



Securing Your Water Supply

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2016
14205 Meridian Parkway • Riverside, CA 92518 • wmwd.com

Western Municipal Water District
of Riverside County, California

Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2016

Prepared by:
The Western Municipal Water District Finance Department



Securing Your Water Supply

14205 Meridian Parkway, Riverside, California 92518
951.571.7100 • wmwd.com

Western Municipal Water District

Comprehensive Annual Financial Report

For the Fiscal Year Ended **June 30, 2016**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Transmittal Letter	I
GFOA Certificate of Achievement	XIII
District Service Area Map	XIV
District Officials	XV
Organizational Chart	XVI

FINANCIAL SECTION

Independent Auditors Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	14
Statement of Revenue, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to the Basic Financial Statements	18
Required Supplementary Information	59

STATISTICAL SECTION

Statistical Section Contents	63
Financial Trends:	
Table I Net Position by Component	64
Table II Changes in Net Position	65
Table III Revenues by Source	66
Table IV Expenses by Function	67
Chart I Revenues and Expenses	68

Table of Contents (continued)

Revenue Capacity:

Table V Water Accounts by Meter Size	69
Table VI Retail Water Accounts by Type and Retail Wastewater Accounts	70
Table VII Water and Sewer Rates	71
Table VIII Principal Retail Water Customers	72
Table IX Wholesale Water Customer Deliveries	73
Table X Summary of Imported Water Rates	74
Table XI Water Sources	75

Debt Capacity:

Table XII Ratio of Outstanding Debt by Type	76
Table XIII Revenue Bond Coverage	77
Table XIV Direct and Overlapping Debt	78
Chart II District and Contributed Capital Spending	79
Chart III Total Debt to Assets	79

Demographic and Economic Information:

Table XV Demographic and Economic Statistics	80
Table XVI Principal Employers in the County of Riverside	81
Table XVII District Employees by Function	82

Operating Information:

Table XVIII Operating and Capital Indicators	83
--	----



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

December 14, 2016

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, 2016. 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 two-year comparative financial statements in its Comprehensive Annual Financial Report. Last year, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and the corresponding pension information for fiscal year 2014 is not readily available for the Management's Discussion and Analysis (MD&A). As such, the District has elected a single-year presentation.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 White Nelson Diehl Evans, 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, 2016, are free of material misstatement. The independent audit involves 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, 2016, 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 read "John V. Rossi", with a small dot at the end of the signature line.

John V. Rossi
General Manager

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 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 \$89 billion in this past fiscal year. Riverside County's population has remained flat at 2.3 million, of which the District serves approximately 936,500 (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 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 138 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 23,700 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 2016, the District delivered approximately 71,700 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 23 billion gallons. Approximately 72 percent of the water Western delivered was potable; the balance was non-potable or raw water. 68 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 4,055 acre-feet of high quality potable water to the city of Norco and 914 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 \$4.4 million.



Retail Water Services

Western supplies water directly to about 23,700 domestic and agricultural users in portions of the city of Riverside and nearby communities, portions of the city of Murrieta, as well as Rainbow Canyon and March Air Reserve Base. 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 0.90 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 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 (JCSD); the cities of Norco and Corona; Home Gardens Sanitary District and Western. The treatment plant has a total capacity of 8.0 MGD, and currently processes an average of 6.7 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 0.74 MGD, or 38 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 December 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 (SWRCB) 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 0.74 MGD, flows to the Western Riverside County Regional Wastewater Authority (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.

Santa Rosa Regional Resources Authority (SRRRA)

The District is one of the three member agencies comprising SRRRA, located in Murrieta. SRRRA is responsible for collecting, treating and safely disposing of or recycling wastewater for resident and businesses in the Temecula, Murrieta and Wildomar communities. The joint powers authority is comprised of Western, Rancho California Water District and Elsinore Valley Municipal Water District.

Wastewater flows originating in the SRRRA service area are treated at the Santa Rosa Water Facility in Murrieta. The treatment plant has a treatment capacity of 5 million gallons per day and a tertiary treatment of 5 million gallons per day. On average the plant treats 1 billion gallons of wastewater annually.

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 489,000 gallons per day of wastewater from the Murrieta area is provided by SRRRA. Eastern Municipal Water District (EMWD) provides treatment services to 74 Murrieta commercial customers. Western passes through charges from SRRRA and EMWD, plus an administrative and maintenance charge, to its customers.

Inland Empire Brine Line

The Inland Empire Brine Line (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, the city of Corona, and 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 SWRCB 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. Beginning in March 2016, the SWRCB lowered the reduction percentage from 32 to 28 percent through June 2016.

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 \$942 per acre-foot to \$979 per acre-foot on January 1, 2017, a 3.9 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 \$94 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 effect on future price increases from the state of California's mandate that 33 percent of power companies' supply portfolio come from renewable sources by 2020 is unknown at this time.

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 \$76.1 billion to \$89.3 billion. The District received \$18.8 million in property tax revenue for fiscal year 2016, up from \$18.3 million in fiscal year 2015. This increase is due to higher property values in the District's service area compared to values in fiscal year 2015.



The population of Riverside County remained flat at 2.3 million in fiscal year 2016. 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

Ensuring a secure, local water supply is a priority for Western in order to reduce dependency on imported water, particularly during the ongoing multi-year drought. The Chino Desalter Phase 3 Expansion Project increases desalter drinking water production from 24,600 to 35,200 acre-feet per year. Expected to be completed in early 2017, the expansion will enable the distribution of drinking water, while minimizing brine discharge into the Pacific Ocean.



Once complete, Western will receive 3,534 acre-feet of water from the expansion project. 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 \$144 million expansion has been awarded more than \$77 million in state and federal grants. When complete, 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

In order to comply with Governor Brown's Executive Order, which required a statewide 25 percent reduction in potable urban water use through February 2016 (agencies with more than 3,000 customers), Western has continued drought outreach and education. In June 2016, following the SWRCB decision to allow water suppliers to self-certify their ability to meet water demands, Western's Board of Director's adopted a resolution to implement Stage 3(b) of the Water Shortage Contingency Plan. The Stage 3(b) returns the outdoor water budgets to 100 percent; however, common-sense water restrictions remain in effect. Using a comprehensive outreach plan, Western is committed to reaching out to all customers about the changes in water restrictions.



Western encourages customers to take advantage of free landscape evaluations, rebates and workshops. Various outreach programs and education encourage customer participation and awareness.

Water Use Efficiency Initiatives

Providing customers with the support and resources needed to continue water use reduction through a variety of efficiency programs remains a goal for Western. 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. Western encourages residential and commercial customers to maintain a Smart Yard and utilize smart controllers. For water-saving planting recommendations, customers can visit Western's water-wise garden, Landscapes Southern California StyleSM. 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, conveying potable water to Western's Riverside retail service area. The completion of the pipeline and pump stations will reduce the region's dependency on imported water from MWD. Highlights of the project include five miles of 30-inch steel pipeline, railroad and flood control channel crossing as well as a 5,400 horsepower pump station at the Arlington Desalter.

Victoria Recharge Basin

Expected to be operational by late 2017, the Victoria Recharge Basin is estimated to recharge up to 1,800 acre-feet of water per year, which is equivalent to the average annual water supply needed for 3,600 homes. Water captured by the basin will provide billions of gallons of drinking water for the city of Norco and areas of Riverside. The basin is a component of Western's \$10 million Arlington Basin Recharge project to stabilize declining groundwater levels in the Arlington Groundwater Basin by the introduction of captured storm water while at the same time improving basin water quality and increasing the local water supply and system reliability. The cost to design and build the Victoria Recharge Basin is approximately \$3.4 million. Use of grant funding will offset some of the construction costs. 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 recharge the basin with recycled water.



Riverside Water Wheeling Cooperative Agreement

Western and the city of Riverside reached an agreement for a short-term purchase of local water, a decision that will save the District approximately \$740,000 and provide the city \$3.5 million in additional revenue. By partnering with the city, an amendment was passed to a 2009 Cooperative Agreement, allowing Western to purchase a limited volume of water through February 2017. Each calendar year, the city is permitted to export approximately 51,000 acre-feet of water from the Bunker Hill Basin; however, if less than the annual right is produced, the water is left behind and the court-monitored "water meter" resets to zero. In the absence of a reliable local water supply, Western purchases imported water from MWD. The amended agreement allows Western to purchase up to 5,000 acre-feet of local water at approximately \$143 less per acre-foot than the cost of imported 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.

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 decision 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.

Awards and Acknowledgements

The 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, 2015. This was the eleventh year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



John V. Rossi
General Manager



Rod LeMond
Assistant General Manager /
Chief Financial Officer

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





Government Finance Officers Association

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

Presented to

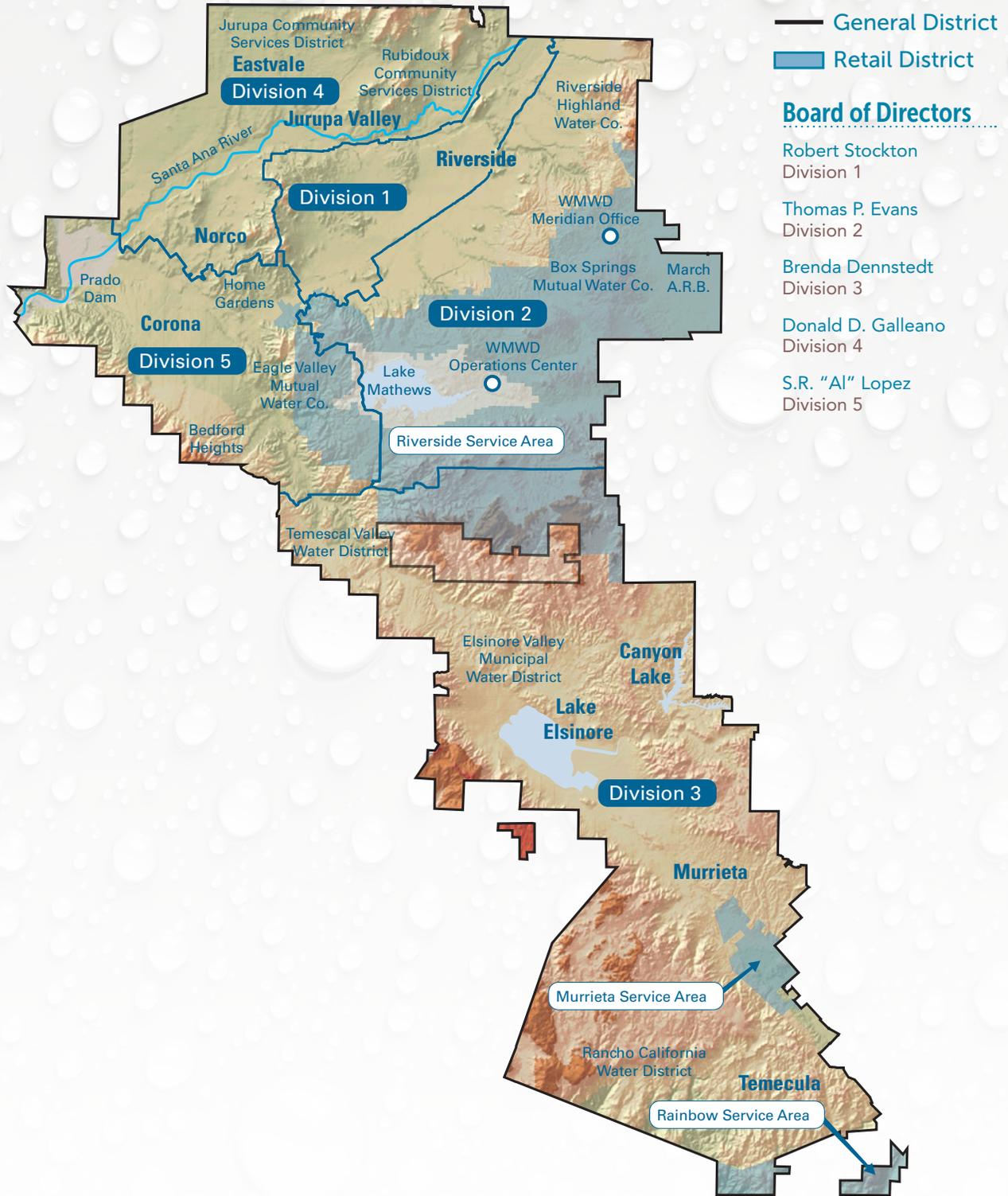
**Western Municipal Water District
of Riverside County, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Western Municipal Water District District Service Area Map



Western Municipal Water District

District Officials

At June 30, 2016

Elected Board of Directors

	Length of Service
Robert Stockton, Division 1	1 year
Thomas P. Evans, Division 2, Vice President	9 years
Brenda Dennstedt, Division 3, Secretary-Treasurer	9 years
Donald D. Galleano, Division 4	11 years
S. R. "Al" Lopez, Division 5, President	15 years

