East Orange County Water District

Orange, California

Annual Financial Report

For the Year Ended June 30, 2015

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Our Mission Statement

"To provide the most cost effective, reliable, and highest quality water services for the present as well as the future by operating in the most cost efficient manner possible, keeping the cost of water to our customers affordable and provide a safe working environment for our employees. Serve the community in an open manner and, at all times, communicate and deliberate in public meetings where open discussions are promoted."

Board of Directors as of June 30, 2015

Name	Title	Elected / Appointed	Current Term
William VanderWerff	President	Elected	12/12 - 12/16
Douglass S. Davert	Vice President	Elected	12/12 - 12/16
Richard B. Bell	Director	Elected	12/14 - 12/18
John Dulebohn	Director	Elected	12/14 - 12/18
Seymour Everett III	Director	Elected	12/14 - 12/18

Lisa Ohlund, General Manager
East Orange County Water District
185 North McPherson Road
Orange, California 92869
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East Orange County Water District
Annual Financial Report
For the Year Ended June 30, 2015

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INTRODUCTORY SECTION

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EAST ORANGE COUNTY WATER DISTRICT

DIRECTORS

Richard B. Bell
Douglass Davert
John Dulebohn
Seymour B. Everett III
William Vanderwerff

Lisa Ohlund
General Manager

185 N McPherson Road
Orange, CA 92869-3720
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Fax: (714) 538-0334
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December 14, 2015

Board of Directors
East Orange County Water District
Orange, California

Introduction

It is our pleasure to submit the Annual Financial Report for the East Orange County Water District (District) for the fiscal year ended June 30, 2015. District staff, following guidelines set forth by the Governmental Accounting Standards Board, prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe is necessary in order to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section provides general information about the District's organization and activities, and provides information useful in assessing the District's financial condition. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditors' Report.

District Background

The East Orange County Water District was formed in December of 1961 and is operating under County Water District Law, which is contained in Division 12 of the California Water Code, Sections 30000 - 33901. The District is an independent special district governed by its Board of Directors; the Board is elected by the voters within the District's service area. Initially the District was formed to provide an agency which would furnish imported water to the area within its boundaries. In July of 1985, the District assumed the retail water operations of the County of Orange's Water District No. 8; it was renamed the "Retail Zone" to distinguish it from the District's historic "Wholesale Zone" and to establish separate internal accounting systems for it.

In the Wholesale Zone, the District delivers water to five sub-agencies within its boundaries consisting of the City of Tustin, Golden State Water Company, City of City of Orange, Irvine Ranch Water District and East Orange County Water District's own Retail Zone; these agencies then serve the imported water to an estimated population of 100,000. The supplemental water supplied by the District from the Allen McCulloch Pipeline and the East Orange County Feeder No.2 supplements the sub-agencies local groundwater supplies as groundwater is inadequate to supply 100% of the water needs within the District's service area.

In the Retail Zone (generally the Vista Panorama/Panorama View unincorporated area of East Orange), the District delivers local groundwater and imported Wholesale Zone water directly to the Retail Zone's 1210 customers representing a population of approximately 3,500.

The District encompasses an area of approximately 100,000 acres and is a member of the Municipal Water District of Orange County, which is a member of the Metropolitan Water District of Southern California (Metropolitan) and therefore is entitled to receive Colorado River and Northern California imported water through the distribution facilities of the Metropolitan system.

Industry Outlook

California's water supply continues to pose many new and complex challenges for water suppliers in the state, particularly for water delivered through Northern California's Delta. In 2015, California experienced the fourth year of drought, and not only was Southern California's allocation from the State Water Project limited to 5% of a full allocation, on April 1, 2015, Governor Brown authorized the State Water Resources Control Board to implement mandatory restrictions on residential water use for all urban water use. The SWRCB's mandatory restrictions, which were implemented as of May 18, 2015 and will expire (unless reauthorized) on February 13, 2016, required the District to reduce its Retail Zone residential water use by 36% over the corresponding 2013 residential water use. The District has successfully met its 36% required reduction for the months of June, July, August and September; in some months achieving an even greater reduction.

The District has consistently been an active participant in working with its customers to achieve efficient water use. Through coordination and planning with other local and regional water suppliers, as well as the Board's and staff's participation in local and statewide associations, the District continues to engage in developing long-term solutions to the various underlying water supply challenges that have resulted in one "regulatory drought" from 2009-2011 (when regulatory and legal changes reduced the amount of imported water supplied to Southern California), and the current "climatic drought" which has also reduced the amount of imported water that is available.

The District has also identified the cost of water as a continuing challenge. Both our regional water supplier, Metropolitan Water District of Southern California (MWDSC) and our local groundwater management agency, Orange County Water District are experiencing significant cost pressures due to water scarcity. We expect these pressures to result in a continuing trend of significant cost increases for water, and in MWDSC's case, significant increases in their fixed rate charges also.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. The General Manager, in concert with the Acting Treasurer and Accountant, annually review the internal controls for accuracy, adequacy and effectiveness.

Budgetary Control

The District's Board of Directors annually adopts a balanced operating and capital budget prior to each new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget is prepared on the cash basis of accounting, the District's interim financial statements are on a modified accrual basis and the final financial statements are prepared using the full accrual basis.

