.6 Total Operating Expenses	77,553,629	19,641,860	57,911,769	25.3%	74,688,905	20,380,043	54,308,862	27.3%
3.0 Operating Income/(Loss)	\$ 16,285,620	\$ 6,126,023			\$ 15,275,075	\$ 3,892,698		

Allow for rounding differences

BUDGET TO ACTUAL

Operating Expenses – By Department

	CURRENT YEAR - FY 2020-2021				PRIOR YEAR - FY 2019-2020			
	BUDGET	ACTUAL	REMAINING BUDGET	TARGET 100.0%	BUDGET	ACTUAL	REMAINING BUDGET	TARGET 100.0%
Administration	\$ 6,646,505	\$ 1,276,352	\$ 5,370,153	19.2%	\$ 6,410,079	\$ 1,720,530	\$ 4,689,549	26.8%
Business Services	11,017,109	2,648,407	8,368,702	24.0%	10,698,244	2,554,114	8,144,130	23.9%
Non-Departmental	6,302,454	1,896,903	4,405,551	30.1%	5,540,108	1,699,966	3,840,142	30.7%
Engineering	3,782,198	630,936	3,151,262	16.7%	3,585,847	636,956	2,948,891	17.8%
Water Resources	4,043,850	733,238	3,310,612	18.1%	3,748,737	1,089,651	2,659,086	29.1%
Water Operations	33,227,268	9,740,936	23,486,332	29.3%	31,913,758	9,781,340	22,132,418	30.6%
Wastewater Operations	7,314,101	1,627,453	5,686,648	22.3%	7,157,796	1,698,788	5,459,008	23.7%
Maintenance Operations	7,568,946	1,410,993	6,157,953	18.6%	7,812,872	1,453,829	6,359,043	18.6%
Transfer Costs to CIP Projects	(2,348,801)	(323,358)	(2,025,443)	13.8%	(2,178,536)	(255,131)	(1,923,405)	11.7%
	<u>\$ 77,553,629</u>	<u>\$ 19,641,859</u>	<u>\$ 57,911,766</u>	<u>25.3%</u>	<u>\$ 74,688,905</u>	<u>\$ 20,380,043</u>	<u>\$ 54,308,862</u>	<u>27.3%</u>

Allow for rounding differences

Statement of Revenues, Expenses, and Changes in Net Position

	<u>SEPT 2020</u>	<u>SEPT 2019</u>
OPERATING INCOME/(LOSS):		
Operating Revenues	\$ 25,767,882	\$ 24,272,741
Operating Expenses	<u>19,641,860</u>	<u>20,380,043</u>
Operating Income/(Loss)	<u>6,126,023</u>	<u>3,892,698</u>
DEPRECIATION/AMORTIZATION	5,423,973	5,295,883
NON-OPERATING REVENUES:		
Property Taxes:		
General Purpose	18,790	-
Temescal Valley Project	<u>120,144</u>	<u>124,324</u>
Total Property Taxes	138,934	124,324
Investment Income	425,024	1,481,384
Mutual Water Company	23,208	23,670
Lease Income	387,127	376,147
Other Income	<u>546,018</u>	<u>258,435</u>
Total Non-Operating Revenues	<u>1,520,311</u>	<u>2,263,960</u>
NON-OPERATING EXPENSES:		
Interest Expense:		
Certificate of Participation, Bonds & Loans	589,109	936,529
Other Expenses	<u>906,406</u>	<u>1,131,107</u>
Total Non-Operating Expenses	<u>1,495,515</u>	<u>2,067,636</u>
INCOME/(LOSS) BEFORE CONTRIBUTIONS:	726,846	(1,206,861)
Capital Contributions:		
Capacity Fees	3,680,765	2,954,734
Other Contributions	<u>1,681,552</u>	<u>322,537</u>
Total Capital Contributions	<u>5,362,318</u>	<u>3,287,712</u>
Increase/(Decrease) in Net Position	6,089,164	2,080,851
NET POSITION, BEGINNING	<u>691,128,180</u>	<u>663,316,833</u>
NET POSITION, ENDING	<u>\$ 697,217,344</u>	<u>\$ 665,397,684</u>

QUESTIONS?





STUDY SESSION
DISCUSSION OUTLINE

Date: December 1, 2020

Originator: Terese Quintanar- Administration

Subject: **REVIEW OF REORGANIZATION OF BOARD COMMITTEES AND REPRESENTATION, BOARD POLICY, AND BEST PRACTICES**

BACKGROUND AND RECOMMENDATION

Each year, the Board of Directors considers its combined and individual participation in local organizations or agencies, and appointment of members to its Standing Committees for the calendar year.

Standing Committees were created to take care of matters that arise and require Committee level study and recommendation. Each Committee shall meet at times to be agreed upon by the Committee Members and shall consider matters referred to it by the Board or matters within the scope of its duties that are presented to it by its members or the General Manager. Meetings of Committees shall be arranged through the Administration Department and will be posted in accordance with the Brown Act. Members of Standing Committees may remain the same from year to year or change as the Board determines most efficient.

The Matrix of meetings assigned to the Board is part of the Directors Policy, Section 500 of the Administrative Code. Section 500 is included in its entirety to allow for review for any needed updates since the last revision.

The Board adopted its Commitment to Board's Best Management Practices, ("Best Practices") in December of 2018. Staff is also providing the Best Practices document for review at this time.

Amendments to the Director's Policy or to the Commitment to Board's Best Management Practices will be presented for Board consideration on December 10, 2020.

ENVIRONMENTAL WORK STATUS

Not applicable.

FISCAL IMPACT

Not applicable.

Attachments:

Committee Descriptions
Administrative Code Section 500- Board Policy
Commitment to Board's Best Management Practices

2020 Committees and Descriptions	
<p>1. The Finance and Administrative Committee (FAC) is responsible for administrative and financial matters including: rates, charges and other sources of revenue; review of staffing and administration budgets; audit; investments; human resources; employer-employee relations; insurance, risk management; other matters of general business operation.</p>	<p>The FAC meets on the 3rd Tuesday of each month, @ 3:30 p.m.</p>
<p>2. An Engineering and Operations Committee (EOC) is responsible for matters of design, construction, replacement, maintenance and operation of the District's facilities, property and equipment, including: development and administration of the Capital Improvement Program; information technology; right of way acquisition and management; system and facility security; water quality; review of Engineering and Operations budgets; other matters relating to facility operations.</p>	<p>The E&OC meets on the 1st Monday of each month @ 3:30 p.m.</p> <p>Took the place of the Building Committee</p>
<p>3. A Legislation, Conservation and Outreach Committee (LCOC) is responsible for community and governmental matters including: legislation, lobbying and intergovernmental relations; review of the Legislative and Community Relations budgets; community relations; media relations; water conservation programs; organizational donations; and other matters of public interest.</p>	<p>The LCOC meets on the 4th Wednesday of each month @ 3:30 p.m.</p> <p>Took the place of the Community Relations Committee</p>
<p>4. A Water Planning Committee (WPC) is responsible for water planning and local supply development including: water demand and supply planning; shortage allocation planning; administration of the shortage allocation programs and policies water supply forecasting and reporting; water reclamation; groundwater and conjunctive use; local surface water; environmental management; development of a water planning budget; Urban Water Management Plans; The Farm and Elsinore Water District; and other planning matters.</p>	<p>The WPC meets on the 3rd Monday of each month @ 3:30 p.m.</p> <p>Took the place of the Well Committee</p>
<p>Special Study Sessions will be held including the full Board to discuss the Budget</p>	<p>As needed</p>

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Elsinore Valley Municipal Water District's Commitment to Board's Best Management Practices

I. Executive Summary

Comprehensive Organizational Development Plan

The Elsinore Valley Municipal Water District (District) approved the development of a Comprehensive Organizational Development Plan (Plan) in September of 2014. The Plan is intended to assist District leadership in better defining appropriate management policies and procedures while improving the overall management efficiency of the District by closely integrating three separate but uniquely linked elements. The three elements of the Plan include development of a Board Member Best Management Practices Handbook, conducting an Organizational Performance Assessment and developing a new Strategic Plan. This document deals with the first element of the Plan, The Board of Directors Best Practices.

