

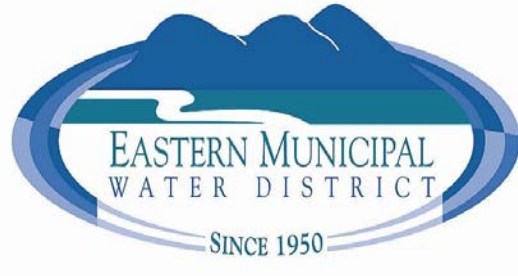


# Eastern Municipal Water District Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2009



2270 Trumble Road ~ P.O. Box 8300 ~ Perris, CA 92572-8300 ~ [www.emwd.org](http://www.emwd.org)



**EASTERN MUNICIPAL WATER DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2009**

**PREPARED BY THE FINANCE DEPARTMENT**

**2270 Trumble Road • Box 8300 • Perris, CA 92572-8300 • [www.emwd.org](http://www.emwd.org)**

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# Introductory Section

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**EASTERN MUNICIPAL WATER DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2009

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**EASTERN MUNICIPAL WATER DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2009

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**Board of Directors**

October 19, 2009

**President**

Ronald W. Sullivan

Board of Directors  
Eastern Municipal Water District

**Vice President**

Joseph J. Kuebler, CPA

We are pleased to present the Eastern Municipal Water District's (District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009.

**Treasurer**

Joseph J. Kuebler, CPA

Philip E. Paule

Randy A. Record

David J. Slawson

This report was prepared by the District's Finance Department following guidelines set forth by the Governmental Accounting Standards Board and generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the information and data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of operations of the District. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). 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.

**Board Secretary**

Rosemarie V. Howell

**General Manager**

Anthony J. Pack

**Director of the  
Metropolitan Water  
District of So. Calif.**

Randy A. Record

**Legal Counsel**

Redwine & Sherrill

The District's financial statements have been audited by Mayer Hoffman McCann P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of 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](http://www.emwd.org)

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## **Profile of the District**

### **Authority, Services and Customers**

The District was organized under the Municipal Water District Act of 1911 (the Law) on October 16, 1950 for the primary purpose of importing Colorado River water to its service area in order to augment local water supplies. Prior to the District's creation, the local water supply was primarily 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.

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

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

### **Governance**

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

The District's vision is "to provide essential services to our community at a level that exceeds the performance of any other public or private agency". Its mission is "to provide safe and reliable water and wastewater services to our community in an economical, efficient and responsible manner now, and in the future". The Board has adopted strategic goals to support the District's vision and mission. In its quest for excellence, the District follows the Malcolm Baldrige quality program framework which promotes continuous improvement of business processes to deliver ever improving value to customers and overall organizational performance.

The Board has the sole authority to set rates and charges for water and sewer services. Such rates and charges must be reasonable and cannot be put into effect until after a public hearing. The enabling legislation that created the District, in conjunction with various bond covenants, require that rates and charges be sufficient to provide for operation and maintenance costs, general expenses of the District, and debt service payments.

The District is a member of the Metropolitan Water District of Southern California (MWD), which is a cooperative organization of 26 cities and water agencies that are responsible for providing imported water to arid southern California. The District is currently entitled to have one District representative on the MWD Board.

## Service Area

The District's service area lies within the westerly third of Riverside County, encompassing 346,691 acres (542 square miles). The map below indicates the location of the District's service area in Riverside County. When the District was annexed to the MWD by the District's voters in 1951, its service area consisted of 86 square miles. Growth has resulted from 97 annexations and 8 detachments of service areas ranging in area from 1 to 72,000 acres. The assessed valuation has grown from \$72.0 million when formed to over \$67.6 billion for this past fiscal year.



Riverside County's population increased to a total of approximately 2.09 million as of January 2009. Of this population, the District serves approximately 687,000 (33%).

## Water Supply and Services

The District receives its water supply from two primary sources: local groundwater; and water imported by the District. The sole source of the District's imported water is MWD.

Approximately 19% of the District's water supply comes from local groundwater sources with an additional 4% from desalination. Such sources are heavily dependent upon rainfall and other sources of recharge. The remaining 77% of the District's water supply comes through purchases from MWD, which in turn obtains its water supply from two primary sources: the Colorado River via the Colorado River Aqueduct; and the State Water Project via the Edmund G. Brown California Aqueduct.

California has experienced three drier than normal seasons for both rainfall and snow pack. In addition, court rulings to protect fish in the Delta region of northern California have decreased



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water supplies from the State Water Project system. The consequence of these factors is critically low reservoir levels throughout the state which resulted in the declaration of a state-wide drought emergency on February 27, 2009. The District implemented Stage 2 of its Water Shortage Contingency plan on June 17, 2009, which requires customers to eliminate all water waste by adhering to efficiency measures and imposes penalties for excessive water run-off.

## **Sewer 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. The Sun City plant has been deactivated as a cost reduction measure and all flows from this service area are treated at the larger Perris facility. 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 63 million gallons per day (MGD) of wastewater and serve approximately 687,000 people. They are linked to a network of 1,729 miles of pipeline and 46 active lift stations.

## **Recycled Water Supply**

The policy of the District is to promote the use of recycled water to provide for the conservation and reuse of all water resources and to utilize this resource for any approved purpose, to the maximum extent possible under the laws of the State of California.

The District currently generates approximately 45 MGD of effluent at its four active regional water reclamation facilities. Approximately 75% of the effluent currently generated is the goal to be sold to agricultural and irrigation users. This past year 62% of the total recycled production was sold to customers.

## **Budget Process**

The District is not legally required to adopt and adhere to a budget or to present budgetary comparison information; however, the Board chooses to approve an annual operating budget as a management tool. The budget is developed with input from the various department levels of the organization and adopted prior to the start of each fiscal year. Monthly comparison reports of budget to actual are prepared and distributed to all department heads with top level information provided to the Board at the second Board meeting of the month. A more extensive review of the first six months and full year is also conducted to present financial positions and other key performance information.

## **Information Useful in Assessing Economic Condition**

### **Local Economy**

The Riverside County economy continued to slow from the rapid growth pace seen over the last few years. Due to the current housing slump, the median home price decreased approximately 29% over the prior year from \$260,000 to \$185,000 and the average unemployment for 2008 increased 2.4% to 8.6% over the 2007 average of 6.2% and was at 14.0% for the month of June 2009. While the District's population increased by 12,000 or 1.8%, assessed valuations decreased by approximately 0.75% from the 2008 level.

Although the District experienced continued growth in fiscal year 2009; measured by the number of system hookups, this rate was at the slower pace of approximately 42% of the prior

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year. System hookups during fiscal year 2009 were 3,094 for sewer and 1,625 for water. The expectation is that this slower growth pace will continue over the next five years. Due to the increase in available recycled water and the demand on potable water, the District is moving toward developing its recycled water system into a pressurized system. This improvement will allow municipal customers, who currently receive potable water for landscape, decorative ponds and other irrigation purposes, to substitute recycled water at nearly half the price of potable water. This in turn will make available the potable water for the residential customers.

### **Long-term Financial Planning**

Although the growth rate has continued to slow, rapid growth over the past five years and the projections for the next five, have placed significant demands on the District's infrastructure, people and financial resources. Capital expenditures over the past five years have been approximately \$139 million, \$158 million, \$162 million, \$204 million and \$175 million respectively.

The District's current comprehensive Capital Improvement Financial Plan covers the period from 2010 – 2014. This plan calls for total expenditures for water, sewer and recycled water facilities of approximately \$768 million. The planned expenditures for 2009 were at \$219 million compared to the actual \$175 million.

The financing sources for these planned project expenditures will include property taxes, rates and other non-operating funds, connection fees, grants (including American Recovery and Reinvestment Act funds), proceeds from the sale of certificates of participation, proceeds from the sale of general obligation bonds, and state revolving fund loans.

### **Financial Policies**

The District has formally adopted a cash 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. Within each of these funds are various reserves established to meet internal and/or external legal requirements. These guidelines enable restricting funds for future infrastructure needs; replacement of aging facilities; bond reserves; and various operating reserves to mitigate unexpected occurrences. These reserves are critical to the District's financial strength and high bond rating. All three rating agencies have recently affirmed these ratings with a stable outlook.

The District invests its temporarily idle cash in investments legally permissible by California Government Code Sections 53601 et seq., and in accordance with its own investment policy adopted by the Board of Directors. The investment objectives of the District are to first preserve the capital of the portfolio, followed by maintaining liquidity to meet cash flow requirements, and finally, maximizing the rate of return without compromising the first two objectives.

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## Major Initiatives

### Water and Sewer Operations

During the past year, the District achieved several major operational accomplishments which will save money, increase efficiency and improve service.

Water operations improvements included:

- Continuing the expansion of the treatment capacity of the Perris Water Filtration Plant from 10 MGD to 20 MGD and converting the primary disinfection method from chlorine to a “state of the art” method using ultra violet rays. These improvements allowed the District to increase water supply reliability, decrease the regulatory compliance requirements associated with chlorine, and enhance water quality.
- Continuing to provide laptop computers with access to electronic global interface systems maps to field personnel. This improvement has resulted in increased efficiency and improved customer service by providing quick and accurate information.
- Continuing to implement phases of the Derceto energy optimization program. This program works in concert with the Supervisory Control and Data Acquisition (SCADA) system to provide pump run schemes which result in energy savings by shifting usage from peak demand times to off-peak and mid-peak times without loss of required water output.
- Establishment of a more detailed well monitoring program for desalter facility wells to ensure their operability and to improve production.

Sewer operations improvements included:

- Installation of fuel cells at the Moreno Valley RWRf capable of producing 750 kilowatts of electricity from a combination of digester gas (produced onsite as an output of the treatment process) and natural gas (purchased as a backup source). These fuel cells use an electrochemical process to produce the electricity, which will result in lower costs for both purchased electrical and natural gas power.
- Repairing and recertification of the digester gas storage spheres at both the Temecula Valley RWRf and the San Jacinto RWRf, which maximized the ability to utilize digester gas rather than electrical power or natural gas to run the various engines.
- Completion of several enhancements for delivery of recycled water to customers at the Moreno Valley RWRf, including storage pond cleaning and inlet and outlet valve replacements; and tertiary system bypass, allowing for tertiary effluent distribution during periods when the facility is experiencing operational issues.

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## **Technology**

This fiscal year, the District offered several enhancements for better customer service. With the goals of fairness, conservation and revenue stability, beginning with April 2009 bills the District implemented a new water budget-based tiered rate structure for water sales to its single and multi-family residential and landscape customers. This new structure was required to provide customers with an adequate amount of water and is designed to reward customers who use water efficiently and discourage those who waste water. The District's customer billing system was modified to calculate bills based on individual water budgets and a new interactive water budget and bill estimator was added to the District's website which allows customers to see how their water usages have and will affect their billed amounts.

In addition, the District replaced its telephone system with a new "state of the art" Voice over Internet Protocol (VoIP) system which will allow greater customer service through Computer Telephony Integration.

The District also added Global Positioning Satellite System (GPS) monitoring equipment to District vehicles to assure proper maintenance and use. This system enables the District to generate several types of reports and e-mail notifications regarding the use, location and servicing requirements of the vehicles. By using the GPS system, the District expects to increase employee safety, reduce vehicle maintenance and fuel costs and extend their useful life.

## **Bond Credit Rating**

The District was assigned an AA credit rating in June 2004 by Fitch Ratings. Fitch cited "sound formal reserve policies and covenants ensure healthy liquidity levels", and "the District has demonstrated the ability to manage growth pressures and achieve sound financial margins." Standard & Poor's Rating Services upgraded the District from an AA- rating to AA in June 2008, citing the District's "history of solid finances, conservative financial management, and debt management". This upgrade was significant because the District had recently issued three refunding certificate of participation series without added bond insurance. Moody's Investors Service, Inc. has continued to assign an Aa3 rating to the District. All three rating agencies have recently affirmed these ratings with a stable outlook for three certificate of participation series issued in July and August 2009.

## **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.

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## 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 are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurances that these objectives are met. 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 & 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, 2008. This was the sixth consecutive year that the District has received this prestigious award. In order 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 that 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.

We would like to thank Lori Robinson, Controller, the entire Finance Department, staff members of other departments, and the independent accounting firm of Mayer Hoffman McCann P.C. for their efforts put into the preparation of this report. We would also like to thank the Board of Directors for their continued interest and support towards achieving excellence in financial management.

Respectfully submitted,



Anthony J. Pack  
General Manager



Charles E. Rathbone, Jr.  
Chief Financial Officer

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# 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, 2008

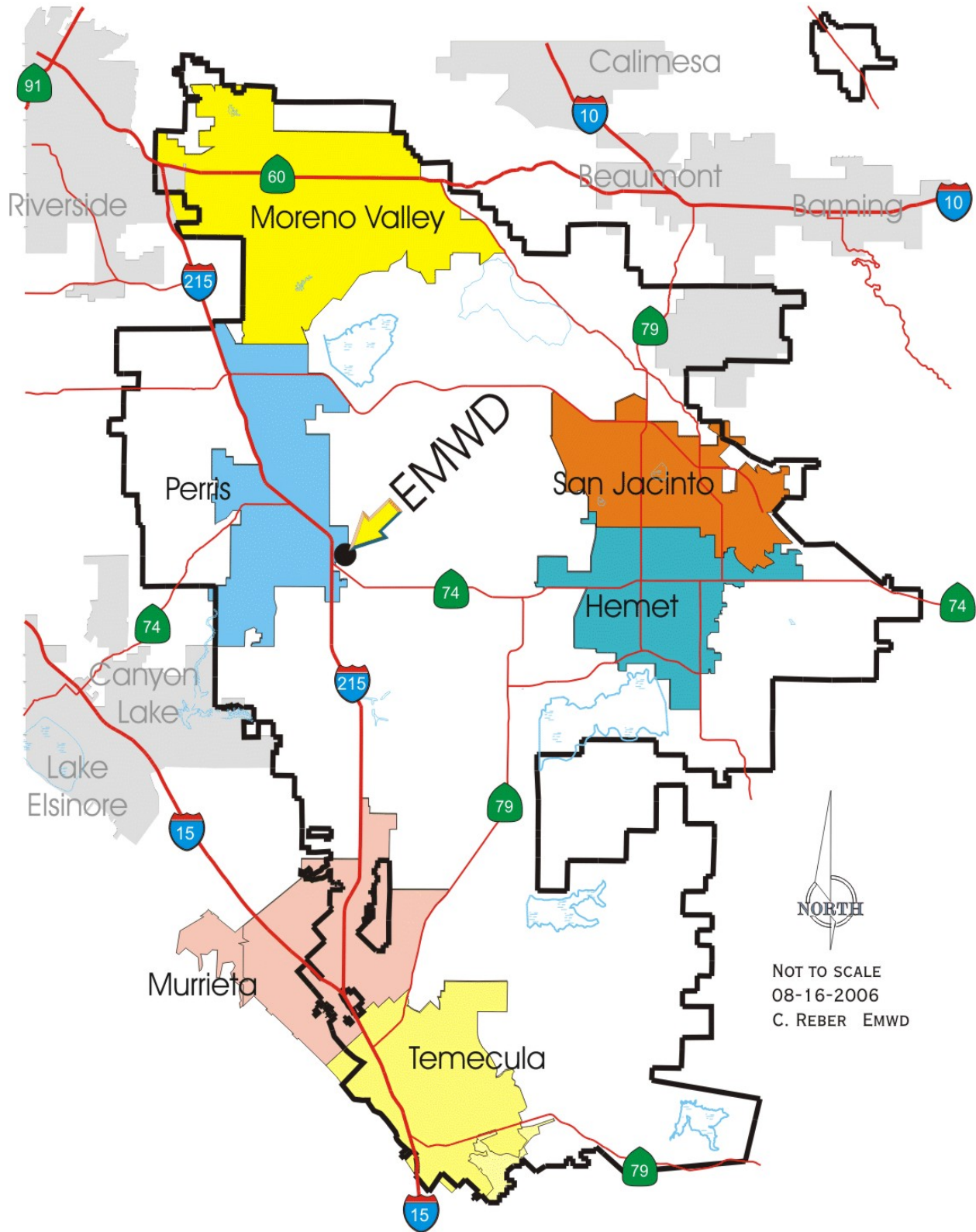
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## Service Area Map and Incorporated Cities



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## District Officials

June 30, 2009

### Elected Board of Directors

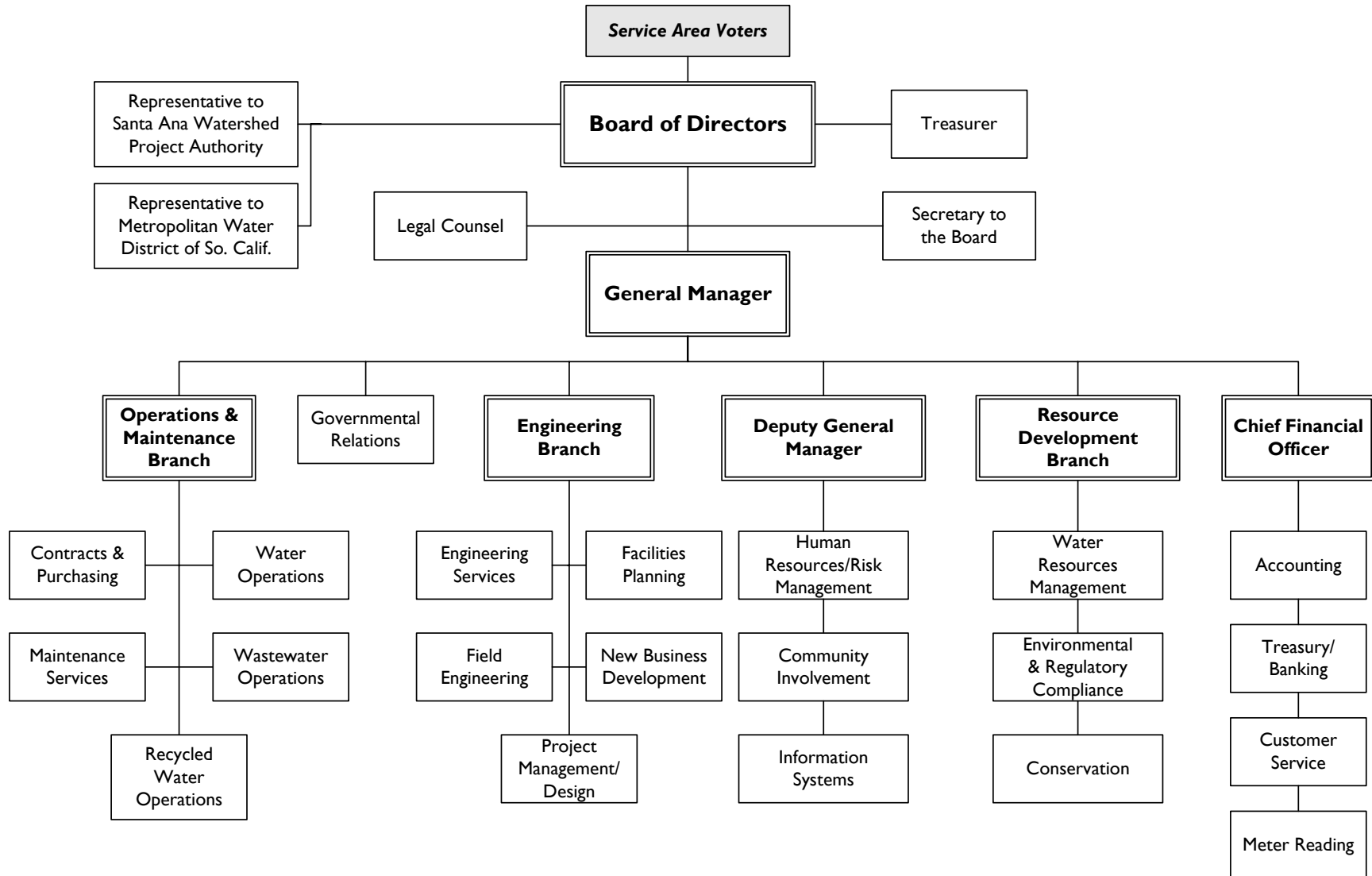
<u>Position</u>	<u>Name</u>	<u>Elected</u>	<u>Current Term of Office</u>
President	Ronald W. Sullivan	1/2003	1/2009 – 1/2013
Vice President/Treasurer	Joseph J. Kuebler	4/2006	1/2007 – 1/2011
Director	David J. Slawson	1/1995	1/2007 – 1/2011
Director	Randy A. Record	1/2001	1/2009 – 1/2013
Director	Philip E. Paule	1/2007	1/2007 – 1/2011

### District Management

<u>Position</u>	<u>Name</u>
General Manager	Anthony J. Pack
Deputy General Manager	Parameshwaran Ravishanker
Assistant General Manager Operations & Maintenance	Michael A. Luker
Assistant General Manager Resource Development	Bruce B. Mortazavi
Assistant General Manager Engineering	Charles J. Bachmann
Chief Financial Officer	Charles E. Rathbone, Jr.



