



**Securing Your Water Supply**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**For the Fiscal Year Ended June 30, 2015**

**14205 Meridian Parkway • Riverside, CA 92518 • [wmwd.com](http://wmwd.com)**

Western Municipal Water District  
of Riverside County, California

# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2015

Prepared by:

The Western Municipal Water District Finance Department



**Securing Your Water Supply**

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

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Western Municipal Water District  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2015

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# ***INTRODUCTORY SECTION***



John V. Rossi  
General Manager

Robert Stockton  
Division 1

Thomas P. Evans  
Division 2

Brenda Dennstedt  
Division 3

Donald D. Galleano  
Division 4

S.R. "Al" Lopez  
Division 5



Securing Your Water Supply

November 20, 2015

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, 2015. 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.

In the past, the District has consistently presented a two-year comparative financial statements in its Comprehensive Annual Financial Report. This year, as the District has implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and the corresponding pension information for fiscal year 2014 is not readily available, the District has elected a single year presentation and is not reporting on fiscal year 2014 information.

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 the MD&A 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, 2015, 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, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A handwritten signature in black ink, appearing to be "John V. Rossi", with a horizontal line extending to the right.

# 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, Eastvale, 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 \$85 billion in this past fiscal year. Riverside County's population remained flat at 2.3 million, of which the District serves approximately 920,800 (40 percent).



## 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, recycle, 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 have one District representative (director) 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 135 full-time staff 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, and the San Bernardino groundwater basin area.

### **Water Services**

The District serves more than 23,000 residential and business accounts and eight retail water agencies and cities with water from both the Colorado River and the State Water Project (purchased from MWD), and from local sources. In fiscal year 2015, the District delivered approximately 81,000 acre-feet of water in our retail and wholesale service area. (Please refer to Table VIII and IX in the Statistical section for additional information.) This is equal to about 26 billion gallons. Approximately 77 percent of the water Western delivered was potable; the balance was non-potable or raw water. 70 percent 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, the cities of Corona, Norco, and Riverside, Eagle Valley Mutual Water Company, Elsinore Valley Municipal Water District, Temescal Valley 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 7.2 million gallons per day (MGD) reverse osmosis water treatment plant that provided 4,282 acre-feet of high quality potable water to the city of Norco and 1,216 acre-feet to the city of Corona for the fiscal year by removing millions of pounds of salts from brackish groundwater in the Arlington Basin. The salt-laden waste is sent to the Orange County Sanitation District for treatment and discharge to the ocean. The annual revenue budget for the Arlington Desalter for the fiscal year was \$4.2 million.

### **Retail Water Services**

Western supplies water directly to about 23,000 domestic and agricultural users in the areas of El Sobrante, Eagle Valley, Orangecrest, Mission Grove, 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 and Recycled Water 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 residential and commercial customers located southeast of the city of Riverside. WWRF has a 3.0 MGD capacity and is currently operating at about 0.73 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 about 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 48 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. Agencies and communities served by the plant include Jurupa Community Services District; the cities of Norco and Corona; Home Gardens Sanitary District and Western Municipal Water District. 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 averages about 0.71 MGD, or 37 percent of the District's capacity right.



In order to better serve the needs of the steady growth in the region, the plant is undergoing a \$72.6 million upgrade and expansion to 14.0 MGD. The expansion is expected to be completed in August 2017. Since the District's existing owned capacity is sufficient for its current and future customers, the District is not participating in the cost of the plant expansion. WRCRWA is currently pursuing a change of use petition with the State Water Resources Control Board in order to be able to use some or all of the recycled water for beneficial non-potable uses rather than discharging it to the Santa Ana River.

### 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 about 0.71 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.

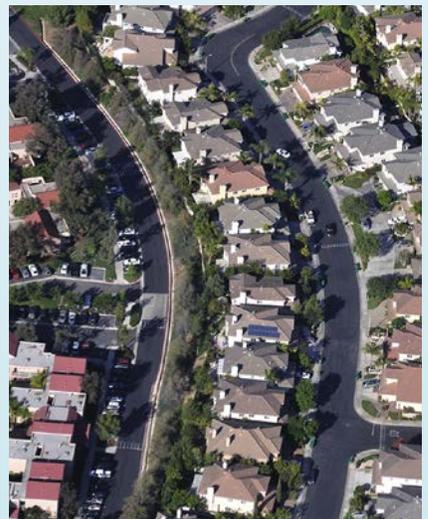
## **Murrieta Service Area**

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 542,000 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.

The District, RCWD and EMWD are in the process of forming a joint venture under a joint exercise of powers agreement. The joint venture is being formed to acquire and operate RCWD's Santa Rosa Wastewater Reclamation Facility for wastewater treatment and recycled water production. The new joint venture will provide wastewater treatment for a portion of the District's Murrieta service area replacing the service currently provided by RCWD.

## **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 Brine Line dischargers include Desalters operated by Western and Eastern municipal water districts, Chino Desalter Authority and the city of Corona as well as other industrial commercial entities. The District is a member agency of SAWPA and is contracted by SAWPA for operation and maintenance of the Brine Line for approximately 10 percent 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.

As the drought continues, the goal of water use efficiency remains paramount. 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 water budget rate structure for retail potable water customers. This structure provides a site-specific efficient water budget to meet individual customer's indoor and outdoor water needs. This structure is not intended to change lifestyles, but rather to assist in using water resources efficiently. Customers that are inefficient in their water use pay progressively higher rates to recover the cost of additional water supplies to meet the demand.

In response to the State Water Resources Control Board's ("SWCRB") mandate that Western reduce potable water use by 32 percent during the period of June 2015 through February 2016, Western implemented Stage 4(b) of Western's Retail Customer Water Supply Shortage Contingency Program effective June 1, 2015. Stage 4(b) reduced residential and dedicated landscape outdoor water budgets by 30 percent; commercial customer budgets were reduced by 10 percent. Over-budget use is priced at the Tier 5 (highest) rate.

The District has estimated a \$7.5 million loss in gross water sales revenue from projected reduced water sales during the June 2015 through February 2016 State-mandated reduction period. However, when removing the cost of imported water and energy costs associated with the reduced water sales, the net estimated revenue loss is \$2.6 million. To help offset the \$2.6 million, Western staff have identified approximately \$1 million in operational savings, and will offset the remaining amount through capital expenditure deferrals and available operating reserves.

Although Western seeks to increase local water supplies, it is heavily dependent upon MWD 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 \$923 per acre-foot to \$942 per acre-foot on January 1, 2016, a 2.1 percent increase. Western is limited to 28,777.7 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 \$134 higher than the Tier 1 rate.

Electrical 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. Assembly Bill 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 percent 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 appear to be showing signs of recovery from the collapse of the residential construction market beginning in 2008. Even with the recent sluggish recovery of the economy, the District's assessed valuation in the past several years has increased from \$78.8 billion to \$84.9 billion. The District received \$18.3 million in property tax revenue for fiscal year 2015, up from \$16.3 million in fiscal year 2014. This increase is due to higher property values in the District's service area compared to values in fiscal year 2014.

The population of Riverside County remained flat at 2.3 million in fiscal year 2015. 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 efficiency efforts, as well as developing increased use of non potable and recycled water where appropriate.

## Major Initiatives

### Chino Desalter Phase 3 Expansion

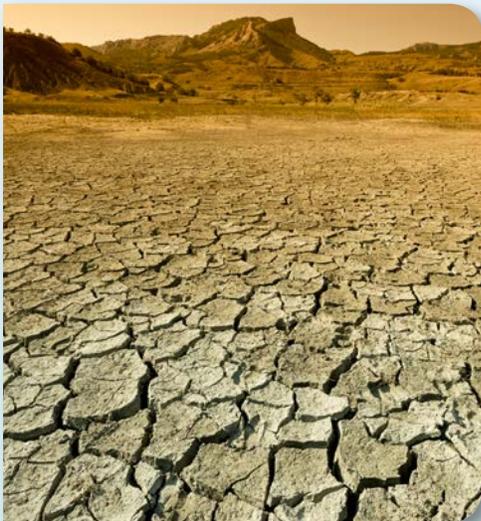
Having a secure, local water supply is extremely important to Western in order to reduce dependency on imported water, especially during the ongoing multi-year drought. The Chino Desalter Phase 3 Expansion Project will increase desalter drinking water production from 24,600 to 35,200 acre-feet per year.

This expansion will enable the distribution of drinking water and minimize brine discharge into the Pacific Ocean. Each year, Western will receive 3,534 acre-feet of water from the expansion project, and Jurupa Community Services District (JCSD) and the city of Ontario will each receive an additional 3,533 acre-feet to add to their current desalter supply. To date, this \$140 million expansion has been awarded more than \$70 million in state and federal grants.



When the expansion is complete in 2016, it will include expanding the Chino II Desalter; constructing a brine concentrate reduction facility; expanding the raw water well fields; and adding additional drinking water delivery facilities. In addition, the expansion will facilitate hydraulic control of the Chino Ground Water Basin to protect downstream water quality in Orange County.

The Chino Basin Desalter Authority is a joint powers authority comprised of Western, Inland Empire Utilities Agency, JCSD, Santa Ana River Water Company and the cities of Chino, Chino Hills, Norco and Ontario.



### Drought Outreach and Education

As the state's multi-year drought continues, Western (along with all California water agencies that serve more than 3,000 customers) must comply with Governor Brown's Executive Order, which requires a statewide 25 percent reduction in potable urban water use through February 2016.

To meet the state-mandated drought order, Western is limiting outdoor water use for customers. Using a comprehensive outreach plan, Western is committed to reaching out to all customers about the water reductions. From Western's free efficiency evaluations, Turf Replacement rebate, Master Gardener Workshops and other rebates, there are many ways for customers to save water during the drought.

### Water Use Efficiency Initiatives

Helping customers continue to reduce their water use through a variety of efficiency programs is Western's goal. In addition to generous rebates for water-saving devices, Western's FreeSprinklerNozzle.com program helps customers save water as well as money by offering up to 25 free Toro® Precision™ spray nozzles. Customers can take part in the District's free Landscape Evaluation program in which an expert comes to their home and makes personalized recommendations on ways to save water. When funding is available, Western's

Turf Replacement Program offers a cash incentive to replace water-guzzling grass with new, water-saving landscaping. For water-saving planting recommendations, customers can visit Western's water-wise garden, Landscapes Southern California Style<sup>SM</sup>. The garden, constructed in 1989, is home to gardening workshops presented by the Riverside County Master Gardeners.

### **La Sierra Pipeline Project**

With an anticipated completion date of 2018, the La Sierra Pipeline will connect the Arlington Desalter to the La Sierra Tank to serve Western's Riverside retail area. The completion of the pipeline and pump stations will reduce the region's dependency on imported water from the Metropolitan Water District of Southern California. Highlights of the project include five miles of 24-inch steel pipeline, railroad and flood control channel crossing as well as a 3,500 horsepower pump station at the Arlington Desalter and a 750 horsepower pump station at the La Sierra tank site.

### **Arlington Recharge Basin**

With an expected completion date of 2018, Western's \$10 million Arlington Basin Groundwater Improvement project will stabilize declining groundwater levels in the Arlington Basin by the introduction of captured groundwater while at the same time improving basin water quality and increasing the local water supply and system reliability.

Project benefits include bringing in the water to Western's system as an additional local supply via the proposed La Sierra Pipeline. Future projects include recharging the basin with recycled water.



# 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 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, and 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 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. The District's Operating Budget for fiscal years 2015 and 2016 has earned the California Society of Municipal Finance Officers' (CSMFO) Operating Budget Excellence Award and the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award.

## 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, 2014. This was the tenth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government agency 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

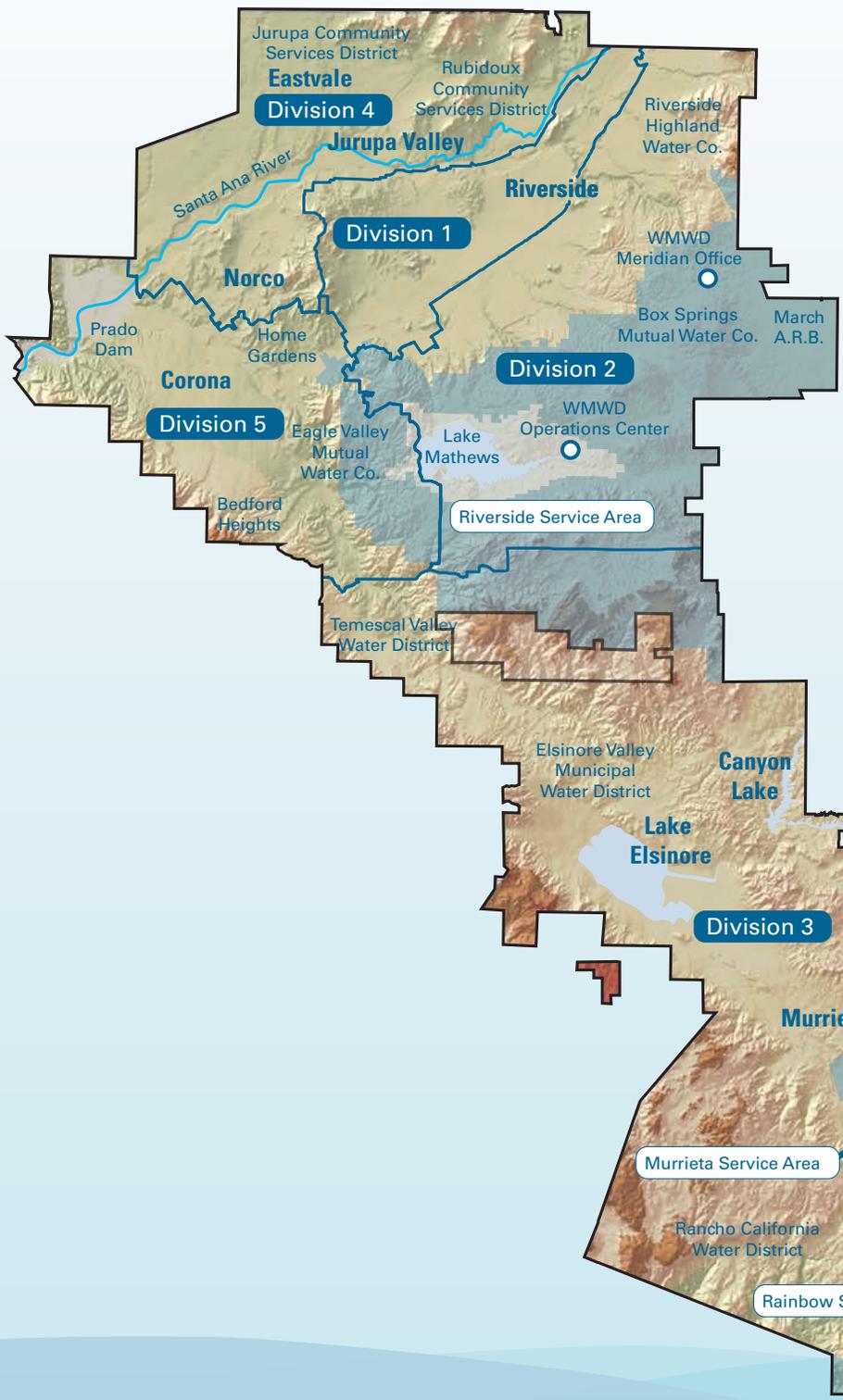
**Western Municipal Water District  
of Riverside County, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# Western Municipal Water District District Service Area Map