Board Best Practices

The members of the Board of Directors understand the importance of the role each of them play in representing the District's customers and ratepayers in the most ethical and accountable manner possible. The legal framework that provides guidance for their roles as either elected or appointed public officials are established in the California Government and Water Codes. Additionally, the District has adopted the EVMWD Administrative Code, which further defines and guides the Board of Directors and staff on management of the District. Sections 400, 500 and 700 of the Administrative Code were used extensively in the development of the District's Best Practices Handbook. A copy of the relevant sections of the Administrative Code are attached. The Best Practices were created to provide additional guidance, and are intended to compliment Section 500 of the Administrative Code.

To further identify and define expectations of accountability and behavior the Board of Directors and General Manager conducted an initial workshop on October 1, 2014 followed by a second workshop on October 15, 2014, to develop a set of "Best Practices", or behavior expectations and principles. The goal of the workshop was *"To develop standards and expectations for governance that guides organizational performance to achieve superior results."* The following criteria were used in identifying the appropriate Best Practices:

- Ethical standards and accountable leadership
- Public confidence and integrity
- Compliance with the letter and spirit of existing laws and policies
- Dedication to superior service
- Personalized standards of conduct

The process of developing a Best Practices Handbook consisted of individual meetings with WESA staff, two workshops with the Board of Directors and a review of five separate elements of a proposed Handbook, starting with a review of the existing Government Code and Administrative Code as a first step. The second step included identifying a set of agreed upon performance expectations for Board Members related to their roles in governance. This included Board and staff behavior expectations in the performance of their official capacity, official representation of the agency at various functions, the working relationship with staff and support of District objectives. The third step of the process included a review of the role and expectations for the official positions of the Board President, Vice-President and for that of a Board Member. The fourth step involved a review of the appropriate manner in which the Board provides direction to staff, the evaluation of the General Manager's staff and the level of respect required for the different roles of staff and of the Board. The final step of the workshop included development of a written expression of Best Practices which was then to be reviewed and signed by each Board Member as a public acknowledgement of the District's commitment to Best Practice expectations and accountability in the form of a Letter of Commitment.

In addition to the signed Letter of Commitment, the Board of Directors and General Manager agreed that a bi-annual review of the approved Best Practices Handbook would serve as an ongoing reminder of their roles in policy governance and principles of behavior as a "Best of Class" water utility. The document would also serve as a valuable tool in the orientation of new Board Members as well as future General Managers.

II. Introduction

Strategic Vision- Culture-Values

The District's Board of Directors and its General Manager recognize the importance and value of a positive and constructive culture to the overall performance of the District. This culture in large part is a product of the District's Strategic Vision and the goal of performing as a Best of Class utility, individually and corporately. Whether in the capacity of an elected or appointed Director, or as an employee, their primary responsibility is to serve our customers.

When considering the adoption of a new Strategic Plan as a part of the overall Comprehensive Organizational Development Plan, the Board of Directors will consider a series of Strategic Vision Goals to guide the planning and application of all policies and procedures including the application of the Best Practices identified in this document. It is the responsibility of each Board and staff member to know, understand, and carry out their respective role as outlined in the Best Practices Handbook as well as the Strategic Vision goals and its objectives within their

respective capacities. The Vision Goals that will be considered will include but are not limited to the following categories:

1. Water Supply Preservation
2. Infrastructure Integrity Assurance
3. Financial Management
4. Public and Political Outreach
5. Leadership and Organizational Development

III. Authority, Role of the Board and General Guidelines

A. Authority

The District is an independent public agency, which provides water service to the lands and inhabitants within its boundaries. The District operates under the authority of Division 12 of the Municipal Water District Act of 1911. The District is governed by an elected Board of Directors who has the authority to oversee the business and affairs of the District, including the authority to fix terms and conditions of employment (including compensation) of WESA employees. The Board is authorized to delegate those powers. The Board has the power to employ and set terms and conditions for employment of the General Manager who, in turn, has management authority over WESA employees.

In order for a Board of Directors to function in an effective manner, it is important that Directors understand their respective roles and the relationship to other members of the Board and to the General Manager. This also requires an understanding of the performance expectations necessary to carry out the duties of a Board Member.

The officers of the Board of Directors consist of the President, a Vice-President, Treasurer and Secretary. Officers of the District are selected every year corresponding with the end of the calendar year or as otherwise determined by the Board of Directors.

B. Role of the Board

The primary role of the Board is to establish policies that guide the District to achieve its mission. The policy decisions of the Board constitute the “action” of the Board of Directors. As such, each Board Member is strongly encouraged to support the actions of the collective Board even when there may be individual opinions.

The Board has three (3) major responsibilities:

1. Promote the best interests of the District's customers by establishing policies that support the vision and mission of the District and by ensuring the implementation of those policies. Policies include the governing principles, plans, and approved actions of the organization. Policy-making is the process of visionary planning and should reflect the broadest possible principles and provide parameters within which staff can operate. Policy-making sets the overall direction for the District.
2. Assure the fiscal health of the District. The Board establishes policies that ensure fiscal stability and the effective use of funds. In order to achieve this, the Board adopts a two-year budget covering the anticipated revenues and expenditures of the District. Additionally, the Board annually adopts and monitors cash reserve and investment policies.
3. Hire a General Manager to manage the day-to-day operations of the District. The Board holds the General Manager accountable for the effective operational management of the District. It also has a responsibility to properly evaluate the General Manager on an annual basis.

C. Best Practice General Guidelines

1. The Board of Directors provides policy direction and leadership for the District.
2. The Board is responsible for ensuring (from a policy perspective) that the District is a progressive, innovative, and well-managed agency.
3. The Board exercises authority only as a Board.
4. The Board understands and provides leadership in regional, state and national issues affecting the operation and management of the District. This action may be supported by the General Manager as required.
5. The Board respects the role of constituents in the governance of the District, encourages their participation and consults with key stakeholders when and where appropriate.
6. Board Members recognize and respect the distinctions between the policy-setting role and the day-to-day implementation of policy by staff.
7. Board Members represent the District in various community and water industry events.
8. Board Members maintain a high level of communication with the General Manager and notify the General Manager of their unavailability in a timely manner.
9. Board Members have equal access to information including staff reports, committee agendas, customer inquiries, background information, etc.
10. Board Members inform the General Manager of any specific information they want to receive from outside agencies or organizations and are provided such information in a timely manner.

11. Board Members may request information from the General Manager, or the District Secretary while notifying the General manager of such request, provided such request does not cause significant disruption in staff workload. The General Manager shall advise if the requested information should be placed on the Board of Directors meeting agenda or the appropriate committee agenda to affect a policy change or approve an expenditure of public funds.

IV. Principles and Performance Expectations of the Board of Directors

1. The Board and the General Manager function as a participatory team.
2. The Board values a visionary, constructive, high-energy work environment.
3. The Board values open and honest communication, with open agendas.
4. The Board works for the common good of its customers and stakeholders and not for any private or personal interest.
5. Board Members are prepared for meetings.
6. Board Members practice continued professional development in their role as Board Members.
7. Board Members are respectful and considerate of each other and staff.

V. Board of Directors Interaction and Communication

1. Board Members maintain informal and professional relationships among one another.
2. Board Members refrain from personal attacks against other fellow Board and staff.
3. Attire at Board meetings, and when representing the District at public events, shall be business attire when appropriate for the event.
4. Board Members are representatives of the District's culture and values at all times and lead by example in their interactions.
5. Board Members are knowledgeable of the District's travel and expense reporting policies.
6. When attending meetings or conferences, Board Members are ambassadors and representatives of the District and conform with behavior that always places the District in a positive light.
7. Board Members are aware of the rules governing communication among Board Members in compliance with the Ralph M. Brown Act and the Public Records Act. This includes communications by electronic, written and verbal means and methods.
8. Board Members function as a team and are not exclusive in their communication and interaction.
9. Board Members will not include false or misleading information in a candidate's statement for a general District election.

10. Outside of scheduled meeting locations for Board Meetings, Committee Meetings and Study Sessions, tours or site visits to District facilities shall be pre-scheduled through the District Secretary and must be accompanied by staff with appropriate knowledge and access to those facilities.
11. Board Members shall have equal access to enter the District Headquarters during business hours.
12. When the Board of Directors participates in social media, communications shall be in compliance with the General Social Media Use policy, Section 1470 of the Administrative Code.