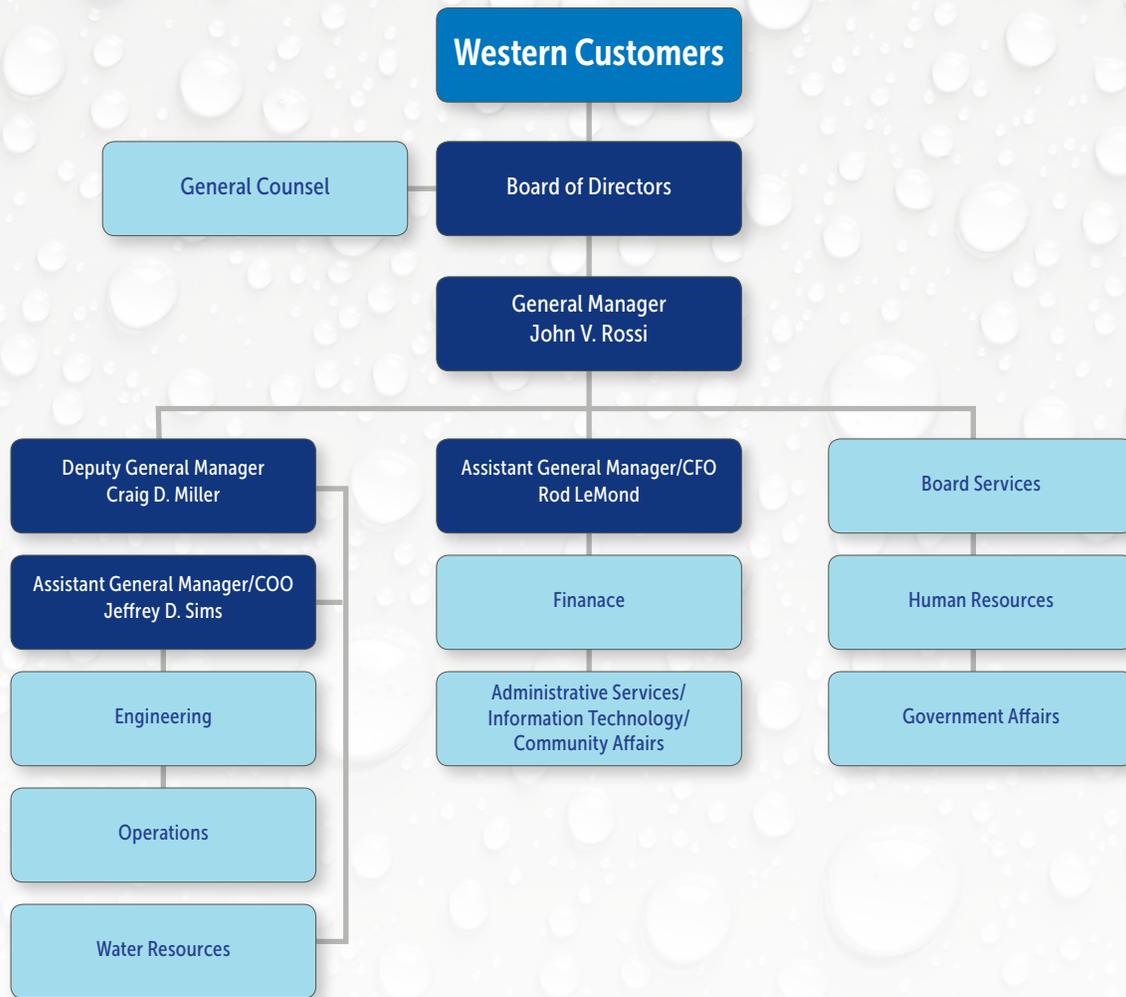
District Executive Management Team

John V. Rossi, General Manager	12 years
Craig D. Miller, Deputy General Manager	2 years
Jeffrey D. Sims, Assistant General Manager/COO	21 years
Rod LeMond, Assistant General Manager/CFO	7 years
Timothy T. Barr, Director of Water Resources	20 years
Greg Duecker, Director of Administration	10 years
Derek Kawaii, Director of Engineering	10 years
Kevin C. Mascaro, Director of Finance	12 years
Paul Rugge, Director of Operations	11 years
Christopher Fike, Deputy Director of Operations - Maintenance	1 year
Gary Miller, Director of Operations - Operations	<1 year
Candi Judd, Director of Human Resources	<1 year
Diana Leibrich, Interim Human Resources Manager	3 years
Thomas D. McMillen, Safety & Risk Program Manager	10 years
Veronica Zheng, Accounting Manager	6 years
Michael Mouser, Information Technology Manager	<1 year

General Counsel

Best, Best & Krieger, LLP	60 years
---------------------------	----------

Western Municipal Water District Organizational Chart



This page intentionally left blank.

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Western Municipal Water District
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Western Municipal Water District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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 basic financial statements referred to above present fairly, in all material respects, the financial position of District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the plan's net pension liability and related ratios as of the measurement date, the schedule of plan contributions, and the other post-employment benefits schedule of funding progress, identified as Required Supplementary Information (RSI) in the accompanying 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, 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.

White Nelson Dick Evans LLP

Irvine, California
December 14, 2016

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

Board of Directors
Western Municipal Water District
Riverside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Western Municipal Water District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2016.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

White Nelson Dickel Evans LLP

Irvine, California
December 14, 2016

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, 2016. 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

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 a "proprietary." The primary activities of the District include the sale and delivery of potable and non-potable water to wholesale, domestic, agricultural and commercial accounts, as well as the collection, treatment and disposal of wastewater. The District also provides both operating and administrative contract services to other agencies within its 527-square-mile service area.

Required Financial Statements

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

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

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

The *Notes to 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 2016, net non-operating revenues were not sufficient to cover net operating expenses. 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 year.

Condensed Statements of Net Position as of June 30, 2016 and 2015

	<u>As of June 30,</u>		<u>Increase (Decrease)</u>	
	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current	\$ 117,348,936	\$ 115,048,418	\$ 2,300,518	2.0%
Noncurrent:				
Capital	377,247,714	377,403,126	(155,412)	-0.04%
Other	42,695,100	44,571,615	(1,876,515)	-4.2%
Total Assets	<u>\$ 537,291,750</u>	<u>\$ 537,023,159</u>	<u>\$ 268,591</u>	<u>0.1%</u>
Deferred Outflows of Resources				
Deferred swap outflow	\$ 2,340,387	\$ -	2,340,387	-
Deferred outflow of resources - debt refunding	14,950,200	9,553,644	5,396,556	56.5%
Deferred outflow of resources - pension	4,144,226	1,887,884	2,256,342	119.5%
Total Deferred Outflows of Resources	<u>\$ 21,434,813</u>	<u>\$ 11,441,528</u>	<u>\$ 9,993,285</u>	<u>87.3%</u>
Liabilities				
Current	\$ 29,277,478	\$ 28,965,816	311,662	1.1%
Non-current	168,772,365	163,205,681	5,566,684	3.4%
Total Liabilities	<u>\$ 198,049,843</u>	<u>\$ 192,171,497</u>	<u>\$ 5,878,346</u>	<u>3.1%</u>
Deferred Inflows of Resources				
Deferred swap inflow	\$ -	\$ 1,403,988	(1,403,988)	-100.0%
Deferred inflow of resources - pension	1,621,935	3,297,977	(1,676,042)	-50.8%
Total Deferred Inflows of Resources	<u>\$ 1,621,935</u>	<u>\$ 4,701,965</u>	<u>\$ (3,080,030)</u>	<u>-65.5%</u>
Net Position				
Net investment in capital assets	\$ 245,988,252	\$ 245,674,302	313,950	0.1%
Restricted for debt service	-	144,619	(144,619)	-100.0%
Restricted for capacity charges	26,101,407	25,480,723	620,684	2.4%
Unrestricted	86,965,126	80,291,581	6,673,545	8.3%
Total Net Position	<u>\$ 359,054,785</u>	<u>\$ 351,591,225</u>	<u>\$ 7,463,560</u>	<u>2.1%</u>

Assets

During the fiscal year ended June 30, 2016, total assets increased by \$0.3 million or 0.1%. This increase is due to increases in 1) investments by \$7.0 million, 2) assessments receivable by \$2.0 million, 3) other current assets of \$0.3 million, 4) other non-current assets of \$2.0 million, offset by decreases in 1) cash and investments by \$5.9 million, 2) restricted investments by \$3.7 million, and 3) derivative instruments by \$1.4 million.

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, 2016, total deferred outflows of resources increased by \$10.0 million. This increase is due to a deferred swap outflow, in the amount \$2.3 million, an increase of deferred outflows of resources related to debt refunding, in the amount of \$5.4 million, and deferred outflows of resources related to pensions, in the amount of \$2.3 million. Information on the deferred swap inflow can be found in Note 8 and 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, 2016, total liabilities increased by \$5.9 million, or 3.1%. This increase was primarily due an increase in the net pension liability. Information on the District's pension can be found in Note 10.

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, 2016, the District's deferred inflows of resources decreased by \$3.0 million. This decrease is due to the reduction of deferred inflows of resources related to pensions in the amount of \$1.6 million, and a 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 increased during fiscal year 2016 by \$7.5 million, or 2.1%. This is primarily due to an increase of \$10.0 million in the deferred outflows of resources, offset by a decrease in deferred inflows of resources, in the amount of \$3.0 million. 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 position.

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, 2016 was \$246.0 million. The \$0.3 million, or 0.1% increase in fiscal year 2016 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, 2016 and 2015

	As of June 30,		Increase (Decrease)	
	2016	2015	\$ Change	% Change
Plant, building and improvements	\$ 385,127,925	\$ 383,355,526	\$ 1,772,399	0.5%
Capacity rights	35,508,825	35,454,189	54,636	0.2%
Construction-in-progress	74,680,922	65,486,256	9,194,666	14.0%
Land and land improvements	12,108,218	12,037,830	70,388	0.6%
Equipment and vehicles	16,345,452	15,828,758	516,694	3.3%
Total capital assets	523,771,342	512,162,559	11,608,783	2.3%
Less accumulated depreciation	(146,523,628)	(134,759,433)	(11,764,195)	8.7%
Capital assets, net	377,247,714	377,403,126	(155,412)	0.0%
Less related debt:				
State Water Resources Control Board				
La Sierra Pipeline	1,513,998	-	1,513,998	-
WRCRWA State Water Resources Control Board	64,898	96,042	(31,144)	-32.4%
Assessment District 90-1	-	135,000	(135,000)	-100.0%
2009 Series B bonds	-	45,499,096	(45,499,096)	-100.0%
2010 Series A bonds	5,945,370	7,068,927	(1,123,557)	-15.9%
2010 Series B bonds	42,562,046	42,550,856	11,190	0.0%
2012 Series A bonds	31,249,134	30,872,743	376,391	1.2%
2016 Series A bonds	45,556,053	-	45,556,053	-
Note on headquarters building	4,367,963	5,506,160	(1,138,197)	-20.7%
Total related debt	131,259,462	131,728,824	(469,362)	-0.4%
Net investment in capital assets	\$ 245,988,252	\$ 245,674,302	\$ 313,950	0.1%

Restricted for Debt Service – At June 30, 2016, the amount restricted for debt service was \$0 as the reserve requirement for Assessment District 90-1 Bonds was eliminated with the payoff of the 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 \$26.1 million restricted for capacity charges at June 30, 2016 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, 2016 was \$87.0 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 year:

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Years Ended June 30, 2016 and 2015

	Fiscal Years Ended June 30,		Increase (Decrease)	
	2016	2015	\$ Change	% Change
Operating Revenue	\$ 95,250,268	\$ 100,092,156	(4,841,888)	-4.8%
Operating Expenses	(111,085,922)	(116,186,587)	5,100,665	-4.4%
Net Non-operating Revenue	18,293,873	15,511,338	2,782,535	17.9%
Net Income (Loss) Before Capital Contributions	2,458,219	(583,093)	3,041,312	521.6%
Capital Contributions	5,005,341	5,139,531	(134,190)	-2.6%
Change in Net Position	7,463,560	4,556,438	2,907,122	63.8%
Net Position, July 1	351,591,225	358,282,017	(6,690,792)	-1.9%
Cumulative effect of GASB No. 68 implementation	-	(11,247,230)	11,247,230	
Net Position, July 1, as restated	-	347,034,787	(347,034,787)	
Net Position, June 30	\$ 359,054,785	\$ 351,591,225	7,463,560	2.1%

Combined Revenue

The following table presents a comparison of revenues by category for the fiscal years ended June 30, 2016 and 2015:

Revenues by Category for the Fiscal Years Ended June 30, 2016 and 2015

	Fiscal Years Ended June 30,		Increase (Decrease)	
	2016	2015	\$ Change	% Change
Water sales	\$ 63,988,478	\$ 69,533,791	(5,545,313)	-8.0%
Water service	16,669,887	16,841,065	(171,178)	-1.0%
Wastewater disposal	10,234,040	10,292,222	(58,182)	-0.6%
Contractual services	3,575,488	2,501,677	1,073,811	42.9%
Property taxes	18,837,852	18,266,670	571,182	3.1%
Investment earnings	4,759,409	2,221,947	2,537,462	114.2%
Capacity rights sales	338,202	414,280	(76,078)	-18.4%
Intergovernmental revenue	855,836	853,994	1,842	0.2%
Other	1,135,639	2,009,281	(873,642)	-43.5%
Total revenues	\$ 120,394,831	\$ 122,934,927	(2,540,096)	-2.1%
Capital contributions	5,005,341	5,139,531	(134,190)	-2.6%
Total revenues and capital contributions	\$ 125,400,172	\$ 128,074,458	(2,674,286)	-2.1%

Combined revenue (excluding capital contributions) for fiscal year 2016 totaled \$120.4 million, a decrease of \$2.5 million, or 2.1%. The most significant variances from fiscal year 2016 to 2015 were in three revenue categories: water sales (\$5.6 million decrease), investment earnings (\$2.5 million increase), and contractual services (\$1.1 million increase).

