

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2015



Eastern Municipal Water District



EMWD

*This property
is irrigated with*

Recycled Water

Perris, California
www.emwd.org

On the Cover:

EMWD's Recycled Water Retrofit Program targets public agencies, schools, parks, and cities with the objective of offsetting potable water use while focusing on maintaining functional turf for public benefit.

**Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2015**



PREPARED BY THE FINANCE DEPARTMENT

2270 Trumble Road • Box 8300 • Perris, CA 92572-8300 • www.emwd.org

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EASTERN MUNICIPAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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EASTERN MUNICIPAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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San Jacinto Regional Water Reclamation Facility

The \$157 million expansion project which began in 2011 was completed in 2015, giving the facility a maximum capacity of 14 million gallons per day. Prior to work beginning on the site, the plant's capacity was rated at 7.5 million gallons per day.

Not only will the new facility increase capacity to prepare the District for the anticipated growth in population and development throughout the San Jacinto Valley, but it is designed to meet more stringent State regulations for the treatment of wastewater and the production of recycled water.

INTRODUCTORY SECTION



Board of Directors

November 12, 2015

President

Randy A. Record

Board of Directors

Eastern Municipal Water District

Vice President

David J. Slawson

Joseph J. Kuebler, CPA

Philip E. Paule

Ronald W. Sullivan

We are pleased to present the Eastern Municipal Water District's (District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. State law and debt covenants require that the District publish, within six months and 180 days of the close of each fiscal year, respectively, a complete set of audited financial statements. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public and other interested parties these basic financial statements.

General Manager

Paul D. Jones II, P.E.

Treasurer

Joseph J. Kuebler, CPA

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

**Chairman of the
Metropolitan Water
District of So. Calif.**
Randy A. Record

**Board Secretary and
Assistant to the
General Manager**
Sheila Zelaya

Legal Counsel
Lemieux & O'Neill

Davis Farr LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2015. The independent auditors' report is presented as the first component of the financial section of this report.

Included are all disclosures management believes necessary to enhance your understanding of the financial condition of the District. Generally accepted accounting principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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 auditors in the financial section of this report.

Mailing Address: Post Office Box 8300 Perris, CA 92572-8300 *Telephone:* (951) 928-3777 *Fax:* (951) 928-6177
Location: 2270 Trumble Road Perris, CA 92570 *Internet:* www.emwd.org

Profile of the District

The District was organized under the Municipal Water District Act of 1911 (California Water Code Section 71000, et seq.) on October 16, 1950 for the primary purpose of importing Colorado River water to its service area to augment local water supplies. Prior to the District's formation, the local water supply was primarily from groundwater wells.

In 1962, the District began providing wastewater treatment services to customers within its service area, and as a consequence, has become actively involved in the production of recycled water (i.e., wastewater that has been treated to a level acceptable for non-domestic purposes).

The District's water and wastewater customers include retail customers (e.g., residential, commercial and agricultural) located in both incorporated and unincorporated areas within the District's service area, as well as wholesale customers (e.g., municipalities and local water Districts) located within its service area.

Service Area

The District is located in southern California and its service area lies within the westerly third of Riverside County, encompassing approximately 355,200 acres (555 square miles). The map to the right indicates the location of the District's service area in southern California. When the District was annexed to the Metropolitan Water District of Southern California (MWD) by the District's voters in 1951, its service area consisted of 86 square miles. Growth has resulted from annexations ranging in area from 1 to 72,000 acres. The assessed valuation has grown from \$72.0 million when formed to approximately \$61.3 billion for this past fiscal year. The District is divided into separate regional service areas for water service and sewer service.



Riverside County's population increased to approximately 2.3 million as of January 2014. Of this population, the District serves approximately 795,000 (35 percent), including the cities of Temecula, Murrieta, Menifee, Hemet, San Jacinto, Moreno Valley, Perris, Wildomar and unincorporated areas in Riverside County.

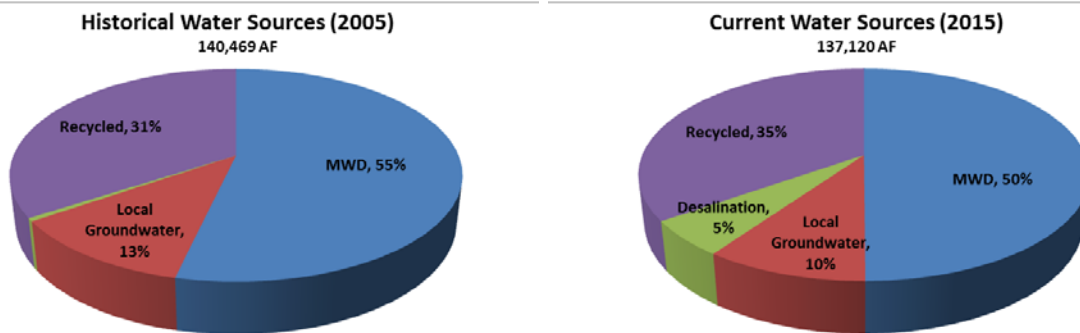
Governance

The District is governed by a Board of five directors, who are elected by the public for four-year terms from comparably sized districts based on population. The District is a member of the 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 representative on the MWD Board. That representative, Randy Record, was elected to serve as the Chairman of the MWD Board through 2016.

Water Supply and Reliability

The District's water supply for the fiscal year ended June 30, 2015 includes local groundwater (15 percent), imported water (50 percent) and recycled water (35 percent). The sole source of the District's imported water is MWD.

The District has made significant efforts to provide a safe and reliable supply of water and diversify the sources of water. In 2005, the District received 55 percent of its water through purchases from MWD, which in turn obtains its water supply from two primary imported sources: the Colorado River via the Colorado River Aqueduct, and the State Water Project via the Edmund G. Brown California Aqueduct. By 2015, the District reduced the level of imported water to 50 percent of supply as a result of investments in local groundwater, desalination, and recycled water improvements.



Sewer and Recycled Water Services

For the purposes of transmission, treatment and disposal of wastewater, the District is divided into five sewer service areas: Hemet/San Jacinto, Moreno Valley, Sun City, Temecula Valley, and Perris Valley. Each service area is served by a single regional water reclamation facility (RWRF), for which costs and methods of treatment vary. The facilities are capable of treating 70 million gallons per day (MGD) of wastewater and serve approximately 785,000 people. Customers' monthly bills include a daily service charge based on household size, which covers the fixed and variable costs of operating the sewer system and contributions to future infrastructure replacement costs. They are linked to a network of 1,813 miles of pipeline and 47 active lift stations.

The District currently generates approximately 45 MGD of effluent at its regional water reclamation facilities. The District's goal is to reuse 100 percent of the water from the treatment plants and offer recycled water for sale to customers within the District's service area. In doing so, the District reduces the need to import water or to use local groundwater supply. In Fiscal Year 2015, 100 percent of the total recycled water produced which was available for sale (approximately 35,617 acre feet) was sold to customers.

Information Useful in Assessing Economic Condition

Local Economy

The District is located within Riverside County in a metropolitan area referred to as the “Inland Empire”. The District’s population has grown by nearly 45% since 2000 and experienced modest new connections during the national economic downturn. Although the state and local economy face various economic challenges, several regions and industries within the District’s service area have rebounded in 2014.

The District is conveniently accessible by truck and rail service from several significant national and international cargo facilities including the Port of Los Angeles/Long Beach complex, Los Angeles International Airport, Ontario International Airport, and Port of San Diego. Additionally, the March Air Reserve Base (March ARB), a 12 square-mile airfield and logistic center, is located in the District. In 2015, more than one in four new jobs created in the region were in the logistics industry. Also in 2015, luxury car maker Karma Automotive (formerly Fisker) developed an electric car manufacturing plant in Moreno Valley, the first new car manufacturing facility built in Southern California in decades.

The region is served by several medical centers and research universities. In 2013, University of California, Riverside (UCR) began enrollment in the first new UC medical school program in four decades. In addition, Kaiser Permanente acquired property to develop a 824,000 square-foot hospital in Murrieta, which follows the opening of Loma Linda University, a 256,000 square-foot hospital with 106 beds that also opened in Murrieta in 2011.

Sound Financial Policies

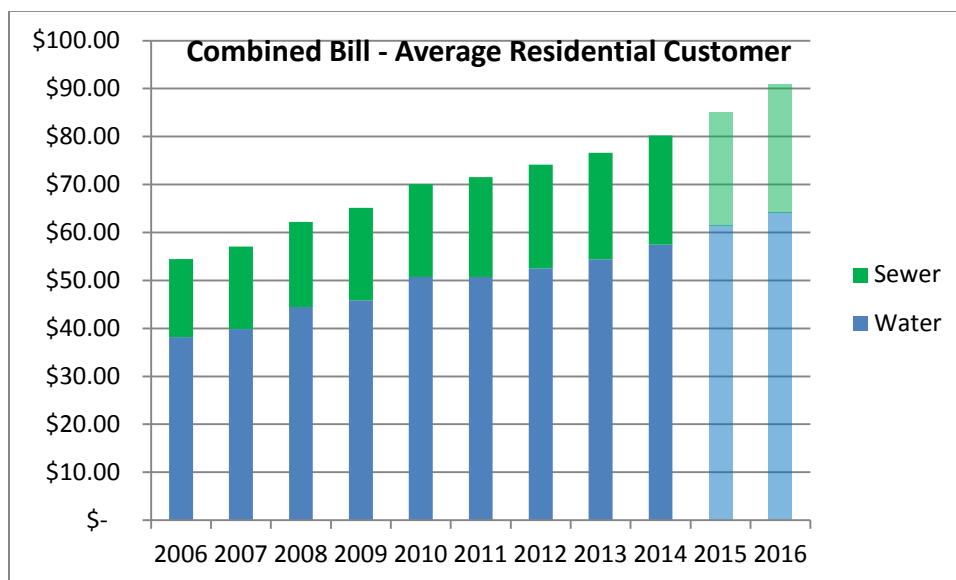
The District continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs through careful planning, preserving investments, safeguarding reserves, and active debt management.

Water and Sewer Rates

In 2009, the District implemented a water budget-based tiered rate structure for water sales. This structure rewards customers who use water efficiently and to discourages those who waste water. In 2013, the District implemented a sewer rate structure based on the number of people occupying a property. For example, households with fewer than 3 people are charged 25 percent less than homes with 3 or 4 people. Conversely, homes with 5 or 6 people are charged 25 percent more than homes with 3 or 4 people.

In 2014, the District adopted rate increases effective in 2014 and 2015 along with a separate capital charges for water and sewer services to fund water supply reliability and capital replacement projects.

The District has implemented rate increases when necessary to fund its operations and finance critical infrastructure projects. The chart below reflects the monthly charges for an average residential customer with a household of 4 people in the District's service area:



Financial Planning

The Board approves a biennial budget as a management tool. The biennial budget is developed with input from the various departments within the organization and adopted prior to the start of each fiscal year. Monthly comparison reports of budget to actual are prepared, and quarterly budget-to-actual results by system are provided to and discussed with the Board, along with financial position and other key performance information.

The District prepares a five-year financial plan to anticipate funding needs, reserve levels, and expected impacts to rates. A key component to the plan is the District's Capital Improvement Plan (CIP), which calls for total expenses for water, sewer and recycled water facilities of approximately \$487 million for the period from 2015 through 2019. The CIP is expected to be financed through a combination of property taxes, developer connection fees, rates and charges, publicly financed bond proceeds, reserves, grants and low-interest loans from the California State Revolving Fund. The CIP is modified on an annual basis to reflect updated assumptions regarding future growth within the District's service area.

Reserves Policy

The District adopted a reserve policy, which states the purpose, source, and funding limits for each of its designated reserves within its four main funds: operating, construction, debt service, and trust. The reserves are essential for maintaining liquidity in the marketplace, which enables the District to access the lowest cost-of-capital borrowing opportunities.

Administrative Code and Investment Policy

In 2013, the Board of Directors adopted an Administrative Code, which incorporates various policies and administrative duties. The District previously adopted an Investment Policy, which was incorporated into the Administrative Code. The District invests its funds in instruments permitted by California Government Code Sections 53601, et seq., and in accordance with its Investment Policy. The investment objectives of the District are to first preserve capital, followed by maintaining liquidity, and finally, maximizing the rate of return without compromising the first two objectives.

Debt Administration

The District actively manages its debt portfolio, and seeks to minimize its total debt costs. This goal is achieved by issuing both fixed and variable rate debt to fund its capital projects. The District has primarily issued certificates of participation (COPs), revenue bonds (Bonds), and has borrowed from state revolving fund (SRF) loans to fund its CIP. As of June 30, 2015, the District's total COPs, Bonds, and SRF loans outstanding, excluding the San Jacinto Z LLC loan, debt premiums and SRF construction advances, was \$833 million, of which 70 percent were fixed interest rate and 30 percent were variable interest rate, with a weighted average cost of funds of 2.62 percent.

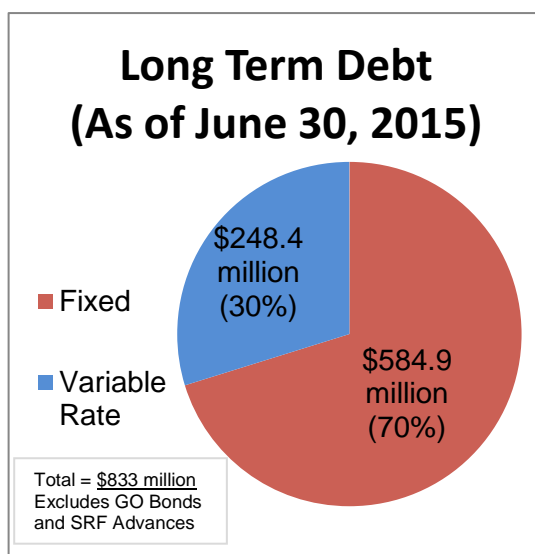
During Fiscal Year 2015, the District refunded the nearly \$150 million in parity-lien certificates of participation with subordinate refunding revenue bonds. In addition, the District issued \$74 million in subordinate lien, new money revenue bonds to fund various water and sewer projects. Also, the District novated two interest rate swaps, resulting in a higher rated counterparty and migration from parity to subordinate lien.

The District's long-term parity debt are rated AA+, Aa2, AA and the subordinate bonds are rated AA, Aa3, AA- by Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Rating Services, respectively, as of June 30, 2015.

Major Initiatives

Water Supply Development and Management

Future growth within the District's service area will increase demands for sustainable local water supplies. The District is implementing plans to increase local groundwater yields by identifying useable groundwater that is currently underutilized, determining geohydrological and water quality parameters, and developing integrated groundwater management strategies and the facilities necessary for optimal use.



- *Groundwater Management* – As part of the Integrated Recharge and Recovery Program, the District implemented a cooperative groundwater management plan for the Hemet and San Jacinto basins. The plan will help to increase the District's ability to sustain local groundwater production and provide for the protection and enhancement of the water quality of the basins. In support of this plan, the District completed construction and replacement of various facilities, including pipelines, booster stations, wells, pumps, and recharge ponds.
- *Brackish Groundwater Desalination* – The District has constructed two desalters with a combined annual capacity of 9,600-acre feet. A third desalter is in the final design phase and will expand the desalination program capacity to 15,000-acre feet per year. In addition, the District is conducting research and investigating the feasibility of reducing waste brine volume to increase potable water recovery at its desalination plants, as well as reduce brine disposal costs.
- *Recycled Water* – The District has identified recycled water as a separate product line with a strategic objective to utilize one hundred (100) percent of treated effluent water from its wastewater reclamation plants. System infrastructure was expanded with the addition of recycled water storage tanks, ponds, pumps booster stations and pipelines. The FY 2014-15 Recycled Water System Management Plan includes both demand management and shortage contingency elements and identifies available supplies, demands, system capacity
- *Water Shortage Contingency Plan* – In January 2014, the Governor declared a drought state of emergency; encouraged local suppliers to reduce usage by 20 percent, and have local suppliers develop or update water contingency plans. The District amended its water shortage contingency plan (WSCP) in March 2014 to better reflect contemporary needs of the District. The WSCP includes five stages, with the first 2 stages being voluntary measures to encourage conservation. Stage 3 and 4 are mandatory stages with escalating adjustments to outdoor water budget allocations to domestic customers. Stage 5 includes staged adjustments to water budgets for indoor use. On April 1, 2015, the Governor issued an executive order including a directive to the State Water Resources Control Board (SWRCB) to impose restrictions to reduce potable urban water use by 25 percent from 2013 levels by February 2016. On May 6, 2015, the SWRCB adopted regulations that required the District to effect a 28 percent reduction from 2013 water usage. Effective June 1, 2015, the District implemented Stage 4a (Mandatory Outdoor Reduction) of the WSCP, which calls for customer to reduce outdoor irrigation by 50 percent and reduced tier 2 water budgets by 10 percent. The District is currently in a Stage 4b, which reduces tier 2 water budgets by 30 percent. As of October 2015, the District has reduced potable urban water use by 20 percent.

Operational Efficiencies

The District continues to focus its efforts in areas that will increase efficiency, improve service, and reduce costs. It has made considerable progress in organizational efficiency and effectiveness through several recent initiatives and cost-saving measures:

- A long-term financial plan (LTFP) to forecast financing requirements and funding sources was developed and presented to the Board. The results of the LTFP were used to develop the inaugural Biennial Budget for FY 2014-15 and FY 2015-16.

- As a strategy to decrease Other Post Employment Benefit (OPEB) unfunded liabilities, in July 2012 and July 2013, the District began funding future costs with initial \$2.5 and \$2.7 million deposits, respectively, to its trust account with the California Employer's Retiree Benefit Trust Program. During FY 2013-14, the District implemented a new tier of OPEB benefits for future hires that will dramatically improve the plan funding and viability over the long term. In addition, the District adopted funding policy principles that direct how the OPEB Trust will be funded over time, in accordance with sound funding principles.
- The District implemented a debt portfolio optimization project which resulted in the restructuring and refunding of several series of bonds. These financings resulted in the reduction of annual debt service from 2015 through 2024, release of reserve funds to fund capital projects, and additional flexibility to fund future projects with the new working lien (subordinate lien).

Accounting Systems

The Finance Department is responsible for providing the financial services for the District, including financial accounting and reporting, payroll and accounts payable, custody and investment of funds, billing and collection of water and wastewater charges, taxes, and other revenues. The District's books and records are maintained on an enterprise basis, as it is the intent of the Board to manage the District's operations as a business, thus matching the revenues against the costs of providing the services. Revenues and expenses are recorded on the accrual basis in the period in which the revenue is earned and the expenses are incurred.

Internal Controls

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with GAAP. Management follows the concept of reasonable assurance in recognizing that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments. The most recent audits have not uncovered any weaknesses in internal control that would cause concern. However, recommendations for improvement are always welcome and are implemented where feasible.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Eastern Municipal Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the eleventh consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. 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 our current comprehensive annual financial report 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.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance department. We wish to thank all departments for

their assistance in providing the data necessary to prepare this report. We would also like to thank the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul D. Jones, II".

Paul D. Jones, II P.E.
General Manager

A handwritten signature in blue ink, appearing to read "Deborah S. Cherney".

Deborah S. Cherney, CPA
Deputy General Manager



Government Finance Officers Association

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

Presented to

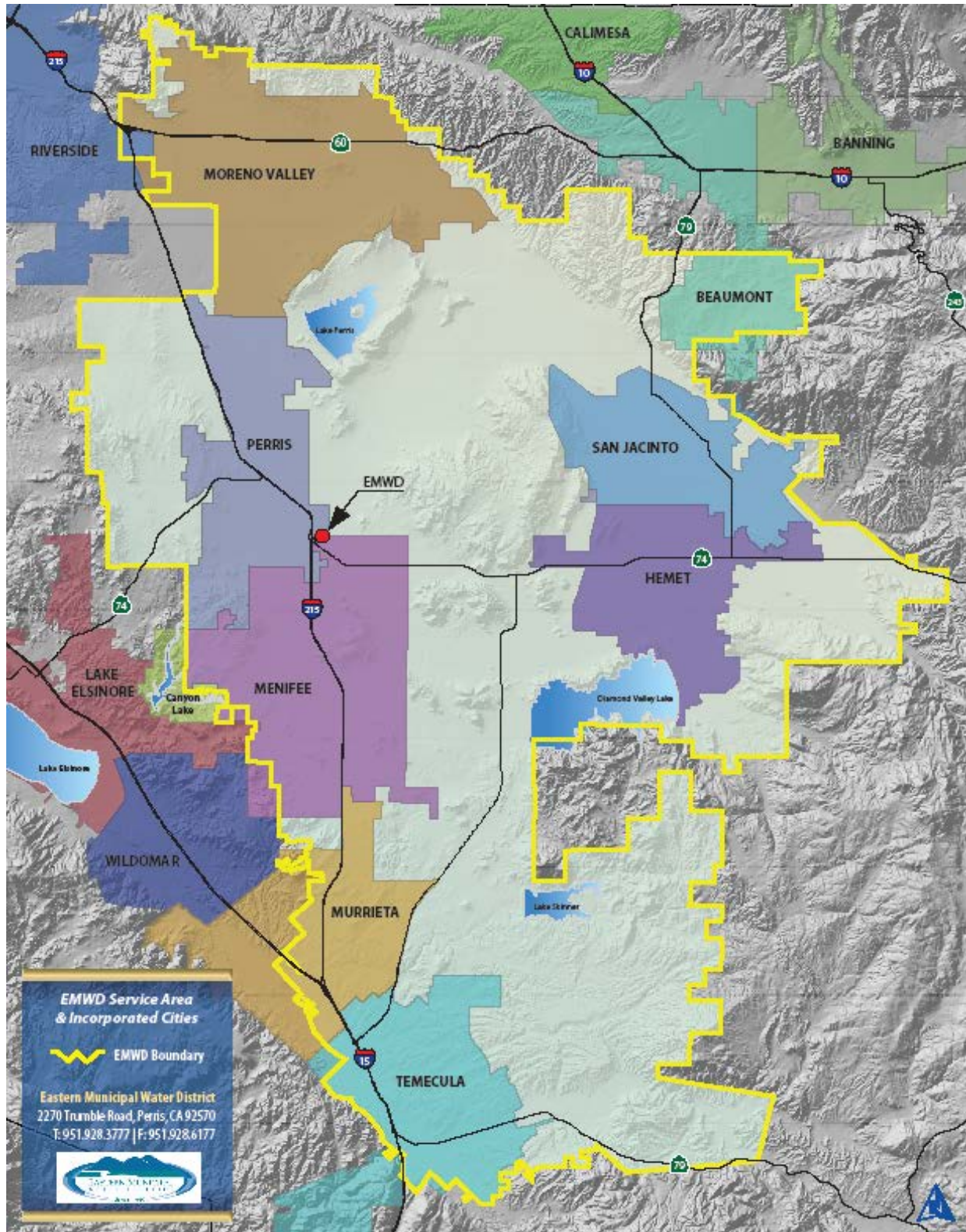
**Eastern Municipal Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Service Area Map and Incorporated Cities



Eastern Municipal Water District

List of Elected & Appointed Officials

June 30, 2015

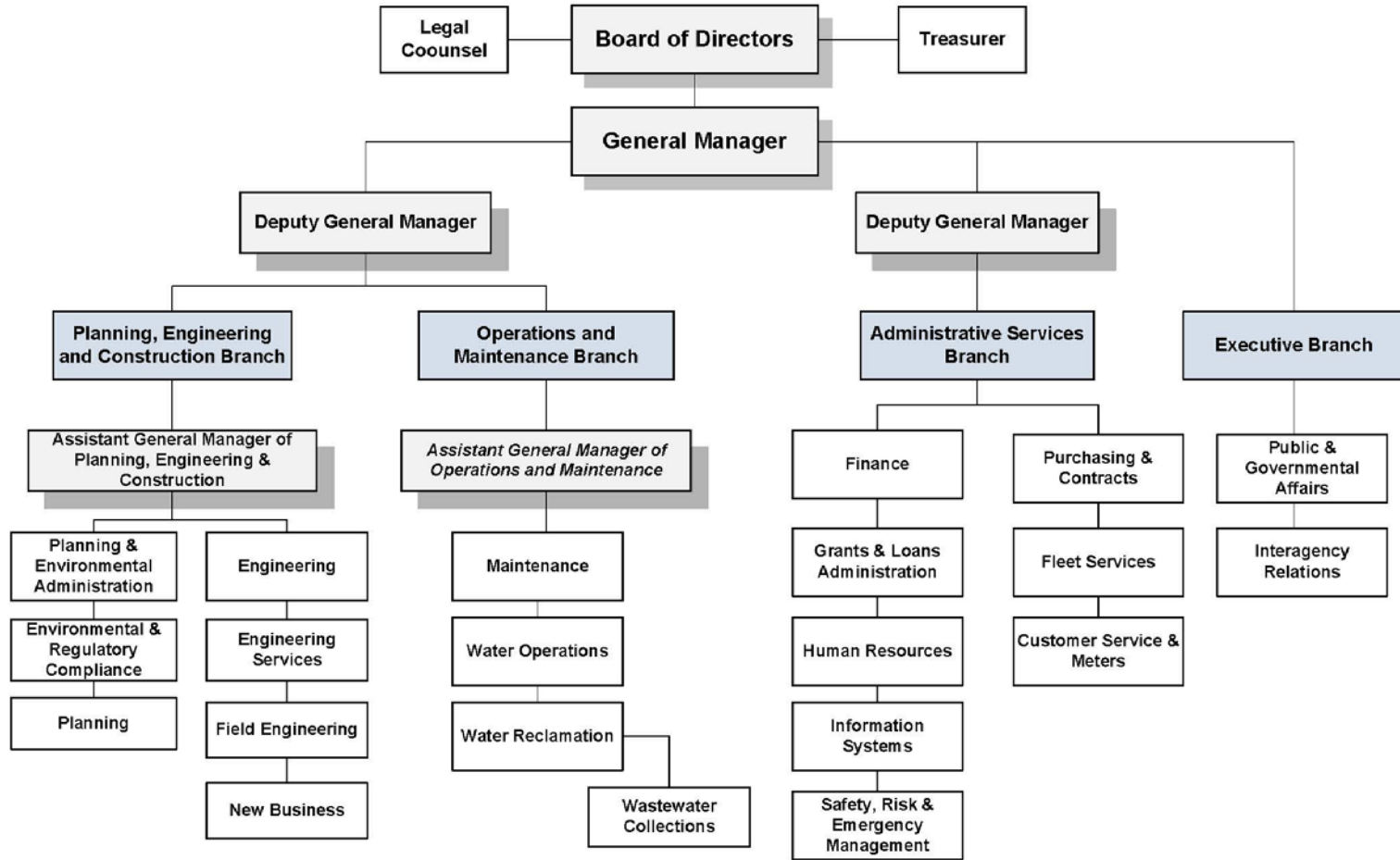
Board of Directors

<u>Position</u>	<u>Name</u>	<u>Elected</u>	<u>Current Term of Office</u>
President	Randy A. Record	1/2001	2013 - 2017
Vice President	David J. Slawson	1/1995	2015 - 2019
Director/Treasurer	Joseph J. Kuebler, CPA	4/2006	2015 - 2019
Director	Philip E. Paule	1/2007	2015 - 2019
Director	Ronald W. Sullivan	1/2003	2013 - 2017

Executive Management

<u>Position</u>	<u>Name</u>
General Manager	Paul D. Jones II, P.E.
Deputy General Manager	Deborah S. Cherney, CPA
Deputy General Manager	Nicolas Kanetis, P.E.
Assistant General Manager, Operations and Maintenance	Jeff D. Wall, P.E.
Assistant General Manager, Planning, Engineering, and Construction	Charles J. Bachmann, P.E.

