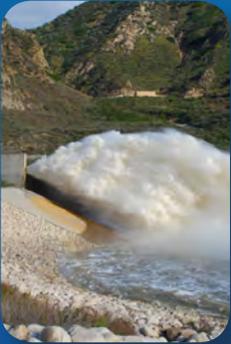




## Securing Your Water Supply



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013 and 2012  
14205 Meridian Parkway • Riverside, CA 92518 • [wmwd.com](http://wmwd.com)



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Western Municipal Water District  
of Riverside County, California

## Comprehensive Annual Financial Report

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For the Fiscal Years Ended  
June 30, 2013 and 2012

*Prepared by:*

The Western Municipal Water District Finance Department

14205 Meridian Parkway, Riverside, California 92518  
951.571.7100 [www.wmwd.com](http://www.wmwd.com)

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Western Municipal Water District  
Comprehensive Annual Financial Report  
For the Fiscal Years Ended June 30, 2013 and 2012

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# *INTRODUCTORY SECTION*

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John V. Rossi  
*General Manager*

Charles D. Field  
*Division 1*

Thomas P. Evans  
*Division 2*

Brenda A. Dennstedt  
*Division 3*

Donald D. Galleano  
*Division 4*

S.R. Al Lopez  
*Division 5*

December 19, 2013

To the Board of Directors and customers served by the Western Municipal Water District of Riverside County:

We are pleased to present the Western Municipal Water District's (the District or Western) Comprehensive Annual Financial Report for the year ended June 30, 2013.

The report was prepared by the District's Finance Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of operations of the District. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent audit firm.

The District's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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## Reporting Entity and Its Services

### **District's Service Area**

The District's service area consists of a 527-square-mile area of western Riverside County that lies west of the I-215 Freeway. Within the District's boundaries are the cities and communities of Jurupa, Rubidoux, Riverside, Norco, Corona, Lake Elsinore, Canyon Lake, Murrieta, and Temecula. The District provides imported water to its service area as a supplement to the region's local water supply.

The assessed valuation of the District's service area has grown from less than \$150 million when formed in 1954 to approximately \$76 billion in this past fiscal year. Riverside County's population has slightly increased to 2.3 million, of which the District serves approximately 899,500 (40%).

### **District's Authority**

The District was formed by voters on January 19, 1954 under the Municipal Water District Act of 1911 for the purpose of distributing supplemental water purchased from the Metropolitan Water District of Southern California (MWD) to a growing western Riverside County. Prior to the District's creation, the local water supply was primarily groundwater wells.

The District is authorized to acquire, control, distribute, store, treat, reclaim, recapture, and salvage any water (including sewage) for the beneficial use of the District, its inhabitants or the owners of rights to water in the District.

The Municipal Water District Act of 1911 also authorizes the District to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, use of facilities or property, or provision for service; and to fix in each fiscal year a water standby or availability charge and a sewage and wastewater service standby or availability charge on land within the boundaries of the District to which water and sewage and wastewater services, respectively, are made available by the District. The District may also issue bonds, borrow money and incur indebtedness.

### **Governance**

The District is a quasi-governmental agency (Special District) of the State of California. It is not regulated by the Public Utilities Commission, but instead is governed by a Board of five directors who are publicly elected for a four-year term from comparably sized districts (Divisions) based on population.

Since the year of its inception, the District has been a member of MWD, which is a cooperative organization of 26 cities and water agencies that are responsible for providing imported water to arid southern California. The District is currently entitled to

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have one District representative on the MWD Board. Assessed value of property in the service area of the member agency determines how many directors each agency is allowed.

The District currently employs a staff of 125 under the direction of the Board-appointed General Manager. The District's General Manager is a court-appointed Watermaster with responsibilities for reporting compliance with water quality and quantity provisions of court orders regarding water rights issues in the Santa Ana River watershed.

## **Water Services**

The District serves more than 23,000 retail accounts and eight wholesale customers with water from both the Colorado River and the State Water Project (purchased from MWD), and from the City of Riverside and well water. In fiscal year 2013, the District delivered approximately 89,000 acre-feet of water. This is equal to about 30 billion gallons. Approximately 75% of the water Western delivered was potable; the balance was non-potable or raw water. About 9% of deliveries were for agricultural uses, and the balance was for domestic purposes. Approximately 69% of deliveries were to wholesale customers, and the rest to retail users.

Wholesale customers that buy water from the District and in turn sell the water to their

own customers are: Box Springs Mutual Water Company, City of Corona, City of Norco, City of Riverside, Eagle Valley Mutual Water Company, Elsinore Valley Municipal Water District, Lee Lake Water District, and Rancho California Water District.



*Arlington Desalter*

The only potable water treatment facility owned by the District is the Arlington Desalter. The Arlington Desalter is a \$32 million, 7.2 million gallons per day (MGD) reverse osmosis water treatment plant that provided approximately 4,800 acre-feet of high quality potable water to the City of Norco and, beginning in May 2013, approximately 100 acre-feet to the City of Corona by removing millions of pounds of salts from brackish groundwater in the Arlington Basin. The annual revenue budget for the Arlington Desalter for the fiscal year was \$4.4 million.

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## **Retail Water Services**

Western supplies water directly to about 23,000 agricultural and domestic users in the areas of El Sobrante, Eagle Valley, Temescal Creek, Woodcrest, Lake Mathews, March Air Reserve Base, Rainbow Canyon, and portions of the city of Riverside and the city of Murrieta. The Murrieta Service Area, unlike most of Western's retail service areas, has local groundwater that supplements imported water supplies.

## **Sewer Services**

### **Western Water Recycling Facility**

The District owns and operates the Western Water Recycling Facility (WWRF), providing wastewater collection and treatment for the March Air Reserve Base and other



*Western Water Recycling Facility*

residential and commercial customers located southeast of the City of Riverside. WWRF has a 3.0 million gallon per day (MGD) capacity and is currently operating at less than 1 MGD. The slowdown in growth in the Inland Empire has resulted in an underutilization of the facility with actual flows lagging behind the increase in flows projected during design of this upgraded facility. WWRF currently provides wastewater treatment services for 1,600 customers. All treated wastewater from the

WWRF facility is fully utilized in Western's recycled water system. Supplemented with non-potable local groundwater from the Riverside Canal and surface water from the Colorado River Aqueduct, the tertiary treated recycled water from the WWRF plant is used by 46 customers to irrigate landscaping and agriculture.

### **Western Riverside County Regional Wastewater Authority (WRCRWA) Wastewater Treatment Plant**

The District is one of the five member agencies comprising WRCRWA. Since 1998, the District has been the contract operator of the WRCRWA wastewater treatment plant located near the Santa Ana River west of the City of Norco. The treatment plant has a total capacity of 8.0 MGD, and currently processes an average of 6.5 MGD from residential and commercial wastewater customers, some of which are in the District's retail service area. Of the total plant capacity of 8.0 MGD, the District owns capacity rights of 1.93 MGD. Wastewater flows from District customers is approximately 0.74 MGD, or 38% of the District's capacity right.

---

### **La Sierra Service Area**

The District provides wastewater collection and transmission services to approximately 4,600 customers in the La Sierra area of Riverside. The collected wastewater, averaging over 0.7 MGD, flows to the WRCRWA plant for treatment with ultimate disposal of the tertiary treated wastewater into the Prado Basin. The collection system serving La Sierra is maintained by Western personnel who ensure lines are clear and functioning properly.

### **Murrieta Service Area**

The Murrieta Service Area provides wastewater collection and transmission services to approximately 2,100 customers surrounding the historic downtown area of the City of Murrieta. Treatment of approximately 536,000 gallons per day of wastewater from the Murrieta area is provided under contract by Rancho California Water District (RCWD). Eastern Municipal Water District (EMWD) provides treatment services to 72 Murrieta commercial customers. Western passes through charges from RCWD and EMWD, plus an administrative and maintenance charge, to its customers.

### **Inland Empire Brine Line**

The Inland Empire Brine Line, formerly known as the Santa Ana Regional Interceptor (SARI), is an industrial wastewater disposal system owned by the Santa Ana Watershed Project Authority (SAWPA). The Brine Line is designed to convey 30 MGD of non-reclaimable wastewater from the upper Santa Ana River basin area to the ocean for disposal after treatment by the Orange County Sanitation District. The non-reclaimable wastewater consists of desalter brine concentrate and industrial wastewater. The District is a member agency of SAWPA and is contracted by SAWPA for operation and maintenance of the Brine Line for approximately 80% of the 73-mile pipeline system. The District operates a trucked wastewater disposal station located at the City of Corona's Wastewater Treatment Plant #1, which has a connection to the Brine Line.

## **Economic Conditions and Outlook**

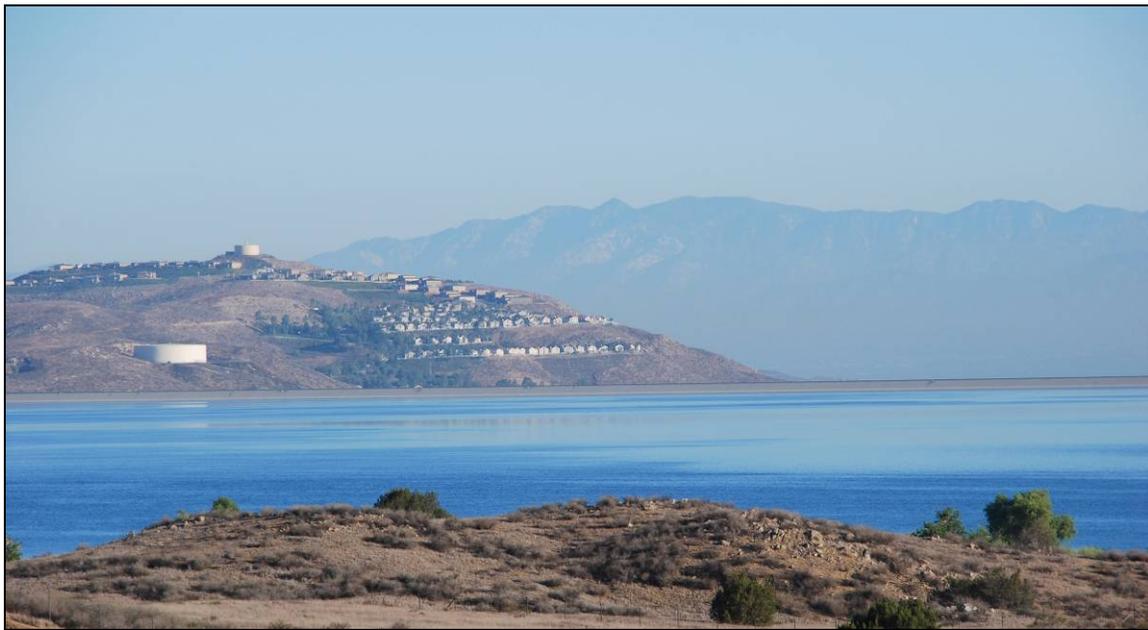
As with all industries, the water industry is affected by a wide variety of economic factors, including legislative action, regulatory requirements, labor force skill and availability, etc. Three major factors that particularly affect the District are: (1) the availability and cost of imported water, (2) energy costs, and (3) property development.

While the current drought may have ended, the goal of water use efficiency still remains. As stewards of this natural resource, it is incumbent upon Western to help communicate the value of this resource and assist customers in using it wisely. In October 2011, the District implemented a revenue-neutral water budget rate structure for retail potable water customers. This structure provides a site-specific efficient water budget to meet individual customers' indoor and outdoor water needs. This structure is not intended to change lifestyles, but rather to assist in using water resources efficiently. Customers that

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are inefficient in their water use pay progressively higher rates to recover the cost of additional water supplies to meet the demand.

Other than limited groundwater sources in the Murrieta Service Area, the District relies exclusively on MWD and the City of Riverside for potable water for its retail customers. MWD continues to experience increases in the cost of acquiring water and delivering that water to member agencies, such as Western. As a result, MWD's Tier 1 rate for full service potable water will increase from \$847 per acre-foot to \$890 per acre-foot, on January 1, 2014, a 5% increase. Western is limited to 20,600 acre-feet of water that can be purchased at the Tier 1 rate for its retail customers, and each additional acre-foot of water is charged at the Tier 2 rate, which is \$150 higher than the Tier 1 rate.



**View from the shore of Lake Mathews, terminus of the Colorado River Aqueduct. Western's 10 million gallon La Sierra tank is at the base of the opposing shore, and the 1.3 million gallon Old Lake tank is on top of the hill.**

The increased supply of natural gas in recent years is creating a favorable market for the purchase of natural gas for use in pumping applications, while electric energy supplies in Southern California are facing additional supply concerns with the permanent closure of the San Onofre nuclear generation station. While we have not recently been challenged with rolling brown-outs or black-outs, energy price and supply concerns remain. AB 32, with the automatic emission reduction factors and cap-and-trade provisions, is anticipated to impact energy prices and availability. However, the extent and scope of these impacts may not be known for several more years. Additionally, the state of California's mandate that 33% of power companies' supply portfolio come from renewable sources by 2020 will have an unknown impact on future price increases.

Property development in the communities served by the District has slowed dramatically as a result of the downturn in the economy. Even with the recent sluggish recovery of the economy, the District's assessed valuation in the past several years has remained

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unchanged at \$76.1 billion. The District did receive \$16.7 million in property tax revenue for fiscal year 2013, up from \$15.2 million in fiscal year 2012. But this was primarily due to one-time distributions of \$1.2 million from the dissolution of Redevelopment Agencies.

Riverside County's population growth is expected to remain slow, reflecting the cautious return of builders in new housing construction and slow improvement in the local job market. The population of Riverside County remained flat at 2.3 million in fiscal year 2013. Nevertheless, the District continues to plan for and construct the necessary infrastructure to accommodate the significant long-term growth expected in the region. In addition, the District is aggressively pursuing alternative sources of water and expanding conservation efforts, as well as developing increased use of non-potable and reclaimed water where appropriate.

## Major Initiatives

Western is committed to securing safe, reliable water resources for nearly 1 million people in this region. Water is key to our quality of life and sustaining the economic vitality of our region. Ways we provide reliable water are through collaborative projects and major initiatives, which are key to the success of sustainable water supplies.

### **Chino Desalter Phase 3 Expansion Project**

Western is the program manager for the Chino Desalter Phase 3 Expansion Project, a \$140 million local supply reliability project that, through ongoing collaboration and commitment, will increase the total desalter water production from 24,600 to 35,200 acre-feet per year. The expansion enables the distribution of drinking water and minimizes brine discharge into the Pacific Ocean. Western will receive 3,534 acre-feet annually and Jurupa Community Services District and the City of Ontario will each receive an additional 3,533 acre-feet to add to their current desalter supply. More than \$70 million in grants have been awarded to this project, including \$5.6 million in federal appropriations. In particular, a \$52 million Prop 50 grant was awarded by the California Department of Public Health. Once operational, a financial incentive agreement with MWD will provide an offset to operating costs of up to \$139 per acre foot of water produced. The Chino Basin Desalter Authority is a joint powers authority comprised of Western, Inland Empire Utilities Agency, Jurupa Community Services District, Santa Ana River Water Company, and the cities of Chino, Chino Hills, Norco and Ontario. This project includes expanding the Chino II Desalter, constructing a brine concentrate reduction facility, expanding the raw water well fields, and adding additional product water delivery facilities. The Phase 3 Expansion Project will also facilitate hydraulic control of the Chino Basin to protect downstream water quality in Orange County.

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## **Water Use Efficiency Initiatives**

Western has a diverse portfolio of customer support programs. These range from rebates for the purchase of water-efficient devices to providing free high efficiency sprinkler nozzles, including free outdoor efficiency evaluations and the Inland Empire Garden Friendly program. More than 25,000 participants of the FreeSprinklerNozzles.com program are saving water in their landscapes, as well as contributing to billions of gallons of water saved for the region. The program has more than 25 individual agencies in 20 counties across California taking part and nearly 1 million water-efficient nozzles have been distributed to date. The estimated lifetime water savings as a result of this program has exceeded 7,000 acre-feet. FreeSprinklerNozzles.com offers a large water savings potential due to the huge volume of non-efficient nozzles currently installed throughout southern California that have not yet been retrofitted. The program is scalable, offering an unprecedented opportunity to promote landscape water efficiency through regional collaboration.

## **Bay Delta Conservation Plan**

Western is actively promoting the adoption of the Bay Delta Conservation Plan (BDCP). The BDCP is a part of California's overall water management portfolio. It is being developed as a 50-year habitat conservation plan with the goals of restoring the Sacramento-San Joaquin Delta ecosystem and securing California water supplies. The BDCP would secure California's water supply by building new water delivery infrastructure and operating the system to improve the ecological health of the Delta. The BDCP also would restore or protect approximately 145,000 acres of habitat to address the Delta's environmental challenges.

## **New Conservation at Seven Oaks Dam**

One of the most important long-term projects for Western is the Seven Oaks Dam Stormwater Management Project, a joint effort between Western and the San Bernardino Valley Municipal Water District. It is the largest new water supply project developed in the Inland Empire since the State Water Project, enabling the diversion of up to 198,000 acre-feet of additional stormwater from the local mountains for groundwater recharge and water banking. New water supplies created by the Seven Oaks Project augment imported water from the California State Water Project and the Colorado River.

## **Financial Policies**

The District has formally adopted the following financial policies:

### **Cash Reserve Policy**

The policy states the purpose, source and minimum/maximum funding levels for each of its designated reserves. These reserves have been established to meet internal requirements and/or external legal requirements. These policy guidelines enable

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restricting funds for future infrastructure needs, replacement of aging facilities, bond reserves and various operating reserves to mitigate unexpected occurrences. These reserves are critical to the District's financial strength and high bond rating.

### **Interest and Financial Risk Management Policy**

The purpose of this policy is to establish guidelines for the use and management of all interest rate and risk management agreements incurred in connection with the expected issuance of new bonds, notes and other obligations, or to accompany Bonds already issued, or to manage other risks of the District. This Policy sets forth the manner of execution of swaps, provides for security and payment provisions, risk considerations and certain other relevant provisions in the context of being responsive to the 2003 Recommended Practices of the Government Finance Officers Association (GFOA) regarding the contents of an interest rate swap and financial risk management policy.

### **Debt and Financial Management Policy**

The District's debt and financial management policy is designed to establish parameters for issuing debt and provide guidance to decisions makers with respect to all options available to finance infrastructure and other capital projects so that the most prudent, equitable and cost-effective method of financing can be chosen. The policy also documents the objectives to be achieved by staff both prior and subsequent to debt issuance. It promotes objectivity in the decision-making process and facilitates the financing process by establishing important policy decisions in advance.

### **Investment Policy**

The investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in Deferred Compensation accounts for employees. All District monies, including those not required for immediate expenditure, are to be invested in compliance with governing provisions of law (California Government Code Sections 53600 et seq.). The policy lists in detail authorized investments as well as the percentage of portfolio limitations and required ratings for each investment type.

## **Accounting System**

The Finance Department is responsible for providing financial services for the District, including financial accounting and reporting, accounts payable and receivable, purchasing, custody and investment of funds, billing and collection of water and wastewater charges, taxes and other revenues. The District accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. It is the intent of the Board of Directors to manage the District's

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operations as a business, thus matching revenues against the costs of providing the services.

## Internal Controls

The District operates within a system of internal accounting controls established and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in accordance with District policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls for which its value adequately exceeds its costs. Recent audits have not noted any weaknesses in internal controls.

## Budgetary Controls

Though the District is not legally required to adopt and adhere to a budget or present budgetary comparison information, the Board has chosen to approve a two-year operating budget as a management tool. Quarterly comparison reports of budget to actual are prepared and presented at a summary level to the Board along with explanations of significant variances.

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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 Western Municipal Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the eighth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to the Finance Department staff and the independent accounting firm of Rogers, Anderson, Malody & Scott, LLP for the efforts made to prepare this report. We would also like to thank the Board of Directors for their continued interest and support in all aspects of the District's financial management.

Respectfully submitted,



John V. Rossi  
General Manager



Rod LeMond  
Assistant General Manager /  
Chief Financial Officer

.....  
*"It is the mission of Western Municipal Water District to provide water supply, wastewater disposal and water resource management to the public in a safe, reliable, environmentally sensitive, and financially responsible manner."*  
.....