VI. Role of the General Manager and Board Interaction with Staff

A. Role of the General Manager

The most vital relationship in the District is between the Board and the General Manager. The General Manager is the primary agent of the Board, the individual to whom the Board delegates its authority to manage and administer the District's daily operations in accordance with policies approved by the Board. This position is important because to be successful, the District requires leadership and vision from its General Manager. In this capacity, the General Manager has two roles: Chief Executive Officer and top advisor to the Board. As the most visible employee, the General Manager truly represents the District to its many constituencies.

The success of the strong relationship between the Board and the General Manager depends on a shared sense of purpose, open communication, honest and mutual support. Both parties must also understand that the relationship itself is paradoxical with inherent tensions. The General Manager is hired to carry out Board policy directives, and at the same time, is looking to the Board for guidance and leadership.

One of the most important decisions a Board makes is the selection of a General Manager in whom the Board has confidence. The Board must be able to support the decisions of the General Manager and grant him or her the authority to manage and lead the District.

It is the General Manager's responsibility to ensure that the Board Members have the information needed to make Board level decisions. The General Manager provides the same information to all Board Members and will promptly alert them about problems and issues to prevent surprises. Board Members expect the General Manager to make a recommendation on issues before the Board, except those that are strictly a matter of the Board of Directors.

B. Board Interaction with the General Manager

1. The General Manager establishes and presents annual goals, which are approved by the Board of Directors as a part of the formal performance review process.
2. The Board of Directors will provide the General Manager with constructive feedback on his or her performance annually in a written evaluation.
3. Board Members are encouraged to contact the General Manger about any subject related to the operations of the District. Similarly, the General Manger may discuss District related issues with any Board Member.
4. The Board's concerns regarding overall District operations, specific division issues or problems with staff are addressed with the General Manager.
5. The General Manager handles internal District matters. The Board of Directors does not interfere with the day to day operations of the District.

C. Board Interaction with Staff

1. Board Members shall not direct staff to take a particular action. Requests are made through the General Manager.
2. Board Members may contact the District Secretary and General Manager with questions related to District operations. The General Manager is advised - of these communications. The General Manager is responsible for ensuring that the requests are handled promptly and accurately.
3. Critical information about District operations is provided to all Board Members in verbal, written or electronic format by an appropriate staff member, with the knowledge of the General Manager.
4. Board Members make every effort to contact the General Manager and District Secretary prior to a Board meeting regarding questions related to agenda items so the most accurate and prepared response can be provided. Information provided in response to questions related to the agenda shall be shared with the entire Board of Directors. The Board and staff operate by the "No Surprise Rule" regarding information sharing.

D. Role of District's Legal Counsel

1. The District's Legal Counsel operates as an extension of and in collaboration with the Board, the General Manager and staff.
2. The Legal Counsel's primary point of contact is the General Manger.
3. The Legal counsel regularly consults with the Board and the General Manager on items of concern related to any facet of District operations.
4. When more specialized legal expertise is needed for the District, the Legal Counsel will oversee their work to the extent possible, or advise the General Manager on matters of their performance when necessary.
5. The Legal counsel is pro-active in informing and protecting the District and Board of Directors in the performance of their duties from any potential violations and conflicts that may arise.

6. The Legal Counsel meets with General Manager and the Board of Directors annually to review the performance of the Legal Counsel, establish goals and review their contract.

VII. Selection, Role and Responsibility of the President and Vice-President

A. President of the Board

1. The President of the Board of Directors is selected by a majority vote of the Board corresponding with the end of the calendar year, unless otherwise modified by the Board.
2. The President remains as one member of the Board, and has no rights or authority different from any other member of the Board.
3. The president votes with the Board Members and votes last on a roll call vote, when done verbally.
4. Each President's individual style is unique. Diversity is encouraged.
5. The President chairs the meeting of the Board of Directors, calls the meeting to order, presides over the meeting, including the conduct of the Board of Directors and those in attendance, entertains and repeats motions properly before the Board of Directors, puts motions to a vote, and announces the result.
6. The President, or his designee, acts as the ceremonial head or representative of the District at various civic functions.
7. The President is the designated spokesperson for the Board of Directors to the general public. The President may elect to appoint one of the other Board Members to serve in this capacity.
8. The President acts as the signatory on all documents requiring the Board's execution.
9. The President makes appointments to Ad Hoc Board Committees as necessary.
10. To the extent possible, the President advises the Board of any informal communication or correspondence sent or received regarding District business.
11. The President regularly communicates with the General Manager and keeps other Board Members fully informed on matters of District business.
12. The President provides guidance to the Board fairly and impartially.
13. The President personally addresses the issues between members of the Board. The Directors or the General Manager inform the President on any issue or concern brought to their attention.
14. The President reviews all Standing Committee, Study Session and Board Meeting agendas prior to distribution and posting.

B. Vice-President of the Board

1. The Vice-President of the Board of Directors is selected by a majority vote of the Board corresponding with the end of the calendar year, unless otherwise modified by the Board.
2. The Vice-President remains as one member of the Board and has no rights or authority different from any other member of the Board.
3. In the event the position of the President is vacated prior to the expiration of the term, the Vice-President becomes the President for the remaining term, unless otherwise directed by the Board.
4. In the event of an early vacancy in the position of Vice-President, the Board determines, by vote, a replacement for the remaining term.
5. The Vice-President serves in the capacity of the President of the Board of Directors in their absence.

VIII. Public & Media Interaction

A. Customer Inquires

1. All customer concerns and inquiries are referred to the General Manager or an appropriate staff member in their absence.
2. Staff provides the Board with a written or verbal report of a customer concern or inquiry that cannot be handled as a routine manner along with a response to the concern or inquiry.
3. The Board is informed of significant, politically sensitive, urgent and/or repetitive communication inquiries. Staff will research the matter as soon as possible, and provide the General Manager with the appropriate follow-up and response. The General Manager will review the communication prior to dissemination to the Board.
4. Board Members refer responses and inquiries to customer or media concerns either to the General Manager or the President.
5. Inquiries from customers outside of the division of the receiving Board Member shall be forwarded to the Board Member of that customer's division with a courtesy copy to the District Secretary.

B. Board of Directors Meetings

1. All noticed meetings are conducted using Robert's Rules of Order. Robert's Rules provides for constructive and democratic meetings.
2. Special meetings are called by the President. Noticing for special meetings will be in compliance with the Ralph M. Brown Act.
3. All meetings are open meetings in compliance with the Ralph M. Brown Act.
4. The General Manager is responsible for setting the agenda. Any Director may request that an item be placed on the agenda through notification to the General Manager and President. Any member of the public may request that

- an item be placed on the agenda. The General Manager and the President will determine if the item should be placed on the agenda or referred to the appropriate Committee.
5. The General Manager or his designee informs the Board of items of significance that will be placed on future agendas.
 6. Oral communications are allowed for items of significance not on the agenda pursuant to the Ralph M. Brown Act.
 7. Directors may ask clarifying questions to ensure that staff provides an appropriate response. During meetings, Directors may respond briefly to public comments and the President may refer matters to the General Manager for follow-up. Occasionally, a prompt response may be offered when an obvious answer or resolution is available. Directors should refrain from debating or making decisions in response to public comments. If direction is made for a staff member to assist the customer with the public comment, Board Members may contact that customer independently.
 8. The President presides at all meetings. The President decides all points of order and procedure during meetings. The President cannot make a motion but may second a motion on the floor. The President is responsible for maintaining an orderly progression of the business before the Board, and to the extent possible regulates the amount and type of input from the public and from Directors and staff.
 9. Each Director may speak on an item prior to the making of a motion and prior to vote.
 10. Roll Call votes are required on all Resolutions and Ordinances considered for adoption. A Roll Call vote can be requested by a Director, but at the discretion of the President.
 11. The Board works diligently to achieve unanimity on all actions items. At the request of a Director, and the discretion of the President, and prior to a vote where unanimity may not be achieved, the item may be referred back to a Standing Committee to consider a resolution to the issue.
 12. Once an agenda item has been voted on, the disposition is considered as the "action" of the Board and subsequently supported by the individual Directors.
 13. Directors on the minority side where less than unanimous vote is cast cannot bring back an item for consideration for one year. The majority can bring it back at will.