Eastern Municipal Water District Organizational Chart



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Temecula Wine Country Sewer

Phase 1 of the project included the installation of nearly 10 miles of sewer lines in the Wine Country area, just east of Temecula. This allows the County of Riverside to move forward with its long-term vision of turning Wine Country into a world-class destination wine region, complete with large resorts and expansions of many of the wineries in the region.

The project also improves groundwater quality in the region by removing the need for septic systems at the wineries.

FINANCIAL SECTION

Board of Directors
Eastern Municipal Water District
Perris, California

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2015, 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.

Emphasis of Matters

As described further in note 1 to the financial statements, during the year ended June 30, 2015 the entity implemented Governmental Accounting Standards Board (GASB) Statement No 68. Our opinion is not modified with respect to this matter.

Prior-Year Comparative Information

The financial statements of Eastern Municipal Water District for the fiscal year ended June 30, 2014 were audited by other auditors whose report dated October 31, 2014 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan UP". The signature is written in a cursive, flowing style.

Irvine California
November 23, 2015

Management's Discussion and Analysis

We offer readers this narrative overview and analysis of the financial statements of the Eastern Municipal Water District for the fiscal year ended June 30, 2015. Readers are encouraged to consider the information presented in this section in conjunction with the accompanying financial statements and additional information furnished in our letter of transmittal.

Operations

The District operates under the authority of the California Water Code and engages in various activities classified as "proprietary". These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions. The major activities include: acquisition of water from the Metropolitan Water District of Southern California (MWD); production of groundwater; sale and delivery of water to domestic, agricultural and commercial accounts; collection, treatment and disposal of wastewater; sales and delivery of recycled water; and desalination of brackish groundwater. The District also owns and operates a fleet of vehicles and other rolling stock to support the various operating activities.

Overview of the Financial Statements

The District's financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position accounts for the current year's revenues and expenses. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

The final required financial statement is the statement of cash flows. This statement provides relevant information about the District's cash receipts and cash payments and these are segregated among operating, capital and related financing, and investing activities.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Management's Discussion and Analysis

Financial Highlights

Table 1

STATEMENT OF NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2015 and 2014

	2015	2014	Increase/(Decrease)	
			Amount	% Change
Assets				
Current assets	\$ 231,991,819	\$ 272,505,718	\$(40,513,899)	-14.9%
Restricted assets	282,420,596	203,743,540	78,677,056	38.6%
Net capital assets	2,219,050,790	2,143,913,467	75,137,323	3.5%
Other assets	-	3,498,232	(3,498,232)	-100.0%
Total assets	2,733,463,205	2,623,660,957	109,802,248	4.2%
Total deferred outflows of resources	26,440,989	25,364,521	1,076,468	4.2%
Liabilities				
Current liabilities	81,530,465	87,630,416	(6,099,951)	-7.0%
Other liabilities	322,507,418	228,659,850	93,847,568	41.0%
Long-term debt outstanding	859,424,428	782,163,286	77,261,142	9.9%
Total liabilities	1,263,462,311	1,098,453,552	165,008,759	15.0%
Total deferred inflows of resources	18,771,015	-	18,771,015	100.0%
Net position				
Net investment in capital assets	1,370,476,337	1,300,393,466	70,082,871	5.4%
Restricted	115,037,221	115,824,667	(787,446)	-0.7%
Unrestricted	(7,842,690)	134,353,793	(142,196,483)	-105.8%
Total net position	\$ 1,477,670,868	\$ 1,550,571,926	\$(72,901,058)	-4.7%
Ratio of liabilities to assets and deferred outflows of resources	46%	41%		

Changes in Financial Condition of the District

The ratio of liabilities to assets and deferred outflows of resources indicates the degree to which the District's assets are financed through borrowing and other obligations. This ratio increased five percent in fiscal year 2015.

In fiscal year 2015, the District's total net position increased by \$30.4 million or 2.3 percent before the prior period adjustment of \$103.3 million to unrestricted net position for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

Management's Discussion and Analysis

The following narrative highlights the increases and decreases in assets, liabilities, deferred outflows/inflows of resources and net position between fiscal years ended June 30, 2015 and June 30, 2014, as shown in Table 1 above.

- Current assets decreased by \$40.5 million or 14.9% due to decreases of \$31.2 million in non-restricted cash; \$6.2 million in utility receivables; and \$3.1 million in grants receivable. Restricted assets increased by a net \$78.7 million due to the issuance of the 2015A Revenue Refunding Bonds and 2015B Revenue Bonds, which resulted in increases of \$90.5 million in construction cash, net of \$11.7 million decrease in debt service cash.
- Net capital assets increased by \$75.1 million or 3.5% due to \$248.4 million of operating assets added to the system; added land of \$4.3 million; and added equipment and general facilities of \$6.4 million; these increases are offset by a decrease of \$99.4 million in construction-in-progress and additional accumulated depreciation totaling \$84.7 million.
- Other assets, which consisted of net pension assets, decreased by \$3.5 million or 100% due to the effect of the adoption of GASB Statement No. 68, Accounting and Reporting for Pensions (see notes 1 and 15).
- Deferred outflows of resources increased \$1.1 million or 4.2% as a result of increases of \$8.2 million in deferred pension contributions due to the adoption of GASB Statement No. 68 and \$7.0 million related to the amortization of deferred charges on debt refunding. These increases were offset by a \$14.1 million decrease in the fair value of the District's two swap contracts.
- Current liabilities decreased by \$6.1 million or 7% due to decreases of \$8.4 million in accounts and other payables, accrued expenses, salaries and benefits and a decrease of \$164 thousand in customer deposits. These decreases were offset by increases of \$1.5 million in the current portion of long-term debt and \$977 thousand in various other current liabilities.
- Other non-current liabilities (except for long-term debt) increased by \$93.8 million or 29.1% mostly due to increases of \$87.2 million in net pension liability, as a result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (see notes 1 and 15), and \$12.7 million in construction advances relating to SRF loan programs including the Temecula Valley RWRP Expansion project. These increases were offset mostly by decreases of \$5.7 million in advances from developers.
- Long-term debt outstanding increased by \$78.8 million due primarily from the issuance of \$74.4 million of 2015 Revenue Bonds in June 2015. The portion of long-term debt reported as current increased by \$1.5 million.

Management's Discussion and Analysis

- Deferred inflows of resources increased by \$18.8 million mostly due to the \$18.6 million increase in net pension liability as a result of implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (see notes 1 and 15).
- Total net position decreased by \$72.9 million in fiscal year 2015. This decrease is primarily due to the \$103.3 million adjustment to the unrestricted net position balance as a result of the adoption of GASB Statement No. 68, Accounting & Reporting for Pensions. The primary objective of this Statement is to improve accounting and financial reporting for pensions. It is a result of the GASB's comprehensive review of the effectiveness of previous standards of accounting and financial reporting with regard to providing decision useful information, accountability, and transparency. The Statement establishes standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources, and expenses. Prior to this GASB 68 adjustment, the District's total net position increased by \$30.4 million or 2.3% due to increases in the other net position categories consisting of net investment in capital assets which increased by \$70.0 million; net position restricted for debt service/covenants which increased by \$4.0 million; and net position restricted for construction which decreased by \$4.8 million.

Table 2

CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2015 and 2014

	<u>2015</u>		<u>2014</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>		<u>Amount</u>		<u>Amount</u>	<u>%</u>
Revenues						
Operating revenues	\$ 200,808,420	\$	201,949,681	\$	(1,141,261)	-0.6%
Non-operating revenues	78,102,583		83,945,016		(5,842,433)	-7.0%
Total revenues	278,911,003		285,894,697		(6,983,694)	-2.4%
Operating expenses:						
Operating expenses:	279,653,042		275,494,886		4,158,156	1.5%
Non-operating expenses:	28,110,148		26,563,390		1,546,758	5.8%
Total expenses	307,763,190		302,058,276		5,704,914	1.9%
Loss before contributions	(28,852,187)		(16,163,579)		(12,688,608)	78.5%
Capital contributions	59,211,012		48,826,308		10,384,704	21.3%
Change in net position	30,358,825		32,662,729		(2,303,904)	-7.1%
Net position at beginning of year	1,550,571,926		1,517,909,197		32,662,729	2.2%
Effect of adoption of GASB 68 (Note 15)	(103,259,883)		-		(103,259,883)	100.0%
Net position at end of year	\$ 1,477,670,868	\$	1,550,571,926	\$	(72,901,058)	-4.7%

Management's Discussion and Analysis

Changes in Financial Performance of the District

The following narrative highlights major changes in the District's revenue and expenses between the fiscal years ended June 30, 2015 and June 30, 2014 as summarized in Table 2 above and as detailed in the Statement of Revenue, Expenses, and Changes in Net Position in the financial statements. The Revenue by Source and Expenses by Function charts in the statistical section of this report provides a detail of revenues and expenses by source and by function for the last ten fiscal years.

- Total revenues – Combined revenues including capital contributions for the fiscal year totaled \$338.1 million compared to the prior fiscal year's revenue of \$334.7 million. This is an increase of approximately \$3.4 million or 1%. Table 2 on the previous page presents a comparison of total operating, non-operating, and capital contribution revenues for fiscal years ended June 30, 2015 and June 30, 2014.
- Total expenses – Combined expenses for fiscal year 2015 totaled \$307.8 million compared to the prior year's \$302.0 million. This is an increase of approximately \$5.7 million or 1.9%. Table 2 on the previous page presents a comparison of operating and non-operating expenses for the two fiscal years ended June 30, 2015 and June 30, 2014.
- Water sales – Total domestic and irrigation sales decreased approximately \$5.4 million or 4.4 percent compared to the previous year. This change reflects a decrease in water volumes sold due to water conservation efforts related to the drought conditions which resulted in a 10.8 percent decrease in acre-feet sales, partially offset by a 3.8 percent rate increase and additional \$1.75 per month per customer Capital Fixed Charge effective January 1, 2015.
- Sewer service - Wastewater service charges increased \$4.0 million or 5.4 percent over the previous year's total to end at \$77.1 million. This is primarily attributed to an additional 2,460 sewer connections and a 4.5 percent rate increase effective July 1, 2014.
- Connection fees – These revenues decreased by a net \$1.8 million over the prior year. Sewer connections were 2,460 compared to the prior year's 2,975, representing a decrease of 17.3 percent and water connections were 2,009 compared to the prior year's 2,156 representing a decrease of 6.8 percent.
- Interest earnings – The current fiscal year's interest earnings were \$3.1 million, which was unchanged from the previous year.
- Net (decrease) increase in fair value of investments – In accordance with Governmental Accounting Standards Board Statement No. 31, the District adjusts the value of investments each fiscal year end to reflect fair value. This adjustment amount was \$2.0 million less than the prior year amount due to a lower weighted average maturity and increased security diversity in the investment portfolio in 2015 than in 2014.

Management's Discussion and Analysis

- Purchased water – The \$4.8 million decrease in expense is primarily due to the decreased demand for water, which resulted in the purchase of 8,627 acre-feet less treated and untreated water in 2015 than in 2014.
- Depreciation and amortization – The District capitalized a net additional \$254.8 million of depreciable assets over the course of the year, which resulted in the \$6.8 million of additional expense.
- Net other postemployment benefits – This amount is determined by an actuarial calculation as the annual required contribution plus adjustments. It includes actual pay-as-you-go costs for benefits provided to retired employees during the year, plus an Estimate of the present value of projected benefits earned by current employees. The estimated amount relating to projected benefits increased \$210 thousand. The District continues funding future costs with contributions to an irrevocable trust.
- Interest – certificates of participation/revenue bonds – The \$0.97 million net decrease is primarily due to lower interest rates on variable rate debt.
- Other non-operating expenses – The \$1.5 million increase is primarily due to a \$1.7 million loss on disposal of capital assets that have either been replaced or retired from service before the end of their estimated useful lives.
- Capital contributions from developers - Facilities built by developers and turned over to the District to operate and maintain increased to \$57.1 million compared to \$44.6 million in the previous year, a change of \$12.5 million. This increase mainly relates to increased processing of project closures and additional development activity in the service area.
- Capital contributions from grants - The District actively pursue grant funding and revenues which vary from year to year. Major capital grant revenues for fiscal year 2015 include federal and state of California grants totaling \$553 thousand for the Enchanted Heights Sewer Infrastructures project, state grant totaling \$424 thousand for the County Water of Riverside Potable Water System Improvement, federal grant of \$351 thousand for the Indirect Potable Reuse Phase I project and state grants totaling \$453 thousand for the Quail Valley Sewer Improvements project.
- Net position – As previously stated, the District's total net position increased by \$30.4 million or 2.0% before the prior period adjustment of \$103.3 million to unrestricted net position for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (see notes 1 and 15).

Management's Discussion and Analysis

Capital Assets

Net of accumulated depreciation, the District reported capital assets of \$2,219.0 million in fiscal year 2015 compared to \$2,143.9 million in fiscal year 2014. A comparison of this change is provided below by major category. Refer to Note 3 to the basic financial statements for further information regarding capital assets.

Capital Assets For the Fiscal Years Ended June 30, 2015 and 2014

			Increase/(Decrease)	
			Amount	%
	2015 Amount	2014 Amount	Amount	Change
Land	\$ 50,138,199	\$ 45,790,534	\$ 4,347,665	9.5%
Tunnel Water Seepage Agreement	1,750,900	1,750,900	-	0.0%
Water capacity rights	30,074,350	29,657,807	416,543	1.4%
Water plant, lines and equipment	1,114,327,333	1,057,834,177	56,493,156	5.3%
Sewer plant, lines and equipment	1,794,063,993	1,602,575,684	191,488,309	11.9%
Equipment and general facilities	128,875,812	122,429,236	6,446,576	5.3%
Construction in progress	118,345,825	217,698,701	(99,352,876)	-45.6%
Total capital assets	3,237,576,412	3,077,737,039	159,839,373	5.2%
Less accumulated depreciation	(1,018,525,622)	(933,823,572)	(84,702,050)	9.1%
Net capital assets	\$ 2,219,050,790	\$ 2,143,913,467	\$ 75,137,323	3.5%

Management's Discussion and Analysis

Significant additions to capital assets include \$57.1 million in contributed capital from developers. Most of the contributed assets were water and sewer line additions relating to development in the area. Other additions resulted from the completion and capitalization of \$219 million construction in progress.

The three largest District projects that were capitalized during the 2015 fiscal year include the Wine Country Sewer Pipeline Infrastructure Phase I (\$16.1 million): Olive Avenue Regional Sewer Improvement Phase I (\$7.4 million): and the Letterman Booster Pump Station and Transmission Pipeline (\$7.1 million).

The Wine Country Sewer Pipeline Infrastructure Phase I project includes the design and construction of sewer pipelines to serve the Temecula Valley Wine Country area, east of Butterfield Stage Road in the unincorporated area of the County of Riverside. The project includes two lift stations, approximately 8 miles of gravity sewer and 1.5 miles of dual sewer force mains. The County of Riverside amended its General Plan land use designation to support the increased development of Temecula Valley's Wine Country as a tourist destination. The District has implemented a plan to accommodate the increased development in conjunction with the County of Riverside by designing and installing the sewer backbone network through the Temecula Valley Wine Country area. The new infrastructure will convey the increased wastewater flows to our existing collection system. This project was substantially complete as of June 30, 2015, with final work to be completed in 2015.

The Olive Avenue Regional Sewer Improvement Phase I project includes the design and construction of approximately 10,400 linear feet of 36-inch gravity sewer pipeline within Olive Avenue from La Ventana Road to Rice Road in Winchester. The new pipeline was installed in parallel with an existing gravity sewer line along Olive Avenue and portion of the existing sewer line was abandoned due to previous damage. The parallel sewer is required to accommodate gravity flows from proposed new developments within the area. This project was substantially complete as of June 30, 2015, with final work to be completed in 2015.

The Letterman Booster Pumping Station and Transmission Pipeline project includes the design and construction of a new pump station, transmission pipeline and the demolition of the existing Nason and Dracaea Booster Pump Station (BPS). The existing BPS was beyond its useful life and was located in the City of Moreno Valley (City). In addition to the booster pump station, 2,600 linear feet of transmission pipelines were installed. The Letterman BPS has a firm capacity of 8,000 gpm and is expandable to 12,000 gpm to serve future demands. This project was substantially complete as of June 30, 2015, with final work to be completed in 2015.

The District had \$26,554,335 in construction contract commitments as of June 30, 2015. Refer to Note 10 to the financial statements for further information regarding these commitments.

Management's Discussion and Analysis

Capital Expenses

During the year, additions to construction in progress totaled approximately \$120.0 million. Some of the major projects currently underway and where expenses in fiscal year 2015 exceeded \$2.0 million include:

	Millions
• Sixty-two water and sewer projects between \$100,000 - \$500,000	\$ 15.2
• San Jacinto Valley RWRP Expansion to 14 MGD	15.0
• Nine water and sewer projects between \$1,000,000 - \$2,000,000	12.6
• Wine Country Sewer Infrastructure Project	10.0
• Twelve water and sewer projects between \$500,000 - \$1,000,000	8.3
• Temecula Old Town Sewer Improvements	7.5
• Solar Photovoltaic Renewable Energy Initiative Phase II	7.1
• Olive Avenue Regional Sewer Improvements Phase I	6.8
• San Jacinto Land Acquisition Study	4.4
• Letterman Booster Pump Station & Transmission Pipeline	4.4
• Solar Photovoltaic Renewable Energy Initiative Phase I	4.3
• Remaining water and sewer projects with expenses less than \$100,000	4.3
• Watson Road and Longview Lane Pipelines Project	3.7
• Acquisition of 39.2 Acre Property (potential recharge site) NW of Esplanade Avenue & Mountain Avenue	3.6
• Longview 5.6 MG Tank	3.6
• Daily II Tank and Transmission Pipeline	3.6
• Salt Creek Regional Sewer Improvements	2.9
• Watson Road Booster Pump Station	2.7
	<u>\$ 120.0</u>

Noncurrent Liabilities

Noncurrent liabilities consist of debt and other liabilities. Long-term debt includes advances for construction, notes and assessments, revenue bonds, COPs, GO bonds and unamortized deferred amounts for premiums/discounts relating to debt issuances. Other noncurrent liabilities include SRF construction advances, advances from developers, settlement payable relating to the Soboba Settlement Agreement, other accrued expenses, and compensated absences; net other postemployment benefits (OPEB) obligation, net pension obligation, and the fair value of swap contracts.

Management's Discussion and Analysis

The District had a total of \$1,181.9 million of outstanding debt and other noncurrent liabilities at June 30, 2015, a net increase of \$171.1 million or 16.9 percent from the prior year. Total debt increased \$78.8 million to \$880.7 million due to the issuance of the 2015B Revenue Bonds and the construction advances for the Temecula Valley RWRf converting to an SRF loan. The amount of debt and amortizations due within one year total \$21.3 million. To reduce debt service costs, the District refunded the 2008A, 2008D and 2008G COPs with the 2014C, 2014B and 2015A Refunding Revenue Bonds, respectively.

Other noncurrent liabilities increased \$94.5 million, mainly due to the increase in net pension obligation of \$87.2 million as a result of the adoption of GASB Statement No. 68, and a net increase in SRF construction advances of \$12.7 million. These increases were offset by a \$5.3 million decrease in advances from developers.

The District's parity COP and Revenue Bond debt has been assigned an AA+, Aa2 and AA rating and the subordinate Refunding Revenue Bonds and Revenue Bonds have been assigned ratings of AA, Aa3, and AA- from Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Rating Services, respectively. More detailed information about the District's long-term debt and other noncurrent liabilities is presented in Note 4 to the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide Eastern Municipal Water District's elected officials, citizens, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions regarding this report or need additional financial information, please contact the District's Finance Department.

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EMWD Demonstration Garden

The revitalization of EMWD's Demonstration Garden was completed in Fall 2014 and has served as an excellent example of a visually appealing, diverse, and sustainable landscape which can be easily maintained, even during exceptional drought conditions.

Garden tours are provided by staff upon request as well as during scheduled water use efficiency workshops and special events.

