

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
No. 5, No. 7, No. 8 and No. 12**

FINANCIAL STATEMENTS

Year ended June 30, 2019
(With Independent Auditor's Report Thereon)

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
No. 5, No. 7, No. 8 and No. 12**

FINANCIAL STATEMENTS

Year ended June 30, 2019

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Independent Auditors' Report

Board of Directors
Eastern Municipal Water District
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Municipal Water District's Assessment District No. 5 – Romoland, Assessment District No. 7 – Homeland/Green Acres, Assessment District No. 8 – Stagecoach Road and Assessment District No. 12 – Pigeon Pass Road, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Assessment Districts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 assessment 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 assessment district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eastern Municipal Water District's Assessment District No. 5 – Romoland, Assessment District No. 7 – Homeland/Green Acres, Assessment District No. 8 – Stagecoach Road and Assessment District No. 12 – Pigeon Pass Road, as of June 30, 2019, and the respective 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.

Other Matters

Required Supplementary Information

Management has omitted 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements 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 13, 2019 on our consideration of Eastern Municipal Water District's Assessment District No. 5 – Romoland, Assessment District No. 7 – Homeland/Green Acres, Assessment District No. 8 – Stagecoach Road and Assessment District No. 12 – Pigeon Pass Road 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 Assessment Districts' internal control over financial reporting and compliance.



Irvine, California
November 13, 2019

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
No. 5, No. 7, No. 8 and No. 12
BALANCE SHEETS**

	<u>ASSETS</u>			
	<u>A.D. 5</u>	<u>A.D. 7</u>	<u>A.D. 8</u>	<u>A.D. 12</u>
	<u>(Romoland)</u>	<u>(Homeland / Green Acres)</u>	<u>(Stagecoach Road)</u>	<u>(Pigeon Pass Road)</u>
CURRENT ASSETS:				
Cash and cash equivalents (note 2)	\$ 137,691	601,108	364,696	288,877
Special assessments receivable, current	<u>40,000</u>	<u>145,000</u>	<u>120,000</u>	<u>60,000</u>
TOTAL CURRENT ASSETS	<u>177,691</u>	<u>746,108</u>	<u>484,696</u>	<u>348,877</u>
NONCURRENT ASSETS:				
Special assessments receivable, long-term	<u>347,824</u>	<u>277,736</u>	<u>1,870,104</u>	<u>1,033,788</u>
TOTAL NONCURRENT ASSETS	<u>347,824</u>	<u>277,736</u>	<u>1,870,104</u>	<u>1,033,788</u>
TOTAL ASSETS	<u>\$ 525,515</u>	<u>\$ 1,023,844</u>	<u>\$ 2,354,800</u>	<u>\$ 1,382,665</u>
<u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES:				
Accrued interest payable	\$ 10,515	18,844	34,800	27,665
Bonds payable, current (notes 3 and 4)	40,000	145,000	120,000	60,000
Due to EMWD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>50,515</u>	<u>163,844</u>	<u>154,800</u>	<u>87,665</u>
LONG-TERM LIABILITIES:				
Bonds payable, long-term (notes 3 and 4)	<u>475,000</u>	<u>860,000</u>	<u>2,200,000</u>	<u>1,295,000</u>
TOTAL LIABILITIES	<u>525,515</u>	<u>1,023,844</u>	<u>2,354,800</u>	<u>1,382,665</u>
NET POSITION:				
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 525,515</u>	<u>1,023,844</u>	<u>2,354,800</u>	<u>1,382,665</u>

See Notes to Financial Statements

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
No. 5, No. 7, No. 8 and No. 12
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Year ended June 30, 2019