# Organizational Chart





# Financial Section





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**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

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Board of Directors  
Eastern Municipal Water District  
Perris, California

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statement of net assets of Eastern Municipal Water District ("the District") as of June 30, 2009, and the related statement of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the District for the year ended June 30, 2008 and, in our report dated October 29, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Municipal Water District as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires with management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Directors  
Eastern Municipal Water District  
Page Two

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of revenues, expenses and changes in net assets-actual and budget and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues, expenses and changes in net assets-actual and budget has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayor Hoffman McCann P.C.*

Irvine, California  
October 19, 2009

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## **Management's Discussion & Analysis**

We offer readers this narrative overview and analysis of the financial statements of the Eastern Municipal Water District (District) for the fiscal year ended June 30, 2009. 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.

### **Basic Financial Statements**

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, the District's basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The statement of net assets includes the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The difference between the assets and liabilities is shown as net assets. This statement also provides the basis of evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net assets accounts for the current year's revenues and expenses. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operations and investments during the reporting period.

The notes to the basic 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.

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## Financial Highlights

### Statement of Net Assets

June 30, 2009 and 2008

	2008/09	2007/08	Increase/(Decrease)	
			Amount	% Change
<b>Assets</b>				
Current assets	\$ 215,662,808	\$ 196,692,538	\$ 18,970,270	9.6
Restricted assets	344,957,557	234,962,872	109,994,685	46.8
Capital assets	1,736,086,649	1,594,133,958	141,952,691	8.9
Other assets	9,773,315	10,302,051	(528,736)	-5.1
<b>Total assets</b>	<b>2,306,480,329</b>	<b>2,036,091,419</b>	<b>270,388,910</b>	<b>13.3</b>
<b>Liabilities</b>				
Current liabilities	98,569,045	103,470,974	(4,901,929)	-4.7
Other liabilities	18,995,196	11,359,809	7,635,387	67.2
Long-term debt outstanding	756,375,646	531,635,531	224,740,115	42.3
<b>Total liabilities</b>	<b>873,939,887</b>	<b>646,466,314</b>	<b>227,473,573</b>	<b>35.2</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,084,993,429	1,097,667,937	(12,674,508)	-1.2
Restricted for debt service/covenants	58,248,958	56,443,385	1,805,573	3.2
Restricted for construction	169,061,541	133,617,326	35,444,215	26.5
Unrestricted	120,236,514	101,896,457	18,340,057	18.0
<b>Total net assets</b>	<b>\$1,432,540,442</b>	<b>\$1,389,625,105</b>	<b>\$ 42,915,337</b>	<b>3.1</b>
Liabilities to assets ratio	<b>38%</b>	<b>32%</b>		

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## Changes in Financial Condition of the District

The liabilities to assets ratio, which indicates the degree to which the District's assets are financed through borrowing and other obligations increased due to added debt from the sales of the series 2008F, G and H Certificates of Participation (COPs). Total net assets increased \$42.9 million. Overall, the financial position of the District has improved for the fiscal year ended June 30, 2009 and remains strong.

The following denotes explanations for some of the major changes between fiscal years, as shown in the previous table:

- Current assets increased by \$19.0 million due to an increase in cash of \$15.9 million used to finance District construction projects; an increase of \$2.5 million in utility accounts receivable, net of allowances; and a net increase of \$0.6 million in various other current assets.
- Restricted assets increased by a net \$110.0 million due to an increase of \$30.9 million in cash for debt service and covenant requirements; and \$79.3 million in construction cash used to finance District construction projects. These increases were offset by a \$0.2 million decrease in property taxes receivable.
- Capital assets increased by a net \$142.0 million due to \$122.6 million of operating assets being added to the system; added land of \$0.7 million; and added construction in progress of \$71.9 million; which was offset by an increase in accumulated depreciation totaling \$53.2.
- Current liabilities decreased by a net \$4.9 million due to decreases in accounts and other payables of \$6.1 million; current portion of advances from developers of \$6.6 million due to closing out construction projects; and current portion of general obligation (GO) bonds payable of \$1.2 million relating to the payoff of several bonds. These decreases were offset by increases in accrued interest payable of \$3.3 million; and current portions of certificates of participation (COP) payable and advances for construction of \$4.8 and \$0.9 million respectively due to increased debt. See the Long-term debt explanation below.
- Other liabilities increased by \$7.6 million due to the additions of \$0.5 million in compensated absences; and \$7.1 million in net postemployment benefits obligation.
- Long-term debt outstanding increased by \$224.7 million due to a net increase of \$233.0 million in COP payable relating to the added series 2008F, G and H COPs which were sold in July and August; offset by \$5.1 million and \$0.7 million in payments that are due in the 2009/2010 year for advances for construction, notes and advances payable and GO bonds, respectively; and a decrease of \$2.5 million in unamortized premium/discount and deferred charges. Also see Note 5 to the basic financial statements regarding debt payments and outstanding balances.
- The District's net assets increased \$42.9 million, or 3.1% over the prior year. This can be attributed to a net non-operating income of \$56.3 million offset by a net operating loss of \$48.2 million plus contributed capital from developers totaling \$34.8 million for the year. Further information regarding restrictions and commitments associated with net assets can be identified in Notes 9 and 11 to the basic financial statements.

**Revenues, Expenses and Changes in Net Assets**  
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2008/09</u>		<u>2007/08</u>		<u>Increase/(Decrease)</u>	
	Amount	% of Total	Amount	% of Total	Amount	% Change
<b>Operating revenues:</b>						
Water sales – domestic	\$ 100,967,796	61.0	\$ 91,864,344	60.8	\$ 9,103,452	9.9
Water sales – irrigation	2,045,633	1.2	2,271,298	1.5	(225,665)	-9.9
Sewer service charges	58,889,788	35.6	54,408,172	36.0	4,481,616	8.2
Recycled water sales	3,722,130	2.2	2,564,656	1.7	1,157,474	45.1
<b>Total operating revenues</b>	<b>165,625,347</b>	<b>100.0</b>	<b>151,108,470</b>	<b>100.0</b>	<b>14,516,877</b>	<b>9.6</b>
<b>Non-operating revenues:</b>						
Property taxes – general levy	33,149,232	36.6	34,528,767	30.9	(1,379,535)	-4.0
Property taxes – bond levy	1,953,743	2.2	3,119,336	2.8	(1,165,593)	-37.4
Standby charges	5,015,076	5.5	4,868,154	4.3	146,922	3.0
Water and sewer connection fees	17,789,045	19.7	30,706,687	27.3	(12,917,642)	-42.1
Interest – operations and restricted funds	17,884,375	19.7	18,912,314	16.8	(1,027,939)	-5.4
Interest – bond funds	386,191	0.4	450,733	0.4	(64,542)	-14.3
Net increase (decrease) in fair value of investments	822,445	0.9	1,216,534	1.1	(394,089)	-32.4
Grant revenues	6,466,818	7.1	11,261,996	10.0	(4,795,178)	-42.6
Other revenues	7,152,958	7.9	7,220,589	6.4	(67,631)	-0.9
<b>Total non-operating revenues</b>	<b>90,619,883</b>	<b>100.0</b>	<b>112,285,110</b>	<b>100.0</b>	<b>(21,665,227)</b>	<b>-19.3</b>
<b>Total revenues</b>	<b>256,245,230</b>		<b>263,393,580</b>		<b>(7,148,350)</b>	<b>-2.7</b>
<b>Operating expenses:</b>						
Purchased water	41,318,803	19.3	41,653,430	19.6	(334,627)	-0.8
Water operations	40,834,689	19.1	38,447,533	18.1	2,387,156	6.2
Sewer operations	41,160,507	19.2	39,976,740	18.8	1,183,767	3.0
Recycled water operations	4,749,447	2.2	5,071,116	2.4	(321,669)	-6.3
General and administrative	24,185,633	11.3	30,138,792	14.2	(5,953,159)	-19.8
Depreciation and amortization	54,545,053	25.6	51,030,538	24.0	3,514,515	6.9
Net other postemployment benefits	7,065,471	3.3	6,218,949	2.9	846,522	13.6
<b>Total operating expenses</b>	<b>213,859,603</b>	<b>100.0</b>	<b>212,537,098</b>	<b>100.0</b>	<b>1,322,505</b>	<b>0.6</b>
<b>Non-operating expenses:</b>						
Interest – certificates of participation	23,564,234	68.8	21,953,962	102.7	1,610,272	7.3
Interest – bond	814,612	2.4	913,641	4.3	(99,029)	-10.8
Interest – other	1,242,190	3.6	547,805	2.6	694,385	126.8
Bond service fees	77,227	0.2	97,289	0.5	(20,062)	-20.6
Loss/(gain) on disposal of fixed assets	213,845	0.6	(6,647,392)	-31.1	6,861,237	-103.2
Other expenses	8,379,690	24.4	4,507,809	21.1	3,871,881	85.9
<b>Total non-operating expenses</b>	<b>34,291,798</b>	<b>100.0</b>	<b>21,373,114</b>	<b>100.0</b>	<b>12,918,684</b>	<b>60.4</b>
<b>Total expenses</b>	<b>248,151,401</b>		<b>233,910,212</b>		<b>14,241,189</b>	<b>6.1</b>
Income before contributions	8,093,829		29,483,368		(21,389,539)	-72.6
Capital contributions	34,821,508		38,350,704		(3,529,196)	-9.2
Change in net assets	42,915,337		67,834,072		(24,918,735)	-36.7
Total net assets at beginning of year	1,389,625,105		1,321,791,033		67,834,072	5.1
Total net assets at end of year	\$1,432,540,442		\$1,389,625,105		\$ 42,915,337	3.1



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The following denotes explanations for some of the major changes between fiscal years as shown in the previous table.

Revenues – Combined revenues for the fiscal year totaled \$256.2 million compared to a prior year of \$263.4 million. This is a decrease of approximately 2.7%. The table on page 6 presents a comparison of revenues by major source for the two fiscal years 2008/09 and 2007/08.

Expenses – Combined expenses for the fiscal year totaled \$248.2 million compared to a prior year of \$233.9 million. This is an increase of approximately 6.1%. The table on page 6 presents a comparison of expenses by category for the two fiscal years 2008/09 and 2007/08.

Water sales – Total domestic and irrigation sales increased approximately \$8.9 million (9.4%) over the previous year's total to end at \$103.0 million. This is primarily attributed to a 9.8% average increase in water rates that was implemented on bills beginning February 7, 2009 and a change in the rate structure for single and multi-family residential and landscape accounts to a budget-based tiered rate effective with April 2009 bills. (See water purchases.)

Sewer service - Wastewater service charges increased by \$4.5 million (8.2%) over the previous year's total to end at \$58.9 million. This is primarily attributed to the 3,094 additional customer hook-ups and a monthly sewer rate increase of approximately 6.7% on average, implemented on bills beginning February 7, 2009.

Recycled water sales – The current year's sales increased \$1.2 million (45.1%) due to 5,877 (23.1%) more acre-feet (AF) of sales over the prior year.

Property taxes - general – The District's general property tax revenue decreased by \$1.4 million (4.0%) mainly due to decreased home values resulting in assessed valuations 0.75% less than the previous year.

Property taxes - bond – District paid off the 1995 general obligation refunding bonds in 2009, therefore the corresponding amount of bond levy was decreased.

Connection fees – These revenues decreased over the prior year due to the continued downturn in the housing development market. Sewer hookups were 3,094 compared to a prior year of 4,850 representing a decrease of 36.2% and water hookups were 1,625 compared to a prior year of 3,340 representing a decrease of 51.3%. This resulted in revenue \$12.9 million (42.1%) lower than the previous year.

Interest earnings – The current fiscal year's interest earnings was lower by \$1.0 million (5.4%) compared to the prior years, due to an average portfolio balance which exceeded the previous years by \$1.3 million, offset by yields on investments averaging only 3.72% for the year compared to 4.53% for the previous year.

Grant revenues – The \$6.5 million of revenues for the current year was primarily related to \$1.7 million from the State of California Department of Water Resources (DWR) for the Perris Water Filtration Plant Expansion project and \$1.9 million for the San Jacinto Valley Integrated Recharge and Recovery project; \$1.0 million from the State of California Water Resources Control Board for the Reach 16 Recycled Water Pipeline project; \$1.5 million from the Metropolitan Water District (MWD) for various conservation programs; and \$0.2 million for gas and electric utility incentives relating to various construction projects.

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Water purchases – Total domestic and irrigation water sales volume decreased by 5,755 acre feet of water, and purchased water from our wholesale provider MWD, decreased by 8,790 AF. This decrease of water purchased offset by an increase in the cost of water of \$71/AF for Tier 1 and \$89/AF for Tier 2 were the primary factors for the net decrease of \$0.3 million.

Water operations – The increase in expenses of \$2.4 million is primarily a result of added water treatment costs of \$0.4 million relating to the Perris Water Filtration Plant increased capacity from 10 million gallons per day (MGD) to 20 MGD; and an increase in labor and support costs of \$2.0 million.

Sewer operations – The net increase in expenses of \$1.2 million is primarily a result of treatment plant operations costs \$1.4 million higher due to increased direct labor and several major repairs to equipment at the plants; and an increase in indirect labor and support costs of \$0.9 million. These increases were offset by electric and gas energy costs \$0.6 million lower due to decreased rates; and sludge hauling disposal costs lower by \$0.5 million relating to new contracts and lower fuel costs.

General and administrative – The \$6.0 million decrease is primarily due to legal fees \$5.2 million lower than the prior year as a major lawsuit was concluded.

Depreciation and amortization – The District capitalized \$122.6 million of depreciable assets over the course of the year which resulted in the \$3.5 million of additional expense.

Net other postemployment benefits – The District recorded the actuarially determined annual required contribution of \$7.1 million, which was \$0.8 million greater than the prior year amount. See Note 8 to the basic financial statements for further information regarding postemployment benefits other than pension.

Interest – certificates of participation – The \$1.6 million increase is primarily due to the issuance of the series 2008F COP for \$50 million, the series 2008G COP for \$50 million, and the series 2008H COP for \$140 million offset by lower interest rates on the 2008 series B, D, E, F and G, COPs, which carry a variable interest rate.

Loss/(gain) on disposal of fixed assets – The \$6.9 million decrease is primarily due to the sale of high value assets including capacity rights and land for more than book value in the prior year.

Other non-operating expenses – The \$3.9 million increase is primarily due to an increase of \$1.2 million for COP remarketing and standby bank fees related to variable interest-rate COPs converted from fixed rate through refundings or new COP sales, combined with \$2.5 million more reports and studies recorded to expense over the previous year.

Capital contributions - Facilities built by developers and turned over to the District to operate and maintain decreased to \$34.8 million compared to \$38.4 million in the previous year, a decrease of \$3.5 million.

Net assets - The financial condition of the District has improved from the previous year. The District's net assets increased by \$42.9 million to \$1,432.5 million. This is a 3.1% increase over the prior year and is illustrated on the table on page 4 that compares the various categories of assets, liabilities and net assets for the two fiscal years 2008/09 and 2007/08.

## Capital Assets

Net of accumulated depreciation, the District reported capital assets of \$1,736.1 million in fiscal year 2008/09 compared to \$1,594.1 million in fiscal year 2007/08. A comparison of this change is provided below by major category. Also see Note 3 to the basic financial statements for further information regarding capital assets.

### Capital Assets For the Fiscal Years Ended June 30, 2009 and 2008

	2008/09	2007/08	Increase/Decrease	
			Amount	% Change
Land	\$ 33,652,806	\$ 32,994,855	\$ 657,951	2.0
Tunnel water seepage agreement	1,750,900	1,750,900	-	0.0
Water capacity rights	23,832,124	23,832,124	-	0.0
Water plant, lines and equip.	723,007,943	657,125,595	65,882,348	10.0
Sewer plant, lines & equip	1,014,808,944	965,535,652	49,273,292	5.1
Equipment and general facilities	100,665,447	93,189,002	7,476,445	8.0
Construction in progress	416,289,291	344,400,618	71,888,673	20.9
Total capital assets	2,314,007,455	2,118,828,746	195,178,709	9.2
Less accumulated depreciation	577,920,806	524,694,788	53,226,018	10.1
Net capital assets	\$ 1,736,086,649	\$ 1,594,133,958	\$ 141,952,691	8.9

Significant additions to capital assets include \$34.8 million in contributed capital from developers. Most of the contributed assets were water and sewer lines that were required to keep up with the increased development in the area. Other additions resulted from the completion and capitalization of \$102.7 million construction in progress.

The three largest District projects that were capitalized during the fiscal year ended June 30, 2009 include the Perris Water Filtration Plant Phase II (\$23.7 million); the Sunnymead Boulevard Pipeline Replacement Project (\$8.4 million); and the Moreno Valley Regional Water Reclamation Facility (RWRF) WAS (Waste Activated Sludge) Thickening Expansion (\$4.8 million).

The Perris Water Filtration Plant Phase II project included the design and construction of a 10 million gallons per day expansion, from 10 to 20 million gallons per day, to the existing microfiltration-based water treatment plant in the city of Perris. In addition, it included construction of UV disinfection and fluoride facilities. This project was substantially complete at April 30, 2009, with final work to be completed by December 2009.

The Sunnymead Boulevard Pipeline Replacement Project included replacing the existing 6" and 8" diameter pipelines on Sunnymead Boulevard, located between the Sunnymead/Frederick Booster Station and Perris Boulevard with approximately 10,000 feet of 18" diameter pipeline. This project was substantially complete at June 30, 2009, with final work to be completed by September 2009.

The Moreno Valley RWRF WAS Thickening Expansion project included the design and construction of a new waste activated thickening facility. This project was substantially complete at June 30, 2009, with final work to be completed by December 2009.

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The District had \$63,837,813 in construction contract commitments as of June 30, 2009. See Note 10 to the basic financial statements for further information regarding these commitments.

### **Capital Expenditures**

During the year, additions to construction in progress totaled approximately \$174.6 million. Some of the major projects currently underway and where expenditures in fiscal year 2008/09 exceeded \$3.0 million include the:

- Perris Valley RWRP Plant No. 3 Expansion (\$64.6 million)
- Oleander Pump Station Transmission Pipeline (\$10.8 million)
- Moreno Valley RWRP Fuel Cell Cogeneration System (\$5.2 million)
- Perris Water Filtration Plant (\$5.0 million)
- Murrieta Area Sewer Improvements (\$4.4 million)
- Cactus Avenue Feeder Pipeline (\$4.4 million)
- Cactus Avenue Pump Station (\$4.2 million)
- Hemet/San Jacinto Integrated Recharge and Recovery Project Well Pumping Facilities (\$3.0 million)
- Fourteen water and sewer projects between \$1,000,000 - \$3,000,000 (\$23.1 million)
- Thirteen water and sewer projects between \$500,000 - \$1,000,000 (\$9.1 million)
- Fifty-one water and sewer projects between \$100,000 - \$500,000 (\$11.5 million).

The remaining \$29.3 million was for various water and sewer projects with expenditures less than \$100,000 in the current fiscal year.

### **Long-Term Liabilities**

At June 30, 2009, the District had a net \$783.6 million in long-term liabilities outstanding, a net increase of \$229.7 million or 41.5 percent from the prior year. Long-term liabilities consist of debt, including advances for construction, notes and assessments, certificates of participation (COPs), and general obligation (GO) bonds; unamortized deferred amounts for premiums/discounts and refundings relating to COP and GO debt issuances; reimbursable agreements; and compensated absences. Detailed information relating to the net other postemployment benefits obligation of \$13.3 million is presented in Note 8 to the basic financial statements. The amount of debt due within one year totaled \$16.2 million, net of deferred amounts, and the amount of compensated absences due within one year totaled \$5.3 million. Long-term debt decreased \$127.2 million due to scheduled debt payments and the refunded series 1998A, 2003A and 2003B COPs offset by an increase of \$358.9 million relating to the refunding series 2008D & E and new series 2008F, G and H COPs. The District had an obligation for compensated absences of \$11.0 million at fiscal year end; an increase of \$0.6 million from the prior year. Deferred amounts were (\$15.3) million at fiscal year end; an increase of \$2.5 million from the prior year with an amortized amount of (\$1.2) million due within one year. This increase relates to the COP refundings and new issuances previously mentioned. The District's COP debt has been assigned an AA, AA and Aa3 rating from Fitch Ratings, Standard & Poor's Rating Services and Moody's Investor Service, Inc., respectively. More detailed information about the District's long-term debt and other liabilities is presented in Note 5 to the basic financial statements.