C. Consent Calendar Agenda

1. The District utilizes a Consent Calendar on the Agenda to approve routine business matters, such as minutes, production reports, cash reports and previously approved budgetary items.
2. If a Board Member has a question on a Consent Calendar Agenda item, they are encouraged to contact the General Manager and/or District Secretary for clarification prior to the official meeting, rather than having it pulled for separate discussion during the meeting.

3. Staff is prepared to provide a verbal report on any Consent Calendar Agenda items, when necessary.

D. Closed Session

1. All Closed Session discussions and materials are considered legal and confidential information, and as such, are not shared outside the Closed Session Conference unless specific action is taken, and then must be reported out of Closed Session. Closed Session staff reports should be returned to the General Manager immediately following the meeting. Electronic copies of the reports will not be provided to the Board.
2. Closed Session meetings may be held at times other than the regular meetings of the Board of Directors so long as the meeting is posted pursuant to the Brown Act rules.
3. Withholding confidential information that is discussed in Closed Session shall also extend to elected officials from other agencies and the media.
4. A Board Member should refer a request for information regarding a Closed Session item to the General Manager who, in concert with Legal Counsel, will prepare an appropriate response.

VIII. Role and Responsibility of Standing Committees and Special Committees

1. Board Committees are given the authority to obtain more information, investigate, and provide a report or recommendation to the full Board of Directors. The committee format allows the Board to conduct its business more efficiently.
2. Any Standing Committee may be formed, renamed, or have functions changed or terminated with approval of the Board.
3. A Standing Committee consists of two Board Members. Standing Committees are open to the public and subject to provisions of the Ralph M. Brown Act.
4. Other Board Members may attend the meetings of the Standing Committees; however, the Brown Act prohibits their participation in the meeting because this constitutes a quorum of the Board.
5. Staff assists members of Standing Committees by preparing agendas, staff reports, distributing materials, and performing other support functions as required. Committee members may request staff assistance through the General Manager.
6. Individuals appointed to Ad Hoc committees serve at the pleasure of the President of the Board, and their participation on the Committee ends upon completion of the project or issue for which the Ad Hoc committee was formed.
7. The Committee Chair is responsible for providing a report of items discussed and/or recommendations to the entire Board at the next available Board of Directors meeting.

8. Copies of committee agendas are made available to the entire Board.
9. Upon request of the General Manager or President, a committee meeting may be scheduled to address an issue requiring attention.
10. If members of committee are in disagreement on a recommendation, the issue is brought to the full Board for consideration.

IX. Complaint Handling Procedures and Sanctions

A. Disciplinary Action

In the event that Board Members breach this policy or any applicable state, local or federal law, they may be subject to informal or formal sanction by the Board of Directors.

i. Informal Sanction

Admonishment: This is the least severe form of action. An admonishment may typically be directed to all members of the Board of Directors, reminding them that a particular type of behavior is in violation of law or District Policy, and that, if it occurs or is found to have occurred, could make a member subject to sanction or censure.

An admonishment may be issued in response to a particular alleged action or actions, although it would not necessarily have to be triggered by such allegations. An admonition may be issued by the Board prior to any findings of fact regarding allegations, and because it is a warning or reminder, would not necessarily require an investigation or separate hearings to determine whether the allegation is true.

Sanction: Sanction should be directed to a particular member of the Board based on particular action (or set of actions) that is determined to be in violation of law or District policy but is considered by the Board to not be sufficiently serious to require censure. A sanction is distinguished from censure in that it is not a punishment.

A sanction may be issued based upon the Board's review and consideration of a written allegation or a policy violation. The member accused of such violation shall be entitled to notice of the allegation and will have an opportunity to provide a written response to the allegation prior to any Board action. A sanction may be issued by the Board of Directors and because it is not punishment or discipline, would not necessarily require an investigation or separate hearings.

ii. Formal Sanction

Before the imposition of any formal sanction, the accused shall be entitled to a formal investigation, notice of the allegation, and opportunity to respond.

Investigative Process: All complaints shall be filed with the General Manager. Once the complaint is filed, the General Manager shall convene a meeting with the complainant, accused, and the District's legal counsel. Each allegation shall be

considered in a manner that is fair to all parties involved in the allegation, including ensuring that due process is respected. This will include ensuring that Board Members named in an allegation are given an opportunity to consider and respond to that allegation.

If warranted, the complaint will be referred to the appropriate authority or authorities for a thorough investigation. If there is merit, a report of the findings along with the accused person's defense is presented to the Board of Directors for majority action. If there is no merit, the matter is disposed of. Unfounded complaints are not open to public scrutiny.

When the Board of Directors decides, based upon findings and the accused person's defense, that a violation has occurred, it may decide by resolution to do the following:

Censure: This is the most severe form of action contemplated in this policy. Censure is a formal statement of the Board of Directors officially reprimanding one of its members. It is a punitive action, which serves as a penalty imposed for wrongdoing, but it carries no fine or suspension of the rights of the member as an elected official. Censure should be used for cases in which the Board determines that the violation of policy is a serious offense.

Any Director who fails to follow the adopted Best Practices policy, any Administrative Code Policy, or law is subject to censure by a vote of the Board of Directors. Any member of any Standing Committee who fails to follow these Best Practices may have their appointment to the Standing Committee or outside organization revoked by a vote of the Board of Directors. The District reserves the right to establish an ad hoc committee of District directors to (1) review allegations of ethical misconduct; and (2) make recommendations to the full District board of directors for censure or discipline as appropriate.

In order to protect the overriding principle of freedom of speech, the Board of Directors shall not impose censure on any of its members for the exercise of his or her First Amendment rights, no matter how distasteful the expression was to the Board and the District. However, nothing herein shall be construed to prohibit the Board of Directors from collectively condemning and expressing their strong dislike of such remarks.



LETTER of COMMITMENT TO BEST MANAGEMENT PRACTICES

As a member of the Elsinore Valley Municipal Water District Board of Directors and as the General Manager I have read the District's Best Practices and understand the expectations placed on me as a representative of the District. I am committed to upholding the public trust and representing the best interest of our customers. I understand that the Board Best Practices applies exclusively to performance expectations and ethical standards of conduct rather than legal issues. By signing this Letter of Commitment to Best Practices, I am pledging my commitment to uphold a standard of integrity and competence beyond what is required by law. I agree to uphold the following principles, which demonstrate my commitment to the District:

1. I will recognize the value of individual members and appreciate their talents, perspectives and contributions.
2. I will help create an atmosphere of respect and civility where individual members, staff and the public are free to express their ideas and work together to their full potential.
3. I will conduct my personal business and public affairs with honesty, integrity, fairness and respect for others.
4. I will keep the common good as my highest purpose and focus on achieving constructive solutions for the public's benefit.
5. I will avoid and discourage conduct which is divisive or harmful to the best interests of the Elsinore Valley Municipal Water District.
6. I will treat all people with whom I come into contact with in a manner in which I wish to be treated.

Name _____

Date _____

Title or Official Position

SECTION 500. DIRECTORS POLICIES (R-06/03/11, R-07-11-01, M-4499)

It is the policy of the Elsinore Valley Municipal Water District to maintain the highest standards of ethics from its Board Members. The proper operation of the District requires decisions and policies to be made in the proper channels of governmental structure, that public office not be used for personal gain, and that all individuals associated with the District remain impartial and responsible toward the public. Accordingly, it is the policy of the District that Board members and employees maintain the highest standard of personal integrity and fairness in carrying out their duties. This policy sets forth the minimum performance standards to be followed by the Board of Directors.

§ 501. Role of the Board of Directors. (M-4987)

- A. The District's policies, mission, goals and programs are established by the Board of Directors in consultation with the General Manager and where required from legal counsel at public meetings. The Board will not direct management in how to implement policy but will evaluate the General Manager in his/her implementation of policies established by the Board.
- B. The General Manager shall recommend programs to implement district policy to the Board at public meetings unless instructed by the Board to report to a committee or individual Directors. The Manager shall carry out the programs approved by the Board without modification.
- C. Individual Directors are encouraged to inquire of the General Manager as to the status of programs. The General Manager shall promptly provide information requested by Directors as necessary to assist in decision-making and policy direction. Routine requests orally or in writing for readily available written information or documents shall not require formal Board approval. Requests that involve other than routine collection of data, compilation of data from one or more sources, or preparation of written reports, studies, analyses or tabulations that in the determination of the General Manager may interrupt the natural flow of daily operations of the District shall be submitted to the Board of Directors by the individual director for formal approval. All Directors' requests shall be treated uniformly and responded to in a fair and courteous manner.