BASIC FINANCIAL STATEMENTS

EASTERN MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015
(with prior year data for comparison purposes only)

	June 30	
	2015	2014
Assets:		
Current assets:		
Cash and investments	\$ 180,865,999	\$ 212,038,291
Utility accounts receivable, net of allowances	23,346,319	29,580,997
Property taxes receivable	12,072,798	12,170,806
Accrued interest receivable	1,002,052	939,445
Other receivables	4,948,563	5,143,395
Prepaid expenses	3,187,899	3,001,662
Net pension assets	-	530,948
Materials and supplies inventory	3,264,481	3,136,749
Water Inventory	2,532,821	2,091,314
Grants receivable	770,887	3,872,111
Total current assets	231,991,819	272,505,718
Noncurrent assets:		
Restricted assets:		
Debt service/covenants cash and investments	101,974,320	113,649,543
Property taxes receivable	1,284,134	1,539,415
Soboba reimbursement receivable	12,998,778	12,998,778
Construction cash and investments	165,982,447	75,527,588
Notes receivable	180,917	28,216
Total restricted assets	282,420,596	203,743,540
Capital assets:		
Land	50,138,199	45,790,534
Tunnel water seepage agreement	1,750,900	1,750,900
Structures, improvements and water rights	2,938,465,676	2,690,067,668
Equipment and general facilities	128,875,812	122,429,236
Construction in progress	118,345,825	217,698,701
Total capital assets	3,237,576,412	3,077,737,039
Less accumulated depreciation	(1,018,525,622)	(933,823,572)
Total net capital assets	2,219,050,790	2,143,913,467
Other assets:		
Net pension assets	-	3,498,232
Total noncurrent assets	2,501,471,386	2,351,155,239
Total assets	2,733,463,205	2,623,660,957
Deferred outflows of resources		
Accumulated decrease in fair value of swap contracts	-	14,120,430
Deferred outflows - pension contributions	8,160,464	-
Deferred charges on debt refundings	18,280,525	11,244,091
Total deferred outflows of resources	26,440,989	25,364,521

See accompanying notes to these financial statements

EASTERN MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015
(with prior year data for comparison purposes only)

	June 30	
	2015	2014
Liabilities:		
Current liabilities:		
Accounts payable	\$ 25,451,048	\$ 35,501,392
Accrued salaries and benefits	3,376,404	2,935,094
Customer deposits	8,011,610	8,175,756
Compensated absences	7,690,507	7,625,285
Accrued interest	8,582,690	8,313,409
Other payables	3,276,890	2,231,100
Advances for construction, notes and assessments	6,434,899	3,958,096
Revenue bonds	9,336,283	8,493,590
Certificates of participation	4,528,785	4,753,784
General obligation bonds	975,393	2,550,504
Advances from developers	1,570,498	1,103,429
Capital lease payable	14,458	13,498
Unearned revenue	175,800	-
Other accrued expenses	2,105,200	1,975,479
Total current liabilities	81,530,465	87,630,416
Noncurrent liabilities:		
Compensated absences	6,320,819	5,785,451
Advances for construction, notes and assessments	112,917,460	101,237,573
Revenue bonds	411,071,428	190,031,537
Certificates of participation	300,487,521	454,956,306
General obligation bonds	34,920,903	35,896,296
State revolving fund construction advances	140,525,331	127,822,117
Advances from developers	16,889,638	22,616,585
Capital lease payable	27,116	41,574
Other accrued expenses	5,617,870	5,976,231
Net other postemployment benefits obligation	51,927,505	52,339,036
Net pension liability	87,209,140	-
Fair value of swap contracts	14,017,115	14,120,430
Total noncurrent liabilities	1,181,931,846	1,010,823,136
Total liabilities	1,263,462,311	1,098,453,552
Deferred inflows of resources		
Accumulated decrease in fair value of swap contracts	189,319	-
Deferred inflows actuarial	18,581,696	-
Total deferred inflows of resources	18,771,015	-
Net position:		
Net investment in capital assets	1,370,476,337	1,300,393,466
Restricted for debt service/covenants	74,689,785	70,625,613
Restricted for construction	40,347,436	45,199,054
Unrestricted	(7,842,690)	134,353,793
Total net position	\$ 1,477,670,868	\$ 1,550,571,926

See accompanying notes to these financial statements

EASTERN MUNICIPAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(with prior year data for comparison purposes only)

	June 30	
	2015	2014
Operating revenues:		
Water sales - domestic	\$ 113,859,511	\$ 118,695,153
Water sales - irrigation	3,435,641	4,029,022
Sewer service charge	77,120,505	73,100,086
Recycled water sales	6,392,763	6,125,420
Total operating revenues	<u>200,808,420</u>	<u>201,949,681</u>
Operating expenses:		
Purchased water	59,040,009	63,850,688
Water operations	45,691,510	44,193,507
Sewer operations	42,743,947	42,710,741
Recycled water operations	6,101,759	5,992,372
General and administrative	28,677,026	28,352,049
Depreciation and amortization	88,830,791	82,037,529
Net other postemployment benefits	8,568,000	8,358,000
Total operating expenses	<u>279,653,042</u>	<u>275,494,886</u>
Loss from operations	<u>(78,844,622)</u>	<u>(73,545,205)</u>
Non-operating revenues (expenses):		
Property taxes - general levy	30,843,713	28,061,489
Property taxes - general bond levy	3,256,867	4,517,348
Availability (standby) assessments	5,735,466	5,700,591
Water and sewer connection fees	28,307,625	30,149,861
Interest - operations and restricted funds	3,092,643	3,133,313
Net increase (decrease) in fair value of investments	(226,469)	1,746,290
Net increase (decrease) upon hedge termination	(5,504,869)	-
Interest - general obligation bond funds	45,068	43,980
Grant revenues	1,717,926	969,474
Other revenues	10,834,613	9,568,311
Gain/(loss) on disposal of capital assets	(1,734,798)	54,359
Interest - certificates of participation/revenue bonds	(14,861,357)	(14,783,498)
Interest - general obligation bonds	(1,792,037)	(1,839,045)
Interest - other	(1,451,147)	(1,265,303)
General obligation bond service fees	(49,317)	(57,289)
Other expenses	(8,221,492)	(8,618,255)
Total non-operating revenues	<u>49,992,435</u>	<u>57,381,626</u>
Loss before contributions	<u>(28,852,187)</u>	<u>(16,163,579)</u>
Capital contributions		
Developer contributions	57,086,793	44,581,002
Capital grants	2,112,456	4,245,306
Other capital contributions	11,763	-
Total capital contributions	<u>59,211,012</u>	<u>48,826,308</u>
Change in net position	30,358,825	32,662,729
Total net position at beginning of year	1,550,571,926	1,517,909,197
Effect of adoption of GASB 68 (Note 15)	(103,259,883)	-
Total net position at end of year	\$ 1,477,670,868	\$ 1,550,571,926

See accompanying notes to these financial statements

EASTERN MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(with prior year data for comparison purposes only)

	June 30	
	2015	2014
Cash flows from operating activities		
Receipts from customers	\$ 208,502,289	\$205,544,639
Receipts from availability (standby) assessments	5,974,527	5,860,100
Other receipts	11,010,413	9,568,311
Payments for water	(59,507,971)	(63,684,669)
Payments to employee for services	(82,038,728)	(77,260,806)
Payments to suppliers for goods and services	(53,861,384)	(40,404,765)
Payments for energy and utilities	(16,169,325)	(15,766,823)
Net cash (used for) provided by operating activities	13,909,821	23,855,987
Cash flows from noncapital financing activities		
Proceeds from property taxes, general levy	30,702,597	27,851,864
Proceeds from operating grants	2,131,438	2,228,554
Net cash (used for) provided by noncapital financing	32,834,035	30,080,418
Cash flows from capital and related financing activities		
Acquisitions and construction of capital assets	(103,414,173)	(94,949,161)
Proceeds from sale of capital assets	550,776	117,949
Proceeds from long-term debt issuance	230,376,166	48,645,000
Proceeds from SRF construction advances	27,374,469	26,409,638
Repayment of notes, bonds and certificates of participations	(168,661,594)	(75,281,718)
Interest paid	(19,614,425)	(21,373,159)
Proceeds from property taxes, GO bond levy	3,512,148	4,455,006
Proceeds from water and sewer connection fees	28,307,625	30,149,861
Proceeds from developer advances	6,961,362	11,397,314
Repayments of developer advances	(12,221,240)	(8,673,440)
Proceeds from capital grants	4,843,739	4,894,234
Net cash (used for) capital and related financing activities	(1,985,147)	(74,208,476)
Cash flows from investing activities		
Purchases of investments	(50,278,142)	(147,716,006)
Proceeds from sales and maturities of investments	69,665,325	47,234,313
Proceeds from earnings on investments	3,075,104	2,647,355
Net cash provided by investing activities	22,462,287	(97,834,338)
Total (decrease) increase in cash and cash equivalents	67,220,996	(118,106,409)
Cash and cash equivalents at beginning of year	157,274,781	275,381,190
Cash and cash equivalents at end of year	\$ 224,495,777	\$ 157,274,781

See accompanying notes to these financial statements

EASTERN MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(with prior year data for comparison purposes only)

	June 30	
	2015	2014
Reconciliation of loss from operations to net cash provided by (used for) operating activities:		
Loss from operations	\$ (78,844,622)	\$ (73,545,205)
Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	88,830,791	82,037,529
Other revenues	8,574,068	7,181,605
(Increase) decrease in utility accounts receivable	6,234,678	(1,366,869)
(Increase) decrease in other receivables	390,385	2,282,824
(Increase) decrease in prepaid expenses	(186,237)	198,987
(Increase) decrease in materials and supplies inventory	(127,732)	(15,412)
(Increase) decrease in water inventory	(441,507)	188,369
(Increase) decrease in notes receivable	(152,701)	40,902
(Increase) decrease in accounts payable	(10,050,344)	1,326,665
(Increase) decrease in accrued expenses	1,258,460	1,753,749
(Increase) decrease in customer deposits	(164,146)	890,162
(Increase) decrease in settlement payable	-	(2,499)
(Increase) decrease in compensated absences	600,590	758,315
(Increase) decrease in net other postemployment benefits obligation	(411,531)	2,126,865
(Increase) decrease in net pension liability	(12,021,563)	-
(Increase) decrease in deferred inflows	18,581,696	-
(Increase) decrease in deferred outflows	(8,160,464)	-
Net cash (used for) provided by operating activities	\$ 13,909,821	\$ 23,855,987
Reconciliation of cash and cash equivalent to statement of net position:		
Current cash and investments	180,865,999	\$ 212,038,291
Restricted cash and investments:		
Debt service/covenants	101,974,320	113,649,543
Construction	165,982,447	75,527,588
Total cash and investments	448,822,766	401,215,422
Less investments	224,326,989	243,940,641
Cash and cash equivalents	\$ 224,495,777	\$ 157,274,781
Noncash capital, financing, and investing activities		
Capital asset contributions from developers	\$ 57,086,793	\$ 44,581,002
Net increase (decrease) in fair value of investments	(226,469)	1,746,290
Termination of interest rate swap hedge effectiveness	(5,504,869)	-
Amortization of bond premiums, discounts, and loss on debt refunding	579,335	234,098

See accompanying notes to these financial statements

**EASTERN WATER MUNICIPAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Eastern Municipal Water District (District) was formed in October 1950, under the California Water Code for the primary purpose of importing Colorado River Water to augment local water supplies. In 1962, the District began providing wastewater treatment services to customers within its service area and, as a consequence, has become actively involved in the production of recycled water (i.e., wastewater which has been treated to a level acceptable for nondomestic purposes) and has been recognized as an industry leader in the management of ground water basins and the related beneficial uses of recycled water. The District's water and wastewater customers include retail customers (e.g., residential, commercial and agricultural) located in both incorporated and unincorporated areas within the District's service area, as well as wholesale customers (e.g., municipalities and local water Districts) located within its service area.

The District formed the Eastern Municipal Water District Facilities Corporation (Facilities Corporation) on April 10, 1979, under the Non-Profit Public Benefit Corporation Law, State of California, for the purpose of rendering financing assistance to the District by acquiring, constructing and operating or providing for the operation of water and wastewater facilities, including water and wastewater transmission pipelines, treatment plants and related facilities for the use, benefit and enjoyment of the public within the District's boundaries. The Facilities Corporation is a blended component unit of the District.

The District formed the Eastern Municipal Water District Financing Authority (Financing Authority) on April 1, 2015, under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Financing Authority was formed to enable the District to finance, refinance, or provide interim financing for the acquisition, construction, and operation of water supplies, water and wastewater infrastructure, water rights, public facilities, other public capital improvements, or other projects whenever there is significant public benefits. The Financing Authority is a blended component unit of the District.

The District's reporting entity includes the general District, the related improvement Districts located within the service area of the general District and the Facilities Corporation and the Financing Authority. Although the District, the Facilities Corporation and the Financing Authority are legally separate entities, the District's Board of Directors also serve as the Facilities Corporation and the Financing Authority's Board of Directors, and therefore, the accompanying financial statements include the accounts and records of the Facilities Corporation and the Financing Authority as required by generally accepted accounting principles using the blending method. There are no separate financial statements for the Facilities Corporation and the Financing Authority. The Facilities Corporation and the Financing Authority merely serve as the legal entity used by the District to issue long-term debt. Accordingly, the Facilities Corporation and the Financing Authority have no separate financial activity to be reported as separate funds of the District.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Basis of Accounting and Measurement Focus

The District accounts for its operations on a fund basis. In governmental accounting, a fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Because the activities of the District receive significant support from fees and charges, it uses a proprietary (enterprise) fund. Enterprise fund accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services.

The District uses the economic resources measurement focus and the accrual basis of accounting. Measurement focus determines what is measured in a set of financial statements and under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting for pensions. The provisions of this Statement are effective for financial statements for periods beginning after June 30, 2014. The District implemented this Statement in the fiscal year ending June 30, 2015.

In 2014, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The District implemented this Statement in the fiscal year ending June 30, 2015.

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. It is not practical to restate the 2014 column for the impact of these standards. The result of the implementation of these standards decreased the net position at July 1, 2014 by \$103,259,883.

Cash and Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool. Guaranteed investment contracts are carried at cost because they are not transferable and have terms that are not affected by changes in market interest rates.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Classification of Revenues and Expenses

An enterprise fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for domestic, agricultural and irrigation, and recycled water sales, and sewer service charges. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation of capital assets.

Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and wastewater treatment services. Non-operating revenues mainly consist of property taxes, availability (standby) assessments, investment income, connection fees, and miscellaneous income. Capital contributions consist of facilities built by developers and turned over to the District to operate and maintain; and federal, state and private grants used to fund capital assets. Non-operating expenses mainly consist of debt service interest and debt-related fees.

Capital Assets

Both purchased capital assets and self-constructed capital assets are recorded at cost. The cost of self-constructed assets includes direct labor, material, contracted services, overhead and interest on funds borrowed to finance construction. Contributed capital assets are recorded at fair market value at the time they are received. These assets consist primarily of distribution lines and connections constructed and donated by developers. The District follows the capitalization thresholds shown below for all purchased or constructed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Asset Group	Amount (Minimum)	Estimated Useful Life
Department tools and equipment; computer hardware and software	\$ 5,000	> than 3 years
Facilities plant and equipment	10,000	> than 5 years
Fleet vehicles	10,000	> than 3 years
Operations and maintenance improvement/replacement projects	10,000	> than 5 years

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water source of supply and treatment	30-40
Water storage and distribution	20-40
Wastewater collection system and lift stations	35-100
Wastewater treatment plants	40-50
Recycled water storage and distribution	40-50
Capacity rights	40
Meters and service connections	20-25
Buildings and improvements	10-35
Office and general equipment	5-10
Automotive pool	5-15

Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established for utility accounts receivables that are 60 or more days delinquent at year-end. This allowance is netted against the receivable on the Statement of Net Position and amounts to \$609,075 at June 30, 2015.

Inventories

Material and supplies inventory consists primarily of materials used in the construction and maintenance of utility plant and is valued at weighted average cost. Water inventory consists of native groundwater and purchased water holdings in the Hemet-San Jacinto Basin. It is valued based upon purchase cost and weighted average cost of consumption. Refer to Note 11 to the basic financial statements for more information regarding water inventory.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Restricted Assets

Amounts shown as restricted assets have been restricted by bond indenture, law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets.

Restricted assets include water and sewer connection fees. The resolution establishing the authority for water and sewer connection fees restricts the use of these fees to the construction, acquisition, or financing of capital assets. The water and sewer connection fees are exchange transactions (non-operating revenues). The connecting party receives a benefit (connection to the system) approximately equal in value to the amount paid. These fees do not represent capital contributions (nonexchange transactions).

Generally, restricted resources are not commingled with unrestricted resources in financing projects and activities, and are used for specific types of projects for which such funding is designated. When both restricted and unrestricted resources are available for use, the District may use restricted resources or unrestricted resources, depending upon the type of project or activity, as determined by Board action.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed daily on 30-day cycles. Wastewater customers are also billed and included with the water billing. In certain areas of the District, the wastewater billing is handled by another water utility agency, but is accrued as revenues by the District each month. Collections are forwarded monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$8,725,958 at June 30, 2015.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of countywide assessed valuations. The property taxes are placed in a pool and are then allocated to the local governmental units based upon complex formulas. Property tax revenue is recognized in the fiscal year in which the taxes have been levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment – November 1 Second installment – February 1
Delinquent date:	First installment – December 10 Second installment – April 10

Debt Discounts, Premiums, and Deferred Amounts on Refunding

General obligation bond, revenue bond, and certificate of participation premiums and discounts are deferred and amortized over the term of the bonds. The discounts and premiums are presented as an addition (or reduction) of the face amount of the debt. Furthermore, in accordance with GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, deferred charges on refunding are presented as deferred outflows of resources on the Statement of Net Position.

Compensated Absences

The District has a policy whereby an employee can accumulate unused sick leave and vacation. Sick leave is to be used for extended periods of sickness; however, upon termination or retirement, a portion is paid to the employee. At retirement, employees who qualify under the Public Employees Retirement Law are paid for 100 percent of their unused sick leave up to 625 hours and 50 percent for all hours in excess of 625 hours, at their regular payroll rates in effect at the date of termination. All employees who separate from the District, other than for retirement, who have completed at least six months of continuous service and/or have been authorized to use their sick leave, are entitled to receive 25 to 75 percent of their then unused sick leave at their regular payroll rate. The District has provided for these future costs by accruing 100 percent of all earned and unused vacation and sick leave because historical data shows that most employees retire from the District and the few employees who separate prior to retirement qualified to have a high percentage of their sick leave paid out.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has two items that qualify for reporting in this category: the deferred outflows on pension contributions and the deferred charges on debt refundings. These are reported on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, the accumulated decrease in fair value of swap contracts and the deferred inflow – actuarial. These are reported on the Statement of Net Position.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles, and therefore include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from those estimates.

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Description of Reporting Entity and Summary of Significant Accounting Policies (cont'd)

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived. Certain amounts in the fiscal year 2014 Statement of Cash Flows have been reclassified to conform to the fiscal year 2015 presentation and adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Such reclassifications had no effect on the previously reported change in net position. The effect of adoption of GASB Statement No. 68 to the District's net position is reported in fiscal year 2015 Statement of Revenue, Expenses, and Changes in Net Position (see Note Disclosure 1).

Interest Rate Swap Contracts

The District entered into interest rate swap contracts to fix the interest rates on certain outstanding variable rate debt. These contracts are recorded at fair value.

Fair values of these interest rate swap contracts are reported as liabilities, and its changes in the fair value are reported as deferred outflows of resources in the statement of net position. As of June 30, 2015, all potential hedging instruments of the District are considered effective hedges.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 Cash and Investments

Cash and investments are classified in the accompanying Statement of Net Position as follows:

	2015	2014
Current assets	\$ 180,865,999	\$ 212,038,291
Restricted assets:		
Debt service/covenants	101,974,320	113,649,543
Construction	165,982,447	75,527,588
Totals	\$ 448,822,766	\$ 401,215,422

Cash and investments consisted of the following:

	2015	2014
Cash on hand	\$ 4,900	\$ 4,900
Deposits with financial institutions	4,537,008	8,673,875
Investments	444,280,858	392,536,647
Total cash and investments	\$ 448,822,766	\$ 401,215,422

Cash and cash equivalents consisted of the following:

	2015	2014
Demand accounts and on hand	\$ 4,541,908	\$ 8,678,775
Local Agency Investment Fund (LAIF)	138,853,543	58,797,449
Investment Trust of California (CalTRUST)	41,032,598	50,832,179
Money market mutual funds	40,067,728	38,966,378
Total cash and cash equivalents	\$ 224,495,777	\$ 157,274,781

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 Cash and Investments (cont'd)

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

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. 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. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
U.S. treasury obligations	Yes	5 Years	None	None
U.S. agency securities	Yes	5 Years	None	None
Bankers' acceptances	Yes	180 Days	40%	30%
Negotiable certificates of deposit	Yes	1 Year	30%	25%
Commercial paper	Yes	270 Days	25%	10%
Repurchase agreements	No ¹	1 Year	None	None
Reverse repurchase agreements	No	92 Days	20%	None
Medium-term notes	Yes	5 Years	30%	25%
Mortgage pass – through securities	No	5 Years	None	None
LAIF	Yes	None	None	\$50,000,000
CA local agency securities	Yes	5 Years ²	30% ³	25% ³
Mutual funds	No	N/A	None	None
Money market mutual funds	Yes	N/A	15%	10%
County pooled investment funds	No	N/A	None	None
Joint powers authority (CalTRUST)	Yes	N/A	15%	15%
Investment contracts	Yes	None	None	None

* Based upon State law or investment policy requirements, whichever is more restrictive.

1. Only permitted for use in the District's sweep account.

2. Maturities may exceed 5 years with specific required credit ratings.

3. Investments in the District's own tendered securities may exceed percentages on a temporary basis.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 Cash and Investments (cont'd)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, 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 bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
State obligations or political subdivision of states	None	None	None
Bankers' acceptances	1 Year	None	None
Certificates of deposit	None	None	None
Commercial paper	None	None	None
Guaranteed investment contracts	None	None	None
Repurchase agreements	30 Days	None	None
Money market mutual funds	None	None	None
LAIF	None	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operation.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the table on the following page, which shows the distribution of the District's investment by remaining maturity.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 Cash and Investments (cont'd)

Interest Rate Risk (continued)

Investment Type	Total Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. agency securities:					
Federal Farm Credit Bank (FFCB)	\$ 4,991,300	\$ -	\$ -	\$4,991,300	\$ -
Federal Home Loan Bank (FHLB)	24,863,800	-	-	24,863,800	-
Federal Home Loan Mortgage Corp. (FHLMC)	19,910,850	-	-	19,910,850	-
Federal National Mortgage Assn. (FNMA)	62,458,300	22,573,800	-	39,884,500	-
Corporate – Fixed	42,732,322	15,106,150	10,321,313	17,304,859	-
Corporate – Floating	14,040,460	5,002,360	-	9,038,100	-
Municipal	45,240,551	16,098,063	2,244,562	26,897,926	-
LAIF	50,018,799	50,018,799	-	-	-
Investment Trust of California (CalTRUST)	41,032,598	-	41,032,598	-	-
Money market mutual funds	3,059,545	3,059,545	-	-	-
Held by trustee:					
LAIF	88,834,744	88,834,744	-	-	-
Municipal	6,956,752	-	-	6,956,752	-
Money market mutual funds	37,008,183	37,008,183	-	-	-
Guaranteed investment contracts (GICs)*	3,132,654	-	-	-	3,132,654
Total investments	\$444,280,858	\$ 237,701,644	\$53,598,473	\$149,848,087	\$ 3,132,654

* The District's GIC is with AIG Matched Funding Corporation (AIG). The contract required AIG to deposit securities as collateral with Wells Fargo Bank Minnesota, NA at a value of at least 105% of the investment balance. The termination of the investment contract and release of collateral would occur in the event of default by AIG. As of June 30, 2015, AIG was not in default and the value of the investment exceeded 105% of the investment balance.

Investments with Fair Value Highly Sensitive to Interest Rate Risk

Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk as specified by the GASB No.40. As of June 30, 2015 the District had \$14,040,460 invested in corporate floating notes.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 Cash and Investments (cont'd)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below shows the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual Standard & Poor's Rating Services credit rating as of year-end for each investment type.

Investment Type	Total Amount	Min. Legal Rating	Rating at End of Year			
			AAA	AA	A	Unrated
U.S. agency securities:						
FFCB	\$ 4,991,300	N/A	\$ -	\$ 4,991,300	\$ -	\$ -
FHLB	24,863,800	N/A	-	24,863,800	-	-
FHLMC	19,910,850	N/A	-	19,910,850	-	-
FNMA	62,458,300	N/A	-	62,458,300	-	-
Corporate – Fixed	42,732,322	A	5,226,060	19,028,810	18,477,452	-
Corporate – Floating	14,040,460	A	-	11,038,600	3,001,860	-
Municipal	45,240,551	N/A	4,009,920	26,835,896	14,394,735	-
LAIF	50,018,799	N/A	-	-	-	50,018,799
CalTRUST	41,032,598	N/A	-	-	-	41,032,598
Money market mutual funds	3,059,545	AAA*	3,059,545	-	-	-
Held by trustee:						
LAIF	88,834,744	N/A	-	-	-	88,834,744
Municipal	6,956,752	N/A	-	-	6,956,752	-
Money market mutual funds	37,008,183	N/A	37,008,183	-	-	-
Guaranteed investment contracts	3,132,654	N/A	-	-	-	3,132,654
Total investments	\$ 444,280,858		\$49,303,708	\$ 169,127,556	\$42,830,799	\$ 183,018,795

* Money market mutual funds are rated AAAM by S&P and Aaa-mf by Moodys at June 30, 2015. These ratings meet minimum rating requirements.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer other than U.S. Treasury securities, mutual funds and external investment pools that represent five percent or more of the District's total investments are shown below as of June 30, 2015.

Issuer	Investment Type	Reported Amount
FNMA	U.S. agency securities	\$ 62,458,300
State of California	CA local agency securities	32,351,902
FHLB	U.S. agency securities	24,863,800

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 Cash and Investments (cont'd)

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 a failure of the counter party (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. The market value of the pledged securities in the collateral pool must equal 110 percent 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 percent of the secured public deposits. As of June 30, 2015, 100 percent of the District's investments were held in collateralized accounts in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 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 costs of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Additional information about the State of California's LAIF can be found on their website: www.treasurer.ca.gov/pmia-laif.

Investment in Investment Trust of California (CalTRUST)

The District is a voluntary participant in CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. 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 CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair market value, securities are normally priced on a daily basis on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 Capital Assets

The capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 45,790,534	\$ 4,347,665	\$ -	\$ 50,138,199
Tunnel Water Seepage Agreement	1,750,900	-	-	1,750,900
Construction in progress	217,698,701	120,017,915	(219,370,791)	118,345,825
Total capital assets, not being depreciated:	265,240,135	124,365,580	(219,370,791)	170,234,924
Capital assets, being depreciated:				
Water plant, lines and equipment	1,057,834,177	58,380,372	(1,887,216)	1,114,327,333
Water capacity rights	29,657,807	416,543	-	30,074,350
Sewer plant, lines and equipment	1,602,575,684	193,657,806	(2,169,497)	1,794,063,993
Equipment and general facilities	122,429,236	8,804,178	(2,357,602)	128,875,812
Total capital assets, being depreciated:	2,812,496,904	261,258,899	(6,414,315)	3,067,341,488
Less accumulated depreciation for:				
Water plant, lines and equipment	358,709,793	37,721,280	(754,633)	395,676,440
Water capacity rights	7,259,428	803,436	-	8,062,864
Sewer plant, lines and equipment	479,965,186	44,022,895	(1,044,324)	522,943,757
Equipment and general facilities	87,889,165	6,283,180	(2,329,784)	91,842,561
Total accumulated depreciation	933,823,572	88,830,791	(4,128,741)	1,018,525,622
Total capital assets, being depreciated, net:	1,878,673,332	172,428,108	(2,285,574)	2,048,815,866
Capital assets, net:	\$ 2,143,913,467	\$ 296,793,688	\$ (221,656,365)	\$ 2,219,050,790

The net interest cost capitalized during fiscal year ended June 30, 2015 was \$5,752,723.