Water Sales – The \$5.6 million decrease in water sales is a result of drought-motivated water use reduction, following Governor Brown’s drought-related Executive Order made in April 2015.

Investment Earnings – The \$2.5 million increase in investment earnings was primarily due to a change in realized and unrealized gains and losses on investments. In 2015 the District experienced a realized and unrealized loss of \$82,000, whereas in 2016, the District experienced a realized and unrealized gain of \$2.3 million. The District also experienced an increase of \$131,000 in interest income.

Contractual Services – In addition to providing water and wastewater services, the District provides operations and administrative services to developers and several neighboring agencies. Revenue from these services increased by \$1.1 million primarily due to an increase in contractual services rendered to WRCRWA for operation and maintenance of the WRCRWA plant.

Capital Contributions

During fiscal year 2016, the District experienced a decrease of \$134,000, or 2.6%, 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 an increase in grant proceeds, offset by a decrease in developer capital contributions.

Combined Expenses

The following table presents a comparison of expenses by category for the fiscal years ended June 30, 2016 and 2015:

Expenses by Category for the Fiscal Years Ended June 30, 2016 and 2015

Expense Category	Fiscal Years Ended June 30,		Increase (Decrease)	
	2016	2015	\$ Change	% Change
Source of supply	\$ 1,882,911	\$ 1,989,143	(106,232)	-5.3%
Purchased water	55,342,184	60,519,291	(5,177,107)	-8.6%
Pumping - booster pumps	4,703,808	4,327,789	376,019	8.7%
Water treatment	2,361,121	1,694,759	666,362	39.3%
Transmission and distribution	10,040,804	8,019,861	2,020,943	25.2%
Administrative and general	8,239,639	11,671,604	(3,431,965)	-29.4%
Contractual services	3,261,688	2,413,961	847,727	35.1%
Special studies and projects	233,297	337,403	(104,106)	-30.9%
Wastewater disposal	9,610,188	9,032,370	577,818	6.4%
Depreciation and amortization	12,787,432	12,904,209	(116,777)	-0.9%
Interest expense	5,122,063	6,048,196	(926,133)	-15.3%
Other	4,351,477	4,559,434	(207,957)	-4.6%
Total expenses	\$ 117,936,612	\$ 123,518,020	(5,581,408)	-4.5%

Combined expenses for fiscal year 2016 totaled \$117.9 million, a decrease of \$5.6 million, or 4.5% from the prior year. The most significant variances from fiscal year 2016 to 2015 were in three expense categories: purchased water (\$5.2 million decrease), administrative and general (\$3.4 million decrease), and transmission and distribution (\$2.0 million increase).

Purchased Water – The decrease in purchased water expense of \$5.2 million resulted from the decrease in volume of imported water during fiscal year 2016 from MWD as a result of lower demand following Governor Brown’s drought mandate.

Administrative and General – The \$3.4 million decrease in the administrative and general expense is primarily due to a change in expense allocations. There are corresponding increases in other expense categories offsetting this amount.

Transmission & Distribution – The increase in transmission & distribution expense of \$2.0 million is due to system maintenance of \$0.3 million and a change in expense allocations attributing to a \$1.7 million increase in this expense category item.

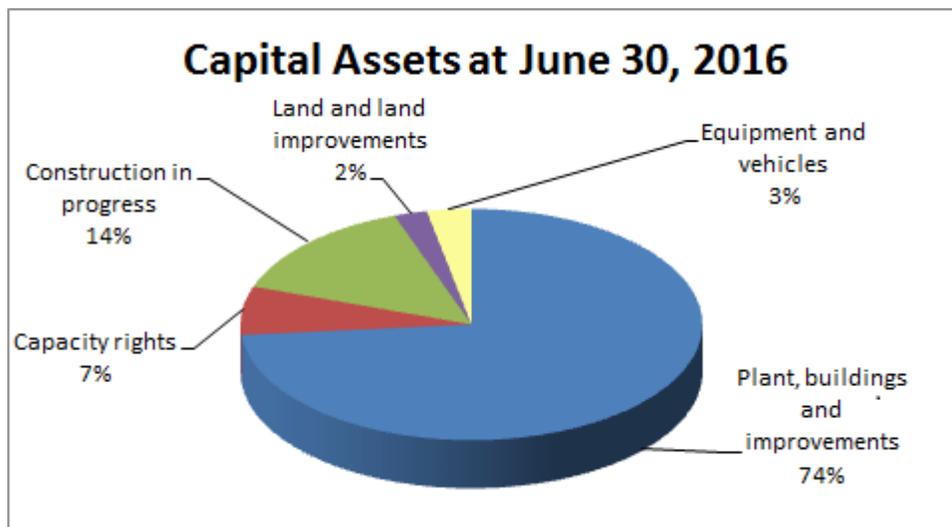
Capital Assets

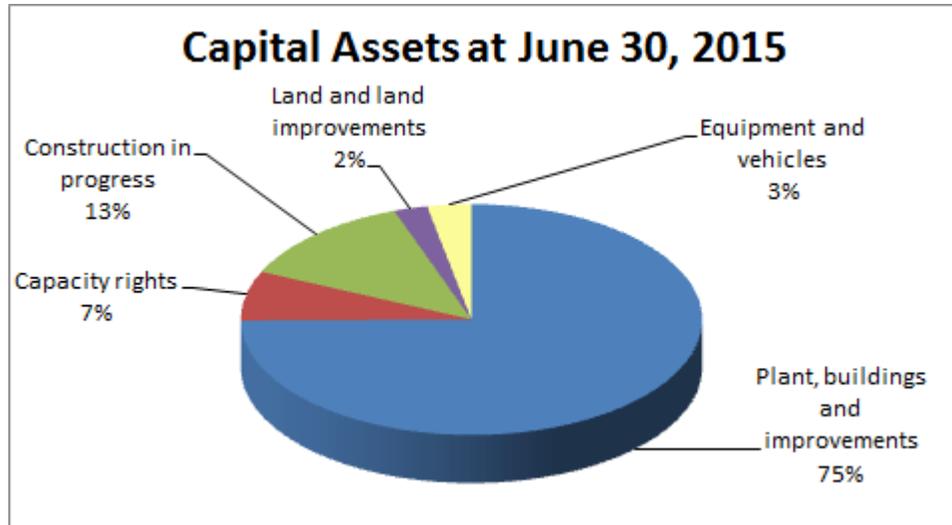
The District’s investment in capital assets as of June 30, 2016 was \$377.2 million (net of accumulated depreciation). This includes investment in buildings, building improvements, capacity rights, land, land improvements, equipment, vehicles, and plant assets such as supply sources, pumping stations, 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

	<u>2016</u>	<u>2015</u>
Plant, buildings and improvements	\$ 385,127,925	\$ 383,355,526
Capacity rights	35,508,825	35,454,189
Construction-in-progress	74,680,922	65,486,256
Land and land improvements	12,108,218	12,037,830
Equipment and vehicles	<u>16,345,452</u>	<u>15,828,758</u>
Total capital assets	523,771,342	512,162,559
Less accumulated depreciation	<u>(146,523,628)</u>	<u>(134,759,433)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 377,247,714</u>	<u>\$ 377,403,126</u>





Long-term Liabilities

As of June 30, 2016, the District has outstanding long-term liabilities of \$173.0 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 compensated absences can be found in Note 5, information regarding long-term debt can be found in Note 7, information regarding derivative instrument - interest rate swap can be found in Note 8, 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

	2016	2015
Compensated absences	\$ 2,506,750	\$ 2,312,155
Due to other governments	1,757,012	1,975,276
Bonds payable		
Improvement bonds	-	135,000
Revenue bonds	144,145,000	143,575,000
Unamortized discount	(274,359)	(681,648)
Unamortized premium	305,370	438,928
Swap liability	5,450,349	6,014,944
Note payable	4,367,963	5,506,160
Net pension liability	12,365,976	9,298,222
Derivative instrument - interest rate swap	2,340,387	-
Total long-term liabilities	172,964,448	168,574,037
Less current portion	(4,192,083)	(5,368,356)
Total long-term liabilities, net of current portion	<u>\$ 168,772,365</u>	<u>\$ 163,205,681</u>

Economic Factors and Next Year's Budgets and Rates

Slow growth in the District's service area is not expected to change for the next 3-5 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 2017 fiscal year budget includes \$13.1 million in capital projects.

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 spring 2017. A wastewater rate increase of 4% for most of the District's customers went into effect on October 1, 2016, to accommodate rising costs to operate and maintain the wastewater system.

Contacting the District's Financial Management

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, 2016

	2016
<i>Assets and Deferred Outflows of Resources</i>	
Current assets:	
Cash (note 2)	\$ 3,500,207
Investments (note 2)	89,926,177
Receivables, net (note 4)	20,796,628
Stored groundwater inventory	1,525,095
Materials and supplies inventory	1,017,363
Other current assets	583,466
Total current assets	117,348,936
Non-current assets:	
Restricted investments (note 2, 3)	29,918,202
Notes receivable (note 4)	6,364,280
Assessments receivable	2,000,326
Other non-current assets	4,412,292
Capital assets not being depreciated (note 6)	105,959,774
Capital assets being depreciated, net (note 6)	271,287,940
Total non-current assets	419,942,814
Total assets	537,291,750
Deferred outflows of resources:	
Deferred swap outflow (note 8)	2,340,387
Deferred outflow of resources - debt refunding	14,950,200
Deferred outflow of resources - pension (note 10)	4,144,226
Total deferred outflows of resources	21,434,813
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Current liabilities:	
Accounts payable and accrued expenses	19,865,030
Customer deposits and unearned revenue	1,716,613
Construction advances	2,583,252
Accrued interest payable	920,500
Long-term liabilities - due in less than one year:	
Compensated absences (note 5)	1,944,725
Due to other governments (note 7)	32,017
Note payable (note 7)	1,185,341
Bonds payable (note 7)	1,030,000
Total current liabilities	29,277,478
Non-current liabilities:	
Long-term liabilities - due in more than one year:	
Compensated absences (note 5)	562,025
Due to other governments (note 7)	1,724,995
Note payable (note 7)	3,182,622
Bonds Payable (note 7)	148,596,360
Net pension liability (note 10)	12,365,976
Derivative instrument - interest rate swap (note 8)	2,340,387
Total non-current liabilities	168,772,365
Total liabilities	198,049,843
Deferred inflows of resources:	
Deferred inflow of resources - pension (note 10)	1,621,935
Total deferred inflows of resources	1,621,935
Net Position:	
Net investment in capital assets (note 9)	245,988,252
Restricted for capacity charges (note 3)	26,101,407
Unrestricted	86,965,126
Total net position	\$ 359,054,785

See accompanying notes to the basic financial statements

Western Municipal Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	2016
Operating Revenues:	
Water sales	\$ 63,988,478
Water service	16,669,887
Wastewater disposal	10,234,040
Other charges and services	782,375
Contractual services	3,575,488
Total operating revenues	95,250,268
Operating Expenses:	
Source of supply	1,882,911
Purchased water	55,342,184
Pumping - booster pumps	4,703,808
Water treatment	2,361,121
Transmission and distribution	10,040,804
Customer accounts	1,133,477
Administrative and general	8,239,639
Contractual services	3,261,688
Special studies and projects	233,297
Wastewater disposal	9,610,188
Other operating expense	1,489,373
Total operating expenses before depreciation and amortization	98,298,490
Operating loss before depreciation and amortization	(3,048,222)
Depreciation and amortization	(12,787,432)
Operating loss	(15,835,654)
Non-operating revenues (expenses):	
Property taxes and assessments	18,837,852
Investment earnings	4,759,409
Interest expense	(5,122,063)
Capacity rights sales	338,202
Intergovernmental revenue	855,836
Other revenues	353,264
Other expenses	(1,499,812)
Loss on disposal of assets, net	(228,815)
Total net non-operating revenues	18,293,873
Net income before capital contributions	2,458,219
Capital contributions:	
Capacity charges	696,787
Developer capital contributions	251,167
Federal, state and local capital grants	4,057,387
Total capital contributions	5,005,341
Change in net position	7,463,560
Net position, beginning of year	351,591,225
Net position, end of year	\$ 359,054,785

