

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008



West Basin Municipal Water District • Carson, California



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November 24, 2008

To the Board of Directors and our Customers:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of West Basin Municipal Water District (West Basin) for the fiscal year 2007-2008, which ended June 30, 2008. Once again, West Basin will be submitting the CAFR to the Government Finance Officers Association (GFAO) to seek the designation of Excellence in Financial Reporting. For the last two years, West Basin has submitted the CAFR and received this distinctive award.

The CAFR is intended to provide the Board of Directors, West Basin's customers, the public and interested parties a broad financial outlook of West Basin. This report is also prepared for the purpose of meeting the state law requiring districts to submit an audited annual or biannual financial report to the State Controller within six months after the end of the fiscal year.

The guidelines set forth by the Governmental Accounting Standards Board (GASB) were followed in the preparation of this report, which was designed to assess West Basin's financial condition and inform the public about West Basin's services. The disclosed information is fairly presented and West Basin's management accepts full responsibility for the data contained in this report.

Mayer Hoffman McCann P.C. issued an unqualified opinion on West Basin's financial statements for the fiscal year ended June 30, 2008. The independent auditor's report is located at the beginning of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report on the basic financial statements and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.



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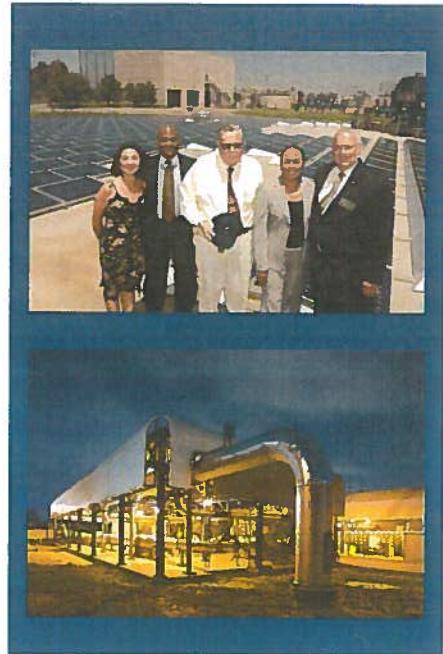
Comprehensive Annual Financial Report

MISSION STATEMENT

To provide a safe and reliable supply of high quality water to the communities we serve.

COMMITMENT STATEMENTS

1. *Water Reliability* – West Basin is committed to innovative planning and investments to provide water supply reliability and drought protection.
2. *Water Quality* – West Basin is committed to providing safe, high quality water by meeting current and anticipated water quality requirements.
3. *Sound Financial and Resource Management* – West Basin is committed to efficient business operations, financial planning and asset management.
4. *Customer Service* – West Basin is committed to providing value by understanding and meeting the needs of our customers and the communities we serve
5. *Environmental Stewardship*– West Basin is committed to sustainable and environmentally-friendly business practices.



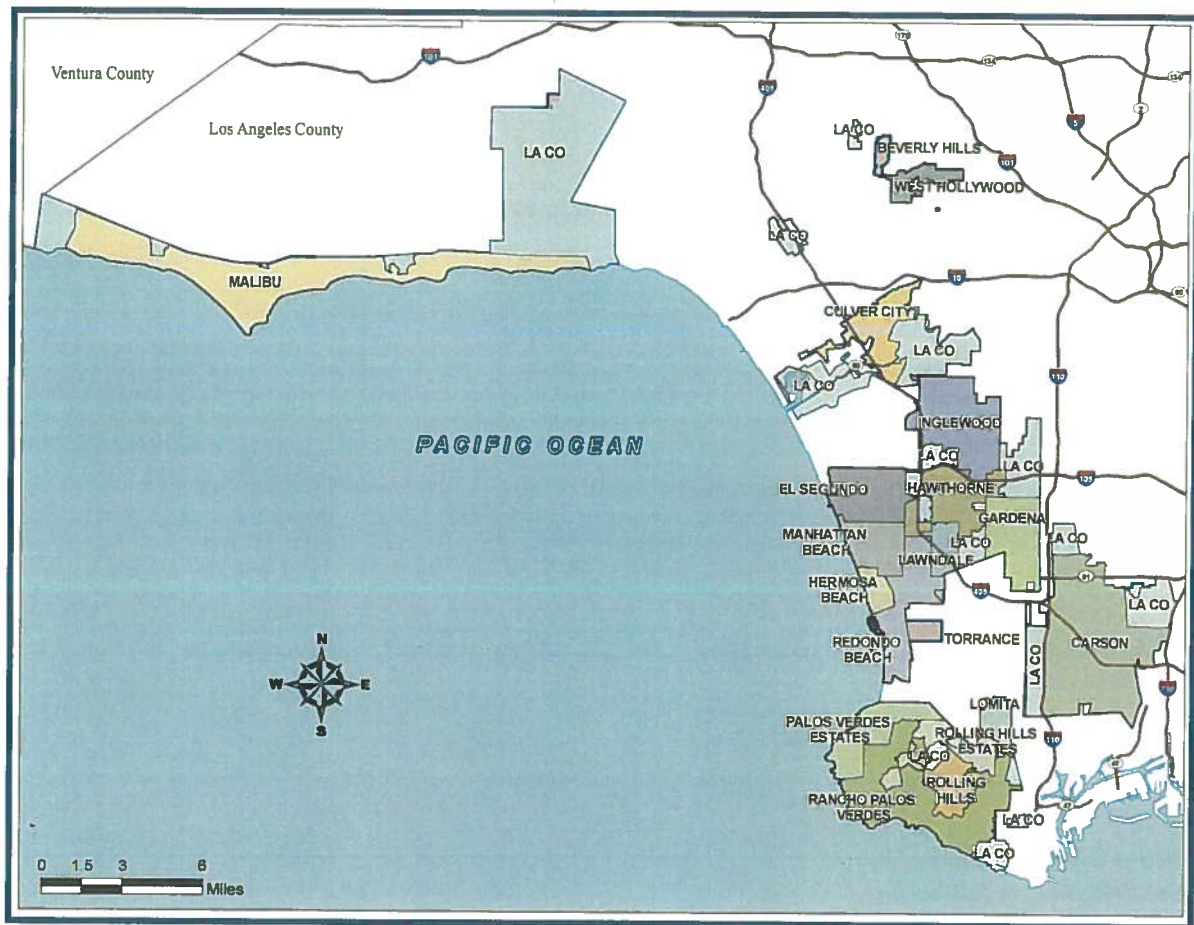
BACKGROUND

West Basin Municipal Water District (West Basin) is a special district of the State of California. West Basin is an innovative public agency that provides drinking and recycled water to its 185-square mile service area. West Basin purchases imported water from the Metropolitan Water District of Southern California (MWD) and wholesales the imported water to cities, water agencies, and private water companies in Southwest Los Angeles County. To protect our local groundwater aquifer from seawater intrusion, West Basin provides water for injection into the South Bay's seawater barriers. Consistent with expanding our portfolio of locally-produced water to ensure reliability, West Basin invests in research and testing of ocean-water desalination to create a source of local drinking water.

West Basin is a recognized leader in the production of recycled water, and our conservation and education programs are also fundamental to West Basin's diverse water portfolio. Our water recycling program produces over 30 million gallons of high-purity water every day using various treatments and processes while our water conservation program focuses on retrofitting restrooms, laundry rooms, and outdoor landscaping through hands-on workshops, exchange events and rebate programs for water saving devices. West Basin's vibrant education program hosts thousands of school children each year at our water recycling facility, holds an annual art contest, and sponsors high school solar cup boat-building teams to encourage young people to learn about of water and energy production and use.

OUR SERVICE AREA

West Basin Municipal Water District serves a diverse population of nearly a million people living and working in 17 cities and parts of unincorporated Southwest Los Angeles County. West Basin has a 3:1 resident-to-business ratio and an average median income of \$67,000. The economic diversity ranges from approximately \$23,000 in Westmont to approximately \$200,000 in Rolling Hills (Source: 2000 census). Our service area presents unique challenges in meeting a wide variety of needs. Five publicly-elected directors govern West Basin's service area. Voters in each of the five divisions elect one director to serve a four-year term. The West Basin Board appoints two representatives to serve on the 37-member MWD Board of Directors.



DIRECTOR DIVISIONS

Division I: Director Ronald C. Smith

Representing Palos Verdes Estates, Ranchos Palos Verdes, Rolling Hills Estates, Rolling Hills and portions of Carson

Division II: Director Gloria D. Gray

Representing Inglewood, South Ladera Heights, a portion of Lennox, Athens, Howard and Ross-Sexton

Division III: Director Carol W. Kwan

Representing Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance

Division IV: Director Edward C. Little

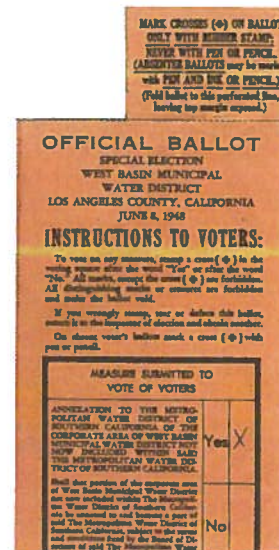
Representing Culver City, Del Aire, El Segundo, Malibu, North Ladera Heights, Topanga, View Park, West Hollywood, Windsor Hills and a portion of Lennox

Division V: Director Donald L. Dear

Representing Gardena, Hawthorne, Lawndale and El Camino Village

HISTORY OF WEST BASIN

In the 1940s, studies showed that our groundwater aquifer was being depleted at a much faster rate than it was being recharged. Each year, the aquifer was being over-drafted by millions of gallons. As early as 1918, the levels of the groundwater basins were dropping so low that salt water from the ocean was seeping into the basins, contaminating the water. Lawns in the South Bay were dying, and well water often wasn't drinkable.



At that time, the solution was to supply the region with imported water through Metropolitan Water District of Southern California (MWD). In 1947, West Basin was formed by a vote of the people to serve as a wholesale agency to distribute water throughout its service area. A year later, West Basin became a member agency of MWD, an agency that imports water from the Colorado River and Northern California, and for almost four decades, West Basin served its communities solely as a water wholesaler. As a result of the extreme drought of the late 1980's and early 1990's, West Basin evolved into an agency that does much more than distribute imported water and, today, is focused on maintaining a diverse, reliable water supply for the region.

West Basin invested in new technologies, alternative energy sources, and conservation and outreach programs. Working with teachers and school children, West Basin is educating the next generations about water use, supply, local production, and careers in the water industry. West Basin began investing in local water production in the early 1990's by building a water recycling facility that would turn treated wastewater into high-quality recycled water suitable for irrigation, municipal, industrial and commercial uses. The environmental benefits generated by West Basin's water recycling facility include 30 million gallons per day of conserved drinking water and the use of solar power that generates 10% of the plant's peak energy needs.

