



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the Fiscal Years Ended
February 28, 2015 and 2014
El Paso, Texas



**Public Service Board
El Paso Water Utilities**

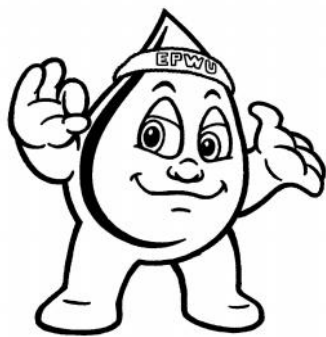
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Prepared by:

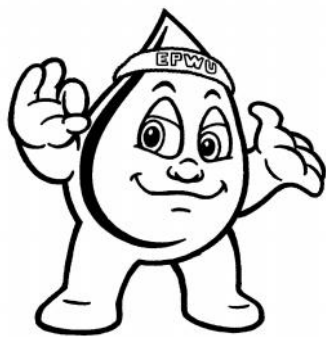
Departments of Finance & Accounting



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 28, 2015 & 2014

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July 8, 2015

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 28, 2015, 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 28, 2015, 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 28, 2015, 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 28, 2015 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 \$500,000.

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.

Mission Statement - The mission of the Public Service Board - El Paso Water Utilities is to provide our customers a sustainable water supply and the highest quality water services at a reasonable cost with excellent customer service.

Vision Statement- To sustain the future of the community through proper planning and implementation of diverse and alternative strategies.

In the fall of 2014, the Public Service Board revamped its strategic plan to reflect changing conditions and identify and address new initiatives. The new strategic plan implemented the Balanced Scorecard method that includes a SWOT Analysis and integrated the mission, vision, core values, value propositions and tactical plans into one strategic plan for the Utility. The strategic plan was formalized with input from employees, management, board members and community stakeholders.

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 1,355 jobs during the year, representing an annual growth rate of 0.42% as the local economy continues to grow. As of the end of February 2015, El Paso's unemployment rate was at 5.4%.

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 2014 and well into 2015.

In addition to a strong, diverse economic base, in 2014 El Paso was ranked as the safest large city in the United States with a population of over 500,000, according to CQ Press. El Paso has been ranked in the 2nd or 3rd spot of Safest Cities since 1997 and in 2011 was ranked as the safest city. 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 90.4% of the national average in 2014, 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. In 2014, Fort Bliss realized a net increase of over 37,000 active duty personnel – the largest net gain from any military installation in America. The Army also projects that approximately 16,000 spouses and 21,000 children will accompany these personnel as they transition to El Paso. An investment of over \$5 billion for construction projects will support the 300% base population increase by 2015. The El Paso Regional Economic Development Corporation estimated that Fort Bliss' long term economic impact is estimated at \$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. By 2017, 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. In April of 2013 the Senate Finance Committee in Austin, Texas voted to award UTEP \$40 million in tuition revenue bonds for capital improvements to help the university reach its goal of becoming a national research Tier 1 university.

Growth is evident in all parts of El Paso. The city has experienced growth in the challenging economic environment 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 2015 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. EPWU updated its 50-year plan as part of the update in 2011 of the Region E's 50-year water plan. This plan identifies projected water demand over the next 50 years and provides water supply alternatives to meet demand. In 2014, EPWU along with other stakeholders in the Far West Texas Regional Plan attended meetings to begin work on the 2016 State Water Plan. 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 billion that will need to be constructed to meet the water, wastewater and reclaimed water needs of the El Paso region, with an additional \$240 million in drainage projects to address deficiencies in the drainage system. It is projected that water and wastewater rates will increase an estimated 40% over the next five years to fund operations, the capital improvements program and maintain adequate cash reserves. An eight percent rate increase was implemented for FY 2015-16. In May 2009, City Council adopted water and wastewater impact fees to help pay for growth infrastructure. In fiscal year 2014-15 the Utility collected \$1 million and estimates that in future years between \$1 - \$2 million will be collected from impact fees annually. EPWU projects that drainage fees will have to be increased by 62% over the next five years to continue with the drainage projects and maintenance of the system.

EPWU has budgeted over \$171 million in fiscal year 2015-16 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 \$46 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 2015-16 the Utility budgeted \$50 million for the acquisition of water rights and \$2 million for an advance purified water plant pilot plant to produce drinking water. The pilot plant operation and testing program coupled with negotiations with the Texas Commission on Environmental Quality (TCEQ) will set the operating conditions and processes for the full scale facility. 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 2018-19. 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, 2014. This was the nineteenth 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, 2014, which was the sixteenth 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**

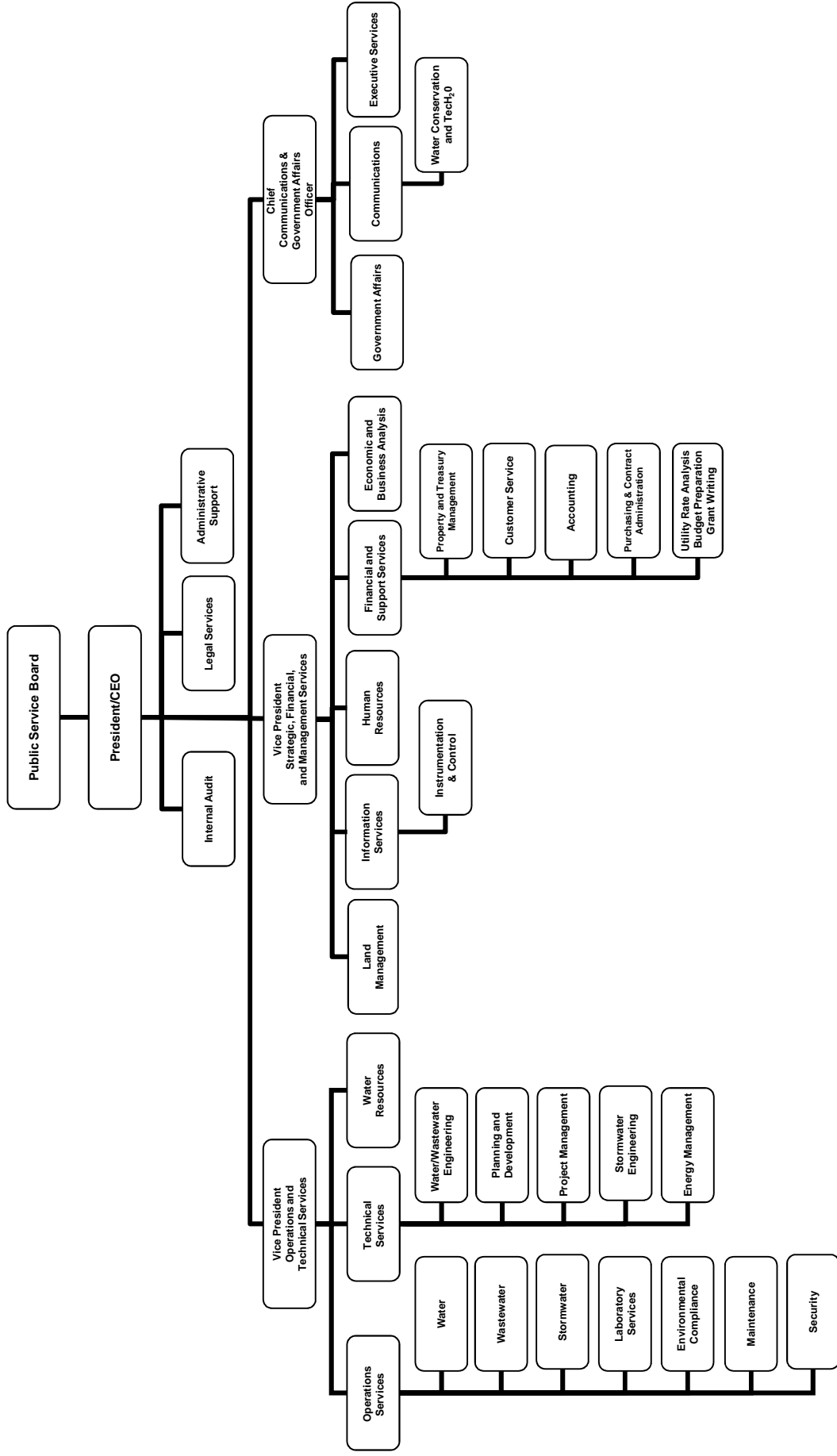
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

February 28, 2014

Executive Director/CEO

El Paso Water Utilities

Organizational Structure





COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED FEBRUARY 28, 2015

PUBLIC SERVICE BOARD



Richard T. Schoephoerster, Ph.D., P.E.
Chair



Ruth Katherine Brennand
Vice Chair



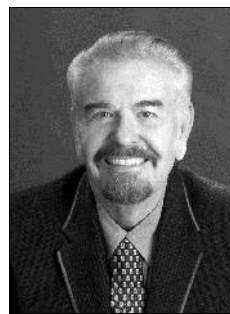
Terri Garcia
Secretary-Treasurer



Henry Gallardo
Member



Christopher A. Antcliff
Member



Bradley Roe
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

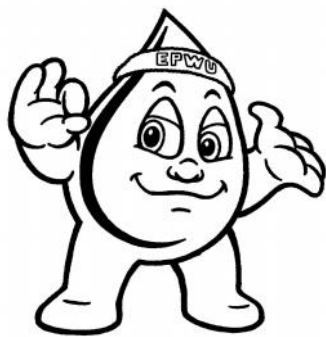
Arturo Duran, Chief Financial Officer

ACCOUNTING/ASSET MANAGEMENT

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

GENERAL COUNSEL

Lupe Cuellar, General Counsel
Lowell Stokes, 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 28, 2015 and 2014, 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 28, 2015 and 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Post Employment Benefits Plan schedules on pages 14 through 29 and 100 to 101 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.

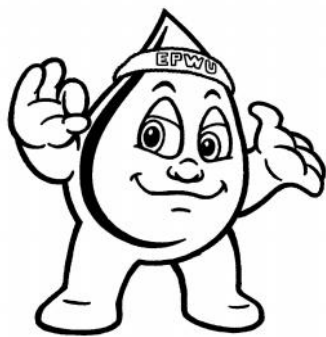
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our separate report dated June 29, 2015, 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
June 29, 2015



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 28, 2015. 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 1-6 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 \$879.26 million (*net position*).

EPWU's total assets and deferred outflows of resources of \$1.56 billion increased by \$44.27 million from 2014 to 2015 mainly due to an increase of \$51.69 million in water and sewer infrastructure put in service during fiscal year 2015 and an increase in construction work in progress of \$60.52 million offset by a decrease in restricted assets for construction of \$46.79 million.

EPWU's total liabilities and deferred inflows of resources increased by \$13.21 million during the fiscal year mainly due to an increase in customer advances for construction of \$6.56 million from restricted assets and an increase of \$5 million in commercial paper notes.

The debt service coverage for the Water and Wastewater Utility of 2.07 times is well above the required 1.5 times debt service coverage as per its bond ordinance. The Municipal Drainage Utility's debt service coverage of 1.94 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.

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 2015	FY2014	FY2013
Metered water customers, beginning of year	196,589	194,347	192,063
Additions, net	2,534	2,242	2,284
Metered water customers, end of year	199,123	196,589	194,347
Wastewater Customers	FY 2015	FY 2014	FY 2013
Wastewater customers, beginning of year	187,003	184,868	182,595
Additions, net	2,223	2,135	2,273
Wastewater customers, end of year	189,226	187,003	184,868
Drainage Customers	FY 2015	FY 2014	FY 2013
Drainage customers, beginning of year	186,050	183,680	181,268
Additions, net	1,783	2,370	2,412
Drainage customers, end of year	187,833	186,050	183,680

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, 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.

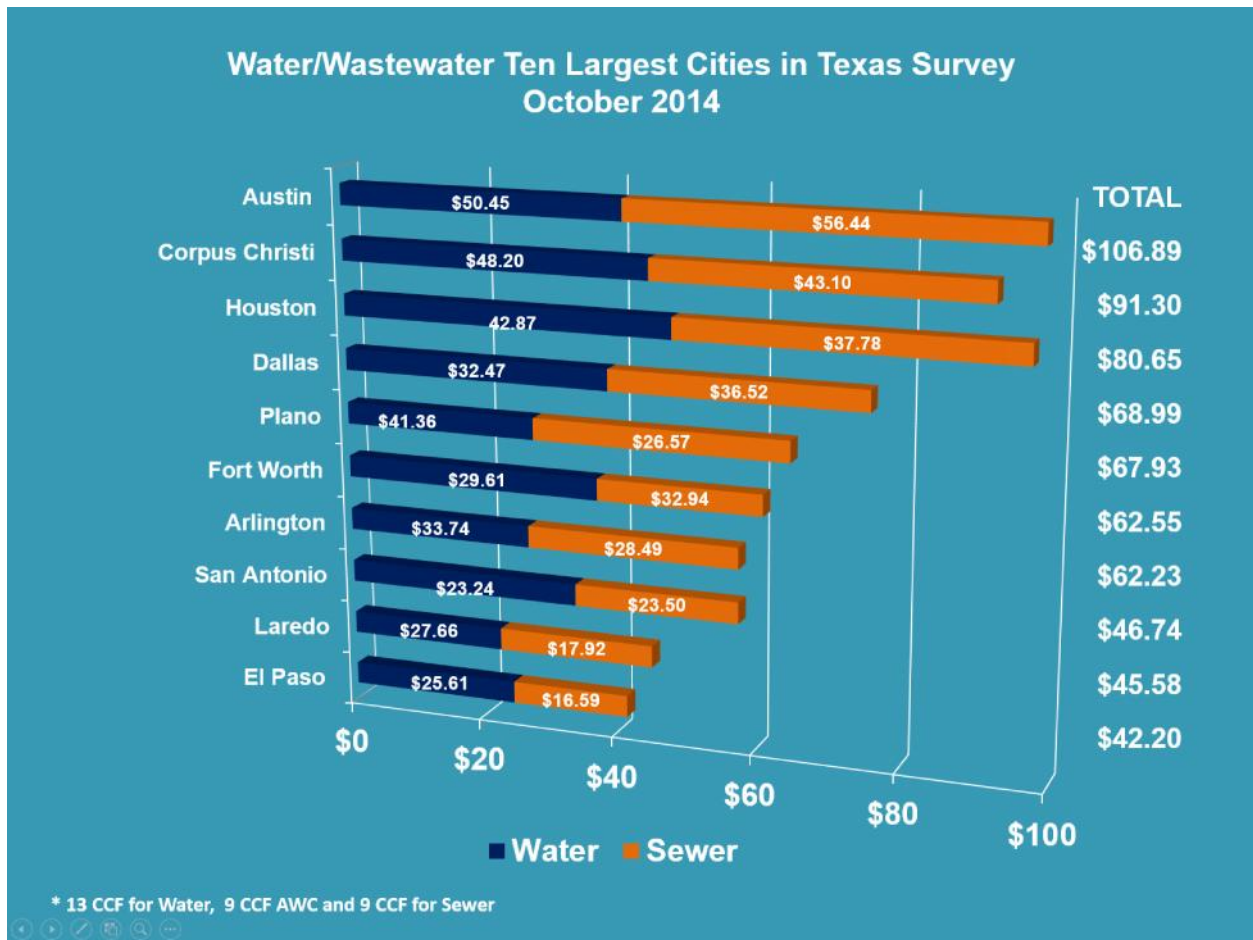
Wholesale Customers	FY 2015	FY 2014	FY 2013
Lower Valley Water District			
<i>Water Customers</i>	16,472	15,901	15,492
<i>Wastewater Customers</i>	13,553	12,949	12,675
County of El Paso - East Montana - <i>Water Customers</i>	1,754	1,736	1,719
Haciendas del Norte WID- <i>Water Customers</i>	345	345	345
Ponderosa/Western Village - <i>Water Customers</i>	290	289	291
Colonia Revolucion - <i>Water Customers</i>	70	-	-
Gaslight Square Mobile Home/RV Park - <i>Water and Wastewater Customers</i>	<i>Varies</i>	<i>Varies</i>	<i>Varies</i>

Wholesale Customers	FY 2015	FY 2014	FY 2013
Mayfair/Nuway and Schuman - <i>Water Customers</i>	301	296	288
Paseo Del Este MUD - <i>Water and Wastewater Customers</i>	2,732	2,279	1,950

The table below shows the average monthly water, wastewater and drainage bill for a residential customer for fiscal years 2015, 2014 and 2013:

Average Residential Bill			
	FY 2015	FY 2014	FY 2013
Water (includes water supply replacement charge)	\$27.57	\$28.09	\$28.36
Wastewater	\$16.29	\$16.64	\$15.61
Drainage	\$3.03	\$3.03	\$3.03
Total Bill	\$46.89	\$47.76	\$47.00

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 2014.



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 month of September.

	FY 2015	FY 2014	FY 2013
Water Pumped (billion gallons)	37.26	37.56	38.67
Water Billed (billion gallons)	34.16	34.99	36.47

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 2014, EPWU along with other stakeholders in the Far West Texas Regional Plan began working on the 2016 State Water Plan. The 2016 Plan will include 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.

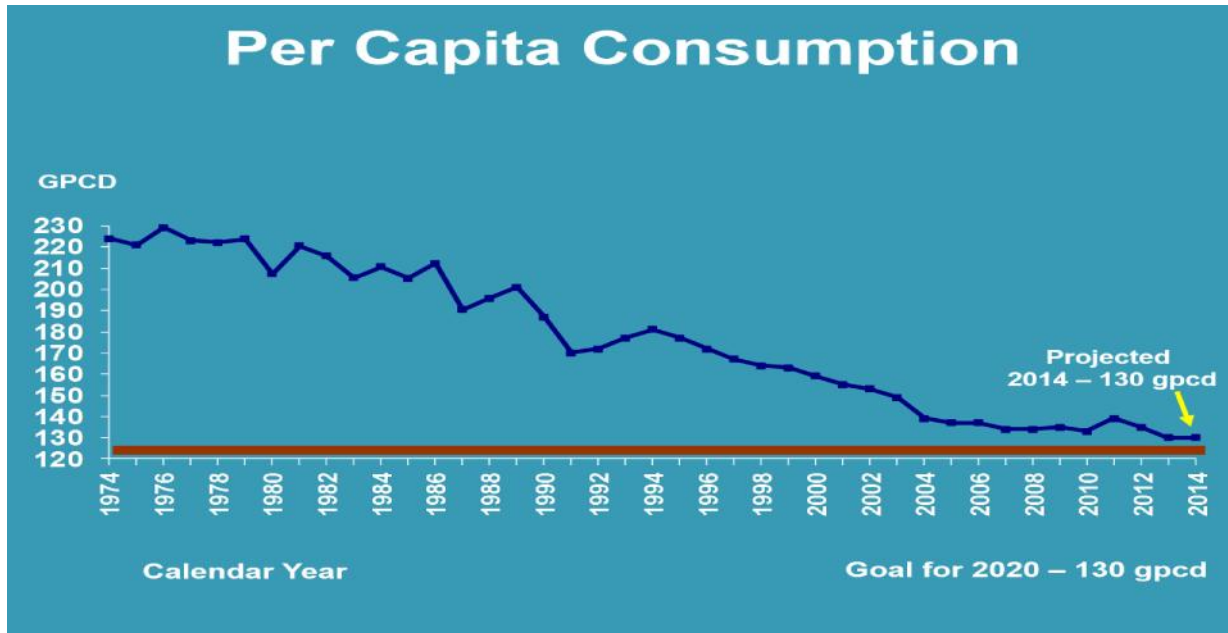
In 2005, EPWU began operating four treatment plants specifically designed to achieve compliance with EPA's new maximum contaminant level (MCL) for arsenic, which became effective January 23, 2006. These plants have a combined treatment capacity of 41 MGD. The largest of the four plants is the 30 MGD **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.

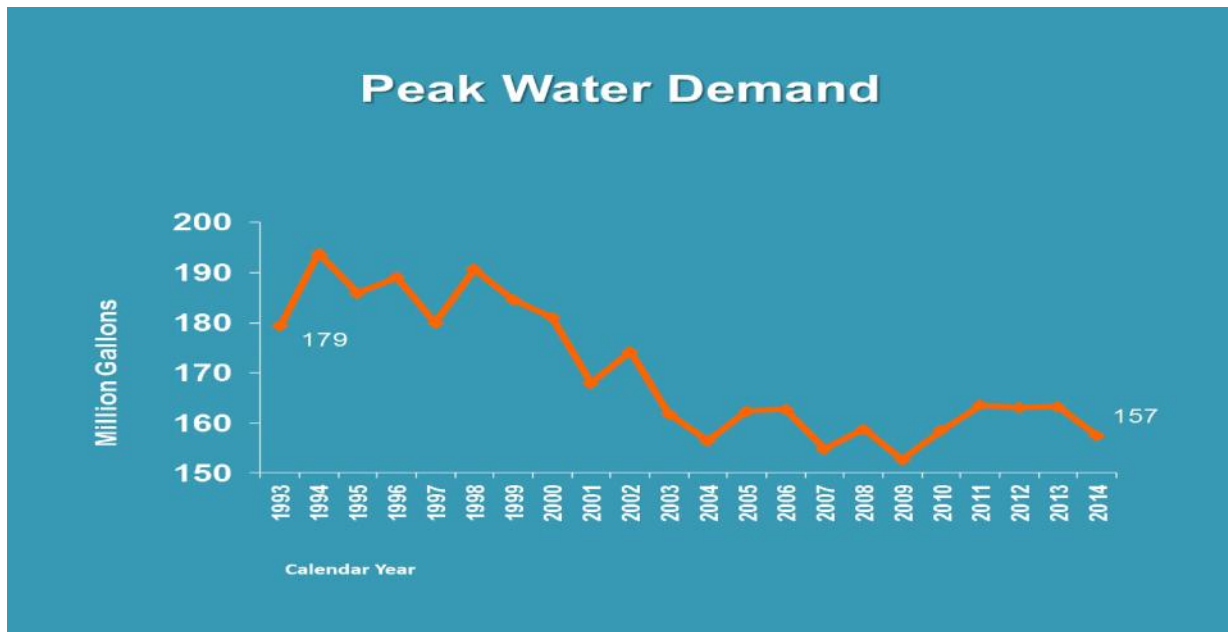
The Utility was one of only seven public drinking water systems that received the Platinum Award for Utility Excellence from the Association of Metropolitan Water Agencies (AMWA) in 2010. This award recognizes the outstanding achievements in implementing the nationally recognized Attributes of Effectively 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 2014, as a result of the continuing drought the Utility received only 40 percent of a normal full year allotment. A normal full allotment of river water produces about 50 percent of the total annual water supply. The Utility was allotted only 24,000 acre feet (AF) of river water compared to an average year when over 60,000 AF is treated. Withdrawals from the Hueco Bolson were approximately 58 percent and 22 percent from the Mesilla Bolson. Both surface water treatment

plants operated during the 2014 reduced three-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 2014 was 130 gpcd.



Peak day demand has also declined significantly from 195.0 MGD in 1990 to 157.4 MGD in 2014. 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 12 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 part 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 2014, the plant received the NACWA Platinum 15 Award for 15 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 four 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.

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.

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 2015 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			
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u> <u>(Restated)</u>
Current Assets	\$200,368,047	\$228,703,815	\$ 245,790,546
Noncurrent Assets	32,686,989	39,186,166	18,375,753
Capital Assets (Net)	1,325,187,894	1,249,371,554	1,204,214,120
Deferred Outflows of Resources	5,232,151	1,943,345	1,588,989
Total Assets and Deferred Outflows of Resources	<u>\$ 1,563,475,081</u>	<u>\$ 1,519,204,880</u>	<u>\$ 1,469,969,408</u>
Current Liabilities	100,497,462	89,697,090	78,046,293
Noncurrent Liabilities	583,585,333	581,161,267	583,405,013
Total Liabilities	<u>684,082,795</u>	<u>670,858,357</u>	<u>661,451,306</u>
Deferred Inflows of Resources	131,896	143,045	154,195
Net Position:			
Restricted	83,489,307	93,964,776	81,583,229
Net Investment in Capital Assets	776,031,841	727,501,647	698,873,162
Unrestricted	19,739,242	26,737,055	27,907,516
Total Net Position	<u>879,260,390</u>	<u>848,203,478</u>	<u>808,363,907</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,563,475,081</u>	<u>\$ 1,519,204,880</u>	<u>\$ 1,469,969,408</u>

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

From fiscal year 2014 to 2015 total assets and deferred outflows of resources increased by \$44.27 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 Wastewater Utility offset by a decrease in restricted assets for construction of \$46.79 million. Total assets and deferred outflows of resources increased by \$49.24 million from fiscal year 2013 to 2014 mainly due to an increase in construction work in progress of \$52.62 million and an increase of \$28.27 million in capital assets from the Water and Wastewater Utility. Current assets decreased by \$28.34 million from fiscal year 2014 to 2015 mainly due to \$37.15 million of drawdown of funds restricted for construction. From 2013 to 2014 current assets decreased by \$17.09 million mainly due to \$14.87 million drawdown of funds restricted for construction. Total capital assets, net of accumulated depreciation, increased by \$75.82 million from 2014 to 2015 and \$45.16 million from 2013 to 2014, which consists of an increase in water, wastewater and drainage infrastructure placed into service and an increase in construction work in progress. Total liabilities increased from 2014 to 2015 by \$13.22 million mainly due to an increase in commercial paper notes of \$5 million and an increase in customer advances for construction of \$6.56 million and increased by \$9.41 million from 2013 to 2014 mainly

due to an increase in accounts payable from restricted assets of \$4.16 million and an increase in customer advances for construction of \$5.16 million. The net position of \$879.26 million for fiscal year 2015 increased by \$31.06 million from 2014 due to an increase in net position, before capital contributions of \$22.48 million and capital contributions of \$8.58 million. Total net position of \$848.20 million for fiscal year 2014 increased by \$39.84 million from 2013 due to an increase in net position, before capital contributions of \$26.01 million and capital contributions of \$13.82 million. For fiscal year 2015 net position, before capital contributions consists of operating income of \$41.70 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. For fiscal year 2014 net position, before capital contributions consists of operating income of \$43.34 million, interest earnings of \$355,000, a \$2.27 million gain from the sale of land, the \$1.05 million tax credit from the IRS for the Build America Bonds issued, offset by interest expense of \$21.31 million. Net position for the Water and Wastewater Utility increased \$24.44 million from 2014 to 2015, along with the Municipal Drainage Utility net position increase of \$6.61 million. Net position for the Water and Wastewater Utility increased \$34.09 million from 2013 to 2014, along with the Municipal Drainage Utility net position increase of \$5.75 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 2015</u>	<u>FY 2014</u>	<u>FY 2013 (Restated)</u>
Operating Revenues:			
Water	\$ 92,756,225	\$ 91,837,712	\$ 91,787,975
Water supply replacement charge	19,932,864	19,594,187	18,410,830
Reclaimed Water	2,863,690	2,651,400	2,802,403
Wastewater	57,064,138	58,032,496	54,468,286
Drainage fees	15,194,156	15,057,603	14,961,652
City of El Paso Franchise fee	1,937,221	-	-
Other operating revenue	10,158,103	9,517,425	9,890,164
Total Operating Revenues	<u>199,906,397</u>	<u>196,690,823</u>	<u>192,321,310</u>
Operating Expenses:			
O&M – Water and Reclaimed Water	40,010,230	38,691,615	40,365,490
O&M – Wastewater	21,572,362	22,444,348	22,164,641
General, Administrative and Engineering	21,706,437	20,472,534	22,323,067
O&M – Drainage	4,978,923	5,620,417	4,536,139
Other Operating Expenses	2,962,829	2,602,114	2,845,314
Other Post-Employment Benefits	1,040,962	884,968	889,367
Depreciation	53,406,341	52,077,279	51,281,624
Payment to City of El Paso Franchise fee	1,937,221	-	-
Payment to City of El Paso per Bond Covenants	10,593,266	10,553,216	10,382,694
Total Operating Expenses	<u>158,208,571</u>	<u>153,346,491</u>	<u>154,788,336</u>

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

	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u> <u>(Restated)</u>
Operating Income	41,697,826	43,344,332	37,532,974
Nonoperating Revenues (Expenses):			
Interest Earnings	501,548	355,574	362,528
Gain on Land Assets Converted by Sale	148,384	2,270,541	2,584,304
Gain on Sale of Miscellaneous Assets	734,234	314,473	149,978
IRS tax credit for Build America Bonds	1,014,977	1,049,503	1,183,678
Other Nonoperating Expense	-	(13,712)	-
Interest on Long-Term Debt	(21,618,853)	(21,309,998)	(22,052,401)
Total Nonoperating Expenses	<u>(19,219,710)</u>	<u>(17,333,619)</u>	<u>(17,771,913)</u>
Increase in Net Position, Before Contributions	22,478,116	26,010,713	19,761,061
Federal Grant Contributions	371,364	830,034	694,852
Capital and Non-Federal Grant Contributions	8,207,432	12,998,824	11,663,713
Change in Net Position	31,056,912	39,839,571	32,119,626
Total Net Position – Beginning	848,203,478	808,363,907	776,244,281
Total Net Position – Ending	<u>\$879,260,390</u>	<u>\$848,203,478</u>	<u>\$808,363,907</u>

Water and Wastewater Utility Fund

Total operating revenues 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 revenue increased by \$4.23 million from 2013 to 2014 mainly due to an increase of \$3.56 million in wastewater revenue and an increase of \$1.18 million in fees collected for water supply replacement charge due to a five percent rate increase in 2014, offset by a reduction of customer connection fees of \$468,000. Despite a five percent rate increase water sales were flat due to decreased water consumption of 1.48 billion gallons as a result of milder summer temperatures, an increase in precipitation of 3.21 inches in 2014 compared to 2013 and continued water conservation campaign that helped alleviate the effects of the continued river drought.