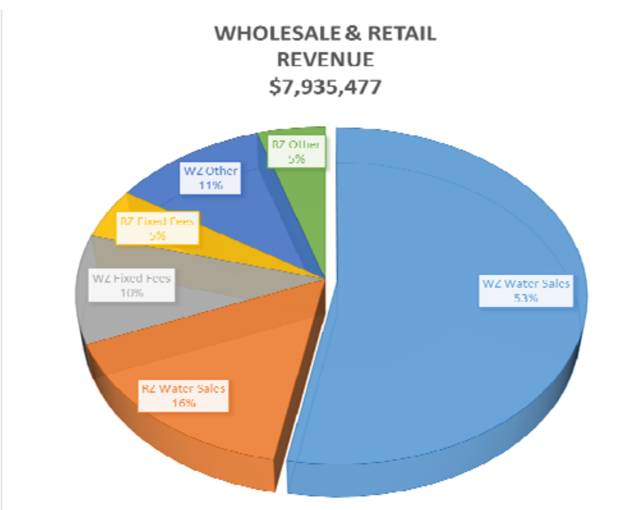
Financial Plan

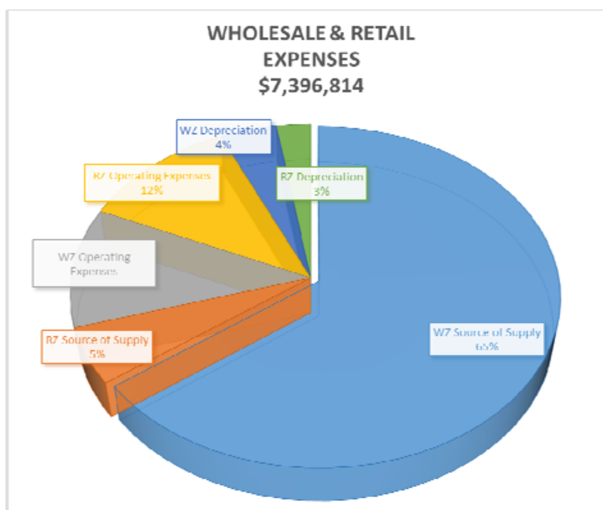
The District is committed to providing its customers with a safe, reliable and efficient water system. The foundation for this commitment is based in the District's Capital Improvement Plan and the June 2011 Financial and Water Rate Study. These plans are reviewed annually as part of the District's budgeting process. This process was enhanced in 2015 with information derived from the preparation of an update to the District's Wholesale Zone and Retail Zone Master Plans, conducted by Carollo Engineers. As part of the update, a condition assessment of the District's facilities was conducted and a 25-year Capital Improvement Program (2015-2040) was developed. The 25-year CIP provides prioritization of capital project for both zones and will be incorporated into the update of the District's Financial Plan.

The District's financial plan is in the process of being updated by Raftelis Consulting and is expected to be presented to the Board by December 31, 2015. The Financial Plan includes the establishment of reserve funds in accordance with the District's reserve practices. Reserve funds are set to ensure the continued orderly operation of the District's water systems, the providing of services to residents at established levels, and the continued stability of the District's rate structure. The purpose and structure of these funds are further discussed in the Management's Discussion and Analysis.

Water Rates and District Revenues

The District's policy objective is that all revenues from user charges generated from District customers must support all District operations including capital project funding. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge, and a fixed meter and standby service charge, and are also in the process of being reviewed under the Raftelis Study. Wholesale Zone fixed rate information was available and was incorporated into the FY 2015/16 budget. The following charts reflect the District's operating revenue mix for the year ending June 30, 2015, and resulted in revenues exceeding expenses by $538,663.





Investment Policy

The Board of Directors annually reviews and adopts an investment policy that conforms to California State law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity, and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund (LAIF), certificates-of-deposit, Government Agency Obligations or other specifically authorized investments. For FY 2014/15, the District's investments were held at LAIF and in certificates-of-deposit.

Audit and Financial Reporting

State law and loan covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. An accountancy firm, The Pun Group, has conducted this audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

The Audit Financial Report has been prepared by the District, working with our independent auditors, the Pun Group, in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). This year, adjustments were made to the financial statements to incorporate the District's net pension liability as of measurement date of June 30, 2014, as required by GASB 68 and 71.

GASB Statement No. 68 and 71 Implementation

The Governmental Accounting Standards Board (GASB) is an independent, nonprofit, non-governmental regulatory body charged with setting accounting and financial reporting standards for state and local governments. Beginning with Fiscal Year 2014-15, GASB Statements No. 68 and 71 require agencies to report their net pension liability in accrual-based financial statements. This is distinctly different than in that this obligation was relayed to the District in an annual report, but not placed in our financial documents. Please note that these standards only impact the accounting and financial reporting of pension obligations for governmental employers; pension contribution rates and funding requirements are not impacted by GASB No. 68 or 71.