	A.D. 5 (Romoland)	A.D. 7 (Homeland / Green Acres)	A.D. 8 (Stagecoach Road)	A.D. 12 (Pigeon Pass Road)
OPERATING REVENUES:				
Special assessments	\$ 37,024	68,019	110,121	86,258
Investment income	<u>2,129</u>	<u>10,278</u>	<u>5,968</u>	<u>4,694</u>
TOTAL	<u>39,153</u>	<u>78,297</u>	<u>116,089</u>	<u>90,952</u>
OPERATING EXPENSES:				
Administrative costs	7,251	20,500	10,830	7,396
Interest expense	<u>31,902</u>	<u>57,797</u>	<u>105,259</u>	<u>83,556</u>
TOTAL	<u>39,153</u>	<u>78,297</u>	<u>116,089</u>	<u>90,952</u>
OPERATING INCOME	-	-	-	-
NET POSITION AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Notes to Financial Statements

EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
No. 5, No. 7, No. 8 and No. 12
STATEMENTS OF CASH FLOWS

Year ended June 30, 2019

	A.D. 5 (Romoland)	A.D. 7 (Homeland / Green Acres)	A.D. 8 (Stagecoach Road)	A.D. 12 (Pigeon Pass Road)
CASH FLOWS FROM OPERATING ACTIVITIES:				
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ -	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Special assessments received from property owners	85,962	235,813	230,950	148,018
Interest and administrative costs paid	(46,467)	(80,828)	(117,814)	(93,374)
Repayments of bonds	(35,000)	(135,000)	(115,000)	(55,000)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	4,495	19,985	(1,864)	(356)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	2,129	10,278	5,968	4,694
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,129	10,278	5,968	4,694
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,624	30,263	4,104	4,338
CASH AND CASH EQUIVALENTS - BEGINNING	131,067	570,845	360,592	284,539
CASH AND CASH EQUIVALENTS - ENDING	\$ 137,691	601,108	364,696	288,877
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash used for operating activities:	-	-	-	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ -	\$ -	\$ -	\$ -

There were no significant noncash capital, financing or investing activities for the year ended June 30, 2019.

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
NO. 5, NO. 7, NO. 8 AND NO. 12**

NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2019

(1) Summary of significant accounting policies

(a) History and organization

Eastern Municipal Water District: Eastern Municipal Water District (EMWD) was formed in October 1950, under the California Water Code for the primary purpose of importing Colorado River Water to augment local water supplies. EMWD serves an area of approximately 355,000 acres (555 square miles), encompassing the westerly third of Riverside County. EMWD is operated under the direction of a five-member Board of Directors elected for four-year terms.

Assessment District 5 – Romoland, Assessment District 7 – Homeland/Green Acres, Assessment District 8 – Stagecoach Road, and Assessment District 12 – Pigeon Pass Road (herein referred to collectively as “Assessment Districts”) were all created pursuant to the Municipal Improvement Act of 1913, Division 12 of the Streets and Highways Code and by virtue of the Improvement Act of 1915, Division 10 of the Streets and Highways Code.

Assessment District 5 – Romoland: Assessment District 5 – Romoland (A.D. 5) was created in May 1988 by Resolution 2337 of EMWD as a Special Assessment District for the main purpose of constructing a gravity sewer main, as well as acquiring rights of way, easements, and fee title sites needed for the project. These improvements directly benefit the properties and land within the community of Romoland that is within A.D. 5. Furthermore, these improvements were constructed by EMWD with funds provided by A.D. 5 to EMWD from the issuance of limited obligation improvement bonds.

Assessment District 7 – Homeland/Green Acres: Assessment District 7 – Homeland/Green Acres (A.D. 7) was created in August 1988 by Resolution 2386 of EMWD as a Special Assessment District for the purpose of expanding the Perris Valley Regional Wastewater Reclamation Facility, a raw sewage pump station, a force main, gravity sewer mains, including all manholes, laterals, cleanouts, steel casing, pavement replacement, rights of way, and easements. These improvements directly benefit the property owners in and around the unincorporated area of the County of Riverside known as the communities of Homeland and Green Acres that are within A.D. 7. Furthermore, these improvements were constructed by EMWD with funds provided by A.D. 7 to EMWD from the issuance of limited obligation improvement bonds.