- General District
- Retail District

### Board of Directors

Robert Stockton  
Division 1

Thomas P. Evans  
Division 2

Brenda Dennstedt  
Division 3

Donald D. Galleano  
Division 4

S.R. "Al" Lopez  
Division 5

# Western Municipal Water District

## **District Officials**

### At June 30, 2015

#### **Elected Board of Directors**

	<b>Length of Service</b>
Robert Stockton, Division 1	< 1 year
Thomas P. Evans, Division 2, Secretary-Treasurer	8 years
Brenda Dennstedt, Division 3	8 years
Donald D. Galleano, Division 4, President	10 years
S. R. "Al" Lopez, Division 5, Vice President	14 years

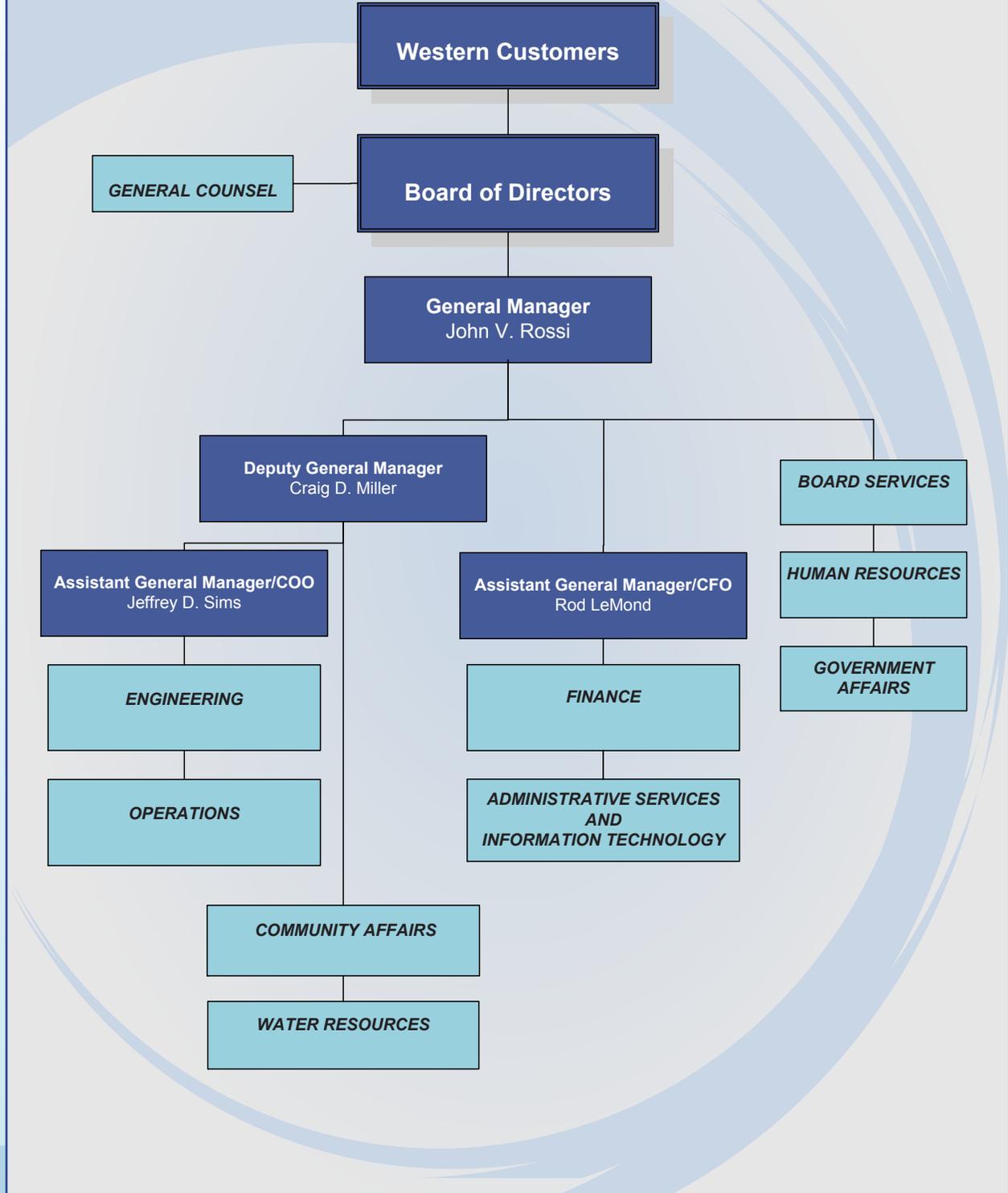
#### **District Executive Management Team**

John V. Rossi, General Manager	11 years
Craig D. Miller, Deputy General Manager	1 year
Jeffrey D. Sims, Assistant General Manager/COO	20 years
Rod LeMond, Assistant General Manager/CFO	6 years
Leasa Cleland, Director of Water Resources	1 year
Greg Duecker, Director of Administration	9 years
Derek Kawaii, Director of Engineering	9 years
Kevin C. Mascaro, Director of Finance	11 years
Michele McKinney, Director of Community Affairs	13 years
Paul Rugge, Director of Operations	10 years
Christopher Fike, Deputy Director of Operations - Maintenance	< 1 year
Timothy T. Barr, Deputy Director of Water Resources	20 years
Diana Leibrich, Human Resources Manager	2 years
Thomas D. McMillen, Safety & Risk Program Manager	9 years
Veronica Zheng, Accounting Manager	5 years
Randy Shekels, Information Technology Manager	6 years

#### **General Counsel**

Best, Best & Krieger, LLP	59 years
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# WESTERN MUNICIPAL WATER DISTRICT ORGANIZATIONAL CHART





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# ***FINANCIAL SECTION***





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

## INDEPENDENT AUDITOR'S REPORT

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

Board of Directors  
Western Municipal Water District  
Riverside, California

### PARTNERS

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

### DIRECTORS

Bradferd A. Welebir, CPA, MBA

### MANAGERS / STAFF

Jenny Liu, CPA, MST  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Yiann Fang, CPA  
Nathan Statham, CPA, MBA  
Brigitta Bartha, CPA  
Gardenya Duran, CPA  
Juan Romero, CPA  
Ivan Gonzales, CPA, MSA  
Brianna Pascoe, CPA  
Daniel Hernandez, CPA, MBA

### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

### Report on the Financial Statements

We have audited the accompanying financial statements of Western Municipal Water District (the District) as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2015, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 14 of the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the Plan's Proportionate Share Of The Plan's Net Pension Liability and Related Ratios As Of The Measurement Date, Schedule of Plan Contributions, and Other Post-Employment Benefits Schedule of Funding Progress* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory 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 November 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Rogers Anderson Matocly & Scott, LLP*

San Bernardino, CA  
November 20, 2015



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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

PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
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Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

Board of Directors  
Western Municipal Water District  
Riverside, California

DIRECTORS

Bradferd A. Welebir, CPA, MBA

MANAGERS / STAFF

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Seong-Hyea Lee, CPA, MBA  
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Yiann Fang, CPA  
Nathan Statham, CPA, MBA  
Brigitta Bartha, CPA  
Gardenya Duran, CPA  
Juan Romero, CPA  
Ivan Gonzales, CPA, MSA  
Brianna Pascoe, CPA  
Daniel Hernandez, CPA, MBA

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2015.

**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 opinion 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.

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## 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 Malouly & Scott, LLP*

San Bernardino, CA  
November 20, 2015

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

As management of 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 year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditor's 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 of Southern California (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 Change in Net Position, and the Statement of Cash Flows.

The *Statement of Net Position* presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature and amounts of investments in resources and obligations to District creditors with the remaining balance 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 Change 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 the Basic 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 fiscal year 2015, net non-operating revenues were not sufficient to cover net operating loss. Explanations for significant changes from the prior year are provided in the discussion that follows.

### Statements of Net Position

The following table compares the various categories of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position between the current and prior fiscal years.

#### Condensed Statements of Net Position as of June 30, 2015 and 2014

	As of June 30,		Increase (Decrease)	
	2015	2014 <sup>(1)</sup>	\$ Change	% Change
<b>Assets</b>				
Current	\$ 115,048,418	\$ 111,066,340	\$ 3,982,078	3.6%
Noncurrent:				
Capital	377,403,126	380,827,528	(3,424,402)	-0.9%
Other	44,571,615	46,014,561	(1,442,946)	-3.1%
<b>Total Assets</b>	<b>\$ 537,023,159</b>	<b>\$ 537,908,429</b>	<b>\$ (885,270)</b>	<b>-0.2%</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflow of resources - debt refunding	\$ 9,553,644	\$ 10,529,761	\$ (976,117)	-9.3%
Deferred outflow of resources - pension	1,887,884	-	1,887,884	n/a
<b>Total Deferred Outflows of Resources</b>	<b>\$ 11,441,528</b>	<b>\$ 10,529,761</b>	<b>\$ 911,767</b>	<b>8.7%</b>
<b>Liabilities</b>				
Current	\$ 28,965,816	\$ 29,168,581	\$ (202,765)	-0.7%
Noncurrent	163,205,681	158,205,283	5,000,398	3.2%
<b>Total Liabilities</b>	<b>\$ 192,171,497</b>	<b>\$ 187,373,864</b>	<b>\$ 4,797,633</b>	<b>2.6%</b>
<b>Deferred Inflows of Resources</b>				
Deferred swap inflow	\$ 1,403,988	\$ 2,782,309	\$ (1,378,321)	-49.5%
Deferred inflow of resources - pension	3,297,977	-	3,297,977	n/a
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,701,965</b>	<b>\$ 2,782,309</b>	<b>\$ 1,919,656</b>	<b>69.0%</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 245,674,302	\$ 246,394,006	\$ (719,704)	-0.3%
Restricted for debt service	144,619	144,619	-	0.0%
Restricted for capacity charges	25,480,723	24,525,261	955,462	3.9%
Unrestricted	80,291,581	87,218,131	(6,926,550)	-7.9%
<b>Total Net Position</b>	<b>\$ 351,591,225</b>	<b>\$ 358,282,017</b>	<b>\$ (6,690,792)</b>	<b>-1.9%</b>

<sup>(1)</sup> Fiscal year 2014 does not include the effects of GASB Statement No. 68 adopted for fiscal year 2015.

## ***Assets***

During the fiscal year ended June 30, 2015, total assets decreased by \$0.9 million, or 0.2%. This reduction is due to an increase in investments by \$16.1 million and increase in receivables by \$0.1 million, offset by decreases in 1) cash by \$11.8 million, 2) derivative instruments by \$1.4 million, 3) notes receivable by \$0.5 million, and 4) capital assets by \$3.4 million. Of the change in cash and investments balance, \$14.0 million represents a transfer from cash to investments for additional contributions to the investment portfolio. The remaining change in cash is due to the timing of cash receipts and payment to vendors, while the remaining change in investments is due to the receipt of investment earnings and increase in fair value of investments from fiscal year 2014. The decrease in derivative instruments reflects the decrease in fair value of the swap as discussed in Note 8 of the Notes to the Basic Financial Statements. The net decrease in capital assets is primarily due to the increase in accumulated depreciation.

## ***Deferred Outflows of Resources***

Deferred outflows of resources are consumptions of net position that apply to future periods. During the fiscal year ended June 30, 2015, total deferred outflows of resources increased by \$0.9 million. This increase is due to the recognition of deferred outflow of resources related to pensions in accordance with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the amount of \$1.9 million, offset by the normal amortization of the deferred outflow of resources on bond refunding in the amount of \$1.0 million. Information on the District's pension can be found in Note 10 of the Notes to the Basic Financial Statements.

## ***Liabilities***

During the fiscal year ended June 30, 2015, total liabilities increased by \$4.8 million, or 2.6%. This increase was due to the recognition of a net pension liability in accordance with the implementation of GASB Statement No. 68 in the amount of \$9.3 million as of June 30, 2015, offset by a decrease of \$4.5 million attributable primarily to the pay-down from required annual debt service payments. Information on the District's pension can be found in Note 10 and information on long-term debt activity can be found in Note 7 of the Notes to the Basic Financial Statements.

## ***Deferred Inflows of Resources***

Deferred inflows of resources are acquisitions of net position applicable to a future reporting period. During the fiscal year ended June 30, 2015, the District's deferred inflows of resources increased by \$1.9 million. This net increase is due to the recognition of deferred inflows of resources related to pensions in the amount of \$3.3 million, offset by the decrease in deferred swap inflow in the amount of \$1.4 million. Information on the District's pension can be found in Note 10 and information on the deferred swap inflow can be found in Note 8 of the Notes to the Basic Financial Statements.

## ***Net Position***

Net position is the net from the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position decreased during fiscal year 2015 by \$6.7 million, or 1.9%. This is due to a decrease of \$11.3 million reflecting the cumulative effect of the adoption of GASB Statement No. 68, offset by the change in net position of \$4.6 million for the fiscal year. 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.

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, 2015 was \$245.7 million. The \$0.7 million, or 0.3% decrease in fiscal year 2015 is detailed in the following table. Note that the amounts reported as “related debt” in the following table can either increase if debt proceeds are applied to fund capital assets, or decrease due to required annual debt service payments.