Government Finance Officers Association

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

Presented to

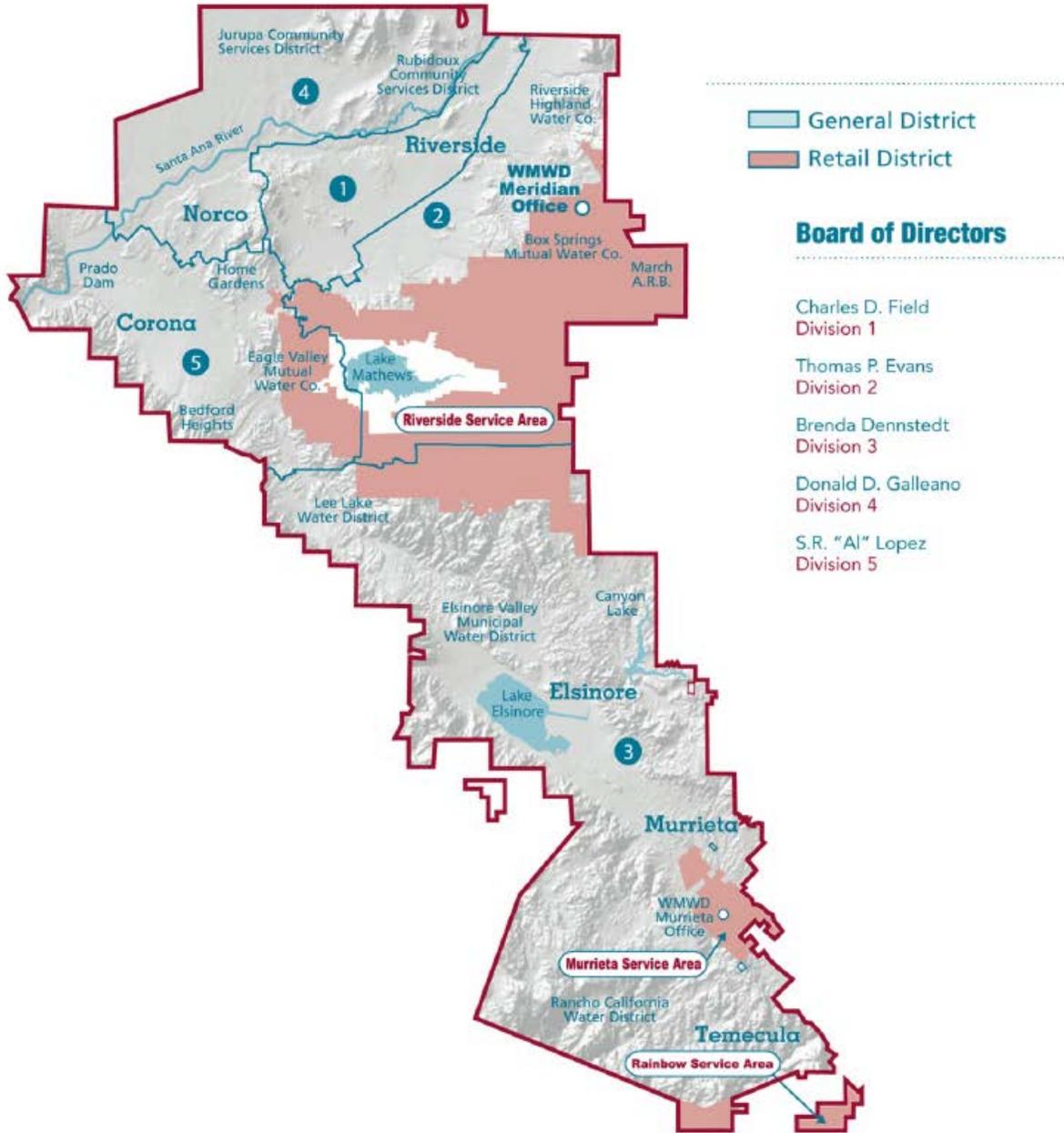
**Western Municipal Water District  
of Riverside County, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# Western Municipal Water District District Service Area Map



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# Western Municipal Water District

## District Officials

At June 30, 2013

### ELECTED BOARD OF DIRECTORS

### Length of Service

Charles D. Field, Division 1, Vice President	6 years
Thomas P. Evans, Division 2, President	6 years
Brenda Dennstedt, Division 3, Secretary-Treasurer	6 years
Donald D. Galleano, Division 4	8 years
S. R. "Al" Lopez, Division 5	10 years

### DISTRICT EXECUTIVE MANAGEMENT TEAM

John V. Rossi, General Manager	9 years
Jeffrey D. Sims, Assistant General Manager/COO	18 years
Rod LeMond, Assistant General Manager/CFO	4 years
Lonnie Clabaugh, Director of Operations–Emeritus	29 years
Greg Duecker, Director of Administration	7 years
Derek Kawaii, Director of Engineering	7 years
Kevin C. Mascaro, Director of Finance	9 years
Paul Ruge, Director of Operations	8 years
Jack S. Safely, Director of Water Resources	7 years
Stephen T. Schultz, Deputy Director of Operations	5 years
Timothy T. Barr, Water Use Efficiency Manager	4 years
Diana Leibrich, Human Resources Manager	< 1 year
Michele McKinney Underwood, Community Affairs Manager	11 years
Thomas D. McMillen, Administrative Services Manager	7 years

### GENERAL COUNSEL

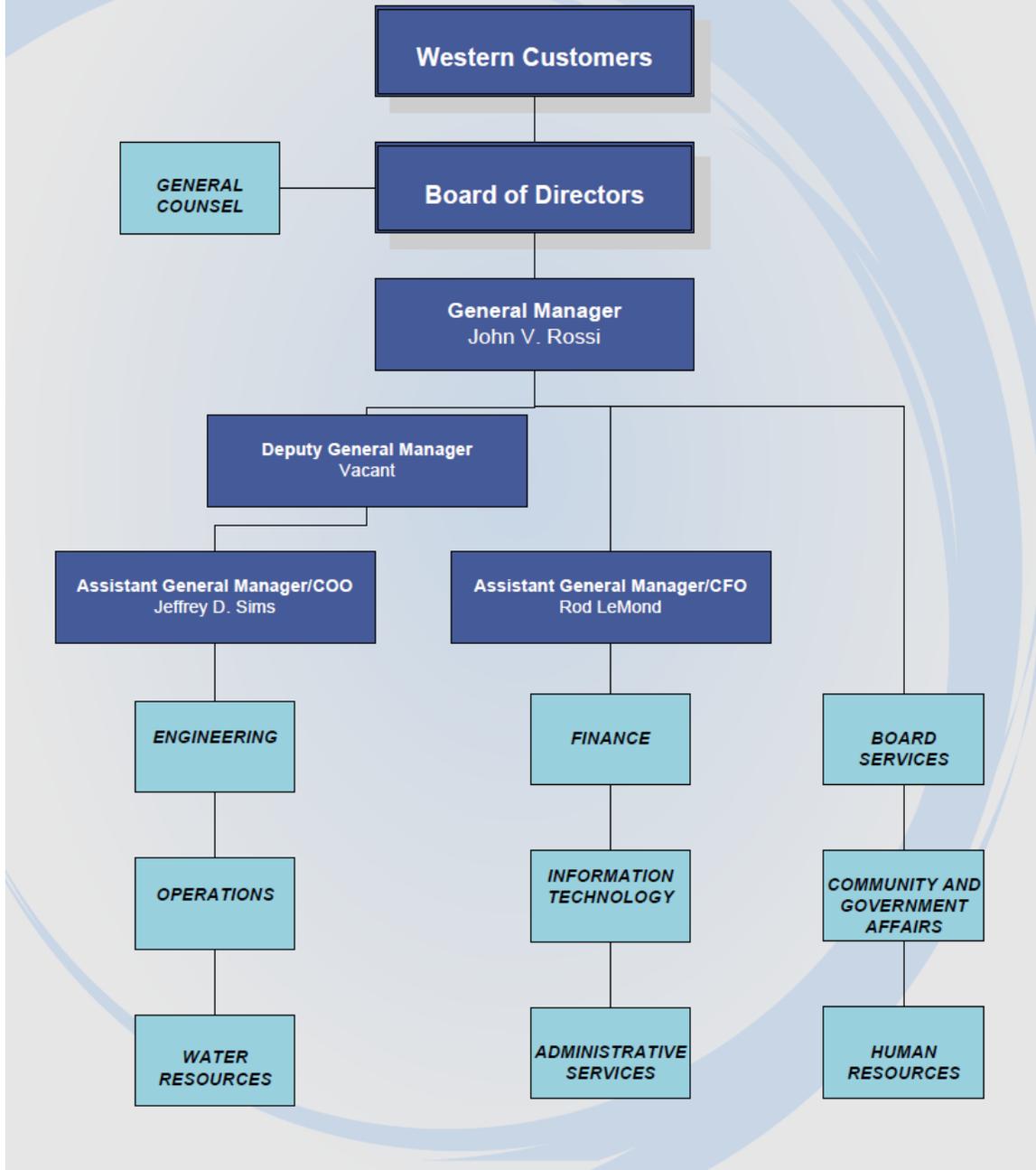
Best, Best & Krieger, LLP	57 years
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### CONSULTING ENGINEER

Albert A. Webb Associates	57 years
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## ORGANIZATIONAL CHART



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# *FINANCIAL SECTION*

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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

Board of Directors  
Western Municipal Water District  
Riverside, California

### Report on the financial statements

We have audited the accompanying basic financial statements of Western Municipal Water District (the District) as of and for the years ended June 30, 2013 and 2012, as listed in the table of contents.

### *Management's responsibility for the financial statements*

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

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the basic financial statements are free of 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 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.

#### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Matthew B. Wilson, CPA, MSA, CGMA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

#### MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA  
Bradferd A. Welebir, CPA, MBA  
Jenny Liu, CPA, MST  
Papa Matar Thiaw, CPA, MBA  
Maya S. Ivanova, CPA, MBA  
Peter E. Murray, CPA  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Yiann Fang, CPA  
Daniel T. Turner, CPA, MSA  
Derek J. Brown, CPA, MST  
David D. Henwood, CPA

#### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

## **Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other matters**

### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and Other Post-Employment Benefit 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, 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, 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 the 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 Maloney & Scott, LLP*

San Bernardino, CA  
December 19, 2013



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## INDEPENDENT AUDITOR'S 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

Board of Directors  
Western Municipal Water District  
Riverside, California

### PARTNERS

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Derek J. Brown, CPA, MST  
David D. Henwood, CPA

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 the Western Municipal Water District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2013.

### 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 entity'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.

### MEMBERS

American Institute of  
Certified Public Accountants

PCPS The AICPA Alliance  
for CPA Firms

Governmental Audit  
Quality Center

California Society of  
Certified Public Accountants

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers Anderson Maloney & Scott, LLP*

San Bernardino, CA  
December 19, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Western Municipal Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the years ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditors' Report, and the accompanying basic financial statements and notes to the financial statements.

### **Overview**

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#### ***The District***

Western Municipal Water District of Riverside County was formed in 1954 under the Municipal Water District Act of 1911 for the purpose of bringing supplemental water from the Metropolitan Water District (MWD) to growing western Riverside County. The District operates under the authority of the California Water Code and engages in various activities classified as "proprietary." The primary activities of the District include the sale and delivery of potable and non-potable water to wholesale, domestic, agricultural and commercial accounts, as well as the collection, treatment and disposal of wastewater. The District also provides both operating and administrative contract services to other agencies within its 527-square-mile service area.

#### ***Required Financial Statements***

The financial statements of the District report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data on the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The *Statement of Net Position* presents information on the District's assets, liabilities, deferred inflow of resources and deferred outflow of resources, and provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities), with the difference between the two being reported as Net Position. Over time, increases and decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, one must consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

The *Statement of Revenues, Expenses and Changes in Net Position* identifies the District's revenues and expenses for the fiscal year. It provides information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its projected costs through user fees, tax revenues and other service-related charges.

The *Statement of Cash Flows* presents information regarding the District's cash receipts and cash payments for the period categorized according to whether they stem from operating activities, non-capital financing activities, capital and related financing activities, or investing activities. From this statement, the reader can obtain comparative information on the sources and uses of the District's cash.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are an integral part of the financial statements.

## Summary Financial Information and Analysis

The District's statement of net position remains strong, providing a foundation for continued growth within the District's service area. Historically, the District experiences a loss at the operating level, meaning operating revenues are less than operating expenses. In the past, this loss has been offset by net non-operating revenues, primarily from property tax revenue and investment earnings. However, during fiscal years 2013, 2012, and 2011, net non-operating revenues were not sufficient to cover net operating losses. Explanations for this are provided in the discussion that follows.

### Statements of Net Position

The following tables compare the various categories of assets, liabilities and net position for each of the consecutive fiscal years:

#### Condensed Statements of Net Position as of June 30, 2013 and 2012

	<u>As of June 30,</u>		<u>Increase (Decrease)</u>	
	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets</b>				
Current	\$ 113,776,598	\$ 107,885,386	\$ 5,891,212	5.5%
Noncurrent:				
Capital	351,024,027	359,179,798	(8,155,771)	-2.3%
Other	64,552,290	63,471,929	1,080,361	1.7%
<b>Total Assets</b>	<u>529,352,915</u>	<u>530,537,113</u>	<u>(1,184,198)</u>	-0.2%
<b>Liabilities</b>				
Current	29,433,271	26,845,158	2,588,113	9.6%
Noncurrent	150,801,431	153,903,700	(3,102,269)	-2.0%
<b>Total Liabilities</b>	<u>180,234,702</u>	<u>180,748,858</u>	<u>(514,156)</u>	-0.3%
<b>Deferred Inflows of Resources</b>				
Deferred SWAP inflow	3,465,919	253,623	3,212,296	1266.6%
<b>Net Position</b>				
Net investment in capital assets	226,413,476	232,667,339	(6,253,863)	-2.7%
Restricted for debt service	144,619	144,619	-	0.0%
Restricted for capacity charges	23,697,955	23,298,893	399,062	1.7%
Unrestricted	95,396,244	93,423,781	1,972,463	2.1%
<b>Total Net Position</b>	<u>\$ 345,652,294</u>	<u>\$ 349,534,632</u>	<u>\$ (3,882,338)</u>	-1.1%

*Continued on next page*

**Condensed Statements of Net Position as of June 30, 2012 and 2011**

	As of June 30,		Increase (Decrease)	
	2012	2011	\$ Change	% Change
<b>Assets</b>				
Current	\$ 107,885,386	\$ 106,117,081	\$ 1,768,305	1.7%
Noncurrent:				
Capital	359,179,798	354,299,825	4,879,973	1.4%
Other	63,471,929	78,353,543	(14,881,614)	-19.0%
<b>Total Assets</b>	530,537,113	538,770,449	(8,233,336)	-1.5%
<b>Liabilities</b>				
Current	26,845,158	32,379,043	(5,533,885)	-17.1%
Noncurrent	153,903,700	155,613,493	(1,709,793)	-1.1%
<b>Total Liabilities</b>	180,748,858	187,992,536	(7,243,678)	-3.9%
<b>Deferred Inflows of Resources</b>				
Deferred SWAP inflow	253,623	-	253,623	-
<b>Net Position</b>				
Net investment in capital assets	232,667,339	235,918,546	(3,251,207)	-1.4%
Restricted for debt service	144,619	144,619	-	-
Restricted for capacity charges	23,298,893	26,151,035	(2,852,142)	-10.9%
Unrestricted	93,423,781	85,761,154	7,662,627	8.9%
<b>Total Net Position</b>	\$ 349,534,632	\$ 347,975,354	\$ 1,559,278	0.4%

**Assets**

During the fiscal year ended June 30, 2013, total assets decreased by \$1.2 million, or 0.2%. This reduction is due to an increase in current assets of \$5.9 million, or 5.5%, offset by a decrease of non-current assets of \$7.1 million, or 1.7%. The increase in current assets was primarily due to an increase in cash and investments, and the offset decrease in non-current assets was primarily due to an increase in accumulated depreciation.

During the fiscal year ended June 30, 2012, total assets decreased by \$8.2 million, or 1.5%. This reduction is due to an increase in current assets of \$1.8 million, or 1.7%, offset by a decrease of non-current assets of \$10.0 million, or 17.6%. This change was primarily due to a reduction in cash and investments because of use of bond proceeds.

**Liabilities**

During the year ended June 30, 2013, total liabilities increased by \$2.7 million, or 1.5%. This change was primarily due to an increase to the deferred SWAP inflow. Information on the District's long-term debt activity and SWAP activity can be found in Notes 7 and 8, respectively, of the Notes to the Basic Financial Statements.

During the year ended June 30, 2012, total liabilities decreased by \$9.8 million, or 5.1%. This change was primarily due to a reduction in overall liabilities, including accounts payable, bonds and notes payable, and deferred SWAP inflow. Information on the District's long-term debt activity and SWAP activity can be found in Notes 7 and 8, respectively, of the Notes to the Basic Financial Statements.

## Net Position

Net position is the difference between the District's assets and liabilities. Net position decreased during fiscal year 2013 by \$3.9 million, or 1.1%. Net position is classified into four categories: 1) Net Investment in Capital Assets, 2) Restricted for Debt Service, 3) Restricted for Capacity Charges and 4) Unrestricted. During fiscal year 2012, net assets increased by \$1.6 million, or 0.4%.

Net Investment in Capital Assets – The amount invested in capital assets, net of related debt, is the carrying value of capital assets less accumulated depreciation and less any liability outstanding related to the capital assets. The amount as of June 30, 2013 and 2012 was \$226.4 million and \$232.7 million, respectively. The \$6.3 million, or 2.7% decrease, in fiscal year 2013 and \$3.3 million, or 1.4% decrease, in fiscal year 2012 are detailed in the next two tables.

### Net Investment in Capital Assets as of June 30, 2013 and 2012

	As of June 30,		Increase (Decrease)	
	2013	2012	\$ Change	% Change
Plant, building and improvements	\$ 371,371,441	\$ 367,349,159	\$ 4,022,282	1.1%
Intangible plant	35,303,010	34,679,018	623,992	1.8%
Construction in progress	28,124,384	29,965,201	(1,840,817)	-6.1%
Land and land improvements	11,730,643	11,661,026	69,617	0.6%
Equipment and vehicles	14,586,639	13,062,049	1,524,590	11.7%
Total Capital Assets	461,116,117	456,716,453	4,399,664	1.0%
Less Accumulated Depreciation	(110,092,091)	(97,536,655)	(12,555,436)	12.9%
Capital Assets, Net	351,024,026	359,179,798	(8,155,772)	-2.3%
Less Related Debt:				
SAWPA brineline capacity use obligation	398,908	381,369	17,539	4.6%
WRCRWA State Water Resources Control Board	155,810	184,477	(28,667)	-15.5%
Assessment District 90-1	372,097	475,465	(103,368)	-21.7%
2009 Series B bonds	47,117,293	48,210,176	(1,092,883)	-2.3%
2010 Series B bonds	38,844,014	38,832,835	11,179	-
2012 Series A bonds	30,064,720	29,638,420	426,300	1.4%
Note on Archer land	-	23,493	(23,493)	-100.0%
Note on Headquarters Building	7,648,545	8,656,264	(1,007,719)	-11.6%
Note on CWMS Software	9,163	109,960	(100,797)	-91.7%
Net Investment in Capital Assets	\$ 226,413,476	\$ 232,667,339	\$ (6,253,863)	-2.7%

**Net Investment Capital Assets as of June 30, 2012 and 2011**

	As of June 30,		Increase (Decrease)	
	2012	2011	\$ Change	% Change
Plant, building and improvements	\$ 367,349,159	\$ 302,396,693	\$ 64,952,466	21.5%
Intangible plant	34,679,018	34,106,219	572,799	1.7%
Construction in progress	29,965,201	81,799,092	(51,833,891)	-63.4%
Land and land improvements	11,661,026	10,757,900	903,126	8.4%
Equipment and vehicles	13,062,049	12,564,819	497,230	4.0%
Total Capital Assets	456,716,453	441,624,723	15,091,730	3.4%
Less Accumulated Depreciation	(97,536,655)	(87,324,898)	(10,211,757)	11.7%
Capital Assets, Net	359,179,798	354,299,825	4,879,973	1.4%
Less Related Debt:				
SAWPA brineline capacity use obligation	381,369	173,810	207,559	119.4%
WRCRWA State Water Resources Control Board	184,477	212,365	(27,888)	-13.1%
Assessment District 90-1	475,465	568,833	(93,368)	-16.4%
2009 Series A bonds	-	30,254,763	(30,254,763)	-100.0%
2009 Series B bonds	48,210,176	49,906,098	(1,695,922)	-3.4%
2010 Series B bonds	38,832,835	27,337,727	11,495,108	42.0%
2012 Series A bonds	29,638,420	-	29,638,420	-
Note on Archer land	23,493	45,867	(22,374)	-48.8%
Note on Headquarters Building	8,656,264	9,623,903	(967,639)	-10.1%
Note on CWMS Software	109,960	257,913	(147,953)	-57.4%
Net Investment in Capital Assets	\$ 232,667,339	\$ 235,918,546	\$ (3,251,207)	-1.4%

Restricted for Debt Service – At June 30, 2013 and 2012, the amount restricted for debt service was \$144,619 for both years, and equals the reserve requirement for Assessment District 90-1 Bonds. Additional information related to the debt and all other District long-term debts can be found in Note 7 of the Notes to the Basic Financial Statements.

Restricted for Capacity Charges – The \$23.7 million and \$23.3 million at June 30, 2013 and 2012, respectively, reflect Added Facilities Charges and Distribution System Fees received from land owners and developers for the future expansion of water distribution and wastewater treatment and conveyance systems. An equivalent amount is reported in the Assets section of the Statement of Net Position as part of the Restricted Investments line item (classified as Capacity Charges in Note 3 of the Notes to the Basic Financial Statements). A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws or regulations of other governments, or a consequence of a restriction established by the District at the time a particular fee, charge, levy or assessment was approved (as is the case with these Capacity Charges). Additional information related to this restricted cash and investments can be found in Note 3 of the Notes to the Basic Financial Statements.

Unrestricted – The unrestricted amount is the portion of Net Position that is not already classified in the above categories. The total amount of unrestricted funds at June 30, 2013 and 2012 was \$95.4 million and \$93.4 million, respectively. Although these funds are not restricted, the Board of Directors of the District has designated these funds for various construction projects, system improvements and operations.