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## **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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## Eastern Municipal Water District

### Statement of Net Assets

June 30, 2009

(with prior year data for comparison purposes only)

	June 30	
	2009	2008
<b>Assets</b>		
<b>Current assets:</b>		
Cash and investments (Note 2)	\$ 171,207,874	\$ 155,337,619
Utility accounts receivable, net of allowances	22,855,511	20,378,154
Property taxes receivable	10,060,611	10,136,467
Accrued interest receivable	3,251,737	3,996,620
Other receivables	2,866,933	2,047,776
Prepaid expenses	2,566,454	2,285,846
Materials and supplies inventory	2,836,679	2,466,730
Deposits	17,009	43,326
Total current assets	<u>215,662,808</u>	196,692,538
<b>Noncurrent assets:</b>		
Restricted assets:		
Debt service/covenants cash and investments (Note 2)	130,563,941	99,693,435
Property taxes receivable	1,458,485	1,652,111
Construction cash and investments (Note 2)	211,317,720	131,984,992
Notes receivable	1,617,411	1,632,334
Total restricted assets	<u>344,957,557</u>	234,962,872
Capital assets: (Note 3)		
Land	33,652,806	32,994,855
Tunnel water seepage agreement	1,750,900	1,750,900
Structures, improvements and water rights	1,761,649,011	1,646,493,371
Equipment and general facilities	100,665,447	93,189,002
Construction in progress	416,289,291	344,400,618
Total capital assets	<u>2,314,007,455</u>	2,118,828,746
Less accumulated depreciation	<u>(577,920,806)</u>	(524,694,788)
Net capital assets	<u>1,736,086,649</u>	1,594,133,958
Other assets:		
Prepaid PERS contribution (Note 4)	6,152,971	6,683,917
Unamortized debt issuance costs	3,620,344	3,618,134
Total other assets	<u>9,773,315</u>	10,302,051
Total noncurrent assets	<u>2,090,817,521</u>	1,839,398,881
<b>Total assets</b>	<u><u>\$ 2,306,480,329</u></u>	<u><u>\$ 2,036,091,419</u></u>

	June 30	
	2009	2008
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 27,594,211	\$ 32,217,650
Accrued salaries and benefits	2,045,737	1,860,610
Other accrued expenses	1,702,834	1,220,240
Customer deposits	4,895,184	5,343,831
Compensated absences (Note 5)	5,318,430	5,302,688
Accrued interest	9,921,841	6,715,294
Other payables	1,009,224	2,523,659
Advances from developers (Note 13)	29,850,836	36,481,691
Advances for construction, notes and assessments (Note 5)	5,127,969	4,223,298
Certificates of participation (Note 5)	11,545,000	6,755,000
General obligation bonds (Note 5)	710,000	1,880,000
Less unamortized discount and deferred charges (Note 5)	<u>(1,152,221)</u>	<u>(1,052,987)</u>
Total current liabilities	<u>98,569,045</u>	<u>103,470,974</u>
<b>Noncurrent liabilities:</b>		
Advances for construction, notes and assessments (Note 5)	40,279,229	45,407,198
Certificates of participation (Note 5)	714,725,000	481,705,000
General obligation bonds (Note 5)	15,550,000	16,260,000
Less unamortized discount and deferred charges (Note 5)	<u>(14,178,583)</u>	<u>(11,736,667)</u>
Reimbursable agreements (Note 5)	54,533	51,976
Compensated absences (Note 5)	5,656,242	5,088,884
Net other postemployment benefits obligation (Note 8)	13,284,421	6,218,949
Total noncurrent liabilities	<u>775,370,842</u>	<u>542,995,340</u>
<b>Total liabilities</b>	<u>\$ 873,939,887</u>	<u>\$ 646,466,314</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$ 1,084,993,429	\$ 1,097,667,937
Restricted for debt service/covenants	58,248,958	56,443,385
Restricted for construction	169,061,541	133,617,326
Unrestricted	<u>120,236,514</u>	<u>101,896,457</u>
<b>Total net assets</b>	<u>\$ 1,432,540,442</u>	<u>\$ 1,389,625,105</u>

See accompanying notes to the basic financial statements.

## Eastern Municipal Water District

### Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2009  
(with prior year data for comparison purposes only)

	Fiscal Year Ended June 30	
	2009	2008
<b>Operating revenues:</b>		
Water sales – domestic	\$ 100,967,796	\$ 91,864,344
Water sales – irrigation	2,045,633	2,271,298
Sewer service charges	58,889,788	54,408,172
Recycled water sales	3,722,130	2,564,656
Total operating revenues	165,625,347	151,108,470
<b>Operating expenses:</b>		
Purchased water	41,318,803	41,653,430
Water operations	40,834,689	38,447,533
Sewer operations	41,160,507	39,976,740
Recycled water operations	4,749,447	5,071,116
General and administrative	24,185,633	30,138,792
Depreciation	54,545,053	51,030,538
Net other postemployment benefits	7,065,471	6,218,949
Total operating expenses	213,859,603	212,537,098
Loss from operations	(48,234,256)	(61,428,628)
<b>Non-operating revenues (expenses):</b>		
Property taxes – general levy	33,149,232	34,528,767
Property taxes – bond levy	1,953,743	3,119,336
Standby charges	5,015,076	4,868,154
Water and sewer connection fees	17,789,045	30,706,687
Interest – operations and restricted funds	17,884,375	18,912,314
Interest – bond funds	386,191	450,733
Grant revenues	6,466,818	11,261,996
Other revenues	7,152,958	7,220,589
Net increase in fair value of investments	822,445	1,216,534
Interest – certificates of participation	(23,564,234)	(21,953,962)
Interest – bond	(814,612)	(913,641)
Interest – other	(1,242,190)	(547,805)
Bond service fees	(77,227)	(97,289)
(Loss)/gain on disposal of capital assets	(213,845)	6,647,392
Other expenses	(8,379,690)	(4,507,809)
Total non-operating revenues	56,328,085	90,911,996
<b>Income before contributions</b>	<b>8,093,829</b>	<b>29,483,368</b>
Capital contributions	34,821,508	38,350,704
Change in net assets	42,915,337	67,834,072
<b>Total net assets at beginning of year</b>	<b>1,389,625,105</b>	<b>1,321,791,033</b>
<b>Total net assets at end of year</b>	<b>\$ 1,432,540,442</b>	<b>\$ 1,389,625,105</b>

See accompanying notes to the basic financial statements.



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## Eastern Municipal Water District

### Statement of Cash Flows

For the Fiscal Year Ended June 30, 2009  
(with prior year data for comparison purposes only)

	<b>Fiscal Year Ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 166,452,324	\$ 150,975,863
Cash payments for water	(41,318,803)	(41,653,430)
Cash payments to employees for services	(59,379,011)	(57,123,926)
Cash payments to suppliers for goods and services	(47,773,425)	(50,613,750)
Cash payments for energy and utilities	(14,903,674)	(16,288,224)
Proceeds from standby charges and other revenues	12,193,887	11,862,347
Other operating revenues	3,102,708	2,680,330
Net cash provided by (used for) operating activities	18,374,006	(160,790)
<b>Cash flows from noncapital financing activities</b>		
Proceeds from property taxes, general levy	33,199,235	32,434,599
Proceeds from grants	6,466,818	11,261,996
Net cash provided by noncapital financing activities	39,666,053	43,696,595
<b>Cash flows from capital and related financing activities</b>		
Acquisitions and construction of capital assets	(163,399,340)	(207,383,867)
Proceeds from sale of capital assets	1,907,457	6,994,578
Proceeds from long-term debt issuance	358,905,000	161,356,696
Repayment of bonds and certificates of participation	(122,975,000)	(172,365,000)
Proceeds from notes payable and reimbursements	141,121	104,393
Repayments of notes payable and reimbursements	(4,361,862)	(3,348,613)
Interest paid	(24,957,849)	(25,341,816)
Proceeds from property taxes, bond levy	2,147,369	2,884,139
Proceeds from water and sewer connection fees	17,789,045	30,706,687
Payments of developer advances	(8,145,290)	(3,513,170)
Net cash provided by (used for) capital and related financing activities	57,050,651	(209,905,973)
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(595,877,970)	(479,484,629)
Proceeds from sales and maturities of investment securities	509,800,573	589,237,637
Proceeds from earnings on investments	19,015,449	20,763,816
Net cash (used for) provided by investing activities	(67,061,948)	130,516,824
Total (decrease) increase in cash and cash equivalents	48,028,762	(35,853,343)
Cash and cash equivalents at beginning of year	37,512,133	73,365,476
Cash and cash equivalents at end of year (Note 2)	\$ 85,540,895	\$ 37,512,133

(Continued on next page)

## Eastern Municipal Water District

### Statement of Cash Flows

For the Fiscal Year Ended June 30, 2009  
(with prior year data for comparison purposes only)  
(continued)

	<b>Fiscal Year Ended June 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Reconciliation of loss from operations to net cash provided by operating activities:</b>		
Loss from operations	<b>\$ (48,234,256)</b>	\$ (61,428,628)
Adjustments to reconcile loss from operations to net cash provided by (used for) operating activities:		
Operating activities:		
Depreciation	<b>54,545,053</b>	51,030,538
Standby charges and other revenues	<b>12,193,887</b>	11,862,347
Changes in assets and liabilities:		
Decrease (increase) in utility accounts receivable	<b>(2,477,357)</b>	(787,803)
Decrease (increase) in other receivables	<b>(819,157)</b>	(1,025,432)
Decrease (increase) in prepaid expenses	<b>(280,608)</b>	(117,618)
Decrease (increase) in materials and supplies inventory	<b>(369,949)</b>	232,090
Decrease (increase) in deposits	<b>26,317</b>	(32,844)
Decrease (increase) in notes receivable	<b>14,923</b>	(599,887)
Decrease (increase) in other assets	<b>530,946</b>	530,949
Increase (decrease) in accounts payable	<b>(4,623,439)</b>	(7,580,793)
Increase (decrease) in accrued expenses	<b>667,721</b>	314,227
Increase (decrease) in customer deposits	<b>(448,647)</b>	548,168
Increase (decrease) in compensated absences	<b>583,100</b>	674,947
Increase (decrease) in net other postemployment benefits obligation	<b>7,065,472</b>	6,218,949
Net cash provided by (used for) operating activities	<b>\$ 18,374,006</b>	\$ (160,790)
<b>Reconciliation of cash and cash equivalents to statement of net assets:</b>		
Current cash and investments	<b>\$171,207,874</b>	\$155,337,619
Restricted cash and investments:		
Debt service/covenants	<b>130,563,941</b>	99,693,435
Construction	<b>211,317,720</b>	131,984,992
Total cash and investments	<b>513,089,535</b>	387,016,046
Less investments	<b>427,548,640</b>	349,503,913
Cash and cash equivalents (Note 2)	<b>\$ 85,540,895</b>	\$ 37,512,133
<b>Noncash capital, financing, and investing activities</b>		
Contributions of capital assets from developers and others	<b>\$ 34,821,508</b>	\$ 38,350,704
Increase in fair value of investments	<b>\$ 822,445</b>	\$ 1,216,534

*See accompanying notes to the basic financial statements.*

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# **Eastern Municipal Water District**

## **Notes to the Basic Financial Statements**

For the Fiscal Year Ended June 30, 2009

### **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. The District serves an area of approximately 346,691 acres (542 square miles), encompassing the westerly third of Riverside County. The District is operated under the direction of a five-member Board of Directors (Board) elected for four-year terms. The District presently imports 77% of its water supply from the Metropolitan Water District of Southern California (MWD) and derives the remaining 23% of its water supply from local groundwater sources. The District is a member agency of MWD and is currently entitled to have one District representative sit on the Board of MWD.

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 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 Eastern Municipal Water District Facilities Corporation. Although the District and the Facilities Corporation are legally separate entities, the District's Board of Directors also serves as the Facilities Corporation's Board of Directors, and therefore, the accompanying financial statements include the accounts and records of the Facilities Corporation as required by generally accepted accounting principles using the blending method. There are no separate financial statements for the Facilities Corporation. The Facilities Corporation merely serves as the legal entity used by the District to issue long-term debt. Accordingly, the Facilities Corporation has no separate financial activity to be reported as a separated fund of the District.

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# **Eastern Municipal Water District**

## **Notes to the Basic Financial Statements**

(continued)

### **1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)**

#### **Basis of Accounting and Measurement Focus**

The District accounts for its operation in an enterprise fund using the economic resources measurement focus and 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.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. 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 water sales and sewer services. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **Pronouncements of GASB and FASB**

Under Government Accounting Standards Board (GASB) Statement No. 20, the District has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

#### **Cash and Investments**

Investments are carried at fair value, except for guaranteed investment contracts, which are carried at cost, because they are not transferable and they 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.

#### **Classification of Revenues and Expenses**

Operating revenues are those revenues that are generated by domestic, agricultural and irrigation, and recycled water sales, as well as sewer service charges, while operating expenses pertain to the furnishing of those services.

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, standby charges, investment income, grant revenues, connection fees and miscellaneous income. Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges. Non-operating expenses mainly consist of debt service interest and debt-related fees.

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**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. water and sewer pipelines) are defined by the District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Assets are recorded at cost. Contributed capital assets are recorded at fair market value at the time they are received. The contributed assets consist primarily of distribution lines and connections constructed and donated by developers.

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.

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

<u>Assets</u>	<u>Years</u>
Water source of supply and treatment	30-40
Water storage and distribution	30-40
Wastewater collection system and lift stations	35-50
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

**Allowance for Doubtful Accounts**

An allowance for doubtful accounts has been established for utility accounts receivables that are 60+ days delinquent at year-end. This allowance amounts to \$838,543 and \$690,461 at June 30, 2009 and 2008, respectively.

**Inventories**

Inventory consists primarily of materials used in the construction and maintenance of utility plant and is valued at weighted average cost.

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# Eastern Municipal Water District

## Notes to the Basic Financial Statements

(continued)

### 1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

#### 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. The funding source for each project and activity is determined by Board action depending upon the type of project or activity. Restricted resources are used for specific types of projects for which such funding is designated.

#### 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 \$8,204,295 and \$6,181,347 at June 30, 2009 and 2008, respectively.

#### Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at 1% 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

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# **Eastern Municipal Water District**

## **Notes to the Basic Financial Statements**

(continued)

### **1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)**

#### **Debt Issuance Costs**

General obligation bond and certificate of participation premiums and discounts, loss on refunding (amortized over the shorter life of the new or old bonds), and issuance costs are deferred and amortized over the term of bonds using the effective interest method. Net bond and certificate of participation discounts and loss on refunding are presented as a reduction of the face amount of certificates of participation and bonds payable, whereas issuance costs are recorded as other assets.

#### **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 as additional benefits to the employee. At retirement, employees who qualify under the Public Employees Retirement Law are paid for 100% of the then unused sick leave up to the maximum 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% of the then unused sick leave at their regular payroll rate. The District has provided for these future costs by accruing 100% of earned and unused sick leave and 100% of the earned and unused vacation.

#### **Use of Estimates**

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments.

#### **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.

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**2. Cash and Investments**

Cash and investments are classified in the accompanying statement of net assets at June 30 as follows:

	<b>2009</b>	<b>2008</b>
Current assets	<u>\$ 171,207,874</u>	<u>\$ 155,337,619</u>
Restricted assets:		
Debt service/covenants	130,563,941	99,693,435
Construction	<u>211,317,720</u>	<u>131,984,992</u>
Totals	<u><u>\$ 513,089,535</u></u>	<u><u>\$ 387,016,046</u></u>

Cash and investments at June 30 consisted of the following:

	<b>2009</b>	<b>2008</b>
Cash on hand	\$ 3,600	\$ 3,600
Deposits with financial institutions	26,845,494	(4,025,954)
Investments	<u>486,240,441</u>	<u>391,038,400</u>
Total cash and investments	<u><u>\$ 513,089,535</u></u>	<u><u>\$ 387,016,046</u></u>

Cash and cash equivalents at June 30 consisted of the following:

	<b>2009</b>	<b>2008</b>
Demand accounts and on hand	\$ 26,849,094	\$ (4,022,354)
Money market mutual funds	-	25,475,127
Sweep account (repurchase agreement)	-	4,481,344
Local Agency Investment Fund (LAIF)	57,949,100	10,006,129
Investment Trust of California (CalTRUST)	<u>742,701</u>	<u>1,571,887</u>
Total cash and cash equivalents	<u><u>\$ 85,540,895</u></u>	<u><u>\$ 37,512,133</u></u>

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

The table on the next page 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.



**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

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

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

<b>Investment Types Authorized by State Law</b>	<b>Authorized by Investment Policy</b>	<b>Maximum Maturity *</b>	<b>Maximum Percentage of Portfolio*</b>	<b>Maximum Investment in One Issuer *</b>
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	Yes	5 Years	None	None
LAIF	Yes	None	None	\$40,000,000
Local agency bonds	No	5 Years	None	None
Mutual funds	No	N/A	20%	10%
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%

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

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

**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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
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

## Eastern Municipal Water District Notes to the Basic Financial Statements

(continued)

### 2. Cash and Investments (continued)

#### Disclosures relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the 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 following table that shows the distribution of the District's investment by maturity:

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)	\$ 79,001,536	\$ 12,503,906	\$ -	\$ 66,497,630	\$ -
Federal Home Loan Bank (FHLB)	150,608,359	3,734,766	-	146,873,593	-
Federal Home Loan Mortgage Corp. (FHLMC)	71,046,739	5,000,650	-	66,046,089	-
Federal National Mortgage Assn. (FNMA)	56,071,870	5,007,812	-	51,064,058	-
LAIF	14,018,266	14,018,266	-	-	-
Investment Trust of California (CalTRUST)	742,701	742,701	-	-	-
Held by trustee:					
LAIF	43,930,834	43,930,834	-	-	-
Guaranteed investment contracts (GICs)	15,582,797	-	-	-	15,582,797
U.S. agency securities:					
FHLB	49,277,826	-	-	49,277,826	-
FHLMC	5,959,513	-	-	5,959,513	-
<b>Total investments</b>	<b>\$ 486,240,441</b>	<b>\$ 84,938,935</b>	<b>\$ -</b>	<b>\$ 385,718,709</b>	<b>\$ 15,582,797</b>

#### Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District's investments (including investments held by bond trustees) do not include investments that are highly sensitive to interest rate fluctuations.

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the next page is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual Standard and Poor's credit rating as of year end for each investment type:

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

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

**Disclosures Relating to Credit Risk (continued)**

Investment Type	Total Amount	Min. Legal Rating	AAA	Rating at End of Year		
				AA	A+	Unrated
U.S. agency securities:						
FFCB	\$ 79,001,536	N/A	\$ 79,001,536	\$ -	\$ -	\$ -
FHLB	150,608,359	N/A	150,608,359	-	-	-
FHLMC	71,046,739	N/A	71,046,739	-	-	-
FNMA	56,071,870	N/A	56,071,870	-	-	-
LAIF	14,018,266	N/A	-	-	-	14,018,266
CalTRUST	742,701	N/A	-	742,701	-	-
Held by trustee:						
LAIF	43,930,834	N/A	-	-	-	43,930,834
Guaranteed investment contracts	15,582,797	N/A	-	-	-	15,582,797
U.S. agency securities:						
FHLB	49,277,826	N/A	49,277,826	-	-	-
FHLMC	5,959,513	N/A	5,959,513	-	-	-
Total investments	\$486,240,441		\$411,965,843	\$742,701	\$ -	\$73,531,897

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total District's investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	U.S. Agency Securities	\$ 199,886,185
FFCB	U.S. Agency Securities	79,001,536
FHLMC	U.S. Agency Securities	77,006,252
LAIF	State Investment Pool	57,949,100
FNMA	U.S. Agency Securities	56,071,870

**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 investment, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must

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## **Eastern Municipal Water District Notes to the Basic Financial Statements**

(continued)

### **2. Cash and Investments (continued)**

#### **Custodial Credit Risk (continued)**

equal 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

#### **Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that 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.

#### **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 the Basic Financial Statements**

(continued)

**3. Capital Assets**

A summary of capital assets at June 30 is as follows:

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>Ending Balance June 30, 2009</b>
Capital assets, not being depreciated:					
Land	\$ 32,994,855	\$ 773,249	\$ (115,298)	\$ -	\$ 33,652,806
Tunnel Water Seepage Agreement	1,750,900	-	-	-	1,750,900
Construction in progress	344,400,618	174,606,677	(102,727,065)	9,061	416,289,291
Total capital assets, not being depreciated	379,146,373	175,379,926	(102,842,363)	9,061	451,692,997
Capital assets, being depreciated:					
Water plant, lines and equipment	657,125,595	64,604,383	(132,586)	1,410,551	723,007,943
Water capacity rights	23,832,124	-	-	-	23,832,124
Sewer plant, lines and equipment	965,535,652	50,710,645	(17,741)	(1,419,612)	1,014,808,944
Equipment and general facilities	93,189,002	10,252,960	(2,776,515)	-	100,665,447
Total capital assets, being depreciated	1,739,682,373	125,567,988	(2,926,842)	(9,061)	1,862,314,458
Less accumulated depreciation for:					
Water plant, lines and equipment	195,432,564	19,638,913	(79,946)	444,626	215,436,157
Water capacity rights	3,413,785	595,242	-	-	4,009,027
Sewer plant, lines and equipment	271,346,730	28,503,939	(10,497)	(444,626)	299,395,546
Equipment and general facilities	54,501,709	5,806,959	(1,228,592)	-	59,080,076
Total accumulated depreciation	524,694,788	54,545,053	(1,319,035)	-	577,920,806
Total capital assets, being depreciated, net	1,214,987,585	71,022,935	(1,607,807)	(9,061)	1,284,393,652
Capital assets, net	<u>\$1,594,133,958</u>	<u>\$246,402,861</u>	<u>\$(104,450,170)</u>	<u>\$ -</u>	<u>\$1,736,086,649</u>

Depreciation breakdown at June 30, 2009:

Water	\$ 19,722,504
Sewer	24,554,434
Recycled	4,367,288
Admin/Other	5,900,827
Total	<u>\$ 54,545,053</u>

The District entered into a Tunnel Water Seepage Agreement with the Metropolitan Water District (MWD) in 1951 to set forth the terms and conditions of annexation to the MWD service area. Among other provisions, the agreement provided that for all future time, the tunnel water seepage of MWD's San Jacinto tunnel would come under the control and be delivered free to the District. In 1953, the District established an intangible asset that represented the value of this agreement based on an engineering report by Warren O. Wagner, consulting hydraulic engineer. The original appraisal was established at \$1,669,000 based on an annual value of this additional water at 5,840 acre feet per year at \$10.00 per acre foot and a money value of 3.5%. This value was reevaluated in 1957 with Mr. Wagner and a revised value of \$1,750,900 was established based on \$12.00 per acre foot and a 4.0% value of money.