**Net Investment in Capital Assets as of June 30, 2015 and 2014**

	As of June 30,		Increase (Decrease)	
	2015	2014	\$ Change	% Change
Plant, building and improvements	\$ 383,355,526	\$ 377,515,105	\$ 5,840,421	1.5%
Capacity rights	35,454,189	35,363,849	90,340	0.3%
Construction in progress	65,486,256	64,050,891	1,435,365	2.2%
Land and land improvements	12,037,830	11,730,643	307,187	2.6%
Equipment and vehicles	15,828,758	14,709,909	1,118,849	7.6%
Total capital assets	512,162,559	503,370,397	8,792,162	1.7%
Less accumulated depreciation	<u>(134,759,433)</u>	<u>(122,542,869)</u>	<u>(12,216,564)</u>	10.0%
Capital assets, net	377,403,126	380,827,528	(3,424,402)	-0.9%
Less related debt:				
SAWPA brineline capacity use obligation	-	417,498	(417,498)	-100.0%
WRCRWA State Water Resources Control Board	96,042	126,339	(30,297)	-24.0%
Assessment District 90-1	135,000	258,729	(123,729)	-47.8%
2009 Series B bonds	45,499,096	45,844,722	(345,626)	-0.8%
2010 Series A bonds	7,068,927	8,169,029	(1,100,102)	-13.5%
2010 Series B bonds	42,550,856	42,539,688	11,168	0.0%
2012 Series A bonds	30,872,743	30,478,431	394,312	1.3%
Note on headquarters building	5,506,160	6,599,086	(1,092,926)	-16.6%
Net investment in capital assets	<u>\$ 245,674,302</u>	<u>\$ 246,394,006</u>	<u>\$ (719,704)</u>	-0.3%

Restricted for Debt Service – At June 30, 2015, the amount restricted for debt service was \$144,619, 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 \$25.5 million restricted for capacity charges at June 30, 2015 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 capacity charges). Additional information related to 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, 2015 was \$80.3 million. 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 table compares the various categories of revenues, expenses and changes in net position between the current and prior fiscal years:

### **Condensed Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Years Ended June 30, 2015 and 2014**

	<b>Fiscal Years Ended June 30,</b>		<b>Increase (Decrease)</b>	
	<b>2015</b>	<b>2014<sup>(1)</sup></b>	<b>\$ Change</b>	<b>% Change</b>
Operating Revenue	\$ 100,092,156	\$ 105,675,122	\$ (5,582,966)	-5.3%
Operating Expenses	(116,186,587)	(120,416,071)	4,229,484	-3.5%
Net Non-operating Revenue	<u>15,511,338</u>	<u>16,810,158</u>	<u>(1,298,820)</u>	-7.7%
Net Income (Loss) Before Capital Contributions	<u>(583,093)</u>	<u>2,069,209</u>	<u>(2,652,302)</u>	-128.2%
Capital Contributions	<u>5,139,531</u>	<u>11,775,913</u>	<u>(6,636,382)</u>	-56.4%
Change in Net Position	<u>4,556,438</u>	<u>13,845,122</u>	<u>(9,288,684)</u>	-67.1%
Net Position, July 1	358,282,017	<u>344,436,895</u>	<u>13,845,122</u>	4.0%
Cumulative effect of GASB No. 68 implementation	<u>(11,247,230)</u>			
Net Position, July 1, as restated	<u>347,034,787</u>			
Net Position, June 30	\$ <u>351,591,225</u>	\$ <u>358,282,017</u>	\$ <u>(6,690,792)</u>	-1.9%

<sup>(1)</sup> Fiscal year 2014 does not include the effects of GASB Statement No. 68 adopted for fiscal year 2015.

## Combined Revenue

The following table presents a comparison of revenues by category for the fiscal years ended June 30, 2015 and 2014:

### Revenues by Category for the Fiscal Years Ended June 30, 2015 and 2014

Revenue Category	Fiscal Years Ended June 30,		Increase (Decrease)	
	2015	2014	\$ Change	% Change
Water sales	\$ 69,533,791	\$ 76,319,361	\$ (6,785,570)	-8.9%
Water service	16,841,065	15,969,208	871,857	5.5%
Wastewater disposal	10,292,222	10,002,414	289,808	2.9%
Contractual services	2,501,677	2,517,042	(15,365)	-0.6%
Property taxes	18,266,670	16,327,069	1,939,601	11.9%
Investment earnings	2,221,947	2,436,903	(214,956)	-8.8%
Capacity rights sales	414,280	6,260,725	(5,846,445)	-93.4%
Intergovernmental revenue	853,994	847,549	6,445	0.8%
Other	2,009,281	1,852,844	156,437	8.4%
Total revenues	\$ 122,934,927	\$ 132,533,115	\$ (9,598,188)	-7.2%
Capital contributions	5,139,531	11,775,913	(6,636,382)	-56.4%
Total revenues and capital contributions	\$ 128,074,458	\$ 144,309,028	\$ (16,234,570)	-11.2%

Combined revenue (excluding capital contributions) for fiscal year 2015 totaled \$122.9 million, a decrease of \$9.6 million, or 7.2%. The most significant variances from fiscal year 2015 to 2014 were in three revenue categories: water sales (\$6.8 million decrease), property taxes (\$1.9 million increase), and capacity right sales (\$5.9 million decrease).

Water Sales – The \$6.8 million decrease in water sales is a result of drought-motivated water use reduction especially following Governor Brown’s drought-related Executive Order made in April 2015.

Property Taxes – The \$1.9 million increase in property taxes was mainly attributable to rising property values in the District’s service area. During this past recession, a majority of the assessed (taxable) values of properties in the area were temporarily reduced from its base assessed values consistent with the provisions of Proposition 8 (Prop 8). As the real estate market improves, the assessed values of properties with a Prop 8 value may increase by more than the standard two percent maximum annual increase resulting in increased property tax revenues to the District. Refer to Note 1 C.3, Property Taxes and Assessments, of the Notes to the Basic Financial Statements for more information.

Capacity Rights Sales – The \$5.9 million decrease is due to the sale of Mills Gravity Line capacity rights to Temescal Valley Water District for \$5.1 million in fiscal year 2014. In fiscal year 2015, Temescal Valley Water District in turn, has allowed the temporary use of their rights to Elsinore Valley Municipal Water District via an asset exchange agreement between the two parties. As a result, Elsinore Valley Municipal Water District did not incur the same level of capacity rights charges as in fiscal year 2014, which explains the remaining decrease of \$0.8 million in capacity rights sales.

### ***Capital Contributions***

During fiscal year 2015, the District experienced a decrease of \$6.6 million, or 56.4%, in capital contributions. Capital contributions include water and sewer connection fees (capacity charges), contributed assets from developers and grant proceeds. The variance is mainly due to a decrease in grant proceeds related to the Chino Desalter Expansion Project. Cumulative grant proceeds related to the Chino Desalter Expansion Project amounted to \$13.6 million at June 30, 2015, with the majority of this amount recognized in fiscal year 2014. As a member of the Chino Basin Desalter Authority (CDA), the District, in collaboration with other members of the CDA, is a recipient of various grants. Refer to note 13 of the Notes to the Basic Financial Statements for more information about the CDA.

### ***Combined Expenses***

The following table presents a comparison of expenses by category for the fiscal year ended June 30, 2015 and 2014:

**Expenses by Category for the Fiscal Years Ended June 30, 2015 and 2014**

<b><u>Expense Category</u></b>	<b><u>Fiscal Years Ended June 30,</u></b>		<b><u>Increase (Decrease)</u></b>	
	<b><u>2015</u></b>	<b><u>2014<sup>(1)</sup></u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Source of supply	\$ 1,989,143	\$ 1,654,296	\$ 334,847	20.2%
Purchased water	60,519,291	66,430,723	(5,911,432)	-8.9%
Pumping - booster pumps	4,327,789	3,849,016	478,773	12.4%
Water treatment	1,694,759	1,693,055	1,704	0.1%
Transmission and distribution	8,019,861	8,692,067	(672,206)	-7.7%
Administrative and general	11,671,604	10,824,019	847,585	7.8%
Contractual services	2,413,961	2,460,561	(46,600)	-1.9%
Special studies and projects	337,403	167,694	169,709	101.2%
Wastewater disposal	9,032,370	9,047,386	(15,016)	-0.2%
Depreciation and amortization	12,904,209	13,124,158	(219,949)	-1.7%
Interest expense	6,048,196	6,535,428	(487,232)	-7.5%
Other	4,559,434	5,985,503	(1,426,069)	-23.8%
Total expenses	\$ <u>123,518,020</u>	\$ <u>130,463,906</u>	\$ <u>(6,945,886)</u>	-5.3%

<sup>(1)</sup> Fiscal year 2014 does not include the effects of GASB Statement No. 68 adopted for fiscal year 2015.

Combined expenses for fiscal year 2015 totaled \$123.5 million, a decrease of \$6.9 million, or 5.3%. The most significant variances from fiscal year 2015 to 2014 were in three expense categories: purchased water (\$5.9 million decrease), administrative and general (\$0.9 million increase), and other (\$1.4 million decrease).

**Purchased Water** – The decrease in purchased water expense of \$5.9 million resulted from the decrease in volume of imported water during fiscal year 2015 from MWD as a result of lower demand following Governor Brown’s drought mandate.

**Administrative and General** – The \$0.9 million increase in the administrative and general expense is due to a \$0.6 million increase in labor costs and group health insurance, and a \$0.3 million expense related to Director’s elections held every other year.

Other – The decrease in other expenses of \$1.4 million is due to a decrease in capital contributions to other agencies by \$2.3 million, offset by increases in 1) expenses related to customer account servicing by 0.2 million, 2) water use efficiency expense by 0.5 million and 3) write-off of construction in progress by 0.2 million. The capital contributions were related to an ARRA (American Recovery and Reinvestment Act) grant that was administered by the District through fiscal year 2014.

### **Capital Assets**

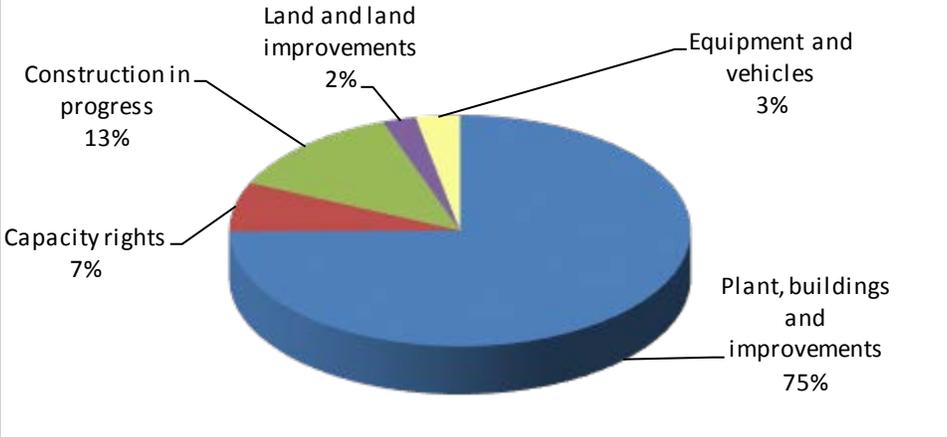
The District’s investment in capital assets as of June 30, 2015 was \$377.4 million (net of accumulated depreciation). This includes investment in buildings, building improvements, capacity rights, land, land improvements, equipment, vehicles, and plant assets such as supply sources, pumping stations, water treatment plant, transmission and distribution pipelines, 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:

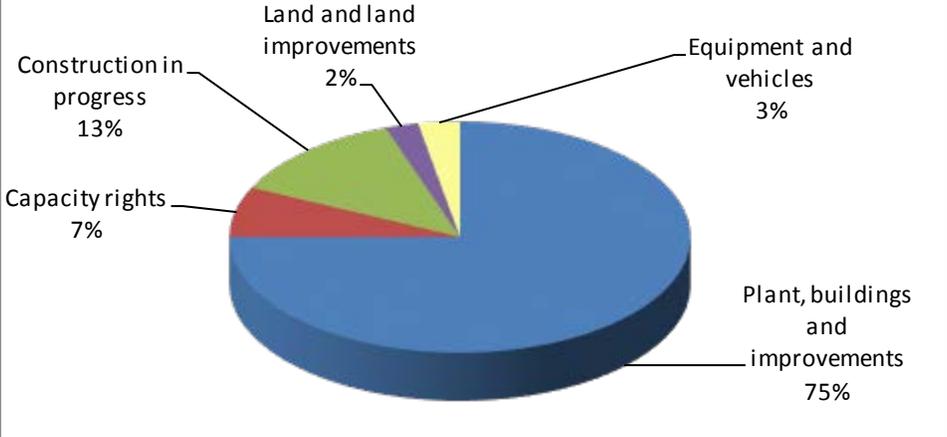
#### **Capital Assets, Net of Accumulated Depreciation as of June 30**

	<b>2015</b>	<b>2014</b>
Plant, buildings and improvements	\$ 383,355,526	\$ 377,515,105
Capacity rights	35,454,189	35,363,849
Construction in progress	65,486,256	64,050,891
Land and land improvements	12,037,830	11,730,643
Equipment and vehicles	15,828,758	14,709,909
Total capital assets	512,162,559	503,370,397
Less accumulated depreciation	(134,759,433)	(122,542,869)
Total capital assets, net of accumulated depreciation	\$ 377,403,126	\$ 380,827,528

### Capital Assets at June 30, 2015



### Capital Assets at June 30, 2014



## **Long-term Liabilities**

As of June 30, 2015, the District has outstanding long-term liabilities of \$168.6 million. Long-term liabilities include a swap liability, compensated absences, amounts due to other governments, bonds and note payable, and a net pension liability. Additional information regarding long-term debt can be found in Note 7 and information regarding net pension liability can be found in Note 10 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**

	<b><u>2015</u></b>	<b><u>2014<sup>(1)</sup></u></b>
Compensated absences	\$ 2,312,155	\$ 2,239,652
Due to other governments	1,975,276	2,423,071
Bonds payable		
Improvement bonds	135,000	260,000
Unamortized bond discount	-	(1,271)
Revenue bonds	143,575,000	145,220,000
Unamortized discount	(681,648)	(719,840)
Unamortized premium	438,928	594,030
Swap liability	6,014,944	6,596,744
Note payable	5,506,160	6,599,086
Net pension liability	<u>9,298,222</u>	<u>-</u>
Total long-term liabilities	168,574,037	163,211,472
Less current portion	<u>(5,368,356)</u>	<u>(5,006,189)</u>
Total long-term liabilities, net of current portion	<u>\$ 163,205,681</u>	<u>\$ 158,205,283</u>

<sup>(1)</sup> Fiscal year 2014 does not include the effects of GASB Statement No. 68 adopted for fiscal year 2015.