In the event a disagreement arises over such a request the President of the Board of Directors shall be consulted. The decision of the Board President as to the best manner of responding to such request shall be final unless modified or reversed by a majority vote of the Board of Directors.

Directors requesting information shall not instruct staff as to the manner of responding to such request or the performance of their duties generally. Nothing herein shall be construed as limiting any Director from making a request pursuant to the California Public Records Act. (*Minutes 6/26/96, MO #4499*)

- D. An individual Board member has the privilege of inspecting all public records but no greater rights in the day-to-day operation of an agency than the public. In respect to the Public Records Act, all information requests or document requests

must be submitted to the District Secretary. All requests for documents made by members of the public are to be delegated or deferred to the District Secretary for response. (M-#4499, M-4987)

- E. The Board Portal (SharePoint Site) is to be utilized only by the Board of Directors as a resource for commonly referenced public and attorney privileged documents. The District Secretary updates the site and maintains the materials therein.
- F. The Board employs the General Manager of the District.
- G. The Board defines the responsibilities of the General Manager and delegates authority. The Board monitors progress and redirects, if necessary. The Board provides the General Manager with a formal performance evaluation annually.
- H. The Board provides the General Manager the resources needed to carry out the policies and programs of the Board.
- I. The Board adopts the District's Budget.
- J. The Board approves the District's headcount in consultation with the General Manager.
- K. The Board establishes employee benefit programs and approves pay ranges in consultation with the General Manager.
- L. The Board establishes all rules & regulations governing employees on the job in consultation with the General Manager.
- M. The Board hires the District's Legal Counsel and Auditor.
- N. The Board approves the demand payment register prior to release of any payment, with the exception of Customer Refunds and other required payments on a case by case basis, which will be processed on an interim register and approved other payment release. *MO #4846*
- O. The Board conveys easements and real property of the District.
- P. The Board approves acquisition and/or purchase of real property.

§ 502. Instructions to Staff. (M - 5081)

All general business of the District, including requests for information and instructions to personnel are to be conducted through the General Manager or his designee, or in the absence of the General Manager, the Assistant General Manager or his designee.

§ 503. Compliance with the Ralph M. Brown Act.

The members of the Board of Directors will fully comply with the provisions of the State's open meeting law for public agencies (the Brown Act).

§ 504. Closed Sessions. (M-4987)

A Director is not authorized, without approval of the Board of Directors, and in consultation with the District's legal counsel and General Manager to disclose information that qualifies as confidential information under applicable provisions of law to a person not authorized to receive it, that (1) has been received for, or during, a closed session meeting of the Board, (2) is protected from disclosure under the attorney/client or other evidentiary privilege, (3) is not required to be disclosed under the California Public Records Act or, (4) has not been established and agreed upon by the Board as a whole as appropriate and uniform response to public inquiry.

This section does not prohibit any of the following: (1) making a confidential inquiry or complaint to a District Attorney or Grand Jury concerning a perceived violation of law, including disclosing facts to a District Attorney or Grand Jury that are necessary to establish the alleged illegality of an action taken by the District, (2) expressing an opinion concerning the propriety or legality of actions taken by the District in closed session, including disclosure of the nature and extent of the allegedly illegal action, or (3) disclosing information acquired by being present in a closed session that is not confidential information. Prior to disclosing confidential information pursuant to (1) or (2), above, however, a Board Member will first bring the matter to the attention of either the President of the Board or the full Board, in a lawful and appropriate manner, to provide the Board an opportunity to cure an alleged violation.

A Director who willfully and knowingly discloses for pecuniary gain confidential information received by him or her in the course of his or her official duties may be guilty of a misdemeanor under Government Code section 1098.

§ 505. Personal Opinions.

On occasion, a Director may wish, as a private citizen, to express a personal opinion about District business during a meeting open to the public. In such instances, the Director must make it clear that he or she is expressing his or her personal opinion only and that the statement does not necessarily reflect the Board's position or District's policy.

§ 506. Agendas.

- A. All general requests to add items to the agenda shall be made before 5:00 p.m. on the Wednesday of the week prior to the meeting.
- B. If possible, when Directors have a question regarding the check register or Consent Calendar, they should contact the General Manager or the District Secretary before the Board Meeting. *(M-5081)*

§ 507. Attendance at Board Meetings. *(O-129, Minutes 07-14-99, R-03-02-05, R-06-03-11, R-07-11-01, M-4893, M-4987, M-5108)*

- A. Pursuant to Sections 20200 through 20207 and 71255 of the California Water Code, (commencing July 14, 1999) Directors shall receive compensation daily, up to a maximum of ten (10) days of services monthly for attending the following meetings as shown on the approved Director's Meeting Matrix:
 - 1. Each day's attendance at regular, special and adjourned meetings of the Board of Directors; and
 - 2. Each day's attendance at regular, standing or ad hoc committee meetings; or study sessions.
 - 3. Attendance at meetings listed in the Directors Matrix List (§ 510 G), which are deemed as official District functions and are attended in an official capacity as a member of the Board of Directors.
- B. Directors shall receive compensation in accordance with provisions of Ordinance No. 129. *(M-5081)*
- C. Changes in the compensation will require the approval of the Board during an open meeting of the Board held at least 60 days prior to the effective date of the change.
- D. In addition to requirements of Section 512 of this Policy, Board approval of travel authorization expenses for attendance or participation by any Board Member at any seminar, conference or meeting shall be considered as Distinct approval of qualification for compensation for each day of attendance of said event, as long as the maximum compensation does not exceed ten (10) days per calendar month. *(M-5081)*
- E. Meetings or events, which are not compensated are: retirement dinners, political fundraisers, sporting events, employee events, Chamber of Commerce mixers, dedication ceremonies and groundbreaking ceremonies. Board members are encouraged to consult with the General Manager or legal counsel if questions arise regarding whether attendance at a meeting is a compensatory meeting.

Exception: Attendance at any of the meetings and/or listed in this section, which will likely result in an expense to the District in excess of Five Hundred Dollars (\$500) per Board Member

will require the approval of the Board of Directors prior to the expense whenever possible. (M-5081, M-5108)

§ 508. Maximum Permissible Service. (Minutes 04-05-06)

No payments shall be made under these regulations for attendance or services exceeding a total of ten days in any calendar month or for attendance at meetings or hearings for which a Director is not present at least 50% of the meeting.

§ 509. Payments for Attendance or Services. (R-1609 12/22/99 & 06-03-11, M-4355, M-4429, M-4460, M-4771, M-4905, M-5108)

- A. Payments for attendance or services pursuant to these regulations shall be made each month.
- B. Certain meetings listed in the Directors' Matrix (See § 510 G) will be assigned to each Director. If more than the assigned Director attends, the alternate Director will not receive day of service compensation. If the assigned Director is not in attendance and the alternate Director attends, the attending alternate or other available Director attending will receive compensation for a day of service.
- C. If a meeting is not included in the Matrix, there must be approval from the Board for compensation for attendance at that meeting.
- D. Claims for reimbursement of office supply expenses incurred by Directors, directly in connection with the performance of their official duties require approval by two reviewing Directors.
- E. After attendance at a meeting, each Director will supply the Board with a report on the meeting(s) attended at the next regular meeting of the Board. The report must be oral or written, and must include the date, the name of the meeting attended, basic highlights of the meeting, and all other pertinent information, which could be useful to the Board.

Members of Standing Committees shall alternate as Chairperson. Verbal reports on committee meetings shall be given.

- F. Compensation for travel on the day before and/or the day after each meeting or conference is permitted if the travel distance to the meeting location is equal to or greater than 200 miles from EVMWD's service boundary.
- G. Directors Matrix - Items included on the matrix are considered to be official District business and are compensable.