Depreciation expense was charged as follows:

Water	\$ 30,009,038
Sewer	45,165,246
Recycled	6,022,785
General/Administrative	7,633,722
Total	<u>\$ 88,830,791</u>

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities

A summary of long-term debt and other non-current liabilities is as follows:

	Ending Balance 30-Jun-14	Additions	Reductions	Ending Balance 30-Jun-15	Due Within One Year
Long-term Debt					
Advances for construction, notes and assessments:					
CA DWR Prop 82	\$ 1,633,527	\$ -	\$ (161,982)	\$ 1,471,545	\$ 166,469
CA DWR Prop 204	1,035,106	-	(102,642)	932,464	105,485
CA DWR Prop 204 (HWFP)	25,878,182	-	(1,525,408)	24,352,774	1,560,272
San Jacinto Z LLC	50,575	-	(50,575)	-	-
SWRCB SRF loan (APAD)	41,797,464	-	(2,117,489)	39,679,975	2,126,424
SWRCB SRF loan (SCATT)	34,800,815	-	-	34,800,815	1,774,217
SWRCB SRF loan (TVRWRF)	-	18,114,786	-	18,114,786	702,032
Total notes payable	105,195,669	18,114,786	(3,958,096)	119,352,359	6,434,899
Capital Lease Obligations	55,072	-	(13,498)	41,574	14,458
Revenue bonds:					
2011A refunding	41,830,000	-	(7,665,000)	34,165,000	8,015,000
2012A refunding	50,000,000	-	-	50,000,000	-
2013A refunding	54,575,000	-	-	54,575,000	-
2014A refunding	48,645,000	-	-	48,645,000	-
2014B refunding	-	45,175,000	-	45,175,000	-
2014C refunding	-	54,765,000	-	54,765,000	305,000
2015A refunding	-	50,000,000	-	50,000,000	-
2015B	-	74,430,000	-	74,430,000	-
Unamortized premium	3,475,127	6,006,174	(828,590)	8,652,711	1,016,283
Total revenue bonds	198,525,127	230,376,174	(8,493,590)	420,407,711	9,336,283
Certificates of participation:					
2006A	98,610,000	-	(4,180,000)	94,430,000	4,250,000
2007A refunding	20,315,000	-	(90,000)	20,225,000	90,000
2008A refunding	55,060,000	-	(55,060,000)	-	-
2008C refunding	47,545,000	-	-	47,545,000	-
2008D refunding	45,175,000	-	(45,175,000)	-	-
2008G refunding	50,000,000	-	(50,000,000)	-	-
2008H	140,035,000	-	-	140,035,000	-
Net unamort prem/disc	2,970,090	-	(188,784)	2,781,306	188,785
Total COPs	459,710,090	-	(154,693,784)	305,016,306	4,528,785
General obligation bonds:					
2005	13,450,000	-	(580,000)	12,870,000	480,000
2009	24,565,000	-	(1,940,000)	22,625,000	475,000
Net unamort prem/disc	431,800	-	(30,504)	401,296	20,393
Total GO bonds	38,446,800	-	(2,550,504)	35,896,296	975,393
Sub-total long term debt	801,932,758	248,490,960	(169,709,472)	880,714,246	21,289,818
Other Noncurrent Liabilities					
Compensated absences	13,410,736	8,042,246	(7,441,656)	14,011,326	7,690,507
Total noncurrent liabilities	\$ 815,343,494	\$ 256,533,206	\$ (177,151,128)	\$ 894,725,572	\$ 28,980,325

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

Future principal and interest requirements on all long-term debt are as follows:

Year ending June 30:	Principal		Interest		Total
2016	\$	20,064,357	\$	19,273,388	\$ 39,337,745
2017		20,922,783		20,198,386	41,121,169
2018		17,060,118		19,574,609	36,634,727
2019		17,596,158		19,017,650	36,613,808
2020		18,168,657		18,415,410	36,584,067
2021-2025		109,509,015		81,522,124	191,031,139
2026-2030		146,228,488		64,762,410	210,990,898
2031-2035		161,824,357		43,566,024	205,390,381
2036-2040		159,775,000		19,651,270	179,426,270
2041-2045		130,805,000		36,539,143	167,344,143
2046-2048		66,925,000		1,104,369	68,029,369
Sub-total		868,878,933		343,624,783	1,212,503,716
Add: Unamortized premium		11,835,313		-	11,835,313
Total	\$	880,714,246	\$	343,624,783	\$ 1,224,339,029

Advances for Construction, Notes and Assessments

Future principal and interest payments on all advances for construction, notes and assessments as are as follows:

Year ending June 30:	Principal		Interest		Total
2016	\$	6,434,899	\$	1,596,648	\$ 8,031,547
2017		6,523,450		1,508,097	8,031,547
2018		6,613,354		1,418,193	8,031,547
2019		6,705,137		1,326,410	8,031,547
2020		6,798,657		1,232,890	8,031,547
2021-2025		34,774,015		4,708,692	39,482,707
2026-2030		33,003,488		2,309,306	35,312,794
2031-2035		18,499,359		614,018	19,113,377
Total	\$	119,352,359	\$	14,714,254	\$ 134,066,613

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 Noncurrent Liabilities (cont'd)

Water Conservation Bond Law of 1988 (Proposition 82)

On May 25, 2000, the District executed a loan contract with the State of California Department of Water Resources to provide financing under the Water Conservation Bond Law of 1988 (Proposition 82) for the Sun City Area Pipeline Replacement Projects. The loan to the District is \$3,150,000 repayable in varying semiannual payments including principal and interest ranging from \$103,286 to \$103,299. Semiannual payments began October 1, 2003 with the final payment scheduled for April 1, 2023 at an interest rate of 2.8 percent.

Safe, Clean, Reliable Water Supply Act (Proposition 204)

On May 25, 2000, the District executed a loan contract with the State of California Department of Water Resources to provide financing under the Safe, Clean, Reliable Water Supply Act (Proposition 204) for the Sun City Area Pipeline Replacement projects. The loan to the District is \$2,000,000 repayable in varying semiannual payments including principal and interest ranging from \$65,449 to \$65,456. Semiannual payments began October 1, 2003 with the final payment scheduled for April 1, 2023 at an interest rate of 2.8 percent.

On March 3, 2005, the District executed a loan contract with the State of California Department of Water Resources to provide financing under the Safe, Clean, Reliable Water Supply Act (Proposition 204) for the construction costs of the Hemet Water Filtration Plant. This project was completed in November 2007.

The total loan amount to the District for the Hemet Water Filtration Plant is \$42,098,388 repayable in semiannual payments of approximately \$1,052,460 including principal and imputed interest. The loan contract required that the District make certain payments to the State in order to receive loan advances. The District's recorded liability for this obligation has been presented net of these required payments, which totaled \$8,419,718. The loan contract carries no stated interest rate, however interest has been imputed at approximately 2.273 percent with calculated amounts ranging from \$11,825 to \$544,647. Semiannual payments began January 1, 2009 with the final payment scheduled for July 1, 2028.

San Jacinto Z LLC Agreement

The Board approved a settlement agreement with San Jacinto Z LLC (SJZ) on November 16, 2011. The agreement provides for the District to pay \$1,000,000 to SJZ, to be amortized in semi-annual payments over 3 years at an interest rate of 0.92 percent. Payments are due by June 1 and December 1 each year until paid in full. In December 2012, the District executed an additional settlement agreement, which included a loan prepayment of \$442,500. Final payment was made on November 10, 2014.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

Clean Water State Revolving Fund (SRF)

On June 23, 2009, the District executed a project financing agreement with the State of California Water Resources Control Board to provide financing under the Clean Water State Revolving Fund for the construction costs of the Moreno Valley RWRP Secondary Clarifier and Tertiary Treatment Expansion (SCATT) project. Construction for this project was completed in December 2011. The total loan amount to the District is \$38,302,852 repayable in annual payments of approximately \$2,122,225 including principal and interest beginning July 5, 2013 with the final payment scheduled for July 5, 2032. This agreement was partly funded with U.S. American Recovery and Reinvestment Act of 2009 (ARRA) funds which were used to decrease the interest rate to 1.0 percent.

On September 15, 2009, the District executed a project financing agreement with the State of California Water Resources Control Board to provide financing under the Clean Water State Revolving Fund. This financing agreement is for planning, design and construction costs relating to the Moreno Valley RWRP Acid Phase Anaerobic Digestion (APAD) project. This project consists of upgrading various current and adding new facilities that will result in increased secondary and tertiary treatment capacity for solid waste. Construction for this project was completed in September 2013. The total loan amount to the District is \$43,908,096 repayable in annual payments of \$2,293,874 including principal and interest beginning March 16, 2014 with the final payment scheduled for March 16, 2033.

On August 19, 2011, the District executed a project financing agreement with the State of California Water Resources Control Board to provide financing under the Clean Water State Revolving Fund. This financing agreement is for planning, design and construction costs relating to the Temecula Valley RWRP 18 MGD Reliable Capacity Upgrade project. This project consists of increasing tertiary treatment to comply with reliability standards, effectively attaining the 18 MGD permitted capacity and replacing portions of existing facilities and equipment to improve operational efficiencies. Construction for this project was completed in June 2015. The total loan amount to the District is \$18,114,786 repayable in annual payments of approximately \$1,173,016 including principal and interest beginning December 30, 2015 with the final payment scheduled for December 30, 2034.

Clean Water State Revolving Fund (SRF) Construction Advances

On March 23, 2011, the District executed a project financing agreement with the State of California Water Resources Control Board to provide financing under the Clean Water State Revolving Fund. This financing agreement is for planning, design and construction costs relating to the San Jacinto Valley RWRP Title 22 Tertiary Treatment Upgrade and Plant 2 Facilities project. This project consists of modifying and constructing new facilities to increase reliable capacity from 7.5 to 14.0 MGD with improved efficiency and better effluent quality. The agreement provides \$145,000,000 in funding with a future 20-year loan at an interest rate of 2.7 percent. Loan repayment is expected to begin in November 2016. Construction advances and capitalized interest totaling \$140,525,331 for this project were recorded through June 30, 2015.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

On May 9 2012, the District executed a project financing agreement with the State of California Water Resources Control Board to provide financing under the Clean Water State Revolving Fund. This financing agreement is for construction costs relating to the Enchanted Heights Sewer System project. This project consists of connecting individual residences to a new collection system, including house laterals, and abandoning existing septic tanks. The agreement provides \$5,000,000 in "contingent principal forgiveness" loan funding. The District will be required to repay the principal only if it does not satisfy the conditions for the agreement. The District expects to comply with the terms of the agreement and does not anticipate having to repay the \$5,000,000. Therefore, in accordance with generally accepted accounting principles, funding amounts received during the fiscal year and reimbursable amounts expensed but not claimed as of June 30, 2015 were accounted for as grant revenues and receivables in the financial statements.

Debt service requirements to maturity have not been presented for any of these obligations because they have not yet been determined by the lending party. A schedule of payments will be determined upon completion of the funding for the projects and payments will begin approximately one year after completion of construction.

Revenue Bonds

Future principal and interest payments on all revenue bonds as of June 30, 2015 are as follows:

Year ending June 30:	Principal	Interest	Total
2016	\$ 8,320,000	\$ 3,438,666	\$ 11,758,666
2017	8,730,000	4,714,320	13,444,320
2018	4,475,000	4,462,865	8,937,865
2019	4,645,000	4,272,050	8,917,050
2020	4,870,000	4,051,008	8,921,008
2021-2025	16,755,000	18,617,928	35,372,928
2026-2030	57,785,000	18,391,202	76,176,202
2031-2035	32,555,000	18,218,287	50,773,287
2036-2040	118,205,000	17,822,865	136,027,865
2041-2045	101,670,000	10,933,454	112,603,454
2046-2048	53,745,000	1,098,403	54,843,403
Sub-total	411,755,000	106,021,048	517,776,048
Add: Unamortized premium	8,652,711	-	8,652,711
Total	\$ 420,407,711	\$ 106,021,048	\$ 526,428,759

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

2011A Refunding Revenue Bonds

In July 2011, the Facilities Corporation issued \$56,225,000 in Refunding Revenue Bonds, Series 2011A. The net proceeds were used to pay the costs of executing and delivering the 2011A Bonds, provide \$4.8 million capital project funding, and to refund the certificates of participation shown in the following table.

<u>Prepaid Certificates</u>	<u>Principal Prepaid/Retired</u>	<u>Use of Proceeds</u>
2011A Refunding Certificates	\$ 40,175,000	Deposited in 1991A Escrow Fund
2011C Refunding Certificates	3,470,000	Deposited in 1993A Escrow Fund
2008D Refunding Certificates	8,180,000	Retired COPs maturing 2012-2016
2008E Refunding Certificates	10,005,000	Retired COPs maturing 2012-2016

The 2001A and 2001C Refunding Certificates are considered defeased and the liabilities for these certificates have been removed from the Statement of Net Position.

The 2011A Bonds include principal installments due in varying amounts from \$4,145,000 to \$8,420,000 annually from July 1, 2012 to July 1, 2020, with interest payable semiannually at varying rates from 2.00 to 5.00 percent per annum.

2012A Refunding Revenue Bonds

In July 2012, the Facilities Corporation issued \$50,000,000 in Refunding Revenue Bonds, Series 2012A. The net proceeds were used to pay the costs of executing and delivering the 2012A Bonds, provide \$4.9 million capital project funding, and to advance refund the 2008F Certificates of Participation. The 2012A Bonds were issued to decrease interest costs relating to the 2008F Certificates and to eliminate counterparty risk, because the 2012A Bonds do not require a liquidity bank agreement.

The proceeds of the 2012A Bonds were deposited in an irrevocable trust with an escrow agent for the payment of the 2008F Certificates and subsequently, all Certificates were redeemed on July 19, 2012. As a result, these Certificates are considered defeased and the liability for the Certificates has been removed from the Statement of Net Position. The reacquisition price equaled the net carrying amount of the old debt, so the calculated deferred cost on refunding was zero. In addition, the present value of the debt service payments on the old and new debt was equal, so there was no economic gain with this refunding.

The 2012A Bonds include principal installments due in varying amounts from \$16,000,000 to \$17,290,000 annually from July 1, 2036 to July 1, 2038, with interest payable monthly at an interest rate level initially set equivalent to a Securities Industry and Financial Market Association (SIFMA)-indexed rate plus 0.04 percent. The interest rate on the 2012A Bonds resets each time the Bonds are remarketed, which is no less frequently than every 13 months. The future interest amounts are calculated at the rate in effect at June 30, 2015, which was 0.09 percent. The average annual interest rate experienced in fiscal year 2015 was 0.06 percent and the actual interest paid was \$30,183.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

Revenue Bonds (continued)

2013A Refunding Revenue Bonds

In March 2013, the Facilities Corporation issued \$54,575,000 in Refunding Revenue Bonds, Series 2013A. The net proceeds were used to pay the costs of executing and delivering the 2013A Bonds, provide \$4.0 million capital project funding, and advance refund the 2008B Refunding Certificates of Participation. The 2013A Bonds were issued to decrease interest costs relating to the 2008B Certificates and to eliminate counterparty risk, because the 2013A Bonds do not require a liquidity bank agreement.

The proceeds of the 2013A Bonds were deposited in an irrevocable trust with an escrow agent for the payment of the 2008B Certificates and subsequently, all Certificates were redeemed on March 25, 2013. As a result, these Certificates are considered defeased and the liability for the Certificates has been removed from the Statement of Net Position. The reacquisition price equaled the net carrying amount of the old debt, so the calculated deferred cost on refunding was zero. In addition, the present values of the debt service payments on the old and new debt were equal, so there was no economic gain with this refunding.

The 2013A Bonds include principal installments due in varying amounts from \$3,805,000 to \$5,370,000 annually from July 1, 2024 to July 1, 2035, with interest payable monthly at an interest rate level equivalent to a SIFMA-indexed rate plus 0.04 percent. The interest rate on the 2013A Bonds resets each time the 2013A Bonds are remarketed, which is generally every 90 – 270 days. In February 2015, the interest rate on the 2013A Bonds was reset at the SIFMA rate plus 0.04 percent. The future interest amounts are calculated at the rate in effect at June 30, 2015, which was 0.09 percent. The average annual interest rate experienced in fiscal year 2015 was 0.07 percent and the actual interest paid was \$40,266.

2014A Refunding Revenue Bonds

In June 2014, the District issued \$48,645,000 in Refunding Revenue Bonds, Series 2014A. The net proceeds were used to pay the costs of executing and delivering the 2014A Bonds, and advance refund the 2008E Refunding Certificates of Participation. The 2014A Bonds were issued as a subordinate lien which improves the debt service coverage on the outstanding senior debt, provides for lower debt service from 2017 through 2033, and releases \$4.5 million in reserves for use to fund capital projects, and is supported by a new standby liquidity agreement at a reduced cost.

The proceeds of the 2014A Bonds were deposited in an irrevocable trust with an escrow agent for the payment of the 2008E Certificates, and as a result, these Certificates are considered defeased and the liability for the Certificates has been removed from the Statement of Net Position.

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 Noncurrent Liabilities (cont'd)

The 2014A Bonds include principal installments due in varying amounts from \$5,350,000 to \$6,860,000 annually from July 1, 2040 to July 1, 2047, interest payable monthly at a variable rate for a weekly period. The future interest amounts are calculated at the rate in effect at June 30, 2015, which was 0.02 percent. The average annual interest rate experienced in fiscal year 2015 was 0.03 percent and the actual interest paid was \$17,166.

2014B Refunding Revenue Bonds

In October 2014, the District issued \$45,175,000 in Refunding Revenue Bonds, Series 2014B. The net proceeds were used to pay the costs of executing and delivering the 2014B Bonds, and advance refund the 2008D Refunding Certificates of Participation. The 2014B Bonds were issued as a subordinate lien which improves the debt service coverage on the outstanding senior debt, provides for lower debt service from 2017 through 2023, and releases \$5.5 million in reserves for use to fund capital projects.

The proceeds of the 2014B Bonds were deposited in an irrevocable trust with an escrow agent for the payment of the 2008D Refunding Certificates, and as a result, these Certificates are considered defeased and the liability for the Certificates has been removed from the Statement of Net Position. The transactions reduced annual debt service payment by \$2.7 to \$11.8 million from 2018 through 2024 and resulted in no economic loss other than the cost to underwrite. The reacquisition price equaled the net carrying amount of the old debt.

The 2014B Bonds include principal installments due in varying amounts from \$4,995,000 to \$6,355,000 annually from July 1, 2040 to July 1, 2047, interest payable monthly at a variable rate for a weekly period. The future interest amounts are calculated at the rate in effect at June 30, 2015, which was 0.03 percent. The average annual interest rate experienced in fiscal year 2015 was 0.03 percent and the actual interest paid was \$15,765.

2014C Refunding Revenue Bonds

In October 2014, the District issued \$54,765,000 in Refunding Revenue Bonds, Series 2014C. The net proceeds were used to pay the costs of executing and delivering the 2014C Bonds, and advance refund the 2008A Refunding Certificates of Participation. The 2014C Bonds were issued as a subordinate lien which improves the debt service coverage on the outstanding senior debt, provides for lower debt service from 2015 through 2030, and releases \$5.7 million in reserves for use to fund capital projects.

The proceeds of the 2014C Bonds were deposited in an irrevocable trust with an escrow agent for the payment of the 2008A Refunding Certificates, and as a result, these Certificates are considered defeased and the liability for the Certificates has been removed from the Statement of Net Position. The transactions reduced annual debt service payment by \$0.3 million to \$8.1 million from 2015 through 2030 and resulted in no economic loss other than the cost to underwrite. The reacquisition price equaled the net carrying amount of the old debt.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

The 2014C Bonds include principal installments due in varying amounts from \$305,000 to \$8,090,000 annually from July 1, 2015 to July 1, 2030, interest payable monthly at a variable rate for a weekly period. The future interest amounts are calculated at the rate in effect at June 30, 2015, which was 0.03 percent.

The average annual interest rate experienced in fiscal year 2015 was 0.06 percent and the actual interest paid was \$19,055.

2015A Refunding Revenue Bonds

In June 2015, the District issued \$50,000,000 in Refunding Revenue Bonds, Series 2015A. The net proceeds were used to pay the costs of executing and delivering the 2015A Bonds, and advance refund the 2008G Refunding Certificates of Participation. The 2015A Bonds were issued as a subordinate lien which improves the debt service coverage on the outstanding senior debt, is supported by a new standby liquidity agreement at a reduced cost, and releases \$5 million in reserves for use to fund capital projects.

The proceeds of the 2015A Bonds were deposited in an irrevocable trust with an escrow agent for the payment of the 2008G Refunding Certificates, and as a result, these Certificates are considered defeased and the liability for the Certificates has been removed from the Statement of Net Position. The transactions reduced annual debt service payment by \$16.0 million to \$17.3 million from 2036 through 2038 and resulted in no economic loss other than the cost to underwrite. The reacquisition price equaled the net carrying amount of the old debt.

The 2015A Bonds include principal installments due in varying amounts from \$16,000,000 to \$17,290,000 annually from July 1, 2037 to July 1, 2039, interest payable monthly at a variable rate for a weekly period. The future interest amounts are calculated at the rate in effect at June 30, 2015, which was 0.07 percent. The average annual interest rate experienced fiscal year 2015 was 0.03 percent and the actual interest paid was \$767.

2015B Revenue Bonds

In June 2015, the Eastern Municipal Water District Financing Authority issued \$74,430,000 in Revenue Bonds, Series 2015B. The net proceeds were used to finance the acquisition and construction of water and sewer system improvements for the District and to pay costs incurred in connection with the issuance of the 2015B Bonds. The 2015B Bonds were issued as a subordinate lien which maintains the debt service coverage on the outstanding senior debt.

The 2015B Bonds include principal installments due in varying amounts from \$16,000,000 to \$17,290,000 annually from July 1, 2037 to July 1, 2039, with interest payable semiannually at varying rates from 3.62 to 4.10 percent per annum.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

Certificates of Participation

Future principal and interest payments on total certificates of participation are as follows:

<u>Year ending June</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,340,000	\$ 12,450,820	\$ 16,790,820
2017	4,660,000	12,233,320	16,893,320
2018	4,920,000	11,997,620	16,917,620
2019	5,160,000	11,771,920	16,931,920
2020	5,365,000	11,535,120	16,900,120
2021-2025	51,520,000	51,057,652	102,577,652
2026-2030	48,415,000	38,586,712	87,001,712
2031-2035	101,850,000	21,310,856	123,160,856
2036-2040	33,690,000	770,344	34,460,344
2041-2045	29,135,000	46,614	29,181,614
2046-2048	13,180,000	5,966	13,185,966
Sub-Total	302,235,000	171,766,944	474,001,944
: Unamortized premium	2,781,306	-	2,781,306
Total	<u>\$ 305,016,306</u>	<u>\$ 171,766,944</u>	<u>\$ 476,783,250</u>

2006A Certificates of Participation

In February 2006, the Facilities Corporation issued \$106,320,000 in Certificates of Participation, Series 2006A. Proceeds of the sale of certificates were used for the principal purpose of financing a portion of the cost of the design, acquisition and construction of the 2006A Projects. The 2006A Projects include, among others, the following capital improvements to the District's Water and Sewer System: (1) convert the Hemet/San Jacinto RWRf to tertiary; (2) expand the capacity of the Perris Valley RWRf; (3) add clarifiers to the Perris Valley RWRf; (4) expand the capacity of the North San Jacinto Sewer System; (5) replace certain digester gas facilities at certain wastewater treatment plants; and (6) add a desalter pretreatment facility.

The 2006A Certificates include principal installments due in varying amounts from \$2,965,000 to \$6,350,000 annually from July 1, 2015 to July 1, 2035, with interest payable semiannually at rates per annum ranging from 3.75 percent to 5.00 percent.

2007A Refunding Certificates of Participation

In May 2007, the Facilities Corporation issued \$20,710,000 in Refunding Certificates of Participation, Series 2007A. The net proceeds of \$22,274,458 were used to currently refund the District's 1997A certificates for \$21,175,000, and to pay the municipal bond insurance policy premium and issuance costs. These certificates are considered defeased and the liability for the Certificates has been removed from the Statement of Net Position.

The 2007A Certificates include principal installments due in varying amounts from \$85,000 to \$6,860,000 annually from July 1, 2015 to July 1, 2023, with interest payable semiannually at rates ranging from 4.00 percent to 5.00 percent.