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
NO. 5, NO. 7, NO. 8 AND NO. 12**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(1) Summary of significant accounting policies (Continued)

Assessment District 8 – Stagecoach Road: Assessment District 8 – Stagecoach Road (A.D. 8) was created in April 1991 by Resolution 2671 of EMWD as a Special Assessment District for the purpose of expanding the existing Olivas, Brosseau, Stagecoach and Sanwood Booster Plants, and construction of three onsite booster plants, five water storage reservoirs, transmission hydrants, pavement replacement, rights of way, and easements. These improvements directly benefit the properties and land within the unincorporated area of the County of Riverside known as the Community of Nuevo that is within A.D. 8. Furthermore, these improvements were constructed by EMWD with funds provided by A.D. 8 to EMWD from the issuance of limited obligation improvement bonds.

Assessment District 12 – Pigeon Pass Road: Assessment District 12 – Pigeon Pass Road (A.D. 12) was created in January 1993 by Resolution 2969 of EMWD as a Special Assessment District for the purpose of construction of water transmission mains and distribution mains, service lines, fire hydrants, pavement replacement, rights of way, and easements. A.D. 12 also purchased capacity in certain facilities of EMWD. These improvements directly benefit the properties and land within A.D. 12. Furthermore, these improvements were constructed by EMWD with funds provided by A.D. 12 to EMWD from the issuance of limited obligation improvement bonds.

(b) Basis for presentation

The Assessment Districts were created and approved by resolution of the EMWD Board of Directors. However, the debt obligations issued by each of the Assessment Districts are not direct liabilities of EMWD. The payment for each Assessment District obligation is secured by valid assessment liens on certain properties within each Assessment District. Neither the faith and credit nor the taxing power of EMWD is pledged for the payment of any bonds issued by the Assessment Districts.

Since EMWD is not obligated in any manner for the Assessment Districts, the debt service transactions of the Assessment Districts have been excluded from the financial statements of EMWD in accordance with generally accepted accounting principles. Therefore, the accompanying financial statements are intended to reflect the financial position and results of operations for each Assessment District only and do not purport to represent the financial position or results of operations of EMWD.

As discussed in the previous paragraph, the bonds are debt of each issuing Assessment District, rather than debt of EMWD. From the perspective of the separate financial statements of the Assessment

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
NO. 5, NO. 7, NO. 8 AND NO. 12**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(1) Summary of significant accounting policies (Continued)

Districts, the bonds are secured by the revenues of and reported as debt of each Assessment District. The Assessment Districts consider their special assessments to represent exchange-like transactions, rather than imposed nonexchange transactions. This is based upon the Assessment Districts' determination that the value to the property owner of the constructed improvements is approximately equal to the amount of the special assessment. In the opinion of management, the property owners' properties would have a substantially diminished value if the constructed improvements were not in place. In accordance with the accrual basis of accounting for exchange-like transactions, the entire amount assessed to property owners as an assessment receivable is recognized as revenue when the exchange takes place (i.e. upon installation of the completed facilities). In addition, revenue is recognized annually for the interest portion of special assessment collections and for the provision of administrative services.

Because the primary source of revenue for each Assessment District results from exchange-like transactions, each Assessment District accounts for its operations as an enterprise fund (i.e. business-type activities), using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows.

(c) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents represent funds that can be withdrawn at any time without restriction or penalty such as demand deposits and investments with original maturities of three months or less from the date of purchase.

(d) Operating revenues and expenses

As provided by paragraph 102 of GASB Statement No. 34, since special assessments and interest expense are an integral part of the principal operations of the Districts, such amounts are classified in the accompanying statements of revenues, expenses, and changes in net position as operating revenues and expenses, respectively.