§ 510. Days of Service Approval (M-4987, M-4994, M-5081, M-5108, R-17-01-04, M-5195, M-5389, M-5477, M-5499)

- A. At the end of each month, all Directors will complete a Days of Service Report Form. All Report Forms shall include meetings attended within a calendar month and shall have the corresponding Matrix or Section Code number indicated in order to qualify for compensation for a Day of Service. Any non-compensated meetings attended by Directors may also be listed on the bottom portion of the designated form.
- B. Completed Days of Service Forms shall be submitted by each Board Member to the Administration Department.
- C. All Directors' monthly reports for compensation for attendance at meetings will be reviewed before submittal for payment by two Directors. Appointed Directors for review of Monthly Days of Service Reports are the Board President and Vice President with the Treasurer and other Board Members as the alternate in that order.
- D. If it is the recommendation of the two reviewing Directors that a day of service that has been claimed is not a valid service day, then the reviewing Directors will ask that Director to remove the questioned day(s). The Director can either remove those days from his/her report or the matter will be placed on the next regular agenda for action at the Board's discretion.
- E. The two Reviewing Directors have the authority to approve Days of Service Report Forms for payment for all five Directors; a third Director's signature is required for the Reviewing Member's Days of Service Report approval.
- F. Completed Days of Service Reports, which have been reviewed and approved by the appointed reviewing Directors, shall be submitted to the Administration Department for submittal for payment.

G Directors' Matrix for 2020:

	Activity/Description	Eligibility ¹ Appointed Rep(s)²
1	Regular Board meeting	All Directors
2	Special Board meeting or Study Session	All Directors
3	Adjourned Board meeting	All Directors
4	Board Study Session	All Directors
5	Ad Hoc Committees	Appointed by Board President
6	ACWA Conference	All Directors
7	CASA Conference	All Directors
8	ACWA Region 9 / Region 9 activities	Ryan, Williams -Alt / All Directors
9	ACWA/JPIA	(Williams, Ryan-Alt)
10	Board committees Finance & Administration (FAC) Engineering & Operations (E&OC) Legislation, Conservation & Outreach (LCOC) Water Planning (WPC)	(FAC, Williams, Ryan) (E&OC, McBride, Ryan) (LCOC, Ryan, Williams) (WPC, Morris, Burke)
11	Canyon Lake City Council	(Burke, Williams-Alt)
12	Canyon Lake POA / Canyon Lake Group Meeting	(Burke, Williams-Alt)
13	Eastern M.W.D. Group	(McBride, Ryan)
14	Bedford-Coldwater Groundwater Sustainability Agency (BCGSA) JPA	(Williams)
15	Inspection Tours (e.g., Colorado River Aqueduct, Diamond Valley Lake, other)	All Directors
16	Local Agency Formation Commission (LAFCO)	(Williams)
17	L.E. Chamber Student of the Month and Student of the Year	(Ryan, McBride – Alt)
18	Lake Elsinore City Council	(Williams, Ryan) attendees alternate Monthly
19	Lake Elsinore City Group	(Ryan, Williams)
20	Lakeland Village Community Advisory Council	(McBride, Williams – Alt)
21	LESJWA	(Williams, Morris-Alt)
22	LEUSD School Board	(McBride, Morris)
23	Meeks & Daley Water Co.	(Morris, Burke)
24	Meetings, Summits or Conferences with elected officials and/or agency representatives, SAWPA, Chambers of Commerce, POA's or HOA's regarding matters within the subject matter jurisdiction of the District (Attendees must be listed on or attached to the Days of Service Report Form)	All Directors
25	Murrieta Student of the Month	(Morris, Ryan- Alt)
26	Murrieta City Council	(Morris)
27	National Water Resources Association Conferences	All Directors
28	Quail Valley Environmental Coalition	(Burke, Williams – Alt)
29	Rancho California W.D. Group	(Morris, Williams)
30	Rancho – Western – SRRRA (Santa Rosa JPA)	(Morris, Williams-Alt)
31	Temescal MAC	(Williams, McBride)
32	Urban Water Institute, Inc.	(Burke)
33	Western M.W.D. Group	(Morris, Burke)
34	Wildomar City Council	(Morris, McBride) – attendees alternate monthly
35	Wildomar City Group Meeting	(McBride, Morris)

1. Advance approval by the Board is not required except when the activity or meeting will cost in excess of \$500 per participant.

2. Representatives in (parenthesis) have been appointed by the Board of Directors.

§ 511. **Fringe Benefits.** *(Minutes 3/25/98)*

All Board Members are entitled to receive benefit coverage (i.e., health, dental, vision) offered to regular employees. On March 25, 1998, the Board of Directors adopted the policy giving each Board Member the option to decline benefit coverage which may be waived, as defined in the contract between the District and its insurance carrier.

§ 512. **Travel.** *(M-4987)*

The purpose of this business expense policy is to establish policies and a basis for subsequent procedures regarding local and overnight travel for authorized activities. It includes, but is not limited to, travel, business meals, lodging, conference expenses, and other related expenditures incurred while conducting District business. Board members must ensure that their proposed expenses receive approval prior to incurring the expense.

- A. **Definitions.** For the purpose of this policy, the following definitions will be used:
1. Directors – members of Elsinore Valley Municipal Water District’s elected Board of Directors.
 2. Reimbursable expense – authorized expenses incurred and paid for by a Director. Directors are expected to exercise good judgment and show proper regard for economy when incurring expenses in connection with official District business. No Director shall sustain personal monetary gain or loss as a result of duties performed in the service of EVMWD.
 3. IRS – Internal Revenue Services.
 4. Travel Reimbursement Authorization Requests (TRARs) - forms that must be completed and fully approved prior to travel. TRARs totaling less than \$500 may be approved by the General Manager or designee. All TRARs totaling \$500 or more must be approved by the General Manager or designee and by the Board of Directors. TRARs are to be completed as early as possible to take advantage of all discounts available. In the event that travel needs arise in excess of \$500 prior to Board approval, the General Manager or designee may approve the travel until ratification at the next Board of Directors meeting.
- B. **Qualifying Activities for Reimbursement of Expenses.** The principle of “reasonable and necessary” shall be used when deciding to expend public money. Expenses incurred in connection with the following types of activities generally constitute authorized expenses as long as the other requirements of this policy are met:
1. Conferences and training, including visiting other agencies to discuss and observe best practices.
 2. Meetings with government and business leaders.
 3. Lobbying trips.
 4. Business-related trips where a benefit to the District can be defined.
- C. **Pre-Payment by EVMWD.** Whenever possible, costs such as transportation, accommodations, and registration fees, should be paid in advance directly by EVMWD either by check or EVMWD credit card.

- D. Advance Allowance. Directors shall be entitled to receive up to \$100 per day of anticipated travel in advance travel allowance for expenses expected to be incurred in connection with services rendered pursuant to these regulations.

Mileage Reimbursement. Mileage will be reimbursed at the current IRS rate (www.gsa.gov/mileage) based upon the most direct route from point of departure to point of destination as determined by websites such as www.Mapquest.com, www.maps.google.com, or www.bing.com/maps.

If two or more Directors travel together, only one Director may claim for mileage reimbursement.

To the extent required by Labor Code Sec. 2802, EVMWD shall indemnify Directors for personal losses, including insurance deductibles, incurred as a result of the director's use of a personal vehicle in the course and scope of District approved travel, if the damage was not caused by negligence.

- E. Meal Allowance. Shall be paid utilizing the current IRS Meals and Incidental Expenses (M & IE) rate for the location of the training or conference (see www.gsa.gov/perdiem) as a guideline for travel approval and actual expenses reimbursed. No meal allowance will be approved or reimbursed if a meal is included in the training or conference registration. Itemized receipts must be submitted for reimbursement.

Incidental expenses include tips for porters, baggage carriers and hotel staff. On the first and last day of travel, meal allowances shall be adjusted as allowed on the IRS First and Last Day of Travel guideline (see www.gsa.gov/perdiem) unless the travel times are demonstrated to be in excess of partial days.

- F. Transportation. If a Director has a physical limitation or disability, allowances will be made, which may affect total travel costs, to accommodate those needs without further Board approval. This would also be done in accordance with the Americans with Disabilities Act.

- G. Airfare. When airfare is the most economical mode of transportation, travel shall be by commercial air at the lowest published airfare available for economy class. Airfare should be booked as early as possible to receive the lowest possible rate. Class upgrades, early check-in, or boarding fees of any kind will not be reimbursed.

If a Director chooses to drive rather than fly, reimbursement will be the lesser cost of driving or flying unless approved by the Board of Directors.

If two or more Directors choose to drive together rather than fly, the total of both Directors' calculations will be given to the Director receiving the mileage reimbursement, provided it does not exceed the reimbursement for actual mileage driven.