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 Noncurrent Liabilities (cont'd)

2008A Refunding Certificates of Participation

In January 2008, the Facilities Corporation issued \$56,855,000 in Refunding Certificates of Participation, Series 2008A. The net proceeds of \$61,977,243 were used to advance refund the 2001B Certificates in the amount of \$51,370,000 maturing July 1, in the years 2024 through 2030, to fund a debt service reserve fund for the 2008A Certificates, and to pay the costs of executing and delivering the 2008A Certificates. The proceeds of the 2008A Certificates were deposited in an irrevocable trust with an escrow agent to provide for repayment of the outstanding 2001B Certificates. As a result, the 2001B Certificates are considered defeased and the liability for these Certificates has been removed from the Statement of Net Position.

2008C Refunding Certificates of Participation

In June 2008, the Facilities Corporation issued \$54,400,000 in Refunding Certificates of Participation, Series 2008C. The net proceeds of \$57,189,288 were used to advance refund the District's outstanding 1993B Certificates in the amount of \$55,445,000 maturing July 1, in the years 2008 through 2020, to fund a debt service reserve fund for the 2008C Certificates, and to pay the costs of executing and delivering the 2008C Certificates.

In June 2014, \$47,545,000 in principal payments for the 2008C Certificates was restructured. The restructured 2008C Certificates include principal installments due in varying amounts from \$5,230,000 to \$6,705,000 annually from July 1, 2039 to July 1, 2046, with interest payable monthly at a variable rate for a weekly period. The District may prepay all or part of the certificates at any time at par. The average annual interest rate experienced in fiscal year 2015 was 0.04 percent and the actual interest paid was \$20,685 with an additional \$2,028,629 to the counterparty.

The table on the following page incorporates the net swap payments associated with the 2008C Certificates and the related financial instrument. Using a variable interest rate of 0.03 percent as of June 30, 2015, the debt service requirements of the 2008C Certificates and the associated swap payments, assuming the current and the reference interest rates remain the same for their term, are as follows. As rates vary, the variable rate interest payments and net swap payments on the financial instruments will vary. Refer to Note 5 to the financial statements for additional information regarding the financial instrument associated with the 2008C Certificates.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

As referenced above, the 2008C Certificates were remarketed in June 10, 2014. As a result, the principal payment schedule was amended to begin July 1, 2039 with the last payment scheduled in July 1, 2046. The swap agreement was unchanged and therefore the net payment to the counterparty is based upon the original debt service schedule. The amendments to the principal debt service payments are reflected below:

Year ending June 30:	Principal	Interest	Net Payment to Counterparty	Total
2016	\$ -	\$ 14,264	\$ 1,765,448	\$ 1,779,712
2017	-	14,264	1,455,127	1,469,391
2018	-	14,264	1,127,547	1,141,811
2019	-	14,264	781,918	796,182
2020	-	14,264	416,993	431,257
2021-2025	-	71,318	32,206	103,524
2026-2030	-	71,318	-	71,318
2031-2035	-	71,318	-	71,318
2036-2040	5,230,000	71,318	-	5,301,318
2041-2045	29,135,000	46,614	-	29,181,614
2046-2047	13,180,000	5,966	-	13,185,966
Total	<u>\$ 47,545,000</u>	<u>\$ 409,172</u>	<u>\$ 5,579,239</u>	<u>\$ 53,533,411</u>

2008D Refunding Certificates of Participation

In July 2008, the Facilities Corporation issued \$54,760,000 in Refunding Certificates of Participation, Series 2008D. The net proceeds of \$57,942,400 were used to advance refund the District's outstanding 1998A and 2003A Certificates in the amounts of \$27,265,000 and \$24,260,000, respectively, maturing July 1, in the years 2009 through 2023, to fund a debt service reserve fund for the 2008D Certificates, and to pay the costs of executing and delivering the 2008D Certificates. The proceeds of the 2008D Certificates were deposited in irrevocable trusts with an escrow agent for the payment of the 1998A and 2003A Certificates and subsequently, all 1998A and 2003A Certificates were redeemed on September 2, 2008. As a result, these 1998A and 2003A Series Certificates are considered defeased and the liability for these Certificates has been removed from the Statement of Net Position.

In July 2011, the District issued \$56,255,000 Refunding Revenue Bonds Series, 2011A. A portion of the net proceeds of the 2011A Bonds was used to prepay the 2008D principal installments due and payable on or before July 1, 2016 totaling \$8,180,000.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

2008G Certificates of Participation

In July 2008, the Facilities Corporation issued \$50,000,000 in Certificates of Participation, Series 2008G. Proceeds of the sale of certificates were for the principal purpose of financing a portion of the cost of the design, acquisition and construction of the 2008G Projects, including an undivided 50 percent interest in, among others, the following capital improvements to the District's Water and Sewer System: (1) expansion of the Cactus Ave Feeder and Pump Station; (2) construction of a portion of the San Jacinto Valley Interceptor Sewer Pipeline; (3) construction of the Western Way Pump Station; (4) construction of the Perris Water Filtration Plant State Project Water Supply Pipeline and installation of a new service connection "EM-22" from MWD; and (5) construction of the Oleander Pump Station Transmission Pipeline.

2008H Certificates of Participation

In August 2008, the Facilities Corporation issued \$140,035,000 in Certificates of Participation, Series 2008H. Proceeds of the sale of the certificates were for financing a portion of the cost of the design, acquisition and construction of the 2008H Projects. The 2008H Projects include, among others, the following capital improvements to the District's Water and Sewer System: (1) construct new and replacement improvements to the Hemet/San Jacinto Integrated Recharge and Recovery Program; (2) expand the Perris Valley RWRP (Plant 3); and (3) add the Scott Road Booster and Pipeline to the Keller 1698 Power Zone.

The 2008H Certificates include principal installments due in varying amounts from \$5,185,000 to \$23,470,000 annually from July 1, 2024 to July 1, 2035, with interest payable semiannually beginning July 1, 2009, at a 5.00 percent rate per annum.

General Obligation (GO) Bonds

Future principal and interest payments on total general obligation bonds are as follows:

Year ending June 30:	Principal	Interest	Total
2016	\$ 955,000	\$ 1,784,807	\$ 2,739,807
2017	995,000	1,741,233	2,736,233
2018	1,040,000	1,695,407	2,735,407
2019	1,085,000	1,647,265	2,732,265
2020	1,135,000	1,596,393	2,731,393
2021-2025	6,460,000	7,137,853	13,597,853
2026-2030	7,025,000	5,475,191	12,500,191
2031-2035	8,920,000	3,422,864	12,342,864
2036-2040	7,880,000	1,058,062	8,938,062
Sub-total	35,495,000	25,559,075	61,054,075
Add: Unamortized premium	401,296	-	401,296
Total	\$ 35,896,296	\$ 25,559,075	\$ 61,455,371

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 Noncurrent Liabilities (cont'd)

The District's general obligation bonds are callable prior to maturity, subject to certain call premiums. The liability for the general district bonds and improvements within the respective special districts, and the funds for retirement thereof, are derived from a bond redemption levy based on the assessed valuation within the individual improvement districts. At June 30, 2015, general obligation bonds authorized but not issued total \$547,650,000.

2005A General Obligation Bonds

In May 2005, the Western Riverside Water and Wastewater Financing Authority issued \$18,255,000 of Improvement Districts General Obligation Bonds, Series 2005A. Proceeds of the sale of the 2005A GO Bonds were used to purchase twenty separate issues of general obligation bonds on behalf of the improvement districts. These Bonds were issued to finance certain water and/or sewer facilities for the improvement districts and to pay the costs of executing and delivering the 2005A GO Bonds.

The 2005A GO Bonds include principal installments due in varying amounts from \$555,000 to \$810,000 annually from September 1, 2013 to September 1, 2035 with interest paid semiannually on March 1 and September 1 of each year at rates ranging from 3.00 percent to 5.00 percent per annum.

2009 General Obligation Bonds

In August 2009, the Western Riverside Water and Wastewater Financing Authority issued \$31,625,000 of Improvement Districts General Obligation Bonds, Series 2009. Proceeds of the sale of the 2009 GO Bonds were used to purchase eleven separate issues of general obligation bonds on behalf of the improvement districts. These Bonds were issued to finance certain water and/or sewer facilities for the improvement districts and to pay the costs of executing and delivering the 2009 GO Bonds.

The 2009 GO Bonds include principal installments due in varying amounts \$1,865,000 to \$1,580,000 annually from September 1, 2013 to September 1, 2039 with interest paid semiannually on March 1 and September 1 of each year at rates ranging from 3.000 percent to 5.625 percent per annum.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

Debt Service Reserve Funds

The District is required to maintain a Debt Service Reserve Fund to be used for the payment of principal and interest of its Certificates of Participation and certain loans in the event that the District has not provided the Trustee with sufficient funds by the installment payment date to make the required installment sale payments. The current required reserve amount as determined by the bond documents and the reserve balance at June 30, 2015 for each outstanding debt issue is as follows:

<u>Description</u>	<u>Required</u>	<u>Actual</u>	<u>Excess (Deficiency)</u>
2006A COP	\$ 8,493,018	\$ 8,751,587	\$ 258,569
2007A COP	3,915,278	3,950,040	34,762
2008H COP	14,055,342	14,003,500	(51,842)
Sub-total - COPs	26,463,638	26,705,127	241,489
Prop. 82 loan - \$31.5M	206,598	206,798	200
Prop. 204 loan - \$2.0M	130,914	131,300	386
Hemet WFP SRF - \$42.1M*	1,473,444	1,491,717	18,273
Sub-total - Loans	1,810,956	1,829,815	18,859
Total	<u>\$ 28,274,594</u>	<u>\$ 28,534,942</u>	<u>\$ 260,348</u>

*The total required reserve per loan agreement is \$2,104,920. Half of this amount is required to be and was deposited by the first of ten semi-annual payments (July 1, 2013) and the remainder of the balance is required to be deposited by the tenth year of repayment period (approximately July 1, 2018).

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 Noncurrent Liabilities (cont'd)

Master Resolution

The District adopted Resolution No. 2667, entitled "A Resolution of the Board of Directors of the Eastern Municipal Water District Providing for the Allocation of Water and Sewer Revenues" (the "Master Resolution") to establish various reserves and covenants of which the following are required to be maintained:

1) Debt Coverage Ratio

The District has covenanted that Net Water and Sewer Revenues shall be at least 1.15 times the sum of all Debt Service on all Parity Obligations, plus the amount of all deposits required to be made to the Operating Reserve Fund. As of June 30, 2015, the District's parity and subordinate obligation debt service coverage ratios were 2.5 times and 2.3 times, respectively.

2) Operating Reserve Fund

The District has covenanted that it will maintain a minimum of one quarter of its annual maintenance and operating costs as set forth in its operating budget in a separate reserve fund. The required reserve amount at June 30, 2015 was \$38,737,857 and the actual reserve balance was \$44,902,338.

Standby Certificate Purchase Agreements

Included in long-term debt at June 30, 2015 are \$246,130,000 Variable Rate Certificates of Participation, Series 2008C, 2014A, 2014B, 2014C, and 2015A Revenue Bonds (collectively, the Supported Variable Rate Debt). The Supported Variable Rate Debt have a tender provision for certificate holders on seven-days' notice, to tender their certificates/bonds at par value plus accrued interest. In connection with the issuance of the Supported Variable Rate Debt, the District executed Standby Purchase Agreements (SPA) between the Corporation and various banks. The SPA is terminated prior to the expiration date only if there is an occurrence of "events of defaults". As of June 30, 2015, there were no outstanding certificates or bonds that have been tendered but failed to be remarketed. The bank and expiration date for each SPA at June 30, 2015 for each Supported Variable Rate Debt is:

Description	SPA Bank	SPA Expiration Date
2014C COP	Wells Fargo Bank, N.A.	10/27/2017
2008C COP	U.S. Bank National Association	12/11/2017
2014B COP	U.S. Bank National Association	10/06/2017
2015A Bond	MUFG Union Bank	06/22/2018
2014A Bond	Wells Fargo Bank, N.A.	06/12/2017

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 Interest Rate Swap Contracts

Plan Description

The fair value balances and notional amounts of financial instruments (instruments) outstanding at June 30, 2015, classified by type and the changes in fair value of such instruments for the year then ended are shown in the following table.

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2015</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Cash flow hedges:					
2014C Bonds	Pay-fixed interest swap				
	Deferred inflow	\$ (79,722)	Debt	\$ (8,621,843)	\$ 54,765,000
2008C COP	Pay-fixed interest swap - cost of funds				
	Deferred inflow	\$ (109,597)	Debt	\$ (5,395,272)	\$ 39,895,000

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by each swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Objective and Terms of Financial Instruments

The District entered into the financial instruments to increase interest rate savings realized by refunding various outstanding COP debt. The District realized greater interest savings from debt refinancing by issuing variable interest rate debt along with the financial instruments than would have been realized had the District issued conventional COP debt.

The following table displays the objective and terms of the District's financial instruments outstanding at June 30, 2015, along with the credit rating of the associated counterparty.

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2014C debt issue	\$ 54,765,000	11/1/14	7/1/30	Pay 3.1%, receive 66% of one-month LIBOR from WFB	S&P: AA- Moody's: Aa2
Pay-fixed interest rate swap - cost of funds	Hedge of changes in cash flows on the 2008C COP debt issue	\$ 39,895,000	12/1/14	7/1/20	Pay 5.125% receive the SIFMA Swap Index from WFB	S&P: AA- Moody's: Aa2

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 Interest Rate Swap Contracts (cont'd)

Credit Risk

The counterparty credit ratings as of June 30, 2015 are shown in the table on the previous page. If the counterparty credit rating is lowered to or below Baa1 by Moody's Investors Service (Moody's) or BBB+ by Standard & Poor's (S&P), the financial instruments may be terminated. The counterparty credit ratings for Wells Fargo Bank either met or exceeded these rating requirements at June 30, 2015.

Interest Rate Risk

The District is exposed to interest rate risk on its financial instruments. As the 1-month LIBOR or the SIFMA Swap Index decreases, the District's net payment on the swap increases.

Basis Risk

The financial instruments expose the District to basis risk, which refers to a mismatch between the interest rate received from the swap contract and the interest paid on the variable rate payment to be made on the debt. The District pays the counterparty a fixed rate of 3.10 percent and receives 66 percent of 1-month LIBOR rate for the 2014C COP financial instrument, which may be different from the variable rate payments made on the 2014C COP debt. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk

The financial instruments may be terminated by the District or its counterparty if the other party fails to perform under the terms of the contract. In addition, the District has the option to terminate the financial instruments upon proper notification to the counterparties. If the financial instruments are terminated, the District would prospectively pay the variable rates on the 2014C and 2008C COPs rather than fixed rate payments under the financial instruments. The termination could therefore increase the District's total debt service. If, at the time of termination, the financial instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the negative fair value. In December 2014, the 2008C COP, with an initial notional amount of \$39,895,000, was novated to a better rated counterparty with an effective date of December 1, 2014. In October 30, 2014, the Series 2008A COP, with an initial notional amount of \$54,765,000, was also novated to a better rated counterparty with an effective date of November 1, 2014. These resulted in terminations of hedge accounting with the balances in deferred outflow being cleared. Hedge accounting resumes thereafter with the 2008C COP and the Series 2014C Refunding Revenue Bonds respectively. As of June 30, 2015, the financial instruments had a combined negative fair value of \$14,017,115.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 Interest Rate Swap Contracts (cont'd)

Collateral Requirements

The financial instruments include provisions that require the District to post collateral in the event its credit rating falls below A- as issued by Fitch Ratings and Standard & Poor's Rating Services, or A3 as issued by Moody's Investors Service. The collateral posted is required to be in the form of cash or U.S. Treasury securities in the amount of the fair value of the financial instrument, net of agreed upon adjustments. If the District does not post collateral, the financial instruments may be terminated by the counterparties. At June 30, 2015, the aggregate fair value of all financial instruments with these collateral posting provisions is a negative \$14,017,115. If the collateral posting requirements were triggered at June 30, 2015, the District would be required to post \$14,017,115 to its counterparty. The District's credit rating for the 2008C Certificates and 2014C Bonds is AA+/Aa2/AA and AA-/Aa3/AA by Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Rating Services, respectively; therefore, no collateral was posted at June 30, 2015.

NOTE 6 Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CALPERS), which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plans are established by State statute and local government resolution. CALPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CALPERS website.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 Defined Benefit Pension Plan (cont'd)

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

	Miscellaneous		
	<u>Prior to 11/1/10</u>	<u>11/1/10-1/1/13</u>	<u>On or after 1/1/2013</u>
Hire date			
Benefit formula	2.5% @ 55	2% @55	2% @62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	62-67
Monthly Benefits as a % of eligible compensation	2.5%	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	6.25%
Required employer contribution rates	16.136%	16.136%	16.136%

Employees Covered

The following employees were covered by the benefit terms for each plan:

Active Members	651
Transferred Members	85
Terminated Members	101
Retired Members and Beneficiaries	<u>375</u>
Total	<u><u>1,212</u></u>

Contribution Description

Section 20814 (c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the District's average contribution rate is 15.344 percent of annual payroll. District contribution rates may change if plan contracts are amended. It is the responsibility of the District to make necessary accounting adjustments to reflect the impact due to any District Paid Member Contributions or situations where members are paying the portion of the District contribution.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 Defined Benefit Pension Plan (cont'd)

Actuarial Methods and Assumptions Used To Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses, includes Inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

Discount Rate

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

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 Defined Benefit Pension Plan (cont'd)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan.

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

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

In determining the long-term expected rate of return, staff 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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 Defined Benefit Pension Plan (cont'd)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11²</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.0%</u>		

¹An expected inflation of 2.5% used for this period

²An expected inflation rate of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, CalPERS must keep Reserves for Deficiencies and Fiduciary Self Insurance. These amounts are excluded for rate setting purposes in the actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 Defined Benefit Pension Plan (cont'd)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at 6/30/2013 (VD)	\$333,723,063	\$226,706,257	\$107,016,806
Changes Recognized for the Measurement Period:			
Service Cost	7,775,568	-	7,775,568
Interest on the Total Pension Liability	24,817,574	-	24,817,574
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions from the Employer	-	7,786,103	(7,786,103)
Contributions from Employees (1)	-	4,510,815	(4,510,815)
Net Investment Income	-	40,103,890	(40,103,890)
Benefit Payments, including Refunds of Employee Contributions	(13,419,729)	(13,419,729)	-
Net Changes during 2013-2014	<u>\$ 19,173,413</u>	<u>\$ 38,981,079</u>	<u>\$ (19,807,666)</u>
Balance at 6/30/2014 (MD)	<u>\$352,896,476</u>	<u>\$265,687,336</u>	<u>\$ 87,209,140</u>

(VD) Valuation Date

(MD) Measurement Date

(1) Includes both the employee contributions and the employer paid member contributions

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 Defined Benefit Pension Plan (cont'd)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	Discount Rate - 1%		Current Discount		Discount Rate +1%
	<u>(6.5%)</u>		<u>Rate (7.5%)</u>		<u>(8.5%)</u>
Plan's Net Pension Liability/(Asset)	\$ 135,900,906	\$	87,209,140	\$	46,782,143

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, deferred inflows and deferred outflows of resources related to pensions 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 inflows and deferred outflows to be recognized in future pension expense.

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

Differences 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 as of the beginning of the measurement period).

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 Defined Benefit Pension Plan (cont'd)

The EARSLS for the Plan for the 2013-2014 measurement period is 5.1 years, which was obtained by dividing the total service years of 6,221 (the sum of remaining service lifetimes of the active employees) by 1,224 (the total number of participants). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (June 30, 2013), the Net Pension Liability is \$107,016,806. For the measurement period ending June 30, 2014 (the measurement date), the District recognized a pension expense of \$6,560,133 for the plan.

As of June 30, 2014, the District reported other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$8,160,464	\$0
Differences between Expected and Actual Experience	0	0
Changes in Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investment:	0	(18,581,696)
Total	<u>\$8,160,464</u>	<u>(\$18,581,696)</u>

The amounts above are net inflows and outflows recognized in the 2013-2014 measurement period expense.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 Defined Benefit Pension Plan (cont'd)

The \$8,160,464 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period</u> <u>Ended June 30, 2015</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2015	(\$4,645,424)
2016	(4,645,424)
2017	(4,645,424)
2018	(4,645,424)
2019	0
Thereafter	0

NOTE 7 Defined Contribution Plan

The District maintains the EMWD 401a Plan, a defined contribution money purchase pension plan that is qualified under Internal Revenue Code Section 401(a). The District has an agreement with Nationwide Retirement Solutions (Nationwide) whereby Nationwide receives, invests, and reports on the funds sent to them on behalf of eligible employees. Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its union. Employees are vested in the funds contributed on their behalf after one year of service and have several investment options within the lineup of funds available at Nationwide. The 401a Plan was adopted in January 1978 and may be amended by the District, provided Nationwide joins in such amendment. The District's required contributions to the 401(a) Plan are 7.15 percent of each eligible employee's compensation, up to a maximum annual compensation of \$16,500. The District's contribution to the 401(a) Plan was \$745,543 for the fiscal year ended June 30, 2015.

In July 2011, the District executed a plan amendment to its 401a Plan to provide for a contribution to this 401a Plan on behalf of the General Manager in accordance with his employment contract. Contribution to this 401(a) Plan was \$36,222 the fiscal year ended June 30, 2015.

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 Postemployment Benefits Other Than Pensions

The district provides a voluntary 457 deferred compensation plan for employees to contribute to their retirement on a tax-deferred basis. In October 2013, the District executed an amendment to its 401(a) Plan to provide for a matching contribution for those employees contributing to the 457 deferred compensation plan. The District's matching contributions will be paid into the 401(a) plan based upon the employee's annual base pay at a rate of 0.5% in Year 1 of the labor contract (fiscal year 2013-2014), 1.0% in Year 2 (fiscal year 2014-2015), and 1.5% in Year 3 (fiscal year 2015-2016). Matching contributions to the 401(a) plan totaled \$378,780 for the fiscal year ended June 30, 2015.

Plan Description

Health Care Benefits - The District provides postemployment health care benefits to all qualified employees who meet the District's California Public Employees' Retirement System (PERS) plan requirements. This plan is an agent multiple-employer defined benefit OPEB plan. This plan contributes an amount for the retiree and dependents, as applicable, with eligibility based on the Health Benefit Vesting Requirements found in Government Code Section 22893 (Vesting for Contracting Agency Employees). This amount of District's contribution varies according to the retiree's medical benefit tiers as follow:

Tier 1 (hired prior to 8/1/05) – District pays up to the greater of Blue Shield or Kaiser Southern CA non-Medicare (basic) premium coverage, less retiree cost-sharing contributions. The cost-sharing monthly contribution was up to \$43.33 for family coverage and required starting on December 16, 2014 and \$86.67 starting on December 16, 2015. The District's monthly contribution was \$1,567 in 2014 and \$1,556 in 2015.

Tier 2 (hired from 8/1/05 to 3/26/14) – District pays the greater of Tier 1 contribution (after cost sharing) or PEMHCA published average of the four health benefit plans that had the largest state enrollment, multiplied by vesting percentage according to PEMHCA section 22893. Vesting percentages range from 50% to 100% for retirees with CalPERS service of 10 year to 20 years or more. Under the PEMHCA section 22893 the District's monthly contribution for Tier 2 was up to \$1,559 in 2014 and \$1,605 in 2015.

Tier 3 (hired after 3/26/14) – District's contribution was the PEMHCA minimum amount of \$119/month in 2014 and \$122/month in 2015.

The District also provides healthcare benefits to elected official retirees in accordance with the District's Administrative Code. This plan contributes up to the District's contribution amount for employees and dependent coverage.

Life Insurance Benefits - In addition, the District provides postemployment group life insurance to eligible retired employees and elected officials with a death benefit of \$10,000 up to age 70 and \$5,000 thereafter for retired employees; and a death benefit of \$5,000 up to age 70 and \$2,500 thereafter for elected officials.

The benefit provisions for retired employee health care and life insurance are established and amended through the memorandum of understanding between the District and the Union. The benefit provisions for retired elected official life insurance are established through the District's contract with the life insurance company. The District does not issue separate stand-alone financial reports for these plans.

EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 Postemployment Benefits Other Than Pensions (cont'd)

Funding Policy and Annual OPEB Cost

Contribution requirements of the District are established and may be amended through the memorandum of understanding between the District and its union. The contribution requirements of the District for retired elected officials may be amended through Board action to update Ordinance 70, for the health benefit plan, or with the life insurance company, for the life insurance benefits. The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, 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 normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The District's policy is to continue to fund costs on a pay-as-you-go basis and to prefund a portion of the unfunded actuarial liability as part of a long-term financial planning strategy. On April 18, 2012, the District's Board of Directors adopted a resolution to establish an OPEB Trust and to authorize an agreement with PERS to join the California Employers' Retiree Benefit Trust (CERBT) Program. On June 12, 2012, the District joined the CERBT Program, an agent multiple-employer plan consisting of an aggregation of single-employer plans. PERS issues a publicly available financial report that includes financial statements and required supplementary information relating to the CERBT Program. The report can be obtained through their website at: www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/comprehensive-annual-financial.xml.