In 2007, West Basin's water recycling facility was renamed the Edward C. Little Water Recycling Facility (ELWRF) to honor the 5-term commitment made to West Basin and our constituents by Director Little. The ELWRF is a world-class, state-of-the-art facility that is the largest of its kind in the nation. Working with customers like Toyota, Exxon-Mobil, bp, Chevron, Goodyear, and the Home Depot Center, West Basin has built a noteworthy water recycling program with the capacity to double its size over the next decade. West Basin's five (5) different types of customer-designed recycled water are distributed for use in golf courses, professional soccer fields, street sweeping, restrooms, boilers, and various other commercial, municipal and industrial uses.

In early 2008, the West Basin Board adopted a new Strategic Business Plan, and the Board of Directors, management, and staff are now implementing a progressive vision and accompanying goals to maintain reliability into our local water supply. We are currently working to expand our production of locally-produced water through water recycling and ocean-water desalination, invest in our staff, operations and programs to maintain high standards within our workforce, and reach out to the community even more through conservation outreach, education, community banking, local business opportunities and other such programs focused on the needs and talents of our service area.

ENSURING A SAFE AND RELIABLE WATER SUPPLY

Though the population here in Southern California has steadily increased, water usage in West Basin's service area has remained steady due to the success of our programs focused on conservation, education, public outreach, government affairs, water recycling and ocean-water desalination. Here's a summary of our efforts:

Conservation

West Basin's water conservation program is aimed at reducing the consumption of potable water (groundwater and imported water) in homes, yards, businesses, and industry. Since 1991, West Basin has successfully offered many programs to its residential communities, saving millions of gallons of precious drinking water each year. West Basin joined a state conservation effort at that time, committing resources to urban water conservation and implementation of its "Best Management Practices" (BMPs).

West Basin's Conservation Master Plan (Plan) is a road map for implementing cost-effective conservation programs across residential and business sectors, both indoors and out. It also provides partnership and outreach opportunities to local cities, retail water agencies,

nonprofit organizations and consumers. With the launch of this new Plan, West Basin is now entering the commercial, industrial and public sectors as well. By 2020, West Basin is planning to meet 15% of the region's retail water demand through conservation.

Conservation workshops for residents, community groups and city officials are held on an ongoing basis throughout the year. These often involve grant opportunities or equipment distribution workshops (high-efficiency toilets, "smart" landscaping controllers, and other such devices) to educate communities about water conservation and reinforce West Basin's leadership role in educating residents and businesses about what they can do to ensure a reliable water supply.

Education

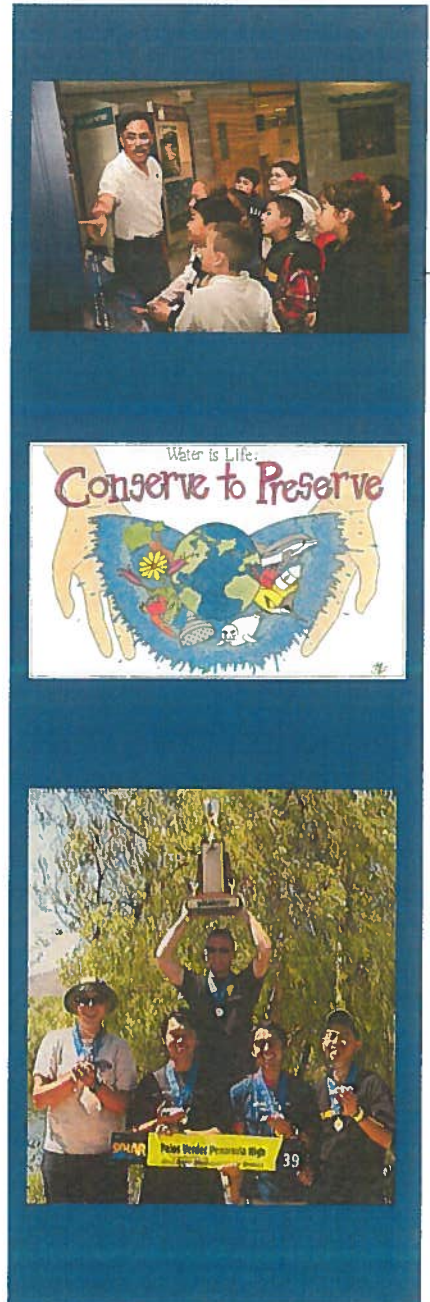
West Basin's award-winning water education programs inform teachers and students in a lively and engaging manner about the importance of water conservation and environmental sustainability. West Basin offers four primary programs to engage students:

Planet Protector Water Explorations: This unique program showcases water recycling and environmental stewardship at a level appropriate for children in 3rd thru 12th grades. This program combines in-classroom participation, a "hands-on" tour experience, and a visit to nearby Manhattan Beach Roundhouse Marine Studies Lab and Aquarium. The tour takes place at the ELWRF in El Segundo and emphasizes water conservation, marine life protection and the production of alternative water sources such as recycled water and ocean-water desalination.

Water Wanderings: In collaboration with the Los Angeles Conservation Corps' SEA Lab, this program takes fourth graders on a journey through California's water systems. A traveling tide-pool van constructed with touch tanks visits schools within West Basin's service area and encourages students to interact with live marine animals at their school site.

"Water is Life" Student Art Contest: An annual event for West Basin, this contest inspires young people to learn about the value of water and the importance of conserving it. This year, the program will include students in elementary, middle and high school. Winners are selected in anticipation of water awareness month, which is celebrated in May each year.

Solar Cup: Led by Metropolitan Water District, this program encourages Southern California high school teams to construct and race a solar-powered boat while learning about water, engineering and science. Beginning in the fall, students spend an entire school year working together to build their boats with the final race competition taking place over a weekend in May.



Public Outreach

- West Basin's outreach programs include events, tours and initiatives to maximize individual and group participation in our programs, including personalized presentations, plant tours, special events, media briefings and other programs focused on the interests and needs of our customers, communities, legislators, regulators, media, civic, business, and nonprofit leaders, educators, students, and the scientific and academic communities.
 - www.westbasin.org has been updated with a fresh, new look and more accessible information about our diverse programs. For those looking for ideas about how to conserve water in their homes, there is a virtual home conservation tour to show where we use the most water indoors and out. There are also tips about how to reduce your water use. Our "What's New" section on the home page is where we post announcements and hot topics in the water industry and what West Basin is doing to maintain and improve water reliability throughout the region. Potential recycled water customers can review the Recycled Water Conversion Process to find out if recycled water is right for them. With the revised site, visitors are able to access information about West Basin's rebate programs, identify and contact the Director for their division, register for information about how to do business with us, and learn about water recycling and ocean-water desalination. Additionally, there is an interactive home tour to learn about conservation measures for your home and "live" measurements of both the amount of recycled water we're producing at our plant and how much energy we're saving with the use of solar panels. This is just a sample of what visitors will find on our website. Visit www.westbasin.org to discover more.
 - Media outreach is a priority for West Basin as we focus on developing strong relationships with local, regional and national press, magazines, electronic media, and other public forums to encourage citizens to learn about West Basin's services, to participate in our education program, implement efficient water use practices in their homes and businesses, and support our water reliability efforts in water recycling and ocean-water desalination.
 - Water Harvest is West Basin's annual signature event. We host it every October to meet our neighbors and inform residents about current water-related environmental issues and water conservation efforts that can be implemented in people's homes and yards. Partners in this popular fall festival include customer cities and water purveyors, local businesses and environmental organizations and others.
 - The ELWRF in El Segundo has received local, national and international recognition for its innovative approaches to water recycling and is a key attraction for water industry experts from around the globe. West Basin regularly hosts foreign delegations, elected officials, water industry representatives, and regional and local organizations to impart technical expertise and share "best practices" in water recycling technologies.
 - Construction outreach supports West Basin's capital improvement projects, particularly when construction requires access through residential or business

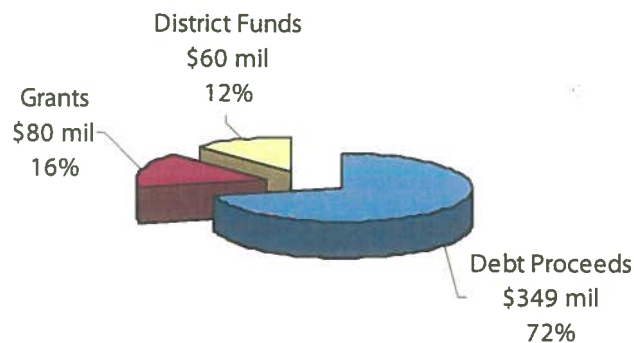
communities. These efforts often include community meetings and specialized outreach efforts to ensure that local communities are well informed of the nature and timeline of the construction activities impacting their neighborhoods.

Government Affairs

West Basin implements an aggressive government affairs program to achieve favorable legislation and public policy at the local, state and federal levels with direct involvement from the Board of Directors, management, staff, and consultants. Our key objectives include efforts to:

- Enhance legislative advocacy efforts on key water-supply legislation impacting West Basin's mission, customers, projects and programs.
- Build strong coalitions and partnerships throughout the region to educate the public and members of the California Legislature on the importance of enhancing local resources such as groundwater pumping, recycled water, and ocean-water desalination.
- Pursue government funding and regulatory support for capital projects in conjunction with agency partners such as the U.S. Army Corps of Engineers, California Department of Water Resources, and others.
- Inform local City Councils, Councils of Governments (COGs), Chambers of Commerce and other formal entities of West Basin's legislative goals, particularly as they relate to specific cities and constituencies.
- Honor legislators who have taken an active role in water issues throughout the year by celebrating their efforts as West Basin's "Legislator of the Year."

Funding for the Water Recycling Program
through June 30, 2008



Water Recycling

In 1992, West Basin received federal funding to implement a water recycling program. Three years later, West Basin completed the construction of the West Basin Water Recycling Facility (WBWRF), a water treatment facility in the City of El Segundo complete with an educational visitor's center. The facility has recently been renamed the Edward C. Little Water Recycling Facility (ELWRF), in honor of Director Little's 5-term commitment to West Basin and our constituents.

The ELWRF is the largest recycled water plant of its kind in the United States. It is also the only treatment facility in the country with the ability to provide five (5) different qualities of "designer" or custom-made recycled water that have undergone various advanced treatment processes to meet the specific needs of various municipal, commercial and industrial applications. All five (5) types of designer water meet the treatment and water quality requirements specified in the California Department of Public Health's Water Recycling Criteria and permitted by the Los Angeles Regional Water Quality Control Board.

- **Tertiary Water:** Secondary treated wastewater that has been filtered and disinfected for a wide variety of industrial and irrigation uses.
- **Nitrified Water:** Tertiary water that has been nitrified to remove ammonia for industrial cooling towers.
- **Reverse Osmosis Water:** Secondary treated wastewater pretreated by micro-filtration (MF), then reverse osmosis (RO) and disinfection for groundwater recharge, which meets state and federal drinking water standards.
- **Pure Reverse Osmosis Water:** Secondary treated wastewater that has undergone MF and RO for low-pressure boiler feed water.
- **Ultra-Pure Reverse Osmosis Water:** Secondary treated water that has undergone MF and two passes through RO for high-pressure boiler feed water.