## Eastern Municipal Water District Notes to the Basic Financial Statements

(continued)

### 4. PERS Prepaid Unfunded Liability

The District amended its California Public Employees Retirement System (PERS) contract on January 4, 1998 to implement a 2% at 55 retirement program. The actuarial division of PERS determined that the present value impact on the District was an unfunded liability of \$4,939,895. This would result in an employer rate increase of 1.495% of eligible payroll over the next 20 years. However, the District opted to pay this liability in advance and is amortizing this prepaid amount over the next 20 years. The current portion is \$246,995, and future deferred expense is \$1,893,675 at June 30, 2009.

The District amended its PERS contract on August 5, 2005 to implement a 2-1/2% at 55 retirement program. The actuarial division of PERS determined that the present value impact on the District was an unfunded liability of \$5,679,062. This would result in an employer rate increase of 2.145% of eligible payroll over the next 20 years. However, the District opted to pay this liability in advance and is amortizing this prepaid amount over the next 20 years. The current portion is \$283,953 and future deferred expense is \$4,259,296 at June 30, 2009.

### 5. Long-Term Liabilities

A summary of the long-term debt and other liabilities (excluding net other postemployment benefits obligation) at June 30 is as follows:

	Beginning Balance June 30, 2008	Additions	Reductions	Ending Balance June 30, 2009	Due Within One Year
Advances for construction, notes and assessments	\$ 49,630,496	\$ -	\$ (4,223,298)	<b>\$ 45,407,198</b>	\$ 5,127,969
Certificates of participation	488,460,000	358,905,000	(121,095,000)	<b>726,270,000</b>	11,545,000
General obligation bonds	18,140,000	-	(1,880,000)	<b>16,260,000</b>	710,000
Sub-total	556,230,496	358,905,000	(127,198,298)	<b>787,937,198</b>	17,382,969
Reimbursable agreements	51,976	141,121	(138,564)	<b>54,533</b>	-
Compensated absences	10,391,572	3,292,042,463	(3,291,459,363)	<b>10,974,672</b>	5,318,430
Sub-total	10,443,548	3,292,183,584	(3,291,597,927)	<b>11,029,205</b>	5,318,430
Less: Unamortized premium/ discount and deferred refunding charges	(12,789,654)	(7,848,407)	5,307,257	<b>(15,330,804)</b>	(1,152,221)
Total long-term liabilities	<b>\$553,884,390</b>	<b>\$3,643,240,177</b>	<b>\$(3,413,488,968)</b>	<b>\$783,635,599</b>	<b>\$21,549,178</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

The future maturities of long-term debt excluding reimbursable agreements and compensated absences as of June 30, 2009 are as follows:

Year ending June 30:	Principal	Interest	Total
2010	\$ 17,382,969	\$ 32,027,846	\$ 49,410,815
2011	16,706,146	32,058,723	48,764,869
2012	15,862,221	30,913,140	46,775,361
2013	20,035,357	30,441,655	50,477,012
2014	19,763,689	29,911,256	49,674,945
2015-19	114,603,597	132,677,780	247,281,377
2020-24	142,097,580	105,216,177	247,313,757
2025-29	128,340,639	77,835,646	206,176,285
2030-34	145,385,000	50,439,194	195,824,194
2035-39	167,760,000	15,703,656	183,463,656
Sub-total	787,937,198	537,225,073	1,325,162,271
Less: Unamortized premium/discount and deferred refunding charges	(15,330,804)	-	(15,330,804)
Total	<u>\$ 772,606,394</u>	<u>\$ 537,225,073</u>	<u>\$ 1,309,831,467</u>

**Advances for Construction, Notes and Assessments**

Advances for construction, notes and assessments consist of the following at June 30:

	2009	2008
State of California Department of Water Resources- Safe, Clean, Reliable Water Supply Act (Proposition 204)	<b>\$ 33,008,915</b>	\$ 33,678,670
State of California Department of Water Resources- Safe, Clean, Reliable Water Supply Act (Proposition 204)	<b>1,507,602</b>	1,594,561
State of California Department of Water Resources- Water Conservation Bond Law of 1988 (Proposition 82)	<b>2,379,186</b>	2,516,419
Elsinore Valley Municipal Water District	<b>50,338</b>	73,920
Santa Anna Watershed Project Authority	<b>975,560</b>	1,264,764
1992 State of California Agricultural Drainage Water Management Loan	3,691,159	4,593,414
1991 Federal Reclamation Facilities Project Loan	<b>3,794,348</b>	5,908,748
Total	<b>45,407,198</b>	49,630,496
Less current portion	<b>5,127,969</b>	4,223,298
Total long-term advances for construction, notes and assessments	<b><u>\$ 40,279,229</u></b>	<u>\$ 45,407,198</u>

The notes payable are general obligations of the District's individual improvement districts which issued the notes and are payable from the revenues and taxes of the respective improvement Districts.

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Advances for Construction, Notes and Assessments (continued)**

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

On March 3, 2005, the District executed a loan contract with the State (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 loan to the District 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% with calculated amounts ranging from \$11,825 to \$382,705. Semiannual payments began January 1, 2009 with the final payment scheduled for July 1, 2028.

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 1,362,427	\$ 742,492	\$ 2,104,919
2011	1,393,567	711,352	2,104,919
2012	1,425,419	679,501	2,104,920
2013	1,457,998	646,921	2,104,919
2014	1,491,322	613,597	2,104,919
2015-19	7,983,746	2,540,853	10,524,599
2020-24	8,938,797	1,585,799	10,524,596
2025-29	8,955,639	516,498	9,472,137
Total	<u>\$ 33,008,915</u>	<u>\$ 8,037,013</u>	<u>\$ 41,045,928</u>

On May 25, 2000, the District executed a loan contract with the State (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%.

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 89,319	\$ 41,595	\$ 130,914
2011	91,838	39,076	130,914
2012	94,354	36,560	130,914
2013	97,158	33,755	130,913
2014	99,827	31,087	130,914
2015-19	542,972	111,598	654,570
2020-23	492,134	31,521	523,655
Total	<u>\$ 1,507,602</u>	<u>\$ 325,192</u>	<u>\$ 1,832,794</u>



**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Advances for Construction, Notes and Assessments (continued)**

**Water Conservation Bond Law of 1988 (Proposition 82)**

On May 25, 2000, the District executed a loan contract with the State (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%.

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 140,956	\$ 65,643	\$ 206,599
2011	144,932	61,667	206,599
2012	148,902	57,697	206,599
2013	153,328	53,270	206,598
2014	157,540	49,059	206,599
2015-19	856,879	176,114	1,032,993
2020-23	776,649	49,746	826,395
Total	<u>\$ 2,379,186</u>	<u>\$ 513,196</u>	<u>\$ 2,892,382</u>

**Elsinore Valley Municipal Water District**

Elsinore Valley Municipal Water District, financial participation agreement note; interest rates ranging from 2.0% to 4.0% with annual principal installments ranging from \$21,314 to \$25,849 through July 15, 2011.

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 24,489	\$ 1,860	\$ 26,349
2011	25,849	1,034	26,883
Total	<u>\$ 50,338</u>	<u>\$ 2,894</u>	<u>\$ 53,232</u>

**Santa Ana Watershed Project Authority**

Santa Ana Watershed Project Authority (SAWPA) agreement for purchase of capacity rights in the Santa Ana Regional Interceptor (SARI) pipeline; interest rate of 6%; annual payment including principal and interest of \$365,000 through June 30, 2012.

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 306,461	\$ 58,539	\$ 365,000
2011	324,849	40,151	365,000
2012	344,340	20,660	365,000
Total	<u>\$ 975,650</u>	<u>\$ 119,350</u>	<u>\$ 1,095,000</u>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Advances for Construction, Notes and Assessments (continued)**

**1992 State of California Agricultural Drainage Water Management Loan**

On January 15, 1992, the District executed a loan contract with the State (California) Water Resources Control Board to provide financing for a portion of the Menifee Basin Desalter Project. The District received \$11,600,000 in loan proceeds repayable in annual installments of \$1,045,041 on each January 31 through 2011 with a final payment of \$831,939 scheduled for November 17, 2012 at an interest rate of 3.1%.

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 930,617	\$ 114,424	\$ 1,045,041
2011	959,463	85,578	1,045,041
2012	989,206	55,835	1,045,041
2013	811,873	20,066	831,939
Total	<u>\$ 3,691,159</u>	<u>\$ 275,903</u>	<u>\$ 3,967,062</u>

**1991 Federal Reclamation Facilities Project Loan**

In October 1991, the District entered into a contract with the federal government under the provisions of Public Law 984 to provide funding for a portion of the District's Phase I – Reclamation Facilities Project. This project included the enlargement, rehabilitation, and improvement of facilities to provide irrigation water and better water service for 21,500 acres of irrigated land as well as to provide water for wetlands enhancement and municipal and industrial (M&I) water supply purposes.

The contract is being administered by the United States Department of the Interior, Bureau of Reclamation pursuant to the Small Reclamation Projects Act of 1956 (the Act). The total estimated project cost is \$46,046,400 with the District contributing \$13,621,400 and the federal government providing funding up to the balance of \$32,425,000, providing that funds were available under the Act.

A summary of the total federal government funding available under the contract is as follows:

Total federal funding	\$ 32,425,000
Less nonrepayable grant portion	<u>6,733,300</u>
Maximum loan proceeds including interest	<u>\$ 25,691,700</u>
Components of loan proceeds:	
Water supply	\$ 20,219,400
Fish and wildlife	<u>4,147,300</u>
Net loan proceeds	24,366,700
Interest charged during construction	<u>1,325,000</u>
Maximum loan proceeds	<u>\$ 25,691,700</u>

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**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Advances for Construction, Notes and Assessments (continued)**

**1991 Federal Reclamation Facilities Project Loan (continued)**

Repayment of the loan began on May 1, 1999, with net loan proceeds repayable in 15 annual installments varying from \$552,900 to \$2,650,300 plus interest at rates varying from 0% to 9% on the fish and wildlife component and a portion of the water supply component. On October 6, 2003, the District elected to pay off the Fish and Wildlife component of the loan, with a payment of \$4,180,139. The interest rate applied to the outstanding balance of the Water Supply component (the interest on investment, or IOI) was 7.875% for the fiscal year ended June 30, 2009. However, only the portion of the calculated interest on investment amount and the annual reimbursable interest during construction (RIDC) amount allocated to the delivery of water to excess lands and to the furnishing of M&I water (water delivery ratio) is repayable. For 2009, the water delivery ratio was 14.24%, resulting in an actual interest rate of 0.81% for the period and the actual IOI and RIDC amounts paid were \$66,261 and \$97,515, respectively.

As of June 30, 2009, the District had received \$31,095,440 on this contract, of which the grant portion amounted to \$6,624,268 and the loan portion amounted to \$24,471,172. Since the total repayment obligation is less than the maximum loan proceeds of \$24,366,700, the above repayment schedule will still apply until the obligation is paid in full, in effect reducing the length of the repayment period.

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 2,273,700	\$ 167,485	\$ 2,441,185
2011	1,520,648	-	1,520,648
Total	<u>\$ 3,794,348</u>	<u>\$ 167,485</u>	<u>\$ 3,961,833</u>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation**

Certificates of participation consist of the following at June 30:

	<b>2009</b>	<b>2008</b>
1991 certificates of participation	<b>\$ 16,695,000</b>	\$ 16,695,000
1998A refunding certificates of participation	-	27,345,000
2001A refunding certificates of participation	<b>50,065,000</b>	53,085,000
2001C refunding certificates of participation	<b>8,190,000</b>	9,645,000
2003A refunding certificates of participation	-	24,390,000
2003B certificates of participation	-	64,440,000
2006A certificates of participation	<b>106,320,000</b>	106,320,000
2007A refunding certificates of participation	<b>20,710,000</b>	20,710,000
2008A refunding certificates of participation	<b>56,410,000</b>	56,855,000
2008B refunding certificates of participation	<b>54,575,000</b>	54,575,000
2008C refunding certificates of participation	<b>54,400,000</b>	54,400,000
2008D refunding certificates of participation	<b>54,760,000</b>	-
2008E refunding certificates of participation	<b>64,110,000</b>	-
2008F certificates of participation	<b>50,000,000</b>	-
2008G certificates of participation	<b>50,000,000</b>	-
2008H certificates of participation	<b>140,035,000</b>	-
Total	<b>726,270,000</b>	488,460,000
Less current portion	<b>11,545,000</b>	6,755,000
Total long-term certificates of participation payable	<b>\$ 714,725,000</b>	\$ 481,705,000

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008H Certificates of Participation**

In August 2008, the Facilities Corporation issued \$140,035,000 of Water and Sewer Revenue Fixed Rate Certificates of Participation, Series 2008H. Proceeds of the sale of certificates are for the purpose of 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 RWRf (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% rate per annum.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ -	\$140,035,000	\$ -	<b>\$ 140,035,000</b>	\$ -
COP discount	-	(2,177,973)	74,172	<b>(2,103,801)</b>	(80,915)
<b>Total</b>	<b>\$ -</b>	<b>\$137,857,027</b>	<b>\$ 74,172</b>	<b>\$ 137,931,199</b>	<b>\$ ( 80,915)</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ -	\$ 6,447,445	\$ 6,447,445
2011	-	7,001,750	7,001,750
2012	-	7,001,750	7,001,750
2013	-	7,001,750	7,001,750
2014	-	7,001,750	7,001,750
2015-19	-	35,008,750	35,008,750
2020-24	-	35,008,750	35,008,750
2025-29	29,625,000	31,483,125	61,108,125
2030-34	64,575,000	21,091,375	85,666,375
2035-36	45,835,000	2,319,375	48,154,375
<b>Total</b>	<b>\$ 140,035,000</b>	<b>\$ 159,365,820</b>	<b>\$ 299,400,820</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008D Refunding Certificates of Participation**

In July 2008, the Facilities Corporation issued \$54,760,000 in Water and Sewer Revenue Refunding Certificates of Participation, Series 2008D. The net proceeds of \$57,942,400 were used to 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 to be defeased and the liability for those bonds has been removed from the statement of net assets.

The 2008D Certificates include principal installments due in varying amounts from \$555,000 to \$11,820,000 annually on July 1 in the years 2009 to 2023; 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 advance refunding resulted in a difference between the reacquisition price (amount placed in the escrow account) and the net carrying amount of the old debt of \$4,194,619. This difference, reported in the accompanying financial statements as a deferred refunding charge, is being charged to operations through the year 2024 using the straight line method. The certificates of participation payable are reported net of these deferred charges.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ -	\$ 54,760,000	\$ -	<b>\$ 54,760,000</b>	\$ 555,000
Deferred refunding charges	-	(4,194,619)	314,034	<b>(3,880,585)</b>	(277,185)
COP discount	-	(77,290)	5,152	<b>(72,138)</b>	(5,153)
<b>Total</b>	<b>\$ -</b>	<b>\$ 50,488,091</b>	<b>\$ 319,186</b>	<b>\$ 50,807,277</b>	<b>\$ 272,662</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 555,000	\$ 1,829,407	\$ 2,384,407
2011	415,000	1,889,912	2,304,912
2012	435,000	1,800,853	2,235,853
2013	590,000	1,857,117	2,447,117
2014	315,000	1,915,464	2,230,464
2015-19	12,660,000	8,046,633	20,706,633
2020-24	39,790,000	4,481,762	44,271,762
<b>Total</b>	<b>\$ 54,760,000</b>	<b>\$ 21,821,148</b>	<b>\$ 76,581,148</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008E Refunding Certificates of Participation**

In July 2008, the Facilities Corporation issued \$64,110,000 in Water and Sewer Revenue Refunding Certificates of Participation, Series 2008E. The net proceeds of \$68,541,548 were used to refund the District's outstanding 2003B Certificates in the amount of \$62,815,000 maturing July 1, 2033; to fund a debt service reserve fund for the 2008E Certificates; and to pay the costs of executing and delivering the 2008E Certificates. The proceeds of the 2008E Certificates were deposited in an irrevocable trust with an escrow agent for the payment of the 2003B Certificates and subsequently, all 2003B Certificates were redeemed on September 2, 2008. As a result, these 2003B series certificates are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The 2008E Certificates include principal installments due in varying amounts from \$1,875,000 to \$3,640,000 annually on July 1 in the years 2009 to 2033; 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 advance refunding resulted in a difference between the reacquisition price (amount placed in the escrow account) and the net carrying amount of the old debt of \$1,167,399. This difference, reported in the accompanying financial statements as a deferred refunding charge, is being charged to operations through the year 2034 using the straight line method. The certificates of participation payable are reported net of these deferred charges.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ -	\$ 64,110,000	\$ -	<b>\$ 64,110,000</b>	\$ 1,875,000
Deferred refunding charges	-	(1,167,399)	115,511	<b>(1,051,888)</b>	(43,829)
COP discount	-	(90,177)	3,608	<b>(86,569)</b>	(3,607)
<b>Total</b>	<b>\$ -</b>	<b>\$ 62,852,424</b>	<b>\$ 119,119</b>	<b>\$ 62,971,543</b>	<b>\$ 1,827,564</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 1,875,000	\$ 2,120,328	\$ 3,995,328
2011	1,765,000	2,147,338	3,912,338
2012	1,820,000	2,005,042	3,825,042
2013	2,035,000	2,017,195	4,052,195
2014	1,780,000	2,029,990	3,809,990
2015-19	10,785,000	8,617,022	19,402,022
2020-24	12,435,000	6,682,321	19,117,321
2025-29	14,565,000	4,301,011	18,866,011
2030-34	17,050,000	1,575,698	18,625,698
<b>Total</b>	<b>\$ 64,110,000</b>	<b>\$ 31,495,945</b>	<b>\$ 95,605,945</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008F Certificates of Participation**

In July 2008, the Facilities Corporation issued \$50,000,000 of Water and Sewer Revenue Certificates of Participation, Series 2008F. Proceeds of the sale of certificates are for the principal purpose of financing a portion of the cost of the design, acquisition and construction of the 2008F Projects. The 2008F Projects includes an undivided fifty percent (50%) 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.

The 2008F Certificates include principal installments due in varying amounts from \$16,000,000 to \$17,290,000 annually on July 1 in the years 2036 to 2038; 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.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ -	\$ 50,000,000	\$ -	<b>\$ 50,000,000</b>	\$ -
COP discount	-	(70,585)	2,353	<b>(68,232)</b>	(2,353)
Total	\$ -	\$ 49,929,415	\$ 2,353	<b>\$ 49,931,768</b>	\$ (2,353)

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ -	\$ 1,675,748	\$ 1,675,748
2011	-	1,750,000	1,750,000
2012	-	1,679,687	1,679,687
2013	-	1,750,000	1,750,000
2014	-	1,820,313	1,820,313
2015-19	-	8,678,082	8,678,082
2020-24	-	8,751,434	8,751,434
2025-29	-	8,678,252	8,678,252
2030-34	-	8,820,328	8,820,328
2035-39	50,000,000	6,242,960	56,242,960
Total	<b>\$ 50,000,000</b>	<b>\$ 49,846,804</b>	<b>\$ 99,846,804</b>



**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008G Certificates of Participation**

In July 2008, the Facilities Corporation issued \$50,000,000 of Water and Sewer Revenue Certificates of Participation, Series 2008G. Proceeds of the sale of certificates are for the principal purpose of financing a portion of the cost of the design, acquisition and construction of the 2008G Projects. The 2008G Projects includes an undivided fifty percent (50%) 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.

The 2008G Certificates include principal installments due in varying amounts from \$16,000,000 to \$17,290,000 annually on July 1 in the years 2036 to 2038; 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.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ -	\$ 50,000,000	\$ -	<b>\$ 50,000,000</b>	\$ -
COP discount	-	(70,364)	2,345	<b>(68,019)</b>	(2,345)
<b>Total</b>	<b>\$ -</b>	<b>\$ 49,929,636</b>	<b>\$ 2,345</b>	<b>\$ 49,931,981</b>	<b>\$ (2,345)</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ -	\$ 1,675,748	\$ 1,675,748
2011	-	1,750,000	1,750,000
2012	-	1,679,687	1,679,687
2013	-	1,750,000	1,750,000
2014	-	1,820,313	1,820,313
2015-19	-	8,678,082	8,678,082
2020-24	-	8,751,434	8,751,434
2025-29	-	8,678,252	8,678,252
2030-34	-	8,820,328	8,820,328
2035-39	50,000,000	6,242,960	56,242,960
<b>Total</b>	<b>\$ 50,000,000</b>	<b>\$ 49,846,804</b>	<b>\$ 99,846,804</b>

# Eastern Municipal Water District

## Notes to the Basic Financial Statements

(continued)

### 5. Long-Term Liabilities (continued)

#### Certificates of Participation (continued)

##### 2008C Refunding Certificates of Participation

In June 2008, the Facilities Corporation issued \$54,400,000 in Water and Sewer Revenue 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. As of June 30, 2009, no 1993B Certificates remain outstanding.

