



El Paso Water Utilities Public Service Board
A Component Unit of the City of El Paso, Texas

Comprehensive Annual Financial Report

for the Fiscal Years Ended
February 29, 2016 and February 28, 2015
El Paso, Texas



Public Service Board El Paso Water Utilities

A Component Unit of the City of El Paso

Comprehensive Annual Financial Report For the Fiscal Years Ended February 29, 2016 & February 28, 2015

El Paso, Texas

Prepared by:

Departments of Finance & Accounting



PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO
Comprehensive Annual Financial Report
For the Fiscal Years Ended February 29, 2016 & February 28, 2015

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Public Service Board
El Paso Water Utilities

Dear Public Service Board Member:

We are pleased to submit the Comprehensive Annual Financial Report of the Public Service Board - El Paso Water Utilities (EPWU) for the fiscal year which ended February 29, 2016, pursuant to the City of El Paso Bond Ordinance 752, as amended and City Ordinance No. 016668 establishing the Municipal Drainage Utility System. This Comprehensive Annual Financial Report was prepared by the Accounting and Finance Departments of EPWU. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the EPWU; and that all disclosures necessary to enable the readers to gain the maximum understanding of EPWU's financial activity have been included.

This report consists of management's representation concerning the finances of the Public Service Board - El Paso Water Utilities and its Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with EPWU. To provide a reasonable basis for making these representations, management of the EPWU has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of EPWU's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the EPWU's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

EPWU's financial statements have been audited by Gibson, Ruddock, Patterson LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of EPWU for the fiscal year ended February 29, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that

there was a reasonable basis for rendering an unmodified opinion that the EPWU's financial statements for the fiscal year February 29, 2016, are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report. For fiscal year ending February 29, 2016 the independent audit of the financial statements of EPWU didn't include a "Single Audit" that is designed to meet the special needs of federal grantor agencies. EPWU's federal award expenditures were below the Single Audit threshold of \$750,000.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The EPWU's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The El Paso Water Utilities – Public Service Board provides water, wastewater, reclaimed water, and drainage service to its customers. For financial reporting purposes, EPWU is considered a component unit of the City of El Paso. The PSB operates and manages EPWU on behalf of the City of El Paso. It adopts an annual combined operating, capital, and debt service budget for both the Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund, along with associated rates and fees for services; and also issues updates to its Rules and Regulations, which have the force of law. EPWU recovers the cost of providing water, wastewater, reclaimed water, and drainage services primarily through user charges and fees. EPWU does not assess or collect ad valorem property taxes. As part of the mission and vision statements of the Public Service Board, EPWU strives to balance customer needs with proper resources and financial management as well as regional leadership.

City of El Paso Ordinance Number 752, adopted May 22, 1952, established the Public Service Board – El Paso Water Utilities. The board of trustees, known as the "Public Service Board (PSB)," was given complete management and control of the city's water system. Ordinance Number 017167, adopted August 11, 2009, increased the number of board members from five to seven. The PSB consists of the Mayor of the City of El Paso and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council and serve staggered four-year terms.

In June 2007, City Ordinance Number 016668 established a Municipal Drainage Utility for the City of El Paso. The Public Service Board – El Paso Water Utilities was given complete management and control of the city's drainage system, which EPWU assumed effective March 1, 2008.

Strategic Plan FY 2015-16

In 2015 EPWU started the implementation of the Balanced Scorecard, an integrated strategic planning and performance management system that:

- Communicates with clarity an organization's vision, mission, and strategy to employees and other stakeholders
- Aligns day-to-day work to vision and strategy
- Provides a framework for prioritizing programs, projects, services, products and resources
- Uses strategic performance measures and targets to measure progress

We have completed five of the nine steps in the Balanced Scorecard process and will continue to complete the next steps next fiscal year.

MISSION STATEMENT

To provide our customers a sustainable water supply and the highest quality water services to enhance the vitality of El Paso.

VISION STATEMENT

We are an international model for water resource innovation, respected and trusted by our customers for our leadership in delivering sustainable water services to a thriving El Paso community.

Budget process and controls - EPWU's fiscal year starts March 1 and runs to the last day of February. The combined operating and capital budget preparation process starts in August with sessions held by the PSB and management. In September, budget documents containing historical and current financial and statistical data are sent to all sections along with instructions on how to prepare the operating budget and identifying new initiatives. The capital budget is prepared in a similar fashion. Management reviews the operating and capital budgets and presents the recommended combined operating and capital budget to the Public Service Board over a series of public meetings. The PSB approves the combined annual operating and capital budget and updates to the Rules and Regulations in February, with an effective date of March 1.

The budget and the annual financial report are prepared using the accrual basis of accounting. Revenue is recognized as it is earned and expenses are recognized as goods or services are delivered. The operating budget is prepared at the object level. The object is the good or service for which the expenditure was made. Operating or capital budget line item transfers are done on a memorandum basis, submitted by the requesting manager to Finance. The transfer is subject to approval by management but does not need approval by the PSB. Only the PSB can approve emergency funding authorizations and amendments to the approved operating and capital budgets.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment with which the El Paso Water Utilities operates.

Local Economy - El Paso is currently the sixth largest city in Texas and the 19th largest city in the United States. El Paso County has an estimated population of over 850,000 people with another 1.4 million in El Paso's sister city of Juarez, Mexico. With a population of over 220,000 in Southern New Mexico, the Borderplex region constitutes the largest international border community in the world. With the expansion of Fort Bliss, an additional 200,000 new residents will live in the El Paso region by the year 2025.

The El Paso economy is slowly transitioning into new industries with less dependence on the traditional manufacturing and industrial sectors. According to Forbes Magazine, El Paso ranked among one of the best cities for income growth in the past five years and in that time, incomes for college graduates have steadily grown more than any other major metropolitan area. Pay has increased for educated El Pasoans who are taking advantage of increased job opportunities in the higher income earning areas in the public sector. Altogether, the El Paso economy gained 9,300 jobs during the year, representing an annual growth rate of 3.0% as the local economy continues to grow. As of the end of April 2016, El Paso's unemployment rate was at 4.8%.

The El Paso Tri-State region is the fifth largest manufacturing center in North America. Ciudad Juarez *maquilas* employ about a quarter of a million workers, representing 20 percent of the total *maquila* jobs in Mexico. Roughly 25 percent of Mexico's total production sharing output is manufactured in Cd. Juarez. The success of the *maquila* program has allowed the El Paso region to gain a globally competitive advantage in the manufacturing industry. Recent forecasts by the Federal Reserve Bank of Dallas showed a modest increase in *maquila* job growth throughout 2015.

In addition to a strong, diverse economic base, in 2015 El Paso was ranked among the safest large city in the United States with a population of over 500,000, according to CQ Press. The overall crime rate has continued to decrease in recent years, despite the city's consistent population growth. El Paso is also one of the most affordable major cities in the U.S. According to the American Chamber of Commerce Research Association (ACCRA), the cost of living in El Paso is approximately 90.8% of the national average in 2015, a favorable ranking compared to most cities in the Southwest region and most cities of similar size and demographics nationally.

Located in the northeastern region of El Paso, Fort Bliss currently stretches over 1.1 million acres of land, an area of land larger than the State of Rhode Island. Over the past several years, Fort Bliss realized a net increase of over 37,000 active duty personnel – the largest net gain from any military installation in America. An investment of over \$5 billion for construction projects have supported the 300% base population increase. The El Paso Regional Economic Development Corporation estimated that Fort Bliss' long term economic impact will be \$7.4 billion annually. Fort Bliss is the first military post in the nation to be designated a Center for Renewable Energy. This designation could mean more federal funding and private sector investment that could total to more than \$400 million for the local economy. In the next few years, Fort Bliss will utilize solar

and geothermal energy and a waste-to-energy facility. These renewable sources of energy could provide enough power for the base to operate completely independent of the local power grid.

El Paso is home to the University of Texas at El Paso (UTEP), which is the second oldest member of the University of Texas System. It was founded in 1913 and became part of the U.T. system in 1919. UTEP has been an important part of the El Paso community since it was founded as the Texas School of Mines and Metallurgy 100 years ago. In 1914, the school opened with 27 students and a handful of faculty and staff. UTEP has grown into a dynamic urban university that today serves the needs of more than 23,000 students, offering 70 bachelors, 76 master and 20 doctoral programs.

As the nation's only major research university serving a student population that is predominantly Mexican-American, UTEP has also been named one of the top five Hispanic serving institutions to receive federal research money, according to the National Science Foundation (NSF). The NSF designated UTEP as a **Model Institution for Excellence**, one of only six in the country. This has resulted in a multimillion dollar NSF grant to support UTEP's science, computer science, engineering, and mathematics programs. The university achieved Tier 1 status in 2013.

Growth is evident in all parts of El Paso. The city has experienced stronger growth in the recent years and this will remain the case during the next year. Continued highway constructions, along with the continued Fort Bliss base expansion that includes the construction of the 1.13 million square feet William Beaumont Army Medical Center are examples of multi-million dollar projects that have already started and will carry on through 2016 and beyond.

Long-term financial planning - Region E was one of sixteen regions in Texas created in 1997 as part of Senate Bill 1, which required long term water planning by region. In 2015, EPWU along with other stakeholders in the Far West Texas Regional Plan attended meetings to complete work on the 2016 State Water Plan. EPWU updated and submitted to the Texas Water Development Board its Region E, 50-year plan in December 2015. This plan identifies projected water demand over the next 50 years and provides water supply alternatives to meet demand. The Region E State Water Plan is included as part of the State Water Plan that will be submitted to the Texas Legislature.

The Utility is currently focused on a 10-year planning horizon and has identified specific projects costing over \$1.3 billion that will need to be constructed to meet the water, wastewater and reclaimed water needs of the El Paso region, with an additional \$246 million in drainage projects to address deficiencies in the drainage system. The estimated water and wastewater rate increase over the next four years is 31% to fund operations, the capital improvements program, debt service and maintain adequate cash reserves. An 11 percent rate increase was implemented for FY 2016-17. In May 2009, City Council adopted water and wastewater impact fees to help pay for growth infrastructure. In fiscal year 2015-16, the Utility collected \$1.3 million and estimates that in future years between \$1 - \$2 million will be collected from impact fees annually. The estimate drainage fee increase over the next four years is 54% to fund drainage projects, debt service and maintenance of the system.

Financial Policies - EPWU is accounted for as an Enterprise Fund, which is a proprietary fund. Enterprise Funds are used to account for operations that are financed and operate in a manner

similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection. EPWU uses no other funds to account for its' activities; it consists solely of two enterprise funds, the Water and Wastewater Fund and the Stormwater Fund, which are accounted for separately. EPWU uses these financial policies as a framework in creating the annual budget for both utilities.

EPWU has budgeted over \$288 million in fiscal year 2016-17 for water, wastewater and reclaimed water facilities to meet the growth demands of the city and keep up with the rehabilitation of the system and \$42 million for drainage facilities to improve the drainage infrastructure throughout the city. EPWU continues to address the increased reliance of well water and other sources of water as a result of the prolonged drought conditions and its associated capital costs within the next ten years. During fiscal year 2016-17, the Utility budgeted \$128 million for the acquisition of water rights which includes \$125 million for land acquisition in Hudspeth County. Wastewater plants are targeted for major rehabilitation over the next ten years, including the planned expansion of the Roberto Bustamante Wastewater Treatment Plant to start in fiscal year 2021-22. This plant was once scheduled for expansion in 2000, but because of successful indoor conservation, the expansion has been delayed substantially.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the El Paso Water Utilities for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended February 28, 2015. This was the twentieth consecutive year that EPWU has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must have published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, EPWU received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning March 1, 2015, which was the seventeenth consecutive year EPWU has received this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and accounting departments. We would like to express our appreciation to Jeff Tepsick, Fiscal Operations Manager, and all members of the department who contributed to the preparation of this report. Credit also must be given to the Mayor and Public Service Board for their support for maintaining the highest standards of professionalism in the management of the EPWU finances.



John E. Balliew, P.E.
President and Chief Executive Officer



Marcela Navarrete, C.P.A.
Vice President Strategic, Financial & Management Services



Arturo Duran
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**El Paso Water
Utilities/Public Service Board
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

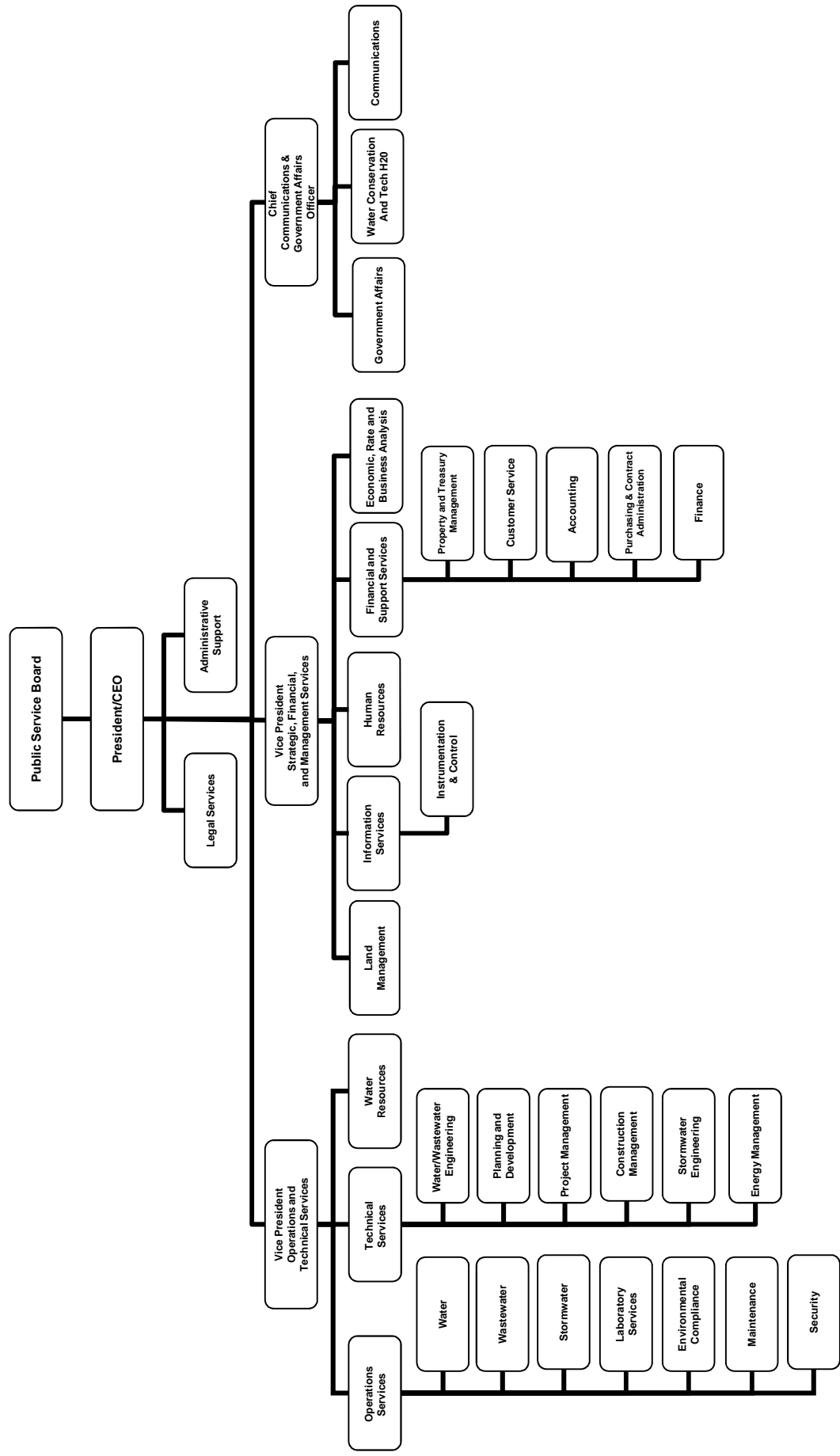
February 28, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

El Paso Water Utilities

Organizational Structure





COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED FEBRUARY 29, 2016

PUBLIC SERVICE BOARD



Henry Gallardo
Chair



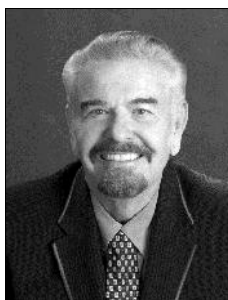
Christopher A. Antcliff, JD
Vice Chair



Terri Garcia
Secretary-Treasurer



Ivonne Santiago, P.E., Ph.D.
Member



Bradley Roe, P.E.
Member



Kristina D. Mena, Ph.D.
Member



Oscar Leeser
Mayor, City of El Paso

EXECUTIVE STAFF

John Balliew, P.E., President and CEO

Marcela Navarrete, C.P.A., Vice President Strategic, Financial and Management Services

R. Alan Shubert, P.E., Vice President Operations and Technical Services

Fernie Rico, P.E., Chief Operations Officer

Gilbert Trejo, P.E., Chief Technical Officer

Arturo Duran, Chief Financial Officer

ACCOUNTING/ASSET MANAGEMENT

Jeff Tepsick, Fiscal Operations Manager
Lidia Carranco, Utility Treasury & Property
Control Manager

GENERAL COUNSEL

Lee Ann Koehler, JD, General Counsel
Daniel Ortiz, JD, Assistant General Counsel
Matthew Behrens, JD, Assistant General Counsel

INDEPENDENT AUDITOR'S REPORT

Public Service Board - El Paso Water Utilities,
a component unit of the City of El Paso

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, as of and for the years ended February 29, 2016 and February 28, 2015, and the related notes to the financial statements, which collectively comprise the Public Service Board - El Paso Water Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, as of February 29, 2016 and February 28, 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinions are 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 and required supplementary information as listed in the table of contents on pages 15 through 31 and pages 105 through 111, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Service Board - El Paso Water Utilities', a component unit of the City of El Paso, basic financial statements. The introductory section, supplementary schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules listed in the table of contents 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 supplementary schedules listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our separate report dated July 7, 2016, on our consideration of the Public Service Board - El Paso Water Utilities', a component unit of the City of El Paso, 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 Public Service Board - El Paso Water Utilities' internal control over financial reporting and compliance.

Gibson, Ruddock, Patterson LLC

El Paso, Texas
July 7, 2016



Management's Discussion and Analysis

As management of the Public Service Board - El Paso Water Utilities (EPWU), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended February 29, 2016. EPWU consists of two funds, the Water and Wastewater Utility fund and the Municipal Drainage Utility fund. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report.

Financial Highlights

The assets and deferred outflows of resources of EPWU exceeded its liabilities and deferred inflows or resources at the close of the most recent fiscal year by \$902.87 million (*net position*).

EPWU's total assets and deferred outflows of resources of \$1.72 billion increased by \$155.89 million from 2015 to 2016 mainly due to an increase of \$204.04 million in water and sewer and \$18.50 million in municipal drainage infrastructure put in service during fiscal year 2016 and offset by a decrease in construction work in progress of \$91.22 million.

EPWU's total liabilities and deferred inflows of resources increased by \$100.43 million during the fiscal year mainly due to an increase in revenue bonds payable and unamortized premiums of \$103.03 million and offset by a decrease in customer advances for construction of \$12.12 million.

The debt service coverage for the Water and Wastewater Utility of 2.22 times is well above the required 1.50 times debt service coverage as per its bond ordinance. The Municipal Drainage Utility's debt service coverage of 2.02 times is above the required 1.25 times as per its bond ordinance.

Overview of Financial Statements

- Statements of Net Position – present information as of the end of each fiscal year on all of EPWU's assets, liabilities, deferred outflows and inflows of resources and total net position. This statement is useful in evaluating the financial health of EPWU.
- Statements of Revenues, Expenses and Changes in Net Position – present information of changes in net position during the fiscal years presented. This statement is useful in evaluating if EPWU recovered all its costs through its rates and other charges.
- Statements of Cash Flows – provides information for the fiscal years presented of cash flows from operating, capital and related financing and from investing activities.
- Enterprise Funds – EPWU consists of two funds, the Water and Wastewater Utility fund and the Municipal Drainage Utility fund. Enterprise Funds Statements eliminate all transactions between the two funds.
- Notes to financial statements – present detail information that is essential to the complete understanding of EPWU's financial statements.
- Required Supplemental Information – present information concerning EPWU's progress in funding its other postemployment benefit plan obligations and pension obligations.

Other supplemental information is provided for additional analysis and is not a required part of the basic financial statements.

- Supplementary Schedules – Includes separate financial statements by fund and other schedules that provide detail information for each fund.
- Statistical Section – Present summary information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information say about EPWU financial health.

El Paso Service Area and Customer Growth

Over the last ten years, the average annual retail customer growth has been a manageable 1.76%. The following table shows water, wastewater and drainage customer growth for the past three years:

Water Customers	FY 2016	FY 2015	FY 2014
Metered water customers, beginning of year	199,123	196,589	194,347
Additions, net	2,806	2,534	2,242
Metered water customers, end of year	201,929	199,123	196,589
Wastewater Customers	FY 2016	FY 2015	FY 2014
Wastewater customers, beginning of year	189,226	187,003	184,868
Additions, net	2,969	2,223	2,135
Wastewater customers, end of year	192,195	189,226	187,003
Drainage Customers	FY 2016	FY 2015	FY 2014
Drainage customers, beginning of year	188,129	186,050	183,680
Additions, net	2,663	2,079	2,370
Drainage customers, end of year	190,792	188,129	186,050

Outside the city limits, EPWU provides wholesale water service and wastewater service to the Lower Valley Water District, Gaslight Square MHE, Paseo Del Este, and Fort Bliss; wholesale water service to the County of El Paso – East Montana, Haciendas del Norte, Ponderosa/Western Village Water Supply Corporation, Colonia Revolucion and Mayfair/Nuway and Schuman; retail water and wastewater service to Westway, Canutillo and retail water service to Homestead, unincorporated areas and areas of Village of Vinton, an incorporated area. In October 2014, the Utility started providing wholesale water services to customers in the area of Colonia Revolucion. Drainage service is only provided for customers within the city limits of El Paso.

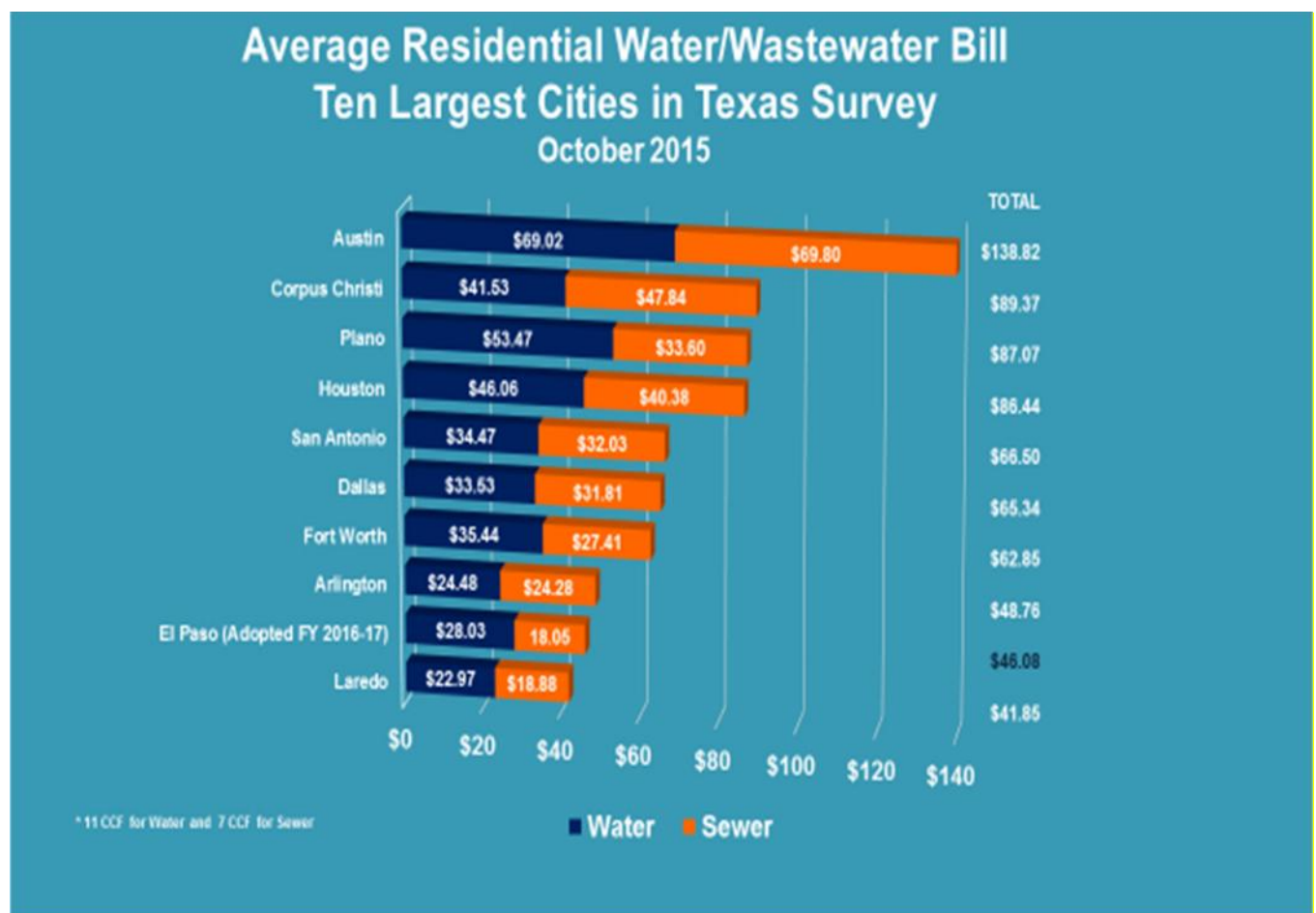
Wholesale Customers	FY 2016	FY 2015	FY 2014
Lower Valley Water District			
<i>Water Customers</i>	16,928	16,472	15,901
<i>Wastewater Customers</i>	14,035	13,553	12,949
County of El Paso - East Montana - <i>Water Customers</i>	1,793	1,754	1,736
Haciendas del Norte WID- <i>Water Customers</i>	345	345	345
Ponderosa/Western Village - <i>Water Customers</i>	284	290	289
Colonia Revolucion - <i>Water Customers</i>	67	70	-
Gaslight Square Mobile Home/RV Park - <i>Water and Wastewater</i>	<i>Varies</i>	<i>Varies</i>	<i>Varies</i>

Wholesale Customers	FY 2016	FY 2015	FY 2014
Mayfair/Nuway and Schuman - <i>Water Customers</i>	307	301	296
Paseo Del Este MUD - <i>Water and Wastewater Customers</i>	3,271	2,732	2,279

The table below shows the average monthly water, wastewater and drainage bill for a residential customer for fiscal years 2016, 2015 and 2014:

Average Residential Bill			
	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Water (includes water supply replacement charge)	\$30.02	\$27.57	\$28.09
Wastewater	\$17.26	\$16.29	\$16.64
Drainage	\$3.27	\$3.03	\$3.03
Total Bill	\$50.55	\$46.89	\$47.76

The following graph shows a comparison of water and wastewater rates for the ten largest cities in Texas based on specific water and sewer consumption and effective rates as of October 2015.



In addition, the Public Service Board (PSB) has established outside city retail water and wastewater rates at 115% of inside city rates. El Paso's water and wastewater rates remain among the lowest in the Southwest and are extremely competitive with neighboring utilities.

With the creation of the Municipal Drainage Utility, a dedicated funding source is available to meet the drainage system needs of the city. Drainage functions are funded by a fee that appears on the monthly water and wastewater bill. This user fee is calculated for every parcel with an active water meter within the city, except those exempted by state law, based on the impervious area of the property. The Board has a working five-year financial plan for all utilities that allows the Board to proactively manage its financial resources and plan for potential rate adjustments as required.

Water consumption decreased as compared to the previous year mainly due to a milder spring this year and above average precipitation in the months of July and October 2015.

	FY 2016	FY 2015	FY 2014
Water Pumped (billion gallons)	37.66	37.26	37.56
Water Billed (billion gallons)	34.02	34.16	34.99

El Paso's Water, Wastewater and Drainage System

Water System – In 1991, EPWU adopted its first comprehensive Water Resource Management Plan, which was then used as a basis for the Region E plan and is subsequently updated when the Region E plan is updated. In January 2016, EPWU along with other stakeholders in the Far West Texas Regional Plan submitted to the Texas Water Development Board the 2016 State Water Plan. The 2016 Plan includes new water management strategies for EPWU including the Advance Purified Water Project, the expansion of the Jonathan Rogers Water Treatment Plant, and the diversification of its water supply portfolio. EPWU recognizes it exists to serve a large population situated in an arid climate and has been aggressively planning for the future to ensure an adequate long-term water supply. Major steps taken include passing a stringent water conservation ordinance, new and innovative water conservation programs, establishing a rate structure designed to encourage conservation, and the adoption of a Drought and Water Emergency Management Plan while continuing to increase utilization of reclaimed water. EPWU operates wellhead desalination units and a large scale desalination plant, and continues to evaluate additional long-term water supply projects. Currently EPWU is working with the Texas Commission on Environmental Quality (TCEQ) to approve a permit for the future construction of a 10 MGD advance purified water plant and is currently running a pilot plant to test advance purified at the Bustamante Wastewater Treatment Plant. In addition, the Utility continues to identify possible water right acquisitions for the future importation of water and development of additional surface water supplies to decrease demand on existing ground water aquifers.

EPWU operates 164 wells, 74 reservoirs, 53 booster pump stations, two surface water treatment plants, one groundwater treatment plant, one desalination plant, four arsenic removal plants and over 2,600 miles of pipelines. EPWU also operates a reclaimed water system that includes: 10 reservoirs, nine pump stations and 52 miles of pipelines.

The Franklin Mountains divide the City, but fortunately, water supplies are geographically spread throughout. Depending on the river supply, historically, 25 to 50 percent of the annual usage has been from the Hueco Bolson aquifer, which extends from Southern New Mexico, through east El

Paso and into Mexico. About 20 percent of the historical annual usage has been from the renewable Mesilla Bolson aquifer west of the mountains.

EPWU's 40 million gallons per day (MGD) **Robertson/Umberhauer Water Treatment Plant**, a surface water treatment plant originally built in 1943, is centrally located in the city. A major infrastructure renovation was completed in 2004 on these plants that will extend the life of these facilities well into the future. This included the installation of an Ultraviolet Light disinfection system for a portion of the water leaving the plant. Major electrical upgrades were also completed in 2006. This plant provides water to central and west El Paso.

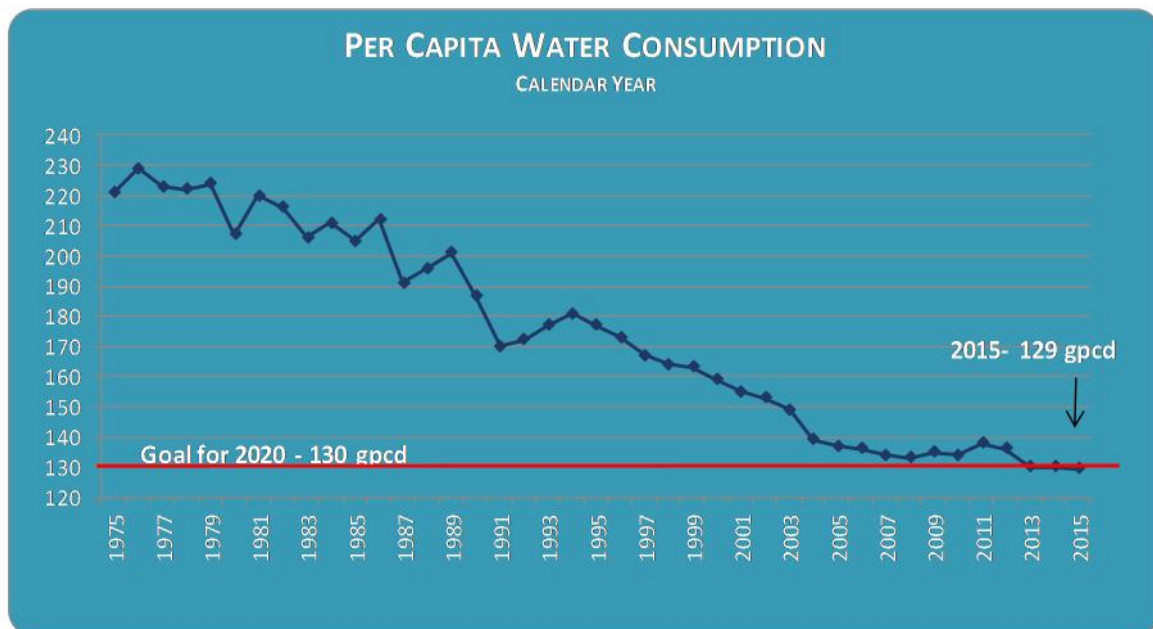
The second surface water plant, the **Jonathan W. Rogers Water Treatment Plant (JRWTP)**, with an initial capacity of 40 MGD, started production in early 1993. It is located further downstream to serve the City's eastside and expanding lower valley area. The JRWTP was expanded in May 2002 to increase capacity to 60 MGD. This expansion increased total surface water supply capability to 100 MGD, which represents more than 50 percent of the total annual demand. The Utility is planning a future expansion of this plant to increase treatment capacity by 20 MGD.

In 2005, EPWU began operating four treatment plants specifically designed to achieve compliance with EPA's new maximum contaminant level (MCL) for arsenic, which became effective January 23, 2006. These plants have a combined treatment capacity of 41 MGD. The largest of the four plants is the 30 MGD **Upper Valley Water Treatment Plant**, which uses conventional flocculation/sedimentation/filtration to remove arsenic. The other three plants have a combined capacity of 11MGD and use a granular iron media to absorb arsenic.

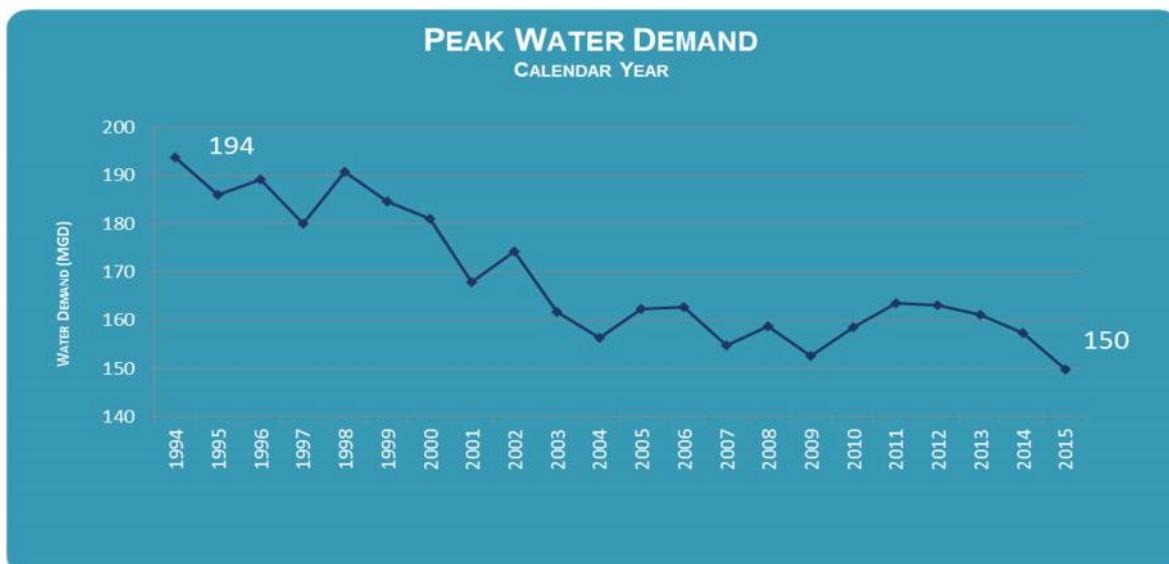
EPWU, in partnership with Fort Bliss, constructed a 27.5 MGD desalination plant which it owns and operates on Fort Bliss property in east El Paso. The **Kay Bailey Hutchison (KBH) Desalination Plant** started production in July 2007. This plant is the largest inland desalination plant in the world and the largest desalination plant of any type in the United States. The plant has won numerous awards, including the 2008 Membrane Facility Award from the American Membrane Technology Association, the American Academy of Environmental Engineers 2008 Superior Achievement Award and the Texas Council of Engineering Companies 2008 Eminent Conceptor Award.

The Utility was one of only seven public drinking water systems that received the Platinum Award for Utility Excellence from the Association of Metropolitan Water Agencies (AMWA) in 2010. This award recognizes the outstanding achievements in implementing the nationally recognized Attributes of Effectively Managed Water Sector Utilities. The Utility was recognized for performance in areas of product quality, employee and leadership development, customer satisfaction, and community sustainability. On October 20, 2014, the AMWA awarded El Paso Water Utilities the "Sustainable Water Utility Management Award." This was the first presentation of this award and was awarded in recognition of water utilities that have made a commitment to management that achieves a balance of innovative and successful efforts in areas of economic, social and environmental endeavors. In 2015 the Utility received the Partnership for Safe Water 10 year Director's Awards for the two water treatment plants. This award recognizes award-winning utilities for their outstanding commitment to delivering superior quality drinking water to customers.

In 2015, as a result of improved runoff, the Utility received an allotment of 36,134 acre feet (AF) of river water, 12,000 AF more than during 2014. On an average year over 60,000 AF of river water is treated. Withdrawals from the Hueco Bolson were approximately 50 percent and 20 percent from the Mesilla Bolson. Both surface water treatment plants operated during the 2015 four-month irrigation season when Rio Grande Project water was available. The water system each year consistently receives a Superior Water System ranking by TCEQ. Water demand was at 201 gallons per capita per day (gpcd) in 1989 prior to the institution of an aggressive water conservation program, but has been declining rapidly since. In 2013, EPWU achieved the overall per capita water consumption of 130 gpcd that was set as a goal for year 2020. The demand in 2015 was 129 gpcd.



Peak day demand has also declined significantly from 195.0 MGD in 1990 to 149.8 MGD in 2015. This highlights not only the significant changes in water use by El Pasoans, but also has allowed for the deferral of spending significant dollars on capital projects to meet peak water demands.



The State Legislature designated EPWU as the Regional Planner for El Paso County in 1995, which has resulted in a coordinated approach in developing water resources for this region. EPWU also has conducted joint water resources planning with New Mexico and Mexico. This unique regional cooperative effort will help to ensure that there is a reliable water supply to protect the economy, environment and quality of life for the residents in the region bordering the Rio Grande River.

Wastewater System – The United States Environmental Protection Agency (EPA) and the TCEQ issue permits that require discharges of treated wastewater to meet certain standards in accordance with the Clean Water Act. To meet these high standards, EPWU is committed to providing the best available technology and most cost effective treatment processes to ensure proper and sufficient treatment of wastewater collected from the city. The Wastewater Division has been a member of the TCEQ Clean Texas Program since 2003, and has been awarded the National Association of Clean Water Agencies (NACWA) Excellence in Management Recognition in 2003, 2006, and 2009.

The **Roberto R. Bustamante Wastewater Treatment Plant** began serving the east, southeast and lower valley parts of the city in 1991 and has a treatment capacity of 39 MGD. The plant also has the capability to provide reclaimed water. Since 1997, it has received 13 NACWA Peak Performance Gold Awards and four NACWA Silver Awards. In 1994, the plant placed second in the nation in the EPA Operations and Maintenance Excellence Awards, Large-Secondary Treatment category, representing the State of Texas and EPA Region VI. The plant also received NACWA's Platinum Peak Performance Award for five consecutive years of compliance in 2002. The Water Environment Association of Texas also judged this plant the Municipal Wastewater Treatment Plant of the Year for 2005.

The **John T. Hickerson Water Reclamation Facility** can treat 17.5 MGD of wastewater from the west and northwest parts of the city. Since the initial start-up of the plant in 1987 and expansion to its present capacity in 1994, the plant has been nominated for six EPA Operations and Maintenance Excellence Awards and since 1997 has received six NACWA Gold Awards and two NACWA Silver Awards. In 1992, the plant and its personnel were also recognized for their commitment to safety by being awarded the Water Environment Federation's George W. Burke Award for Safety. This plant first received the NACWA's Platinum Peak Performance Award for five consecutive years of complete compliance in 2003. In 2008, it received 1st Place in the National Clean Water Act Recognition Awards for Operations and Maintenance Excellence in the Large Advanced Plant Category. In 2015, the plant received the NACWA Platinum 1 Award for 16 consecutive years of perfect permit compliance. The plant was the Texas State, Regional and National winner of the Clean Water Act O&M Awards Program in the Large Advanced Category. This plant also provides reclaimed water to several residential, commercial, and large irrigation customers.

The **Haskell R. Street Wastewater Treatment Plant** was initially constructed in 1923. The plant serves the central part of the city and has treatment capacity of 27.7 MGD. The plant has undergone several expansions and modifications in an effort to meet ever-changing environmental regulations and to enhance the reliability of the treatment processes. In 1994 it was selected to represent the State of Texas and EPA Region VI for the nationally recognized EPA Operations and Maintenance Excellence Award, Large-Advanced Treatment category. In 1999 a \$25 million upgrade and renovation was completed. The plant was also upgraded in 2003 to provide reclaimed

water to local parks, schools, industries and golf courses. Since 1997, the plant has received 11 NACWA Gold Awards and five NACWA Silver Awards. It also received the NACWA Platinum Award in 2004 for being the recipient of the Gold Award for five consecutive years. It also received the NACWA Platinum Award in 2007 for being the recipient of the Gold Award for eight consecutive years. In 2015 the plant received the NACWA Silver Award for peak compliance.

The **Fred Hervey Water Reclamation Plant** constructed in 1984, can treat 12 MGD of wastewater from the northeast part of the city. This unique plant was one of the first in the nation to take raw sewage and treat it to drinking water standards. This reclaimed water is then used to recharge the Hueco Bolson, to irrigate a local golf course and to provide the El Paso Electric Company with cooling tower water for electric power generation. In 2011, the plant completed the last phase of a multi-year multi-phased program to renovate and upgrade the plant for new permit requirements and expanded the plant capacity from 10 MGD to 12 MGD. This plant has also received numerous awards, including: the 1994 AMSA Public Information and Education Award; second place in the national 1994 EPA Operations and Maintenance Excellence Award, No Discharge category; and the 1998 American Water Works Association's Conservation and Reuse Award. In 1999 the plant received special recognition by the El Paso Del Norte Region Mission Possible-Survival Strategies in the category "Protection and Preservation of the Environment". Beginning in 2006, the Fred Hervey Plant became eligible for the NACWA awards and received the Platinum Six Award in 2012 for six consecutive years of perfect permit compliance. In 2015 the plant received the NACWA Gold Award for perfect compliance for the year.

The Wastewater Collection System Maintenance Section of EPWU received the 2007 Medal for Heroism from the Water Environment Association of Texas for their great efforts in helping the City during the Storm 2006. EPWU also received the 2007 George Burke Award from the Water Environment Association of Texas for a perfect safety record in the area of lift station operations. EPWU is committed to addressing the infrastructure needs and acquiring future water resources for its customers. Short and long-term planning is a vital part of meeting the current and future needs of this community. For these efforts, EPWU was recognized by NACWA with its third Excellence in Management Award in 2010. This award, which is only given every three years, recognizes agencies that have used competitive business strategies to meet the expectations of drinking water consumers and municipal government leaders over a sustained period of time.

Drainage System – Following the storms in 2006, an evaluation identified extensive damage to the drainage system. The City of El Paso repaired the most severely damaged items. The Municipal Drainage Utility continues to work on the remaining projects, as well as the operation and maintenance of the system and the construction projects needed to reach an adequate level of service. EPWU developed the first ever stormwater master plan for the city and subsequently developed a ten year capital improvement plan to address the drainage system's deficiencies.

The drainage system currently consists of 21 storm water pump stations, 904 acres of ponds, 2,418 acres of dams, 71 miles of channels, 39 miles of agricultural drains, 260 miles of storm drains and thousands of storm water drop inlets.

Fiscal Year 2016 Financial Information

The following are the Enterprise Funds Statements of Net Position for the activities for the Water & Wastewater Utility and the Municipal Drainage Utility after elimination of interfund payables and receivables.

Enterprise Funds Statements of Net Position			
	FY 2016	FY 2015 (Restated)	FY 2014
Current Assets	\$306,128,049	\$200,368,047	\$228,703,815
Noncurrent Assets	-	32,686,989	39,186,166
Capital Assets (Net)	1,404,320,460	1,325,187,894	1,249,371,554
Deferred Outflows of Resources	11,929,589	8,242,220	1,943,345
Total Assets and Deferred Outflows of Resources	\$ 1,722,378,098	\$ 1,566,485,150	\$ 1,519,204,880
Current Liabilities	101,008,352	100,497,462	89,697,090
Noncurrent Liabilities	718,212,211	608,901,437	581,161,267
Total Liabilities	819,220,563	709,398,899	670,858,357
Deferred Inflows of Resources	287,215	9,674,464	143,045
Net Position:			
Restricted	98,228,302	83,489,307	93,964,776
Net Investment in Capital Assets	808,631,183	776,031,841	727,501,647
Unrestricted	(3,989,165)	(12,109,361)	26,737,055
Total Net Position	902,870,320	847,411,787	848,203,478
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,722,378,098	\$ 1,566,485,150	\$ 1,519,204,880

Enterprise Funds Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

From fiscal year 2015 to 2016 total assets and deferred outflows of resources increased by \$155.89 million mainly due to an increase of \$204.04 million in water and sewer and \$18.50 in municipal drainage infrastructure put in service during fiscal year 2016 and offset by a decrease in construction work in progress of \$91.22 million. From 2014 to 2015 total assets and deferred outflows of resources increased by \$47.28 million mainly due to an increase in construction work in progress of \$60.52 million and an increase of \$51.69 million in capital assets from the water and sewer utility offset by a decrease in restricted assets for construction of \$46.79 million. From 2016 to 2015 current assets increased by \$105.76 million mainly due to an increase of \$76.53 million in assets restricted for construction. During the 2016 fiscal year EPWU issued four bond issues three for the Water and Sewer Utility that included proceeds of \$70.00 million to fund water rights land acquisition and capital projects and one bond issue for the Drainage Utility with proceeds of \$25.00 million to fund drainage capital projects. From 2015 to 2014 current assets

decreased by \$28.34 million mainly due to \$37.15 million drawdown of funds restricted for construction. Total liabilities increased from 2015 to 2016 by \$109.82 million mainly due to an increase in revenue bonds payable and unamortized premiums of \$103.03 million and offset by a decreased in customer advances for construction of \$12.12 million. From 2014 to 2015 total liabilities increased by \$38.54 million mainly due to an increase of \$25.32 million in net pension liability. The net position of \$902.87 million for fiscal year 2016 increased by \$55.46 million from 2015 due to an increase in capital and non-federal grant contributions of \$17.71 million. Total net position of \$847.41 million for fiscal year 2015 decreased by \$792,000 from 2014 due to the recording of a prior period adjustment resulting from the adoption of GASB Statement Number 68, Accounting and Financial Reporting of Pensions which reduced net position by \$34.07 million to record EPWU's proportionate share of the El Paso City Employee's Pension Fund, and offset by an increase in net position, before capital contributions of \$24.70 million. El Paso City Employee's Pension Fund is detailed in Note 16. For fiscal year 2016 net position, before capital contributions consists of operating income of \$47.10 million, interest earnings of \$676,000, a \$332,000 gain from the sale of miscellaneous assets, the \$972,000 tax credit from the IRS for the Build America Bonds issued, offset by interest expense of \$21.31 million. For fiscal year 2015 net position, before capital contributions consists of operating income of \$43.92 million, interest earnings of \$502,000, a \$734,000 gain from the sale of miscellaneous assets, the \$1.01 million tax credit from the IRS for the Build America Bonds issued, offset by interest expense of \$21.62 million. Net position for the Water and Wastewater Utility increased \$47.78 million from 2015 to 2016, along with the Municipal Drainage Utility net position increase of \$7.67 million. Net position for the Water and Wastewater Utility decreased \$5.51 million from 2014 to 2015, along with the Municipal Drainage Utility net position increase of \$4.72 million.