Recycled water is used successfully for landscape irrigation, cooling towers, refineries and innovative applications such as street sweeping and toilet flushing. By using recycled water for non-potable uses, customers such as Chevron, bp, Exxon/Mobil, Home Depot National Training Center, Victoria

Milestones

1991: West Basin and the City of Los Angeles reach agreement to deliver treated sewage water from the City's Hyperion plant to a new West Basin Water Recycling Facility in El Segundo for further treatment for commercial, municipal and industrial uses.

1994: West Basin/Hyperion Pump Station built to pump water to facility.

1995: Water Recycling Facility construction is complete and delivers water to its first customer.

1997: Phase II Water Recycling Facility is complete, expanding production capacity of tertiary & barrier water.

1999: West Basin completes construction of Juanita Millender-McDonald Water Recycling Facility in Carson, the first on-site, ultra-purification treatment plant in the nation.

2000: Phase III of the Water Recycling Facility expands capacity of micro-filtration and reverse osmosis.

2001: Construction is complete on first lateral of Harbor/South Bay Water Recycling Project, designed to conserve more than 16 billion gallons of water.

2004: Construction begins on Phase IV Expansion of Water Recycling Facility.

2005: West Basin's Water Recycling Facility celebrates its 10th anniversary.

2007: Construction complete on Phase IV Expansion, increasing recycled water production by 15 million gallons a day.

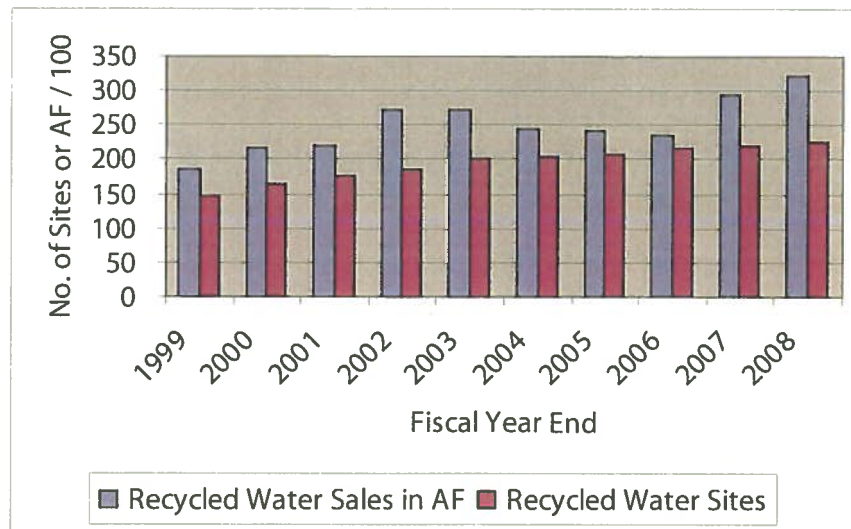
2007: West Basin Board of Directors renames facility the Edward C. Little Water Recycling Facility in honor of Director Little's 5-term commitment to West Basin, its constituents, and the water industry.

2007: Planning begins on Phase V Expansion of Edward C. Little Water Recycling Facility to increase capacity by at least 5 million gallons a day.

Regional Golf Course, Toyota Motor Sales USA, and Goodyear are conserving billions of gallons of drinking water for the region every year.

In addition to providing recycled water for commercial and industrial uses, high-quality recycled water produced by West Basin is blended with potable water and injected into the South Bay's groundwater basin to prevent seawater intrusion into our local aquifers. The seawater barrier is a series of injection wells positioned like a dam between the ocean and the groundwater aquifer. These wells inject water along the barrier to ensure that the water level near the ocean stays high enough to keep the seawater from seeping into the aquifer. There are two seawater barriers that receive West Basin's recycled water: the West Coast Basin Seawater Barrier and the Dominguez Gap Barrier. Currently, 75% of the West Coast Basin water is high-quality recycled water, mixed with 25% potable water. Our goal is to reach 100% high-quality recycled water by 2009. The Dominguez Gap Barrier is planned to receive approximately 50% each of recycled water and potable water.

**Recycled Water AF vs. No. of Sites
June 30, 2008**



Water Quality

Since 1989, West Basin has administered a groundwater quality-testing program for the retail water agencies within its service area. The program assists local retail water agencies in complying with state and federal drinking water regulations at the wellhead.

West Basin also ensures compliance with water quality requirements for the ELWRF and ocean-water desalination pilot project. Each year, about 25,000 water quality tests are conducted at the ELWRF. In addition, more than 500 water quality tests are conducted each month at our ocean-water desalination pilot project in El Segundo.

WHAT THE FUTURE HOLDS

- As the population continues to increase within the West Basin service area, we continue to expand our programs to meet increasing water needs and to decrease our reliance on imported water. Meeting West Basin's long-term water supply objectives lies in managing demand through conservation and continuing to grow our supply sources such as ocean-water desalination and water recycling.

Ocean-Water Desalination

In May 2002, West Basin initiated piloting efforts to desalinate ocean water and evaluate the viability of desalinated water as a future water supply source for the region. Supported by various institutions and other interested parties including water agencies and agricultural associations, West Basin began a \$1.5 million desalination research pilot project in El Segundo. After six years of data collection and studies, West Basin has identified optimal operating parameters for ocean-water desalination and is expanding desalination efforts into a demonstration-scale facility to test full-scale equipment in Redondo Beach.

In August 2006, West Basin awarded a planning and design contract to construct a temporary ocean-water desalination demonstration facility that will process 550,000 gallons of seawater per day. This project will develop a basis of design for full-scale operations, evaluate performance of alternative energy practices and technology, analyze water quality, and evaluate integration with local potable water systems.

The project will test the viability of a full-scale desalination plant capable of providing 6.5 billion gallons of potable water, enough to supply 40,000 families for a year.

Water Recycling Projects

A significant aspect of West Basin's Water Recycling Program is the development of the Harbor/South Bay Water Recycling Project, a partnership between West Basin and the U.S. Army Corps of Engineers that includes more than 16 projects with nearly 60 miles of pipeline. Overall, the Harbor/South Bay Water Recycling Project is scheduled for completion in 2012 and is expected to conserve more than 3.2 billion gallons of potable water annually. The Army Corps of Engineers has authorized a financial commitment of \$35 million or 75% of the project funding. West Basin will provide the remaining 25% of project funding.

Future scheduled laterals include the Anza Avenue Lateral within the City of Torrance, Imperial Avenue Lateral within the City of El Segundo, and the Palos Verdes Extension Lateral.

To meet the increased demand on the system brought on by the construction of the Harbor/South Bay Water Recycling Project and the Seawater Barrier Project, West Basin recently completed the \$54 million Phase IV Expansion Project at the ELWRF. The Phase V Expansion Project is in the planning and design phase. Phase V includes expansion to Chevron as well as expansion at ELWRF and the Carson facility to increase high-quality recycled water production for the Seawater Barriers.

To assist in long-term implementation of West Basin's capital facilities, an updated Capital Improvement Program Master Plan (CIP) will be developed to address the recycled water

supply objectives and provide a roadmap for future Capital facilities. The CIP Master Plan will update the hydraulic system model, evaluate recycled water service opportunities, identify potential required Capital facilities to meet West Basin's objectives, and develop implementation schedules, costs, and priorities.

FINANCIAL INFORMATION

Accounting System

As required by Generally Accepted Accounting Principles for enterprise funds, accounts are maintained and financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. West Basin's Finance Department is responsible for the overall accounting, finance and administrative functions, which include cash management, treasury and debt management, accumulation and processing of accounting information, financial reporting and contracts administration.

Internal Controls

West Basin's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management uses cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls.

Cash Management

Management follows the guidelines outlined in the Board-approved investment policy in its custody and effective management of West Basin's funds. The investment of West Basin's monies is annually delegated by the Board of Directors to an appointed Treasurer (a board member) and Deputy Treasurer who thereafter assume responsibility for the transactions until the delegation is revoked or expires.

Investment of bond proceeds is subject to the conditions and restrictions of bond documents and is not governed by the District's investment policy.

Budget Process and Controls

West Basin is not legally required to adopt a budget. However, the District has implemented the annual budget as a management tool. The budget cycle starts with the development of the proposed budget, conducting budget workshops and adoption of rates and charges and concludes with the adoption of the final budget. Developing the budget requires involvement from all departments from labor allocations to development of project budgets. Comparisons to projected and actual costs are made to ensure that all appropriate costs are included.

Budget requests are evaluated at several levels to ensure debt coverage is attained, and the inclusion of program costs are deemed necessary to accomplish the goals and objectives set by the General Manger and the Board of Directors. The Board of Directors generally approves the operating budget of the District for the following fiscal year (July 1 to June 30) in May of each year.

West Basin's departments review monthly budget-to-actual comparisons to identify material fluctuations or unusual items. The budget-to-actual analysis is presented to the Board of Directors on a quarterly basis where significant variances are explained.

The budget is amended when expenditures are anticipated to significantly exceed estimates. Budget amendments can also occur for expenditures seen as appropriate charges but were not anticipated in the budget process. Any amendments adding to the original budget are brought forward to the Board of Directors in staff reports. The staff reports describe why, how much and which program budget requires an amendment to the original budget. These approvals are discussed at Board meetings and require a majority vote of the Board of Directors to be incorporated.

Credit Rating and Debt Coverage

The latest credit rating from Moody's and Standards & Poor's is Aa3 and AA-, respectively. In order to maintain these ratings, West Basin has internally set budgeted debt coverage goals, updated financial policies and updated rates as appropriate. These efforts provide strong ratings and allow West Basin to obtain low-cost financing for its capital projects. Please refer to the Statistical Section for the 10-year historical information on West Basin's debt coverage. In fiscal year 2005-2006, the subordinate debt coverage was not achieved due to lower-than-budgeted barrier sales due to poor water quality and County operational issues and also higher than anticipated legal expenses. West Basin has budgeted to exceed required debt coverage on both parity and subordinate debt in the following fiscal years.

To maintain its financial strength, West Basin establishes its revenues and expenses to meet budgeted debt coverage. In addition a long term financial plan is produced and monitored periodically to ensure that West Basin maintains a financially healthy organization.

Source of Revenue

West Basin primarily receives its source of revenue from imported and recycled water sales. Imported water sales totaled \$82.4 million for the fiscal year ending June 30, 2008, while recycled water sales amounted to \$22.9 million for the same period. More detailed information regarding West Basin's revenues is presented in the statistical section –Table 2: Changes in Net Assets (Last Ten Fiscal Years) and Table 3: Operating Revenues by Source (Last Ten Fiscal Years).

Water Rates

The District establishes rates and charges annually through a resolution by the Board of Directors. Starting in fiscal year ended June 30, 2003; the District implemented a new potable pricing structure that incorporates MWD's new rates. The statistical section provides more detailed information about the rates under Table 11: Average Water Rates per Acre-Foot (Last Ten Fiscal Years) and Table 12: Imported Water Rates.