### Changes in Net Position

The following tables compare the various categories of revenues, expenses and changes in net assets for each of the consecutive fiscal years:

#### **Condensed Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Years Ended June 30, 2013 and 2012**

	<b>Fiscal Years Ended June 30,</b>		<b>Increase (Decrease)</b>	
	<b>2013</b>	<b>2012</b>	<b>\$ Change</b>	<b>% Change</b>
Operating Revenues	\$ 98,793,243	\$ 91,100,463	\$ 7,692,780	8.4%
Operating Expenses	(118,493,348)	(109,559,065)	(8,934,283)	8.2%
Net Non-operating Revenues	12,952,893	14,956,215	(2,003,322)	-13.4%
Net Loss Before Capital Contributions	(6,747,212)	(3,502,387)	(3,244,825)	92.6%
Capital Contributions	2,864,874	5,061,665	(2,196,791)	-43.4%
Change in Net Position	(3,882,338)	1,559,278	(5,441,616)	-349.0%
Net Position, July 1	349,534,632	347,975,354	1,559,278	0.4%
Net Position, June 30	\$ 345,652,294	\$ 349,534,632	\$ (3,882,338)	-1.1%

#### **Condensed Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Years Ended June 30, 2012 and 2011**

	<b>Fiscal Years Ended June 30,</b>		<b>Increase (Decrease)</b>	
	<b>2012</b>	<b>2011</b>	<b>\$ Change</b>	<b>% Change</b>
Operating Revenue	\$ 91,100,463	\$ 79,471,048	\$ 11,629,415	14.6%
Operating Expenses	(109,559,065)	(100,249,983)	(9,309,082)	9.3%
Net Non-operating Revenue	14,956,215	14,874,129	82,086	0.6%
Net Loss Before Capital Contributions	(3,502,387)	(5,904,806)	2,402,419	-40.7%
Capital Contributions	5,061,665	5,819,656	(757,991)	-13.0%
Change in Net Position	1,559,278	(85,150)	1,644,428	-1931.2%
Net Position, July 1	347,975,354	348,060,504	(85,150)	-
Net Position, June 30	\$ 349,534,632	\$ 347,975,354	\$ 1,559,278	0.4%

## Combined Revenue

The following table presents a comparison of revenues by category for the fiscal years ended June 30, 2013 and 2012:

### Revenues by Category for the Fiscal Years Ended June 30, 2013 and 2012

Revenue Category	Fiscal Years Ended June 30,		Increase (Decrease)	
	2013	2012	\$ Change	% Change
Water sales	\$ 71,596,096	\$ 66,310,917	\$ 5,285,179	8.0%
Water service	14,290,510	12,479,514	1,810,996	14.5%
Wastewater disposal	9,875,780	10,364,865	(489,085)	-4.7%
Contractual services	2,152,509	1,945,167	207,342	10.7%
Property taxes	16,695,696	15,221,864	1,473,832	9.7%
Investment earnings	(3,831)	5,578,084	(5,581,915)	-100.1%
Capacity rights sales	1,915,041	828,459	1,086,582	131.2%
Intergovernmental revenue	920,749	844,020	76,729	9.1%
Other	1,531,443	700,798	830,645	118.5%
Total Revenues	118,973,993	114,273,688	4,700,305	4.1%
Capital Contributions	2,864,874	5,061,665	(2,196,791)	-43.4%
Total Revenues and Capital Contributions	\$ <u>121,838,867</u>	\$ <u>119,335,353</u>	\$ <u>2,503,514</u>	2.1%

Combined revenue (excluding capital contributions) for fiscal year 2013, presented in the above table, totaled \$119.0 million, an increase of \$4.7 million, or 4.1%. The most significant variances from fiscal year 2013 to 2012 were in five revenue categories: water sales (\$5.3 million increase), water service (\$1.8 million increase), property taxes (1.5 million increase), investment earnings (\$5.6 million decrease), and capacity rights sales (\$1.1 million increase).

Water Sales – The \$5.3 million increase in water sales resulted from increased rates due to passing through the higher cost of imported water primarily from MWD during the fiscal year, and penalty revenue associated with the District’s new tiered water pricing structure within the Riverside and Murrieta service areas.

Water Service – The \$1.8 million increase in water service was mainly due to the scheduled increase in the water reliability charge rate, pass-through increases to the fixed system charge, and the new MWD Readiness-to-serve charge, as well as an increase in the wholesale service rate.

Property Taxes – The \$1.5 million increase in property taxes was primarily due to one-time distributions from the dissolution of the redevelopment agencies.

Investment Earnings – The \$5.6 million decrease in investment earnings was primarily due to a change in unrealized gains and losses on investments. In 2012 the District experienced an unrealized gain of \$1.0 million, whereas in 2013, the District experienced an unrealized loss of \$3.6 million. The District also experienced a decrease of \$400,000 in interest income and a decrease in realized net gain on investments of \$574,000.

Capacity Rights Sales – The \$1.1 million increase is due to increased lease capacity revenue.

The following table presents a comparison of revenues by category for the fiscal years ended June 30, 2012 and 2011:

**Revenues by Category for the Fiscal Years Ended June 30, 2012 and 2011**

<b>Revenue Category</b>	<b>Fiscal Years Ended June 30,</b>		<b>Increase (Decrease)</b>	
	<b>2012</b>	<b>2011</b>	<b>\$ Change</b>	<b>% Change</b>
Water sales	\$ 66,310,917	\$ 56,473,710	\$ 9,837,207	17.4%
Water service	12,479,514	10,477,058	2,002,456	19.1%
Wastewater disposal	10,364,865	10,862,351	(497,486)	-4.6%
Contractual services	1,945,167	1,569,409	375,758	23.9%
Property taxes	15,221,864	15,106,222	115,642	0.8%
Investment earnings	5,578,084	3,802,288	1,775,796	46.7%
Capacity rights sales	828,459	997,710	(169,251)	-17.0%
Intergovernmental revenue	844,020	621,505	222,515	35.8%
Other	700,798	475,067	225,731	47.5%
<b>Total Revenues</b>	<b>114,273,688</b>	<b>100,385,320</b>	<b>13,888,368</b>	<b>13.8%</b>
<b>Capital Contributions</b>	<b>5,061,665</b>	<b>5,819,656</b>	<b>(757,991)</b>	<b>-13.0%</b>
<b>Total Revenues and Capital Contributions</b>	<b>\$ 119,335,353</b>	<b>\$ 106,204,976</b>	<b>\$ 13,130,377</b>	<b>12.4%</b>

Combined revenue (excluding capital contributions) for fiscal year 2012, presented in the above table, totaled \$114.3 million, an increase of \$13.9 million, or 13.8%. The most significant variances from fiscal year 2012 to 2011 were in three revenue categories: water sales (\$9.8 million increase), water service (\$2.0 million increase), and investment earnings (\$1.8 million increase).

Water Sales – The \$9.8 million increase in water sales resulted from the increased passed-through cost of imported water, an increased demand of approximately 9,000 acre-feet of water during the fiscal year, and penalty revenue associated with the District’s new tiered water pricing structure within the Riverside and Murrieta service areas.

Water Service – The \$2.0 million increase in water service was mainly due to the scheduled increase in the water reliability charge rate, pass-through increases to the fixed system charge, as well as an increase in the wholesale service rate.

Investment Earnings – The \$1.8 million increase in investment earnings was primarily due to a change in unrealized gains and losses on investments. In 2011 the District experienced an unrealized loss of \$0.9 million, whereas in 2012, the District experienced an unrealized gain of \$1.0 million. The District also experienced a decrease of \$217,000 in interest income and an increase in realized net gain on investments of \$78,000.

***Capital Contributions***

During fiscal year 2013, the District experienced a decrease of \$2.2 million, or 43.4%, in capital contributions. Capital contributions include water and sewer connection fees (capacity charges), contributed assets from developers and grant proceeds. The variance was due to a reduction in contributed assets from developers of \$3.2 million during fiscal year 2013 compared with 2012, offset by \$1.4 million more in capacity charges. Grant proceeds also decreased by \$0.4 million in fiscal year 2013, resulting in the variance of approximately \$2.2 million.

During fiscal year 2012, the District experienced a decrease of \$0.8 million, or 13%, in capital contributions. The variance was due to a reduction in grant proceeds of \$2.0 million during fiscal year 2012 compared with 2011, offset by \$1.5 million more developer capital contributions. Capacity charges also decreased by \$0.2 million in fiscal year 2012, resulting in the variance of approximately \$0.8 million.

### ***Combined Expenses***

The following table presents a comparison of expenses by category for the fiscal years ended June 30, 2013 and 2012:

#### **Expenses by Category for the Fiscal Years Ended June 30, 2013 and 2012**

<b>Expense Category</b>	<b>Fiscal Years Ended June 30,</b>		<b>Increase (Decrease)</b>	
	<b>2013</b>	<b>2012</b>	<b>\$ Change</b>	<b>% Change</b>
Source of supply	\$ 2,191,479	\$ 2,698,466	\$ (506,987)	-18.8%
Purchased water	61,600,436	57,873,634	3,726,802	6.4%
Pumping - booster pumps	4,074,438	3,820,373	254,065	6.7%
Water treatment	1,520,478	1,473,654	46,824	3.2%
Transmission and distribution	8,260,048	7,679,552	580,496	7.6%
Administrative and general	10,955,531	10,888,801	66,730	0.6%
Contractual services	2,113,211	1,867,917	245,294	13.1%
Special studies and projects	147,927	957,107	(809,180)	-84.5%
Wastewater disposal	8,700,330	8,978,903	(278,573)	-3.1%
Depreciation and amortization	13,251,391	10,826,239	2,425,152	22.4%
Interest expense	6,655,805	7,016,077	(360,272)	-5.1%
Other	6,250,131	3,695,352	2,554,779	69.1%
<b>Total Expenses</b>	<b>\$ 125,721,205</b>	<b>\$ 117,776,075</b>	<b>\$ 7,945,130</b>	<b>6.7%</b>

Combined expenses for fiscal year 2013, presented in the above table, totaled \$125.7 million, an increase of \$7.9 million, or 6.7%. The most significant variances from fiscal year 2013 to 2012 were in four expense categories: purchased water (\$3.7 million increase), special studies and projects (\$0.8 million decrease), depreciation and amortization (\$2.4 million increase), and other expenses (\$2.6 million increase).

**Purchased Water** – The increase in purchased water expense of \$3.7 million resulted from the increased cost of imported water during fiscal year 2013.

**Special Studies and Projects** – The decrease in special studies and projects is primarily due to the deferral of projects during fiscal year 2013. Special studies and projects are generally one-time in nature and cannot be treated as a capital asset.

**Depreciation and Amortization** – The increase in depreciation and amortization of \$2.4 million resulted primarily from placing in service the completion of the Western Water Recycling Facility expansion for \$62.1 million at the end of fiscal year 2012.

**Other Operating Expenses** – The increase in other operating expenses of \$2.6 million compared to last year was primarily due to the \$3.1 million write-off of Riverside-Corona Feeder (RCF) project expenditures.

The following table presents a comparison of expenses by category for the fiscal years ended June 30, 2012 and 2011:

**Expenses by Category for the Fiscal Years Ended June 30, 2012 and 2011**

<u>Expense Category</u>	<u>Fiscal Years Ended June 30,</u>		<u>Increase (Decrease)</u>	
	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Source of supply	\$ 2,698,466	\$ 2,249,030	\$ 449,436	20.0%
Purchased water	57,873,634	51,890,617	5,983,017	11.5%
Pumping - booster pumps	3,820,373	3,853,402	(33,029)	-0.9%
Water treatment	1,473,654	2,048,534	(574,880)	-28.1%
Transmission and distribution	7,679,552	6,234,543	1,445,009	23.2%
Administrative and general	10,888,801	11,456,106	(567,305)	-5.0%
Contractual services	1,867,917	1,528,335	339,582	22.2%
Special studies and projects	957,107	894,954	62,153	6.9%
Wastewater disposal	8,978,903	9,086,468	(107,565)	-1.2%
Depreciation and amortization	10,826,239	10,262,842	563,397	5.5%
Interest expense	7,016,077	3,422,262	3,593,815	105.0%
Other	3,695,352	3,363,033	332,319	9.9%
Total Expenses	<u>\$ 117,776,075</u>	<u>\$ 106,290,126</u>	<u>\$ 11,485,949</u>	10.8%

Combined expenses for fiscal year 2012, presented in the table above, totaled \$117.8 million, an increase of \$11.5 million, or 10.8%. The most significant variances from fiscal year 2012 to 2011 were in three expense categories: purchased water (\$6.0 million increase), interest expense (\$3.6 million increase), and transmission and distribution (\$1.4 million increase).

Purchased Water – The increase in purchased water expense of \$6.0 million resulted from the increased cost of imported water and an increased demand of approximately 9,000 acre-feet of purchased water during fiscal year 2012.

Interest Expense – The increase in interest expense of \$3.6 million resulted primarily from the issuance of the Series 2010 Bonds during fiscal year 2011, resulting in a partial year of interest compared with a full year in fiscal year 2012 (an increase of \$0.7 million). Additionally, capitalized interest, which is a reduction of interest expense, decreased by \$2.9 million due to the completion of the Western Water Recycling Facility expansion project during fiscal year 2012, resulting in a net increase in interest expense of \$3.6 million. Information on the District’s long-term debt activity can be found in Note 7 of the Notes to the Basic Financial Statements.

Transmission and Distribution – The increase in transmission and distribution of \$1.4 million resulted from increased water deliveries and a slight increase to a variety of expenses during fiscal year 2012.

## Capital Assets

The District's investments in capital assets as of June 30, 2013 and 2012 were \$351.0 million and \$359.2 million, respectively (net of accumulated depreciation). This includes investments in buildings, building improvements, capacity rights, land, land improvements, equipment, vehicles, and plant assets such as source of supply, pumping plant, water treatment plant, transmission and distribution plant, wastewater plant, etc. Additional information can be found in Note 6 of the Notes to the Basic Financial Statements.

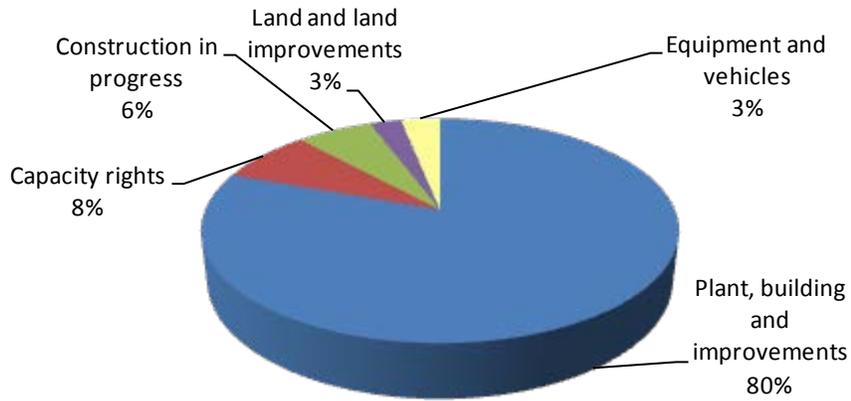
The following table summarizes the District's capital assets, net of accumulated depreciation at June 30:

### **Capital Assets, net of Accumulated Depreciation as of June 30**

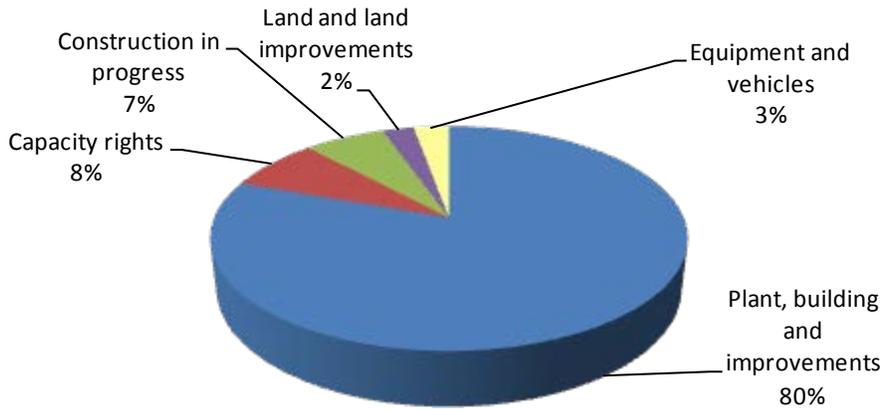
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Plant, buildings and improvements	\$ 371,371,441	\$ 367,349,159	\$ 302,396,693
Intangible plant	35,303,010	34,679,018	34,106,219
Construction in progress	28,124,384	29,965,201	81,799,092
Land and land improvements	11,730,643	11,661,026	10,757,900
Equipment and vehicles	<u>14,586,639</u>	<u>13,062,049</u>	<u>12,564,819</u>
Total Capital Assets	461,116,117	456,716,453	441,624,723
Less Accumulated Depreciation	<u>(110,092,091)</u>	<u>(97,536,655)</u>	<u>(87,324,898)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 351,024,026</u>	<u>\$ 359,179,798</u>	<u>\$ 354,299,825</u>

*Continued on next page*

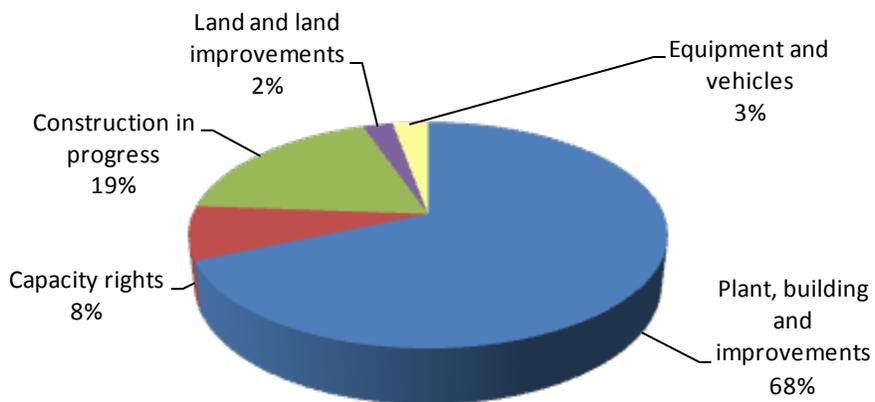
### Capital Assets at June 30, 2013



### Capital Assets at June 30, 2012



### Capital Assets at June 30, 2011



### **Long-term Liabilities**

As of June 30, 2013 and 2012, the District has outstanding long-term liabilities of \$153.7 million and \$154.2 million, respectively. Long-term liabilities include SWAP liability, compensated absences, due to other governments, bonds and notes payable. Additional information regarding long-term debt can be found in Note 7 of the Notes to the Basic Financial Statements.

The District's outstanding long-term liabilities as of June 30 are as follows:

#### **Long-term Liabilities as of June 30**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Compensated absences	\$ 2,220,529	\$ 2,263,129	\$ 1,899,668
Due to other government agencies	2,851,450	3,261,488	3,828,009
Bonds payable			
Improvement bonds	375,000	480,000	575,000
Unamortized bond discount	(2,903)	(4,535)	(6,167)
Revenue Bonds	146,820,000	147,500,000	149,475,000
Unamortized discount	(758,403)	(797,368)	(836,740)
Unamortized premium	769,976	959,644	1,149,658
Deferred loss on refunding	(11,541,234)	(12,538,597)	(5,182,540)
SWAP liability	7,194,510	7,765,573	-
Note payable	<u>7,657,709</u>	<u>8,789,717</u>	<u>9,927,683</u>
Total Long-term Liabilities	155,586,634	157,679,051	160,829,571
Less current portion	<u>(4,785,203)</u>	<u>(3,775,351)</u>	<u>(5,216,078)</u>
Total Long-term Liabilities, net of current portion	<u>\$ 150,801,431</u>	<u>\$ 153,903,700</u>	<u>\$ 155,613,493</u>

### **Deferred Inflow of Resources**

As of June 30, 2013, the District implemented GASB Statement No. 63, which requires the District to present the deferred SWAP inflow in a separate section as Deferred Inflow of Resources in the Statement of Net Position, as presented in Note 14 of the Notes to the Basic Financial Statements. As of June 30, 2013 and 2012, the District had an outstanding deferred inflow of resources of \$3.5 million and \$0.3 million, respectively.

## **Economic Factors and Next Year's Budgets and Rates**

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Slow growth in the District's service area is not expected to change for the next four to six years, but is expected to eventually recover and grow at a moderate pace. This growth will create further demand for water supply, wastewater treatment and disposal, and additional capital facilities. These demands have been anticipated in the District's facility master plans with new supply demands being met through imported water, interties with neighboring agencies, desalted water, maximizing reclaimed water and conservation. The District's 2014 fiscal year budget includes \$10.3 million in capital projects.

In order to accommodate rising costs for purchased water, power, labor and maintenance, the District's Board of Directors approved a "Water Reliability Charge" in 2010 for the Riverside Service Area retail customers that automatically increases each January 1st by \$0.07 per hundred cubic feet through January 1, 2015. The Water Reliability Charge is a proactive approach to increasing system reliability and responsible water supply management. This charge will reduce the District's dependence on property tax revenue, with generated revenue dedicated to funding projects related to increasing water system capacity and improving the long-term sustainability of the water supply. A water rate increase of 5-6% for the District's retail customers will go into effect on January 1, 2014 to accommodate rising imported water costs and costs to operate and maintain the water system. A wastewater rate increase of 5-8%, depending on the service area, went into effect on October 1, 2013 to accommodate rising costs to operate and maintain the wastewater system.

### **Contacting the District's Financial Management**

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This financial report is designed to provide a general overview of the Western Municipal Water District of Riverside County's finances for the Board of Directors, customers, taxpayers, creditors and other interested parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Finance Department, 14205 Meridian Parkway, Riverside, CA 92518.