On April 18, 2012, the Board of Directors approved an initial funding amount of ten percent of the property tax revenues received in the prior fiscal year. This amount was calculated as \$2,724,025 based on fiscal year ended June 30, 2013 revenues. In addition to this payment, the District contributed annual estimated pay-as-you-go costs totaling \$3,399,110 to the CERBT Program to maximize investment earnings on these funds. Both of these contributions were made in July 2013. The District's total contribution for the fiscal year ended June 30, 2015 was \$8,842,531. This total included a pay-as-you-go contribution of \$3,437,500 and CERBT trust contributions of \$5,405,031.

The District's annual OPEB cost for the current year, the amount actually contributed, the changes in net OPEB obligation, and the related information for each plan are shown in the table on the following page. Net OPEB expense, calculated as annual OPEB cost less the implied subsidy and pay-as-you-go amount contributed to the CERBT Program, is included in operating expenses in the accompanying financial statements. The Net OPEB obligation is shown as a separate item in noncurrent liabilities section in the accompanying financial statements.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 Postemployment Benefits Other Than Pensions (cont'd)

Contribution rates:

District 100% of pay-as-you-go amounts for employee and elected official monthly health care and life premiums

Plan members Retirees pay the portion of the premium not paid by the District; for example, if they elect a more expensive plan than Blue Shield HMO or PERS Kaiser

Annual required contribution	\$ 8,716,000
Interest on net OPEB obligation	3,094,000
Amortization of net OPEB obligation	<u>(3,242,000)</u>
Annual OPEB cost	8,568,000
Contributions Made	(8,842,531)
Implied subsidy benefit payments	<u>(137,000)</u>
Decrease in Net OPEB obligation	(411,531)
Net OPEB obligation, beginning of year	<u>52,339,036</u>
Net OPEB obligation, end of year	<u>\$ 51,927,505</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (liability) for 2013 through 2015 are shown in the following table.

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Retired Employees/Elected Officials Healthcare and Life Insurance Plans	06/30/13	\$ 11,852,000	\$ 5,740,000	48.4%	\$ 50,212,171
	06/30/14	8,358,000	6,123,135	73.3%	52,339,036
	06/30/15	8,568,000	8,842,531	103.2%	51,927,505

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 Postemployment Benefits Other Than Pensions (cont'd)

Funded Status and Funding Progress

The funded status of the plans as of June 30, 2013, the plan's most recent actuarial valuation date, is shown in the following table (dollar amounts in thousands). Actuarially determined amounts were not calculated separately for each plan. The Schedule of Funding Progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial accrued liability	\$ 94,723
Actuarial value of plan assets	<u>6,956</u>
Unfunded actuarial accrued liability	87,767
Funded ratio	7.9%
Covered payroll	\$ 51,485
Unfunded actuarial accrued liability as a percentage of covered payroll	170.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 Postemployment Benefits Other Than Pensions (cont'd)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial valuations involve the use of future estimates that are subject to continual revision. These calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation date	June 30, 2013		
Actuarial cost method	Entry age normal		
Amortization method	Level percent of payroll		
Remaining amortization period	26 years as of the valuation date		
Asset valuation method	Gains and losses spread over a 5-year rolling period		
Actuarial assumptions:			
Pre-funding	10% of property tax revenue, grading to full ARC less expected benefit payments for 2023/24		
Investment rate of return	Ranges from 5.75% in 2013/14 to 7.25% in 2030/31		
General inflation rate	3.00%		
Payroll growth	3.25%		
Healthcare cost trend rate	<u>Fiscal</u>	<u>(% Increase Over Prior Year)</u>	
	<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>
	2013	Actual PEMHCA ¹ / Kaiser A Premiums	
	2014	Actual PEMHCA / Kaiser A Premiums	
	2015	8.0%	8.3%
	2014-2021	Decreases 0.5%	Decreases 0.5% to
	2021+	each year	0.6% each year
		5.0%	5.0%
	<u>Active</u>	<u>Retired</u>	<u>Total</u>
Plan participants ²	617	354	971

1. PEHMCA relates to the Public Employees' Medical and Hospital Care Act.
2. Employees must retire from the District to receive OPEB benefits.

Initial unfunded liabilities are amortized over a fixed (closed) 30-year period. This period was restarted for the June 30, 2008 valuation. When the amortization period reaches 15 years, new gains and losses will be amortized over a rolling (open) 15-year period and plan and assumption changes will be amortized over a fixed (closed) 20-year-year period.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 Restricted and Unrestricted Net Position

Restricted Net Position

Net Position restricted for debt service/covenants represent constraints required by the District's Master Resolution and third party general obligation bondholders.

Net Position restricted for construction represent constraints on legally restricted funds received and unspent from developers as required by State law.

Unrestricted Net Position

As required by GASB Statement No. 34, net position has been classified according to guidelines established for restricted net position. The unrestricted net position, although not legally restricted, has been established pursuant to Board Resolution No. 3359 and is primarily composed of reserves for various purposes.

NOTE 10 Commitments

Construction Contracts

The District is committed to approximately \$26,554,335 of open construction contracts as of June 30, 2015. The contracts with the largest remaining balances include:

	Contract Amount	Balance To Complete
City Of Temecula Old Town Sewer Impr	\$ 11,750,905	\$6,743,434
MV/PV/SJC/SC RWRFS Solar DB PH2A	11,777,741	6,069,446
TVRWRF Solar DB PH2B	2,745,616	2,594,607
Wine Country-Armada Place Lift Station	2,211,794	1,843,190
Salt Creek Regional Sewer Improve	4,092,849	1,608,225
County Water Company Consolidation	1,547,836	1,502,836
Wine Country-Loma Ventoso Lift Station	2,452,475	1,195,295
Well 38 Drilling	1,567,629	1,149,179
SJVRWRF Title 22 & Plant 2 Facilities	117,614,622	1,075,314
Longview Tank	4,249,659	581,239
TOTAL	<u>\$160,011,126</u>	<u>\$24,362,765</u>

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 Commitments (cont'd)

Claims and Judgments

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, error and omissions, road and walkway design hazards, vehicle accidents and flooding for which the District maintains various insurance programs. The District has entered into contracts to oversee and administer these programs.

The District maintains excess insurance coverage of \$10,000,000 per occurrence with a \$750,000 self-insured retention per incident for losses sustained because of liability imposed on the District by the Workers' Compensation Act. For general liability, the District maintains excess insurance coverage of \$10,000,000 per occurrence with a \$1,000,000 self-insured retention.

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is included in other accrued expenses. The District did not have any non-incremental claims adjustment expenses that needed to be included as part of the unpaid claims liability. In November 2012, a structured workers compensation settlement was reached, which included a present value of \$5.3 million in future payments calculated using a discount rate of 3 percent over 30 years. Changes in claims payable for the years ended June 30 are as follows:

	Beginning Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015	Due Within One Year
General liability claims	\$ 279,549	\$ 108,497	\$ (34,679)	\$ 353,367	\$ 353,367
Workers compensation claims	7,195,809	947,966	(1,289,849)	6,853,926	1,500,000
Equipment damage claims	-	54,711	(54,711)	-	-
Dental claims	41,662	820,122	(827,995)	33,789	33,789
Total unpaid claims	\$ 7,517,020	\$ 1,931,296	\$ (2,207,234)	\$ 7,241,082	\$ 1,887,156

	2015	2014
Unpaid claims, beginning	\$ 7,517,020	\$ 7,425,895
Incurred claims and changes in estimates	1,931,296	2,439,572
Claim payments	(2,207,234)	(2,348,447)
Unpaid claims, ending	\$ 7,241,082	\$ 7,517,020

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2014 to 2015. There were no settlements that exceeded insurance coverage for the two prior fiscal years ended June 30, 2015 and June 30, 2014. However, the settlement discussed above did exceed the District's coverage at the time of the legal decision and the District subsequently purchased excess insurance coverage.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 Commitments (cont'd)

Soboba Settlement Act

The District is a party to the Soboba Settlement Act (Act). This Act was signed into Law by the President of the United States of America on July 31, 2008 and approved the Settlement Agreement between the Soboba Band of Luiseño Indians; the United States of America (as trustee for the Soboba Tribe); the Lake Hemet Municipal Water District (LHMWD), the Metropolitan Water District of Southern California (MWD), and the District. The Soboba Tribe negotiated a water rights claim with these local water districts for the Tribe's lost water resources from springs and creeks on its reservation caused by construction of the San Jacinto Tunnel by MWD, and by construction of Lake Hemet by the LHMWD. Notice regarding the statement of findings for the act was published in the Federal Register on November 28, 2011 and the Settlement Agreement became enforceable.

The Settlement Agreement provides that:

- a. The Tribe shall have a senior rights to 9,000 acre feet of water each year;
- b. The local agencies shall develop a groundwater management plan (and a committee to operate that plan);
- c. The District shall contract with MWD for a long term water supply agreement to bring 7,500 acre feet of additional imported settlement water into the area each year to meet the current and future needs;
- d. The local agencies shall construct facilities to bring in the additional water and recharge it into the groundwater basin;
- e. The groundwater management plan is to include arrangements between the municipal pumpers in the area (LHMWD, the cities of Hemet and San Jacinto, and the District) regarding limitations on pumping from the groundwater basin;
- f. The federal government shall provide some funding for compliance with the agreement; and,
- g. MWD and the District will transfer land that each agency owns to the Tribe in full satisfaction of the tribe's damages because of construction of the San Jacinto Tunnel.

The District's share for the construction of the facilities and use of Tribe's water is estimated to be \$8,966,222. The District and local agencies established a financing plan for the construction costs of the facilities. This plan is based upon the repayment schedule for the 2008H COP and requires the local agencies to contribute towards principal payments totaling \$12,998,778 and interest payments at their proportionate share. All amounts paid or accrued relating to the financing plan are recorded on the District's books.

In association with this settlement agreement, the stipulated judgment required that a watermaster be established to develop and implement a groundwater management plan and administer the provisions of the judgment. The Hemet-San Jacinto Watermaster (Watermaster) was established on April 18, 2013 and began operations in June 2013. Prior to formation of the Watermaster, the local agencies established an interim plan for imported water deliveries from MWD for in-lieu and replenishment water. The local agencies have agreed that the District will continue to purchase and deliver in-lieu and replenishment settlement water and bill the agencies directly on behalf of the Watermaster.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 Commitments (cont'd)

Due to the extended drought conditions, only 3,754 acre feet of imported settlement water was available to meet the calendar year 2014 annual required amount of 7,500 acre feet. There is a remaining calendar year 2014 obligation of 3,746 acre feet of imported settlement water to be met as soon as water supply is available. In addition, as of June 30, 2015, there has been no water supply available towards the calendar year 2015 obligation. The District's share of the imported settlement water for calendar year 2014 that was recorded in Fiscal Year 2014-15 was 2,926 acre feet and was delivered in-lieu of well production. In-lieu recharge of the settlement water was necessary for the Hemet San Jacinto area as a result of MWD converting its source of supply from Northern California water to Colorado River Aqueduct (CRA) water. Direct recharge of CRA water into the Hemet-San Jacinto Groundwater Basin would have exceeded the salinity objective set forth by the State Water Resource Control Board approved Basin Plan.

In addition, the District established a methodology for valuing its share of the native groundwater in the Hemet-San Jacinto Groundwater Basin, including additions and withdrawals and recorded \$2,532,821 and \$2,091,314 in water inventory for the fiscal years ended June 30, 2015 and June 30, 2014, respectively. The District's methodology identifies various water layers in the basin and assigns a zero dollar value to native water, with additions of imported Settlement Agreement water valued at purchased cost and withdrawals valued at a weighted average cost of all inventory layers. The inventory addition amount of 166 acre feet represents a calculation adjustment by the Watermaster to reverse the 2012 and 2013 Tribe usage. The following table illustrates the changes in water inventory for the fiscal years ended June 30, 2015 and June 30, 2014.

	Beginning Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015
Acre feet	77,333	166	(6,626)	70,873
Dollar value	\$ 2,091,314	\$ 620,700	\$ (179,192)	\$ 2,532,821

As part of the implementation of the groundwater management plan, in 2013 the Watermaster entered into a support services agreement with the District for the District to provide water monitoring program support services and administrative support services to the Watermaster. The District recorded a \$119,790 receivable from the Watermaster for outstanding billings of support services at June 30, 2015.

Special Funding District Bonds

These bonds are not direct liabilities of the District, and their payment is secured by valid liens on certain lands. Reserves have been established from the bond proceeds to meet delinquencies, should they occur. Neither the faith and credit nor the taxing power of the District is pledged to the payment of the bonds. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay those delinquencies out of any other available funds. The District acts solely as an agent for those paying assessments or special taxes and the bondholders. The Special Funding District Bonds outstanding at June 30, 2015 was \$219,392,228. These are not included in the District's financial statements.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 Contingencies

The District is a defendant in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on the District's financial position or results of operations.

NOTE 12 Santa Ana Watershed Project Authority

The District became a member of the Santa Ana Watershed Project Authority (SAWPA) in September 1984. SAWPA was formed in 1975, 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 powers common to public agencies. The purpose of SAWPA is to undertake projects for water quality control and protection and pollution abatement in the Santa Ana Watershed. The authority is governed by a 5-member Commission, consisting of one member from each of the five-member agencies; an alternate from each member agency is also designated. The Commission members select a Commissioner and an alternate.

According to the latest available audited financial statements, as of June 30, 2014 SAWPA had total assets of \$177,502,546 and total net assets of \$66,595,968. SAWPA Financial Statements can be obtained by contacting SAWPA at 11615 Sterling Avenue, Riverside, CA 92503 or at www.sawpa.org. The District does not have a measurable equity interest in SAWPA.

NOTE 13 Advances from Developers

The District receives deposits from developers in advance to cover various costs for both sewer and water related projects. At June 30, 2015, the amount of refundable deposits were \$18,460,136. When a project is closed, the developer is refunded only the amount remaining after offsetting all accumulated construction in progress costs. If costs exceed the deposit amount during the project, the developer is billed for additional deposits.

NOTE 14 Subsequent Events

In January 2014, the Governor declared a drought state of emergency; encouraged local suppliers to reduce usage by 20 percent, and have local suppliers develop or update water contingency plans. The District amended its water shortage contingency plan (WSCP) in March 2014 to better reflect contemporary needs of the District. The WSCP includes five stages, with the first 2 stages being voluntary measures to encourage conservation. Stage 3 and 4 are mandatory stages with escalating adjustments to outdoor water budget allocations to domestic customers. Stage 5 includes staged adjustments to water budgets for indoor use. On April 1, 2015, the Governor issued an executive order including a directive to the State Water Resources Control Board (SWRCB) to impose restrictions to reduce potable urban water use by 25 percent from 2013 levels by February 2016. On May 6, 2015, the SWRCB adopted regulations that required the District to effect a 28 percent reduction from 2013 water usage. Effective June 1, 2015, the District implemented Stage 4a (Mandatory Outdoor Reduction) of the WSCP, which calls for customer to reduce outdoor irrigation by 50 percent and reduced tier 2 water budgets by 10 percent. The District is currently in a Stage 4b, which reduces tier 2 water budgets by 30 percent. As of October 2015, the District has reduced potable urban water use by 20 percent.

**EASTERN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 Restatement of Prior Year Financial Statements

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the District's defined pension plans in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in reducing the net position by \$103,259,883.



Solar Power Generation

The Solar Energy Project consists of the installation of solar power systems at EMWD facilities. EMWD celebrated the dedication of its solar energy generation facility, which will produce 500 kilowatts of power, at its Perris headquarters in March 2015. The estimated 20-year savings at that site is more than \$8 million.

Additional solar power systems will be installed at EMWD's four active reclamation plants and at its desalination facility. Each of those sites will produce 1 megawatt with an estimated 20-year savings of more than \$37 million.

REQUIRED SUPPLEMENTARY INFORMATION

**EASTERN MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

**Schedule of Changes in Net Pension Liability and Related
Ratios During the Measurement Period
Last Ten Fiscal Years ***

Measurement Period	2013-2014
Total Pension Liability	
Service Cost	\$ 7,775,568
Interest	24,817,574
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(13,419,729)</u>
Net Change in Total Pension Liability	19,173,413
Total Pension Liability - Beginning	<u>333,723,063</u>
Total Pension Liability - Ending (a)	<u>\$ 352,896,476</u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 7,786,103
Contributions - Employee	4,510,815
Net Investment Income	40,103,890
Benefit Payments, Including Refunds of Employee Contributions	(13,419,729)
Other Changes in Net Fiduciary Position	<u>-</u>
Net Change in Fiduciary Net Position	38,981,079
Plan Fiduciary Net Position - Beginning	<u>226,706,257</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 265,687,336</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ 87,209,140</u>
Pension Liability	75.29%
Covered Employee Payroll	\$ 48,184,720
Plan Net Pension Liability as a Percentage of Covered Employee Payroll	180.99%

Notes To Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in Assumptions: There were no changes in assumptions.

**EASTERN MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

Schedule of Pension Plan Contributions

Last Ten Fiscal Years*

	Fiscal Year <u>2014-2015</u>
Actuarially Determined Contribution	\$ 8,160,464
Contributions in Relation to the Actuarially Determined Contribution	(8,160,464)
Contribution Deficiency (Excess)	\$ -
 Covered Employee Payroll	 \$ 50,202,213
 Contributions as a Percentage of Covered Employee Payroll	 16.255%

*Fiscal Year 2015 was the first year of implementation, therefore, only one year is shown.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost
Amortization Method/Period	Level Percent of Payroll *
Asset Valuation Method	Market Value*
Inflation	2.75%
Salary Increase	3.30% to 14.20% depending on age, service, and type of employment
Payroll Growth	3.00%
Investment Rate of Return	7.50%, net of administrative expenses
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 1997 to 2007. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

* For details, see June 30, 2013 Funding Valuation Report

**EASTERN MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

OPEB Funding Progress

The following table (dollar amounts in millions) shows a three-year history for the funded status of the District's agent multiple-employer defined benefit OPEB plan. The information reflects the most recent valuation and the previous biennial valuation.

<u>Fiscal Year Impacted</u>	<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Actuarial Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Payroll</u>
06/30/12	06/30/11	120.3	-	120.3	N/A	47.6	252.7%
06/30/13	06/30/11	130.1	2.7	127.5	2.0%	49.2	259.1%
06/30/14	06/30/13	94.7	6.9	87.8	7.0%	51.5	170.5%

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County Water Company Consolidation

EMWD and Elsinore Valley Municipal Water District (EVMWD) sought and secured grant funding from the California Department of Public Health to provide a long-term transition of service for the 140 homes that were served by the privately-owned County Water Company of Riverside. County Water Company was dependent on a single well that extracted unsafe drinking water, and its infrastructure failed frequently, leaving residents with little to no water supply during those times.

New pipelines are being installed to connect to EMWD and EVMWD's existing infrastructure in the region.

STATISTICAL SECTION

STATISTICAL SECTION

This section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements, notes disclosures, and required supplementary information 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

These 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 comparisons 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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015¹</u>
Net investment in capital assets	\$ 864,024,679	\$ 963,472,752	\$ 1,097,667,937	\$ 1,084,747,657	\$ 1,153,155,186	\$ 1,182,870,831	\$ 1,231,275,509	\$ 1,239,753,130	\$ 1,300,393,466	\$ 1,370,476,337
Restricted for debt service/covenants	58,964,117	57,377,104	56,443,385	58,248,958	65,090,658	65,433,313	64,333,290	73,268,230	70,625,613	74,689,785
Restricted for construction	193,659,075	238,268,776	133,617,326	169,061,541	150,977,362	127,083,266	99,513,601	56,375,249	45,199,054	40,347,436
Unrestricted	86,541,422	62,672,401	101,896,457	120,482,286	129,229,640	136,478,455	126,867,540	148,512,588	134,353,793	(7,842,690)
Total net position	\$ 1,203,189,293	\$ 1,321,791,033	\$ 1,389,625,105	\$ 1,432,540,442	\$ 1,498,452,846	\$ 1,511,865,865	\$ 1,521,989,940	\$ 1,517,909,197	\$ 1,550,571,926	\$ 1,477,670,868
% Increase	12.0%	9.9%	5.1%	3.1%	4.6%	0.9%	0.7%	-0.3%	2.2%	-4.7%

Note:

1. Change from prior year includes a net prior period adjustment of (\$103,259,883). Change in net position for fiscal year 2015 is \$30,358,825. Refer to note 15 to the financial statements for more information on the adjustment.

Source: Eastern Municipal Water District

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues		Operating Expenses ³		Operating Loss	Total Nonoperating Revenues/ (Expenses) ⁴	Income Before Capital Contributions	Capital Contributions ⁵	Change in Net Position
	Water ¹	Wastewater ²	Water	Wastewater					
2006	77,611,474	47,407,080	96,891,371	67,918,954	(39,791,771)	120,029,885	80,238,114	48,300,420	128,538,534
2007	92,679,789	53,066,742	113,677,146	77,853,830	(45,784,445)	106,629,828	60,845,383	57,756,357	118,601,740
2008	94,135,642	56,972,828	122,519,535	90,017,563	(61,428,628)	90,911,996	29,483,368	38,350,704	67,834,072
2009	103,013,429	62,611,918	122,515,771	94,629,395	(51,519,819)	59,613,648	8,093,829	34,821,508	42,915,337
2010	102,747,031	65,937,963	134,462,273	96,301,243	(62,078,522)	51,691,692	(10,386,830)	49,369,637	38,982,807
2011	102,009,545	67,114,654	137,981,887	98,467,509	(67,325,197)	41,208,043	(26,117,154)	39,530,173	13,413,019
2012	104,741,242	71,118,648	148,531,957	107,780,498	(80,452,565)	33,845,761	(46,606,804)	56,730,879	10,124,075
2013	112,456,804	74,633,171	154,950,442	108,169,114	(76,029,581)	45,528,065	(30,501,516)	30,446,825	(54,691)
2014	122,724,175	79,225,506	163,774,490	111,720,396	(73,545,205)	57,381,626	(16,163,579)	48,826,308	32,662,729
2015	117,295,152	83,513,268	162,871,146	116,781,896	(78,844,622)	49,992,435	(28,852,187)	59,211,012	30,358,825

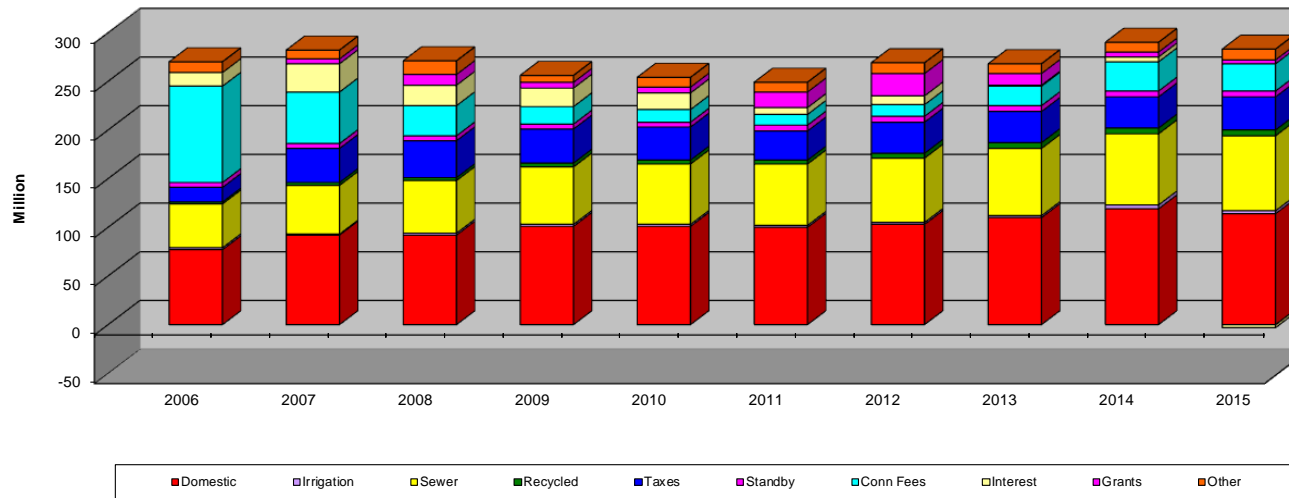
Notes:

1. The District implemented a budget-based tiered water rate structure for single and multifamily residential and landscape customers beginning April 2009. This structure was designed to be revenue neutral, however, significant billings were in the higher-use wasteful tiers. Billings in these tiers decreased beginning in 2010 due to conservation efforts.
2. In February 2013, a new block rate sewer methodology was implemented based on the number of household occupants. This structure is designed to compliment the domestic retail water rate structure.
3. GASB Statement No. 45 was implemented in 2008; net other postemployment benefits expense of \$6.2, \$8.9, \$11.1, \$11.5, \$15.3, \$11.9, \$8.4 and \$8.6 million for fiscal years 2008-2015 are included.
4. Total operating and capital grant revenues are included in nonoperating revenues and expenses prior to 2010. Capital grants totaling \$5.7, \$15.6, \$22.6, 10.5, \$4.2 and \$2.1 million are included in capital contributions for 2010-2015 (see revenue by source).
5. Higher construction activity relating to growth and market conditions account for the increases in contributed infrastructure from 2004-2007. This amount decreased for 2008, 2009 and 2011 due to lower construction activity and increased in 2010 due to District-wide efforts to close out construction projects.