Designated Funds

West Basin categorizes its funds into either unrestricted or restricted. Unrestricted funds consist of designated funds that can be used for any lawful purpose at the discretion of the Board of Directors. The monies held within designated funds can be shifted or re-allocated at any time at the Board of Directors' direction. At this time, West Basin has identified the following designated funds: Operating Fund, PayGo Fund, Rate Stabilization Fund, Facility

Replacement Fund that includes Capital Asset Replacement, Emergency Repairs and System Enhancements, Swap Termination Fund and Bond Defeasance Fund.

Restricted funds consist of funds with external restrictions imposed by creditors, grantors, contributors, or by laws or regulations of government and can only be used for a designated purpose. Currently, West Basin's only restricted funds are the Bond Reserve Funds.

Risk Management

West Basin maintains general, automobile, property, fidelity and public officials' liability coverage through the Association of California Water Agency Joint Powers Insurance Authority (ACWA/JPIA), a non-capitalized risk sharing pool. Detailed information on the District's insurance coverage is presented in the notes to the financial statements.

District Staff Services

West Basin employs 33 persons, of whom 21 work in the operations, planning, communications and engineering departments and 12 work in accounting or administration.

ACKNOWLEDGEMENTS

We would like to thank the members of the Board of Directors for their continued support in the completion of this document and the implementation of projects throughout the year. We would also like to thank members of the finance staff who contributed to this report.

Respectfully,



Richard Nagel
General Manager



Margaret Moggia
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Basin Municipal
Water District, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

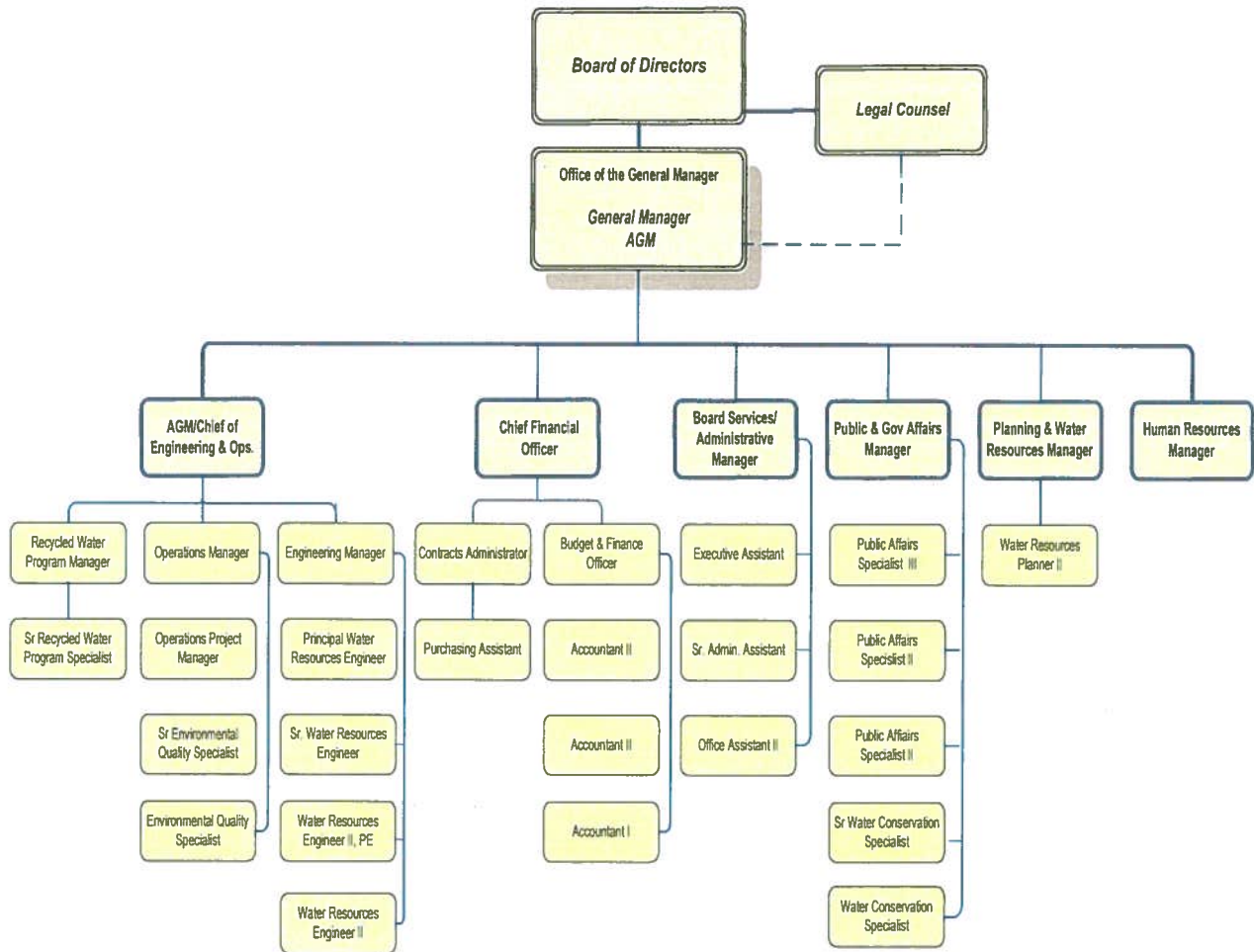
Jeffrey R. Emen

Executive Director

ORGANIZATIONAL CHART

WEST BASIN MUNICIPAL WATER DISTRICT

June 2008





Comprehensive Annual Financial Report



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Board of Directors
WEST BASIN MUNICIPAL WATER DISTRICT

Independent Auditors' Report

We have audited the accompanying basic financial statements of the West Basin Municipal Water District ("District"), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the West Basin Municipal Water District for the year ended June 30, 2007 and, in our report dated November 5, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2008, and the changes in financial position and cash flows, of the West Basin Municipal Water District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 8 to the financial statements, the District changed its method of accounting for postemployment benefits for fiscal years ending on or after June 30, 2008.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Board of Directors
West Basin Municipal Water District
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In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman McCann P.C.

Irvine, California
November 3, 2008

Management's Discussion and Analysis

Our discussion and analysis of West Basin's financial performance provides an overview of West Basin's financial activities for the year ended June 30, 2008. Please read it in conjunction with West Basin's financial statements, which follow this section.

Financial Statements

This discussion and analysis provides an introduction and a brief description of West Basin's financial statements, including the relationship of the statements to each other and the significant differences they provide. West Basin's financial statements include four components: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Assets includes all West Basin's assets and liabilities with the difference between the two reported as net assets. Net assets may be displayed in the following categories: Invested in Capital Assets, Net of Related Debt; Restricted Net Assets; and Unrestricted Net Assets. The statement of net asset provides the basis for computing rate of return, evaluating capital structure of West Basin and assessing the liquidity and financial flexibility of West Basin.

The Statement of Revenues, Expenses and Changes in Net Assets present information that shows how the District's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Assets measure the success of the District's operations over the past year and determine whether the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. The Statement of Cash Flows reports cash activity in four categories: Operations; Noncapital financing; Capital and relating Financing; and Investing. This statement differs from the Statement of Revenues and Expenses and Changes in Net Assets because this statement accounts only for transactions that result in actual cash receipts and cash disbursements.

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

Financial Highlights

During the years ended June 30, 2008 the District's total net assets increased \$5,683,357. The District had higher operating revenues largely due to an increase in recycled water deliveries. In addition, the District had higher capital contributions from the Army Corp of Engineers as a

result of completing the Madrona lateral. Offsets to the higher revenues are higher expenses in recycling operations, increased conservation efforts (as shown under Communications) and depreciation expense. The higher depreciation expense reflects the additional cost for the completion of Phase IV expansion to its recycling water facilities. See a more detailed financial analysis of the financial statements in the next section.

Financial Analysis of the Financial Statements

Statement of Net Assets

An analysis of the Statement of Net Assets shows overall Net Assets increased by approximately \$5.7 million. This change reflects a reduction in Net Assets, Unrestricted but an increase in Net Assets, Invested in Capital Assets (net of related debt). During the year, the District used a portion of its unrestricted funds to expand its capital facilities. This is evident with the decrease in current assets and an increased in Capital Assets. Non-current liabilities are lower due to the payment of current principal.

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
ASSETS		
Current Assets	\$123,340,096	\$112,920,423
Noncurrent Assets		
Capital Assets, Net	397,808,250	404,862,733
Other Noncurrent Assets	<u>2,267,309</u>	<u>3,044,616</u>
Total Assets	\$523,415,655	\$520,827,772
LIABILITIES		
Current Liabilities	31,436,837	32,116,464
Long Term Liabilities	<u>294,693,795</u>	<u>285,742,928</u>
Total Liabilities	\$326,130,632	\$317,859,392
NET ASSETS		
Invested in capital assets,		
Net of Related Debt	110,351,894	126,537,119
Restricted	460,090	439,390
Unrestricted	<u>86,473,039</u>	<u>75,991,871</u>
Total Net Assets	\$197,285,023	\$202,968,380

Statement of Revenues, Expenses, and Changes in Net Assets

West Basin's net assets at June 30, 2008 totaled \$202,968,380 compared with \$197,285,023. The increase in net assets can be attributed to higher water deliveries in recycled water resulting in a \$3 million. However, total operating revenues declined from the prior year as a result of lower water sale deliveries of imported water. This decline is the result of conservation messaging being discussed statewide as a response to the state declared drought and a reduction in water supply availability from the State Water Project. Non-operating revenues declined due to lower than anticipated interest earnings as a result of declining yields and cash balances as described above.

Overall operating expenses increased approximately \$2M. This change is primarily attributable to the cost of deliveries. With an increase in recycled water deliveries, recycling water costs have also increased; likewise, a decline in imported water deliveries resulted in a decrease in water purchases. Depreciation and amortization expense increased due to the completion of Phase IV expansion to the Edward C. Little Water Recycling Facility in fiscal year 2008. Lastly, the decrease in General and Administrative costs to \$0 reflects a change in methodology in allocating overhead costs. In prior year, this amount reflects legal costs.

The capital contributions varied from last year based on non-cash contributions from the U.S. Army Corp of Engineers. These contributions are recognized as the projects are completed and become capital assets to the District.