**Western Municipal Water District**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

<i>Assets</i>	<b>2013</b>	<b>2012</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 18,109,788	\$ 13,585,027
Investments (note 2)	72,632,318	71,929,135
Receivables, net (note 4)	20,221,369	19,601,901
Stored groundwater inventory	1,525,095	1,525,095
Materials and supplies inventory	948,111	909,563
Other current assets	339,917	334,665
Total current assets	113,776,598	107,885,386
<b>Non-current assets:</b>		
Restricted investments (note 2, 3)	47,238,726	47,142,968
Prepaid assets (note 10)	1,867,407	3,405,964
Notes receivable (note 4)	8,389,839	8,889,278
Assessments receivable	2,375,000	2,480,000
Deferred charges	1,215,399	1,300,096
Derivative instrument - interest rate SWAP (note 8)	3,465,919	253,623
Capital assets not being depreciated (note 6, 13)	59,036,372	60,877,188
Capital assets being depreciated, net (note 6)	291,987,655	298,302,610
Total non-current assets	415,576,317	422,651,727
Total assets	529,352,915	530,537,113
 <b><u>Liabilities, Deferred Inflows of Resources, and Net Position</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	20,163,640	18,594,565
Customer deposits and deferred revenue	1,421,370	1,250,848
Construction advances	1,523,302	1,534,568
Accrued interest payable	1,539,756	1,689,826
Long-term liabilities - due in less than one year:		
Compensated absences (note 5)	1,583,201	1,448,304
Due to other governments payable (note 7)	428,380	410,038
Notes payable (note 7)	1,058,622	1,132,009
Bonds payable (note 7)	1,715,000	785,000
Total current liabilities	29,433,271	26,845,158
<b>Non-current liabilities:</b>		
Long-term liabilities - due in more than one year:		
Compensated absences (note 5)	637,328	814,825
Due to other governments payable (note 7)	2,423,070	2,851,450
Notes payable (note 7)	6,599,087	7,657,708
Bonds payable (note 7)	141,141,946	142,579,717
Total non-current liabilities	150,801,431	153,903,700
Total liabilities	180,234,702	180,748,858
<b>Deferred inflows of resources:</b>		
Deferred SWAP inflow (note 8)	3,465,919	253,623
Total deferred inflows of resources	3,465,919	253,623
<b>Commitments and contingencies (note 13)</b>		
<b>Net position:</b>		
Net investment in capital assets (note 9)	226,413,476	232,667,339
Restricted for debt service (note 3)	144,619	144,619
Restricted for capacity charges (note 3)	23,697,955	23,298,893
Unrestricted	95,396,244	93,423,781
Total net position	\$ 345,652,294	\$ 349,534,632

See accompanying notes to the basic financial statements

**Western Municipal Water District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Water sales	\$ 71,596,096	\$ 66,310,917
Water service	14,290,510	12,479,514
Wastewater disposal	9,875,780	10,364,865
Other charges and services	878,348	-
Contractual services	<u>2,152,509</u>	<u>1,945,167</u>
Total operating revenues	<u>98,793,243</u>	<u>91,100,463</u>
Operating expenses:		
Source of supply	2,191,479	2,698,466
Purchased water	61,600,436	57,873,634
Pumping - booster pumps	4,074,438	3,820,373
Water treatment	1,520,478	1,473,654
Transmission and distribution	8,260,048	7,679,552
Customer accounts	683,484	367,815
Administrative and general	10,955,531	10,888,801
Contractual services	2,113,211	1,867,917
Special studies and projects	147,927	957,107
Wastewater disposal	8,700,330	8,978,903
Other operating expense	<u>4,994,595</u>	<u>2,126,604</u>
Total operating expenses before depreciation and amortization	<u>105,241,957</u>	<u>98,732,826</u>
Operating loss before depreciation and amortization	(6,448,714)	(7,632,363)
Depreciation and amortization	<u>(13,251,391)</u>	<u>(10,826,239)</u>
<b>Operating loss</b>	<u>(19,700,105)</u>	<u>(18,458,602)</u>
Non-operating revenues (expenses):		
Property taxes	16,695,696	15,221,864
Investment earnings (loss)	(3,831)	5,578,084
Interest expense	(6,655,805)	(7,016,077)
Capacity rights sales	1,915,041	828,459
Intergovernmental revenue	920,749	844,020
Other revenues	653,095	700,798
Other expenses	(540,136)	(1,157,588)
Loss on disposal of assets, net	<u>(31,916)</u>	<u>(43,345)</u>
Total net non-operating revenues	<u>12,952,893</u>	<u>14,956,215</u>
<b>Net (loss) before capital contributions</b>	<u>(6,747,212)</u>	<u>(3,502,387)</u>
Capital contributions:		
Capacity charges	1,699,352	287,161
Developer capital contributions	293,051	3,505,810
Federal, state and local capital grants	<u>872,471</u>	<u>1,268,694</u>
Total capital contributions	<u>2,864,874</u>	<u>5,061,665</u>
<b>Change in net position</b>	(3,882,338)	1,559,278
Net position, beginning of year	<u>349,534,632</u>	<u>347,975,354</u>
Net position, end of year	<u>\$ 345,652,294</u>	<u>\$ 349,534,632</u>

See accompanying notes to the basic financial statements

**Western Municipal Water District**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 97,902,405	\$ 91,830,651
Cash paid to employees for salaries and wages	(13,939,449)	(12,735,407)
Cash paid to vendors and suppliers for materials and services	(86,874,116)	(87,539,241)
Net cash (used in) operating activities	(2,911,160)	(8,443,997)
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	16,955,908	14,931,712
Proceeds from note receivable	70,569	78,861
Proceeds from intergovernmental revenue	920,749	844,020
Net cash provided by non-capital financing activities	17,947,226	15,854,593
Cash flows from capital and related financing activities:		
Proceeds from capacity rights sales	1,035,085	362,659
Proceeds from note receivable	428,890	401,414
Acquisition and construction of capital assets	(5,258,334)	(16,958,292)
Proceeds from disposal of capital assets	26,692	43,345
Proceeds from capital contributions	3,162,528	3,093,417
Proceeds from the issuance of long-term debt	-	43,775,000
Principal paid on long-term debt	(2,327,047)	(47,549,487)
Interest paid on long-term debt	(6,776,348)	(7,012,853)
Net cash (used in) capital and related financing activities	(9,708,534)	(23,844,797)
Cash flows from investing activities:		
Investment earnings	3,625,267	4,547,696
Purchase of investments	(76,792,635)	(81,822,856)
Proceeds from sale of investments	72,364,597	102,223,628
Net cash (used in) provided by investing activities	(802,771)	24,948,468
<b>Net increase in cash and cash equivalents</b>	4,524,761	8,514,267
Cash and cash equivalents, beginning of year	13,585,027	5,070,760
Cash and cash equivalents, end of year	\$ 18,109,788	\$ 13,585,027

Continued on next page

See accompanying notes to the basic financial statements

**Western Municipal Water District**  
**Statements of Cash Flows, continued**  
**For the Years Ended June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
Reconciliation of operating loss to net cash (used in) operating activities:		
<b>Operating loss</b>	\$ (19,700,105)	\$ (18,458,602)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation	12,918,992	10,479,709
Amortization	332,399	346,530
Other revenues	1,533,051	1,166,598
Other expenses	(540,136)	(1,157,588)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,174,319)	1,039,220
Materials and supplies inventory	(38,548)	(176,703)
Prepaid expense	1,538,557	(3,221,040)
Other current assets	(5,252)	(80,304)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,096,279	1,106,964
Customer deposits and deferred revenue	170,522	147,758
Compensated absences	(42,600)	363,461
Total adjustments	16,788,945	10,014,605
<b>Net cash (used in) operating activities</b>	<b>\$ (2,911,160)</b>	<b>\$ (8,443,997)</b>
Non-cash investing, capital and financing transactions:		
Change in fair value of investments	\$ (3,629,098)	\$ 1,030,388
Capital contributions	90,699	3,139,710
Acquisition and construction of capital assets in accounts payable	104,632	631,836
Write-down of construction in progress	3,420,319	1,637,608

See accompanying notes to the basic financial statements

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

Western Municipal Water District of Riverside County (District) was formed in 1954 and created for the purpose of importing and delivering water to wholesale and retail customers within its service area. The District is governed by a five-member Board of Directors who serve overlapping four-year terms. The District purchases approximately 92% of its water from the Metropolitan Water District of Southern California. Approximately 30% of the purchased water comes from the Colorado River aqueduct and approximately 70% comes from the State Water Project.

The criteria used in determining the scope of the financial reporting entity is based on Codification of Governmental Accounting and Financial Reporting Standards, Part II. Financial Reporting, Section 2100: *Defining the Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: (1) It is able to impose its will on that organization, or (2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Western Municipal Water District Facilities Authority (Authority) was created in October 2002 by a joint exercise of powers agreement for the purpose of financing public capital improvements. It is governed by a Board of Directors comprised of the District's Board of Directors. The Authority has issued debt that is secured solely from installment payments payable under an installment purchase agreement entered into by the District and the Authority. All accounts or funds created and established pursuant to any instrument or agreement to which the Authority is a party, and any interest earned or accrued thereon, shall inure to the benefit of the District. Separate financial statements are not prepared for the Authority. It is reported as a blended component unit.

**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, where, in most instances, the intent of the District is that the costs of providing water or wastewater disposal to its service area on a continuing basis be financed or recovered primarily through user charges (water sales, water service charges and wastewater disposal), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales, water purchases and wastewater disposal, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Liabilities, Deferred Inflow of Resources, and Net Position**

**1. Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the District considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

**2. Investments**

Investments are reported in the accompanying statements of net position at fair value based on the last reported sales price published on the national exchange. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. In addition to the change in fair value, other investment income includes interest earnings and any gains or losses realized upon liquidation or sale of investments.

**3. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. Based on management evaluation of customer accounts and creditor's ability to pay, allowance for doubtful accounts is set up as a bad debt expense. A charge of \$76,289 and a net credit for recoveries of (\$286,149) was made to bad debt expense for the fiscal years ended June 30, 2013 and 2012, respectively.

**4. Property Taxes and Assessments**

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax revenue is recognized in the period levied for, less an allowance estimated for uncollectibles. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien Date	January 1
Levy Date	July 1 to June 30
Due Date	November 1 - 1st Installment February 1 - 2nd Installment
Delinquent Date	December 10th - 1st Installment April 10th - 2nd Installment

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Liabilities, Deferred Inflow of Resources, and Net Position, continued**

**5. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**6. Deferred Charges**

The deferred charges are from bond issuance costs that will be amortized using the effective interest rate method over the remaining life of the respective debt service.

**7. Hedge Accounting**

The District applies the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Financial Instruments*, as amended by GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

The District has determined that its interest rate SWAP agreement for reducing interest rate risk exposure on its variable rate debt is a hedging derivative instrument. Under hedge accounting, the fair values of a hedging derivative instrument are reported as either an asset and deferred SWAP inflow or deferred SWAP outflow and a liability in a government's statement of net position.

**8. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000 and an estimated useful life of more than one year. Donated assets are recorded at estimated fair market value at the date of donation. Interest costs are capitalized during the construction period when debt is outstanding. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, as follows:

Vehicles and Equipment	5 - 10 years
Plant	20 - 40 years
Buildings	25 years

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Liabilities, Deferred Inflow of Resources, and Net Position, continued**

**8. Capital Assets, continued**

The District participates with various agencies entitling it to certain capacity rights. Such capacity rights are recorded as intangible assets and treated in accordance with GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The District's participation in these agencies is through cash payments. Monies used for the construction or expansion of capital assets, such as pipelines, wastewater facilities, etc., are recorded as capacity rights and included in capital assets. The capacity rights have either an indefinite useful life or a definite useful life depending on any legal, contractual, regulatory, technological or other factors that limit the useful life of the asset. Capacity rights with definite useful life are amortized over the life of the agreements.

A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The District periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Management has determined that there were no such impairments at June 30, 2013 or 2012.

In accordance with GASB Statement No. 59, *Financial Instruments Omnibus*, interest costs on taxable Build America Bonds, used to finance the acquisition and construction of the District's capital assets, are reported gross and are not offset by federal reimbursement. On the Build America Bonds, gross interest expense amounts are used to calculate capitalized interest on construction projects.

**9. Compensated Absences**

The District's policy is to permit employees to accumulate earned vacation leave up to a maximum of 320 hours and at a rate of 10 to 20 days per year based on the number of years of employment. A terminating employee will be compensated for accrued vacation time based on the employee's rate on the date of termination. Sick leave accrues at the rate of 8 hours per month up to a maximum of 1,600 hours. Upon termination, the District pays 25% of accumulated sick leave for the first full year of service, plus 3% per year for each additional full year of service. An employee who has accumulated in excess of 500 hours of sick leave may be compensated at the formula used for terminating employees for any hours exceeding 500 hours, but not more than 80 hours in any calendar year, and only once per calendar year. In addition, an employee that completes a full calendar year of employment (January 1 to December 31), and that uses no more than 18 accrued hours of sick leave during that calendar year, may be compensated for up to 40 hours of accrued sick leave at the employee's applicable rate of pay.

**10. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt associated with the acquisition, construction or improvement of those assets.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Liabilities, Deferred Inflow of Resources, and Net Position, continued**

**10. Net Position, continued**

- **Restricted for debt service and capacity charges** – This component of net assets consists of the following line items: restricted for debt service and restricted for capacity charges. Restricted net position has constraints placed on them imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position consists of net position that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

**D. Revenues**

**1. Water and Wastewater Services**

Water and wastewater revenue is based on usage and recognized at the time of use. Customers are billed on a monthly cyclical basis. Estimated unbilled water and wastewater revenue based on estimated usage through June 30 has been accrued at year-end.

**2. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment. Capital contributions are recognized on the statement of revenues, expenses and changes in net position when the capital asset is placed in service.

**3. Grants**

When a grant agreement is approved and eligibility requirements are met, the amount is recorded as a receivable on the statement of net position and as capital grant contribution or non-operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

**E. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, and deferred outflow of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**F. Budgetary Policies**

The District adopts a biennial non-appropriated budget for planning, control and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**G. Reclassifications**

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

**(2) Cash and Investments**

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

	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 18,109,788	\$ 13,585,027
Total cash and cash equivalents	18,109,788	13,585,027
Investments	72,632,318	71,929,135
Restricted investments	47,238,726	47,142,968
Total investments	119,871,044	119,072,103
	\$ 137,980,832	\$ 132,657,130

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

	<b>2013</b>	<b>2012</b>
Petty cash	\$ 23,327	\$ 16,300
Deposits with financial institutions	18,086,461	13,568,727
Total cash and cash equivalents	18,109,788	13,585,027
Money market funds	4,197,832	2,935,628
Money market funds with fiscal agent	3,012,289	3,631,014
California Local Agency Investment Fund	3,307,144	3,299,410
California Local Agency Investment Fund with fiscal agent	12,510,289	12,400,105
Local Agency Bonds with fiscal agent	630,710	-
U.S. Treasury notes	17,841,786	18,438,007
Government-sponsored agency securities	50,185,729	53,367,235
Corporate bonds	28,185,265	25,000,704
Total investments	119,871,044	119,072,103
	\$ 137,980,832	\$ 132,657,130

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(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 by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	10%	No limit
U.S. Treasury Obligations	10 years	No limit	No limit
State Registered Obligations	5 years	10%	No limit
Other Local California Agency Obligations	5 years	No limit	No limit
U.S. Agency Securities	10 years	No limit	No limit
Banker's Acceptances	180 days	40%	30%
Prime Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No limit
Repurchase Agreements	90 days	5%	No limit
Medium-Term Corporate Notes	5 years	30%	No limit
Local Agency Investment Fund (LAIF)	N/A	\$50 million	No limit
Money Market Mutual Funds & Mutual Funds	5 years	20%	No limit
Collateralized Bank Deposits	5 years	No limit	No limit
Mortgage Pass-Through Securities	5 years	20%	No limit
County Pooled Investment Funds	N/A	No limit	No limit
CalTrust Pooled Investment Funds	N/A	No limit	No limit

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(2) Cash and Investments, continued**

***Investments Authorized by Debt Agreements***

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreement 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 a bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Government Obligations	No limit	No limit	No limit
Local Agency Bonds	No limit	No limit	No limit
U.S. Agency Securities	No limit	No limit	No limit
Certificates of Deposit	365 days	10%	No limit
Money Market Funds	N/A	No limit	No limit
Local Agency Investment Fund <sup>(1)</sup>	N/A	No limit	No limit

(1) Money in the Bond Reserve Fund may not be invested in the Local Agency Investment Fund.

***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 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund (LAIF)). All investments, other than LAIF, are in the name of the District and held by a third-party custodian.

At June 30, 2013 and 2012, the carrying amounts of the District's deposits were \$18,086,461 and \$13,568,727, respectively, and the corresponding bank balances were \$18,178,018 and \$13,899,186, respectively. The differences of \$91,557 and \$330,459 at June 30, 2013 and 2012, respectively, were principally due to outstanding checks, wires and/or deposits in transit. Of the bank balances, \$17,928,018 and \$13,649,186 were uncollateralized and not insured by Federal Deposit Insurance Corporation (FDIC) depository insurance as of June 30, 2013 and 2012, respectively.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(2) Cash and Investments, continued**

***Investment in State Investment Pool***

The District is a voluntary participant in LAIF, which is regulated by the California Government Code 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 by 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.

***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. The District's investment policy provides limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Maturities of investments at June 30, 2013 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
U.S. Treasury Notes	\$ 17,841,786	\$ 3,345,181	\$ 4,074,601	\$ 10,422,004	\$ -
Government-Sponsored Agency Securities	50,185,729	2,497,862	28,183,832	19,504,035	-
Corporate Bonds	28,185,265	7,359,373	20,825,892	-	-
Local Agency Bonds	630,710	-	630,710	-	-
California Local Agency Investment Fund	15,817,433	15,817,433	-	-	-
Money Market Funds	7,210,121	7,210,121	-	-	-
Total	<u>\$ 119,871,044</u>	<u>\$ 36,229,970</u>	<u>\$ 53,715,035</u>	<u>\$ 29,926,039</u>	<u>\$ -</u>

Maturities of investments at June 30, 2012 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
U.S. Treasury Notes	\$ 18,438,007	\$ -	\$ 9,033,263	\$ 9,404,744	\$ -
Government-Sponsored Agency Securities	53,367,235	2,024,680	31,257,558	19,262,487	822,510
Corporate Bonds	25,000,704	3,696,665	21,304,039	-	-
California Local Agency Investment Fund	15,699,515	15,699,515	-	-	-
Money Market Funds	6,566,642	6,566,642	-	-	-
Total	<u>\$ 119,072,103</u>	<u>\$ 27,987,502</u>	<u>\$ 61,594,860</u>	<u>\$ 28,667,231</u>	<u>\$ 822,510</u>

***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 rating by a nationally recognized statistical rating organization.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(2) Cash and Investments, continued**

***Credit Risk, continued***

Credit ratings of investments as of June 30, 2013 were as follows:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Ratings as of Year-End			Not Rated
				AAA	AA	A	
U.S. Treasury Notes	\$ 17,841,786	N/A	\$ 17,841,786	\$ -	\$ -	\$ -	\$ -
Government-Sponsored Agency Securities	50,185,729	None	-	-	50,068,970	-	116,759
Corporate Bonds	28,185,265	A	-	2,839,499	9,361,996	15,983,770	-
Local Agency Bonds	630,710	None	-	630,710	-	-	-
California Local Agency Investment Fund	15,817,433	None	-	-	-	-	15,817,433
Money Market Funds	7,210,121	N/A	-	-	-	-	7,210,121
	<u>\$ 119,871,044</u>		<u>\$ 17,841,786</u>	<u>\$ 3,470,209</u>	<u>\$ 59,430,966</u>	<u>\$ 15,983,770</u>	<u>\$ 23,144,313</u>

Credit ratings of investments as of June 30, 2012 were as follows:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Ratings as of Year-End			Not Rated
				AAA	AA	A	
U.S. Treasury Notes	\$ 18,438,007	N/A	\$ 18,438,007	\$ -	\$ -	\$ -	\$ -
Government-Sponsored Agency Securities	53,367,235	None	-	-	53,251,319	-	115,916
Corporate Bonds	25,000,704	A	-	-	8,535,657	16,465,047	-
California Local Agency Investment Fund	15,699,515	None	-	-	-	-	15,699,515
Money Market Funds	6,566,642	N/A	-	-	-	-	6,566,642
	<u>\$ 119,072,103</u>		<u>\$ 18,438,007</u>	<u>\$ -</u>	<u>\$ 61,786,976</u>	<u>\$ 16,465,047</u>	<u>\$ 22,382,073</u>

***Concentration of Credit Risk***

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's investment with LAIF is 2.40% and 2.49% of the District's total depository and investment portfolio as of June 30, 2013 and 2012, respectively. There were no investments in any one non-governmental issuer that represented 5% or more of the District's total investments.

Issuer	Investment Type	2013 Reported Amount	2012 Reported Amount	2013 % of Total Investments	2012 % of Total Investments
Federal Farm Credit Bank	Government-Sponsored Agency Securities	\$ 8,426,337	\$ 5,979,418	7%	5%
Federal Home Loan Bank	Government-Sponsored Agency Securities	11,220,580	13,977,822	9%	12%
Federal National Mortgage Association	Government-Sponsored Agency Securities	12,022,858	13,347,969	10%	11%
Tennessee Valley Authority	Government-Sponsored Agency Securities	6,062,247	6,106,046	5%	5%
Federal Home Loan Mortgage Corp.	Government-Sponsored Agency Securities	12,453,707	13,955,980	10%	12%

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(3) Restricted Investments**

Restricted investments at June 30 are restricted as follows:

	<u>2013</u>	<u>2012</u>
Capacity charges	\$ 23,697,955	\$ 23,298,893
SARI capacity use loan from SAWPA	953,758	1,267,487
Reserve for Assessment District AD 90-1	144,619	144,619
Customer deposits	1,240,728	1,151,163
Construction advances	1,523,302	1,534,568
2009 Series A Adjustable Rate Water Revenue Refunding Bonds Debt Service Fund	-	379
2009 Series B Water Revenue Bonds Reserve Fund and Debt Service Fund	6,150,611	6,179,882
2010 Series A Water Revenue Bonds Service Fund	1	1
2010 Series A Water Revenue Bonds Construction Fund	9,744,405	9,690,150
2010 Series B Water Revenue Bonds Service Fund	19	9
2010 Series B Water Revenue Bonds Construction Fund	3,778,605	3,722,272
2012 Series A Water Revenue Bonds Service Fund	4,723	153,545
	<u>\$ 47,238,726</u>	<u>\$ 47,142,968</u>

**(4) Accounts Receivable**

Receivables at June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Utility services - wholesale	\$ 12,613,505	\$ 12,376,582
Utility services - retail	6,069,772	5,622,126
Allowance for doubtful accounts	(225,542)	(149,253)
Accrued interest	655,862	689,322
Property taxes & assessments	864,416	1,022,070
Other	243,356	41,054
	<u>\$ 20,221,369</u>	<u>\$ 19,601,901</u>

***Non-current Receivables***

Non-current receivables at June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Note receivable from Elsinore Valley Municipal Water District	\$ 766,712	\$ 937,052
Note receivable from Jurupa Community Services District	7,478,029	7,736,578
Other	145,098	215,648
	<u>\$ 8,389,839</u>	<u>\$ 8,889,278</u>

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(4) Accounts Receivable, continued**

*Non-current Receivables, continued*

On January 12, 1999, the District sold 0.8 million gallons per day (MGD) of pipeline capacity to Elsinore Valley Municipal Water District (EVMWD) for \$3,060,000, for which a note was received. An initial payment of \$153,000 was received within 30 days of the agreement date. The note requires EVMWD to pay the District 20 annual interest and principal payments of \$215,663 beginning March 1999 and bearing an interest rate of 4%.