See accompanying notes to the basic financial statements

**Western Municipal Water District
Statement of Cash Flows
For the Year Ended June 30, 2016**

	2016
Cash flows from operating activities:	
Cash receipts from customers for water sales and services	\$ 94,751,571
Cash paid to employees for salaries and wages	(16,627,028)
Cash paid to vendors and suppliers for materials and services	(81,653,506)
Net cash (used in) operating activities	(3,528,963)
Cash flows from non-capital financing activities:	
Proceeds from property taxes and assessments	18,875,235
Proceeds from notes receivable	22,965
Proceeds from intergovernmental revenue	855,836
Deposit for swap collateral requirement	(3,940,000)
Net cash provided by non-capital financing activities	15,814,036
Cash flows from capital and related financing activities:	
Proceeds from capacity rights sales	104,111
Proceeds from notes receivable	978,190
Acquisition and construction of capital assets	(13,034,526)
Proceeds from capital contributions	5,250,451
Proceeds from the issuance of long-term debt	46,603,130
Defeasance of bonds payable	(51,078,108)
Principal paid on long-term debt	2,008,367
Interest paid on long-term debt	(5,265,614)
Net cash (used in) capital and related financing activities	(14,433,999)
Cash flows from investing activities:	
Investment earnings	2,162,703
Purchase of investments	(88,582,587)
Proceeds from sale of investments	82,640,006
Net cash (used in) investing activities	(3,779,878)
Net (decrease) in cash	(5,928,804)
Cash, beginning of year	9,429,011
Cash, end of year	\$ 3,500,207

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, 2016**

2016

Reconciliation of operating loss to net cash used in operating activities:

Operating loss		\$ <u>(15,835,654)</u>
-----------------------	--	------------------------

Adjustments to reconcile operating loss to net cash used in operating activities:

Depreciation		12,787,432
Other revenues		597,704
Other expenses		(715,366)

Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:

(Increase) decrease in assets:		
Accounts receivable		(840,408)
Materials and supplies inventory		133,596
Other current assets		(277,433)
(Increase) in deferred outflow of resources:		
Deferred outflow of resources - pension		(2,282,038)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		949,490
Customer deposits and unearned revenue		341,711
Compensated absences		194,595
Net pension liability		3,067,754
Increase in deferred inflow of resources:		
Deferred inflow of resources - pension		<u>(1,650,346)</u>
Total adjustments		<u>12,306,691</u>
Net cash (used in) operating activities		<u><u>\$ (3,528,963)</u></u>

Non-cash investing, capital and financing transactions:

Change in fair value of investments		\$ 2,558,662
Capital contributions		177,638
Acquisition and construction of capital assets in accounts payable		557,059

See accompanying notes to the basic financial statements

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(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 89% of its water from the Metropolitan Water District of Southern California. Approximately 29% of the purchased water comes from the Colorado River aqueduct and approximately 71% 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 using the economic resources measurement focus, 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, 2016**

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

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

1. Investments

Investments are generally reported in the accompanying statement of net position at fair value. Fair value is 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. 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 \$82,978 for the fiscal year ended June 30, 2016.

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, 2016

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

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows 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*.

Management 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. Inventory

Inventory consists primarily of materials and supplies used in the construction and maintenance of the District's ongoing operations and are valued at weighted average cost.

6. 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 \$10,000 and an estimated useful life of more than two years. Donated assets are recorded at acquisition 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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

- (1) **Reporting Entity and Summary of Significant Accounting Policies, continued**
- C. **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position, continued**

6. Capital Assets, continued

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. Management 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, 2016.

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.

7. 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.

8. Deferred Outflows of Resources and Deferred Inflows 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 outflows of resources, liabilities, and deferred inflows of resources be reported as net position. The impact of deferred outflows of resources and deferred inflows of resources on net position are explained in the following paragraphs.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

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

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position, continued

8. Deferred Outflows of Resources and Deferred Inflows of Resources, continued

At June 30, 2016, the District has three items reported as deferred outflows of resources. The first item relates to the deferred swap outflow of \$2,340,387. The amount would be recognized as an investment loss upon the early termination of the swap as it represents the fair value or marked-to-market value of the swap at June 30, 2016. The District currently has no intention of terminating its interest rate swap agreement in advance. The second item relates to the deferred outflow of resources on debt refunding of \$14,950,200 at June 30, 2016. This amount relates to previous debt refundings as well as deferred loss on refunding of \$6,461,573 relating to the 2016 Series A Bonds refunding of 2009 Series B Bonds that took place in January 2016. It represents the difference in the carrying value of refunded debt and their reacquisition prices, net of amortization. The deferred outflows 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 third item is the deferred outflow of resources related to pension of \$4,144,226. This amount includes the pension contributions made after the measurement date of the net pension liability, differences between expected and actual experience, an adjustment due to differences in 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, 2016, the District has one item reported as deferred inflow of resources related to pension, in the amount of \$1,621,935. This amount includes the deferred inflow resulting from changes of assumptions, 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.

9. 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 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 does not meet the definition of *restricted* or *invested in capital assets*.

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, 2016

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

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 in the statement of revenues, expenses and changes 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 in the statement of net position and as capital grant contribution or non-operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

E. Pensions

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense (income), information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) cost-sharing plan (Plan) and additions to/deductions from the Plan's 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 outflows of resources, liabilities, deferred inflows 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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

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

H. Fair Value Measurements

District management applies the provisions of GASB Statement No. 72, Fair Value Measurement and Application, for valuing assets and liabilities. GASB No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs, other than quoted prices; Level 3 inputs are significant unobservable inputs.

(2) Cash and Investments

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

	2016
Cash	\$ 3,500,207
Investments	89,926,177
Restricted investments	29,918,202
Total investments	119,844,379
Total cash and investments	\$ 123,344,586

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

	2016
Petty cash	\$ 16,884
Deposits with financial institutions	3,483,323
Total cash	3,500,207
Money Market Funds	344,248
California Local Agency Investment Fund	8,158,220
U.S. Treasury Obligations	25,583,356
Government Sponsored Agency Securities	45,334,856
Corporate Medium-Term Notes	26,000,750
Commercial Paper	6,065,251
Asset-Backed Securities	7,062,591
Collateralized Mortgage Obligations	1,270,088
Held by fiscal agent:	
Money Market Funds	25,019
Total investments	119,844,379
Total cash and investments	\$ 123,344,586

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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(2) Cash and Investments, continued

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Municipal Securities	5 years	30%	5%
California State and Local Agency Obligations			
Notes or Bonds of any of the other 49 states			
U.S. Treasury Obligations	10 years	No limit	No limit
U.S. Government Agency Securities Obligations	10 years	No limit	25%
Banker's Acceptances	180 days	40%	5%
Prime Commercial Paper	270 days	25%	5%
Federally Insured Time Deposits (Non-negotiable CDs)	5 years	20% (combined with collateralized Time Deposits)	FDIC Limit
Collateralized Time Deposits (Non-negotiable CDs)	5 years	20% (combined with Federally- insured Time Deposits)	No limit
Certificate of Deposit Placement Services (CDARS)	5 years	30% (combined with CDs)	No limit
Negotiable Certificates of Deposit (NCDs)	5 years	30% (combined with CDARS)	5%
Repurchase Agreements	90 days	No limit	5%
Corporate Medium-Term Notes	5 years	30%	5%
California State Local Agency Investment Fund	N/A	\$50 million	No limit
Money Market Mutual Funds	5 years	20%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
Asset-Backed Securities	5 years	20%	5%
Collateralized Mortgage Obligations	5 years	20%	5%
Local Government Pooled Investment Funds	N/A	No limit	No limit
CalTrust Pooled Investment Funds	N/A	No limit	No limit

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(2) Cash and Investments, continued

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Government Obligations	No limit	No limit	No limit
Local Agency Bonds	No limit	No limit	No limit
U.S. Agency Securities	No limit	No limit	No limit
Certificates of Deposit	365 days	10%	No limit
Money Market Funds	N/A	No limit	No limit
Local Agency Investment Fund ⁽¹⁾	N/A	\$50 million	No limit

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund (LAIF)). All investments, other than LAIF, are in the name of the District and held by a third-party custodian.

At June 30, 2016, the carrying amount of the District's deposits was \$3,483,323, and the corresponding bank balance was \$4,292,603. The difference of \$809,280 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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(2) Cash and Investments, continued

Investment in State Investment Pool

The District is a voluntary participant in LAIF, which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy provides limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Maturities of investments at June 30, 2016 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
U.S. Treasury Notes	\$ 25,583,356	\$ -	\$ 8,107,800	\$ 17,475,556
Government Sponsored Agency Securities	45,334,856	1,661,765	29,437,184	14,235,907
Corporate Medium-Term Notes	26,000,750	1,499,622	24,501,128	-
Commercial Paper	6,065,251	6,065,251	-	-
Asset-Backed Securities	7,062,591	-	7,062,591	-
Collateralized Mortgage Obligations	1,270,088	-	1,270,088	-
California Local Agency Investment Fund	8,158,220	8,158,220	-	-
Money Market Funds	369,267	369,267	-	-
Total	<u>\$ 119,844,379</u>	<u>\$ 17,754,125</u>	<u>\$ 70,378,791</u>	<u>\$ 31,711,463</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings of investments as of June 30, 2016 were as follows:

Investment Type	Fair Value	Minimum Policy Rating	Exempt From Disclosure	Ratings as of Year-End			Not Rated
				AAA	AA	A	
U.S. Treasury Obligations	\$ 25,583,356	N/A	\$ 25,583,356	\$ -	\$ -	\$ -	-
Government Sponsored Agency Securities	45,334,856	None	-	-	45,334,856	-	-
Corporate Medium-Term Notes	26,000,750	A	-	-	9,308,606	16,692,144	-
Commercial Paper	6,065,251	A	-	-	-	6,065,251	-
Asset-Backed Securities	7,062,591	AA	-	7,062,591	-	-	-
Collateralized Mortgage Obligations	1,270,088	AA	-	1,270,088	-	-	-
California Local Agency Investment Fund	8,158,220	None	-	-	-	-	8,158,220
Money Market Funds	369,267	*	-	344,248	-	-	25,019
	<u>\$ 119,844,379</u>		<u>\$ 25,583,356</u>	<u>\$ 8,676,927</u>	<u>\$ 54,643,462</u>	<u>\$ 22,757,395</u>	<u>\$ 8,183,239</u>

* Highest rating by at least 2 nationally recognized statistical rating agencies.

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 6.61% of the District's total depository and investment portfolio as of June 30, 2016. Investments in any one issuer other than U.S. Treasury Securities, Mutual Funds and external investment pools that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	2016 Reported Amount	2016 % of Total Investments
Federal Home Loan Bank	Government Sponsored Agency Securities	\$ 9,861,171	8%
Federal National Mortgage Association	Government Sponsored Agency Securities	15,992,595	13%
Federal Home Loan Mortgage Corp.	Government Sponsored Agency Securities	11,749,657	9%

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(2) Cash and Investments, continued

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. When quoted prices in active markets are not readily available, fair values are based on pricing models or matrices maximizing the use of observable inputs for similar securities as received by the District's investment manager from a third party service provider. For the District's derivative instrument – interest rate swap, it is valued based on applying a standard interest rate swap valuation methodology and by taking into account certain observable interest curves. Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Fair Value or Amortized Cost	Quoted prices in active markets for identical assets Level (1)	Significant other observable inputs Level (2)	Significant unobservable inputs Level (3)
U.S. Treasury Obligations	\$ 25,583,356	\$ -	\$ 25,583,356	\$ -
Government Sponsored Agency Securities	45,334,856	-	45,334,856	-
Corporate Medium-Term Notes	26,000,750	-	26,000,750	-
Asset-Backed Securities	7,062,591	-	7,062,591	-
Collateralized Mortgage Obligations	1,270,088	-	1,270,088	-
California Local Agency Investment Fund	8,158,220	-	8,158,220	-
Money Market Funds	<u>369,267</u>	<u>369,267</u>	-	-
Investments at fair value	113,779,128	369,267	113,409,861	\$ -
Investments at amortized cost				
Commercial Paper	<u>6,065,251</u>	-	-	-
Investments at amortized cost	<u>6,065,251</u>	-	-	-
Total	<u>\$ 119,844,379</u>	<u>\$ 369,267</u>	<u>\$ 113,409,861</u>	<u>\$ -</u>
Derivative Instrument – interest rate swap	<u>\$ (2,340,387)</u>	<u>\$ -</u>	<u>\$ (2,340,387)</u>	<u>\$ -</u>

(3) Restricted Investments

Restricted investments at June 30 are restricted as follows:

	<u>2016</u>
Capacity charges	\$ 26,101,407
Customer deposits	1,235,743
Construction advances	2,556,034
2010 Series B Water Revenue Bonds Service Fund	20
2012 Series A Water Revenue Bonds Service Fund	15,057
2016 Series A Water Revenue Bonds Service Fund	<u>9,941</u>
	<u>\$ 29,918,202</u>