The following are the Enterprise Funds Statements of Revenues, Expenses and Changes in Net Position for EPWU, which include the Water and Wastewater Utility and the Municipal Drainage Utility after elimination of interfund activities.

Enterprise Funds Statements of Revenues, Expenses, and Changes in Net Position			
	<u>FY 2016</u>	<u>FY 2015</u> <u>(Restated)</u>	<u>FY 2014</u>
Operating Revenues:			
Water	\$ 98,598,421	\$ 92,756,225	\$ 91,837,712
Water supply replacement charge	21,546,247	19,932,864	19,594,187
Reclaimed Water	2,870,685	2,863,690	2,651,400
Wastewater	62,067,893	57,064,138	58,032,496
Drainage fees	16,673,918	15,194,156	15,057,603
City of El Paso Franchise fee	3,367,372	1,937,221	-
Other operating revenue	10,150,241	10,158,103	9,517,425
Total Operating Revenues	215,274,777	199,906,397	196,690,823
Operating Expenses:			
O&M – Water and Reclaimed Water	39,673,120	37,976,718	38,691,615
O&M – Wastewater	21,485,491	20,474,182	22,444,348
General, Administrative and Engineering	21,515,575	20,662,540	20,472,534
O&M – Drainage	4,436,981	4,714,228	5,620,417

Enterprise Funds Statements of Revenues, Expenses, and Changes in Net Position

	FY 2016	FY 2015 (Restated)	FY 2014
Other Operating Expenses	2,866,801	2,962,829	2,602,114
Other Post-Employment Benefits	1,053,817	1,040,962	884,968
Pension Expense	4,464,057	2,221,670	-
Depreciation	57,894,060	53,406,341	52,077,279
Payment to City of El Paso Franchise fee	3,367,372	1,937,221	-
Payment to City of El Paso per Bond Covenants	11,417,778	10,593,266	10,553,216
Total Operating Expenses	168,175,052	155,989,957	153,346,491
Operating Income	47,099,725	43,916,440	43,344,332
Nonoperating Revenues (Expenses):			
Interest Earnings	676,448	501,548	355,574
Gain on Land Assets Converted by Sale	1,697,191	148,384	2,270,541
Gain on Sale of Miscellaneous Assets	332,430	734,234	314,473
IRS tax credit for Build America Bonds	972,263	1,014,977	1,049,503
Other Nonoperating Expense	-	-	(13,712)
Interest on Long-Term Debt	(21,310,110)	(21,618,853)	(21,309,998)
Total Nonoperating Expenses	(17,631,778)	(19,219,710)	(17,333,619)
Increase in Net Position, Before Contributions	29,467,947	24,696,730	26,010,713
Federal Grant Contributions	69,930	371,364	830,034
Capital and Non-Federal Grant Contributions	25,920,656	8,207,432	12,998,824
Change in Net Position	55,458,533	33,275,526	39,839,571
Total Net Position – Beginning	847,411,787	848,203,478	808,363,907
Prior Period Adjustment	-	(34,067,217)	-
Total Net Position – Ending	\$902,870,320	\$847,411,787	\$848,203,478

Water and Wastewater Utility Fund

Total operating revenues increased by \$13.84 million from 2015 to 2016 mainly due to an increase of \$5.84 million in water and \$5.00 million in wastewater revenue due to an eight percent rate increase that was effective March 1, 2015. Water consumption decreased by 136 million gallons as a result of above average precipitation in the months of July and October 2015. Total operating revenue increased by \$3.06 million from 2014 to 2015 mainly due to an increase of \$1.47 million in water, water supply replacement charge and reclaimed water revenue, and an increase of \$804,000 in customer connection fees, offset by a reduction in wastewater revenue of \$968,000. Water consumption decreased by 582 million gallons as a result of milder spring temperatures and above average precipitation in September 2014.

Total operating expenses of the Water and Wastewater Utility of \$160.24 million for fiscal year 2016 increased by \$11.59 million from 2015. The Water and Wastewater Utility purchases river water through several contracts with the El Paso County Water Improvement District #1 (EPCWID#1) and for calendar year 2015 water purchases increased by \$1.53 million due to an increase in the allotment of river water. The river water delivered in calendar year 2015 by EPCWID#1 was 36,134 acre feet, an increase of 12,000 acre feet from calendar year 2014. The Utility's normal river water allotment is over 60,000 acre feet a year. Depreciation expense of \$56.20 million increased by \$4.16 million from the previous year and continues to increase as water and wastewater infrastructure is placed into service to serve our customers. Total operating expenses of the Water and Wastewater Utility \$148.65 million for fiscal year 2015 increased by \$3.63 million from 2014. For calendar year 2014 water purchases increased by \$919,000 due to an increase in the allotment of river water. The river water delivered in calendar year 2014 by EPCWID#1 was 24,093 acre feet, an increase of 13,543 acre feet from calendar year 2013. Depreciation expense of \$52.04 million increased by \$1.45 million from the previous year and continues to increase as water and wastewater infrastructure is placed into service to serve our customers. Finally, effective September 1, 2014 the City of El Paso established and implemented a Franchise Fee of \$3.55 million to be paid by the Water and Sewer Utility over a one year period. The Franchise Fee was renewed by City Council for the same amount of \$3.55 million effective September 1, 2015. This fee is based on meter size and is charged to all inside city residential, non-residential and standby fire protection accounts. City of El Paso Franchise Fee is detailed in Note 25.

Total nonoperating expenses of \$15.86 million for 2016 decreased by \$1.59 million from 2015 due to a decrease in interest expense of \$254,000 and a \$1.54 million increase in revenues generated from land sales. Total nonoperating expenses of \$17.46 million for 2015 increased by \$1.74 million from 2014 due to an increase in interest expense of \$328,000 and a \$1.87 million decrease in revenues generated from land sales.

Change in net position before capital contributions had an increase of \$3.84 million from 2015 to 2016 for the following reasons: an increase in operating revenues of \$13.84 million mainly due to the additional revenues generated from the approved eight percent water and wastewater rate increase effective March 1, 2015 and offset by an increase in operating expenses of \$11.59 million mainly due to an increase in operating and maintenance expenses due to an increase of 14,000 acre feet of surface water treated. In addition, nonoperating expenses decreased by \$1.59 million mainly due to an increase in revenues from the sale of land of \$1.54 million. Net position before contributions had a decrease of \$2.31 million from 2014 to 2015 for the following reasons: an increase in operating expenses of \$3.63 million mainly due to increase in pension expense of \$2.09 million and additional operating and maintenance cost associated with the additional 13,543 acre feet of surface water that was treated. In addition, nonoperating expenses increased by \$1.74 million mainly due to a decrease in revenues from the sale of land of \$1.87 million.

Total contributions of \$25.99 million for 2016 were \$17.41 million more than 2015 mainly due to capital contributions by developers, the El Paso Electric Company and non-federal grants of \$25.92 million and \$70,000 in federal grant contributions. Total contributions of \$8.58 million for 2015 were \$5.25 million less than 2014 and consisted of \$8.21 million of capital contributions by developers and non-federal grant contributions, and \$371,000 in federal grant contributions.

EPWU spent \$84.39 million for water, wastewater and reclaimed water system capital improvements in fiscal year 2016. Major expenditures included \$12.67 million for water supply facilities, \$4.39 million in new water distribution lines and pumping equipment, \$15.15 million for water system rehabilitation, \$6.13 million for emergency backup power generators, \$14.88 million for the new field operations yard facility, \$5.22 million for additions to the wastewater collection system, \$9.78 million for rehabilitation of the wastewater system, and \$2.81 million for improvements to the reclaimed water system. EPWU spent \$97.25 million for water, wastewater and reclaimed water system capital improvements in fiscal year 2015. Major expenditures included \$13.28 million for drilling and equipping water wells, \$10.25 million in new water distribution lines and pumping equipment, \$18.42 million for water system rehabilitation, \$5.99 million for emergency backup power generators, \$11.35 million for additions to the wastewater collection system, \$9.33 million for rehabilitation of the wastewater system, and \$4.48 million for improvements to the reclaimed water system.

Financial Indicators for the Water & Wastewater Utility			
	FY 2016	FY 2015 (Restated)	FY 2014
Current Assets/Current Liabilities	2.95	1.66	2.02
Current Restricted Assets/Current Restricted Liabilities	3.11	1.39	1.92
Debt Service Coverage	2.22 times	2.09 times	2.07 times
Debt Ratio	0.37	0.35	0.36

Municipal Drainage Utility Fund

Total operating revenues increased \$1.54 million from 2015 to 2016 due to the approved eight percent fee increase effective March 1, 2015 and increased \$158,000 from 2014 to 2015 due to normal growth in customers. The Utility added 2,663 new drainage accounts from 2015 to 2016.

Operating expenses for fiscal year 2016 were \$8.07 million, an increase of \$604,000 from 2015 mainly due to an increase of \$161,000 in pension expense. Depreciation expense for the drainage assets was \$1.69 million, an increase of \$330,000. Operating expenses for fiscal year 2015 were \$7.47 million, a decrease of \$983,000 from 2014 mainly due to a decrease of \$1.02 in operating and maintenance costs. Depreciation expense for the drainage assets was \$1.36 million, a decrease of \$120,000.

EPWU spent \$36.32 million in fiscal year 2016 in capital improvements for the Municipal Drainage Utility system. Major capital expenditures include \$17.78 million for conveyance and pumping drainage projects, and \$15.30 million was spent on storage infrastructure. Total assets are summarized in Note 8 of the financial statements.

Financial Indicators for the Municipal Drainage Utility			
	FY 2016	FY 2015 (Restated)	FY 2014
Current Assets/Current Liabilities	3.46	5.46	9.96
Operating Ratio	0.36	0.38	0.44
Total Liabilities to Total Assets	0.57	0.51	0.52
Debt Service Coverage	2.02	1.95	1.75

Overall, EPWU met all its financial obligations including operating expenses, debt service and the rehabilitation and addition of new water, wastewater and drainage infrastructure to meet the needs of a growing community.

Capital Assets

EPWU's investment in water, wastewater and drainage capital assets as of February 29, 2016 is \$1.40 billion (net of accumulated depreciation). This is a net increase of 6.0% from 2015. The following table reflects the changes within each classification of capital assets net of depreciation. The increase in capital assets was primarily due to the addition of \$225.30 million in new water, sewer, reclaimed water and drainage projects placed in service during the year. The capital asset information is detailed in Note 8. The commitments related to construction work in progress are discussed in Note 23.

Capital Assets (Net of Accumulated Depreciation)			
	FY 2016	FY 2015	FY 2014
Land and Right-of-Way	\$20,290,800	\$17,008,506	\$13,563,306
Land Not in Service	64,830,541	65,359,562	64,067,002
Irrigation Water Rights Contracts	9,184,062	8,710,270	8,381,690
Buildings and Shops	20,855,737	6,332,739	6,026,344
Vehicles	5,040,856	4,139,908	2,728,798
Equipment and Tools	11,741,179	7,830,610	5,637,474
Water System	685,007,144	600,831,767	589,342,366
Wastewater System	418,970,437	372,270,331	381,179,525
Drainage System	69,769,146	52,855,063	49,113,913
Construction Work In Progress	98,630,558	189,849,138	129,331,134
Total	<u>\$1,404,320,460</u>	<u>\$1,325,187,894</u>	<u>\$1,249,371,554</u>

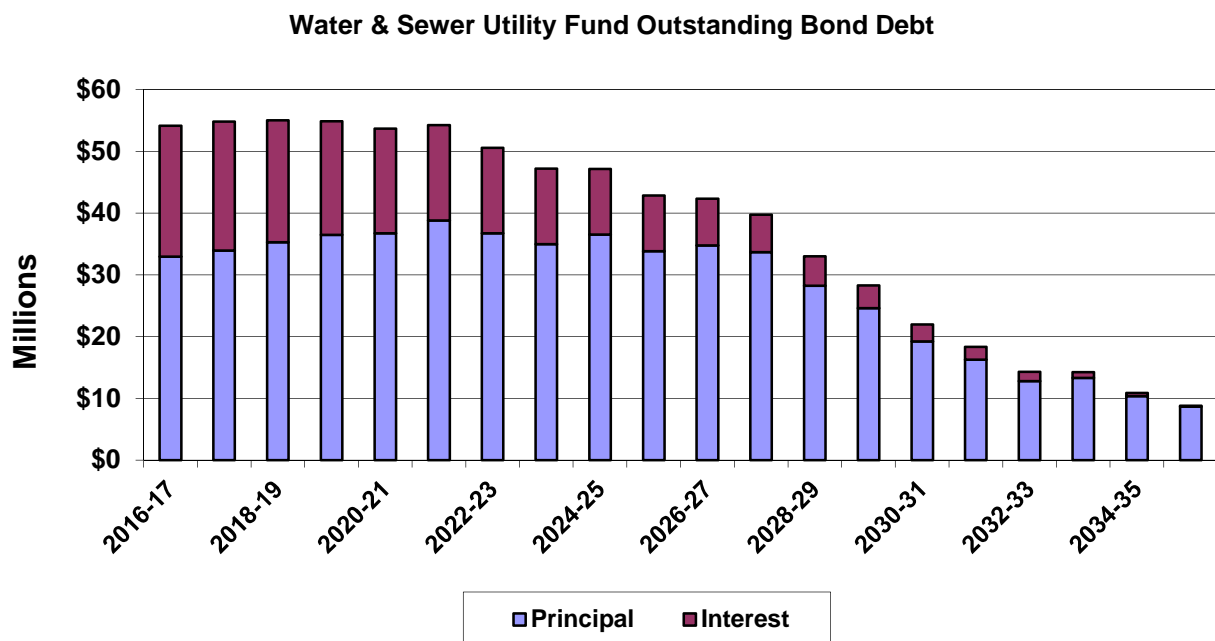
Debt Administration

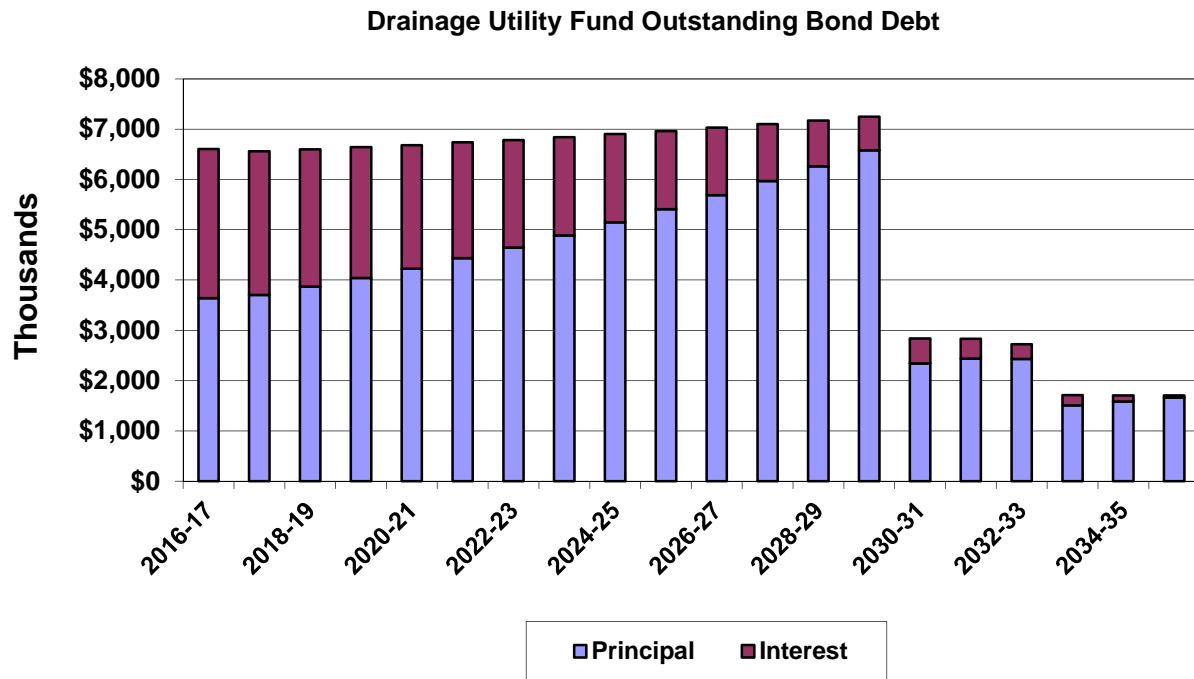
EPWU had four bond issues this fiscal year. EPWU issued: \$22.24 million in Municipal Drainage Utility System Revenue Bonds, Series 2015 with a bond premium of \$3.06 million to fund several Capital Improvement Program (CIP) projects; \$18.60 million in Water and Wastewater Revenue Bonds Series 2015A with a bond premium of \$1.65 million to fund four water storage tanks; \$50.00 million in Water and Sewer Revenue Bonds Series 2015B issued through the Texas Water Development Board State Water Implementation Fund for Texas (SWIFT) program to fund water rights land acquisition; and \$48.57 million to retire \$40.00 million of commercial paper, and

current and advance refunding of \$14.02 million of Water and Sewer Revenue Bonds Series 2006 and 2008. This bond advance refunding resulted in a Net Present Value Benefit of \$1.54 million. Total long-term liabilities are summarized in Note 9 of the financial statements and the bonds in Note 10.

The following charts show, as of February 29, 2016, all outstanding principal and interest owed by EPWU. An adequate level of debt and strong financial positions reflects superior fiscal management that have allowed EPWU to continue to earn among the highest ratings that can be awarded by rating agencies like Standard & Poor's (AA+) and Fitch Ratings (AA+). In October 1997, the Public Service Board implemented a commercial paper program. The original authorization of \$50 million for the commercial paper program was reduced in February 2009 to \$40 million and is being used for interim financing of certain water and wastewater projects. This program allows for reduced interest costs and increased flexibility in funding capital projects. EPWU issued \$40 million in commercial paper during fiscal year 2016. The commercial paper program information is detailed in Note 12.

Bond and Commercial Paper Ratings			
	<u>Standard & Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
Water & Wastewater Revenue Bonds	AA+	AA+	-
Municipal Drainage System Bonds	AA+	AA+	-
Water & Wastewater Commercial Paper		A+/F1	P-1





Summary of Significant Outstanding Debt			
	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Water & Wastewater Revenue Bonds	\$558,105,000	\$482,305,000	\$492,250,000
Municipal Drainage System Bonds	80,456,000	60,860,000	63,384,000
Water & Wastewater Commercial Paper	10,000,000	10,000,000	5,000,000
Unamortized Premiums Net of Discounts	55,946,127	48,307,413	35,833,829
Land Notes Payable	2,616,066	3,406,394	4,159,087
Total	<u>\$707,123,193</u>	<u>\$604,878,807</u>	<u>\$600,133,357</u>

Economic Factors and Next Year's Budget and Rates

- The river water estimated allocation for 2016 is 50,000 acre feet, which is close to our normal allotment of approximately 60,000 acre feet.
- In 2015, the El Paso MSA home sales increased by 11.3% with median sales prices increasing by 1.1% according to the Texas A&M Real Estate Center. The number of months Single-Family Housing remained in inventory decreased from 7.2 months to 6.2 months during the same period.

- EPWU has included in the budget for fiscal year 2016-17 three new bond issues for the Water & Wastewater Utility including: \$31 million for various Capital Improvement Projects, \$100 million for water rights land acquisition, and a bond issue to take long commercial paper notes. The Municipal Drainage Utility budget includes a \$23.5 million new bond issue for fiscal year 2016-17 to fund multiple projects.
- EPWU has planned and prepared to meet growth and will partially finance growth projects with the water and wastewater impact fees that were adopted by City Council in May 2009. In April 2014 City Council approved impact fees with no fee increase and will reevaluate a possible fee increase.

All of these factors were taken into consideration in preparing EPWU's budget for fiscal year 2016-17. The Water and Wastewater Utility and the Drainage Utility adopted a budget with an 11% rate increase to meet operating and capital infrastructure needs. EPWU will continue to look for efficiencies, refinancing debt and cutting costs whenever possible.

Request for Information

The financial report is designed to provide a general overview of the El Paso Water Utilities' finances and for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, 1154 Hawkins, 79925 or email aduran@epwu.org.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF NET POSITION

February 29, 2016

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 18,454,479	\$ 2,410,364	\$ -	\$ 20,864,843
Investments	15,528,786	-	-	15,528,786
Accounts receivable - customers	18,795,639	854,474	-	19,650,113
Accounts receivable - other	2,298,506	133,191	-	2,431,697
Accrued interest receivable	361,034	54,927	-	415,961
Due from Water and Wastewater Utility	-	316,893	(316,893)	-
Inventory - materials and supplies	1,864,435	-	-	1,864,435
Other current assets	626,724	-	-	626,724
Prepaid expenses	1,988,154	-	-	1,988,154
Restricted current assets:				
Restricted for bond requirements:				
Cash and cash equivalents	43,832,530	5,958,218	-	49,790,748
Investments	28,767,004	3,460,039	-	32,227,043
Restricted for construction and improvements:				
Cash and cash equivalents	90,241,471	24,620,236	-	114,861,707
Investments	33,512,718	12,187,784	-	45,700,502
Accounts receivable government grants	113,738	-	-	113,738
Notes receivable	63,598	-	-	63,598
Total current assets	256,448,816	49,996,126	(316,893)	306,128,049
Capital assets:				
Water and Wastewater Utility capital assets	2,057,661,081	-	-	2,057,661,081
Municipal Drainage Utility capital assets	-	83,038,878	-	83,038,878
Land and right of way	72,440,279	12,681,062	-	85,121,341
Construction work in progress	59,758,641	38,871,917	-	98,630,558
Less accumulated depreciation	(907,991,298)	(12,140,100)	-	(920,131,398)
Total capital assets (net of accumulated depreciation)	1,281,868,703	122,451,757	-	1,404,320,460
Total noncurrent assets	1,281,868,703	122,451,757	-	1,404,320,460
Total assets	1,538,317,519	172,447,883	(316,893)	1,710,448,509
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on bond refunding	4,715,354	-	-	4,715,354
Deferred pension contributions	2,169,546	148,620	-	2,318,166
Difference in projected and actual earnings on pension assets	4,013,036	304,683	-	4,317,719
Difference in expected and actual pension experience	543,804	34,546	-	578,350
Total deferred outflows of resources	11,441,740	487,849	-	11,929,589
Total assets and deferred outflows of resources	\$ 1,549,759,259	\$ 172,935,732	\$ (316,893)	\$ 1,722,378,098

	Water & Wastewater Utility	Municipal Drainage Utility	Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,626,081	\$ 126,630	\$ -	\$ 2,752,711
Environmental Services collections and other payments due to City of El Paso	6,079,297	-	-	6,079,297
Customer deposits	8,993,131	-	-	8,993,131
Accrued vacation payable	1,876,490	81,376	-	1,957,866
Accrued payroll and benefits	1,824,547	141,967	-	1,966,514
Due to Municipal Drainage Utility	316,893	-	(316,893)	-
Unearned revenue on land leases	668,136	9,234	-	677,370
Other current liabilities	597,821	-	-	597,821
Self-insurance workers' compensation and health claims	541,338	-	-	541,338
Other governments payable - current	141,049	-	-	141,049
Current liabilities payable from restricted assets:				
Revenue bonds payables and unamortized premiums net of discounts	36,149,230	3,839,059	-	39,988,289
Accrued interest on revenue bonds and commercial paper	10,620,416	1,924,736	-	12,545,152
Accounts payable	12,254,938	7,155,349	-	19,410,287
Land notes payable	829,844	-	-	829,844
Land notes interest payable	35,579	-	-	35,579
Customer advances for construction	1,456,871	-	-	1,456,871
Retainage payable on construction contracts	1,843,088	1,192,145	-	3,035,233
Total current liabilities	<u>86,854,749</u>	<u>14,470,496</u>	<u>(316,893)</u>	<u>101,008,352</u>
Noncurrent liabilities:				
Revenue bonds payables and unamortized premiums net of discounts	574,239,562	80,279,276	-	654,518,838
Land notes payable	1,786,222	-	-	1,786,222
Other governments payable	2,355,957	-	-	2,355,957
Commercial paper notes	10,000,000	-	-	10,000,000
Other Post-Employment Benefits	8,667,861	344,497	-	9,012,358
Net Pension Liability	36,549,779	2,385,949	-	38,935,728
Accrued vacation payable	972,022	75,141	-	1,047,163
Self-insurance workers' compensation claims	555,945	-	-	555,945
Total noncurrent liabilities	<u>635,127,348</u>	<u>83,084,863</u>	<u>-</u>	<u>718,212,211</u>
Total liabilities	<u>721,982,097</u>	<u>97,555,359</u>	<u>(316,893)</u>	<u>819,220,563</u>
DEFERRED INFLOWS OF RESOURCES				
Gains on bond refunding	287,215	-	-	287,215
Total deferred inflows of resources	<u>287,215</u>	<u>-</u>	<u>-</u>	<u>287,215</u>
NET POSITION				
Restricted:				
Restricted for debt service	61,979,118	7,493,521	-	69,472,639
Restricted for construction and improvements	28,272,952	482,711	-	28,755,663
Total restricted	90,252,070	7,976,232	-	98,228,302
Net investment in capital assets	742,319,946	66,311,237	-	808,631,183
Unrestricted	(5,082,069)	1,092,904	-	(3,989,165)
Total net position	<u>827,489,947</u>	<u>75,380,373</u>	<u>-</u>	<u>902,870,320</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,549,759,259</u>	<u>\$ 172,935,732</u>	<u>\$ (316,893)</u>	<u>\$ 1,722,378,098</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF NET POSITION
RESTATED
February 28, 2015

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 16,893,387	\$ 2,104,423	\$ -	\$ 18,997,810
Investments	10,535,441	-	-	10,535,441
Accounts receivable - customers	17,652,736	845,342	-	18,498,078
Accounts receivable - other	5,371,500	6,650	-	5,378,150
Accrued interest receivable	423,364	105,492	-	528,856
Due from Water and Wastewater Utility	-	270,840	(270,840)	-
Inventory - materials and supplies	1,870,845	-	-	1,870,845
Other current assets	514,032	-	-	514,032
Prepaid expenses	1,996,006	-	-	1,996,006
Restricted current assets:				
Restricted for bond requirements:				
Cash and cash equivalents	36,146,346	4,946,317	-	41,092,663
Investments	15,402,186	1,348,332	-	16,750,518
Restricted for construction and improvements:				
Cash and cash equivalents	19,837,542	24,154,689	-	43,992,231
Investments	24,957,009	14,706,048	-	39,663,057
Accounts receivable government grants	500,136	-	-	500,136
Notes receivable	50,224	-	-	50,224
Total current assets	152,150,754	48,488,133	(270,840)	200,368,047
Noncurrent assets:				
Investments	7,089,072	-	-	7,089,072
Restricted noncurrent assets:				
Restricted for bond requirements:				
Investments	12,271,338	1,612,190	-	13,883,528
Restricted for construction and improvements:				
Investments	10,464,236	1,250,153	-	11,714,389
Capital assets:				
Water and Wastewater Utility capital assets	1,853,617,700	-	-	1,853,617,700
Municipal Drainage Utility capital assets	-	64,537,935	-	64,537,935
Land and right of way	72,550,913	9,817,155	-	82,368,068
Construction work in progress	167,299,726	22,549,412	-	189,849,138
Less accumulated depreciation	(854,706,486)	(10,478,461)	-	(865,184,947)
Total capital assets (net of accumulated depreciation)	1,238,761,853	86,426,041	-	1,325,187,894
Total noncurrent assets	1,268,586,499	89,288,384	-	1,357,874,883
Total assets	1,420,737,253	137,776,517	(270,840)	1,558,242,930
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on bond refunding	5,232,151	-	-	5,232,151
Deferred pension contributions	2,127,237	135,985	-	2,263,222
Difference in expected and actual pension experience	702,334	44,513	-	746,847
Total deferred outflows of resources	8,061,722	180,498	-	8,242,220
Total assets and deferred outflows of resources	\$ 1,428,798,975	\$ 137,957,015	\$ (270,840)	\$ 1,566,485,150

	Water & Wastewater Utility	Municipal Drainage Utility	Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,160,039	\$ 122,925	\$ -	\$ 2,282,964
Environmental Services collections and other payments due to City of El Paso	6,990,624	-	-	6,990,624
Customer deposits	8,373,573	-	-	8,373,573
Accrued vacation payable	1,794,440	70,324	-	1,864,764
Accrued payroll and benefits	1,575,921	116,174	-	1,692,095
Due to Municipal Drainage Utility	270,840	-	(270,840)	-
Unearned revenue on land leases	338,682	8,975	-	347,657
Other current liabilities	383,847	-	-	383,847
Self-insurance workers' compensation and health claims	299,060	-	-	299,060
Other governments payable - current	134,854	-	-	134,854
Current liabilities payable from restricted assets:				
Revenue bonds payables and unamortized premiums net of discounts	30,166,377	2,690,259	-	32,856,636
Accrued interest on revenue bonds and commercial paper	8,276,706	1,496,862	-	9,773,568
Accounts payable	14,911,689	3,916,115	-	18,827,804
Land notes payable	790,328	-	-	790,328
Land notes interest payable	50,585	-	-	50,585
Customer advances for construction	13,577,981	-	-	13,577,981
Retainage payable on construction contracts	1,789,319	461,803	-	2,251,122
Total current liabilities	91,884,865	8,883,437	(270,840)	100,497,462
Noncurrent liabilities:				
Revenue bonds payables and unamortized premiums net of discounts	499,659,628	58,956,149	-	558,615,777
Land notes payable	2,616,066	-	-	2,616,066
Other governments payable	2,497,006	-	-	2,497,006
Commercial paper notes	10,000,000	-	-	10,000,000
Other Post-Employment Benefits	7,689,928	268,613	-	7,958,541
Net Pension Liability	23,807,227	1,508,877	-	25,316,104
Accrued vacation payable	1,089,319	64,417	-	1,153,736
Self-insurance workers' compensation claims	744,207	-	-	744,207
Total noncurrent liabilities	548,103,381	60,798,056	-	608,901,437
Total liabilities	639,988,246	69,681,493	(270,840)	709,398,899
DEFERRED INFLOWS OF RESOURCES				
Gains on bond refunding	131,896	-	-	131,896
Difference in projected and actual earnings on pension assets	8,973,817	568,751	-	9,542,568
Total deferred inflows of resources	9,105,713	568,751	-	9,674,464
NET POSITION				
Restricted:				
Restricted for debt service	55,543,164	6,409,977	-	61,953,141
Restricted for construction and improvements	15,539,058	5,997,108	-	21,536,166
Total restricted	71,082,222	12,407,085	-	83,489,307
Net investment in capital assets	721,516,344	54,515,497	-	776,031,841
Unrestricted	(12,893,550)	784,189	-	(12,109,361)
Total net position	779,705,016	67,706,771	-	847,411,787
Total liabilities, deferred inflows of resources, and net position	\$ 1,428,798,975	\$ 137,957,015	\$ (270,840)	\$ 1,566,485,150

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Year Ended February 29, 2016

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Operating revenues:				
Water	\$ 98,598,421	\$ -	\$ -	\$ 98,598,421
Water supply replacement charge	21,546,247	-	-	21,546,247
Reclaimed water	2,870,685	-	-	2,870,685
Wastewater	62,067,893	-	-	62,067,893
Drainage fees	-	16,788,500	(114,582)	16,673,918
Customer connection fees	5,686,429	-	-	5,686,429
Billing fees - City Environmental Services	621,611	266,405	-	888,016
Rent revenue	1,892,593	-	(24,000)	1,868,593
City of El Paso Franchise fee	3,367,372	-	-	3,367,372
Other operating revenue	1,243,619	463,584	-	1,707,203
Total operating revenues	<u>197,894,870</u>	<u>17,518,489</u>	<u>(138,582)</u>	<u>215,274,777</u>
Operating expenses:				
Operations and maintenance - water & reclaimed water	39,746,695	-	(73,575)	39,673,120
Operations and maintenance - wastewater	21,541,071	-	(55,580)	21,485,491
General, administrative and engineering expenses	20,229,843	-	1,285,732	21,515,575
Operations and maintenance - drainage	-	4,432,140	4,841	4,436,981
Indirect cost allocation	-	1,300,000	(1,300,000)	-
Other operating expenses	2,588,350	278,451	-	2,866,801
Other Post-Employment Benefits	977,933	75,884	-	1,053,817
Pension expense	4,170,505	293,552	-	4,464,057
Depreciation	56,199,421	1,694,639	-	57,894,060
Payment to City of El Paso Franchise fee	3,367,372	-	-	3,367,372
Payment to City of El Paso per bond covenants	11,417,778	-	-	11,417,778
Total operating expenses	<u>160,238,968</u>	<u>8,074,666</u>	<u>(138,582)</u>	<u>168,175,052</u>
Operating income	<u>37,655,902</u>	<u>9,443,823</u>	<u>-</u>	<u>47,099,725</u>
Nonoperating revenues (expenses):				
Interest earnings and net change in fair value of investments	544,195	132,253	-	676,448
IRS tax credit for Build America Bonds	205,567	766,696	-	972,263
Gain on land assets converted by sale	1,681,832	15,359	-	1,697,191
Gain on sale of miscellaneous assets	315,294	17,136	-	332,430
Interest on long term debt	(18,608,445)	(2,701,665)	-	(21,310,110)
Total nonoperating expenses	<u>(15,861,557)</u>	<u>(1,770,221)</u>	<u>-</u>	<u>(17,631,778)</u>
Increase in net position, before capital contributions	<u>21,794,345</u>	<u>7,673,602</u>	<u>-</u>	<u>29,467,947</u>
Federal grant contributions	69,930	-	-	69,930
Capital and non-federal grant contributions	25,920,656	-	-	25,920,656
Total contributions	<u>25,990,586</u>	<u>-</u>	<u>-</u>	<u>25,990,586</u>
Change in net position	<u>47,784,931</u>	<u>7,673,602</u>	<u>-</u>	<u>55,458,533</u>
Total net position - beginning	<u>779,705,016</u>	<u>67,706,771</u>	<u>-</u>	<u>847,411,787</u>
Total net position - ending	<u>\$ 827,489,947</u>	<u>\$ 75,380,373</u>	<u>\$ -</u>	<u>\$ 902,870,320</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
RESTATED
For the Year Ended February 28, 2015

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Operating revenues:				
Water	\$ 92,756,225	\$ -	\$ -	\$ 92,756,225
Water supply replacement charge	19,932,864	-	-	19,932,864
Reclaimed water	2,863,690	-	-	2,863,690
Wastewater	57,064,138	-	-	57,064,138
Drainage fees	-	15,298,948	(104,792)	15,194,156
Customer connection fees	5,441,677	-	-	5,441,677
Billing fees - City Environmental Services	613,136	262,772	-	875,908
Rent revenue	1,958,038	-	(24,000)	1,934,038
City of El Paso Franchise fee	1,937,221	-	-	1,937,221
Other operating revenue	1,486,686	419,794	-	1,906,480
Total operating revenues	184,053,675	15,981,514	(128,792)	199,906,397
Operating expenses:				
Operations and maintenance - water & reclaimed water	38,047,643	-	(70,925)	37,976,718
Operations and maintenance - wastewater	20,526,656	-	(52,474)	20,474,182
General, administrative and engineering expenses	19,480,300	-	1,182,240	20,662,540
Operations and maintenance - drainage	-	4,708,861	5,367	4,714,228
Indirect cost allocation	-	1,193,000	(1,193,000)	-
Other operating expenses	2,962,829	-	-	2,962,829
Other Post-Employment Benefits	969,336	71,626	-	1,040,962
Pension expense	2,089,255	132,415	-	2,221,670
Depreciation	52,041,478	1,364,863	-	53,406,341
Payment to City of El Paso Franchise fee	1,937,221	-	-	1,937,221
Payment to City of El Paso per bond covenants	10,593,266	-	-	10,593,266
Total operating expenses	148,647,984	7,470,765	(128,792)	155,989,957
Operating income	35,405,691	8,510,749	-	43,916,440
Nonoperating revenues (expenses):				
Interest earnings and net change in fair value of investments	401,998	99,550	-	501,548
IRS tax credit for Build America Bonds	214,302	800,675	-	1,014,977
Gain on land assets converted by sale	143,455	4,929	-	148,384
Gain on sale of miscellaneous assets	646,916	87,318	-	734,234
Interest on long term debt	(18,862,744)	(2,756,109)	-	(21,618,853)
Total nonoperating expenses	(17,456,073)	(1,763,637)	-	(19,219,710)
Increase in net position, before capital contributions	17,949,618	6,747,112	-	24,696,730
Federal grant contributions	371,364	-	-	371,364
Capital and non-federal grant contributions	8,207,432	-	-	8,207,432
Total contributions	8,578,796	-	-	8,578,796
Change in net position	26,528,414	6,747,112	-	33,275,526
Total net position - beginning	785,214,409	62,989,069	-	848,203,478
Prior period adjustment	(32,037,807)	(2,029,410)	-	(34,067,217)
Total net position - ending	\$ 779,705,016	\$ 67,706,771	\$ -	\$ 847,411,787

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2016

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 197,369,226	\$ 17,268,492	\$ -	\$ 214,637,718
Cash received from Municipal Drainage Utility	1,389,212	-	(1,389,212)	-
Cash received from Water and Wastewater Utility	-	114,582	(114,582)	-
Environmental Services fees collected for the City of El Paso	61,151,531	-	-	61,151,531
Franchise fees collected	3,367,372	-	-	3,367,372
Cash payments to suppliers for goods and services	(49,440,079)	(3,050,372)	-	(52,490,451)
Cash payments to employees for services	(38,521,452)	(1,579,916)	-	(40,101,368)
Environmental Services fees paid to the City of El Paso	(61,127,303)	-	-	(61,127,303)
Payments to City of El Paso per bond covenants	(12,002,714)	-	-	(12,002,714)
Payments to City of El Paso Franchise fees	(3,717,991)	-	-	(3,717,991)
Cash payments to Municipal Drainage Utility	(114,582)	-	114,582	-
Cash payments to Water and Wastewater Utility	-	(1,389,212)	1,389,212	-
Net cash provided by operating activities	98,353,220	11,363,574	-	109,716,794
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from:				
Revenue bonds	117,165,000	22,240,000	-	139,405,000
Premiums received on revenue bonds	8,447,405	3,063,169	-	11,510,574
Commercial paper	40,000,000	-	-	40,000,000
Cash receipts from grants	543,720	-	-	543,720
Acquisition and construction from capital grants	(157,322)	-	-	(157,322)
Acquisition and construction of capital assets net of disposals	(88,174,630)	(33,750,779)	-	(121,925,409)
Refunding revenue bonds	(14,020,000)	-	-	(14,020,000)
Refunding commercial paper	(40,000,000)	-	-	(40,000,000)
Principal payments on revenue bonds	(27,345,000)	(2,644,000)	-	(29,989,000)
Interest and fees on revenue bonds and commercial paper	(19,874,007)	(2,739,484)	-	(22,613,491)
IRS tax credit on Build America Bonds	205,567	766,696	-	972,263
Principal payments on land notes payable	(790,328)	-	-	(790,328)
Interest payments on notes and other long term debt	(216,844)	-	-	(216,844)
Proceeds from sale of assets net of related expenses	1,997,125	32,495	-	2,029,620
Net cash used by capital and related financing activities	(22,219,314)	(13,031,903)	-	(35,251,217)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investment securities	99,158,523	36,298,201	-	135,456,724
Purchase of investment securities	(96,223,741)	(33,022,498)	-	(129,246,239)
Interest received on investment securities	582,517	176,015	-	758,532
Net cash provided by investing activities	3,517,299	3,451,718	-	6,969,017
Net increase in cash and cash equivalents	79,651,205	1,783,389	-	81,434,594
Cash and cash equivalents:				
Beginning of year	72,877,275	31,205,429	-	104,082,704
End of year	\$ 152,528,480	\$ 32,988,818	\$ -	\$ 185,517,298

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2016

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 37,655,902	\$ 9,443,823	\$ -	\$ 47,099,725
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	56,199,421	1,694,639	-	57,894,060
Bond issue expense	798,102	278,451	-	1,076,553
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	1,916,717	(135,673)	-	1,781,044
Due from Water and Wastewater Utility	-	(46,053)	46,053	-
Inventory	6,410	-	-	6,410
Prepaid expenses	7,852	-	-	7,852
Other current assets	(112,692)	-	-	(112,692)
Deferred outflow-Pension contributions	(42,309)	(12,635)	-	(54,944)
Deferred outflow-Difference in projected and actual earnings on pension assets	(4,013,036)	(304,683)	-	(4,317,719)
Deferred outflow-Difference in expected and actual pension experience	158,530	9,967	-	168,497
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	466,042	3,705	-	469,747
Other current liabilities	252,165	259	-	252,424
Due to Municipal Drainage Utility	46,053	-	(46,053)	-
Accrued vacation payable	(35,247)	21,776	-	(13,471)
Accrued payroll and benefits	248,626	25,793	-	274,419
Other Post-Employment Benefits	977,933	75,884	-	1,053,817
Net Pension Liability	12,742,552	877,072	-	13,619,624
Deferred inflows-Difference in projected and actual earnings on pension assets	(8,973,817)	(568,751)	-	(9,542,568)
Self-insurance claims	54,016	-	-	54,016
Net cash provided by operating activities	<u>\$ 98,353,220</u>	<u>\$ 11,363,574</u>	<u>\$ -</u>	<u>\$ 109,716,794</u>
Noncash investing, capital, and financing activities:				
Contribution in aid of construction	\$ 25,903,194	\$ -	\$ -	\$ 25,903,194
Decrease in accounts receivable capital grants	(386,398)	-	-	(386,398)
Change in fair value of investments	(24,008)	(6,803)	-	(30,811)
	<u>\$ 25,492,788</u>	<u>\$ (6,803)</u>	<u>\$ -</u>	<u>\$ 25,485,985</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended February 28, 2015

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 177,096,429	\$ 15,821,781	\$ -	\$ 192,918,210
Cash received from Municipal Drainage Utility	1,470,339	-	(1,470,339)	-
Cash received from Water and Wastewater Utility	-	104,791	(104,791)	-
Environmental Services fees collected for the City of El Paso	58,457,099	-	-	58,457,099
Franchise fees collected	1,937,221	-	-	1,937,221
Cash payments to suppliers for goods and services	(48,766,755)	(4,017,685)	-	(52,784,440)
Cash payments to employees for services	(37,109,487)	(1,252,522)	-	(38,362,009)
Environmental Services fees paid to the City of El Paso	(58,017,801)	-	-	(58,017,801)
Payments to City of El Paso per bond covenants	(9,958,521)	-	-	(9,958,521)
Payments to City of El Paso Franchise fees	(1,292,793)	-	-	(1,292,793)
Cash payments to Municipal Drainage Utility	(104,791)	-	104,791	-
Cash payments to Water and Wastewater Utility	-	(1,470,339)	1,470,339	-
Net cash provided by operating activities	<u>83,710,940</u>	<u>9,186,026</u>	<u>-</u>	<u>92,896,966</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from:				
Revenue bonds	131,650,000	-	-	131,650,000
Premiums received on revenue bonds	13,245,483	-	-	13,245,483
Commercial paper	30,000,000	-	-	30,000,000
Cash receipts from grants	466,059	-	-	466,059
Acquisition and construction from capital grants	(456,732)	-	-	(456,732)
Acquisition and construction of capital assets net of disposals	(95,077,532)	(18,206,900)	-	(113,284,432)
Refunding revenue bonds	(116,445,000)	-	-	(116,445,000)
Refunding commercial paper	(25,000,000)	-	-	(25,000,000)
Principal payments on revenue bonds	(25,150,000)	(2,524,000)	-	(27,674,000)
Interest and fees on revenue bonds and commercial paper	(24,554,932)	(2,859,219)	-	(27,414,151)
IRS tax credit on Build America Bonds	214,302	800,675	-	1,014,977
Principal payments on land notes payable	(752,693)	-	-	(752,693)
Interest payments on notes and other long term debt	(263,422)	-	-	(263,422)
Proceeds from sale of assets net of related expenses	790,372	92,247	-	882,619
Net cash used by capital and related financing activities	<u>(111,334,095)</u>	<u>(22,697,197)</u>	<u>-</u>	<u>(134,031,292)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investment securities	100,425,027	32,241,292	-	132,666,319
Purchase of investment securities	(89,639,818)	(20,998,240)	-	(110,638,058)
Interest received on investment securities	406,564	117,137	-	523,701
Net cash provided by investing activities	<u>11,191,773</u>	<u>11,360,189</u>	<u>-</u>	<u>22,551,962</u>
Net decrease in cash and cash equivalents	(16,431,382)	(2,150,982)	-	(18,582,364)
Cash and cash equivalents:				
Beginning of year	89,308,657	33,356,411	-	122,665,068
End of year	<u>\$ 72,877,275</u>	<u>\$ 31,205,429</u>	<u>\$ -</u>	<u>\$ 104,082,704</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

ENTERPRISE FUNDS

STATEMENT OF CASH FLOWS
RESTATED

For the Year Ended February 28, 2015

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 35,405,691	\$ 8,510,749	\$ -	\$ 43,916,440
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	52,041,478	1,364,863	-	53,406,341
Bond issue expense	972,424	-	-	972,424
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(5,753,698)	(55,152)	-	(5,808,850)
Due from Water and Wastewater Utility	-	(234,705)	234,705	-
Inventory	109,080	-	-	109,080
Prepaid expenses	20,383	-	-	20,383
Other current assets	(127,773)	-	-	(127,773)
Deferred outflow-Pension contributions	(2,127,237)	(135,985)	-	(2,263,222)
Deferred outflow-Difference in expected and actual pension experience	(702,334)	(44,513)	-	(746,847)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	(263,378)	(361,012)	-	(624,390)
Other current liabilities	2,487,254	210	-	2,487,464
Due to Municipal Drainage Utility	234,705	-	(234,705)	-
Accrued vacation payable	2,079	26,284	-	28,363
Accrued payroll and benefits	41,341	(4,557)	-	36,784
Other Post-Employment Benefits	969,336	71,626	-	1,040,962
Net Pension Liability	(8,230,580)	(520,533)	-	(8,751,113)
Deferred inflows-Difference in projected and actual earnings on pension assets	8,973,817	568,751	-	9,542,568
Self-insurance claims	(341,648)	-	-	(341,648)
Net cash provided by operating activities	<u>\$ 83,710,940</u>	<u>\$ 9,186,026</u>	<u>\$ -</u>	<u>\$ 92,896,966</u>
Noncash investing, capital, and financing activities:				
Contribution in aid of construction	\$ 8,122,065	\$ -	\$ -	\$ 8,122,065
Decrease in accounts receivable capital grants	(9,327)	-	-	(9,327)
Change in fair value of investments	14,853	3,686	-	18,539
	<u>\$ 8,127,591</u>	<u>\$ 3,686</u>	<u>\$ -</u>	<u>\$ 8,131,277</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - El Paso City Ordinance No. 752, adopted May 22, 1952, established a five-member board of trustees known as the "Public Service Board" (PSB) which was given the complete management and control of the city's Water and Wastewater Utility System, and as such a separate entity known as Public Service Board - El Paso Water Utilities (EPWU) was created. Ordinance No. 017167 adopted August 11, 2009 increased the number of board members from five to seven. The PSB consists of the Mayor of the City of El Paso and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council and serve staggered four-year terms.