Total operating expenses of the Water and Wastewater Utility of \$150.73 million for fiscal year 2015 increased by \$5.71 million from 2014. The Water and Wastewater Utility purchases river water through several contracts with the El Paso County Water Improvement District #1 and for calendar year 2014 water purchases increased by \$919,000 due to an increase in allotment of river water. The river water delivered in calendar year 2014 by the El Paso County Water Improvement District #1 was 24,093 acre feet an increase of 13,543 acre feet from calendar year 2013. The Utility's normal river water allotment is over 60,000 acre feet a year. 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. City Council recommended for the fee to be paid by non-residential customers as a flat monthly fee of \$15.82. City of El Paso Franchise fee is detailed in Note 26 and Note 27. Total operating expenses of the Water and Wastewater Utility of \$145.02 million for fiscal year 2014 decreased by \$1.96 million from 2013. The Water and Wastewater Utility purchases river water through several contracts with the El Paso County Water Improvement District #1 and for calendar year 2013 water purchases decreased by \$1.99 million due to a reduction of river water as a result of the continued regional drought. The river water delivered in calendar year 2013 by the El Paso County Water Improvement District #1 was 10,550 acre feet a decrease of 22,362 acre feet from calendar year 2012. The Utility's normal river water allotment is over 60,000 acre feet a year. Depreciation expense of \$50.59 million increased by \$946,000 from the previous year and continues to increase as water and wastewater infrastructure is placed into service to serve our customers.

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. Total nonoperating expenses of \$15.72 million for 2014 decreased \$1.40 million from 2013 due to an increase in sale of miscellaneous assets of \$192,000 and an increase in revenues generated from land sales of \$223,000 and a decrease in interest expense of \$1 million due to bond refundings and capitalized interest.

Change in net position before capital contributions had a decrease of \$4.39 million from 2014 to 2015 for the following reasons: an increase in operating expenses of \$5.71 million due to an increase of 13,543 acre feet of surface water 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. Net position before contributions had an increase of \$7.59 million from 2013 to 2014 for the following reasons: an increase in operating income of \$6.19 million due to an increase in operating revenues of \$4.23 million, a decrease in operating expenses of \$1.96 million, a decrease in bond interest expense of \$1 million and an increase in revenues from the sale of land of \$223,000.

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. Total contributions of \$13.83 million for 2014 were \$1.47 million more than 2013 and consisted of \$13.00 million of capital contributions by developers and non-federal grant contributions, and \$830,000 in federal grant contributions.

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. EPWU spent \$75.08 million for water, wastewater and reclaimed water system capital improvements in fiscal year 2014. Major expenditures included \$7.02 million for drilling and equipping water wells, \$3.50 million in new water distribution lines and pumping equipment, \$26.67 million for water system rehabilitation, \$8.45 million for additions to the wastewater collection system, \$11.89 million for rehabilitation of

the wastewater system, and \$2.90 million for improvements to the reclaimed water system.

Financial Indicators for the Water & Wastewater Utility			
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013 (Restated)</u>
Current Assets/Current Liabilities	1.66	2.02	2.51
Current Restricted Assets/Current Restricted Liabilities	1.39	1.92	2.55
Debt Service Coverage	2.07 times	2.09 times	2.01 times
Debt Ratio	0.35	0.36	0.37

Municipal Drainage Utility Fund

Total operating revenues increased \$158,000 from 2014 to 2015 and increased \$136,000 from 2013 to 2014 due to normal growth in customers. The Utility added 1,783 new drainage accounts from 2014 to 2015.

Operating expenses for fiscal year 2015 were \$7.60 million, a decrease of \$851,000 from 2014 mainly due to a decrease of \$640,000 in maintenance costs of basins, ponds, dams, channels and conduits. Depreciation expense for the drainage assets was \$1.36 million, a decrease of \$120,000. Operating expenses for fiscal year 2014 were \$8.45 million, an increase of \$516,000 from 2013 mainly due to an increase of \$727,000 in maintenance costs of basins, ponds, dams, channels and conduits. Depreciation expense for the drainage assets was \$1.48 million, a decrease of \$150,000.

EPWU spent \$20.66 million in fiscal year 2015 in capital improvements for the Municipal Drainage Utility system. Major capital expenditures include \$11.17 million for conveyance and pumping drainage projects, and \$6.12 million was spent on storage infrastructure. Total assets are summarized in Note 8 of the financial statements.

Financial Indicators for the Municipal Drainage Utility			
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013 (Restated)</u>
Current Assets/Current Liabilities	5.46	9.96	11.64
Operating Ratio	0.39	0.44	0.40
Total Liabilities to Total Assets	0.49	0.52	0.53
Debt Service Coverage	1.94	1.76	2.30

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 28, 2015 is \$1.33 billion (net of accumulated depreciation). This is a net increase of 6.1% from 2014. 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 \$60.52 million in construction

work in progress for water, sewer, reclaimed water and drainage projects and \$51.69 million of new water system assets 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)			
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>
Land and Right-of-Way	\$17,008,506	\$13,563,306	\$11,769,338
Land Not in Service	65,359,562	64,067,002	64,086,779
Irrigation Water Rights Contracts	8,710,270	8,381,690	8,250,517
Buildings and Shops	6,332,739	6,026,344	6,640,131
Vehicles	4,139,908	2,728,798	3,567,185
Equipment and Tools	7,830,610	5,637,474	6,382,123
Water System	600,831,767	589,342,366	598,202,545
Wastewater System	372,270,331	381,179,525	391,015,837
Drainage Implementation Costs	-	-	69,497
Drainage System	52,855,063	49,113,913	37,519,796
Construction Work In Progress	189,849,138	129,331,134	76,710,372
Total	<u>\$1,325,187,894</u>	<u>\$1,249,371,554</u>	<u>\$1,204,214,120</u>

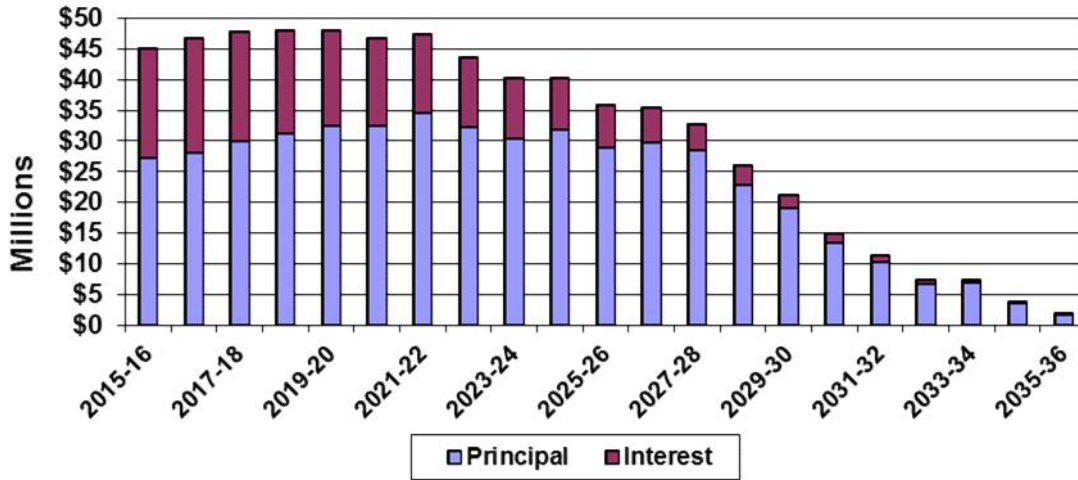
Debt Administration

EPWU had one bond issue this fiscal year. EPWU issued \$131.65 million in Water and Wastewater Revenue Refunding Bonds Series 2015 with a bond premium of \$17.56 million to retire \$25 million of commercial paper and advance refund \$116.45 million of Water and Sewer Revenue Bonds Series 2005B, 2005C, 2006, 2006A, 2007, and 2008C. This bond advance refunding resulted in a Net Present Value Benefit of \$10.28 million. Total long-term liabilities are summarized in Note 9 of the financial statements and the bonds in Note 10.

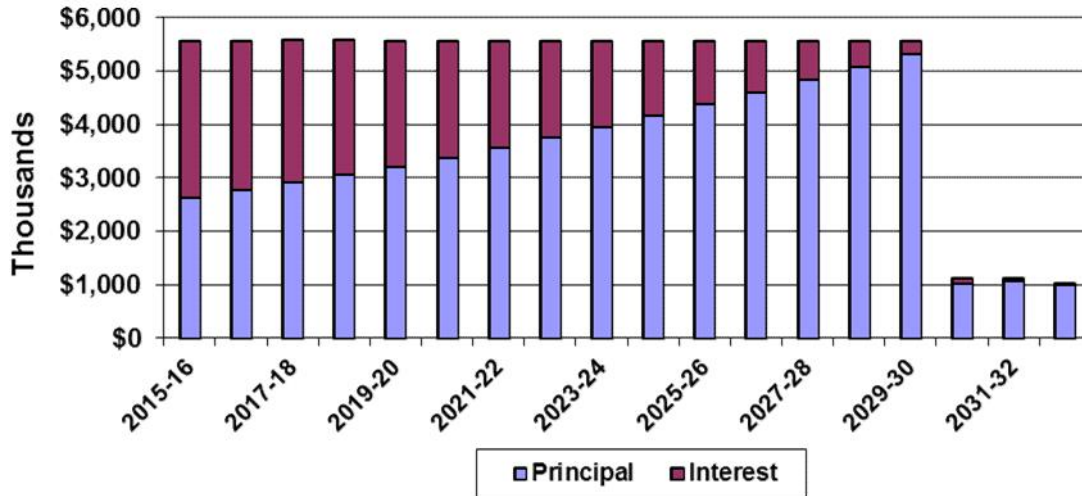
The following charts show, as of February 28, 2015, all outstanding principal and interest owed by EPWU. An adequate level of debt and strong financial positions reflects superior fiscal management that have allowed EPWU to continue to earn among the highest ratings that can be awarded by rating agencies 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 \$30 million in commercial paper during fiscal year 2015. 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-1	-	P-1

Water & Sewer Utility Fund Outstanding Bond Debt



Drainage Utility Fund Outstanding Bond Debt



Summary of Significant Outstanding Debt

	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>
Water & Wastewater Revenue Bonds	\$482,305,000	\$492,250,000	\$492,785,000
Municipal Drainage System Bonds	60,860,000	63,384,000	65,743,000
Water & Wastewater Commercial Paper	10,000,000	5,000,000	8,000,000
Unamortized Premiums Net of Discounts	48,307,413	35,833,829	31,374,957
Land Notes Payable	3,406,394	4,159,087	4,923,463
Total	<u>\$604,878,807</u>	<u>\$600,133,357</u>	<u>\$602,826,420</u>

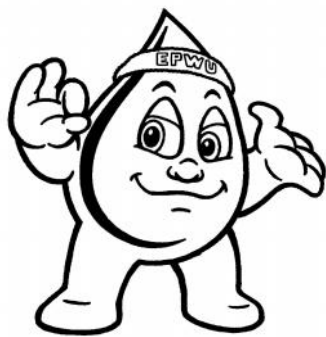
Economic Factors and Next Year's Budget and Rates

- Continued regional drought will have an effect on the estimated river water delivered for calendar year 2015. The estimated allocation for 2015 is 35,000 acre feet which is less than our normal allotment of approximately 60,000 acre feet.
- In 2014, the El Paso MSA home sales increased by 7% with median sales prices decreasing by 0.28% according to the Texas A&M Real Estate Center. The number of months Single-Family Housing remained in inventory increased from 7.6 months to 8.1 months during the same period.
- EPWU has included in the budget for fiscal year 2015-16 three new bond issues for the Water & Wastewater Utility including: \$20 million for four storage tanks, \$50 million for water rights land acquisition, and a bond issue to take long commercial paper notes and possible bond refundings. The Municipal Drainage Utility budgeted a \$25 million new bond issue for fiscal year 2015-16 to fund multiple projects and will continue to use prior bond issues to fund stormwater infrastructure improvements.
- Due to the 2005 BRAC realignment, Fort Bliss, Texas, continues to realize net increases of over 37,000 active duty personnel – the largest net gain from any military installation in America.
- 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 next year.

All of these factors were taken into consideration in preparing EPWU's budget for fiscal year 2015-16. The Water and Wastewater Utility and the Drainage Utility adopted a budget with an 8% 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 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	<u>152,150,754</u>	<u>48,488,133</u>	<u>(270,840)</u>	<u>200,368,047</u>
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)	<u>1,238,761,853</u>	<u>86,426,041</u>	<u>-</u>	<u>1,325,187,894</u>
 Total noncurrent assets	 <u>1,268,586,499</u>	 <u>89,288,384</u>	 <u>-</u>	 <u>1,357,874,883</u>
 Total assets	 <u>1,420,737,253</u>	 <u>137,776,517</u>	 <u>(270,840)</u>	 <u>1,558,242,930</u>
Deferred outflows of resources				
Losses on bond refunding	5,232,151	-	-	5,232,151
Total assets and deferred outflows of resources	<u>\$ 1,425,969,404</u>	<u>\$ 137,776,517</u>	<u>\$ (270,840)</u>	<u>\$ 1,563,475,081</u>

	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	<u>91,884,865</u>	<u>8,883,437</u>	<u>(270,840)</u>	<u>100,497,462</u>
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
Accrued vacation payable	1,089,319	64,417	-	1,153,736
Self insurance workers' compensation claims	744,207	-	-	744,207
Total noncurrent liabilities	<u>524,296,154</u>	<u>59,289,179</u>	<u>-</u>	<u>583,585,333</u>
Total liabilities	<u>616,181,019</u>	<u>68,172,616</u>	<u>(270,840)</u>	<u>684,082,795</u>
Deferred inflows of resources				
Gains on bond refunding	131,896	-	-	131,896
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	<u>71,082,222</u>	<u>12,407,085</u>	<u>-</u>	<u>83,489,307</u>
Net investment in capital assets	721,516,344	54,515,497	-	776,031,841
Unrestricted	17,057,923	2,681,319	-	19,739,242
Total net position	<u>809,656,489</u>	<u>69,603,901</u>	<u>-</u>	<u>879,260,390</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,425,969,404</u>	<u>\$ 137,776,517</u>	<u>\$ (270,840)</u>	<u>\$ 1,563,475,081</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

February 28, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,586,724	\$ 2,203,062	\$ -	\$ 14,789,786
Investments	13,455,855	-	-	13,455,855
Accounts receivable - customers	16,599,054	789,597	-	17,388,651
Accounts receivable - other	622,729	7,243	-	629,972
Accrued interest receivable	413,077	119,393	-	532,470
Due from Water and Wastewater Utility	-	36,135	(36,135)	-
Inventory - materials and supplies	1,979,925	-	-	1,979,925
Other current assets	386,259	-	-	386,259
Prepaid expenses	2,016,389	-	-	2,016,389
Restricted current assets:				
Restricted for bond requirements:				
Cash and cash equivalents	34,504,077	4,915,490	-	39,419,567
Investments	15,220,319	1,475,532	-	16,695,851
Restricted for construction and improvements:				
Cash and cash equivalents	42,217,856	26,237,859	-	68,455,715
Investments	29,046,549	23,298,384	-	52,344,933
Accounts receivable government grants	509,463	-	-	509,463
Notes receivable	98,979	-	-	98,979
Total current assets	<u>169,657,255</u>	<u>59,082,695</u>	<u>(36,135)</u>	<u>228,703,815</u>
Noncurrent assets:				
Investments	5,021,763	-	-	5,021,763
Restricted noncurrent assets:				
Restricted for bond requirements:				
Investments	11,887,753	977,238	-	12,864,991
Restricted for construction and improvements:				
Investments	16,887,105	4,412,307	-	21,299,412
Capital assets:				
Water and Wastewater Utility capital assets	1,801,924,213	-	-	1,801,924,213
Municipal Drainage Utility capital assets	-	58,998,666	-	58,998,666
Land and right of way	71,029,203	6,601,105	-	77,630,308
Construction work in progress	119,354,839	9,976,295	-	129,331,134
Less accumulated depreciation	(809,281,469)	(9,231,298)	-	(818,512,767)
Total capital assets (net of accumulated depreciation)	<u>1,183,026,786</u>	<u>66,344,768</u>	<u>-</u>	<u>1,249,371,554</u>
 Total noncurrent assets	 <u>1,216,823,407</u>	 <u>71,734,313</u>	 <u>-</u>	 <u>1,288,557,720</u>
 Total assets	 <u>1,386,480,662</u>	 <u>130,817,008</u>	 <u>(36,135)</u>	 <u>1,517,261,535</u>
Deferred outflows of resources				
Losses on bond refunding	1,943,345	-	-	1,943,345
 Total assets and deferred outflows of resources	 <u>\$ 1,388,424,007</u>	 <u>\$ 130,817,008</u>	 <u>\$ (36,135)</u>	 <u>\$ 1,519,204,880</u>

	Water & Wastewater Utility	Municipal Drainage Utility	Eliminations	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,423,416	\$ 483,937	\$ -	\$ 2,907,353
Environmental Services collections and other payments due to City of El Paso	5,272,154	-	-	5,272,154
Customer deposits	7,678,096	-	-	7,678,096
Accrued vacation payable	1,749,273	58,633	-	1,807,906
Accrued payroll and benefits	1,534,580	120,731	-	1,655,311
Due to Municipal Drainage Utility	36,135	-	(36,135)	-
Unearned revenue on land leases	276,483	8,765	-	285,248
Other current liabilities	373,223	-	-	373,223
Self insurance workers' compensation and health claims	836,027	-	-	836,027
Other governments payable - current	128,931	-	-	128,931
Current liabilities payable from restricted assets:				
Revenue bonds payables and unamortized premiums net of discounts	27,423,256	2,570,259	-	29,993,515
Accrued interest on revenue bonds and commercial paper	9,213,487	1,553,713	-	10,767,200
Accounts payable	17,398,450	1,062,549	-	18,460,999
Land notes payable	752,693	-	-	752,693
Land notes interest payable	70,912	-	-	70,912
Customer advances for construction	7,019,249	-	-	7,019,249
Retainage payable on construction contracts	1,612,140	76,133	-	1,688,273
Total current liabilities	<u>83,798,505</u>	<u>5,934,720</u>	<u>(36,135)</u>	<u>89,697,090</u>
Noncurrent liabilities:				
Revenue bonds payables and unamortized premiums net of discounts	499,827,906	61,646,408	-	561,474,314
Land notes payable	3,406,394	-	-	3,406,394
Other governments payable	2,631,861	-	-	2,631,861
Commercial paper notes	5,000,000	-	-	5,000,000
Other Post-Employment Benefits	6,720,592	196,987	-	6,917,579
Accrued vacation payable	1,132,407	49,824	-	1,182,231
Self insurance workers' compensation claims	548,888	-	-	548,888
Total noncurrent liabilities	<u>519,268,048</u>	<u>61,893,219</u>	<u>-</u>	<u>581,161,267</u>
Total liabilities	<u>603,066,553</u>	<u>67,827,939</u>	<u>(36,135)</u>	<u>670,858,357</u>
Deferred inflows of resources				
Gains on bond refunding	143,045	-	-	143,045
NET POSITION				
Restricted:				
Restricted for debt service	52,398,662	5,814,548	-	58,213,210
Restricted for construction and improvements	27,034,464	8,717,102	-	35,751,566
Total restricted	<u>79,433,126</u>	<u>14,531,650</u>	<u>-</u>	<u>93,964,776</u>
Net investment in capital assets	681,280,780	46,220,867	-	727,501,647
Unrestricted	24,500,503	2,236,552	-	26,737,055
Total net position	<u>785,214,409</u>	<u>62,989,069</u>	<u>-</u>	<u>848,203,478</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,388,424,007</u>	<u>\$ 130,817,008</u>	<u>\$ (36,135)</u>	<u>\$ 1,519,204,880</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

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	<u>184,053,675</u>	<u>15,981,514</u>	<u>(128,792)</u>	<u>199,906,397</u>
Operating expenses:				
Operations and maintenance - water & reclaimed water	40,081,155	-	(70,925)	40,010,230
Operations and maintenance - wastewater	21,624,836	-	(52,474)	21,572,362
General, administrative and engineering expenses	20,524,197	-	1,182,240	21,706,437
Operations and maintenance - drainage	-	4,973,556	5,367	4,978,923
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
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	<u>150,734,318</u>	<u>7,603,045</u>	<u>(128,792)</u>	<u>158,208,571</u>
Operating income	<u>33,319,357</u>	<u>8,378,469</u>	<u>-</u>	<u>41,697,826</u>
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	<u>(17,456,073)</u>	<u>(1,763,637)</u>	<u>-</u>	<u>(19,219,710)</u>
Increase in net position, before capital contributions	<u>15,863,284</u>	<u>6,614,832</u>	<u>-</u>	<u>22,478,116</u>
Federal grant contributions	371,364	-	-	371,364
Capital and non-federal grant contributions	8,207,432	-	-	8,207,432
Total contributions	<u>8,578,796</u>	<u>-</u>	<u>-</u>	<u>8,578,796</u>
Change in net position	24,442,080	6,614,832	-	31,056,912
Total net position - beginning	785,214,409	62,989,069	-	848,203,478
Total net position - ending	<u>\$ 809,656,489</u>	<u>\$ 69,603,901</u>	<u>\$ -</u>	<u>\$ 879,260,390</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

For the Year Ended February 28, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Operating revenues:				
Water	\$ 91,837,712	\$ -	\$ -	\$ 91,837,712
Water supply replacement charge	19,594,187	-	-	19,594,187
Reclaimed water	2,651,400	-	-	2,651,400
Wastewater	58,032,496	-	-	58,032,496
Drainage fees	-	15,162,459	(104,856)	15,057,603
Customer connection fees	4,637,221	-	-	4,637,221
Billing fees - City Environmental Services	608,171	260,645	-	868,816
Rent revenue	2,019,831	-	(24,000)	1,995,831
Other operating revenue	1,615,576	399,981	-	2,015,557
Total operating revenues	<u>180,996,594</u>	<u>15,823,085</u>	<u>(128,856)</u>	<u>196,690,823</u>
Operating expenses:				
Operations and maintenance - water & reclaimed water	38,764,590	-	(72,975)	38,691,615
Operations and maintenance - wastewater	22,496,822	-	(52,474)	22,444,348
General, administrative and engineering expenses	19,178,358	-	1,294,176	20,472,534
Operations and maintenance - drainage	-	5,613,000	7,417	5,620,417
Indirect cost allocation	-	1,305,000	(1,305,000)	-
Other operating expenses	2,602,114	-	-	2,602,114
Other Post-Employment Benefits	833,973	50,995	-	884,968
Depreciation	50,592,539	1,484,740	-	52,077,279
Payment to City of El Paso per bond covenants	10,553,216	-	-	10,553,216
Total operating expenses	<u>145,021,612</u>	<u>8,453,735</u>	<u>(128,856)</u>	<u>153,346,491</u>
Operating income	<u>35,974,982</u>	<u>7,369,350</u>	<u>-</u>	<u>43,344,332</u>
Nonoperating revenues (expenses):				
Interest earnings and net change in fair value of investments	265,915	89,659	-	355,574
IRS tax credit for Build America Bonds	221,332	828,171	-	1,049,503
Gain on land assets converted by sale	2,013,946	256,595	-	2,270,541
Gain on sale of miscellaneous assets	314,473	-	-	314,473
Other nonoperating expense	-	(13,712)	-	(13,712)
Interest on long term debt	(18,534,364)	(2,775,634)	-	(21,309,998)
Total nonoperating expenses	<u>(15,718,698)</u>	<u>(1,614,921)</u>	<u>-</u>	<u>(17,333,619)</u>
Increase in net position, before capital contributions	<u>20,256,284</u>	<u>5,754,429</u>	<u>-</u>	<u>26,010,713</u>
Federal grant contributions	830,034	-	-	830,034
Capital and non-federal grant contributions	12,998,824	-	-	12,998,824
Total contributions	<u>13,828,858</u>	<u>-</u>	<u>-</u>	<u>13,828,858</u>
Change in net position	34,085,142	5,754,429	-	39,839,571
Total net position - beginning	751,129,267	57,234,640	-	808,363,907
Total net position - ending	<u>\$ 785,214,409</u>	<u>\$ 62,989,069</u>	<u>\$ -</u>	<u>\$ 848,203,478</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				
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

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	\$ 33,319,357	\$ 8,378,469	\$ -	\$ 41,697,826
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:				
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)
Increase (decrease) in liabilities:				
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
Self insurance claims	(341,648)	-	-	(341,648)
Net cash provided by operating activities	\$ 83,710,940	\$ 9,186,026	\$ -	\$ 92,896,966
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
	\$ 8,127,591	\$ 3,686	\$ -	\$ 8,131,277

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, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 181,465,426	\$ 15,802,839	\$ -	\$ 197,268,265
Cash received from Municipal Drainage Utility	1,042,321	-	(1,042,321)	-
Cash received from Water and Wastewater Utility	-	104,856	(104,856)	-
Environmental Services fees collected for the City of El Paso	52,511,352	-	-	52,511,352
Cash payments to suppliers for goods and services	(46,865,900)	(4,153,559)	-	(51,019,459)
Cash payments to employees for services	(36,773,939)	(1,138,533)	-	(37,912,472)
Environmental Services fees paid to the City of El Paso	(51,977,487)	-	-	(51,977,487)
Payments to City of El Paso per bond covenants	(10,484,432)	-	-	(10,484,432)
Cash payments to Municipal Drainage Utility	(104,856)	-	104,856	-
Cash payments to Water and Wastewater Utility	-	(1,042,321)	1,042,321	-
Net cash provided by operating activities	<u>88,812,485</u>	<u>9,573,282</u>	<u>-</u>	<u>98,385,767</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from:				
Revenue bonds	64,900,000	-	-	64,900,000
Premiums received on revenue bonds	7,540,774	-	-	7,540,774
Commercial paper	27,000,000	-	-	27,000,000
Cash receipts from grants	1,460,404	-	-	1,460,404
Acquisition and construction from capital grants	(1,182,310)	-	-	(1,182,310)
Acquisition and construction of capital assets net of disposals	(68,676,431)	(5,475,993)	-	(74,152,424)
Refunding revenue bonds	(40,335,000)	-	-	(40,335,000)
Refunding commercial paper	(30,000,000)	-	-	(30,000,000)
Principal payments on revenue bonds	(25,100,000)	(2,359,000)	-	(27,459,000)
Interest and fees on revenue bonds and commercial paper	(22,872,177)	(2,931,435)	-	(25,803,612)
IRS tax credit on Build America Bonds	221,332	828,171	-	1,049,503
Principal payments on land notes payable	(764,376)	-	-	(764,376)
Interest payments on notes and other long term debt	(232,508)	-	-	(232,508)
Proceeds from sale of assets net of related expenses	2,262,984	256,595	-	2,519,579
Net cash used by capital and related financing activities	<u>(85,777,308)</u>	<u>(9,681,662)</u>	<u>-</u>	<u>(95,458,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale and maturities of investment securities				
	83,681,308	32,019,402	-	115,700,710
Purchase of investment securities	(123,318,773)	(40,591,561)	-	(163,910,334)
Interest received on investment securities	140,029	112,766	-	252,795
Net cash used by investing activities	<u>(39,497,436)</u>	<u>(8,459,393)</u>	<u>-</u>	<u>(47,956,829)</u>
Net decrease in cash and cash equivalents	(36,462,259)	(8,567,773)	-	(45,030,032)
Cash and cash equivalents:				
Beginning of year	125,770,916	41,924,184	-	167,695,100
End of year	<u>\$ 89,308,657</u>	<u>\$ 33,356,411</u>	<u>\$ -</u>	<u>\$ 122,665,068</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, 2014

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 35,974,982	\$ 7,369,350	\$ -	\$ 43,344,332
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	50,592,539	1,484,740	-	52,077,279
Bond issue expense	663,091	-	-	663,091
(Increase) decrease in assets:				
Accounts receivable	(403,817)	84,597	-	(319,220)
Due from Water and Wastewater Utility	-	303,261	(303,261)	-
Inventory	(207,683)	-	-	(207,683)
Prepaid expenses	(95,385)	-	-	(95,385)
Other current assets	(97,114)	-	-	(97,114)
Increase (decrease) in liabilities:				
Accounts payable	75,939	255,812	-	331,751
Other current liabilities	1,502,438	15	-	1,502,453
Due to Municipal Drainage Utility	(303,261)	-	303,261	-
Accrued vacation payable	35,500	11,352	-	46,852
Accrued payroll and benefits	125,486	37,250	-	162,736
Other Post-Employment Benefits	833,973	50,995	-	884,968
Retainage payable on operating contracts	-	(24,090)	-	(24,090)
Self insurance claims	115,797	-	-	115,797
Net cash provided by operating activities	<u>\$ 88,812,485</u>	<u>\$ 9,573,282</u>	<u>\$ -</u>	<u>\$ 98,385,767</u>
Noncash investing, capital, and financing activities:				
Contribution in aid of construction	\$ 12,646,548	\$ -	\$ -	\$ 12,646,548
Decrease in accounts receivable capital grants	(278,094)	-	-	(278,094)
Change in fair value of investments	52,721	6,423	-	59,144
	<u>\$ 12,421,175</u>	<u>\$ 6,423</u>	<u>\$ -</u>	<u>\$ 12,427,598</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 28, 2015 and 2014

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 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.