(e) Special assessments receivable

Each Assessment District made a levy against property owners within the project area pursuant to the provisions of the Municipal Improvement Act of 1913 based upon the determined benefit that each property owner received as a result of the improvements constructed by EMWD. Special assessment receivables reflected in the accompanying financial statements have been estimated and are the sole source of

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
NO. 5, NO. 7, NO. 8 AND NO. 12**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(1) Summary of significant accounting policies (Continued)

revenues pledged for the payment of bonds outstanding for each Assessment District. Annually, special assessments for each Assessment District are placed and collected on the property tax rolls of applicable property owners by the County in amounts that are sufficient to pay current principal and interest due on the bonds. The County remits special assessments collected by EMWD. EMWD acts solely as an agent for those paying the assessments and the bond holders and has no duty to pay any delinquencies, should they occur.

(f) EMWD administrative costs

Since EMWD acts as an agent for those paying the assessments and the bondholder, EMWD is reimbursed by each Assessment District to cover certain administrative costs such as payroll, audit fees, and software training.

(g) Capital assets

No capital assets have been reflected in the accompanying financial statements for each Assessment District since EMWD is solely responsible for all maintenance and repair costs related to all of the improvements constructed with proceeds from debt obligations issued by each of the Assessment Districts. Constructed facilities are expensed as a contribution of capital assets to EMWD.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affected the reported amounts of 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 estimated.

(2) Cash and cash equivalents

Cash held by the Assessment Districts at June 30, 2019 consisted of the following:

	<u>A.D. 5</u>	<u>A.D. 7</u>	<u>A.D. 8</u>	<u>A.D. 12</u>
Money Market Funds	\$ 137,691	601,108	364,696	288,877

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
NO. 5, NO. 7, NO. 8 AND NO. 12**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(2) Cash and cash equivalents (Continued)

Investments authorized by debt agreements - Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Money Market Funds	None	None	None

Per the terms of the bonds issued for each Assessment District, proceeds of the bonds may be invested in federally insured deposits or accounts so as to cause the bond proceeds to be federally guaranteed. The following are further limitations and restrictions on investments for each Assessment District:

A.D. 5 - Bond proceeds may not be invested at a yield materially higher than the yield on the bond.

A.D. 7, A.D. 8 and A.D. 12 - Bond proceeds may be invested at an unrestricted yield for a period not to exceed one year; proceeds may also be invested in United States Treasury – State and Local Government Series, demand deposit securities, and tax-exempt obligations. Bond proceeds may *not* be used to purchase securities, obligations, annuity contracts or any other investment-type property that are not acquired to carry out the governmental purpose of the bonds for an amount in excess of the fair market value of said investments. Not more than 50% of the proceeds of the bonds may be invested in investment securities having a substantially guaranteed yield for a term of four years or more.

Disclosures Relating to Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Assessment Districts manage their exposure to interest rate risk is by purchasing a combination of shorter term 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 the cash flow and liquidity needed for operations.

**EASTERN MUNICIPAL WATER DISTRICT
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(2) Cash and cash equivalents (Continued)

Information about the sensitivity of the fair values of the Assessment Districts investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

Investment type	Total	Remaining Maturities (in Months)			
		Within 12	13 to 24	25 to 60	60+
Held by bond trustee:					
Money market funds:					
A.D. 5	\$ 137,691	137,691	-	-	-
A.D. 7	601,108	601,108	-	-	-
A.D. 8	364,696	364,696	-	-	-
A.D. 12	288,877	288,877	-	-	-
Total	<u>\$ 1,392,372</u>	<u>1,392,372</u>	<u>-</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by debt agreements, and the actual rating as of yearend for each investment type.