EPWU prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of contracts and grants of agencies from which it receives funds. EPWU's basic financial statements include the accounts of all EPWU's operations, and there are no component units as defined by GASB which are included in EPWU's reporting entity. However, EPWU is a component unit of the City of El Paso based upon the selection of the governing authority.

The Enterprise Funds Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are the financial statements for EPWU as a whole. They report information on both of EPWU's funds after elimination of the interfund activities, payables and receivables. The Statement of Net Position reports all financial and capital resources of the EPWU. It presents information on assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. The two funds of EPWU are the Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund.

Nature of Activities - EPWU provides water, wastewater, and drainage services for the El Paso area residents. In addition to the water, wastewater, and drainage system revenue, EPWU receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

During the year ended February 28, 2006, EPWU acquired a municipal golf course and has contracted a managing agent to operate the facility. The assets, liabilities, and results of operations are included in these financial statements as part of the Water and Wastewater Utility.

Fund Accounting - Public Service Board - El Paso Water Utilities is comprised of two funds, the Water and Wastewater Utility and the Municipal Drainage Utility. The funds are accounted for as enterprise funds, which are proprietary funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EPWU reports the following major enterprise funds:

- Water and Wastewater Utility - This fund is used to account for the activity related to providing water and wastewater services to El Paso area residents.
- Municipal Drainage Utility - This fund is used to account for the activity related to the management and collection of storm water runoff.

City Ordinance No. 752 established certain "funds" for the Water and Wastewater Utility Fund. These "funds" are mandatory asset segregation and not funds in the sense of governmental fiscal and accounting entities with self-balancing sets of accounts. These "funds" are more fully explained in Note 2.

Annual Budget - EPWU prepares, prior to the beginning of each fiscal year, separate detailed comprehensive annual budgets for the Water and Wastewater Utility and Municipal Drainage Utility funds reflecting estimates of revenues and expenses and other requirements for the ensuing fiscal year in sufficient detail to indicate the probable gross revenues and pledged revenues for such fiscal year. The budgets are prepared using the accrual basis of accounting and are approved by the Public Service Board.

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Revenue is recognized as it is earned and expenses are recognized when goods or services are delivered.

In fiscal year 2016, EPWU has implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. In addition, EPWU implemented *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* which requires, at transition, that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of *GASB Statement No. 71* are required to be applied simultaneously with the provisions of *GASB Statement No. 68*.

EPWU's financial statement as of February 29, 2016 and February 28, 2015 are presented in accordance with the guidance provided by these GASB Statements. See Note 28, Prior Period Adjustment, for more information regarding implementation of these new pronouncements.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of EPWU are charges to customers for sales and services. EPWU also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. In addition, EPWU acts as a billing and collecting agent on behalf of the City of El Paso for environmental services collection, and an administrative fee is recognized as operating revenue for this service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets as well as payments to the City of El Paso based upon 10% of water sales. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is EPWU's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates - Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows Statement - For purposes of the statement of cash flows, EPWU considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - All investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end. Investments with an original maturity of less than one year are reported at amortized cost. Premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities. It is the intent of management to hold securities until maturity, and the securities not available within a year after year-end are considered non-current.

Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold.

Inventory - Materials and Supplies - EPWU reports inventories of supplies at the lower of cost (average cost) or market. Supplies are recorded as expenses when they are consumed.

Restricted Assets - Based upon certain bond covenants and other requirements, EPWU is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt and other activities specifically restricted (construction and improvements).

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets include assets with an individual cost of \$5,000 or more and an estimated useful life in excess of one year. Utility plant and drainage asset additions are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through contributions, such as from developers, are capitalized and recorded at estimated fair value as of the date of donation. Included in capital assets are intangible assets, which consist of purchased water rights and land easements. It is the policy of EPWU to capitalize infrastructure assets. Maintenance and repairs that do not add to the value or life of the asset are charged to operating expense. Major plant replacements are capitalized.

EPWU records depreciation of capital assets in service on the straight-line method at amounts estimated to amortize costs of assets over their estimated useful lives. At the time of retirement of capital assets, the allowance for depreciation is charged with the original cost of the asset and the cost of removal.

The following estimated useful lives are used in providing for depreciation of capital assets:

Building and shops	25 - 33 years
Vehicles and heavy equipment	5 years
Equipment and tools	3 - 33 years
Water plant	10 - 50 years
Wastewater plant	5 - 50 years
Water rights contract	75 years
Drainage system	50 - 100 years

Vacation and Sick Pay - Full time, permanent Public Service Board - El Paso Water Utilities employees earn vacation leave as follows:

<u>Years Employed</u>	<u>Vacation Leave</u>
1 - 5	12 days/year
6- 15	17 days/year
Over 15	20 days/year

Permanent EPWU employees who work 40 hours per week can accumulate a total of 400 vacation leave hours. As of February 29, 2016 and February 28, 2015, EPWU's total vacation leave liability was \$3,005,029 and \$3,018,500, respectively.

Vacation payable for the Water and Wastewater Utility is as follows:

	<u>2016</u>	<u>2015</u>
Total payable, beginning of year	\$ 2,883,759	\$ 2,881,680
Vacation earned	1,857,736	1,859,803
Vacation used	<u>(1,892,983)</u>	<u>(1,857,724)</u>
Total payable, end of year	<u>\$ 2,848,512</u>	<u>\$ 2,883,759</u>

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation payable for the Municipal Drainage Utility is as follows:

	<u>2016</u>	<u>2015</u>
Total payable, beginning of year	\$ 134,741	\$ 108,457
Vacation earned	113,348	112,492
Vacation used	<u>(91,572)</u>	<u>(86,208)</u>
Total payable, end of year	<u>\$ 156,517</u>	<u>\$ 134,741</u>

Sick leave is earned at a rate of 15 days per year for permanent, full time EPWU employees, with an unlimited accumulation of days. EPWU does not record any liability for sick pay as employees are not reimbursed upon termination.

Vacation is recorded as an expense and related liability in the year earned. Sick pay is recorded as an expense in the year incurred.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/reduction of net pension liability) until then. EPWU has the following items that qualify for reporting in this category:

Deferred charges on bond refunding - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred pension contributions - These contributions are deferred and reduce net pension liability in the subsequent fiscal year.

Difference in expected and actual pension experience - This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred.

Difference in projected and actual earnings on pension assets - This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. EPWU has the following items that qualify for reporting in this category:

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains on bond refunding - A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Difference in projected and actual earnings on pension assets - This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the El Paso City Employees' Pension Fund (CEPF) and additions to/deductions from CEPF fiduciary net position have been determined on the same basis as they are reported by the CEPF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CITY ORDINANCE NO. 752

On May 22, 1952, City Ordinance No. 752 created the Public Service Board - El Paso Water Utilities for the purpose of providing water and wastewater services that are reported in the Water and Wastewater Utility Fund. This ordinance authorized the issuance of a series of Revenue Bonds entitled "City of El Paso, Texas, Water and Sewer Revenue Bonds Series 1952 (the Series 1952 Bonds)," and the City reserved the right and option in the 1952 resolution to issue, under certain conditions, additional bonds on a parity as to lien and right with the Series 1952 Bonds. This bond ordinance has been amended as a result of subsequent bond issues, but still contains the following key covenants.

Ordinance No. 752, as amended, requires that gross revenues of the System be applied in sequence to: (a) current expenses of maintenance and operations; (b) debt service and reserve requirements; (c) capital expenditures, or unexpected or extraordinary repairs or replacements, or for any other lawful purpose. The following funds have been established to account for the application of the gross revenues: (i) Water and Sewer Revenue Bonds Waterworks and Sewage Fund; (ii) Water and Sewer Revenue Bonds Interest and Sinking Fund; (iii) Water and Sewer Revenue Bonds Reserve Fund; and (iv) Water and Sewer Improvement Fund. All revenues of every nature received through operations of the System shall be paid into the Waterworks and Sewage Fund. The Bond Funds are required to contain an amount of money and investments equal to the principal and interest requirements during the fiscal year.

Ordinance No. 752 also requires that EPWU maintain rates sufficient to produce or yield revenues to produce in each fiscal year an amount adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses shall accrue during the year and to produce an additional amount equal to 150% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bond Funds.

(Continued)

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

2. CITY ORDINANCE NO. 752 (Continued)

Ordinance No. 752 also provides that EPWU will permit no free water or services to be supplied to the City or to any other user. However, the ordinance requires that 10% of the total amounts received by EPWU from the sale of water be paid to the City Treasurer. The money received by the City Treasurer may be expended by the City under the direction of the City Council for any purpose for which revenues of the System may legally be used under the laws of the State of Texas.

3. CITY ORDINANCE NO. 016668 ESTABLISHMENT OF A MUNICIPAL DRAINAGE UTILITY SYSTEM

On June 19, 2007, the City of El Paso adopted Ordinance #016668 establishing a Municipal Drainage Utility System. The ordinance states that the Public Service Board - El Paso Water Utilities shall have complete authority and control of the management and operation of the Municipal Drainage Utility on behalf of the City. The Municipal Drainage Utility is necessary and essential to ensure that the management and control of the storm water runoff adequately protects the health, safety, and welfare of the citizens of the City. EPWU assumed full responsibility and control of the Municipal Drainage Utility as of March 1, 2008. City personnel, equipment, and all assets of the Drainage System including infrastructure and land were transferred to EPWU. EPWU began billing drainage fees to fund the operating and capital expenses of the Municipal Drainage Utility as of March 1, 2008.

The Ordinance further states that the Board shall prepare a Master Stormwater Management Plan which shall be approved by the City Council and took effect in March of 2009. In developing the Stormwater Plan, the Board shall take into account the use of open space as natural drainage and to the extent reasonably possible preserve the City's open spaces, greenways, arroyos and wilderness areas in their natural state. The Board shall also allocate an amount equal to 10% of the System's annual drainage utility fee revenues for Green Projects which have the potential dual purposes of stormwater management and preservation of the City's open spaces, greenways, arroyos and wilderness areas. Since March 1, 2008, \$12,415,018 has been set aside from 10% of revenues for Green Projects and as of February 29, 2016, \$9,590,574 has been spent including the purchase of 202.658 acres for \$2,465,000 on March 31, 2010, 140.799 acres for \$2,750,000 on July 14, 2015, \$1,800,000 for eight Park-Pond Conversions throughout the City, and the remaining amounts were for various other Green Projects.

The Ordinance also requires that a drainage utility fee be imposed on each improved parcel within the City for services and facilities provided by the System, except as to exemptions provided for by law or by the ordinance. At least once a year beginning with the City's Fiscal Year ending August 31, 2009, the Board shall present to the City Council a report on the status of the System.

Ordinance #016668 also requires that the revenues collected from drainage utility fees must be segregated and completely identifiable from other City or Board accounts. The Board has adopted a debt service coverage ratio of 1.25 times for all Municipal Drainage Utility bonds which is included in the bond ordinances for such bonds.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The cash, cash equivalents, and investments of EPWU must be deposited and invested under the terms of a contract, contents of which are set out in the depository contract. EPWU accepts as collateral to secure its deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation ("FDIC"), allowable pledged book-entry securities (Eligible Securities) of any type permitted by the provisions of the Public Funds Collateral Act, Title 10, Chapter 2257 of the Texas Government Code, which are eligible to be held in a Securities Account at a Federal Reserve Bank under Federal Reserve Bank Operating Circular 7. The depository bank places these allowable government securities as collateral for safekeeping and trust with EPWU's agent bank in an amount sufficient to protect EPWU deposits on a day-to-day basis during the period of the contract.

The carrying amount of cash for the Water and Wastewater Utility at February 29, 2016 and February 28, 2015, was \$14,924,966 and \$13,010,519, respectively, and the bank balances totaled \$17,216,910 and \$16,788,720, respectively. The carrying amount of cash for the Municipal Drainage Utility at February 29, 2016 and February 28, 2015 was \$1,124,613, and \$1,931,512, respectively, and the bank balances totaled \$2,377,699 and \$3,448,353, respectively. As of February 29, 2016, \$250,000 of the bank balances were covered by FDIC and the remaining balance was secured by government securities with a fair value of \$22,229,748. As of February 28, 2015, \$250,000 of the bank balances were covered by FDIC and the remaining balance was secured by government securities with a fair value of \$22,437,475.

Cash, cash equivalents and investments for the Water and Wastewater Utility consist of the following:

	February 29, 2016			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ 9,447,801	\$ 9,006,678	\$ 18,454,479	\$ 15,528,786
Restricted assets				
Bond requirements	-	43,832,530	43,832,530	28,767,004
Construction and improvements	5,477,165	84,764,306	90,241,471	33,512,718
Total restricted assets	5,477,165	128,596,836	134,074,001	62,279,722
Total	\$ 14,924,966	\$ 137,603,514	\$ 152,528,480	\$ 77,808,508

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

	February 28, 2015			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ 8,396,760	\$ 8,496,627	\$ 16,893,387	\$ 17,624,513
Restricted assets				
Bond requirements	-	36,146,346	36,146,346	27,673,524
Construction and improvements	4,613,759	15,223,783	19,837,542	35,421,245
Total restricted assets	4,613,759	51,370,129	55,983,888	63,094,769
Total	\$ 13,010,519	\$ 59,866,756	\$ 72,877,275	\$ 80,719,282

Cash, cash equivalents and investments for the Municipal Drainage Utility consist of the following:

	February 29, 2016			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ 1,741,650	\$ 668,714	\$ 2,410,364	\$ -
Restricted assets				
Bond requirements	-	5,958,218	5,958,218	3,460,039
Construction and improvements	(617,037)	25,237,273	24,620,236	12,187,784
Total restricted assets	(617,037)	31,195,491	30,578,454	15,647,823
Total	\$ 1,124,613	\$ 31,864,205	\$ 32,988,818	\$ 15,647,823

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

	February 28, 2015			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ 992,147	\$ 1,112,276	\$ 2,104,423	\$ -
Restricted assets				
Bond requirements	-	4,946,317	4,946,317	2,960,522
Construction and improvements	939,365	23,215,324	24,154,689	15,956,201
Total restricted assets	939,365	28,161,641	29,101,006	18,916,723
Total	\$ 1,931,512	\$ 29,273,917	\$ 31,205,429	\$ 18,916,723

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires EPWU to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Texas statutes and ordinances of the City of El Paso authorize EPWU to expend funds for the operation of EPWU, including the purchase of investments. EPWU is permitted to invest available funds in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market mutual funds, (5) investment pools, (6) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; obligations of states, agencies, counties, cities, and other political subdivisions of any state having a rating of not less than A or its equivalent, and (7) fully collateralized repurchase agreements having a defined termination date and secured by obligations of the United States or its agencies and instrumentalities.

The Act also requires EPWU to have independent auditors perform test procedures related to investment practices as provided by the Act. EPWU's management asserts that they are in substantial compliance with the requirements of the Act and with local policies.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

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4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

EPWU participates in TEXPOOL, which is a government investment pool in the State of Texas. The State Comptroller of Public Accounts maintains oversight responsibility for TEXPOOL. This responsibility includes the ability to influence operations, designation of management and accountability for fiscal matters. There is also the TEXPOOL Advisory Board which advises on TEXPOOL'S Investment policy and approves any fee increases. The Advisory Board is composed equally of participants in TEXPOOL and other persons who are qualified to advise TEXPOOL. The TEXPOOL Portfolios are comprised of two investment alternatives: TEXPOOL and TEXPOOL PRIME. Federated Investors manage the daily operations of the pool under a contract with the Comptroller. Although TEXPOOL is not registered with the SEC as investment companies, it operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. GASB allows 2(a)7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. The fair value of EPWU's position in TEXPOOL is the same as the value of TEXPOOL shares.

EPWU also participates in TexSTAR which is an investment service created by local governments for local governments. TexSTAR was organized in conformity with the interlocal cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These acts provide for the creation of public funds investment pools such as TexSTAR and authorize eligible governmental entities to invest their public funds in investment pools. So long as the Fund continues to utilize amortized accounting, although all securities are marked to market daily using the fair value method, amortized cost, which generally approximates the market value of the securities, has been deemed to be a proxy for fair value. The stated objective of TexSTAR is to maintain a stable \$1 per unit net asset value. The amortized cost approximates fair value as of February 29, 2016. Section 2256.016(g)(1) of the Public Funds Investment Act requires TexSTAR to establish and maintain an advisory board composed of Participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Members are appointed and serve at the will of the Board. The names of the Advisory Board members are available on the TexSTAR website at www.texstar.org. The business and affairs of TexSTAR are managed by the Board in accordance with the bylaws (the "Bylaws"). The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements.

EPWU also participates in the Insured Deposit Portal Account (IDP), formerly FILA, which is a money market program that provides next day liquidity and is fully FDIC insured. All banks within the IDP program are only those classified as "well capitalized" by the FDIC and are carefully screened and monitored. The current capacity for IDP is limited to \$50 million.

State statutes permit EPWU to enter into certain repurchase agreements. That is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. All sales of investments under reverse repurchase agreements must be for fixed terms. In investing the proceeds of reverse repurchase agreements, the term to maturity of the investments is the same as the term of reverse repurchase agreement. During fiscal years 2016 and 2015, EPWU did not enter into any reverse repurchase agreements.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Water and Wastewater Utility investments at February 29, 2016 and February 28, 2015 are categorized as summarized below:

February 29, 2016						
Investment Type	Value	Original Maturities		Weighted Avg. Maturity (days)	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years			
Government Investment Pools and Safekeeping						
Account						
IDP*	\$ 13,077,083	\$ 13,077,083		1	Not Rated	6.07%
TexPool	1,343,522	1,343,522		1	AAA	0.62%
TexPool Prime	19,152,693	19,152,693		1	AAA	8.89%
TexSTAR	9,355,332	9,355,332		1	AAA	4.34%
Total Pools and Safekeeping	42,928,630	42,928,630				19.92%
Mutual Funds						
Fidelity Treasury Money Market Funds	43,832,530	43,832,530		1	AAA	20.35%
Government Money Market Fund	50,842,354	50,842,354		1	AAA	23.60%
Total Mutual Funds	94,674,884	94,674,884				43.95%
Securities						
Federal Agency Discounts						
Overseas Private Investments	1,312,519	-	1,312,519	173	AA	0.61%
Federal Home Discount Note	6,481,527	6,481,527	-	143	AA	3.01%
Federal Agency Coupons						
Federal National Mortgage Assoc.	9,698,920	3,003,077	6,695,843	153	AA	4.50%
Federal Farm Credit Bank	2,296,864	536,243	1,760,621	133	AA	1.07%
Federal Home Loan Bank	8,096,066	5,351,765	2,744,301	177	AA	3.76%
Federal Farmers and Merchant	2,499,299	2,499,299	-	18	AA	1.16%
Certificates of Deposit**	24,225,135	-	24,225,135	154	Not Rated	11.25%
Municipal Bonds	23,198,178	14,742,393	8,455,785	116	AA	10.77%
Total Securities	77,808,508	32,614,304	45,194,204	142		36.13%
Portfolio Total	\$ 215,412,022	\$ 170,217,818	\$ 45,194,204	52		100.00%

* IDP is not rated but is FDIC insured. IDP was previously FILA.

** Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

February 28, 2015						
Investment Type	Value	Original Maturities		Weighted Avg. Maturity (days)	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years			
Government Investment Pools and Safekeeping						
Account						
FILA*	\$ 9,219,409	\$ 9,219,409	\$ -	1	Not Rated	6.56%
TexPool	10,792,546	10,792,546	-	1	AAA	7.68%
TexSTAR	1,484,505	1,484,505	-	1	AAA	1.06%
Total Pools and Safekeeping	21,496,460	21,496,460	-			15.30%
Mutual Funds						
Fidelity Treasury Money Market Funds	36,146,346	36,146,346	-	1	AAA	25.71%
Government Money Market Fund	2,223,950	2,223,950	-	1	AAA	1.58%
Total Mutual Funds	38,370,296	38,370,296	-			27.29%
Securities						
Municipal Bonds Discounts	1,649,405	199,723	1,449,682	47	AA	1.17%
Federal Agency Discounts						
Overseas Private Investments	1,304,060	-	1,304,060	539	AA	0.93%
Federal Agency Coupons						
Federal National Mortgage Assoc.	5,598,838	330,308	5,268,530	422	AA	3.98%
Federal Farm Credit Bank	3,471,066	-	3,471,066	343	AA	2.46%
Federal Home Loan Bank	8,428,922	2,511,567	5,917,355	229	AA	6.00%
Federal Home Loan Mortgage Corp	2,164,807	-	2,164,807	568	AA	1.54%
Federal Agricultural Mortgage Corp	750,194	-	750,194	257	AA	0.53%
Certificates of Deposit **	29,600,944	240,056	29,360,888	331	Not Rated	21.06%
Municipal Bonds	27,751,046	3,769,609	23,981,437	256	AA	19.74%
Total Securities	80,719,282	7,051,263	73,668,019	305		57.41%
Portfolio Total	\$ 140,586,038	\$ 66,918,019	\$ 73,668,019	176		100.00%

* FILA is not rated but is FDIC insured.

** Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Municipal Drainage Utility investments at February 29, 2016 and February 28, 2015 are categorized as summarized below:

February 29, 2016						
Investment Type	Value	Original Maturities		Weighted Avg. Maturity (days)	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years			
Government Investment Pools and Safekeeping						
Account						
IDP*	\$ 20,065,718	\$ 20,065,718		1	Not Rated	42.23%
TexPool	398,775	398,775		1	AAA	0.84%
TexPool Prime	218,458	218,458		1	AAA	0.46%
TexStar	5,223,036	5,223,036		1	AAA	10.99%
Total Pools and Safekeeping	25,905,987	25,905,987				54.52%
Mutual Funds						
Advantage Money Market Fund #008	5,573,831	5,573,831		1	AAA	11.73%
Government Money Market Fund	384,387	384,387		1	AAA	0.81%
Total Mutual Funds	5,958,218	5,958,218				12.54%
Securities						
Federal Agency Discounts						
Fed National Mortgage Assn	1,127,897	1,127,897	-	135	AA	2.38%
Federal Home Discount Note	99,828	99,828	-	114	AA	0.21%
Federal Home Loan Bk Disct Note	4,598,143	4,598,143	-	58	AA	9.68%
Federal Agency Coupons						
Federal National Mortgage Assoc.	1,872,387	1,755,360	117,027	27	AA	3.94%
Federal Farm Credit Bank	539,216	239,109	300,107	72	AA	1.13%
Federal Home Loan Bank	825,974	825,974	-	140	AA	1.74%
Federal Home Loan Mortgage Corp	1,372,830	1,317,723	55,107	187	AA	2.89%
Certificates of Deposit**	247,975	-	247,975	59	Not Rated	0.52%
Municipal Bonds	4,963,573	3,779,544	1,184,029	99	AA	10.45%
Total Securities	15,647,823	13,743,578	1,904,245	89		32.94%
Portfolio Total	\$ 47,512,028	\$ 45,607,783	\$ 1,904,245	30		100.00%

* IDP is not rated but is FDIC insured. IDP was previously FILA.

** Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

February 28, 2015						
Investment Type	Value	Original Maturities		Weighted Avg. Maturity (days)	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years			
Government Investment Pools and Safekeeping						
Account						
FILA*	\$ 15,696,990	\$ 15,696,990	\$ -	1	Not Rated	32.57%
TexPool	5,532,548	5,532,548	-	1	AAA	11.48%
TexStar	3,098,062	3,098,062	-	1	AAA	6.43%
Total Pools and Safekeeping	24,327,600	24,327,600	-			50.48%
Mutual Funds						
Advantage Money Market Fund #008	4,546,190	4,546,190	-	1	AAA	9.43%
Government Money Market Fund	400,127	400,127	-	1	AAA	0.83%
Total Mutual Funds	4,946,317	4,946,317	-			10.26%
Securities						
Federal Agency Coupons						
Federal National Mortgage Assoc.	866,658	748,697	117,961	322	AA	1.80%
Federal Farm Credit Bank	300,198	-	300,198	412	AA	0.63%
Federal Home Loan Bank	1,597,190	1,507,196	89,994	171	AA	3.31%
Federal Home Loan Mortgage Corp	455,439	-	455,439	240	AA	0.95%
Certificates of Deposit **	7,586,906	2,488,000	5,098,906	192	Not Rated	15.74%
Municipal Bonds	8,110,332	3,489,779	4,620,553	213	AA	16.83%
Total Securities	18,916,723	8,233,672	10,683,051	204		39.26%
Portfolio Total	\$ 48,190,640	\$ 37,507,589	\$ 10,683,051	81		100.00%

* FILA is not rated but is FDIC insured.

** Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk of loss due to failure of an issuer not fulfilling its obligations.

EPWU minimizes credit risk by limiting investments to the safest types of securities as authorized by its investment policy and described on page 51, and by pre-qualifying the financial institutions and broker/dealers with which EPWU will do business with.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

EPWU minimizes concentration of credit risk by diversifying the investment portfolio so that potential losses on individual securities will be minimized. In addition, they also invest in securities with varying maturities, and are continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs) and money market funds.

Diversification by investment type shall be established by the following maximum percentages of investment type to the total EPWU portfolio:

U.S. Government Securities	100%
State, Agencies, Counties, Cities, and other	50%
Certificates of Deposit	50%
Money Market Mutual Funds	80%
Eligible Investment Pools	100%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, EPWU will not be able to recover deposits or collateral securities that are in the possession of an outside party. For investments, the custodial credit risk, is the risk that, in the event of the failure of the counterparty to a transaction, EPWU will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

EPWU minimizes depository custodial credit risk by depositing and investing under the terms of a contract, contents of which are set out in the depository contract. The depository bank places approved pledged securities for safekeeping and trust with EPWU's agent bank in an amount sufficient to protect EPWU funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

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4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

EPWU minimizes investment custodial credit risk by requiring that all collateral securities be held by a third party institution. EPWU requires full collateralization of all EPWU investments, other than investments which are obligations of the U.S. government and its agencies and instrumentalities, or by the Federal Reserve Bank, except the collateral for certificates of deposits in banks. The collateral for certificates of deposits in banks will be registered in EPWU's name in the bank's trust department or, alternatively, in a Federal Reserve Bank account in EPWU's name.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of investments.

EPWU minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. It is also minimized by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The operating funds portfolio should have a weighted average maturity less than 270 days with a maximum of two years.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

EPWU does not directly invest in foreign securities; however, the escrow accounts money market fund might invest a minimal amount of the fund's portfolio in foreign securities.

5. RECEIVABLES

No reserve has been provided for doubtful accounts as EPWU charges directly to income those accounts determined to be uncollectible. The accounts written off for the Water and Wastewater Utility during the years ended February 29, 2016 and February 28, 2015, totaled \$724,460 and \$581,330, respectively. The write-off for the Municipal Drainage Utility for fiscal year ending February 29, 2016 and February 28, 2015, totaled \$52,739 and \$46,168, respectively. Management is of the opinion that any additional losses resulting from the collection of notes and accounts receivable will not be material.

The Public Service Board - El Paso Water Utilities uses the cycle method of billing customers for services. Under this method, customer billings are made by specified cycles established for the service area and each cycle billed on a specific day each month. For financial reporting purposes, billings made in March which relate to services provided for the month of February are included in customer accounts receivable as unbilled charges. These amounts are summarized as follows for the fiscal years included in the accompanying financial statements:

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2016 and February 28, 2015

5. RECEIVABLES (Continued)

	<u>2016</u>	<u>2015</u>
Water and Wastewater Utility		
Water	\$ 2,737,044	\$ 2,412,809
Wastewater	<u>2,475,109</u>	<u>2,304,037</u>
Total unbilled accounts receivable	<u><u>\$ 5,212,153</u></u>	<u><u>\$ 4,716,846</u></u>

6. INTERFUND BALANCES AND CHARGES

Interfund Balances - The following interfund balances are the result of normal operations and are periodically cleared out. Management intends to pay these balances within one year.

	<u>February 29, 2016</u>	
	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Water and Wastewater Utility	\$ -	\$ 316,893
Municipal Drainage Utility	<u>316,893</u>	<u>-</u>
Total	<u><u>\$ 316,893</u></u>	<u><u>\$ 316,893</u></u>

	<u>February 28, 2015</u>	
	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Water and Wastewater Utility	\$ -	\$ 270,840
Municipal Drainage Utility	<u>270,840</u>	<u>-</u>
Total	<u><u>\$ 270,840</u></u>	<u><u>\$ 270,840</u></u>

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

6. INTERFUND BALANCES AND CHARGES (Continued)

Interfund Charges - The following eliminations were done in order to eliminate duplicate transactions at the overall entity level for revenue and expenses between the two funds.

	February 29, 2016	
	Water and Wastewater Utility	Municipal Drainage Utility
Drainage fee revenue	\$ -	\$ 114,582
Rent revenue	24,000	-
Operation and maintenance - drainage	-	4,841
Operations and maintenance - water and reclaimed water	(73,575)	-
Operations and maintenance - wastewater	(55,580)	-
General, administrative and engineering	1,285,732	-
Indirect cost allocation	-	(1,300,000)
Total	<u>\$ 1,180,577</u>	<u>\$ (1,180,577)</u>

	February 28, 2015	
	Water and Wastewater Utility	Municipal Drainage Utility
Drainage fee revenue	\$ -	\$ 104,792
Rent revenue	24,000	-
Operation and maintenance - drainage	-	5,367
Operations and maintenance - water and reclaimed water	(70,925)	-
Operations and maintenance - wastewater	(52,474)	-
General, administrative and engineering	1,182,240	-
Indirect cost allocation	-	(1,193,000)
Total	<u>\$ 1,082,841</u>	<u>\$ (1,082,841)</u>

Indirect Cost Allocation - The indirect cost allocation from the Water and Wastewater Utility to the Municipal Drainage Utility is to pay for indirect costs that the Water and Wastewater Utility incurs related to the general and administrative functions to manage the Municipal Drainage Utility. For fiscal years 2016 and 2015, the budgeted and actual indirect cost were \$1,300,000 and \$1,193,000, respectively. During the budget process the indirect cost allocation will be adjusted based on estimated indirect costs.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

7. WATER AND WASTEWATER UTILITY GOVERNMENT GRANTS RECEIVABLE

The Water and Wastewater Utility had \$113,738 and \$500,136 in government grants receivable for years ended February 29, 2016 and February 28, 2015.

<u>Government Grant Projects</u>	<u>2016</u>	<u>2015</u>
<u>Federal Grants</u>		
North Central Reclaimed - EPA#XP96638401	\$ -	\$ 285,173
Advanced Purification - Bustamante - USBR #R14AP00106	-	81,551
<u>Non Federal Grants</u>		
Canutillo 1 st Time Users Area 1 - TWDB Project #10411 G110028	24,351	19,957
Canutillo 1 st Time Users Area 2 - TWDB Project #10428 G110032	53,031	45,372
Canutillo 1 st Time Wastewater Area 1&2 - TWDB Project #10411 G1000299	15,348	36,808
Montana Vista Collector - TWDB Project #10438 G1000307	21,008	31,275
Totals	<u>\$ 113,738</u>	<u>\$ 500,136</u>

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS

Components of the capital assets for the Water and Wastewater Utility are summarized as follows:

	Beginning Balance 03/01/2015	Additions	Transfers	Deletions	Ending Balance 02/29/2016
Utility plant, not being depreciated:					
Land and right-of-way	\$ 7,191,351	\$ 156,544	\$ 261,843	\$ -	\$ 7,609,738
Land not in service	65,359,562	-	-	529,021	64,830,541
Construction work in progress	167,299,726	80,821,348	(188,362,433)	-	59,758,641
Total utility plant, not being depreciated:	239,850,639	80,977,892	(188,100,590)	529,021	132,198,920
Utility plant and irrigation water rights being depreciated:					
Irrigation water rights contracts	9,842,611	609,085	-	-	10,451,696
Buildings and shops	15,694,578	-	15,656,056	639,467	30,711,167
Vehicles	17,052,070	-	2,182,394	1,051,962	18,182,502
Equipment and tools	40,379,628	8,883	6,196,960	374,266	46,211,205
Water system	1,027,954,684	10,912,610	104,020,188	985,751	1,141,901,731
Wastewater system	742,694,129	7,478,164	60,044,992	14,505	810,202,780
Total utility plant, being depreciated:	1,853,617,700	19,008,742	188,100,590	3,065,951	2,057,661,081
Less accumulated depreciation for:					
Irrigation water rights contracts	(1,132,341)	(135,296)	-	-	(1,267,637)
Buildings and shops	(9,438,141)	(977,845)	-	(488,125)	(9,927,861)
Vehicles	(13,890,378)	(1,250,928)	-	(1,051,962)	(14,089,344)
Equipment and tools	(32,698,911)	(2,254,883)	-	(374,266)	(34,579,528)
Water system	(427,122,917)	(30,757,420)	-	(985,751)	(456,894,586)
Wastewater system	(370,423,798)	(20,823,049)	-	(14,505)	(391,232,342)
Total accumulated depreciation	(854,706,486)	(56,199,421)	-	(2,914,609)	(907,991,298)
Total utility plant and irrigation water rights being depreciated, net	998,911,214	(37,190,679)	188,100,590	151,342	1,149,669,783
Utility plant	\$ 1,238,761,853	\$ 43,787,213	\$ -	\$ 680,363	\$ 1,281,868,703

Total depreciation charged to operations for the year ended February 29, 2016 was \$56,199,421.

Land not in service is essentially unimproved land that EPWU has purchased for its surface and ground water rights. EPWU owns a total of 101,749.77 acres of land which includes 26,202.64 acres in El Paso County, 74,678.68 acres in Hudspeth, Presidio, Jeff Davis, and Culberson County, and 868.45 acres in New Mexico.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

	Beginning Balance 03/01/2014	Additions	Transfers	Deletions	Ending Balance 02/28/2015
Utility plant, not being depreciated:					
Land and right-of-way	\$ 6,962,201	\$ 49,940	\$ 179,210	\$ -	\$ 7,191,351
Land not in service	64,067,002	-	1,402,205	109,645	65,359,562
Construction work in progress	119,354,839	92,041,510	(44,096,623)	-	167,299,726
Total utility plant, not being depreciated:	190,384,042	92,091,450	(42,515,208)	109,645	239,850,639
Utility plant and irrigation water rights being depreciated:					
Irrigation water rights contracts	9,385,840	456,771	-	-	9,842,611
Buildings and shops	14,739,767	-	954,811	-	15,694,578
Vehicles	15,900,779	38,900	1,752,884	640,493	17,052,070
Equipment and tools	36,781,240	18,255	3,839,798	259,665	40,379,628
Water system	993,043,101	10,640,585	29,575,890	5,304,892	1,027,954,684
Wastewater system	732,073,486	4,640,229	6,391,825	411,411	742,694,129
Total utility plant, being depreciated:	1,801,924,213	15,794,740	42,515,208	6,616,461	1,853,617,700
Less accumulated depreciation for:					
Irrigation water rights contracts	(1,004,151)	(128,190)	-	-	(1,132,341)
Buildings and shops	(8,793,594)	(644,547)	-	-	(9,438,141)
Vehicles	(13,554,980)	(975,891)	-	(640,493)	(13,890,378)
Equipment and tools	(31,334,050)	(1,624,526)	-	(259,665)	(32,698,911)
Water system	(403,700,735)	(28,727,074)	-	(5,304,892)	(427,122,917)
Wastewater system	(350,893,959)	(19,941,250)	-	(411,411)	(370,423,798)
Total accumulated depreciation	(809,281,469)	(52,041,478)	-	(6,616,461)	(854,706,486)
Total utility plant and irrigation water rights being depreciated, net	992,642,744	(36,246,738)	42,515,208	-	998,911,214
Utility plant	\$ 1,183,026,786	\$ 55,844,712	\$ -	\$ 109,645	\$ 1,238,761,853

Total depreciation charged to operations for the year ended February 28, 2015 was \$52,041,478.

Included in capital assets of the Water and Wastewater Utility are assets for the Desalination Plant and related activities and the Tech2O Center which are owned and operated by EPWU and are located on Fort Bliss land for which EPWU has a long term land lease. These assets are currently being depreciated over the economic life.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

Components of the capital assets for the Municipal Drainage Utility are summarized as follows:

	Beginning Balance 03/01/2015	Additions	Transfers	Deletions	Ending Balance 02/29/2016
Drainage Work in Progress, not being depreciated					
Land and right of way	\$ 9,817,155	\$ -	\$ 2,863,907	\$ -	\$ 12,681,062
Construction work in progress	22,549,412	37,493,681	(21,171,176)	-	38,871,917
Total drainage Work in Progress, not being depreciated:	32,366,567	37,493,681	(18,307,269)	-	51,552,979
Drainage System, being depreciated:					
Drainage implementation costs	544,106	-	-	-	544,106
Buildings and shops	96,718	-	-	-	96,718
Vehicles	5,030,592	-	264,275	33,000	5,261,867
Equipment and tools	1,052,648	-	-	-	1,052,648
Drainage system	57,813,871	226,674	18,042,994	-	76,083,539
Total Drainage system, being depreciated:	64,537,935	226,674	18,307,269	33,000	83,038,878
Less accumulated depreciation for:					
Drainage implementation costs	(544,106)	-	-	-	(544,106)
Buildings and shops	(20,416)	(3,869)	-	-	(24,285)
Vehicles	(4,052,376)	(294,794)	-	(33,000)	(4,314,170)
Equipment and tools	(902,755)	(40,391)	-	-	(943,146)
Drainage system	(4,958,808)	(1,355,585)	-	-	(6,314,393)
Total accumulated depreciation	(10,478,461)	(1,694,639)	-	(33,000)	(12,140,100)
Total Drainage System, being depreciated, net	54,059,474	(1,467,965)	18,307,269	-	70,898,778
Drainage System	\$ 86,426,041	\$ 36,025,716	\$ -	\$ -	\$ 122,451,757

Total depreciation charged to operations for the year ended February 29, 2016 was \$1,694,639.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

	Beginning Balance 03/01/2014	Additions	Transfers	Deletions	Ending Balance 02/28/2015
Drainage Work in Progress, not being depreciated:					
Land and right of way	\$ 6,601,105	\$ 32,379	\$ 3,183,671	\$ -	\$ 9,817,155
Construction work in progress	9,976,295	21,173,955	(8,600,838)	-	22,549,412
Total drainage Work in Progress, not being depreciated:	16,577,400	21,206,334	(5,417,167)	-	32,366,567
Drainage System, being depreciated:					
Drainage implementation costs	544,106	-	-	-	544,106
Buildings and shops	96,718	-	-	-	96,718
Vehicles	4,356,504	-	791,788	117,700	5,030,592
Equipment and tools	1,052,648	-	-	-	1,052,648
Drainage system	52,948,690	239,802	4,625,379	-	57,813,871
Total Drainage system, being depreciated:	58,998,666	239,802	5,417,167	117,700	64,537,935
Less accumulated depreciation for:					
Drainage implementation costs	(544,106)	-	-	-	(544,106)
Buildings and shops	(16,546)	(3,870)	-	-	(20,416)
Vehicles	(3,973,505)	(196,571)	-	(117,700)	(4,052,376)
Equipment and tools	(862,364)	(40,391)	-	-	(902,755)
Drainage system	(3,834,777)	(1,124,031)	-	-	(4,958,808)
Total accumulated depreciation	(9,231,298)	(1,364,863)	-	(117,700)	(10,478,461)
Total Drainage System, being depreciated, net	49,767,368	(1,125,061)	5,417,167	-	54,059,474
Drainage System	\$ 66,344,768	\$ 20,081,273	\$ -	\$ -	\$ 86,426,041

Total depreciation charged to operations for the year ended February 28, 2015 was \$1,364,863.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

Water and Wastewater Utility construction work in progress at February 29, 2016 and February 28, 2015, composed of the following:

	February 29, 2016	
	Estimated Cost	Cost Incurred To Date
<u>Water Projects</u>		
Dell City Land Acquisition	\$ 50,050,000	\$ 137,025
Three Elevated Reservoirs - Construction	14,150,239	374,110
Emergency Back-Up Power	10,860,529	476,318
Advance Water Treatment Plant - Engineering	5,577,584	3,510,298
GLO Well Drilling Project	4,998,222	2,945,317
Airport Ground Tank - Construction	4,800,000	5,153
Field Operations Yard - Construction	4,686,642	562,992
Well Construction, Plugging & Test Holes	4,035,726	251,477
Mesa Street 24-Inch Water Transmission-Construction	2,660,000	2,566,992
Robertson-Umbenhauer WTP Gear Replacement Construction	2,020,000	1,643,479
Water Tank Renovations	1,884,852	1,696,148
Jonathan Rogers WTP 80 MGD Expansion-Construction	1,877,085	1,381,319
JDF Injection Test Wells	1,865,145	39,213
Jonathan Rogers WTP MGD Expansion - Engineering	1,794,181	1,115,575
Standardization of Specifications for Three Elevated Tanks	1,600,000	174,166
Strahan Road Water Transmission Main Phase I	1,451,793	1,213,795
Economic Dispatch System	1,232,743	1,060,674
Pershing 16-Inch Transmission Main - Construction	1,160,000	560,819
Small Plant Upgrades	1,150,491	719,946
Mission Ridge Water Main Installation	1,100,000	510,000
Robertson-Umbenhauer WTP 54-Inch Discharge Line Pump Station	1,079,306	1,079,306
Water Resource Plans	1,068,962	965,759
Cerro Process Water Osmosis	1,048,746	248,768
Other Water Projects Under \$1,000,000	25,945,465	10,497,608
Subtotal - Water Projects	148,097,711	33,736,257

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

	February 29, 2016	
	Estimated Cost	Cost Incurred To Date
<u>Wastewater Projects</u>		
Haskell R. Street WWTP Odor Control - Construction	2,517,240	111,568
Process Automation SCADA - Sewer	2,291,080	628,531
John T. Hickerson WWTF Filter Retrofit	2,261,175	1,604,476
CD/Bond Sewer Projects 2015-2016	1,959,682	-
Haskell R. Street WWTP Primary Clarifier Rehab	1,850,000	733,703
Canutillo Bosque Wastewater Lift Station/Force Main - Construction	1,446,233	12,335
John T. Hickerson WWTF Odor Control - Construction	1,300,000	1,116,544
Haskell R. Street WWTP Odor Evaluation	1,181,205	611,934
Other Sanitary Sewer Interceptors at Tierra Del Este Area 8 - Construction	1,162,388	691,149
Global Alternative Fuels Effluent	1,226,909	1,218,100
Loop 375/I-10/Franklin Mountain State Park Sewer Main - Construction	1,000,000	719,319
Other Sewer Projects Under \$1,000,000	15,711,523	6,828,886
Subtotal-Wastewater Projects	33,907,435	14,276,545
<u>Reclaimed Water Projects</u>		
Haskell North Central Reclaimed Water System	12,093,836	8,096,057
John T. Hickerson WWTF Reclaimed Water Tank - Construction	1,916,390	1,781,787
Other Reclaimed Projects Under \$1,000,000	2,609,924	1,867,995
Subtotal - Reclaimed Water Projects	16,620,150	11,745,839
Totals	\$ 198,625,296	\$ 59,758,641

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

	February 28, 2015	
	Estimated Cost	Cost Incurred To Date
<u>Water Projects</u>		
Paisano Water Line Replacement Project - Construction	\$ 29,007,469	\$ 28,756,396
Emergency Back-Up Power	25,507,633	8,759,426
Well Construction, Plugging & Test Holes	20,339,375	17,842,225
Advance Water Treatment Plant - Engineering	5,377,584	374,011
Montana North 30-Inch Water Trans Line/6.1 MGD Pump Station-Construction	3,300,000	2,800,564
Montana North Pump Station - Construction	3,300,000	2,260,156
Paisano Waterline Replacement Project - Engineering	2,827,906	2,477,180
Mesa Street 24-Inch Water Transmission-Construction	2,660,000	2,523,485
Economic Dispatch System	2,356,655	2,184,586
JDF Injection Test Well	2,194,000	2,109,413
Northeast Franklin 24-Inch Water Line - Construction	2,023,768	2,000,868
Jonathan Rogers WTP 80 MGD Expansion-Construction	1,850,000	1,222,428
Country Club Road Water Line Replacement - Construction	1,725,000	861,472
Disinfection By-Product Rule/Surface Water Rule	1,704,105	1,566,681
Eastside Planned Service Area Extension of Water Lines at Paseo Del Este	1,676,201	1,526,958
Montwood Drive Project	1,356,550	801,127
GLO Well Drilling Project	1,300,000	23,872
Robertson-Umbenhauer 54-Inch Discharge Line Pump Station	1,070,000	965,260
Water Resource Plans	1,068,962	608,529
Pershing 16-Inch Transmission Main - Construction	1,020,000	-
Other Water Projects Under \$1,000,000	36,404,355	18,474,009
Subtotal - Water Projects	148,069,563	98,138,646
<u>Wastewater Projects</u>		
Eastside Interceptor Phase V - Construction	19,824,510	19,139,575
Lower Valley Interceptor Emergency - Construction	8,635,821	8,057,304
William Beaumont Army Medical Center Offsite Sanitary Sewer-Construction	4,405,967	1,408,843
Haskell R. Street Odor Control - Construction	3,005,114	1,053,222
Country Club Road Sewer Line Replacement	2,850,000	1,936,412
Process Automation SCADA - Sewer	2,406,297	1,876,046
Mowad Interceptor Line - Construction	2,391,781	2,390,920
Wastewater Master Plan	2,170,000	1,889,678
Montwood Lift Station Phase II - Construction	2,100,000	1,085
John T. Hickerson WWTF Filter Retrofit	1,910,000	140,735
Haskell R. Street Primary Clarifier Rehab	1,850,000	136,810
Eastside Interceptor Phase V - Engineering	1,769,407	1,677,100
Routine Lift Station Rehab	1,496,000	1,089,177
Cottonwood Collector - Construction	1,462,182	115,842
Canutillo Bosque Wastewater Lift Station/Force Main - Construction	1,446,233	12,335

