POPULAR ANNUAL FINANCIAL REPORTING AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to East Valley Water District, California for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017.

In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

We believe our current PAFR continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another Award. We also welcome and encourage feedback from District ratepayers to help make this publication more useful and/or informative.
East Valley Water District (EVWD) provides water and wastewater services to residents throughout a 30.1 square mile area to over 102,000 people within the cities of Highland and San Bernardino, portions of unincorporated County of San Bernardino, the San Manuel Band of Mission Indians and Patton State Hospital.

**GOVERNING BOARD OF DIRECTORS**

- **Chairman of the Board**
  - CHRIS CARRILLO
- **Vice Chairman**
  - DAVID E. SMITH
- **Governing Board Member**
  - RONALD L. COATS
- **Governing Board Member**
  - JAMES MORALES, JR.
- **Governing Board Member**
  - PHILLIP GOODRICH

**DISTRICT MANAGEMENT**

- **General Manager/CEO**
  - JOHN MURA
- **District Clerk**
  - JUSTINE HENDRICKSEN
- **Chief Financial Officer**
  - BRIAN TOMPKINS
- **Director of Strategic Services**
  - KELLY MALLOY
- **Director of Engineering & Operations**
  - JEFF NOELTE
- **Operations Manager**
  - PATRICK MILROY
- **Information Technology Manager**
  - ROBERT PENG
- **Human Resources & Risk Safety Manager**
  - KERRIE BRYAN
East Valley Water District has set out to be a world class organization that provides maximum benefits to the community. This high standard requires innovation at all levels of operation paired with measurable results. These efforts continue to produce in outstanding projects and programs that have been recognized by professional organizations and publications. FY 2018-19 will continue to focus on making investments in the community.

The PAFR is unaudited; however, the financial data presented in the PAFR is derived from the audited CAFR which is consistent with Generally Accepted Accounting Principles also known as GAAP. This document can also be reviewed on the District’s website at www.eastvalley.org/125/Financial-Documents under “Reports.”

For more detailed information, the District’s Comprehensive Annual Financial Report is available for interested users at the District Headquarters, 31111 Greenspot Road, Highland, CA 92346. It can also be viewed on the District’s website at www.eastvalley.org/DocumentCenter/View/1420. Questions comments and feedback regarding this report are encouraged, so please do not hesitate to contact Brian Tompkins, Chief Financial Officer, at finance@eastvalley.org or (909) 381-6463.

On behalf of the District, I would like to extend my appreciation to everyone that contributed to the development of this document.

Respectfully submitted,

John Mura
General Manager/CEO

ENHANCE AND
preserve
THE QUALITY OF LIFE
FOR OUR COMMUNITY
THROUGH INNOVATIVE LEADERSHIP &
world class
PUBLIC SERVICE
The District serves a population of **102,000**.

- **214** Miles of Sewer Main
- **300** Miles of Water Main
- **15,000,000** Average Gallons of Water Produced Daily
- **28,977,000** Gallons of Potable Water Stored
- **6,000,000** Gallons of Sewage Conveyed Daily
- **3,300** Water Samples Collected
- **700** Valves Exercised

**15,700** Manual & **7,300** AMI Automatic Meters Read Monthly

- **268** Leaks Repaired
- **30.1** Square Mile Service Area
- **16** Active Ground Water Wells

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**core values**

**LEADERSHIP**
Motivating a group of people to act towards achieving a common goal or destination.

**PARTNERSHIP**
Developing relationships between a wide range of groups and individuals through collaboration and shared responsibility.

**STEWARDSHIP**
Embracing the responsibility of enhancing and protecting resources considered worth caring for and preserving.
The District achieved a number of different accomplishments during Fiscal Year (FY) 2017-18. As a results oriented organization, each program has clearly defined goals and objectives. During this period, there were four priority projects that contributed to achieving not only the District-wide goals, but also the District-wide Vision: Advanced Metering Infrastructure Installation, Hydroelectric Generation Turbine Project, City Creek Manhole Reinforcement and Pumalo Casa Main Extension. These projects are included in the Five-Year Capital Improvement Program.

**district wide goals**

As part of the annual budget process, District-wide goals are established by the Governing Board in order to identify priority programs and projects. More specific program goals were established for each program consistent with District-wide goals.

**GOAL ONE**
Partner with organizations in an effort to enhance the quality of life for our community members beyond water and wastewater services.