In July 2004, the District sold 3.0 MGD of pipeline capacity to Jurupa Community Services District (Jurupa) for \$9,486,754, for which a note was received. The note requires Jurupa to pay the District 29 annual principal payments ranging from \$198,884 to \$517,098 beginning January 1, 2005. The interest rate is variable starting at 1.985%.

**(5) Compensated Absences**

Compensated absences comprise unpaid vacation and sick leave, which are accrued as earned. The District's liability for compensated absences is determined annually.

The changes to compensated absences balances at June 30 were as follows:

<u>Balance</u> <u>2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2013</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 2,263,129	\$ 1,802,524	\$ (1,845,124)	\$ 2,220,529	\$ 1,583,201	\$ 637,328
<u>Balance</u> <u>2011</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2012</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 1,899,668	\$ 1,761,762	\$ (1,398,301)	\$ 2,263,129	\$ 1,448,304	\$ 814,825

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(6) Capital Assets**

The balance in capital assets for the year ended June 30, 2013 was as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>Balance 2013</u>
Capital assets not being depreciated:				
Land	\$ 7,663,581	\$ -	\$ -	\$ 7,663,581
Capacity rights	23,248,406	-	-	23,248,406
Construction-in-progress	<u>29,965,201</u>	<u>9,127,649</u>	<u>(10,968,465)</u>	<u>28,124,385</u>
Total capital assets not being depreciated	<u>60,877,188</u>	<u>9,127,649</u>	<u>(10,968,465)</u>	<u>59,036,372</u>
Capital assets being depreciated:				
Land improvements	3,997,445	69,617	-	4,067,062
Plant	893,219	-	-	893,219
Source of supply - plant	1,064,308	-	-	1,064,308
Pumping plant	30,328,853	309,088	(151,883)	30,486,058
Water treatment plant	7,296,111	287,690	(52,158)	7,531,643
Transmission and distribution plant	192,832,428	3,586,081	-	196,418,509
Wastewater treatment plant	105,264,612	43,464	-	105,308,076
Buildings	29,669,628	-	-	29,669,628
Furniture, fixtures and office equipment	2,161,261	12,567	-	2,173,828
Vehicles	4,566,462	-	(218,123)	4,348,339
Construction and maintenance equipment	783,081	-	-	783,081
Computer equipment	4,578,844	1,686,098	-	6,264,942
Miscellaneous equipment	972,401	44,048	-	1,016,449
Capacity rights	<u>11,430,612</u>	<u>623,992</u>	<u>-</u>	<u>12,054,604</u>
Total capital assets being depreciated	<u>395,839,265</u>	<u>6,662,645</u>	<u>(422,164)</u>	<u>402,079,746</u>
Less accumulated depreciation:				
Land improvements	(1,939,190)	(159,089)	-	(2,098,279)
Plant	(769,208)	(16,156)	-	(785,364)
Source of supply - plant	(975,564)	(16,389)	-	(991,953)
Pumping plant	(11,623,291)	(1,338,406)	93,275	(12,868,422)
Water treatment plant	(4,172,103)	(574,846)	52,158	(4,694,791)
Transmission and distribution plant	(58,068,452)	(4,433,015)	-	(62,501,467)
Wastewater treatment plant	(7,466,723)	(3,918,142)	-	(11,384,865)
Buildings	(4,154,741)	(1,040,635)	-	(5,195,376)
Furniture, fixtures and office equipment	(843,958)	(336,524)	-	(1,180,482)
Vehicles	(3,440,700)	(246,355)	218,123	(3,468,932)
Construction and maintenance equipment	(700,433)	(18,671)	-	(719,104)
Computer equipment	(499,908)	(429,067)	-	(928,975)
Miscellaneous equipment	(293,641)	(94,412)	-	(388,053)
Capacity rights	<u>(2,588,743)</u>	<u>(297,285)</u>	<u>-</u>	<u>(2,886,028)</u>
Total accumulated depreciation	<u>(97,536,655)</u>	<u>(12,918,992)</u>	<u>363,556</u>	<u>(110,092,091)</u>
Total capital assets being depreciated, net	<u>298,302,610</u>	<u>(6,256,347)</u>	<u>(58,608)</u>	<u>291,987,655</u>
Total capital assets, net	<u>\$ 359,179,798</u>	<u>\$ 2,871,302</u>	<u>\$ (11,027,073)</u>	<u>\$ 351,024,027</u>

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(6) Capital Assets, continued**

The balance in capital assets for the year ended June 30, 2012 was as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>Balance 2012</u>
Capital assets not being depreciated:				
Land	\$ 6,819,299	\$ 844,282	\$ -	\$ 7,663,581
Capacity rights	23,385,735	-	(137,329)	23,248,406
Construction-in-progress	<u>81,799,092</u>	<u>16,751,647</u>	<u>(68,585,538)</u>	<u>29,965,201</u>
Total capital assets not being depreciated	<u>112,004,126</u>	<u>17,595,929</u>	<u>(68,722,867)</u>	<u>60,877,188</u>
Capital assets being depreciated:				
Land improvements	3,938,601	58,844	-	3,997,445
Plant	893,219	-	-	893,219
Source of supply - plant	1,064,308	-	-	1,064,308
Pumping plant	30,328,853	-	-	30,328,853
Water treatment plant	7,250,331	45,780	-	7,296,111
Transmission and distribution plant	189,988,570	2,843,858	-	192,832,428
Wastewater treatment plant	43,236,388	62,094,528	(66,304)	105,264,612
Buildings	29,635,024	34,604	-	29,669,628
Furniture, fixtures and office equipment	2,114,160	50,771	(3,670)	2,161,261
Vehicles	4,361,608	246,596	(41,742)	4,566,462
Construction and maintenance equipment	842,678	-	(59,597)	783,081
Computer equipment	4,535,215	73,138	(29,509)	4,578,844
Miscellaneous equipment	711,158	371,718	(110,475)	972,401
Capacity rights	<u>10,720,484</u>	<u>710,128</u>	<u>-</u>	<u>11,430,612</u>
Total capital assets being depreciated	<u>329,620,597</u>	<u>66,529,965</u>	<u>(311,297)</u>	<u>395,839,265</u>
Less accumulated depreciation:				
Land improvements	(1,778,169)	(161,021)	-	(1,939,190)
Plant	(751,719)	(17,489)	-	(769,208)
Source of supply - plant	(959,113)	(16,451)	-	(975,564)
Pumping plant	(10,270,945)	(1,352,346)	-	(11,623,291)
Water treatment plant	(3,602,322)	(569,781)	-	(4,172,103)
Transmission and distribution plant	(53,705,192)	(4,363,260)	-	(58,068,452)
Wastewater treatment plant	(6,150,384)	(1,339,545)	23,206	(7,466,723)
Buildings	(3,076,254)	(1,078,487)	-	(4,154,741)
Furniture, fixtures and office equipment	(468,261)	(379,367)	3,670	(843,958)
Vehicles	(3,146,143)	(336,052)	41,495	(3,440,700)
Construction and maintenance equipment	(723,023)	(37,007)	59,597	(700,433)
Computer equipment	(68,995)	(460,422)	29,509	(499,908)
Miscellaneous equipment	(307,509)	(96,607)	110,475	(293,641)
Capacity rights	<u>(2,316,869)</u>	<u>(271,874)</u>	<u>-</u>	<u>(2,588,743)</u>
Total accumulated depreciation	<u>(87,324,898)</u>	<u>(10,479,709)</u>	<u>267,952</u>	<u>(97,536,655)</u>
Total capital assets being depreciated, net	<u>242,295,699</u>	<u>56,050,256</u>	<u>(43,345)</u>	<u>298,302,610</u>
Total capital assets, net	<u>\$ 354,299,825</u>	<u>\$ 73,646,185</u>	<u>\$ (68,766,212)</u>	<u>\$ 359,179,798</u>

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(6) Capital Assets, continued**

***Construction-In-Process***

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at June 30 are as follows:

	<u>2013</u>		<u>2012</u>		<u>2011</u>
Chino Basin desalter expansion	\$ 16,110,898	\$	11,909,349	\$	5,378,133
Riverside - Corona feeder	705,396		3,804,944		3,382,072
2320 Pressure Zone Reach 1 Pipeline	3,745,921		2,433,049		-
Recycled Water Distribution System	-		1,995,740		1,656,305
River Road Bridge Pipelines	-		1,258,968		1,229,193
Computerized Work Management System Implementation	-		1,163,155		257,913
Western Water Recycling Facility expansion - phase II	-		-		58,911,875
Arlington Desalter expansion	-		-		2,441,521
Various projects	<u>7,562,170</u>		<u>7,399,996</u>		<u>8,542,080</u>
Construction-in-process	<u>\$ 28,124,385</u>	\$	<u>29,965,201</u>	\$	<u>81,799,092</u>

At June 30, 2013 and 2012, interest cost of \$555,182 and \$287,677, respectively, was capitalized in relation to debt financing of construction projects.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(7) Long-term Debt**

Long-term debt activities for the year ended June 30, 2013 were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Due to other local government agencies:						
Santa Ana Watershed Project Authority:						
SARI capacity use rights	\$ 3,077,011	\$ -	\$ (381,371)	\$ 2,695,640	\$ 398,908	\$ 2,296,732
Western Riverside County Regional Wastewater Authority:						
State Water Resources Control Board	184,477	-	(28,667)	155,810	29,472	126,338
	<u>3,261,488</u>	<u>-</u>	<u>(410,038)</u>	<u>2,851,450</u>	<u>428,380</u>	<u>2,423,070</u>
Bonds payable:						
Improvement Bonds	480,000	-	(105,000)	375,000	115,000	260,000
Unamortized discount	(4,535)	-	1,632	(2,903)	-	(2,903)
2009 Series B bonds	52,485,000	-	(680,000)	51,805,000	690,000	51,115,000
Unamortized discount	(559,708)	-	27,786	(531,922)	-	(531,922)
Deferred loss on refunding	(12,538,597)	-	997,363	(11,541,234)	-	(11,541,234)
2010 Series A bonds	8,485,000	-	-	8,485,000	910,000	7,575,000
2010 Series B bonds	42,755,000	-	-	42,755,000	-	42,755,000
Unamortized premium	959,644	-	(189,668)	769,976	-	769,976
Unamortized discount	(237,660)	-	11,179	(226,481)	-	(226,481)
2012 Series A bonds	43,775,000	-	-	43,775,000	-	43,775,000
SWAP Liability <sup>(1)</sup>	7,765,573	-	(571,063)	7,194,510	-	7,194,510
	<u>143,364,717</u>	<u>-</u>	<u>(507,771)</u>	<u>142,856,946</u>	<u>1,715,000</u>	<u>141,141,946</u>
Notes payable:						
Note payable - Land	23,493	-	(23,493)	-	-	-
Note payable - Headquarters Building	8,656,264	-	(1,007,718)	7,648,546	1,049,459	6,599,087
Note payable - Other	109,960	-	(100,797)	9,163	9,163	-
	<u>8,789,717</u>	<u>-</u>	<u>(1,132,008)</u>	<u>7,657,709</u>	<u>1,058,622</u>	<u>6,599,087</u>
Total long-term debt	<u>\$ 155,415,922</u>	<u>\$ -</u>	<u>\$ (2,049,817)</u>	<u>\$ 153,366,105</u>	<u>\$ 3,202,002</u>	<u>\$ 150,164,103</u>

(1) Refer to Note 8 for further information on the SWAP liability agreement.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

Long-term debt activities for the year ended June 30, 2012 were as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2012</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Due to other local government agencies:						
Santa Ana Watershed Project Authority:						
Brinline capacity use rights	\$ 173,810	\$ -	\$ (173,810)	\$ -	\$ -	\$ -
SARI capacity use rights	3,441,834	-	(364,823)	3,077,011	381,369	2,695,642
Western Riverside County Regional Wastewater Authority:						
State Water Resources Control Board	212,365	-	(27,888)	184,477	28,669	155,808
	<u>3,828,009</u>	<u>-</u>	<u>(566,521)</u>	<u>3,261,488</u>	<u>410,038</u>	<u>2,851,450</u>
Bonds payable:						
Improvement Bonds	575,000	-	(95,000)	480,000	105,000	375,000
Unamortized discount	(6,167)	-	1,632	(4,535)	-	(4,535)
2009 Series A bonds	45,080,000	-	(45,080,000)	-	-	-
2009 Series B bonds	53,155,000	-	(670,000)	52,485,000	680,000	51,805,000
Unamortized discount	(587,880)	-	28,172	(559,708)	-	(559,708)
Deferred loss on refunding	(5,182,540)	(7,765,573)	409,516	(12,538,597)	-	(12,538,597)
2010 Series A bonds	8,485,000	-	-	8,485,000	-	8,485,000
2010 Series B bonds	42,755,000	-	-	42,755,000	-	42,755,000
Unamortized premium	1,149,658	-	(190,014)	959,644	-	959,644
Unamortized discount	(248,860)	-	11,200	(237,660)	-	(237,660)
2012 Series A bonds	-	43,775,000	-	43,775,000	-	43,775,000
SWAP Liability <sup>(1)</sup>	-	7,765,573	-	7,765,573	-	7,765,573
	<u>145,174,211</u>	<u>43,775,000</u>	<u>(45,584,494)</u>	<u>143,364,717</u>	<u>785,000</u>	<u>142,579,717</u>
Notes payable:						
Note payable - Land	45,867	-	(22,374)	23,493	23,493	-
Note payable - Headquarters Building	9,623,903	-	(967,639)	8,656,264	1,007,719	7,648,545
Note payable - Other	257,913	-	(147,953)	109,960	100,797	9,163
	<u>9,927,683</u>	<u>-</u>	<u>(1,137,966)</u>	<u>8,789,717</u>	<u>1,132,009</u>	<u>7,657,708</u>
Total long-term debt	<u>\$ 158,929,903</u>	<u>\$ 43,775,000</u>	<u>\$ (47,288,981)</u>	<u>\$ 155,415,922</u>	<u>\$ 2,327,047</u>	<u>\$ 153,088,875</u>

(1) Refer to Note 8 for further information on the SWAP liability agreement.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

The future annual maturities of all long-term borrowing as of June 30, 2013 are as follows:

Fiscal Year	Principal	Interest <sup>(1)</sup>	Total
2014	\$ 3,202,002	\$ 7,148,147	\$ 10,350,149
2015	3,310,721	7,039,464	10,350,185
2016	3,451,546	6,889,841	10,341,387
2017	3,440,451	6,726,172	10,166,623
2018	5,037,553	6,556,250	11,593,803
2019-2023	20,861,886	32,640,573	53,502,459
2024-2028	21,770,000	33,422,193	55,192,193
2029-2033	25,995,000	29,981,334	55,976,334
2034-2038	34,125,000	25,192,951	59,317,951
2039-2043	36,510,000	17,671,945	54,181,945
Total	157,704,159	\$ 173,268,870	\$ 330,973,029
Unamortized discount	(761,306)		
Unamortized premium	769,976		
Deferred loss on refunding	(11,541,234)		
SWAP Liability	7,194,510		
Total	153,366,105		
Less current portion	(3,202,002)		
Total non-current	\$ 150,164,103		

(1) The 2012 Series A bonds have an assumed interest rate of 2.715% based on the SWAP.

**Due to Other Governmental Agencies**

***Santa Ana Watershed Project Authority (SAWPA) 2.0 MGD Brine Line Pipeline Capacity***

On January 12, 1999, the District entered into an agreement (Agreement) with SAWPA to purchase brine line capacity use rights of 2.0 MGD in the Brine Line for \$7,500,000 with an annual interest rate of 4.0%. An initial payment of 5% of the purchase price was paid within 30 days of the agreement date. The terms of the agreement require annual payments of interest and principal of \$528,584 for 20 years beginning July 1999. This agreement provided the District with the option to sell the purchased capacity to EVMWD and the City of Corona. On January 12, 1999, the District sold 0.8 MGD of brine line capacity use right to EVMWD and 1.2 MGD of brine line capacity to the City of Corona. EVMWD issued a note for \$3,060,000 for their purchases. For additional information on the note, refer to Note 4. The City of Corona paid \$4.6 million in cash for their purchases. Cash received from the City of Corona as well as any interest earned in the amount of \$1.0 million as of June 30, 2013 is restricted for repayment to SAWPA.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

**Due to Other Governmental Agencies, continued**

***SAWPA 2.0 MGD Brine Line Pipeline Capacity, continued***

As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 398,908	\$ 129,676	\$ 528,584
2015	417,498	111,086	528,584
2016	437,204	91,380	528,584
2017	458,093	70,491	528,584
2018	480,235	48,349	528,584
2019-2023	503,702	24,879	528,581
Total	2,695,640	\$ 475,861	\$ 3,171,501
Less current portion	(398,908)		
Total non-current	\$ 2,296,732		

***State Water Resources Control Board – Contracts 3 and 4***

On March 27, 1996, the District entered into an agreement with Western Riverside County Regional Wastewater Authority (WRCRWA) to purchase capacity in certain components of a wastewater treatment system. The District's share of the debt on the State Water Resources Control Board loans and the terms of the repayment are as follows:

***State Water Resources Control Board – Contract 3***

Loan was advanced for the construction of South Regional Conveyance System Phase II. The maximum loan amount was \$4,583,644 with interest at 2.8%. The District is responsible for 7.26% of the loan. The District's share of annual repayment is \$22,272, including principal and interest.

***State Water Resources Control Board – Contract 4***

Loan was advanced for the construction of the South Regional Pumping Station. The maximum loan amount was \$1,853,499 with interest at 2.8%. The District is responsible for 9.4% of the loan. The District's share of the annual repayments is \$11,562, including principal and interest.

The loans with the State Water Resources Control Board contain covenants and restrictions that include, but are not limited to, assurances relating to adherence to the Clean Water Act, Equal Opportunity and Civil Rights laws, and certain other assurances.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

**Due to Other Governmental Agencies, continued**

***State Water Resources Control Board – Contracts 3 and 4, continued***

As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 29,472	\$ 4,362	\$ 33,834
2015	30,296	3,538	33,834
2016	31,145	2,689	33,834
2017	32,017	1,817	33,834
2018	32,880	922	33,802
Total	155,810	\$ 13,328	\$ 169,138
Less current portion	(29,472)		
Total non-current	\$ 126,338		

**Bonds Payable**

***Improvement Bonds***

The improvement proceedings for Assessment District 90-1 (Lake Hills) were initiated by adoption of the Resolution of Intention, Resolution 1675, by the Board of Directors of the District on June 20, 1990. The proceedings were conducted pursuant to the Municipal Improvement Act of 1913. The proceeds from the sale of the Improvement Bonds were used to pay for the construction and acquisition of water system and sewer system improvements. The Bonds represent unpaid assessments levied against private property in the Assessment District in accordance with the provisions of the Municipal Improvement Act of 1913, and were issued pursuant to the Improvement Bond Act of 1915.

The Improvement Bonds mature through September 2, 2015. The original issuance discount is being amortized using the effective interest rate method over the life of the bonds. The interest rate varies from 6.80% to 7.125%. As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 115,000	\$ 22,622	\$ 137,622
2015	125,000	14,072	139,072
2016	135,000	4,809	139,809
Total	375,000	\$ 41,503	\$ 416,503
Less current portion	(115,000)		
Total non-current	\$ 260,000		

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

**Bonds Payable, continued**

**2009 Series B Bonds**

In May 2009, the Authority issued \$54,340,000 of 2009 Series B Water Revenue Bonds with original issue discount of \$647,259. The bonds were issued to finance the acquisition and construction of certain water and wastewater facilities. Interest on the bonds is paid semiannually at stated rates ranging from 2.5% to 5.0%. The original issue discount is being amortized using the effective interest rate method over the life of the bonds. The bonds mature in serial and term fashion through October 2039 and certain bonds are subject to optional or mandatory redemption. The bonds are secured by a pledge of the District's net revenues. The District is required to maintain net revenues equal to at least 110% of adjusted annual debt service.