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

	February 28, 2015	
	Estimated Cost	Cost Incurred To Date
John T. Hickerson WWTF Odor Control - Construction	1,300,000	1,104,151
Montana East Wastewater System and Lift Station - Construction	1,462,377	1,462,377
Doniphan 24-Inch Collector Reach 1 and 3 Rehabilitation - Construction	1,280,501	1,136,291
Other Sanitary Sewer Interceptors at Tierra Del Este Area 8 - Construction	1,162,388	684,830
Plant Emergencies/Small Upgrades	1,010,931	985,342
Loop 375/I-10/Franklin Mountain State Park Sewer Main - Construction	1,000,000	711,674
Other Sewer Projects Under \$1,000,000	18,974,234	10,055,711
Subtotal-Wastewater Projects	83,913,743	57,065,460
<u>Reclaimed Water Projects</u>		
Haskell North Central Reclaimed Water System	13,199,253	8,029,212
Bustamante WWTP Effluent Line to Rio Bosque Wetlands Park- Construction	1,385,000	1,174,206
Bustamante WWTP Indirect Potable Re-use Pilot Testing - Engineering	1,139,455	841,066
Other Reclaimed Projects Under \$1,000,000	3,548,283	2,051,136
Subtotal - Reclaimed Water Projects	19,271,991	12,095,620
Totals	\$ 251,255,297	\$ 167,299,726

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

8. CAPITAL ASSETS (Continued)

Municipal Drainage Utility construction work in progress as of February 29, 2016 and February 28, 2015 composed of the following:

	February 29, 2016	
	Estimated Cost	Cost Incurred To Date
<u>Drainage Projects</u>		
Cebada Pump Station at Piedras/Magnolia - Construction	\$ 12,450,000	\$ 11,556,355
Cebada Force Main at Piedras/Magnolia - Construction	12,436,615	8,975,080
Various Localized Flooding Projects	3,383,553	3,050,381
Gateway West & East Pond Expansion - Engineering	3,085,600	2,369,480
Gateway Stormwater Pond - Construction	2,856,256	266,593
Pico Norte Pond Expansion/Rehab - Construction	2,695,949	2,028,767
Morenci Pond Phase 1B - Construction	2,323,714	774,198
Gateway West Stormwater Retention Pond - Engineering	2,220,000	1,106,436
Gateway Stormwater Ponds Phase II - Engineering	2,050,000	1,567,198
Austin Pollard Ponds - Engineering	1,430,250	1,344,775
Pollard Pond - Construction	1,200,000	592,884
CD Drainage Projects - Construction	1,052,969	-
Other Drainage Projects Under \$1,000,000	17,529,296	5,239,770
	<u>\$ 64,714,202</u>	<u>\$ 38,871,917</u>

Total Drainage Projects

	February 28, 2015	
	Estimated Cost	Cost Incurred To Date
<u>Drainage Projects</u>		
Cebada Force Main at Piedras/Magnolia - Construction	\$ 12,528,664	\$ 4,039,922
Cebada Pump Station at Piedras/Magnolia - Construction	11,660,000	3,180,814
Northeast Channel 2 Phase 2 Improvements - Construction	4,483,343	28,866
Austin Ponds Improvements - Construction	2,800,000	-
Gateway West Stormwater Retention Pond - Engineering	2,335,837	2,332,171
Cebada Pump Station at Piedras/Magnolia - Engineering	2,031,723	1,456,396
Various Localized Flooding Projects	1,834,584	1,563,281
Cebada Force Main at Piedras/Magnolia - Engineering	1,350,000	1,180,093
Gateway West & East Pond Expansion - Engineering	1,240,949	1,062,609
Pico Norte Pond Expansion/Rehab - Construction	1,160,000	38,131
Morenci Pond Phase 1B - Construction	1,150,000	1,046,287
Austin Ponds - Engineering	1,082,850	827,677
Other Drainage Projects Under \$1,000,000	14,371,636	5,793,165
	<u>\$ 58,029,586</u>	<u>\$ 22,549,412</u>

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

9. LONG-TERM LIABILITIES

Long-term activity for the Water and Wastewater Utility for the years ended February 29, 2016 and February 28, 2015 were as follows:

	Restated Beginning Balance 03/01/2015	Additions	Reductions	Ending Balance 02/29/2016	Due Within One Year	Long-term Portion
Water and Wastewater Utility:						
Water and Sewer Revenue Bonds	\$ 482,305,000	\$ 117,165,000	\$ 41,365,000	\$ 558,105,000	\$ 32,935,000	\$ 525,170,000
Unamortized premiums net of discounts	47,521,005	8,245,938	3,483,151	52,283,792	3,214,230	49,069,562
Land notes payable	3,406,394	-	790,328	2,616,066	829,844	1,786,222
Commercial Paper payable	10,000,000	40,000,000	40,000,000	10,000,000	-	10,000,000
Other governments payable	2,631,860	-	134,854	2,497,006	141,049	2,355,957
Net Pension Liability	23,807,227	16,998,827	4,256,275	36,549,779	-	36,549,779
Other Post-Employment Benefits	7,689,928	977,933	-	8,667,861	-	8,667,861
Self-insurance claims	1,043,267	4,460,955	4,406,939	1,097,283	541,338	555,945
Accrued vacation	2,883,759	1,857,736	1,892,983	2,848,512	1,876,490	972,022
Total Long-term liabilities						
Water and Wastewater Utility	<u>\$ 581,288,440</u>	<u>\$ 189,706,389</u>	<u>\$ 96,329,530</u>	<u>\$ 674,665,299</u>	<u>\$ 39,537,951</u>	<u>\$ 635,127,348</u>
	Restated Beginning Balance 03/01/2014	Additions	Reductions	Restated Ending Balance 02/28/2015	Due Within One Year	Long-term Portion
Water and Wastewater Utility:						
Water and Sewer Revenue Bonds	\$ 492,250,000	\$ 131,650,000	\$ 141,595,000	\$ 482,305,000	\$ 27,345,000	\$ 454,960,000
Unamortized premiums net of discounts	35,001,162	17,562,668	5,042,825	47,521,005	2,821,377	44,699,628
Land notes payable	4,159,087	-	752,693	3,406,394	790,328	2,616,066
Commercial Paper payable	5,000,000	30,000,000	25,000,000	10,000,000	-	10,000,000
Other governments payable	2,760,792	-	128,932	2,631,860	134,854	2,497,006
Net Pension Liability	23,718,356	4,157,125	4,068,254	23,807,227	-	23,807,227
Other Post-Employment Benefits	6,720,592	969,336	-	7,689,928	-	7,689,928
Self-insurance claims	1,384,915	3,988,848	4,330,496	1,043,267	299,060	744,207
Accrued vacation	2,881,680	1,859,803	1,857,724	2,883,759	1,794,440	1,089,319
Total Long-term liabilities						
Water and Wastewater Utility	<u>\$ 573,876,584</u>	<u>\$ 190,187,780</u>	<u>\$ 182,775,924</u>	<u>\$ 581,288,440</u>	<u>\$ 33,185,059</u>	<u>\$ 548,103,381</u>

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

9. LONG-TERM LIABILITIES (Continued)

Long-term activity for the Municipal Drainage Utility for the years ended February 29, 2016 and February 28, 2015 were as follows:

	Restated Beginning Balance 03/01/2015	Additions	Reductions	Ending Balance 02/29/2016	Due Within One Year	Long-term Portion
Municipal Drainage Utility:						
Drainage Revenue Bonds	\$ 60,860,000	\$ 22,240,000	\$ 2,644,000	\$ 80,456,000	\$ 3,639,000	\$ 76,817,000
Unamortized premiums net of discounts	786,408	3,063,169	187,242	3,662,335	200,059	3,462,276
Accrued vacation	134,741	113,348	91,572	156,517	81,376	75,141
Net Pension Liability	1,508,877	1,157,018	279,946	2,385,949	-	2,385,949
Other Post-Employment Benefits	268,613	75,884	-	344,497	-	344,497
Total Long-term liabilities Municipal Drainage Utility	\$ 63,558,639	\$ 26,649,419	\$ 3,202,760	\$ 87,005,298	\$ 3,920,435	\$ 83,084,863

	Restated Beginning Balance 03/01/2014	Additions	Reductions	Restated Ending Balance 02/28/2015	Due Within One Year	Long-term Portion
Municipal Drainage Utility:						
Drainage Revenue Bonds	\$ 63,384,000	\$ -	\$ 2,524,000	\$ 60,860,000	\$ 2,644,000	\$ 58,216,000
Unamortized premiums net of discounts	832,667	-	46,259	786,408	46,259	740,149
Accrued vacation	108,457	112,492	86,208	134,741	70,324	64,417
Net Pension Liability	1,503,244	263,474	257,841	1,508,877	-	1,508,877
Other Post-Employment Benefits	196,987	71,626	-	268,613	-	268,613
Total Long-term liabilities Municipal Drainage Utility	\$ 66,025,355	\$ 447,592	\$ 2,914,308	\$ 63,558,639	\$ 2,760,583	\$ 60,798,056

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

10. REVENUE BONDS

Water and Wastewater Utility

Water and Sewer Revenue Bonds payable for the Water and Wastewater Utility Fund, in the amount of \$558,105,000 and \$482,305,000, as of February 29, 2016 and February 28, 2015, respectively, are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the net revenue of the Water and Wastewater Utility Fund which is presented in Note 14. The pledge of net revenue is in effect until the bonds are extinguished. The Revenue Bonds payable as of February 29, 2016 and February 28, 2015 include the following individual issues:

	Amounts Outstanding 2/28/15	Issued	Retired/ Refunded	Amounts Outstanding 2/29/16	Due Within One Year
\$8,000,000 1990B Series due in annual installments of \$1,600,000, with interest at 0%. Final payment due in 2017.	\$ 4,800,000	\$ -	\$ 1,600,000	\$ 3,200,000	\$ 1,600,000
\$1,000,000 2003A Series due in annual installments of \$50,000 with interest at 0%. Final payment due 2024.	500,000	-	50,000	450,000	50,000
\$45,660,000 2005A Series final installment of \$1,075,000 with interest due at 5%.	1,075,000	-	1,075,000	-	-
\$36,515,000 2005B Series final installment of \$5,365,000 with interest due at 5.25%.	5,365,000	-	5,365,000	-	-
\$10,000,000 2005C Series with final installment of \$465,000 with interest due at 3.10%.	465,000	-	465,000	-	-
\$37,745,000 2006 Series with one more installment of \$845,000 with interest due at 4%. Refunded \$6,280,000 with the 2015C Bonds. Final payment due in 2016.	7,935,000	-	7,090,000	845,000	845,000
\$45,200,000 2006A Series final installment of \$3,350,000 with interest due at 5%.	3,350,000	-	3,350,000	-	-
\$35,500,000 2007 Series due in annual installments of \$1,815,000 to \$1,910,000 with interest due at 5%. Final payment due 2017.	5,450,000	-	1,725,000	3,725,000	1,815,000

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

10. REVENUE BONDS (Continued)

	Amounts Outstanding 2/28/15	Issued	Retired/ Refunded	Amounts Outstanding 2/29/16	Due Within One Year
\$30,520,000 2008 Series due in annual installments of \$155,000 to \$480,000 with interest due at 3.63% to 5%. Refunded \$7,740,000 with the 2015C Bonds. Final payment due 2033.	12,575,000	-	8,190,000	4,385,000	465,000
\$14,000,000 2008A Series due in annual installments of \$745,000 to \$1,175,000 with interest due at 2.65% to 3.95%. Final payment due 2029.	13,975,000	-	720,000	13,255,000	745,000
\$22,000,000 2008B Series due in annual installments of \$1,175,000 to \$1,850,000 with interest due at 2.65% to 3.95%. Final payment due 2029.	21,975,000	-	1,135,000	20,840,000	1,175,000
\$35,000,000 2008C Series due in annual installments of \$1,620,000 to \$1,785,000 with interest due at 5%. Final payment due 2018.	6,645,000	-	1,540,000	5,105,000	1,620,000
\$22,115,000 2010 Series due in annual installments of \$555,000 to \$1,575,000 with interest due at 3.5% to 4.5%. Final payment due 2030.	16,040,000	-	1,335,000	14,705,000	1,375,000
\$15,000,000 2010 Taxable Series due in annual installments of \$625,000 to \$1,205,000 with interest due at 4.75%. Final payment due in 2030.	13,895,000	-	595,000	13,300,000	625,000
\$42,580,000 2010A Series due in annual installments of \$975,000 to \$5,855,000 with interest due at 3% to 5%. Final payment due in 2027.	34,720,000	-	935,000	33,785,000	975,000
\$14,680,000 2011 Series due in annual installments of \$100,000 to \$3,400,000 with interest due at 3% to 5%. Final payment due 2031.	14,040,000	-	500,000	13,540,000	500,000
\$52,780,000 2012 Series due in annual installments of \$1,500,000 to \$4,705,000 with interest due at 3% to 5%. Final payment due 2028.	50,470,000	-	1,120,000	49,350,000	1,500,000

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

10. REVENUE BONDS (Continued)

	Amounts Outstanding 2/28/15	Issued	Retired/ Refunded	Amounts Outstanding 2/29/16	Due Within One Year
\$75,715,000 2012A Series due in annual installments of \$1,865,000 to \$6,575,000 with interest due at 2% to 5%. Final payment due 2033.	72,480,000	-	3,710,000	68,770,000	3,845,000
\$64,900,000 2014 Series due in annual installments of \$1,705,000 to \$5,405,000 with interest due at 3% to 5%. Final payment due 2034.	64,900,000	-	865,000	64,035,000	1,705,000
\$131,650,000 2015 Series due in annual installments of \$1,405,000 to \$12,100,000 with interest due at 3% to 5%. Final payment due 2035.	131,650,000	-	-	131,650,000	9,185,000
\$18,600,000 2015A Series due in annual installments of \$620,000 to \$1,330,000 with interest due at 3% to 5%. Final payment due 2035.	-	18,600,000	-	18,600,000	920,000
\$50,000,000 2015B Series due in annual installments of \$2,200,000 to \$2,995,000 with interest due at 0.19% to 2.41%. Final payment due 2035.	-	50,000,000	-	50,000,000	2,405,000
\$48,565,000 2015C Series due in annual installments of \$1,390,000 to \$3,200,000 with interest due at 1% to 5%. Final payment due 2035.	-	48,565,000	-	48,565,000	1,585,000
Total bonds outstanding	482,305,000	<u>\$117,165,000</u>	<u>\$ 41,365,000</u>	558,105,000	<u>\$ 32,935,000</u>
Less current maturities	<u>27,345,000</u>			<u>32,935,000</u>	
Total long term portion	<u><u>\$454,960,000</u></u>			<u><u>\$525,170,000</u></u>	

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

10. REVENUE BONDS (Continued)

Interest costs incurred on revenue bonds totaled \$21,170,213 in 2016 of which \$161,108 was capitalized and \$23,348,380 in 2015 of which \$973,887 was capitalized.

Water and Wastewater Utility Fund Annual Revenue Bond Debt Service Requirements

Year Ending February	Principal	Interest	Total
2017	\$ 32,935,000	\$ 21,241,041	\$ 54,176,041
2018	33,925,000	20,919,447	54,844,447
2019	35,305,000	19,723,099	55,028,099
2020	36,500,000	18,366,328	54,866,328
2021	36,745,000	16,938,548	53,683,548
2022 - 2026	180,890,000	61,151,545	242,041,545
2027 - 2031	140,475,000	24,872,235	165,347,235
2032 - 2036	61,330,000	5,182,109	66,512,109
	<u>\$ 558,105,000</u>	<u>\$ 188,394,352</u>	<u>\$ 746,499,352</u>

On February 5, 2014, the Public Service Board - El Paso Water Utilities issued \$64,900,000 in Water and Sewer Revenue Refunding Bonds, Series 2014 with an average interest rate of 4.83% to refund \$30,000,000 of Water and Sewer Commercial Paper Notes with an average interest rate of 0.12%, to advance refund \$40,335,000 of 2005A Water and Sewer Revenue Refunding bonds with an average interest rate of 5.11%. The liabilities associated with these bonds were removed from the related payables. As of February 29, 2016 and February 28, 2015, \$0 and \$40,335,000 of bonds remained outstanding with estimated escrow balances of \$0 and \$41,312,631 respectively. The refunding of the 2005A reduced debt service by \$4,379,527 and resulted in an economic gain (difference between the present values of the old and new service payments) of \$3,060,590.

On January 8, 2015, the Public Service Board - El Paso Water Utilities issued \$131,650,000 in Water and Sewer Revenue Refunding Bonds, Series 2015 with an average interest rate of 4.45% to refund \$25,000,000 of Water and Sewer Commercial Paper notes with an average interest rate of 0.10% and to advance refund the following outstanding bonds:

Series	Amount	Average Coupon
2005B	\$ 26,430,000	5.25%
2005C	6,245,000	3.62%
2006	10,555,000	4.72%
2006A	21,010,000	4.26%
2007	25,320,000	4.85%
2008C	26,885,000	5.30%

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

10. REVENUE BONDS (Continued)

The liabilities associated with these bonds were removed from the related payables. As of February 29, 2016 and February 28, 2015, \$69,005,000 and \$116,445,000 of bonds remained outstanding with estimated escrow balances of \$67,461,794 and \$125,345,648, respectively. The refunding of the 2005B, 2005C, 2006, 2006A, 2007 and 2008C reduced debt service by \$11,082,719 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$10,276,163.

On July 29, 2015, the Public Service Board - El Paso Water Utilities issued \$18,600,000 in Water and Sewer System Revenue Bonds, Series 2015A Bonds with an average interest rate of 4.39% to finance four elevated tanks throughout the City of El Paso.

On December 2, 2015, the Public Service Board - El Paso Water Utilities issued \$50,000,000 in Water and Sewer System Revenue Bonds, Series 2015B, issued through the Texas Water Development Board State Water Implementation Fund of Texas (SWIFT) program with an average interest rate of 1.98% to purchase water rights land in Hudspeth County, Texas.

On December 2, 2015, the Public Service Board - El Paso Water Utilities issued \$48,565,000 in Water and Sewer Revenue Refunding Bonds, Series 2015C with an average interest rate of 4.62% to refund \$40,000,000 of Water and Sewer Commercial Paper Notes with an average interest rate of 0.04%, and advance refund the following outstanding bonds:

Series	Amount	Average Coupon
2006	\$ 6,280,000	4.72%
2008	7,740,000	4.66%

As of February 29, 2016 \$14,020,000, of bonds remained outstanding with an estimated escrow balance of \$14,644,582. The refunding of the 2006 and 2008 bonds reduced debt service by \$1,965,503 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,536,941.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

10. REVENUE BONDS (Continued)

Municipal Drainage Utility

Municipal Drainage Revenue Bonds payable for the Municipal Drainage Utility Fund in the amount of \$80,456,000 and \$60,860,000 as of February 29, 2016 and February 28, 2015 are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the net revenue of the Municipal Drainage Utility Fund which is presented in Note 14. The pledge of net revenue is in effect until the bonds are extinguished. The Revenue Bonds payable as of February 29, 2016 include the following individual issues:

	Amounts Outstanding 2/28/15	Issued	Retired/ Refunded	Amounts Outstanding 2/29/16	Due Within One Year
\$53,000,000 2009 Series due in annual installments of \$2,155,000 to \$4,335,000 with interest due at 5.38%. Final payment due 2029.	\$ 45,845,000	\$ -	\$ 2,040,000	\$ 43,805,000	\$ 2,155,000
\$2,163,000 2009A Series due in annual installments of \$107,000 to \$109,000 with interest at 0%. Final payment due 2031.	1,835,000	-	109,000	1,726,000	109,000
\$14,075,000 2012 Series due in annual installments of \$510,000 to \$995,000 with interest due at 3% to 5%. Final payment due 2032.	13,180,000	-	495,000	12,685,000	510,000
\$22,240,000 2015 Series due in annual installments of \$785,000 to \$1,665,000 with interest due at 2% to 5%. Final payment due 2035.	-	<u>22,240,000</u>	-	22,240,000	<u>865,000</u>
Total bonds outstanding	60,860,000	<u>\$ 22,240,000</u>	<u>\$ 2,644,000</u>	80,456,000	<u>\$ 3,639,000</u>
Less current maturities	<u>2,644,000</u>			<u>3,639,000</u>	
Total long term portion	<u>\$ 58,216,000</u>			<u>\$ 76,817,000</u>	

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

10. REVENUE BONDS (Continued)

Interest costs incurred on revenue bonds totaled \$3,751,437 in 2016 of which \$862,530 was capitalized, and \$2,993,724 in 2015 of which \$191,355 was capitalized.

Municipal Drainage Utility Fund Annual Revenue Bond Debt Service Requirements

Year Ending February	Principal	Interest	Total
2017	\$ 3,639,000	\$ 2,968,093	\$ 6,607,093
2018	3,704,000	2,853,235	6,557,235
2019	3,869,000	2,730,943	6,599,943
2020	4,039,000	2,599,967	6,638,967
2021	4,224,000	2,458,445	6,682,445
2022 - 2026	24,519,000	9,699,339	34,218,339
2027 - 2031	26,835,000	4,539,777	31,374,777
2032 - 2036	9,627,000	1,051,664	10,678,664
	<u>\$ 80,456,000</u>	<u>\$ 28,901,463</u>	<u>\$ 109,357,463</u>

On April 7, 2015, the Public Service Board - El Paso Water Utilities issued \$22,240,000 in Municipal Drainage Utility System Revenue Bonds, Series 2015 Bonds with an average interest rate of 4.84% to finance drainage projects and improvements throughout the City of El Paso.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. Arbitrage is evaluated and estimated on an annual basis by a third party arbitrage rebate service company. The company has estimated no liability for EPWU as of February 29, 2016 and February 28, 2015.

EPWU is required to comply with various requirements in the ordinances authorizing the bond issuances. Management of EPWU has indicated they are in compliance with all significant requirements.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

11. LAND NOTES PAYABLE

During the fiscal year ending February 29, 2004, EPWU purchased two parcels of land totaling 8,865.15 acres that were financed through note instruments. The first note was for a total of \$401,692 with an interest rate of 3.95% for a period of ten years and payments of \$49,402 due in March of each year. This note was paid off in March 2013. The second note was for a total of \$9,971,186 with an interest rate of 5% for the first year and adjusted by the change in rate of a 10 year U.S. Treasury Note on September 1st of each year thereafter. This note is for a period of 15 years with payments due in September that fluctuate in amount based upon the interest rate. The \$9,971,186 purchase also included a lease back of the property for a period of 15 years and an annual lease payment of \$400,000. The following is a list of the principal and interest payments due for the note payable:

Year Ending February	Principal	Interest	Total
2017	\$ 829,844	\$ 71,157	\$ 901,001
2018	871,337	53,587	924,924
2019	914,885	27,447	942,332
	<u>\$ 2,616,066</u>	<u>\$ 152,191</u>	<u>\$ 2,768,257</u>

12. COMMERCIAL PAPER

In October 1997, EPWU through the City of El Paso approved a Commercial Paper Program in the amount of \$50,000,000. The purpose of the Commercial Paper Program is to provide funds for the interim financing of a portion of the costs of capital improvements to the System.

EPWU through the City of El Paso and JP Morgan Chase Bank (the "Bank") entered into a revolving credit agreement (the "Credit Agreement") in February 2009 pursuant to which the Bank is obligated under the Credit Agreement to loan to the City amounts not to exceed \$40,000,000 for the purpose of paying amounts due on the Commercial Paper Program. On July 1, 2015, the parties amended (the "Credit Agreement") to extend the Final Date to September 3, 2015. On August 1, 2015, EPWU through the City of El Paso and Bank of America, N.A. entered into a revolving credit agreement pursuant to which Bank of America, N.A. is obligated under the Credit Agreement to loan to the City amounts not to exceed \$40,000,000 for the purpose of paying amounts due on the Commercial Paper Program. Any borrowing under the Credit Agreement is equally and ratably secured by and payable from the above-described sources pledged for payment of the Commercial Paper Program and from a pledge of the Net Revenues of the Water and Wastewater Utility, such pledge being subordinate to the pledge of Net Revenues securing all Senior Lien Obligations. Management intends to continue the remarketing of the tax exempt commercial paper notes as it intends to maintain a portion of its debt in variable rates.

The borrowings under the Commercial Paper Program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the Commercial Paper Program and (ii) borrowing under and pursuant to the revolving credit agreement.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

12. COMMERCIAL PAPER (Continued)

Since the commercial paper represents activity that is the result of EPWU's long term financing plan, the amounts outstanding are presented as long term. The "paper" can be sold in \$100,000 increments and matures from one to 270 days. As of February 28, 2015 there was \$10,000,000 outstanding and as of February 29, 2016 the following amount was outstanding:

	2016	Maturity Date	Coupon Rate
\$	5,000,000	03/01/2016	0.06%
	5,000,000	04/13/2016	0.06%

13. OTHER GOVERNMENT PAYABLES

During the fiscal year ending February 28, 2010, EPWU entered into a wholesale contract with Fort Bliss to provide water services for a 20 year period effective June 1, 2009. The El Paso Water Utility is to credit Fort Bliss \$3,300,000 with an interest rate of 4.5% totaling \$5,010,583 over 20 years (\$20,877 monthly) for the engineering/environmental analysis in connection with the Desalination Plant. The following is a list of the principal and interest payments due to Fort Bliss as of February 29, 2016:

Year Ending February	Principal	Interest	Total
2017	\$ 141,049	\$ 109,480	\$ 250,529
2018	147,529	103,000	250,529
2019	154,307	96,222	250,529
2020	161,396	89,133	250,529
2021	168,810	81,719	250,529
2022 - 2026	967,752	284,894	1,252,646
2027 - 2030	756,163	58,056	814,219
	<u>\$ 2,497,006</u>	<u>\$ 822,504</u>	<u>\$ 3,319,510</u>

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

14. DEBT SERVICE COVERAGE

Water and Wastewater Utility

The bond ordinances require the EPWU Water and Wastewater Utility Fund to maintain revenues in each fiscal year, after deductions for maintenance and operation expenses, in an amount equal to at least 1.5 times the debt service requirements in such year. The computations of this ratio are summarized below for the years ended February 29, 2016 and February 28, 2015.

	<u>2016</u>	<u>2015</u> Restated
Revenues available for debt service	<u>\$ 100,651,727</u>	<u>\$ 93,861,974</u>
Debt service requirements		
Principal	27,345,000	25,150,000
Interest	<u>18,000,421</u>	<u>19,701,136</u>
Total requirements	<u>45,345,421</u>	<u>44,851,136</u>
Debt service ratio	<u>2.22</u>	<u>2.09</u>

Revenues available for debt service are determined as follows:

	<u>2016</u>	<u>2015</u> Restated
Water and wastewater revenue	\$ 185,083,246	\$ 172,616,917
Operating revenue deductions	<u>86,666,047</u>	<u>81,113,190</u>
Net water and wastewater revenue	<u>98,417,199</u>	<u>91,503,727</u>
Other revenues available for debt service:		
Interest income	544,195	401,998
IRS Tax Credit Build America Bonds	205,567	214,302
Property rentals	1,892,592	1,958,038
Administration fees - City Environmental Services	621,611	613,136
Other miscellaneous operating revenue	1,243,619	1,486,686
Gain on sale of miscellaneous assets	315,294	646,916
Other miscellaneous operating expenses	<u>(2,588,350)</u>	<u>(2,962,829)</u>
Net other revenues available for debt service	<u>2,234,528</u>	<u>2,358,247</u>
Revenues available for debt service	<u>\$ 100,651,727</u>	<u>\$ 93,861,974</u>

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

14. DEBT SERVICE COVERAGE (Continued)

Municipal Drainage Utility

The bond ordinances require the EPWU Municipal Drainage Utility Fund to maintain revenues in each fiscal year, after deductions for maintenance and operation expenses, in an amount equal to at least 1.25 times the debt service requirements in such year. The computations of this ratio are summarized below for the years ended February 29, 2016 and February 28, 2015.

	<u>2016</u>	<u>2015</u> Restated
Revenues available for debt service	<u>\$ 12,054,547</u>	<u>\$ 10,863,155</u>
Debt service requirements		
Principal	2,644,000	2,524,000
Interest	<u>3,323,563</u>	<u>3,050,575</u>
Total requirements	<u>5,967,563</u>	<u>5,574,575</u>
Debt service ratio	<u>2.02</u>	<u>1.95</u>

Revenues available for debt service are determined as follows:

	<u>2016</u>	<u>2015</u> Restated
Municipal drainage utility revenue	<u>\$ 16,788,500</u>	<u>\$ 15,298,948</u>
Operating revenue deductions	<u>6,101,576</u>	<u>6,105,902</u>
Net municipal drainage utility revenue	<u>10,686,924</u>	<u>9,193,046</u>
Other revenues available for debt service:		
Interest income	132,253	99,550
IRS Tax Credit Build American Bonds	766,696	800,675
Property rentals	45,782	43,628
Gain on sale of miscellaneous assets	17,136	87,318
Other miscellaneous operating revenue	684,207	638,938
Other miscellaneous operating expense	<u>(278,451)</u>	<u>-</u>
Net other revenues available for debt service	<u>1,367,623</u>	<u>1,670,109</u>
Revenues available for debt service	<u>\$ 12,054,547</u>	<u>\$ 10,863,155</u>

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2016 and February 28, 2015

15. RISK MANAGEMENT

EPWU 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. Additionally, the Water and Wastewater Utility and the Municipal Drainage Utility, through the City of El Paso, maintain insurance policies acquired from independent insurance carriers covering all material structural property.

EPWU, in conjunction with the City of El Paso, provides health benefits, life insurance, and workers' compensation benefits for eligible employees and a fully insured plan for retirees. EPWU and the City of El Paso fund these plans separately, and EPWU is responsible for the costs incurred related to the employees of EPWU.

The City maintains a group health insurance plan for active and retired employees and their eligible dependents. Reinsurance coverage limits the annual liability of EPWU to \$225,000 per claim per covered member. Contributions to the fund are provided by both EPWU and participating employees. The group life insurance plan is provided by a commercial carrier. Health expenses and liabilities are recorded separately by EPWU for any eligible EPWU members enrolled in these plans. Costs are recorded in the fund from which the employees' compensation is paid.

Claims Administrative Services administers the workers' compensation self-insurance program. A separate bank account is used to pay all claims for workers' compensation, and EPWU accrues estimated future liabilities for workers' compensation claims filed as of the end of the year. Management feels that the contributions made during the year for workers' compensation will offset any claims paid during the year.

For the years ended February 29, 2016, February 28, 2015, and 2014 the amount of settlements did not exceed insurance coverage and there were no significant reductions in the coverage from the prior year. The estimated liability for unpaid health claims is based upon the claim lag report. The estimated liability for unpaid workers' compensation claims, is the discounted future payments, as actuarially determined, of case reserves plus claims incurred but not reported as of the actuarial report date of January 1, 2015. Accrued liabilities for these self-insurance programs are summarized below for the years ended February 29, 2016, February 28, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Health Insurance	\$ 302,234	\$ 171,399	\$ 513,047
Workers' Compensation	<u>795,049</u>	<u>871,868</u>	<u>871,868</u>
Total payable	1,097,283	1,043,267	1,384,915
Less current portion	<u>541,338</u>	<u>299,060</u>	<u>836,027</u>
Estimated Long-term portion	<u>\$ 555,945</u>	<u>\$ 744,207</u>	<u>\$ 548,888</u>

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

15. RISK MANAGEMENT (Continued)

Changes in accrued liabilities for self-insurance programs were as follows:

	2016	2015	2014
Total payable, beginning of year	\$ 1,043,267	\$ 1,384,915	\$ 1,269,118
Additional claims incurred	4,460,955	3,988,848	3,763,153
Claims paid during the year	(4,406,939)	(4,330,496)	(3,647,356)
Total payable, end of year	\$ 1,097,283	\$ 1,043,267	\$ 1,384,915

16. PENSION AND RETIREMENT PLAN

General - The Public Service Board - El Paso Water Utilities contributes to the City Employees' Pension Fund (CEPF) which is a single-employer Public Employee Retirement System defined benefit pension plan. However, in accordance with GASB Statement No. 68, as a component unit of the City, EPWU reports its proportionate share of the collective net pension liability as if it was a cost-sharing employer.

Plan Description - The CEPF was established in accordance with authority granted by Chapter 2.64 of the El Paso City Code and is a component unit (fiduciary fund type) of the City. It is the responsibility of the CEPF to function as an investment and administrative agent for the City of El Paso and EPWU with respect to the pension plan. The CEPF is not required to maintain any legally required reserves.

Basis of Accounting - The accounting policies for the CEPF have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The CEPF is accounted for on an economic resources measurement focus using the accrual basis of accounting.

Pension Plan Fiduciary Net Position: Detailed information about the City Employees' Pension Fund fiduciary net position is available in separately issued audited plan financial statements, including required supplementary information (RSI). That report may be obtained from the City Employees' Pension Fund administrative office at City of El Paso, 400 W. San Antonio Ave., Suite B, El Paso, Texas 79901 or online at <http://www.eppension.org/fund-overview/financial-reports.php>. The information provided in the RSI accompanying the audited plan financial statements provides the following information regarding the pension plan fiduciary net position as of August 31, 2015 and August 31, 2014:

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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

16. PENSION AND RETIREMENT PLAN (Continued)

	<u>2015</u>	<u>2014</u>
Total Pension Liability	\$ 895,443,777	\$ 859,629,640
Less: Fiduciary Net Position	(700,388,169)	(732,892,525)
Net Pension Liability	<u>\$ 195,055,608</u>	<u>\$ 126,737,115</u>
Fiduciary Net Position as percentage of Total Pension Liability	<u>78.22%</u>	<u>85.26%</u>

Benefits Provided: Substantially all full-time employees of the City (including EPWU) are eligible to participate in the Plan. Non-employer contributions are limited to participating employees. Participation is mandatory for classified employees (except permanent part-time employees). For non-classified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the CEPF. The designated purpose of the CEPF is to provide retirement, death, and disability benefits to participants or their beneficiaries. The CEPF is administered by the CEPF Board, which is comprised of two citizens designated by the Mayor who are not officers or employees of the City, four elected City employees, a retiree, and two district representatives as designated by city council. The CEPF Board contracts with an independent pension custodian, investment managers, a pension consultant, an actuary and an attorney to assist in managing the CEPF.

Members who were first participants prior to September 1, 2011, accrue benefits based on Tier I provisions as follows:

- Participants who leave the Plan before completion of five years of service receive a refund of their contributions. Participants leaving the Plan with more than five years but less than ten years of service may receive a refund of their contributions plus interest at 5.5%, compounded annually, provided they are not eligible for normal retirement. Participants become fully vested after reaching forty years of age and ten years of service or forty-five years of age and seven years of service. Normal retirement is the earlier of (i) fifty-five years of age with ten years of service, (ii) sixty years of age with seven years of service or (iii) thirty years of service, regardless of age. Participants who have met the minimum vesting requirements may retire but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, or 2.5% of the average monthly base salary received by the employee during the year immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus .2083 of 1% of such average for each additional completed or fractional part of a month of service.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

16. PENSION AND RETIREMENT PLAN (Continued)

Members who were first participants on or after September 1, 2011, accrue benefits based on Tier II provisions as follows:

- Participants who leave the plan before completion of seven years of service receive a refund of their contributions. Participants leaving the plan with more than seven years but less than ten years of service may receive a refund of their contributions plus interest at 3%, compounded annually, provided they are not eligible for normal retirement. Participants become fully vested after reaching forty-five years of age and seven years of service. Normal retirement is the earlier of (i) sixty years of age with seven years of service or (ii) thirty-five years of service, regardless of age. Participants who have met the minimum vesting requirements may retire but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.25% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, multiplied by the number of completed years of service, plus .1875 of 1% of such average for each additional completed or fractional part of a month of service, limited to 90% of the three year average final pay.

A pension benefit is available to surviving spouses and dependents. The plan includes no automatic increase in retirement benefits, including automatic COLAs; however, the Board, at its discretion after consideration of a recent actuarial review of the funding status, may provide ad hoc cost of living or other increases in retirement benefits. During the plan year ended August 31, 2014, a 13th check ad-hoc payment was issued. There was no such ad-hoc payment issued for the plan year ended August 31, 2015.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2016 and February 28, 2015

16. PENSION AND RETIREMENT PLAN (Continued)

For the September 1, 2014, actuarial valuation, the entry age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), projected salary increases of 3.5%, which includes and inflation rate of 3.5% and no costs of living increases. The remaining amortization period at August 31, 2014, was 20 years using a level percent, open basis, amortization period. The mortality assumption was based on the RP-2000 combined mortality table set forward two years projected to 2017 with Scale AA forecasts of mortality improvement.

There are no factors that significantly affected the identification of trends such as changes in benefits, actuarial methods or assumptions. The actuarial assumptions used in the September 1, 2014 valuation were based on the results of an actuarial experience study performed in 2011. Update procedures were used to roll forward the total pension liability from September 1, 2014 valuation to the August 31, 2015 measurement date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of returns by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension fund's target asset allocation as of August 31, 2015 and August 31, 2014 are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30%	5.4%
International Equity	20%	5.6%
Fixed Income	28%	0.8%
Real Estate	10%	3.9%
Master Limited Partnerships	5%	6.3%
Private Equity	7%	6.3%
Cash	0%	-0.3%

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent for the plan's year ended August 31, 2015 and August 31, 2014. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the City will be made at the current contribution rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

16. PENSION AND RETIREMENT PLAN (Continued)

Contributions Required and Contributions Made - Contribution rates for the CEPF are based upon local statutes as enacted by the El Paso City Council and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial accrued liability (using entry-age-normal cost method) over thirty years. As of the most recent actuarial valuation, the contribution rate was 22.1% of annual covered payroll.

EPWU Contributions for the years ended February 29, 2016 and February 28, 2015 were as follows:

	2016 - Contributions Required and Made		2015 - Contributions Required and Made	
	Water and Wastewater Utility	Municipal Drainage Utility	Water and Wastewater Utility	Municipal Drainage Utility
Employer contribution	\$ 4,298,584	\$ 292,582	\$ 4,175,866	\$ 264,695
Employee contribution	2,738,285	186,377	2,578,740	169,402
Total contributions	\$7,036,869	\$ 478,959	\$ 6,754,606	\$434,097

Sensitivity to Changes in the Discount Rate: The following presents the EPWU's proportionate share for the Water and Wastewater Utility and Municipal Drainage Utility of the resulting net pension liability calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

8/31/2015 - EPWU's proportionate share of the net pension liability

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Water and Wastewater Utility	\$ 54,836,205	\$ 36,549,779	\$ 20,679,950

8/31/2015 - EPWU's proportionate share of the net pension liability

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Municipal Drainage Utility	\$ 3,730,713	\$ 2,385,949	\$ 1,406,935

8/31/2014 - EPWU's proportionate share of the net pension liability

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Water and Wastewater Utility	\$ 41,944,755	\$ 23,807,227	\$ 8,462,610

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

16. PENSION AND RETIREMENT PLAN (Continued)

8/31/2014 - EPWU's
proportionate share of the net
pension liability

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Municipal Drainage Utility	\$ 2,658,345	\$ 1,508,877	\$ 536,337

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At February 29, 2016, EPWU reported a net pension liability for its proportionate share of the CEPF's net pension liability of \$36,549,779 for the Water and Wastewater Utility and \$2,385,949 for the Municipal Drainage Utility. At February 28, 2015, EPWU reported a net pension liability for its proportionate share of the CEPF's net pension liability of \$23,807,227 for the Water and Wastewater Utility and \$1,508,877 for the Municipal Drainage Utility. EPWU's net pension liability reported at February 29, 2016 was measured at August 31, 2015. EPWU's net pension liability reported at February 28, 2015 was measured at August 31, 2014.

EPWU's proportion of the net pension liability was based on EPWU's contributions to the pension plan relative to the contributions of the City to the plan for the period from September 1, 2014 through August 31, 2015. At August 31, 2015 and August 31, 2014, EPWU's proportion of the collective net pension liability was 19.90% for both years. Since this is the first year of implementation, EPWU does not have the proportion measured as of August 31, 2013.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement periods. There were no changes in benefit terms that affected measurement of the total pension liability during the measurement periods. There were no changes between the measurement date of the collective net pension liability and the employer's reporting date that are expected to have a significant effect on the EPWU's proportionate share of the collective net pension liability.

As mentioned in the benefits provided section, there was an ad-hoc benefit payment of \$3.5 million during the measurement period from September 1, 2013 to August 31, 2014. There were no other changes of benefit terms that affected measurement of the total pension liability during the measurement periods.

For the years ended February 29, 2016 and February 28, 2015, EPWU recognized pension expense as measured in accordance with GASB Statement No. 68, of \$4,170,505 for the Water and Wastewater Utility and \$293,552 for the Municipal Drainage Utility, respectively, and \$2,089,255 for the Water and Wastewater Utility and \$132,415 for the Municipal Drainage Utility, respectively.

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**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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February 29, 2016 and February 28, 2015

16. PENSION AND RETIREMENT PLAN (Continued)

At February 29, 2016 and February 28, 2015, EPWU reported its proportionate share of the CEPF's deferred outflows of resources and deferred inflows of resources related to the CEPF from the following sources:

2016 - Water and Wastewater Utility		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 543,804	\$ -
Net difference between projected and actual earnings on pension plan assets	4,013,036	-
Employer contributions subsequent to the measurement date	2,169,546	-
Total	<u>\$ 6,726,386</u>	<u>\$ -</u>

2016- Municipal Drainage Utility		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,546	\$ -
Net difference between projected and actual earnings on pension plan assets	304,683	-
Employer contributions subsequent to the measurement date	148,620	-
Total	<u>\$ 487,849</u>	<u>\$ -</u>

2015 - Water and Wastewater Utility		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 702,334	\$ -
Net difference between projected and actual earnings on pension plan assets	-	8,973,817
Employer contributions subsequent to the measurement date	2,127,237	-
Total	<u>\$ 2,829,571</u>	<u>\$ 8,973,817</u>

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
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16. PENSION AND RETIREMENT PLAN (Continued)

	2015 - Municipal Drainage Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,513	\$ -
Net difference between projected and actual earnings on pension plan assets	-	568,751
Employer contributions subsequent to the measurement date	135,985	-
Total	<u>\$ 180,498</u>	<u>\$ 568,751</u>

For the year ended February 29, 2016, EPWU reported \$2,169,546 for the Water and Wastewater Utility and \$148,620 for the Municipal Drainage Utility as deferred outflows of resources related to pensions resulting from EPWU contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction of the net pension liability for the year ending February 28, 2017.

For the year ended February 28, 2015, EPWU reported \$2,127,237 for the Water and Wastewater Utility and \$135,985 for the Municipal Drainage Utility as deferred outflows of resources related to pensions resulting from EPWU contributions subsequent to the measurement date and prior to year-end. This amount was recognized as a reduction of the net pension liability for the year ended February 29, 2016.

For the year ended February 29, 2016, the amount recognized as pension expense for the deferred outflows and inflows related to pensions was \$622,410 for the Water and Wastewater Utility and \$52,052 for the Municipal Drainage Utility. For the year ended February 28, 2015, the amount recognized as pension expense for the deferred outflows and inflows related to pensions was (\$2,067,870) for the Water and Wastewater Utility and (\$131,059) for the Municipal Drainage Utility.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending February Water and Wastewater Utility	Amount
2017	\$ 622,410
2018	622,410
2019	622,410
2020	<u>2,689,610</u>
Total	<u>\$ 4,556,840</u>

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NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

16. PENSION AND RETIREMENT PLAN (Continued)

Year Ending February Municipal Drainage Utility	Amount
2017	\$ 52,052
2018	52,052
2019	52,052
2020	183,073
Total	<u>\$ 339,229</u>

Payable to the Pension Plan: At February 29, 2016 and February 28, 2015, EPWU reported a payable, including accruals where applicable, of \$165,444 for the Water and Wastewater Utility and \$11,819 for the Municipal Drainage Utility and \$176,602 for the Water and Wastewater Utility and \$10,187 for Municipal Drainage Utility, respectively, for the outstanding amount of contributions to the pension plan required for each fiscal year.

17. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City (including the Public Service Board - El Paso Water Utilities) sponsors and administers an informal single-employer defined benefit healthcare plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents unless the retiree is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the healthcare plan but all required information is presented in this report.

The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage is the same as the coverage provided to active City employees and for retirees under 65. Retirees over 65 are covered through a Medicare Advantage Plan. Retirees pay premiums ranging from \$106 per month to \$1,319 per month depending on the coverage elected. The cost of retiree health care benefits is recognized on a pay-as-you-go financing method and is recorded as an expense as liabilities are incurred. Of 2,823 retirees eligible (including the City and EPWU), there were 2,745 retirees covered under this plan at August 31, 2015. Dependent coverage was provided for 390 of the retirees, respectively. Total benefits (including the City and EPWU) paid for retirees during the year ended August 31, 2015 and 2014 was approximately \$22,916,913 and \$21,830,044, respectively. For the year ended August 31, 2015, retirees contributed \$14,595,935 or 39% of the total current year cost, and for the year ended August 31, 2014, retirees contributed \$14,039,600 or 39% of the total current year cost.

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February 29, 2016 and February 28, 2015

17. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy

The City's adopted budget policy maintains that retirees must pay 45% of the cost of premiums. Retirees are responsible for the full cost of coverage for their dependents who participate in the plan. The City employs a pay-as-you-go method and adjusts the rates annually as needed. EPWU self-funds its benefits plan that is offered to its employees, and effective August 1, 2012 pays premiums to a fully insured plan for its retirees.

Annual OPEB costs and Net OPEB Obligation

EPWU's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following tables show the components of the annual OPEB cost for the years ended February 29, 2016 and February 28, 2015, the amount actually contributed to the plan, and changes in the net OPEB obligation.