The 2008C Certificates include principal installments due in varying amounts from \$330,000 to \$7,955,000 annually on July 1 in the years 2009 to 2021; 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.

In connection with the issuance of the 1993B Certificates, the District entered into an Interest Rate Swap Agreement with AIG-FP dated May 1, 1993. In connection with the issuance of the 2008C Refunding Certificates, this swap agreement was amended and restated in its entirety as the 2008C Swap Agreement. This agreement provides for the District to make payments to AIG-FP at a fixed rate of 5.135% on a notional amount that does not correspond to the outstanding principal amount of the 2008C Certificates and for AIG-FP to make reciprocal payments equal to the amount of interest payable with respect to the 2008C Certificates at the Weekly Interest Rate. The notional amount corresponds to original outstanding amount of the 1993B Certificates and the termination date of the agreement is July 1, 2020. The fair value of swap agreements as of a given date reflects the pricing that the District would receive to transfer its interest in the agreement to a third party at that date. This value is a function of the interest rates demanded by the market as of the date of the valuation. This value fluctuates as market interest rates increase or decrease over the term of the agreement. As of June 30, 2009, market interest rates were lower than the fixed interest rate associated with the payments by the District under the terms of this agreement. As a result, the net fair value of the agreement as of this date is a negative \$7,899,351, including accrued interest (i.e., a payment would be made by the District to substitute the District's interest in the agreement to a third party). This calculation was arrived at by taking into account on certain interest rate curves as reported by Bloomberg Professional Services and utilizing standard interest rate swap valuation methodology. It was prepared by the District's financial advisor, Fieldman, Rolapp and Associates.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 54,400,000	\$ -	\$ -	<b>\$ 54,400,000</b>	\$ 330,000
Deferred refunding charges	(3,541,791)	-	838,071	<b>(2,703,720)</b>	(225,310)
COP discount	(137,642)	-	10,588	<b>(127,054)</b>	(10,588)
<b>Total</b>	<b>\$ 50,720,567</b>	<b>\$ -</b>	<b>\$ 848,659</b>	<b>\$ 51,569,226</b>	<b>\$ 94,102</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008C Refunding Certificates of Participation (continued)**

Year ending June 30:	Principal	Interest	Total
2010	\$ 330,000	\$ 2,784,852	\$ 3,114,852
2011	345,000	2,767,637	3,112,637
2012	370,000	2,636,110	3,006,110
2013	375,000	2,730,155	3,105,155
2014	5,435,000	2,694,152	8,129,152
2015-19	32,050,000	8,238,094	40,288,094
2020-22	15,495,000	839,486	16,334,486
Total	<u>\$ 54,400,000</u>	<u>\$ 22,690,486</u>	<u>\$ 77,090,486</u>

**2008B Refunding Certificates of Participation**

In March 2008, the Facilities Corporation issued \$54,575,000 in Water and Sewer Revenue Refunding Certificates of Participation, Series 2008B. The net proceeds of \$54,575,000 were used to advance refund the District's outstanding 2006B Certificates in the amount of \$54,025,000 maturing July 1, in the years 2024 through 2035, and to pay the costs of executing and delivering the 2008B Certificates. As of June 30, 2008, no 2006B Certificates remain outstanding.

The 2008B Certificates include principal installments due in varying amounts from \$3,805,000 to \$5,370,000 annually on July 1, in the years 2024 to 2035; with interest payable monthly at a variable rate for a weekly period.

	Beginning Balance June 30, 2008	Additions	Reductions	Ending Balance June 30, 2009	Due Within One Year
Certificates of participation	\$ 54,575,000	\$ -	\$ -	\$ 54,575,000	\$ -
COP discount	(131,803)	-	4,882	(126,921)	(4,882)
Total	<u>\$ 54,443,197</u>	<u>\$ -</u>	<u>\$ 4,882</u>	<u>\$ 54,448,079</u>	<u>\$ (4,882)</u>

Year ending June 30:	Principal	Interest	Total
2010	\$ -	\$ 1,921,456	\$ 1,921,456
2011	-	1,923,208	1,923,208
2012	-	1,903,991	1,903,991
2013	-	1,902,239	1,902,239
2014	-	1,903,140	1,903,140
2015-19	-	9,555,887	9,555,887
2020-24	-	9,555,714	9,555,714
2025-29	20,285,000	7,826,288	28,111,288
2030-34	23,705,000	3,983,990	27,688,990
2035-36	10,585,000	374,210	10,959,210
Total	<u>\$ 54,575,000</u>	<u>\$ 40,850,123</u>	<u>\$ 95,425,123</u>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008A Refunding Certificates of Participation**

In January 2008, the Facilities Corporation issued \$56,855,000 in Water and Sewer Revenue 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, these 2001B series certificates are considered to be defeased and the liability for those bonds has been removed from the statement of net assets. As of June 30, 2009, the 2001B certificates remain outstanding.

The 2008A Certificates include principal installments due in varying amounts from \$255,000 to \$8,090,000 annually from July 1, 2009 to July 1, 2030; with interest payable monthly at a variable rate for a weekly period.

In connection with the issuance of the 2008A Certificates, the District entered into a Swap Agreement with UBS AG for the purpose of hedging against interest rate fluctuations arising from the issuance of the 2008A Certificates as variable rate obligations. The Swap Agreement provides for UBS AG to make payments to the District of 66% of 1-mo LIBOR on a notional amount corresponding to the outstanding principal amount and for the District to make reciprocal payments computed at a fixed rate of 3.100% on the same notional amount. This agreement has a termination date of July 1, 2030. The fair value of swap agreements as of a given date reflects the pricing that the District would receive to transfer its interest in the agreement to a third party at that date. This value is a function of the interest rates demanded by the market as of the date of the valuation. This value fluctuates as market interest rates increase or decrease over the term of the agreement. As of June 30, 2009, market interest rates were lower than the fixed interest rate associated with the payments by the District under the terms of this agreement. As a result, the net fair value of the agreement as of this date is a negative \$3,342,222, including accrued interest (i.e., a payment would be made by the District to substitute the District's interest in the agreement to a third party). This calculation was arrived at by taking into account certain interest rate curves as reported by Bloomberg Professional Services and utilizing standard interest rate swap valuation methodology. It was prepared by the District's financial advisor, Fieldman, Rolapp and Associates.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 56,855,000	\$ -	\$ (445,000)	<b>\$ 56,410,000</b>	\$ 255,000
Deferred refunding charges	(5,079,011)	-	230,864	<b>(4,848,147)</b>	(230,864)
COP discount	(199,594)	-	9,073	<b>(190,521)</b>	(9,072)
<b>Total</b>	<b>\$ 51,576,395</b>	<b>\$ -</b>	<b>\$ (205,063)</b>	<b>\$ 51,371,332</b>	<b>\$ 15,064</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2008A Refunding Certificates of Participation (continued)**

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 255,000	\$ 1,743,766	\$ 1,998,766
2011	260,000	1,737,405	1,997,405
2012	270,000	1,730,788	2,000,788
2013	275,000	1,720,791	1,995,791
2014	290,000	1,710,477	2,000,477
2015-19	1,575,000	8,419,313	9,994,313
2020-24	1,845,000	8,164,471	10,009,471
2025-29	35,710,000	5,392,120	41,102,120
2030-31	15,930,000	525,812	16,455,812
Total	<u>\$ 56,410,000</u>	<u>\$ 31,144,943</u>	<u>\$ 87,554,943</u>

**2007A Refunding Certificates of Participation**

In May 2007, the Facilities Corporation issued \$20,710,000 in Water and Sewer Revenue 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.

The 2007A Certificates include principal installments due in varying amounts from \$75,000 to \$6,860,000 annually from July 1, 2009 to July 1, 2023; with interest payable semiannually at rates ranging from 4.00% to 5.00%.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 20,710,000	\$ -	\$ -	<b>\$ 20,710,000</b>	\$ 75,000
Deferred refunding charges	(1,859,256)	-	123,951	<b>(1,735,305)</b>	(123,950)
COP premium	1,246,212	-	(83,081)	<b>1,163,131</b>	83,081
Total	<u>\$ 20,096,956</u>	<u>\$ -</u>	<u>\$ 40,870</u>	<u><b>\$ 20,137,826</b></u>	<u>\$ 34,131</u>

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 75,000	\$ 1,023,000	\$ 1,098,000
2011	75,000	1,020,000	1,095,000
2012	80,000	1,016,900	1,096,900
2013	80,000	1,013,700	1,093,700
2014	85,000	1,010,400	1,095,400
2015-19	485,000	4,996,600	5,481,600
2020-24	19,830,000	3,472,750	23,302,750
Total	<u>\$ 20,710,000</u>	<u>\$ 13,553,350</u>	<u>\$ 34,263,350</u>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2006A Certificates of Participation**

In February 2006, the Facilities Corporation issued \$106,320,000 of Water and Sewer Revenue Fixed Rate Certificates of Participation, Series 2006A. Proceeds of the sale of certificates are 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 San Jacinto's regional water reclamation facility 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 \$3,725,000 to \$4,990,000 annually from July 1, 2012 to July 1, 2036, with interest payable semiannually beginning July 1, 2006, at rates per annum ranging from 3.75% to 5.00%.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 106,320,000	\$ -	\$ -	<b>\$ 106,320,000</b>	\$ -
COP premium	3,481,919	-	(125,852)	<b>3,356,067</b>	125,852
<b>Total</b>	<b>\$ 109,801,919</b>	<b>\$ -</b>	<b>\$ (125,852)</b>	<b>\$ 109,676,067</b>	<b>\$ 125,852</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ -	\$ 5,119,444	\$ 5,119,444
2011	-	5,119,444	5,119,444
2012	-	5,119,444	5,119,444
2013	3,725,000	5,030,850	8,755,850
2014	3,985,000	4,842,631	8,827,631
2015-19	22,865,000	21,038,430	43,903,430
2020-24	28,905,000	14,968,734	43,873,734
2025-29	16,285,000	9,378,975	25,663,975
2030-34	20,795,000	4,793,913	25,588,913
2035-36	9,760,000	444,151	10,204,151
<b>Total</b>	<b>\$ 106,320,000</b>	<b>\$ 75,856,016</b>	<b>\$ 182,176,016</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2003A Refunding Certificates of Participation**

In September 2003, the Facilities Corporation issued \$26,350,000 of Water and Sewer Revenue Refunding Variable Rate Certificates of Participation, Series 2003A to currently refund the 1993A certificates. Following the prepayment, no 1993A certificates remained outstanding. The 2003A Certificates included principal installments due in varying amounts from \$120,000 to \$2,700,000 annually from July 1, 2004 to July 1, 2023, with a variable interest rate payable with respect to any Weekly Interest Rate Period on the first business day of each calendar month commencing October 1, 2003.

In July 2008, all outstanding 2003A Certificates were refunded by the 2008D Certificates. The certificates are considered defeased and were removed from the District's books.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 24,390,000	\$ -	\$ (24,390,000)	\$ -	\$ -
Deferred refunding charges	(1,209,898)	-	1,209,898	-	-
COP discount	(82,364)	-	82,364	-	-
<b>Total</b>	<b>\$ 23,097,738</b>	<b>\$ -</b>	<b>\$ (23,097,738)</b>	<b>\$ -</b>	<b>\$ -</b>

**2003B Certificates of Participation**

In September 2003, the Facilities Corporation issued \$70,305,000 in Water and Sewer Revenue Variable Rate Certificates of Participation, Series 2003B. Proceeds of the sale of certificates were for the principal purpose of financing the cost of the design, acquisition and construction of the 2003B Projects. The 2003B Projects include, among others: (1) the construction of improvements to the Moreno Valley RWRf; (2) the construction of improvements to the Perris Valley RWRf; (3) the construction of improvements to the Temecula Valley RWRf; (4) the construction of the Temecula Effluent Disposal Pipeline; and (5) the prepayment of the Fish and Wildlife portion of the Bureau loan.

The 2003B Certificates included principal installments due in varying amounts from \$1,275,000 to \$3,575,000 annually from July 1, 2004 to July 1, 2033 with a variable interest payable with respect to any Weekly Interest Rate Period on the first business day of each calendar month commencing on October 1, 2003.

In July 2008, all outstanding 2003B Certificates were refunded by the 2008E Certificates. The certificates are considered defeased and were removed from the District's books.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 64,440,000	\$ -	\$ (64,440,000)	\$ -	\$ -
COP discount	(242,484)	-	242,484	-	-
<b>Total</b>	<b>\$ 64,197,516</b>	<b>\$ -</b>	<b>\$ (64,197,516)</b>	<b>\$ -</b>	<b>\$ -</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2001A, 2001C Refunding Certificates of Participation**

In April 2001, the Facilities Corporation issued the following refunding certificates of participation:

**2001A Refunding Certificates of Participation**

\$68,735,000 Water and Sewer Revenue Refunding Certificates of Participation, Series A to prepay \$68,185,000 of the District's 1991A Certificates of Participation, to fund a debt service reserve established for the certificates, and to pay the municipal bond insurance policy premium and issuance costs of the certificates. The 2001A Certificates include principal installments due in varying amounts from \$500,000 to \$5,415,000 annually from July 1, 2002 to July 1, 2020, with interest payable semiannually at rates per annum ranging from 3.40% to 5.375%. The 2001A Certificates with certificate payment dates on or after July 1, 2012, are subject to optional prepayment.

**2001C Refunding Certificates of Participation**

\$13,985,000 Water and Sewer Revenue Refunding Certificates of Participation, Series C to prepay \$13,165,000 of the District's 1993A Certificates of Participation, to fund a debt service reserve established for the certificates, and to pay the municipal bond insurance policy premium and issuance costs of the certificates. The 2001C Certificates include principal installments due in varying amounts from \$100,000 to \$1,770,000 annually from July 1, 2002 to July 1, 2013, with interest payable semiannually at rates per annum ranging from 4.0% to 4.250%. The 2001C Certificates with certificate payment dates on or after July 1, 2012, are subject to optional prepayment.

**2001A Refunding Certificates of Participation**

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 53,085,000	\$ -	\$ (3,020,000)	<b>\$ 50,065,000</b>	\$ 3,165,000
Deferred refunding charges	(4,307,394)	-	364,005	<b>(3,943,389)</b>	(364,005)
COP premium	1,458,499	-	(123,254)	<b>1,335,245</b>	123,253
<b>Total</b>	<b>\$ 50,236,105</b>	<b>\$ -</b>	<b>\$ (2,779,249)</b>	<b>\$ 47,456,856</b>	<b>\$ 2,924,248</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 3,165,000	\$ 2,454,788	\$ 5,619,788
2011	3,290,000	2,322,563	5,612,563
2012	3,435,000	2,163,465	5,598,465
2013	3,610,000	1,978,538	5,588,538
2014	3,800,000	1,784,025	5,584,025
2015-19	22,195,000	5,645,939	27,840,939
2020-21	10,570,000	535,000	11,105,000
<b>Total</b>	<b>\$ 50,065,000</b>	<b>\$ 16,884,318</b>	<b>\$ 66,949,318</b>



**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**2001A, 2001C Refunding Certificates of Participation**

**2001C Refunding Certificates of Participation**

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 9,645,000	\$ -	\$ (1,455,000)	<b>\$ 8,190,000</b>	\$ 1,515,000
Deferred refunding charges	(529,150)	-	109,479	<b>(419,671)</b>	(109,479)
COP discount	(6,378)	-	1,319	<b>(5,059)</b>	(1,320)
<b>Total</b>	<b>\$ 9,109,472</b>	<b>\$ -</b>	<b>\$ (1,344,202)</b>	<b>\$ 7,765,270</b>	<b>\$ 1,404,201</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 1,515,000	\$ 305,975	\$ 1,820,975
2011	1,570,000	244,275	1,814,275
2012	1,635,000	180,175	1,815,175
2013	1,700,000	111,350	1,811,350
2014	1,770,000	37,613	1,807,613
<b>Total</b>	<b>\$ 8,190,000</b>	<b>\$ 879,388</b>	<b>\$ 9,069,388</b>

**1998A Refunding Certificates of Participation**

In January 1998, the Facilities Corporation issued \$39,655,000 Water and Sewer Revenue Refunding Certificates of Participation, Series A to currently refund \$36,420,000 of the District's 1991 Certificates of Participation, to fund a debt service reserve established for the certificates, and to pay the municipal bond insurance policy premium and issuance costs. The 1998A Certificates included principal installments due in varying amounts from \$70,000 to \$3,025,000 annually from July 1, 1998 to July 1, 2013; with interest payable semiannually at rates ranging from 3.60% to 5.00%. Also, in this certificate issue are \$26,820,000 of term certificates due in varying amounts on July 1, 2018, 2021 and 2023, with interest payable semiannually at rates ranging from 4.75% to 5.00%.

In July 2009, all outstanding 1998A Certificates were refunded by the 2008D Certificates. The certificates are considered defeased and were removed from the District's books.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 27,345,000	\$ -	\$ (27,345,000)	\$ -	\$ -
Deferred refunding charges	(1,349,856)	-	1,349,856	-	-
COP discount	(505,090)	-	505,090	-	-
<b>Total</b>	<b>\$ 25,490,054</b>	<b>\$ -</b>	<b>\$ (25,490,054)</b>	<b>\$ -</b>	<b>\$ -</b>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Certificates of Participation (continued)**

**1991 Certificates of Participation**

In March 1991, the Facilities Corporation issued \$128,690,000 in Certificates of Participation Series 1991. Proceeds of the sale of certificates were used for the principal purpose of financing the cost of the design, acquisition and construction of certain wastewater capital improvements (the 1991 Project) to the District's water and sewer system.

The 1991 Certificates include \$26,815,000 of serial certificates maturing in varying amounts from \$1,440,000 to \$2,910,000 annually from July 1, 1993 to July 1, 2005, with interest payable semiannually at rates ranging from 5.1% to 7.5%. Also, in this issue are \$101,875,000 of term certificates due in varying amounts on July 1, 2008, 2012, 2020 and 2023, with interest payable semiannually at rates ranging from 6% to 6.75%. Certificates maturing prior to July 1, 2002 and on July 1, 2012 are not subject to prior redemption; Certificates maturing July 1, 2002 and after (except those maturing on July 1, 2012), may be called prior to maturity at par plus a premium of 2% in 2002, 1% in 2003, and 0% thereafter. The term certificates are subject to mandatory sinking fund requirements beginning July 1, 2006, in amounts varying from \$3,105,000 in 2006 to \$9,115,000 in 2023.

The 1991 Certificates were partially refunded by the series 1993B and 1998A Certificates.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
Certificates of participation	\$ 16,695,000	\$ -	\$ -	<b>\$ 16,695,000</b>	\$3,775,000
Total	<u>\$ 16,695,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u><b>\$ 16,695,000</b></u>	<u>\$3,775,000</u>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 3,775,000	\$ 999,506	\$ 4,774,506
2011	4,030,000	736,088	4,766,088
2012	4,300,000	454,950	4,754,950
2013	4,590,000	154,913	4,744,913
Total	<u>\$ 16,695,000</u>	<u>\$ 2,345,457</u>	<u>\$ 19,040,457</u>

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**General Obligation Bonds**

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 in the assessed valuation of the individual districts.

General obligation bonds consist of the following at June 30:

	<b>2009</b>	<b>2008</b>
1995 General obligation refunding bonds: Interest rates of the various bond issues outstanding range from 3.9% to 5.5%. Bonds mature annually in varying amounts through 2009.	\$ -	\$ 1,200,000
2005 General obligation bonds: Interest rates of the various bond issues outstanding range from 3.0% to 5.0%. Bonds mature annually in varying amounts through 2035.	<b>16,260,000</b>	16,940,000
<b>Total</b>	<b>16,260,000</b>	18,140,000
Less current portion	<b>710,000</b>	1,880,000
<b>Total long-term general obligation bonds</b>	<b>\$ 15,550,000</b>	\$ 16,260,000

At June 30, 2009, general obligation bonds authorized but not issued total \$579,275,000.

	<b>Beginning Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2009</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 18,140,000	\$ -	\$ (1,880,000)	<b>\$ 16,260,000</b>	\$ 710,000
Deferred refunding charges	(22,245)	-	22,245	-	-
Net bond premium/discount	227,672	-	18,100	<b>245,772</b>	(10,449)
<b>Total</b>	<b>\$ 18,345,427</b>	<b>\$ -</b>	<b>\$ (1,839,655)</b>	<b>\$ 16,505,772</b>	<b>\$ 720,449</b>

<b>Year ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 710,000	\$ 734,345	\$ 1,444,345
2011	495,000	710,245	1,205,245
2012	515,000	690,045	1,205,045
2013	535,000	669,045	1,204,045
2014	555,000	647,245	1,202,245
2015-19	2,605,000	2,926,383	5,531,383
2020-24	3,020,000	2,337,255	5,357,255
2025-29	2,915,000	1,581,125	4,496,125
2030-34	3,330,000	827,750	4,157,750
2035-36	1,580,000	80,000	1,660,000
<b>Total</b>	<b>\$ 16,260,000</b>	<b>\$ 11,203,438</b>	<b>\$ 27,463,438</b>

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**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**5. Long-Term Liabilities (continued)**

**Reimbursable Agreements**

The District enters into agreements with developers whereby certain facilities will be built by them that will support future development beyond their own. As this new development occurs, a portion of the connection fee revenue is allocated to a "reimbursement pool account" and a determination is made semi-annually based on a priority basis to remit these funds back to them.