Statement of Revenues Expenses, and Changes in Net Assets (continued)

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
OPERATING REVENUES		
Water	\$ 84,977,921	\$ 82,403,541
Water recycling revenue	19,627,291	22,890,482
Desalting revenue	64,589	352,338
Conservation & monitoring	<u>619,529</u>	<u>426,032</u>
Total Operating Revenues	\$105,289,330	\$106,072,393
NON-OPERATING REVENUES		
Standby Charges	9,659,476	9,365,443
Interest Earned	4,555,306	3,581,251
Miscellaneous Income	1,063,557	138,188
Grant Income	124,300	77,112
Rental Income, net of expenses	<u>(106,737)</u>	<u>(8,210)</u>
Total Non-operating Revenues	\$15,295,902	\$13,153,784
Total Revenues	\$120,585,232	\$119,226,177
OPERATING EXPENSES		
Source of Supply	77,828,292	75,469,645
Water recycling costs	17,317,316	20,708,700
Depreciation and amortization	10,343,372	13,323,613
General and administrative	1,996,859	-
Communication and monitoring	2,308,930	3,123,285
Water resource planning	3,162,832	2,195,286
Desalting operations	<u>137,188</u>	<u>440,139</u>
Total Operating Expenses	113,094,789	115,260,668
NON-OPERATING EXPENSES		
Interest expense	<u>9,101,165</u>	<u>9,808,464</u>
Total Non-Operating Expenses	9,101,165	9,808,964
Total Expenses	<u>\$122,195,954</u>	<u>\$ 125,069,132</u>
Income (Loss) before		
Capital Contributions	(1,610,722)	(5,842,955)
Capital Contributions	<u>10,336,536</u>	<u>11,526,312</u>
Changes in Nets Assets	8,725,814	5,683,357
Net Assets, Beginning of Year	<u>188,559,209</u>	<u>197,285,023</u>
Net Assets at End of Year	<u>\$197,285,023</u>	<u>\$202,968,380</u>

Capital Assets

At June 30, 2008, The District invested \$497,224,567 in capital assets including land, water facilities, buildings and improvements, furniture, fixtures and equipment and construction in progress. This amount represents an increase of \$18,331,439 over prior year. For more information regarding the District's capital assets, please refer to Note 4 of the Notes to Financial Statements. The following is a summary of capital assets:

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Land	\$ 23,741,903	\$ 25,211,646
Water Facilities	362,574,737	448,531,959
Building and Improvements	1,871,574	2,343,573
Furniture, Fixtures, and Equipment	967,281	1,010,937
Construction in Progress	<u>89,737,633</u>	<u>20,126,452</u>
Total Capital Assets	\$478,893,128	\$497,224,567

Capital asset additions consist of the following for the years:

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Land	\$ -	\$ 1,670,568
Water Facilities	5,870,393	85,957,222
Building and Improvements	-	2,343,573
Furniture, Fixtures, and Equipment	60,101	54,029
Construction in Progress	<u>21,341,997</u>	<u>15,281,088</u>
Total	27,272,491	105,306,480
Less: Capital assets completed through Construction in Progress	<u>(4,854,876)</u>	<u>(84,892,269)</u>
Total Additions	\$22,417,615	\$20,414,211

In fiscal year 2008, the District completed its fourth expansion at the Edward C. Little Water Recycling Facility in addition to other water recycling facilities to support water reliability.

With the dissolution of the West and Central Basin Financing Authority in August 2007, the District paid Central Basin Municipal Water District for its share of the land and building located in Carson, California.

Long-Term Debt

At June 30, 2008, the District had \$304,918,861 in long-term debt including the State of California loan and certificates of participation. The amount represents a \$12,963,795 decrease from prior year. The decrease is a result of the payment of the current portion of long-term debt as well as the restructuring of certain certificates of participation to remove the District's exposure to auction rate securities. For more information regarding the District's long-term debt, please refer to Note 5 of the Notes to Financial Statements. The following is a summary for the years:

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
State of California loan	\$ 2,592,656	\$ 2,318,861
Certificates of Participation	<u>315,290,000</u>	<u>302,600,000</u>
Total Long-Term Debt	\$317,882,656	\$304,918,861

Economic Factors and Budget

In June 2008, the Board of Directors has approved the budget for the fiscal year 2008-2009. The budgeted operating expenses total \$136,600,000. This amount is comprised of \$78,400,000 for source of supply, \$22,800,000 for debt service and the remaining costs for programs.

The Board of Directors has approved an increase in water rates effective January 1, 2009 that is based on a formula applied to a base allocation established by the Metropolitan Water District of Southern California that could generate sales from \$689 to \$805 per acre-foot. The District increased its surcharge to \$41 per acre-foot and its recycled water rates by \$71 or approximately 14%. In addition, the Board of Directors has approved to impose the standby charge at rates similar to prior year.

The District has an agreement to partner with the U.S. Army Corps of Engineers to construct the Harbor-South Bay water-recycling project. The Army Corps will manage the project and provide 75% funding. The District will have oversight and contribute the remaining 25% funding. To date, the District has contributed \$7,824,333 to these projects and has recognized \$18,888,315 of non-cash contributions.

The District has approved a total capital budget approximately \$23,100,000 for the expansion of its facilities, and other miscellaneous capital projects. Approximately \$8,800,000 is identified for customer-funded projects. When the District is successful in obtaining signed agreements with customers to deliver recycled water, the District will obtain bond financing for those expansions. Funding for balance of \$14,300,000 will be handled through PAYGO and represent certain reliability projects and replacement and refurbishment projects.

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's financial position and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Margaret Moggia, Chief Financial Officer at West Basin Municipal Water District.

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

(With comparative totals for June 30, 2007)

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents (note 2)	\$ 43,254,022	\$ 34,576,809
Investments (note 2)	30,762,230	49,075,997
Accounts receivable	21,100,452	19,906,007
Accrued interest receivable	650,050	594,069
Inventory	403,261	363,786
Prepaid expenses	914,620	810,809
Total unrestricted assets	<u>97,084,635</u>	<u>105,327,477</u>
Restricted assets (note 3):		
Cash and cash equivalents (note 2)	386,156	2,031,332
Investments (note 2)	13,614,100	14,831,810
Accrued interest receivable	321,214	328,987
Retrofit loans receivable	439,390	460,090
Custodial cash (note 2)	543,428	360,400
Custodial accounts receivable	531,500	-
Total restricted assets	<u>15,835,788</u>	<u>18,012,619</u>
TOTAL CURRENT ASSETS	<u>112,920,423</u>	<u>123,340,096</u>
NONCURRENT ASSETS		
Capital assets, net (note 4)	<u>404,862,733</u>	<u>397,808,250</u>
Other noncurrent assets:		
Unamortized bond issuance costs:		
1997 refunding revenue certificates of participation	-	167,478
2003 refunding revenue certificates of participation	789,915	825,683
2003 adjustable rate revenue certification of participation	-	945,041
2004 refunding revenue certificates of participation	-	329,107
2008 adjustable rate refunding revenue certification of participation	229,000	-
2008 refunding revenue certificates of participation	2,025,701	-
Total other noncurrent assets	<u>3,044,616</u>	<u>2,267,309</u>
TOTAL NONCURRENT ASSETS	<u>407,907,349</u>	<u>400,075,559</u>
TOTAL ASSETS	<u>520,827,772</u>	<u>523,415,655</u>

(Continued)

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

(With comparative totals for June 30, 2007)

(CONTINUED)

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 18,941,889	16,341,494
Accrued interest payable	3,691,471	3,256,548
Current portion of long-term liabilities (note 5)	<u>9,483,104</u>	<u>11,838,795</u>
TOTAL CURRENT LIABILITIES	<u>32,116,464</u>	<u>31,436,837</u>
LONG-TERM LIABILITIES (note 5)		
1997 refunding revenue certificates of participation	-	20,450,000
2003 refunding revenue certificates of participation	134,470,000	140,590,000
2003 adjustable rate revenue certification of participation	-	132,675,000
2004 refunding revenue certificates of participation	-	21,575,000
2008 adjustable rate refunding revenue certification of participation	39,465,000	-
2008 refunding revenue certificates of participation	128,665,000	-
State of California loan payable	2,318,861	2,592,656
OPEB liability (note 8)	<u>241,702</u>	<u>-</u>
Subtotal	305,160,563	317,882,656
Less: Unamortized bond premiums (discounts)	4,695,467	1,672,340
Deferred amount on refunding	<u>(14,629,998)</u>	<u>(13,022,406)</u>
Total	295,226,032	306,532,590
Less current portion above	<u>(9,483,104)</u>	<u>(11,838,795)</u>
TOTAL LONG-TERM LIABILITIES	<u>285,742,928</u>	<u>294,693,795</u>
TOTAL LIABILITIES	<u>317,859,392</u>	<u>326,130,632</u>
NET ASSETS:		
Invested in capital assets, net of related debt	126,537,119	110,351,894
Restricted	439,390	460,090
Unrestricted	<u>75,991,871</u>	<u>86,473,039</u>
TOTAL NET ASSETS	<u>\$ 202,968,380</u>	<u>\$ 197,285,023</u>

WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Water	\$ 82,403,541	\$ 84,977,921
Water recycling revenue	22,890,482	19,627,291
Water conservation and monitoring	426,032	619,529
Desalting revenue	352,338	64,589
TOTAL OPERATING REVENUES	<u>106,072,393</u>	<u>105,289,330</u>
OPERATING EXPENSES:		
Sources of supply	75,469,645	77,828,292
Water recycling costs	20,708,700	17,317,316
Depreciation and amortization	13,323,613	10,343,372
Legal and other	-	1,996,859
Communications and monitoring	3,123,285	2,308,930
Water resource planning	2,195,286	3,162,832
Desalting operations	440,139	137,188
TOTAL OPERATING EXPENSES	<u>115,260,668</u>	<u>113,094,789</u>
OPERATING INCOME (LOSS)	<u>(9,188,275)</u>	<u>(7,805,459)</u>
NONOPERATING REVENUES (EXPENSES):		
Standby charges	9,365,443	9,659,476
Investment income	3,581,251	4,555,306
Miscellaneous income	138,188	1,063,557
Grant income	77,112	124,300
Rental income, net of expenses	(8,210)	(106,737)
Interest expense	(9,808,464)	(9,101,165)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,345,320</u>	<u>6,194,737</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(5,842,955)</u>	<u>(1,610,722)</u>
CAPITAL CONTRIBUTIONS	<u>11,526,312</u>	<u>10,336,536</u>
CHANGE IN NET ASSETS	5,683,357	8,725,814
NET ASSETS - BEGINNING OF YEAR	<u>197,285,023</u>	<u>188,559,209</u>
NET ASSETS - END OF YEAR	<u>\$ 202,968,380</u>	<u>\$ 197,285,023</u>

**WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS**

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 104,659,207	\$ 104,518,670
Cash paid to suppliers of goods and services	(96,071,056)	(102,140,423)
Cash paid to employees for services	<u>(3,388,190)</u>	<u>(2,974,733)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>5,199,961</u>	<u>(596,486)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Distributions from financing authority	186,498	-
Cash received for standby charges	<u>9,182,662</u>	<u>10,356,048</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>9,369,160</u>	<u>10,356,048</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(11,565,000)	(11,314,792)
Acquisition and construction of capital assets	(17,129,053)	(21,257,796)
Interest paid on long-term liabilities	(9,373,541)	(9,169,756)
Cash equivalents (fiscal agent) used in refunding	(393,626)	-
Capital grants received	77,112	124,300
Capital contributions received	<u>8,271,124</u>	<u>9,176,717</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(30,112,984)</u>	<u>(32,441,327)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	53,553,420	34,379,410
Purchase of investments	(33,561,187)	(12,987,477)
Interest received	<u>2,766,695</u>	<u>3,453,635</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>22,758,928</u>	<u>24,845,568</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,215,065	2,163,803
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>36,968,541</u>	<u>34,804,738</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 44,183,606</u>	<u>\$ 36,968,541</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents	\$ 43,254,022	\$ 34,576,809
Restricted cash and cash equivalents	386,156	2,031,332
Restricted custodial cash	<u>543,428</u>	<u>360,400</u>
Cash and cash equivalents at end of year	<u>\$ 44,183,606</u>	<u>\$ 36,968,541</u>