February 29, 2016	Water and Wastewater Utility	Municipal Drainage Utility
Annual Required Contribution	\$ 1,394,827	\$ 81,780
Interest on Net OPEB Obligation	346,047	12,088
Adjustment to Annual Required Contribution	<u>(320,609)</u>	<u>(11,199)</u>
Annual OPEB Cost	1,420,265	82,669
Less Contributions Made	<u>(442,332)</u>	<u>(6,785)</u>
Increase in Net OPEB Obligation	977,933	75,884
Net OPEB Obligation - Beginning of year	<u>7,689,928</u>	<u>268,613</u>
Net OPEB Obligation - End of year	<u><u>\$ 8,667,861</u></u>	<u><u>\$ 344,497</u></u>

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February 29, 2016 and February 28, 2015

17. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

February 28, 2015	Water and Wastewater Utility	Municipal Drainage Utility
Annual Required Contribution	\$ 1,354,201	\$ 79,398
Interest on Net OPEB Obligation	302,427	8,864
Adjustment to Annual Required Contribution	<u>(280,195)</u>	<u>(8,213)</u>
Annual OPEB Cost	1,376,433	80,049
Less Contributions Made	<u>(407,097)</u>	<u>(8,423)</u>
Increase in Net OPEB Obligation	969,336	71,626
Net OPEB Obligation - Beginning of year	<u>6,720,592</u>	<u>196,987</u>
Net OPEB Obligation - End of year	<u><u>\$ 7,689,928</u></u>	<u><u>\$ 268,613</u></u>

The Water and Wastewater Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 1,420,265	\$ 442,332	31.14%	\$ 8,667,861
2015	\$ 1,376,433	\$ 407,097	29.58%	\$ 7,689,928
2014	\$ 1,251,217	\$ 417,244	33.35%	\$ 6,720,592

The Municipal Drainage Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 82,669	\$ 6,785	8.21%	\$ 344,497
2015	\$ 80,049	\$ 8,423	10.52%	\$ 268,613
2014	\$ 60,988	\$ 9,993	16.39%	\$ 196,987

Management feels that the contributions made during the year to other post-employment benefits will offset any claims paid during the year. Therefore, the entire liability is estimated to be long term and recorded as such.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

17. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded as shown in the table below:

	Water and Wastewater Utility	Municipal Drainage Utility
Actuarial Accrued Liability (AAL)	\$ 14,019,879	\$ 604,874
Actuarial Value of Plan Assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,019,879</u>	<u>\$ 604,874</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll	\$ 30,374,930	\$ 2,297,528
Unfunded actuarial accrued liability as a percentage of covered payroll	46.16%	26.33%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

17. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions

Projections of health benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Methods and Assumptions

Actuarial Valuation Date	January 1, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of employee payroll
Amortization Period	30 year, open amortization
Inflation Rate	3% per annum
Investment Rate of Return	4.5% net of expenses
Payroll Growth	3% per annum
Healthcare cost trend rate	Initial rate of 7% declining to an ultimate rate of 4.75% after 15 years

18. DEFERRED COMPENSATION

The EPWU through the City of El Paso offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

The plan, available to all EPWU employees, permits them to defer a portion of their salaries until future years. EPWU does not make any contributions to the plan. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. The investments are managed by an outside administrator and investment options are made by participants.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants.

In management's opinion, EPWU has no liability for losses under the Plan. However, the City of El Paso and EPWU does have the duty of due care that would be required of an ordinary, prudent fiduciary.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

19. LEASING ARRANGEMENTS WITH EPWU AS LESSOR

EPWU leases real properties under various long-term lease agreements under the operating method of accounting for leases. Minimum future rentals to be received on non-cancelable leases as of February 29, 2016, for each of the next five years and in the aggregate are:

Water and Wastewater Utility

<u>Year ended February</u>	<u>Amount</u>
2017	\$ 1,778,562
2018	1,748,694
2019	1,582,309
2020	1,168,754
2021	1,111,080
2022 - 2026	4,406,567
2027 - 2031	2,311,648
2032 - 2036	1,089,225
2037 - 2041	10,273
2042 - 2046	1,320
2047 - 2051	1,320
2052 - 2056	1,320
2057 - 2059	858
Total minimum future rentals	<u><u>\$ 15,211,930</u></u>

Municipal Drainage Utility

<u>Year ended February</u>	<u>Amount</u>
2017	\$ 44,930
2018	34,892
2019	23,855
2020	25,040
2021	24,633
2022 - 2026	47,301
2027 - 2031	42,000
2032 - 2036	28,800
2037 - 2040	2,280
Total minimum future rentals	<u><u>\$ 273,731</u></u>

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

20. LEASING ARRANGEMENTS WITH EPWU AS LESSEE

EPWU leases buildings, land, computer equipment, and copiers for the Water and Wastewater Utility and the Municipal Drainage Utility under various long-term lease agreements which are recognized using the operating method of accounting for leases. Minimum future payments as of February 29, 2016 are as follows:

Water and Wastewater Utility

<u>Year ended February</u>	<u>Amount</u>
2017	\$ 1,251,694
2018	809,415
2019	644,752
2020	505,529
2021	456,331
2022 - 2026	2,207,848
2027 - 2031	2,203,274
2032 - 2036	2,219,473
2037 - 2041	2,237,745
2042 - 2046	2,243,598
2047 - 2051	2,047,500
2052 - 2056	2,047,500
2057 - 2060	1,330,875
	<u><u>\$ 20,205,534</u></u>

Rental expense for the years ended February 29, 2016 and February 28, 2015 was \$1,230,924 and \$1,286,210, respectively.

Municipal Drainage Utility:

<u>Year ended February</u>	<u>Amount</u>
2017	\$ 15,022
2018	<u>8,183</u>
	<u><u>\$ 23,205</u></u>

Rental expense for the years ended February 29, 2016 and February 28, 2015 was \$21,523 and \$24,049, respectively.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

21. WHOLESALE WATER SUPPLY AND WASTEWATER TREATMENT CONTRACTS

EPWU has entered into various wholesale water supply and wastewater treatment contracts to supply water and provide wastewater treatment to several Municipal Utility Districts and other entities who provide retail service to their customers. The contracts vary in length from 5 years to 20 years with renewal options available with the consent of both parties. The wholesale rates are updated annually based on cost of service including specific cost credits or offsets to specific entities due to grant proceeds related to specific water and wastewater service areas.

The following is a summary of wholesale water and wastewater rates to each entity served by EPWU:

Name of Entity	Water Rate	Wastewater Rate
Lower Valley Water District	\$0.96 per ccf	\$0.79 per ccf
County - East Montana	\$1.01 per ccf	N/A
Haciendas Del Norte WID	\$1.51 per ccf	N/A
Ponderosa/Western Village	\$2.01 per ccf	N/A
Gaslight Square MHE	\$1.83 per ccf	\$1.53 per ccf
Paseo del Este MUD (includes fixed base differential rate of \$0.26 for water and \$0.33 for wastewater)	\$2.09 per ccf	\$1.83 per ccf
Fort Bliss	\$0.86 per ccf	\$1.15 per ccf
County - Mayfair/Nuway and Schuman	\$1.96 per ccf	N/A
County - Colonia Revolucion	\$1.68 per ccf	N/A

Transactions with these entities are summarized below:

	<u>2016</u>	<u>2015</u>
Water Sales	<u>\$ 4,760,016</u>	<u>\$ 4,426,451</u>
Wastewater Services	<u>\$ 2,818,861</u>	<u>\$ 2,151,904</u>

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

22. SURFACE WATER CONTRACTS

The EPWU purchases all its Rio Grande Project surface water from the El Paso County Water Improvement District #1 (District) through various contracts, briefly described below, among the United States Department of Interior-Bureau of Reclamation, the Lower Valley Water District (LVWD), and the City of El Paso, through EPWU.

In a full allocation year, EPWU is currently entitled to receive approximately 28,894 acre feet (AF) of District water under two contracts titled the "1941 Contract" and the "1962 Contract". The 1941 Contract authorizes EPWU to purchase up to 2,000 acres of water rights land and to receive the water appurtenant to such land. The 1962 Contract authorizes EPWU to lease the water rights from residential land tracts inside the city limits and to receive the annual water allotment up to a maximum of 3.50 AF per acre. Under these two contracts, EPWU currently receives water based on its full land purchase authorization of 2,000 acres and 6,255.29 acres of leased water rights, whose terms range from 25 years to 75 years. During calendar year 2015, the cost of the water purchased from the District for the water associated with the land owned was composed of two parts; a land assessment fee of \$25 per acre, plus a water assessment fee of \$20 per AF. These two charges plus a one-time administrative fee of \$100 and an account service charge of \$12 per lease also applies to the water acquired through leases. EPWU also receives water rights associated with land owned and leases on 3,650 acres obtained within the LVWD. During a full allocation year, these LVWD water rights are equivalent to 14,600 AF worth of raw surface water.

In April of 2001, EPWU executed a contract titled "2001 Implementing Third Party Contract" (ITPC) which allows EPWU to purchase up to 28,116 AF of District water, and as little as zero AF, based on the District's annual water allotment. EPWU, currently owns a total 3,132.30 acres of water rights land. Under the terms of the ITPC (as amended March 2010), EPWU pays \$15 per AF in the initial year of the contract for water allotted to EPWU owned acreage in excess of 2,000 acres, up to a 2,250 acre maximum. This price is adjusted annually by the "Consumer Price Index-All Urban Consumers, All Items". For all other water made available by the District under this contract, EPWU pays \$193.50 per AF for the calendar year commencing January 1, 2001, escalating to \$260 per AF for the calendar year commencing January 1, 2010. In March of 2010, the PSB and the District executed a First Amendment to the ITPC in which the parties agreed to increase said price by the CPI starting on January 1, 2013, with the price for the 2011 and 2012 calendar years set a \$260 per AF. This amendment also increased the quantity of water allotted pursuant to PSB owned acreage in excess of 3,000 acres to 3,250 acres.

Also under the terms of the ITPC, in any year when the Directors of the District determine that the annual water allotment is two AF or greater, then for each AF of usable sewage effluent discharged by EPWU from the Haskell R. Street Wastewater Treatment Plant into the American Canal, the District allows the City a credit against any charges of the District equal to the current year's price per AF multiplied by one-half. The maximum allowable credit for usable sewage effluent for any given year is 15,000 AF.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

22. SURFACE WATER CONTRACTS (Continued)

In addition to the price of District water, EPWU pays the federal revenue component on all District water delivered to EPWU. This federal revenue component is \$5 per AF or 5% of current year's contract price of the water, whichever is greater. In calendar year 2015, EPWU received an allotment of 2.50 AF per acre of surface water and treated 36,134 AF of this water for distribution to its customers.

This note is intended to summarize major components of the contracts; however, it is recommended that the contracts be reviewed, in their entirety, by interested parties.

23. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Through the ordinary course of its operations, EPWU becomes subject to various claims and litigation. As of the date of these financial statements, EPWU was named in various legal actions. To the extent the outcome of such litigation is determined to result in probable loss to the EPWU, such loss is accrued in the financial statements. However, as of February 29, 2016, no amounts have been accrued because legal counsel has not determined that the litigation will result in a probable loss to EPWU since the outcome cannot be determined at this time. Management and legal counsel are of the opinion that settlement of these claims and pending litigation will not have a materially adverse effect on EPWU's financial statements.

EPWU has received federal and state financial assistance for specific purposes that are subject to review and audit by the grantor agencies. Although management believes compliance with grant guidelines is adhered to, grantor audits could result in requests for reimbursement of expenditures determined to be disallowed. Management believes such disallowances, if any, will be immaterial.

EPWU has ongoing construction projects under non-cancelable contracts. At February 29, 2016, the Water and Wastewater Utility had appropriations and estimated commitments for services yet to be performed that totaled \$138,866,655. At February 29, 2016, the Municipal Drainage Utility had appropriations and estimated commitments for services yet to be performed totaling \$25,842,285.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

24. RELATED PARTY TRANSACTIONS

The Public Service Board - El Paso Water Utilities makes payments to the City of El Paso based upon a percentage of water sales. In addition, EPWU acts as a billing and collecting agent for environmental services for the City. The following is a summary of those transactions:

	<u>2016</u>	<u>2015</u>
Revenues from City:		
Water and Wastewater Sales	\$ 3,943,606	\$ 3,475,921
Billing and Collecting Agent fees	888,016	875,907
Drainage fees	323,353	281,999
Expenses to City:		
10% of Water Sales	11,347,378	10,586,093
5% on gain on sale of land	70,400	7,173
City of El Paso Franchise fee	3,367,372	1,937,221
Receivable:		
Accounts Receivable from City	140,652	-
Payable:		
Environmental Services collections fees payable to City	5,109,045	5,084,817
10% of water sales payable to City	676,443	1,261,379
Franchise fee payable to City	293,809	644,428
Property and health insurance payable to City	276,003	483,460
City projects and other expenses payable to City	3,142,891	852,359

25. FRANCHISE FEE DUE TO THE CITY OF EL PASO

Effective September 1, 2014, City Council established a Franchise fee to be paid by the El Paso Water Utilities to compensate the City of El Paso for the use of city streets and rights of way for utility lines and wear and tear on City streets in a total amount of Three Million Five Hundred Fifty Thousand and No/100 Dollars (\$3,550,000). Effective September 1, 2015, City Council renewed the fee in the same amount and is charged to all residential, non-residential, and standby fire protection accounts based on meter size. As of February 29, 2016, \$3,367,372 has been billed of which \$3,073,563 has been paid to the City of El Paso. As of February 28, 2015, \$1,937,221 was billed of which \$1,292,794 was paid to the City of El Paso.

26. RESTRICTED NET POSITION

Amounts have been restricted for construction projects and for payment of bonded debt.

(Continued)

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

27. SUBSEQUENT EVENTS

On May 4, 2016, the Public Service Board - El Paso Water Utilities issued \$19,790,000 in Municipal Drainage Utility System Revenue Bonds, Series 2016 with an average interest rate of 4.94% to finance drainage projects and improvements throughout the City of El Paso.

28. PRIOR PERIOD ADJUSTMENT

During fiscal year 2016, EPWU adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. With GASB 68 and 71, EPWU must assume its proportionate share of the Net Pension Liability of the El Paso City Employees' Pension Fund. Adoption of GASB 68 and 71 required a prior period adjustment to report the effect of GASB 68 and 71 retroactively. The financial statements as of February 28, 2015 have been restated, and a prior period adjustment was made in fiscal year 2015 for prior years that reduced the net position for the Water and Wastewater Utility Fund by \$32,037,807 and the Municipal Drainage Fund by \$2,029,410.

29. NEW ACCOUNTING PRONOUNCEMENTS

The EPWU has not completed the process of evaluating the impact on its financial position that will result from adopting Governmental Accounting Standards Board Statements No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015, No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for fiscal years beginning after June 15, 2017, No. 79, *Certain External Investment Pools and Pool Participants*, effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015, and No. 82, *Pension Issues-an amendment of GASB Statements No.67, No.68, and No.73*, effective for reporting periods beginning after June 15, 2016. GASB No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB No. 72, No. 79, and No. 82 are not expected to have a significant impact on EPWU.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

**Schedule of EPWU's Proportionate Share of the Net Pension Liability -
City of El Paso Pension Fund**

February 29, 2016 and February 28, 2015

	September 1, 2014 - August 31, 2015	September 1, 2013 - August 31, 2014
WATER AND WASTEWATER UTILITY		
Water and Wastewater Utility Proportion of the net pension liability	18.70%	18.70%
Water and Wastewater Utility Proportionate Share of the net pension liability	\$ 36,549,779	\$ 23,807,227
EPWU's covered-employee payroll	30,351,808	30,170,368
EPWU's proportionate share of the net pension liability as a percentage of its covered employee payroll	120.42%	78.91%
Plan fiduciary net position as a percentage of the total pension liability	78.22%	85.26%

	September 1, 2014 - August 31, 2015	September 1, 2013 - August 31, 2014
MUNICIPAL DRAINAGE UTILITY		
Municipal Drainage Utility Proportion of the net pension liability	1.20%	1.20%
Municipal Drainage Utility Proportionate Share of the net pension liability	\$ 2,385,949	\$ 1,508,877
EPWU's covered-employee payroll	1,984,729	1,872,526
EPWU's proportionate share of the net pension liability as a percentage of its covered employee payroll	120.22%	80.58%
Plan fiduciary net position as a percentage of the total pension liability	78.22%	85.26%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31 - the period from September 1, 2014 to August 31, 2015 and September 1, 2013 to August 31, 2014, for 2016 and 2015 respectively.

Note: Only two years of data are presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedule should not include information that is not measured in accordance with the requirements of this Statement."

REQUIRED SUPPLEMENTARY INFORMATION

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

**Schedule of EPWU's Contributions -
City of El Paso Pension Fund**

February 29, 2016 and February 28, 2015

WATER AND WASTERWATER UTILITY	Fiscal Year 2016	Fiscal Year 2015
Statutorily required EPWU contribution	\$ 4,298,584	\$ 4,175,866
Contributions in relation to the statutorily required contribution	4,298,584	4,175,866
Contribution deficiency (excess)	-	-
EPWU covered-employee payroll	30,595,084	30,421,325
Contributions as a percentage of covered-employee payroll	14.05%	13.73%

MUNICIPAL DRAINAGE UTILITY	Fiscal Year 2016	Fiscal Year 2015
Statutorily required EPWU contribution	\$ 292,582	\$ 264,695
Contributions in relation to the statutorily required contribution	292,582	264,695
Contribution deficiency (excess)	-	-
EPWU covered-employee payroll	2,082,429	1,927,762
Contributions as a percentage of covered-employee payroll	14.05%	13.73%

Note: GASB 68, Paragraph 81, requires that the data in this schedule be presented for EPWU's fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015 and September 1, 2013 to August 31, 2014, for 2016 and 2015, respectively.

Note: Only two years of data are presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedule should not include information that is not measured in accordance with the requirements of this Statement."

Note: The amounts listed above are the actual employer contributions. The actuarially determined contributions required to be disclosed under GASB 68 was not determined since the City and Member contribution rates are established by ordinance.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO PENSION FUND REQUIRED SUPPLEMENTARY INFORMATION

February 29, 2016 and February 28, 2015

Changes of benefit terms

There was an ad-hoc benefit payment of \$3.5 million during the measurement period from September 1, 2013 to August 31, 2014. There were no other changes of benefit terms that affected measurement of the total pension liability during the measurement periods.

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement periods.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	11 years
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.50%
Salary Increases	4.00% to 5.7%, including inflation
Investment Rate of Return	7.5%
Retirement Age	Experience-based table of rates that are specific to the CEPF plan of benefits. Last updated for the 2011 valuation.
Mortality	RP2000 Combined Mortality Table set forward two years projected to 2017 with Scale AA forecasts of mortality improvement, with separate rates for males and females.



REQUIRED SUPPLEMENTARY INFORMATION

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

WATER AND WASTEWATER UTILITY FUND

**Other Post-Employment Benefits Plan
Schedule of Funding Progress**

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percent of Covered Payroll (4) / (5)
01/01/2015	\$ -	\$ 14,019,879	0.00%	\$ 14,019,879	\$ 30,374,930	46.16%
01/01/2013	-	13,411,767	0.00%	13,411,767	29,165,415	45.99%
03/01/2010	-	11,973,164	0.00%	11,973,164	28,099,784	42.61%

**Other Post-Employment Benefits Plan
Schedule of Employer Contributions**

Fiscal Year	(1) Actual Contribution	(2) Annual Required Contribution	(3) Percent Contributed (1)/(2)
2016	\$ 442,332	\$ 1,394,827	31.71%
2015	407,097	1,354,201	30.06%
2014	417,244	1,231,744	33.87%

REQUIRED SUPPLEMENTARY INFORMATION

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

MUNICIPAL DRAINAGE UTILITY FUND

**Other Post-Employment Benefits Plan
Schedule of Funding Progress**

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percent of Covered Payroll (4) / (5)
01/01/2015	\$ -	\$ 604,874	0.00%	\$ 604,874	\$ 2,297,528	26.33%
01/01/2013	-	372,081	0.00%	372,081	1,653,481	22.50%
03/01/2010	-	161,368	0.00%	161,368	1,415,325	11.40%

**Other Post-Employment Benefits Plan
Schedule of Employer Contributions**

Fiscal Year	(1) Actual Contribution	(2) Annual Required Contribution	(3) Percent Contributed (1)/(2)
2016	\$ 6,785	\$ 81,780	8.30%
2015	8,423	79,398	10.61%
2014	9,993	60,505	16.52%

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO**

NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION

February 29, 2016 and February 28, 2015

Changes of Assumption/Method

1. In the prior valuation, no employees who retire through early retirement were assumed to elect coverage. This assumption was changed so that no employees who retire before the age of 50 are assumed to elect retiree medical coverage. Said another way, employees who retire through early retirement and are at least 50 years old are now assumed to participate at the same rates as employees who retire through normal retirement. This change increased the ARC and associated liabilities.
2. The participation assumption for future retirees was increased for employees who retire at age 65 or later as follows:
 - a. General Employees - from 37% to 45%
 - b. Storm Employees - from 27% to 35%This assumption change was made based on the plan's experience and increased the ARC and associated liabilities.
3. The trend rate assumption was reset to better reflect the plan's anticipated experience. The ultimate trend rate was increased from 4.50% to 4.75% and the ultimate trend rate is now reached in 2031 instead of 2021. This change increased the ARC and associated liabilities.

SUPPLEMENTARY SCHEDULES

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

STATEMENTS OF NET POSITION

February 29, 2016 and February 28, 2015

	2016	RESTATED 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,454,479	\$ 16,893,387
Investments	15,528,786	10,535,441
Accounts receivable - customers	18,795,639	17,652,736
Accounts receivable - other	2,298,506	5,371,500
Accrued interest receivable	361,034	423,364
Inventory - materials and supplies	1,864,435	1,870,845
Other current assets	626,724	514,032
Prepaid expenses	1,988,154	1,996,006
Restricted current assets:		
Restricted for bond requirements:		
Cash and cash equivalents	43,832,530	36,146,346
Investments	28,767,004	15,402,186
Restricted for construction and improvements:		
Cash and cash equivalents	90,241,471	19,837,542
Investments	33,512,718	24,957,009
Accounts receivable government grants	113,738	500,136
Notes receivable	63,598	50,224
Total current assets	<u>256,448,816</u>	<u>152,150,754</u>
Noncurrent assets:		
Investments	-	7,089,072
Restricted noncurrent assets:		
Restricted for bond requirements:		
Investments	-	12,271,338
Restricted for construction and improvements:		
Investments	-	10,464,236
Capital assets:		
Water and Wastewater Utility capital assets	2,057,661,081	1,853,617,700
Land and right of way	72,440,279	72,550,913
Construction work in progress	59,758,641	167,299,726
Less accumulated depreciation	(907,991,298)	(854,706,486)
Total capital assets (net of accumulated depreciation)	<u>1,281,868,703</u>	<u>1,238,761,853</u>
Total noncurrent assets	<u>1,281,868,703</u>	<u>1,268,586,499</u>
Total assets	<u>1,538,317,519</u>	<u>1,420,737,253</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on bond refunding	4,715,354	5,232,151
Deferred pension contributions	2,169,546	2,127,237
Difference in projected and actual earnings on pension assets	4,013,036	-
Difference in expected and actual pension experience	543,804	702,334
Total deferred outflows of resources	<u>11,441,740</u>	<u>8,061,722</u>
Total assets and deferred outflows of resources	<u>\$ 1,549,759,259</u>	<u>\$ 1,428,798,975</u>

	2016	RESTATED 2015
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,626,081	\$ 2,160,039
Environmental Services collections and other payments due to City of El Paso	6,079,297	6,990,624
Customer deposits	8,993,131	8,373,573
Accrued vacation payable	1,876,490	1,794,440
Accrued payroll and benefits	1,824,547	1,575,921
Due to Municipal Drainage Utility	316,893	270,840
Unearned revenue on land leases	668,136	338,682
Other current liabilities	597,821	383,847
Self-insurance workers' compensation and health claims	541,338	299,060
Other governments payable - current	141,049	134,854
Current liabilities payable from restricted assets:		
Revenue bonds payables and unamortized premiums net of discounts	36,149,230	30,166,377
Accrued interest on revenue bonds and commercial paper	10,620,416	8,276,706
Accounts payable	12,254,938	14,911,689
Land notes payable	829,844	790,328
Land notes interest payable	35,579	50,585
Customer advances for construction	1,456,871	13,577,981
Retainage payable on construction contracts	1,843,088	1,789,319
Total current liabilities	<u>86,854,749</u>	<u>91,884,865</u>
Noncurrent liabilities:		
Revenue bonds payables and unamortized premiums net of discounts	574,239,562	499,659,628
Land notes payable	1,786,222	2,616,066
Other governments payable	2,355,957	2,497,006
Commercial paper notes	10,000,000	10,000,000
Other Post-Employment Benefits	8,667,861	7,689,928
Net Pension Liability	36,549,779	23,807,227
Accrued vacation payable	972,022	1,089,319
Self-insurance workers' compensation claims	555,945	744,207
Total noncurrent liabilities	<u>635,127,348</u>	<u>548,103,381</u>
Total liabilities	<u>721,982,097</u>	<u>639,988,246</u>
DEFERRED INFLOWS OF RESOURCES		
Gains on bond refunding	287,215	131,896
Difference in projected and actual earnings on pension assets	-	8,973,817
Total deferred inflows of resources	<u>287,215</u>	<u>9,105,713</u>
NET POSITION		
Restricted:		
Restricted for debt service	61,979,118	55,543,164
Restricted for construction and improvements	28,272,952	15,539,058
Total restricted	<u>90,252,070</u>	<u>71,082,222</u>
Net investment in capital assets	742,319,946	721,516,344
Unrestricted	(5,082,069)	(12,893,550)
Total net position	<u>827,489,947</u>	<u>779,705,016</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,549,759,259</u>	<u>\$ 1,428,798,975</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Years Ended February 29, 2016 and February 28, 2015

	2016	RESTATED 2015
Operating revenues:		
Water	\$ 98,598,421	\$ 92,756,225
Water supply replacement charge	21,546,247	19,932,864
Reclaimed water	2,870,685	2,863,690
Wastewater	62,067,893	57,064,138
Customer connection fees	5,686,429	5,441,677
Billing fees - City Environmental Services	621,611	613,136
Rent revenue	1,892,593	1,958,038
City of El Paso Franchise fee	3,367,372	1,937,221
Other operating revenue	1,243,619	1,486,686
Total operating revenues	<u>197,894,870</u>	<u>184,053,675</u>
Operating expenses:		
Operations and maintenance - water & reclaimed water	39,746,695	38,047,643
Operations and maintenance - wastewater	21,541,071	20,526,656
General, administrative and engineering expenses	20,229,843	19,480,300
Other operating expenses	2,588,350	2,962,829
Other Post-Employment Benefits	977,933	969,336
Pension expense	4,170,505	2,089,255
Depreciation	56,199,421	52,041,478
Payment to City of El Paso Franchise fee	3,367,372	1,937,221
Payment to City of El Paso per bond covenants	11,417,778	10,593,266
Total operating expenses	<u>160,238,968</u>	<u>148,647,984</u>
Operating income	<u>37,655,902</u>	<u>35,405,691</u>
Nonoperating revenues (expenses):		
Interest earnings and net change in fair value of investments	544,195	401,998
IRS tax credit for Build America Bonds	205,567	214,302
Gain on land assets converted by sale	1,681,832	143,455
Gain on sale of miscellaneous assets	315,294	646,916
Interest on long term debt	(18,608,445)	(18,862,744)
Total nonoperating expenses	<u>(15,861,557)</u>	<u>(17,456,073)</u>
Increase in net position, before capital contributions	<u>21,794,345</u>	<u>17,949,618</u>
Federal grant contributions	69,930	371,364
Capital and non-federal grant contributions	25,920,656	8,207,432
Total contributions	<u>25,990,586</u>	<u>8,578,796</u>
Change in net position	<u>47,784,931</u>	<u>26,528,414</u>
Total net position - beginning	779,705,016	785,214,409
Prior period adjustment	-	(32,037,807)
Total net position - ending	<u>\$ 827,489,947</u>	<u>\$ 779,705,016</u>



PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

STATEMENTS OF CASH FLOWS

For the Years Ended February 29, 2016 and February 28, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 197,369,226	\$ 177,096,429
Cash received from Municipal Drainage Utility	1,389,212	1,470,339
Environmental Services fees collected for the City of El Paso	61,151,531	58,457,099
Franchise fees collected	3,367,372	1,937,221
Cash payments to suppliers for goods and services	(49,440,079)	(48,766,755)
Cash payments to employees for services	(38,521,452)	(37,109,487)
Environmental Services fees paid to the City of El Paso	(61,127,303)	(58,017,801)
Payments to City of El Paso per bond covenants	(12,002,714)	(9,958,521)
Payments to City of El Paso Franchise fees	(3,717,991)	(1,292,793)
Cash payments to Municipal Drainage Utility	(114,582)	(104,791)
Net cash provided by operating activities	<u>98,353,220</u>	<u>83,710,940</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from:		
Revenue bonds	117,165,000	131,650,000
Premiums received on revenue bonds	8,447,405	13,245,483
Commercial paper	40,000,000	30,000,000
Cash receipts from grants	543,720	466,059
Acquisition and construction from capital grants	(157,322)	(456,732)
Acquisition and construction of capital assets net of disposals	(88,174,630)	(95,077,532)
Refunding revenue bonds	(14,020,000)	(116,445,000)
Refunding commercial paper	(40,000,000)	(25,000,000)
Principal payments on revenue bonds	(27,345,000)	(25,150,000)
Interest and fees on revenue bonds and commercial paper	(19,874,007)	(24,554,932)
Principal payments on land notes payable	(790,328)	(752,693)
IRS tax credit on Build America Bonds	205,567	214,302
Interest payments on notes and other long term debt	(216,844)	(263,422)
Proceeds from sale of assets net of related expenses	1,997,125	790,372
Net cash used by capital and related financing activities	<u>(22,219,314)</u>	<u>(111,334,095)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturities of investment securities	99,158,523	100,425,027
Purchase of investment securities	(96,223,741)	(89,639,818)
Interest received on investment securities	582,517	406,564
Net cash provided by investing activities	<u>3,517,299</u>	<u>11,191,773</u>
Net increase (decrease) in cash and cash equivalents	79,651,205	(16,431,382)
Cash and cash equivalents:		
Beginning of year	72,877,275	89,308,657
End of year	<u>\$ 152,528,480</u>	<u>\$ 72,877,275</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

STATEMENTS OF CASH FLOWS

For the Years Ended February 29, 2016 and February 28, 2015

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 37,655,902	\$ 35,405,691
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	56,199,421	52,041,478
Bond issue expense	798,102	972,424
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	1,916,717	(5,753,698)
Inventory	6,410	109,080
Prepaid expenses	7,852	20,383
Other current assets	(112,692)	(127,773)
Deferred outflow-Pension contributions	(42,309)	(2,127,237)
Deferred outflow-Difference in projected and actual earnings on pension assets	(4,013,036)	-
Deferred outflow-Difference in expected and actual pension experience	158,530	(702,334)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	466,042	(263,378)
Other current liabilities	252,165	2,487,254
Due to Municipal Drainage Utility	46,053	234,705
Accrued vacation payable	(35,247)	2,079
Accrued payroll and benefits	248,626	41,341
Other Post-Employment Benefits	977,933	969,336
Net Pension Liability	12,742,552	(8,230,580)
Deferred inflows-Difference in projected and actual earnings on pension assets	(8,973,817)	8,973,817
Self-insurance claims	54,016	(341,648)
Net cash provided by operating activities	<u>\$ 98,353,220</u>	<u>\$ 83,710,940</u>
Noncash investing, capital, and financing activities:		
Contribution in aid of construction	\$ 25,903,194	\$ 8,122,065
Decrease in accounts receivable capital grants	(386,398)	(9,327)
Change in fair value of investments	(24,008)	14,853
	<u>\$ 25,492,788</u>	<u>\$ 8,127,591</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY

OPERATING REVENUES

For the Years Ended February 29, 2016 and February 28, 2015

	2016	2015
Water & reclaimed water revenue		
Metered sales to general customers	\$ 85,146,530	\$ 79,666,151
Metered sales to City of El Paso	3,485,058	3,088,536
Metered sales to Lower Valley Water District	2,544,810	2,514,500
Metered sales to Mayfair/Nuway	80,480	62,827
Metered sales to El Paso County East Montana	366,917	284,646
Metered sales to Haciendas Del Norte	109,184	97,628
Metered sales to Ponderosa	65,780	54,467
Metered sales to Gaslight Square	46,766	53,615
Metered sales to Paseo Del Este	1,075,799	918,587
Metered sales to Fort Bliss	461,606	436,903
Metered sales to Colonia Revolucion	8,674	3,278
Reclaimed water sales	2,870,685	2,863,690
Private fire protection	729,902	631,660
El Paso Electric Company - Newman Plant Special Rate	213,161	224,218
Outside city charges	1,495,639	1,472,563
New account set up fee	680,525	658,908
Service reinstallation and other fees	2,087,590	2,587,738
Total water & reclaimed water revenue	101,469,106	95,619,915
Water supply replacement charge	21,546,247	19,932,864
Total water revenue	123,015,353	115,552,779
Wastewater revenue		
General customers	58,352,025	53,996,289
City of El Paso	458,548	387,385
Lower Valley Water District	719,390	671,912
Gaslight Square	27,910	27,131
Paseo Del Este	397,910	143,996
Fort Bliss	1,673,652	1,308,866
Industrial sewer surcharge	438,458	528,559
Total wastewater revenue	62,067,893	57,064,138
Other operating revenue		
Customer connection fees	5,686,429	5,441,677
City of El Paso Franchise fee	3,367,372	1,937,221
Property rentals	1,892,593	1,958,038
Billing fees - City Environmental Services	621,611	613,136
Other operating revenue	1,243,619	1,486,686
Total other operating revenue	12,811,624	11,436,758
Total operating revenue	\$ 197,894,870	\$ 184,053,675

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO
WATER AND WASTEWATER UTILITY

OPERATING EXPENSES

For the Years Ended February 29, 2016 and February 28, 2015

	2016	RESTATED 2015
Water & Reclaimed Water Divisions		
Supply	\$ 12,097,667	\$ 13,102,688
Treatment	18,241,282	16,163,009
Distribution	9,023,837	8,307,937
Reclaimed Water System	383,909	474,009
Total water & reclaimed water divisions	<u>39,746,695</u>	<u>38,047,643</u>
 Wastewater Division		
Treatment	14,131,578	13,607,468
Lift stations	2,285,757	2,392,678
Collection lines	3,375,680	2,888,527
Sludge processing	1,748,056	1,637,983
Total wastewater division	<u>21,541,071</u>	<u>20,526,656</u>
 General and administrative	<u>20,229,843</u>	<u>19,480,300</u>
 Other operating expenses		
Depreciation	56,199,421	52,041,478
Other operating expenses	2,588,350	2,962,829
Other Post-Employment Benefits	977,933	969,336
Pension expense	4,170,505	2,089,255
Payment to City of El Paso Franchise fee	3,367,372	1,937,221
Payment to City of El Paso per bond covenants	11,417,778	10,593,266
Total other operating expenses	<u>78,721,359</u>	<u>70,593,385</u>
Total operating expenses	<u><u>\$ 160,238,968</u></u>	<u><u>\$ 148,647,984</u></u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO
WATER AND WASTEWATER UTILITY

NET OPERATING REVENUE - WATER & RECLAIMED WATER

For the Years Ended February 29, 2016 and February 28, 2015

	<u>2016</u>	<u>RESTATED 2015</u>
Operating revenue	<u>\$ 101,469,106</u>	<u>\$ 95,619,915</u>
Operating revenue deductions		
Operating expenses	39,746,695	38,047,643
General and administrative	<u>13,139,111</u>	<u>12,690,058</u>
Total operating expense deductions	<u>52,885,806</u>	<u>50,737,701</u>
 Net operating revenue - water and reclaimed water	 <u><u>\$ 48,583,300</u></u>	 <u><u>\$ 44,882,214</u></u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO
WATER AND WASTEWATER UTILITY

NET OPERATING REVENUE - WASTEWATER

For the Years Ended February 29, 2016 and February 28, 2015

	<u>2016</u>	<u>RESTATED 2015</u>
Operating revenue	<u>\$ 62,067,893</u>	<u>\$ 57,064,138</u>
Operating revenue deductions		
Operating expenses	21,541,071	20,526,656
General and administrative	<u>7,090,732</u>	<u>6,790,242</u>
Total operating expense deductions	<u>28,631,803</u>	<u>27,316,898</u>
Net operating revenue - wastewater	<u><u>\$ 33,436,090</u></u>	<u><u>\$ 29,747,240</u></u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

ACCOUNTS RECEIVABLE GOVERNMENT GRANTS-OTHER ACCOUNTS RECEIVABLE

February 29, 2016 and February 28, 2015

ACCOUNTS RECEIVABLE-GOVERNMENT GRANTS

<u>Government Grant Projects</u>	<u>2016</u>	<u>2015</u>
<u>Federal Grants</u>		
North Central Reclaimed -EPA #XP96638401	\$ -	\$ 285,173
Advanced Purification-Bustamante - USBR #R14AP00106	-	81,551
<u>Non Federal Grants</u>		
Canutillo 1st Time Users Area 1 - TWDB Project #10411 G110028	24,351	19,957
Canutillo 1st Time Users Area 2 - TWDB Project #10428 G110032	53,031	45,372
Canutillo 1st Time Wastewater Area 1 & 2 - TWDB Project #10411 G1000299	15,348	36,808
Montana Vista Collector - TWDB Project #10438 G1000307	<u>21,008</u>	<u>31,275</u>
TOTALS	<u>\$ 113,738</u>	<u>\$ 500,136</u>

OTHER ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Charges to contractors and job damages	\$ 1,455,470	\$ 1,073,591
Local and State Governments	826,306	4,209,935
Lease revenue receivables	<u>16,730</u>	<u>87,974</u>
TOTALS	<u>\$ 2,298,506</u>	<u>\$ 5,371,500</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

CHANGES IN REVENUE BONDS PAYABLE

For the Years Ended February 29, 2016 and February 28, 2015

<u>Bond Series</u>	Bonds payable February 28, 2015	Additions	Retirements	Bonds payable February 29, 2016
1990B Revenue Series	\$ 4,800,000	\$ -	\$ 1,600,000	\$ 3,200,000
2003A Revenue Series	500,000	-	50,000	450,000
2005A Revenue Series	1,075,000	-	1,075,000	-
2005B Revenue Series	5,365,000	-	5,365,000	-
2005C Refunding Series	465,000	-	465,000	-
2006 Refunding Series	7,935,000	-	7,090,000	845,000
2006A Refunding Series	3,350,000	-	3,350,000	-
2007 Refunding Series	5,450,000	-	1,725,000	3,725,000
2008 Refunding Series	12,575,000	-	8,190,000	4,385,000
2008A CWSRF Series	13,975,000	-	720,000	13,255,000
2008B CWSRF Series	21,975,000	-	1,135,000	20,840,000
2008C Refunding Series	6,645,000	-	1,540,000	5,105,000
2010 Refunding Series	16,040,000	-	1,335,000	14,705,000
2010 Taxable Series	13,895,000	-	595,000	13,300,000
2010A Refunding Series	34,720,000	-	935,000	33,785,000
2011 Refunding Series	14,040,000	-	500,000	13,540,000
2012 Refunding Series	50,470,000	-	1,120,000	49,350,000
2012A Refunding & Improvement	72,480,000	-	3,710,000	68,770,000
2014 Refunding Series	64,900,000	-	865,000	64,035,000
2015 Refunding Series	131,650,000	-	-	131,650,000
2015A Revenue Series	-	18,600,000	-	18,600,000
2015B Revenue Series	-	50,000,000	-	50,000,000
2015C Refunding Series	-	48,565,000	-	48,565,000
TOTALS	\$ 482,305,000	\$ 117,165,000	\$ 41,365,000	\$ 558,105,000

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

SUMMARY STATEMENT OF DEBT SERVICE REQUIREMENTS

PUBLIC SERVICE BOARD DEBT ONLY UNTIL MATURITY

February 29, 2016

Calendar Year	Payment Due		Interest		Tax		Net		Principal		Total Net Requirements
	March 1	September 1	Total Interest		Credit		Interest		Due March 1		
2016	\$ 10,619,859	\$ 10,837,145	\$ 21,457,004	\$	(215,963)	\$	21,241,041	\$	32,935,000	\$	54,176,041
2017	10,837,145	10,287,622	21,124,767		(205,320)		20,919,447		33,925,000		54,844,447
2018	10,287,622	9,629,656	19,917,278		(194,179)		19,723,099		35,305,000		55,028,099
2019	9,629,656	8,919,170	18,548,826		(182,498)		18,366,328		36,500,000		54,866,328
2020	8,919,170	8,189,612	17,108,782		(170,234)		16,938,548		36,745,000		53,683,548
2021	8,189,612	7,408,672	15,598,284		(157,389)		15,440,895		38,820,000		54,260,895
2022	7,408,672	6,575,993	13,984,665		(143,920)		13,840,745		36,755,000		50,595,745
2023	6,575,993	5,778,637	12,354,630		(129,785)		12,224,845		34,960,000		47,184,845
2024	5,778,637	4,951,265	10,729,902		(114,986)		10,614,916		36,535,000		47,149,916
2025	4,951,265	4,178,359	9,129,624		(99,480)		9,030,144		33,820,000		42,850,144
2026	4,178,359	3,448,771	7,627,130		(83,226)		7,543,904		34,790,000		42,333,904
2027	3,448,771	2,712,773	6,161,544		(66,181)		6,095,363		33,660,000		39,755,363
2028	2,712,773	2,109,863	4,822,636		(48,306)		4,774,330		28,235,000		33,009,330
2029	2,109,863	1,596,941	3,706,804		(29,599)		3,677,205		24,590,000		28,267,205
2030	1,596,941	1,194,511	2,791,452		(10,019)		2,781,433		19,200,000		21,981,433
2031	1,194,511	859,562	2,054,073		-		2,054,073		16,280,000		18,334,073
2032	859,562	620,338	1,479,900		-		1,479,900		12,785,000		14,264,900
2033	620,338	358,578	978,916		-		978,916		13,275,000		14,253,916
2034	358,578	155,321	513,899		-		513,899		10,365,000		10,878,899
2035	155,321	-	155,321		-		155,321		8,625,000		8,780,321
	<u>\$ 100,432,648</u>	<u>\$ 89,812,789</u>	<u>\$ 190,245,437</u>	<u>\$</u>	<u>(1,851,085)</u>	<u>\$</u>	<u>188,394,352</u>	<u>\$</u>	<u>558,105,000</u>	<u>\$</u>	<u>746,499,352</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2015C REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Interest						
Calendar Year	Interest Rate	Payment Due		Total	Principal Due March 1	Total Requirements
		March 1	September 1			
2016	1.00	\$ 548,098	\$ 1,100,588	\$ 1,648,685	\$ 1,585,000	\$ 3,233,685
2017	5.00	1,100,588	1,065,838	2,166,425	1,390,000	3,556,425
2018	5.00	1,065,838	1,020,713	2,086,550	1,805,000	3,891,550
2019	5.00	1,020,713	973,213	1,993,925	1,900,000	3,893,925
2020	5.00	973,213	923,213	1,896,425	2,000,000	3,896,425
2021	5.00	923,213	870,588	1,793,800	2,105,000	3,898,800
2022	5.00	870,588	815,463	1,686,050	2,205,000	3,891,050
2023	5.00	815,463	757,338	1,572,800	2,325,000	3,897,800
2024	3.97	757,338	709,088	1,466,425	2,430,000	3,896,425
2025	5.00	709,088	645,463	1,354,550	2,545,000	3,899,550
2026	4.00	645,463	592,263	1,237,725	2,660,000	3,897,725
2027	4.00	592,263	537,063	1,129,325	2,760,000	3,889,325
2028	5.00	537,063	464,688	1,001,750	2,895,000	3,896,750
2029	5.00	464,688	388,813	853,500	3,035,000	3,888,500
2030	5.00	388,813	308,813	697,625	3,200,000	3,897,625
2031	4.50	308,813	247,500	556,313	2,725,000	3,281,313
2032	4.50	247,500	183,488	430,988	2,845,000	3,275,988
2033	4.50	183,488	116,438	299,925	2,980,000	3,279,925
2034	4.50	116,438	59,513	175,950	2,530,000	2,705,950
2035	4.50	59,513	-	59,513	2,645,000	2,704,513
		<u>\$ 12,328,173</u>	<u>\$ 11,780,075</u>	<u>\$ 24,108,248</u>	<u>\$ 48,565,000</u>	<u>\$ 72,673,248</u>

Bonds dated: November 01, 2015

Original issue: \$48,565,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2026 may be redeemed on March 1, 2025 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2015B REVENUE BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements

		Payment Due		Total		
		March 1	September 1			
2016	0.19	\$ 196,206	\$ 394,537	\$ 590,744	\$ 2,405,000	\$ 2,995,744
2017	0.38	394,537	390,357	784,895	2,200,000	2,984,895
2018	0.56	390,357	384,169	774,527	2,210,000	2,984,527
2019	0.72	384,169	376,141	760,311	2,230,000	2,990,311
2020	0.87	376,141	366,354	742,495	2,250,000	2,992,495
2021	1.01	366,354	354,865	721,219	2,275,000	2,996,219
2022	1.16	354,865	341,496	696,361	2,305,000	3,001,361
2023	1.30	341,496	326,319	667,815	2,335,000	3,002,815
2024	1.39	326,319	309,847	636,166	2,370,000	3,006,166
2025	1.47	309,847	292,134	601,981	2,410,000	3,011,981
2026	1.64	292,134	272,044	564,177	2,450,000	3,014,177
2027	1.81	272,044	249,464	521,507	2,495,000	3,016,507
2028	1.96	249,464	224,523	473,986	2,545,000	3,018,986
2029	2.10	224,523	197,275	421,798	2,595,000	3,016,798
2030	2.20	197,275	168,070	365,346	2,655,000	3,020,346
2031	2.28	168,070	137,062	305,133	2,720,000	3,025,133
2032	2.32	137,062	104,756	241,819	2,785,000	3,026,819
2033	2.37	104,756	70,984	175,740	2,850,000	3,025,740
2034	2.39	70,984	36,090	107,074	2,920,000	3,027,074
2035	2.41	36,090	-	36,090	2,995,000	3,031,090
		\$ 5,192,693	\$ 4,996,486	\$ 10,189,179	\$ 50,000,000	\$ 60,189,179