As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		
	Principal	Interest	Total
2014	\$ 690,000	\$ 2,506,244	\$ 3,196,244
2015	700,000	2,478,644	3,178,644
2016	720,000	2,450,644	3,170,644
2017	735,000	2,414,644	3,149,644
2018	755,000	2,392,594	3,147,594
2019-2023	4,060,000	11,401,569	15,461,569
2024-2028	4,495,000	10,502,519	14,997,519
2029-2033	5,020,000	9,415,713	14,435,713
2034-2038	23,470,000	6,427,750	29,897,750
2039-2043	11,160,000	844,000	12,004,000
Total	51,805,000	\$ 50,834,321	\$ 102,639,321
Less current portion	(690,000)		
Total non-current	\$ 51,115,000		

**2010 Series A Bonds**

In October 2010, the Authority issued \$8,485,000 of 2010 Series A Water Revenue Bonds with original issue premium of \$1,266,470. The bonds were issued to finance the acquisition and construction of certain water and wastewater facilities. Interest on the bonds is paid semiannually at stated rates ranging from 2.0% to 5.0%. The original issuance premium is being amortized using the effective interest rate method over the life of the bonds. The bonds mature in serial fashion through October 2022. The bonds are secured by a pledge of the District's net revenues. The District is required to maintain net revenues equal to at least 110% of adjusted annual debt service.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

**Bonds Payable, continued**

***2010 Series A Bonds, continued***

As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		
	Principal	Interest	Total
2014	\$ 910,000	\$ 363,100	\$ 1,273,100
2015	945,000	344,900	1,289,900
2016	990,000	297,650	1,287,650
2017	1,030,000	248,150	1,278,150
2018	1,075,000	206,950	1,281,950
2019-2023	3,535,000	310,600	3,845,600
Total	8,485,000	\$ 1,771,350	\$ 10,256,350
Less current portion	(910,000)		
Total non-current	\$ 7,575,000		

***2010 Series B Bonds***

In October 2010, the Authority issued \$42,755,000 of 2010 Series B Water Revenue Bonds, Taxable Build America Bonds, with original issue discount of \$255,745 to finance the acquisition and construction of certain water and wastewater facilities, such as the expansion of Western Water Recycling Facility. Interest on the bonds is paid semiannually at stated rates ranging from 4.528% to 6.510%. The original issue discount is being amortized using the effective interest rate method over the life of the bonds. The bonds mature in serial and term fashion through October 2040 and certain bonds are subject to optional or mandatory redemption. Build America Bonds, created as part of the American Recovery and Reinvestment Act of 2009 (ARRA), are taxable securities that are subject to a subsidy payment from the United States Treasury equal to 35% of interest payable on the Build America Bonds. The subsidy payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid under the ARRA. The subsidy is pledged to the repayment of the bonds. The bonds are secured by a pledge of the District's net revenues. The District is required to maintain net revenues equal to at least 110% of adjusted annual debt service.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

**Bonds Payable, continued**

***2010 Series B Bonds, continued***

As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		
	Principal	Interest	Total
2014	\$ -	\$ 2,630,711	\$ 2,630,711
2015	-	2,630,711	2,630,711
2016	-	2,630,711	2,630,711
2017	-	2,630,711	2,630,711
2018	-	2,630,711	2,630,711
2019-2023	2,580,000	15,676,048	18,256,048
2024-2028	7,235,000	19,021,341	26,256,341
2029-2033	8,745,000	18,189,249	26,934,249
2034-2038	10,655,000	17,161,993	27,816,993
2039-2043	13,540,000	15,706,854	29,246,854
Total	42,755,000	\$ 98,909,040	\$ 141,664,040
Less current portion	-		
Total non-current	\$ 42,755,000		

***2012 Series A Bonds***

In June 2012, the Authority issued \$43,775,000 of 2012 Series A Adjustable Rate Water Revenue Refunding Bonds (2012 Series A) to refund the District's 2009 Series A Adjustable Rate Water Revenue Refunding Bonds (2009 Series A). The refunding restructures the timing of debt service payments in order to better align these payments with expected revenues from future development activity. While the refunding increased aggregate debt service payments by approximately \$6.2 million over the next 30 years, the District obtained an economic gain (difference between the present value of the old and new debt service payments) of \$657,533.

At the time of the refunding, the District's interest rate SWAP agreement for the 2009 Series A Bonds was effective with its cumulative change in fair value of \$7,765,573 reported as a deferred SWAP outflow. With the refunding, the District has entered into a new amended and restated SWAP agreement, replacing the 2009 Series A with the 2012 Series A. The deferred SWAP outflow from the old agreement carries forward to the new agreement. For accounting purposes, however, the refunding produces a termination event and the deferred SWAP outflow (SWAP liability) at time of refunding is included with the carrying value of the old debt for determining the refunding loss to be deferred and amortized as an element of interest expense over the life of the refunded debt. This deferred loss on refunding is reported as a reduction of bonds payable.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

**Bonds Payable, continued**

***2012 Series A Bonds, continued***

The 2012 Series A Bonds are adjustable interest rate bonds with varying optional redemption provisions whose rates adjust from the remarketing of bonds tendered for redemption. An underlying credit facility, which expires on June 26, 2015, provides liquidity and security for redemption should remarketing efforts not provide sufficient funds. In addition to optional redemption, mandatory redemption occurs through scheduled sinking fund payments. The bonds are secured by a pledge of the District's net revenues. The District is required to maintain net revenues equal to at least 110% of adjusted annual debt service.

Refer to Note 8 for further information on the SWAP agreement.

The schedule of future annual maturities for the bonds will be accelerated should the underlying credit facility, which matures on June 26, 2015, not be renewed and the remarketing agent is unable to resell bonds that are tendered for redemption.

As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Variable-Rate Bonds		Total
	Principal	Interest <sup>(1)</sup>	
2014	\$ -	\$ 1,188,491	\$ 1,188,491
2015	-	1,188,491	1,188,491
2016	-	1,188,491	1,188,491
2017	-	1,188,491	1,188,491
2018	1,460,000	1,158,762	2,618,762
2019-2023	8,235,000	5,147,063	13,382,063
2024-2028	10,040,000	3,898,333	13,938,333
2029-2033	12,230,000	2,376,372	14,606,372
2034-2038	-	1,603,208	1,603,208
2039-2043	11,810,000	1,121,091	12,931,091
Total	43,775,000	\$ 20,058,793	\$ 63,833,793
Less current portion	-		
Total non-current	\$ 43,775,000		

(1) Assuming an interest rate of 2.715% based on the SWAP.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(7) Long-term Debt, continued**

**Note Payable – Land**

On April 26, 2004, the District acquired land in exchange for a note payable. Terms of the note provide that the District is to make 10 annual payments of \$24,667, including interest. The District made the first payment on April 26, 2004. The note has a stated interest rate of 5.0%. As of June 30, 2013, the note payable is paid in full.

**Note Payable – Headquarters Building**

On September 28, 2009, the District obtained unsecured financing from a bank for the acquisition and development of its new headquarters building. Terms of the note provide that the District is to make semiannual payments of \$676,200, including interest, through October 2019. The District made the first payment on April 1, 2010. The note has a stated interest rate of 4.10%.

As of June 30, 2013, the future annual maturities of the District's obligation are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 1,049,459	\$ 302,941	\$ 1,352,400
2015	1,092,927	259,472	1,352,399
2016	1,138,197	214,204	1,352,401
2017	1,185,341	167,059	1,352,400
2018	1,234,438	117,962	1,352,400
2019-2023	1,948,184	80,414	2,028,598
Total	7,648,546	\$ 1,142,052	\$ 8,790,598
Less current portion	(1,049,459)		
Total non-current	\$ 6,599,087		

**Note Payable – Other**

On June 29, 2011, the District entered into a non-interest-bearing note payable agreement to finance the acquisition of licensed software that it will use for its operations. Terms of the note provide that the District is to make 12 monthly payments in the amount of \$12,329 commencing on August 1, 2011, followed by 12 monthly payments in the amount of \$9,163 commencing on August 1, 2012 through July 1, 2013.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(8) Interest Rate SWAP**

The District entered into an interest rate SWAP agreement for the Authority's 2009 Series A Water Revenue Refunding Bonds. In connection with the refunding of the 2009 Series A Bonds, the District has amended and restated the SWAP agreement, with the same counterparty, essentially replacing the 2009 Series A Bonds with the 2012 Series A Bonds with no change in notional amounts. The amended agreement carries over the SWAP liability from the prior agreement. Because of the carryover, the new agreement is considered a hybrid instrument for financial reporting, whose pay fixed rate of 2.715% (off-market rate) enables the pay-down of the carryover SWAP liability and provides for an interest rate hedging derivative with an imputed at-market rate of 1.424%.

The District's objective with the SWAP agreement is to alter its exposure to interest rate fluctuations, specifically rising interest rates that would negatively impact cash flows, by swapping an obligation to pay fixed rates for one that pays a floating rate. The table that follows summarizes the significant SWAP payment terms:

Description	District	Counterparty
Original Confirmation Date	November 4, 2008	November 4, 2008
Original Notional Amount	\$48,000,000	\$48,000,000
Amended and Restated Date	June 26, 2012	June 26, 2012
Amended Notional Amount	\$43,775,000	\$43,775,000
Notional Reductions	Annually on 10/1	Annually on 10/1
Termination Date	October 1, 2042	October 1, 2042
Payment Dates	1st Calendar day of each Month	1st Calendar day of each Month
Payment Rate	2.715%	67% of 1-month USD LIBOR

***Evaluation of SWAP Effectiveness***

The District applies the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 prescribes the accounting and financial reporting required for derivative instruments that hedge identified financial risks. If the derivative instrument is determined to be effective in reducing the identified exposure, hedge accounting provides that changes in the fair value of the hedging instrument—in this instance, the interest rate SWAP—be reported as either deferred inflows or deferred outflows in a government's statement of net assets. To evaluate the effectiveness of the SWAP, the Synthetic Instrument Method (SIM) prescribed by GASB Statement No. 53 was employed for the fiscal years ended June 30, 2013 and 2012. The resulting analyses reveal the SWAP is effective as a hedging instrument for both fiscal years. The fair value or marked-to-market value of the SWAP as of June 30, 2013 and 2012, as amended and restated, is \$3,465,919 and \$253,623, respectively, which is the amount the District would receive as of this date should the SWAP be terminated. The change in fair market value of the SWAP in the amount of \$3,212,296 and \$3,056,182 as of June 30, 2013 and 2012, respectively, was recorded as a change in deferred amount on the statements of net position.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(8) Interest Rate SWAP, continued**

***Credit Risk***

The amended and restated interest rate SWAP agreement adds a third-party guarantor for any termination payment obligation that may be incurred by the counterparty.

The following tables compare the counterparty and guarantor credit ratings at June 30, 2013 against their threshold rating for termination:

<b>Counterparty</b>	<b>Moody's</b>	<b>S&amp;P</b>
Senior Debt	Baa2	A-
Threshold Amount	A3	A-
<b>Counterparty Guarantor</b>	<b>Moody's</b>	<b>S&amp;P</b>
Senior Debt	Aa3	A+
Threshold Amount	A3	A-

Under the agreement, a SWAP termination event may occur if the counterparty's credit rating falls to the threshold level and, after 30 days' notice, collateral as required by the agreement is not delivered in favor of the District.

***Interest Rate Risk***

The District is exposed to interest rate risk on its pay-fixed, receive-variable interest rate SWAP. As LIBOR decreases, the District's net payment on the SWAP increases.

***Basis Risk***

The District is exposed to basis risk on the SWAP because the variable-rate payments received by the District are based on an index other than interest rates the District pays on hedged variable rate debt. At June 30, 2013 and 2012, the District's 2012 Series A Bonds, which are hedged by the amended SWAP, had a weighted-average variable rate of 0.12% and 0.11%, respectively. As of June 30, 2013 and 2012, the current rate on the 2012 Series A Bonds was 0.04% and 0.16%, respectively, and the current rate of 67% of one-month USD LIBOR was 0.13% and 0.16%, respectively, resulting in a basis gain of 0.09% and 0%, respectively, for the District.

***Termination Risk***

The SWAP may be terminated by the District or its counterparty if the other party fails to perform under the terms of the contract. If, at the time of termination, the SWAP is in a liability position, the District would be obligated to pay the counterparty the liability position. The District has established policies to limit its termination liability payment risk to a predetermined percentage of its available reserves.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(9) Net Investment in Capital Assets**

The balance at June 30 consists of the following:

	<b>2013</b>	<b>2012</b>
Capital assets not being depreciated	\$ 59,036,372	\$ 60,877,188
Capital assets being depreciated, net	291,987,655	298,302,610
Due to other governmental agencies	(554,718)	(565,848)
Bonds payable	(116,398,124)	(117,156,894)
Notes payable	(7,657,709)	(8,789,717)
Net investment in capital assets	\$ 226,413,476	\$ 232,667,339

**(10) Defined Benefit Pension Plans**

*Plan Description*

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan (the Plan). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of the CalPERS annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA 95814.

*Funding Policy*

Active Plan members are required to contribute 8% of their annual covered salary. The District makes the following contributions required of District employees on their behalf, as follows:

- 1) For employees hired prior to December 16, 2012, the District pays the 8% employee contribution on behalf of the employees. The District is required to contribute the actuarially determined remaining amounts necessary to fund the 2.5% at age 55 retirement plan with CalPERS.
- 2) For employees hired on or after December 16, 2012, the District modified its employee pension benefit by requiring employees to participate in the 2.0% at 55 retirement plan with CalPERS, with the pension benefit based on the highest three-year salary average. Employees in this benefit plan are required to pay 85% of the employee share of the benefit funding, which equates to 5.95% of salary.
- 3) Employees hired on or after January 1, 2013, who are defined as “New Members” under the California Employees’ Pension Reform Act provisions, essentially those individuals who have not been previously members of a public agency retirement system, participate in the statutorily required 2.0% at 62 retirement plan with CalPERS, with the pension benefit based on the highest three-year salary average. Employees in this benefit plan are required to pay 50% of the “normal cost” of their retirement benefits as required by State Law, which equates to 6.25% of salary.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(10) Defined Benefit Pension Plans, continued**

*Funding Policy, continued*

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the fiscal years ended June 30, 2012, 2011 and 2010 were 12.741%, 12.572% and 7.062%, respectively. The contribution requirements of the Plan members are established by state statute, and the employer contribution rate is established and may be amended by CalPERS.

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2012-2013	\$ 1,412,263	100%
2011-2012	1,325,997	100%
2010-2011	912,753	100%

*Annual Pension Cost*

In August 2004, the District made a \$3.1 million prepayment to CalPERS in order to reduce its employer rate to zero for both fiscal years 2005 and 2006. This interest-bearing side fund was initially set to be amortized over 12 years to offset future employer contributions. Since its establishment, the side fund has had two lump sum reductions resulting from significant events. The two events were: (1) In November 2005, Murrieta County Water District (MCWD) was merged into the District, and since the CalPERS asset pool that MCWD was in was not funded at the same level as the District's, a lump sum transfer was made from the side fund to correct this. (2) In October 2007, the District's CalPERS benefit plan changed from 2.0% at 55 years old to 2.5% at 55 years old. The side fund was consequently reduced to bring the District's funding level to match that of the new plan's asset pool. The side fund balances at June 30, 2013 and 2012 were \$0 and \$140,391, respectively.

As is the case with most retirement systems, CalPERS is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on CalPERS depends in large measure on how deep the market downturn is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could impact the financial condition of CalPERS and the District's required contribution to CalPERS.

**(11) Other Post-Employment Benefits**

*Plan Description*

The District is the Plan Administrator for the Western Municipal Water District Retirement Medical Benefits Plan (the Medical Plan). The Medical Plan was established effective June 15, 2006 and is a single-employer defined benefit plan to provide advance funding for medical post-employment health care benefits to eligible employees and eligible dependents in accordance with plan provisions. Medical Plan assets are accumulated and benefits are paid from a voluntary employees' beneficiary association (VEBA) trust established by the District. The Medical Plan does not issue a stand-alone financial report.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(11) Other Post-Employment Benefits, continued**

*Plan Description, continued*

Eligible participants for the Medical Plan are based on two groups:

- a. Group 1 consists of classified and non-classified employees hired on or before December 18, 2002, who are at least fifty-five (55) years old at retirement and have completed at least ten (10) years of service. The District provides benefits for the employee and spouse.
- b. Group 2 comprises classified and non-classified employees hired after December 18, 2002, who are at least fifty-five (55) years old at retirement and have completed at least ten (10) years of service. The District provides benefits for the employee only.

As of the fiscal year ended June 30, 2013, there were 32 employees and 5 Board members who had retired and were eligible for Medical Plan benefits.

*Funding Policy and Annual Cost*

Medical Plan members do not contribute to the plan. The contribution requirement of the District is established and may be amended by the District's Board of Directors. The District contributes to the VEBA trust an amount equal to the ARC, which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The District has funded 100% of the annual OPEB cost (ARC) of \$590,992 for each of the fiscal years ended June 30, 2013, 2012 and 2011, resulting in zero net obligation to the Medical Plan. The VEBA trust paid insurance premiums on behalf of retired participants in the amounts of \$306,219, \$227,765 and \$239,971 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

*Funding Status and Funding Progress*

The funded status of the Medical Plan as of the last actuarial valuation date of June 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$	11,091,974
Actuarial value of plan assets		<u>11,017,749</u>
Unfunded actuarial accrued liability (UAAL)	\$	74,225
Funded ratio (actuarial value of plan assets/AAL)		99.3%
Covered payroll (active plan members)	\$	11,546,684
UAAL as a percentage of covered payroll		0.6%

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(11) Other Post-Employment Benefits, continued**

***Funding Status and Funding Progress, continued***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Medical Plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information regarding the actuarial value of plan assets, compared to the actuarial accrued liability of benefits.

***Actuarial Methods and Assumptions***

In the June 30, 2013 actuarial valuation, the projected unit credit cost method was used, in which assets are valued at fair value. The actuarial assumptions included a 5.0% investment rate of return compounded annually (net of administrative expenses) and a healthcare inflation rate of 7.0% per annum, graded down each year in 0.5% increments to an ultimate rate of 4.5%. The unfunded actuarial accrued liability is amortized over the maximum allowable (closed) 30-year period, based on the level dollar amortization method. These calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility.

**(12) 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; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer insurance programs where loss is retained and shared amongst members, and to purchase excess or specialty-insurance coverage above retained limits. At June 30, 2013, the District participated in the liability, property and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: limits of \$2,000,000 per occurrence.
- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, or otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence, subject to a \$25,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Public officials' personal liability up to \$1,000,000 each occurrence, with an annual aggregate of \$20,000,000 per each elected/appointed official to which this coverage applies, subject to the terms of the policy.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(12) Risk Management, continued**

- Workers' compensation insurance up to California statutory limits of \$2,000,000 for all work-related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended June 30, 2013 and 2012.

**(13) Commitments and Contingencies**

**Joint Ventures**

The District participates in the following joint ventures with other districts and agencies for various water and wastewater projects and operating facilities in Southern California:

***Chino Basin Desalter Authority***

The District joined the Chino Basin Desalter Authority (CDA) in November 2008 and became a voting member of the CDA on September 22, 2011 through a facility buy-in contribution of \$3,163,712. Working in partnership with two CDA partners, the City of Ontario and Jurupa, the District is augmenting water supplies from the Chino Basin by expanding the capacity of the Chino II Desalter from 12 MGD to 22 MGD. As expansion partners, the District, the City of Ontario and Jurupa will be responsible for funding the remaining cost of the \$134 million project. The District's total share of the project is expected to be \$55 million, reduced by \$28 million in grant funding, for a net cost of \$27 million funded by bond proceeds. Amounts paid to date include \$13.9 million net of grant proceeds as of June 30, 2013. The District's participation in the CDA is accounted for as a joint venture without an equity interest. The District's share of cost is being capitalized throughout construction and will be categorized as capacity rights upon completion.

Separate financial statements of the CDA may be obtained at Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA 91708.

Financial information for the operation of the CDA for the fiscal years ended June 30 is as follows:

	<u>2013</u>	<u>2012</u>
Total assets	\$ 188,794,834	\$ 176,444,534
Total liabilities	\$ 103,796,923	\$ 97,341,926
Total net position	\$ 84,997,911	\$ 79,102,608
Total revenues	\$ 45,138,969	\$ 61,821,724
Total expenses	(39,243,666)	(37,756,683)
Net change in net position	\$ 5,895,303	\$ 24,065,041

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(13) Commitments and Contingencies, continued**

**Joint Ventures, continued**

***Western Riverside County Regional Wastewater Authority***

WRCRWA was formed in 1992 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies, for the purpose of constructing, maintaining, operating and managing facilities for the collection, transmission, treatment and disposal of wastewater, the reclamation of wastewater, and the use of reclaimed wastewater for any beneficial purpose.

The five-member agencies are the Home Gardens Sanitary District, the District, the City of Norco, the City of Corona and Jurupa. WRCRWA is governed by a 10-member Board of Directors. The District's participation in WRCRWA is accounted for as a joint venture without an equity interest.

WRCRWA owns and operates 8.0 MGD tertiary wastewater treatment plant in Riverside County. The member agencies support the operating costs and capital costs through fixed and variable rates established by WRCRWA's Board of Directors.

The plant's capacity is owned by member agencies as follows:

<b>Member Agencies</b>	<b>Million Gallons Per Day (MGD)</b>
Western Municipal Water District	1.93
Jurupa Community Services District	3.25
City of Norco	2.20
Home Gardens Sanitary District	0.62
City of Corona	0.00
	8.00

WRCRWA is currently undergoing a plant expansion from 8 MGD to 14 MGD to be launched by all member agencies other than the District. Upon completion, the plant capacity will be reallocated.

Financial information for the operation of WRCRWA for the fiscal years ended June 30 is as follows:

	<b>2013</b>	<b>2012</b>
Total assets	\$ <u>55,641,932</u>	\$ <u>50,614,600</u>
Total liabilities	\$ <u>5,203,121</u>	\$ <u>6,797,243</u>
Total net position	\$ <u>50,438,811</u>	\$ <u>43,817,357</u>
Total revenues	\$ 12,956,254	\$ 9,288,411
Total expenses	<u>(6,334,800)</u>	<u>(6,029,426)</u>
Net change in net position	\$ <u>6,621,454</u>	\$ <u>3,258,985</u>

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2013 and 2012**

**(13) Commitments and Contingencies, continued**

**Joint Ventures, continued**

*Western Riverside County Regional Wastewater Authority, continued*

Since July 1, 1998, the District has been responsible for the administration and operations of WRCRWA. Separate financial statements of WRCRWA may be obtained at Western Municipal Water District, 14205 Meridian Parkway, Riverside, CA 92518.

**SAWPA**

SAWPA was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the Santa Ana River Watershed. SAWPA is composed of five water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, the District and the Inland Empire Utilities Agencies. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of 10. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by contributions based on the general or specific nature of the project or study. The District's participation in SAWPA is accounted for as a joint venture without an equity interest. Financial data may be obtained at Santa Ana Watershed Project Authority, 11615 Sterling Avenue, Riverside, California 92503.