The District's employees are covered by CalPERS pension plans. For employees hired prior to January 1, 2013, the District annually pays 10.709% of salaries towards the "PERS Classic" Plan's (2%@60) costs, and the employees pay the 2% remaining cost. For employees hired after January 1, 2013 (and that were never a member of PERS), the District pays 6.750% of salaries and the employee pays 7.0% of their salaries toward this pension plan's (2%@62) annual costs. As a result of the GASB No. 68 and 71 accounting changes and CalPERS' policy decision to value net pension liability based on value on June 30th of the prior year (in this case, June 30, 2014) as opposed to the current year, we were provided with an adjustment that reduced our FY 2014-15 pension expense by $36,115. This adjustment is reflected in the information discussed herein. We anticipate that in many years this equivalent adjustment may result in a pension expense increase.

In total, the GASB No. 68 and 71 requirements show a net pension liability of $399,219 added to the District's balance sheet. Additionally, PERS is estimating that there is another $146,258 expense primarily reflecting the underperformance of the PERS investment portfolio. The total of these two expenses reduces the District's net position (reserves) by $518,455 as a prior period adjustment.

Our unrestricted net position (reserves) are sufficient to absorb this $518,455 pension liability, thus our pension liability is fully funded. If desired, the Board could set up a dedicated pension reserve fund or could pay these funds directly to CalPERS. We are not legally bound to pay off this balance, except for the required annual contribution.

Notes 7 and 8 of the Audit Report addresses the GASB No. 68 and 71 requirements in substantially greater detail.

Risk Management

The District is a member of the Association of California Water Agencies – Joint Powers Insurance Authority (Authority). The purpose of the Authority is to arrange and administer risk management programs for the pooling of self-insured losses, and the purchase of excess insurance coverage. The District is inspected annually by representatives of ACWA-JPIA and provided with a written report that includes loss and liability prevention information, which District staff then incorporates into district operations as appropriate.

Water Conservation Programs

For many years, the District has been implementing conservation management practices within district operations and distributing information to and encouraging conservation from its customers. In 2015, the District implemented an intensive DroughtReach™ program to advise customers about the mandatory water reductions. In addition to providing extensive printed materials, the hallmark of DroughtReach™ is personalized outreach. Staff focused on providing personalized customer outreach, assisting them with irrigation timer settings, recommendations on landscaping choices, leak detection inspections, and providing instructions on how to read their water meter and track their water use. Additionally, staff focused attention on the following conservation programs through its affiliation with the Municipal Water District of Orange County:

- Residential "Water Smart" Home Certification Program
- Residential/Commercial Reimbursement for Turf Replacement
- Residential Appliance Rebate Program
- Residential Drought-tolerant Landscape Classes
- Residential/Commercial Reimbursement Program for Smart Watering Timers

Transparency

The District maintains a web site (www.eocwd.com) that includes easy access to important district information, including current and historical audited financial statements, current and historical operating and capital improvement budgets, board agendas and minutes, water rate setting studies, water conservation assistance, water quality information and employee and board member compensation. The web site is updated regularly to ensure timely information is available.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Respectfully submitted,

Lisa Ohlund
General Manager

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the East Orange County Water District
Orange, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the East Orange County Water District (District), which comprise of the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and change in net position, cash flows, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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Emphasis of Matter

Implementation of GASB Statements No. 68 and 71

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No, 27*, and GASB Statement No, 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 8 to the basic financial statements. In addition, Net Pension Liability is reported in the Balance Sheet in the amount of $399,219 as of June 30, 2014, the measurement date as fully disclosed in Note 7 to the basic financial statements. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 16 and Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions, on pages 40 and 41 respectfully, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, Combining Schedule of Net Position and Combining Schedule of Revenues, Expenses, and Change in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Net Position and Combining Schedule of Revenues, Expenses, and Change in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

To the Board of Directors
of the East Orange County Water District
Orange, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
December 14, 2015

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the East Orange County Water District
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, cash flows, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

The Pun Group, LLP

Santa Ana, California
December 14, 2015

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the East Orange County Water District (District) provides an introduction to the financial statements of the District for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased by 0.02%, or $538,663 to $18,641,132, in 2015.
- In 2015, the District's operating revenues decreased 21.7%, or $1,852,852 to $6,677,454, from the prior year, due primarily to a decrease in wholesale water sales.
- In 2015, the District's operating expenses decreased by 18.4%, or $1,556,242 to $6,899,352, from the prior year, due primarily to a decrease in wholesale water purchases.
- Implementation of new pension standards increased liability of $399,219 for the year ended June 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *balance sheet* presents information on all of the District's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 22 through 38.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, natural disasters, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Condensed Balance Sheets

	June 30, 2015	June 30, 2014	Change
Assets:			
Current assets	$ 10,090,457	$ 9,991,076	$ 99,381
Capital assets, net	10,267,247	10,347,952	(80,705)
Total assets	20,357,704	20,339,028	18,676
Deferred outflows of resources	33,913	-	33,913
Liabilities:			
Current liabilities	1,195,916	1,718,104	(522,188)
Noncurrent liabilities	399,219	-	399,219
Total liabilities	1,595,135	1,718,104	(122,969)
Deferred inflows of resources	155,350	-	155,350
Net position:			
Net investment in capital assets	10,267,247	10,347,952	(80,705)
Unrestricted	8,373,885	8,272,972	100,913
Total net position	$ 18,641,132	$ 18,620,924	$ 20,208

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $18,641,132, as of June 30, 2015, and $18,620,924, as of June 30, 2014. As of July 1, 2014, the beginning net position has been restated to $18,102,469 as fully disclosed in note 8.