## **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 4-6 years, but is expected to eventually recover and grow at a moderate pace. This growth will further create 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 2016 fiscal year budget includes \$26.7 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 rate increase of about 6% for most of the District's residential water customers went into effect on January 1, 2015 to accommodate rising imported water costs and costs to operate and maintain the water system. In addition, the District is currently performing a comprehensive water rate study. The results of the study will be used to develop proposed rates that will be subject to a public hearing and Board consideration during late spring 2016. A wastewater rate increase of 4% for most of the District's customers went into effect on September 15, 2015, 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**  
**Statement of Net Position**  
**June 30, 2015**

<i>Assets and Deferred Outflows of Resources</i>	<b>2015</b>
Current assets:	
Cash (note 2)	\$ 9,429,011
Investments (note 2)	82,890,103
Receivables, net (note 4)	19,747,217
Stored groundwater inventory	1,525,095
Materials and supplies inventory	1,150,959
Other current assets	306,033
Total current assets	115,048,418
Non-current assets:	
Restricted investments (note 2, 3)	33,711,859
Notes receivable (note 4)	7,365,435
Other noncurrent assets	2,090,333
Derivative instrument - interest rate swap (note 8)	1,403,988
Capital assets not being depreciated (note 6)	96,705,430
Capital assets being depreciated, net (note 6)	280,697,696
Total non-current assets	421,974,741
Total assets	537,023,159
Deferred outflows of resources:	
Deferred outflow of resources - debt refunding	9,553,644
Deferred outflow of resources - pension (note 10)	1,887,884
Total deferred outflows of resources	11,441,528
<b><i>Liabilities, Deferred Inflows of Resources, and Net Position</i></b>	
Current liabilities:	
Accounts payable and accrued expenses	19,115,077
Customer deposits and unearned revenue	1,379,925
Construction advances	1,643,148
Accrued interest payable	1,459,310
Long-term liabilities - due in less than one year:	
Compensated absences (note 5)	1,916,810
Due to other governments (note 7)	468,349
Note payable (note 7)	1,138,197
Bonds payable (note 7)	1,845,000
Total current liabilities	28,965,816
Non-current liabilities:	
Long-term liabilities - due in more than one year:	
Compensated absences (note 5)	395,345
Due to other governments (note 7)	1,506,927
Note payable (note 7)	4,367,963
Bonds payable (note 7)	147,637,224
Net pension liability (note 10)	9,298,222
Total non-current liabilities	163,205,681
Total liabilities	192,171,497
Deferred inflows of resources:	
Deferred swap inflow (note 8)	1,403,988
Deferred inflow of resources - pension (note 10)	3,297,977
Total deferred inflows of resources	4,701,965
Commitments and contingencies (note 13)	
Net Position:	
Net investment in capital assets (note 9)	245,674,302
Restricted for debt service (note 3)	144,619
Restricted for capacity charges (note 3)	25,480,723
Unrestricted	80,291,581
Total net position	\$ 351,591,225

See accompanying notes to the basic financial statements

**Western Municipal Water District**  
**Statement of Revenues, Expenses and Change in Net Position**  
**For the Year Ended June 30, 2015**

	<b>2015</b>
Operating Revenues:	
Water sales	\$ 69,533,791
Water service	16,841,065
Wastewater disposal	10,292,222
Other charges and services	923,401
Contractual services	2,501,677
Total operating revenues	100,092,156
Operating Expenses:	
Source of supply	1,989,143
Purchased water	60,519,291
Pumping - booster pumps	4,327,789
Water treatment	1,694,759
Transmission and distribution	8,019,861
Customer accounts	1,052,779
Administrative and general	11,671,604
Contractual services	2,413,961
Special studies and projects	337,403
Wastewater disposal	9,032,370
Other operating expense	2,223,418
Total operating expenses before depreciation and amortization	103,282,378
Operating loss before depreciation and amortization	(3,190,222)
Depreciation and amortization	(12,904,209)
<b>Operating loss</b>	<b>(16,094,431)</b>
Non-operating revenue (expense):	
Property taxes and assessments	18,266,670
Investment earnings	2,221,947
Interest expense	(6,048,196)
Capacity rights sales	414,280
Intergovernmental revenue	853,994
Other revenues	1,085,880
Other expenses	(1,194,694)
Loss on disposal of assets, net	(88,543)
Total net non-operating revenues	15,511,338
<b>Net (loss) before capital contributions</b>	<b>(583,093)</b>
Capital contributions:	
Capacity charges	570,684
Developer capital contributions	2,453,657
Federal, state and local capital grants	2,115,190
Total capital contributions	5,139,531
<b>Change in net position</b>	<b>4,556,438</b>
Net position, beginning of year	358,282,017
Cumulative effect of GASB No. 68 implementation (note 14)	(11,247,230)
Net position, beginning of year, as restated	347,034,787
Net position, end of year	\$ 351,591,225

See accompanying notes to the basic financial statements

**Western Municipal Water District  
Statement of Cash Flows  
For the Year Ended June 30, 2015**

	<u>2015</u>
Cash flows from operating activities:	
Cash receipts from customers for water sales and services	\$ 97,760,790
Cash paid to employees for salaries and wages	(15,102,972)
Cash paid to vendors and suppliers for materials and services	<u>(88,023,216)</u>
Net cash (used in) operating activities	<u>(5,365,398)</u>
Cash flows from non-capital financing activities:	
Proceeds from property taxes and assessments	18,257,006
Proceeds from notes receivable	56,987
Proceeds from intergovernmental revenue	<u>853,994</u>
Net cash provided by non-capital financing activities	<u>19,167,987</u>
Cash flows from capital and related financing activities:	
Proceeds from capacity rights sales	208,758
Proceeds from notes receivable	465,341
Acquisition and construction of capital assets	(7,254,119)
Proceeds from capital contributions	4,167,519
Principal paid on long-term debt	(3,310,721)
Interest paid on long-term debt	<u>(6,066,633)</u>
Net cash (used in) capital and related financing activities	<u>(11,789,855)</u>
Cash flows from investing activities:	
Investment earnings	1,621,946
Purchase of investments	(112,951,245)
Proceeds from sale of investments	<u>97,517,275</u>
Net cash (used in) investing activities	<u>(13,812,024)</u>
<b>Net (decrease) in cash</b>	<b>(11,799,290)</b>
Cash, beginning of year	<u>21,228,301</u>
Cash, end of year	<u>\$ 9,429,011</u>

Continued on next page

See accompanying notes to the basic financial statements

**Western Municipal Water District  
Statement of Cash Flows, continued  
For the Year Ended June 30, 2015**

	<b>2015</b>
Reconciliation of operating loss to net cash used in operating activities:	
<b>Operating loss</b>	<b>\$ (16,094,431)</b>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	12,649,723
Amortization	254,486
Other revenues	1,354,056
Other expenses	(533,595)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in assets:	
Accounts receivable	(2,228,595)
Materials and supplies inventory	(91,119)
Other current assets	4,571
(Increase) in deferred outflow of resources:	
Deferred outflow of resources - pension	(413,318)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(111,311)
Customer deposits and unearned revenue	(102,771)
Compensated absences	72,503
Net pension liability	(3,423,574)
Increase in deferred inflow of resources:	
Deferred inflow of resources - pension	3,297,977
Total adjustments	10,729,033
<b>Net cash (used in) operating activities</b>	<b>\$ (5,365,398)</b>
Non-cash investing, capital and financing transactions:	
Change in fair value of investments	\$ 650,157
Capital contributions	2,374,895
Acquisition and construction of capital assets in accounts payable	743,217
Write-down of construction in progress	214,441

See accompanying notes to the basic financial statements

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(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 90% of its water from the Metropolitan Water District of Southern California. Approximately 25% of the purchased water comes from the Colorado River aqueduct and approximately 75% 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, 2015**

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

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

**1. Investments**

Investments are reported in the accompanying statement 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.

**2. Receivables, net Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. Account write-offs are based on management's evaluation of customer accounts and creditor's ability to pay. The allowance for doubtful accounts is deducted against Receivables on the statement of net position. The allowance for doubtful accounts is \$139,363 for the fiscal year ended June 30, 2015.

**3. 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 XIII A 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 10 - 1st Installment April 10 - 2nd Installment

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

**4. 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.

**5. 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 - 75 years
Buildings	30 years

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 lives 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, 2015.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

**5. Capital Assets, continued**

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. Gross interest expense amounts for Build America Bonds are used to calculate capitalized interest on construction projects.

**6. 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. Sick leave accrues at the rate of 8 hours per month up to a maximum of 1,600 hours. Compensated absences are accrued when earned and most are expected to be paid at 100% of the employee's current hourly pay.

**7. Deferred Outflow of Resources and Deferred Inflow of Resources**

The District applies the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63). The statement requires that the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources be reported as net position. The impact of deferred outflow of resources and deferred inflow of resources on net position are explained in the following paragraphs.

At June 30, 2015, the District has two items being reported as deferred outflow of resources. The first item relates to the deferred outflow of resources on debt refunding of \$9,553,644 at June 30, 2015. This amount relates to previous debt refunding and represents the difference in the carrying value of refunded debts and their reacquisition prices, net of amortization. The deferred outflow of resources on refunding are amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter. The second item is the deferred outflow of resources related to pensions. This amount includes the pension contributions made after the measurement date of the net pension liability, an adjustment due to differences in proportions, and changes in the employer's proportions and differences between the employer's contributions and the employer's proportionate share of contributions. Refer to Note 10 D. for additional information.

At June 30, 2015, the District has two items being reported as deferred inflow of resources. The first item relates to the deferred swap inflow of \$1,403,988 at June 30, 2015. This amount would be recognized as an investment gain upon the early termination of the swap as it represents the fair value or marked-to-market value of the swap at June 30, 2015. The District currently has no intention of terminating its interest rate swap agreement in advance.

The second deferred inflow of resources item is related to pensions. This amount includes the deferred inflow resulting from the difference between projected and actual earnings on pension plan investments and an adjustment due to differences in proportions. Refer to Note 10 D. for additional information.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

**8. 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.
- **Restricted for debt service and 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*.

**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 recognized 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 change in net position when the cash or capital assets are received.

**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 change 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.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**E. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) cost-sharing plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**F. 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 inflow 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.

**G. 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.

**(2) Cash and Investments**

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

	<b>2015</b>
Cash	\$ 9,429,011
Investments	82,890,103
Restricted investments	33,711,859
Total investments	116,601,962
Total cash and investments	\$ 126,030,973

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

	<b>2015</b>
Petty cash	\$ 17,367
Deposits with financial institutions	9,411,644
Total cash	9,429,011
Money Market Funds	1,071,675
California Local Agency Investment Fund	8,136,517
U.S. Treasury Notes	22,837,017
Government Sponsored Agency Securities	39,415,487
Corporate Bonds	25,911,972
Commercial Paper	4,004,651
Asset-Backed Securities	9,088,291
Collateralized Mortgage Obligations	1,280,931
Held by fiscal agent:	
Money Market Funds	417,022
Government Sponsored Agency Securities	3,685,291
Local Agency Bonds	753,108
Total investments	116,601,962
Total cash and investments	\$ 126,030,973

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

***Investments Authorized by the California Government Code and the District's Investment Policy***

The following table 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
Notes or Bonds of any of the other 49 states	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

***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	\$50 million	No limit

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

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code 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, 2015, the carrying amount of the District's deposits was \$9,411,644, and the corresponding bank balance was \$10,396,771. The difference of \$985,127 was principally due to outstanding checks, wires and/or deposits in transit. Of the bank balance, up to \$250,000 is federally insured under the Federal Deposit Insurance Corporation (FDIC) with balances in excess of \$250,000 collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the name of the District.

***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.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

***Interest Rate Risk, continued***

Maturities of investments at June 30, 2015 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.S. Treasury Notes	\$ 22,837,017	\$ -	\$ 6,735,519	\$ 16,101,498
Government Sponsored Agency Securities	43,100,778	4,809,494	26,938,615	11,352,669
Corporate Bonds	25,911,972	2,216,355	23,695,617	-
Commercial Paper	4,004,651	4,004,651	-	-
Asset-Backed Securities	9,088,291	-	9,088,291	-
Collateralized Mortgage Obligations	1,280,931	-	1,280,931	-
Local Agency Bonds	753,108	383,316	369,792	-
California Local Agency Investment Fund	8,136,517	8,136,517	-	-
Money Market Funds	1,488,697	1,488,697	-	-
Total	<u>\$ 116,601,962</u>	<u>\$ 21,039,030</u>	<u>\$ 68,108,765</u>	<u>\$ 27,454,167</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.

Credit ratings of investments as of June 30, 2015 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Ratings as of Year-End</u>			<u>Not Rated</u>
				<u>AAA</u>	<u>AA</u>	<u>A</u>	
U.S. Treasury Notes	\$ 22,837,017	N/A	\$ 22,837,017	\$ -	\$ -	\$ -	-
Government Sponsored Agency Securities	43,100,778	None	-	-	42,979,579	-	121,199
Corporate Bonds	25,911,972	A	-	-	10,456,334	15,455,638	-
Commercial Paper	4,004,651	A	-	-	-	4,004,651	-
Asset-Backed Securities	9,088,291	AAA	-	9,088,291	-	-	-
Collateralized Mortgage Obligations	1,280,931	AAA	-	1,280,931	-	-	-
Local Agency Bonds	753,108	None	-	701,328	51,780	-	-
California Local Agency Investment Fund	8,136,517	None	-	-	-	-	8,136,517
Money Market Funds	1,488,697	AA	-	554,466	-	-	934,231
Total	<u>\$ 116,601,962</u>		<u>\$ 22,837,017</u>	<u>\$ 11,625,016</u>	<u>\$ 53,487,693</u>	<u>\$ 19,460,289</u>	<u>\$ 9,191,947</u>

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

***Concentration of Credit Risk***

The District's investment policy contains no 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 6.46% of the District's total depository and investment portfolio as of June 30, 2015. Investments in any one issuer other than US Treasury Securities, Mutual Funds and external investment pools that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>2015 Reported Amount</u>	<u>2015 % of Total Investments</u>
Federal Home Loan Bank	Government Sponsored Agency Securities	\$ 9,812,994	8%
Federal National Mortgage Association	Government Sponsored Agency Securities	11,994,398	10%
Federal Home Loan Mortgage Corp.	Government Sponsored Agency Securities	11,528,165	10%

**(3) Restricted Investments**

Restricted investments at June 30 are restricted as follows:

	<u>2015</u>
Capacity charges	\$ 25,480,723
SARI capacity use loan from SAWPA	323,210
Reserve for Assessment District AD 90-1	144,619
Customer deposits	1,264,738
Construction advances	1,643,148
2009 Series B Water Revenue Bonds Reserve Fund and Debt Service Fund	4,852,767
2010 Series B Water Revenue Bonds Service Fund	5
2012 Series A Water Revenue Bonds Service Fund	2,649
	<u>\$ 33,711,859</u>

**(4) Receivables**

***Current Receivables, net***

Current receivables at June 30 consisted of the following:

	<u>2015</u>
Utility services - wholesale	\$ 13,279,909
Utility services - retail	4,800,664
Allowance for doubtful accounts	(139,363)
Accrued interest	490,002
Property taxes & assessments	922,203
Other	393,802
	<u>\$ 19,747,217</u>

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(4) Receivables, continued**

*Notes Receivable, Non-current*

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

		<u>2015</u>
Note receivable from Elsinore Valley Municipal Water District	\$	401,427
Note receivable from Jurupa Community Services District		6,941,043
Other		<u>22,965</u>
	\$	<u><u>7,365,435</u></u>

On January 12, 1999, the District sold 0.8 million gallons per day (MGD) of pipeline capacity in the Santa Ana Watershed Project Authority (SAWPA) brine line 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 May 2004, the District sold 3.0 MGD of its capacity rights in Western Riverside County Regional Wastewater Authority (WRCRWA) 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 and currently at 3.305%.