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.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 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 2014, EPWU implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, which became effective for reporting periods beginning after June 15, 2012. As a result, no component units are presented in the financial statements for the years ended February 28, 2015 and 2014.

In fiscal year 2014, EPWU also implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", which establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources. This statement impacts how EPWU accounts for debt issue costs and gains and losses associated with debt refunding. Debt issue costs are now expensed but were previously recognized as assets and amortized. Losses are now categorized as deferred outflows of resources and gains are categorized as deferred inflows of resources.

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.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and liabilities 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).

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.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 28, 2015 and 2014, EPWU's total vacation leave liability was \$3,018,500 and \$2,990,137, respectively.

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

	2015	2014
Total payable, beginning of year	\$ 2,881,680	\$ 2,846,180
Vacation earned	1,859,803	1,913,241
Vacation used	(1,857,724)	(1,877,741)
Total payable, end of year	<u>\$ 2,883,759</u>	<u>\$ 2,881,680</u>

Vacation payable for the Municipal Drainage Utility is as follows:

	2015	2014
Total payable, beginning of year	\$ 108,457	\$ 97,105
Vacation earned	112,492	76,153
Vacation used	(86,208)	(64,801)
Total payable, end of year	<u>\$ 134,741</u>	<u>\$ 108,457</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.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 so 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.

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

February 28, 2015 and 2014

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, \$10,736,486 has been set aside from 10% of revenues for Green Projects and as of February 28, 2015, \$6,604,298 has been spent including the purchase of 202.658 acres for \$2,465,000 on March 31, 2010 and \$1,800,000 for eight Park-Pond Conversions throughout the City.

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 28, 2015 and 2014

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 28, 2015 and 2014, was \$13,010,519 and \$1,092,787, respectively, and the bank balances totaled \$16,788,720 and \$4,670,566, respectively. The carrying amount of cash for the Municipal Drainage Utility at February 28, 2015 and 2014 was \$1,931,512, and \$244,228, respectively, and the bank balances totaled \$3,448,353 and \$372,149, respectively. 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. As of February 28, 2014, \$250,000 of the bank balances were covered by FDIC and the remaining balance was secured by government securities with a fair value of \$5,377,966.

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

	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

(Continued)

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

February 28, 2015 and 2014

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

	February 28, 2014			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ 681,228	\$ 11,905,496	\$ 12,586,724	\$ 18,477,618
Restricted assets				
Bond requirements	-	34,504,077	34,504,077	27,108,072
Construction and improvements	411,559	41,806,297	42,217,856	45,933,654
Total restricted assets	411,559	76,310,374	76,721,933	73,041,726
Total	\$ 1,092,787	\$ 88,215,870	\$ 89,308,657	\$ 91,519,344

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

	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

(Continued)

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

February 28, 2015 and 2014

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

	February 28, 2014			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ (85,953)	\$ 2,289,015	\$ 2,203,062	\$ -
Restricted assets				
Bond requirements	-	4,915,490	4,915,490	2,452,770
Construction and improvements	330,181	25,907,678	26,237,859	27,710,691
Total restricted assets	330,181	30,823,168	31,153,349	30,163,461
Total	\$ 244,228	\$ 33,112,183	\$ 33,356,411	\$ 30,163,461

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 is 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. 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 28, 2015. 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 Federally Insured Liquidity Account (FILA) which is a money market program that provides next day liquidity and is fully FDIC insured. All banks within the FILA program are only those classified as "well capitalized" by the FDIC and are carefully screened and monitored. The current capacity for FILA is limited to \$25 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 2015 and 2014, 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 28, 2015 and 2014

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Water and Wastewater Utility investments at February 28, 2015 and 2014 are categorized as summarized below:

February 28, 2015						
Investment Type	Fair Value	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	<u>21,496,460</u>	<u>21,496,460</u>	<u>-</u>			<u>15.30%</u>
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	<u>38,370,296</u>	<u>38,370,296</u>	<u>-</u>			<u>27.29%</u>
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	<u>80,719,282</u>	<u>7,051,263</u>	<u>73,668,019</u>	305		<u>57.41%</u>
Portfolio Total	<u>\$ 140,586,038</u>	<u>\$ 66,918,019</u>	<u>\$ 73,668,019</u>	176		<u>100.00%</u>

* 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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NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

February 28, 2014

Investment Type	Fair Value	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						
TexPool	\$ 39,455,983	\$ 39,455,983	\$ -	1	AAA	21.95%
TexSTAR	9,710,100	9,710,100	-	1	AAA	5.40%
Total Pools and Safekeeping	<u>49,166,083</u>	<u>49,166,083</u>	<u>-</u>			<u>27.35%</u>
Mutual Funds						
Fidelity Treasury Money Market Funds	34,504,077	34,504,077	-	1	AAA	19.20%
Government Money Market Fund	<u>4,545,710</u>	<u>4,545,710</u>	<u>-</u>	1	AAA	<u>2.53%</u>
Total Mutual Funds	<u>39,049,787</u>	<u>39,049,787</u>	<u>-</u>			<u>21.73%</u>
Securities						
Municipal Bonds Discounts	1,440,561	-	1,440,561	397	AA	0.80%
Federal Agency Coupons						
Federal National Mortgage Assoc.	1,253,486	-	1,253,486	903	AA	0.70%
Federal Farm Credit Bank	3,319,520	500,082	2,819,438	299	AA	1.85%
Federal Home Loan Bank	20,112,674	13,253,426	6,859,248	187	AA	11.19%
Federal Home Loan Mortgage Corp	8,420,963	4,103,499	4,317,464	253	AA	4.69%
Certificates of Deposit *	24,825,798	11,944,071	12,881,727	383	Not Rated	13.80%
Municipal Bonds	<u>32,146,342</u>	<u>4,742,522</u>	<u>27,403,820</u>	329	AA	<u>17.89%</u>
Total Securities	<u>91,519,344</u>	<u>34,543,600</u>	<u>56,975,744</u>	313		<u>50.92%</u>
Portfolio Total	<u>\$ 179,735,214</u>	<u>\$ 122,759,470</u>	<u>\$ 56,975,744</u>	161		<u>100.00%</u>

* Certificates of Deposit are not rated but are fully collateralized.

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

February 28, 2015 and 2014

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Municipal Drainage Utility investments at February 28, 2015 and 2014 are categorized as summarized below:

February 28, 2015						
Investment Type	Fair Value	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	<u>24,327,600</u>	<u>24,327,600</u>	<u>-</u>			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	<u>4,946,317</u>	<u>4,946,317</u>	<u>-</u>			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	<u>18,916,723</u>	<u>8,233,672</u>	<u>10,683,051</u>	204		39.26%
Portfolio Total	<u>\$ 48,190,640</u>	<u>\$ 37,507,589</u>	<u>\$ 10,683,051</u>	81		<u>100.00%</u>

* FILA is not rated but is FDIC insured.

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

(Continued)

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

February 28, 2015 and 2014

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

February 28, 2014						
Investment Type	Fair Value	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						
TexPool	\$ 20,189,350	\$ 20,189,350	\$ -	1	AAA	31.91%
TexStar	8,007,343	8,007,343	-	1	AAA	12.65%
Total Pools and Safekeeping	<u>28,196,693</u>	<u>28,196,693</u>	<u>-</u>			<u>44.56%</u>
Mutual Funds						
Advantage Money Market Fund #008	4,498,030	4,498,030	-	1	AAA	7.11%
Government Money Market Fund	417,460	417,460	-	1	AAA	0.66%
Total Mutual Funds	<u>4,915,490</u>	<u>4,915,490</u>	<u>-</u>			<u>7.77%</u>
Securities						
Federal Agency Coupons						
Federal National Mortgage Assoc.	750,306	750,306	-	14	AA	1.19%
Federal Farm Credit Bank	1,225,555	1,050,097	175,458	299	AA	1.94%
Federal Home Loan Bank	7,283,408	6,113,855	1,169,553	125	AA	11.51%
Federal Home Loan Mortgage Corp	2,156,918	1,755,666	401,252	141	AA	3.40%
Certificates of Deposit *	10,081,462	6,198,074	3,883,388	308	Not Rated	15.93%
Municipal Bonds	8,665,812	2,190,773	6,475,039	232	AA	13.70%
Total Securities	<u>30,163,461</u>	<u>18,058,771</u>	<u>12,104,690</u>	222		<u>47.67%</u>
Portfolio Total	<u>\$ 63,275,644</u>	<u>\$ 51,170,954</u>	<u>\$ 12,104,690</u>	107		<u>100.00%</u>

* Certificates of Deposit are not rated but are fully collateralized.

(Continued)

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

February 28, 2015 and 2014

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 49, 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

February 28, 2015 and 2014

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 28, 2015 and 2014, totaled \$581,330 and \$567,104, respectively. The write-off for the Municipal Drainage Utility for fiscal year ending February 28, 2015 and 2014, totaled \$46,168 and \$44,861, 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:

(Continued)

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

February 28, 2015 and 2014

5. RECEIVABLES (Continued)

	2015	2014
Water and Wastewater Utility		
Water	\$ 2,412,809	\$ 2,221,352
Wastewater	2,304,037	1,987,671
Total unbilled accounts receivable	\$ 4,716,846	\$ 4,209,023

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.

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

	February 28, 2014	
	Due From Other Funds	Due to Other Funds
Water and Wastewater Utility	\$ -	\$ 36,135
Municipal Drainage Utility	36,135	-
Total	\$ 36,135	\$ 36,135

(Continued)

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

February 28, 2015 and 2014

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 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	\$ 1,082,841	\$ (1,082,841)

	February 28, 2014	
	Water and Wastewater Utility	Municipal Drainage Utility
Drainage fee revenue	\$ -	\$ 104,856
Rent Revenue	24,000	-
Operation and maintenance - drainage	-	7,417
Operations and maintenance - water and reclaimed water	(72,975)	-
Operations and maintenance - wastewater	(52,474)	-
General, administrative and engineering	1,294,176	-
Indirect cost allocation	-	(1,305,000)
Total	\$ 1,192,727	\$ (1,192,727)

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 2015 and 2014, the revised budgeted and actual indirect cost were \$1,193,000 and \$1,305,000, respectively. During the budget process the indirect cost allocation will be adjusted based on estimated indirect costs.

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

February 28, 2015 and 2014

7. WATER AND WASTEWATER UTILITY GOVERNMENT GRANTS RECEIVABLE

The Water and Wastewater Utility had \$500,136 and \$509,463 in government grants receivable for years ended February 28, 2015 and 2014.

<u>Government Grant Projects</u>	<u>2015</u>	<u>2014</u>
<u>Federal Grants</u>		
North Central Reclaimed - EPA#XP96638401	\$ 285,173	\$ 25,599
Leak Detection - USBR#R12AP40018	-	80,000
Advanced Purification - Bustamante - USBR #R14AP00106	81,551	-
<u>Non Federal Grants</u>		
Desalination Concentrate Management - WaterReuse Foundation WRF11-09	-	35,641
Turf Estates Construction - TWDB	-	310,548
Canutillo 1 st Time Users Area 1 - TWDB	19,957	16,609
Canutillo 1 st Time Users Area 2 - TWDB	45,372	41,066
Canutillo 1 st Time Wastewater Area 1&2 TWDB	36,808	-
Montana Vista Collector - TWDB	31,275	-
	<hr/>	<hr/>
Totals	\$ 500,136	\$ 509,463
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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 28, 2015 and 2014

8. CAPITAL ASSETS

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

	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.

Land not in service is essentially unimproved land that EPWU has purchased for its surface and ground water rights. EPWU owns a total of 101,758.42 acres of land which includes 26,211.29 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
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

	Beginning Balance 03/01/2013	Additions	Transfers	Deletions	Ending Balance 02/28/2014
Utility plant, not being depreciated:					
Land and right-of-way	\$ 6,917,180	\$ -	\$ 45,021	\$ -	\$ 6,962,201
Land not in service	64,086,779	-	-	19,777	64,067,002
Construction work in progress	58,084,002	71,647,676	(10,376,839)	-	119,354,839
Total utility plant, not being depreciated:	129,087,961	71,647,676	(10,331,818)	19,777	190,384,042
Utility plant and irrigation water rights being depreciated:					
Irrigation water rights contracts	9,131,221	254,619	-	-	9,385,840
Buildings and shops	14,739,767	-	-	-	14,739,767
Vehicles	15,808,062	-	377,482	284,765	15,900,779
Equipment and tools	36,287,193	60,078	683,508	249,539	36,781,240
Water system	975,899,620	11,775,352	6,791,390	1,423,261	993,043,101
Wastewater system	721,786,096	7,820,346	2,479,438	12,394	732,073,486
Total utility plant, being depreciated:	1,773,651,959	19,910,395	10,331,818	1,969,959	1,801,924,213
Less accumulated depreciation for:					
Irrigation water rights contracts	(880,704)	(123,447)	-	-	(1,004,151)
Buildings and shops	(8,183,700)	(609,894)	-	-	(8,793,594)
Vehicles	(13,038,813)	(800,932)	-	(284,765)	(13,554,980)
Equipment and tools	(30,088,338)	(1,495,251)	-	(249,539)	(31,334,050)
Water system	(377,697,075)	(27,426,921)	-	(1,423,261)	(403,700,735)
Wastewater system	(330,770,259)	(20,136,094)	-	(12,394)	(350,893,959)
Total accumulated depreciation	(760,658,889)	(50,592,539)	-	(1,969,959)	(809,281,469)
Total utility plant and irrigation water rights being depreciated, net	1,012,993,070	(30,682,144)	10,331,818	-	992,642,744
Utility plant	\$ 1,142,081,031	\$ 40,965,532	\$ -	\$ 19,777	\$ 1,183,026,786

Total depreciation charged to operations for the year ended February 28, 2014 was \$50,592,539.

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.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

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

	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:	<u>16,577,400</u>	<u>21,206,334</u>	<u>(5,417,167)</u>	<u>-</u>	<u>32,366,567</u>
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:	<u>58,998,666</u>	<u>239,802</u>	<u>5,417,167</u>	<u>117,700</u>	<u>64,537,935</u>
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	<u>(9,231,298)</u>	<u>(1,364,863)</u>	<u>-</u>	<u>(117,700)</u>	<u>(10,478,461)</u>
Total Drainage System, being depreciated, net	<u>49,767,368</u>	<u>(1,125,061)</u>	<u>5,417,167</u>	<u>-</u>	<u>54,059,474</u>
Drainage System	<u>\$ 66,344,768</u>	<u>\$ 20,081,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,426,041</u>

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

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

	Beginning Balance 03/01/2013	Additions	Transfers	Deletions	Ending Balance 02/28/2014
Drainage Work in Progress, not being depreciated:					
Land and right of way	\$ 4,852,158	\$ -	\$ 1,748,947	\$ -	\$ 6,601,105
Construction work in progress	18,626,370	5,096,545	(13,746,620)	-	9,976,295
Total drainage Work in Progress, not being depreciated:	23,478,528	5,096,545	(11,997,673)	-	16,577,400
Drainage System, being depreciated:					
Drainage implementation costs	544,106	-	-	-	544,106
Buildings and shops	97,920	-	-	1,202	96,718
Vehicles	4,343,704	-	12,800	-	4,356,504
Equipment and tools	1,011,956	40,692	-	-	1,052,648
Drainage system	40,404,635	559,182	11,984,873	-	52,948,690
Total Drainage system, being depreciated:	46,402,321	599,874	11,997,673	1,202	58,998,666
Less accumulated depreciation for:					
Drainage implementation costs	(474,609)	(69,497)	-	-	(544,106)
Buildings and shops	(13,856)	(3,892)	-	(1,202)	(16,546)
Vehicles	(3,545,768)	(427,737)	-	-	(3,973,505)
Equipment and tools	(828,687)	(33,677)	-	-	(862,364)
Drainage system	(2,884,840)	(949,937)	-	-	(3,834,777)
Total accumulated depreciation	(7,747,760)	(1,484,740)	-	(1,202)	(9,231,298)
Total Drainage System, being depreciated, net	38,654,561	(884,866)	11,997,673	-	49,767,368
Drainage System	\$ 62,133,089	\$ 4,211,679	\$ -	\$ -	\$ 66,344,768

Total depreciation charged to operations for the year ended February 28, 2014 was \$1,484,740.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

Water and Wastewater Utility construction work in progress at February 28, 2015 and 2014, composed of the following:

	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 Water Treatment Plant 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
Canal 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

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

	February 28, 2015	
	Estimated Cost	Cost Incurred To Date
<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 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
Northwest 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 LS/FM - Construction	1,446,233	12,335
Northwest WWTP 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

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

	February 28, 2014	
	Estimated Cost	Cost Incurred To Date
<u>Water Projects</u>		
Paisano Water Line Replacement Project - Construction	\$ 28,172,469	\$ 26,467,359
Emergency Back-Up Power	25,507,633	2,728,164
Well Construction, Plugging & Test Holes	8,033,975	5,192,694
Well Drilling and Equipping - Plugging - Testhole Drilling	4,156,613	4,048,386
Replacement Leak Detection System	4,000,000	660,599
Partello Street 30-Inch Water Transmission Line - Construction	3,663,923	3,453,803
Emergency Drought Wells Project	3,452,360	3,267,172
Economic Dispatch System	2,756,655	1,726,855
Paisano - Racetrack to Sunset Water Line Replacement Project -Engineering	2,734,906	2,364,396
Mesa Street-Fountain to Crestmont 24-In Water Transmission-Construction	2,015,000	423,220
Vista Del Sol Pump Station - Construction	2,014,166	2,014,165
JDF Injection Test Well	1,850,000	1,232,800
Spur 1966 Water Line Relocations	1,733,292	866,646
Disinfection By-Product Rule/Surface Water Rule	1,704,105	1,507,538
Eastside Planned Service Area Extension of Water Lines at Paseo Del Este	1,676,201	1,507,341
Activated Carbon for JRWTP and/or Canal Plant	1,480,000	-
Montwood Drive Project	1,179,988	652,133
Eastside Planned Service Area - Pellicano - Sunfire to Aircoupe 24-Inch Water Line - Construction	1,035,982	778,556
Pershing Drive Magnolia to Raynor 16-Inch Transmission Main- Construction	1,020,000	-
Country Club Road Water Line Replacement - Construction	1,000,000	58,946
Other Water Projects Under \$1,000,000	34,147,201	15,632,457
Subtotal - Water Projects	133,334,469	74,583,230
<u>Wastewater Projects</u>		
Eastside Interceptor Phase V - Construction	21,070,003	10,917,023
Lower Valley Interceptor Emergency - Construction	8,777,372	7,385,017
Mowad Interceptor Line - Construction	3,577,046	1,644,942
Country Club Road Sewer Line Replacement	2,650,000	203,414
Wastewater Master Plan	1,900,000	1,469,053
Eastside Interceptor Phase V - Engineering	1,609,407	1,055,461
Northwest WWTP Odor Control - Construction	1,300,000	151,729
Other Sanitary Sewer Interceptors at Tierra Del Este Area 8 - Construction	1,162,388	591,855
Loop 375/I-10/Franklin Mountain State Park Sewer Main - Construction	1,000,000	585,240
Other Sewer Projects Under \$1,000,000	23,502,151	10,520,706
Subtotal-Wastewater Projects	66,548,367	34,524,440

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

	February 28, 2014	
	Estimated Cost	Cost Incurred To Date
<u>Reclaimed Water Projects</u>		
Haskell North Central Reclaimed Water System	15,415,712	7,559,232
Bustamante WWTP Indirect Potable Re-use Pilot Testing - Engineering	4,210,622	144,745
Northwest and Bustamante Reclaimed WTP - Construction	4,093,549	-
Rio Bosque Wetlands Pipeline	2,450,000	96,768
Northwest WWTP Reclaimed Water Tank - Construction	2,336,949	-
Newman 2500 GPM Reclaimed Pump Station & 16-Inch Reclaimed Transmission Line - Construction	2,090,000	-
Northwest Reclaimed Water Facility Phase II-D - Construction	1,878,660	225,497
Painted Dunes Golf Course Irrigation System Improvements - Construction	1,600,000	1,820
Haskell Street WWTP/Central - Delta Line - Construction	1,448,997	-
Other Reclaimed Projects Under \$1,000,000	4,416,578	2,219,107
	39,941,067	10,247,169
Subtotal - Reclaimed Water Projects		
Totals	\$ 239,823,903	\$ 119,354,839

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

8. CAPITAL ASSETS (Continued)

Municipal Drainage Utility construction work in progress as of February 28, 2015 and 2014 composed of the following:

	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
	\$ 58,029,586	\$ 22,549,412

	February 28, 2014	
	Estimated Cost	Cost Incurred To Date
<u>Drainage Projects</u>		
Cebada Force Main at Piedras/Magnolia - Construction	\$ 11,586,329	\$ 1,281
Cebada Pump Station at Piedras/Magnolia - Construction	10,333,285	-
Various Open Space Projects/Park Ponds	6,417,616	7,483
Doniphan Ditch Improvements - Construction	4,450,000	746,752
Flow Path 20 Dams - Construction	3,150,000	669
Gateway West Storm Retention Pond - Construction	1,274,680	1,069,187
Cebada Force Main at Piedras/Magnolia - Engineering	1,229,054	835,628
Morenci Pond - CE4 Phase 1B - Construction	1,150,000	469,290
Various Localized Flooding Projects	1,053,462	762,921
Cebada Pump Station at Piedras/Magnolia - Engineering	1,045,000	895,607
Other Drainage Projects Under \$1,000,000	13,238,190	5,187,477
	\$ 54,927,616	\$ 9,976,295

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

9. LONG-TERM LIABILITIES

Long-term activity for the Water and Wastewater Utility for the years ended February 28, 2015 and 2014 were as follows:

	Beginning Balance 03/01/2014	Additions	Reductions	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
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>\$ 550,158,228</u>	<u>\$ 186,030,655</u>	<u>\$ 178,707,670</u>	<u>\$ 557,481,213</u>	<u>\$ 33,185,059</u>	<u>\$ 524,296,154</u>

	Restated Beginning Balance 03/01/2013	Additions	Reductions	Ending Balance 02/28/2014	Due Within One Year	Long-term Portion
Water and Wastewater Utility:						
Water and Sewer Revenue Bonds	\$ 492,785,000	\$ 64,900,000	\$ 65,435,000	\$ 492,250,000	\$ 25,150,000	\$ 467,100,000
Unamortized premiums net of discounts	30,496,030	8,075,464	3,570,332	35,001,162	2,273,256	32,727,906
Land notes payable	4,923,463	-	764,376	4,159,087	752,693	3,406,394
Commercial Paper payable	8,000,000	27,000,000	30,000,000	5,000,000	-	5,000,000
Other governments payable	2,884,060	-	123,268	2,760,792	128,931	2,631,861
Other Post Employment Benefits	5,886,619	833,973	-	6,720,592	-	6,720,592
Self insurance claims	1,269,118	3,763,153	3,647,356	1,384,915	836,027	548,888
Accrued vacation	2,846,180	1,913,241	1,877,741	2,881,680	1,749,273	1,132,407
Total Long-term liabilities						
Water and Wastewater Utility	<u>\$ 549,090,470</u>	<u>\$ 106,485,831</u>	<u>\$ 105,418,073</u>	<u>\$ 550,158,228</u>	<u>\$ 30,890,180</u>	<u>\$ 519,268,048</u>

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

9. LONG-TERM LIABILITIES (Continued)

Long-term activity for the Municipal Drainage Utility for the years ended February 28, 2015 and 2014 were as follows:

	Beginning Balance 03/01/2014	Additions	Reductions	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
Other Post Employment Benefits	196,987	71,626	-	268,613	-	268,613
Total Long-term liabilities Municipal Drainage Utility	\$ 64,522,111	\$ 184,118	\$ 2,656,467	\$ 62,049,762	\$ 2,760,583	\$ 59,289,179

	Beginning Balance 03/01/2013	Additions	Reductions	Ending Balance 02/28/2014	Due Within One Year	Long-term Portion
Municipal Drainage Utility:						
Drainage Revenue Bonds	\$ 65,743,000	\$ -	\$ 2,359,000	\$ 63,384,000	\$ 2,524,000	\$ 60,860,000
Unamortized premiums net of discounts	878,927	-	46,260	832,667	46,259	786,408
Accrued vacation	97,105	76,153	64,801	108,457	58,633	49,824
Other Post Employment Benefits	145,992	50,995	-	196,987	-	196,987
Total Long-term liabilities Municipal Drainage Utility	\$ 66,865,024	\$ 127,148	\$ 2,470,061	\$ 64,522,111	\$ 2,628,892	\$ 61,893,219

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

10. REVENUE BONDS

Water and Wastewater Utility

Water and Sewer Revenue Bonds payable for the Water and Wastewater Utility Fund, in the amount of \$482,305,000 and \$492,250,000, as of February 28, 2015 and 2014, 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 28, 2015 and 2014 include the following individual issues:

	Amounts Outstanding 2/28/14	Issued	Retired/ Refunded	Amounts Outstanding 2/28/15	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.	\$ 6,400,000	\$ -	\$ 1,600,000	\$ 4,800,000	\$ 1,600,000
\$1,000,000 2003A Series due in annual installments of \$50,000 with interest at 0%. Final payment due 2024.	550,000	-	50,000	500,000	50,000
\$10,000,000 2003B Series due in annual installments of \$5,000 with interest due at 3.29%. Refunded \$9,955,000 with the 2012A Bonds.	5,000	-	5,000	-	-
\$36,070,000 2004 Series with one more installment of \$1,940,000 with interest due at 5%. Refunded \$23,870,000 with the 2012A Bonds.	1,940,000	-	1,940,000	-	-
\$14,360,000 2004A Series with one more installment of \$630,000 with interest due at 5%. Refunded \$9,550,000 with the 2012A Bonds.	630,000	-	630,000	-	-
\$45,660,000 2005A Series with one more installment of \$1,075,000 with interest due at 5%. Refunded \$40,335,000 with the 2014 Bonds. Final payment due in 2015.	2,095,000	-	1,020,000	1,075,000	1,075,000
\$36,515,000 2005B Series with one more installment of \$5,365,000 with interest due at 5.25%. Refunded \$26,430,000 with the 2015 Bonds. Final payment due in 2015.	33,590,000	-	28,225,000	5,365,000	5,365,000

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

10. REVENUE BONDS (Continued)

	Amounts Outstanding 2/28/14	Issued	Retired/ Refunded	Amounts Outstanding 2/28/15	Due Within One Year
\$10,000,000 2005C Series with one more installment of \$465,000 with interest due at 3.10%. Refunded \$6,245,000 with the 2015 Bonds. Final payment due in 2015.	7,160,000	-	6,695,000	465,000	465,000
\$37,745,000 2006 Series due in annual installments of \$325,000 to \$845,000 with interest due at 4% to 5%. Refunded \$10,555,000 with the 2015 Bonds. Final payment due in 2030.	19,270,000	-	11,335,000	7,935,000	810,000
\$45,200,000 2006A Series with one more installment of \$3,350,000 with interest due at 5%. Refunded \$21,010,000 with the 2015 Bonds. Final payment due in 2015.	27,535,000	-	24,185,000	3,350,000	3,350,000
\$35,500,000 2007 Series due in annual installments of \$1,725,000 to \$1,910,000 with interest due at 5%. Refunded \$25,320,000 with the 2015 Bonds. Final payment due 2017.	32,415,000	-	26,965,000	5,450,000	1,725,000
\$30,520,000 2008 Series due in annual installments of \$450,000 to \$970,000 with interest due at 3.63% to 5%. Final payment due 2033.	13,005,000	-	430,000	12,575,000	450,000
\$14,000,000 2008A Series due in annual installments of \$720,000 to \$1,175,000 with interest due at 2.50% to 3.95%. Final payment due 2029.	13,980,000	-	5,000	13,975,000	720,000
\$22,000,000 2008B Series due in annual installments of \$1,135,000 to \$1,850,000 with interest due at 2.50% to 3.95%. Final payment due 2029.	21,980,000	-	5,000	21,975,000	1,135,000
\$35,000,000 2008C Series due in annual installments of \$1,540,000 to \$1,785,000 with interest due at 5%. Refunded \$26,885,000 with the 2015 Bonds. Final payment due 2018.	35,000,000	-	28,355,000	6,645,000	1,540,000

(Continued)

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

February 28, 2015 and 2014

10. REVENUE BONDS (Continued)

	Amounts Outstanding 2/28/14	Issued	Retired/ Refunded	Amounts Outstanding 2/28/15	Due Within One Year
\$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.	17,495,000	-	1,455,000	16,040,000	1,335,000
\$15,000,000 2010 Taxable Series due in annual installments of \$595,000 to \$1,205,000 with interest due at 4.75%. Final payment due in 2030.	14,460,000	-	565,000	13,895,000	595,000
\$42,580,000 2010A Series due in annual installments of \$935,000 to \$5,855,000 with interest due at 3% to 5%. Final payment due in 2027.	38,820,000	-	4,100,000	34,720,000	935,000
\$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.	14,580,000	-	540,000	14,040,000	500,000
\$52,780,000 2012 Series due in annual installments of \$1,120,000 to \$4,705,000 with interest due at 3% to 5%. Final payment due 2028.	52,780,000	-	2,310,000	50,470,000	1,120,000
\$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.	73,660,000	-	1,180,000	72,480,000	3,710,000
\$64,900,000 2014 Series due in annual installments of \$865,000 to \$5,405,000 with interest due at 2% to 5%. Final payment due 2034.	64,900,000	-	-	64,900,000	865,000
\$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	-
Total bonds outstanding	492,250,000	<u>\$131,650,000</u>	<u>\$141,595,000</u>	482,305,000	<u>\$ 27,345,000</u>
Less current maturities	<u>25,150,000</u>			<u>27,345,000</u>	
Total long term portion	<u>\$467,100,000</u>			<u>\$454,960,000</u>	

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

10. REVENUE BONDS (Continued)

Interest costs incurred on revenue bonds totaled \$23,348,380 in 2015 of which \$973,887 was capitalized and \$21,838,805 in 2014 of which \$475,960 was capitalized.