- H. Ground Transportation. EVMWD will reimburse the Director for the cost of a taxi or shuttle service between the airport, hotel, and training or conference location. In circumstances where lodging or restaurants are at a location different from the training or meeting facility, EVMWD will reimburse the Directors for transportation costs from their place of lodging to these other locations.

- I. Vehicle Rental. When vehicle rental is chosen over taxi or shuttle service, there shall be a business reason or economic benefit to support the decision. The

vehicle class will be the most economic and reasonable that meets the needs of the traveler(s).

Optional auto insurance coverage for the rental vehicle is non-reimbursable and will be at the sole expense of the Director. If a Director is found liable for damage to a rental vehicle, and if the damage was not caused by negligence, EVMWD will reimburse the Director for damage expenses incurred.

IRS mileage rates will not be paid for rental vehicles; receipted fuel expenses will be reimbursed.

- J. Parking Expenses. Prudence shall be used when choosing the most economical mode of parking.
1. Airport Parking - Long-term parking is preferred for travel exceeding 24 hours.
 2. Conference, Training, or Hotel Parking - Valet parking will not be reimbursed beyond that incurred for a normal parking fee unless the Director can demonstrate that no other reasonable parking alternative was available.

- K. Accommodations/Lodging. Reservations shall be made in advance to receive the best rate possible. If such lodging is in connection with a conference, lodging should be at the group rate published by the conference sponsor. EVMWD credit card is the preferred method of payment. Upon hotel check-out, the Director shall obtain an itemized hotel receipt. An Administration Department staff person will contact the lodging accommodation in advance to ensure payment arrangements are in place.

If a Director chooses to stay at a hotel other than those included in the block rate associated with the conference or training, reimbursement will be only up to the sponsored block rate.

If the conference block rate is not available, care should be taken to locate appropriate lodging at a cost as close as possible to the block rate.

- L. Registration Fees. Conference, seminar, training, and meeting registration fees should be prepaid by EVMWD whenever possible to take advantage of early registration discounts.
- M. Communications. Telephone, internet, mail, and fax expenses away from home will be reimbursed only when directly related to EVMWD business. If the Director is traveling with a portable computer, portable WiFi devices may be checked out from the IT Department to save hotel service fees.
- N. Miscellaneous. Miscellaneous expenses authorized for reimbursement include, but are not limited to:
1. Laundry, cleaning and pressing of clothing if travel includes a minimum of four consecutive nights lodging.
 2. Bridge and toll road fees.
 3. Baggage handling and storage
 4. Duplicating, scanning or photocopying expenses directly related to EVMWD business.
- O. No Shows and Late Cancellation. The Director shall submit a written explanation addressing the reason(s) they were unable to attend. Staff will make every effort to ensure that any pre-paid expenses (e.g. registration fee, airline ticket, hotel)

attributable to the event are refunded or credited to EVMWD. Any expenses that are not refunded due to late cancellation may be the Director's personal responsibility, dependent on specific circumstances.

An expense form must be completed as soon as possible with all non-refundable costs related to the travel.

- P. Separation from Office. Attendance at any seminar or conference paid for by the District will not be allowed for Directors who will not begin a new term of office and whose terms expire within three months of the date of the seminar or conference. Travel Authorizations approved by the Board of Directors prior to the last three months of a term being known will be invalidated when a Director's term ending is made known to be within three months of the conference or seminar date.
- Q. Non-Authorized Expenses. Expenditures not authorized for reimbursement include, but are not limited to:
1. Any personal portion of the trip.
 2. Additional expenses incurred by or on behalf of a companion.
 3. Entertainment expenses, including in-room movies and airline headsets.
 4. Personal vehicle expenses or any other additional expenses for damage and/or personal losses caused by negligence on behalf of the Director.
 5. Traffic/driving citation and fines.
 6. Alcoholic Beverages.
 7. Incidental personal expenses including, but not limited to, medications, and non-business related reading materials.
- R. Procedures for Reimbursement of Expenses (M-5108). Directors shall submit original or images of itemized receipts immediately upon return to the appropriate Administration Department staff person for compilation and processing. Itemized receipts should indicate a date, a detailed nature of the expense, and generally identify the participants. In situations where no receipt can be obtained, an explanation of the charges and the reason for the lack of receipt must be included. Failure to submit the required form and documentation within 30 working days may result in the expense being borne by the Director. IRS requires that expenses submitted after 60 days will be reported as taxable income and will appear in Box 1 of Form W-2.
Reimbursement of expenses to Directors require approval by two reviewing Directors, with the same guidelines as the Days of Service Report review and approval, so long as a Director is not one of the approvers of his or her own expense report.
- S. Reward Points. Any points related to hotel or airline reward programs accumulated from EVMWD credit card use should be redeemed by the District whenever possible.

§ 513. Conflict of Interest.

- A. Board Members will not have a financial interest in a contract with the District, or be purchaser at a sale by the District, or a vendor at a purchase made by the District, unless the Board Member's participation was authorized under

Government Code Section 1091. A Board Member will not participate in the discussion, deliberation or vote on a matter before the Board of Directors, or in anyway attempt to use his or her official position to influence a decision of the Board, if he or she has a prohibited interest with respect to the matter, as defined in the Political Reform Act, Government Code sections 81000, and following, relating to financial conflicts of interest. Generally, a Director has a financial interest in a matter if it is reasonably foreseeable that the Board decision would have a material financial effect (as defined by the Fair Political Practices Commission's regulations) that is distinguishable from the effect on the public generally on (a) a business entity in which the Director has a direct or indirect investment in the amount specified in FPPC regulations; (b) real property in which the Director has a direct or indirect investment interest, with a worth in the amount specified in FPPC regulations; (c) a source of income of the Director in the amount specified in FPPC regulations, within twelve months before the Board decision; (d) a source of gifts to the Director in an amount specified in FPPC regulations within twelve months before the Board decision; or (e) a business entity in which the Director holds a position as a director, trustee, officer, partner, manager or employee. An "indirect interest" means any investment or interest owned by the spouse or dependent child of the Director, by an agent on behalf of the Director, or by a business entity or trust in which the Director, or the Director's spouse, dependent child or agent, owns directly, indirectly or beneficially a ten percent interest or greater. A Director will not accept gifts or honoraria that exceed the limitations specified in the Fair Political Practices Act or FPPC regulations. Board Members will report all gifts, honoraria, campaign contributions, income and financial information as required under the District's Conflict of Interest Code and the provisions of the Fair Political Practices Act and the FPPC Regulations.

- B. If a member of the Board believes that he or she may be disqualified from participation in the discussion, deliberations or vote on a particular matter due to a conflict of interest, the following procedure will be followed: (a) if the Director becomes aware of the potential conflict of interest before the Board meeting at which the matter will be discussed or acted on, the Director will notify the District's General Manager of the potential conflict of interest, so that a determination can be made whether it is a disqualifying conflict of interest; (b) if it is not possible for the Director to discuss the potential conflict with the General Manager before the meeting, or if the Director does not become aware of the potential conflict until during the meeting, the Director will immediately disclose the potential conflict during the Board meeting, so that there can be a determination whether it is a disqualifying conflict of interest; and (c) upon a determination that there is a disqualifying conflict of interest, the Director (1) will not participate in the discussion, deliberation or vote on the matter for which a conflict of interests exist, which will be so noted in the Board minutes, and (2) leave the room until after the discussion, vote and any other disposition of the matter is concluded, unless the matter has been placed on the portion of the agenda reserved for uncontested matters, except that the Director may speak on the issue during the time that the general public speaks on the issue.
- C. A Board Member will not recommend the employment of a relative by the District. In addition, a Board Member will not recommend the employment of

a relative to any person known by the Board Member to be bidding for or negotiating a contract with the District.

- D. No Director shall willingly or knowingly accept a gift that may create the impression of conflict of interest, or otherwise violate the disqualification provisions of the Political Reform Act of 1974. A Board Member who knowingly asks for, accepts or agrees to receive any gift, reward or promise thereof for doing an official act, except as may be authorized by law, may be guilty of a misdemeanor under Penal Code section 70.