**(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>Balance</u>	<u>Current</u>	<u>Long-term</u>
<u>2014</u>	<u>Earned</u>	<u>Taken</u>	<u>2015</u>	<u>Portion</u>	<u>Portion</u>
\$ 2,239,652	\$ 2,134,832	\$ (2,062,329)	\$ 2,312,155	\$ 1,916,810	\$ 395,345

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(6) Capital Assets**

The balance in capital assets for the year ended June 30, 2015 was as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>Balance 2015</u>
Capital assets not being depreciated:				
Land	\$ 7,663,581	\$ 307,187	\$ -	\$ 7,970,768
Capacity rights	23,248,406	-	-	23,248,406
Construction-in-progress	<u>64,050,891</u>	<u>8,861,713</u>	<u>(7,426,348)</u>	<u>65,486,256</u>
Total capital assets not being depreciated	<u>94,962,878</u>	<u>9,168,900</u>	<u>(7,426,348)</u>	<u>96,705,430</u>
Capital assets being depreciated:				
Land improvements	4,067,062	-	-	4,067,062
Plant	893,219	-	-	893,219
Source of supply - plant	1,058,118	-	-	1,058,118
Pumping plant	30,337,755	2,062,971	(35,415)	32,365,311
Water treatment plant	7,787,449	303,108	(140,742)	7,949,815
Transmission and distribution plant	202,343,829	1,945,031	(345,543)	203,943,317
Wastewater treatment plant	105,573,716	2,051,011	-	107,624,727
Buildings	29,521,019	-	-	29,521,019
Furniture, fixtures and office equipment	2,162,639	-	-	2,162,639
Vehicles	4,348,339	828,100	-	5,176,439
Construction and maintenance equipment	740,362	-	-	740,362
Computer equipment	6,438,827	101,274	-	6,540,101
Miscellaneous equipment	1,019,742	189,475	-	1,209,217
Capacity rights	<u>12,115,443</u>	<u>90,340</u>	<u>-</u>	<u>12,205,783</u>
Total capital assets being depreciated	<u>408,407,519</u>	<u>7,571,310</u>	<u>(521,700)</u>	<u>415,457,129</u>
Less accumulated depreciation:				
Land improvements	(2,259,874)	(161,268)	-	(2,421,142)
Plant	(801,086)	(14,833)	-	(815,919)
Source of supply - plant	(1,002,059)	(16,051)	-	(1,018,110)
Pumping plant	(14,040,428)	(1,136,659)	8,913	(15,168,174)
Water treatment plant	(5,158,958)	(319,361)	107,875	(5,370,444)
Transmission and distribution plant	(67,000,496)	(4,719,158)	316,371	(71,403,283)
Wastewater treatment plant	(15,179,117)	(3,726,301)	-	(18,905,418)
Buildings	(6,053,843)	(986,699)	-	(7,040,542)
Furniture, fixtures and office equipment	(1,505,933)	(335,952)	-	(1,841,885)
Vehicles	(3,666,480)	(231,443)	-	(3,897,923)
Construction and maintenance equipment	(677,352)	(15,062)	-	(692,414)
Computer equipment	(1,518,295)	(580,917)	-	(2,099,212)
Miscellaneous equipment	(473,525)	(86,426)	-	(559,951)
Capacity rights	<u>(3,205,423)</u>	<u>(319,593)</u>	<u>-</u>	<u>(3,525,016)</u>
Total accumulated depreciation	<u>(122,542,869)</u>	<u>(12,649,723)</u>	<u>433,159</u>	<u>(134,759,433)</u>
Total capital assets being depreciated, net	<u>285,864,650</u>	<u>(5,078,413)</u>	<u>(88,541)</u>	<u>280,697,696</u>
Total capital assets, net	<u>\$ 380,827,528</u>	<u>\$ 4,090,487</u>	<u>\$ (7,514,889)</u>	<u>\$ 377,403,126</u>

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(6) Capital Assets, continued**

***Construction-In-Progress***

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

	<u>2015</u>
Chino Basin Desalter Expansion	\$ 57,805,717
La Sierra Pipeline	1,233,397
Van Buren Pipeline Improvement	555,856
Various projects	<u>5,891,286</u>
Construction-in-progress	<u>\$ 65,486,256</u>

At June 30, 2015, interest cost of \$901,014 was capitalized in relation to debt financing of construction projects.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(7) Long-term Debt**

Long-term debt activities for the year ended June 30, 2015 were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2015</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Due to other governments:						
Santa Ana Watershed Project Authority:						
SARI capacity use rights	\$ 2,296,732	\$ -	\$ (417,498)	\$ 1,879,234	\$ 437,204	\$ 1,442,030
Western Riverside County Regional Wastewater Authority:						
State Water Resources Control Board	126,339	-	(30,297)	96,042	31,145	64,897
Total due to other governments	<u>2,423,071</u>	<u>-</u>	<u>(447,795)</u>	<u>1,975,276</u>	<u>468,349</u>	<u>1,506,927</u>
Bonds payable:						
Improvement Bonds	260,000	-	(125,000)	135,000	135,000	-
Unamortized discount	(1,271)	-	1,271	-	-	-
2009 Series B bonds	51,115,000	-	(700,000)	50,415,000	720,000	49,695,000
Unamortized discount	(504,528)	-	27,023	(477,505)	-	(477,505)
2010 Series A bonds	7,575,000	-	(945,000)	6,630,000	990,000	5,640,000
2010 Series B bonds	42,755,000	-	-	42,755,000	-	42,755,000
Unamortized premium	594,030	-	(155,102)	438,928	-	438,928
Unamortized discount	(215,312)	-	11,169	(204,143)	-	(204,143)
2012 Series A bonds	43,775,000	-	-	43,775,000	-	43,775,000
Swap liability <sup>(1)</sup>	6,596,744	-	(581,800)	6,014,944	-	6,014,944
Total bonds payable	<u>\$ 151,949,663</u>	<u>\$ -</u>	<u>\$ (2,467,439)</u>	<u>\$ 149,482,224</u>	<u>\$ 1,845,000</u>	<u>\$ 147,637,224</u>
Note payable:						
Note payable - headquarters building	6,599,086	-	(1,092,926)	5,506,160	1,138,197	4,367,963
Total note payable	<u>6,599,086</u>	<u>-</u>	<u>(1,092,926)</u>	<u>5,506,160</u>	<u>1,138,197</u>	<u>4,367,963</u>
Total long-term debt	<u>\$ 160,971,820</u>	<u>\$ -</u>	<u>\$ (4,008,160)</u>	<u>\$ 156,963,660</u>	<u>\$ 3,451,546</u>	<u>\$ 153,512,114</u>

<sup>(1)</sup> Refer to Note 8 for further information on the swap liability agreement.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

The future annual maturities of all long-term borrowing as of June 30, 2015 are as follows, assuming that the 2012 Series A bonds continue to be payable and successfully remarketed and that the underlying credit facility continues or is renewed over the original terms of the bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest <sup>(1)</sup></u>	<u>Total</u>
2016	\$ 3,451,546	\$ 6,880,577	\$ 10,332,123
2017	3,440,451	6,721,363	10,161,814
2018	5,067,553	6,585,978	11,653,531
2019	5,239,270	6,378,505	11,617,775
2020	4,247,616	6,174,544	10,422,160
2021-2025	19,840,000	28,716,383	48,556,383
2026-2030	23,455,000	24,537,066	47,992,066
2031-2035	28,890,000	19,071,896	47,961,896
2036-2040	37,520,000	10,693,760	48,213,760
2041-2045	20,040,000	1,249,768	21,289,768
Total	151,191,436	\$ 117,009,840	\$ 268,201,276
Unamortized discount	(681,648)		
Unamortized premium	438,928		
SWAP Liability	6,014,944		
Total	156,963,660		
Less current portion	(3,451,546)		
Total non-current	\$ 153,512,114		

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

**Due to Other Governments**

***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 its purchase. As of June 30, 2015, there is \$0.3 million in cash restricted for repayment to SAWPA.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2015**

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

**Due to Other Governments, continued**

As of June 30, 2015, the future annual maturities of the District's obligation are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 437,204	\$ 91,380	\$ 528,584
2017	458,093	70,491	528,584
2018	480,235	48,349	528,584
2019	503,702	24,880	528,582
Total	1,879,234	\$ 235,100	\$ 2,114,334
Less current portion	(437,204)		
Total non-current	\$ 1,442,030		

***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.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**Due to Other Governments, continued**

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

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. As of June 30, 2015, the future annual maturities of the District's obligation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 31,145	\$ 2,689	\$ 33,834
2017	32,017	1,817	33,834
2018	<u>32,880</u>	<u>921</u>	<u>33,801</u>
Total	96,042	\$ <u>5,427</u>	\$ <u>101,469</u>
Less current portion	<u>(31,145)</u>		
Total non-current	\$ <u>64,897</u>		

**Bonds Payable**

***Improvement Bonds***

The Improvement Bonds were used to pay for the construction and acquisition of water system and sewer system improvements. The bonds are payable from 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, 2015, the future annual maturities of the District's obligation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ <u>135,000</u>	\$ <u>4,809</u>	\$ <u>139,809</u>
Total	135,000	\$ <u>4,809</u>	\$ <u>139,809</u>
Less current portion	<u>(135,000)</u>		
Total non-current	\$ <u>-</u>		

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(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, 2015, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		Total
	Principal	Interest	
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	775,000	2,354,844	3,129,844
2020	795,000	2,316,094	3,111,094
2021-2025	4,235,000	11,047,356	15,282,356
2026-2030	4,685,000	10,095,756	14,780,756
2031-2035	11,775,000	8,757,000	20,532,000
2036-2040	25,940,000	4,020,500	29,960,500
Total	50,415,000	\$ 45,849,432	\$ 96,264,432
Less current portion	(720,000)		
Total non-current	\$ 49,695,000		

The District has begun the process to advance refund the 2009 Series B Bonds and replace with new bonds that are expected to reduce debt service requirements as presently scheduled. The advance refunding is expected to be completed in January 2016.

**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, 2015**

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

**Bonds Payable, continued**

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

As of June 30, 2015, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		
	Principal	Interest	Total
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	1,125,000	153,200	1,278,200
2020	1,180,000	108,200	1,288,200
2021-2025	1,230,000	49,200	1,279,200
Total	6,630,000	\$ 1,063,350	\$ 7,693,350
Less current portion	(990,000)		
Total non-current	\$ 5,640,000		

***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 the 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 up 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, 2015**

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

**Bonds Payable, continued**

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

As of June 30, 2015, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		Total
	Principal	Interest	
2016	\$ -	\$ 2,630,711	\$ 2,630,711
2017	-	2,630,711	2,630,711
2018	-	2,630,711	2,630,711
2019	-	2,630,711	2,630,711
2020	-	2,630,711	2,630,711
2021-2025	5,320,000	12,781,425	18,101,425
2026-2030	7,795,000	10,932,308	18,727,308
2031-2035	9,445,000	8,342,177	17,787,177
2036-2040	11,580,000	5,122,316	16,702,316
2041-2045	8,615,000	560,837	9,175,837
Total	42,755,000	\$ 50,892,618	\$ 93,647,618
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 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 that expires in October 2017 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 information on an interest-rate swap agreement associated with these bonds.

The principal of \$43,775,000 along with any accrued interest would be due in 2018 should the underlying credit facility, which matures in October 2017, not be renewed and the remarketing agent is unable to resell bonds that are tendered for redemption.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**Bonds Payable, continued**

**2012 Series A Bonds, continued**

As of June 30, 2015, the future annual maturities of the District's obligation are as follows if the bonds are successfully remarketed and the underlying credit facility is renewed over the original terms of the bonds:

Year Ending June 30,	Variable-Rate Bonds		Total
	Principal	Interest <sup>(1)</sup>	
2016	\$ -	\$ 1,188,491	\$ 1,188,491
2017	-	1,188,491	1,188,491
2018	1,490,000	1,188,491	2,678,491
2019	1,550,000	1,148,038	2,698,038
2020	1,610,000	1,105,955	2,715,955
2021-2025	9,055,000	4,838,402	13,893,402
2026-2030	10,975,000	3,509,002	14,484,002
2031-2035	7,670,000	1,972,719	9,642,719
2036-2040	-	1,550,944	1,550,944
2041-2045	11,425,000	688,931	12,113,931
Total	43,775,000	\$ 18,379,464	\$ 62,154,464
Less current portion	-		
Total non-current	\$ 43,775,000		

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

**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%.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**Note Payable – Headquarters Building, continued**

As of June 30, 2015, the future annual maturities of the District’s obligation are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 1,138,197	\$ 214,203	\$ 1,352,400
2017	1,185,341	167,059	1,352,400
2018	1,234,438	117,962	1,352,400
2019	1,285,568	66,832	1,352,400
2020	662,616	13,584	676,200
Total	5,506,160	\$ 579,640	\$ 6,085,800
Less current portion	(1,138,197)		
Total non-current	\$ 4,367,963		

**(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 of \$7,765,573 from the prior agreement. The swap liability is amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter. 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.