**GOAL TWO**
Implement measures to support enhancement of the District's Brand, including increased Board Member participation both within and outside of the service area boundaries.

**GOAL THREE**
Conduct a comprehensive update to the current Water Master Plan for long-term planning purposes.

**GOAL FOUR**
Actively participate in necessary processes, including legal and regulatory requirements, essential to reaching the long-range goal of constructing the Sterling Natural Resource Center.

**GOAL FIVE**
Successfully negotiate an employee Memorandum of Understanding (MOU) that protects the District's resources while promoting employee morale.
Each year as part of the budget process, the District’s Program Managers and Supervisors compile and submit a list of capital outlay requests for consideration. Staff reviews and prioritizes the list of equipment based on a needs assessment and the amount of funding available. Proposed Capital Improvement Projects for the budgeted fiscal year were submitted by the Engineering, Operations and Maintenance Programs in accordance with the anticipated needs of the District as outlined in the 2013 Wastewater Master Plan and 2014 Water Master Plan.

PUMALO CASA MAIN EXTENSION

This project addressed service delivery challenges where service lines crossed property boundaries. A service line leak required all connected properties to be without water until repairs were made.

PROJECT BENEFITS
- Reduced unnecessary loss of water through leaks on non-compliant service lines
- Decreased field staff time previously required for responding to work orders for this area.

PROJECT COMPLETION
MAY 2018

TOTAL PROJECT COST
$138,048

HYDROELECTRIC GENERATION PROJECT

In January 2015, the District entered into an agreement with the San Bernardino Valley Municipal Water District for the construction, financing and maintenance of a hydroelectric power generation facility. Turbines at the facility will be turned by water flowing into the District from the State Water Project to produce up to 220 KW.

PROJECT BENEFITS
- Energy conservation
- Reduced production costs
- Intelligent use of resources

PROJECT COMPLETION
MAY 2018

TOTAL PROJECT COST
$4,355,775

CITY CREEK MANHOLE REINFORCEMENT

This project reinforced a sewer main manhole that had been exposed by a realignment of flows in City Creek and subsequent soil erosion.

PROJECT BENEFITS
- Mitigate threat of debris in creek rupturing sewer line.

PROJECT COMPLETION
APRIL 2018

TOTAL PROJECT COST
$155,177

ADVANCED METERING INFRASTRUCTURE (AMI)

This project consists of updating manual read meters throughout the District with AMI hardware, software and meters. Phase 1 was completed during FY 2017-18.

Remaining accounts will be upgraded in three phases over the next five years.

PROJECT BENEFITS
- Energy conservation
- Decrease greenhouse gas emissions through reduced vehicle miles
- Reduce water usage by real-time identification of leaks and over-watering

TOTAL PROJECT COST
$1,991,910

METERS INSTALLED TO DATE
8,448
The Sterling Natural Resource Center will treat 8 million gallons of wastewater a day initially, with the ability to expand to 10 million gallons a day, and recharge it into the local Bunker Hill Groundwater Basin where it will be stored for use in future drought years.

The facility vision is to construct a location that can produce recycled water, while creating a community center that will benefit the local residents.

**What is the SNRC?**

**Community Benefits**

- Treats 8 Million Gallons of Wastewater Daily
- Recharges the Bunker Hill Groundwater Basin
- Provides a Community Resource and Educational Center for Local Residents
- Educational Courses will Compliment School STEM Programs
- Provides an Opportunity for Hundreds of Millions of Gallons to be Stored for Use in Dry Years
FUNDING

The $150 million project will be funded by a variety of sources such as: $6.7 million in State grants, $119 million in low-interest loans from California Clean Water State Revolving Fund, future development fees, and Wasterwater service charges.

It is anticipated to remain the same with the new facility and customers will have savings over time compared to projected wastewater costs.

MBR TECHNOLOGY

Membrane BioReactors (MBR) is a wastewater treatment process that combines filtration with biological treatment that dramatically reduces the amount of space needed to operate the facility and allows for the processes to be completely self-contained.

The water produced by the Sterling Natural Resource Center will be cleaned and disinfected through multiple processes. Recycled water is clear and has no smell.
community involvement

Staying true to its operating core values of leadership, partnership and stewardship, East Valley Water District is committed to enhancing the community’s quality of life by taking on a responsibility that goes beyond providing reliable water services. To truly make an impact in the lives of customers, the District incorporated local partnerships, active involvement, and special services to its ongoing community outreach strategy.