Water and Wastewater Utility Fund Annual Revenue Bond Debt Service Requirements

Year Ending February	Principal	Interest	Total
2016	\$ 27,345,000	\$ 17,774,315	\$ 45,119,315
2017	28,025,000	18,784,067	46,809,067
2018	30,040,000	17,841,439	47,881,439
2019	31,335,000	16,740,983	48,075,983
2020	32,415,000	15,489,678	47,904,678
2021 - 2025	161,485,000	56,558,249	218,043,249
2026 - 2030	129,055,000	22,238,711	151,293,711
2031 - 2035	40,950,000	3,732,094	44,682,094
2036	1,655,000	28,963	1,683,963
	<u>\$ 482,305,000</u>	<u>\$ 169,188,499</u>	<u>\$ 651,493,499</u>

On December 26, 2012, the Public Service Board - El Paso Water Utilities issued \$75,715,000 in Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012A with an average interest rate of 4.12% to refund \$15,000,000 of Water and Sewer Commercial Paper Notes with an average interest rate of 0.24%, \$25,000,000 to fund Emergency backup power generation, and advance refund the following outstanding bonds:

Series	Amount	Average Coupon
2003B	\$ 9,955,000	4.16%
2004	23,870,000	5.23%
2004A	9,550,000	5.41%

The liabilities associated with these bonds were removed from the related payables. As of February 28, 2015 and February 28, 2014 \$0 and \$43,375,000 of bonds remained outstanding with an estimated related escrow balance of \$0 and \$44,376,525, respectively. The refunding of the 2003B, 2004, and 2004A reduced debt service by \$7,283,471 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$6,521,301.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

10. REVENUE BONDS (Continued)

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 28, 2015 and February 28, 2014, \$40,335,000 and \$40,335,000 of bonds remained outstanding with an estimated related escrow balance of \$41,312,631 and \$43,285,533 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%

The liabilities associated with these bonds were removed from the related payables. As of February 28, 2015 \$116,445,000, of bonds remained outstanding with an estimated escrow balances of \$125,345,648. 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.

(Continued)

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

February 28, 2015 and 2014

10. REVENUE BONDS (Continued)

Municipal Drainage Utility

Municipal Drainage Revenue Bonds payable for the Municipal Drainage Utility Fund in the amount of \$60,860,000 and \$63,384,000 as of February 28, 2015 and 2014 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 28, 2015 include the following individual issues:

	Amounts Outstanding 2/28/14	Issued	Retired/ Refunded	Amounts Outstanding 2/28/15	Due Within One Year
\$53,000,000 2009 Series due in annual installments of \$2,040,000 to \$4,335,000 with interest due at 5.38%. Final payment due 2029.	\$ 47,780,000	\$ -	\$ 1,935,000	\$ 45,845,000	\$ 2,040,000
\$2,163,000 2009A Series due in annual installments of \$107,000 to \$109,000 with interest at 0%. Final payment due 2031.	1,944,000	-	109,000	1,835,000	109,000
\$14,075,000 2012 Series due in annual installments of \$495,000 to \$995,000 with interest due at 3% to 5%. Final payment due 2032.	13,660,000	-	480,000	13,180,000	495,000
Total bonds outstanding	63,384,000	\$ -	\$ 2,524,000	60,860,000	\$ 2,644,000
Less current maturities	2,524,000			2,644,000	
Total long term portion	\$ 60,860,000			\$ 58,216,000	

(Continued)

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

February 28, 2015 and 2014

10. REVENUE BONDS (Continued)

Interest costs incurred on revenue bonds totaled \$2,993,724 in 2015 of which \$191,355 was capitalized, and \$3,107,427 in 2014 of which \$285,533 was capitalized.

Municipal Drainage Utility Fund Annual Revenue Bond Debt Service Requirements

Year Ending February	Principal	Interest	Total
2016	\$ 2,644,000	\$ 2,087,368	\$ 4,731,368
2017	2,774,000	1,996,393	4,770,393
2018	2,919,000	1,898,035	4,817,035
2019	3,069,000	1,791,593	4,860,593
2020	3,224,000	1,676,767	4,900,767
2021 - 2025	18,871,000	6,435,693	25,306,693
2026 - 2030	24,260,000	2,646,567	26,906,567
2031 - 2033	3,099,000	153,740	3,252,740
	<u>\$ 60,860,000</u>	<u>\$ 18,686,156</u>	<u>\$ 79,546,156</u>

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 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.

(Continued)

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

February 28, 2015 and 2014

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
2016	\$ 790,328	\$ 101,170	\$ 891,498
2017	829,844	78,482	908,326
2018	871,337	53,587	924,924
2019	914,885	27,447	942,332
	\$ 3,406,394	\$ 260,686	\$ 3,667,080

12. COMMERCIAL PAPER

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. 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. On July 3, 2013, the parties amended (the “Credit Agreement”) to extend the Final Date to August 3, 2015. 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.

(Continued)

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

February 28, 2015 and 2014

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, 2014 there was \$5,000,000 outstanding and as of February 28, 2015 the following amount was outstanding:

	2015	Maturity Date	Coupon Rate
\$	8,000,000	04/06/2015	0.05%
\$	2,000,000	04/01/2015	0.05%

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 28, 2015:

Year Ending February	Principal	Interest	Total
2016	\$ 134,854	\$ 115,675	\$ 250,529
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 - 2025	925,246	327,400	1,252,646
2029 - 2030	967,479	97,270	1,064,749
	\$ 2,631,860	\$ 938,180	\$ 3,570,040

(Continued)

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

February 28, 2015 and 2014

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 28, 2015 and 2014.

	2015	2014
Revenues available for debt service	\$ 92,744,976	\$ 94,119,209
Debt service requirements		
Principal	25,150,000	25,100,000
Interest	19,701,136	19,946,447
Total requirements	44,851,136	45,046,447
Debt service ratio	2.07	2.09

Revenues available for debt service are determined as follows:

	2015	2014
Water and wastewater revenue	\$ 172,616,917	\$ 172,115,795
Operating revenue deductions	82,230,188	80,439,770
Net water and wastewater revenue	90,386,729	91,676,025
Other revenues available for debt service:		
Interest income	401,998	265,915
IRS Tax Credit Build America Bonds	214,302	221,332
Property rentals	1,958,038	2,019,831
Administration fees - City Environmental Services	613,136	608,171
Other miscellaneous operating revenue	1,486,686	1,615,576
Gain on sale of miscellaneous assets	646,916	314,473
Other miscellaneous operating expenses	(2,962,829)	(2,602,114)
Net other revenues available for debt service	2,358,247	2,443,184
Revenues available for debt service	\$ 92,744,976	\$ 94,119,209

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 28, 2015 and 2014.

(Continued)

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

February 28, 2015 and 2014

14. DEBT SERVICE COVERAGE (Continued)

	2015	2014
Revenues available for debt service	\$ 10,802,501	\$ 9,822,915
Debt service requirements		
Principal	2,524,000	2,359,000
Interest	3,050,575	3,216,969
Total requirements	5,574,575	5,575,969
Debt service ratio	1.94	1.76

Revenues available for debt service are determined as follows:

	2015	2014
Municipal drainage utility revenue	\$ 15,298,948	\$ 15,162,459
Operating revenue deductions	6,166,556	6,918,000
Net municipal drainage utility revenue	9,132,392	8,244,459
Other revenues available for debt service:		
Interest income	99,550	89,659
IRS Tax Credit Build American Bonds	800,675	828,171
Property rentals	43,628	41,725
Gain on sale of miscellaneous assets	87,318	-
Other miscellaneous operating revenue	638,938	618,901
Other revenues available for debt service	1,670,109	1,578,456
Revenues available for debt service	\$ 10,802,501	\$ 9,822,915

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 under a self-insurance plan for eligible employees and 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.

(Continued)

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

February 28, 2015 and 2014

15. RISK MANAGEMENT (Continued)

The City maintains a group health insurance plan for active and retired employees and their eligible dependents through a self-insured plan of benefits administered by Aetna. 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 28, 2015, 2014, and 2013 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 28, 2015, 2014, and 2013:

	2015	2014	2013
Health Insurance	\$ 171,399	\$ 513,047	\$ 206,704
Workers' Compensation	871,868	871,868	1,062,414
	1,043,267	1,384,915	1,269,118
Total payable			
	299,060	836,027	356,765
Less current portion			
	\$ 744,207	\$ 548,888	\$ 912,353
Estimated Long-term portion			

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

	2015	2014	2013
Total payable, beginning of year	\$ 1,384,915	\$ 1,269,118	\$ 1,267,609
Additional claims incurred	3,988,848	3,763,153	4,823,825
Claims paid during the year	(4,330,496)	(3,647,356)	(4,822,316)
	\$ 1,043,267	\$ 1,384,915	\$ 1,269,118
Total payable, end of year			

(Continued)

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

February 28, 2015 and 2014

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 defined benefit pension plan. 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. Stand-alone financial statements 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.

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.

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires the CEPF's management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the CEPF's financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

Valuation of Investments - Investments are stated at fair value. The fair value of marketable investments, including U.S. government securities, mutual funds, and corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at statement of plan net position dates (fair value). The fair value of investments in bank collective investment, commingled and real estate investment funds are determined by the investment funds based on the fair values of the underlying securities in the funds. Bank collective investment funds are governed by Section 9.18 of Regulation 9 issued by the Office of Comptroller of the Currency and by other applicable regulations as defined by the Mellon Bank, N.A. Employee Benefit Collective Investment Fund Plan.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation in fair value of investments reflected in the CEPF statements of changes in plan net position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. The change in net unrealized gains or losses on investments represent the change in the difference between the cost and fair value of investments at the beginning versus the end of the year.

Concentration of Investments - The following table presents the fair value of investments that represent 5% or more of the CEPF's net position available for benefits at August 31, 2014. These investments are in bank collective investment funds which consist of diversified portfolios of investments as described previously.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

16. PENSION AND RETIREMENT PLAN (Continued)

	<u>Shares</u>	<u>Fair Value</u>
EB MCM DV International Specialized Investment Mellon Capital Management Corp.	159,696	\$ 64,625,595
EB MCM DV Aggregate Bond Index Fund Mellon Capital Management Corporation	21,257	\$ 56,219,567
EB MCM DV Mid Cap Specialized Investment Mellon Capital Management Corporation	164,374	\$ 55,736,034
Franklin Templeton Global Multi Sector Plus Franklin Templeton Investments	2,998,804	\$ 38,744,547
EB MCM DV Tangent Added Fund Mellon Capital Management Corporation	218,809	\$ 41,224,061
EB MCM DV Stock Index Fund Mellon Capital Management Corporation	85,003	\$ 40,148,854
UBS Trumbull Property Fund UBS Realty Investors	4,321	\$ 39,929,910

Plan Description - The CEPF covers substantially all full-time employees of the City (including EPWU). Certain contract and permanent part-time employees have the option to participate, but they must sign an irrevocable election regarding membership in the plan. Non-employer contributions are limited to participating employees. 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. The CEPF Board contracts with an independent pension custodian, investment managers, a pension consultant, and an actuary to assist in managing the CEPF.

The CEPF is not required to maintain any legally required reserves.

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. There are two tiers of benefits, employees who became plan participants before September 1, 2011 are Tier 1, and those who became eligible after are Tier 2.

(Continued)

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

February 28, 2015 and 2014

16. PENSION AND RETIREMENT PLAN (Continued)

First Tier Plan

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 of service 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, or (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 final wages defined as the greatest of (i) 2.5% of the average monthly gross earnings received by the employee during the three years immediately prior to retirement, (ii) 2.5% of the average monthly base salary received by the employee during the year immediately prior to retirement, or (iii) 2.5% of the monthly base salary for the month immediately prior to retirement, 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.

Second Tier Plan

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 of service 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 vested after reaching 45 years of age and 7 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 the average monthly gross earnings received by the employee during the three years immediately prior to retirement, 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.

(Continued)

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

February 28, 2015 and 2014

16. PENSION AND RETIREMENT PLAN (Continued)

A pension benefit is available to surviving spouses and dependents. The plan includes no automatic increase in retirement benefits; 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.

Membership in the above described pension plan is as follows as of August 31, 2014:

Retirees and beneficiaries receiving benefits	2,605
Terminated plan members entitled to but not yet receiving benefits	72
Active plan members	<u>4,164</u>
Total	<u><u>6,841</u></u>

Contributions - Contribution rates for the CEPF are based upon local statutes 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 30 years. As of the most recent actuarial valuation, the contribution rate was 22.1% of annual covered payroll.

EPWU's gross payroll for fiscal years ended 2015, 2014, and 2013, were \$32,772,087, \$32,572,161, and \$31,140,855, respectively. The portion attributable to eligible employees covered by the pension plan for fiscal years ended 2015, 2014, and 2013 were \$32,349,087, \$31,870,410, and \$30,838,768, respectively. Covered payroll refers to all compensation paid by EPWU to active employees covered by the City PERS on which contributions to the pension are based.

Total contributions into the plan represent 22.1% of wages paid to eligible employees of which 14.05% was contributed by EPWU and 8.95% was contributed by the employees on a pre-tax basis. Total contributions for fiscal years ended 2015, 2014, and 2013 were \$7,283,496, \$6,888,257, and \$6,391,868, respectively. EPWU contributed a total of \$4,440,561, \$4,183,125, and \$3,865,481, and employees contributed \$2,842,935, \$2,705,132, and \$2,526,387, for fiscal years ended 2015, 2014, and 2013, respectively. EPWU contributed 100% of the annual required contributions in the City of El Paso Pension plan for each of the fiscal years ended 2015, 2014, and 2013.

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

February 28, 2015 and 2014

16. PENSION AND RETIREMENT PLAN (Continued)

Securities Lending - The CEPF enters into securities lending transactions with broker/dealers for which fees are paid to the CEPF. The CEPF Board may legally and contractually authorize the use of CEPF's securities for lending transactions. The securities involved in the lending transactions continue to be recorded at fair value. Parameters are established by the CEPF's investment guidelines for securities lending transactions. These guidelines require that all securities lending occur with specified broker/dealers and that securities be collateralized using U.S. issuer securities at 102% and non U.S. issuer securities at 105% of the fair value of the securities. U.S. issuer securities used as collateral are marked to fair value on a daily basis to evaluate whether the collateralization requirements of the fair value of investments is always maintained. The CEPF may not pledge or sell the collateral securities except on default of the borrower. Because of this, CEPF administration believes there is some minimal credit risk associated with securities lending transactions. There is no loss indemnification provided to the CEPF by the investment managers or broker/dealers. As of August 31, 2014, the fair value of securities loaned to others, consisted of:

Corporate Stocks \$ 22,906,404

Annual Pension Cost and Net Pension Obligation - The annual pension cost and net pension obligation to CEPF for the years ended August 31, 2014, 2013, and 2012 are shown below. Since the annual cost and obligation of the pension plan are the responsibility of the City of El Paso, these amounts are recorded in its financial statements. EPWU is a participant of the plan and contributes to the plan but does not have any liability associated with the pension plan.

Year	Annual Required Contribution (ARC)	Interest on NPO	Adjustment to ARC	Annual Pension Cost	Contributions Made	Increase (Decrease) in NPO	Net Pension Obligation
8/31/2014	\$ 22,649,727	\$ 143,703	\$ (107,101)	\$ 22,686,329	\$ 21,739,159	\$ 947,170	\$ 2,863,215
8/31/2013	21,075,292	98,880	(73,695)	21,100,477	20,502,828	597,649	1,916,045
8/31/2012	19,605,418	96,690	(67,408)	19,634,700	19,524,934	109,766	1,318,396

The percentage of Annual Pension Cost Contributed for the above three years is 95.8%, 97.2%, and 99.4%, respectively.

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

February 28, 2015 and 2014

16. PENSION AND RETIREMENT PLAN (Continued)

Schedule of Funding Progress:

<u>Actuarial valuation date</u>	(1) Actuarial value of <u>assets</u> (dollars in thousands)	(2) Actuarial accrued liability (AAL) <u>entry age</u> (dollars in thousands)	(3) Unfunded AAL (UAAL) <u>(2) - (1)</u> (dollars in thousands)	(4) Funded ratio <u>(1) : (2)</u>	(5) Covered <u>payroll</u> (dollars in thousands)	(6) UAAL as a percentage of covered payroll <u>(3) : (5)</u>
9-1-2014	732,892	859,629	126,737	85.3%	153,613	82.5%
9-1-2012	581,725	788,204	206,479	73.8%	147,740	139.8%
9-1-2010	569,723	709,997	140,274	80.2%	143,107	98.0%

The information presented in the schedule of funding progress was determined as part of actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Actuarial Valuation Date	September 1, 2014
Actuarial Cost Method	Entry Age
Asset Valuation Method	Five-year smoothed
Assumed Inflation Rate	3.5%
Assumed Investment Rate of Return	7.5%
Assumed Projected Salary Increases	3.5%
Assumed Cost of Living Adjustment	13 th Check
Amortization Method	Level percent open
Remaining Amortization Period	21 years
Factors that significantly affect the identification of trends	None

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. The schedule of funding progress 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.

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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NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

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 as an expense as liabilities are incurred. Of 2,677 retirees eligible (including the City and EPWU), there were 2,605 retirees covered under this plan at August 31, 2014. 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, 2014 and 2013 was approximately \$21,830,044 and \$1,920,450, respectively. For the year ended August 31, 2014, retirees contributed \$14,039,600 or 39% of the total current year cost, and for the year ended August 31, 2013, retirees contributed \$1,658,043 or 45% of the total current year cost.

Funding Policy

Permanent EPWU employees and retirees under 65 years of age have the same benefits as offered by the City of El Paso. The plan premium rates are determined annually by the City's OMB Department in collaboration with an outside benefits consulting firm and are approved by the El Paso City's Council. 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) cost for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 28, 2015 and 2014, the amount actually contributed to the plan, and changes in the net OPEB obligation.

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

February 28, 2015 and 2014

17. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

<u>February 28, 2015</u>	<u>Water and Wastewater Utility</u>	<u>Municipal Drainage Utility</u>
Annual Required Contribution	\$ 1,354,201	\$ 79,398
Interest on Net OPEB Obligation	302,427	8,864
Adjustment to Annual Required Contribution	(280,195)	(8,213)
Annual OPEB Cost	1,376,433	80,049
Less Contributions Made	(407,097)	(8,423)
Increase in Net OPEB Obligation	969,336	71,626
Net OPEB Obligation - Beginning of year	6,720,592	196,987
Net OPEB Obligation - End of year	<u>\$ 7,689,928</u>	<u>\$ 268,613</u>
<u>February 28, 2014</u>	<u>Water and Wastewater Utility</u>	<u>Municipal Drainage Utility</u>
Annual Required Contribution	\$ 1,231,744	\$ 60,505
Interest on Net OPEB Obligation	264,898	6,570
Adjustment to Annual Required Contribution	(245,425)	(6,087)
Annual OPEB Cost	1,251,217	60,988
Less Contributions Made	(417,244)	(9,993)
Increase in Net OPEB Obligation	833,973	50,995
Net OPEB Obligation - Beginning of year	5,886,619	145,992
Net OPEB Obligation - End of year	<u>\$ 6,720,592</u>	<u>\$ 196,987</u>

The Waster 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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,376,433	\$ 407,097	29.58%	\$ 7,689,928
2014	\$ 1,251,217	\$ 417,244	33.35%	\$ 6,720,592
2013	\$ 1,212,591	\$ 381,162	31.43%	\$ 5,886,619

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

February 28, 2015 and 2014

17. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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
2015	\$ 80,049	\$ 8,423	10.52%	\$ 268,613
2014	\$ 60,988	\$ 9,993	16.39%	\$ 196,987
2013	\$ 59,034	\$ 1,096	1.86%	\$ 145,992

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.

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.

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

February 28, 2015 and 2014

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.

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

February 28, 2015 and 2014

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 28, 2015, for each of the next five years and in the aggregate are:

Water and Wastewater Utility

<u>Year ended February</u>	<u>Amount</u>
2016	\$ 1,789,810
2017	1,776,800
2018	1,750,948
2019	1,562,541
2020	1,161,286
2021 - 2025	4,806,988
2026 - 2030	2,513,668
2031 - 2035	1,498,204
2036 - 2039	25,194
2040 - 2044	1,320
2045 - 2049	1,320
2050 - 2054	1,320
2055 - 2059	<u>858</u>
Total minimum future rentals	<u><u>\$ 16,890,257</u></u>

Municipal Drainage Utility

<u>Year ended February</u>	<u>Amount</u>
2016	\$ 44,232
2017	21,720
2018	17,220
2019	15,720
2020	15,720
2021 - 2025	19,850
2026 - 2030	3,600
2031 - 2035	3,600
2036 - 2040	<u>3,000</u>
Total minimum future rentals	<u><u>\$ 144,662</u></u>

(Continued)

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

February 28, 2015 and 2014

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 28, 2015 are as follows:

Water and Wastewater Utility

<u>Year ended February</u>	<u>Amount</u>
2016	\$ 761,191
2017	668,943
2018	620,508
2019	464,090
2020 - 2024	2,234,996
2025 - 2029	2,197,148
2030 - 2034	2,212,565
2035 - 2039	2,229,943
2040 - 2044	2,249,560
2045 - 2049	2,121,414
2050 - 2054	2,047,500
2055 - 2059	2,047,500
2060	<u>102,375</u>
	<u><u>\$ 19,957,733</u></u>

Rental expense for the years ended February 28, 2015 and 2014 was \$1,286,210 and \$1,203,109, respectively.

Municipal Drainage Utility:

<u>Year ended February</u>	<u>Amount</u>
2016	\$ 19,847
2017	14,733
2018	<u>14,733</u>
	<u><u>\$ 49,313</u></u>

Rental expense for the years ended February 28, 2015 and 2014 was \$24,049 and \$17,089, respectively.

(Continued)

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

February 28, 2015 and 2014

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	\$1.00 per ccf	\$0.75 per ccf
County - East Montana	\$0.87 per ccf	N/A
Haciendas Del Norte WID	\$1.34 per ccf	N/A
Ponderosa/Western Village	\$1.78 per ccf	N/A
Gaslight Square MHE	\$1.94 per ccf	\$1.40 per ccf
Paseo del Este MUD (includes fixed base differential rate of \$0.26 for water and \$0.33 for wastewater)	\$1.93 per ccf	\$1.70 per ccf
Fort Bliss	\$0.78 per ccf	\$1.38 per ccf
County - Mayfair/Nuway and Schuman	\$1.49 per ccf	N/A
County - Colonia Revolucion	\$1.68 per ccf	N/A

Transactions with these entities are summarized below:

	<u>2015</u>	<u>2014</u>
Water Sales	<u>\$ 4,426,451</u>	<u>\$ 4,548,425</u>
Wastewater Services	<u>\$ 2,151,904</u>	<u>\$ 2,731,329</u>

(Continued)

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

February 28, 2015 and 2014

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 28,784 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 6,245 acres of leased water rights, whose terms range from 25 years to 75 years. During calendar year 2014, 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 3,602 acres obtained within the LVWD. During a full allocation year, these LVWD water rights are equivalent to 14,413 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 3,127.832 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 at \$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 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 28, 2015 and 2014

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 2014, EPWU received an allotment of 1.50 AF per acre of surface water and treated 24,093 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 28, 2015, 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 28, 2015, the Water and Wastewater Utility had appropriations and estimated commitments for services yet to be performed that totaled \$83,955,571. At February 28, 2015, the Municipal Drainage Utility had appropriations and estimated commitments for services yet to be performed totaling \$35,480,174.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

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:

	2015	2014
Revenues from City:		
Water and Wastewater Sales	\$ 3,475,921	\$ 3,268,002
Billing and Collecting Agent fees	\$ 875,907	\$ 868,815
Drainage fees	\$ 281,999	\$ 284,238
Expenses to City:		
10% of Water Sales	\$ 10,586,093	\$ 10,452,519
5% on gain on sale of land	\$ 7,173	\$ 100,697
City of El Paso Franchise fee	\$ 1,937,221	\$ -
Receivable:		
Accounts Receivable from City	\$ -	\$ 599
Payable:		
Environmental Services collections fees payable to City	\$ 5,084,817	\$ 4,645,520
10% of water sales payable to City	\$ 1,261,379	\$ 626,634
Franchise fee payable to City	\$ 644,428	\$ -
Property and health insurance payable to City	\$ 483,460	\$ 806,094
City projects and other expenses payable to City	\$ 852,359	\$ 316,691

25. RESTRICTED NET POSITION

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

26. 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). Non-residential meters were billed a calculated monthly fee of \$15.92 to meet the amount established by the City of El Paso City Council. As of February 28, 2015 \$1,937,221 has been billed of which \$1,292,794 has been paid to the City of El Paso.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

February 28, 2015 and 2014

27. SUBSEQUENT EVENTS

The El Paso Water Utilities Public Service Board approved that the City's Franchise fee will be assessed to all residential, non-residential and standby fire protection accounts based on meter size effective June 2015. Non-residential meters who had been charged the \$15.92 from September 1, 2014 to April 2015 were credited the amount billed in May of 2015. For fiscal year ended February 28, 2015 this totaled \$1,937,221. Refer to Note 26.

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 with an average interest rate of 4.84% to finance drainage projects and improvements throughout the City of El Paso.