(Continued)

**WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS**

Year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

(Continued)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET	<u>2008</u>	<u>2007</u>
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (9,188,275)	\$ (7,805,459)
Depreciation and amortization	13,323,613	10,343,372
Nonoperating miscellaneous revenue	138,188	1,063,557
Nonoperating rental income, net of expenses	(8,210)	(106,737)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,011,664)	(1,693,293)
(Increase) decrease in inventory	(39,475)	24,149
(Increase) decrease in prepaid expense	(103,811)	(500,188)
(Increase) decrease in retrofit loans receivable	20,700	97,803
(Increase) decrease in custodial accounts receivable	(531,500)	922,633
Increase (decrease) in accounts payable	<u>2,600,395</u>	<u>(2,942,323)</u>
NET CASH PROVIDED BY		
(USED FOR) OPERATING ACTIVITIES	<u>\$ 5,199,961</u>	<u>\$ (596,486)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions for Harbor South Bay Water Recycling		
Project from U.S. Army Corp of Engineers	<u>\$ 3,255,188</u>	<u>\$ 1,159,819</u>
Unrealized gain (loss) from investments	<u>\$ 766,348</u>	<u>\$ 1,357,494</u>
Refunding of debt	<u>\$ 187,430,000</u>	<u>\$ -</u>

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

1) Summary of significant accounting policies

Organization and description of the District - The West Basin Municipal Water District (District) was incorporated on December 17, 1947, under the provisions of the Municipal Water District Act of 1911, as amended, (now cited as "The Municipal Water District Law of 1911" Division 20, California Water Code) as a result of an election held December 17, 1947. The District Board of Directors sets water rates annually by each May for the following fiscal year (July 1 to June 30).

The mission of the District is to provide a safe and reliable supply of high quality water to the communities we serve. In accomplishing this mission, the District shall provide adequate information and education on water issues to the public, be instrumental in guarding the integrity, safety and security of the West Coast Basin, and maintain close cooperation with the other agencies served.

The District's customers consist of 9 agencies, private and public, within its boundaries. The District's supplier of imported water is the Metropolitan Water District of Southern California. Imported water comprises approximately 78% of the District's source of supply.

Basis of accounting - The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, revenues and expenses are recognized on an accrual basis of accounting. The District's books and records include the general fund, investment in utility plant fund, bond interest, reserve fund, a financing corporation and interest in a financing authority (Note 7). These funds have been combined in the accompanying statements of net assets, statement of revenues, expenses and changes in net assets and cash flows.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

The District has not elected to apply the option in Paragraph 7 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities" and as a consequence will continue to apply GASB statements and interpretations.

Estimates - The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (Continued)

Inventory - Inventory consists primarily of chemicals, materials, and spare parts used at the treatment plant and are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Investments - Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Capital assets - Capital assets purchased or acquired with a cost in excess of \$1,000 and an expected useful life of one year or more are reported at historical cost. Contributed assets are reported at fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Water facilities	5 - 75 year
Buildings and improvements	7 - 40 year
Furniture, fixtures and equipment	5 - 10 year

Depreciation aggregated \$11,986,167 for the year ended June 30, 2008.

Amortization - Bond issuance costs, bond discounts, bond premiums and the deferred amount on refunding are being amortized on the straight line method over periods not to exceed debt maturities. Amortization expense aggregated \$1,337,446 for the year ended June 30, 2008.

Classification of liabilities - Certain liabilities which are currently payable have been classified as restricted because they will be funded from restricted assets.

Capital contributions - Capital contributions for the fiscal year ended June 30, 2008 are as follows:

Recycling Operations	\$ 8,229,232
U.S. Army Corps of Engineers	3,255,188
Other	<u>41,892</u>
Total	<u>\$ 11,526,312</u>

Recycling operations -The District receives fixed payments from major recycled water customers, which are intended to cover the cost of recycled water facilities that were exclusively constructed for them. The fixed payments will continue through 2025, as the existing contracts expire.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (Continued)

Army corps of engineers - 75% of the construction costs related to the Harbor - South Bay Water Recycling Project are being paid by the U.S. Army Corps of Engineers.

Risk management - The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("Insurance Authority"). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2008 the District participated in the self-insurance programs of the Insurance Authority as follows:

Property loss - The Insurance Authority has pooled self-insurance up to \$50,000 per occurrence and has purchased excess insurance coverage up to \$50,000,000 (total insurable value of \$184,099,068). The District has a \$25,000 deductible for buildings, personal property and fixed equipment and a \$1,000 deductible on mobile equipment.

General liability - The Insurance Authority has pooled self-insurance up to \$1,000,000 per occurrence and has purchased excess insurance coverage up to \$50,000,000.

Auto liability - The Insurance Authority has pooled self-insurance up to \$1,000,000 per occurrence and has purchased excess insurance coverage up to \$50,000,000.

Public officials' liability - The Insurance Authority has pooled self-insurance up to \$1,000,000 and has purchased excess insurance coverage up to \$50,000,000.

Fidelity bond - The Insurance Authority has pooled self-insurance up to \$100,000. The District has a \$1,000 deductible.

Cash and cash equivalents - For purposes of the statements of cash flows the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Prior year data - Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived. The District has reclassified certain prior year information to conform with current year presentations.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(2) Cash and investments

Cash and investments held by the District were comprised of the following at June 30, 2008:

	<u>Maturity in Year</u>			<u>Total</u>
	<u>1 Year or Less</u>	<u>1 - 5 Years</u>	<u>More than 5 Years</u>	
Local agency investment fund	\$32,300,000	\$ -	\$ -	\$32,300,000
Money market mutual funds	386,156	-	-	386,156
Deposits with financial institutions	8,507,030	-	-	8,507,030
Investments:				
United States agency securities	-	26,361,890	-	26,361,890
Commercial Paper	7,390,760	-	-	7,390,760
Guaranteed investment contracts	-	-	13,614,100	13,614,100
Total cash and investments	<u>\$48,583,946</u>	<u>\$26,361,890</u>	<u>\$13,614,100</u>	<u>\$88,559,936</u>
Financial Statement Classification:				
Current assets:				
Cash and cash equivalents				\$43,254,022
Investments				30,762,230
Restricted assets:				
Cash and cash equivalents				386,156
Investments				13,614,100
Custodial cash				<u>543,428</u>
Total Cash and Investments				<u>\$88,559,936</u>

The statement of cash flows has been prepared by considering the following deposits and investment instruments to be cash and cash equivalents:

Local agency investment fund	\$32,300,000
Money market mutual funds	386,156
Deposits with financial institutions	8,507,030
Commercial paper	<u>2,990,420</u>
Total cash and cash equivalents	<u>\$44,183,606</u>

Investments authorized by the California government code and the districts investment policy - The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(2) Cash and investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury obligations	5 year	None	None
U.S. agency securities	5 year	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Certificates of deposit	5 year	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base value	None
Medium-term notes	5 year	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 year	20%	None
LAIF	N/A	None	None

The District's investment policy is more restrictive than the California Government Code. The policy restricts the District from investing in repurchase agreements, reverse repurchase agreements, medium term notes, mortgage pass-through securities, mutual funds, and open ended money market mutual funds. In addition, banker's acceptances are only allowed a maximum of 15% of the portfolio and 15% as the maximum investment in one issuer. Certificates of deposit are only allowed a maximum of 20% of the portfolio.

Investments authorized by debt agreements - Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Investment in One Issuer</u>
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Bankers acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Guaranteed investment contracts	30 year	None	None

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(2) Cash and investments (Continued)

Disclosures relating to interest rate risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its' administrative code, the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2008.

Disclosures relating to credit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. In accordance with its' administrative code, the District only purchases investments that are rated "A" or higher by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type.

<u>Investment</u>	<u>Rating as of Year End Standard & Poor's</u>
U.S. agency securities	AAA
LAIF	Not Rated
Commercial paper	A-1
Held by bond trustee:	
Money market mutual funds	AAA
Guaranteed investment contracts	Not Rated

Concentration of credit risk - Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal home loan bank	U.S. agency securities	\$ 5,225,270
Federal home loan mortgage corp	U.S. agency securities	8,142,260
Federal national mortgage assoc.	U.S. agency securities	12,994,360
UB Bancorp	Commercial paper	<u>2,929,050</u>
		<u>\$29,290,940</u>

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(2) Cash and investments (Continued)

Cash and investments in the amount of \$12,086,499 and \$1,527,601 (including amounts held by bond trustee) are held in the form of a nonnegotiable guaranteed investment contract issued by FSA Capital Management Services that mature on August 1, 2030 and August 1, 2027, respectively.

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(3) Restricted assets

Restricted assets were provided by, and are to be used for, the following at June 30, 2008:

<u>Funding source</u>	<u>Use</u>	
Certificates of Participation and interest earned	Reserve Fund	\$14,321,470
Retrofit Loans receivable	Connect customers to recycled water distribution pipeline	439,390
Custodial receipts	Custodial costs	<u>1,074,928</u>
		<u>\$15,835,788</u>

The retrofit loans receivable are costs advanced by the District to connect recycled water customers to the distribution pipeline. Written agreements with the customers provide for the District to be reimbursed for these costs with interest at a rate of 7% per annum.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as necessary.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(4) Capital assets

The investment in capital assets consists of the following at June 30, 2008:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Capital assets, not being depreciated:				
Land - Recycling facilities	\$ 23,541,078	\$ -	\$ -	\$ 23,541,078
Land - Financing Authority	200,825	-	(200,825)	-
Land - Carson	-	1,670,568	-	1,670,568
Construction-in-progress	<u>89,737,633</u>	<u>15,281,088</u>	<u>(84,892,269)</u>	<u>20,126,452</u>
Total capital assets, not being depreciated	<u>113,479,536</u>	<u>16,951,656</u>	<u>(85,093,094)</u>	<u>45,338,098</u>
Capital assets, being depreciated:				
Building - Carson	-	2,343,573	-	2,343,573
Recycling facilities	358,877,782	85,957,222	-	444,835,004
Groundwater desalting facility	3,696,955	-	-	3,696,955
Machinery and equipment	733,665	9,935	-	743,600
Furniture and fixtures	223,243	44,094	-	267,337
Building and improvements - financing authority	1,871,574	-	(1,871,574)	-
Furniture and equipment - financing authority	<u>10,373</u>	<u>-</u>	<u>(10,373)</u>	<u>-</u>
Total capital assets, being depreciated	<u>365,413,592</u>	<u>88,354,824</u>	<u>(1,881,947)</u>	<u>451,886,469</u>
Less accumulated depreciation:				
Building - Carson	-	(85,931)	-	(85,931)
Recycling facilities	(78,906,999)	(11,645,206)	-	(90,552,205)
Groundwater desalting facility	(894,082)	(163,249)	-	(1,057,331)
Machinery and equipment	(460,384)	(39,371)	-	(499,755)
Furniture and fixtures	(123,804)	(42,808)	-	(166,612)
Building and improvements - financing authority	(690,308)	(9,479)	699,787	-
Furniture and equipment - financing authority	<u>(9,301)</u>	<u>(123)</u>	<u>9,424</u>	<u>-</u>
Total accumulated depreciation	<u>(81,084,878)</u>	<u>(11,986,167)</u>	<u>709,211</u>	<u>(92,361,834)</u>
Total capital assets, being depreciated, net	<u>284,328,714</u>	<u>76,368,657</u>	<u>(1,172,736)</u>	<u>359,524,635</u>
Total capital assets, net	<u>\$397,808,250</u>	<u>\$93,320,313</u>	<u>\$(86,265,830)</u>	<u>\$404,862,733</u>