Financial information for the operation of SAWPA for the fiscal years ended June 30 is as follows:

	<u>2013</u>	<u>2012</u>
Total assets	\$ 185,324,677	\$ 192,136,326
Total liabilities	\$ 117,951,098	\$ 123,953,552
Total net position	\$ 67,373,579	\$ 68,182,774
Total revenues	\$ 15,502,734	\$ 19,424,885
Total expenses	(14,948,890)	(16,860,977)
Net change in net position	\$ 553,844	\$ 2,563,908

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(13) Commitments and Contingencies, continued**

**Murrieta Service Area**

Wastewater treatment within the Murrieta service area is provided by Rancho California Water District's (RCWD) Santa Rosa Wastewater Reclamation Facility (Santa Rosa Facility). Besides the District's Murrieta service area, the Santa Rosa Facility serves the wastewater customers of RCWD and those of neighboring districts. RCWD has determined that the Santa Rosa Facility will need improvements/enhancements in order to meet anticipated demand. The District has been approached by RCWD to discuss its willingness to share in paying for a portion of the proposed costs and to establish the District's obligations with respect to cost overruns in connection with past construction of the Santa Rosa Facility. While the District's share in proposed costs cannot yet be determined, its contribution for cost overruns could approximate \$10 million. The District has not determined whether it will participate in improving the Santa Rosa Facility and is evaluating its obligations, if any, with respect to cost overruns. Any obligations incurred by the District with respect to cost overruns or the expansion of the Santa Rosa Facility would be paid for with connection fees and increased rates from within the Murrieta service area and by using certain reserves and other amounts attributable to the Santa Rosa Facility.

**General Litigation**

The District is subject to various claims covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**(14) Implementation of New Accounting Principles**

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, became effective during fiscal year 2013. The implementation of this Statement had no impact on the District's financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation) and certain disclosure requirements. The implementation of this Statement had no impact on the District's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The District fully implemented this Statement as of June 30, 2013. Deferred SWAP inflow of \$3,465,919 and \$253,623 as of June 30, 2013 and 2012, respectively, is presented under the deferred inflows of resources section of the Statements of Net Position.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(15) GASB Statements Issued, Not Yet Effective**

***GASB Statement No. 65***

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources or inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

***GASB Statement No. 66***

The GASB has issued Statement No. 66, *Technical Corrections—2012—An amendment of GASB Statements No. 10 and No. 62*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The implementation of this Statement should have no impact on the District's financial statements.

***GASB Statement No. 68***

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50, related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The District will need to account for its share of the CALPERS underfunded plan as a liability and the amount has not yet been determined.

***GASB Statement No. 69***

The GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2013. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

***GASB Statement No. 70***

The GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

**Western Municipal Water District  
Required Supplementary Information  
June 30, 2013 and 2012**

**Other Post-Employment Benefits Plan**

The following table (dollar amounts in millions) shows a three-year history for the funded status of the District's single-employer defined benefit OPEB plan:

<u>Actuarial Valuation Date</u>		<u>Actuarial Value of Assets (AVA)</u>		<u>Actuarial Accrued Liability (AAL)</u>		<u>Unfunded AAL (UAAL)</u>		<u>Funded Ratio (AVA/AAL)</u>		<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2007	\$	6,280,781	\$	7,207,526	\$	926,745		87.1%	\$	5,627,438	16.5%
6/30/2010		7,529,501		9,223,686		1,694,185		81.6%		8,091,122	20.9%
6/30/2013 <sup>(1)</sup>		11,017,749		11,091,974		74,225		99.3%		11,546,684	0.6%

(1) Effective January 1, 2013, a new California state law mandates an employer to provide the same retiree health benefit vesting schedule to represented and unrepresented employees. In order to comply with the new state law, the District's vesting schedule has been changed to 10 years of service for all employees. The vesting schedule was previously 12 years or 15 years for represented employees, depending on their hire date.

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# *STATISTICAL SECTION*

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## **Statistical Section**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about the District's overall financial health.

### **Contents**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.

#### **Debt Capacity**

The schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make compensations over time and with other agencies.

#### **Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

**TABLE I – NET POSITION BY COMPONENT**  
Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net investment in capital assets	\$ 100,216,221	\$ 103,243,603	\$ 154,768,447	\$ 168,574,254	\$ 187,971,684 <sup>(1)</sup>	\$ 215,778,402 <sup>(1)</sup>	\$ 240,688,039	\$ 235,918,546	\$ 232,667,339	\$ 226,413,476
Restricted for debt service	6,884,378	6,650,184	6,463,109	-	155,331	144,619	144,619	144,619	144,619	144,619
Restricted for investments	29,337,887	38,685,499	40,153,846	31,698,838	26,556,373	28,974,102	29,118,573	26,151,035	23,298,893	23,697,955
Unrestricted	<u>95,897,145</u>	<u>101,312,682</u>	<u>77,929,380</u>	<u>93,838,974</u>	<u>95,813,330</u>	<u>79,858,248</u>	<u>78,109,273</u>	<u>85,761,154</u>	<u>93,423,781</u>	<u>95,396,244</u>
Total Net Position	<u>\$ 232,335,631</u>	<u>\$ 249,891,968</u>	<u>\$ 279,314,782</u>	<u>\$ 294,112,066</u>	<u>\$ 310,496,718</u>	<u>\$ 324,755,371</u>	<u>\$ 348,060,504</u>	<u>\$ 347,975,354</u>	<u>\$ 349,534,632</u>	<u>\$ 345,652,294</u>
Percentage Increase (Decrease)	9%	8%	12%	5%	6%	5%	7%	-0.02%	0.45%	-1.11%

<sup>(1)</sup> Fiscal years 2008 and 2009 balances have been retrospectively restated for the implementation of GASB Statement No. 51.

Source: Western Municipal Water District

**TABLE II – CHANGES IN NET POSITION**  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Operating Revenues <sup>(1)</sup></b>	<b>Operating Expenses <sup>(2)</sup></b>	<b>Operating Income/(Loss)</b>	<b>Total Non-Operating Revenues/ (Expenses)</b>	<b>Income/(Loss) Before Capital Contributions</b>	<b>Capital Contributions <sup>(4)</sup></b>	<b>Change in Net Assets</b>
2013	\$ 98,793,243	\$ 118,493,348	\$ (19,700,105)	\$ 12,952,893	\$ (6,747,212)	\$ 2,864,874	\$ (3,882,338)
2012	91,100,463	109,559,065	(18,458,602)	14,956,215	(3,502,387)	5,061,665	1,559,278
2011	79,471,048	100,249,983	(20,778,935)	14,874,129	(5,904,806)	5,819,656	(85,150)
2010	79,126,995	100,280,997	(21,154,002)	17,625,069	(3,528,933)	26,834,066	23,305,133
2009	75,480,412	97,167,792	(21,687,380) <sup>(3)</sup>	21,652,217	(35,163)	14,293,816	14,258,653
2008	72,005,893	90,548,426	(18,542,533) <sup>(3)</sup>	24,721,336	6,178,803	7,304,570	13,483,373
2007	71,774,787	83,794,594	(12,019,807)	20,140,134	8,120,327	6,681,243	14,801,570
2006	58,643,034	70,497,736	(11,854,702)	30,602,563	18,747,861	10,674,953	29,422,814
2005	47,651,008	57,962,469	(10,311,461)	13,904,315	3,592,854	13,963,483	17,556,337
2004	55,054,673	64,200,273	(9,145,600)	12,914,655	3,769,055	15,083,759	18,852,814

<sup>(1)</sup> See Table III for details of revenues.

<sup>(2)</sup> See Table IV for details of expenses.

<sup>(3)</sup> Balance has been retrospectively restated for the implementation of GASB Statement No. 51.

<sup>(4)</sup> Capital contributions include water and sewer connection fees (capacity charges) and contributed assets from developers, as well as grant proceeds. Being dependent on the development interest within the retail service area, these amounts naturally fluctuate from year to year.

*Source: Western Municipal Water District*

**TABLE III – REVENUES BY SOURCE**  
**(Excluding Capital Contributions and Special Items)**  
 Last Ten Fiscal Years

Fiscal Year	Operating Revenues					Total Operating Revenues	Non-Operating Revenues					Total Non-Operating Revenues	Combined Revenues
	Water Sales	Water Service	Wastewater Disposal	Contractual Services	Other Operating		Property Taxes	Investment Earnings	Capacity Rights Sales	Other Non-Operating			
2013	\$71,596,096	\$14,290,510	\$ 9,875,780	\$2,152,509	\$ 878,348	\$98,793,243	\$ 16,695,696	\$ (3,831)	\$ 1,915,041	\$1,573,844	\$ 20,180,750	\$ 118,973,993	
2012	66,310,917	12,479,514	10,364,865	1,945,167	-	91,100,463	15,221,864	5,578,084	828,459	1,544,818	23,173,225	114,273,688	
2011	56,473,710	10,477,058	10,862,351	1,569,409	88,520	79,471,048	15,106,222	3,802,289	997,710	1,008,052	20,914,273	100,385,321	
2010	56,223,768	9,127,539	10,723,639	748,437	2,303,612	79,126,995	16,262,545	6,826,692	163,118	2,152,033	25,404,388	104,531,383	
2009	55,667,804	7,776,582	8,161,485	2,532,882	1,341,659	75,480,412	17,853,043	6,378,492	280,376	849,205	25,361,116	100,841,528	
2008	53,588,433	6,711,049	7,931,271	2,250,140	1,525,000	72,005,893	17,704,142	9,415,423	606,424	900,532	28,626,521	100,632,414	
2007	53,192,559	6,074,097	8,652,596	2,515,810	1,339,725	71,774,787	16,419,757	6,790,364	403,446	1,197,962	24,811,529	96,586,316	
2006 <sup>(1)</sup>	43,191,741	4,934,235	6,525,941	3,027,621	963,496	58,643,034	7,442,255 <sup>(2)</sup>	1,203,183	195,235	1,213,030	10,053,703	68,696,737	
2005	35,915,647	3,997,064	4,485,883	3,209,674	42,740	47,651,008	4,898,836 <sup>(2)</sup>	6,844,838	1,345,921	2,619,497	15,709,092	63,360,100	
2004	43,776,828	3,625,705	3,526,382	3,929,826	195,932	55,054,673	10,059,670	(134,800)	2,470,520	2,184,251	14,579,641	69,634,314	

<sup>(1)</sup> All categories, with the exception of Contractual Services and Capacity Rights Sales, have been impacted due to the consolidation of the Murrieta County Water District into Western Municipal Water District effective November 27, 2005, and the transfer of the Arlington Desalter from the Santa Ana Watershed Project Authority effective December 1, 2005.

<sup>(2)</sup> Decrease due to ERAF shift of \$6.7 million in property tax revenue to the State.

Source: Western Municipal Water District

**TABLE IV – EXPENSES BY FUNCTION**  
Last Ten Fiscal Years

Fiscal Year	Operating Expenses								Total Non-Operating Expenses	Combined Expenses	
	Purchased Water	Pumping	Transmission & Distribution	Admin and General	Contractual Services	Depreciation	Other	Wastewater Disposal			Total Operating
2013	\$ 61,600,436	\$4,074,438	\$ 8,260,048	\$ 10,955,531	\$2,113,211	\$ 13,251,391	\$9,537,963	\$8,700,330	\$ 118,493,348	\$ 7,227,857	\$ 125,721,205
2012	57,873,634	3,820,373	7,679,552	10,888,801	1,867,917	10,826,239	7,623,646	8,978,903	109,559,065	8,217,010	117,776,075
2011	51,890,617	3,853,402	6,234,543	11,456,106	1,528,335	10,262,842	5,937,670	9,086,468	100,249,983	6,040,143	106,290,126
2010	51,859,715	3,495,685	6,533,961	10,714,044	2,745,281	8,410,181	7,503,236	9,018,894	100,280,997	7,779,319 <sup>(3)</sup>	108,060,316
2009	51,655,168	3,727,019	5,611,231	11,328,694	2,742,866	7,035,161 <sup>(2)</sup>	6,992,836 <sup>(2)</sup>	8,074,817	97,167,792	3,708,899	100,876,691
2008	50,897,920	3,246,535	4,867,610	10,234,890	2,200,289	6,431,717 <sup>(2)</sup>	4,858,647 <sup>(2)</sup>	7,810,818	90,548,426	3,905,185	94,453,611
2007	49,496,922	2,637,091	3,843,680	8,469,239	2,515,810	5,933,388	3,143,603	7,754,861	83,794,594	4,671,395	88,465,989
2006 <sup>(1)</sup>	40,303,646	2,672,132	3,398,754	6,274,755	3,027,621	5,071,100	3,028,361	6,721,367	70,497,736	3,220,501	73,718,237
2005	34,442,427	1,806,219	1,950,989	6,074,707	3,209,674	4,098,388	3,093,901	3,286,164	57,962,469	1,804,777	59,767,246
2004	40,697,084	1,741,423	1,791,049	4,750,526	3,929,826	4,002,307	3,905,390	3,382,668	64,200,273	1,664,986	65,865,259

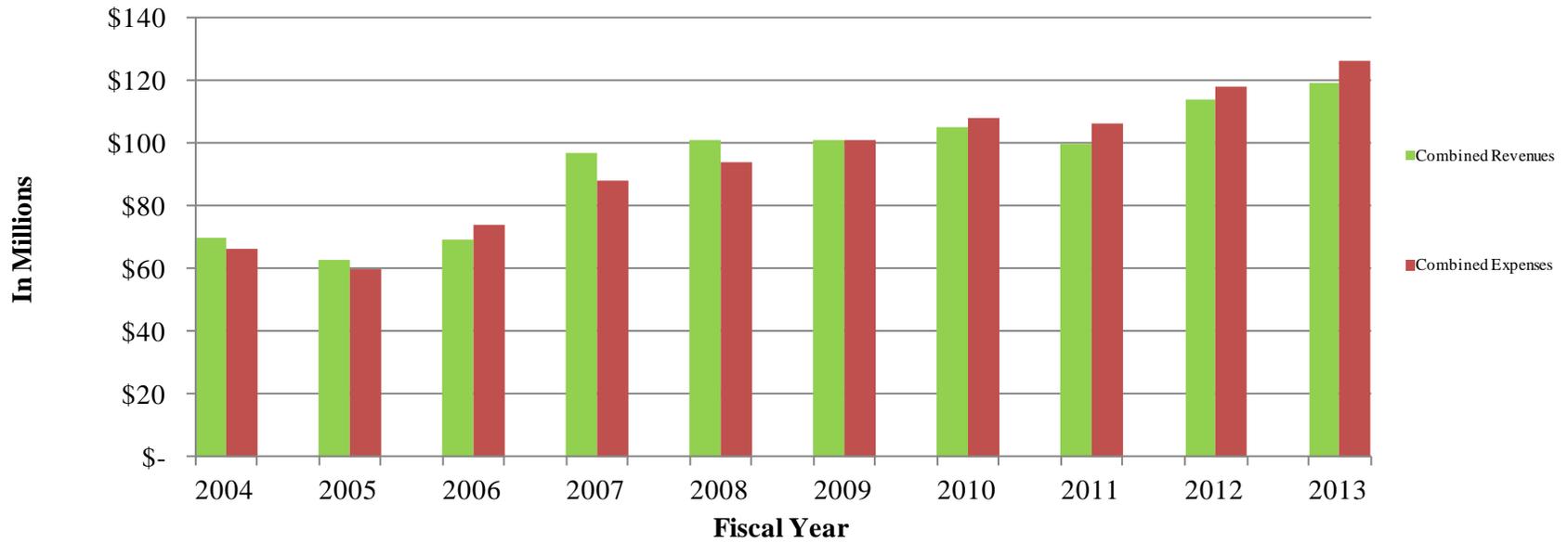
<sup>(1)</sup> All categories, with the exception of Contractual Services, have been impacted due to the consolidation of the Murrieta County Water District into Western Municipal Water District effective November 27, 2005, and the transfer of the Arlington Desalter from the Santa Ana Watershed Project Authority effective December 1, 2005.

<sup>(2)</sup> Balance has been retrospectively restated for the implementation of GASB Statement No. 51.

<sup>(3)</sup> The significant increase in fiscal year 2010 is primarily due to a \$2.6 million greater interest expense resulting from the issuance of the District's 2010 Series A and Series B Revenue Bonds in May 2009.

Source: Western Municipal Water District

**CHART I – REVENUE AND EXPENSES**  
**Last Ten Fiscal Years**



**TABLE V – ACTIVE WATER ACCOUNTS BY METER SIZE**  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>¾-Inch</b>	<b>1-Inch</b>	<b>1½-Inch</b>	<b>2-Inch</b>	<b>3-Inch</b>	<b>4-Inch</b>	<b>6-Inch</b>	<b>8-Inch &amp; Greater</b>	<b>Total</b>
2013	18,143	4,358	391	507	52	47	20	26	23,544
2012	17,969	4,332	358	475	50	48	20	25	23,277
2011	17,795	4,316	388	490	52	75	86	151	23,353
2010	17,820	4,325	393	506	52	76	61	75	23,308
2009	17,806	4,320	391	500	51	76	60	72	23,276
2008	17,680	4,309	386	461	48	74	59	66	23,083
2007	17,610	4,312	376	412	52	82	59	72	22,975
2006	17,113	4,236	349	372	56	90	62	59	22,337
2005	13,699	4,021	257	218	41	63	21	32	18,352
2004	12,694	3,977	250	202	41	61	21	31	17,277

Notes: 2,547 of the 3,985 additional water accounts during fiscal year 2006 were due to the consolidation of Murrieta County Water District with Western Municipal Water District on November 27, 2005.

Source: Western Municipal Water District

**TABLE VI – RETAIL WATER ACCOUNTS BY TYPE  
AND RETAIL WASTEWATER ACCOUNTS**  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Water Accounts</b>			<b>Wastewater Accounts</b>
	<b>Domestic</b>	<b>Agriculture</b>	<b>Total</b>	
2013	23,417	127	23,544	8,232
2012	23,148	129	23,277	8,188
2011	23,211	142	23,353	8,149
2010	23,162	146	23,308	7,968
2009	23,131	145	23,276	7,935
2008	22,938	145	23,083	7,738
2007	22,778	197	22,975	7,494
2006	22,131	206	22,337	6,896
2005	18,153	199	18,352	4,021
2004	17,080	197	17,277	3,477

Note: 2,547 of the 3,985 additional water accounts, and 1,862 of the 2,875 additional wastewater accounts, during fiscal year 2006 were due to the consolidation of Murrieta County Water District with Western Municipal Water District on November 27, 2005.

*Source: Western Municipal Water District*

**TABLE VII – WATER AND SEWER RATES**  
Last Ten Fiscal Years

At June 30,	Fixed Monthly Base Rate Based on Meter Size								Monthly Usage Rate <sup>(1)</sup>	Monthly Sewer Rate <sup>(2)</sup>
	¾-Inch	1-Inch	1½-Inch	2-Inch	3-Inch	4-Inch	6-Inch	8-Inch		
2013 <sup>(3)</sup>	\$ 25.79	\$ 37.43	\$ 74.87	\$ 92.69	\$ 112.30	\$ 130.09	\$ 147.94	\$ 167.53	\$ 70.31	\$ 35.29
2012	22.38	36.20	72.41	89.65	108.61	125.82	143.08	162.03	66.85	32.91
2011	20.44	33.06	66.13	81.88	99.19	114.91	130.67	147.98	57.36	30.19
2010	18.69	30.19	60.38	74.75	90.57	104.94	119.32	135.13	48.46	27.70
2009	18.69	30.19	60.38	74.75	90.57	104.94	119.32	135.13	48.46	25.40
2008	14.17	22.89	45.78	56.68	68.67	79.57	90.47	102.46	35.38	23.33
2007	13.00	21.00	42.00	52.00	63.00	73.00	83.00	94.00	32.48	21.40
2006	13.00	21.00	42.00	52.00	63.00	73.00	83.00	94.00	32.48	21.40
2005	13.00	18.00	19.00	32.00	36.00	42.00	48.00	54.00	32.48	20.00
2004	13.00	18.00	19.00	32.00	36.00	42.00	48.00	54.00	32.48	20.00

Notes: The water meter and water rate information shown is for domestic customers (i.e., non-agricultural) residing in the District’s retail service area that has the vast majority of customers (Riverside service area, Power Zone 1).

<sup>(1)</sup> The rate shown is for an average monthly treated water consumption of 29 units. A unit is 100 cubic feet of water or 748 gallons. An average customer with a ¾-inch water meter will pay \$96.10 per month (\$25.79 fixed + \$70.31 usage).

<sup>(2)</sup> The sewer rate information shown is for one EDU (equivalent dwelling unit) in the District’s Lake Hills area.

<sup>(3)</sup> Water and sewer rates were increased effective January 1, 2013 and October 1, 2012, respectively.