REQUIRED SUPPLEMENTARY INFORMATION
FOR
OTHER POST-EMPLOYMENT BENEFITS PLAN

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 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)
2015	\$ 407,097	\$ 1,354,201	30.06%
2014	\$ 417,244	\$ 1,231,744	33.87%
2013	\$ 381,162	\$ 1,195,868	31.87%

REQUIRED SUPPLEMENTARY INFORMATION

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

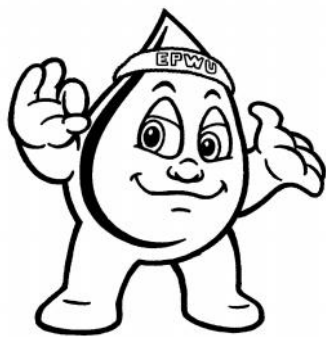
MUNICIPAL DRAINAGE UTILITY FUND

**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**

(1) Fiscal Year	(2) Annual Actual Contribution	(3) Percent Required Contribution	Contributed (1)/(2)
2015	\$ 8,423	\$ 79,398	10.61%
2014	\$ 9,993	\$ 60,505	16.52%
2013	\$ 1,096	\$ 58,743	1.87%



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 28, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,893,387	\$ 12,586,724
Investments	10,535,441	13,455,855
Accounts receivable - customers	17,652,736	16,599,054
Accounts receivable - other	5,371,500	622,729
Accrued interest receivable	423,364	413,077
Inventory - materials and supplies	1,870,845	1,979,925
Other current assets	514,032	386,259
Prepaid expenses	1,996,006	2,016,389
Restricted current assets:		
Restricted for bond requirements:		
Cash and cash equivalents	36,146,346	34,504,077
Investments	15,402,186	15,220,319
Restricted for construction and improvements:		
Cash and cash equivalents	19,837,542	42,217,856
Investments	24,957,009	29,046,549
Accounts receivable government grants	500,136	509,463
Notes receivable	50,224	98,979
Total current assets	<u>152,150,754</u>	<u>169,657,255</u>
Noncurrent assets:		
Investments	7,089,072	5,021,763
Restricted noncurrent assets:		
Restricted for bond requirements:		
Investments	12,271,338	11,887,753
Restricted for construction and improvements:		
Investments	10,464,236	16,887,105
Capital assets:		
Water and Wastewater Utility capital assets	1,853,617,700	1,801,924,213
Land and right of way	72,550,913	71,029,203
Construction work in progress	167,299,726	119,354,839
Less accumulated depreciation	<u>(854,706,486)</u>	<u>(809,281,469)</u>
Total capital assets (net of accumulated depreciation)	<u>1,238,761,853</u>	<u>1,183,026,786</u>
Total noncurrent assets	<u>1,268,586,499</u>	<u>1,216,823,407</u>
Total assets	<u>1,420,737,253</u>	<u>1,386,480,662</u>
Deferred outflows of resources		
Losses on bond refunding	<u>5,232,151</u>	<u>1,943,345</u>
Total assets and deferred outflows of resources	<u>\$ 1,425,969,404</u>	<u>\$ 1,388,424,007</u>

	2015	2014
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,160,039	\$ 2,423,416
Environmental Services collections and other payments due to City of El Paso	6,990,624	5,272,154
Customer deposits	8,373,573	7,678,096
Accrued vacation payable	1,794,440	1,749,273
Accrued payroll and benefits	1,575,921	1,534,580
Due to Municipal Drainage Utility	270,840	36,135
Unearned revenue on land leases	338,682	276,483
Other current liabilities	383,847	373,223
Self insurance workers' compensation and health claims	299,060	836,027
Other governments payable - current	134,854	128,931
Current liabilities payable from restricted assets:		
Revenue bonds payables and unamortized premiums net of discounts	30,166,377	27,423,256
Accrued interest on revenue bonds and commercial paper	8,276,706	9,213,487
Accounts payable	14,911,689	17,398,450
Land notes payable	790,328	752,693
Land notes interest payable	50,585	70,912
Customer advances for construction	13,577,981	7,019,249
Retainage payable on construction contracts	1,789,319	1,612,140
Total current liabilities	91,884,865	83,798,505
Noncurrent liabilities:		
Revenue bonds payables and unamortized premiums net of discounts	499,659,628	499,827,906
Land notes payable	2,616,066	3,406,394
Other governments payable	2,497,006	2,631,861
Commercial paper notes	10,000,000	5,000,000
Other Post-Employment Benefits	7,689,928	6,720,592
Accrued vacation payable	1,089,319	1,132,407
Self insurance workers' compensation claims	744,207	548,888
Total noncurrent liabilities	524,296,154	519,268,048
Total liabilities	616,181,019	603,066,553
Deferred inflows of resources		
Gains on bond refunding	131,896	143,045
NET POSITION		
Restricted:		
Restricted for debt service	55,543,164	52,398,662
Restricted for construction and improvements	15,539,058	27,034,464
Total restricted	71,082,222	79,433,126
Net investment in capital assets	721,516,344	681,280,780
Unrestricted	17,057,923	24,500,503
Total net position	809,656,489	785,214,409
Total liabilities, deferred inflows of resources, and net position	\$ 1,425,969,404	\$ 1,388,424,007

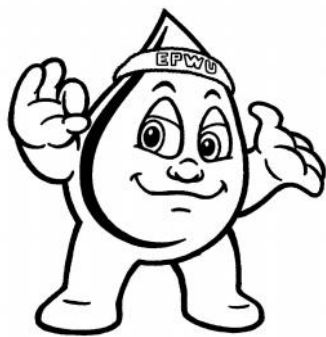
PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

WATER AND WASTEWATER UTILITY FUND

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Years Ended February 28, 2015 and 2014

	2015	2014
Operating revenues:		
Water	\$ 92,756,225	\$ 91,837,712
Water supply replacement charge	19,932,864	19,594,187
Reclaimed water	2,863,690	2,651,400
Wastewater	57,064,138	58,032,496
Customer connection fees	5,441,677	4,637,221
Billing fees - City Environmental Services	613,136	608,171
Rent revenue	1,958,038	2,019,831
City of El Paso Franchise fee	1,937,221	-
Other operating revenue	1,486,686	1,615,576
Total operating revenues	184,053,675	180,996,594
Operating expenses:		
Operations and maintenance - water & reclaimed water	40,081,155	38,764,590
Operations and maintenance - wastewater	21,624,836	22,496,822
General, administrative and engineering expenses	20,524,197	19,178,358
Other operating expenses	2,962,829	2,602,114
Other Post-Employment Benefits	969,336	833,973
Depreciation	52,041,478	50,592,539
Payment to City of El Paso Franchise fee	1,937,221	-
Payment to City of El Paso per bond covenants	10,593,266	10,553,216
Total operating expenses	150,734,318	145,021,612
Operating income	33,319,357	35,974,982
Nonoperating revenues (expenses):		
Interest earnings and net change in fair value of investments	401,998	265,915
IRS tax credit for Build America Bonds	214,302	221,332
Gain on land assets converted by sale	143,455	2,013,946
Gain on sale of miscellaneous assets	646,916	314,473
Interest on long term debt	(18,862,744)	(18,534,364)
Total nonoperating expenses	(17,456,073)	(15,718,698)
Increase in net position, before capital contributions	15,863,284	20,256,284
Federal grant contributions	371,364	830,034
Capital and non-federal grant contributions	8,207,432	12,998,824
Total contributions	8,578,796	13,828,858
Change in net position	24,442,080	34,085,142
Total net position - beginning	785,214,409	751,129,267
Total net position - ending	\$ 809,656,489	\$ 785,214,409



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 28, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 177,096,429	\$ 181,465,426
Cash received from Municipal Drainage Utility	1,470,339	1,042,321
Environmental Services fees collected for the City of El Paso	58,457,099	52,511,352
Franchise fees collected	1,937,221	-
Cash payments to suppliers for goods and services	(48,766,755)	(46,865,900)
Cash payments to employees for services	(37,109,487)	(36,773,939)
Environmental Services fees paid to the City of El Paso	(58,017,801)	(51,977,487)
Payments to City of El Paso per bond covenants	(9,958,521)	(10,484,432)
Payments to City of El Paso Franchise fees	(1,292,793)	-
Cash payments to Municipal Drainage Utility	(104,791)	(104,856)
Net cash provided by operating activities	83,710,940	88,812,485
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from:		
Revenue bonds	131,650,000	64,900,000
Premiums received on revenue bonds	13,245,483	7,540,774
Commercial paper	30,000,000	27,000,000
Cash receipts from grants	466,059	1,460,404
Acquisition and construction from capital grants	(456,732)	(1,182,310)
Acquisition and construction of capital assets net of disposals	(95,077,532)	(68,676,431)
Refunding revenue bonds	(116,445,000)	(40,335,000)
Refunding commercial paper	(25,000,000)	(30,000,000)
Principal payments on revenue bonds	(25,150,000)	(25,100,000)
Interest and fees on revenue bonds and commercial paper	(24,554,932)	(22,872,177)
Principal payments on land notes payable	(752,693)	(764,376)
IRS tax credit on Build America Bonds	214,302	221,332
Interest payments on notes and other long term debt	(263,422)	(232,508)
Proceeds from sale of assets net of related expenses	790,372	2,262,984
Net cash used by capital and related financing activities	(111,334,095)	(85,777,308)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturities of investment securities	100,425,027	83,681,308
Purchase of investment securities	(89,639,818)	(123,318,773)
Interest received on investment securities	406,564	140,029
Net cash provided (used) by investing activities	11,191,773	(39,497,436)
 Net decrease in cash and cash equivalents	(16,431,382)	(36,462,259)
Cash and cash equivalents:		
Beginning of year	89,308,657	125,770,916
End of year	\$ 72,877,275	\$ 89,308,657

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 28, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ 33,319,357	\$ 35,974,982
Adjustments to reconcile operating income to net		
cash provided by operating activities:		
Depreciation	52,041,478	50,592,539
Bond issue expense	972,424	663,091
(Increase) decrease in assets:		
Accounts receivable	(5,753,698)	(403,817)
Inventory	109,080	(207,683)
Prepaid expenses	20,383	(95,385)
Other current assets	(127,773)	(97,114)
Increase (decrease) in liabilities:		
Accounts payable	(263,378)	75,939
Other current liabilities	2,487,254	1,502,438
Due to Municipal Drainage Utility	234,705	(303,261)
Accrued vacation payable	2,079	35,500
Accrued payroll and benefits	41,341	125,486
Other Post-Employment Benefits	969,336	833,973
Self insurance claims	(341,648)	115,797
Net cash provided by operating activities	<u>\$ 83,710,940</u>	<u>\$ 88,812,485</u>
Noncash investing, capital, and financing activities:		
Contribution in aid of construction	\$ 8,122,065	\$ 12,646,548
Decrease in accounts receivable capital grants	(9,327)	(278,094)
Change in fair value of investments	14,853	52,721
	<u>\$ 8,127,591</u>	<u>\$ 12,421,175</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 28, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Water & reclaimed water revenue		
Metered sales to general customers	\$ 79,666,151	\$ 78,815,461
Metered sales to City of El Paso	3,088,536	2,897,659
Metered sales to Lower Valley Water District	2,514,500	2,615,910
Metered sales to Mayfair/Nuway	62,827	61,573
Metered sales to El Paso County East Montana	284,646	293,427
Metered sales to Haciendas Del Norte	97,628	103,348
Metered sales to Ponderosa	54,467	56,365
Metered sales to Gaslight Square	53,615	55,147
Metered sales to Paseo Del Este	918,587	875,944
Metered sales to Fort Bliss	436,903	486,711
Metered sales to Colonia Revolucion	3,278	-
Reclaimed water sales	2,863,690	2,651,400
Private fire protection	631,660	587,999
El Paso Electric Company - well consumption	224,218	253,003
Outside city charges	1,472,563	1,501,458
New account set up fee	658,908	631,863
Service reinstallation and other fees	2,587,738	2,601,844
Total water & reclaimed water revenue	<u>95,619,915</u>	<u>94,489,112</u>
Water supply replacement charge	19,932,864	19,594,187
Total water revenue	<u>115,552,779</u>	<u>114,083,299</u>
Wastewater revenue		
General customers	53,996,289	54,480,467
City of El Paso	387,385	370,343
Lower Valley Water District	671,912	685,836
Gaslight Square	27,131	28,510
Paseo Del Este	143,996	148,456
Fort Bliss	1,308,866	1,868,525
Industrial sewer surcharge	528,559	450,359
Total wastewater revenue	<u>57,064,138</u>	<u>58,032,496</u>
Other operating revenue		
Customer connection fees	5,441,677	4,637,221
City of El Paso Franchise fee	1,937,221	-
Property rentals	1,958,038	2,019,831
Billing fees - City Environmental Services	613,136	608,171
Other operating revenue	1,486,686	1,615,576
Total other operating revenue	<u>11,436,758</u>	<u>8,880,799</u>
Total operating revenue	<u>\$ 184,053,675</u>	<u>\$ 180,996,594</u>

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 28, 2015 and 2014

	2015	2014
Water & Reclaimed Water Divisions		
Supply	\$ 13,802,980	\$ 14,552,479
Treatment	17,026,865	15,890,023
Distribution	8,751,967	7,921,723
Reclaimed Water System	499,343	400,365
Total water & reclaimed water divisions	40,081,155	38,764,590
 Wastewater Division		
Treatment	14,335,470	14,893,238
Lift stations	2,520,687	2,281,028
Collection lines	3,043,064	3,489,675
Sludge processing	1,725,615	1,832,881
Total wastewater division	21,624,836	22,496,822
 General and administrative	20,524,197	19,178,358
 Other operating expenses		
Depreciation	52,041,478	50,592,539
Other operating expenses	2,962,829	2,602,114
Other Post-Employment Benefits	969,336	833,973
Payment to City of El Paso Franchise fee	1,937,221	-
Payment to City of El Paso per bond covenants	10,593,266	10,553,216
Total other operating expenses	68,504,130	64,581,842
Total operating expenses	\$ 150,734,318	\$ 145,021,612

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 28, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue	<u>\$ 95,619,915</u>	<u>\$ 94,489,112</u>
Operating revenue deductions		
Operating expenses	40,081,155	38,764,590
General and administrative	<u>13,371,201</u>	<u>12,166,540</u>
Total operating expense deductions	<u>53,452,356</u>	<u>50,931,130</u>
Net operating revenue - water and reclaimed water	<u>\$ 42,167,559</u>	<u>\$ 43,557,982</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 28, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue	<u>\$ 57,064,138</u>	<u>\$ 58,032,496</u>
Operating revenue deductions		
Operating expenses	21,624,836	22,496,822
General and administrative	<u>7,152,996</u>	<u>7,011,818</u>
Total operating expense deductions	<u>28,777,832</u>	<u>29,508,640</u>
 Net operating revenue - wastewater	 <u>\$ 28,286,306</u>	 <u>\$ 28,523,856</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 28, 2015 and 2014

ACCOUNTS RECEIVABLE-GOVERNMENT GRANTS

<u>Government Grant Projects</u>	<u>2015</u>	<u>2014</u>
<u>Federal Grants</u>		
North Central Reclaimed -EPA#XP96638401	\$ 285,173	\$ 25,599
Leak Detection - USBR #R12AP40018	-	80,000
Advanced Purification-Bustamante - USBR #R14AP00106	81,551	-
<u>Non Federal Grants</u>		
Desalination Concentrate Management - WaterReuse Foundation WRF11-09	-	35,641
Turf Construction - TWDB	-	310,548
Canutillo 1st Time Users Area 1 - TWDB	19,957	16,609
Canutillo 1st Time Users Area 2 - TWDB	45,372	41,066
Canutillo 1st Time Wastewater Area 1 & 2 - TWDB	36,808	-
Montana Vista Collector - TWDB	31,275	-
 TOTALS	 <u>\$ 500,136</u>	 <u>\$ 509,463</u>

OTHER ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Charges to contractors and job damages	\$ 1,073,591	\$ 438,374
Local and State Governments	4,209,935	57,916
Lease revenue receivables	87,974	126,439
 TOTALS	 <u>\$ 5,371,500</u>	 <u>\$ 622,729</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 28, 2015 and 2014

<u>Bond Series</u>	Bonds payable		Bonds payable	
	February 28,		February 28,	
	2014	Additions	Retirements	2015
1990B Series	\$ 6,400,000	\$ -	\$ 1,600,000	\$ 4,800,000
2003A Series	550,000	-	\$ 50,000	500,000
2003B Series	5,000	-	\$ 5,000	-
2004 Refunding Series	1,940,000	-	\$ 1,940,000	-
2004A Refunding Series	630,000	-	\$ 630,000	-
2005A Series	2,095,000	-	\$ 1,020,000	1,075,000
2005B Refunding Series	33,590,000	-	\$ 28,225,000	5,365,000
2005C Series	7,160,000	-	\$ 6,695,000	465,000
2006 Refunding Series	19,270,000	-	\$ 11,335,000	7,935,000
2006A Refunding Series	27,535,000	-	\$ 24,185,000	3,350,000
2007 Refunding Series	32,415,000	-	\$ 26,965,000	5,450,000
2008 Refunding Series	13,005,000	-	\$ 430,000	12,575,000
2008A Series	13,980,000	-	\$ 5,000	13,975,000
2008B Series	21,980,000	-	\$ 5,000	21,975,000
2008C Refunding Series	35,000,000	-	\$ 28,355,000	6,645,000
2010 Refunding Series	17,495,000	-	\$ 1,455,000	16,040,000
2010 Taxable Series	14,460,000	-	\$ 565,000	13,895,000
2010A Refunding Series	38,820,000	-	\$ 4,100,000	34,720,000
2011 Refunding Series	14,580,000	-	\$ 540,000	14,040,000
2012 Refunding Series	52,780,000	-	\$ 2,310,000	50,470,000
2012A Refunding & Improvement Series	73,660,000	-	\$ 1,180,000	72,480,000
2014 Refunding Series	64,900,000	-	\$ -	64,900,000
2015 Refunding Series	-	131,650,000	\$ -	131,650,000
TOTALS	<u>\$ 492,250,000</u>	<u>\$ 131,650,000</u>	<u>\$ 141,595,000</u>	<u>\$ 482,305,000</u>

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 28, 2015

Calendar Year	Payment Due		Total Interest	Interest		Principal Due March 1	Total Net Requirements
	March 1	September 1		Tax Credit	Net Interest		
2015	8,276,117	9,724,304	18,000,421	(226,106)	17,774,315	27,345,000	45,119,315
2016	9,724,304	9,275,726	19,000,030	(215,963)	18,784,067	28,025,000	46,809,067
2017	9,275,726	8,771,033	18,046,759	(205,320)	17,841,439	30,040,000	47,881,439
2018	8,771,034	8,164,128	16,935,162	(194,179)	16,740,983	31,335,000	48,075,983
2019	8,164,128	7,508,048	15,672,176	(182,498)	15,489,678	32,415,000	47,904,678
2020	7,508,048	6,836,814	14,344,862	(170,234)	14,174,628	32,545,000	46,719,628
2021	6,836,814	6,120,564	12,957,378	(157,389)	12,799,989	34,495,000	47,294,989
2022	6,120,564	5,357,154	11,477,718	(143,920)	11,333,798	32,295,000	43,628,798
2023	5,357,154	4,633,459	9,990,613	(129,785)	9,860,828	30,360,000	40,220,828
2024	4,633,459	3,870,533	8,503,992	(114,986)	8,389,006	31,790,000	40,179,006
2025	3,870,533	3,178,742	7,049,275	(99,480)	6,949,795	28,920,000	35,869,795
2026	3,178,742	2,513,618	5,692,360	(83,226)	5,609,134	29,735,000	35,344,134
2027	2,513,618	1,850,775	4,364,393	(66,181)	4,298,212	28,475,000	32,773,212
2028	1,850,775	1,341,450	3,192,225	(48,306)	3,143,919	22,880,000	26,023,919
2029	1,341,450	925,800	2,267,250	(29,599)	2,237,651	19,045,000	21,282,651
2030	925,800	627,313	1,553,113	(10,019)	1,543,094	13,455,000	14,998,094
2031	627,313	393,950	1,021,263	-	1,021,263	10,325,000	11,346,263
2032	393,950	261,381	655,331	-	655,331	6,625,000	7,280,331
2033	261,381	111,031	372,412	-	372,412	6,900,000	7,272,412
2034	111,031	28,963	139,994	-	139,994	3,645,000	3,784,994
2035	28,963	-	28,963	-	28,963	1,655,000	1,683,963
	<u>\$ 89,770,904</u>	<u>\$ 81,494,786</u>	<u>\$ 171,265,690</u>	<u>\$ (2,077,191)</u>	<u>\$ 169,188,499</u>	<u>\$ 482,305,000</u>	<u>\$ 651,493,499</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 - 2015 REVENUE REFUNDING BONDS
UNTIL MATURITY

February 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2015	-	824,689	2,800,831	3,625,520	-	3,625,520
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
		<u>\$ 23,744,264</u>	<u>\$ 22,919,575</u>	<u>\$ 46,663,839</u>	<u>\$ 131,650,000</u>	<u>\$ 178,313,839</u>

Bonds dated: January 8, 2015

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	2.00	1,545,944	1,537,294	3,083,238	865,000	3,948,238
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
		<u>\$ 18,181,000</u>	<u>\$ 16,635,056</u>	<u>\$ 34,816,056</u>	<u>\$ 64,900,000</u>	<u>\$ 99,716,056</u>

Bonds dated: February 5, 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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2015	3.00	1,420,288	1,364,638	2,784,925	3,710,000	6,494,925
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
		<u>\$ 12,665,763</u>	<u>\$ 11,245,475</u>	<u>\$ 23,911,238</u>	<u>\$ 72,480,000</u>	<u>\$ 96,391,238</u>

Bonds dated: December 27, 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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	3.00	1,129,550	1,112,750	2,242,300	1,120,000	3,362,300
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>\$ 9,921,425</u>	<u>\$ 8,791,875</u>	<u>\$ 18,713,300</u>	<u>\$ 50,470,000</u>	<u>\$ 69,183,300</u>

Bonds dated: February 28, 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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due March 1	September 1	Total		
2015	3.00	325,522	318,022	643,544	500,000	1,143,544
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
		<u>\$ 2,065,575</u>	<u>\$ 1,740,053</u>	<u>\$ 3,805,628</u>	<u>\$ 14,040,000</u>	<u>\$ 17,845,628</u>

Bonds dated: August 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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	4.00	755,922	741,897	1,497,819	935,000	2,432,819
2016	3.00	741,897	722,397	1,464,294	975,000	2,439,294
2017	4.00	722,397	707,322	1,429,719	1,005,000	2,434,719
2018	3.00	707,322	686,622	1,393,944	1,035,000	2,428,944
2019	4.00	686,622	670,497	1,357,119	1,075,000	2,432,119
2020	3.00	670,497	558,697	1,229,194	5,590,000	6,819,194
2021	4.00	558,697	412,322	971,019	5,855,000	6,826,019
2022	5.00	412,322	333,697	746,019	3,700,000	4,446,019
2023	4.25	333,697	275,838	609,534	2,645,000	3,254,534
2024	4.38	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	4.50	79,750	-	79,750	3,190,000	3,269,750
		<u>\$ 6,306,622</u>	<u>\$ 5,550,700</u>	<u>\$ 11,857,322</u>	<u>\$ 34,720,000</u>	<u>\$ 46,577,322</u>

Bonds dated: November 2, 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 28, 2015

Calendar Year	Interest Rate	Interest			Tax Credit			Net Interest	Principal Due March 1	Total Requirements
		Payment Due March 1	September 1	Total Interest	March 1	September 1	Total			
2015	4.75	330,076	315,942	646,017	(115,527)	(110,580)	(226,106)	419,911	595,000	1,014,911
2016	4.75	315,942	301,095	617,036	(110,580)	(105,383)	(215,963)	401,074	625,000	1,026,074
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
		<u>\$ 3,132,453</u>	<u>\$ 2,802,377</u>	<u>\$ 5,934,831</u>	<u>\$ (1,096,359)</u>	<u>\$ (980,832)</u>	<u>\$ (2,077,191)</u>	<u>\$ 3,857,640</u>	<u>\$ 13,895,000</u>	<u>\$ 17,752,640</u>

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2015	3.50	313,678	290,316	603,994	1,335,000	1,938,994
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
		<u>\$ 2,300,847</u>	<u>\$ 1,987,169</u>	<u>\$ 4,288,016</u>	<u>\$ 16,040,000</u>	<u>\$ 20,328,016</u>

Bonds dated: January 19, 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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	5.00	166,125	127,625	293,750	1,540,000	1,833,750
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
		<u>\$ 425,500</u>	<u>\$ 259,375</u>	<u>\$ 684,875</u>	<u>\$ 6,645,000</u>	<u>\$ 7,329,875</u>

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	2.50	375,085	360,897	735,982	1,135,000	1,870,982
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
		<u>\$ 3,450,913</u>	<u>\$ 3,075,828</u>	<u>\$ 6,526,741</u>	<u>\$ 21,975,000</u>	<u>\$ 28,501,741</u>

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	2.50	238,544	229,544	468,088	720,000	1,188,088
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
		<u>\$ 2,194,667</u>	<u>\$ 1,956,123</u>	<u>\$ 4,150,790</u>	<u>\$ 13,975,000</u>	<u>\$ 18,125,790</u>

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due March 1	September 1	Total		
2015	3.63	276,247	268,090	544,337	450,000	994,337
2016	3.63	268,090	259,662	527,752	465,000	992,752
2017	3.63	259,662	250,962	510,624	480,000	990,624
2018	3.63	250,963	241,900	492,863	500,000	992,863
2019	4.00	241,900	231,500	473,400	520,000	993,400
2020	4.00	231,500	220,700	452,200	540,000	992,200
2021	4.00	220,700	209,500	430,200	560,000	990,200
2022	4.00	209,500	197,800	407,300	585,000	992,300
2023	4.13	197,800	185,219	383,019	610,000	993,019
2024	4.50	185,219	170,931	356,150	635,000	991,150
2025	4.50	170,931	155,969	326,900	665,000	991,900
2026	4.25	155,969	141,200	297,169	695,000	992,169
2027	4.25	141,200	125,794	266,994	725,000	991,994
2028	4.25	125,794	109,750	235,544	755,000	990,544
2029	4.25	109,750	90,000	199,750	790,000	989,750
2030	4.25	90,000	69,125	159,125	835,000	994,125
2031	4.25	69,125	47,250	116,375	875,000	991,375
2032	4.25	47,250	24,250	71,500	920,000	991,500
2033	5.00	24,250	-	24,250	970,000	994,250
		<u>\$ 3,275,850</u>	<u>\$ 2,999,602</u>	<u>\$ 6,275,452</u>	<u>\$ 12,575,000</u>	<u>\$ 18,850,452</u>

Bonds dated: February 20, 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 28, 2015

Calendar Year	Interest Rate	Interest Payment Due			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2015	5.00	136,250	93,125	229,375	1,725,000	1,954,375
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
		\$ 277,125	\$ 140,875	\$ 418,000	\$ 5,450,000	\$ 5,868,000

Bonds dated: August 28, 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 - 2006A REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due March 1	September 1	Total		
2015	5.00	83,750	-	83,750	3,350,000	3,433,750
		\$ 83,750	\$ -	\$ 83,750	\$ 3,350,000	\$ 3,433,750

Bonds dated: November 15, 2006

Original issue: \$45,200,000

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	4.00	179,534	163,334	342,869	810,000	1,152,869
2016	4.00	163,334	146,434	309,769	845,000	1,154,769
2017	4.00	146,434	139,934	286,369	325,000	611,369
2018	4.00	139,934	133,134	273,069	340,000	613,069
2019	4.13	133,134	125,813	258,947	355,000	613,947
2020	4.25	125,813	117,950	243,763	370,000	613,763
2021	5.00	117,950	108,200	226,150	390,000	616,150
2022	5.00	108,200	98,075	206,275	405,000	611,275
2023	5.00	98,075	87,325	185,400	430,000	615,400
2024	5.00	87,325	76,075	163,400	450,000	613,400
2025	5.00	76,075	64,200	140,275	475,000	615,275
2026	5.00	64,200	51,700	115,900	500,000	615,900
2027	5.00	51,700	38,700	90,400	520,000	610,400
2028	4.50	38,700	26,325	65,025	550,000	615,025
2029	4.50	26,325	13,500	39,825	570,000	609,825
2030	4.50	13,500	-	13,500	600,000	613,500
		<u>\$ 1,570,234</u>	<u>\$ 1,390,700</u>	<u>\$ 2,960,934</u>	<u>\$ 7,935,000</u>	<u>\$ 10,895,934</u>

Bonds dated: February 15, 2006

Original issue: \$37,745,000

Source of funding requirements: Net revenues only

Call Option: Bonds scheduled to mature on or after March 1, 2017 may be redeemed on March 1, 2016 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 - 2005C REVENUE (CWSRF) BONDS
UNTIL MATURITY**

February 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1			
2015	3.10	7,208	-	7,208	465,000	472,208
		\$ 7,208	\$ -	\$ 7,208	\$ 465,000	\$ 472,208

Bonds dated: April 1, 2005

Original issue: \$10,000,000

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 - 2005B REVENUE REFUNDING BONDS
UNTIL MATURITY**

February 28, 2015

<u>Calendar Year</u>	<u>Interest Rate</u>	Interest			<u>Principal Due March 1</u>	<u>Total Requirements</u>
		Payment Due				
		<u>March 1</u>	<u>September 1</u>	<u>Total</u>		
2015	5.25	<u>140,831</u>	<u>-</u>	<u>140,831</u>	<u>5,365,000</u>	<u>5,505,831</u>
		<u>\$ 140,831</u>	<u>\$ -</u>	<u>\$ 140,831</u>	<u>\$ 5,365,000</u>	<u>\$ 5,505,831</u>

Bonds dated: April 1, 2005

Original issue: \$36,515,000

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 - 2005A REVENUE BONDS
UNTIL MATURITY

February 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due March 1	September 1	Total		
2015	5.00	26,875	-	26,875	1,075,000	1,101,875
		\$ 26,875	\$ -	\$ 26,875	\$ 1,075,000	\$ 1,101,875

Bonds dated: March 1, 2005

Original issue: \$45,660,000

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		Payment Due		Total		
		March 1	September 1	Total		
2015	0.00	-	-	-	50,000	50,000
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>\$ 500,000</u>	<u>\$ 500,000</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 28, 2015

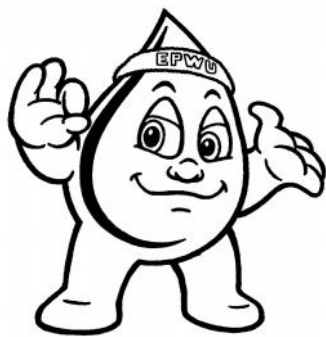
Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2015	0.00	-	-	-	1,600,000	1,600,000
2016	0.00	-	-	-	1,600,000	1,600,000
2017	0.00	-	-	-	1,600,000	1,600,000
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>

Bonds dated: December 1, 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 28, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,104,423	\$ 2,203,062
Accounts receivable - customers	845,342	789,597
Accounts receivable - other	6,650	7,243
Due from Water and Wastewater Utility	270,840	36,135
Accrued interest receivable	105,492	119,393
Restricted current assets:		
Restricted for bond requirements:		
Cash and cash equivalents	4,946,317	4,915,490
Investments	1,348,332	1,475,532
Restricted for construction and improvements:		
Cash and cash equivalents	24,154,689	26,237,859
Investments	14,706,048	23,298,384
Total current assets	<u>48,488,133</u>	<u>59,082,695</u>
Noncurrent assets:		
Restricted noncurrent assets:		
Restricted for bond requirements:		
Investments	1,612,190	977,238
Restricted for construction and improvements:		
Investments	1,250,153	4,412,307
Capital assets:		
Municipal Drainage Utility capital assets	64,537,935	58,998,666
Land and right of way	9,817,155	6,601,105
Construction work in progress	22,549,412	9,976,295
Less accumulated depreciation	<u>(10,478,461)</u>	<u>(9,231,298)</u>
Total capital assets (net of accumulated depreciation)	<u>86,426,041</u>	<u>66,344,768</u>
Total noncurrent assets	<u>89,288,384</u>	<u>71,734,313</u>
Total assets	<u>\$ 137,776,517</u>	<u>\$ 130,817,008</u>