By far the largest portion of the District's net position (55% in 2015 and 56% in 2014) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2015, the District shows a positive balance in its unrestricted net position of $8,373,885 that may be utilized in future years. The Board of Directors has taken action to reserve aspects of the unrestricted net position for specified purposes such as asset replacement, rate stabilization, growth accommodation and emergency reserves. The District has committed to the following funds and objectives:

1. Operating Fund – Funds are maintained to capture all operating and maintenance revenues and expenditures separately for the Wholesale and Retail Zone operations. Excess revenues over expenditures are routinely transferred to the Replacement and Capital Improvements funds.
2. Replacement and Capital Improvement Funds – Separate replacement and capital improvement funds are maintained for the Wholesale District and Retail Zone.
3. Emergency Reserve Fund – This fund is earmarked by the Board of Directors for unforeseen Wholesale District emergencies or contingency expenditures.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2015	June 30, 2014	Change
Revenues:			
Operating revenues	$ 6,677,454	$ 8,530,306	$ (1,852,852)
Non-operating revenues	1,259,510	1,170,909	88,601
Total revenues	7,936,964	9,701,215	(1,764,251)
Expenses:			
Operating expenses	6,899,352	8,455,894	(1,556,542)
Depreciation and amortization	497,462	518,978	(21,516)
Non-operating expenses	1,487	3,632	(2,145)
Total expenses	7,398,301	8,978,504	(1,580,203)
Change in net position	538,663	722,711	(184,048)
Net position:			
Beginning of year	18,620,924	17,898,213	722,711
Prior period adjustments	(518,455)	-	(518,455)
End of year	$ 18,641,132	$ 18,620,924	$ 20,208

The Statement of Revenues, Expenses, and Changes in Net Position show how the District's net position changes during the fiscal year. In the case of the District, net position increased by $538,663 in 2015.

In 2015, a closer examination of the sources of changes in net position reveals that the District's total revenues decreased by $1,764,251, due primarily to decreases in wholesale water sales of $1,821,508. In addition, total expenses decreased by $1,580,203, due primarily to a decrease in water purchases of $1,763,383.

Capital Asset Administration

Capital assets as of June 30, are as follows:

	June 30, 2015	June 30, 2014
Non-depreciable assets	$ 543,998	$ 315,120
Depreciable assets	21,253,523	21,080,800
Accumulated depreciation and amortization	(11,530,274)	(11,047,968)
Total capital assets, net	$ 10,267,247	$ 10,347,952

The capital asset activities of the District are summarized on the previous page and in Note 3 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is not aware of past, present and future conditions that would have a significant impact on the District's financial position and/or net position.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager, Lisa Ohlund, at (714) 538-5815.

BASIC FINANCIAL STATEMENTS

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East Orange County Water District
Balance Sheet
June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$ 8,916,352
Accrued interest receivable	4,570
Accounts receivable – water sales and services:	
Wholesale	736,204
Retail	293,497
Property taxes receivable	10,176
Prepaid items	53,098
Water-in-storage inventory	40,764
Materials and supplies inventory	35,796
Total current assets	10,090,457
Noncurrent assets:	
Capital assets, net (note 3)	10,267,247
Total noncurrent assets	10,267,247
Total assets	20,357,704
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources:	
Employer contributions to pension plan made after measurement date (note 7)	33,913
Total deferred outflows of resources	33,913
Total assets and deferred outflows of resources	$ 20,391,617
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	$ 1,025,685
Accrued salaries and compensated absences	72,335
Deposits and unearned revenue	97,896
Total current liabilities	1,195,916
Noncurrent liabilities:	
Net pension liability (note 7)	399,219
Total noncurrent liabilities	399,219
Total liabilities	1,595,135
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources:	
Differences between projected and actual earnings on pension plan investments (note 7)	134,156
Recognized portion of adjustment due to differences in proportions (note 7)	21,194
Total deferred inflows of resources	155,350
NET POSITION	
Net position:	
Net investment in capital assets	10,267,247
Unrestricted	8,373,885
Total net position	18,641,132
Total liabilities, deferred inflows of resources and net position	$ 20,391,617

See accompanying Notes to the Basic Financial Statements.

East Orange County Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating revenues:	
Water sales:	
Wholesale	$ 4,208,276
Retail	1,253,430
Meter and standby service charges	530,224
Capacity and connection fees	639,819
Other connection fees	17,213
Other service charges	28,492
Total operating revenues	6,677,454
Operating expenses:	
Source of supply	5,205,082
Pipeline capacity lease	53,000
Pumping	120,169
Treatment, transmission and distribution	921,250
General and administrative	599,851
Total operating expenses	6,899,352
Operating (loss) before depreciation	(221,898)
Depreciation expense	(497,462)
Operating (loss)	(719,360)
Non-operating revenues(expenses):	
Property taxes	1,085,641
Rental income – cellular antennas	133,679
Interest and investment earnings	34,551
Change in fair-value of cash equivalents and investments	(1,487)
Other, net	5,639
Total non-operating revenues, net	1,258,023
Change in net position	538,663
Net position:	
Beginning of year	18,620,924
Prior period adjustments (note 8)	(518,455)
End of year	$ 18,641,132

See accompanying Notes to the Basic Financial Statements.