Source: Eastern Municipal Water District

**REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Domestic Water		Ag & Irrig Water		Sewer Service		Recycled Water		Taxes & Assmnts ¹		Standby Assmnts		Connect Fees ²		Interest Income ³		Grants ⁴		Other		Total Revenues
	Sales	% of Total	Sales	% of Total	Charges	% of Total	Sales	% of Total	Total	% of Total	Total	% of Total	Total	% of Total	Total	% of Total	Total	% of Total	Total	% of Total	
2006	76,543,807	28.5%	1,067,667	0.4%	45,462,646	16.9%	1,944,434	0.7%	14,747,589	5.5%	4,518,411	1.7%	99,485,272	37.1%	13,804,446	5.2%	-	0.0%	10,808,046	4.0%	268,382,318
2007	91,596,156	32.5%	1,083,633	0.4%	50,318,414	17.9%	2,748,328	1.0%	34,849,428	12.4%	4,667,297	1.7%	52,894,363	18.8%	29,287,538	10.4%	4,598,769	1.6%	9,321,989	3.3%	281,365,915
2008	91,864,344	34.0%	2,271,298	0.8%	54,408,172	20.1%	2,564,656	0.9%	37,648,103	13.9%	4,868,154	1.8%	30,706,687	11.4%	20,579,581	7.7%	11,261,996	4.2%	13,867,981	5.2%	270,040,972
2009	100,967,796	38.9%	2,045,633	0.8%	58,889,788	22.7%	3,722,130	1.4%	35,102,975	13.5%	5,015,076	1.9%	17,789,045	6.9%	19,093,011	7.4%	6,466,818	2.5%	10,224,676	4.0%	259,316,948
2010	100,699,778	39.8%	2,047,253	0.8%	61,885,298	24.5%	4,052,665	1.6%	33,559,211	13.3%	5,246,008	2.1%	13,010,929	5.1%	16,028,408	6.3%	6,063,577	2.4%	10,510,099	4.2%	253,103,226
2011	100,198,290	40.1%	1,811,255	0.7%	62,609,731	25.1%	4,504,923	1.8%	30,354,685	12.2%	5,569,818	2.2%	10,815,294	4.3%	7,553,352	3.0%	16,137,906	6.5%	10,117,631	4.1%	249,672,885
2012	103,226,203	38.4%	1,515,039	0.6%	65,983,462	24.5%	5,135,186	1.9%	31,730,750	11.8%	5,600,661	2.1%	12,150,826	4.5%	9,208,523	3.4%	22,926,555	8.5%	11,533,511	4.3%	269,010,716
2013	110,468,194	41.1%	1,988,610	0.7%	68,957,128	25.7%	5,676,043	2.1%	32,555,228	12.1%	5,635,153	2.1%	20,364,185	7.6%	831,935	0.3%	12,503,511	4.7%	9,579,321	3.6%	268,559,308
2014	118,695,153	40.9%	4,029,022	1.4%	73,100,086	25.2%	6,125,420	2.1%	32,578,837	11.2%	5,700,591	2.0%	30,149,861	10.4%	4,923,583	1.7%	5,214,780	1.8%	9,622,670	3.3%	290,140,003
2015	113,859,511	40.8%	3,435,641	1.2%	77,120,505	27.7%	6,392,763	2.3%	34,100,580	12.2%	5,735,466	2.1%	28,307,625	10.1%	(2,593,627)	-0.9%	3,830,382	1.4%	8,722,157	3.1%	278,911,003



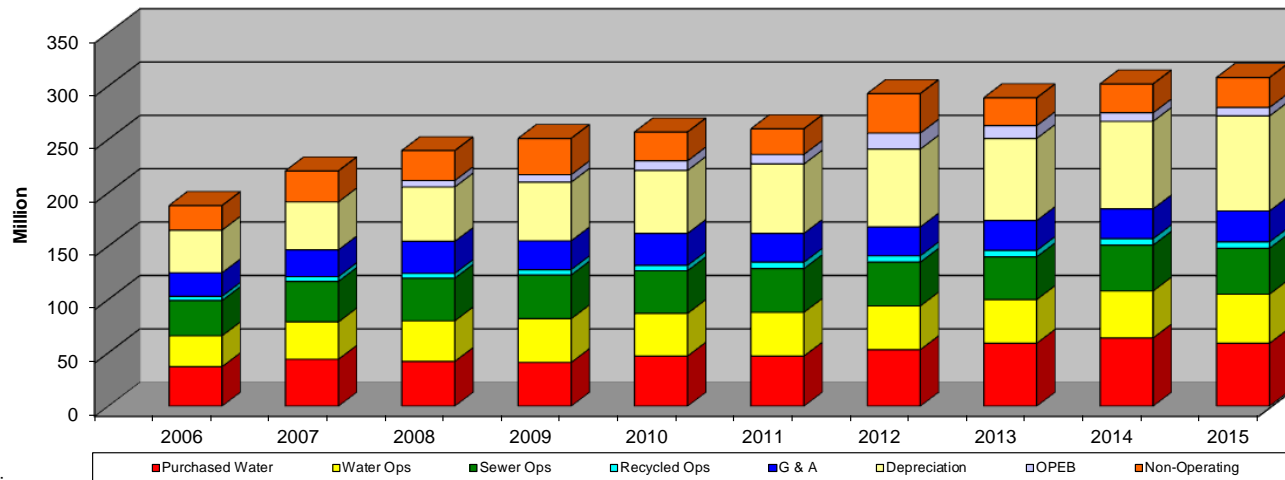
Notes:

- In 2007, the District received its full share of property taxes, which were lower for the prior two years due to the state mandated property tax shift from local governments. The increase is also due to a 20% increase in assessed valuations and growth in customer base.
- The decrease in connection fees is due to lower construction activity in 2007-2012 relating to the nationwide financial recession. The increased amount in 2013 relates to added connections and a rate increase in January 2013.
- Increased interest income for 2007-2008 is due to a higher average portfolio balance and higher average yields. For 2008-2010, the increased amounts relate to invested COP and GO bond issuance funds. For 2011, the decrease primarily relates to a lower level of invested construction funds and recording a \$3.2 million decrease in fair value of investments. The decreased amount for 2012 relates mainly to lower average yields. The decreased amount for 2013 primarily relates to recording a \$3.7 million decrease in fair value of investments and lower average yields for the year.
- Grant revenues were separately stated beginning 2007; previously, these amounts were shown as capital contributions or other revenue. Amounts include operating and capital grant revenues.

Source: Eastern Municipal Water District

**EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

Fiscal Year	Purchased Water	% of Total	Water Operations	% of Total	Sewer Operations	% of Total	Recycled Water Operations	% of Total	General & Admin ¹	% of Total	Depr. & Amort	% of Total	Net OPEB ²	% of Total	Total Operating Expenses ³	% of Total	Total Expenses
2006	36,817,458	19.6%	29,030,238	15.4%	33,061,321	17.6%	4,289,919	2.3%	21,520,070	11.4%	40,091,319	21.3%	-	0.0%	23,333,879	12.4%	188,144,204
2007	43,866,732	19.9%	35,332,561	16.0%	37,404,662	17.0%	4,379,135	2.0%	25,292,047	11.5%	45,255,839	20.5%	-	0.0%	28,989,556	13.1%	220,520,532
2008	41,653,430	17.3%	38,447,533	16.0%	39,976,740	16.6%	5,071,116	2.1%	30,138,792	12.5%	51,030,538	21.3%	6,218,949	2.6%	28,020,506	11.6%	240,557,604
2009	41,318,803	16.4%	40,834,689	16.3%	41,160,507	16.4%	4,749,447	1.9%	27,471,196	10.9%	54,545,053	21.7%	7,065,471	2.8%	34,077,953	13.6%	251,223,119
2010	46,936,179	18.2%	39,967,447	15.5%	39,657,747	15.4%	5,466,039	2.1%	30,256,670	11.7%	59,347,777	23.0%	9,131,657	3.5%	27,061,214	10.5%	257,824,730
2011	46,489,850	17.9%	41,364,910	15.9%	41,247,883	15.9%	6,103,502	2.3%	26,707,578	10.3%	65,354,991	25.1%	9,180,682	3.5%	23,720,625	9.1%	260,170,021
2012	52,697,993	18.0%	40,789,231	13.9%	41,308,806	14.1%	5,748,205	2.0%	27,112,598	9.3%	73,369,622	25.0%	15,286,000	5.2%	36,751,795	12.5%	293,064,250
2013	58,445,847	20.3%	40,994,915	14.2%	40,279,734	14.0%	5,992,260	2.1%	28,392,519	9.8%	77,162,281	26.7%	11,852,000	4.1%	25,490,370	8.8%	288,609,926
2014	63,850,688	21.1%	44,193,507	14.6%	42,710,741	14.1%	5,992,372	2.0%	28,352,049	9.4%	82,037,529	27.2%	8,358,000	2.8%	26,563,390	8.8%	302,058,276
2015	59,040,009	19.2%	45,691,510	14.8%	42,743,947	13.9%	6,101,759	2.0%	28,677,026	9.3%	88,830,791	28.9%	8,568,000	2.8%	28,110,148	9.1%	307,763,190



Notes:

1. The increase in general and administrative charges in 2008 primarily relates to increased legal expense for a lawsuit the District was involved in. The decrease in 2009 primarily relates to settlement of the lawsuit and department-wide cost-containment efforts. This amount was offset by a reclassification of net internal service funds which were reclassified to other nonoperating revenues beginning in 2009. The increase in 2010 primarily relates to recording a \$3.0 million increase in worker's compensation liability reserve.
2. The District implemented GASB Statement No. 45 in 2008. Beginning in 2012, OPEB pay-as-you-go costs were removed from other operating expense categories and shown as total OPEB cost.
3. The decrease in 2010 and 2011 primarily relates to recording \$6.7 and \$8.6 million, respectively, of capitalized construction period interest. The increase in 2012 relates mainly to added one-time costs of \$4.3 million for voluntary termination benefits and \$5.3 million in settlement payments for a lawsuit with San Jacinto Z LLC.

Source: Eastern Municipal Water District

**WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED
LAST TEN FISCAL YEARS**

Fiscal Year	← Gallons Produced ¹ →				Water					Gallons of Wastewater Treated	← Total Direct Rate Water →		
	Purchased	Wells	Desalters	Total	Domestic	Ag & Irrig	Total	Total	Avg %		Base Rate ^{2,5}	Usage Rate ^{3,5}	Sewer ⁴
2006	25,818	6,353	944	33,115	29,688	771	30,459	2,656	8.0%	16,352	8.15	32.36	18.86
2007	29,866	6,071	1,613	37,550	33,883	1,263	35,146	2,404	6.4%	16,786	8.43	34.40	19.64
2008	28,254	6,591	982	35,827	32,284	1,537	33,821	2,006	5.6%	16,906	10.04	36.38	20.58
2009	25,390	6,332	1,455	33,177	30,721	1,225	31,946	1,231	3.7%	16,482	10.52	41.52	21.88
2010	23,042	5,555	1,816	30,413	27,001	1,116	28,117	2,296	7.5%	16,436	10.52	46.32	22.73
2011	21,611	5,220	1,943	28,774	25,958	857	26,815	1,959	6.8%	16,805	10.52	48.26	22.90
2012	22,365	5,244	1,783	29,392	27,154	690	27,844	1,548	5.3%	16,425	10.52	47.50	23.96
2013	23,709	5,683	1,909	31,301	28,078	860	28,938	2,363	7.6%	16,363	10.52	49.92	24.72
2014	25,057	6,192	1,820	33,069	28,982	1,820	30,802	2,267	6.9%	16,389	10.77	52.50	25.90
2015	22,246	3,789	2,427	28,462	26,040	1,449	27,489	971	3.4%	16,334	11.16	53.76	27.01

Notes:

The information shown does not include recycled water.

1. Gallons are presented in millions.

2. Rate shown is based on the daily fixed charge for meters up to and including 1".

3. Rate shown is an average rate for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.

4. Rate shown is an average rate for one month of service. In February 2013, a new block rate sewer methodology was implemented to compliment the domestic retail water rate structure. This methodology uses the number of household occupants to better align charges with wastewater system costs based upon flow levels.

5. In January 2009, the District revised the daily fixed charge meter factors for all domestic retail customers. In April 2009, the District implemented a budget-based tiered rate structure for single-family and multi-family residential and landscape domestic usage.

Source: Eastern Municipal Water District

**WATER AND SEWER RATES
LAST TEN FISCAL YEARS**

Fiscal Year	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009³</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water Rates										
Monthly base rate (meter size)										
<=1"	\$ 8.15	\$ 8.43	\$ 10.04	\$ 10.52	\$ 10.52	\$ 10.52	\$ 10.55	\$ 10.52	\$ 10.77	\$ 11.16
1 1/2"	12.23	12.65	15.06	27.68	27.68	27.68	27.76	27.68	28.29	29.50
2"	16.30	16.85	20.08	51.40	51.40	51.40	51.55	51.40	52.62	54.45
3"	32.61	33.70	40.15	171.25	171.25	171.25	171.72	171.25	175.20	181.59
4"	40.76	42.16	50.19	270.40	270.40	270.40	271.15	270.40	276.49	286.83
6"	57.06	59.01	70.26	505.53	505.53	505.53	506.91	505.53	517.08	536.25
8"	65.21	67.40	80.30	633.28	633.28	633.28	635.01	633.28	647.88	671.60
Usage rate (per billing unit)¹	\$ 32.36	\$ 34.40	\$ 36.38	\$ 41.52	\$ 46.32	\$ 48.26	\$ 47.50	\$ 49.92	\$ 52.50	\$ 53.76
Sewer Rates (avg per month)²	\$ 18.86	\$ 19.64	\$ 20.58	\$ 21.88	\$ 22.73	\$ 22.90	\$ 23.96	\$ 24.72	\$ 25.90	\$ 27.01

Notes:

The information shown does not include recycled water.

Rates are adopted by the Board of Directors annually and become effective on the date of adoption or per Board direction.

1. Rate shown is an average for 20 billing units. A billing unit is 100 cubic feet of water or 748 gallons.
2. In February 2013, a new block rate sewer methodology was implemented, which uses number of household occupants. Previously, the District charged all customers a fixed daily service rate for sewer service for each of its 5 sewer service areas. The average per month is calculated as the weighted average daily rate, times 365 days per year, divided by 12 months per year.
3. In January 2009, the District revised the daily fixed charge meter factors for all domestic retail customers. In April 2009, the District implemented a budget-based tiered rate structure for single-family and multi-family residential and landscape domestic usage.

Source: Eastern Municipal Water District

**CUSTOMERS BY WATER SERVICE TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	← Treated and Untreated Water →							Total	Recycled	Total
	Residential	Commercial	Industrial	Agency	Public Construction & Temporary	Irrigation	Agricultural			
2006	119,340	2,677	132	582	910	1,793	554	125,988	164	126,152
2007	125,433	2,827	134	607	849	1,972	574	132,396	204	132,600
2008	128,184	3,103	135	614	737	2,146	603	135,522	230	135,752
2009	129,242	3,282	137	608	557	2,236	627	136,689	260	136,949
2010	133,320	3,276	140	597	373	2,260	649	140,615	266	140,881
2011¹	131,308	3,240	142	596	327	2,285	670	138,568	265	138,833
2012	132,080	3,272	144	625	353	2,310	694	139,478	283	139,761
2013	133,279	3,308	142	646	373	2,344	692	140,784	297	141,081
2014	134,656	3,347	136	679	426	2,412	721	142,377	316	142,693
2015	136,425	3,410	138	665	412	2,446	759	144,255	356	144,611

**WATER SERVICE TYPE BY CUSTOMER CATEGORY
FISCAL YEAR 2015**

	Residential	Commercial	Industrial	Agency	Public Construction & Temporary	Irrigation	Agricultural	Total
Domestic	136,425	3,408	138	629	412	2,442	637	144,091
Agricultural	-	2	-	4	-	4	122	132
Wholesale	-	-	-	32	-	-	-	32
Total	136,425	3,410	138	665	412	2,446	759	144,255

Note:

1. Decreased amounts are due to level of bank-owned homes relating to the economic downturn and less construction.

Source: Eastern Municipal Water District

**LARGEST DOMESTIC WATER CUSTOMERS
AS OF JUNE 30, 2015**

	Customer Name	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	City of Perris ¹	1,984	\$ 2,353,719	22.4%
2	City of Moreno Valley	869	1,242,282	11.8%
3	Valley-Wide Recreation Park	826	1,162,854	11.1%
4	Western Municipal Water District ^{1,2}	990	1,140,114	10.9%
5	Moreno Valley School District	896	1,095,454	10.4%
6	Val Verde Unified School District	636	852,690	8.1%
7	Riverside County EDA	640	845,051	8.1%
8	City of Murrieta	520	765,172	7.3%
9	Country Meadows II Assoc.	414	589,967	5.6%
10	Stonegate at Towngate	370	443,162	4.2%
	Total	8,145	\$ 10,490,465	
	Total domestic water sales	79,914	\$ 113,859,511	
	Percentage of total	10.2%	9.2%	

Notes:

Data includes potable water sales to all non-agricultural customers.

1. Wholesale customer.

2. Sales relate to Murrieta County Water District customers. This water district was purchased by the Western Municipal Water District.

Source: Eastern Municipal Water District

**LARGEST AGRICULTURAL & IRRIGATION WATER CUSTOMERS
AS OF JUNE 30, 2015**

	Customer Name	Annual Water Sales in Acre Feet	Annual Revenues	Percentage
1	Kevin and Pauline Doan	165	\$ 197,722	22.8%
2	C & R Farms	321	\$ 160,444	18.5%
3	Metropolitan Water District	86	\$ 101,189	11.7%
4	HP Mobile Estates	62	\$ 73,711	8.5%
5	Bootsma Essie	138	\$ 71,891	8.3%
6	McAnally Egg Enterprises	56	\$ 66,677	7.7%
7	Demler Egg Ranch	89	\$ 53,410	6.2%
8	Expressway Dairy	81	\$ 51,479	5.9%
9	Albert Goyenethe Dairy	72	\$ 45,667	5.3%
10	Valley Health System	43	\$ 44,390	5.1%
	Total	1,113	\$ 866,580	
	Total ag. & irrigation water sales	4,447	\$ 3,435,641	
	Percentage of total	25.0%	25.2%	

Notes:

The District has a number of irrigation water rates depending upon service area and whether deliveries are scheduled or unscheduled.

Source: Eastern Municipal Water District

**LARGEST RECYCLED WATER CUSTOMERS
AS OF JUNE 30, 2015**

<u>Customer Name</u>	<u>Annual Water Sales in Acre Feet</u>	<u>Annual Revenues</u>	<u>Percentage</u>
1 Inland Empire Energy Center LLC	1,874	\$ 638,465	26.7%
2 Rancho Casa Loma	4,229	260,386	10.9%
3 Agri Empire	3,207	260,197	10.9%
4 Iris Landing HOA	2,304	212,597	8.9%
5 Valley Wide Recreation	523	184,490	7.7%
6 Hemet Golf Club Landmark	392	180,769	7.6%
7 Don Bean Farms	2,081	173,385	7.2%
8 GCGI Partners Inc	469	164,922	6.9%
9 Dept of Fish and Game	3,787	161,788	6.8%
10 Marvo Holstein	2,118	155,450	6.5%
Total	<u>20,984</u>	<u>\$ 2,392,449</u>	
Total recycled water sales	35,617	\$ 6,392,763	
Percentage of total	58.9%	37.4%	

Notes:

The District has a number of recycled water rates depending upon size of pipe, agricultural or non-agricultural usage and level of treatment.

Source: Eastern Municipal Water District

**LARGEST SEWER CUSTOMERS
AS OF JUNE 30, 2015**

<u>Customer Name</u>	<u>Annual Revenues</u>	<u>Percentage</u>
1 Pechanga Resort and Casino	\$ 478,456	19.2%
2 Stonegate at Towngate	357,306	14.4%
3 New Highland Meadows	313,481	12.6%
4 Riverside County EDA	237,951	9.6%
5 The Vineyards at Meniffee	227,653	9.1%
6 Van Daele Development	220,990	8.9%
7 Murrieta Valley Unified School District	192,390	7.7%
8 Val Verde School District	179,404	7.2%
9 Hemet Unified School District	140,566	5.6%
10 Faircrest Homeowners Association	139,952	5.6%
Total	\$ 2,488,149	
Total sewer revenue	\$ 77,120,505	
Percentage of total revenue	3.2%	

Source: Eastern Municipal Water District

**SUMMARY OF IMPORTED WATER RATES
LAST TEN FISCAL YEARS
(dollars per acre-foot)**

Rates Effective Beginning January		Full Service Domestic		Interim Agricultural Program ¹		Long Term Seasonal Storage	
		Treated	Untreated	Treated	Untreated	Treated	Untreated
2006	Tier 1	453	331	339	241	335	238
	Tier 2	549	427	n/a	n/a	n/a	n/a
2007	Tier 1	478	331	364	241	360	238
	Tier 2	574	427	n/a	n/a	n/a	n/a
2008	Tier 1	508	351	394	261	390	258
	Tier 2	606	449	n/a	n/a	n/a	n/a
2009	Tier 1	579	412	465	322	436	294
	Tier 2	695	528	n/a	n/a	n/a	n/a
2010	Tier 1	701	484	615	416	558	366
	Tier 2	811	594	n/a	n/a	n/a	n/a
2011	Tier 1	744	527	687	482	601	409
	Tier 2	869	652	n/a	n/a	n/a	n/a
2012	Tier 1	794	560	765	537	651	442
	Tier 2	920	686	n/a	n/a	n/a	n/a
2013	Tier 1	847	593	n/a	n/a	n/a*	n/a*
	Tier 2	997	743	n/a	n/a	n/a	n/a
2014	Tier 1	890	593	n/a	n/a	n/a*	n/a*
	Tier 2	1,032	735	n/a	n/a	n/a	n/a
2015	Tier 1	925	582	n/a	n/a	n/a*	n/a*
	Tier 2	1,055	714	n/a	n/a	n/a	n/a

Notes:

1. The Interim Agricultural Water program was discontinued after 2012.

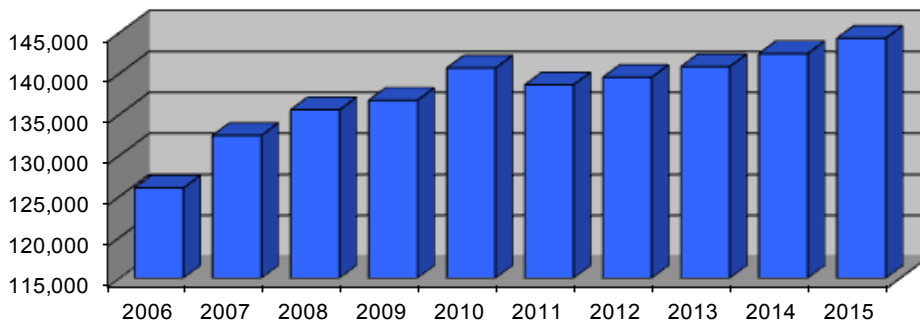
* MWD is continuing discussions with member agencies on the replenishment program.

Source: Metropolitan Water District of Southern California (MWD)

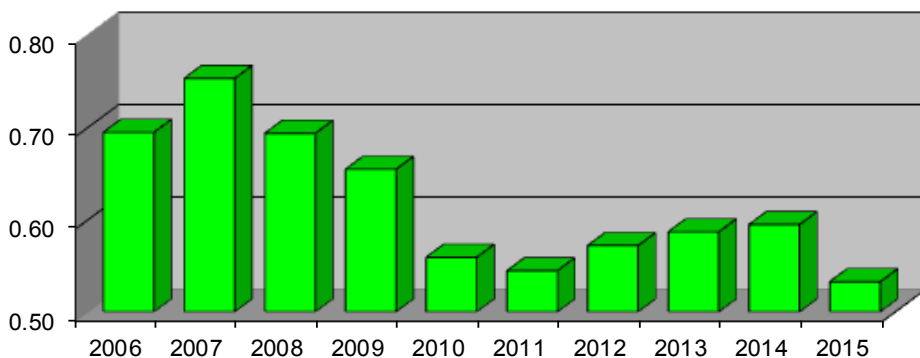
**ANNUAL DOMESTIC CONSUMPTION (AF)
LAST TEN FISCAL YEARS**

Fiscal Year	Usage (AF)	Active Accounts¹	Average AF per Account
2006	87,488	125,988	0.69
2007	99,658	132,396	0.75
2008	93,956	135,522	0.69
2009	89,448	136,689	0.65
2010	78,621	140,615	0.56
2011	75,461	138,568	0.54
2012	79,752	139,478	0.57
2013	82,591	140,784	0.59
2014	84,650	142,377	0.59
2015	76,832	144,255	0.53

Number of Active Accounts



Average AF/Account



Notes:

Amounts exclude wholesale accounts.

Several factors may impact fluctuations in the average AF per account each year including conservation efforts, the level of bank-owned homes relating to the economic downturn, and changes in weather patterns.

The decrease in average AF per account for beginning 2008 is mainly due to lower usage relating to conservation efforts and cooler weather patterns..

The increase for 2013 and 2014 is mainly due to increased usage relating to warmer weather patterns.