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(4) Receivables

Current Receivables, net

Current receivables at June 30 consisted of the following:

	2016
Utility services - wholesale	\$ 14,107,257
Utility services - retail	5,188,572
Allowance for doubtful accounts	(82,978)
Accrued interest	531,098
Property taxes & assessments	842,561
Other	210,118
	\$ 20,796,628

Notes Receivable, Non-current

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

	2016
Note receivable from Jurupa Community Services District	\$ 6,364,280

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:

Balance			Balance	Current	Long-term
2015	Earned	Taken	2016	Portion	Portion
\$ 2,312,155	\$ 2,187,683	\$ (1,993,088)	\$ 2,506,750	\$ 1,944,725	\$ 562,025

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(6) Capital Assets

The balance in capital assets for the year ended June 30, 2016 was as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>Balance 2016</u>
Capital assets not being depreciated:				
Land	\$ 7,970,768	\$ 70,388	\$ -	\$ 8,041,156
Capacity rights	23,248,406	-	(10,710)	23,237,696
Construction-in-progress	<u>65,486,256</u>	<u>13,013,354</u>	<u>(3,818,688)</u>	<u>74,680,922</u>
Total capital assets not being depreciated	<u>96,705,430</u>	<u>13,083,742</u>	<u>(3,829,398)</u>	<u>105,959,774</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	32,365,311	269,406	(87,038)	32,547,679
Water treatment plant	7,949,815	352,846	(240,510)	8,062,151
Transmission and distribution plant	203,943,317	1,712,435	(259,740)	205,396,012
Wastewater treatment plant	107,624,727	25,000	-	107,649,727
Buildings	29,521,019	-	-	29,521,019
Furniture, fixtures and office equipment	2,162,639	-	(209,312)	1,953,327
Vehicles	5,176,439	117,954	(404,502)	4,889,891
Construction and maintenance equipment	740,362	535,307	-	1,275,669
Computer equipment	6,540,101	445,952	(39,836)	6,946,217
Miscellaneous equipment	1,209,217	82,245	(11,114)	1,280,348
Capacity rights	<u>12,205,783</u>	<u>65,346</u>	<u>-</u>	<u>12,271,129</u>
Total capital assets being depreciated	<u>415,457,129</u>	<u>3,606,491</u>	<u>(1,252,052)</u>	<u>417,811,568</u>
Less accumulated depreciation:				
Land improvements	(2,421,142)	(154,664)	-	(2,575,806)
Plant	(815,919)	(8,231)	-	(824,150)
Source of supply - plant	(1,018,110)	(11,863)	-	(1,029,973)
Pumping plant	(15,168,174)	(1,250,911)	56,981	(16,362,104)
Water treatment plant	(5,370,444)	(266,828)	114,056	(5,523,216)
Transmission and distribution plant	(71,403,283)	(4,726,764)	202,965	(75,927,082)
Wastewater treatment plant	(18,905,418)	(3,801,736)	-	(22,707,154)
Buildings	(7,040,542)	(936,150)	-	(7,976,692)
Furniture, fixtures and office equipment	(1,841,885)	(301,716)	195,340	(1,948,261)
Vehicles	(3,897,923)	(289,886)	404,502	(3,783,307)
Construction and maintenance equipment	(692,414)	(9,714)	-	(702,128)
Computer equipment	(2,099,212)	(594,013)	38,279	(2,654,946)
Miscellaneous equipment	(559,951)	(113,133)	11,114	(661,970)
Capacity rights	<u>(3,525,016)</u>	<u>(321,823)</u>	<u>-</u>	<u>(3,846,839)</u>
Total accumulated depreciation	<u>(134,759,433)</u>	<u>(12,787,432)</u>	<u>1,023,237</u>	<u>(146,523,628)</u>
Total capital assets being depreciated, net	<u>280,697,696</u>	<u>(9,180,941)</u>	<u>(228,815)</u>	<u>271,287,940</u>
Total capital assets, net	<u>\$ 377,403,126</u>	<u>\$ 3,902,801</u>	<u>\$ (4,058,213)</u>	<u>\$ 377,247,714</u>

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(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>2016</u>
Chino Basin Desalter Expansion	\$	63,897,367
La Sierra Pipeline		2,590,131
Arlington Basin Recharge		1,563,033
Various projects		<u>6,630,391</u>
Construction-in-progress	\$	<u><u>74,680,922</u></u>

For the year-ended June 30, 2016, interest cost of \$1,263,899 was capitalized in relation to debt financing of construction projects and \$4,746,249 was charged to expense in which no interest is capitalized.

(7) Long-term Debt

Long-term debt activities for the year ended June 30, 2016 were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2016</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Due to other governments:						
Santa Ana Watershed Project Authority:						
SARI capacity use rights	\$ 1,879,234	\$ -	\$ (1,701,118)	\$ 178,116	\$ -	\$ 178,116
Western Riverside County Regional Wastewater Authority:						
State Water Resources Control Board	96,042	-	(31,144)	64,898	32,017	32,881
La Sierra Pipeline	-	1,513,998	-	1,513,998	-	1,513,998
State Water Resources Control Board	-	1,513,998	-	1,513,998	-	1,513,998
Total due to other governments	<u>1,975,276</u>	<u>1,513,998</u>	<u>(1,732,262)</u>	<u>1,757,012</u>	<u>32,017</u>	<u>1,724,995</u>
Bonds payable:						
Improvement Bonds	135,000	-	(135,000)	-	-	-
2009 Series B bonds	50,415,000	-	(50,415,000)	-	-	-
Unamortized discount	(477,505)	-	477,505	-	-	-
2010 Series A bonds	6,630,000	-	(990,000)	5,640,000	1,030,000	4,610,000
2010 Series B bonds	42,755,000	-	-	42,755,000	-	42,755,000
Unamortized premium	438,928	-	(133,558)	305,370	-	305,370
Unamortized discount	(204,143)	-	11,189	(192,954)	-	(192,954)
2012 Series A bonds	43,775,000	-	-	43,775,000	-	43,775,000
2016 Series A bonds	-	51,975,000	-	51,975,000	-	51,975,000
Unamortized discount	-	(82,998)	1,593	(81,405)	-	(81,405)
Swap liability ⁽¹⁾	6,014,944	-	(564,595)	5,450,349	-	5,450,349
Total bonds payable	<u>\$ 149,482,224</u>	<u>\$ 51,892,002</u>	<u>\$ (51,747,866)</u>	<u>\$ 149,626,360</u>	<u>\$ 1,030,000</u>	<u>\$ 148,596,360</u>
Note payable:						
Note payable - headquarters building	5,506,160	-	(1,138,197)	4,367,963	1,185,341	3,182,622
Total note payable	<u>5,506,160</u>	<u>-</u>	<u>(1,138,197)</u>	<u>4,367,963</u>	<u>1,185,341</u>	<u>3,182,622</u>
Total long-term debt	<u>\$ 156,963,660</u>	<u>\$ 53,406,000</u>	<u>\$ (54,618,325)</u>	<u>\$ 155,751,335</u>	<u>\$ 2,247,358</u>	<u>\$ 153,503,977</u>

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

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(7) Long-term Debt, continued

The future annual maturities of all long-term borrowing as of June 30, 2016 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 and the 2016 Series A bonds are successfully reissued at the stated rate of the bonds and over the original terms:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest ⁽¹⁾</u>	<u>Total</u>
2017	\$ 2,247,358	\$ 4,766,806	\$ 7,014,164
2018	3,921,382	4,924,660	8,846,042
2019	4,049,621	4,778,406	8,828,027
2020	3,492,948	4,660,785	8,153,733
2021	2,945,937	4,543,885	7,489,822
2022-2026	21,934,080	27,177,317	49,111,397
2027-2031	26,590,625	22,519,605	49,110,230
2032-2036	32,608,449	16,507,523	49,115,972
2037-2041	40,582,650	8,251,948	48,834,598
2042-2046	11,713,335	405,616	12,118,951
2047-2051	183,590	5,535	189,125
Total	150,269,975	\$ 98,542,086	\$ 248,812,061
Unamortized discount	(274,359)		
Unamortized premium	305,370		
SWAP Liability	5,450,349		
Total	155,751,335		
Less current portion	(2,247,358)		
Total non-current	\$ 153,503,977		

⁽¹⁾ The 2012 Series A bonds have an assumed interest rate of 2.715% based on the swap and the 2016 Series A bonds have an assumed interest rate of 4%.

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. In December 2015, the District elected to pay off the interest-bearing portion of the note relating to the purchase of 1.5 MGD out of the total 2.0 MGD. As such, at June 30, 2016, the District's outstanding balance on the noninterest-bearing portion of the note is \$178,116, which relates to the remainder of the capacity use rights purchase. 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, fully paid in December 2015, for their purchase. The City of Corona paid \$4.6 million in cash for its purchase.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(7) Long-term Debt, continued

Due to Other Governments, continued

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

As of June 30, 2016, the future annual maturities of the District's obligation are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ -	-
2018	89,063	-	89,063
2019	89,053	-	89,053
Total	178,116	\$ -	\$ 178,116
Less current portion	-		
Total non-current	\$ 178,116		

State Water Resources Control Board – Contracts 3 and 4

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

State Water Resources Control Board – Contract 3

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

State Water Resources Control Board – Contract 4

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

The loans with the State Water Resources Control Board contain covenants and restrictions that include, but are not limited to, assurances relating to adherence to the Clean Water Act, Equal Opportunity and Civil rights laws, and certain other assurances. As of June 30, 2016, the future annual maturities of the District's obligation are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 32,017	\$ 1,817	\$ 33,834
2018	32,881	921	33,802
Total	64,898	\$ 2,738	\$ 67,636
Less current portion	(32,017)		
Total non-current	\$ 32,881		

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(7) Long-term Debt, continued

Due to Other Governments, continued

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. As of June 30, 2016, \$1,513,998 has been drawn down from the loan agreement. The repayment term is 30 years beginning one year after construction is completed. The loan is 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.

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ -	-
2018	-	-	-
2019	-	-	-
2020	40,332	22,710	63,042
2021	40,937	22,105	63,042
2022-2026	214,080	101,128	315,208
2027-2031	230,625	84,583	315,208
2032-2036	248,449	66,759	315,208
2037-2041	267,650	47,558	315,208
2042-2046	288,335	26,873	315,208
2047-2051	183,590	5,535	189,125
Total	1,513,998	\$ 377,251	\$ 1,891,249
Less current portion	-		
Total non-current	\$ 1,513,998		

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 were matured and fully paid on September 2, 2015. The original issuance discount was amortized using the effective interest rate method over the life of the bonds. The interest rate varied from 6.80% to 7.125%.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(7) Long-term Debt, continued

Bonds Payable, continued

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, which are outstanding as of June 30, 2016 in the amount of \$5,640,000. 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.

As of June 30, 2016, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		
	Principal	Interest	Total
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	1,230,000	49,200	1,279,200
Total	5,640,000	\$ 765,700	\$ 6,405,700
Less current portion	(1,030,000)		
Total non-current	\$ 4,610,000		

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, outstanding as of June 30, 2016 in the amount of \$42,755,000, 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, 2016**

(7) Long-term Debt, continued

Bonds Payable, continued

2010 Series B Bonds, continued

As of June 30, 2016, the future annual maturities of the District's obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		Total
	Principal	Interest	
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	-	2,630,711	2,630,711
2022-2026	6,765,000	12,514,031	19,279,031
2027-2031	8,095,000	10,461,991	18,556,991
2032-2036	9,825,000	7,757,285	17,582,285
2037-2041	18,070,000	4,375,046	22,445,046
Total	42,755,000	\$ 48,261,908	\$ 91,016,908
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, 2016**

(7) Long-term Debt, continued

Bonds Payable, continued

2012 Series A Bonds, continued

As of June 30, 2016, 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 ⁽¹⁾	
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	1,675,000	1,062,244	2,737,244
2022-2026	9,410,000	4,592,558	14,002,558
2027-2031	11,405,000	3,211,031	14,616,031
2032-2036	5,210,000	1,764,479	6,974,479
2037-2041	-	1,550,944	1,550,944
2042-2046	11,425,000	378,743	11,803,743
Total	43,775,000	<u>\$ 17,190,974</u>	<u>\$ 60,965,974</u>
Less current portion	-		
Total non-current	<u>\$ 43,775,000</u>		

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

2016 Series A Bonds

In January 2016, the Authority issued \$51,975,000 of 2016 Series A Adjustable Rate Water Revenue Refunding Bonds (2016 Series A) to refund the District's 2009 Series B Water Revenue Bonds (2009 Series B).