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(5) Long-term liabilities (Continued)

The following amounts of debt were outstanding June 30, 2008:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Current Portion</u>
1997 refunding revenue certificates of participation	\$ 20,450,000	-	(20,450,000)	-	-
2003 refunding revenue certificates of participation	140,590,000	-	(6,120,000)	134,470,000	6,245,000
2003 adjustable rate revenue certificates of participation	132,675,000	-	(132,675,000)	-	-
2004 refunding revenue certificates of participation	21,575,000	-	(21,575,000)	-	-
2007 adjustable rate refunding revenue certificate of participation	-	18,175,000	(18,175,000)	-	-
2008 adjustable rate refunding revenue certificate of participation	-	39,465,000	-	39,465,000	1,725,000
2008 refunding revenue certificate of participation	-	128,665,000	-	128,665,000	1,230,000
State of California loan payable	<u>2,592,656</u>	<u>-</u>	<u>(273,795)</u>	<u>2,318,861</u>	<u>283,104</u>
Subtotal	317,882,656	186,305,000	(199,268,795)	304,918,861	9,483,104
 OPEB liability	 <u>-</u>	 <u>241,702</u>	 <u>-</u>	 <u>241,702</u>	 <u>-</u>
	317,882,656	186,546,702	(199,268,795)	305,160,563	9,483,104
 Unamortized discount and premium	 1,672,340	 1,910,553	 1,112,574	 4,695,467	 -
Deferred amount on refunding	<u>(13,022,406)</u>	<u>(6,962,602)</u>	<u>5,355,010</u>	<u>(14,629,998)</u>	<u>-</u>
Total	<u>\$306,532,590</u>	<u>181,494,653</u>	<u>(192,801,211)</u>	<u>295,226,032</u>	<u>9,483,104</u>

1997 refunding revenue certificates of participation - In June 1997, the West Basin Financing Corporation ("Corporation") issued \$26,420,000 Refunding Revenue Certificates of Participation ("1997 Refunding Revenue Certificates") to assist the District in refunding its share of the West and Central Basin Financing Authority ("Authority") 1992 Revenue Bonds.

The 1997 Refunding Revenue Certificates had interest rates from 4.8% to 5.5% with maturities through 2022. These bonds were refunded by the 2007 Adjustable Rate Refunding Revenue Certificates of Participation.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(5) Long-term liabilities (Continued)

2003 refunding revenue certificates of participation - In October 2003, the Corporation issued \$156,085,000 Refunding Revenue Certificates of Participation ("2003 Refunding Revenue Certificates") to assist the District in financing and refinancing certain facilities within the District's recycled water system, to fund a deposit to the reserve fund, to fund capitalized interest, and to pay costs of delivery of the 2003 Refunding Revenue Certificates.

The 2003 Refunding Revenue Certificates have interest rates from 2.0% to 5.25% with maturities through 2030. The amount of bonds outstanding at June 30, 2008 totaled \$134,470,000.

2003 adjustable rate revenue certificates of participation - In December 2003, the Corporation issued \$137,500,000 Adjustable Rate Revenue Certificates of Participation ("2003 Adjustable Rate Revenue Certificates") to assist the District in refinancing certain facilities within the District's recycled water system previously financed and refinanced from the proceeds of the 1997 and 1999 Adjustable Rate Revenue Certificates, to purchase a reserve fund security bond for deposit in the reserve fund, and to pay costs of delivery of the 2003 Adjustable Rate Revenue Certificates.

The 2003 Adjustable Rate Revenue Certificates had interest rates that are remarketed on a weekly basis (4.25% to 4.45% at the refunding date of May 7, 2008). The bonds were refunded by the 2008 Refunding Revenue Certificates of Participation during the year ended June 30, 2008.

2004 adjustable rate refunding revenue certificates of participation - In June 2004, the Corporation issued \$22,875,000 Adjustable Rate Refunding Revenue Certificates of Participation ("2004 Adjustable Rate Refunding Revenue Certificates") to assist the District in refinancing certain facilities within the District's recycled water system previously financed and refinanced from the proceeds of the 1998 Revenue Certificates, to fund a deposit to the reserve fund, and to pay costs of delivery of the 2004 Adjustable Rate Refunding Revenue Certificates.

The 2004 Adjustable Rate Refunding Revenue Certificates had interest rates that are remarketed on a weekly basis (1.348% at the refunding date of May 22, 2008). The bonds were refunded by the 2008 Adjustable Rate Refunding Revenue Certificates of Participation during the year ended June 30, 2008.

2007 adjustable rate refunding revenue certificates of participation - In August 2007, the Corporation issued \$18,175,000 Adjustable Rate Refunding Revenue Certificates of Participation ("2007 Adjustable Rate Refunding Revenue Certificates") to assist the District in refinancing certain facilities of the District, to purchase a surety bond for deposit in the reserve fund, and to pay costs of delivery of the 2007 Adjustable Rate Refunding Revenue Certificates.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(5) Long-term liabilities (Continued)

The 2007 Adjustable Rate Refunding Revenue Certificates had interest rates that are remarketed on a weekly basis ranging from 1.383% to 9.5% during the period the bonds were outstanding through May 22, 2008. The bonds were refunded by the 2008 Adjustable Rate Refunding Revenue Certificates of Participation during the year ended June 30, 2008.

Proceeds of the refunding debt were deposited in an irrevocable trust held by an escrow agent. The amount and form of the assets in this trust were sufficient to provide the cash flows necessary in timing and amount to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,426,894. This difference, reported in the accompanying financial statements as a deduction from the related debt, is being charged to operations through the year 2021 using the straight-line method. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt was \$1,917,047. The economic gain (difference between the present values of the old and new debt service payments) resulting from the transaction was \$1,315,066.

As of June 30, 2008, all outstanding certificates of the defeased debt had been called and were no longer outstanding.

2008 adjustable rate refunding revenue certificates of participation - In May 2008, the Corporation issued \$39,465,000 Adjustable Rate Refunding Revenue Certificates of Participation ("2008 Adjustable Rate Refunding Revenue Certificates") to assist the District in refinancing certain facilities of the District previously financed and refinanced from the proceeds of the 2004 and 2007 Adjustable Rate Refunding Revenue Certificates, to fund a reserve fund, and to pay costs of delivery of the 2008 Adjustable Rate Refunding Revenue Certificates.

The 2008 Adjustable Rate Revenue Certificates have interest rates that are remarketed on a weekly basis (1.29% at June 30, 2008). The amount of bonds outstanding at June 30, 2008 totaled \$39,465,000.

Proceeds of the refunding debt were deposited in an irrevocable trust held by an escrow agent. The amount and form of the assets in this trust were sufficient to provide the cash flows necessary in timing and amount to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(5) Long-term liabilities (Continued)

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,385,769. This difference, reported in the accompanying financial statements as a deduction from the related debt, is being charged to operations through the year 2027 using the straight-line method. Because the defeased debt involved interest rates that were remarketed on a weekly basis, information associated with the economic gain or loss and the difference between the cash flows of the old debt and the new debt is not readily available.

As of June 30, 2008, all outstanding certificates of the defeased debt had been called and were no longer outstanding.

2008 refunding revenue certificates of participation - In May 2008, the Corporation issued \$128,665,000 Refunding Revenue Certificates of Participation ("2008 Refunding Revenue Certificates") to assist the District in financing and refinancing certain facilities of the District previously financed and refinanced from the proceeds of the 2003 Adjustable Rate Revenue Certificates, to purchase a reserve fund financial guaranty insurance policy for deposit in the Reserve Fund, and to pay costs of delivery of the 2008 Refunding Revenue Certificates.

The 2008 Refunding Revenue Certificates have interest rates ranging from 3.0% to 5.0% with maturities through 2031. The amount of bonds outstanding at June 30, 2008 totaled \$128,665,000.

Proceeds of the refunding debt were deposited in an irrevocable trust held by an escrow agent. The amount and form of the assets in this trust were sufficient to provide the cash flows necessary in timing and amount to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,146,268. This difference, reported in the accompanying financial statements as a deduction from the related debt, is being charged to operations through the year 2029 using the straight-line method. Because the defeased debt involved interest rates that were remarketed on a weekly basis, information associated with the economic gain or loss and the difference between the cash flows of the old debt and the new debt is not readily available.

As of June 30, 2008, all outstanding certificates of the defeased debt had been called and were no longer outstanding.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(5) Long-term liabilities (Continued)

State of California loan payable - On February 1, 1995 the District entered into a loan contract with the State of California Water Resources Control Board under the Water Reclamation Loan Program for the construction of a pipeline through the District to Torrance, California to deliver reclaimed water to the Mobil Oil refinery. The District may borrow up to \$5,000,000 or the eligible costs of the construction project, whichever is less. As of June 30, 2008 the State of California had disbursed \$5,000,000 to the District under the loan contract.

The loan has an interest rate of 3.40% with maturities through 2015. At June 30, 2008 the balance of the loan payable totaled \$2,318,861.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(5) Long-term liabilities (Continued)

Debt service requirements of the Certificates of Participation and the State Loan subsequent to June 30, 2008 are as follows:

	<u>Certificates of Participation</u>		<u>State of California Loan Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 9,200,000	7,831,697	283,104	78,841	9,483,104	7,910,538
2010	9,005,000	13,611,197	292,730	69,216	9,297,730	13,680,413
2011	10,145,000	13,133,231	302,683	59,263	10,447,683	13,192,494
2012	10,760,000	12,884,351	312,974	48,972	11,072,974	12,933,323
2013	12,070,000	12,565,711	323,615	38,331	12,393,615	12,604,042
2014	12,785,000	11,844,405	334,618	27,328	13,119,618	11,871,733
2015	13,360,000	11,322,369	345,995	15,951	13,705,995	11,338,320
2016	14,000,000	10,752,067	123,142	1,411	14,123,142	10,753,478
2017	10,725,000	10,004,898	-	-	10,725,000	10,004,898
2018	10,000,000	9,585,591	-	-	10,000,000	9,585,591
2019	10,425,000	9,196,318	-	-	10,425,000	9,196,318
2020	10,890,000	8,663,269	-	-	10,890,000	8,663,269
2021	11,350,000	8,270,317	-	-	11,350,000	8,270,317
2022	11,835,000	7,720,967	-	-	11,835,000	7,720,967
2023	12,560,000	7,191,448	-	-	12,560,000	7,191,448
2024	13,455,000	6,580,424	-	-	13,455,000	6,580,424
2025	14,085,000	5,926,086	-	-	14,085,000	5,926,086
2026	14,775,000	5,240,409	-	-	14,775,000	5,240,409
2027	15,520,000	4,524,747	-	-	15,520,000	4,524,747
2028	16,195,000	3,759,592	-	-	16,195,000	3,759,592
2029	15,520,000	2,968,775	-	-	15,520,000	2,968,775
2030	16,295,000	2,197,000	-	-	16,295,000	2,197,000
2031	17,110,000	1,382,250	-	-	17,110,000	1,382,250
2032	<u>10,535,000</u>	<u>526,750</u>	<u>-</u>	<u>-</u>	<u>10,535,000</u>	<u>526,750</u>
	<u>\$302,600,000</u>	<u>187,683,869</u>	<u>2,318,861</u>	<u>339,313</u>	<u>304,918,861</u>	<u>188,023,182</u>