**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 Bonds 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, 2009 for each outstanding bond issue is:

<u>Description</u>	<u>Required</u>	<u>Actual</u>	<u>Excess/(Deficiency)</u>
1991 COP	\$ 4,902,100	\$ 5,149,521	\$ 247,421
2001A/2007A COP	7,203,000	7,419,419	216,419
2001C COP	667,500	809,992	142,492
2006A COP	8,635,399	8,843,105	207,706
2008A COP	5,651,000	5,671,180	20,180
2008B COP	4,253,624	4,327,392	73,768
2008C COP	5,440,000	5,536,943	96,943
2008D COP	5,476,000	5,563,550	87,550
2008E COP	5,102,395	5,130,192	27,797
2008F COP	5,000,000	5,079,787	79,787
2008G COP	5,000,000	5,079,787	79,787
2008H COP	14,003,500	14,209,776	206,276

**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, 2009, the District's debt coverage ratio was 2.6 times.

2) Operating Reserve Fund

The District has covenanted that it will maintain a minimum of ¼ of its annual maintenance and operating costs as set forth in its operating budget in a separate reserve fund. This reserve was \$31,071,149 at June 30, 2009 and \$30,329,815 at June 30, 2008.

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## **Eastern Municipal Water District**

### **Notes to the Basic Financial Statements**

(continued)

#### **5. Long-Term Liabilities (continued)**

##### **Defeasance of Debt**

In January 2008, the District defeased Certificates of Participation series 2001B by placing the proceeds of the new debt in an irrevocable trust to provide for all future debt service payments on the defeased debt. Accordingly, the trust's assets and the liability for the defeased debt issue are not included on the District's statement of net assets. As of June 30, 2009 the outstanding balance of the 2001B COP was \$54,335,790. In July and August 2009, the District defeased the Certificates of Participation series 1993B, 1998A and 2003B. The 1993B COP was fully prepaid on July 18, 2008 and the 1998A and 2003B COPs were fully prepaid on September 2, 2008.

#### **6. Defined Benefit Pension Plan**

##### **Plan Description**

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report can be obtained from its executive office at 400 Q Street, Sacramento, CA 95814.

All full-time District employees are eligible to participate in PERS with benefits vesting after five years of service. District employees who retire at age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in increasing percentage increments up to 2.5% of their salary during their highest consecutive twelve month period, for each year of credited service.

##### **Funding Policy**

District employees are required to contribute 8% of their annual salary to PERS. Of this 8%, the District funds 7% as agreed to in negotiations with its union. The District is required to contribute the remaining amount necessary to fund the benefits of its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration. For the year ended June 30, 2009, the amount contributed by the District on behalf of the employees is \$3,285,145 (7% of the employee's 8% required contribution). The required employer contribution rate for fiscal year ended June 30, 2009 is 10.384% as determined by the annual PERS valuation. However, In July 2008, the District prepaid the required contribution as a lump-sum discounted amount of \$4,147,361 which reduced the effective employer contribution rate to 0%.

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## Eastern Municipal Water District Notes to the Basic Financial Statements

(continued)

### 6. Defined Benefit Pension Plan (continued)

#### Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The contribution rate for the indicated period is 10.384% of payroll for the Retirement Program. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate, as modified by any amendments for the year, is multiplied by the payroll of covered employees that were paid during the period from July 1, 2008 to June 30, 2009.

A summary of principal assumptions and methods used to determine the ARC is shown below.

Valuation date	June 30, 2006
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Average remaining period	25 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The total employees' required contribution paid to the PERS for 2009 and 2008 was \$3,754,451 and \$3,519,985, respectively (8% of current covered payroll). In both 2009 and 2008, the District paid 7% and the employees paid 1%. In 2009, the District paid \$3,285,145 and the employees paid \$469,306. In 2008, the District paid \$3,079,987 and the employees paid \$439,998. The total employer's required contribution paid to PERS for 2009 and 2008 was \$4,147,361 and \$3,528,264, respectively. The contributions were made in accordance with actuarially determined requirements computed through an actuarial valuation performed prior to the beginning of each fiscal year by the PERS Actuarial Division.

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**6. Defined Benefit Pension Plan (continued)**

**Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The District's specific three-year trend information follows:

Three-year trend information for PERS (dollar amounts in millions):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/07	3.21	100%	—
06/30/08	3.52	100%	—
06/30/09	3.75	100%	—

The following Schedule of Funding Progress for PERS (dollar amounts in millions) shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. This schedule presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	(A) Entry Age Actuarial Accrued Liability (AAL)	(B) Actuarial Value of Assets	(C) Unfunded AAL (UAAL) (A)-(B)	Funded Ratio (B)/A)	(D) Covered Payroll	UAAL as a Percentage of Covered Payroll (C)/(D)
06/30/06	\$ 170.08	\$ 153.22	\$ 16.86	90.1%	\$ 37.67	44.8%
06/30/07	194.72	168.00	26.72	86.3%	42.44	63.0%
06/30/08	208.53	181.96	26.57	87.3%	44.79	59.3%
06/30/09	(1)	(1)	(1)	(1)	46.93(2)	(1)

(1) Information not available.

(2) Actual PERS wages per District payroll records.

The information provided above for the Schedule of Funding Progress is based upon the most current information available from PERS.

**7. Defined Contribution Plan**

The District has a 401(a) money purchase defined contribution plan (Plan) covering all employees of the District who have completed one year of service. The Plan was adopted in January 1978 and may be amended by the District provided the trustee joins in such amendment. The District is required to contribute 7.15% of each eligible employee's compensation up to a maximum annual compensation of \$16,500. The District's contributions to the Plan were \$840,745 and \$765,130 in 2009 and 2008, respectively.

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# Eastern Municipal Water District

## Notes to the Basic Financial Statements

(continued)

### 8. Postemployment Benefits Other Than Pensions

#### 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 is 100% of the greater of the Blue Shield HMO or PERS Kaiser premium amounts. The District also provides healthcare benefits to elected official retirees in accordance with the District's Ordinance No. 70. 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 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.

#### 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 the Union for retired employees. 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 to update the contract with the life insurance company. The District's annual other postemployment benefit (OPEB) cost (expense) for the plan 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 annual OPEB cost for the current year and the related information for each plan are shown on the following page.



**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**8. Postemployment Benefits Other Than Pensions (continued)**

**Funding Policy and Annual OPEB Cost (continued)**

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 OPEB cost	\$ 8,940,000
Contributions made	<u>(1,874,528)</u>
Increase in net OPEB obligation	7,065,472
Net OPEB obligation – beginning of year	6,218,949
Net OPEB obligation – end of year	<u>\$ 13,284,421</u>

The District's annual OPEB cost which is equal to its annual required contribution has been recognized as a part of the operating expenses of the District in the accompanying financial statements. Consistent with the District's expense classification policies, the portion of the annual OPEB cost that was physically paid to retirees during the fiscal year has been included in the functional classifications of the various operational components of the District. The unpaid portion of the accrued actual OPEB cost has been presented on a separate line in the operating section of the statement of revenues, expenses, and changes in net assets.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 are shown in the following table. The District implemented GASB Statement No. 45 for the June 30, 2008 fiscal year end, so information is not available prior to 2008.

Plan	Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retired Employees/Elected Officials Healthcare and Life Insurance Plans	06/30/08	\$ 8,021,000	\$ 1,802,051	22.5%	\$ 6,218,949
	06/30/09	\$ 8,940,000	\$ 1,874,528	21.0%	\$ 13,284,421

**Funded Status and Funding Progress**

The funded status of the plans as of June 30, 2008, 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.

Actuarial accrued liability (a)	\$ 94,534
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	<u>\$ 94,534</u>
Funded ratio (b)/(a)	N/A
Covered Payroll – active plan members (c)	\$ 37,551
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a)-(b)]/(c)	251.7%

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**8. Postemployment Benefits Other Than Pensions (continued)**

**Funded Status and Funding Progress (continued)**

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.

**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 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, 2008				
Actuarial cost method	Entry age normal				
Amortization method	Level percent of payroll				
Remaining amortization period	30 years as of the valuation date				
Asset valuation method	N/A – no assets				
Actuarial assumptions:					
Investment rate of return	4.50%				
General inflation rate	3.00%				
Payroll growth	3.25%				
Healthcare trend rate	<u>Year</u>	<u>Non-Medicare</u>		<u>Medicare</u>	
		<u>HMO</u>	<u>PPO</u>	<u>HMO</u>	<u>PPO</u>
	2009	Actual premiums		Actual Premiums	
	2010	9.05%	9.75%	9.40%	10.10%
	2011-2016	8.40%	9.00%	8.70%	8.30%
	2017+	4.50%	4.50%	4.50%	4.50%

Initial unfunded liabilities are amortized over a closed 30-year period. This period was restarted for the June 30, 2008 valuation. Subsequent plan assumptions and method changes are amortized over a closed 20-year period. Gains and losses are amortized over an open 15-year period.

**Trend Information**

The Schedule of Funding Progress (dollar amounts in thousands) on the following page shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The District implemented GASB Statement No. 45 in 2008.

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**8. Postemployment Benefits Other Than Pensions (continued)**

**Trend Information (continued)**

Actuarial Valuation Date	(A) Entry Age Actuarial Accrued Liability (AAL)	(B) Actuarial Value of Assets	(C) Unfunded AAL (UAAL) (A)- (B)	Funded Ratio (B)/A)	(D) Covered Payroll	UAAL as a Percentage of Covered Payroll (C)/(D)
06/30/06	\$ 83,666	\$ -	\$ 83,666	N/A	\$ 36,369	230.0%
06/30/08	94,534	-	94,534	N/A	37,551	251.7%

**9. Restricted and Unrestricted Net Assets**

**Restricted Net Assets**

Restricted for debt service/covenants represents constraints placed on certain net assets as required by the District's Master Resolution and third party general obligation bondholders. Restricted for construction represents constraints placed on certain net assets as a result of legally restricted monies received and unspent from developers as required by State law.

**Unrestricted Net Assets**

As required by GASB Statement No. 34, net assets have been classified according to guidelines established for restricted assets. However, the unrestricted assets, although not legally restricted, have been established pursuant to Board Resolution No. 3359 and are primarily composed of reserves for various purposes. The unrestricted net assets at June 30, 2009 consist of:

Replacement and system betterment reserve	\$ 102,759,457
Operational debt service reserve	8,526,972
General liability and workers comp. reserve	923,616
Other reserves	8,026,469
Total unrestricted net assets	\$ 120,236,514

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**10. Commitments**

**Construction Contracts**

The District is committed to approximately \$63,837,813 million of open construction contracts as of June 30, 2009. The ten largest contracts outstanding include:

	<b>Contract Amount</b>	<b>Balance To Complete</b>
Perris Valley RWRP Plant No. 3 Expansion	\$ 149,234,607	\$ 31,493,973
Moreno Valley RWRP SCATT Project	28,572,233	26,772,233
Nandina Raw Water Pump Station Modification	2,046,923	1,314,354
Oleander Transmission Pipeline	7,261,306	1,091,080
Menifee Lakes Recycled Water	1,227,400	901,778
Murrieta Area Sewer Improvements	4,056,020	857,980
Moreno Valley RWRP Fuel Cell Cogeneration	7,947,801	377,635
Hemet/San Jacinto Valley Integrated Recharge and Recovery Program Well Pumping Facilities	5,237,298	263,162
Fir Avenue 18 Inch Water Transmission Pipeline	191,437	173,996
Moreno Valley RWRP Belt Press Platform Rehabilitation	172,512	163,512
Total	<u>\$ 205,947,537</u>	<u>\$ 63,409,703</u>

**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 natural disasters for which the District maintains various insurance programs. The District has entered into contracts to supervise and administer these programs.

The District retains risk for losses sustained because of liability imposed on the employer (District) by the Workers' Compensation Act. For general liability, the District maintains excess insurance coverage of \$10 million 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. Changes in claims payable for the years ended June 30 are as follows:

	<b>2009</b>	<b>2008</b>
Unpaid claims, beginning	<b>\$ 1,198,225</b>	\$ 1,210,785
Incurred claims and changes in estimates	<b>1,495,774</b>	1,138,901
Claim payments	<b>(1,007,613)</b>	(1,151,461)
Unpaid claims, ending	<u><b>\$ 1,686,386</b></u>	<u>\$ 1,198,225</u>

There was no significant reduction in insurance coverage by major categories of risk from fiscal year 2007/08 to fiscal year 2008/09. Furthermore, there has been no settlement which exceeded insurance coverage for the past three fiscal years.

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# **Eastern Municipal Water District**

## **Notes to the Basic Financial Statements**

(continued)

### **10. Commitments (continued)**

#### **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 bond holders. The Special Funding District Bonds outstanding at June 30, 2009 and 2008, were \$219,041,057 and \$222,135,527 respectively, and are not included in the District's financial statements.

### **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.

### **12. Santa Ana Watershed Project Authority**

The Santa Ana Watershed Project Authority (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. The District became a member of SAWPA in September 1984. An independent audit report is prepared annually and is available for public inspection at the offices of the Authority.

### **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, 2009 and 2008, the amount of refundable deposits was \$29,850,836 and \$36,481,691, respectively. However, when a project is closed, the developer is refunded only the amount remaining after offsetting all accumulated work in process costs. If costs exceed the deposit amount during the project, the developer is billed for additional deposits.

**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**14. Subsequent Events**

- A. On the August 12, 2009, the District issued a total of \$31,625,000 of general obligation bonds. The following table shows details of this issuance.

Improvement District	Amount Issued	Final Maturity	Range of Interest Rates
21	\$ 700,000	September 1, 2014	3.000 – 4.000%
23	2,350,000	September 1, 2014	3.000 – 4.000%
U-4	900,000	September 1, 2039	3.000 – 5.625%
U-6	2,700,000	September 1, 2039	3.000 – 5.625%
U-9	3,093,000	September 1, 2039	3.000 – 5.625%
U-15	400,000	September 1, 2014	3.000 – 4.000%
U-17	1,150,000	September 1, 2014	3.000 – 4.000%
U-20	320,000	September 1, 2014	3.000 – 4.000%
U-22	2,000,000	September 1, 2014	3.000 – 4.000%
U-35	9,000,000	September 1, 2039	3.000 – 5.625%
U-36	9,012,000	September 1, 2039	3.000 – 5.625%
Total	<u>\$ 31,625,000</u>		

- B. The District signed two State Revolving Fund (SRF) project financing agreements with the California State Water Resources Control Board for projects at the Moreno Valley RWRF which are expected to be ratified by their Board later in 2009. These agreements are partly funded with American Reinvestment and Recovery Act of 2009 funds and provide funding for District projects with low-interest 20 year loans. Loan repayment will begin one year after completion of construction. The following table shows details of these loan agreements.

SRF Loan Amount	Interest Rate	Agreement Term	Project
\$38,362,890	1.000%	May 7, 2009 – December 1, 2031	Secondary Clarifier and Tertiary Treatment Expansion (SCATT)
\$46,315,413	2.329%	July 6, 2009 – April 5, 2032	Acid Phase Anaerobic Digester (APAD)

- C. Soboba Settlement Act – This Act was signed into Law by the President of the United States of America on July 31, 2008. This Act approved the Settlement Agreement between the Soboba Band of Luiseno Indians; the United States of America (as trustee for the Soboba Tribe); the Lake Hemet Municipal Water District (LHMWD); 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.

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);



Supplementary Information  
Section

## Eastern Municipal Water District

### Schedule of Revenues, Expenses and Changes in Net Assets –

#### Actual and Budget

For the Year Ended June 30, 2009

The table below compares revenues and expenses of the District compared to budgeted and/or projected figures used by the District to monitor performance during the year. The overall change in net assets was budgeted at a positive \$25.7 million verses an actual of \$42.9 million. The favorable variance of \$17.2 million is attributed to a negative variance in income before capital contributions of \$5.6 million offset by a positive variance in capital contributions of \$22.8 million. Explanations for major variances are included on the following pages.

	2008/09 Actual	2008/09 Budget	Variance with Budget- Positive (Negative)	% Change
<b>Revenues</b>				
Water sales	\$ 103,013,429	\$ 107,115,538	\$ (4,102,109)	-4.0
Sewer service charges	58,889,788	57,006,249	1,883,539	3.2
Recycled water sales	3,722,130	4,750,000	(1,027,870)	-27.6
Connection fees	17,789,045	33,947,567	(16,158,522)	-90.8
Interest	19,093,011	23,420,000	(4,326,989)	-22.7
Property taxes – general levy	33,149,232	36,168,124	(3,018,892)	-9.1
Property taxes – bond levy	1,953,743	1,833,405	120,338	6.2
Standby charges	5,015,076	4,820,000	195,076	3.9
Grant revenues	6,466,818	-	6,466,818	100.0
Other non-operating revenues	7,152,958	5,198,000	1,954,958	27.3
<b>Total Revenues</b>	<b>256,245,230</b>	<b>274,258,883</b>	<b>(18,013,653)</b>	<b>-7.0</b>
<b>Expenses</b>				
Purchased water	41,318,803	47,729,630	6,410,827	15.5
Water operations	40,834,689	42,002,975	1,168,286	2.9
Sewer operations	41,160,507	42,517,105	1,356,598	3.3
Recycled water operations	4,749,447	5,404,033	654,586	13.8
General and administrative	24,185,633	27,783,205	3,597,572	14.9
Depreciation and amortization	54,545,053	55,000,000	454,947	0.8
Net other postemployment benefits	7,065,471	6,000,000	(1,065,471)	-15.1
Interest – certificates of participation	23,564,234	28,658,462	5,094,228	21.6
Interest – bond and other	2,056,802	1,326,449	(730,353)	-35.5
Loss on disposal of fixed assets	213,845	1,500,000	1,286,155	-601.4
Other expenses	8,456,917	2,600,000	(5,856,917)	-69.3
<b>Total expenses</b>	<b>248,151,401</b>	<b>260,521,859</b>	<b>12,370,458</b>	<b>5.0</b>
Income before contributions	8,093,829	13,737,024	(5,643,195)	-69.7
Capital contributions	34,821,508	12,000,000	22,821,508	65.5
<b>Changes in net assets</b>	<b>\$ 42,915,337</b>	<b>\$ 25,737,024</b>	<b>\$ 17,178,313</b>	<b>40.0</b>



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**Eastern Municipal Water District**  
**Notes to the Basic Financial Statements**

(continued)

**14. Subsequent Events (continued)**

- c. The District shall contract with MWD for a long term water supply agreement to bring 7,500 acre feet of additional imported water into the area to meet the current and future needs;
- d. The local agencies are to 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 will 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 as a result 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 \$8,416,800. This amount is calculated as:

<u>Amount</u>	<u>Description of costs</u>
\$ 17,000,000	Soboba settlement cost for unused water
23,200,000	Estimated construction costs for facilities
(10,000,000)	Federal contribution to the construction of facilities
<u>(5,000,000)</u>	State grant approved for the construction of facilities
<u>\$ 25,200,000</u>	Total
33.4%	Liability percentage
<u>\$ 8,416,800</u>	District's expected share of costs

The District has opened escrow on the land and the designated funds deposit will occur when the agreement is enforceable, which is expected to be early in 2010.

**Eastern Municipal Water District**  
**Notes to Supplementary Schedule**  
Major Budget Variances

The following denotes explanations for some of the major variances between actual and budget for the previous table:

- Budgeted water sales revenue exceeded actual by a net \$4.1 million primarily due to budgeted water sales exceeding actual by 8,528 acre feet (AF) or 8.0%. This variance relates to a slower than estimated growth level due to economic conditions and the conservation efforts of District customers. This budget excess was offset by average non-MWD rate increases effective February 7, 2009 greater than budget, while the daily service charge rate increase was lower than budget. Additionally, a new budget-based tiered rate system was implemented with April 2009 bills, which was not included in budget amounts.
- Sewer service charges exceeded budget by \$1.9 million primarily due to budget amounts being calculated too low. Amounts were based upon forecasted 2007/08 actual amounts that ended higher than expected at fiscal year end.
- Connection fees were budgeted at 2,935 water hook ups and 3,421 sewer hook ups. Actual connections were 1,625 and 3,094, or 45% and 10% less than expected, respectively, due to a slower than estimated growth level in development.
- Interest income was less than budget due to a lower than anticipated average yield on investments.
- The decrease in property taxes was primarily due to an actual assessed valuation decrease of 0.75% while the budgeted increase was 3%.
- Grant revenues were previously shown on the financial statements as capital contributions, therefore no separate budget amount was determined for the 2008/09 fiscal year.
- Other non-operating revenues was higher than budget primarily due to gains on sales of investments of \$1.0 million and water supply development fees of \$1.0 million that were not budgeted.
- Loss on disposal of fixed assets was lower primarily due to disposing of less assets than what was planned.
- Purchased water costs were less due to lower than expected water sales relating to economic conditions within the District's service area, implementation of the new budget-based tiered rate structure and the conservation efforts of the District's customers.
- Water operating costs were lower mainly due to energy costs for pumping plants that were less than anticipated due to lower rates; and implementation of the Derceto energy optimization program, which provides pump run schemes to shift usage from peak demand times to off-peak.
- Sewer operating costs were lower mainly due to energy costs for treatment facilities that were less than anticipated due to lower rates.