The bonds are being issued to provide funds to advance refund in full the Authority's Water Revenue Bonds, 2009 Series B, delivered in the initial payment amount of \$54,340,000, of which \$49,695,000 is currently outstanding and to pay certain costs of issuance of the bonds. Consequently, the 2009 Series B bonds were considered defeased and were removed from the financial statements during fiscal year 2016. The bonds will be initially issued in the long-term rate and bear interest at 1.50% per annum through the mandatory tender date on October 1, 2020. Upon reissue, the bonds will bear interest at either variable or fixed rates. The District made the first interest payment on April 1, 2016. The bonds are subject to mandatory tender and if not remarketed or otherwise purchased would constitute a default under the indenture.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(7) Long-term Debt, continued

Bonds Payable, continued

2016 Series A Bonds, continued

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,461,573. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2039. Assuming the District can reissue the bonds at a fixed rate of 4%, the estimated economic gain (difference between the present value of the old and new debt service payments assuming a 4% fixed interest at future refunding) is \$4,724,022. Should the District not be able to reissue at 4%, the economic gain may be significantly different.

As of June 30, 2016, the future annual maturities of the District's obligation are estimated as follows:

Year Ending June 30,	Variable-Rate Bonds		Total
	Principal	Interest ⁽¹⁾	
2017	\$ -	\$ 530,578	\$ 530,578
2018	-	779,625	779,625
2019	-	779,625	779,625
2020	-	779,625	779,625
2021	-	779,625	779,625
2022-2026	5,545,000	9,969,600	15,514,600
2027-2031	6,860,000	8,762,000	15,622,000
2032-2036	17,325,000	6,919,000	24,244,000
2037-2041	22,245,000	2,278,400	24,523,400
Total	51,975,000	\$ 31,578,078	\$ 83,553,078
Less current portion	-		
Total non-current	\$ 51,975,000		

(1) Assuming a 4% fixed interest rate at future reissuance.

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, 2016

(7) Long-term Debt, continued

Note Payable – Headquarters Building, continued

As of June 30, 2016, the future annual maturities of the District’s obligation are as follows:

Fiscal Year	Principal	Interest	Total
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	4,367,963	\$ 365,437	\$ 4,733,400
Less current portion	(1,185,341)		
Total non-current	\$ 3,182,622		

On July 1, 2016, the headquarters building note payable was refinanced via unsecured financing from a financial institution. Through the financing, the District borrowed an additional \$8 million to fund water and desalter capital projects. The new note payable calls for semiannual payments of \$700,546, including interest at 2.27%, through April 2026.

(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:

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(8) Interest Rate Swap, continued

<u>Description</u>	<u>Summary of Swap Payment Terms District</u>	<u>Counterparty</u>
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
Remaining 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

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, 2016. The resulting analyses reveal the swap is effective as a hedging instrument for 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, 2016 is “(\$2,340,387)”, which is the amount the District would owe as of this date should the swap be terminated. The (decrease) in fair value of (\$3,744,375) results in a decrease in deferred swap outflow of resources and a reduction in deferred swap inflow for the year ended June 30, 2016.

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, 2016 against their threshold rating for termination:

<u>Counterparty</u>	<u>Moody's</u>	<u>S&P</u>
Senior Debt	Baa1	NR
Threshold Amount	A3	A-
<u>Counterparty Guarantor</u>	<u>Moody's</u>	<u>S&P</u>
Senior Debt	Aa3	A+
Threshold Amount	A3	A-

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(8) Interest Rate Swap, continued

Interest Rate Risk

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

Basis Risk

The District is exposed to basis risk on the swap because the variable-rate payments received by the District are based on an index other than interest rates the District pays on hedged variable rate debt. For the fiscal year ended June 30, 2016, the District's 2012 Series A Bonds, which are hedged by the amended swap, had a weighted-average variable rate of 0.12%. Over the same period, the weighted average of 67% of one-month LIBOR was 0.22%. As of June 30, 2016, the current rate on the 2012 Series A Bonds was 0.39%, and the current rate of 67% of one-month USD LIBOR was 0.31%, resulting in a basis loss of 0.08% 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. The swap termination value at June 30, 2016 was within these limits.

(9) Net Investment in Capital Assets

The balance at June 30 consists of the following:

	2016
Capital assets not being depreciated	\$ 105,959,774
Capital assets being depreciated, net	271,287,940
Due to other governmental agencies	(1,578,896)
Bonds payable	(125,312,603)
Notes payable	(4,367,963)
Net investment in capital assets	\$ 245,988,252

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(10) Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Descriptions

The Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 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.

All qualified permanent and probationary employees are eligible to participate in the Plan, administered by CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans under the miscellaneous risk pool: Miscellaneous rate plan, Miscellaneous Second Tier rate plan and PEPRA Miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to Plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous rate 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 the Plan are applied as specified by the Public Employees' Retirement Law.

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

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(10) Defined Benefit Pension Plan, continued

A. General Information about the Pension Plan, continued

Benefits Provided, continued

District sponsored rate plans' provisions and benefits in effect at June 30, 2016 are summarized as follows:

	Miscellaneous Rate Plan	Miscellaneous Second Tier Rate Plan	PEPRA Miscellaneous Rate Plan
	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
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 - 67
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	9.671%	8.003%	6.237%

Contributions

Section 20814(c) of 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 plan 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, 2015 (the measurement date), the average active employee contribution rates for the respective District sponsored Miscellaneous Rate Plan, Miscellaneous Second Tier Rate Plan and PEPRA Miscellaneous Rate Plan are 8%, 7% and 6.25% of annual pay, and the respective employer's contribution rates are 15.869%, 11.032% and 6.25% of annual payroll. Employer contribution rates may change if Plan contracts are amended. Employer contributions made by the District to the Plan for the measurement period ended June 30, 2015 is \$1,686,011.

B. Net Pension Liability/(Asset)

The net pension liability/(asset) for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability/(asset) of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability/(asset) is as follows.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(10) Defined Benefit Pension Plan, continued

B. Net Pension Liability/(Asset), continued

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Asset valuation method	Actuarial value of assets
Actuarial assumptions:	
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.65% gross of pension plan investment and administrative expenses; includes inflation.
Discount rate	7.65% gross of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.
Post-retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance (PPPA) floor on purchasing power applies, 2.75% thereafter.

Discount Rate

The discount rate used by CalPERS to measure the total pension liability was 7.65%, which is set equal to the long-term expected rate of return gross of administrative expenses calculated using the capital market assumptions. 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% 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.

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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(10) Defined Benefit Pension Plan, continued

B. Net Pension Liability/(Asset), continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. The present value of benefits was calculated using the expected nominal returns for both short-term and long-term. 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 long-term 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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global equity	51.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

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

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(10) Defined Benefit Pension Plan, continued

B. Net Pension Liability/(Asset), continued

Pension Plan Fiduciary Net Position, continued

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.

C. Proportionate Share of Net Pension Liability

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	District's Total Pension Liability	District's Fiduciary Net Position	District's Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2014 (MD)	\$ 54,985,828	\$ 45,687,606	\$ 9,298,222
Balance at: 6/30/2015 (MD)	\$ 58,569,526	\$ 46,203,550	\$ 12,365,976
Net changes during 2014-15	\$ 3,583,698	\$ 515,944	\$ 3,067,754

Measurement Date (MD)

The District's net pension liability for the Plan is measured as the proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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 plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 were as follows:

	<u>Net Pension Liability</u>
Proportionate Share - June 30, 2014	0.37623%
Proportionate Share - June 30, 2015	0.45074%
Change - increase (decrease)	0.07451%

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(10) Defined Benefit Pension Plan, 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 for the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate - 1% (6.65)%	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65)%
District's Net Pension Liability	\$ 20,342,365	\$ 12,365,976	\$ 5,780,540

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).

The EARSL for the Plan for the June 30, 2015 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(10) Defined Benefit Pension Plan, continued

D. Pension Expense/(Income) and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2014), the District's proportionate share of the Plan's net pension liability is \$9,298,222, (the net pension liability of the Miscellaneous Risk Pool as of June 30, 2014 is \$2,471,487,278).

For the measurement period ending June 30, 2015 (the measurement date), the District incurred pension expense of \$836,366 (the pension expense for the risk pool for the measurement period is \$169,012,983). A complete breakdown of the pension income is as follows:

District's proportion applicable to pension expense/(income)	0.573511%
District's proportional share of pension expense/(income)	\$ 969,308
Recognition of employer-specific amounts	
Change in proportion	722,535
Difference between actual contributions and proportionate share of total contributions	86,024
Difference in proportions	(941,501)
Total District's pension expense	<u>\$ 836,366</u>

As of June 30, 2016, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,123	\$ -
Changes of assumptions	-	(1,022,940)
Net difference between projected and actual earnings on pension plan investments	-	(512,812)
Adjustment due to differences in proportions	2,157,162	(86,183)
Differences between the employer's contributions and the employer's proportionate share of contributions	177,945	-
Pension contributions subsequent to measurement date	1,700,996	-
Total	\$ 4,144,226	\$ (1,621,935)

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense. \$1,700,996 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, 2017. Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in future pension expense as follows:

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(10) Defined Benefit Pension Plan, continued

D. Pension Expense/(Income) and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, continued

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ 92,401
2017	89,392
2018	(15,996)
2019	655,498
2020	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$33,479 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

(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, 2016, there were 34 employees and 5 Board members who had retired and were eligible for Medical Plan benefits.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(11) Other Post-Employment Benefits, continued

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, 2016 and 2015, and 2014, 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 \$361,978, \$350,313 and \$360,559 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Funding Status and Funding Progress

The funded status of the Medical Plan as of the last actuarial valuation date of June 30, 2016 was as follows:

Actuarial accrued liability (AAL)	\$	12,914,798
Actuarial value of plan assets		<u>13,407,663</u>
Unfunded actuarial accrued asset (UAAL)	\$	(492,865)
Funded ratio (actuarial value of plan assets/AAL)		103.8%
Covered payroll (active plan members)	\$	13,840,640
UAAL as a percentage of covered payroll		-3.6%

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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(11) Other Post-Employment Benefits, continued

Actuarial Methods and Assumptions

In the June 30, 2016 actuarial valuation, the projected unit credit cost method was used, in which assets are valued at fair value. The actuarial assumptions included a 7.0% investment rate of return compounded annually (net of administrative expenses), 2.75% long-term inflation, and a healthcare inflation rate of 7.5% 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 open, level percentage of projected payroll amortization over the maximum allowable 30-year period. These calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility.

(12) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk-sharing joint-powers authority created to provide insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer insurance programs where loss is retained and shared among members, and to purchase excess or specialty-insurance coverage above retained limits. At June 30, 2016, the District participated in the liability, property, and workers compensation programs of the ACWA/JPIA as follows:

- General, auto and public officials' liability coverage up to \$60,000,000 with aggregate policy limits.
- Employee dishonesty coverage up to \$500,000 and includes public employee dishonesty, forgery or alteration and computer fraud.
- 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 \$150 million, subject to a deductible of \$25,000 or \$50,000 depending on the type of property.
- 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, 2016.

(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:

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(13) Commitments and Contingencies, continued

Joint Ventures, continued

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 \$146 million project. The District's total share of the project is expected to be \$62 million, reduced by \$31 million in grant funding, for a net cost of \$31 million. The District's share of cost incurred to date is \$59.4 million as of June 30, 2016. 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 may be obtained at the Chino Basin Desalter Authority, 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

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

	2016
Total assets	\$ <u>284,155,593</u>
Total liabilities	\$ <u>98,151,215</u>
Total net position	\$ <u>186,004,378</u>
Total revenues	\$ 75,035,368
Total expenses	<u>(48,618,118)</u>
Change in net position	\$ <u>26,417,250</u>

Western Riverside County Regional Wastewater Authority

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

The five-member agencies are the Home Gardens Sanitary District, 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, 2016**

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Western Riverside County Regional Wastewater Authority, continued

WRCRWA owns and operates an 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, 2016, the carrying value of the District's capacity rights in WRCRWA are \$8.4 million, net of accumulated amortization. The capacity rights in WRCRWA are being amortized over the term of the WRCRWA joint powers of agreement.

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:

	2016
Total assets	\$ <u>94,028,867</u>
Total liabilities	\$ <u>47,221,722</u>
Total deferred inflow of resources	\$ <u>350,000</u>
Total net position	\$ <u>46,457,145</u>
Total revenues	\$ 7,667,506
Total expenses	<u>(10,275,001)</u>
Change in net position	\$ <u>(2,607,495)</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.

Santa Ana Watershed Project Authority

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, 2016, the carrying value of the District's capacity rights in SAWPA is \$22.2 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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016**

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Santa Ana Watershed Project Authority, continued

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

	2016
Total assets	\$ <u>175,164,843</u>
Total deferred outflows of resources	\$ <u>358,101</u>
Total liabilities	\$ <u>107,830,177</u>
Total deferred inflows of resources	\$ <u>525,022</u>
Total net position	\$ <u>67,167,745</u>
Total revenues	\$ 17,113,620
Total expenses	<u>(14,980,433)</u>
Change in net position	\$ <u>2,133,187</u>

Santa Rosa Regional Resources Authority

The Santa Rosa Regional Resources Authority (SRRRA) was formed under a joint exercise of power agreement 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.