Bonds dated: November 01, 2015

Original issue: \$50,000,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2027 may be redeemed on March 1, 2026 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2015A REVENUE BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest				
		-----			Principal Due March 1	Total Requirements
		Payment Due		Total		
March 1	September 1					
2016	3.00	\$ 471,409	\$ 386,453	\$ 857,862	\$ 920,000	\$ 1,777,862
2017	4.00	386,453	374,053	760,506	620,000	1,380,506
2018	4.00	374,053	361,253	735,306	640,000	1,375,306
2019	4.00	361,253	347,853	709,106	670,000	1,379,106
2020	4.00	347,853	333,953	681,806	695,000	1,376,806
2021	5.00	333,953	315,828	649,781	725,000	1,374,781
2022	5.00	315,828	296,828	612,656	760,000	1,372,656
2023	5.00	296,828	276,953	573,781	795,000	1,368,781
2024	5.00	276,953	256,078	533,031	835,000	1,368,031
2025	5.00	256,078	234,078	490,156	880,000	1,370,156
2026	3.00	234,078	220,203	454,281	925,000	1,379,281
2027	4.00	220,203	201,203	421,406	950,000	1,371,406
2028	4.00	201,203	181,403	382,606	990,000	1,372,606
2029	4.00	181,403	160,803	342,206	1,030,000	1,372,206
2030	4.25	160,803	138,066	298,869	1,070,000	1,368,869
2031	4.38	138,066	113,675	251,741	1,115,000	1,366,741
2032	4.50	113,675	87,463	201,138	1,165,000	1,366,138
2033	4.50	87,463	60,125	147,588	1,215,000	1,362,588
2034	4.63	60,125	30,756	90,881	1,270,000	1,360,881
2035	4.63	30,756	-	30,756	1,330,000	1,360,756
		\$ 4,848,437	\$ 4,377,028	\$ 9,225,466	\$ 18,600,000	\$ 27,825,466

Bonds dated: July 01, 2015

Original issue: \$18,600,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2026 may be redeemed on March 1, 2025 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

DEBT SERVICE REQUIREMENTS - 2015 REVENUE REFUNDING BONDS
UNTIL MATURITY

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	3.00	\$ 2,800,831	\$ 2,663,056	\$ 5,463,888	\$ 9,185,000	\$ 14,648,888	
2017	3.00	2,663,056	2,512,306	5,175,363	10,050,000	15,225,363	
2018	4.00	2,512,306	2,315,906	4,828,213	9,820,000	14,648,213	
2019	4.00	2,315,906	2,073,906	4,389,813	12,100,000	16,489,813	
2020	4.00	2,073,906	1,943,006	4,016,913	6,545,000	10,561,913	
2021	4.00	1,943,006	1,762,806	3,705,813	9,010,000	12,715,813	
2022	5.00	1,762,806	1,554,056	3,316,863	8,350,000	11,666,863	
2023	5.00	1,554,056	1,334,681	2,888,738	8,775,000	11,663,738	
2024	5.00	1,334,681	1,104,306	2,438,988	9,215,000	11,653,988	
2025	5.00	1,104,306	862,306	1,966,613	9,680,000	11,646,613	
2026	5.00	862,306	607,931	1,470,238	10,175,000	11,645,238	
2027	5.00	607,931	405,431	1,013,363	8,100,000	9,113,363	
2028	4.00	405,431	300,731	706,163	5,235,000	5,941,163	
2029	4.00	300,731	191,731	492,463	5,450,000	5,942,463	
2030	3.25	191,731	153,138	344,869	2,375,000	2,719,869	
2031	3.25	153,138	130,306	283,444	1,405,000	1,688,444	
2032	3.38	130,306	105,838	236,144	1,450,000	1,686,144	
2033	5.00	105,838	68,338	174,175	1,500,000	1,674,175	
2034	5.00	68,338	28,963	97,300	1,575,000	1,672,300	
2035	3.50	28,963	-	28,963	1,655,000	1,683,963	
		\$ 22,919,575	\$ 20,118,744	\$ 43,038,319	\$ 131,650,000	\$ 174,688,319	

Bonds dated: December 01, 2014

Original issue: \$131,650,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2025 may be redeemed on March 1, 2024 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2014 REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest				Principal Due March 1	Total Requirements

		Payment Due		Total			
March 1	September 1						
2016	3.00	\$ 1,537,294	\$ 1,511,719	\$ 3,049,013	\$ 1,705,000	\$ 4,754,013	
2017	4.00	1,511,719	1,476,519	2,988,238	1,760,000	4,748,238	
2018	4.00	1,476,519	1,439,819	2,916,338	1,835,000	4,751,338	
2019	5.00	1,439,819	1,391,819	2,831,638	1,920,000	4,751,638	
2020	5.00	1,391,819	1,341,444	2,733,263	2,015,000	4,748,263	
2021	5.00	1,341,444	1,248,694	2,590,138	3,710,000	6,300,138	
2022	5.00	1,248,694	1,125,069	2,373,763	4,945,000	7,318,763	
2023	5.00	1,125,069	1,034,444	2,159,513	3,625,000	5,784,513	
2024	5.00	1,034,444	939,319	1,973,763	3,805,000	5,778,763	
2025	5.00	939,319	839,069	1,778,388	4,010,000	5,788,388	
2026	5.00	839,069	733,819	1,572,888	4,210,000	5,782,888	
2027	5.00	733,819	623,194	1,357,013	4,425,000	5,782,013	
2028	5.00	623,194	506,694	1,129,888	4,660,000	5,789,888	
2029	5.00	506,694	384,444	891,138	4,890,000	5,781,138	
2030	5.00	384,444	255,819	640,263	5,145,000	5,785,263	
2031	5.00	255,819	120,694	376,513	5,405,000	5,781,513	
2032	4.00	120,694	82,494	203,188	1,910,000	2,113,188	
2033	4.00	82,494	42,694	125,188	1,990,000	2,115,188	
2034	4.13	42,694	-	42,694	2,070,000	2,112,694	
		\$ 16,635,056	\$ 15,097,763	\$ 31,732,819	\$ 64,035,000	\$ 95,767,819	

Bonds dated: January 15, 2014

Original issue: \$64,900,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2025 may be
redeemed on March 1, 2024 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2012A REVENUE REFUNDING AND IMPROVEMENT BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	3.00	\$ 1,364,638	\$ 1,306,963	\$ 2,671,600	\$ 3,845,000	\$ 6,516,600	
2017	3.00	1,306,963	1,231,963	2,538,925	5,000,000	7,538,925	
2018	2.00	1,231,963	1,180,713	2,412,675	5,125,000	7,537,675	
2019	4.00	1,180,713	1,074,913	2,255,625	5,290,000	7,545,625	
2020	4.00	1,074,913	964,813	2,039,725	5,505,000	7,544,725	
2021	3.44	964,813	865,813	1,830,625	5,750,000	7,580,625	
2022	5.00	865,813	716,063	1,581,875	5,990,000	7,571,875	
2023	5.00	716,063	558,938	1,275,000	6,285,000	7,560,000	
2024	5.00	558,938	394,563	953,500	6,575,000	7,528,500	
2025	5.00	394,563	336,313	730,875	2,330,000	3,060,875	
2026	5.00	336,313	289,688	626,000	1,865,000	2,491,000	
2027	2.50	289,688	265,500	555,188	1,935,000	2,490,188	
2028	4.00	265,500	225,500	491,000	2,000,000	2,491,000	
2029	4.00	225,500	183,900	409,400	2,080,000	2,489,400	
2030	4.00	183,900	140,700	324,600	2,160,000	2,484,600	
2031	4.00	140,700	95,700	236,400	2,250,000	2,486,400	
2032	4.00	95,700	48,800	144,500	2,345,000	2,489,500	
2033	4.00	48,800	-	48,800	2,440,000	2,488,800	
		\$ 11,245,475	\$ 9,880,838	\$ 21,126,313	\$ 68,770,000	\$ 89,896,313	

Bonds dated: November 15, 2012

Original issue: \$75,715,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2023 may be
redeemed on March 1, 2022 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2012 REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Interest						
Calendar Year	Interest Rate	Payment Due			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2016	3.00	\$ 1,112,750	\$ 1,090,250	\$ 2,203,000	\$ 1,500,000	\$ 3,703,000
2017	5.00	1,090,250	1,040,250	2,130,500	2,000,000	4,130,500
2018	5.00	1,040,250	959,125	1,999,375	3,245,000	5,244,375
2019	4.00	959,125	884,225	1,843,350	3,745,000	5,588,350
2020	4.00	884,225	802,525	1,686,750	4,085,000	5,771,750
2021	4.00	802,525	717,725	1,520,250	4,240,000	5,760,250
2022	5.00	717,725	611,850	1,329,575	4,235,000	5,564,575
2023	5.00	611,850	513,350	1,125,200	3,940,000	5,065,200
2024	5.00	513,350	409,975	923,325	4,135,000	5,058,325
2025	5.00	409,975	301,475	711,450	4,340,000	5,051,450
2026	3.00	301,475	233,000	534,475	4,565,000	5,099,475
2027	5.00	233,000	115,375	348,375	4,705,000	5,053,375
2028	5.00	115,375	-	115,375	4,615,000	4,730,375
		<u>\$ 8,791,875</u>	<u>\$ 7,679,125</u>	<u>\$ 16,471,000</u>	<u>\$ 49,350,000</u>	<u>\$ 65,821,000</u>

Bonds dated: February 01, 2012

Original issue: \$52,780,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2023 may be redeemed on March 1, 2022 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2011 REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	4.00	\$ 318,022	\$ 308,022	\$ 626,044	\$ 500,000	\$ 1,126,044	
2017	3.00	308,022	306,522	614,544	100,000	714,544	
2018	5.00	306,522	221,522	528,044	3,400,000	3,928,044	
2019	5.00	221,522	146,522	368,044	3,000,000	3,368,044	
2020	5.00	146,522	62,522	209,044	3,360,000	3,569,044	
2021	3.00	62,522	58,397	120,919	275,000	395,919	
2022	3.25	58,397	53,766	112,163	285,000	397,163	
2023	3.50	53,766	52,016	105,781	100,000	205,781	
2024	3.50	52,016	50,266	102,281	100,000	202,281	
2025	4.00	50,266	44,166	94,431	305,000	399,431	
2026	4.00	44,166	37,866	82,031	315,000	397,031	
2027	4.00	37,866	31,266	69,131	330,000	399,131	
2028	4.13	31,266	24,150	55,416	345,000	400,416	
2029	4.25	24,150	16,500	40,650	360,000	400,650	
2030	4.25	16,500	8,531	25,031	375,000	400,031	
2031	4.38	8,531	-	8,531	390,000	398,531	
		\$ 1,740,053	\$ 1,422,031	\$ 3,162,085	\$ 13,540,000	\$ 16,702,085	

Bonds dated: July 15, 2011

Original issue: \$14,680,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2021 may be
redeemed on March 1, 2020 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2010A REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	4.00	\$ 741,897	\$ 722,397	\$ 1,464,294	\$ 975,000	\$ 2,439,294	
2017	3.00	722,397	707,322	1,429,719	1,005,000	2,434,719	
2018	4.00	707,322	686,622	1,393,944	1,035,000	2,428,944	
2019	3.00	686,622	670,497	1,357,119	1,075,000	2,432,119	
2020	4.00	670,497	558,697	1,229,194	5,590,000	6,819,194	
2021	5.00	558,697	412,322	971,019	5,855,000	6,826,019	
2022	4.25	412,322	333,697	746,019	3,700,000	4,446,019	
2023	4.38	333,697	275,838	609,534	2,645,000	3,254,534	
2024	4.50	275,838	213,513	489,350	2,770,000	3,259,350	
2025	4.50	213,513	148,150	361,663	2,905,000	3,266,663	
2026	4.50	148,150	79,750	227,900	3,040,000	3,267,900	
2027	5.00	79,750	-	79,750	3,190,000	3,269,750	
		\$ 5,550,700	\$ 4,808,803	\$ 10,359,503	\$ 33,785,000	\$ 44,144,503	

Bonds dated: October 01, 2010

Original issue: \$42,580,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2021 may be redeemed on March 1, 2020 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2010 TAXABLE SERIES (NADBANK) BUILD AMERICA BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate									
		Interest			Tax Credit			Net Interest	Principal Due March 1	Total Requirements
		Payment Due		Total						
March 1	September 1	Interest	March 1	September 1	Total					
2016	4.75	\$ 315,942	\$ 301,095	\$ 617,036	\$ (110,580)	\$ (105,383)	\$ (215,963)	\$ 401,073	\$ 625,000	\$ 1,026,073
2017	4.75	301,095	285,535	586,630	(105,383)	(99,937)	(205,320)	381,309	655,000	1,036,309
2018	4.75	285,535	269,263	554,798	(99,937)	(94,242)	(194,179)	360,619	685,000	1,045,619
2019	4.75	269,263	252,159	521,422	(94,242)	(88,256)	(182,498)	338,924	720,000	1,058,924
2020	4.75	252,159	234,224	486,384	(88,256)	(81,979)	(170,234)	316,149	755,000	1,071,149
2021	4.75	234,224	215,458	449,682	(81,979)	(75,410)	(157,389)	292,293	790,000	1,082,293
2022	4.75	215,458	195,741	411,199	(75,410)	(68,509)	(143,920)	267,279	830,000	1,097,279
2023	4.75	195,741	175,074	370,816	(68,509)	(61,276)	(129,785)	241,030	870,000	1,111,030
2024	4.75	175,074	153,457	328,532	(61,276)	(53,710)	(114,986)	213,546	910,000	1,123,546
2025	4.75	153,457	130,771	284,229	(53,710)	(45,770)	(99,480)	184,749	955,000	1,139,749
2026	4.75	130,771	107,016	237,788	(45,770)	(37,456)	(83,226)	154,562	1,000,000	1,154,562
2027	4.75	107,016	82,074	189,090	(37,456)	(28,726)	(66,181)	122,908	1,050,000	1,172,908
2028	4.75	82,074	55,943	138,017	(28,726)	(19,580)	(48,306)	89,711	1,100,000	1,189,711
2029	4.75	55,943	28,625	84,568	(19,580)	(10,019)	(29,599)	54,969	1,150,000	1,204,969
2030	4.75	28,625	-	28,625	(10,019)	-	(10,019)	18,606	1,205,000	1,223,606
		\$ 2,802,377	\$ 2,486,436	\$ 5,288,813	\$ (980,832)	\$ (870,253)	\$ (1,851,085)	\$ 3,437,729	\$ 13,300,000	\$ 16,737,729

Bonds dated: August 12, 2010

Original issue: \$15,000,000

Source of funding requirements: Net revenues only

Call Option: Bonds may be redeemed at any time.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2010 REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	3.50	\$ 290,316	\$ 266,253	\$ 556,569	\$ 1,375,000	\$ 1,931,569	
2017	4.00	266,253	237,953	504,206	1,415,000	1,919,206	
2018	4.00	237,953	208,853	446,806	1,455,000	1,901,806	
2019	3.50	208,853	182,516	391,369	1,505,000	1,896,369	
2020	4.00	182,516	152,116	334,631	1,520,000	1,854,631	
2021	4.00	152,116	120,616	272,731	1,575,000	1,847,731	
2022	3.75	120,616	110,209	230,825	555,000	785,825	
2023	4.00	110,209	98,709	208,919	575,000	783,919	
2024	4.00	98,709	86,709	185,419	600,000	785,419	
2025	4.00	86,709	74,309	161,019	620,000	781,019	
2026	4.00	74,309	61,409	135,719	645,000	780,719	
2027	4.13	61,409	47,488	108,897	675,000	783,897	
2028	4.25	47,488	32,613	80,100	700,000	780,100	
2029	4.25	32,613	17,100	49,713	730,000	779,713	
2030	4.50	17,100	-	17,100	760,000	777,100	
		\$ 1,987,169	\$ 1,696,853	\$ 3,684,022	\$ 14,705,000	\$ 18,389,022	

Bonds dated: January 15, 2010

Original issue: \$22,115,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2021 may be
redeemed on March 1, 2020 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2008C REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest				Principal Due March 1	Total Requirements

		Payment Due		Total			
March 1	September 1						
2016	5.00	\$ 127,625	\$ 87,125	\$ 214,750	\$ 1,620,000	\$ 1,834,750	
2017	5.00	87,125	44,625	131,750	1,700,000	1,831,750	
2018	5.00	44,625	-	44,625	1,785,000	1,829,625	
		\$ 259,375	\$ 131,750	\$ 391,125	\$ 5,105,000	\$ 5,496,125	

Bonds dated: November 15, 2008

Original issue: \$35,000,000

Source of funding requirements: Net revenues only

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2008B REVENUE (CWSRF) BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	2.65	\$ 360,897	\$ 345,329	\$ 706,226	\$ 1,175,000	\$ 1,881,226	
2017	2.80	345,329	328,319	673,648	1,215,000	1,888,648	
2018	2.90	328,319	310,049	638,368	1,260,000	1,898,368	
2019	3.10	310,049	289,821	599,870	1,305,000	1,904,870	
2020	3.20	289,821	268,221	558,042	1,350,000	1,908,042	
2021	3.30	268,221	245,121	513,342	1,400,000	1,913,342	
2022	3.40	245,121	220,556	465,677	1,445,000	1,910,677	
2023	3.50	220,556	194,306	414,862	1,500,000	1,914,862	
2024	3.65	194,306	165,927	360,233	1,555,000	1,915,233	
2025	3.75	165,927	135,740	301,667	1,610,000	1,911,667	
2026	3.80	135,740	104,105	239,845	1,665,000	1,904,845	
2027	3.85	104,105	70,899	175,004	1,725,000	1,900,004	
2028	3.85	70,899	36,538	107,437	1,785,000	1,892,437	
2029	3.95	36,538	-	36,538	1,850,000	1,886,538	
		\$ 3,075,828	\$ 2,714,931	\$ 5,790,759	\$ 20,840,000	\$ 26,630,759	

Bonds dated: August 15, 2008

Original issue: \$22,000,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2019 may be redeemed on March 1, 2018 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2008A REVENUE (CWSRF) BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	2.65	\$ 229,544	\$ 219,672	\$ 449,216	\$ 745,000	\$ 1,194,216	
2017	2.80	219,672	208,823	428,495	775,000	1,203,495	
2018	2.90	208,823	197,222	406,045	800,000	1,206,045	
2019	3.10	197,222	184,358	381,580	830,000	1,211,580	
2020	3.20	184,358	170,597	354,955	860,000	1,214,955	
2021	3.30	170,597	155,913	326,510	890,000	1,216,510	
2022	3.40	155,913	140,272	296,185	920,000	1,216,185	
2023	3.50	140,272	123,560	263,832	955,000	1,218,832	
2024	3.65	123,560	105,493	229,053	990,000	1,219,053	
2025	3.75	105,493	86,274	191,767	1,025,000	1,216,767	
2026	3.80	86,274	66,134	152,408	1,060,000	1,212,408	
2027	3.85	66,134	45,055	111,189	1,095,000	1,206,189	
2028	3.85	45,055	23,206	68,261	1,135,000	1,203,261	
2029	3.95	23,206	-	23,206	1,175,000	1,198,206	
		\$ 1,956,123	\$ 1,726,579	\$ 3,682,702	\$ 13,255,000	\$ 16,937,702	

Bonds dated: August 15, 2008

Original issue: \$14,000,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2019 may be
redeemed on March 1, 2018 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2008 REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest					Total Requirements
		Payment Due			Principal Due March 1		
		March 1	September 1	Total			
2016	3.63	\$ 94,366	\$ 85,938	\$ 180,303	\$ 465,000	\$ 645,303	
2017	3.63	85,938	77,238	163,175	480,000	643,175	
2018	3.63	77,238	74,428	151,666	155,000	306,666	
2019	4.00	74,428	71,228	145,656	160,000	305,656	
2020	4.00	71,228	67,928	139,156	165,000	304,156	
2021	4.00	67,928	64,528	132,456	170,000	302,456	
2022	4.00	64,528	60,928	125,456	180,000	305,456	
2023	4.13	60,928	57,113	118,041	185,000	303,041	
2024	4.50	57,113	52,725	109,838	195,000	304,838	
2025	4.50	52,725	48,113	100,838	205,000	305,838	
2026	4.25	48,113	43,544	91,656	215,000	306,656	
2027	4.25	43,544	38,763	82,306	225,000	307,306	
2028	4.25	38,763	33,875	72,638	230,000	302,638	
2029	4.25	33,875	27,750	61,625	245,000	306,625	
2030	4.25	27,750	21,375	49,125	255,000	304,125	
2031	4.25	21,375	14,625	36,000	270,000	306,000	
2032	4.25	14,625	7,500	22,125	285,000	307,125	
2033	5.00	7,500	-	7,500	300,000	307,500	
		\$ 941,962	\$ 299,603	\$ 1,789,559	\$ 4,385,000	\$ 6,174,559	

Bonds dated: January 15, 2008

Original issue: \$30,520,000

Source of funding requirements: Net revenues only

Call Option: Bonds may be redeemed at any time.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2007 REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due March 1	September 1	Total		
2016	5.00	\$ 93,125	\$ 47,750	\$ 140,875	\$ 1,815,000	\$ 1,955,875
2017	5.00	47,750	-	47,750	1,910,000	1,957,750
		<u>\$ 140,875</u>	<u>\$ 47,750</u>	<u>\$ 188,625</u>	<u>\$ 3,725,000</u>	<u>\$ 3,913,625</u>

Bonds dated: July 15, 2007

Original issue: \$35,500,000

Source of funding requirements: Net revenues only

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2006 REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due March 1	September 1	Total		
2016	4.00	\$ 16,900	\$ -	\$ 16,900	\$ 845,000	\$ 861,900
		<u>\$ 16,900</u>	<u>\$ -</u>	<u>\$ 16,900</u>	<u>\$ 845,000</u>	<u>\$ 861,900</u>

Bonds dated: February 15, 2006

Original issue: \$37,745,000

Source of funding requirements: Net revenues only

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2003A REVENUE (DWSRF) BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements

		Payment Due March 1	September 1	Total		
2016	0.00	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
2017	0.00	-	-	-	50,000	50,000
2018	0.00	-	-	-	50,000	50,000
2019	0.00	-	-	-	50,000	50,000
2020	0.00	-	-	-	50,000	50,000
2021	0.00	-	-	-	50,000	50,000
2022	0.00	-	-	-	50,000	50,000
2023	0.00	-	-	-	50,000	50,000
2024	0.00	-	-	-	50,000	50,000
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 450,000</u>

Bonds dated: August 15, 2003

Original issue: \$1,000,000

Source of funding requirements: Net revenues only

Call Option: Bonds may be redeemed at any time.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

DEBT SERVICE REQUIREMENTS - 1990B REVENUE BONDS
UNTIL MATURITY

February 29, 2016

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements

		Payment Due March 1	September 1	Total		
2016	0.00	\$ -	\$ -	\$ -	\$ 1,600,000	\$ 1,600,000
2017	0.00	-	-	-	1,600,000	1,600,000
		\$ -	\$ -	\$ -	\$ 3,200,000	\$ 3,200,000

Bonds dated: December 01, 1990

Original Issue: \$8,000,000

Source of funding requirements: Net revenues only

Call Option: Bonds may be redeemed at any time.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

STATEMENTS OF NET POSITION

February 29, 2016 and February 28, 2015

	2016	RESTATED 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,410,364	\$ 2,104,423
Accounts receivable - customers	854,474	845,342
Accounts receivable - other	133,191	6,650
Due from Water and Wastewater Utility	316,893	270,840
Accrued interest receivable	54,927	105,492
Restricted current assets:		
Restricted for bond requirements:		
Cash and cash equivalents	5,958,218	4,946,317
Investments	3,460,039	1,348,332
Restricted for construction and improvements:		
Cash and cash equivalents	24,620,236	24,154,689
Investments	12,187,784	14,706,048
Total current assets	<u>49,996,126</u>	<u>48,488,133</u>
Noncurrent assets:		
Restricted noncurrent assets:		
Restricted for bond requirements:		
Investments	-	1,612,190
Restricted for construction and improvements:		
Investments	-	1,250,153
Capital assets:		
Municipal Drainage Utility capital assets	83,038,878	64,537,935
Land and right of way	12,681,062	9,817,155
Construction work in progress	38,871,917	22,549,412
Less accumulated depreciation	(12,140,100)	(10,478,461)
Total capital assets (net of accumulated depreciation)	<u>122,451,757</u>	<u>86,426,041</u>
Total noncurrent assets	<u>122,451,757</u>	<u>89,288,384</u>
Total assets	<u>172,447,883</u>	<u>137,776,517</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension contributions	148,620	135,985
Difference in projected and actual earnings on pension assets	304,683	-
Difference in expected and actual pension experience	34,546	44,513
Total deferred outflows of resources	<u>487,849</u>	<u>180,498</u>
Total assets and deferred outflows of resources	<u>\$ 172,935,732</u>	<u>\$ 137,957,015</u>

	2016	RESTATED 2015
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 126,630	\$ 122,925
Accrued vacation payable	81,376	70,324
Accrued payroll and benefits	141,967	116,174
Unearned revenue on land leases	9,234	8,975
Current liabilities payable from restricted assets:		
Revenue bonds payables and unamortized premiums net of discounts	3,839,059	2,690,259
Accrued interest on revenue bonds	1,924,736	1,496,862
Accounts payable	7,155,349	3,916,115
Retainage payable on construction contracts	1,192,145	461,803
Total current liabilities	<u>14,470,496</u>	<u>8,883,437</u>
Noncurrent liabilities:		
Revenue bonds payables and unamortized premiums net of discounts	80,279,276	58,956,149
Other Post-Employment Benefits	344,497	268,613
Net Pension Liability	2,385,949	1,508,877
Accrued vacation payable	75,141	64,417
Total noncurrent liabilities	<u>83,084,863</u>	<u>60,798,056</u>
Total liabilities	<u>97,555,359</u>	<u>69,681,493</u>
DEFERRED INFLOWS OF RESOURCES		
Difference in projected and actual earnings on pension assets	-	568,751
Total deferred inflows of resources	<u>-</u>	<u>568,751</u>
NET POSITION		
Restricted:		
Restricted for debt service	7,493,521	6,409,977
Restricted for construction and improvements	482,711	5,997,108
Total restricted	<u>7,976,232</u>	<u>12,407,085</u>
Net investment in capital assets	66,311,237	54,515,497
Unrestricted	1,092,904	784,189
Total net position	<u>75,380,373</u>	<u>67,706,771</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 172,935,732</u>	 <u>\$ 137,957,015</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO
MUNICIPAL DRAINAGE UTILITY FUND

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Years Ended February 29, 2016 and February 28, 2015

	2016	RESTATED 2015
Drainage operating revenues:		
Residential	\$ 6,976,350	\$ 6,308,556
Non-residential	9,812,150	8,990,392
Billing fees - City Environmental Services	266,405	262,772
Other operating revenue	463,584	419,794
Total operating revenues	<u>17,518,489</u>	<u>15,981,514</u>
Drainage operating expenses:		
Operations and maintenance	4,432,140	4,708,861
Indirect cost allocation	1,300,000	1,193,000
Other operating expenses	278,451	-
Other Post-Employment Benefits	75,884	71,626
Pension expense	293,552	132,415
Depreciation	1,694,639	1,364,863
Total operating expenses	<u>8,074,666</u>	<u>7,470,765</u>
Operating income	<u>9,443,823</u>	<u>8,510,749</u>
Nonoperating revenues (expenses):		
Interest earnings and net change in fair value of investments	132,253	99,550
IRS tax credit for Build America Bonds	766,696	800,675
Gain on land assets converted by sale	15,359	4,929
Gain on sale of miscellaneous assets	17,136	87,318
Interest on long term debt	(2,701,665)	(2,756,109)
Total nonoperating expenses	<u>(1,770,221)</u>	<u>(1,763,637)</u>
Increase in net position	<u>7,673,602</u>	<u>6,747,112</u>
Total net position - beginning	67,706,771	62,989,069
Prior period adjustment	-	(2,029,410)
Total net position - ending	<u>\$ 75,380,373</u>	<u>\$ 67,706,771</u>



PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

STATEMENTS OF CASH FLOWS

For the Years Ended February 29, 2016 and February 28, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 17,268,492	\$ 15,821,781
Cash received from Water and Wastewater Utility	114,582	104,791
Cash payments to Water and Wastewater Utility	(1,389,212)	(1,470,339)
Cash payments to suppliers for goods and services	(3,050,372)	(4,017,685)
Cash payments to employees for services	(1,579,916)	(1,252,522)
Net cash provided by operating activities	<u>11,363,574</u>	<u>9,186,026</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from:		
Revenue bonds	22,240,000	-
Premiums received on revenue bonds	3,063,169	-
Acquisition and construction of capital assets net of disposals	(33,750,779)	(18,206,900)
Proceeds from sale of assets net of related expenses	32,495	92,247
Interest and fees on revenue bonds	(2,739,484)	(2,859,219)
Principal payments on revenue bonds	(2,644,000)	(2,524,000)
IRS tax credit on Build America Bonds	766,696	800,675
Net cash used by capital and related financing activities	<u>(13,031,903)</u>	<u>(22,697,197)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturities of investment securities	36,298,201	32,241,292
Purchase of investment securities	(33,022,498)	(20,998,240)
Interest received on investment securities	176,015	117,137
Net cash provided by investing activities	<u>3,451,718</u>	<u>11,360,189</u>
 Net increase (decrease) in cash and cash equivalents	1,783,389	(2,150,982)
Cash and cash equivalents:		
Beginning of year	31,205,429	33,356,411
End of year	<u>\$ 32,988,818</u>	<u>\$ 31,205,429</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

STATEMENTS OF CASH FLOWS

For the Years Ended February 29, 2016 and February 28, 2015

	<u>2016</u>	<u>RESTATED 2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,443,823	\$ 8,510,749
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,694,639	1,364,863
Bond issue expense	278,451	-
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	(135,673)	(55,152)
Due from Water and Wastewater Utility	(46,053)	(234,705)
Deferred outflow-Pension contributions	(12,635)	(135,985)
Deferred outflow-Difference in projected and actual earnings on pension assets	(304,683)	-
Deferred outflow-Difference in expected and actual pension experience	9,967	(44,513)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	3,705	(361,012)
Other current liabilities	259	210
Accrued vacation payable	21,776	26,284
Accrued payroll and benefits	25,793	(4,557)
Other Post-Employment Benefits	75,884	71,626
Net Pension Liability	877,072	(520,533)
Deferred inflows-Difference in projected and actual earnings on pension assets	(568,751)	568,751
Net cash provided by operating activities	<u>\$ 11,363,574</u>	<u>\$ 9,186,026</u>
Noncash investing, capital, and financing activities:		
Change in fair value of investments	<u>\$ (6,803)</u>	<u>\$ 3,686</u>
	<u>\$ (6,803)</u>	<u>\$ 3,686</u>

PUBLIC SERVICE BOARD - EL PASO STORMWATER UTILITY
A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

OPERATING REVENUES

For the Years Ended February 29, 2016 and February 28, 2015

	2016	2015
Drainage operating revenues:		
Residential	\$ 6,976,350	\$ 6,308,556
Non-residential	9,812,150	8,990,392
Billing fees - City Environmental Services	266,405	262,772
Other operating revenue	463,584	419,794
Total operating revenue	<u>\$ 17,518,489</u>	<u>\$ 15,981,514</u>

PUBLIC SERVICE BOARD - EL PASO STORMWATER UTILITY
A COMPONENT UNIT OF THE CITY OF EL PASO
MUNICIPAL DRAINAGE UTILITY FUND

OPERATING EXPENSES

For the Years Ended February 29, 2016 and February 28, 2015

	2016	RESTATED 2015
Drainage Division		
Emergency Response	\$ 287,490	\$ 414,985
Maintenance	2,135,471	2,648,666
Total drainage division	<u>2,422,961</u>	<u>3,063,651</u>
General and administrative	<u>2,009,179</u>	<u>1,645,210</u>
Indirect cost allocation	<u>1,300,000</u>	<u>1,193,000</u>
Other operating expenses		
Depreciation	1,694,639	1,364,863
Bond issue expense	278,451	-
Other Post-Employment Benefits	75,884	71,626
Pension Expense	293,552	132,415
Total other operating expenses	<u>2,342,526</u>	<u>1,568,904</u>
Total operating expenses	<u><u>\$ 8,074,666</u></u>	<u><u>\$ 7,470,765</u></u>

PUBLIC SERVICE BOARD - EL PASO STORMWATER UTILITY
A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

NET OPERATING REVENUE - MUNICIPAL DRAINAGE UTILITY

For the Years Ended February 29, 2016 and February 28, 2015

	2016	RESTATED 2015
Operating revenue	\$ 17,518,489	\$ 15,981,514
Operating revenue deductions		
Operating expenses	2,422,961	3,063,651
General and administrative	2,009,179	1,645,210
Indirect cost allocation	1,300,000	1,193,000
Total operating expense deductions	5,732,140	5,901,861
Net operating revenue - drainage	\$ 11,786,349	\$ 10,079,653

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

CHANGES IN REVENUE BONDS PAYABLE

For the Years Ended February 29, 2016 and February 28, 2015

<u>Bond Series</u>	Bonds payable February 28, 2015	Additions	Retirements	Bonds payable February 29, 2016
2009 Revenue Series	\$ 45,845,000	\$ -	\$ 2,040,000	\$ 43,805,000
2009A Revenue Series	1,835,000	-	109,000	1,726,000
2012 Revenue Series	13,180,000	-	495,000	12,685,000
2015 Revenue Series	-	22,240,000	-	22,240,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTALS	\$ 60,860,000	\$ 22,240,000	\$ 2,644,000	\$ 80,456,000
	<hr/>	<hr/>	<hr/>	<hr/>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**A COMPONENT UNIT OF THE CITY OF EL PASO****MUNICIPAL DRAINAGE UTILITY FUND****SUMMARY STATEMENT OF DEBT SERVICE REQUIREMENTS****PUBLIC SERVICE BOARD DEBT ONLY UNTIL MATURITY**

February 29, 2016

Calendar Year	Payment Due		Interest			Principal Due March 1	Total Requirements
	March 1	September 1	Total Interest	Tax Credit	Net Interest		
2016	\$ 1,924,736	\$ 1,847,916	\$ 3,772,652	\$ (804,559)	\$ 2,968,093	\$ 3,639,000	\$ 6,607,093
2017	1,847,916	1,768,169	3,616,085	(762,850)	2,853,235	3,704,000	6,557,235
2018	1,768,169	1,681,609	3,449,778	(718,835)	2,730,943	3,869,000	6,599,943
2019	1,681,609	1,590,777	3,272,386	(672,419)	2,599,967	4,039,000	6,638,967
2020	1,590,777	1,491,129	3,081,906	(623,461)	2,458,445	4,224,000	6,682,445
2021	1,491,129	1,386,196	2,877,325	(571,773)	2,305,552	4,433,000	6,738,552
2022	1,386,196	1,267,168	2,653,364	(517,213)	2,136,151	4,643,000	6,779,151
2023	1,267,168	1,141,702	2,408,870	(459,640)	1,949,230	4,888,000	6,837,230
2024	1,141,702	1,013,154	2,154,856	(398,866)	1,755,990	5,148,000	6,903,990
2025	1,013,154	874,013	1,887,167	(334,750)	1,552,417	5,407,000	6,959,417
2026	874,013	735,652	1,609,665	(267,104)	1,342,561	5,687,000	7,029,561
2027	735,652	589,627	1,325,279	(195,691)	1,129,588	5,967,000	7,096,588
2028	589,627	435,512	1,025,139	(120,324)	904,815	6,262,000	7,166,815
2029	435,512	272,238	707,750	(40,814)	666,936	6,577,000	7,243,936
2030	272,238	223,338	495,576	-	495,576	2,342,000	2,837,576
2031	223,338	172,288	395,626	-	395,626	2,437,000	2,832,626
2032	172,288	119,000	291,288	-	291,288	2,430,000	2,721,288
2033	119,000	81,250	200,250	-	200,250	1,510,000	1,710,250
2034	81,250	41,625	122,875	-	122,875	1,585,000	1,707,875
2035	41,625	-	41,625	-	41,625	1,665,000	1,706,625
	<u>\$ 18,657,099</u>	<u>\$ 16,732,363</u>	<u>\$ 35,389,462</u>	<u>\$ (6,488,300)</u>	<u>\$ 28,901,163</u>	<u>\$ 80,456,000</u>	<u>\$ 109,357,163</u>

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

DEBT SERVICE REQUIREMENTS - 2015 REVENUE BONDS
UNTIL MATURITY

February 29, 2016

Interest						
Calendar Year	Interest Rate	Payment Due		Total	Principal Due March 1	Total Requirements
		March 1	September 1			
2016	2.00	\$ 490,175	\$ 481,525	\$ 971,700	\$ 865,000	\$ 1,836,700
2017	2.00	481,525	473,675	955,200	785,000	1,740,200
2018	2.00	473,675	465,675	939,350	800,000	1,739,350
2019	2.00	465,675	457,525	923,200	815,000	1,738,200
2020	3.00	457,525	445,075	902,600	830,000	1,732,600
2021	3.00	445,075	432,250	877,325	855,000	1,732,325
2022	5.00	432,250	410,250	842,500	880,000	1,722,500
2023	5.00	410,250	387,125	797,375	925,000	1,722,375
2024	5.00	387,125	362,750	749,875	975,000	1,724,875
2025	5.00	362,750	337,250	700,000	1,020,000	1,720,000
2026	5.00	337,250	310,375	647,625	1,075,000	1,722,625
2027	5.00	310,375	282,250	592,625	1,125,000	1,717,625
2028	5.00	282,250	252,750	535,000	1,180,000	1,715,000
2029	5.00	252,750	221,750	474,500	1,240,000	1,714,500
2030	5.00	221,750	189,125	410,875	1,305,000	1,715,875
2031	5.00	189,125	154,875	344,000	1,370,000	1,714,000
2032	5.00	154,875	119,000	273,875	1,435,000	1,708,875
2033	5.00	119,000	81,250	200,250	1,510,000	1,710,250
2034	5.00	81,250	41,625	122,875	1,585,000	1,707,875
2035	5.00	41,625	-	41,625	1,665,000	1,706,625
		<u>\$ 6,396,275</u>	<u>\$ 5,906,100</u>	<u>\$ 12,302,375</u>	<u>\$ 22,240,000</u>	<u>\$ 34,542,375</u>

Bonds dated: March 01, 2015

Original issue: \$22,240,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2026 may be redeemed on March 1, 2025 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2012 REVENUE BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest				
		-----			Principal Due March 1	Total Requirements
		Payment Due		Total		
March 1	September 1					
2016	4.00	\$ 256,206	\$ 246,006	\$ 502,213	\$ 510,000	\$ 1,012,213
2017	4.00	246,006	235,306	481,313	535,000	1,016,313
2018	5.00	235,306	221,306	456,613	560,000	1,016,613
2019	5.00	221,306	206,681	427,988	585,000	1,012,988
2020	5.00	206,681	191,306	397,988	615,000	1,012,988
2021	5.00	191,306	175,056	366,363	650,000	1,016,363
2022	5.00	175,056	158,056	333,113	680,000	1,013,113
2023	5.00	158,056	140,181	298,238	715,000	1,013,238
2024	4.00	140,181	125,181	265,363	750,000	1,015,363
2025	5.00	125,181	105,556	230,738	785,000	1,015,738
2026	3.00	105,556	93,331	198,888	815,000	1,013,888
2027	3.13	93,331	80,206	173,538	840,000	1,013,538
2028	3.25	80,206	66,150	146,356	865,000	1,011,356
2029	3.50	66,150	50,488	116,638	895,000	1,011,638
2030	3.50	50,488	34,213	84,700	930,000	1,014,700
2031	3.50	34,213	17,413	51,625	960,000	1,011,625
2032	3.50	17,413	-	17,413	995,000	1,012,413
		\$ 2,402,644	\$ 2,146,438	\$ 4,549,081	\$ 12,685,000	\$ 17,234,081

Bonds dated: June 15, 2012

Original issue: \$14,075,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2023 may be redeemed on March 1, 2022 or any interest payment date thereafter.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2009A REVENUE (CWSRF) ARRA BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest				Total Requirements

		Payment Due		Total	Principal Due March 1	
March 1	September 1					
2016	0.00	\$ -	\$ -	\$ -	\$ 109,000	\$ 109,000
2017	0.00	-	-	-	109,000	109,000
2018	0.00	-	-	-	109,000	109,000
2019	0.00	-	-	-	109,000	109,000
2020	0.00	-	-	-	109,000	109,000
2021	0.00	-	-	-	108,000	108,000
2022	0.00	-	-	-	108,000	108,000
2023	0.00	-	-	-	108,000	108,000
2024	0.00	-	-	-	108,000	108,000
2025	0.00	-	-	-	107,000	107,000
2026	0.00	-	-	-	107,000	107,000
2027	0.00	-	-	-	107,000	107,000
2028	0.00	-	-	-	107,000	107,000
2029	0.00	-	-	-	107,000	107,000
2030	0.00	-	-	-	107,000	107,000
2031	0.00	-	-	-	107,000	107,000
		\$ -	\$ -	\$ -	\$ 1,726,000	\$ 1,726,000

Bonds dated: November 15, 2009

Original issue: \$2,163,000

Source of funding requirements: Net revenues only

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

MUNICIPAL DRAINAGE UTILITY FUND

**DEBT SERVICE REQUIREMENTS - 2009 REVENUE (NADBANK) BUILD AMERICA BONDS
UNTIL MATURITY**

February 29, 2016

Calendar Year	Interest Rate	Interest			Tax Credit			Net Interest	Principal Due March 1	Total Requirements
		Payment Due		Total Interest						
		March 1	September 1		March 1	September 1	Total			
2016	5.38	\$ 1,178,355	\$ 1,120,385	\$ 2,298,740	\$ (412,424)	\$ (392,135)	\$ (804,559)	\$ 1,494,181	\$ 2,155,000	\$ 3,649,181
2017	5.38	1,120,385	1,059,188	2,179,573	(392,135)	(370,716)	(762,850)	1,416,722	2,275,000	3,691,722
2018	5.38	1,059,188	994,628	2,053,815	(370,716)	(348,120)	(718,835)	1,334,980	2,400,000	3,734,980
2019	5.38	994,628	926,571	1,921,198	(348,120)	(324,300)	(672,419)	1,248,779	2,530,000	3,778,779
2020	5.38	926,571	854,748	1,781,318	(324,300)	(299,162)	(623,461)	1,157,857	2,670,000	3,827,857
2021	5.38	854,748	778,890	1,633,637	(299,162)	(272,611)	(571,773)	1,061,864	2,820,000	3,881,864
2022	5.38	778,890	698,862	1,477,752	(272,611)	(244,602)	(517,213)	960,538	2,975,000	3,935,538
2023	5.38	698,862	614,396	1,313,258	(244,602)	(215,039)	(459,640)	853,618	3,140,000	3,993,618
2024	5.38	614,396	525,223	1,139,619	(215,039)	(183,828)	(398,866)	740,752	3,315,000	4,055,752
2025	5.38	525,223	431,207	956,430	(183,828)	(150,922)	(334,750)	621,679	3,495,000	4,116,679
2026	5.38	431,207	331,946	763,153	(150,922)	(116,181)	(267,104)	496,049	3,690,000	4,186,049
2027	5.38	331,946	227,171	559,117	(116,181)	(79,510)	(195,691)	363,426	3,895,000	4,258,426
2028	5.38	227,171	116,612	343,782	(79,510)	(40,814)	(120,324)	223,458	4,110,000	4,333,458
2029	5.38	116,612	-	116,612	(40,814)	-	(40,814)	75,797	4,335,000	4,410,797
		<u>\$ 9,858,178</u>	<u>\$ 8,679,823</u>	<u>\$ 18,538,001</u>	<u>\$ (3,450,362)</u>	<u>\$ (3,037,938)</u>	<u>\$ (6,488,300)</u>	<u>\$ 12,049,700</u>	<u>\$ 43,805,000</u>	<u>\$ 55,854,700</u>

Bonds dated: September 01, 2009

Original issue: \$53,000,000

Source of funding requirements: Net revenues only

Call Option: Bonds may be redeemed at any time



PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

INSURANCE COVERAGE

February 29, 2016

<u>Insurance Providers</u>	<u>Policy Number</u>	<u>Policy Period</u>
Affiliated FM Agent: USI Southwest Inc.	GN631	01/03/16 to 01/03/17
Texas Municipal League	Entity ID# 889	10/01/15 to 10/01/16
Travelers Casualty & Surety Co. of America Agent: USI Southwest Inc.	104385859	12/7/15 to 12/07/16
Texas Municipal League	Entity ID# 944	05/01/15 to 05/01/16
Scottsdale Insurance Company Agent: USI Southwest Inc.	CPS2279196	11/11/15 to 11/11/16
Scottsdale Insurance Company Agent: USI Southwest Inc.	CPS2279086	09/16/15 to 09/16/16
City of El Paso - El Paso Water Utilities Aetna	Self-insurance Plan	01/01/16 to 12/31/17
Aetna		02/01/15 to 12/31/17
Aetna	Fully Insured	01/01/16 to 12/31/16
Aetna	Fully Insured	01/01/16 to 12/31/17
Standard Insurance Company Underwriter ReliaStar Life Ins. Co.	647505-A	01/01/16 to 12/31/17
CAS, Inc. (Administrator)	Self-insurance Plan	11/13/13 to 11/12/18

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

INSURANCE COVERAGE

February 29, 2016

Type of Insurance	Property Insured	Insurance
Blanket coverages for Building, Boiler & Machinery, & Personal Property	Buildings, Boiler & Machinery, and Personal Property (Policy covers City of El Paso and EPWU assets)	\$576,850,000 \$250,000 Deductible
Auto Liability	Four Vehicles	\$500,000 \$10,000 Deductible
Inside/Outside Theft and Disappearance	Property and Cash	\$100,000 \$5,000 Deductible
Computer Fraud	Non-authorized access of computer information	\$3,000,000 \$50,000 Deductible
Employee Dishonesty	Covers against financial loss of money, securities, and other property	\$3,000,000 \$50,000 Deductible
Misc. Professional Liability	Errors & Omissions For Public Officials & Employees	\$5,000,000 \$10,000,000 \$50,000 Deductible
Special Event General Liability	TECH2O and Desalination Plant	\$2,000,000 Aggregate No Deductible
General Liability	Palisades & Trailheads	\$2,000,000 Aggregate No Deductible
Choice POS II	Employees & Family	Annual Deductible Co-insurance 80% or 90% High Deductible Plan 100%
Specific And Aggregate Stop Loss Insurance	Employees & Family	Individual Claims over \$225,000
Choice POS II	Retirees under 65	Annual Deductible Co-insurance 80% or 90% High Deductible Plan 100%
Medicare Advantage Plan	Retirees over 65 - Part A & Part B Required	\$0 Deductible 90% Co-Insurance
Employee Basic Life Insurance	Active Employees Only	\$50,000 per employee \$2,000 for spouse
Accidental Death & Dismemberment	Active Employees Only	\$1,000 per child
Supplemental/Optional Life	Active Employees and Family Only	\$200,000 per employee \$100,000 for spouse \$10,000 per child
Workers' Compensation	Self-insured	



STATISTICAL SECTION

STATISTICAL SECTION - CONTENTS AND EXPLANATIONS (Unaudited)

This part of The Public Service Board - El Paso Water Utilities (EPWU) comprehensive annual financial report, presents summary information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Public Service Board - El Paso Water Utilities (EPWU) financial health

PAGE

A - FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how Water and Wastewater Utility Fund financial performance and well-being have changed over time. Along with the first eight years of operations for the Municipal Drainage Utility Fund.