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 October 1	Annually on October 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

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

***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 position. To evaluate the effectiveness of the swap, the Synthetic Instrument Method (SIM) prescribed by GASB Statement No. 53 was employed for the fiscal year ended June 30, 2015. The resulting analyses reveal the swap is effective as a hedging instrument the fiscal year. The fair value or marked-to-market value of the swap (imputed at market rate of 1.424%) as of June 30, 2015 is \$1,403,988, which is the amount the District would receive as of this date should the swap be terminated. The (decrease) in fair value of \$(1,378,321) as of June 30, 2015 was recorded as a change in deferred swap inflow of resources on the statement of net position.

***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, 2015 against their threshold rating for termination:

<b>Counterparty</b>	<b>Moody's</b>	<b>S&amp;P</b>
Senior Debt	Baa2	NR
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.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2015**

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

***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. For the fiscal year ending June 30, 2015, the District's 2012 Series A Bonds, which are hedged by the amended swap, had a weighted-average variable rate of 0.04%. Over the same period, the weighted average of 67% of one-month LIBOR was 0.11%. As of June 30, 2015, the current rate on the 2012 Series A Bonds was 0.02%, and the current rate of 67% of one-month USD LIBOR was 0.13%, resulting in a basis gain of 0.11% 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.

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

The balance at June 30 consists of the following:

		<u><b>2015</b></u>
Capital assets not being depreciated	\$	96,705,430
Capital assets being depreciated, net		280,697,696
Due to other governmental agencies		(96,042)
Bonds payable		(126,126,622)
Notes payable		<u>(5,506,160)</u>
Net investment in capital assets	\$	<u><u>245,674,302</u></u>

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2015**

**(10) Defined Benefit Pension Plans**

**A. General Information about the Pension Plans (the Plans)**

***Plan Descriptions***

The Plans are cost-sharing, multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained from CalPERS' website under Forms and Publications, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Miscellaneous Plan	Miscellaneous Second Tier Plan	PEPRA Miscellaneous Plan
	Prior to	On or after	On or after
Hire date	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2.5 % @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	15.869%	11.032%	6.25%

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**A. General Information about the Pension Plans (the Plans), continued**

*Benefits Provided, Continued*

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rates for the respective Miscellaneous Plan, Miscellaneous Second Tier Plan and PEPRA Miscellaneous Plan are 8%, 7% and 6.25% of annual pay, and the respective employer's contribution rates are 14.151%, 10.282% and 6.25% of annual payroll. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2014 for the respective Miscellaneous Plan, Miscellaneous Second Tier Plan and PEPRA Miscellaneous Plan are \$1,361,746, \$86,032 and \$26,788. Employer Paid Member Contributions for the measurement period ended June 30, 2014 for the respective Miscellaneous Plan, Miscellaneous Second Tier Plan and PEPRA Miscellaneous Plan are \$769,656, \$8,786 and \$0, or an average rate of 8%, 1.05% and 0% of annual payroll.

**B. Net Pension Liability**

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2015**

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

**B. Net Pension Liability, continued**

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous Plan	Miscellaneous Second Tier Plan	PEPRA Miscellaneous Plan
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value of Assets	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:			
Discount Rate	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%
Salary Increases (1)	3.3% - 14.2%	3.3% - 14.2%	3.3% - 14.2%
Investment Rate of Return (2)	7.50%	7.50%	7.50%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds		
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter		

(1) Annual increases vary by entry age and service

(2) Net of pension plan investment and administrative expenses; includes inflation

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained from CalPERS' website under Forms and Publications.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from CalPERS' website under the GASB 68 section.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**B. Net Pension Liability, continued**

*Discount rate, continued*

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. Refer to the *sensitivity of the proportionate share of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**B. Net Pension Liability, continued**

*Discount rate, continued*

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100%</u>		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

***Pension Plan Fiduciary Net Position***

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

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

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**C. Proportionate Share of Net Pension Liability**

The following table shows the Plans' proportion share of the net pension liability over the measurement period.

*Miscellaneous Plan:*

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 51,884,531	\$ 39,165,905	\$ 12,718,626
Balance at: 6/30/2014 (MD)	\$ 54,972,161	\$ 45,676,258	\$ 9,295,903
Net Changes during 2013-14	\$ 3,087,630	\$ 6,510,353	\$ (3,422,723)

*Miscellaneous Second Tier Plan:*

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 1,130	\$ 852	\$ 278
Balance at: 6/30/2014 (MD)	\$ 1,197	\$ 994	\$ 203
Net Changes during 2013-14	\$ 67	\$ 142	\$ (75)

*PEPRA Miscellaneous Plan:*

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability (Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 11,770	\$ 8,878	\$ 2,892
Balance at: 6/30/2014 (MD)	\$ 12,470	\$ 10,354	\$ 2,116
Net Changes during 2013-14	\$ 700	\$ 1,476	\$ (776)

Valuation Date (VD), Measurement Date (MD).

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Plan	Miscellaneous Second Tier Plan	PEPRA Miscellaneous Plan
Proportionate Share - June 30, 2013	0.38816%	0.00001%	0.00009%
Proportionate Share - June 30, 2014	0.37613%	0.00001%	0.00009%
Change - Increase (Decrease)	(0.01203%)	0.00000%	0.00000%

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2015**

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

**C. Proportionate Share of Net Pension Liability, continued**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net pension liability/(asset) for each Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	<b>Discount Rate - 1% (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>Discount Rate + 1% (8.50%)</b>
Miscellaneous Plan's Net Pension Liability/(Asset)	\$ 16,588,660	\$ 9,295,903	\$ 3,243,607
Miscellaneous Second Tier Plan's Net Pension Liability/(Asset)	\$ 362	\$ 203	\$ 71
PEPRA Miscellaneous Plan's Net Pension Liability/(Asset)	\$ 3,771	\$ 2,116	\$ 743

*Subsequent Events*

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

*Recognition of Gains and Losses*

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

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

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**C. Proportionate Share of Net Pension Liability, continued**

*Recognition of Gains and Losses, continued*

The EARSL for the Plan for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to zero. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

As of the start of the measurement period (July 1, 2013), the net pension liability/(asset) for the respective Miscellaneous Plan, Miscellaneous Second Tier Plan and PEPRA Miscellaneous Plan are \$12,718,626, \$278 and \$2,892 (the net pension liability of the Miscellaneous Risk Pool as of June 30, 2013 is \$3,276,668,431).

For the measurement period ending June 30, 2014 (the measurement date), the District incurred a pension expense/(income) of \$1,102,933, (\$25,676), \$6,918 for the Miscellaneous Plan, Miscellaneous Second Tier Plan and PEPRA Miscellaneous Plan, respectively (the pension expense for the risk pool for the measurement period is \$239,824,465). A complete breakdown of the pension expense is as follows:

Description	Miscellaneous Plan		Miscellaneous Second Tier Plan		PEPRA Miscellaneous Plan		
	Risk Pool Amounts	Employer's Share	Percentage of Employer's Share	Employer's Share	Percentage of Employer's Share	Employer's Share	Percentage of Employer's Share
Service Cost	\$ 338,829,351	\$ 1,783,237	0.52629%	\$ 24,525	0.00724%	\$ 36,282	0.01071%
Interest on the Total Pension Liability	921,162,366	3,862,290	0.41928%	84	0.00001%	876	0.00010%
Recognized Differences between Expected and Actual Experience	-	-	N/A	-	N/A	-	N/A
Recognized Changes of Assumptions	-	-	N/A	-	N/A	-	N/A
Employee Contributions <sup>1</sup>	(159,834,203)	(784,239)	0.49066%	(59,381)	0.03715%	(27,006)	0.01690%
Projected Earnings on Pension Plan Investments	(678,133,636)	(2,919,332)	0.43050%	(64)	0.00001%	(662)	0.00010%
Recognized Differences between Projected and Actual Earnings on Pension Investments	(182,199,413)	(784,360)	0.43050%	(17)	0.00001%	(178)	0.00010%
Other Changes in Fiduciary Net Position	-	-	N/A	-	N/A	-	N/A
Recognized Portion of Adjustment due to Differences in Proportions	-	(54,663)	N/A	9,177	N/A	(2,394)	N/A
<b>Subtotal: Employer's Share of Expense Components</b>	<b>\$ 239,824,465</b>	<b>1,102,933</b>	<b>0.45989%</b>	<b>(25,676)</b>	<b>-0.01071%</b>	<b>6,918</b>	<b>0.00288%</b>
Changes of Benefit Terms	-	-	-	-	-	-	-
<b>Employer's Proportionate Share of Pension Expense</b>		<b>\$ 1,102,933</b>		<b>\$ (25,676)</b>		<b>\$ 6,918</b>	

<sup>1</sup> This line represents the Plans' share of the risk pool's total employee contributions. This figure may not match the actual contributions made by employees participating in the Plans.

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50% is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, continued**

As of June 30, 2015, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(3,138,217)
Adjustment due to Differences in Proportions	25,696	(159,760)
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	176,177	-
Pension Contributions Subsequent to Measurement Date	1,686,011	-
<b>Total</b>	<b>\$ 1,887,884</b>	<b>\$ (3,297,977)</b>

These amounts above are net of outflows and inflow recognized in the 2013-14 measurement period expense. \$1,686,011 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<b>Measurement Period Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2015	\$ (769,514)
2016	(769,514)
2017	(772,524)
2018	(784,552)
2019	-
Thereafter	-

**E. Payable to the Pension Plan**

At June 30, 2015, the District reported a payable of \$213,335 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(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 post-employment healthcare 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. Separate financial statements of the VEBA trust may be obtained at Western Municipal Water District, 14205 Meridian Parkway, Riverside, CA 92518.

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

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

As of the fiscal year ended June 30, 2015, there were 36 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 annual required contribution (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 \$469,436 for each of the fiscal years ended June 30, 2015 and 2014, and \$590,992 for fiscal year ended June 30, 2013, resulting in a zero net obligation to the Medical Plan. The VEBA trust paid insurance premiums on behalf of retired participants in the amounts of \$350,313, \$360,559 and \$361,505 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

***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%

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.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**(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 among members, and to purchase excess or specialty-insurance coverage above retained limits. At June 30, 2015, 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 \$500,000 per loss and 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, 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.
- 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 year ended June 30, 2015.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2015**

**(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 \$58 million, reduced by \$28 million in grant funding, for a net cost of \$30 million. The District's share of cost incurred to date is \$57.8 million as of June 30, 2015. The District's participation in the CDA is accounted for as a joint venture without an equity interest. The District's share of the expansion cost is being capitalized throughout construction, and capacity rights of 3,534 acre feet of water annually will be recognized 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:

	<b>2015</b>
Total assets	\$ 277,123,361
Total liabilities	\$ 117,536,232
Total net position	\$ 159,587,129
Total revenues	\$ 95,506,943
Total expenses	(39,458,801)
Change in net position	\$ 56,048,142

***Western Riverside County Regional Wastewater Authority (WRCRWA)***

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, Western Municipal Water 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.

**Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2015**

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

**Joint Ventures, continued**

*Western Riverside County Regional Wastewater Authority (WRCRWA), continued*

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. At June 30, 2015, the District's capacity rights in WRCRWA are \$8.7 million, net of accumulated amortization. The capacity rights in WRCRWA are being amortized over the term of the WRCRWA joint powers of agreement.

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 financed 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 year ended June 30 is as follows:

	<b>2015</b>
Total assets	\$ <u>60,262,509</u>
Total liabilities	\$ <u>10,847,869</u>
Total deferred inflow of resources	\$ <u>350,000</u>
Total net position	\$ <u>49,064,640</u>
Total revenues	\$ 7,927,876
Total expenses	<u>(7,573,412)</u>
Change in net position	\$ <u>354,464</u>

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.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**Joint Ventures, continued**

***Santa Ana Watershed Project Authority (SAWPA)***

The Santa Ana Watershed Project Authority (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, Western Municipal Water District and the Inland Empire Utilities Agencies. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of ten. 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. At June 30, 2015, the District's capacity rights in SAWPA are \$18.9 million. The capacity rights in SAWPA were determined to have an indefinite useful life and are not being amortized. Financial data may be obtained at Santa Ana Watershed Project Authority, 11615 Sterling Avenue, Riverside, CA 92503.

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

	<b>2015</b>
Total assets	\$ <u>173,051,031</u>
Total deferred outflow of resources	\$ <u>273,547</u>
Total liabilities	\$ <u>107,505,347</u>
Total deferred inflow of resources	\$ <u>784,673</u>
Total net position	\$ <u>65,034,558</u>
Total revenues	\$ 15,228,824
Total expenses	<u>(14,084,505)</u>
Change in net position	<u>\$ 1,144,319</u>

***Santa Rosa Regional Resources Authority (SRRRA)***

The District and two other water and wastewater districts are in the process of forming a joint venture under a joint exercise of powers agreement. The joint venture is being formed to acquire and operate wastewater treatment and recycled water production facilities. The new joint venture will provide wastewater treatment for the District's Murrieta service area. The District's participation will be accounted for as a joint venture without an equity interest. The joint venture replaces an existing contractual arrangement for wastewater treatment for the Murrieta service area.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**Other Commitments**

***California State Water Resources Control Board – La Sierra Pipeline***

On April 17, 2015, the District entered into an agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the construction of the La Sierra Pipeline. The maximum loan amount is \$24,000,000 with interest at 1.5%. The District's annual repayment, including principal and interest, is projected to be \$999,341, should the loan amount be fully utilized. The repayment term is 20 years beginning one year after construction is completed. As of June 30, 2015, no drawdown had occurred to create the repayment obligation.

**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. 68***

In fiscal year 2014-2015, the District implemented Government Accounting Standards Board (GASB) 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. This statement establishes the standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses related to pensions. As a result of implementing this standard, net pension liability of \$12,721,796 and deferred outflow of resources on pensions of \$1,474,566 were recognized, resulting to a decrease in net position by \$11,247,230 at July 1, 2014. In addition, a reduction of pension expense in the amount of \$538,915, mainly for the amortization of the difference between projected and actual earnings on pension plan investments, was recognized in the statement of revenues, expenses and changes in net position in fiscal year 2015. Refer to footnote 10 for additional information.

***GASB Statement No. 71***

The GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The District implemented GASB Statement No. 71, in conjunction with the implementation of GASB Statement No. 68 as discussed in the preceding paragraph, in the fiscal year ended June 30, 2015. Refer to footnote 10 for additional information.