East Orange County Water District
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash receipts from customers for water sales and services	$ 7,481,646
Cash paid to employees for salaries and wages	(499,612)
Cash paid to vendors and suppliers for materials and services	(6,852,647)
Net cash provided by operating activities	129,387
Cash flows from non-capital financing activities:	
Proceeds from property taxes	1,086,729
Proceeds from rental income – cellular antennas	133,679
Net cash provided by non-capital financing activities	1,220,408
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(416,757)
Net cash (used in) capital and related financing activities	(416,757)
Cash flows from investing activities:	
Proceeds from interest and investment earnings	31,685
Net cash provided by investing activities	31,685
Net increase in cash and cash equivalents	964,723
Cash and cash equivalents, beginning of year	7,951,629
Cash and cash equivalents, end of year	$ 8,916,352
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	$ (719,360)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation expense	497,462
Other, net	5,639
Changes in assets – (increase)decrease:	
(Increase)decrease in assets:	
Accounts receivable – water sales and services, net	794,376
Accounts receivable – other	4,177
Prepaid items	62,954
Water-in-storage inventory	1,166
Materials and supplies inventory	2,960
Change in deferred outflows of resources – (increase)decrease:	
Employer contributions to pension plan made after measurement date	18,902
Changes in liabilities – increase(decrease):	
Accounts payable and accrued expenses	(560,500)
Accrued salaries and compensated absences	12,329
Deposits and unearned revenue	25,982
Net pension liability	(146,258)
Change in deferred inflows of resources – increase(decrease):	
Differences between projected and actual earnings on pension plan investments	134,156
Recognized portion of adjustment due to differences in proportions	(4,598)
Total adjustments	848,747
Net cash provided by operating activities	$ 129,387
Non-cash investing, capital and financing transactions:	
Change in fair-value of cash equivalents and investments	$ (1,487)

See accompanying Notes to the Basic Financial Statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The East Orange County Water District (the District) was formed in 1961, in order to furnish imported potable water to an area encompassing the eastern half of the City of Orange. The District provides wholesale potable water to five sub-agencies in the region through its pipeline transmission and distribution system. The five sub-agencies consist of the East Orange County Water District Retail Zone, Golden State Water Company, City of Tustin, Irvine Ranch Water District, and the City of Orange. The District provides potable water service through the East Orange County Water District Retail Zone to 1,179 customers within its service area. The District is governed by a Board of Directors, which consists of five directors, each of whom is elected at-large for a four-year term by the citizens living within the District's service area.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered, primarily through user charges (water sales and services) or similar funding. The District segregates its Wholesale and Retail Zone accounting internally as separate entities. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses are generated and incurred through the water sales activities to the District's customers. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

> ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
>
> ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as a revenue until that time

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investment Policy

The District has adopted an investment policy directing the Treasurer to deposit funds in financial institutions. Investments are to be made in the following areas:

- Securities of the U.S. government or its agencies
- Federal agency obligations
- Certificates of deposit (negotiable and placed)
- Commercial paper (prime)
- Money market and mutual fund accounts
- State of California – Local Agency Investment Fund (LAIF)

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

The District has uncollectible accounts receivable at year-end. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded. Historical experience indicates that uncollectible accounts receivable are immaterial.

Property Taxes

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

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Auditor-Controller's Office bills and collects the District's share of property taxes and assessments. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Prepaid Items

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

Water-In-Storage Inventory

Annually, a controlled quantity of water is purchased by the District and, if not used in the current year, is stored for use in the following year. Purchased stored water is subject to loss through meter error or leakage. The losses are not covered by insurance nor has a loss reserve been recorded.

Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense at the time that individual items are inventoried at year-end.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. (See Note 4 for further details) Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and distribution systems	5 to 100 years
Structures and improvements	3 to 50 years
Capacity rights	75 years
Water treatment plant	10 to 100 years
Equipment	5 to 50 years

Construction-in-Process

The costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

Compensated Absences

The District's policy allows full-time employees to accumulate a maximum of 160 hours of vacation time. No compensation in lieu of time off is allowed except for termination or disability. Employees may accumulate up to 80 hours of sick time. As of November 30 each year, one-half of the excess over 80 hours may be credited to additional vacation or may be paid to the employee. The remaining one-half is forfeited. The District has recorded the liability for accrued vacation and sick pay in the accompanying financial statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pensions

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

The following timeframes are used for pension reporting:

CalPERs	
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2014 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

Net Position

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

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

Restricted– This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

Water Sales – Wholesale and Retail

Wholesale water sales are billed on a monthly basis and retail water sales are billed on a bi-monthly cyclical basis. Estimated unbilled retail water sales revenue through June 30 has been accrued at year-end.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Budgetary Policies

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

Accounting Changes

During fiscal year ended June 30, 2015, the District has implemented the following new GASB pronouncements:

Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 7 and 8 for further information on the implementation of this pronouncement.