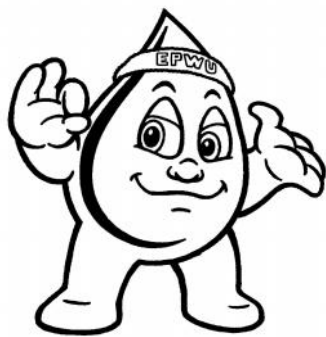
	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 122,925	\$ 483,937
Accrued vacation payable	70,324	58,633
Accrued payroll and benefits	116,174	120,731
Unearned revenue on land leases	8,975	8,765
Current liabilities payable from restricted assets:		
Revenue bonds payables and unamortized premiums net of discounts	2,690,259	2,570,259
Accrued interest on revenue bonds	1,496,862	1,553,713
Accounts payable	3,916,115	1,062,549
Retainage payable on construction contracts	461,803	76,133
Total current liabilities	<u>8,883,437</u>	<u>5,934,720</u>
Noncurrent liabilities:		
Revenue bonds payables and unamortized premiums net of discounts	58,956,149	61,646,408
Other Post-Employment Benefits	268,613	196,987
Accrued vacation payable	64,417	49,824
Total noncurrent liabilities	<u>59,289,179</u>	<u>61,893,219</u>
Total liabilities	<u>68,172,616</u>	<u>67,827,939</u>
NET POSITION		
Restricted:		
Restricted for debt service	6,409,977	5,814,548
Restricted for construction and improvements	5,997,108	8,717,102
Total restricted	<u>12,407,085</u>	<u>14,531,650</u>
Net investment in capital assets	54,515,497	46,220,867
Unrestricted	2,681,319	2,236,552
Total net position	<u>69,603,901</u>	<u>62,989,069</u>
Total liabilities and net position	<u>\$ 137,776,517</u>	<u>\$ 130,817,008</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 28, 2015 and 2014

	2015	2014
Drainage operating revenues:		
Residential	\$ 6,308,556	\$ 6,235,938
Non residential	8,990,392	8,926,521
Billing fees - City Environmental Services	262,772	260,645
Other operating revenue	419,794	399,981
Total operating revenues	15,981,514	15,823,085
Drainage operating expenses:		
Operations and maintenance	4,973,556	5,613,000
Indirect cost allocation	1,193,000	1,305,000
Other Post-Employment Benefits	71,626	50,995
Depreciation	1,364,863	1,484,740
Total operating expenses	7,603,045	8,453,735
Operating income	8,378,469	7,369,350
Nonoperating revenues (expenses):		
Interest earnings and net change in fair value of investments	99,550	89,659
IRS tax credit for Build America Bonds	800,675	828,171
Gain on land assets converted by sale	4,929	256,595
Gain on sale of miscellaneous assets	87,318	-
Other nonoperating expense	-	(13,712)
Interest on long term debt	(2,756,109)	(2,775,634)
Total nonoperating expenses	(1,763,637)	(1,614,921)
Increase in net position, before capital contributions	6,614,832	5,754,429
Total contributions	-	-
Change in net position	6,614,832	5,754,429
Total net position - beginning	62,989,069	57,234,640
Total net position - ending	\$ 69,603,901	\$ 62,989,069



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 28, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 15,821,781	\$ 15,802,839
Cash received from Water and Wastewater Utility	104,791	104,856
Cash payments to Water and Wastewater Utility	(1,470,339)	(1,042,321)
Cash payments to suppliers for goods and services	(4,017,685)	(4,153,559)
Cash payments to employees for services	(1,252,522)	(1,138,533)
Net cash provided by operating activities	9,186,026	9,573,282
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from:		
Acquisition and construction of capital assets net of disposals	(18,206,900)	(5,475,993)
Proceeds from sale of assets net of related expenses	92,247	256,595
Interest and fees on revenue bonds	(2,859,219)	(2,931,435)
Principal payments on revenue bonds	(2,524,000)	(2,359,000)
IRS tax credit on Build America Bonds	800,675	828,171
Net cash used by capital and related financing activities	(22,697,197)	(9,681,662)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturities of investment securities	32,241,292	32,019,402
Purchase of investment securities	(20,998,240)	(40,591,561)
Interest received on investment securities	117,137	112,766
Net cash provided (used) by investing activities	11,360,189	(8,459,393)
 Net decrease in cash and cash equivalents	(2,150,982)	(8,567,773)
Cash and cash equivalents:		
Beginning of year	33,356,411	41,924,184
End of year	\$ 31,205,429	\$ 33,356,411

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 28, 2015 and 2014

	2015	2014
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ 8,378,469	\$ 7,369,350
Adjustments to reconcile operating income to net		
cash provided by operating activities:		
Depreciation	1,364,863	1,484,740
(Increase) decrease in assets:		
Accounts receivable	(55,152)	84,597
Due from Water and Wastewater Utility	(234,705)	303,261
Increase (decrease) in liabilities:		
Accounts payable	(361,012)	255,812
Other Current Liabilities	210	15
Accrued vacation payable	26,284	11,352
Accrued payroll and benefits	(4,557)	37,250
Other Post-Employment Benefits	71,626	50,995
Retainage payable on operating contracts	-	(24,090)
Net cash provided by operating activities	\$ 9,186,026	\$ 9,573,282
 Noncash investing, capital, and financing activities:		
Change in fair value of investments	\$ 3,686	\$ 6,423
	\$ 3,686	\$ 6,423

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 28, 2015 and 2014

	2015	2014
Drainage operating revenues:		
Residential	\$ 6,308,556	\$ 6,235,938
Non residential	8,990,392	8,926,521
Billing fees - City Environmental Services	262,772	260,645
Other operating revenue	419,794	399,981
Total operating revenue	\$ 15,981,514	\$ 15,823,085

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 28, 2015 and 2014

	2015	2014
Drainage Division		
Emergency Response	\$ 438,312	\$ 371,341
Maintenance	2,797,553	3,493,107
Total drainage division	3,235,865	3,864,448
General and administrative	1,737,691	1,748,552
Indirect cost allocation	1,193,000	1,305,000
Other operating expenses		
Depreciation	1,364,863	1,484,740
Other Post-Employment Benefits	71,626	50,995
Total other operating expenses	1,436,489	1,535,735
Total operating expenses	\$ 7,603,045	\$ 8,453,735

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 28, 2015 and 2014

	2015	2014
Operating revenue	\$ 15,981,514	\$ 15,823,085
Operating revenue deductions		
Operating expenses	3,235,865	3,864,448
General and administrative	1,737,691	1,748,552
Indirect cost allocation	1,193,000	1,305,000
Total operating expense deductions	6,166,556	6,918,000
Net operating revenue - drainage	\$ 9,814,958	\$ 8,905,085

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 28, 2015 and 2014

<u>Bond Series</u>	Bonds payable February 28, 2014	Additions	Retirements	Bonds payable February 28, 2015
2009 Series	\$ 47,780,000	\$ -	\$ 1,935,000	\$ 45,845,000
2009A Series	1,944,000	-	109,000	1,835,000
2012 Series	13,660,000	-	480,000	13,180,000
TOTALS	<u>\$ 63,384,000</u>	<u>\$ -</u>	<u>\$ 2,524,000</u>	<u>\$ 60,860,000</u>

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 28, 2015

Calendar Year	Interest		Total Interest	Tax Credit	Net Interest	Principal Due March 1	Total Requirements
	Payment Due March 1	September 1					
2015	1,496,862	1,434,561	2,931,423	(844,055)	2,087,368	2,644,000	4,731,368
2016	1,434,561	1,366,391	2,800,952	(804,559)	1,996,393	2,774,000	4,770,393
2017	1,366,391	1,294,494	2,660,885	(762,850)	1,898,035	2,919,000	4,817,035
2018	1,294,494	1,215,934	2,510,428	(718,835)	1,791,593	3,069,000	4,860,593
2019	1,215,934	1,133,252	2,349,186	(672,419)	1,676,767	3,224,000	4,900,767
2020	1,133,252	1,046,054	2,179,306	(623,461)	1,555,845	3,394,000	4,949,845
2021	1,046,054	953,946	2,000,000	(571,773)	1,428,227	3,578,000	5,006,227
2022	953,946	856,918	1,810,864	(517,213)	1,293,651	3,763,000	5,056,651
2023	856,918	754,577	1,611,495	(459,640)	1,151,855	3,963,000	5,114,855
2024	754,577	650,404	1,404,981	(398,866)	1,006,115	4,173,000	5,179,115
2025	650,404	536,763	1,187,167	(334,750)	852,417	4,387,000	5,239,417
2026	536,763	425,277	962,040	(267,104)	694,936	4,612,000	5,306,936
2027	425,277	307,377	732,654	(195,691)	536,963	4,842,000	5,378,963
2028	307,377	182,762	490,139	(120,324)	369,815	5,082,000	5,451,815
2029	182,762	50,488	233,250	(40,814)	192,436	5,337,000	5,529,436
2030	50,488	34,213	84,701	-	84,701	1,037,000	1,121,701
2031	34,213	17,413	51,626	-	51,626	1,067,000	1,118,626
2032	17,413	-	17,413	-	17,413	995,000	1,012,413
	<u>\$ 13,757,686</u>	<u>\$ 12,260,824</u>	<u>\$ 26,018,510</u>	<u>\$ (7,332,354)</u>	<u>\$ 18,686,156</u>	<u>\$ 60,860,000</u>	<u>\$ 79,546,156</u>

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2015	3.00	263,631	256,206	519,838	495,000	1,014,838
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
		<u>\$ 2,666,275</u>	<u>\$ 2,402,644</u>	<u>\$ 5,068,919</u>	<u>\$ 13,180,000</u>	<u>\$ 18,248,919</u>

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 28, 2015

Calendar Year	Interest Rate	Interest			Principal Due March 1	Total Requirements
		March 1	September 1	Total		
2015	0.00	-	-	-	109,000	109,000
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
		\$ -	\$ -	\$ -	\$ 1,835,000	\$ 1,835,000

Bonds dated: February 4, 2010

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 28, 2014

Calendar Year	Interest Rate	Interest		Total Interest	Tax Credit			Net Interest	Principal Due March 1	Total Requirements
		Payment Due March 1	September 1		March 1	September 1	Total			
2015	5.38	1,233,231	1,178,355	2,411,585	(431,631)	(412,424)	(844,055)	1,567,530	2,040,000	3,607,530
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>\$ 11,091,408</u>	<u>\$ 9,858,178</u>	<u>\$ 20,949,586</u>	<u>\$ (3,881,993)</u>	<u>\$ (3,450,362)</u>	<u>\$ (7,332,355)</u>	<u>\$ 13,617,231</u>	<u>\$ 45,845,000</u>	<u>\$ 59,462,231</u>

Bonds dated: September 29, 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 28, 2015

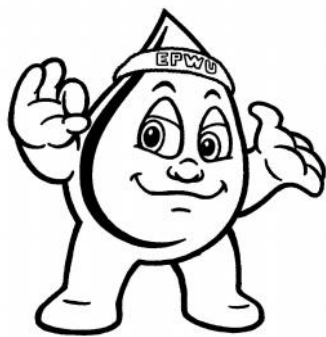
<u>Insurance Providers</u>	<u>Policy Number</u>	<u>Policy Period</u>
Affiliated FM Agent: USI Southwest inc	GN324	01/03/15 to 01/03/16
Texas Municipal League	Entity ID# 889	10/01/14 to 10/01/15
Travelers Casualty & Surety Co. of America Agent: USI Southwest inc	104385859	12/7/14 to 12/07/15
Texas Municipal League	Entity ID# 944	05/01/14 to 05/01/15
Scottsdale Insurance Company Agent: USI Southwest inc	CPS2093841	11/11/14 to 11/11/15
Scottsdale Insurance Company Agent: USI Southwest inc	CPS1977398	09/16/14 to 09/16/15
City of El Paso - El Paso Water Utilities Aetna	Self Insurance Plan	01/01/13 to 12/31/15
Aetna		02/01/15 to 12/31/17
Aetna	Fully Insured	07/01/12 to 06/30/15
Aetna	Fully Insured	07/01/12 to 06/30/15
Standard Insurance Company Underwriter ReliaStar Life Ins. Co.	647505-A	01/01/15 to 12/31/15
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

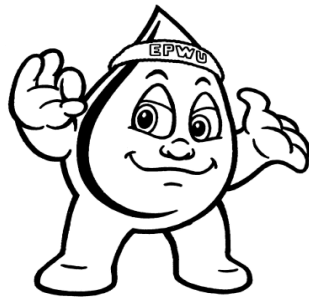
INSURANCE COVERAGE

February 28, 2015

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)	\$519,350,000 \$250,000 Deductible
Auto Liability	Five 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 employe \$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 seven years of operations for the Municipal Drainage Utility Fund.

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B - REVENUE CAPACITY INFORMATION

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

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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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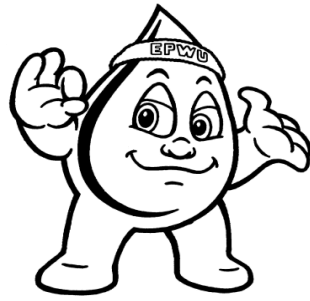
E - OPERATING INFORMATION

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 seven years of operations for the Municipal Drainage Utility Fund.



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

NET POSITION

2006 thru 2015*
(accrual basis of accounting)
(amounts expressed in thousands)

	2015	2014	Restated 2013 ³	Restated 2012 ²	2011	2010	2009	2008	2007	Restated 2006 ¹
NET POSITION										
Restricted:										
Restricted for debt service	\$61,953	\$58,213	\$56,136	\$53,650	\$58,423	\$53,190	\$53,169	\$45,721	\$46,297	\$38,950
Restricted for construction and improvements	21,536	35,752	25,448	22,149	19,314	15,094	6,429	-	4,116	27,948
Total restricted	83,489	93,965	81,583	75,799	77,737	68,284	59,598	45,721	50,413	66,898
Net investment in capital assets	776,032	727,502	698,873	676,369	651,543	636,126	629,341	601,284	579,931	528,297
Unrestricted	19,739	26,737	27,908	24,076	21,396	16,809	17,708	4,366	10,107	10,469
Total net position	\$879,260	\$848,203	\$808,364	\$776,244	\$750,676	\$721,219	\$706,648	\$651,372	\$640,452	\$605,664

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 2006 restated to properly present change in method of depreciation and capitalized interest

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

NET POSITION

2006 thru 2015*
(accrual basis of accounting)
(amounts expressed in thousands)

	2015	2014	Restated 2013 ³	Restated 2012 ²	2011	2010	2009	2008	2007	Restated 2006 ¹
NET POSITION										
Restricted:										
Restricted for debt service	\$55,543	\$52,399	\$51,361	\$49,999	\$54,964	\$52,087	\$53,169	\$45,721	\$46,297	\$38,950
Restricted for construction and improvements	15,539	27,034	21,407	19,822	17,594	8,490	6,429	-	4,116	27,948
Total restricted	71,082	79,433	72,768	69,821	72,558	60,577	59,598	45,721	50,413	66,898
Net investment in capital assets	721,516	681,281	656,157	635,023	614,995	608,413	601,695	601,284	579,931	528,297
Unrestricted	17,058	24,501	22,205	21,259	18,594	13,569	12,873	4,366	10,107	10,469
Total net position	\$809,656	\$785,214	\$751,129	\$726,103	\$706,147	\$682,559	\$674,166	\$651,372	\$640,452	\$605,664

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.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

2006 thru 2015*
(accrual basis of accounting)
(amounts expressed in thousands)

	2015	2014	Restated 2013 ³	Restated 2012 ²	2011	2010	2009	2008	2007	Restated 2006 ¹
Revenue										
Water and reclaimed water	\$115,553	\$114,083	\$113,001	\$112,289	\$106,468	\$101,087	\$98,854	\$92,847	\$85,746	\$90,388
Wastewater	57,064	58,032	54,468	53,711	51,564	51,568	50,233	46,247	45,349	43,003
Drainage fees	15,194	15,058	14,962	14,830	14,741	14,556	17,373	-	-	-
Other operating revenue	12,095	9,517	9,890	9,903	9,804	8,457	10,593	10,613	7,909	6,657
Total operating revenue	199,906	196,691	192,321	190,733	182,577	175,667	177,053	149,707	139,004	140,049
Expenses										
Operations and maintenance - water and reclaimed water	40,010	38,692	40,365	42,164	39,352	40,026	41,710	39,354	36,983	30,527
Operations and maintenance - wastewater	21,572	22,444	22,165	22,478	21,510	22,948	22,114	20,840	20,989	18,761
General, administrative and engineering expenses	21,706	20,473	22,323	20,602	19,088	20,364	16,766	18,220	16,634	15,551
Operations and maintenance - drainage	4,979	5,620	4,536	5,083	5,339	5,786	6,193	-	-	-
Other operating expenses	2,963	2,602	2,845	2,766	2,300	2,516	2,410	2,556	2,700	393
Other Post-Employment Benefits expense	1,041	885	889	645	938	899	1,367	1,294	-	-
Depreciation	53,406	52,077	51,282	49,644	48,606	47,404	46,655	41,209	36,554	33,866
Payment to City of El Paso Franchise Fee	1,937	-	-	-	-	-	-	-	-	-
Payment to City of El Paso per bond covenants	10,593	10,553	10,383	10,509	9,931	9,614	9,301	8,602	7,981	9,330
Total operating expenses	158,209	153,346	154,788	153,892	147,064	149,557	146,517	132,075	121,840	108,427
Operating income	41,698	43,344	37,533	36,842	35,513	26,109,61	30,536	17,632	17,164	31,621
Nonoperating revenues (expenses)										
Interest earnings and net change in fair value of investments	502	356	363	480	815	654	1,737	3,677	6,260	5,219
IRS Tax Credit for Build America Bonds	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	148	2,271	2,584	1,893	617	3,733	2,121	301	137	17,318
Gain on sale of miscellaneous assets	734	314	150	143	205	87	110	186	122	174
Interest on bonds, commercial paper, and land notes payable	(21,619)	(21,310)	(22,052)	(22,823)	(27,697)	(24,977)	(22,039)	(20,327)	(18,724)	(17,621)
Total nonoperating revenues (expenses)	(19,220)	(17,320)	(17,772)	(19,091)	(24,925)	(20,081)	(14,816)	(16,163)	(12,205)	5,090
Increase in net position, before capital contributions	22,478	26,024	19,761	17,751	10,588	6,029	15,720	1,470	4,959	36,711
Federal grant and capital contributions	8,579	13,815	12,359	14,862	18,869	8,542	39,557	9,451	29,829	14,762
Change in net position	31,057	39,840	32,120	32,612	29,456	14,571	55,276	10,920	34,788	51,473
Total net position - beginning of year	848,203	808,364	776,244	750,676	721,219	706,648	651,372	640,452	605,664	551,883
Prior period adjustment	-	-	-	(7,044)	-	-	-	-	-	-
Total net position - end of year	\$879,260	\$848,203	\$808,364	\$776,244	\$750,676	\$721,219	\$706,648	\$651,372	\$640,452	\$605,664

* 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

2006 thru 2015*
(accrual basis of accounting)
(amounts expressed in thousands)

	2015	2014	Restated 2013 ³	Restated 2012 ²	2011	2010	2009	2008	2007	Restated 2006 ¹
Revenue										
Water and reclaimed water	\$115,553	\$114,083	\$113,001	\$112,289	\$106,468	\$101,087	\$98,854	\$92,847	\$85,746	\$90,388
Wastewater	57,064	58,032	54,468	53,711	51,564	51,568	50,233	46,247	45,349	43,003
Other operating revenue	11,437	8,881	9,293	9,447	9,366	8,000	10,593	10,613	7,909	6,657
Total operating revenue	184,054	180,997	176,763	175,448	167,398	160,655	159,680	149,707	139,004	140,049
Expenses										
Operations and maintenance - water and reclaimed water	40,081	38,765	40,405	42,204	39,390	40,059	39,618	39,354	36,983	30,527
Operations and maintenance - wastewater	21,625	22,497	22,217	22,535	21,569	23,008	21,730	20,840	20,989	18,761
General, administrative and engineering expenses	20,524	19,178	20,861	19,259	17,738	18,993	17,886	18,220	16,634	15,551
Other operating expenses	2,963	2,602	2,636	2,766	2,277	2,507	2,410	2,556	2,700	393
Other Post-Employment Benefits expense	969	834	831	627	869	899	1,367	1,294	-	-
Depreciation	52,041	50,593	49,646	48,088	47,108	45,761	45,177	41,209	36,554	33,866
Payment to City of El Paso Franchise Fee	1,937.22	-	-	-	-	-	-	-	-	-
Payment to City of El Paso per bond covenants	10,593	10,553	10,383	10,509	9,931	9,614	9,301	8,602	7,981	9,330
Total operating expenses	150,734	145,022	146,979	145,987	138,882	140,841	137,491	132,075	121,840	108,427
Operating income	33,319	35,975	29,784	29,461	28,516	19,814	22,189	17,632	17,164	31,621
Nonoperating revenues (expenses)										
Interest earnings and net change in fair value of investments	402	266	258	358	597	589	1,693	3,677	6,260	5,219
IRS Tax Credit for Build America Bonds	214	221	249	249	138	-	-	-	-	-
Net gain on forfeited earnest money	-	-	-	-	-	-	3,255	-	-	-
Gain on land assets converted by sale	143	2,014	1,791	1,893	617	3,733	2,121	301	137	17,318
Gain on sale of miscellaneous assets	647	314	123	143	205	87	110	186	122	174
Interest on bonds, commercial paper, and land notes payable	(18,863)	(18,534)	(19,537)	(20,373)	(24,845)	(23,773)	(22,039)	(20,327)	(18,724)	(17,621)
Total nonoperating revenues (expenses)	(17,456)	(15,719)	(17,116)	(17,731)	(23,289)	(19,363)	(14,861)	(16,163)	(12,205)	5,090
Increase in net position, before capital contributions	15,863	20,256	12,668	11,730	5,227	451	7,328	1,470	4,959	36,711
Federal grant and capital contributions	8,579	13,829	12,359	14,862	18,360	7,943	15,466	9,451	29,829	14,762
Change in net position	24,442	34,085	25,026	26,592	23,588	8,394	22,794	10,920	34,788	51,473
Total net position - beginning of year	785,214	751,129	726,103	706,147	682,559	674,166	651,372	640,452	605,664	551,883
Prior period adjustment	-	-	-	(6,635)	-	-	-	-	-	-
Total net position - end of year	\$809,656	\$785,214	\$751,129	\$726,103	\$706,147	\$682,559	\$674,166	\$651,372	\$640,452	\$605,664

* 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 2015*
(accrual basis of accounting)

	2015	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009
NET ASSETS							
Restricted:							
Restricted for debt service	\$6,409,977	\$5,814,548	\$4,774,311	\$3,651,258	\$3,458,747	\$1,102,944	\$395
Restricted for construction and improvements	5,997,108	8,717,102	4,040,922	2,326,931	1,719,314	6,604,228	-
Total Restricted	12,407,085	14,531,650	8,815,233	5,978,189	5,178,061	7,707,172	395
Net investment in capital assets	54,515,497	46,220,867	42,716,469	41,345,926	36,548,507	27,712,473	27,646,708
Unrestricted	2,681,319	2,236,552	5,702,938	2,817,004	2,801,828	3,240,365	4,835,279
Total net position	\$69,603,901	\$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 2015*

(accrual basis of accounting)

	2015	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009
Revenue							
Residential	\$6,308,556	\$6,235,938	\$6,147,697	\$6,057,512	\$5,975,720	\$5,857,191	\$6,575,449
Non residential	8,990,392	8,926,521	8,918,715	8,881,591	8,876,317	8,815,413	10,797,716
Billing fees - City Environmental Services	262,772	260,645	256,864	253,153	249,075	267,133	-
Other operating revenue	419,794	399,981	363,864	213,034	188,962	189,404	-
Total operating revenue	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	4,973,556	5,613,000	4,563,460	5,098,949	5,341,479	5,788,192	6,193,464
Indirect cost allocation	1,193,000	1,305,000	1,472,000	1,350,000	1,363,000	1,392,100	1,355,500
Other operating expenses	-	-	209,197	-	22,677	8,319	-
Other Post-Employment benefits expense	71,626	50,995	57,938	18,566	69,488	-	-
Depreciation	1,364,863	1,484,740	1,635,231	1,556,485	1,497,840	1,644,195	1,477,944
Total operating expenses	7,603,045	8,453,735	7,937,826	8,024,000	8,294,484	8,832,806	9,026,908
Operating income	8,378,469	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	99,550	89,659	104,278	122,488	217,392	65,227	44,677
IRS tax credit for Build America Bonds	800,675	828,171	934,250	967,015	997,990	421,374	-
Gain on land assets converted by sale	4,929	256,595	793,398	-	-	-	-
Gain on sale of miscellaneous assets	87,318	-	27,205	-	-	-	-
Other nonoperating expense	-	(13,712)	-	-	-	-	-
Interest on long term debt	(2,756,109)	(2,775,634)	(2,514,924)	(2,449,887)	(2,851,400)	(1,203,924)	-
Total nonoperating revenues (expenses)	(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	6,614,832	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	6,614,832	5,754,429	7,093,521	6,020,906	5,868,386	6,177,628	32,482,382
Total net position - beginning of year	62,989,069	57,234,640	50,141,119	44,528,396	38,660,010	32,482,382	-
Prior period adjustment	-	-	-	(408,183)	-	-	-
Total net position - end of year	\$69,603,901	\$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

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

**SELECTED FINANCIAL RATIOS
2006 thru 2015***

	2015	2014	Restated 2013 ³	Restated 2012 ²	2011	2010	2009	2008	2007	Restated 2006 ¹
FINANCIAL RATIOS*										
Current Ratio (Current Assets/Current Liabilities)	1.66	2.02	2.51	2.24	2.56	2.58	2.51	1.66	2.02	3.05
Acid Test Ratio (Cash & Cash Equivalents/ Current Liabilities)	0.79	1.07	1.72	1.57	1.80	1.75	1.64	1.13	1.55	1.47
Operating Ratio ((O&M-Depreciation)/Total Operating Revenue)	0.54	0.52	0.55	0.55	0.55	0.59	0.58	0.60	0.61	0.53
Net Take-Down Ratio ((Total Operating Income+Depreciation)/Gross Revenue)	0.46	0.47	0.44	0.44	0.45	0.40	0.41	0.39	0.38	0.40
Total Liabilities to Total Assets	0.43	0.43	0.44	0.44	0.45	0.46	0.46	0.46	0.45	0.46
Debt to Equity Ratio ((Bonds payable+Commercial paper notes)/Equity)	0.61	0.63	0.67	0.68	0.73	0.75	0.78	0.74	0.71	0.73
Debt Ratio ((Bonds payable+Commercial paper notes)/Total Assets)	0.35	0.36	0.37	0.38	0.40	0.41	0.42	0.40	0.39	0.40
Debt Service Safety Margin ((Net Operating Income-Debt Service)/(Total Operating Revenue+Interest Earnings))	0.23	0.24	0.21	0.19	0.19	0.13	0.18	0.10	0.11	0.24
Current Restricted Assets/Current Restricted Liabilities	1.39	1.92	2.55	2.15	2.56	2.61	2.77	1.74	2.10	3.46

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

**SELECTED FINANCIAL RATIOS
2009 thru 2015***

	2015	2014	Restated 2013 ²	Restated 2012 ¹	2011	2010	2009
FINANCIAL RATIOS							
Current Ratio (Current Assets/Current Liabilities)	5.46	9.96	11.64	8.00	11.43	32.03	5.40
Acid Test Ratio (Cash & Cash Equivalents/ Current Liabilities)	3.51	5.62	7.81	4.88	6.42	20.38	4.08
Operating Ratio ((O&M-Depreciation)/Total Operating Revenue)	0.39	0.44	0.40	0.42	0.44	0.47	0.43
Net Take-Down Ratio ((Total Operating Income+Depreciation)/Gross Revenue)	0.57	0.52	0.53	0.54	0.52	0.52	0.56
Total Liabilities to Total Assets	0.49	0.52	0.55	0.54	0.57	0.60	0.03
Debt to Equity Ratio (Bonds payable/Equity)	0.87	1.01	1.15	1.07	1.24	1.43	-
Debt Ratio (Bonds payable/Total Assets)	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))	0.22	0.16	0.28	0.26	0.36	0.49	0.56
Current Restricted Assets/Current Restricted Liabilities	5.27	10.63	11.31	7.74	11.90	39.24	N/A

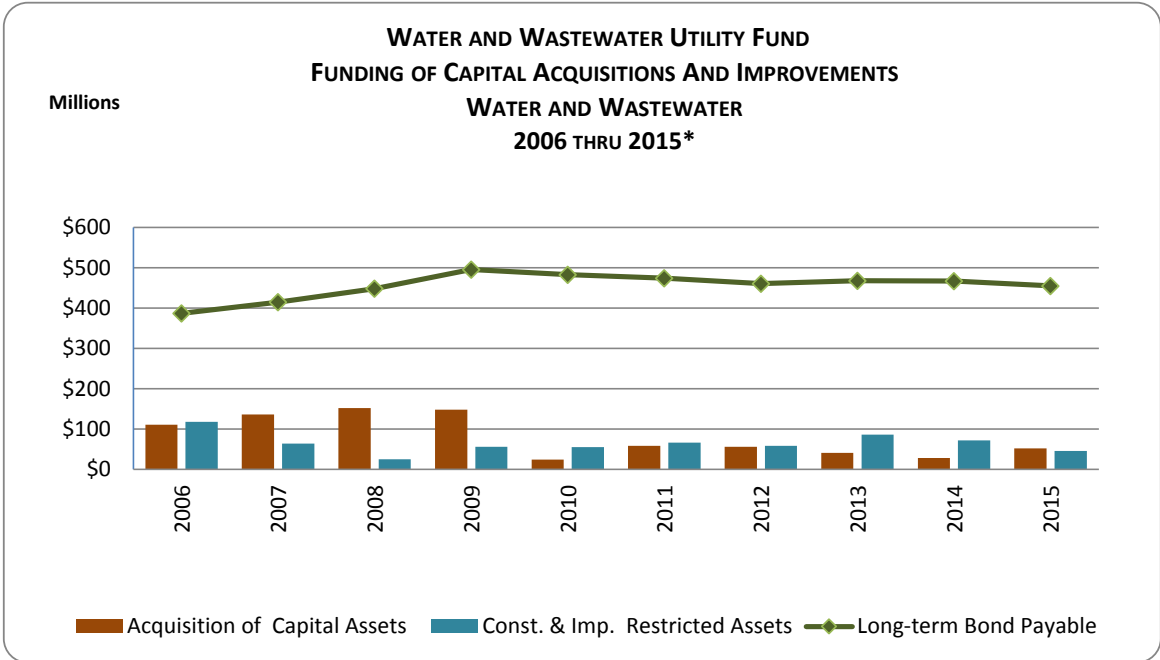
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PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