**Western Municipal Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

***GASB Statement No. 72***

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash.

Before the issuance of Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

***GASB Statement No. 75***

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. The District will need to account for the underfunded plan liability, and the amount has not yet been determined.

***GASB Statement No. 76***

The GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015.

**Required Supplementary Information**

**Western Municipal Water District  
Required Supplementary Information  
June 30, 2015**

*Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and  
Related Ratios as of the Measurement Date  
Last 10 Years\**

	<b>6/30/2014</b>		
	<b>Miscellaneous Plan</b>	<b>Miscellaneous Second Tier Plan</b>	<b>PEPRA Miscellaneous Plan</b>
Plan's Proportion of the Net Pension Liability/(Asset)	0.14939%	0.00000%	0.00003%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 9,295,903	\$ 203	\$ 2,116
Plan's Covered-Employee Payroll <sup>1</sup>	\$ 10,959,550	\$ 951,355	\$ 389,931
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a percentage of its Covered-Employee Payroll	84.82%	0.02%	0.54%
Plan's Proportion of the Fiduciary Net Position <sup>2</sup>	0.43050%	0.00001%	0.00010%
Plan's Share of Risk Pool Fiduciary Net Position <sup>2</sup>	\$ 45,676,258	\$ 994	\$ 10,354
Plan's Additional Payments to Side Fund During Measurement Period	\$ -	\$ -	\$ -
Plan's Proportionate Share of the Fiduciary Net Position ( <i>sum of the two preceding lines</i> )	\$ 45,676,258	\$ 994	\$ 10,354
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	83.09%	83.04%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions <sup>3</sup>	\$ 1,235,161	\$ 27	\$ 280

<sup>1</sup> Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

<sup>2</sup> The term Fiduciary Net Position (FNP) as used in this line denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all employers' additional side fund contributions made during the measurement period.

<sup>3</sup> The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of Fiduciary Net Position shown on the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

\* Measurement period 2013-14 (fiscal year 2015) was the first year of implementation; therefore, only one year is shown.

**Western Municipal Water District  
Required Supplementary Information  
June 30, 2015**

*Schedule of Plan Contributions  
Last 10 Years\**

	<b>Fiscal Year 2013-14</b>		
	<b>Miscellaneous Plan</b>	<b>Miscellaneous Second Tier Plan</b>	<b>PEPRA Miscellaneous Plan</b>
Actuarially Determined Contribution	\$ 1,366,817	\$ 86,045	\$ 26,788
Contributions in Relation to the Actuarially Determined Contribution	(1,366,817)	(86,045)	(26,788)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll <sup>1</sup>	 \$ 10,959,550	 \$ 951,355	 \$ 389,931
Contributions as a Percentage of Covered-Employee Payroll	12.47%	9.04%	6.87%

<sup>1</sup> Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

\* Measurement period 2013-14 (fiscal year 2015) was the first year of implementation; therefore, only one year is shown.

***Notes to Schedule:***

Change in Benefit Terms: None

Change in Assumptions: None

**Western Municipal Water District  
Required Supplementary Information  
June 30, 2015**

*Other Post-Employment Benefits Schedule of Funding Progress*

The following table 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 and 15 years for represented employees, depending on their hire date.

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# *STATISTICAL SECTION*



## **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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net investment in capital assets□	\$ 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	\$ 246,394,006	\$ 245,674,302
Restricted for debt service	6,463,109	-	155,331	144,619	144,619	144,619	144,619	144,619	144,619	144,619
Restricted for capacity charges	40,153,846	31,698,838	26,556,373	28,974,102	29,118,573	26,151,035	23,298,893	23,697,955	24,525,261	25,480,723
Unrestricted	<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>84,375,034</u>	<u>92,123,685</u>	<u>94,180,845</u>	<u>87,218,131</u>	<u>80,291,581</u>
Total Net Position	<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>\$ 346,589,234</u> <sup>(2)</sup>	<u>\$ 348,234,536</u> <sup>(2)</sup>	<u>\$ 344,436,895</u> <sup>(2)</sup>	<u>\$ 358,282,017</u> <sup>(2)</sup>	<u>\$ 351,591,225</u> <sup>(3)</sup>
Percentage Increase (Decrease)	12%	5%	6%	5%	7%	0%	0%	-1%	4%	-2%

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

<sup>(2)</sup> Fiscal years 2011, 2012 and 2013 balances have been retrospectively restated for the implementation of GASB Statement No. 65.

<sup>(3)</sup> Fiscal year 2015's beginning balance reflects the cumulative effect of the implementation of GASB Statement No. 68.

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 Position</b>
2015	\$ 100,092,156	\$ 116,186,587	\$ (16,094,431)	\$ 15,511,338	\$ (583,093)	\$ 5,139,531	\$ 4,556,438
2014	105,675,122	120,416,071	(14,740,949)	16,810,158	2,069,209	11,775,913	13,845,122
2013	98,793,243	118,408,651 <sup>(5)</sup>	(19,615,408)	12,952,893	(6,662,515)	2,864,874	(3,797,641)
2012	91,100,463	109,473,041 <sup>(5)</sup>	(18,372,578)	14,956,215	(3,416,363)	5,061,665	1,645,302
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 <sup>(3)</sup>	(21,687,380)	21,652,217	(35,163)	14,293,816	14,258,653
2008	72,005,893	90,548,426 <sup>(3)</sup>	(18,542,533)	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

<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.

<sup>(5)</sup> Balance has been retrospectively restated for the implementation of GASB Statement No. 65.

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		
2015	\$69,533,791	\$16,841,065	\$10,292,222	\$2,501,677	\$ 923,401	\$100,092,156	\$ 18,266,670	\$2,221,947	\$ 414,280	\$1,939,874	\$ 22,842,771	\$ 122,934,927
2014	76,319,361	15,969,208	10,002,414	2,517,042	867,097	105,675,122	16,327,069	2,436,903	6,260,725	1,833,296	26,857,993	132,533,115
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

<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 and Amortization	Other	Wastewater Disposal			Total Operating
2015	\$ 60,519,291	\$4,327,789	\$ 8,019,861	\$ 11,671,604	\$2,413,961	\$ 12,904,209	\$ 7,297,502	\$9,032,370	\$ 116,186,587	\$ 7,331,433	\$ 123,518,020
2014	66,430,723	3,849,016	8,692,067	10,824,019	2,460,561	13,124,158	5,988,141	9,047,386	120,416,071	10,047,835	130,463,906
2013	61,600,436	4,074,438	8,260,048	10,955,531	2,113,211	13,166,694 <sup>(4)</sup>	9,537,963	8,700,330	118,408,651	7,227,857	125,636,508
2012	57,873,634	3,820,373	7,679,552	10,888,801	1,867,917	10,740,215 <sup>(4)</sup>	7,623,646	8,978,903	109,473,041	8,217,010	117,690,051
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

<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.

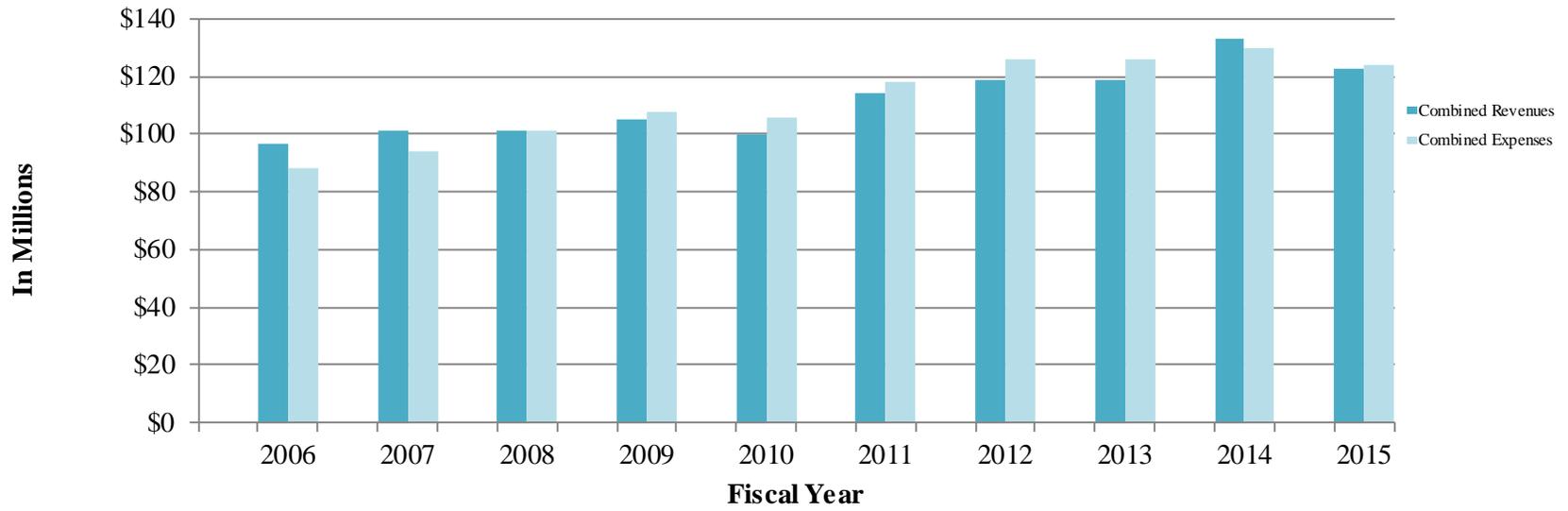
<sup>(2)</sup> Balance has been retrospectively restated for the implementation of GASB Statement No. 51.

<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.

<sup>(4)</sup> Balance has been retrospectively restated for the implementation of GASB Statement No. 65

Source: Western Municipal Water District

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



**TABLE V – 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>
2015	18,161	4,377	397	501	54	61	49	73	23,673
2014	18,110	4,358	391	492	50	60	48	73	23,582
2013	18,016	4,348	383	480	50	59	47	72	23,455
2012	17,946	4,326	380	470	48	59	47	70	23,346
2011	17,891	4,312	378	459	46	59	47	67	23,259
2010	17,801	4,308	375	457	46	59	46	67	23,159
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

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>	
2015	23,584	89	23,673	8,303
2014	23,493	89	23,582	8,278
2013	23,367	88	23,455	8,232
2012	23,258	88	23,346	8,188
2011	23,171	88	23,259	8,149
2010	23,072	87	23,159	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

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		
2015 <sup>(3)</sup>	\$ 26.38	\$ 42.66	\$ 85.34	\$ 105.67	\$ 128.02	\$ 148.31	\$ 168.65	\$ 190.99	\$ 79.10	\$ 41.15
2014	24.18	39.11	78.23	96.86	117.35	135.94	154.59	175.06	74.93	38.11
2013	23.14	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

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 \$109.03 per month (\$29.93 fixed + \$79.10 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, 2015 and September 1, 2014, respectively.

Source: Western Municipal Water District

**TABLE VIII – PRINCIPAL RETAIL WATER CUSTOMERS**

Fiscal Year Ended June 30, 2015 and Nine Years Prior

**Fiscal Year 2014-2015**

<b>Customer Name</b>	<b>Water Deliveries in Acre-Feet</b>	<b>Percentage of Water Deliveries</b>
Riverside National Cemetery	990	4.1%
Altman Plants	722	3.0%
Village Nurseries	576	2.4%
Fresh & Easy Neighborhood Market Inc.	403	1.6%
Pepsi Cola Plant	365	1.5%
City Of Riverside	344	1.4%
General Old Golf Course	331	1.4%
The Kroger Company	328	1.3%
Air Force 452 Air Mobility Wing	305	1.2%
Riverside Unified School District	291	1.2%
<b>Total Principal Customers</b>	<b>4,655</b>	<b>19.1%</b>
<b>Other Customers</b>	<b>19,746</b>	<b>80.9%</b>
<b>Total Retail Water Deliveries</b>	<b>24,401</b>	<b>100.0%</b>

**Fiscal Year 2005-2006**

<b>Customer Name</b>	<b>Water Deliveries in Acre-Feet</b>	<b>Percentage of Water Deliveries</b>
Air Force 452 Air Mobility Wing	780	2.5%
Riverside National Cemetery	623	2.0%
Pepsi Cola Plant	599	1.9%
John Gless / Gless Ranch	444	1.4%
City of Riverside	427	1.4%
Ralphs Grocery and Creamery	365	1.2%
Riverside Unified School District	312	1.0%
El Modeno Gardens	286	0.9%
Air Force Village West	233	0.7%
Lake Hills Maintenance Corp.	204	0.7%
<b>Total Principal Customers</b>	<b>4,273</b>	<b>13.7%</b>
<b>Other Customers</b>	<b>26,842</b>	<b>86.3%</b>
<b>Total Retail Water Deliveries</b>	<b>31,115</b>	<b>100.0%</b>

Source: Western Municipal Water District

**TABLE IX – WHOLESALE WATER CUSTOMER DELIVERIES**  
 Fiscal Year Ended June 30, 2015

<b>Water Agency</b>	<b>Water Deliveries in Acre-Feet</b>	<b>Percentage of Water Deliveries</b>
Elsinore Valley Municipal Water District	17,751	31.4%
Rancho California Water District	16,770	29.8%
City of Corona	14,461	25.6%
City of Norco	4,310	7.6%
Temescal Valley Water District	3,013	5.3%
Eagle Valley Mutual Water Company	118	0.2%
Box Springs Mutual Water Company	81	0.1%
Total Wholesale Deliveries	56,504	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, 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	687	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
Jan. 1, 2014 Tier 1	890	593	n/a	n/a	n/a	n/a
Jan. 1, 2014 Tier 2	1032	735	n/a	n/a	n/a	n/a
Jan. 1, 2015 Tier 1	923	582	n/a	n/a	n/a	n/a
Jan. 1, 2015 Tier 2	1055	714	n/a	n/a	n/a	n/a
Jan. 1, 2016 Tier 1	942	594	n/a	n/a	n/a	n/a
Jan. 1, 2016 Tier 2	1076	728	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					
2015	57,714	17,636	75,350	-	-	-	75,350	1,081	5,498	1,109	83,038
2014	61,843	21,537	83,380	-	-	-	83,380	829	6,063	794	91,066
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

<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>
2015	\$ 149,347,224	\$ 135,000	\$ 7,481,436	\$ 156,963,660	\$ 170.46
2014	151,690,934	258,729	9,022,157	160,971,820	176.99
2013 <sup>(2)</sup>	154,026,083	372,097	10,509,159	164,907,339	183.33
2012 <sup>(2)</sup>	155,427,849	475,465	12,051,205	167,954,519	188.46
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

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.