SRRRA is comprised of three-member agencies: Elsinore Valley Municipal Water District, Rancho California Water District, and Western Municipal Water District. SRRRA is governed by a 3-member Board of Directors. The District's participation is accounted for as a joint venture without an equity interest. Financial data may be obtained at Rancho California Water District, 42135 Winchester Road, Temecula, CA 92590.

Financial information for the operation of SRRRA for the period and fiscal year ended June 30 is as follows:

	2016
Total assets	\$ <u>748,410</u>
Total liabilities	\$ <u>734,579</u>
Total net position	\$ <u>13,831</u>
Total revenues	\$ 2,343,400
Total expenses	<u>(3,367,549)</u>
Change in net position	\$ <u>(1,024,149)</u>

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(13) Commitments and Contingencies, continued

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. 72

In fiscal year 2015-2016, 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. Refer to footnote 2 for additional information.

GASB Statement No. 76

In fiscal year 2015-2016, 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 American Institute of Certified Public Accountants that is cleared by the GASB. This statement did not have an impact on the District.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(14) GASB Statements Issued, Not Yet Effective

GASB Statement No. 74

The GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB Plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016. 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. 80

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

GASB Statement No. 81

The GASB has issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement, further requiring that resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for fiscal years beginning after December 15, 2016. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2016

(14) GASB Statements Issued, Not Yet Effective, continued

GASB Statement No. 82

The GASB has issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding 1) the presentation of payroll-related measures in required supplementary information, 2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standard of Practice for financial reporting purposes, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

(15) Subsequent Events

Events occurring after June 30, 2016 have been evaluated for potential recognition or disclosure through December 14, 2016, which is the date the financial statements were available to be issued.

Required Supplementary Information

**Western Municipal Water District
Required Supplementary Information
June 30, 2016**

*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**

Measurement Date	<u>6/30/2015</u>	<u>6/30/2014</u>
District's Proportion of the Net Pension Liability	0.18016%	0.14943%
District's Proportionate Share of the Net Pension Liability	\$ 12,365,976	\$ 9,298,222
District's Covered-Employee Payroll ¹	\$ 13,077,934	\$ 12,300,835
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	94.56%	85.38%
District's Proportion of the Fiduciary Net Position	0.42404%	0.43060%
District's Share of Risk Pool Fiduciary Net Position	\$ 46,203,551	\$ 45,687,606
District's Additional Payments to Side Fund During Measurement Period	\$ -	\$ -
District's Proportionate Share of the Fiduciary Net Position (sum of the two preceding lines)	\$ 46,203,551	45,687,606
District's Proportionate Share of the Fiduciary Net Position as a percentage of the District's Total Pension Liability	78.89%	249.16%
District's Proportionate Share of Aggregate Employer Contributions ²	\$ 1,598,220	\$ 1,235,468

¹ 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.

² The District's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The District's proportionate share of aggregate contributions is based on the District'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 2014-15 (fiscal year 2015-2016) was the 2nd year of implementation; therefore, only two years are shown.

**Western Municipal Water District
Required Supplementary Information
June 30, 2016**

*Schedule of Plan Contributions
Last 10 Years**

	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 1,700,996	\$ 1,686,011
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,700,996)</u>	<u>(1,686,011)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ¹	\$ 13,972,381	\$ 13,077,934
Contributions as a Percentage of Covered-Employee Payroll	12.17%	12.89%

¹ 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 2014-15 (fiscal year 2015-2016) was the second year of implementation; therefore, only two years are shown.

Notes to Schedule:
Change in Benefit Terms: None
Change in Assumptions: None

**Western Municipal Water District
Required Supplementary Information
June 30, 2016**

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.

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (Funding Excess) (UAAL)	Funded Ratio (AVA/AAL)	Annual Covered Payroll	UAAL as a % of Covered Payroll
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 ⁽¹⁾	11,017,749	11,091,974	74,225	99.3%	11,546,684	0.6%
6/30/2016	13,407,663	12,914,798	(492,865)	103.8%	13,840,640	-3.6%

⁽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.

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>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>	<u>2016</u>
Net investment in capital assets	\$ 168,574,254	\$ 187,971,684 ⁽¹⁾	\$ 215,778,402 ⁽¹⁾	\$ 240,688,039	\$ 235,918,546	\$ 232,667,339	\$ 226,413,476	\$ 246,394,006	\$ 245,674,302	\$ 245,988,252
Restricted for debt service	-	155,331	144,619	144,619	144,619	144,619	144,619	144,619	144,619	-
Restricted for capacity charges	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	26,101,407
Unrestricted	<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>	<u>86,965,126</u>
Total Net Position	<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> ⁽²⁾	<u>\$ 348,234,536</u> ⁽²⁾	<u>\$ 344,436,895</u> ⁽²⁾	<u>\$ 358,282,017</u>	<u>\$ 351,591,225</u> ⁽³⁾	<u>\$ 359,054,785</u>
Percentage Increase (Decrease)	5%	6%	5%	7%	0%	0%	-1%	4%	-2%	2%

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

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

⁽³⁾ 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

Fiscal Year	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Operating Income/(Loss)	Total Non-Operating Revenues/(Expenses)	Income/(Loss) Before Capital Contributions	Capital Contributions ⁽⁴⁾	Change in Net Position
2016	\$ 95,250,268	\$ 111,085,922	\$ (15,835,654)	\$ 18,293,873	\$ 2,458,219	\$ 5,005,341	\$ 7,463,560
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 ⁽⁵⁾	(19,615,408)	12,952,893	(6,662,515)	2,864,874	(3,797,641)
2012	91,100,463	109,473,041 ⁽⁵⁾	(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 ⁽³⁾	(21,687,380)	21,652,217	(35,163)	14,293,816	14,258,653
2008	72,005,893	90,548,426 ⁽³⁾	(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

⁽¹⁾ See Table III for details of revenues.

⁽²⁾ See Table IV for details of expenses.

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

⁽⁴⁾ 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.

⁽⁵⁾ 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						Non-Operating Revenues					Combined Revenues
	Water Sales	Water Service	Wastewater Disposal	Contractual Services	Other Operating	Total Operating Revenues	Property Taxes	Investment Earnings	Capacity Rights Sales	Other Non-Operating	Total Non-Operating Revenues	
2016	\$ 63,988,478	\$ 16,669,887	\$ 10,234,040	\$ 3,575,488	\$ 782,375	\$ 95,250,268	\$ 18,837,852	\$ 4,759,409	\$ 338,202	\$ 1,209,100	\$ 25,144,563	\$ 120,394,831
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

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		
2016	\$ 55,342,184	\$ 4,703,808	\$ 10,040,804	\$ 8,239,639	\$ 3,261,688	\$ 12,787,432	\$ 7,100,179	\$ 9,610,188	\$ 111,085,922	\$ 6,850,690	\$ 117,936,612
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 ⁽³⁾	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 ⁽³⁾	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 ⁽²⁾	108,060,316
2009	51,655,168	3,727,019	5,611,231	11,328,694	2,742,866	7,035,161 ⁽¹⁾	6,992,836 ⁽¹⁾	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 ⁽¹⁾	4,858,647 ⁽¹⁾	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

⁽¹⁾ Balance has been retrospectively restated for the implementation of GASB Statement No. 51.

⁽²⁾ 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.

⁽³⁾ Balance has been retrospectively restated for the implementation of GASB Statement No. 65

Source: Western Municipal Water District

CHART I – REVENUE AND EXPENSES

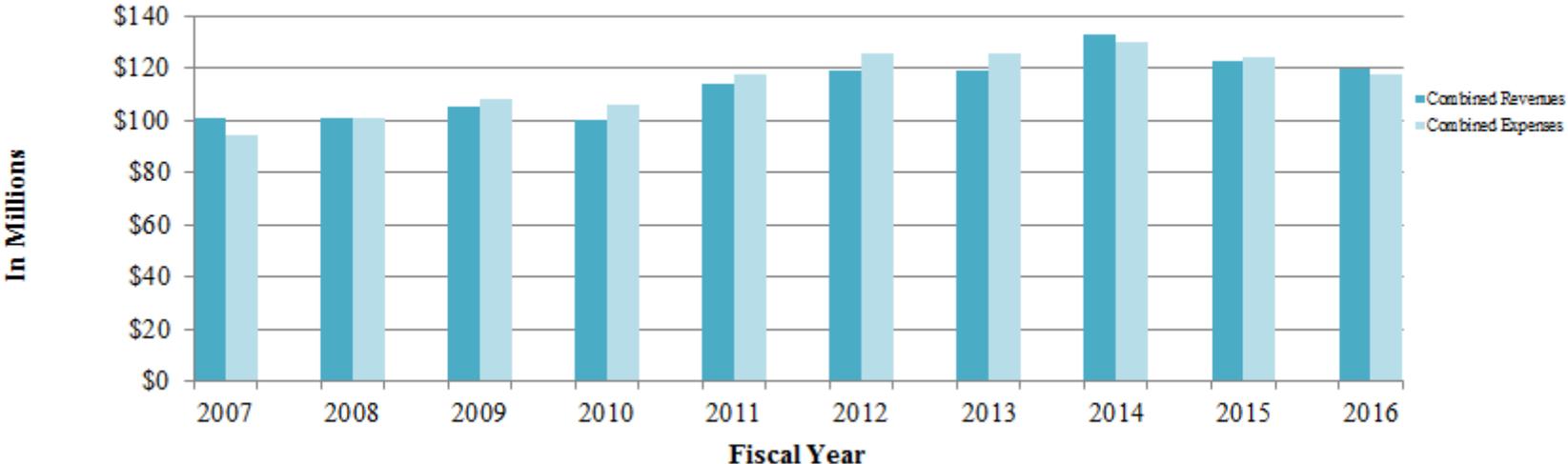


TABLE V – WATER ACCOUNTS BY METER SIZE
Last Ten Fiscal Years

Fiscal Year	¾-Inch	1-Inch	1½-Inch	2-Inch	3-Inch	4-Inch	6-Inch	8-Inch & Greater	Total
2016	18,167	4,399	398	508	50	63	62	67	23,714
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

Source: Western Municipal Water District

**TABLE VI – RETAIL WATER ACCOUNTS BY TYPE
AND RETAIL WASTEWATER ACCOUNTS**

Last Ten Fiscal Years

Fiscal Year	Water Accounts			Wastewater Accounts
	Domestic	Agriculture	Total	
2016	23,629	85	23,714	8,326
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

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 ⁽¹⁾	Monthly Sewer Rate ⁽²⁾
	¾-Inch	1-Inch	1½-Inch	2-Inch	3-Inch	4-Inch	6-Inch	8-Inch		
2016 ⁽³⁾	\$ 26.38	\$ 42.66	\$ 85.34	\$ 105.67	\$ 128.02	\$ 148.31	\$ 168.65	\$ 190.99	\$ 79.10	\$ 43.21
2015	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

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).

⁽¹⁾ 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).

⁽²⁾ The sewer rate information shown is for one EDU (equivalent dwelling unit) in the District's Lake Hills area.

⁽³⁾ Water and sewer rates were increased effective January 1, 2015 and September 15, 2015, respectively.

Source: Western Municipal Water District

TABLE VIII – PRINCIPAL RETAIL WATER CUSTOMERS
Fiscal Year Ended June 30, 2016 and Nine Years Prior

Fiscal Year 2015-2016

Customer Name	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Riverside National Cemetery	1,158	5.0%
Altman Plants	712	3.1%
Village Nurseries	550	2.4%
Pepsi Cola Plant	347	1.5%
General Old Golf Course	321	1.4%
The Kroger Company	292	1.3%
Riverside Unified School District	331	1.4%
Lennar Homes of California Inc	328	1.4%
Altavita	305	1.3%
Air Force 452 Air Mobility Wing	291	1.3%
Total Principal Customers	4,635	20.2%
Other Customers	18,336	79.8%
Total Retail Water Deliveries	22,971	100.0%

Fiscal Year 2006-2007

Customer Name	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Air Force 452 Air Mobility Wing	738	2.4%
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%
Total Principal Customers	4,231	13.6%
Other Customers	26,842	86.4%
Total Retail Water Deliveries	31,073	100.0%

Source: Western Municipal Water District

TABLE IX – WHOLESALE WATER CUSTOMER DELIVERIES
 Fiscal Year Ended June 30, 2016

Water Agency	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Rancho California Water District	15,055	30.9%
Elsinore Valley Municipal Water District	14,539	29.8%
City of Corona	12,268	25.2%
City of Norco	4,241	8.7%
Temescal Valley Water District	2,451	5.0%
Eagle Valley Mutual Water Company	90	0.2%
Box Springs Mutual Water Company	68	0.1%
Total Wholesale Deliveries	48,712	100.0%

Source: Western Municipal Water District

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

Rates Effective	Full Service		Interim Agricultural Program		Long-term Seasonal Storage	
	Treated	Untreated	Treated	Untreated	Treated	Untreated
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	1,032	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	1,055	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	1,076	728	n/a	n/a	n/a	n/a
Jan. 1, 2017 Tier 1	979	666	n/a	n/a	n/a	n/a
Jan. 1, 2017 Tier 2	1,073	760	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	Domestic			Purchased Agriculture			Purchased Total	Wells	Desalter	Recycled Water	Grand Total
	Treated	Untreated	Total	Treated	Untreated	Total					
2016	45,896	18,992	64,888	-	-	-	64,888	866	4,969	887	71,610
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 ⁽¹⁾	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

⁽¹⁾ 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

Fiscal Year	Revenue Bonds	Improvement Bonds	Loans	Total	Total Debt Per Capita⁽¹⁾
2016	\$ 149,626,360	\$ -	\$ 6,124,975	\$ 155,751,335	166.31
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 ⁽²⁾	154,026,083	372,097	10,509,159	164,907,339	183.33
2012 ⁽²⁾	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

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

⁽¹⁾ Calculated by dividing the total outstanding debt by the District’s estimated service area population.