§ 514. Employee Relations and Discipline. (M-5081)

- A. All personnel matters, including employee discipline, have been specifically designated the responsibility of the General Manager by the Board of Directors.
- B. Board Members shall not in the performance of their official functions, discriminate against or harass any person on the basis of race, religion, color, creed, age, marital status, national origin, ancestry, sex, sexual preference, medical condition or disability. A Board Member will not grant any special consideration, treatment or advantage to any person or group beyond that which is available to every other person or group in similar circumstances.
- C. Individual members of the Board of Directors shall not supervise, discipline or attempt to direct personnel other than through the General Manager or his designee, with majority approval of the Board of Directors.
- D. Interference with employee relations or efforts to discipline public employees of the Water Employee Services Authority by individual members of the Board of Directors, without majority approval of the Board of Directors, shall be grounds for public censure and such other administrative and legal penalties as the Board of Directors may deem appropriate.

§ 515. Use and Safeguarding of District Property and Resources. (M-5081)

Except as specifically authorized by a majority of the Board, a Board Member will not use or permit the use of District-owned vehicles, equipment, telephones, materials or property for personal convenience or profit. A Board Member will not ask or require an employee to perform services for the personal convenience or profit of a Board Member, or employee. Each Board Member must protect and properly use any District asset within his or her control, including information recorded on paper or in electronic form. Board Members will safeguard District property, equipment, moneys and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

Board Members shall be responsible for all computer transactions made with his/her User ID and password and shall not disclose passwords to others or allow access by any unauthorized person to District e-mail, data or resources. Passwords must be changed immediately, if it is suspected that they have become known to others.

§ 516. News Releases. (M-1567)

All news releases relating to, or regarding, an action of the Board of Directors, shall indicate or state the actual “vote” of the Board of Directors.

§ 517. Solicitation of Political Contributions. (M-5081)

Board Members are prohibited from soliciting political funds or contributions at District facilities or from District employees. A Board Member will not accept, solicit or direct a political contribution from District vendors or consultants who have a material financial interest in a contract or other matter while that contract or other matter is pending before the District. A Director will not use the District's seal, trademark, stationery or other indicia of the District's identity, or facsimile thereof, in any solicitation for political contributions contrary to state or federal law.

§ 518. Candidate’s Statement.

Board Members will not include false or misleading information in a candidate's statement for a general District election filed pursuant to section 13307 of the Elections Code.

Payment of the cost of candidate’s Statement shall be borne by the candidate. The Board shall confirm this by minute order along with the adoption of the Notice of General District Election, pursuant to request by the Riverside Registrar of Voters on an annual basis.

§ 519. Incompatible Offices.

Any Board Member appointed or elected to a public office or another public entity, the duties of which may require action contradictory or inconsistent with the Board action, will resign from the former Board.

§ 520. Reporting of Improper Activities; Protection of "Whistle Blowers."

- A. The Board has a duty to ensure that the General Manager is operating the District according to law and the policies approved by the Board. Board Members are encouraged to fulfill their obligation to the public and the District by disclosing to the General Manager to the extent not expressly prohibited by law, improper activities within their knowledge. Board Members will not interfere with the General Manager's responsibilities in identifying, investigating and correcting improper activities, unless the Board determines that the General Manager is not properly carrying out these responsibilities. Nothing in this section affects the responsibility of the Board to oversee the performance of the General Manager.
- B. A Board Member will not directly or indirectly use or attempt to use the authority or influence of his or her position for the purpose of intimidating, threatening,

coercing, commanding or influencing any other person for the purpose of preventing such person from acting in good faith to report or otherwise bring to the attention of the General Manager or the Board any information that, if true, would constitute: a work-related violation by a Board Member or District employee of any law or regulation, gross waste of District funds, gross abuse of authority, a specified and substantial danger to public health or safety due to an act or omission of a District official or employee, use of a District office or position or of District resources for personal gain, or a conflict of interest of a District Board Member or District employee.

- C. A Board Member will not use or threaten to use any official authority or influence to effect any action as a reprisal against a District Board Member or District employee who reports or otherwise brings to the attention of the General Manager any information regarding the subjects described in this section.

§ 521. Violation of Policy.

A perceived violation of this policy by a Board Member should be referred to the President of the Board or the full Board of Directors for investigation, and consideration of any appropriate action warranted. A violation of this policy may be addressed by the use of such remedies as are available by law to the District, including but not limited to: (a) adoption of a resolution expressing disapproval of the conduct of the Board member who has violated this policy, (b) injunctive relief, or (c) referral of the violation to the District Attorney and/or the Grand Jury.

§ 550. Donation and Scholarship Administration (M-3332, M-3816, M-4106, M-5271)

- A. Goal. In accordance with EVMWD's efforts to educate the community regarding its public services and to broaden public knowledge of the services provided by EVMWD, all community sponsorship requests should involve activities that will directly disseminate or permit the dissemination of information regarding EVMWD. All sponsorships shall further the District's objective of educating the public regarding the District's role in the community. Staff and the Legislation, Conservation and Outreach Committee shall evaluate all requests for sponsorship to ensure that requested sponsorships and requests for appropriations are intended for the purpose of disseminating information to the public regarding Elsinore Valley Municipal Water District, its public services, employees and mission as a provider of water and wastewater services.
- B. Background. A stated public information goal of the District is to "develop community support of EVMWD policies through public outreach." As a highly visible public agency, EVMWD has been solicited for club sponsorships, contributions of promotional prizes, yearbook and newsletter advertising, and support of special community events. This sponsorship policy will enable the District to improve community outreach to qualifying organizations through limited sponsorship and advertising support, while remaining in full compliance against legal prohibitions restricting gifts of public funds.

- C. Review and Funding Authority. There shall be established a “Sponsorships and Donations Fund” in the Public Affairs Department budget, to fund qualifying community sponsorships. The Board shall appoint two of its Members to serve as the Legislation, Conservation and Outreach Committee (LCOC) each year, upon Committee appointment in January. The Legislation, Conservation Outreach Committee (LCOC) shall review all requests, direct staff on how to proceed with the requests. Notice of action taken by the Committee will be given verbally or by written report included in monthly Board Meeting packets. Donations and sponsorships to any organization defined as eligible per this policy shall not exceed \$300 in any combination of funds and/or water per fiscal year. As necessary, the LCOC and Board of Directors may establish certain contribution limits on the distribution of marketing items promoting EVMWD. It shall be the responsibility of the District's Public Affairs Department to budget, track and maintain records of all sponsorships and contributions accordingly. Awards of Sponsorships and/or Donations shall be limited to once per fiscal year per agency or organization. Sponsorships or donations shall be limited to those organizations within the service boundaries of EVMWD, and which have an impact on the education and betterment of the communities served by EVMWD.
- D. Eligibility. Eligible sponsorships shall include, but not be limited to, public and non-profit agencies, community organizations, events or publications that are compatible with EVMWD's mission and which otherwise provide opportunities to educate and inform EVMWD's constituents. Cash sponsorships may include activities intended to promote the economic development of communities included within the boundaries of Elsinore Valley Municipal Water District. All sponsorships and contributions shall otherwise be handled in a manner, which will not conflict with legal prohibitions restricting gifts of public funds. Applicants must complete the appropriate sponsorship application form, or provide the pertinent information by other written correspondence at least thirty (30) days before the deadline for funding of the event. Applicants must indicate which form of public information announcement or acknowledgment will be made to EVMWD. The recipient of a sponsorship or donation must exhibit notice to the public of EVMWD's support, either by signage, acknowledgment in program handouts, verbal announcement, or other means of communication.
- E. Awards. On an annual basis, a contribution of \$100 to each high school within the Lake Elsinore and Murrieta School Districts will be made. The Lake Elsinore and Murrieta Chambers of Commerce shall determine the appropriate recipients of the scholarship funds provided by EVMWD for their respective high schools. If the Committee determines that funding is inadequate to allow for scholarship donation to the schools, any unused funds may remain to be utilized pursuant to this policy.
- F. Program Support. Staff of the Elsinore Valley Municipal Water District's Public Affairs Department will contact and coordinate the annual donation through the Lake Elsinore and Murrieta Chambers of Commerce to be issued through their Student of the Year Programs.

At the Special Study Session Meeting of December 1, 2020, under Agenda 4. Project Updates, the Regional Plant Expansion flyover video was shown. This video clip is located here:

<M:\Engineering\RWRf Biweekly Drone Videos>

File name: Regional Expansion HD

To view this video, please contact Administration.