Source: Western Municipal Water District

**TABLE VIII – PRINCIPAL RETAIL WATER CUSTOMERS**  
Fiscal Year Ended June 30, 2013

<b>Customer Name</b>	<b>Water Deliveries in Acre-Feet</b>	<b>Percentage of Water Deliveries</b>
Altman Plants	961	3.6%
Riverside National Cemetery	857	3.2%
Fresh & Easy Neighborhood Market, Inc.	576	2.2%
Village Nurseries	561	2.1%
Pepsi Cola Plant	404	1.5%
City of Riverside	356	1.3%
General Old Golf Course	335	1.3%
The Kroger Co.	329	1.2%
Air Force Village West	281	1.1%
Riverside Unified School District	260	1.0%
Total Principal Customers	4,920	18.6%
Other Customers	21,512	81.4%
Total Retail Water Deliveries	26,432	100.0%

Source: Western Municipal Water District

**TABLE IX – WHOLESALE WATER CUSTOMER DELIVERIES**  
Fiscal Year Ended June 30, 2013

<b>Water Agency</b>	<b>Water Deliveries in Acre-Feet</b>	<b>Percentage of Water Deliveries</b>
Elsinore Valley Municipal Water District	20,203	33.0%
Rancho California Water District	16,798	27.5%
City of Corona	15,463	25.3%
City of Norco	4,977	8.1%
Lee Lake Water District	3,095	5.1%
Eagle Valley Mutual Water District	500	0.8%
Box Springs Mutual Water Company	84	0.1%
Metropolitan Water District	23	0.1%
City of Riverside	0	0.0%
Total Wholesale Deliveries	61,143	100.0%

Source: Western Municipal Water District

**TABLE X – SUMMARY OF IMPORTED WATER RATES  
(dollars per acre-foot)**

<b>Rates Effective</b>	<b>Full Service</b>		<b>Interim Agricultural Program</b>		<b>Long-term Seasonal Storage</b>	
	<b>Treated</b>	<b>Untreated</b>	<b>Treated</b>	<b>Untreated</b>	<b>Treated</b>	<b>Untreated</b>
Jan. 1, 2004 Tier 1	418	326	304	236	300	233
Jan. 1, 2004 Tier 2	499	407	n/a	n/a	n/a	n/a
Jan. 1, 2005 Tier 1	443	331	329	241	325	238
Jan. 1, 2005 Tier 2	524	412	n/a	n/a	n/a	n/a
Jan. 1, 2006 Tier 1	453	331	339	241	335	238
Jan. 1, 2006 Tier 2	549	427	n/a	n/a	n/a	n/a
Jan. 1, 2007 Tier 1	478	331	364	241	360	238
Jan. 1, 2007 Tier 2	574	427	n/a	n/a	n/a	n/a
Jan. 1, 2008 Tier 1	508	351	394	261	390	258
Jan. 1, 2008 Tier 2	606	449	n/a	n/a	n/a	n/a
Jan. 1, 2009 Tier 1	579	412	465	322	436	294
Jan. 1, 2009 Tier 2	695	528	n/a	n/a	n/a	n/a
Sep. 1, 2009 Tier 1	701	484	587	394	558	366
Sep. 1, 2009 Tier 2	781	564	n/a	n/a	n/a	n/a
Jan. 1, 2010 Tier 1	701	484	615	416	558	366
Jan. 1, 2010 Tier 2	811	594	n/a	n/a	n/a	n/a
Jan. 1, 2011 Tier 1	744	527	687	482	601	409
Jan. 1, 2011 Tier 2	869	652	n/a	n/a	n/a	n/a
Jan. 1, 2012 Tier 1	794	560	765	537	651	442
Jan. 1, 2012 Tier 2	920	686	n/a	n/a	n/a	n/a
Jan. 1, 2013 Tier 1	847	593	n/a	n/a	n/a	n/a
Jan. 1, 2013 Tier 2	997	743	n/a	n/a	n/a	n/a

*Source: Metropolitan Water District*

**TABLE XI – WATER SOURCES (IN ACRE-FEET)**  
Last Ten Fiscal Years

Fiscal Year	Purchased						Purchased Total	Wells	Desalter	Recycled Water	Grand Total
	Domestic			Agriculture							
	Treated	Untreated	Total	Treated	Untreated	Total					
2013	56,128	19,615	75,743	3,854	2,086	5,940	81,683	1,074	5,736	769	89,262
2012	54,268	20,782	75,050	5,016	4,232	9,248	84,298	678	4,928	649	90,553
2011	47,312	18,168	65,480	5,064	4,278	9,342	74,822	518	4,441		79,781
2010	51,961	17,882	69,843	6,849	4,451	11,300	81,143	785	5,100		87,028
2009	60,685	16,328	77,013	12,374	8,247	20,621	97,634	808	5,830		104,272
2008	64,923	18,630	83,553	15,177	7,215	22,392	105,945	395 <sup>(1)</sup>	6,407		112,747
2007	68,526	23,109	91,635	18,851	7,961	26,812	118,447	2,302	5,267		126,016
2006	57,236	18,751	75,987	14,588	7,552	22,140	98,127	1,181	3,249		102,557
2005	51,767	14,219	65,986	11,407	9,357	20,764	86,750				86,750
2004	55,074	19,945	75,019	19,329	13,018	32,347	107,366				107,366

<sup>(1)</sup> Well production in fiscal year 2008 decreased significantly due to operational constraints.

Source: Western Municipal Water District

**TABLE XII – RATIO OF OUTSTANDING DEBT BY TYPE**  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Improvement Bonds</b>	<b>Loans</b>	<b>Total</b>	<b>Total Debt Per Capita<sup>(1)</sup></b>
2013	\$ 142,484,849	\$ 372,097	\$ 10,509,159	\$ 153,366,105	170.50
2012	142,889,252	475,465	12,051,205	155,415,922	174.39
2011	144,605,378	568,833	13,755,692	158,929,903	180.62
2010	93,940,413	662,201	14,990,119	109,592,733	124.71
2009	95,493,936	745,569	4,975,884	101,215,389	114.57
2008	43,073,129	888,937	5,902,752	49,864,818	56.97
2007	44,151,477	967,305	7,346,574	52,465,356	61.50
2006	45,129,825	1,040,673	8,749,142	54,919,640	66.50
2005	46,108,173	1,109,041	6,965,461	54,182,675	67.91
2004	47,086,521	1,172,409	7,420,675	55,679,605	72.15

Notes: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

<sup>(1)</sup> Calculated by dividing the total outstanding debt by the District's estimated service area population.

Source: *Western Municipal Water District*

**TABLE XIII – REVENUE BOND COVERAGE**  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>GROSS REVENUE</b>										
Water Sales	\$ 43,776,828	\$ 35,915,647	\$ 43,191,741	\$ 53,192,559	\$ 53,588,433	\$ 55,667,804	\$ 56,223,768	\$ 56,473,710	\$ 66,310,917	\$ 71,596,096
Water Service	3,625,705	3,997,064	4,934,235	6,074,097	6,711,049	7,776,582	9,127,539	10,477,058	12,479,514	14,290,510
Wastewater Service	3,526,382	4,485,883	6,525,941	8,652,596	7,931,271	8,161,485	10,723,639	10,862,351	10,364,865	9,875,780
Ad Valorem Taxes <sup>(1)</sup>	10,059,670	4,898,836	7,442,255	16,271,059	17,622,207	17,789,635	16,254,320	15,048,059	15,161,942	16,651,925
Interest Income	5,496,142	7,523,894	4,578,251	6,612,647	9,292,695	6,337,190	6,685,940	3,671,725	5,437,782	(98,679)
Connection Fees - Water	2,521,457	3,774,690	4,296,543	3,100,050	1,454,500	896,624	290,477	236,080	188,491	924,589
Connection Fees - Wastewater	157,004	4,018,926	4,001,963	1,219,750	2,395,553	1,316,970	6,153,635	276,856	98,670	774,762
Federal, State and Local Capital Grants	-	-	192,010	500,785	626,083	1,551,562	3,149,581	3,284,896	1,268,694	872,471
Other Revenue	8,780,529	7,217,832	5,399,382	5,456,943	5,282,096	5,004,122	5,367,200	5,042,186	3,474,424	5,598,993
<b>Total</b>	<b>77,943,717</b>	<b>71,832,772</b>	<b>80,562,321</b>	<b>101,080,486</b>	<b>104,903,887</b>	<b>104,501,974</b>	<b>113,976,099</b>	<b>105,372,920</b>	<b>114,785,299</b>	<b>120,486,447</b>
<b>MAINTENANCE AND OPERATION COSTS</b>										
Administration	4,750,526	6,074,707	6,274,755	8,469,239	10,234,890	11,328,694	10,714,044	11,456,106	10,888,801	10,955,531
Purchased Water	40,697,084	34,442,427	40,303,646	49,496,922	50,897,920	51,655,168	51,859,715	51,890,617	57,873,634	61,600,436
Water Operations	6,053,685	6,043,360	8,744,569	8,810,775	10,809,412	12,941,548	14,452,967	14,832,096	16,039,860	16,729,927
Wastewater Operations	3,382,668	3,286,164	6,721,367	7,754,861	7,810,818	8,074,817	9,018,894	9,086,468	8,978,903	8,700,330
Other Expenses	5,666,594	4,388,684	4,273,745	5,625,607	5,918,202	7,951,851	8,718,326	5,013,535	6,109,216	4,398,861
Contract Resource Obligations	941,544	903,466	1,922,681	1,986,239	1,974,146	829,532	1,223,458	731,894	1,110,776	535,527
<b>Total</b>	<b>61,492,101</b>	<b>55,138,808</b>	<b>68,240,763</b>	<b>82,143,643</b>	<b>87,645,388</b>	<b>92,781,610</b>	<b>95,987,404</b>	<b>93,010,716</b>	<b>101,001,190</b>	<b>102,920,612</b>
<b>Net Revenues</b>	<b>16,451,616</b>	<b>16,693,964</b>	<b>12,321,558</b>	<b>18,936,843</b>	<b>17,258,499</b>	<b>11,720,364</b>	<b>17,988,196</b>	<b>12,362,204</b>	<b>13,784,109</b>	<b>17,565,835</b>
Series of 2002 A Bonds <sup>(2)</sup>	1,866,340	2,041,545	2,145,227	2,513,341	3,041,456	2,640,029	-	-	-	-
Series of 2009 A&B Bonds <sup>(2)</sup>	-	-	-	-	-	-	5,967,575	5,753,746	5,618,520	3,213,871
Series of 2010 A&B Bonds <sup>(2)</sup>	-	-	-	-	-	-	-	1,337,200	2,086,248	1,954,846
Series of 2010 A&B Bonds <sup>(2)</sup>	-	-	-	-	-	-	-	-	10,085	1,208,538
<b>Total</b>	<b>1,866,340</b>	<b>2,041,545</b>	<b>2,145,227</b>	<b>2,513,341</b>	<b>3,041,456</b>	<b>2,640,029</b>	<b>5,967,575</b>	<b>7,090,946</b>	<b>7,714,853</b>	<b>6,377,254</b>
<b>DEBT SERVICE COVERAGE</b>	<b>8.81</b>	<b>8.18</b>	<b>5.74</b>	<b>7.53</b>	<b>5.67</b>	<b>4.44</b>	<b>3.01</b>	<b>1.74</b>	<b>1.79</b>	<b>2.75</b>

<sup>(1)</sup> Fiscal year 2005 and 2006 each had a \$6.7 million shift of property tax revenue to the State.

<sup>(2)</sup> Actual debt service figures on bonds from fiscal year 2004 through 2013.

Source: Western Municipal Water District

**TABLE XIV – DIRECT AND OVERLAPPING DEBT**  
As of June 30, 2013

2012-13 Assessed Valuation:	\$65,720,358,213 (1)	
<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b>		
	<u>% Applicable (2)</u>	<u>Debt 6/30/13</u>
Metropolitan Water District	3.10%	5,117,635
<u>Riverside City Community College District</u>	<u>79.272</u>	<u>181,820,090</u>
Alvord Unified School District	9999.10%	\$ 202,947,687
Corona-Norco Unified School District	96.748	258,648,921
Jurupa Unified School District	99.812	48,945,781
Murrieta Valley Unified School District	11.446	18,894,258
Riverside Unified School District	99.991	143,297,102
Other School Districts	Various	5,842,404
City of Riverside	98.037	14,837,900
Western Municipal Water District	100	-
Western Municipal Water District Community Facilities Districts	100	7,845,000
Western Municipal Water District Assessment District No. 90-1 (Lake Hills)	100	375,000
Riverside County Flood Control District, Zone No. 3 Benefit Assessment District	58.361	1,199,319
Community Facilities Districts	Various	1,020,175,533
City and Special District 1915 Act Bonds	Various	40,826,119
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<u>1,950,772,749</u>
<b>OVERLAPPING GENERAL FUND DEBT:</b>		
<u>Riverside County General Fund Obligations</u>	32.57%	\$ 208,539,998
Riverside County Pension Obligations	3257.20%	112,956,439
Riverside County Board of Education Certificates of Participation	3257.20%	1,270,308
Alvord Unified School District Certificates of Participation	99.991	2,026,879
<u>Corona-Norco Unified School District Certificates of Participation</u>	96.748	28,032,733
Jurupa Unified School District Certificates of Participation	9981.20%	\$ 6,822,150
Lake Elsinore Unified School District Certificates of Participation	55.569	20,749,465
Murrieta Unified School District General Fund Obligations	11.446	2,444,866
Riverside Unified School District Certificates of Participation	99.991	12,583,867
Other School District General Fund Obligations	Various	4,865,744
City of Corona General Fund Obligations	99.997	58,938,661
City of Lake Elsinore General Fund Obligations	75.251	9,455,288
City of Moreno Valley General Fund Obligations	0.798	576,962
City of Murrieta General Fund Obligations	12.773	1,473,366
City of Riverside General Fund Obligations	98.037	199,904,554
City of Riverside Pension Obligations	98.037	119,610,042
Other City and Special District General Fund Obligations	Various	126,854
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		790,378,176
Less:		
	Riverside County supported obligations	3,548,634
	City of Corona supported obligations	<u>1,964,941</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		784,864,601
<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</b>		<u>\$ 909,709,538</u>
<b>TOTAL DIRECT DEBT</b>		\$ -
<b>TOTAL GROSS OVERLAPPING DEBT</b>		\$ 3,650,860,463
<b>TOTAL NET OVERLAPPING DEBT</b>		\$ 3,645,346,888
<b>GROSS COMBINED TOTAL DEBT</b>		\$ 3,650,860,463 (3)
<b>NET COMBINED TOTAL DEBT</b>		\$ 3,645,346,888

(1) Excludes assessed valuation of additional fringe areas of the district.

(2) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the district divided by the district's total taxable assessed value.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2012-13 Assessed Valuation:

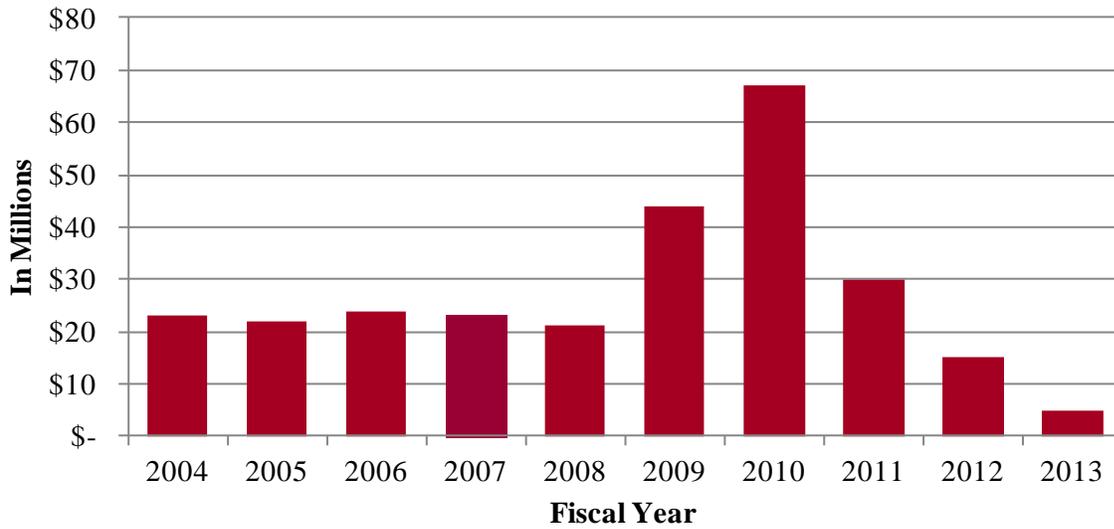
Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.97%
<u>Gross Combined Total Debt</u>	5.56%
Net Combined Total Debt	5.55%

Ratio to Redevelopment Incremental Valuation (\$15,754,970,490):

<u>Total Overlapping Tax Increment Debt</u>	5.77%
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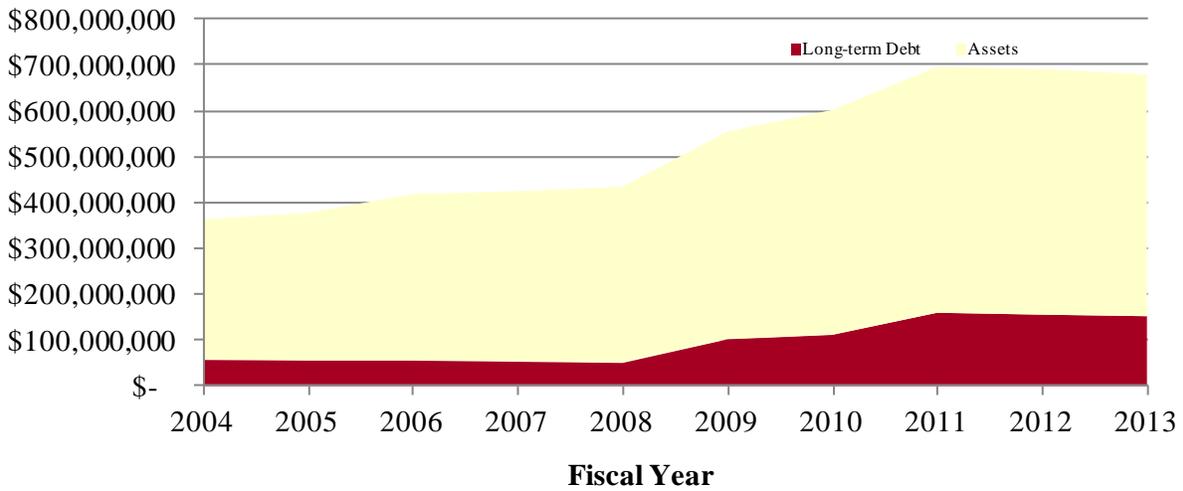
Source: California Municipal Statistics, Inc.

**CHART II – DISTRICT AND CONTRIBUTED CAPITAL SPENDING  
Last Ten Fiscal Years**



Source: Western Municipal Water District

**CHART III – TOTAL DEBT TO ASSETS  
Last Ten Fiscal Years**



Source: Western Municipal Water District

**TABLE XV – DEMOGRAPHIC AND ECONOMIC STATISTICS**  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Assessed Valuation <sup>(1)</sup> Western Service Area</b>	<b>Estimated Svc. Area Population</b>	<b>County Population</b>	<b>Personal Income <sup>(2)</sup> (in Billions)</b>	<b>County Per Capita Personal Income</b>	<b>County Unemployment Rate (June)</b>
2013	\$ 76,058,192,604	899,500	2,255,059	\$ 26.9	\$ 29,927	10.2%
2012	76,093,889,073	891,200	2,234,193	26.7	29,927	12.6%
2011	76,380,473,323	879,900	2,205,731	26.3	29,029	14.4%
2010	78,547,029,366	878,800	2,202,978	25.5	28,865	14.5%
2009	87,194,859,529	883,400	2,107,653	25.5	30,842	14.0%
2008	86,370,022,705	875,300	2,088,322	27.0	30,720	8.3%
2007	74,392,832,042	853,100	2,034,840	26.2	30,039	5.9%
2006	60,883,470,483	825,800	1,966,607	24.8	28,563	5.1%
2005	51,998,800,542	797,900	1,885,627	22.8	27,416	5.4%
2004	45,928,203,296	771,700	1,805,519	21.2	26,528	6.1%

<sup>(1)</sup> Assessed value includes both secured and unsecured property.

<sup>(2)</sup> Personal income for the service area is calculated by multiplying the estimated population in the District’s service area by the County’s per capita personal income projection.

*Source: Riverside County Assessor for the assessed valuation; California Department of Finance for the county population estimates; U.S. Bureau of Economic Analysis for the county per capita personal income; and California Employment Development Department for the county unemployment rate*

**TABLE XVI – PRINCIPAL EMPLOYERS IN THE  
COUNTY OF RIVERSIDE**

Fiscal Year Ended June 30, 2013

<b>Employer Name</b>	<b>Fiscal Year 2013</b>	
	<b>No. of Employees</b>	<b>Percentage of Total County Labor Force</b>
County of Riverside	17,766	1.9%
March Air Reserve Base	9,000	1.0%
Stater Bros. Markets	6,900	0.7%
Walmart	5,681	0.6%
University of California, Riverside	5,497	0.6%
Riverside Unified School District	5,000	0.5%
Corona-Norco Unified School District	4,633	0.5%
Kaiser Permanente Medical Center	4,500	0.5%
Moreno Valley Unified School District	3,355	0.4%
Hemet Unified School District	3,270	0.3%
<b>Total</b>	<b>65,602</b>	<b>7.0%</b>
Total Labor Force		943,667

Note: Data is for the County of Riverside. The District is located within the County.

Source: Riverside County Economic Development Agency

**TABLE XVII – DISTRICT EMPLOYEES BY FUNCTION**  
 Filled Positions Only at June 30

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Management	4	5	5	5	5	7	7	7
Human Resources & Administration	7	9	10	11	13	8	8	10
Engineering	14	13	15	14	15	12	10	9
Finance	7	7	8	8	6	8	11	12
Billing/Customer Service	3	5	5	6	8	5	6	7
Public Affairs	5	5	5	5	4	4	6	5
Water Resources	1	2	2	3	5	5	6	6
Operations	55	59	60	60	59	56	59	63
Legislative Affairs	1	1	1	1	2	1	1	-
Information Systems	3	5	5	6	5	6	6	6
Total	<u>100</u>	<u>111</u>	<u>116</u>	<u>119</u>	<u>122</u>	<u>112</u>	<u>120</u>	<u>125</u>

Notes: All managers are included with their divisions. Temporary employees are not included. Data for prior years is not available.

Source: Western Municipal Water District

**TABLE XVIII – OPERATING AND CAPITAL INDICATORS**  
**Last Nine Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Number of Employees	88	100	111	116	119	122	112	120	125
Service Area (in acres)	326,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000
Service Area (in square miles)	510	527	527	527	527	527	527	527	527
Assessed Valuation (billion)	\$ 52	\$ 61	\$ 74	\$ 86	\$ 87	\$ 79	\$ 76	\$ 76	\$ 76
Population Served (approx.)	800,000	826,000	853,000	875,000	883,000	879,000	880,000	889,000	900,000
Miles of Water Pipeline	536	588	591	591	623	623	621	622	638
Number of Storage Tanks	34	38	38	38	38	36	36	35	35
Max Storage Capacity (million gal.)	76.5	80.2	80.2	80.7	87.3	93.7	93.7	92.7	92.7
Sewer Treatment Plants Owned	1	1	1	1	1	1	1	1	1
Sewer Treatment Capacity (MGD)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	3.0	3.0
Avg. Flows into Sewer Plant (MGD)	0.5	0.5	0.5	0.8	0.8	0.8	0.9	0.8	0.8
Number of Lift Stations	13	18	18	20	22	22	20	20	20

Note: Data for prior fiscal years is not available.

Source: *Western Municipal Water District*

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## Securing Your Water Supply

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