PARTNERING WITH THE LOCAL COMMUNITY

Aspiring to engage the leaders of tomorrow, the District partnered with the Highlanders Boxing Club throughout the year. This fall the District opened the gates of the headquarters for the 2nd Annual Inland Empire Neighborhood Champions Belt Challenge. The event held over the Veterans Day weekend honored veterans for their service, and provided an afternoon with educational activities alongside friends and neighbors.

JEFFERSON HUNT ELEMENTARY SCHOOL SPONSORSHIP

With the desire of making a difference in the community it serves, East Valley Water District employees identified a local school with underserved students. To help prepare students and teachers for a successful academic year, EVWD staff donated 152 backpacks and 28 teacher care packs to Jefferson Hunt Elementary. Recognizing a need for more than just school supplies, the District conducts year-round drives to sponsor students with shoes, socks, sweatshirts and jackets.

SUPPORTING THE SENIOR CENTER

Committed to enhancing the lives of all community members, East Valley Water District is a proud supporter of the Annual Golf Tournament hosted by the Highland Senior Center. The special fundraising tournament features the participation of over 100 players with proceeds benefiting the center where seniors can receive low cost meals and participate in classes and programs that enrich, maintain and enhance their quality of life.
REVENUE AND EXPENSES

Providing safe drinking water to over 102,000 customers every day is the District’s top priority and also one of its most significant expenses. The graphs below represent the District’s combined revenue and expenses for FY 2017-18. For comparison purposes, FY 2015-16 and FY 2016-17 revenue and expenses have also been included.

Note: Please refer to the District’s CAFR for a comprehensive breakdown of expenses which includes the availability of additional details.

HOW IS REVENUE MANAGED?

The District utilizes revenue to fund daily operations, repay loans, bonds and interest. Remaining revenue is invested back into capital improvement projects to help maintain and improve the District’s system health so that EVWD may continue taking steps to support the Vision statement of providing world class public service.

Revenue also provides funding for conservation and rebate programs, which empowers customers to be efficient water users and encourages water savings indoors and out. Excess net revenue after covering expense and payments is placed in Replacement Reserves, the District’s account set aside to meet unexpected costs.
REVENUE BY SOURCES

Revenue is used to fund day-to-day operation of the District.

East Valley Water District receives 97 percent of its revenue from user rates and fees; the District receives no increment from property or sales taxes. Rates and fees are reviewed on 3 to 5 year cycles and are adjusted as necessary to cover the costs of providing services to ratepayers.

FISCAL YEAR 2017-18 RATE REVENUE

- **22% WATER SALES**
- **22% WASTEWATER TREATMENT**
- **12% WASTEWATER COLLECTION**
- **2% OTHER CHARGES**
- **42% WATER SALES**

**Wastewater treatment rates** are established by, and revenue remitted to, the City of San Bernardino Municipal Water Department, which is currently contracted to treat all wastewater generated by District customers.

**Wastewater collection charges** are 1) fixed monthly charges for single family residences, and 2) a combination of fixed and volumetric charges for commercial and multi-family customers.

**Water sales** are based on the volume of water used by a customer during the monthly billing period.

**Meter charges** are fixed monthly charges assessed to customers based on the size of the service connection to their property.

Other charges are assessed according to an adopted fee schedule, but are only charged to users who request, or require, use of District resources beyond the scope of delivering normal water and wastewater services.

REVENUE HISTORY & FORECAST (IN MILLIONS)

- **WATER OPERATING REVENUE**
- **WASTEWATER OPERATING REVENUE**

Note: The District’s water sales and meter charge revenue are expected to decrease through FY 2018-19 due to rate increases water usage tends to reduce.

Additional information regarding the approved rates can be found at eastvalley.org/rates.
BREAKDOWN OF EXPENSES

Expenses are based on the cost to provide water to meet customer demand and to collect and treat wastewater from customer residences or places of business. The District strives to provide safe and reliable water delivery services. Despite the severity of the recent drought, the District has put forth significant effort to overcome the challenges of maintaining a fiscally sustainable and operationally dependable organization.

EXPLANATION OF EXPENSES

Source of Supply - Expenses related to the extraction of groundwater, and for procuring water from the Santa Ana River or State Water Project when supply is available.

Pumping - Expenses related to moving water throughout the District’s water distribution system.