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B - REVENUE CAPACITY INFORMATION

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C - DEBT CAPACITY INFORMATION

This schedule presents information to help the reader assess the affordability of the Public Service Board - El Paso Water Utilities' current levels of outstanding debt and its ability to issue additional debt in the future for the Water and Wastewater Utility and the Municipal Drainage Utility funds

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D - DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Public Service Board - El Paso Water Utilities' financial activities take place.

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E - OPERATING INFORMATION

These schedules contain information about the Public Service Board - El Paso Water Utilities' operations and resources, to help the reader understand how each utility's financial information relate to the services they provide and the activities they perform.

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A - FINANCIAL TRENDS INFORMATION

*These schedules contain trend information to help the reader understand how
Water and Wastewater Utility's financial performance and well-being have changed over time.*

Along with the first eight years of operations for the Municipal Drainage Utility Fund.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
ENTERPRISE FUNDS**

NET POSITION

2007 thru 2016*
(accrual basis of accounting)
(amounts expressed in thousands)

	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009	2008	2007
NET POSITION										
Restricted:										
Restricted for debt service	\$69,473	\$61,953	\$58,213	\$56,136	\$53,650	\$58,423	\$53,190	\$53,169	\$45,721	\$46,297
Restricted for construction and improvements	28,756	21,536	35,752	25,448	22,149	19,314	15,094	6,429	-	4,116
Total restricted	98,228	83,489	93,965	81,583	75,799	77,737	68,284	59,598	45,721	50,413
Net investment in capital assets	808,631	776,032	727,502	698,873	676,369	651,543	636,126	629,341	601,284	579,931
Unrestricted	(3,989)	(12,109)	26,737	27,908	24,076	21,396	16,809	17,708	4,366	10,107
Total net position	\$902,870	\$847,412	\$848,203	\$808,364	\$776,244	\$750,676	\$721,219	\$706,648	\$651,372	\$640,452

Note: Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted, and unrestricted. Net position is considered restricted when constraints placed on net position use is either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Fiscal year March 1 thru last day of February of year shown

¹Fiscal year 2012 has been restated as a result of the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

²Fiscal year 2013 has been restated as a result of a change in estimates and the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

³Fiscal year 2015 has been restated as a result of the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND**

NET POSITION

2007 thru 2016*
(accrual basis of accounting)
(amounts expressed in thousands)

	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009	2008	2007
NET POSITION										
Restricted:										
Restricted for debt service	\$61,979	\$55,543	\$52,399	\$51,361	\$49,999	\$54,964	\$52,087	\$53,169	\$45,721	\$46,297
Restricted for construction and improvements	28,273	15,539	27,034	21,407	19,822	17,594	8,490	6,429	-	4,116
Total restricted	90,252	71,082	79,433	72,768	69,821	72,558	60,577	59,598	45,721	50,413
Net investment in capital assets	742,320	721,516	681,281	656,157	635,023	614,995	608,413	601,695	601,284	579,931
Unrestricted	(5,082)	(12,894)	24,501	22,205	21,259	18,594	13,569	12,873	4,366	10,107
Total net position	\$827,490	\$779,705	\$785,214	\$751,129	\$726,103	\$706,147	\$682,559	\$674,166	\$651,372	\$640,452

Note: Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted, and unrestricted. Net position is considered restricted when constraints placed on net position use is either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Fiscal year March 1 thru last day of February of year shown

¹Fiscal year 2012 has been restated as a result of the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
ENTERPRISE FUNDS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

2007 thru 2016*
(accrual basis of accounting)
(amounts expressed in thousands)

	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009	2008	2007
Revenue										
Water and reclaimed water	\$123,015	\$115,553	\$114,083	\$113,001	\$112,289	\$106,468	\$101,087	\$98,854	\$92,847	\$85,746
Wastewater	62,068	57,064	58,032	54,468	53,711	51,564	51,568	50,233	46,247	45,349
Drainage fees	16,674	15,194	15,058	14,962	14,830	14,741	14,556	17,373	-	-
Other operating revenue	13,518	12,095	9,517	9,890	9,903	9,804	8,457	10,593	10,613	7,909
Total operating revenue	215,275	199,906	196,691	192,321	190,733	182,577	175,667	177,053	149,707	139,004
Expenses										
Operations and maintenance - water and reclaimed water	39,673	37,977	38,692	40,365	42,164	39,352	40,026	41,710	39,354	36,983
Operations and maintenance - wastewater	21,485	20,474	22,444	22,165	22,478	21,510	22,948	22,114	20,840	20,989
General, administrative and engineering expenses	21,516	20,663	20,473	22,323	20,602	19,088	20,364	16,766	18,220	16,634
Operations and maintenance - drainage	4,437	4,714	5,620	4,536	5,083	5,339	5,786	6,193	-	-
Other operating expenses	2,867	2,963	2,602	2,845	2,766	2,300	2,516	2,410	2,556	2,700
Other Post-Employment Benefits expense	1,054	1,041	885	889	645	938	899	1,367	1,294	-
Pension Expense	4,464	2,222	-	-	-	-	-	-	-	-
Depreciation	57,894	53,406	52,077	51,282	49,644	48,606	47,404	46,655	41,209	36,554
Payment to City of El Paso Franchise Fee	3,367	1,937	-	-	-	-	-	-	-	-
Payment to City of El Paso per bond covenants	11,418	10,593	10,553	10,383	10,509	9,931	9,614	9,301	8,602	7,981
Total operating expenses	168,175	155,990	153,346	154,788	153,892	147,064	149,557	146,517	132,075	121,840
Operating income	47,100	43,916	43,344	37,533	36,842	35,513	26,109.61	30,536	17,632	17,164
Nonoperating revenues (expenses)										
Interest earnings and net change in fair value of investments	676	502	356	363	480	815	654	1,737	3,677	6,260
IRS Tax Credit for Build America Bonds	972	1,015	1,050	1,184	1,216	1,136	421	-	-	-
Net gain on forfeited earnest money	-	-	-	-	-	-	-	3,255	-	-
Gain on land assets converted by sale	1,697	148	2,271	2,584	1,893	617	3,733	2,121	301	137
Gain on sale of miscellaneous assets	332	734	314	150	143	205	87	110	186	122
Interest on bonds, commercial paper, and land notes payable	(21,310)	(21,619)	(21,310)	(22,052)	(22,823)	(27,697)	(24,977)	(22,039)	(20,327)	(18,724)
Total nonoperating revenues (expenses)	(17,632)	(19,220)	(17,320)	(17,772)	(19,091)	(24,925)	(20,081)	(14,816)	(16,163)	(12,205)
Increase in net position, before capital contributions	29,468	24,697	26,024	19,761	17,751	10,588	6,029	15,720	1,470	4,959
Federal grant and capital contributions	25,991	8,579	13,815	12,359	14,862	18,869	8,542	39,557	9,451	29,829
Change in net position	55,459	33,276	39,840	32,120	32,612	29,456	14,571	55,276	10,920	34,788
Total net position - beginning of year	847,411	848,203	808,364	776,244	750,676	721,219	706,648	651,372	640,452	605,664
Prior period adjustment	-	(34,067)	-	-	(7,044)	-	-	-	-	-
Total net position - end of year	\$902,870	\$847,411	\$848,203	\$808,364	\$776,244	\$750,676	\$721,219	\$706,648	\$651,372	\$640,452

* Fiscal year March 1 thru last day of February of year shown

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**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

2007 thru 2016*
(accrual basis of accounting)
(amounts expressed in thousands)

	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009	2008	2007
Revenue										
Water and reclaimed water	\$123,015	\$115,553	\$114,083	\$113,001	\$112,289	\$106,468	\$101,087	\$98,854	\$92,847	\$85,746
Wastewater	62,068	57,064	58,032	54,468	53,711	51,564	51,568	50,233	46,247	45,349
Other operating revenue	12,812	11,437	8,881	9,293	9,447	9,366	8,000	10,593	10,613	7,909
Total operating revenue	197,895	184,054	180,997	176,763	175,448	167,398	160,655	159,680	149,707	139,004
Expenses										
Operations and maintenance - water and reclaimed water	39,747	38,048	38,765	40,405	42,204	39,390	40,059	39,618	39,354	36,983
Operations and maintenance - wastewater	21,541	20,527	22,497	22,217	22,535	21,569	23,008	21,730	20,840	20,989
General, administrative and engineering expenses	20,230	19,480	19,178	20,861	19,259	17,738	18,993	17,886	18,220	16,634
Other operating expenses	2,588	2,963	2,602	2,636	2,766	2,277	2,507	2,410	2,556	2,700
Other Post-Employment Benefits expense	978	969	834	831	627	869	899	1,367	1,294	-
Pension Expense	4,171	2,089	-	-	-	-	-	-	-	-
Depreciation	56,199	52,041	50,593	49,646	48,087	47,108	45,761	45,177	41,209	36,554
Payment to City of El Paso Franchise Fee	3,367.37	1,937.22	-	-	-	-	-	-	-	-
Payment to City of El Paso per bond covenants	11,418	10,593	10,553	10,383	10,509	9,931	9,614	9,301	8,602	7,981
Total operating expenses	160,239	148,648	145,022	146,979	145,986	138,882	140,841	137,491	132,075	121,840
Operating income	37,656	35,406	35,975	29,784	29,461	28,516	19,814	22,189	17,632	17,164
Nonoperating revenues (expenses)										
Interest earnings and net change in fair value of investments	544	402	266	258	358	597	589	1,693	3,677	6,260
IRS Tax Credit for Build America Bonds	206	214	221	249	249	138	-	-	-	-
Net gain on forfeited earnest money	-	-	-	-	-	-	-	3,255	-	-
Gain on land assets converted by sale	1,682	143	2,014	1,791	1,893	617	3,733	2,121	301	137
Gain on sale of miscellaneous assets	315	647	314	123	143	205	87	110	186	122
Interest on bonds, commercial paper, and land notes payable	(18,608)	(18,863)	(18,534)	(19,537)	(20,373)	(24,845)	(23,773)	(22,039)	(20,327)	(18,724)
Total nonoperating revenues (expenses)	(15,862)	(17,456)	(15,719)	(17,116)	(17,731)	(23,289)	(19,363)	(14,861)	(16,163)	(12,205)
Increase in net position, before capital contributions	21,794	17,950	20,256	12,668	11,731	5,227	451	7,328	1,470	4,959
Federal grant and capital contributions	25,991	8,579	13,829	12,359	14,862	18,360	7,943	15,466	9,451	29,829
Change in net position	47,785	26,528	34,085	25,026	26,592	23,588	8,394	22,794	10,920	34,788
Total net position - beginning of year	779,705	785,214	751,129	726,103	706,147	682,559	674,166	651,372	640,452	605,664
Prior period adjustment	-	(32,038)	-	-	(6,635)	-	-	-	-	-
Total net position - end of year	\$827,490	\$779,705	\$785,214	\$751,129	\$726,103	\$706,147	\$682,559	\$674,166	\$651,372	\$640,452

* Fiscal year March 1 thru last day of February of year shown

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**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND**

NET POSITION
2009 thru 2016*
(accrual basis of accounting)

	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009
NET ASSETS								
Restricted:								
Restricted for debt service	\$7,493,521	\$6,409,977	\$5,814,548	\$4,774,311	\$3,651,258	\$3,458,747	\$1,102,944	\$395
Restricted for construction and improvements	482,711	5,997,108	8,717,102	4,040,922	2,326,931	1,719,314	6,604,228	-
Total Restricted	7,976,232	12,407,085	14,531,650	8,815,233	5,978,189	5,178,061	7,707,172	395
Net investment in capital assets	66,311,237	54,515,497	46,220,867	42,716,469	41,345,926	36,548,507	27,712,473	27,646,708
Unrestricted	1,092,904	784,189	2,236,552	5,702,938	2,817,004	2,801,828	3,240,365	4,835,279
Total net position	\$75,380,373	\$67,706,771	\$62,989,069	\$57,234,640	\$50,141,119	\$44,528,396	\$38,660,010	\$32,482,382

* Fiscal year March 1 thru last day of February of year shown

Note¹: Municipal Drainage Utility was created and started operations in fiscal year 2009

Note²: Accounting standards require that net position be reported in three components in the financial statements: net investments in capital assets;

restricted; and unrestricted. Net position is considered restricted when constraints placed on net position use is either:

(a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

2009 thru 2016*

(accrual basis of accounting)

	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009
Revenue								
Residential	\$6,976,350	\$6,308,556	\$6,235,938	\$6,147,697	\$6,057,512	\$5,975,720	\$5,857,191	\$6,575,449
Non residential	9,812,150	8,990,392	8,926,521	8,918,715	8,881,591	8,876,317	8,815,413	10,797,716
Billing fees - City Solid Waste Management	266,405	262,772	260,645	256,864	253,153	249,075	267,133	-
Other operating revenue	463,584	419,794	399,981	363,864	213,034	188,962	189,404	-
Total operating revenue	17,518,489	15,981,514	15,823,085	15,687,140	15,405,290	15,290,074	15,129,141	17,373,165
Expenses								
Operations and maintenance	4,432,140	4,708,861	5,613,000	4,563,460	5,098,949	5,341,479	5,788,192	6,193,464
Indirect cost allocation	1,300,000	1,193,000	1,305,000	1,472,000	1,350,000	1,363,000	1,392,100	1,355,500
Other operating expenses	278,451	-	-	209,197	-	22,677	8,319	-
Other Post-Employment benefits expense	75,884	71,626	50,995	57,938	18,566	69,488	-	-
Pension Expense	293,552	132,415	-	-	-	-	-	-
Depreciation	1,694,639	1,364,863	1,484,740	1,635,231	1,556,485	1,497,840	1,644,195	1,477,944
Total operating expenses	8,074,666	7,470,765	8,453,735	7,937,826	8,024,000	8,294,484	8,832,806	9,026,908
Operating income	9,443,823	8,510,749	7,369,350	7,749,314	7,381,290	6,995,590	6,296,335	8,346,257
Nonoperating revenues (expenses)								
Interest earnings and net change in fair value of investments	132,253	99,550	89,659	104,278	122,488	217,392	65,227	44,677
IRS tax credit for Build America Bonds	766,696	800,675	828,171	934,250	967,015	997,990	421,374	-
Gain on land assets converted by sale	15,359	4,929	256,595	793,398	-	-	-	-
Gain on sale of miscellaneous assets	17,136	87,318	-	27,205	-	-	-	-
Other nonoperating expense	-	-	(13,712)	-	-	-	-	-
Interest on long term debt	(2,701,665)	(2,756,109)	(2,775,634)	(2,514,924)	(2,449,887)	(2,851,400)	(1,203,924)	-
Total nonoperating revenues (expenses)	(1,770,221)	(1,763,637)	(1,614,921)	(655,793)	(1,360,384)	(1,636,018)	(717,323)	44,677
Increase in net position, before capital contributions	7,673,602	6,747,112	5,754,429	7,093,521	6,020,906	5,359,572	5,579,012	8,390,934
Total Contributions	-	-	-	-	-	508,814	598,616	24,091,448
Change in net position	7,673,602	6,747,112	5,754,429	7,093,521	6,020,906	5,868,386	6,177,628	32,482,382
Total net position - beginning of year	67,706,771	62,989,069	57,234,640	50,141,119	44,528,396	38,660,010	32,482,382	-
Prior period adjustment	-	(2,029,410)	-	-	(408,183)	-	-	-
Total net position - end of year	\$75,380,373	\$67,706,771	\$62,989,069	\$57,234,640	\$50,141,119	\$44,528,396	\$38,660,010	\$32,482,382

* Fiscal year March 1 thru last day of February of year shown

Note: Municipal Drainage Utility was created and started operations in fiscal year 2009

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**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND**

**SELECTED FINANCIAL RATIOS
2007 thru 2016***

	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009	2008	2007
FINANCIAL RATIOS*										
Current Ratio (Current Assets/Current Liabilities)	2.95	1.66	2.02	2.51	2.24	2.56	2.58	2.51	1.66	2.02
Acid Test Ratio (Cash & Cash Equivalents/ Current Liabilities)	1.76	0.79	1.07	1.72	1.57	1.80	1.75	1.64	1.13	1.55
Operating Ratio ((O&M-Depreciation)/Total Operating Revenue)	0.53	0.52	0.52	0.55	0.56	0.55	0.59	0.58	0.60	0.61
Net Take-Down Ratio ((Total Operating Income+Depreciation)/Gross Revenue)	0.47	0.47	0.47	0.44	0.44	0.45	0.40	0.41	0.39	0.38
Total Liabilities to Total Assets	0.47	0.45	0.43	0.44	0.44	0.45	0.46	0.46	0.46	0.45
Debt to Equity Ratio ((Bonds payable+Commercial paper notes)/Equity)	0.69	0.63	0.63	0.67	0.68	0.73	0.75	0.78	0.74	0.71
Debt Ratio ((Bonds payable+Commercial paper notes)/Total Assets)	0.37	0.35	0.36	0.37	0.38	0.40	0.41	0.42	0.40	0.39
Debt Service Safety Margin ((Net Operating Income-Debt Service)/(Total Operating Revenue+Interest Earnings))	0.25	0.24	0.24	0.21	0.19	0.19	0.13	0.18	0.10	0.11
Current Restricted Assets/Current Restricted Liabilities	3.11	1.39	1.92	2.55	2.15	2.56	2.61	2.77	1.74	2.10

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**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND**

**SELECTED FINANCIAL RATIOS
2009 thru 2016***

FINANCIAL RATIOS	2016	Restated 2015 ³	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009
Current Ratio (Current Assets/Current Liabilities)	3.46	5.46	9.96	11.64	8.00	11.43	32.03	5.40
Acid Test Ratio (Cash & Cash Equivalents/ Current Liabilities)	2.28	3.51	5.62	7.81	4.88	6.42	20.38	4.08
Operating Ratio ((O&M-Depreciation)/Total Operating Revenue)	0.36	0.38	0.44	0.40	0.42	0.44	0.47	0.43
Net Take-Down Ratio ((Total Operating Income+Depreciation)/(Gross Revenue)	0.60	0.58	0.52	0.53	0.54	0.52	0.52	0.56
Total Liabilities to Total Assets	0.57	0.51	0.52	0.55	0.54	0.57	0.60	0.03
Debt to Equity Ratio (Bonds payable/Equity)	1.07	0.90	1.01	1.15	1.07	1.24	1.43	-
Debt Ratio (Bonds payable/Total Assets)	0.47	0.44	0.48	0.52	0.50	0.53	0.58	-
Debt Service Safety Margin ((Net Operating Income-Debt Service)/(Total Operating Revenue+Interest Earnings))	0.28	0.23	0.16	0.28	0.26	0.36	0.49	0.56
Current Restricted Assets/Current Restricted Liabilities	3.28	5.27	10.63	11.31	7.74	11.90	39.24	N/A

* Fiscal year March 1 thru last day of February of year shown

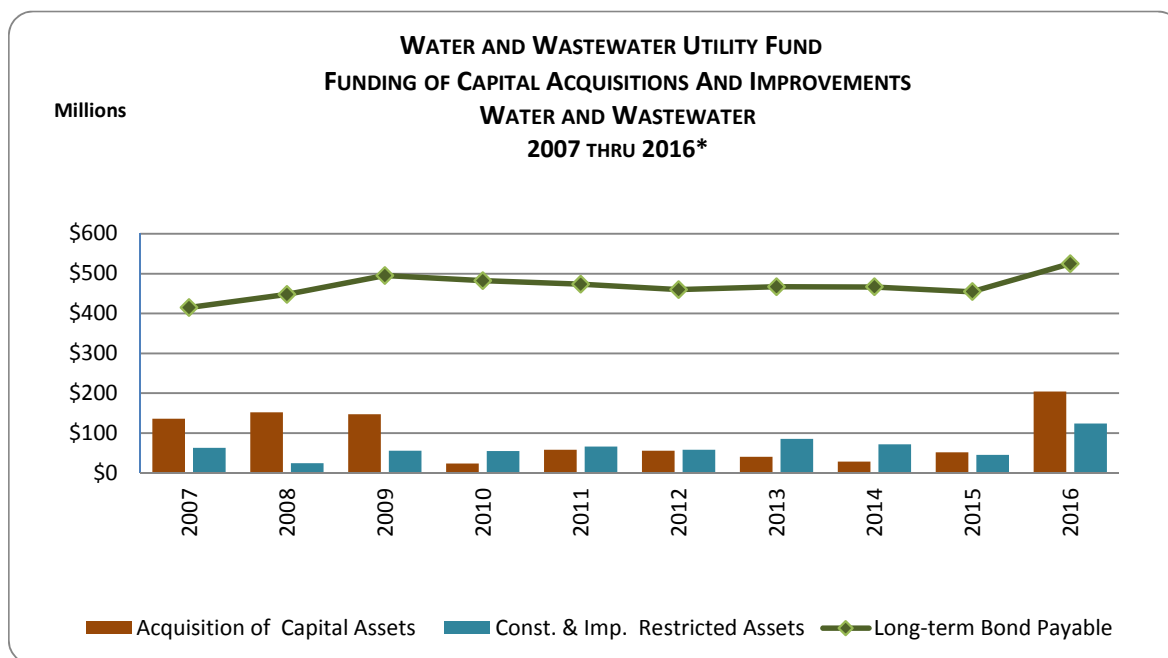
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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

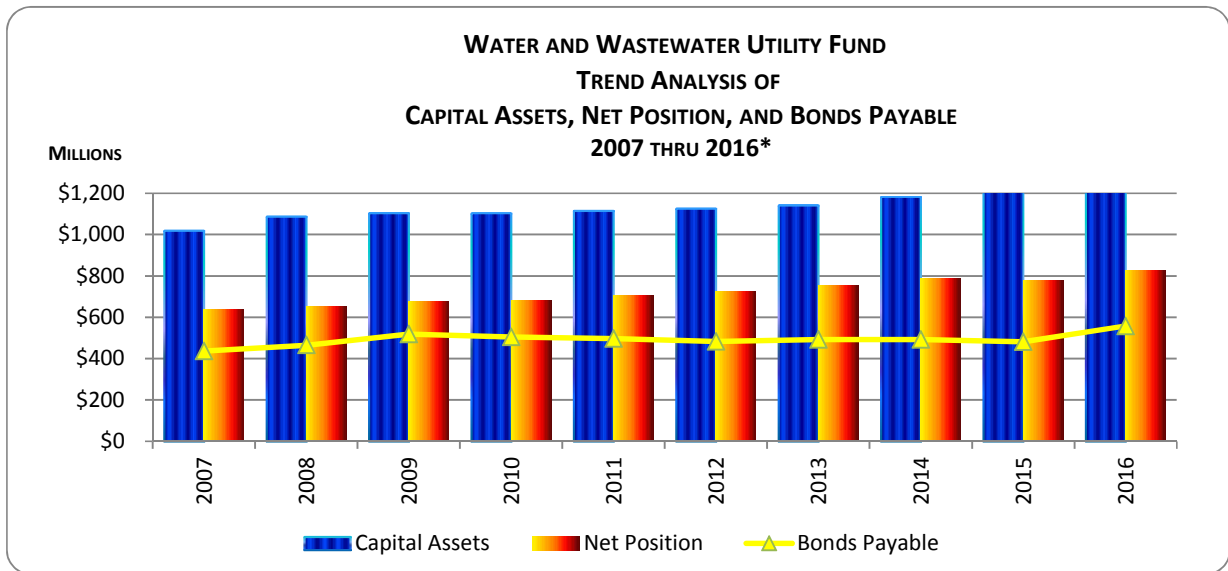


* Fiscal year March 1 thru last day of February of year shown

Funding of Capital Acquisitions and Improvements Data 2007 thru 2016* (amounts expressed in millions)			
Year	Acquisition of Capital Assets	Const. & Imp. Restricted Assets	Long-term Bonds Payable
2007	136.2	63.4	414.9
2008	152.0	24.8	448.3
2009	147.7	55.5	495.3
2010	24.0	54.8	482.9
2011	58.2	66.0	474.0
2012	56.0	58.2	460.4
2013	40.5	85.7	467.7
2014	28.2	71.9	467.1
2015	51.8	45.3	455.0
2016	204.4	123.9	525.2

*Fiscal year March 1 thru last day of February of year shown

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



Trend Analysis of Capital Assets, Net Assets and Bonds Payable Data 2007 thru 2016* (amounts expressed in millions)			
Year	Capital Assets	Net Position	Bonds Payable
2007	1,019.4	640.5	436.4
2008	1,088.0	651.4	465.5
2009	1,104.5	674.2	519.3
2010	1,103.9	682.6	505.0
2011	1,115.3	706.1	497.7
2012 ⁽²⁾	1,126.9	726.1	483.4
2013 ⁽¹⁾	1,142.1	751.1	492.8
2014	1,183.0	785.2	492.3
2015 ⁽³⁾	1,238.8	779.7	482.3
2016	1,281.9	827.5	558.1

* Fiscal year March 1 thru last day of February of year shown

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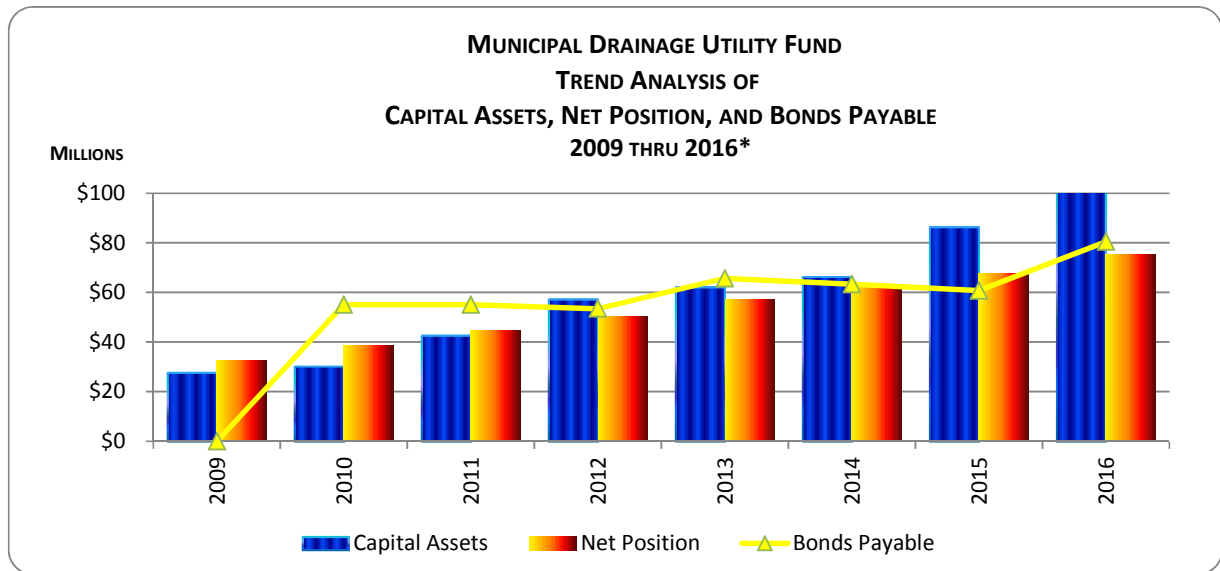
Items Previously Reported as Assets and Liabilities

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Items Previously Reported as Assets and Liabilities

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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



* Fiscal year March 1 thru last day of February of year shown

Trend Analysis of Capital Assets, Net Assets and Bonds Payable Data 2009 thru 2016* (amounts expressed in millions)			
Year	Capital Assets	Net Position	Bonds Payable
2009	27.6	32.5	0.0
2010	30.2	38.7	55.2
2011	42.7	44.5	55.2
2012	57.3	50.5	53.5
2013	62.1	57.2	65.7
2014	66.3	63.0	63.4
2015 ⁽¹⁾	86.4	67.7	60.8
2016	122.5	75.4	80.5

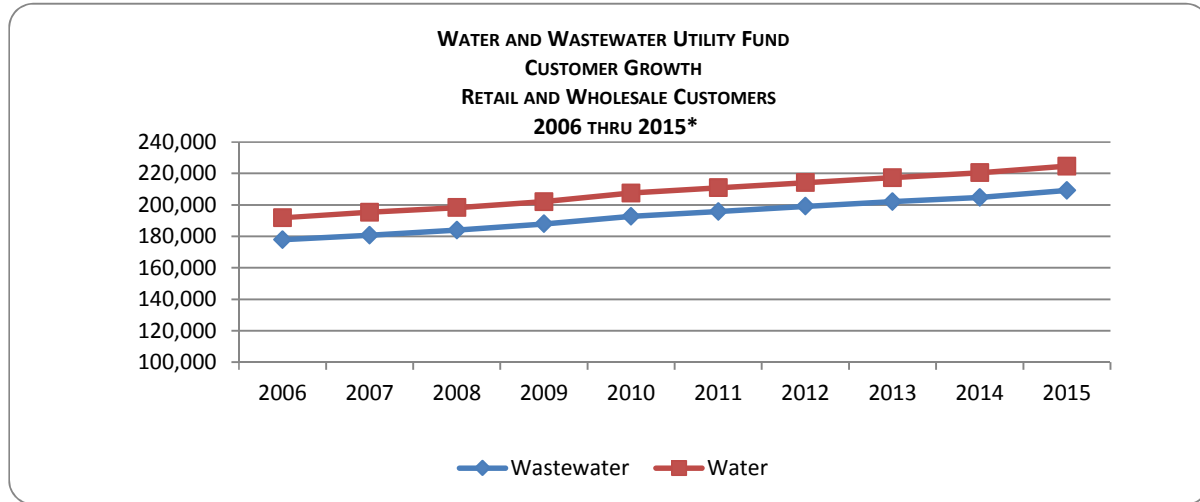
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¹Fiscal year 2015 has been restated as a result of the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*

B - REVENUE CAPACITY INFORMATION

These schedules contain information to help the reader assess the Water and Wastewater Utility's primary revenue sources. Along with the Municipal Drainage Utility's revenue information, for the first eight years of operations.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



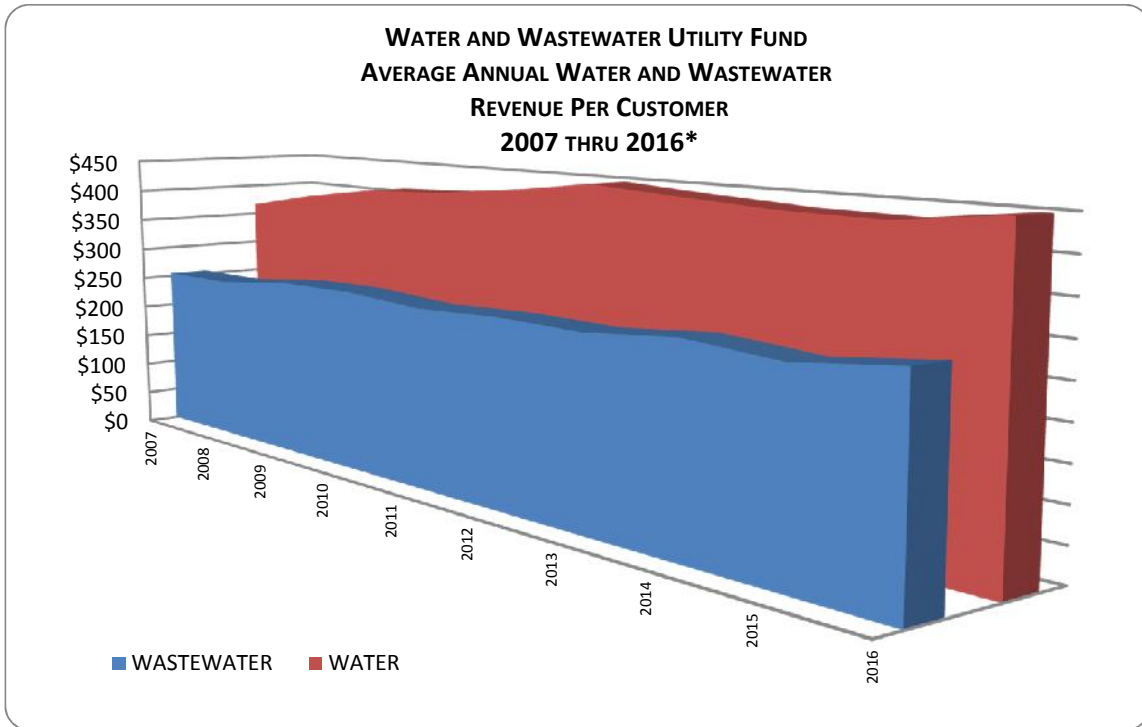
* Calendar Year

Source: Selected Operating Statistical Data page E-3

Water and Wastewater Customer Growth Data Retail and Wholesale Customers 2006 thru 2015*					
Year	Water	Wastewater	Year	Water	Wastewater
2006	191,849	177,845	2011	210,987	195,875
2007	195,389	180,795	2012	214,254	199,181
2008	198,390	183,990	2013	217,406	202,068
2009	202,150	187,992	2014	220,570	204,810
2010	207,563	192,765	2015	224,656	209,178

* Calendar Year

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



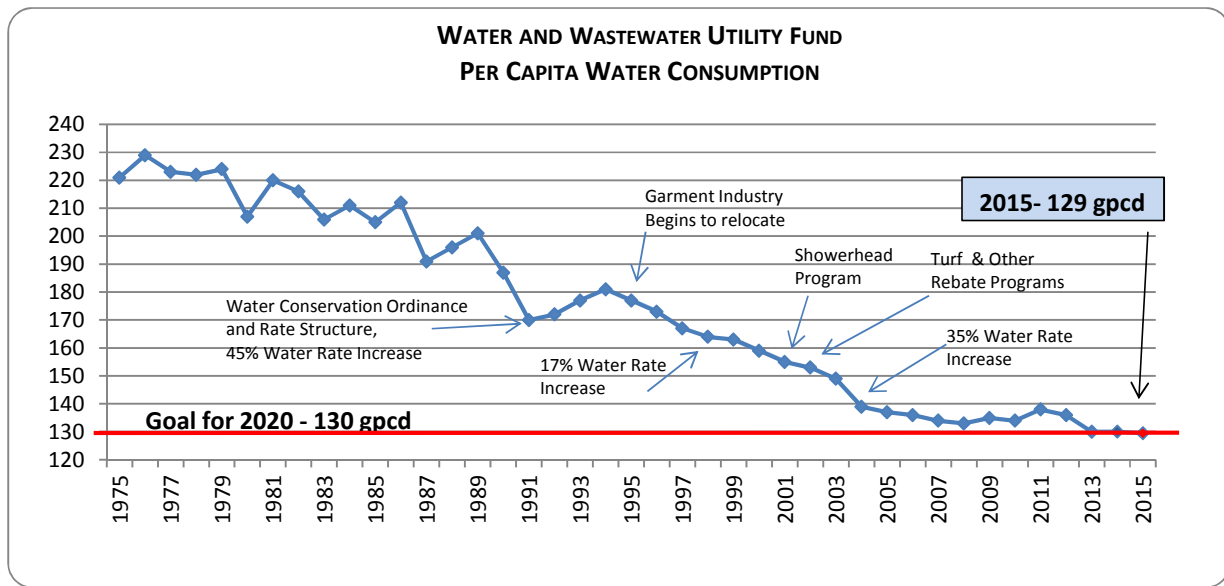
* Fiscal year March 1 thru last day of February of year shown

Note: retail & wholesale customers are included

Average Annual Water & Wastewater Revenue per Customer Data 2006 thru 2015*					
Year	Water	Wastewater	Year	Water	Wastewater
2007	366.59	254.99	2012	449.04	273.96
2008	391.59	255.80	2013	441.12	273.03
2009	411.03	270.83	2014	434.56	286.96
2010	416.58	274.31	2015	433.51	278.62
2011	430.63	267.11	2016	451.66	296.72

*Fiscal year March 1 thru last day of February of year shown

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



Calendar Year

Per Capita Consumption Data					
Year	gpcd*	Year	gpcd	Year	gpcd
1975	221	1989	201	2003	149
1976	229	1990	187	2004	139
1977	223	1991	170	2005	137
1978	222	1992	172	2006	136
1979	224	1993	177	2007	134
1980	207	1994	181	2008	133
1981	220	1995	177	2009	135
1982	216	1996	173	2010	134
1983	206	1997	167	2011	138
1984	211	1998	164	2012	136
1985	205	1999	163	2013	130
1986	212	2000	159	2014	130
1987	191	2001	155	2015	129
1988	196	2002	153		

Calendar Year

* gpcd=gallons per capita daily

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND**

WATER BILLED BY TYPE OF CUSTOMER
2007 thru 2016*

WATER CUSTOMERS BY TYPE AT END OF FISCAL YEAR	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Residential	182,766	180,405	178,211	176,254	174,199	168,699	165,723	163,016	160,474	157,486
Schools	662	811	806	798	798	784	761	738	726	700
Churches	452	455	459	456	458	456	449	448	411	410
Industrial	148	149	155	163	169	162	163	161	176	181
Commercial	13,960	13,669	13,455	12,267	12,153	14,608	14,205	13,023	12,814	12,566
Government	1,741	1,708	1,668	1,623	1,599	2,690	2,599	2,700	2,647	2,556
Very Large Water Users	13	11	6	7	6	6	8	8	9	9
Wholesale Customers***	23,007	21,972	20,846	20,085	18,725	19,025	18,227	17,590	17,346	17,039
Other	2,311	2,022	1,926	2,779	2,759	1,154	1,130	1,121	1,107	851
Total Water Customers	225,060	221,202	217,532	214,432	210,866	207,584	203,265	198,805	195,710	191,798
WATER BILLED BY TYPE OF CUSTOMER (1000 ccfs)										
Residential	24,125	24,671	25,536	26,602	27,410	25,870	25,360	24,248	25,101	24,547
Schools	1,630	1,637	1,657	1,717	1,808	1,680	1,558	1,492	1,537	1,565
Churches	143	150	161	170	179	174	171	164	168	164
Industrial	1,199	1,452	1,413	1,365	452	341	310	376	399	665
Commercial	9,457	9,314	9,537	9,673	10,284	9,927	9,572	8,560	9,266	9,227
Government	2,907	2,994	2,733	3,869	4,203	2,887	3,283	3,932	3,420	3,118
Very Large Water Users	1,570	1,234	1,002	1,056	1,402	1,295	1,138	979	877	888
Wholesale Customers	4,228	4,016	4,089	4,148	4,265	3,349	3,051	2,868	2,982	2,681
Other	220	269	327	639	160	352	523	532	186	337
Total Water Billed in CCFs	45,479	45,737	46,454	49,239	50,164	45,873	44,966	43,151	43,935	43,193
WATER REVENUE **	\$123,015	\$115,553	\$114,083	\$113,001	\$112,289	\$106,468	\$101,087	\$98,854	\$92,847	\$85,746
WASTEWATER RETAIL CUSTOMERS										
WASTEWATER WHOLESAL CUSTOMERS***	192,195	189,226	187,003	184,868	182,595	180,204	176,755	173,489	170,623	167,357
	17,306	16,285	15,219	14,625	13,462	13,126	12,437	11,991	10,644	10,488
TREATED WASTEWATER BILLED (1000 gallons)****	21,235	21,415	21,572	23,543	22,458	22,028	21,411	21,253	21,163	21,254
WASTEWATER REVENUE **	\$62,068	\$57,064	\$58,032	\$54,468	\$53,711	\$51,564	\$51,568	\$50,233	\$46,247	\$45,349

* Fiscal year March 1 thru last day of February of year shown

** Water and Wastewater Revenue expressed in thousands

*** Includes total number of EPWU's wholesale customers and their retail customers

**** Wastewater treated by calendar year

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND**

Fiscal Year 2016*

TEN LARGEST WATER CUSTOMERS

Rank	Name of Employer	Type of Industry	Water Usage (1000's)	% of Total Water Usage	Water Revenue	% of Total Water Revenue
1	Lower Valley Water District Authority	Wholesale Customer	1,956,519	5.8%	\$2,544,810	2.6%
2	El Paso Electric Company	Utility	1,636,855	4.8%	2,247,360	2.3%
3	El Paso City	City Government	1,584,630	4.7%	4,755,223	4.8%
4	Western Refining	Industrial	706,616	2.1%	2,621,819	2.7%
5	El Paso County	County Government	500,702	1.5%	1,270,463	1.3%
6	Federal Government	U.S. Government	468,845	1.4%	667,898	0.7%
7	El Paso Housing Authority	Housing Authority	461,930	1.4%	1,156,048	1.2%
8	El Paso Independent School District	Public Schools	439,122	1.3%	1,729,652	1.8%
9	Paseo del Este MUD	Wholesale Customer	387,197	1.1%	1,075,799	1.1%
10	Ysleta Independent School District	Public Schools	359,335	1.1%	1,696,752	1.7%
			<u>8,501,751</u>	<u>25.0%</u>	<u>\$19,765,824</u>	<u>20.0%</u>

* Fiscal year March 1 thru last day of February of year shown

** Based on gallons consumed

Note: The above list of the top ten largest water customers was not the same for the previous nine years, therefore, a ten year comparison for these customers is not presented.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND**

Fiscal Year 2016*

TEN LARGEST WASTEWATER CUSTOMERS

Rank	Name of Employer	Type of Industry	Wastewater Revenue	% of Total Wastewater Revenue
1	Federal Government	U.S. Government	\$1,833,788	3.0%
2	El Paso Housing Authority	Housing Authority	918,335	1.5%
3	Western Refining	Industrial	901,046	1.5%
4	Lower Valley Water District Authority	Wholesale Customer	719,390	1.2%
5	Paseo del Este MUD	Wholesale Customer	552,462	0.9%
6	El Paso Independent School District	Public Schools	520,873	0.8%
7	City of El Paso	City Government	462,923	0.7%
8	El Paso County	County Government	446,239	0.7%
9	Ysleta Independent School District	Public Schools	378,742	0.6%
10	EPT	Property Management	<u>376,033</u>	<u>0.6%</u>
			<u>\$7,109,831</u>	<u>11.5%</u>

* Fiscal year March 1 thru last day of February of year shown

Note: The above list of the top ten largest wastewater customers was not the same for the previous nine years, therefore, a ten year comparison for these customers is not presented.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND

2007 thru 2016*

Monthly Minimum Charge by
Meter Size (inches)

$\frac{3}{4}$

1

$1\frac{1}{2}$

2

3

4

6

8

WATER RATES

2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
\$ 5.59	\$ 5.18	\$ 5.18	\$ 4.93	\$ 4.79	\$ 4.79	\$ 4.79	\$ 4.79	\$ 4.48	\$ 4.31
8.70	8.06	8.06	7.68	7.46	7.46	7.46	7.46	6.97	6.70
14.93	13.82	13.82	13.16	12.78	12.78	12.78	12.78	11.94	11.48
17.96	16.63	16.63	15.84	15.38	15.38	15.38	15.38	14.37	13.82
35.87	33.21	33.21	31.63	30.71	30.71	30.71	30.71	28.70	27.90
53.55	49.58	49.58	47.22	45.84	45.84	45.84	45.84	42.84	41.19
81.19	75.18	75.18	71.60	69.51	69.51	69.51	69.51	64.96	62.46
139.07	128.77	128.77	122.64	119.07	119.07	119.07	119.07	111.28	107.00

Volume Charges

Residential Customers

Block 1 - Over 4ccfs - 150% of AWC	\$ 1.68	\$ 1.56	\$ 1.56	\$ 1.49	\$ 1.45	\$ 1.45	\$ 1.45	\$ 1.45	\$ 1.22	\$ 1.17
Block 2 - 150% - 250% of AWC	3.98	3.68	3.68	3.50	3.40	3.40	3.40	3.40	3.40	3.27
Block 3 - over 250% of AWC	5.69	5.27	5.27	5.02	4.87	4.87	4.87	4.87	4.87	4.68

Non-Residential Customers

Block 1 - 150% of AWC	\$ 1.68	\$ 1.56	\$ 1.56	\$ 1.49	\$ 1.45	\$ 1.45	\$ 1.45	\$ 1.45	\$ 1.22	\$ 1.17
Block 2 - 150% - 250% of AWC	3.98	3.68	3.68	3.50	3.40	3.40	3.40	3.40	3.40	3.27
Block 3 - over 250% of AWC	5.69	5.27	5.27	5.02	4.87	4.87	4.87	4.87	4.87	4.68

Water Supply Replacement Charge

Meter Size (inches)

$\frac{3}{4}$ **

1

$1\frac{1}{2}$

2

3

4

6

8

\$ 7.94	\$ 6.39	\$ 6.39	\$ 6.09	\$ 5.91	\$ 5.91	\$ 5.91	\$ 5.91	\$ 5.91	\$ 5.68
17.25	15.97	15.97	15.21	14.77	14.77	14.77	14.77	14.77	14.20
34.50	31.94	31.94	30.42	29.53	29.53	29.53	29.53	29.53	28.39
55.20	51.10	51.10	48.67	47.25	47.25	47.25	47.25	47.25	45.43
110.35	102.18	102.18	97.31	94.48	94.48	94.48	94.48	94.48	90.85
172.44	159.67	159.67	152.07	147.64	147.64	147.64	147.64	147.67	141.96
344.89	319.34	319.34	304.13	295.27	295.27	295.27	295.27	295.27	283.91
641.47	593.95	593.95	565.67	549.19	549.19	549.19	549.19	549.19	528.07

Rate Increase (By Design)	8.0%	0.0%	5.0%	3.0%	0.0%	0.0%	0.0%	7.0%	4.0%	0.0%
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* Fiscal year March 1 thru last day of February of year shown

**Effective March 1, 2015 if the monthly water consumption is less than 3 ccfs the monthly charge for Water Supply Replacement Charge will be waived

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND

2007 thru 2016*

Monthly Minimum Charge by
Meter Size (inches)

Less than 1

1

1½

2

3

4

6

8

WASTEWATER RATES

2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
\$ 11.80	\$ 10.93	\$ 10.93	\$ 10.41	\$ 10.11	\$ 10.11	\$ 10.11	\$ 10.11	\$ 9.45	\$ 9.09
27.15	25.14	25.14	23.94	23.24	23.24	23.24	23.24	21.72	20.88
57.79	53.51	53.51	50.96	49.48	49.48	49.48	49.48	46.24	44.46
72.71	67.32	67.32	64.11	62.24	62.24	62.24	62.24	58.17	55.93
160.74	148.83	148.83	141.74	137.61	137.61	137.61	137.61	128.61	123.66
247.57	229.23	229.23	218.31	211.95	211.95	211.95	211.95	198.08	190.46
383.44	355.04	355.04	338.13	328.28	328.28	328.28	328.28	306.80	295.00
668.15	618.66	618.66	589.20	572.04	572.04	572.04	572.04	534.62	514.06

Volume Charges

Residential Customers

Over 4 ccfs - 90% of

Average Winter Consumption

\$ 1.49 \$ 1.38 \$ 1.38 \$ 1.31 \$ 1.27 \$ 1.27 \$ 1.27 \$ 1.27 \$ 1.19 \$ 1.14

Non-Residential Customers

90% of Average Winter Consumption

\$ 1.49 \$ 1.38 \$ 1.38 \$ 1.31 \$ 1.27 \$ 1.27 \$ 1.27 \$ 1.27 \$ 1.19 \$ 1.14

Rate Increase (By Design)

8.0% 0.0% 5.0% 3.0% 0.0% 0.0% 0.0% 7.0% 4.0% 0.0%

* Fiscal year March 1 thru last day of February of year shown

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND

MUNICIPAL DRAINAGE CUSTOMERS
BY TYPE
2009 thru 2016*

	Number of Customers							
	2016	2015	2014	2013	2012	2011	2010	2009
Residential	176,757	174,280	172,241	169,806	167,450	165,493	162,522	159,831
Non-residential								
Apartments	2,035	2,055	2,020	2,032	2,046	2,056	2,051	2,083
Churches	440	444	444	445	446	444	440	437
Industrial	146	147	154	157	160	160	161	163
Commercial	10,586	10,442	10,435	10,393	10,315	10,369	10,204	10,087
Government	359	370	375	493	489	370	260	413
Other	395	391	381	354	362	699	679	1,085
Total Non-Residential	13,961	13,849	13,809	13,874	13,818	14,098	13,795	14,268
Total Drainage Customers	190,718	188,129	186,050	183,680	181,268	179,591	176,317	174,099

* Fiscal year March 1 thru last day of February of year shown

Note: Municipal Drainage Utility was created and started operations in fiscal year 2009

MUNICIPAL DRAINAGE REVENUE BY TYPE
2009 thru 2016*

	Revenue							
	2016	2015	2014	2013	2012	2011	2010	2009
Residential	\$6,976,350	\$6,308,556	\$6,235,938	\$6,147,697	\$6,057,512	\$5,975,720	\$5,857,191	\$6,575,449
Non residential	9,812,150	8,990,392	8,926,521	8,918,715	8,881,591	8,876,317	8,815,413	10,797,716
Billing Fees - City Solid Waste Management	266,405	262,772	260,645	256,864	253,153	249,075	267,133	-
Other operating revenue	463,584	419,794	399,981	363,864	213,034	188,962	189,404	-
Total Revenue	<u>\$17,518,489</u>	<u>\$15,981,514</u>	<u>\$15,823,085</u>	<u>\$15,687,140</u>	<u>\$15,405,290</u>	<u>\$15,290,074</u>	<u>\$15,129,141</u>	<u>\$17,373,165</u>

* Fiscal year March 1 thru last day of February of year shown

Note: Municipal Drainage Utility was created and started operations in fiscal year 2009

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND**

**Ten Largest Municipal Drainage Customers
Fiscal Year 2016***

Rank	Name of Customer	Type of Industry	Revenue	% of Total Stormwater Revenue
1	City of El Paso	City Government	\$295,160	1.68%
2	Southern Pacific	Railroad Line	129,068	0.74%
3	Walmart	Retail Sales	113,598	0.65%
4	EPT	Property Management	83,277	0.48%
5	ICON	Manufacturing	69,986	0.40%
6	Texas Custodial Trust	Industrial	64,404	0.37%
7	Western Refining	Industrial	63,542	0.36%
8	Cemex	Concrete Producer	59,263	0.34%
9	River Oaks	Property Management	47,111	0.27%
10	Francis Properties	Property Management	<u>43,831</u>	<u>0.25%</u>
			<u>\$969,240</u>	<u>5.53%</u>

* Fiscal year March 1 thru last day of February of year shown

Note¹: Municipal Drainage Utility was created and started operations in fiscal year 2009

Note²: The above list of the top ten largest drainage customers based on billed amounts.