Statement No. 69, *Government Combinations and Disposals of Government Operations*. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for the year ended June 30, 2015.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68.* The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 7 and 8 for further information on the implementation of this pronouncement.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	$ 250
Deposits with financial institutions	163,611
Money market funds	749,028
Deposits held with Local Agency Investment Fund (LAIF)	6,466,594
Investments	1,536,869
Total cash and investments	$ 8,916,352

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 as of June 30, 2015, were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Local Agency Investment Funds

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

The District's investment with LAIF at June 30, 2015, included a portion of the pool funds investing in Structured Notes ad Asset-Backed Securities:

> Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
>
> Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2015, the District had $6,466,594 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and Medium-term Asset-backed Securities. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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 matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Note 2 – Cash and Investments (Continued)

Investments at June 30, 2015, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months) 12 months or less	13 to 24 months	25-60 months
Local Agency Investment Fund (LAIF)	$ 6,466,594	$ 6,466,594	$ -	$ -
Money market funds	749,028	749,028	-	-
Certificates-of-deposits	1,536,869	-	-	1,536,869
Total	$ 8,752,491	$ 7,215,622	$ -	$ 1,536,869

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 below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Credit ratings at June 30, 2015, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Not Rated
Local Agency Investment Fund (LAIF)	$ 6,466,594	N/A	$ -	$ 6,466,594
Money market funds	749,028	N/A	749,028	-
Certificates-of-deposits	1,536,869	N/A	-	1,536,869
Total	$ 8,752,491		$ 749,028	$ 8,003,463

Note 3 – Capital Assets

Changes in capital assets for the year ended June 30, 2015, were as follows:

	Balance July 1, 2014	Additions	Deletions	Reclassifications	Balance June 30, 2015
Non-depreciable assets:					
Land and easements	$ 56,289	$ -	$ -	$ -	$ 56,289
Construction-in-process	258,831	422,398	-	(193,520)	487,709
Total non-depreciable assets	315,120	422,398	-	(193,520)	543,998
Depreciable assets:					
Transmission and distribution system	11,917,155	-	(7,578)	92,009	12,001,586
Structures and improvements	7,897,970	-	-	20,423	7,918,393
Capacity rights	943,320	-	-	-	943,320
Equipment	322,355	-	(7,578)	75,447	390,224
Total depreciable assets	21,080,800	-	(15,156)	187,879	21,253,523
Accumulated depreciation	(11,047,968)	(497,462)	15,156	-	(11,530,274)
Total depreciable assets, net	10,032,832	(497,462)	-	187,879	9,723,249
Total capital assets, net	$ 10,347,952	$ (75,064)	$ -	$ (5,641)	$ 10,267,247

Note 3 – Capital Assets (Continued)

Major capital assets additions during the year include the rehabilitation of the District's wells and many of the District's transmission and distribution systems. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process, upon competition of these various projects.

Construction-In-Process

The construction-in-process balances at June 30, 2015 are as follows:

Transmission and distribution system upgrades	$ 487,709

Note 4 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in the California Public Employees Retirement System (CalPERS) Section 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for California public employees that elect to participate in the Program. This Program is established pursuant to sections 21670 through 21685 of the Government Code of the State of California and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Federal Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

The Program was created under the administrative and investment control of the CalPERS Board, which requires the Board to act in the interest of Program participants. Also, Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants. Accordingly, the District is in compliance with legislation, which requires Section 457 plan assets to be held in trust for employees. This means that employee assets held in Section 457 plans are no longer viewed as the legal property of the District and are no longer subject to claims of the District's general creditors and are not presented in the accompanying financial statements.

Note 5 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2015, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $500,000, combined single limit at $500,000 per occurrence. The District purchased additional excess coverage layers: $50 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

Note 5 – Risk Management (Continued)

- Fidelity coverage up to $250,000 per loss includes public employee dishonesty, forgery or alteration, computer fraud and ERISA coverage's, subject to a $100,000 pooled self –insurance limit with a deductible of $1,000 per claim.

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $50 million per occurrence, subject to a $50,000 pooled self –insurance limit. Boiler and machinery coverage for the replacement cost up to $50 million per occurrence, subject to various deductibles depending on the type of equipment.

- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

There have been no losses or claims in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2015.

Note 6 – Commitments and Contingencies

Joint Facilities Agreement

The District is a party to a joint facilities agreement, dated February 13, 1964, with the Irvine Ranch Water District (IRWD) for the original purpose of constructing, operating and maintaining a water treatment plant, reservoir and pipelines. The construction was completed in 1964 and the District has capitalized the reservoir and pipelines as part of its utility plant assets. IRWD entered into this agreement with the District to gain capacity rights in the water treatment plant, reservoir and pipelines. The District and IRWD continue to proportionally share in the costs of maintenance and operations of the reservoir and pipelines; however, the treatment plant has been abandoned.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that there are no legal matters that will materially affect its financial condition.

Note 7 – Defined Benefit Pension Plans

Summary

Type of Account	Balance as of July 1, 2014 (As Restated)	Additions	Deletions	Balance as of June 30, 2015
Deferred Outflows of Resources:				
Employer contributions to pension plan made after the measurement date:				
Miscellaneous Plan -Classic	$ 52,815	$ 33,913	$ (52,815)	$ 33,913
Total deferred outflows of resources	$ 52,815	$ 33,913	$ (52,815)	$ 33,913
Net Pension Liability:				
Miscellaneous Plan -Classic	$ 545,477	$ -	$ (146,258)	$ 399,219
Deferred Inflows of Resources:				
Recognized net differences between projected and actual earnings on pension plan investments:				
Miscellaneous Plan -Classic	$ -	$ 134,156	$ -	$ 134,156
Recognized portion of adjustment due to differences in proportions:				
Miscellaneous Plan -Classic	25,793	2,189	(6,788)	21,194
Total deferred inflows of resources	$ 25,793	$ 136,345	$ (6,788)	$ 155,350
Prior Period Adjustment:				
Miscellaneous Plan -Classic	$ 518,455			

Plans Description

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

Benefits Provided

CalPERs provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment and can only be amended by the District's Board of Directors.