Water Treatment - Expenses related to the treatment of water.

Transmission and Distribution - Expenses for transmitting water to treatment plants and storage reservoirs for distribution to commercial and residential customers.

Customer Accounts - Expenses related to customer relationships. These include postage, telephone, printing and publishing, and billing services.

Wastewater Treatment - Expenses related to service currently provided by the City of San Bernardino Water Department through and contract.

Wastewater Collection - Expenses for the operation and maintenance of the District’s system of wastewater collection pipelines.

Administrative and General - Expenses related to the administration of the District operations. For example, employee compensation, benefits, conservation rebates, office supplies, banking services, materials and supplies, utilities, fuel, permits, insurance claims, legal services and printing and publishing.

Depreciation - Expenses related to the use of capital assets over time.

Other Expense - Expenses not related to the District’s current cost of utility service delivery.

Special Items - The write-off for feasibility studies and other preliminary costs related to projects that were not approved for construction.

The graph on the left identifies how every dollar spent is allocated to covering expenses (in cents).

Operating expenses are identified and accounted for at the department level.
OUTSTANDING LONG-TERM DEBT

Much like how a mortgage is financed to spread costs over 30 years, East Valley Water District has incurred debt to fund large capital projects. The District has adopted a Debt Management Policy to clearly state that long-term borrowing can only be used for Capital Improvement Projects that cannot be funded from current revenues.

Similar to an individual’s credit score, public agencies have a bond rating used by investors to determine risk. The District has a bond rating of AA- by both the Fitch and the Standard and Poor’s rating services. This is considered a high quality investment grade.

EXPLANATION OF DEBT (IN MILLIONS)

- **SBVMWD Loan** - Agreement with the San Bernardino Valley Municipal Water District for the construction, financing and maintenance of a state water turnout, providing the District direct access to the State Project Water, to be used for the surface water treatment plant.

- **State Department of Water Resources Loans** - Funded the improvement and expansion of the District’s surface water treatment plant.

- **2010 Bonds** - Issued to refinance all previous outstanding long-term debt and to provide $16 million for water quality improvement projects.

- **US Bank Loan** - Issued for the purchase and installation of energy conservation equipment at several of the District’s water production facilities.

- **2013 Bonds** - Financed the construction of the District’s new administration and operations headquarters designed to serve as a resource for the community.

East Valley Water District’s long-term debt consists of bonds, loans and installment purchases.
As an infrastructure based organization, the District is heavily invested in capital investments to maintain and improve its water and wastewater system. Comparative net position offers perspective of the District’s assets, liabilities and equity. The information presented below applies to fiscal years ended June 30, 2018 and 2017.

**EXPLANATION OF ASSETS**

**Current Assets** - Cash and cash equivalents, customer utility receivables, inventory, prepaid expenses and other liquid assets that can be readily converted to cash.

**Restricted Assets** - Cash equivalents, grants and bonds restricted for a specific purpose and therefore not readily available to use.

**Other Assets** - Special Assessments receivable from the certain property owners for system improvements that benefit only their properties.

**Capital Assets** - Any land, building, equipment, vehicles, inventory, treatment plants, pipeline and water distribution systems owned by the District.

**Deferred Outflow of Resources** - Use of net assets attributed to future reporting periods, such as prepaid items and deferred charges.

**EXPLANATION OF LIABILITIES**

**Current Liabilities** - Present obligations and payments due including, payments to vendors, payroll, and employee benefits.

**Non-Current Liabilities** - Long-term financial obligations including payments for loans, bonds and employee retirement benefits.

**Deferred Inflow of Resources** - Receipt of net assets attributed to future reporting periods, such as deferred revenue and advance collections.

**Equity (Net Position)** - Represents the District’s fiscal position after assets, liabilities, deferred outflow and deferred inflow have been balanced.
SAFE RELIABLE WATER & WASTEWATER SERVICE PROVIDER

East Valley Water District was formed in 1954 and provides water and wastewater services to over 102,000 residents within the cities of Highland and San Bernardino, and portions of San Bernardino County. EVWD operates under the direction of a 5-member elected Board.

OFFICE HOURS
Monday – Thursday 8:00am – 5:00pm
2nd and 4th Tuesday 9:00am – 5:00pm
Friday 7:30am – 4:30pm

CUSTOMER SERVICE & AFTER-HOURS EMERGENCY SERVICE
(909) 889-9501