Note³: The above list of the top ten largest drainage customers was not the same for the previous seven years, therefore, an eight year comparison for these customers is not presented

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND**

**MUNICIPAL DRAINAGE UTILITY RATES
2009 thru 2016***

		2016	2015	2014	2013	2012	2011	2010	2009
Residential Category	Impervious area								
Small	0-1,200	\$1.61	\$1.49	\$1.49	\$1.49	\$1.49	\$1.49	\$1.49	\$1.49
Typical	1,201-3,000	3.21	2.97	2.97	2.97	2.97	2.97	2.97	2.97
Large	> 3,000	6.42	5.94	5.94	5.94	5.94	5.94	5.94	5.94
Non-Residential Category	Per 2,000 sq. ft.	\$3.27	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03	\$3.03

* Fiscal year March 1 thru last day of February of year shown

Note: Municipal Drainage Utility was created and started operations in fiscal year 2009

C - DEBT CAPACITY INFORMATION

This schedule presents information to help the reader assess the affordability of the Public Service Board - El Paso Water Utilities' current levels of outstanding debt and its ability to issue additional debt in the future for the Water and Wastewater Utility and the Municipal Drainage Utility funds.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND

DEBT SERVICE COVERAGE

2007 thru 2016*

(amounts expressed in thousands, except debt service coverage)

Fiscal Year	Water & Wastewater Revenue	Less: Operating Revenue Deductions	Net Water and Wastewater Revenue	Other Revenues Available for Debt Service	Revenues Available for Debt Service	Debt Service		Debt Service Coverage
						Principal	Interest	
2016	\$185,083	\$86,666	\$98,417	\$2,235	\$100,652	\$27,345	\$18,000	2.22
2015 ³	172,617	81,113	91,504	2,358	93,862	25,150	19,701	2.09
2014	172,116	81,274	90,842	2,443	93,285	25,100	19,946	2.07
2013 ¹	167,469	84,314	83,155	2,182	85,338	22,935	19,879	1.99
2012 ²	166,001	84,624	81,376	2,356	83,732	23,715	21,632	1.85
2011	158,032	79,565	78,467	3,503	81,970	22,031	22,498	1.84
2010	152,655	83,828	68,827	3,201	72,028	23,940	22,781	1.54
2009	149,087	80,602	68,485	4,291	72,776	17,269	20,725	1.92
2008	139,094	80,389	58,705	6,099	64,804	21,473	19,878	1.57
2007	131,094	75,899	55,195	8,364	63,559	15,347	23,539	1.63

* Fiscal year March 1 thru last day of February of year shown

Note: Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses does not include payment to city per bond covenants or depreciation and includes pension and other post-employment benefit expenses. The bond ordinance requires debt service coverage of 1.5 times. See note 14 in the financial statement

¹Fiscal year 2013 has been restated as a result of a change in estimates and the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

²Fiscal year 2012 has been restated as a result of the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

³Fiscal year 2015 has been restated as a result of the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND**

TOTAL NET DEBT OUTSTANDING BY TYPE

2007 thru 2016*

(amounts expressed in thousands, except customers and debt per customer)

Fiscal Year	Revenue Bonds	Unamortized Premiums net of Discount	Commercial Paper Notes	Notes Payable	Other Government Payable	Total Net Debt**	Gross Revenue	Ratio of Total Debt to Gross Revenue	Water and Wastewater Customers	Total Debt per Customer
2016	\$558,105	\$52,284	\$10,000	\$2,616	\$2,497	\$625,502	\$198,439	3.15	434,561	\$1,439
2015	482,305	47,521	10,000	3,406	2,632	545,864	184,456	2.96	426,713	1,279
2014	492,250	35,001	5,000	4,159	2,761	539,171	181,263	2.97	419,754	1,284
2013 ¹	492,785	30,496	8,000	4,923	2,884	539,089	177,021	3.05	413,925	1,302
2012 ²	483,380	22,570	13,000	5,652	3,002	527,604	175,805	3.00	406,923	1,297
2011	497,720	15,724	19,000	6,346	3,115	541,904	167,995	3.23	400,914	1,352
2010	504,971	12,548	9,000	7,008	3,222	536,749	161,244	3.33	392,457	1,368
2009	519,273	12,093	9,000	7,638	-	548,004	161,373	3.40	384,285	1,426
2008	465,542	12,138	14,000	8,239	-	499,919	153,384	3.26	376,977	1,326
2007	436,375	10,163	21,000	9,638	-	477,176	145,264	3.28	369,643	1,291

* Fiscal year March 1 thru last day of February of year shown

**Total Net Debt includes Revenue Bonds, Unamortized Premiums net of Discount, Commercial Paper Notes, Notes Payable and Other Government Payable

¹Fiscal year 2013 has been restated as a result of a change in estimates and the adoption of GASB 65. *Items Previously Reported as Assets and Liabilities*

²Fiscal year 2012 has been restated as a result of the adoption of GASB 65. *Items Previously Reported as Assets and Liabilities*

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND

DEBT SERVICE COVERAGE
Fiscal Year 2009 thru 2016*
(amounts expressed in thousands, except debt service coverage)

Fiscal Year ¹	Drainage Revenue	Less: Operating Revenue Deductions	Net Drainage Revenue	Other Revenues Available for Debt Service	Revenues Available for Debt Service	Debt Service		Debt Service Coverage ²
						Principal	Interest	
2016	\$16,789	\$6,102	\$10,687	\$1,368	\$12,055	\$2,644	\$3,324	2.02
2015 ²	15,299	6,106	9,193	1,670	10,863	2,524	3,051	1.95
2014	15,162	6,969	8,193	1,578	9,772	2,359	3,217	1.75
2013 ¹	15,066	6,093	8,973	1,477	10,450	1,850	2,716	2.29
2012	14,939	6,468	8,472	1,556	10,027	1,645	2,807	2.25
2011	14,852	6,774	8,078	1,653	9,731	-	2,630	3.70
2010	14,673	7,180	7,492	943	8,435	-	-	N/A
2009	17,373	7,931	9,442	45	9,487	-	-	N/A

* Fiscal year March 1 thru last day of February of year shown

Note¹: Municipal Drainage Utility was created and started operations in fiscal year 2009

Note²: Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses does not include depreciation, and includes pension and other post-employment benefits expense. The bond ordinance requires debt service coverage of 1.25 times.
See note 14 in the financial statement.

¹Fiscal year 2013 has been restated as a result of a change in the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

²Fiscal year 2015 has been restated as a result of the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND**

TOTAL NET DEBT OUTSTANDING BY TYPE
2010 thru 2016*

(amounts expressed in thousands, except customers and debt per customer)

Fiscal Year	Revenue Bonds	Unamortized Premiums net of Discount	Total Net Debt**	Gross Revenues	Ratio of Total Debt to Gross Revenue	Drainage Customers	Total Debt per Customer
2016	\$80,456	\$3,662	\$84,118	\$17,651	4.77	190,718	\$441
2015	60,860	786	61,646	16,081	3.83	188,129	328
2014	63,384	833	64,217	15,913	4.04	186,050	345
2013 ¹	65,743	879	66,622	15,791	4.22	183,680	363
2012	53,518	-	53,518	15,528	3.45	181,268	295
2011	55,163	-	55,163	15,507	3.56	179,591	307
2010	55,163	-	55,163	15,194	3.63	176,317	313

* Fiscal year March 1 thru last day of February of year shown

**Total Net Debt includes Revenue Bonds and Unamortized Premium net of Discount

¹Fiscal year 2013 has been restated as a result of a change in the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*



D - DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Public Service Board - El Paso Water Utilities' financial activities take place.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
DEMOGRAPHIC AND ECONOMIC STATISTICS

El Paso Demographic and Economic Statistics Last Ten Calendar Years				
Year	Metropolitan Statistical Area Population ²	Personal Income (Billion \$) ²	Per Capita Personal Income ²	Unemployment Rate ¹
2006	742,936	18.1	24,780	6.7
2007	755,578	19.4	26,013	5.9
2008	769,930	20.5	27,332	6.3
2009	786,759	21.6	27,270	8.8
2010	803,995	22.2	28,698	9.5
2011	821,850	24.0	29,165	10.3
2012	831,939	24.9	29,861	9.3
2013	831,036	25.1	30,186	6.2
2014	833,487	26.5	31,816	4.9
2015	841,952	27.7*	32,900*	4.8

Source: US Census Bureau

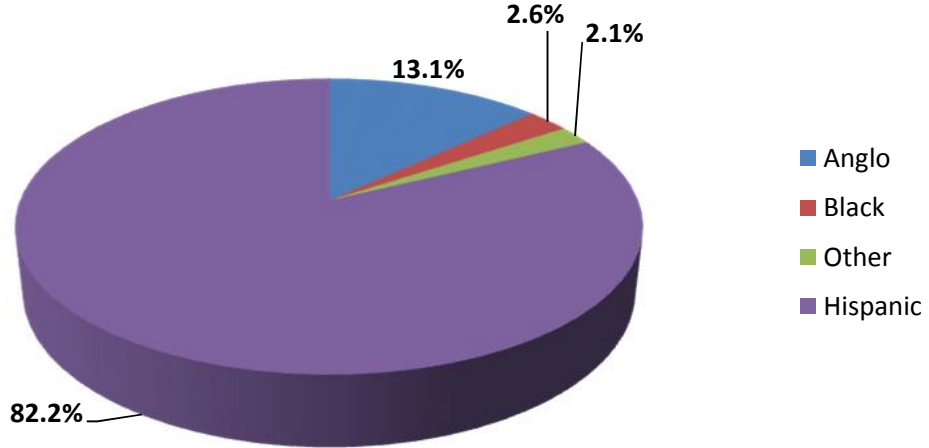
¹ Source: Bureau of Labor Statistics, U.S. Department of Labor

² Source: Border Region Modeling Project Outlook: Borderplex Long-term Economic Trends to 2014

*UTEP Border Region Modeling Project Business Report SR15-1 (Estimates)

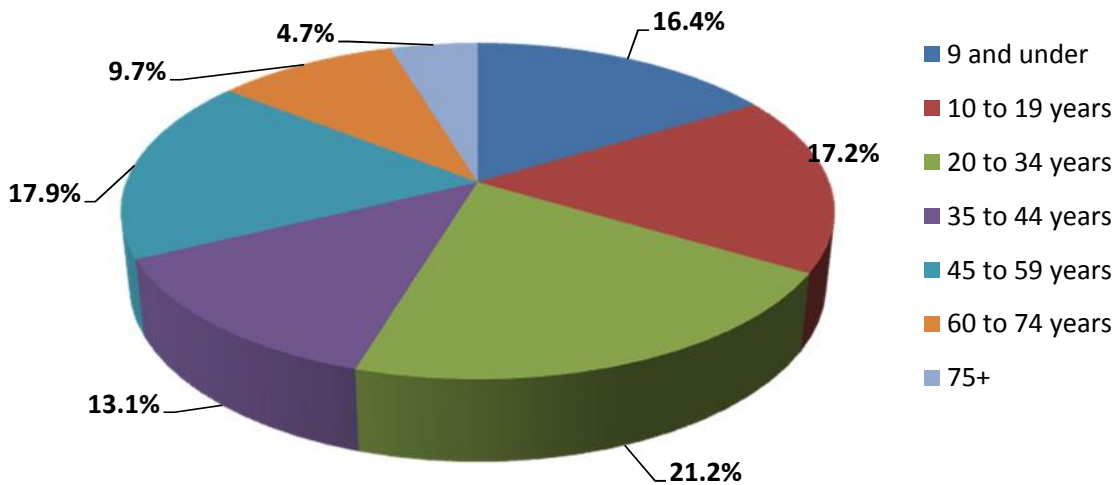
**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
DEMOGRAPHIC AND ECONOMIC STATISTICS**

EL PASO COUNTY POPULATION BY RACE AND ETHNICITY



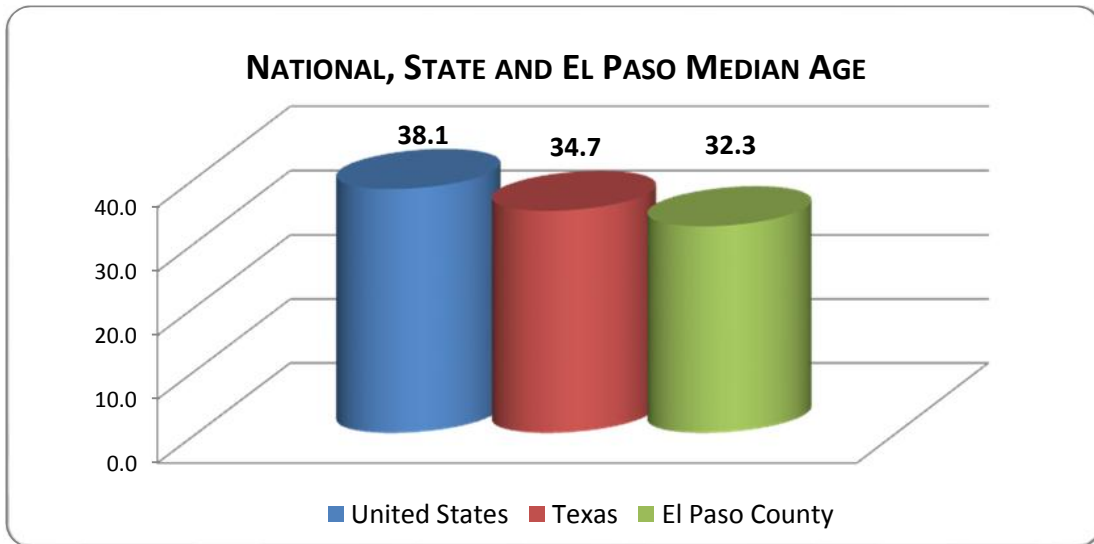
Source: U.S. Census Bureau, 2013 American Community Survey

EL PASO COUNTY POPULATION BY AGE GROUP

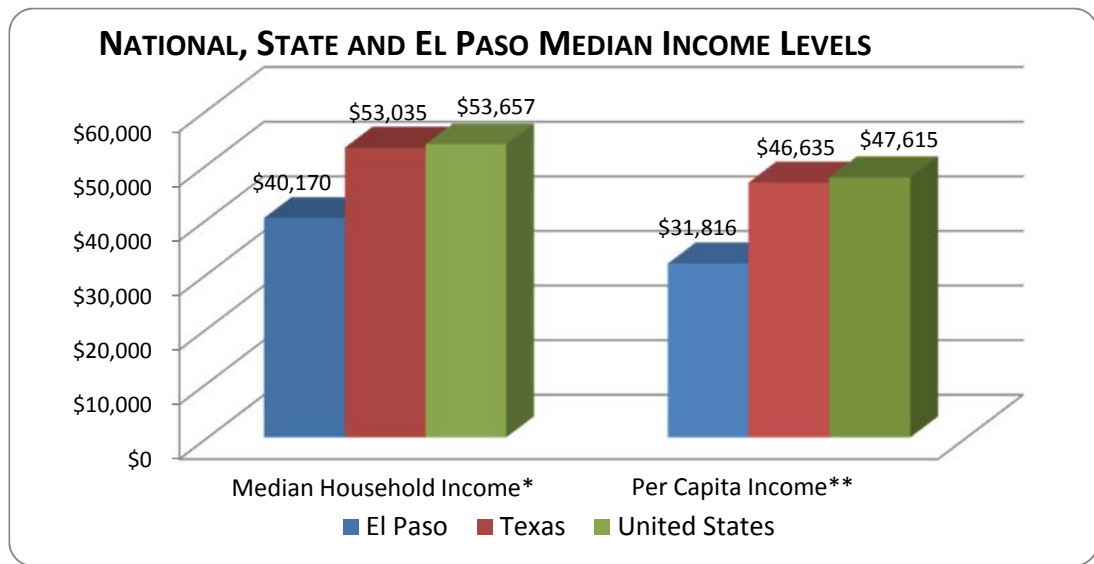


Source: U.S. Census Bureau, 2013 American Community Survey

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
DEMOGRAPHIC AND ECONOMIC STATISTICS**



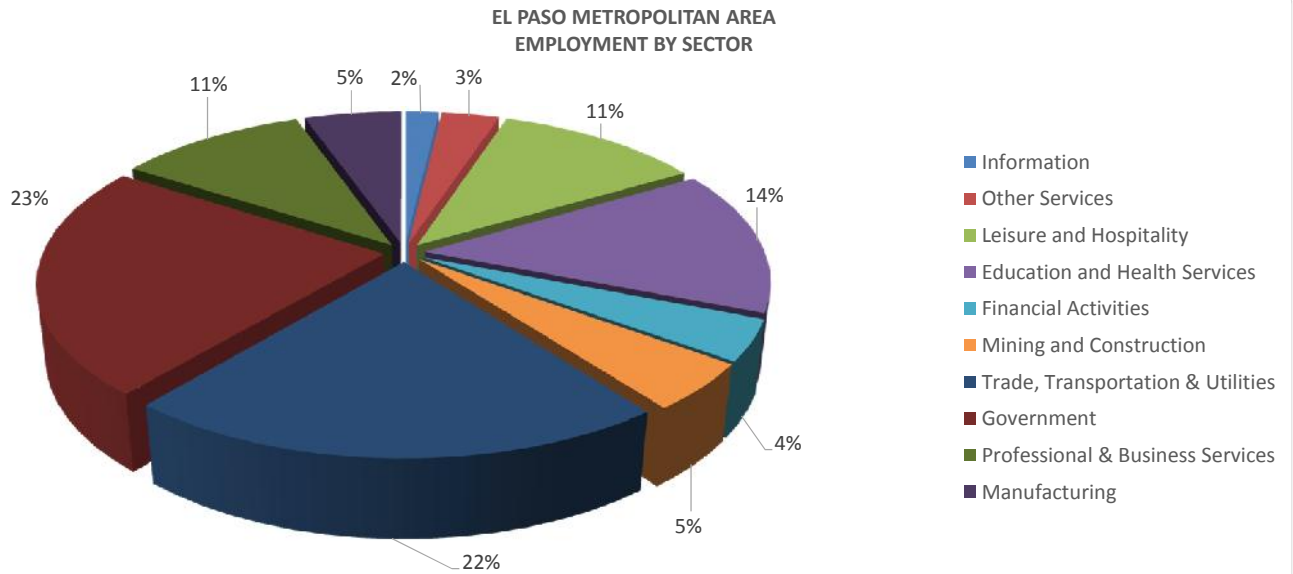
Source: U.S. Census Bureau, 2014 American Community Survey



*Source: U.S. Census Bureau, 2014 American Community Survey

**Source: Bureau of Economic Analysis, REIS: table CA1-3, June 2014

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
DEMOGRAPHIC AND ECONOMIC STATISTICS**



Source: Texas Workforce Commission, April 2016

Top 10 Private Employers in the City of El Paso

2015**				
Rank	Employer	Type of Service	No. of Employees	% of Total Employment
1	T&T Staff Management LP	Employment Service	5,900	1.9%
2	Tenet Hospital Limited	Health Care	5,267	1.7%
3	El Paso Healthcare Systems, LTD.	Health Care	3,000	1.0%
4	Alorica	Inbound Customer Service Center	2,312	0.7%
5	Dish Network	Technical Support Center	1,800	0.6%
6	Automatic Data Processing, Inc.	Contact Center	1,300	0.4%
7	GC Services	Inbound Customer Service Center	1,100	0.4%
8	El Paso Electric Company	Electric Utilities	920	0.3%
9	Full Beauty Brands	Inbound Customer Service Center	746	0.2%
10	Verizon Wireless	Customer Care and Technical Support	600	0.2%

Source: List verified by Regional Economic Development (December 2015)

** Excludes Retail

2005*				
Rank	Employer	Type of Service	No. of Employee	% of Total Employment
1	Sierra Providence Health Network	Healthcare	3,761	1.4%
2	Wal-Mart	Retail	3,677	1.4%
3	EchoStar Satellite Corp.	Call center	3,000	1.1%
4	Las Palmas & Del Sol Regional Hospital	Healthcare	2,244	0.9%
5	MCI/GC Services	Telemarketing	1,790	0.7%
6	Sahara, Inc. (Nat. Cent. For Emp. Of Disabled)	Sheltered Workshop	1,369	0.5%
7	West Teleservices Corp.	Telemarketing	1,300	0.5%
8	Big 8 Food Stores	Grocery	1,220	0.5%
9	Del Sol Medical Center	Healthcare	1,203	0.5%
10	El Paso Healthcare Systems	Healthcare	1,203	0.5%

Source: City of El Paso, Economic Development Department

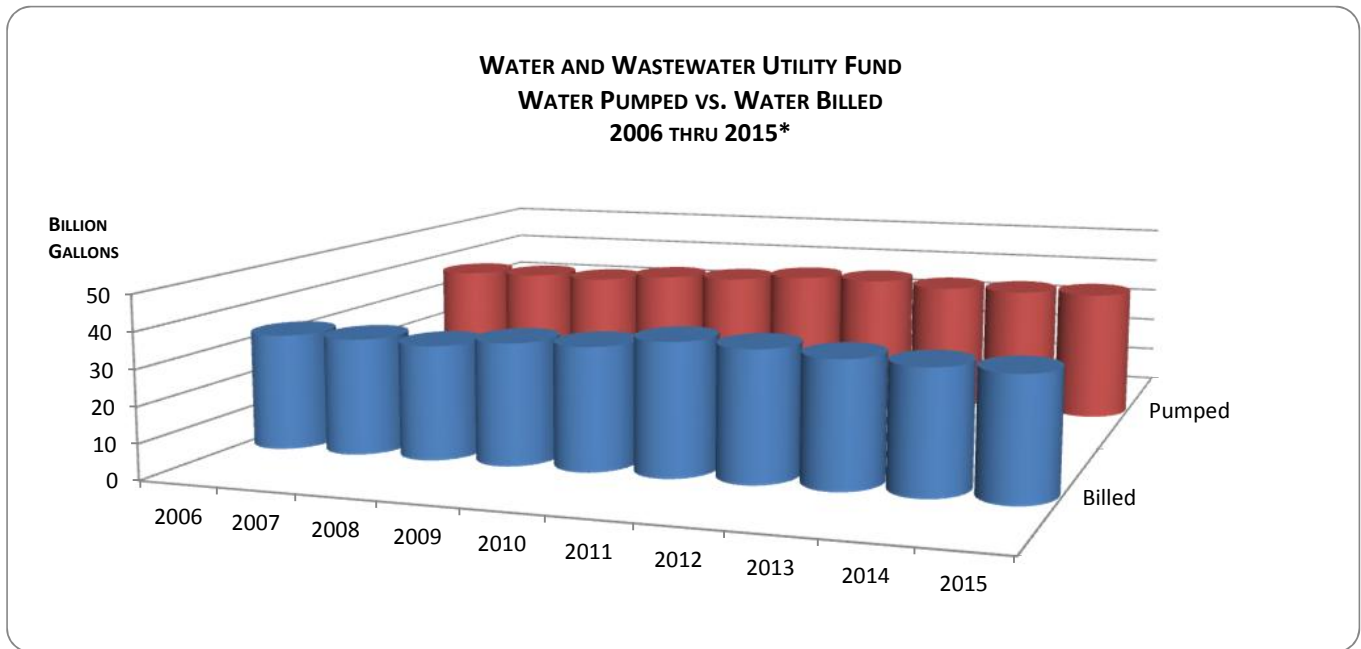
* Includes Retail



E - OPERATING INFORMATION

These schedules contain information about the Public Service Board - El Paso Water Utilities' operations and resources, to help the reader understand how each utility's financial information relate to the services they provide and the activities they perform.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

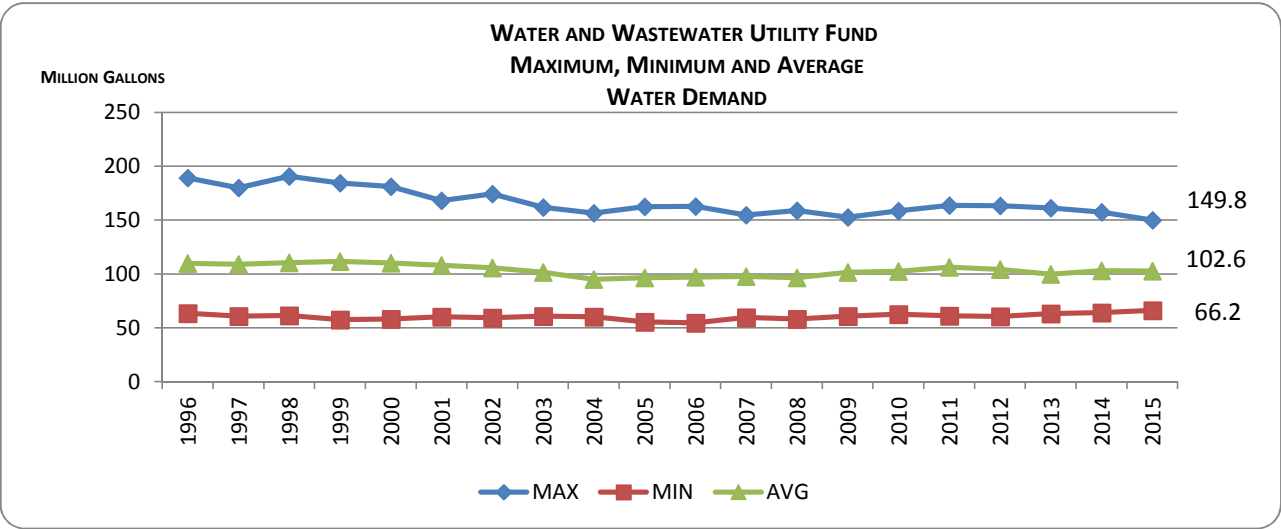


* Calendar Year

Water Pumped vs. Water Billed Data 2006 thru 2015*			
Calendar Year	Water Pumped Billion Gallons	Water Billed Billion Gallons	Unbilled Water
2006	35.46	32.60	8.1%
2007	35.64	32.66	8.3%
2008	35.32	32.07	9.2%
2009	37.07	34.15	7.9%
2010	37.37	34.41	7.9%
2011	38.83	37.02	4.7%
2012	38.82	36.32	6.4%
2013	37.45	35.08	6.3%
2014	37.32	34.29	8.1%
2015	37.49	33.98	9.4%

* Calendar Year

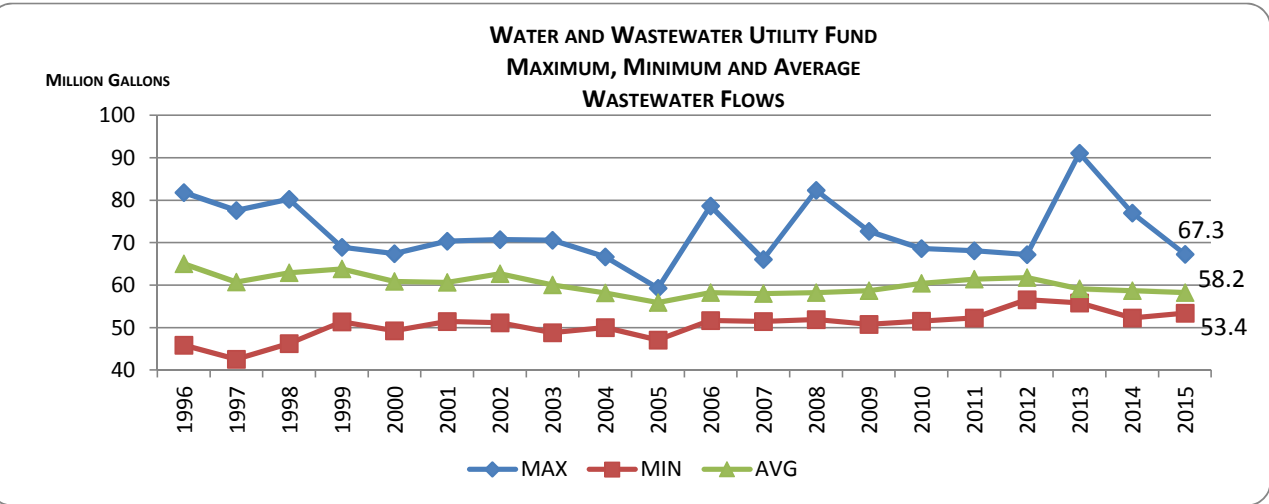
PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



Calendar Year

Source: Selected Operating Statistical Data page E-3

Utility's water conservation programs were initiated in 1991



Calendar Year

Source: Selected Operating Statistical Data page E-3

Note: sharp increase in maximum wastewater flows due to Storm 2006

*Heavy rains on September 12, 2013 infiltrated the sewer mains causing the spike in sewer flows

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER AND WASTEWATER UTILITY FUND

SELECTED OPERATIONS AND STATISTICAL DATA
2006 thru 2015*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
WATER PRODUCTION AND USAGE DATA *										
Water Customers Retail at End of Year	201,807	198,767	196,600	194,274	191,625	188,927	185,062	182,315	178,031	174,922
Water Customers Retail & Wholesale at End of Year	224,656	220,570	217,406	214,254	210,987	207,563	202,150	198,390	195,389	191,849
Water Pumped - Million Gallons	37,487	37,324	37,345	38,715	38,833	37,348	37,067	35,476	35,636	35,457
Water Metered - Million Gallons - Retail	30,847	31,246	31,803	33,261	34,336	31,570	31,871	30,481	31,123	30,600
Water Metered - Million Gallons - (Retail/Wholesale)	33,981	34,289	34,834	36,319	37,022	34,407	34,147	32,069	32,284	32,595
Percent of Water Billed vs. Water Pumped (R/W)	91%	92%	93%	94%	95%	92%	92%	90%	91%	92%
Annual Billed Water per Customer Retail -1000 Gallons	153	157	162	171	179	167	172	167	175	175
Annual Billed Water per Customer (R/W) - 1000 Gallons	151	155	160	170	175	166	169	162	165	170
Average Daily Water Demand-Million Gallons	102.6	103.1	99.8	104.3	106.2	102.4	101.6	96.4	97.5	97.0
Maximum Daily Water Demand-Million Gallons	149.8	157.4	161.1	163.2	163.5	158.5	152.6	158.7	154.8	162.7
Minimum Daily Water Demand-Million Gallons	66.2	64.0	63.3	60.6	61.2	62.7	60.7	58.2	59.7	54.6
Daily Average Consumption in Peak Week-Million Gallons	146.2	149.8	149.8	152.5	155.6	147.7	138.7	144.0	138.0	144.0
Peak day	June 24	June 4	June 26	June 26	June 29	June 18	July 14	June 27	June 26	June 21
Miles of Water Mains Installed	21,52	24.12	35.58	37.75	35.34	21.68	28.69	38.84	42.82	22.00
Miles of Water Mains Replaced or Abandoned	1.72	2.60	2.88	7.50	10.72	5.14	7.74	2.94	12.75	2.70
Miles of Water Mains in Place	2,635	2,615	2,593	2,561	2,530	2,506	2,489	2,468	2,432	2,402
Number of Fire Hydrants Installed	321	115	123	102	136	168	226	287	270	435
Number of Fire Hydrants in Place	10,750	10,429	10,314	10,191	10,089	9,953	9,785	9,559	9,272	9,002
WASTEWATER SYSTEM DATA *										
Wastewater Customers Retail & Wholesale at End of Year	209,178	204,810	202,068	199,181	195,875	192,765	187,992	183,990	180,795	177,845
Annual Wastewater Flow - Million Gallons	21,235	21,415	21,572	22,604	22,459	22,028	21,411	21,312	21,163	21,254
Average Daily Flow - Million Gallons	58.18	58.67	59.10	61.76	61.53	60.35	58.66	58.23	57.98	58.23
Maximum Daily Flow - Million Gallons	67.29	77.02	91.07	67.16	68.10	68.62	72.68	82.31	66.05	78.62
Minimum Daily Flow - Million Gallons	53.40	52.27	55.85	56.57	52.30	51.52	50.79	51.91	51.42	51.63
Average Daily Flow per Customer - Gallons	278	286	292	310	314	313	312	316	321	327
Miles of Wastewater Lines Installed	23.11	17.86	25.00	25.00	34.96	30.00	37.00	32.24	29.73	28.00
Miles of Wastewater Line in Place	2,276	2,253	2,235	2,210	2,185	2,150	2,120	2,083	2,051	2,021

* Calendar Year

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND

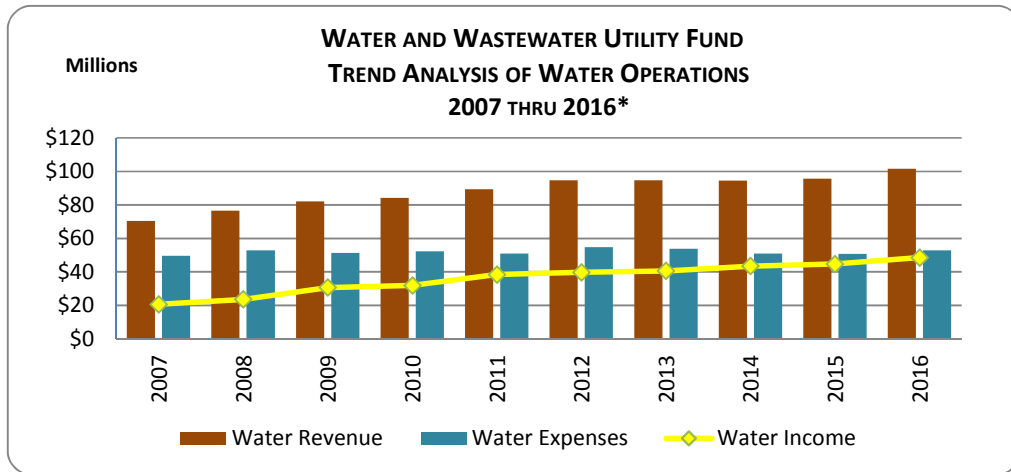
SELECTED OPERATIONS AND STATISTICAL DATA
2009 thru 2016*

	2016	2015	2014	2013	2012	2011	2010	2009
DRAINAGE OPERATIONS								
Number of Ponds	388	361	361	361	361	310	277	277
Acres of Ponds Inventoried	904	904	904	904	904	904	983	983
Acres of Ponds Cleaned	377	425	82	917	461	650	500	3,429
Number of Dams/Basins	38	37	37	37	37	32	38	38
Acres of Dams/Basins Inventoried	2,430	2,430	2,430	2,430	2,417	2,430	2,390	2,390
Acres of Dams/Basins Cleaned	351	660	57	463	263	1,200	1,000	1,915
Miles of Channels Inventoried	74	74	74	74	72	74	68	68
Miles of Channels Cleaned	20	6	10	27	44	30	15	30
Miles of Agricultural Drains Inventoried	39	43	43	43	39	43	39	39
Miles of Agricultural Drains Cleaned	21	17	6	39	17	15	20	25
Miles of Drainage Conduits Inventoried	280	280	280	146	280	146	100	100
Miles of Drainage Conduits Cleaned	0	0	2	12	2	15	2	2
Drainage Inlets Inventoried	6,353	6,353	6,346	6,094	6,359	6,094	4,100	4,100
Drainage Inlets Cleaned	465	2	46	373	116	500	100	-

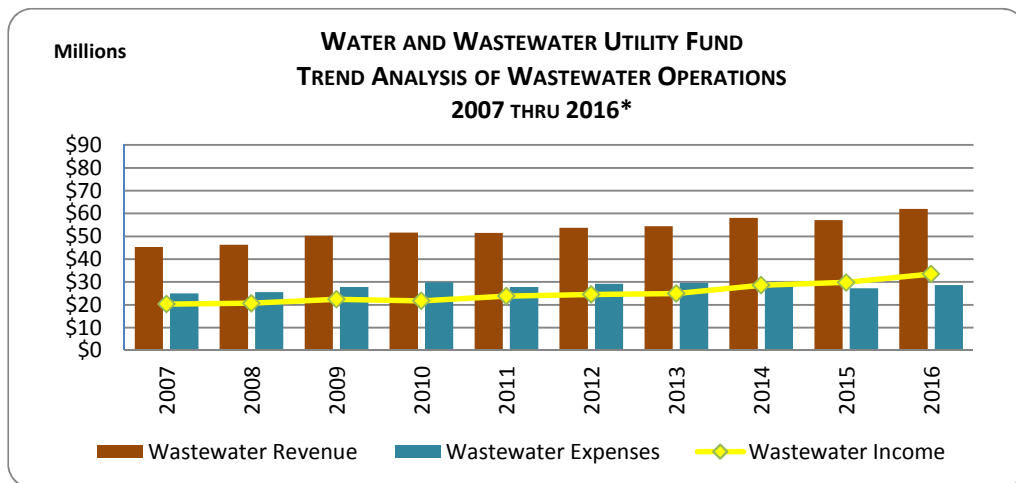
* Fiscal year March 1 thru last day of February of year shown

Note: Municipal Drainage Utility was created and started operations in fiscal year 2009

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



* Fiscal year March 1 thru last day of February of year shown
 Source: Net Operating Revenue - Water & Reclaimed Water, page 120



* Fiscal year March 1 thru last day of February of year shown
 Source: Net Operating Revenue - Wastewater, page 121

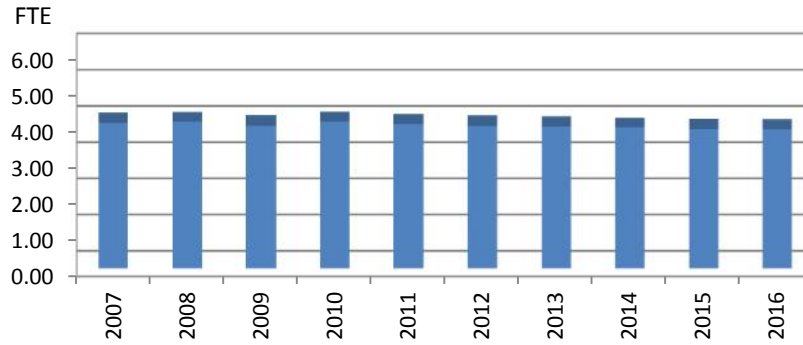
PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER, WASTEWATER AND MUNICIPAL DRAINAGE UTILITY FUNDS

STAFFING BY DIVISION AND SECTION							
Fiscal Year 2016*							
	Division/Section	Budgeted FTE's					
		2016	2015	2014	2013	2012	2011
Administration	Executive Services	5	6	15	15	15	14
	Legal Services	4	4	4	4	4	4
	Communications	8	8	2	2	2	2
	Human Resources	11	11	11	8	8	8
	Water Resources Management	4	4	4	4	4	5
	Land Management	9	8	8	7	7	7
	TecH ₂ O Learning Center	10	10	10	10	10	10
	Total Division	51	51	54	50	50	50
Technical Services	Technical Services	5	6	5	4	4	3
	Water/Wastewater Engineering	15	15	15	14	14	14
	Planning and Development	31	33	32	32	32	33
	Project Management	13	8	8	8	8	8
	Stormwater Engineering	0	0	0	6	6	6
	Total Division	64	62	60	64	64	64
Financial & Support Services	Finance	4	4	3	3	3	3
	Property and Treasury Management	15	15	14	14	13	13
	Customer Service	103	102	102	101	98	96
	Accounting	13	13	13	13	14	14
	Purchasing	10	10	10	10	9	9
	Meter Repair Shop	11	11	11	11	11	11
	Warehouse	8	8	9	9	9	9
	Total Division	164	163	162	161	157	155
Information Services	Information Services	31	30	27	26	24	24
	Instrumentation and Control	29	29	26	25	14	13
	Total Division	60	59	53	51	38	37
Operations (Water System)	Water Division Office	3	3	3	3	3	3
	Well Production	44	43	43	44	43	43
	Robertson/Umbenhauer Water Treatment Plant	20	20	20	20	20	20
	Water Distribution	102	98	98	96	96	96
	Jonathan W. Rogers Water Treatment Plant	18	18	18	18	18	18
	Upper Valley Water Treatment Plant	15	15	15	15	15	15
	Kay Bailey Hutchison Desalination Plant	14	14	14	14	14	14
	Total Division	216	211	211	210	209	209
Operations (Wastewater System)	Wastewater Division Office	5	5	5	5	5	5
	Wastewater Lift Stations	18	18	18	18	20	20
	Wastewater Collection System Maintenance	33	33	33	33	33	33
	Northwest Wastewater Treatment Plant	15	15	15	15	17	17
	Haskell R. Street Wastewater Treatment Plant	30	30	30	30	32	32
	Roberto R. Bustamante Wastewater Treatment Plant	30	29	29	29	31	31
	Fred Hervey Water Reclamation Plant	28	28	28	28	30	30
	Wastewater System Repair & Construction	20	20	20	20	20	20
	Total Division	179	178	178	178	188	188
Operations (Operations Support)	Operations Management	4	4	3	3	3	3
	Environmental Compliance/Industrial Pretreatment	10	10	10	10	10	11
	Laboratory Services	30	30	30	30	29	29
	Reclaimed Water System	1.5	1.5	1.5	1.5	1.5	1.5
	Biosolids Management	0.5	0.5	0.5	0.5	0.5	0.5
	Total Division	46	46	45	45	44	45
Operations (Equipment & Facilities Maintenance)	Fleet Maintenance	23.3	22.3	22.3	21.3	21.3	21.3
	Heavy Equipment Operations	42.3	42.3	42.3	42.3	42.3	42.3
	Facilities Maintenance	18.3	18.3	18.3	18.3	17.3	17.3
	Total Division	84	83	83	82	81	81
WATER AND WASTEWATER UTILITY'S TOTAL BUDGETED REQUIREMENTS		864	853	846	841	831	829
Stormwater	Stormwater	52	52	58	58	58	58
	Stormwater Engineering	8	7	6	0	0	0
	Stormwater Environmental Compliance	7	7	0	0	0	0
	Total Division	67	66	64	58	58	58

* Fiscal year March 1 thru last day of February of year shown

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

**WATER AND WASTEWATER UTILITY FUND
BUDGETED EMPLOYEES PER 1,000 CUSTOMERS
2007 thru 2016***



* Fiscal year March 1 thru last day of February of year shown

Budgeted Employees per 1,000 Customers Data			
Year	FTE*	Year	FTE
2007	4.0	2012	3.9
2008	4.1	2013	3.9
2009	4.0	2014	3.9
2010	4.1	2015	3.9
2011	4.0	2016	3.8

* FTE=full time equivalent