Investment type	Total	Minimum Legal Rating	Ratings as of Year End	
			AA	Not Rated
Held by bond trustee:				
Money market funds:				
A.D. 5	\$ 137,691	AA	137,691	-
A.D. 7	601,108	AA	601,108	-
A.D. 8	364,696	AA	364,696	-
A.D. 12	288,877	AA	288,877	-
Total	<u>\$ 1,392,372</u>		<u>1,392,372</u>	<u>-</u>

**EASTERN MUNICIPAL WATER DISTRICT
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(2) Cash and cash equivalents (Continued)

Custodial credit risk - Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the Assessment Districts). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(3) Bonds payable

The following is a summary of changes in long-term debt of the Assessment Districts for the year ended June 30, 2019:

Limited Obligation Improvement Bonds	Balances at July 1, 2018	Additions	Payments	Balances at June 30, 2019	Current Portion
A.D. 5	\$ 550,000	-	(35,000)	515,000	40,000
A.D. 7	1,140,000	-	(135,000)	1,005,000	145,000
A.D. 8	2,435,000	-	(115,000)	2,320,000	120,000
A.D. 12	1,410,000	-	(55,000)	1,355,000	60,000
	<u>\$ 5,535,000</u>	<u>-</u>	<u>(340,000)</u>	<u>5,195,000</u>	<u>365,000</u>

A.D. 5 (Romoland) improvement bonds - On April 21, 1989, A.D. 5 issued \$1,165,803 of improvement bonds. The proceeds of these bonds were provided to EMWD to construct a gravity sewer main, as well as acquire certain rights of way, easements, and fee title sites for this project. The improvements constructed by EMWD directly benefited the property owners within the community of Romoland. Bonds are payable annually on September 2 in varying amounts ranging from \$5,802 to \$65,000, commencing September 2, 1990 to September 2, 2028. Interest is payable semi-annually on March 2 and September 2, commencing March 2, 1990. Interest accrues at a rate of 6.125% per annum. Bonds are subject to optional redemption in any year.

**EASTERN MUNICIPAL WATER DISTRICT
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(3) Bonds payable (Continued)

A.D. 7 (Homeland/Green Acres) improvement bonds - On July 7, 1992, A. D. 7 issued \$4,389,454 of improvement bonds. The proceeds of these bonds were provided to EMWD to construct an expansion of the Perris Valley Regional Wastewater Reclamation Facility, a raw sewage pump station, a force main, gravity sewer mains, including all manholes, laterals, cleanouts, steel casing, pavement replacement, rights of way, and easements. The improvements constructed by EMWD directly benefited the property owners within A.D. 7. Bonds are payable annually on September 2 in varying amounts ranging from \$34,454 to \$185,000, commencing September 2, 1993 through September 2, 2024. Interest is payable semi-annually on March 2 and September 2, commencing March 2, 1993. Interest accrues at a rate of 5.625% per annum. Bonds are subject to optional redemption in any year.

A.D. 8 (Stagecoach Road) limited obligation improvement bonds - On September 1, 1994, A.D. 8 issued \$4,167,528 of limited obligation improvement bonds. The proceeds of these bonds were provided to EMWD to construct an expansion of the existing Olivas, Brosseau, Stagecoach and Sanwood Booster Plants, and construct three onsite booster plants, five water storage reservoirs, transmission hydrants, pavement replacement, rights of way, and easements. These improvements constructed by EMWD directly benefited the property owners within A.D. 8. Bonds are payable annually on September 2 in varying amounts ranging from \$37,528 to \$210,000, commencing September 2, 1995 through September 2, 2033. Interest is payable semi-annually on March 2 and September 2, commencing March 2, 1995. Interest accrues at a rate of 4.5% per annum. Bonds are subject to optional redemption in any year.