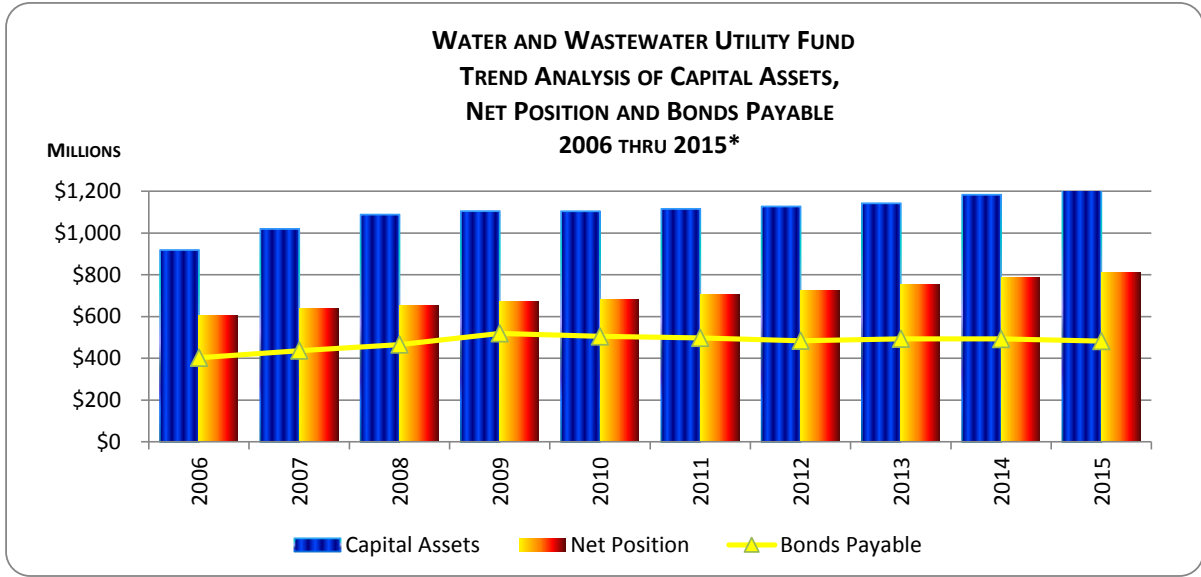


* Fiscal year March 1 thru last day of February of year shown

Funding of Capital Acquisitions and Improvements Data 2006 thru 2015*			
(amounts expressed in millions)			
Year	Acquisition of Capital Assets	Const. & Imp. Restricted Assets	Long-term Bonds Payable
2006	110.3	117.4	386.8
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

* Fiscal year March 1 thru last day of February

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 2006 thru 2015* (amounts expressed in millions)			
Year	Capital Assets	Net Position	Bonds Payable
2006	918.3	605.7	402.0
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	1,238.8	809.7	482.3

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

¹Fiscal year 2013 has been restated as a result of a change in estimates and the adoption of GASB 65,

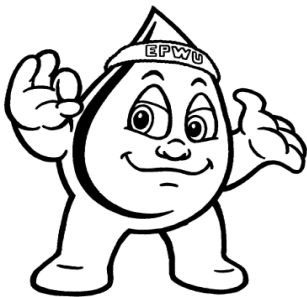
Items Previously Reported as Assets and Liabilities

²Fiscal year 2012 has been restated as a result of the adoption of GASB 65,

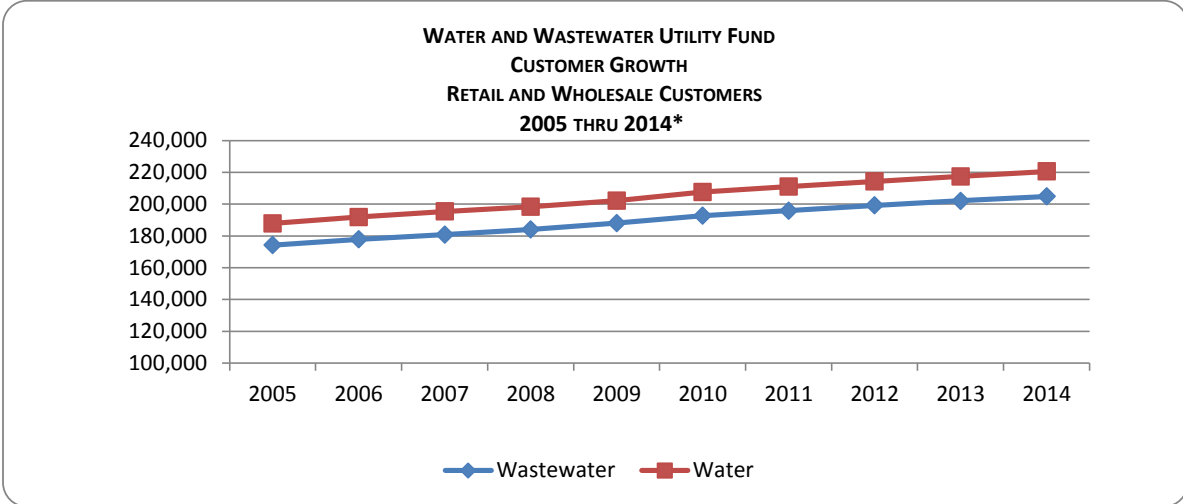
Items Previously Reported as Assets and Liabilities

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 seven years of operations.



PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



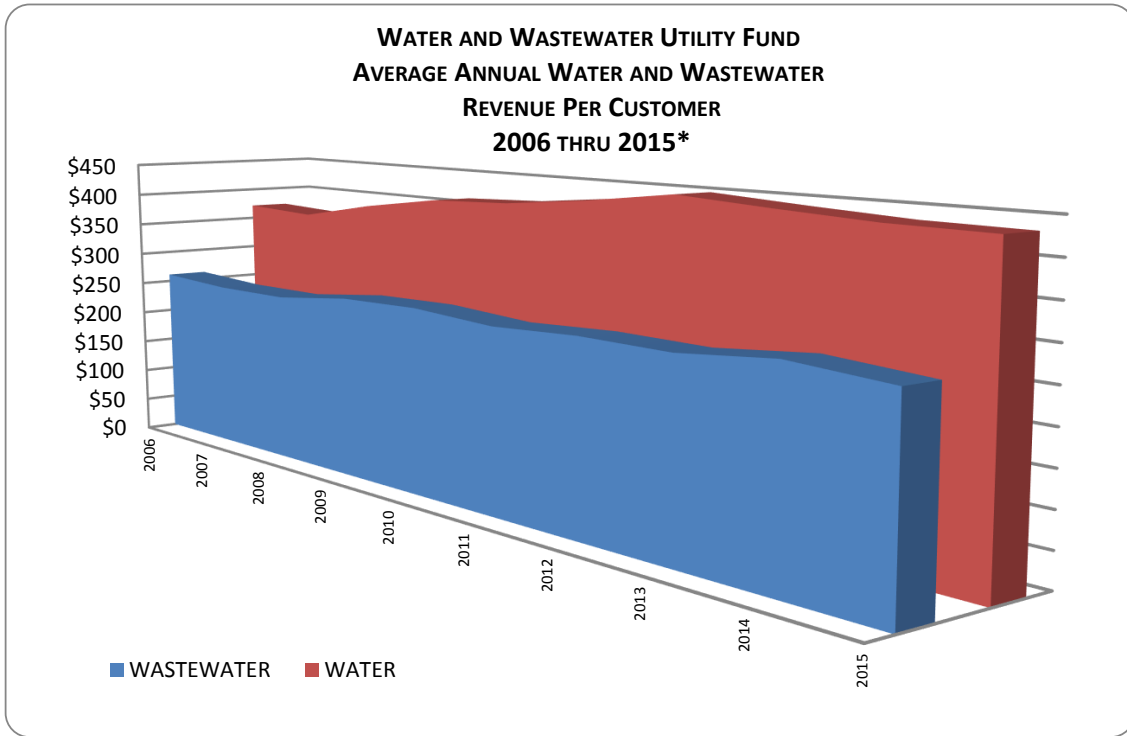
* Calendar Year

Source: Selected Operating Statistical Data page E-3

Water and Wastewater Customer Growth Data Retail and Wholesale Customers 2005 thru 2014*					
Year	Water	Wastewater	Year	Water	Wastewater
2005	187,794	174,195	2010	207,563	192,765
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

* Calendar Year

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES

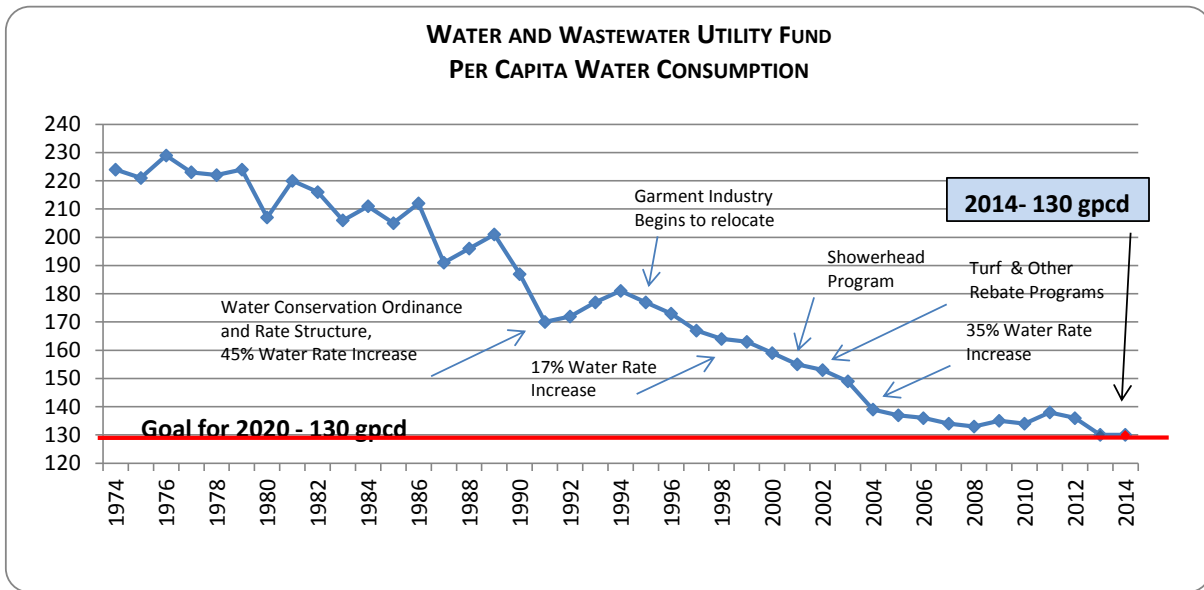


* Fiscal year March 1 thru last day of February of year shown
Note: retail & wholesale customers are included

Average Annual Water & Wastewater Revenue per Customer Data 2006 thru 2015*					
Year	Water	Wastewater	Year	Water	Wastewater
2006	371.66	261.15	2011	430.63	267.11
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

* Fiscal year March 1 thru last day of February

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



Calendar Year

Per Capita Consumption Data					
Year	gpcd*	Year	gpcd	Year	gpcd
1974	224	1988	196	2002	153
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		

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
2006 thru 2015*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
WATER CUSTOMERS BY TYPE AT END OF FISCAL YEAR										
Residential	180,405	178,211	176,254	174,199	168,699	165,723	163,016	160,474	157,486	154,940
Schools	811	806	798	798	784	761	738	726	700	659
Churches	455	459	456	458	456	449	448	411	410	408
Industrial	149	155	163	169	162	163	161	176	181	190
Commercial	13,669	13,455	12,267	12,153	14,608	14,205	13,023	12,814	12,566	12,404
Government	1,708	1,668	1,623	1,599	2,690	2,599	2,700	2,647	2,556	2,517
Very Large Water Users	11	6	7	6	6	8	8	9	9	9
Wholesale Customers****	21,972	20,846	20,085	18,725	19,025	18,227	17,590	17,346	17,039	16,216
Other	2,022	1,926	2,779	2,759	1,154	1,130	1,121	1,107	851	904
Total Water Customers	221,202	217,532	214,432	210,866	207,584	203,265	198,805	195,710	191,798	188,247
WATER BILLED BY TYPE OF CUSTOMER (1000 ccf's)										
Residential	24,671	25,536	26,602	27,410	25,870	25,360	24,248	25,101	24,547	25,450
Schools	1,637	1,657	1,717	1,808	1,680	1,558	1,492	1,537	1,565	1,483
Churches	150	161	170	179	174	171	164	168	164	182
Industrial	1,452	1,413	1,365	452	341	310	376	399	665	609
Commercial	9,314	9,537	9,673	10,284	9,927	9,572	8,560	9,266	9,227	9,247
Government	2,994	2,733	3,869	4,203	2,887	3,283	3,932	3,420	3,118	2,969
Very Large Water Users	1,234	1,002	1,056	1,402	1,295	1,138	979	877	888	876
Wholesale Customers	4,016	4,089	4,148	4,265	3,349	3,051	2,868	2,982	2,681	2,731
Other	269	327	639	160	352	523	532	186	337	314
Total Water Billed in CCFs	45,737	46,454	49,239	50,164	45,873	44,966	43,151	43,935	43,193	43,860
WATER REVENUE **	\$115,553	\$114,083	\$113,001	\$112,289	\$106,468	\$101,087	\$98,854	\$92,847	\$85,746	\$90,388
WASTEWATER RETAIL CUSTOMERS										
WASTEWATER WHOLESALE CUSTOMERS***	189,226	187,003	184,868	182,595	180,204	176,755	173,489	170,623	167,357	164,771
	16,285	15,219	14,625	13,462	13,126	12,437	11,991	10,644	10,488	10,009
TREATED WASTEWATER BILLED (1000 gallons)****	21,415	21,572	23,543	22,458	22,028	21,411	21,253	21,163	21,254	20,385
WASTEWATER REVENUE **	\$57,064	\$58,032	\$54,468	\$53,711	\$51,564	\$51,568	\$50,233	\$46,247	\$45,349	\$43,003

* 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 2015*

TEN LARGEST WATER CUSTOMERS

Rank	Name of Employer	Type of Industry	Water Usage (000's)	% of Total Water Usage	Water Revenue	Water Revenue
1	Lower Valley Water District Authority	Wholesale Customer	1,856,264	5.4%	\$2,514,500	2.7%
2	El Paso Electric Company	Utility	1,737,608	5.1%	2,081,530	2.2%
3	El Paso City	City Government	1,478,797	4.3%	3,205,038	3.5%
4	Western Refining	Industrial	718,750	2.1%	3,073,804	3.3%
5	El Paso County	County Government	538,026	1.6%	1,238,053	1.3%
6	El Paso Housing Authority	Housing Authority	495,251	1.4%	1,108,866	1.2%
7	Federal Government	U.S. Government	479,807	1.4%	628,548	0.7%
8	El Paso Independent School District	Public Schools	458,862	1.3%	1,562,025	1.7%
9	Paseo del Este MUD	Wholesale Customer	355,594	1.0%	918,587	1.0%
10	Ysleta Independent School District	Public Schools	351,965	1.0%	1,541,151	1.7%
			<u>8,470,924</u>	<u>24.8%</u>	<u>\$17,872,102</u>	<u>19.3%</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 2015*

TEN LARGEST WASTEWATER CUSTOMERS

Rank	Name of Employer	Type of Industry	Wastewater Revenue	% of Total Wastewater Revenue
1	Federal Government	U.S. Government	\$1,376,041	2.4%
2	El Paso Housing Authority	Housing Authority	898,697	1.6%
3	Western Refining	Industrial	779,636	1.4%
4	Lower Valley Water District Authority	Wholesale Customer	671,912	1.2%
5	El Paso Independent School District	Public Schools	518,429	0.9%
6	El Paso County	County Government	419,756	0.7%
7	City of El Paso	City Government	391,384	0.7%
8	Ysleta Independent School District	Public Schools	352,157	0.6%
9	EPT	Property Management	346,401	0.6%
10	Eagle Family Foods	Industrial	342,902	0.6%
			<u>\$6,097,315</u>	<u>10.7%</u>

* Fiscal year March 1 thru last day of February

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

2006 thru 2015*

Monthly Minimum Charge by
Meter Size

WATER RATES										
2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
¾	5.18	5.18	4.93	4.79	4.79	4.79	4.79	4.48	4.31	4.31
1	8.06	8.06	7.68	7.46	7.46	7.46	7.46	6.97	6.70	6.70
1½	13.82	13.82	13.16	12.78	12.78	12.78	12.78	11.94	11.48	11.48
2	16.63	16.63	15.84	15.38	15.38	15.38	15.38	14.37	13.82	13.82
3	33.21	33.21	31.63	30.71	30.71	30.71	30.71	28.70	27.90	27.90
4	49.58	49.58	47.22	45.84	45.84	45.84	45.84	42.84	41.19	41.19
6	75.18	75.18	71.60	69.51	69.51	69.51	69.51	64.96	62.46	62.46
8	128.77	128.77	122.64	119.07	119.07	119.07	119.07	111.28	107.00	107.00

Volume Charges

Residential Customers

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

Non-Residential Customers

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

Water Supply Replacement Charge

Meter Size

¾	6.39	6.39	6.09	5.91	5.91	5.91	5.91	5.91	5.68	5.68
1	15.97	15.97	15.21	14.77	14.77	14.77	14.77	14.77	14.20	14.20
1½	31.94	31.94	30.42	29.53	29.53	29.53	29.53	29.53	28.39	28.39
2	51.10	51.10	48.67	47.25	47.25	47.25	47.25	47.25	45.43	45.43
3	102.18	102.18	97.31	94.48	94.48	94.48	94.48	94.48	90.85	90.85
4	159.67	159.67	152.07	147.64	147.64	147.64	147.64	147.67	141.96	141.96
6	319.34	319.34	304.13	295.27	295.27	295.27	295.27	295.27	283.91	283.91
8	593.95	593.95	565.67	549.19	549.19	549.19	549.19	549.19	528.07	528.07

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

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

2006 thru 2015*

Monthly Minimum Charge by Meter Size	WASTEWATER RATES									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Less than 1	10.93	10.93	10.41	10.11	10.11	10.11	10.11	9.45	9.09	9.09
1	25.14	25.14	23.94	23.24	23.24	23.24	23.24	21.72	20.88	20.88
1½	53.51	53.51	50.96	49.48	49.48	49.48	49.48	46.24	44.46	44.46
2	67.32	67.32	64.11	62.24	62.24	62.24	62.24	58.17	55.93	55.93
3	148.83	148.83	141.74	137.61	137.61	137.61	137.61	128.61	123.66	123.66
4	229.23	229.23	218.31	211.95	211.95	211.95	211.95	198.08	190.46	190.46
6	355.04	355.04	338.13	328.28	328.28	328.28	328.28	306.80	295.00	295.00
8	618.66	618.66	589.20	572.04	572.04	572.04	572.04	534.62	514.06	514.06

Volume Charges

Residential Customers

Over 4 ccfs - 90% of Average Winter Consumption	1.38	1.38	1.31	1.27	1.27	1.27	1.27	1.19	1.14	1.14
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Non-Residential Customers

90% of Average Winter Consumption	1.38	1.38	1.31	1.27	1.27	1.27	1.27	1.19	1.14	1.14
Rate Increase (By Design)	0.0%	5.0%	3.0%	0.0%	0.0%	0.0%	7.0%	4.0%	0.0%	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 2015*

	Number of Customers						
	2015	2014	2013	2012	2011	2010	2009
Residential	174,280	172,241	169,806	167,450	165,493	162,522	159,831
Non-residential							
Apartments	2,055	2,020	2,032	2,046	2,056	2,051	2,083
Churches	444	444	445	446	444	440	437
Industrial	147	154	157	160	160	161	163
Commercial	10,442	10,435	10,393	10,315	10,369	10,204	10,087
Government	370	375	493	489	370	260	413
Other	391	381	354	362	699	679	1,085
Total Non-Residential	13,849	13,809	13,874	13,818	14,098	13,795	14,268
Total Drainage Customers	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 2015*

	Revenue						
	2015	2014	2013	2012	2011	2010	2009
Residential	\$6,308,556	\$6,235,938	\$6,147,697	\$6,057,512	\$5,975,720	\$5,857,191	\$6,575,449
Non residential	8,990,392	8,926,521	8,918,715	8,881,591	8,876,317	8,815,413	10,797,716
Billing Fees - City Environmental Services Dept.	262,772	260,645	256,864	253,153	249,075	267,133	-
Other operating revenue	419,794	399,981	363,864	213,034	188,962	189,404	-
Total Revenue	<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 2015***

Rank	Name of Customer	Type of Industry	Revenue	% of Total Stormwater Revenue
1	City of El Paso	City Government	\$257,788	1.61%
2	Southern Pacific	Railroad Line	127,174	0.80%
3	Walmart	Retail Sales	88,878	0.56%
4	EPT	Property Management	77,894	0.49%
5	BRE/ELPS (BRE/TX)	Manufacturing	60,007	0.38%
6	Texas Custodial Trust	Industrial	59,672	0.37%
7	Western Refining	Industrial	55,475	0.35%
8	Cemex	Concrete Producer	54,909	0.34%
9	Five Star Holding	Property Management	47,602	0.30%
10	River Oaks	Property Management	<u>43,189</u>	<u>0.27%</u>
			<u>\$872,588</u>	<u>5.46%</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 year, therefore, year comparison

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

MUNICIPAL DRAINAGE UTILITY RATES

2009 thru 2015*

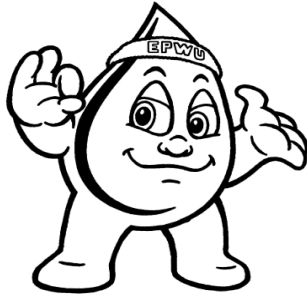
		2015	2014	2013	2012	2011	2010	2009
	<u>Impervious area</u>							
Residential Category								
Small	0-1,200	\$1.49	\$1.49	\$1.49	\$1.49	\$1.49	\$1.49	\$1.49
Typical	1,201-3,000	2.97	2.97	2.97	2.97	2.97	2.97	2.97
Large	> 3,000	5.94	5.94	5.94	5.94	5.94	5.94	5.94
Non-Residential Category	Per 2,000 sq. ft.	\$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

2006 thru 2015*

(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	
2015	\$172,617	\$82,230	\$90,387	\$2,358	\$92,745	\$25,150	\$19,701	2.07
2014	172,116	80,440	91,676	2,443	94,119	25,100	19,946	2.09
2013 ¹	167,469	83,483	83,987	2,182	86,169	22,935	19,879	2.01
2012 ²	166,001	83,998	82,003	3,170	85,173	23,715	21,632	1.86
2011	157,681	78,697	78,984	3,503	82,487	22,031	22,498	1.86
2010	152,655	82,061	70,594	3,201	73,795	23,940	22,781	1.58
2009	149,087	79,235	69,852	4,291	74,143	17,269	20,725	1.95
2008	139,094	78,414	60,680	6,099	66,779	21,473	19,878	1.61
2007	131,094	74,605	56,489	8,364	64,853	15,347	23,539	1.67
2006	133,392	64,838	68,553	7,324	75,877	13,857	18,502	2.34

* 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 do not include payment to city per bond covenants, depreciation or amortization expenses. The bond ordinance requires debt service coverage of 1.5 times. See note 11 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*

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

TOTAL NET DEBT OUTSTANDING BY TYPE

2006 thru 2015*

(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
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
2006	402,017	9,363	40,000	11,010	-	462,390	145,268	3.18	363,027	1,274

* 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 2015*

(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	
2015	\$15,299	\$6,167	\$9,132	\$1,670	\$10,803	\$2,524	\$3,051	1.94
2014	15,162	6,918	8,244	1,578	9,823	2,359	3,217	1.76
2013 ²	15,066	6,035	9,031	1,686	10,717	1,850	2,716	2.30
2012	14,939	6,449	8,490	1,556	10,046	1,645	2,807	2.26
2011	14,852	6,704	8,148	1,653	9,801	-	2,630	3.73
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 do not include depreciation or amortization expenses. The bond ordinance requires debt service coverage of 1.25 times.

³Fiscal year 2013 has been restated as a result of a change in the adoption of GASB 65, *Items Previously Reported as Assets and Liabilities*

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

TOTAL NET DEBT OUTSTANDING BY TYPE
2010 thru 2015*
(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
2015	\$60,804	\$842	\$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

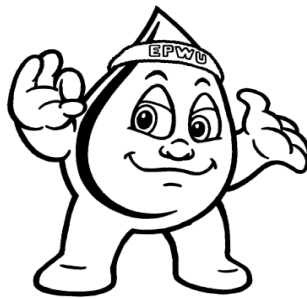
* Fiscal year March 1 thru last day of February of year shown

**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 Population²	Personal Income (Billion \$)²	Per Capita Personal Income²	Unemployment Rate¹
2005	730,094	17.2	23,421	7.0
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	27.2	32,630	4.9

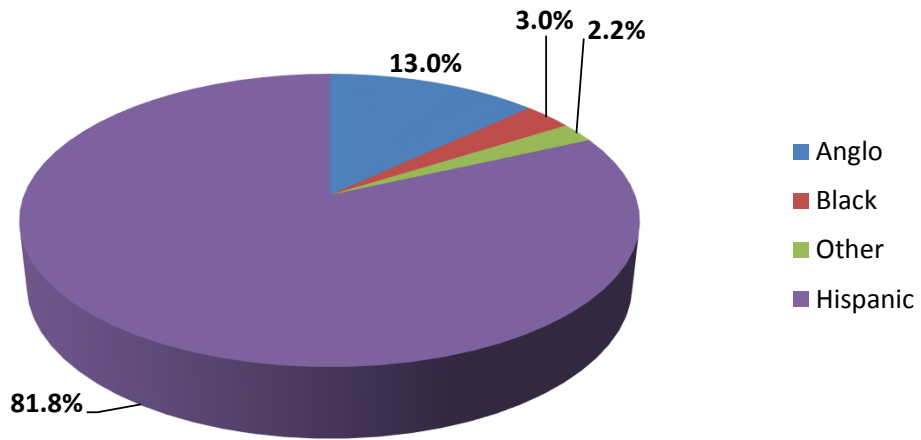
Source: US Census Bureau

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

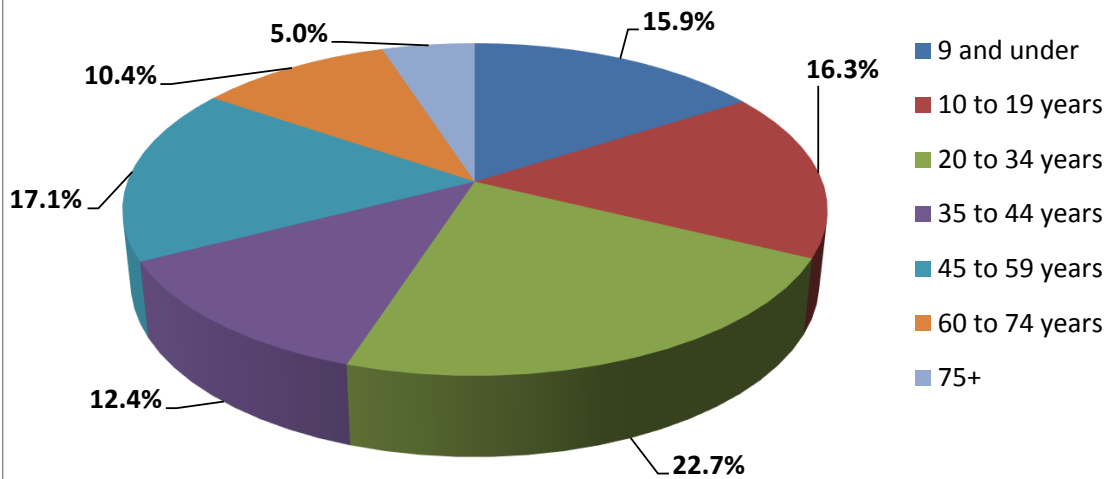
**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
DEMOGRAPHIC AND ECONOMIC STATISTICS**