Note 7 – Defined Benefit Pension Plans (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect as of June 30, 2015, are summarized as follows:

Miscellaneous Plan

CLOSED TO NEW MEMBERS

Hire date	Prior to December 24, 2012
Benefit formula	2.0% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Final Average Compensation Period	12 months
Retirement age	55-60
Monthly benefits, as a % of eligible compensation	2.00%
Required employee contribution rates	7.00%
Required employer contribution rates	8.049%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation X multiplied by service
COLA	2.00%

PEPRA Miscellaneous Plan

Hire date	On or after January 1, 2013
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Final Average Compensation Period	36 months
Retirement age	52-67
Monthly benefits, as a % of eligible compensation	1.0-2.5%
Required employee contribution rates	6.50%
Required employer contribution rates	6.50%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation X multiplied by service
COLA	2.00%

Employees Covered

As of June 30, 2013, from the actuarial report, the following employees were covered by the benefit terms for the Plan:

	Misc. Plan - Classic
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	7
Active employees	8
Total	17

Note 7 – Defined Benefit Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For period ended June 30, 2014 (the measurement date), the active employee contribution rate is 6.880% of annual pay and the average employer's contribution rate is 8.049% of the annual payroll for the Miscellaneous Plan.

For the year ended June 30, 2014, at the measurement date, the contributions made for the Plan were as follows:

	Misc. Plan - Classic
Contributions - employer	$ 27,022
Contributions - employee	23,500
Total	$ 50,522

Pension Liability

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Misc. Plan - Classic
Proportionate Share of Net Pension Liability	$ 399,219

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period.

CalPERS Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
Miscellaneous Plan - Classic			
Balance as of June 30, 2013 (Valuation Date)	$ 2,220,203	$ 1,674,726	$ 545,477
Balance as of June 30, 2014 (Measurement Date)	2,352,326	1,953,107	399,219
Change in Plan Net Pension Liability	$ 132,123	$ 278,381	$ (146,258)

Note 7 – Defined Benefit Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted form its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contribution made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two rations are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The Plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ration generated in (4). The plan's FNP as of the Measurement date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employee on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL an FNP calculated in (5).

The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 are as follows:

	Misc. Plan - Classic
Proportion June 30, 2013	0.00642%
Proportion June 30, 2014	0.00642%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2015, the District recognized pension expense of $36,115.

Note 7 – Defined Benefit Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions form the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions to pension plan made after measurement date	$ 33,913	$ -
Recognized portion of adjustment due to differences in proportions	-	(21,194)
Differences between projected and actual earnings on pension plan investments	-	(134,156)
Total	$ 33,913	$ (155,350)

The $33,913 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2016. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amounts
2016	$ (41,109)
2017	(41,109)
2018	(39,593)
2019	(33,539)
2020	-
Thereafter	-
Total	$ (155,350)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Misc. Plan - Classic
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	varies by entry age and service (1)
Investment Rate of Return	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)

(1) Depending on age, service, and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvement using Society of actuaries Scale BB.

Note 7 – Defined Benefit Pension Plans (Continued)

There were no changes in assumptions, benefit terms, or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

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

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

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

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

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

Note 7 – Defined Benefit Pension Plans (Continued)

Discount Rate (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

(a) an expected inflation of 2.5% for this period

(b) an expected inflation of 3.0% for this period

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

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Misc. Plan - Classic
1% Decrease	6.50%
Net Pension Liability	$ 711,286
Current Discount Rate	7.50%
Net Pension Liability	$ 399,219
1% Increase	8.50%
Net Pension Liability	$ 140,234

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 8 – Prior Period Adjustments

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

Net position at July 1, 2014, as previously reported	$	18,620,924
Net pension liabiltiy		(545,477)
Employer contributions to pension plan made after the measurement date		52,815
Changes in employer contributions and differences between proportionate share of pension expense		(25,793)
Total prior period adjustments		(518,455)
Net position at July 1, 2014, as restated	$	18,102,469

REQUIRED SUPPLEMENTARY INFORMATION

East Orange County Water District
Required Supplementary Information
For the Year Ended June 30, 2015

Schedule of Proportionate Share of the Net Pension Liability
District's Plans
(Last Ten Years*)

		FY 2013-14
Miscellaneous Plan		
Proportion of the net pension liability		0.00642%
Proportionate share of the net pension liability	$	399,219
Covered - employee payroll	$	424,397
Proportionate share of the net pension liability as percentage of covered-employee payroll		94.07%
Plan's fiduciary net position as percentage of the total pension liability		83.03%
Proportionate share of aggregate employer contributions	$	52,815

* Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Schedule of Contributions
District's Plans
(Last Ten Years*)

	FY 2014-15	FY 2013-14
Miscellaneous Plan		
Actuarially determined contribution	$ 28,685	$ 27,022
Contributions in relation to the actuarially determined contribution	(28,685)	(27,022)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 437,129	$ 424,397
Contributions as a percentage of covered-employee payroll	6.56%	6.37%

Notes to Schedule:

Benefit Changes - The figues above do not included any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumption - There were no changes in assumptions.