A.D. 12 (Pigeon Pass Road) limited obligation improvement bonds - On October 19, 1994, A.D. 12 issued a total of \$2,224,920 of limited improvement bonds that consisted of Series A amount of \$2,068,919 and Series B amount of \$156,001. The proceeds of these bonds were provided to EMWD to construct water transmission mains and distribution mains, service lines, fire hydrants, pavement replacement, right of way, and easements and to purchase capacity in certain facilities of EMWD. These improvements constructed by EMWD directly benefited the property owners within A.D. 12. Bonds are payable annually on September 2 in varying amounts ranging from \$14,919 to \$130,000, commencing September 2, 1995 through September 2, 2033. Interest is payable semi-annually on March 2 and September 2, commencing March 2, 1995. Interest accrues at a rate of 6.125% per annum. Bonds are subject to optional redemption in any year.

(4) Debt service requirements to maturity

The minimum annual requirements to amortize long-term debt of A.D. 5, A.D. 7, A.D. 8, and A.D. 12, as of June 30, 2019, are as follows:

**EASTERN MUNICIPAL WATER DISTRICT
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(4) Debt service requirements to maturity (continued):

Limited Obligation Improvement Bonds

A.D. 5 (Romoland)

Year Ending June 30,	Principal	Interest	Total
2020	\$ 40,000	30,819	70,819
2021	40,000	27,869	67,869
2022	45,000	25,266	70,266
2023	50,000	22,356	72,356
2024	50,000	19,294	69,294
2025-2029	<u>290,000</u>	<u>7,810</u>	<u>132,810</u>
Total	<u>\$ 515,000</u>	<u>172,154</u>	<u>687,154</u>

Limited Obligation Improvement Bonds

A.D. 7 (Homeland/Green Acres)

Year Ending June 30,	Principal	Interest	Total
2020	\$ 145,000	52,453	197,453
2021	155,000	44,016	199,016
2022	165,000	35,015	200,015
2023	175,000	25,453	200,453
2024	180,000	15,469	195,469
2025-2029	<u>185,000</u>	<u>5,203</u>	<u>190,203</u>
Total	<u>\$ 1,005,000</u>	<u>177,609</u>	<u>1,182,609</u>

**EASTERN MUNICIPAL WATER DISTRICT
ASSESSMENT DISTRICTS
NO. 5, NO. 7, NO. 8 AND NO. 12**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

(4) Debt service requirements to maturity (Continued)

Limited Obligation Improvement Bonds

A.D. 8 (Stagecoach Road)

Year Ending June 30,	Principal	Interest	Total
2020	\$ 120,000	101,700	221,700
2021	125,000	96,188	221,188
2022	130,000	90,450	220,450
2023	135,000	84,487	219,487
2024	140,000	78,300	218,300
2025-2029	805,000	288,562	1,093,562
2030-2034	865,000	88,763	953,763
Total	<u>\$ 2,320,000</u>	<u>828,450</u>	<u>3,148,450</u>

Limited Obligation Improvement Bonds

A.D. 12 (Pigeon Pass Road)

Year Ending June 30,	Principal	Interest	Total
2020	\$ 60,000	81,155	141,155
2021	60,000	77,481	137,481
2022	65,000	73,653	138,653
2023	70,000	69,519	139,519
2024	75,000	65,079	140,079
2025-2029	435,000	251,279	686,279
2033-2034	590,000	94,323	684,323
Total	<u>\$ 1,355,000</u>	<u>712,489</u>	<u>2,067,489</u>

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

Board of Directors
Eastern Municipal Water District
Perris, California

We have audited, in accordance with the 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 Eastern Municipal Water District's Assessment District No. 5 – Romoland, Assessment District No. 7 – Homeland/Green Acres, Assessment District No. 8 – Stagecoach Road and Assessment District No. 12 – Pigeon Pass Road, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Assessment Districts' basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Municipal Water District's Assessment District No. 5 – Romoland, Assessment District No. 7 – Homeland/Green Acres, Assessment District No. 8 – Stagecoach Road and Assessment District No. 12 – Pigeon Pass Road 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 Assessment Districts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Assessment Districts' 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 assessment 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Assessment Districts' 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 assessment 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 assessment district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
November 13, 2019