EL PASO COUNTY POPULATION BY RACE AND ETHNICITY



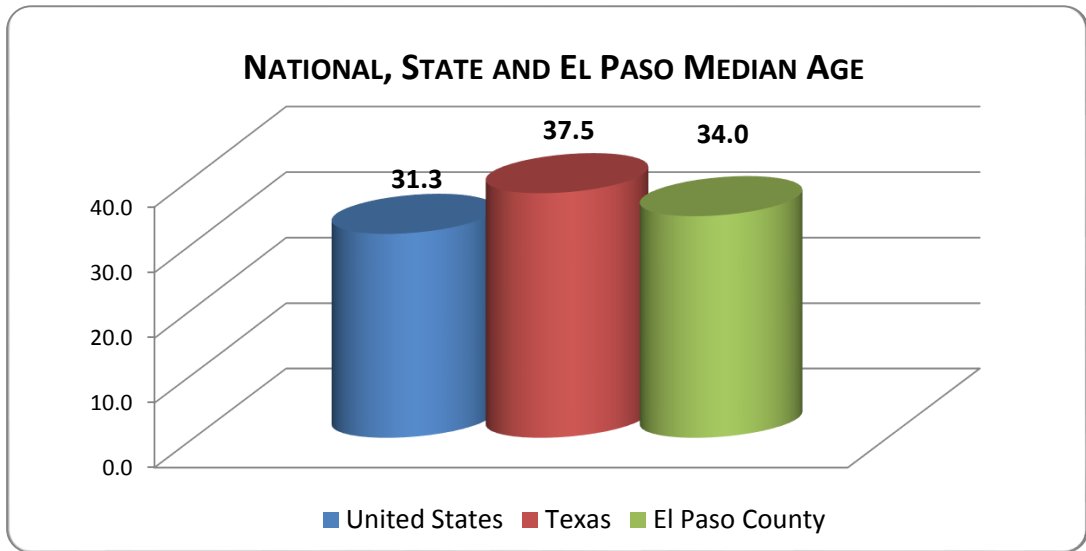
Source: U.S. Census Bureau, 2013 American Community Survey

EL PASO COUNTY POPULATION BY AGE GROUP

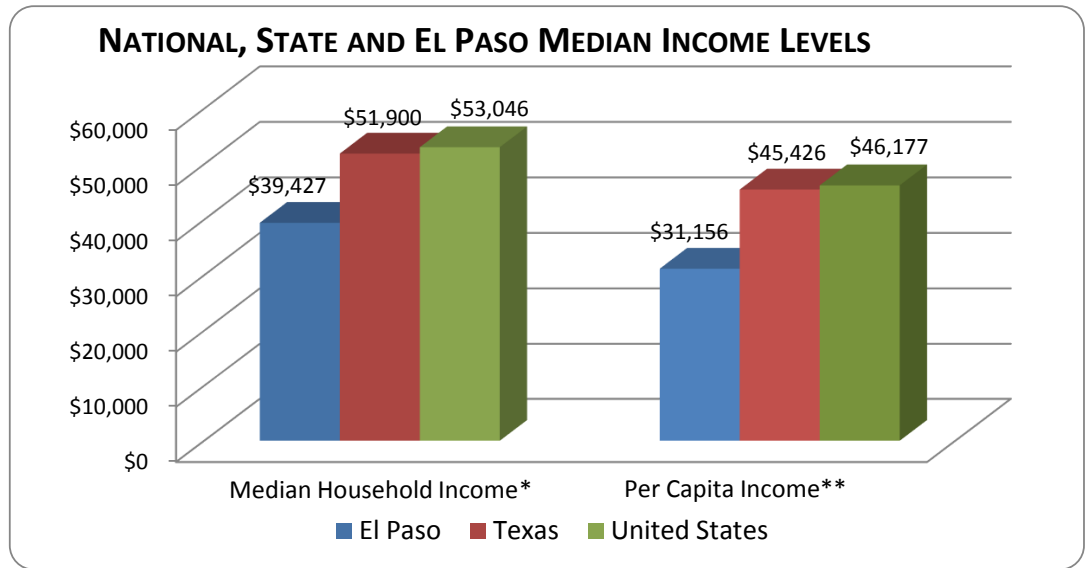


Source: U.S. Census Bureau, 2013 American Community Survey

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



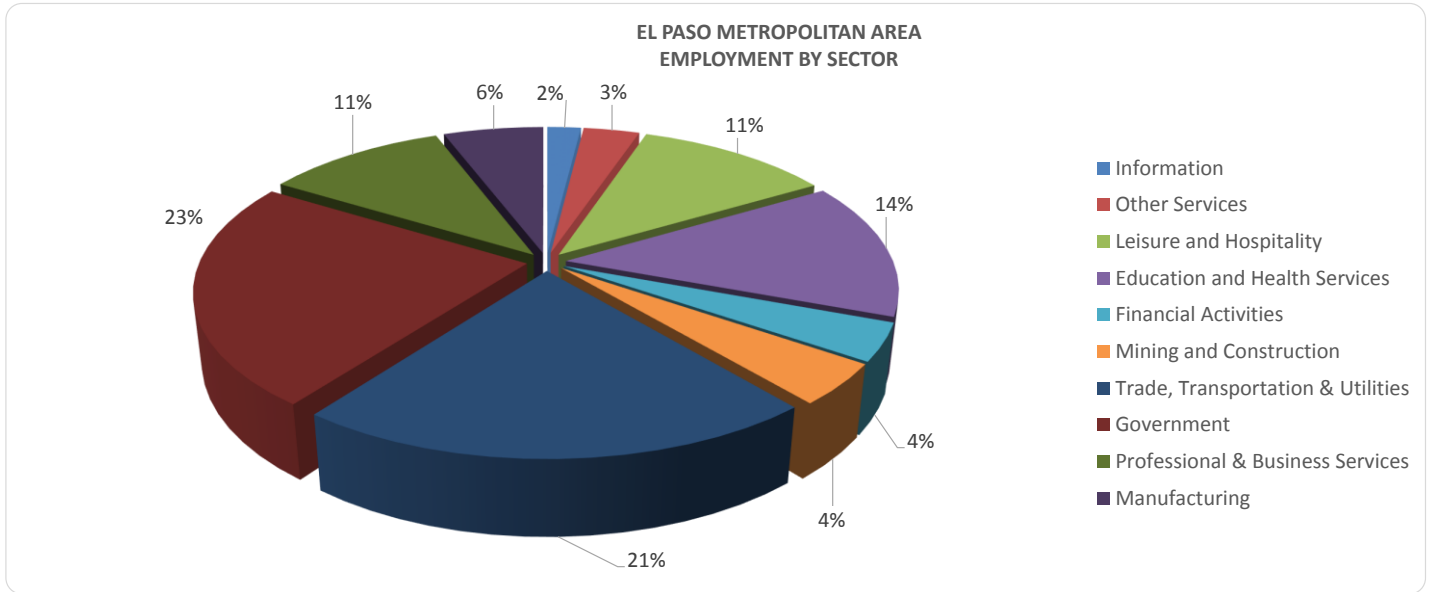
Source: U.S. Census Bureau, 2013 American Community Survey



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

**Source: Bureau of Economic Analysis, REIS: table CA1-3, June 2013

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



Source: Texas Workforce Commission, April 2015

Top 10 Private Employers in the City of El Paso

2014**				
Rank	Employer	Type of Service	No. of Employees	% of Total Employment
1	T&T Staff Management LP	Employment Service	4,000	1.3%
2	Dish Network	Technical Support Center	1,800	0.6%
3	Alorica	Inbound Customer Service Center	1,755	0.6%
4	GC Services	Inbound Customer Service Center	1,526	0.5%
5	RM Personnel	Employment Service	1,368	0.5%
6	Del Sol Medical	Health Care	1,300	0.4%
7	Automatic Data Processing, Inc.	Contact Center	1,100	0.4%
8	El Paso Electric Company	Electric Utilities	1,000	0.3%
9	OSP Group LLC	Inbound Customer Service Center	1,000	0.3%
10	Las Palmas Medical Center	Health Care	800	0.3%

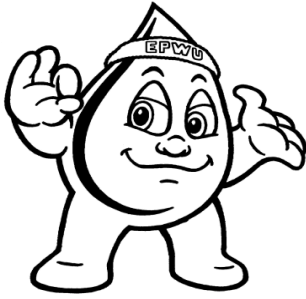
Source: List generated by ReferenceUSA.com, verified by Regional Economic Development Corporation, Updated
** Excludes Retail

2004*				
Rank	Employer	Type of Service	No. of Employee	% of Total Employment
1	Sierra Providence Health Network	Healthcare	3,761	1.5%
2	Wal-Mart	Retail	3,706	1.4%
3	Las Palmas Del So Regional Hospital	Healthcare	2,244	0.9%
4	EchoStar Satellite Corp.	Call center	2,012	0.8%
5	MCI/GC Services	Telemarketing	1,790	0.7%
6	West Teleservices Corp.	Telemarketing	1,500	0.6%
7	Sahara, Inc. (Nat. Cent. For Emp. Of Disabled)	Sheltered Workshop	1,369	0.5%
8	Big 8 Food Stores	Grocery	1,220	0.5%
9	Yazaki North America	Manufacturing	1,000	0.4%
10	El Paso Electric Company	Electric Utilities	986	0.4%

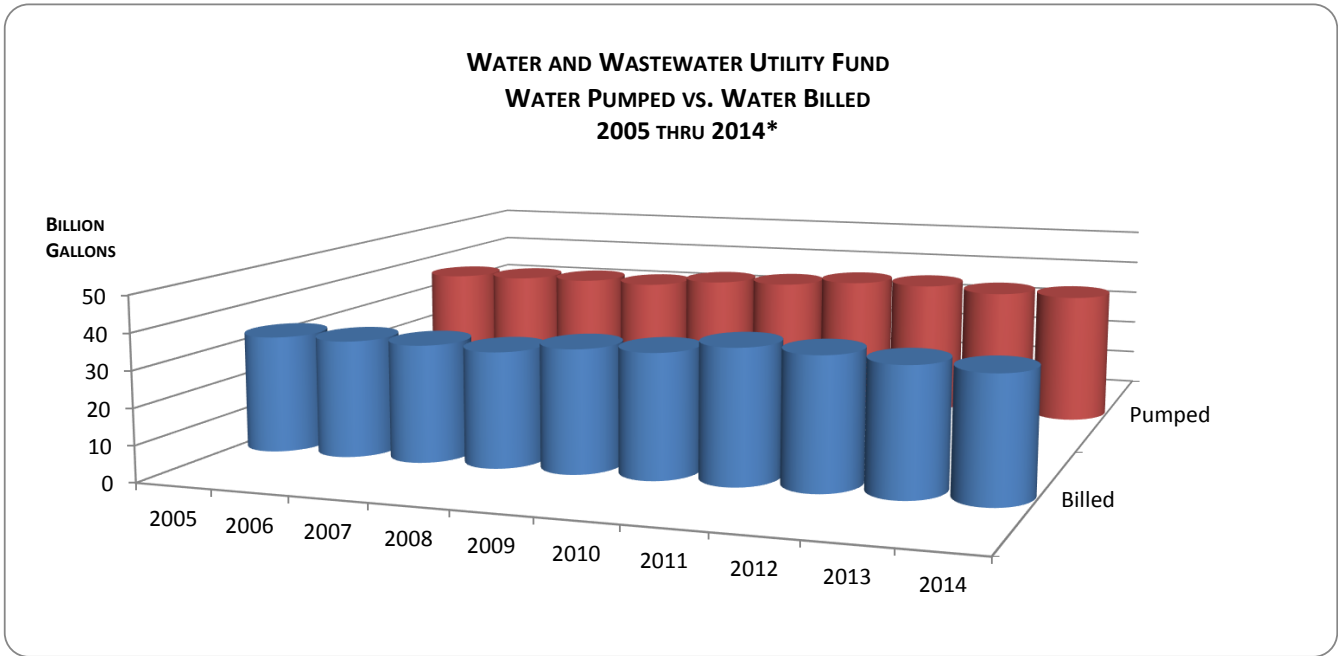
Source: City of El Paso, Economic Development Department
* Includes Retail

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

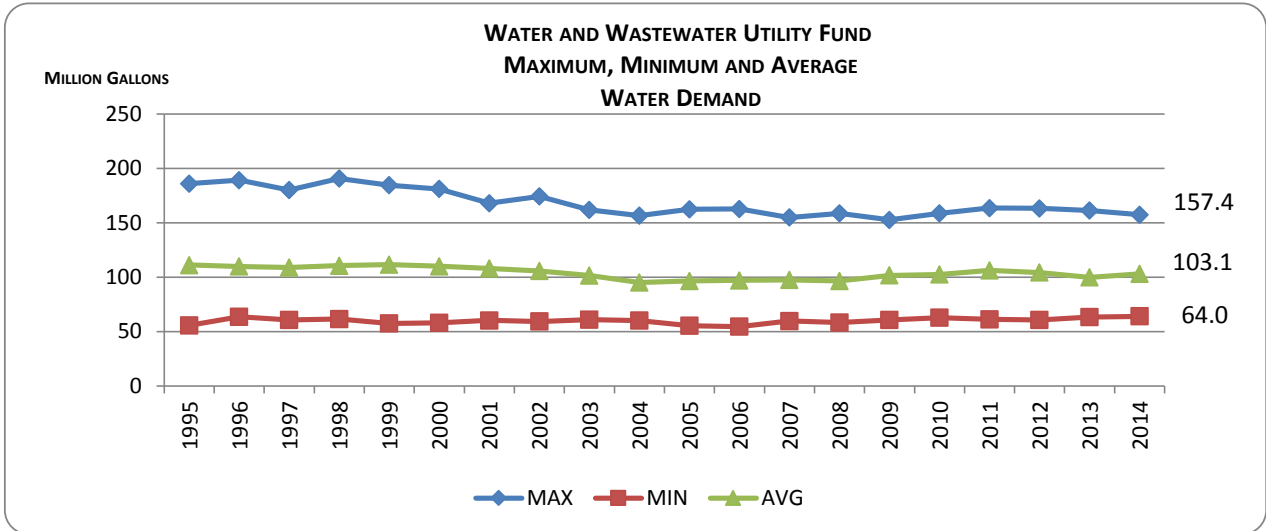


* Calendar Year

Water Pumped vs. Water Billed Data 2005 thru 2014*			
Calendar Year	Water Pumped Billion Gallons	Water Billed Billion Gallons	Unbilled Water
2005	35.17	32.57	7.4%
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%

* Calendar Year

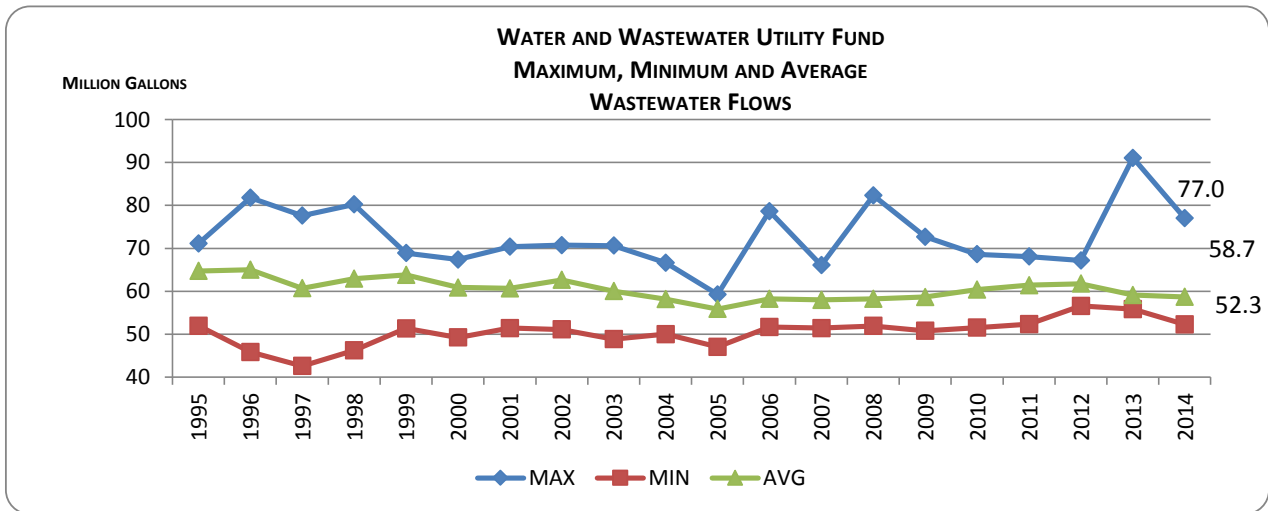
PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



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
2005 thru 2014*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
WATER PRODUCTION AND USAGE DATA *										
Water Customers Retail at End of Year	198,767	196,600	194,274	191,625	188,927	185,062	182,315	178,031	174,922	171,607
Water Customers Retail & Wholesale at End of Year	220,570	217,406	214,254	210,987	207,563	202,150	198,390	195,389	191,849	187,794
Water Pumped - Million Gallons	37,324	37,345	38,820	38,833	37,368	37,067	35,476	35,636	35,457	35,173
Water Metered - Million Gallons - Retail	31,042	31,815	33,669	34,336	31,570	31,871	30,481	31,123	30,600	30,510
Water Metered - Million Gallons - (Retail/Wholesale)	34,289	35,083	36,322	37,022	34,407	34,147	32,069	32,284	32,595	32,565
Percent of Water Billed vs. Water Pumped (R/W)	92%	94%	94%	95%	92%	92%	90%	91%	92%	93%
Annual Billed Water per Customer Retail - 1000 Gallons	156	162	173	179	167	172	167	175	175	178
Annual Billed Water per Customer (R/W) - 1000 Gallons	155	161	170	175	166	169	162	165	170	173
Average Daily Water Demand-Million Gallons	103.1	99.8	104.3	106.2	102.4	101.6	96.4	97.5	97.0	96.4
Maximum Daily Water Demand-Million Gallons	157.4	161.1	163.2	163.5	158.5	152.6	158.7	154.8	162.7	162.3
Minimum Daily Water Demand-Million Gallons	64.0	63.3	60.6	61.2	62.7	60.7	58.2	59.7	54.6	55.4
Daily Average Consumption in Peak Week-Million Gallons	149.8	149.8	152.5	155.6	147.7	138.7	144.0	138.0	144.0	152.2
Peak day	June 4	June 26	June 26	June 29	June 18	July 14	June 27	June 26	June 21	July 6
Miles of Water Mains Installed	24.12	35.58	37.75	35.34	21.68	28.69	38.84	42.82	22.00	34.10
Miles of Water Mains Replaced or Abandoned	2.60	2.88	7.50	10.72	5.14	7.74	2.94	12.75	2.70	4.05
Miles of Water Mains in Place	2,615	2,593	2,561	2,530	2,506	2,489	2,468	2,432	2,402	2,383
Number of Fire Hydrants Installed	115	123	102	136	168	226	287	270	435	152
Number of Fire Hydrants in Place	10,429	10,314	10,191	10,089	9,953	9,785	9,559	9,272	9,002	8,567
WASTEWATER SYSTEM DATA *										
Wastewater Customers Retail & Wholesale at End of Year	204,810	202,068	199,181	195,875	192,765	187,992	183,990	180,795	177,845	174,195
Average Daily Flow - Million Gallons	58.67	59.10	61.76	61.53	60.35	58.66	58.23	57.98	58.23	55.85
Maximum Daily Flow - Million Gallons	77.02	91.07	67.16	68.10	68.62	72.68	82.31	66.05	78.62	59.24
Minimum Daily Flow - Million Gallons	52.27	55.85	56.57	52.30	51.52	50.79	51.91	51.42	51.63	47.05
Average Daily Flow per Customer - Gallons	286	292	310	314	313	312	316	321	327	321
Miles of Wastewater Lines Installed	17.86	25.00	25.00	34.96	30.00	37.00	32.24	29.73	28.00	26.10
Miles of Wastewater Line in Place	2,253	2,235	2,210	2,185	2,150	2,120	2,083	2,051	2,021	1,993

* Calendar Year

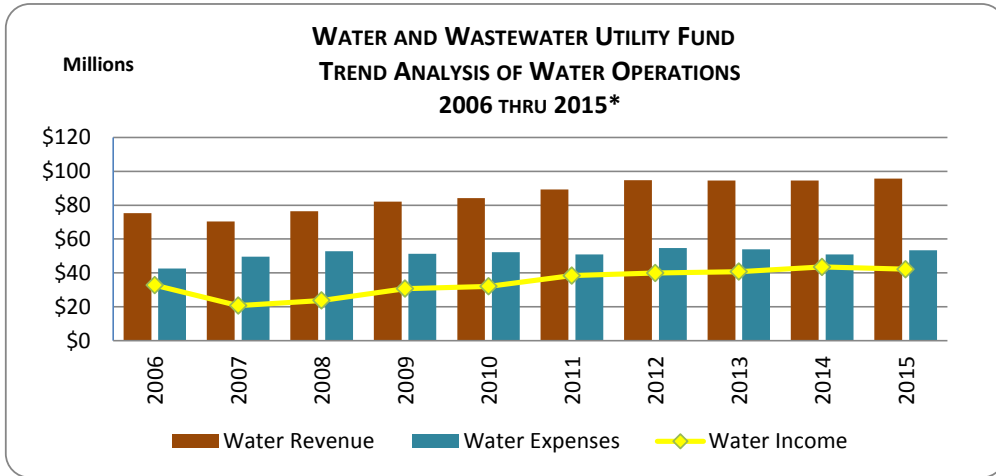
**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
MUNICIPAL DRAINAGE UTILITY FUND**

**SELECTED OPERATIONS AND STATISTICAL DATA
2009 thru 2015***

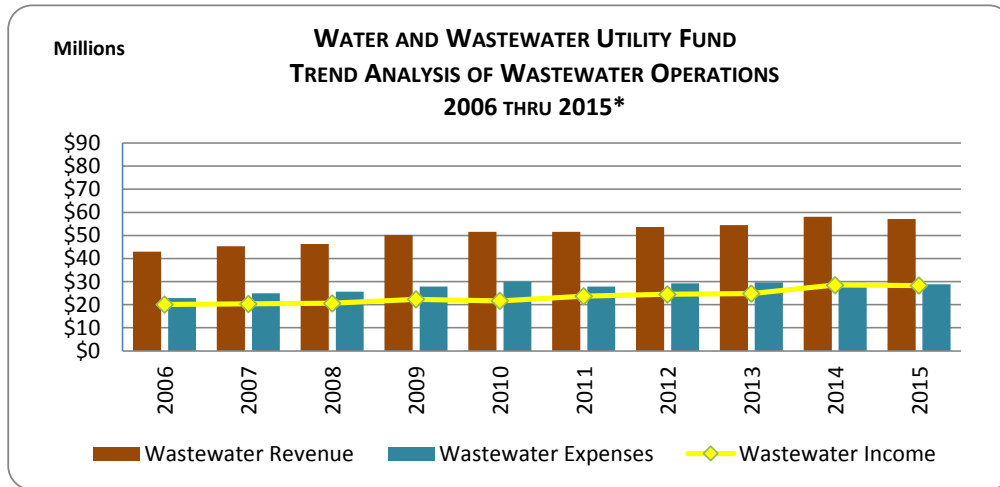
	2015	2014	2013	2012	2011	2010	2009
DRAINAGE OPERATIONS							
Number of Ponds	361	361	361	361	310	277	277
Acres of Ponds Inventoried	904	904	904	1,020	904	983	983
Acres of Ponds Cleaned	425	82	917	461	650	500	3,429
Number of Dams/Basins	37	37	37	37	32	38	38
Acres of Dams/Basins Inventoried	2,430	2,430	2,430	2,417	2,430	2,390	2,390
Acres of Dams/Basins Cleaned	660	57	463	263	1,200	1,000	1,915
Miles of Channels Inventoried	74	74	74	72	74	68	68
Miles of Channels Cleaned	6	10	27	44	30	15	30
Miles of Agricultural Drains Inventoried	43	43	43	39	43	39	39
Miles of Agricultural Drains Cleaned	17	6	39	17	15	20	25
Miles of Drainage Conduits Inventoried	280	280	146	280	146	100	100
Miles of Drainage Conduits Cleaned	0	2	12	2	15	2	2
Drainage Inlets Inventoried	6,353	6,346	6,094	6,359	6,094	4,100	4,100
Drainage Inlets Cleaned	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 111



* Fiscal year March 1 thru last day of February of year shown
Source: Net Operating Revenue - Wastewater, page 112

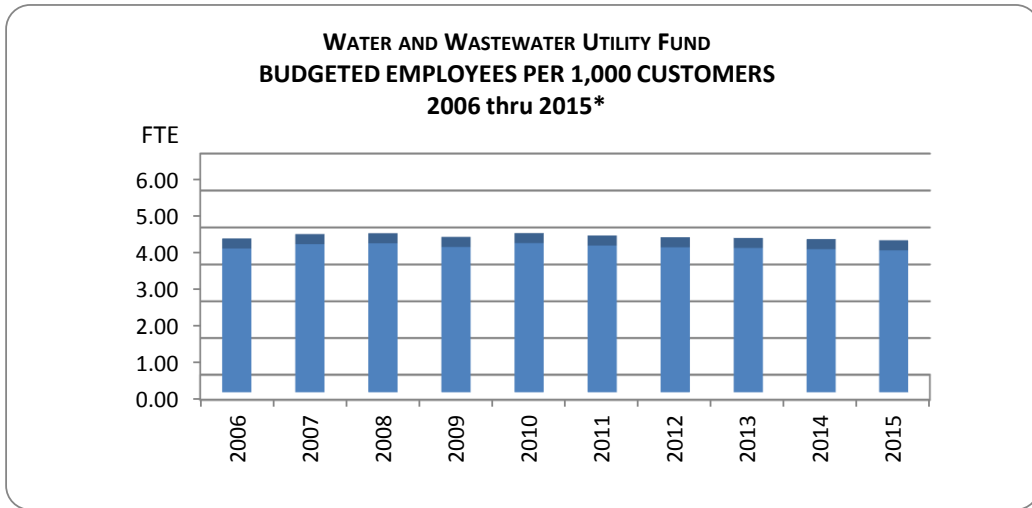
PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
WATER, WASTEWATER AND MUNICIPAL DRAINAGE UTILITY FUNDS

STAFFING BY DIVISION AND SECTION
 Fiscal Year 2015*

	Division/Section	Budgeted FTE's					
		2015	2014	2013	2012	2011	2010
Administration	Executive Services	6	15	15	15	14	10
	Legal Services	4	4	4	4	4	4
	Communications	8	2	2	2	2	2
	Human Resources	11	11	8	8	8	8
	Water Resources Management	4	4	4	4	5	5
	Land Management	8	8	7	7	7	7
	Tech ₂ O Learning Center	10	10	10	10	10	10
	Total Division	51	54	50	50	50	46
Technical Services	Technical Services	6	5	4	4	3	3
	Water/Wastewater Engineering	15	15	14	14	14	14
	Planning and Development	33	32	32	32	33	34
	Project Management	8	8	8	8	8	6
	Stormwater Engineering	0	0	6	6	6	6
	Asset Management	0	0	0	0	0	1
	Total Division	62	60	64	64	64	64
Financial & Support Services	Finance	4	3	3	3	3	3
	Property and Treasury Management	15	14	14	13	13	13
	Customer Service	102	102	101	98	96	96
	Accounting	13	13	13	14	14	14
	Purchasing	10	10	10	9	9	9
	Meter Repair Shop	11	11	11	11	11	11
	Warehouse	8	9	9	9	9	9
	Total Division	163	162	161	157	155	155
Information Services	Information Services	30	27	26	24	24	24
	Instrumentation and Control	29	26	25	14	13	13
	Total Division	59	53	51	38	37	37
Operations (Water System)	Water Division Office	3	3	3	3	3	3
	Well Production	43	43	44	43	43	43
	Robertson/Umbenhauer Water Treatment Plant	20	20	20	20	20	20
	Water Distribution	98	98	96	96	96	96
	Jonathan W. Rogers Water Treatment Plant	18	18	18	18	18	19
	Upper Valley Water Treatment Plant	15	15	15	15	15	15
	Kay Bailey Hutchison Desalination Plant	14	14	14	14	14	14
	Total Division	211	211	210	209	209	210
Operations (Wastewater System)	Wastewater Division Office	5	5	5	5	5	5
	Wastewater Lift Stations	18	18	18	20	20	20
	Wastewater Collection System Maintenance	33	33	33	33	33	31
	Northwest Wastewater Treatment Plant	15	15	15	17	17	17
	Haskell R. Street Wastewater Treatment Plant	30	30	30	32	32	32
	Roberto R. Bustamante Wastewater Treatment Plant	29	29	29	31	31	31
	Fred Hervey Water Reclamation Plant	28	28	28	30	30	30
	Wastewater System Repair & Construction	20	20	20	20	20	20
Total Division	178	178	178	188	188	186	
Operations (Operations Support)	Operations Management	4	3	3	3	3	4
	Environmental Compliance/Industrial Pretreatment	10	10	10	10	11	11
	Laboratory Services	30	30	30	29	29	28
	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	45	45	44	45	45
Operations (Equipment & Facilities Maintenance)	Fleet Maintenance	22.3	22.3	21.3	21.3	21.3	21.3
	Heavy Equipment Operations	42.3	42.3	42.3	42.3	42.3	41.3
	Facilities Maintenance	18.3	18.3	18.3	17.3	17.3	19.3
	Total Division	83	83	82	81	81	82
WATER AND WASTEWATER UTILITY'S TOTAL BUDGETED REQUIREMENTS		853	846	841	831	829	825
Stormwater	Stormwater	52	58	58	58	58	59
	Stormwater Engineering	7	6	0	0	0	0
	Stormwater Environmental Compliance	7	0	0	0	0	0
	Total Division	66	64	58	58	58	59

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

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES



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

Budgeted Employees per 1,000 Customers Data			
Year	FTE*	Year	FTE
2006	3.9	2011	4.0
2007	4.0	2012	3.9
2008	4.1	2013	3.9
2009	4.0	2014	3.9
2010	4.1	2015	3.9

* FTE=full time equivalent