Valuation Date:	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Average Remaining Period	20 years as of the valuation date
Assets Valuation Method	15 years smoothed market
Inflation	2.75%
Salary increases	3.30% - 14.20% depending on age, service and type of employment
Payroll growth	3.00%
Investment rate of return	7.50% net of administrative expenses

* Historical information is required only for measurement periods for which GASB No. 68 is applicable.

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SUPPLEMENTARY INFORMATION

East Orange County Water District
Combining Schedule of Balance Sheet
For the Year Ended June 30, 2015

ASSETS	Wholesale	Retail	Total
Current assets:			
Cash and cash equivalents	$ 6,302,289	$ 2,614,063	$ 8,916,352
Accrued interest receivable	3,252	1,318	4,570
Accounts receivable – water sales and services:			-
Wholesale	736,204	-	736,204
Retail	-	293,497	293,497
Property taxes receivable	6,484	3,692	10,176
Prepaid items	42,327	10,771	53,098
Water-in-storage inventory	35,883	4,881	40,764
Materials and supplies inventory	17,898	17,898	35,796
Total current assets	7,144,337	2,946,120	10,090,457
Noncurrent assets:			
Capital assets, net	5,544,278	4,722,969	10,267,247
Total noncurrent assets	5,544,278	4,722,969	10,267,247
Total assets	12,688,615	7,669,089	20,357,704
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources:			
Employer contributions to pension plan made after measurement date	15,478	18,435	33,913
Total deferred outflows of resources	15,478	18,435	33,913
Total assets and deferred outflows of resources	$ 12,704,093	$ 7,687,524	$ 20,391,617
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	$ 738,713	$ 286,972	$ 1,025,685
Accrued salaries and compensated absences	32,289	40,046	72,335
Deposits and unearned revenue	26,876	71,020	97,896
Total current liabilities	797,878	398,038	1,195,916
Noncurrent liabilities:			
Net pension liabilities	182,205	217,014	399,219
Total noncurrent liabilities	182,205	217,014	399,219
Total liabilities	980,083	615,052	1,595,135
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources:			
Differences between projected and actual earnings on pension plan investments	61,229	72,927	134,156
Recognized portion of adjustment due to differences in proportions	9,673	11,521	21,194
Total deferred inflows of resources	70,902	84,448	155,350
NET POSITION			
Net position:			
Net investment in capital assets	5,544,278	4,722,969	10,267,247
Unrestricted	6,108,830	2,265,055	8,373,885
Total net position	11,653,108	6,988,024	18,641,132
Total liabilities, deferred inflows of resources and net position	$ 12,704,093	$ 7,687,524	$ 20,391,617

East Orange County Water District
Combining Schedule of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2015

	Wholesale	Retail	Internal Balances	Total
Operating revenues:				
Water sales:				
Wholesale	$ 4,215,477	$ -	$ (7,201)	$ 4,208,276
Retail	-	1,253,430	-	1,253,430
Meter and standby service charges	218,855	358,403	(47,034)	530,224
Capacity and connection fees	665,652	-	(25,833)	639,819
Other connection fees	7,578	9,635	-	17,213
Other service charges	12,791	15,701	-	28,492
Total operating revenues	5,120,353	1,637,169	(80,068)	6,677,454
Operating expenses:				
Source of supply – water purchases	4,214,970	7,201	(7,201)	4,214,970
Source of supply – standby service charges	222,994	47,034	(47,034)	222,994
Source of supply – capacity and connection fees	368,714	25,833	(25,833)	368,714
Source of supply – replenishment assessment	-	398,404	-	398,404
Total source of supply	4,806,678	478,472	(80,068)	5,205,082
Pipeline capacity lease	53,000	-	-	53,000
Pumping	1,745	118,424	-	120,169
Treatment, transmission and distribution	420,397	500,853	-	921,250
General and administrative	365,457	234,394	-	599,851
Total operating expenses	5,647,277	1,332,143	(80,068)	6,899,352
Operating income(loss) before depreciation	(526,924)	305,026	-	(221,898)
Depreciation	(310,656)	(186,806)	-	(497,462)
Operating income(loss)	(837,580)	118,220	-	(719,360)
Non-operating revenues(expenses):				
Property taxes	711,540	374,101	-	1,085,641
Rental income – cellular antennas	133,679	-	-	133,679
Interest and investment earnings	30,494	3,915	-	34,409
Change in fair-value of cash equivalents and investments	(1,778)	291	-	(1,487)
Interest income – note receivable – AMP	142	-	-	142
Other, net	818	4,821	-	5,639
Total non-operating revenues, net	874,895	383,128	-	1,258,023
Change in net position	37,315	501,348	-	538,663
Net position:				
Beginning of year	11,852,418	6,768,506	-	18,620,924
Prior period adjustments	(236,625)	(281,830)		(518,455)
End of year	$ 11,653,108	$ 6,988,024	$ -	$ 18,641,132