**Eastern Municipal Water District**  
**Notes to Supplementary Schedule**  
Major Budget Variances

- General and administrative expenses were lower mainly due to legal costs less than expected relating to a lawsuit the District is involved in and lower overall departmental expenses due to numerous cost containment efforts.
- Net other postemployment benefits (OPEB) reporting requirements were implemented for the fiscal year ended June 30, 2008, therefore the amount budgeted for the 2008/09 year was based upon the June 30, 2006 actuarial valuation. The June 30, 2008 actuarial valuation was used to record the actual OPEB expense for the 2008/09 fiscal year.
- Other expenses were greater this year by \$5.9 million primarily due to higher than expected costs relating to reports and studies which are not capitalized; and COP expenses relating to the series 2008D – F issuances which were not included in the budget.
- Capital contributions were higher than expected this year by \$22.8 million. After several years of continued strong growth, the current economic slowdown allowed the District to close out many developer funded projects. These efforts resulted in a higher than expected level of contributed assets.



# Statistical Section

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# Eastern Municipal Water District

## Statistical Section

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements, notes to the basic financial statements, 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. *The District implemented GASB Statement 34 in 2002.*

**NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS**

<u>Fiscal Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Invested in capital assets, net of related debt	\$564,160,887	\$ 615,364,770	\$ 670,647,558	\$ 747,790,921	\$ 864,024,679	\$ 963,472,752	\$ 1,097,667,937	\$ 1,084,993,429
Restricted for debt service/covenants	45,553,269	45,912,373	49,428,231	50,932,809	58,964,117	57,377,104	56,443,385	58,248,958
Restricted for construction	106,195,442	140,113,828	186,769,808	179,216,380	193,659,075	238,268,776	133,617,326	169,061,541
Unrestricted	130,885,167	90,953,153	84,967,519	96,710,649	86,541,422	62,672,401	101,896,457	120,236,514
<b>Total net assets</b>	<b>\$846,794,765</b>	<b>\$ 892,344,124</b>	<b>\$ 991,813,116</b>	<b>\$ 1,074,650,759</b>	<b>\$ 1,203,189,293</b>	<b>\$ 1,321,791,033</b>	<b>\$ 1,389,625,105</b>	<b>\$ 1,432,540,442</b>
% Increase		5.4%	11.1%	8.4%	12.0%	9.9%	5.1%	3.1%

Note: The information shown is retroactive to implementation of GASB Statement No. 34.

Source: Eastern Municipal Water District

**CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS**

Fiscal Year	Operating Revenues		Operating Expenses <sup>2</sup>		Operating Loss	Total Nonoperating Revenues/ (Expenses)	Income before Capital Contributions	Capital Contributions <sup>1</sup>	Change in Net Assets
	Water <sup>3</sup>	Wastewater	Water	Wastewater					
<b>2002</b>	\$ 58,355,346	\$ 29,008,146	\$ 69,924,459	\$ 44,954,646	\$ (27,515,613)	\$ 42,575,251	\$ 15,059,638	\$ 11,251,237	\$ 26,310,875
<b>2003</b>	60,565,819	31,382,908	75,448,383	48,285,185	(31,784,841)	61,427,456	29,642,615	15,906,744	45,549,359
<b>2004</b>	64,796,401	35,565,428	76,225,644	52,199,401	(28,063,216)	94,022,649	65,959,433	33,509,559	99,468,992
<b>2005</b>	66,258,221	41,238,057	85,135,040	59,332,209	(36,970,971)	89,195,075	52,224,104	30,613,539	82,837,643
<b>2006</b>	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
<b>2007</b>	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
<b>2008</b>	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
<b>2009</b>	103,013,429	62,611,918	120,796,091	93,063,512	(48,234,256)	56,328,085	8,093,829	34,821,508	42,915,337

Notes:

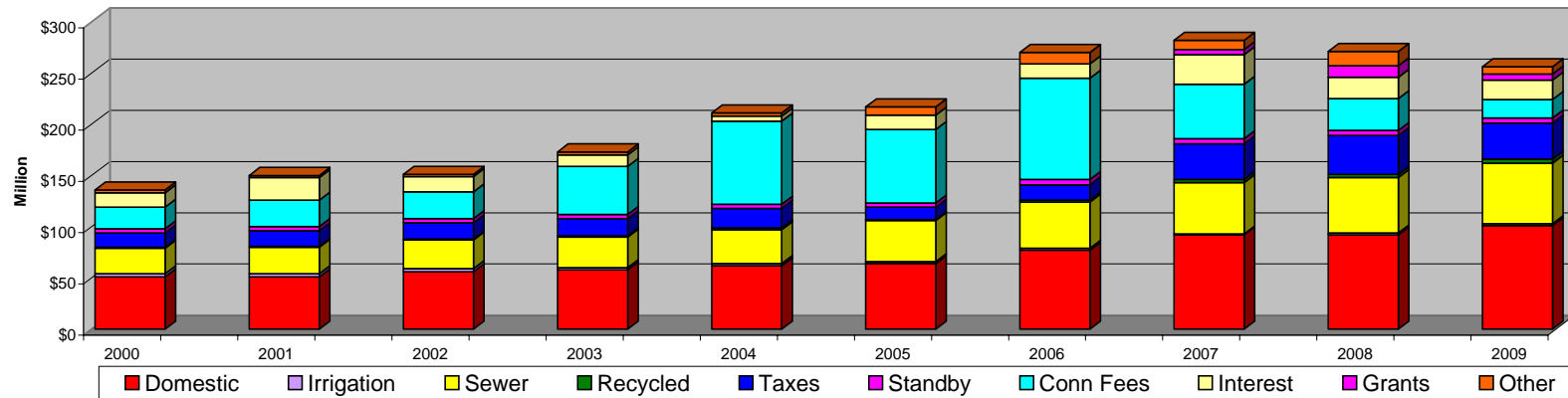
The information shown is retroactive to implementation of GASB Statement No. 34.

1. Increased construction activity relating to growth and market conditions accounts for the increases in contributed infrastructure from 2004 - 2007. This amount decreased for 2008 and 2009 due to lower construction activity.
2. The District implemented GASB Statement No. 45 for 2008; net other postemployment benefit expense of \$6.2 million for 2008 and \$7.1 million for 2009 is included.
3. The District implemented a budget-based tiered rate structure for April 2009 bills to single and multifamily residential and landscape customers. This structure is designed to be revenue neutral, but significant billings were in the higher use wasteful tiers.

Source: Eastern Municipal Water District

## REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year	Domestic Water Sales	% of Total	Ag & Irrig Water Sales	% of Total	Sewer Service Charges	% of Total	Recycled Water Sales	% of Total	Taxes & Assmnts <sup>1</sup>	% of Total	Standby Charges	% of Total	Connect. Fees <sup>2</sup>	% of Total	Interest Income <sup>3</sup>	% of Total	Grants <sup>4</sup>	% of Total	Other <sup>5</sup>	% of Total	Total Revenues
2000	51,382,241	37.8%	2,636,349	2.0%	25,361,569	18.7%	1,102,441	0.8%	13,882,413	10.2%	3,816,486	2.8%	20,767,021	15.3%	14,289,528	10.5%	-	0.0%	2,560,252	1.9%	135,798,300
2001	51,360,308	34.1%	2,859,387	1.9%	26,123,677	17.3%	1,364,456	0.9%	15,164,499	10.0%	3,858,132	2.6%	25,949,508	17.2%	22,194,517	14.7%	-	0.0%	1,901,955	1.3%	150,776,439
2002	55,736,727	37.1%	2,618,619	1.7%	27,825,278	18.5%	1,182,868	0.8%	15,744,074	10.5%	3,929,860	2.6%	25,740,750	17.1%	15,407,309	10.2%	-	0.0%	2,283,437	1.5%	150,468,922
2003	58,351,059	33.6%	2,214,760	1.3%	29,973,084	17.2%	1,409,824	0.8%	16,914,346	9.7%	4,006,786	2.3%	46,960,911	27.0%	11,219,083	6.5%	-	0.0%	2,712,153	1.6%	173,762,006
2004	62,824,662	29.6%	1,971,739	0.9%	33,496,234	15.8%	2,069,194	1.0%	18,698,381	8.8%	4,172,104	2.0%	80,804,323	38.0%	5,186,086	2.4%	-	0.0%	3,183,193	1.5%	212,405,916
2005	64,092,906	29.5%	2,165,315	1.0%	39,739,370	18.3%	1,498,687	0.7%	11,517,848	5.3%	4,354,591	2.0%	72,445,434	33.4%	13,576,749	6.3%	-	0.0%	7,693,026	3.5%	217,083,926
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	39.3%	2,045,633	0.8%	58,889,788	23.0%	3,722,130	1.5%	35,102,975	13.7%	5,015,076	2.0%	17,789,045	6.9%	19,093,011	7.5%	6,466,818	2.5%	7,152,958	2.8%	256,245,230



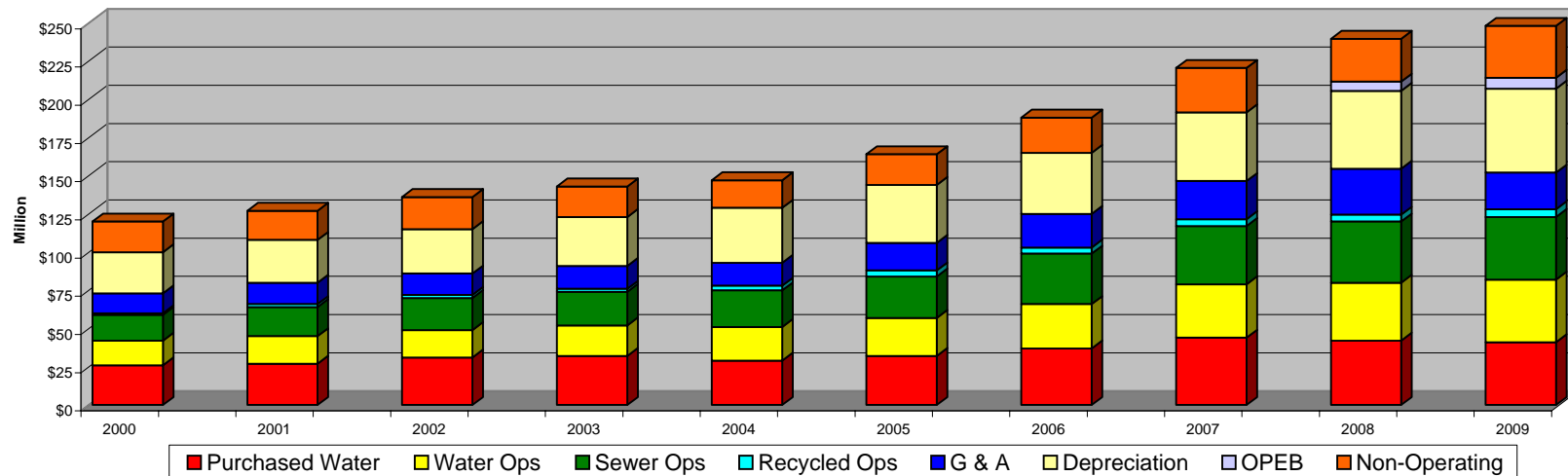
**Notes:**

- 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, 2008 and 2009.
- Increased interest income for 2007 and 2008 is due to a higher average portfolio balance and higher average yields.
- Grants revenue was separately stated for 2007 and 2008. Previously, these amounts were shown as capital contributions or other revenue.
- Gain on sale of fixed assets of \$6.6 million is included in the amount for 2008.



## EXPENSES BY FUNCTION LAST TEN FISCAL YEARS

Fiscal Year	Purchased Water	% of Total	Water Operations	% of Total	Sewer Operations	% of Total	Recycled		General & Admin. <sup>1</sup>	% of Total	Depr. & Amort.	% of Total	Net OPEB <sup>2</sup>	% of Total	Total Non-Operating Expenses	% of Total	Total Expenses
							Water Operations	% of Total									
2000	26,331,029	21.6%	16,348,960	13.4%	17,453,978	14.3%	1,313,145	1.1%	13,429,893	11.0%	27,279,095	22.4%	-	0.0%	19,790,677	16.2%	121,946,777
2001	26,985,006	21.2%	17,606,824	13.8%	19,313,651	15.2%	1,922,568	1.5%	14,463,535	11.4%	27,887,507	21.9%	-	0.0%	19,062,414	15.0%	127,241,505
2002	30,632,930	22.6%	17,886,826	13.2%	20,540,533	15.2%	1,988,321	1.5%	14,395,481	10.6%	29,435,014	21.7%	-	0.0%	20,530,179	15.2%	135,409,284
2003	32,307,403	22.4%	19,534,843	13.6%	22,151,919	15.4%	2,410,213	1.7%	15,317,533	10.6%	31,911,657	22.2%	-	0.0%	20,385,823	14.1%	144,019,391
2004	29,104,840	19.9%	21,777,484	14.9%	23,789,668	16.2%	2,992,339	2.0%	15,186,601	10.4%	35,574,113	24.3%	-	0.0%	18,021,438	12.3%	146,446,483
2005	32,380,524	19.6%	25,111,134	15.2%	27,194,672	16.5%	3,789,915	2.3%	18,418,043	11.2%	37,572,961	22.8%	-	0.0%	20,392,573	12.4%	164,859,822
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	16.7%	40,834,689	16.5%	41,160,507	16.6%	4,749,447	1.9%	24,185,633	9.7%	54,545,053	22.0%	7,065,471	2.8%	34,291,798	13.8%	248,151,401



**Notes:**

1. The increase in general and administrative charges in 2007 and 2008 primarily relates to increased legal expense for a lawsuit the District is involved in - United States of America v. EMWD. The decrease in 2009 primarily relates to settlement of the lawsuit and department-wide cost-containment efforts.
2. The District implemented GASB Statement No. 45 for 2008.

Source: Eastern Municipal Water District

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

Fiscal Year	← Gallons Produced <sup>1</sup> →				Water ← Gallons Consumed →					Gallons of Wastewater Treated	← Total Direct Rate Water →		
	Purchased	Wells	Desalters <sup>2</sup>	Total	Domestic	Ag & Irrig	Total	Total	Avg %		Base Rate <sup>3,6</sup>	Usage Rate <sup>4,6</sup>	Sewer <sup>5</sup>
<b>2000</b>	21,690	6,777	-	28,467	24,518	2,577	27,095	1,372	4.8%	11,529	6.02	29.48	15.18
<b>2001</b>	22,128	6,596	-	28,724	24,590	2,893	27,483	1,241	4.3%	11,695	6.02	29.46	14.68
<b>2002</b>	25,096	6,032	-	31,128	26,748	2,656	29,404	1,724	5.5%	11,508	6.02	29.46	14.84
<b>2003</b>	26,056	5,925	95	32,076	28,315	2,135	30,450	1,626	5.1%	12,417	7.27	29.50	15.18
<b>2004</b>	24,722	5,763	536	31,021	27,092	1,689	28,781	2,240	7.2%	13,963	7.45	30.10	16.17
<b>2005</b>	24,532	5,352	217	30,101	26,247	1,698	27,945	2,156	7.2%	15,805	7.70	31.04	17.40
<b>2006</b>	25,818	6,353	944	33,115	29,688	771	30,459	2,656	8.0%	16,352	8.15	32.36	18.86
<b>2007</b>	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
<b>2008</b>	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
<b>2009</b>	25,390	6,332	1,455	33,177	30,721	1,225	31,946	1,232	3.7%	16,482	10.52	41.52	21.88

Notes:

The information shown does not include recycled water.

1. Gallons are presented in millions.

2. No desalter facilities existed prior to 2003.

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

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

5. Rate shown is an average rate for one month of service.

6. 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**

<b>Fiscal Year</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b> <sup>3</sup>
<b>Water Rates</b>										
<b>Monthly base rate (meter size)</b>										
<b>&lt;=1"</b>	\$ 6.02	\$ 6.02	\$ 6.02	\$ 7.27	\$ 7.45	\$ 7.70	\$ 8.15	\$ 8.43	\$ 10.04	\$ 10.52
<b>1 1/2"</b>	9.03	9.03	9.03	10.90	11.19	11.56	12.23	12.65	15.06	27.68
<b>2"</b>	12.05	12.05	12.05	14.54	14.90	15.39	16.30	16.85	20.08	51.40
<b>3"</b>	24.09	24.09	24.09	29.08	29.81	30.78	32.61	33.70	40.15	171.25
<b>4"</b>	30.11	30.11	30.11	36.35	37.26	38.48	40.76	42.16	50.19	270.40
<b>6"</b>	42.16	42.16	42.16	50.89	52.16	53.87	57.06	59.01	70.26	505.53
<b>8"</b>	48.18	48.18	48.18	58.16	59.62	61.56	65.21	67.40	80.30	633.28
<b>Usage rate (per billing unit)<sup>1</sup></b>	\$ 29.48	\$ 29.46	\$ 29.46	\$ 29.50	\$ 30.10	\$ 31.04	\$ 32.36	\$ 34.40	\$ 36.38	\$ 41.52
<b>Sewer Rates (avg per month)<sup>2</sup></b>	\$ 15.18	\$ 14.68	\$ 14.84	\$ 15.18	\$ 16.17	\$ 17.40	\$ 18.86	\$ 19.64	\$ 20.58	\$ 21.88

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. The District charges 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 conservation-based tiered-rate structure for domestic single-family and multi-family residential usage and landscape usage.

Source: Eastern Municipal Water District

**LARGEST DOMESTIC WATER CUSTOMERS  
AS OF JUNE 30, 2009**

	<b>Customer Name</b>	<b>Annual Water Sales in Acre Feet</b>	<b>Annual Revenues</b>	<b>Percentage</b>
1	City of Perris <sup>1</sup>	1,994	\$ 1,459,915	18.3%
2	Western Municipal Water District <sup>1,2</sup>	1,811	1,316,592	16.4%
3	Moreno Valley School District	1,161	1,036,111	12.9%
4	Valley-Wide Recreation Park	1,006	885,129	11.0%
5	City of Moreno Valley	954	856,814	10.7%
6	Nuevo Mutual Water Company <sup>1</sup>	914	606,773	7.5%
7	Val Verde Unified School District	612	541,973	6.7%
8	Shadow Mountain Comm. Assoc.	572	536,658	6.6%
9	City of Murrieta	536	490,502	6.1%
10	County of Riverside	362	313,219	3.8%
	<b>Total</b>	<b>9,924</b>	<b>\$ 8,043,685</b>	
	Total domestic water sales	94,280	\$ 100,967,796	
	Percentage of total	10.5%	8.0%	

Notes:

Information for fiscal year ended June 30, 2000 is not available.

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, 2009**

	<b>Customer Name</b>	<b>Annual Water Sales in Acre Feet</b>	<b>Annual Revenues</b>	<b>Percentage</b>
1	C and R Farms	675	\$ 346,469	39.3%
2	Mc Anally Egg Enterprises	141	105,199	11.9%
3	Metropolitan Water District	95	70,571	8.0%
4	Kevin and Pauline Doan	102	67,259	7.6%
5	Abacherli Dairy	85	55,834	6.3%
6	Sunnymead Ranch PCA	69	54,413	6.2%
7	Demler Egg Ranch	107	50,717	5.8%
8	San Jacinto Cemetery District <sup>1</sup>	94	48,633	5.5%
9	Valley Health System	65	42,776	4.9%
10	MCM Poultry	46	38,854	4.4%
	<b>Total</b>	<b>1,479</b>	<b>\$ 880,724</b>	
	Total ag. & irrigation water sales	3,758	\$ 2,045,633	
	Percentage of total	39.4%	43.1%	

Notes:

Information for fiscal year ended June 30, 2000 is not available.

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

1. Sales include only well water which is sold at a lesser rate than imported water.

Source: Eastern Municipal Water District

**LARGEST RECYCLED WATER CUSTOMERS  
AS OF JUNE 30, 2009**

	<b>Customer Name</b>	<b>Annual Water Sales in Acre Feet</b>	<b>Annual Revenues</b>	<b>Percentage</b>
1	Agri Empire	4,987	\$ 308,431	19.2%
2	Hemet Golf Club Landmark	593	247,258	15.4%
3	Inland Empire Energy Center LLC	850	234,279	14.6%
4	SCGA Members Club	652	176,866	11.0%
5	Rancho Casa Loma	2,674	130,627	8.1%
6	Sun City Golf Course LLC	466	126,168	7.9%
7	SJ Wildlife Dept. of Fish and Game	3,110	103,234	6.4%
8	A G Sod Farms	1,493	102,121	6.4%
9	City of Moreno Valley	328	88,742	5.6%
10	Hemet Unified School District	314	87,247	5.4%
	<b>Total</b>	<b>15,470</b>	<b>\$ 1,604,974</b>	
	Total recycled water sales	31,344	\$ 3,722,130	
	Percentage of total	49.4%	43.1%	

Notes:

Information for fiscal year ended June 30, 2000 is not available.

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, 2009**

	<b>Customer Name</b>	<b>Annual Revenues</b>	<b>Percentage</b>
1	Pechanga Resort and Casino	\$ 451,564	30.9%
2	Stonegate Apartments	130,781	8.9%
3	United Dominion Realty Trust	118,145	8.1%
4	Palm Court Apartments	114,203	7.9%
5	Western States Mobile Home Park	111,871	7.6%
6	Hemet Unified School District	111,602	7.6%
7	Apartments Cottonwood Place	110,724	7.6%
8	Sonoma at Mapleton Commons	105,554	7.2%
9	El Dorado Pointe Apt. Invs. LLC	104,411	7.1%
10	Sienna Point Apartments LP	103,803	7.1%
	<b>Total</b>	<b>\$ 1,462,659</b>	
	Total sewer revenue	\$ 58,889,788	
	Percentage of total revenue	2.5%	

Note:

Information for fiscal year ended June 30, 2000 is not available.