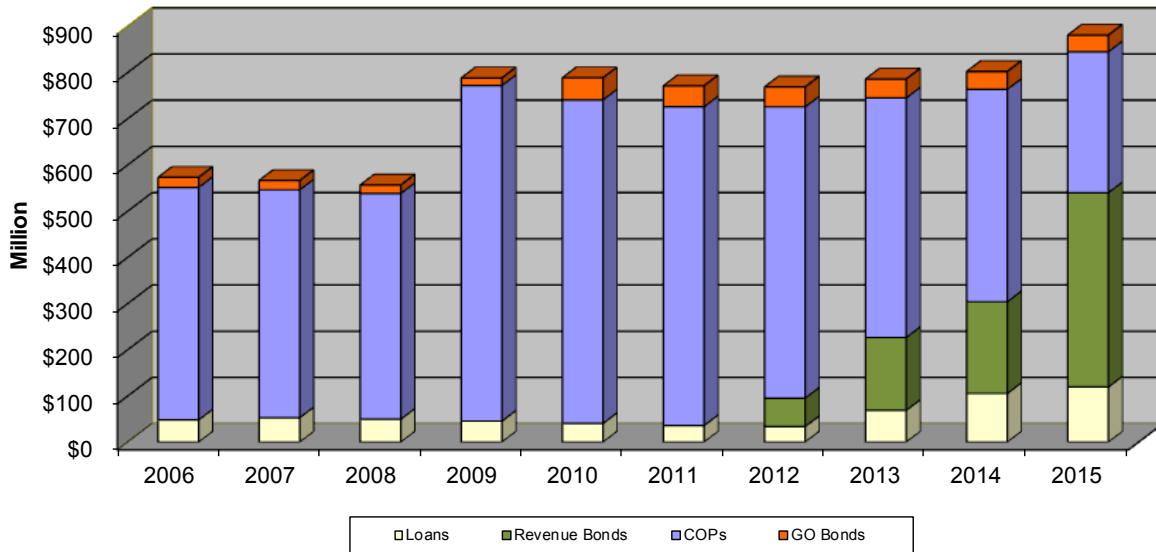
1. Amounts for all years have been updated due to availability of more precise data.

Source: Eastern Municipal Water District

**RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

* See Debt Footnotes for dollar amounts

Fiscal Year	Loans ¹	Revenue Bonds ²	Certificates of Participation ^{2,3,4}	General Obligation Bonds ^{4,5}	Total	Percentage of Personal Income ⁶	Debt per Capita ⁷
2006	48,103,473	-	502,990,000	21,675,000	572,768,473	1.11%	862
2007	52,874,716	-	493,190,000	19,945,000	566,009,716	1.01%	814
2008	49,630,496	-	488,460,000	18,140,000	556,230,496	0.91%	777
2009	45,407,198	-	726,270,000	16,260,000	787,937,198	1.23%	1,086
2010	40,279,228	-	700,311,094	47,672,284	788,262,606	1.21%	1,068
2011	35,818,082	-	689,723,765	45,481,394	771,023,241	1.22%	1,014
2012	33,651,101	61,452,320	630,227,034	43,145,504	768,475,959	1.18%	1,000
2013	68,749,388	157,648,717	518,338,874	40,949,446	785,686,425	1.13%	1,011
2014	105,195,668	198,525,127	459,710,090	38,446,800	801,877,685	1.11%	1,022
2015	119,352,359	420,407,711	305,016,306	35,896,296	880,672,672	1.15%	1,108



Notes:

Details regarding the District's outstanding debt can be found in the Note 4 to the basic financial statements.

See the schedule of Demographic and Economic Statistics for personal income and population data.

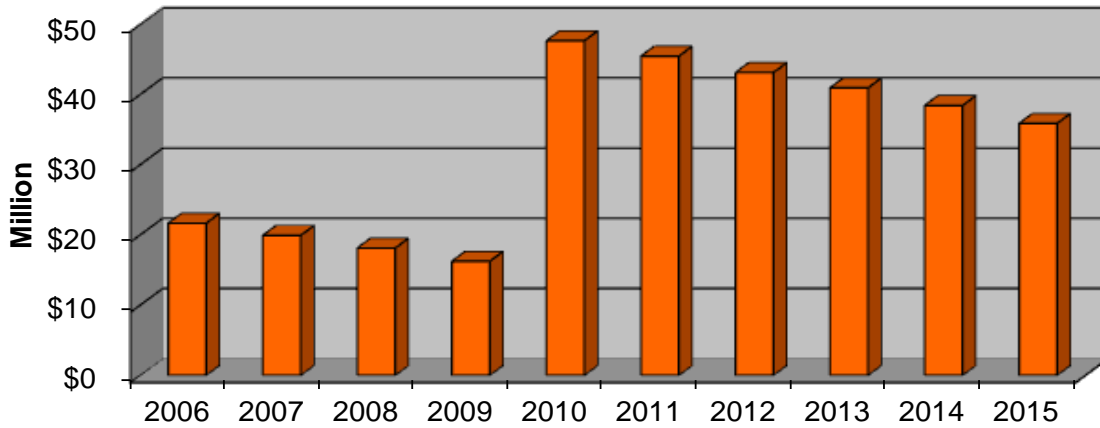
- The \$38 million construction advance for the SCATT project converted to a loan in 2013. In 2014, the \$44 million construction advance for the APAD project converted to a loan.
- The District issued \$56 million of Refunding Revenue Bonds in 2012. With the added premium and reserve funds, the issuance of these bonds refunded \$62 million of COPs. In 2013, the District issued \$104.6 million of Refunding Revenue Bonds which refunded \$104.6 million of COPs. The District issued \$49 million of Refunding Revenue Bonds in 2014. In 2015, the district refunded \$149.9 million of COPS with the issuance of Refunding Revenue Bonds. The district also issued \$74.4 million Revenue Bonds in 2015.
- The District issued over \$160 million of new COPs in 2006 and another \$240 million in 2010.
- Beginning 2010, amounts shown include net debt premium/discount and deferred refunding charges, if applicable. Beginning 2012, deferred charges on debt refundings are excluded and shown as a separate line item in the financial statements.
- The District issued \$32 million of new GO Bonds in 2009.
- Based upon Riverside County personal income amounts. The District is located in the County of Riverside. See the personal income amounts on the Demographic and Economic Statistics schedule.
- Based upon approximate population of District service area. See the Demographic and Economic Statistics schedule for amounts.

Source: Eastern Municipal Water District

**RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds^{1,2}	Assessed Value³	Percentage of Assessed Value	Debt per Capita⁴
2006	21,675,000	45,799,534,361	0.05%	33
2007	19,945,000	57,857,155,353	0.03%	29
2008	18,140,000	68,127,605,656	0.03%	25
2009	16,260,000	67,617,348,347	0.02%	22
2010	47,672,284	56,743,387,948	0.08%	65
2011	45,481,394	54,294,174,863	0.08%	60
2012	43,145,504	53,890,135,705	0.08%	56
2013	40,949,446	53,506,155,585	0.08%	53
2014	38,446,800	55,926,804,094	0.07%	49
2015	35,896,296	61,313,471,497	0.06%	45

Total Bonds Outstanding



Notes:

Details regarding the District's outstanding debt can be found in Note 5 to the basic financial statements.

See the schedule of Demographic and Economic Statistics for population data.

1. The District issued \$32 million of new GO bonds in 2010.

2. Beginning 2010, amounts shown include net bond premium/discount.

3. Bonds are issued by improvement district, but the amounts shown are for the District's entire service area.

4. Based upon approximate population of the District's entire service area. See the Demographic and Economic Statistics schedule for amounts.

Source: Eastern Municipal Water District

**PARITY & SUBORDINATE DEBT SERVICE COVERAGE
FISCAL YEARS 2006 - 2015**

	2006	2007	2008	2009 ¹	2010	2011	2012	2013	2014	2015
OPERATING REVENUES:										
Water sales	\$77,611,474	\$92,679,789	\$94,135,642	\$ 103,013,429	\$ 102,747,031	\$ 102,479,984	\$ 104,741,242	\$ 110,468,195	\$ 122,724,175	\$ 117,295,152
Sewer service sales	45,462,646	50,318,414	54,408,172	58,889,788	61,885,298	62,840,013	65,983,462	70,945,738	73,100,086	77,120,505
Recycled water	1,944,434	2,748,328	2,564,656	3,722,130	4,052,665	4,504,923	5,135,186	5,676,043	6,125,420	6,392,763
Total operating revenues	125,018,554	145,746,531	151,108,470	165,625,347	168,684,994	169,824,920	175,859,890	187,089,976	201,949,681	200,808,420
OPERATING EXPENSES:										
Water purchases	36,817,458	43,866,732	41,653,430	41,318,803	46,936,179	46,489,850	52,697,993	58,445,847	63,850,688	59,040,009
Water operations	29,030,238	35,332,561	38,447,533	40,834,689	39,967,447	41,364,910	40,789,231	40,994,915	44,193,507	45,691,510
Sewer operations	37,351,240	41,783,797	45,047,856	45,909,954	45,123,786	47,351,385	47,057,011	46,271,994	48,703,113	48,845,706
Other Post Employment Benefits (OPEB) Contribution ²	-	-	-	-	-	-	2,620,589	5,740,000	6,123,000	8,568,000
General & administrative	21,520,070	25,292,047	30,138,792	27,471,196	30,256,670	26,707,578	27,112,598	28,392,519	28,352,049	28,677,026
Total operating expenses	124,719,006	146,275,137	155,287,611	155,534,642	162,284,082	161,913,723	170,277,422	179,845,275	191,222,357	190,822,251
OPERATING INCOME (LOSS)	299,548	(528,606)	(4,179,141)	10,090,705	6,400,912	7,911,197	5,582,468	7,244,701	10,727,324	9,986,169
NON-OPERATING REVENUES:										
Property taxes - general purpose	11,213,568	31,293,863	34,528,767	33,149,232	29,474,227	25,884,964	26,574,300	27,243,491	28,061,489	30,843,713
Standby charges	4,518,411	4,667,297	4,868,154	5,015,076	5,246,008	5,569,818	5,600,661	5,635,153	5,700,591	5,735,466
Water and sewer connection fees	99,485,272	52,894,363	30,706,687	17,789,045	13,010,929	10,815,294	12,150,826	20,364,185	30,149,861	28,307,625
Interest income ³	13,545,983	28,899,522	20,128,848	18,706,820	16,681,744	7,664,191	7,431,966	4,485,217	3,133,313	3,092,643
Grant revenues	-	-	11,261,996	6,466,818	6,063,577	16,137,906	22,926,555	12,503,511	5,214,780	3,830,382
Other income/(expense)	7,088,624	4,093,851	8,812,367	1,767,759	487,672	1,727,067	(4,563,952)	2,967,319	947,126	829,006
Total non-operating revenues	135,851,858	121,848,896	110,306,819	82,894,750	70,964,157	67,799,240	70,120,356	73,198,876	73,207,160	72,638,836
Net Water and Sewer Revenues for Debt Coverage	136,151,406	121,320,290	106,127,678	92,985,455	77,365,069	75,710,437	75,702,824	80,443,577	83,934,484	82,625,004
PARITY OBLIGATION DEBT SERVICE:										
Parity Obligation Payments (COP/Bonds)	27,374,817	32,005,400	28,708,962	34,779,234	32,958,765	32,731,966	37,044,680	35,061,971	35,521,108	26,604,369
State Loan Payments	-	-	-	5,074,279	5,800,750	5,703,603	4,115,116	4,322,228	4,013,353	5,877,892
Total Parity Obligation Debt Service	27,374,817	32,005,400	28,708,962	39,853,513	38,759,515	38,435,569	41,159,796	39,384,199	39,534,461	32,482,262
PARITY OBLIGATION DEBT SERVICE COVERAGE	5.0	3.8	3.7	2.3	2.0	2.0	1.8	2.0	2.1	2.5
REVENUES AVAILABLE FOR SUBORDINATE OBLIGATIONS	108,776,589	89,314,890	77,418,716	53,131,942	38,605,554	37,274,868	34,543,028	41,059,379	44,400,023	50,142,743
SUBORDINATE OBLIGATION DEBT SERVICE	-	-	-	-	-	-	-	-	-	2,917,542
SUBORDINATE OBLIGATION DEBT SERVICE COVERAGE	NA	NA	NA	NA	NA	NA	NA	NA	NA	17.2
REMAINING REVENUES	108,776,589	89,314,890	77,418,716	53,131,942	38,605,554	37,274,868	34,543,028	41,059,379	44,400,023	47,225,200
TOTAL DEBT SERVICE	27,374,817	32,005,400	28,708,962	39,853,513	38,759,515	38,435,569	41,159,796	39,384,199	39,534,461	35,399,804
ALL-IN DEBT SERVICE COVERAGE	5.0	3.8	3.7	2.3	2.0	2.0	1.8	2.0	2.1	2.3

Source: Eastern Municipal Water District

Notes:

1. 2009 amounts were restated for net internal service funds included in other non-operating income rather than general and administrative expense.
2. Beginning FY 2012, OPEB contribution expense is separated from Water and Sewer operating expense. Total Annual OPEB Cost was \$11,505,000 and \$15,286,000 in FY 2012 and FY 2013 respectively. See Note 9.
3. Beginning FY 2012, excludes change in fair market value of investments (unrealized gain/loss) as these are non-cash items.
4. 2011, 2012, and 2013 COP/Bond interest expense amounts include \$8,713,038, \$1,323,083, and \$2,781,718 of capitalized construction period interest, respectively. See Note 15 to the basic financial statements.

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population¹	Personal Income² (thousands of \$)	Per Capita Personal Income²	Unemployment Rate²
2005	664,807	51,612,837	27,801	5.4%
2006	695,209	55,892,377	28,933	5.0%
2007	715,664	61,110,773	30,368	6.0%
2008	725,610	64,194,014	30,934	8.5%
2009	737,868	65,140,132	30,876	13.4%
2010	760,128	63,652,627	29,651	14.7%
2011	768,264	65,219,337	29,612	13.6%
2012	776,986	69,757,415	31,196	12.2%
2013	784,834	73,685,111	32,534	10.3%
2014	794,790	76,289,477	33,278	8.2%

- Notes: 1. Data is for the District's service area. Amounts for prior years are restated with the most recent available information.
2. Data is for the County of Riverside. The District is located within the County. Amounts for prior years are restated for most recent available information.

Sources: State of California Employment Development Department
State of California Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis

**PRINCIPAL EMPLOYERS
FISCAL YEAR ENDED JUNE 30, 2015**

<u>Employer</u>	<u>No. of Employees</u>	<u>Percentage of Total Employment</u>
County of Riverside	21,198	2.3%
March Air Reserve Base	8,500	0.9%
Stater Brothers Markets	6,900	0.7%
Wal-Mart	6,550	0.7%
University of California, Riverside	5,768	0.6%
Kaiser Permanente Riverside Medical Ctr	5,300	0.6%
Corona-Norco Unified School District	4,932	0.5%
Pechanga Resort & Casino	4,000	0.4%
Riverside Unified School District	3,871	0.4%
Hemet Unified School District	<u>3,400</u>	0.4%
Total	<u>70,419</u>	7.6%
Total Employment	<u>928,200</u>	

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

Sources: Riverside County Economic Development Agency
State of California Employment Development Department

**EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

	2006	2007	2008	2009	2010	2011	2012	2013 ⁵	2014	2015 ⁶
<u>Operations and Maintenance Division</u>										
Water Operations and Distribution	60	57	66	63	63	64	64	65	66	61
Water Reclamation	75	76	82	82	87	90	90	86	87	88
Assets & Facility Management (formerly Maintenance Services)	19	20	20	22	17	17	17	15	15	22
Auto Shop and Fabrication Shop (reassigned)	14	14	14	13	14	16	15	16	15	-
Wastewater Collection	13	15	15	14	15	15	13	14	14	15
Mechanical Services (includes Fab Shop)	26	27	27	27	30	30	30	28	29	31
Electrical and Controls	20	20	21	22	21	22	23	24	24	23
Pipeline Maintenance (formerly included Building & Grounds)	36	37	37	37	35	37	34	34	34	22
Total Operations & Maintenance Division	263	266	282	280	282	291	286	282	284	262
<u>Engineering Division</u>										
General Engineering ¹	61	52	56	57	55	53	52	43	44	46
Construction Management and Inspections	36	44	39	40	38	39	39	35	33	29
New Business Development ¹	20	34	28	25	25	26	20	17	18	19
Total Engineering Division	117	130	123	122	118	118	111	95	95	94
<u>Planning and Resources Division</u>										
Planning and Resources ^{2,3}	12	13	17	19	19	19	20	20	19	20
Environmental and Regulatory Compliance	8	9	7	8	8	9	9	9	10	11
Water Quality and Laboratory	17	18	15	15	14	15	15	14	14	12
Source Control	12	10	10	10	8	9	9	9	10	10
Total Planning and Resources Division	49	50	49	52	49	52	53	52	53	53
<u>Executive and Administration</u>										
Executive and Administration	8	8	10	10	10	10	11	12	12	13
Public and Governmental Affairs ⁴	3	3	3	2	3	3	11	11	11	12
Human Resources (formerly included Risk Management)	12	12	13	13	13	13	13	11	12	8
Safety/Risk and Emergency Management	-	-	-	-	-	-	-	-	-	4
Billing/Customer Service	41	47	49	49	60	62	58	55	53	56
Meter Reading	24	25	25	25	24	24	24	21	19	16
Finance and Accounting	18	18	20	21	21	22	26	22	22	22
Information Systems	37	35	33	33	34	33	34	33	31	30
Purchasing, Warehouse and Records Management	28	28	28	29	26	27	30	28	27	28
Fleet Services (formerly Auto Shop)	-	-	-	-	-	-	-	-	-	11
Community Involvement ^{2,4}	10	13	9	9	9	8	-	-	-	-
Total Executive and Administration	181	189	190	191	200	202	207	193	187	200
Total Filled Positions End of Year	610	635	644	645	649	663	657	622	619	609
Total Authorized Positions Start of Year	Not Available	Not Available	670	667	676	690	667	636	633	629
Change in Authorized Positions from Prior Year	Not Available	Not Available	Not Available	(3)	9	14	(23)	(31)	(3)	(4)
Number of Vacant Positions as of June 30	Not Available	Not Available	26	22	27	27	10	13	10	20
Vacancy Rate as of June 30			3.9%	3.3%	4.0%	3.9%	1.5%	2.0%	1.6%	3.2%

Notes:

All directors and managers are included with their divisions.

Temporary, contract and summer help employees are not included.

1. The General Engineering and New Business Development departments were reorganized in 2007.

The General Engineering department was reorganized again in 2012.

2. The Conservation work group was moved from Community Involvement to Planning and Resources in 2008.

3. The Planning and Resources department was reorganized in 2012 (formerly Water Resources Development and Management).

4. Community Involvement was restructured into Public and Governmental Affairs in 2012.

5. The decrease in filled positions is due to 43 employees accepting a retirement incentive and retiring effective June 30, 2012.

6. Organizational changes in March 2015 affected all divisions and eliminated 3 vacant positions.

Source: Eastern Municipal Water District

**OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>POTABLE WATER SYSTEM</u>										
Miles of pipeline:										
transmission and distribution: ¹										
as-built	2,345	2,442	2,437	2,444	2,421	2,428	2,430	2,443	2,448	2,463
construction in progress	1,817	1,944	2,038	2,157	2,260	2,280	2,296	2,366	2,376	2,391
Number of storage tanks ²	528	498	399	287	161	148	134	77	72	72
Maximum storage capacity (million gallons)	78	79	78	77	77	77	77	77	77	77
Number of active pumping plants	193	193	193	193	193	191	191	191	191	191
Number of active wells:										
domestic	82	83	81	84	84	83	83	83	83	83
desalter ⁶	18	18	18	18	18	21	21	18	18	18
Domestic well production capacity:										
gallons per minute	9	7	5	5	7	7	8	7	11	11
million gallons per day	19,747	22,076	21,597	21,806	20,361	22,326	22,285	23,292	23,382	19,299
acre feet per year	28.4	31.8	31.1	31.4	29.3	32.1	32.1	33.5	33.7	27.8
Number of water treatment plants:	31,852	35,609	34,836	35,173	32,843	36,013	35,945	37,570	37,715	31,129
desalter	2	2	2	2	2	2	2	2	2	2
filtration	1	2	2	2	2	2	2	2	2	2
Treatment plant capacity: (million gallons per day)										
desalter plants	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
filtration plants	11.4	21.4	32.0	32.0	32.0	32.0	32.0	36.0	36.0	36.0
Number of service connections: ⁷										
active domestic accounts	123,384	128,506	129,344	131,392	133,810	135,233	136,478	140,653	142,244	144,123
active agriculture accounts	130	129	140	143	146	124	122	131	133	132
<u>SEWER SYSTEM</u>										
Miles of sewer lines: ^{1,3}										
as-built	1,750	1,857	1,721	1,729	1,727	1,736	1,756	1,780	1,799	1,813
construction in progress	1,218	1,335	1,407	1,539	1,607	1,626	1,639	1,725	1,735	1,749
Number of treatment plants	532	522	314	190	120	110	117	55	64	64
Treatment plant average design capacity (MGD) ⁴	5	5	5	5	5	5	5	5	5	5
Average million gallons per day treated	56	56	56	60	60	60	60	68	68	70
Percentage of capacity utilized	44.8	46.0	46.2	45.2	45.0	46.0	45.0	44.8	44.9	44.8
Number of active lift stations	80%	82%	82%	75%	75%	77%	75%	66%	66%	64%
Number of active lift stations	46	46	46	46	46	46	47	48	48	47
<u>RECYCLED WATER SYSTEM</u>										
Miles of pipeline:										
transmission and distribution: ¹										
as-built	174	192	201	202	199	202	206	213	215	219
construction in progress	149	156	165	172	178	179	186	196	198	202
Number of active pumping facilities	25	36	36	30	21	23	20	17	17	17
Maximum storage capacity (acre feet) ⁵	17	17	17	19	20	20	20	21	23	23
	6,571	6,694	6,764	5,776	5,714	5,714	5,721	5,736	6,184	6,448
<u>GENERAL INFORMATION</u>										
Service area (annexed property):										
acres	346,337	346,425	346,449	346,691	346,732	346,732	346,732	346,745	346,745	346,745
square miles	541.2	541.3	541.3	541.7	541.8	541.8	541.8	541.8	541.8	541.8
Gross service area (square miles)	555	555	555	555	555	555	555	555	555	555
Average years of service of employees	9.80	9.98	10.05	10.20	10.47	10.84	11.39	11.31	12.11	12.50

Notes:

1. Miles of pipelines as-built excludes open construction in progress (CIP). CIP reflects what was recorded as open projects as of the year end date.
2. Potable water storage tanks and capacity decreased in 2008 and 2009 due to conversion to recycled water.
3. Miles of sewer lines decreased in 2008 because the District transferred sewer lines to the City of San Jacinto. Decrease is reflected in each as-built amount.
4. The Sun City RWRf (3 MGD) was formerly included in the total capacity although it was decommissioned. Amounts are now reflected as average design capacity. The Perris RWRf expansion to 25 MGD was completed in 2014.
5. Recycled storage decreased in 2009 due to a change in the reporting method to show only tertiary-treated water dedicated to distribution. Prior years included capacity for secondary-treated storage. Decrease in 2010 relates to lower capacity for Winchester ponds due to operational assessments. Increase in 2014 storage is due to more accurate measurements from recent surveys, plus a conversion of some secondary storage to tertiary storage.
6. Desalter wells formerly inactive were placed back into service during 2014.
7. Starting 2013, the number of customer connections billed within the year was used instead of the number of customers as of June 30th.

Source: Eastern Municipal Water District

**CUSTOMER ACCOUNT WRITE OFFS
AS A PERCENTAGE OF SALES
LAST TEN FISCAL YEARS**

Fiscal Year	Retail Sales	Write Offs	% of Sales
2006	103,371,554	384,329	0.4%
2007	121,769,923	724,045	0.6%
2008	126,144,814	1,155,769	0.9%
2009	139,863,262	1,386,075	1.0%
2010	142,354,003	1,035,076	0.7%
2011	143,427,078	734,381	0.5%
2012	149,580,286	703,666	0.5%
2013	159,559,632	717,146	0.4%
2014	170,496,733	851,419	0.5%
2015	169,744,235	823,650	0.5%
Total	\$1,426,311,520	\$ 8,515,556	0.6%

Note: Excludes sales collected by other agencies.

Source: Eastern Municipal Water District

**BAD DEBT RESERVES AS A PERCENTAGE
OF ACCOUNTS RECEIVABLE BALANCE
LAST TEN FISCAL YEARS**

Fiscal Year	Year End A/R Balance	Reserves	% of A/R
2006	7,350,203	187,390	2.5%
2007	9,278,477	368,961	4.0%
2008	9,375,405	690,461	7.4%
2009	10,377,183	838,543	8.1%
2010	9,603,615	678,848	7.1%
2011	11,170,339	610,537	5.5%
2012	13,072,905	676,182	5.2%
2013	14,195,028	842,850	5.9%
2014	13,805,842	850,608	6.2%
2015	9,916,469	609,075	6.1%

Note: Reserves equal accounts over 60 days.

Source: Eastern Municipal Water District



Eastern Municipal Water District

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