⁽²⁾ 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GROSS REVENUE										
Water Sales	\$ 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	\$ 63,988,478
Water Service	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	16,669,887
Wastewater Service	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	10,234,040
Ad Valorem Taxes ⁽¹⁾	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	18,837,555
Interest Income	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	4,791,047
Connection Fees - Water	3,100,050	1,454,500	896,624	290,477	236,080	188,491	924,589	553,954	474,781	481,489
Connection Fees - Wastewater	1,219,750	2,395,553	1,316,970	6,153,635	276,856	98,670	774,762	362,876	95,903	215,298
Federal, State and Local Capital Grants	500,785	626,083	1,551,562	3,149,581	3,284,896	1,268,694	872,471	10,413,907	2,115,190	4,057,387
Other Revenue	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	5,049,329
Total	101,080,486	104,903,887	104,501,974	113,976,099	105,372,921	114,785,299	120,486,447	143,132,937	124,671,776	124,324,510
MAINTENANCE AND OPERATION COSTS										
Administration	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	8,239,639
Purchased Water	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	55,342,184
Water Operations	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	20,122,121
Wastewater Operations	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	9,610,188
Other Expenses	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	6,552,875
Contract Resource Obligations	1,952,405	1,940,312	795,698	1,189,624	698,060	1,076,942	501,693	499,168	508,808	1,725,125
Total	82,109,809	87,611,554	92,747,776	95,953,570	92,976,882	100,967,356	102,886,778	111,223,288	104,840,609	101,592,132
Net Revenues	18,970,677	17,292,333	11,754,198	18,022,529	12,396,039	13,817,943	17,599,669	31,909,649	19,831,167	22,732,378
Series of 2002 A Bonds ⁽²⁾	2,513,341	3,041,456	2,640,029	-	-	-	-	-	-	-
Series of 2009 A&B Bonds ⁽²⁾	-	-	-	5,967,575	5,753,746	5,618,520	3,213,871	3,084,773	3,108,317	2,142,382
Series of 2010 A&B Bonds ⁽²⁾	-	-	-	-	1,337,200	2,086,248	1,954,846	3,044,580	3,047,965	3,008,567
Series of 2012 A Bonds ⁽²⁾	-	-	-	-	-	10,085	1,208,538	1,188,832	1,180,371	1,163,524
Series of 2016 A Bonds	-	-	-	-	-	-	-	-	-	335,672
WRCRWA SRF Loans	33,834	33,834	33,834	33,834	33,834	33,834	33,834	33,834	33,834	33,833
Total	2,547,175	3,075,290	2,673,863	6,001,409	7,124,780	7,748,687	6,411,089	7,352,019	7,370,487	6,683,978
DEBT SERVICE COVERAGE	7.45	5.62	4.40	3.00	1.74	1.78	2.75	4.34	2.69	3.40

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

⁽²⁾ 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, 2016

2015-16 Assessed Valuation: \$76,360,428,599 (1)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (2)</u>	<u>Debt 6/30/16</u>
Metropolitan Water District	-	\$ 2,888,102
Riverside City Community College District	78	209,236,425
Alvord Unified School District	100	221,403,090
Corona-Norco Unified School District	97	331,073,711
Jurupa Unified School District	100	72,441,435
Murrieta Valley Unified School District	12	20,773,041
Riverside Unified School District	100	134,144,634
Other School Districts	Various	20,053,567
City of Riverside	98	12,206,509
Western Municipal Water District	100	0
Western Municipal Water District Community Facilities Districts	100	5,935,000
Riverside County Flood Control District, Zone Nos. 3 and 4 Benefit Assessment District	1.361 - 62.064	848,933
Community Facilities Districts	Various	978,820,139
City and Special District 1915 Act Bonds	Various	<u>32,108,902</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ <u>2,041,933,488</u>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	-	\$ 285,191,074
Riverside County Pension Obligations	32	97,598,660
Riverside County Board of Education Certificates of Participation	32	299,667
Alvord Unified School District Certificates of Participation	100	2,026,858
Corona-Norco Unified School District Certificates of Participation	97	24,736,288
Jurupa Unified School District Certificates of Participation	100	13,442,103
Lake Elsinore Unified School District Certificates of Participation	54	18,338,069
Murrieta Unified School District General Fund Obligations	12	2,358,616
Riverside Unified School District Certificates of Participation	100	19,937,228
Other School District General Fund Obligations	Various	2,417,722
City of Corona General Fund Obligations	100	47,483,761
City of Lake Elsinore General Fund Obligations	70	8,982,630
City of Moreno Valley General Fund Obligations	1	512,461
City of Murrieta General Fund Obligations	13	974,984
City of Riverside General Fund Obligations	98	223,327,339
City of Riverside Pension Obligations	98	<u>99,184,020</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ <u>846,811,480</u>
Less: Riverside County supported obligations		<u>1,998,939</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ <u>844,812,541</u>
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		 \$ 809,655,937
 TOTAL DIRECT DEBT		 \$ 0
TOTAL GROSS OVERLAPPING DEBT		\$ 3,698,400,905
TOTAL NET OVERLAPPING DEBT		\$ 3,696,401,966
 GROSS COMBINED TOTAL DEBT		 \$ <u>3,698,400,905</u> (3)
NET COMBINED TOTAL DEBT		\$ <u>3,696,401,966</u>

(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 2015-16 Assessed Valuation:

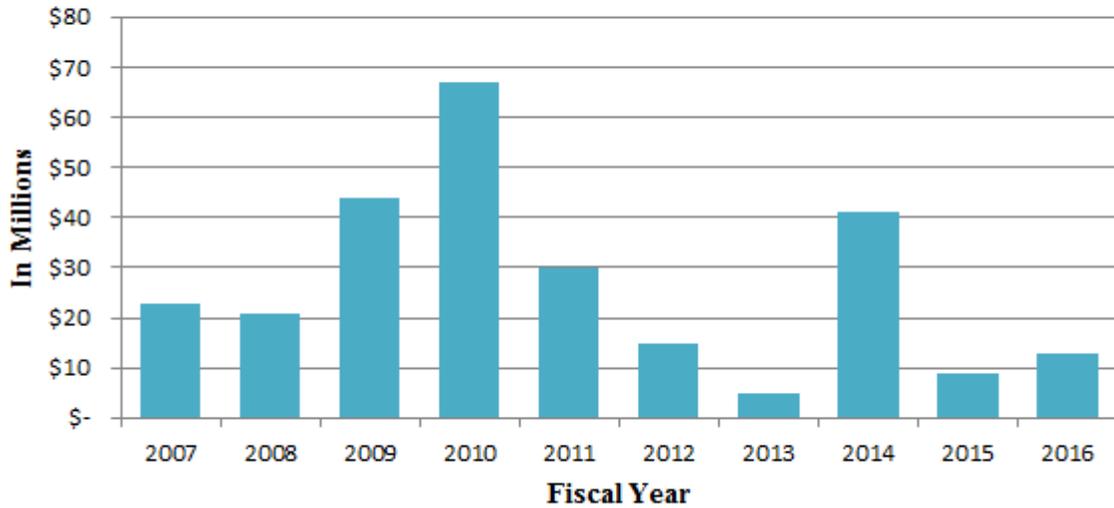
Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.67%
Gross Combined Total Debt	4.84%
Net Combined Total Debt	4.84%

Ratio to Redevelopment Incremental Valuation (\$18,407,053,972):

Total Overlapping Tax Increment Debt	4.40%
--------------------------------------	-------

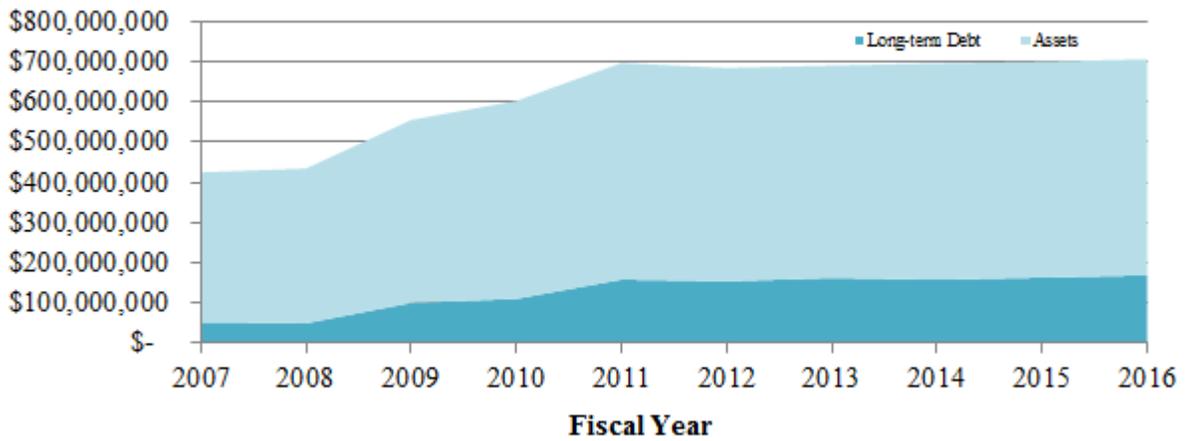
Source: California Municipal Statistics, Inc.

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



Source: Western Municipal Water District

CHART III – TOTAL DEBT TO ASSETS



Source: Western Municipal Water District

TABLE XV – DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Assessed Valuation ⁽¹⁾ Western Service Area	Estimated Svc. Area Population	County Population	Personal Income ⁽²⁾ (in Billions)	County Per Capita Personal Income	County Unemployment Rate (June)
2016	\$ 89,274,829,782	936,500	2,347,828	\$ 33.1	\$ 35,331 ⁽³⁾	6.7%
2015	84,861,529,145	920,800	2,308,441	32.1	34,910 ⁽³⁾	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%

⁽¹⁾ Assessed value includes both secured and unsecured property.

⁽²⁾ 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.

⁽³⁾ 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, 2016

Employer Name	Fiscal Year 2016	
	No. of Employees	Percentage of Total County Labor Force
County of Riverside	21,984	2.3%
March Air Reserve Base	8,500	0.9%
University of California, Riverside	8,306	0.9%
Amazon	7,500	0.8%
Stater Bros. Markets	6,900	0.7%
Kaiser Permanente Medical Center	5,300	0.5%
Corona-Norco Unified School District	5,098	0.5%
Desert Sands Unified School District	4,202	0.4%
Riverside Unified School District	3,973	0.4%
Pechanga Resort & Casino	3,931	0.4%
Total	75,694	7.8%
Total Labor Force		974,800

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>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>	<u>2016</u>
Management	5	5	5	5	7	7	7	8	8	13
Human Resources & Administration	9	10	11	13	8	8	10	9	10	9
Engineering	13	15	14	15	12	10	9	12	13	14
Finance	7	8	8	6	8	11	12	12	12	12
Billing/Customer Service	5	5	6	8	5	6	7	8	7	9
Community Affairs (Public Affairs)	5	5	5	4	4	6	5	5	5	4
Water Resources	2	2	3	5	5	6	6	6	7	6
Operations	59	60	60	59	56	59	63	65	65	65
Legislative Affairs	1	1	1	2	1	1	-	1	1	-
Information Systems	5	5	6	5	6	6	6	7	7	6
Total	<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>	<u>138</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>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>	<u>2016</u>
Number of Employees	111	116	122	122	120	120	125	133	135	138
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)	\$ 86	\$ 87	\$ 79	\$ 76	\$ 76	\$ 76	\$ 76	\$ 79	\$ 85	\$ 89
Population Served (approx.)	853,000	875,000	879,000	880,000	891,000	889,000	900,000	910,000	920,800	936,500
Miles of Water Pipeline	591	591	623	623	621	622	638	638	638	639
Number of Storage Tanks	38	38	38	36	36	35	35	35	34	34
Max Storage Capacity (million gal.)	80.2	80.7	87.3	93.7	93.7	92.7	92.7	93.0	92.2	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	3.0	3.0	3.0	3.0	3.0
Avg. Flows into Sewer Plant (MGD)	0.5	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8	0.9
Number of Lift Stations	18	20	22	22	20	20	20	20	20	20

Source: Western Municipal Water District



Securing Your Water Supply

14205 Meridian Parkway • Riverside, CA 92518 • wmwd.com • 951.571.7100