<sup>(2)</sup> GASB 65 implementation reclassified deferred loss on bond refunding to deferred outflows of resources.

Source: *Western Municipal Water District*

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>GROSS REVENUE</b>										
Water Sales	\$ 43,191,741	\$ 53,192,559	\$ 53,588,433	\$ 55,667,804	\$ 56,223,768	\$ 56,473,710	\$ 66,310,917	\$ 71,596,096	\$ 76,319,361	\$ 69,533,791
Water Service	4,934,235	6,074,097	6,711,049	7,776,582	9,127,539	10,477,058	12,479,514	14,290,510	15,969,208	16,841,065
Wastewater Service	6,525,941	8,652,596	7,931,271	8,161,485	10,723,639	10,862,351	10,364,865	9,875,780	10,002,414	10,292,222
Ad Valorem Taxes <sup>(1)</sup>	7,442,255	16,271,059	17,622,207	17,789,635	16,254,320	15,048,059	15,161,942	16,651,925	16,532,506	18,220,982
Interest Income	4,578,251	6,612,647	9,292,695	6,337,190	6,685,940	3,671,725	5,437,782	(98,679)	2,348,100	2,172,604
Connection Fees - Water	4,296,543	3,100,050	1,454,500	896,624	290,477	236,080	188,491	924,589	553,954	474,781
Connection Fees - Wastewater	4,001,963	1,219,750	2,395,553	1,316,970	6,153,635	276,856	98,670	774,762	362,876	95,903
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	10,413,907	2,115,190
Other Revenue	5,399,382	5,456,943	5,282,096	5,004,122	5,367,200	5,042,186	3,474,424	5,598,993	10,630,611	4,925,238
<b>Total</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>105,372,921</b>	<b>114,785,299</b>	<b>120,486,447</b>	<b>143,132,937</b>	<b>124,671,776</b>
<b>MAINTENANCE AND OPERATION COSTS</b>										
Administration	6,274,755	8,469,239	10,234,890	11,328,694	10,714,044	11,456,106	10,888,801	10,955,531	10,824,019	11,671,604
Purchased Water	40,303,646	49,496,922	50,897,920	51,655,168	51,859,715	51,890,617	57,873,634	61,600,436	66,430,723	60,519,291
Water Operations	8,744,569	8,810,775	10,809,412	12,941,548	14,452,967	14,832,096	16,039,860	16,729,927	16,809,781	17,084,331
Wastewater Operations	6,721,367	7,754,861	7,810,818	8,074,817	9,018,894	9,086,468	8,978,903	8,700,330	9,047,386	9,032,370
Other Expenses	4,273,745	5,625,607	5,918,202	7,951,851	8,718,326	5,013,535	6,109,216	4,398,861	7,612,211	6,024,205
Contract Resource Obligations	1,922,681	1,986,239	1,974,146	829,532	1,223,458	731,894	1,110,776	535,527	533,002	542,642
<b>Total</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>111,257,122</b>	<b>104,874,443</b>
<b>Net Revenues</b>	<b>12,321,558</b>	<b>18,936,843</b>	<b>17,258,499</b>	<b>11,720,364</b>	<b>17,988,695</b>	<b>12,362,205</b>	<b>13,784,109</b>	<b>17,565,835</b>	<b>31,875,815</b>	<b>19,797,333</b>
Series of 2002 A Bonds <sup>(2)</sup>	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	3,084,773	3,108,317
Series of 2010 A&B Bonds <sup>(2)</sup>	-	-	-	-	-	1,337,200	2,086,248	1,954,846	3,044,580	3,047,965
Series of 2012 A Bonds <sup>(2)</sup>	-	-	-	-	-	-	10,085	1,208,538	1,188,832	1,180,371
<b>Total</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>6,377,255</b>	<b>7,318,185</b>	<b>7,336,653</b>
<b>DEBT SERVICE COVERAGE</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>	<b>4.36</b>	<b>2.70</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, 2015

2014-15 Assessed Valuation: \$72,675,468,687 (1)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (2)</u>	<u>Debt 6/30/15</u>
Metropolitan Water District	3.13%	\$3,461,667
Riverside City Community College District	78.747	178,832,329
Alvord Unified School District	99.989	224,280,559
Corona-Norco Unified School District	96.611	243,647,710
Jurupa Unified School District	99.803	74,600,718
Murrieta Valley Unified School District	11.575	17,754,967
Riverside Unified School District	99.992	133,129,349
Other School Districts	Various	20,482,648
City of Riverside	98.168	13,149,604
<b>Western Municipal Water District</b>	<b>100</b>	<b>0</b>
Western Municipal Water District Community Facilities Districts	100	6,635,000
Western Municipal Water District Assessment District No. 90-1 (Lake Hills)	100	135,000
Riverside County Flood Control District, Zone Nos. 3 and 4 Benefit Assessment District	1.400 - 61.899	1,114,162
Community Facilities Districts	Various	991,096,038
City and Special District 1915 Act Bonds	Various	<u>35,775,486</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$1,944,095,237</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	32.19%	\$304,856,065
Riverside County Pension Obligations	32.19	103,159,293
Riverside County Board of Education Certificates of Participation	32.19	590,686
Alvord Unified School District Certificates of Participation	99.989	2,026,838
Corona-Norco Unified School District Certificates of Participation	96.611	25,848,273
Jurupa Unified School District Certificates of Participation	99.803	14,216,155
Lake Elsinore Unified School District Certificates of Participation	53.895	18,828,331
Murrieta Unified School District General Fund Obligations	11.575	2,387,344
Riverside Unified School District Certificates of Participation	99.992	9,999,200
Other School District General Fund Obligations	Various	2,553,464
City of Corona General Fund Obligations	99.997	50,098,805
City of Lake Elsinore General Fund Obligations	71.093	9,476,697
City of Moreno Valley General Fund Obligations	0.756	478,461
City of Murrieta General Fund Obligations	12.859	1,062,153
City of Riverside General Fund Obligations	98.168	231,013,754
City of Riverside Pension Obligations	98.168	<u>106,733,158</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$883,328,677</b>
Less: Riverside County supported obligations		<u>2,435,173</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$880,893,504</b>
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		 <b>\$791,327,169</b>
 <b>TOTAL DIRECT DEBT</b>		 <b>\$0</b>
<b>TOTAL GROSS OVERLAPPING DEBT</b>		<b>\$3,618,751,083</b>
<b>TOTAL NET OVERLAPPING DEBT</b>		<b>\$3,616,315,910</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		 <b>\$3,618,751,083</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$3,616,315,910</b>

(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.

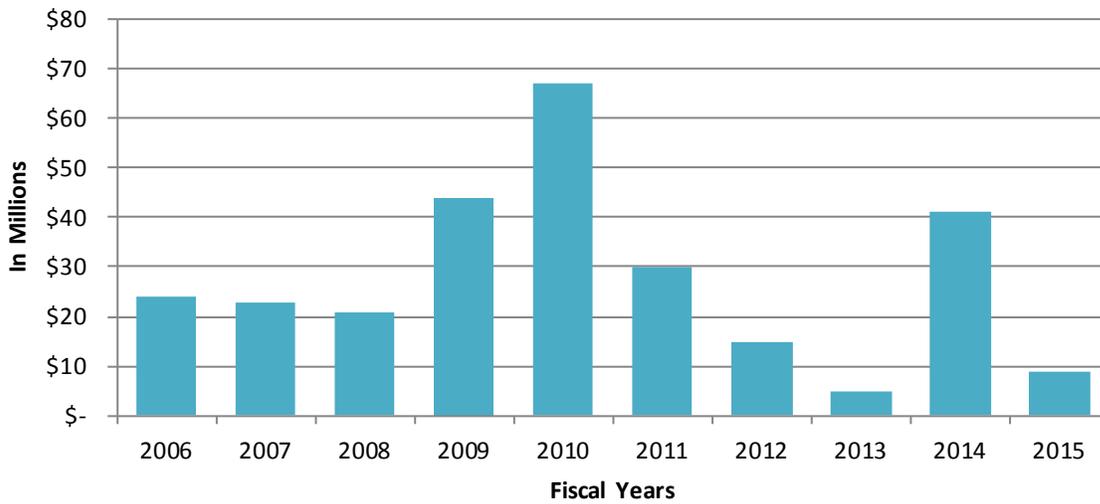
Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt	2.68%
Gross Combined Total Debt	4.98%
Net Combined Total Debt	4.98%

Ratio to Redevelopment Incremental Valuation (\$17,257,398,770):

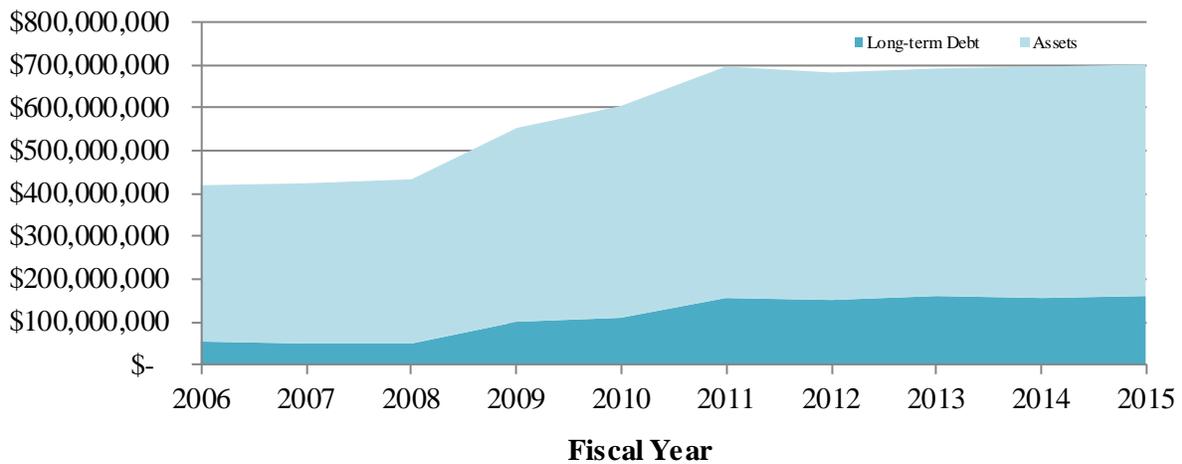
Total Overlapping Tax Increment Debt	4.59%
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## CHART II – DISTRICT AND CONTRIBUTED CAPITAL SPENDING Last Ten Fiscal Years



Source: Western Municipal Water District

## CHART III – TOTAL DEBT TO ASSETS



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>
2015	\$ 84,861,529,145	920,800	2,308,441	\$ 32.1	\$ 34,910 <sup>(3)</sup>	6.6%
2014	78,774,941,220	909,500	2,279,967	30.9	33,949	8.4%
2013	76,058,192,604	899,500	2,255,059	30.0	33,320	10.2%
2012	76,093,889,073	891,200	2,234,193	28.3	31,742	12.6%
2011	76,380,473,323	879,900	2,205,731	26.3	29,927	14.4%
2010	78,547,029,366	878,800	2,202,978	25.7	29,222	14.5%
2009	87,194,859,529	883,400	2,107,653	26.3	29,748	14.0%
2008	86,370,022,705	875,300	2,088,322	27.0	30,894	8.3%
2007	74,392,832,042	853,100	2,034,840	25.2	29,560	5.9%
2006	60,883,470,483	825,800	1,966,607	23.7	28,730	5.1%

<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.

<sup>(3)</sup> Projected based on a 10-year average.

*Source: Riverside County Assessor for the assessed valuation; California Department of Finance for the county population estimates; County of Riverside Comprehensive Annual Financial Report 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, 2015

<b>Employer Name</b>	<b>Fiscal Year 2015</b>	
	<b>No. of Employees</b>	<b>Percentage of Total County Labor Force</b>
County of Riverside	21,198	2.2%
March Air Reserve Base	8,500	0.9%
Stater Bros. Markets	6,900	0.7%
Wal-Mart	6,550	0.7%
University of California, Riverside	5,768	0.6%
Kaiser Permanente Medical Center	5,300	0.6%
Corona-Norco Unified School District	4,932	0.5%
Pechanga Resort & Casino	4,000	0.4%
Riverside Unified School District	3,871	0.4%
Hemet Unified School District	3,400	0.4%
Moreno Valley Unified School District	3,400	0.4%
Total	<b>73,819</b>	<b>7.8%</b>
Total Labor Force		954,800

Notes: Data is for the County of Riverside. The District is located within the County.  
Data nine years prior is not available.

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>	<u>2014</u>	<u>2015</u>
Management	4	5	5	5	5	7	7	7	8	8
Human Resources & Administration	7	9	10	11	13	8	8	10	9	10
Engineering	14	13	15	14	15	12	10	9	12	13
Finance	7	7	8	8	6	8	11	12	12	12
Billing/Customer Service	3	5	5	6	8	5	6	7	8	7
Community Affairs (Public Affairs)	5	5	5	5	4	4	6	5	5	5
Water Resources	1	2	2	3	5	5	6	6	6	7
Operations	55	59	60	60	59	56	59	63	65	65
Legislative Affairs	1	1	1	1	2	1	1	-	1	1
Information Systems	3	5	5	6	5	6	6	6	7	7
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>	<u>133</u>	<u>135</u>

Notes: All managers are included with their divisions. Temporary and part-time employees are not included.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Number of Employees	100	111	116	122	122	120	120	125	133	135
Service Area (in acres)	337,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000
Service Area (in square miles)	527	527	527	527	527	527	527	527	527	527
Assessed Valuation (billion)	\$ 74	\$ 86	\$ 87	\$ 79	\$ 76	\$ 76	\$ 76	\$ 76	\$ 79	\$ 85
Population Served (approx.)	826,000	853,000	875,000	879,000	880,000	891,000	889,000	900,000	910,000	920,800
Miles of Water Pipeline	588	591	591	623	623	621	622	638	638	638
Number of Storage Tanks	38	38	38	38	36	36	35	35	35	34
Max Storage Capacity (million gal.)	80.2	80.2	80.7	87.3	93.7	93.7	92.7	92.7	92.7	92.2
Sewer Treatment Plants Owned	1	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	3.0	3.0	3.0	3.0
Avg. Flows into Sewer Plant (MGD)	0.5	0.5	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8
Number of Lift Stations	18	18	20	22	22	20	20	20	20	20

*Source: Western Municipal Water District*

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## Securing Your Water Supply

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