Source: Eastern Municipal Water District

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

Rates Effective Beginning January <sup>1</sup>	Full Service Domestic Groundwater Replenishment and Reservoir		Interim Agricultural Program		Shift Seasonal Storage		Recycled	Long Term Seasonal Storage	
	Treated	Untreated	Treated	Untreated	Treated	Untreated		Treated	Untreated
<b>2000</b>	431	349	294	236	323	266	113	290	233
<b>2001</b>	431	349	294	236	334	277	113	290	233
<b>2002</b>	431	349	294	236	345	288	113	290	233
<b>2003</b> Tier 1	408	326	294	236	-	-	-	290	233
Tier 2	489	407	n/a	n/a	-	-	-	n/a	n/a
<b>2004</b> Tier 1	418	326	304	236	-	-	-	300	233
Tier 2	499	407	n/a	n/a	-	-	-	n/a	n/a
<b>2005</b> Tier 1	443	331	329	241	-	-	-	325	238
Tier 2	524	412	n/a	n/a	-	-	-	n/a	n/a
<b>2006</b> Tier 1	453	331	339	241	-	-	-	335	238
Tier 2	549	427	n/a	n/a	-	-	-	n/a	n/a
<b>2007</b> Tier 1	478	331	364	241	-	-	-	360	238
Tier 2	574	427	n/a	n/a	-	-	-	n/a	n/a
<b>2008</b> Tier 1	508	351	394	261	-	-	-	390	258
Tier 2	606	449	n/a	n/a	-	-	-	n/a	n/a
<b>2009</b> Tier 1	579	412	465	322	-	-	-	436	294
Tier 2	695	528	n/a	n/a	-	-	-	n/a	n/a

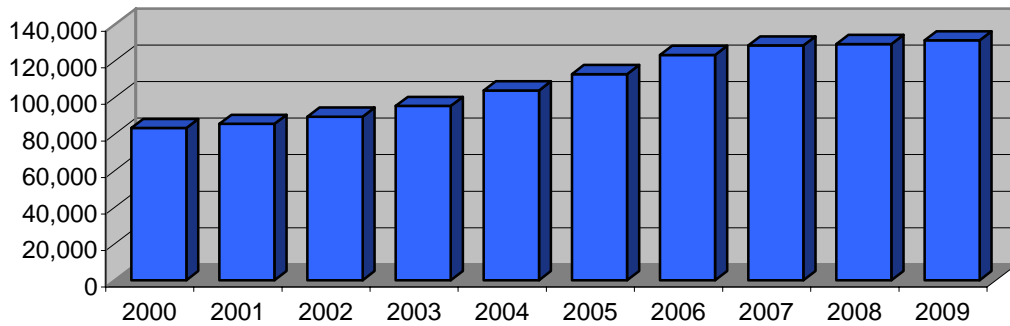
Note: 1. MWD implemented a new two-tiered commodity rate structure effective January 1, 2003.

Source: Metropolitan Water District of Southern California (MWD)

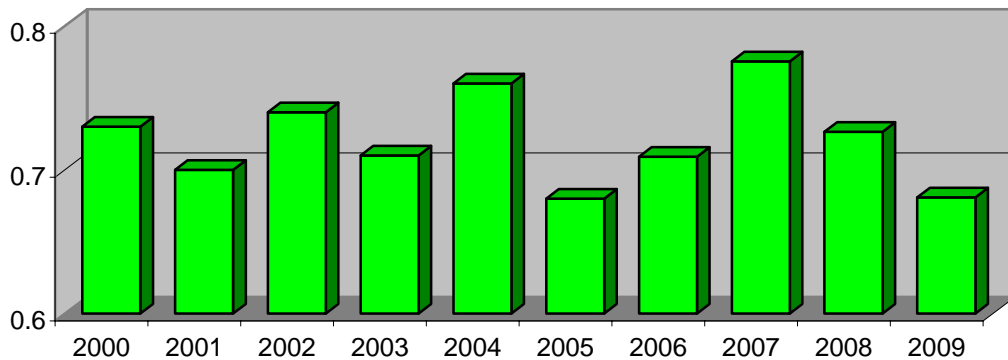
## ANNUAL DOMESTIC CONSUMPTION (AF) LAST TEN FISCAL YEARS

Fiscal Year	Usage (AF)	Active Accounts	Average AF per Account
<b>2000</b>	61,007	83,293	0.73
<b>2001</b>	60,231	85,638	0.70
<b>2002</b>	66,293	89,569	0.74
<b>2003</b>	67,345	95,449	0.71
<b>2004</b>	79,006	103,919	0.76
<b>2005</b>	77,066	112,845	0.68
<b>2006</b>	87,488	123,384	0.71
<b>2007</b>	99,658	128,506	0.78
<b>2008</b>	93,956	129,344	0.73
<b>2009</b>	89,448	131,392	0.68

**Number of Accounts**



**Average AF/Account**



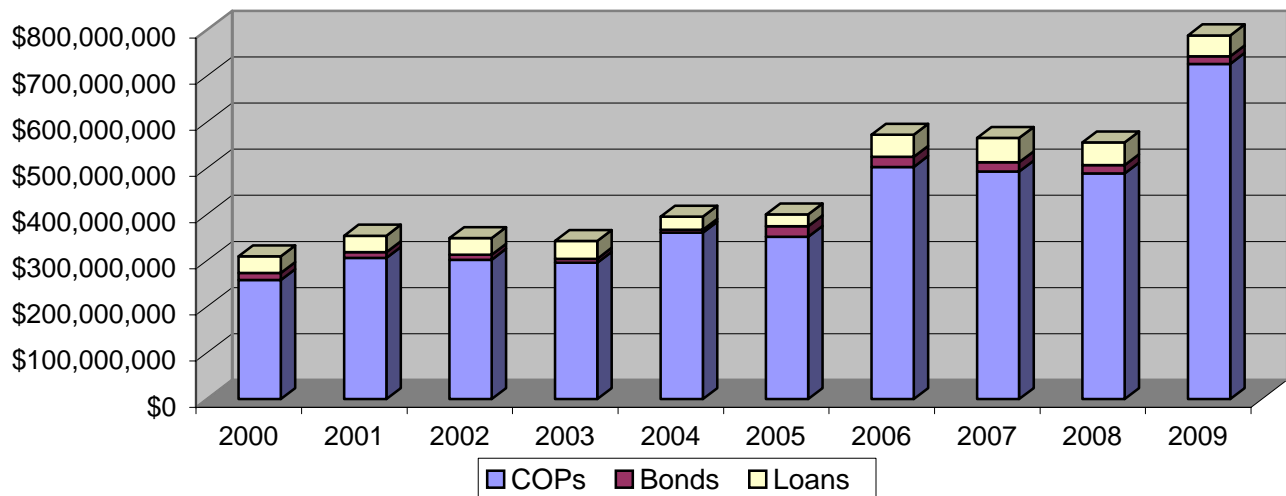
Notes: Amounts exclude wholesale accounts.

Usage per account decreased in 2008 and 2009 due to conservation efforts  
and the level of bank-owned homes due to the economic downturn.

Source: Eastern Municipal Water District

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

Fiscal Year	Certificates of Participation <sup>1</sup>	General Obligation		Total	Percentage of Assessed Value <sup>2</sup>
		Bonds	Loans		
2000	\$ 258,075,000	\$ 14,790,000	\$ 36,556,179	\$ 309,421,179	1.59%
2001	305,615,000	12,675,000	35,588,494	353,878,494	1.65%
2002	301,880,000	10,515,000	36,124,905	348,519,905	1.47%
2003	295,475,000	8,450,000	38,556,914	342,481,914	1.29%
2004	360,370,000	6,455,000	28,603,485	395,428,485	1.31%
2005	351,615,000	22,695,000	25,705,169	400,015,169	1.10%
2006	502,990,000	21,675,000	48,103,473	572,768,473	1.25%
2007	493,190,000	19,945,000	52,874,716	566,009,716	0.98%
2008	488,460,000	18,140,000	49,630,496	556,230,496	0.82%
2009	726,270,000	16,260,000	45,407,198	787,937,198	1.17%



**Notes:**

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

1. The District issued over \$160 million of new COPs in fiscal year ended 2006.

The District issued over \$240 million of new COPs in fiscal year ended 2009.

2. Assessed value includes both secured and unsecured property.

Source: Eastern Municipal Water District



**PARITY DEBT SERVICE COVERAGE  
LAST TEN FISCAL YEARS**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>OPERATING REVENUES:</b>										
Water sales	\$ 54,018,590	\$ 54,219,695	\$ 58,355,346	\$ 60,565,819	\$ 64,796,401	\$ 66,258,221	\$ 77,611,474	\$ 92,679,789	\$ 94,135,642	\$ 103,013,429
Sewer service sales	25,361,569	26,123,677	27,825,278	29,973,084	33,496,234	39,739,370	45,462,646	50,318,414	54,408,172	58,889,788
Recycled water sales	1,102,441	1,364,456	1,182,868	1,409,824	2,069,194	1,498,687	1,944,434	2,748,328	2,564,656	3,722,130
Total operating revenues	80,482,600	81,707,828	87,363,492	91,948,727	100,361,829	107,496,278	125,018,554	145,746,531	151,108,470	165,625,347
<b>OPERATING EXPENSES:</b>										
Water purchases	26,331,029	26,985,006	30,632,930	32,307,403	29,104,840	32,380,524	36,817,458	43,866,732	41,653,430	41,318,803
Water operations	16,348,960	17,606,824	17,886,826	19,634,843	21,777,484	25,111,134	29,030,238	35,332,561	38,447,533	40,834,689
Sewer operations	18,767,123	21,236,219	22,528,854	24,562,132	26,782,007	30,984,587	37,351,240	41,783,797	45,047,856	45,909,954
General and administrative	13,429,893	14,463,535	14,395,481	15,317,533	15,186,601	18,418,043	21,520,070	25,292,047	30,138,792	24,185,633
Total operating expenses	74,877,005	80,291,584	85,444,091	91,821,911	92,850,932	106,894,288	124,719,006	146,275,137	155,287,611	152,249,079
OPERATING INCOME (LOSS)	5,605,595	1,416,244	1,919,401	126,816	7,510,897	601,990	299,548	(528,606)	(4,179,141)	13,376,268
<b>NON-OPERATING REVENUES:</b>										
Property taxes - general purpose	10,778,537	11,753,408	12,887,334	14,477,271	16,531,907	8,707,881	11,213,568	31,293,863	34,528,767	33,149,232
Standby charges	3,816,486	3,858,132	3,929,860	4,006,786	4,172,104	4,354,591	4,518,411	4,667,297	4,868,154	5,015,076
Water and sewer connection fees	20,767,021	25,949,508	25,740,750	46,960,911	80,804,323	72,445,434	99,485,272	52,894,363	30,706,687	17,789,045
Interest income	13,948,178	21,827,134	15,105,192	10,986,525	4,987,397	13,354,263	13,545,983	28,899,522	20,128,848	18,706,820
Grant revenues <sup>1</sup>	-	-	-	-	-	-	-	-	11,261,996	6,466,818
Other income/(expense)	(978,297)	(2,107,544)	(1,637,861)	(1,564,986)	780,603	3,077,188	7,088,624	4,093,851	8,812,367	(1,630,307)
Total non-operating revenues	48,331,925	61,280,638	56,025,275	74,866,507	107,276,334	101,939,357	135,851,858	121,848,896	110,306,819	79,496,684
<b>NON-OPERATING EXPENSES:</b>										
Parity debt service loan payments (DWR) <sup>2</sup>	-	-	-	-	-	-	-	-	-	1,052,460
Debt service interest payments (COP)	15,069,255	14,033,057	15,736,862	15,427,928	15,042,051	15,358,957	18,404,817	22,670,400	21,953,962	23,564,234
Total non-operating expenses	15,069,255	14,033,057	15,736,862	15,427,928	15,042,051	15,358,957	18,404,817	22,670,400	21,953,962	24,616,694
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE EXTRAORDINARY ITEM</b>										
	38,868,265	48,663,825	42,207,814	59,565,395	99,745,180	87,182,390	117,746,589	98,649,890	84,173,716	68,256,258
Add back for parity debt	15,069,255	14,033,057	15,736,862	15,427,928	15,042,051	15,358,957	18,404,817	22,670,400	21,953,962	24,616,694
Net revenues for debt coverage	53,937,520	62,696,882	57,944,676	74,993,323	114,787,231	102,541,347	136,151,406	121,320,290	106,127,678	92,872,952
Parity debt: COP & Loan principal and interest	20,994,255	19,233,057	19,471,862	21,832,928	21,737,051	24,113,957	27,374,817	32,005,400	28,708,962	35,831,694
PARITY DEBT SERVICE COVERAGE RATIO	2.6	3.3	3.0	3.4	5.3	4.3	5.0	3.8	3.7	2.6

Notes:

1. Grant revenues were separately stated for 2008. Previously, these amounts were shown as capital contributions or other revenue.

2. Loan payments for the construction costs of the Hemet Water Filtration Plant began January 1, 2009.

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

<b>Calendar Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup> (thousands of \$)</b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>Unemployment Rate<sup>2</sup></b>
<b>2000</b>	450,000	\$ 37,014,951	\$ 23,728	5.4%
<b>2001</b>	480,000	39,974,556	24,668	5.5%
<b>2002</b>	501,000	42,010,066	24,797	6.5%
<b>2003</b>	520,300	42,655,266	24,814	6.5%
<b>2004</b>	553,000	45,016,790	25,337	6.0%
<b>2005</b>	596,000	49,443,185	26,342	5.4%
<b>2006</b>	629,000	53,246,505	27,449	5.0%
<b>2007</b>	675,000	57,666,983	28,730	6.2%
<b>2008</b>	687,000	61,023,518	29,560	8.6%

Notes: Data is not readily available for calendar years prior to 2000.

1. Data is for the District's service area.

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

Source: State of California Employment Development Department

**PRINCIPAL EMPLOYERS  
FISCAL YEAR ENDED JUNE 30, 2009**

<b>Employer</b>	<b>No. of Employees</b>	<b>Percentage of Total Labor Force</b>
County of Riverside	21,425	2.6%
March Air Reserve Base	8,400	1.0%
University of California Riverside	7,147	0.9%
Wal-Mart	6,550	0.8%
Stater Brothers Markets	6,500	0.8%
Riverside Unified School District	5,099	0.6%
Pechanga Resort and Casino	5,000	0.6%
Abbott Vascular	4,500	0.5%
Riverside Community College District	3,765	0.5%
Kaiser Permanente Medical Center	3,200	0.4%
Total	<u>71,586</u>	<u>8.6%</u>
Total Labor Force		835,000

Notes: Information for fiscal year ended June 30,2000 is not available.

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

Sources: The Business Press' 2008 Book of Lists

State of California Employment Development Department

**DISTRICT EMPLOYEES BY FUNCTION  
LAST FOUR FISCAL YEARS**

<b><u>Water Operations</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Water Resources Development and Management <sup>2</sup>	12	13	17	19
Water Quality	17	18	15	15
Water Operations and Distribution	60	57	66	63
<b><u>Wastewater Operations</u></b>				
Wastewater Collection	13	15	15	14
Source Control	12	10	10	10
Water Reclamation Plant	75	76	82	82
<b><u>Maintenance Services</u></b>				
Maintenance	19	20	20	22
Auto and Fabrication	14	14	14	13
Mechanical	26	27	27	30
Electrical and Controls	20	20	21	22
Field and Grounds	36	37	37	37
<b><u>Engineering Services</u></b>				
General Engineering <sup>1</sup>	61	52	56	57
Inspections and Construction Management	36	44	39	40
New Business Development <sup>1</sup>	20	34	28	25
<b><u>Administration</u></b>				
Environmental and Regulatory Compliance	8	9	7	8
Executive and Administration	8	8	10	10
Billing/Customer Service	41	47	49	49
Meter Reading	24	25	25	25
Finance and Accounting	18	18	20	21
Human Resources	12	12	13	13
Legislative Affairs	3	3	3	2
Information Systems	37	35	33	33
Purchasing, Warehouse and Records Management	28	28	28	29
Community Involvement <sup>2</sup>	10	13	9	9
<b>Total</b>	<b><u>610</u></b>	<b><u>635</u></b>	<b><u>644</u></b>	<b><u>648</u></b>

Notes: All directors and managers are included with their divisions.

Temporary, contract and summer help employees are not included.

Data is not readily available for fiscal years prior to 2006.

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

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

Source: Eastern Municipal Water District

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

	Fiscal Year Ended						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b><u>POTABLE WATER SYSTEM</u></b>							
Miles of pipeline:							
transmission and distribution	1,528	1,867	2,051	2,345	2,442	2,437	2,444
Number of storage tanks <sup>1</sup>	76	78	77	78	79	78	77
Maximum storage capacity (million gallons)	178	188	188	193	193	189	188
Number of active pumping plants	79	80	80	82	83	81	84
Number of active wells:							
domestic	17	18	18	18	18	18	18
desalter	2	2	2	9	7	5	5
Domestic well production capacity:							
gallons per minute	18,179	17,953	19,000	19,747	22,076	21,597	21,806
million gallons per day	26.2	25.9	27.4	28.4	31.8	31.1	31.4
acre feet per year	29,310	28,959	30,407	31,852	35,609	34,836	35,173
Number of water treatment plants:							
desalter	1	1	1	2	2	2	2
filtration	1	1	1	1	2	2	2
Treatment plant capacity (million gallons per day):							
desalter plants	3.0	3.0	3.0	8.0	8.0	8.0	8.0
filtration plants	11.4	11.4	11.4	11.4	21.4	32.0	32.0
Number of service connections:							
active domestic accounts	95,449	103,919	112,845	123,384	128,506	129,344	131,392
active agriculture and irrigation accounts	167	153	139	130	129	140	143
<b><u>SEWER SYSTEM</u></b>							
Miles of sewer lines <sup>2</sup>	1,200	1,400	1,500	1,750	1,857	1,721	1,729
Number of treatment plants	5	5	5	5	5	5	5
Treatment plant capacity (million gallons per day)	53	53	53	59	59	59	63
Average million gallons per day treated	34.0	38.2	43.3	44.8	46.0	46.2	45.2
Percentage of capacity utilized	64%	72%	82%	76%	78%	78%	72%
Number of active lift stations	35	40	43	46	46	46	46
<b><u>RECYCLED WATER SYSTEM</u></b>							
Miles of pipeline:							
transmission and distribution	123	139	159	174	192	201	202
Number of active pumping facilities	14	14	15	17	17	17	18
Maximum storage capacity (acre feet) <sup>3</sup>	6,669	6,653	6,670	6,571	6,694	6,764	5,776
<b><u>GENERAL INFORMATION</u></b>							
Service area:							
acres	345,903	346,125	346,148	346,337	346,425	346,449	346,691
square miles	540.5	540.8	540.9	541.2	541.3	541.3	541.7
Average years of service of employees	10.86	10.90	10.63	9.80	9.98	10.05	10.20

Notes: Data is not readily available for fiscal years prior to 2003.

1. Potable storage tanks and capacity decreased in 2008 and 2009 due to conversion to recycled water.
2. Miles of sewer lines decreased in 2008 because the District transferred sewer lines to the City of San Jacinto.
3. 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.

Source: Eastern Municipal Water District

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

<b>Fiscal Year</b>	<b>Retail Sales</b>	<b>Write Offs</b>	<b>% of Sales</b>
<b>2000</b>	\$ 63,682,193	\$ 259,197	0.4%
<b>2001</b>	63,691,389	244,161	0.4%
<b>2002</b>	68,291,381	236,168	0.3%
<b>2003</b>	70,041,876	301,164	0.4%
<b>2004</b>	83,551,697	255,260	0.3%
<b>2005</b>	88,297,280	259,410	0.3%
<b>2006</b>	103,371,554	384,329	0.4%
<b>2007</b>	121,769,923	724,045	0.6%
<b>2008</b>	126,144,814	1,155,769	0.9%
<b>2009</b>	139,863,262	1,386,075	1.0%
<b>Total</b>	<b>\$ 928,705,369</b>	<b>\$ 5,205,578</b>	<b>0.6%</b>

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**

<b>Fiscal Year</b>	<b>Year End A/R Balance</b>	<b>Reserves</b>	<b>% of A/R</b>
<b>2000</b>	\$ 5,501,355	\$ 116,267	2.1%
<b>2001</b>	5,070,308	56,097	1.1%
<b>2002</b>	5,477,258	69,363	1.3%
<b>2003</b>	5,499,953	56,569	1.0%
<b>2004</b>	5,707,462	89,413	1.6%
<b>2005</b>	5,973,588	91,578	1.5%
<b>2006</b>	7,350,203	187,390	2.5%
<b>2007</b>	9,278,477	368,961	4.0%
<b>2008</b>	9,375,405	690,461	7.4%
<b>2009</b>	10,377,183	838,543	8.1%

Note: Reserves equal accounts over 60 days.

Source: Eastern Municipal Water District