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(6) Defined benefit pension plan

PERS:

The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Contributions - Participants are required to contribute 8% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

For each of the fiscal years shown below, the District has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The District's covered payroll for PERS was \$3,032,688 for the year ended June 30, 2008, while the District's total payroll for all employees was \$3,032,688 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
6/30/06	0.0%	\$ -	100%
6/30/07	12.788%	550,803	100%
6/30/08	12.941%	648,457	100%

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(6) Defined benefit pension plan (Continued)

PARS:

The District contributes to the Public Agency Retirement System (PARS), an agent single-employer public employee defined benefit pension plan. PARS provides pensions trusts established by public agencies for plan members and beneficiaries. The Retirement Enhancement Plan ("Plan") and the trust established to hold the assets of the Plan shall be qualified under Section 401(a) and tax-exempt under Section 501(a) of the Internal Revenue Code of 1986. Copies of PARS' annual financial reports may be obtained from its executive office at 5141 California Avenue, Suite 150, Irvine, California, 92617.

A. Plan Effective Date: July 1, 2002

B. Plan Year: July 1 to June 30

C. Participation: Board members who retire from the West Basin Municipal Water District on or after the effective date of the plan, and who have no benefits from CalPERS.

D. Eligibility for Benefits:

A Participant becomes eligible for the Pension benefit (Tier 1 benefit) under the plan when he or she:

1. is at least 50 years of age;
2. has completed 5 or more years of service; and
3. was not a CalPERS member prior to January 1, 2003.

A Participant becomes eligible for the Supplemental benefit (Tier 2 benefit) under the plan when he or she:

1. is at least 55 years of age;
2. has completed 12 or more years of service;
3. was elected after January 1, 1995; and
4. is not eligible for another prior District benefit.

E. Final Pay: The highest average annual compensation for a one year period of employment with the District.

F. Employee Contributions: None.

G. Retirement Benefit: The Pension benefit is the 3% at 60 benefit. For retirement at age 50, the benefit is 2.0% of Final Pay multiplied by years of service. For each year older a participant is at retirement, the multiplier increases by 0.1% until it reaches 3.0% for retirement at ages 60 and older. The Supplemental benefit is a \$5,000 annual benefit which is increased with CPI beginning on July 1, 2003.

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(6) Defined benefit pension plan (Continued)

H. Vested Termination Benefit

100% with five years of service for the Pension benefit. None for the Supplemental benefit.

I. Disability Benefit: For the Pension benefit, 30% plus 1% for each year of service greater than five, with a 50% maximum, multiplied by Final Pay. No disability benefit is provided under the Supplemental benefit.

J. Death Benefit: No pre-retirement death benefits are provided.

K. Benefit Forms: The normal form of benefit for the Pension benefit is to provide an automatic 50% continuance to the member's survivor. The Supplemental benefit provides for an automatic 100% continuance to the survivor.

L. Cost of Living Adjustment: The member's Pension benefit will be increased by 2% (compounding) effective on the anniversary date of commencement of the Pension benefit. The Supplemental Benefit is increased by the all-urban CPI (U.S. city average).

M. Service Purchase: Under the Pension benefit, military and CalPERS service purchase are allowed. If the member withdraws prior to retirement, the amount of the service purchase, plus 5% annual interest, will be refunded.

<u>Results of the valuation:</u> (amounts in \$000's)	<u>2005/2006</u>
▪ Actuarial Liabilities	
• Present Value of Projected Benefits (PVPB)	\$865
• Actuarial Accrued Liability (AAL)	433
▪ Assets	
• Total Assets at Market Value	241
• Approximate Annual Rate of Return	3.1%
▪ Plan Funded Status	
• AAL	433
• Plan Assets	241
• Unfunded AL (UAAL)	192

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(6) Defined benefit pension plan (Continued)

▪ **Current Annual Cost**

• Normal Cost	60
• Amortization of Initial/Fresh Start UAAL	15
• Amortization of (Gains)/Losses	-
• Amortization of Assumption Changes	-
• Subtotal	75
• Expenses	<u>11</u>
• Total Cost	86

Annual Required Contribution (amounts in \$000's) 2005/2006

▪ Projected Payroll	\$ 127
▪ Annual Pension Cost (percent of payroll)	
• Normal Cost	47.1%
• Amortization of Initial/Fresh Start UAL	11.8%
• Amortization of (Gains)/Losses	-
• Amortization of Assumption Changes	-
• Expenses	<u>8.8%</u>
• Total Contribution	67.7%

Participants may make contributions to the Plan through direct contributions, rollovers from eligible retirement plans, or direct transfers from eligible retirement plans to purchase service credit for military service or prior service. Employee contributions for any other purpose are not permitted. The District contributes a percentage of each eligible employee's salary to the trust each year. The District's contribution amount is determined by an actuarial study performed at least every two years as long as this plan exists.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2006.

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(6) Defined benefit pension plan (Continued)

Actuarial Methods

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) method. The Present Value of Projected Benefits (PVPB) is the present value of all future benefits for current plan participants. The Actuarial Accrued Liability (AAL) represents the portion of the PVPB attributable to past service. The AAL is recognized over service through the date a participant is expected to commence benefits.

The initial unfunded AAL was amortized over 20 years as of July 1, 2002 as a level percentage of expected payroll. Subsequent gains or losses are amortized over 15 years, and plan amendments and assumption changes are amortized over 20 years. Effective June 30, 2006, the plan was split into two plans. At this time, all bases were combined into a single fresh start base which is amortized over 16 years, which is the remaining period of the initial UAL.

Plan funded status based on excess of
1) Actuarial Accrued Liability
over
2) Employer assets

The plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the plan exists.

Actuarial Assumptions

Assumptions used in the valuation are as follows:

- **Discount rate** 6.5%
- **General Inflation** 3.0%
- **Aggregate Salary Increase** 3.25%
- **Salary Scale**
Individual increases are the lesser of 5% and inflation.
- **Turnover**
None assumed.
- **Disability**
None assumed.
- **Retirement**
Immediate retirement upon the later of full eligibility for benefits (which is usually the expiration of the third term on the Board), or end of the current term on the Board.

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(6) Defined benefit pension plan (Continued)

- **Marital Status**
All active participants are assumed to have the same marital status in retirement.
- **Percentage of Directors Working Additional Meetings Before Retirement**
75%

(7) West and Central Basin Financing Authority

On August 1, 1992 the District and Central Basin Municipal Water District created the West and Central Basin Financing Authority ("Authority") by execution of a "Joint Exercise of Powers Agreement". On August 28, 2007 the Board of Directors voted to approve a resolution to dissolve the Authority. The Authority's net assets and results of operations for the year ended June 30, 2008 and the District's share are summarized as follows:

Statement of Net Assets

	<u>Total</u>	<u>District's Share</u>
Assets:		
Current assets	\$ -	\$ -
Noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities	<u>-</u>	<u>-</u>
Net assets	<u>\$ -</u>	<u>\$ -</u>

Statement of Revenues, Expenses and Changes in Net Assets

	<u>Total</u>	<u>District's Share</u>
Operating revenues	\$ 7,157	\$ 3,578
Operating expenses	<u>(42,781)</u>	<u>(21,390)</u>
Operating income (loss)	(35,624)	(17,812)
Nonoperating revenues (expenses)	<u>35,624</u>	<u>17,812</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

The Authority operated the headquarters and administrative building for both West Basin Municipal Water District and Central Basin Municipal Water District and was the landlord for the other tenants. The District's share of the Authority's assets, liabilities and results of operations has been included in the District's financial statements, including footnotes, where appropriate. A copy of the Authority's financial statements may be obtained by contacting Margaret Moggia, Chief Financial Officer at West and Central Basin Financing Authority.

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(8) Other post-employment benefits

The West Basin Municipal Water District provides postretirement medical benefits to employees who retire directly from the District under CalPERS. To be eligible for District-paid healthcare benefits, retirees must be at least age 55 with 10 years of District service at retirement, or satisfy the newly adopted eligibility requirement of age 50 and the Rule of 75 (age plus CalPERS service equals 75, with a minimum of 5 years District service). For eligible retirees, the District pays the full medical and dental premiums, plus a reimbursement for out-of-pocket medical, dental, and vision expenses up to the active employees' reimbursement caps. Benefit provisions are established and amended by the Board of Directors.

Benefit Summary

<ul style="list-style-type: none"> ▪ Eligibility 	<ul style="list-style-type: none"> • Retire directly from the District under CalPERS • Age and service requirements: <ul style="list-style-type: none"> ➢ Age 55 with 10 years District service, or ➢ Age 50 & Rule of 75 – age plus CalPERS service is at least 75, minimum 5 years District service • Elected directors not eligible (1 exception) 										
<ul style="list-style-type: none"> ▪ Medical Benefit 	<ul style="list-style-type: none"> • District pays full medical premium • Medical Insurance purchased through Association of California Water Agencies (ACWA) 										
<ul style="list-style-type: none"> ▪ Dental Benefit 	<ul style="list-style-type: none"> • District pays full dental premium, also purchased through ACWA 										
<ul style="list-style-type: none"> ▪ Medical, Dental, and Vision Out-of-Pocket Reimbursement 	<ul style="list-style-type: none"> • District reimburses out-of-pocket expenses for medical, dental, and vision up to the active employees' reimbursement caps: <table style="margin-left: 40px; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;">Active</td> </tr> <tr> <td style="text-align: left;"><u>Coverage</u></td> <td style="text-align: left;"><u>Reimbursement Cap</u></td> </tr> <tr> <td>Single</td> <td>\$ 4,000/year</td> </tr> <tr> <td>2-Party</td> <td>8,000/year</td> </tr> <tr> <td>Family</td> <td>12,000/year</td> </tr> </table>	Active		<u>Coverage</u>	<u>Reimbursement Cap</u>	Single	\$ 4,000/year	2-Party	8,000/year	Family	12,000/year
Active											
<u>Coverage</u>	<u>Reimbursement Cap</u>										
Single	\$ 4,000/year										
2-Party	8,000/year										
Family	12,000/year										
<ul style="list-style-type: none"> ▪ Surviving Spouse Benefit 	<ul style="list-style-type: none"> • Same medical benefit, dental benefit, and out-of-pocket reimbursement continues to surviving spouse 										

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(8) Other post-employment benefits (Continued)

Funding Policy

The District has adopted GASB 45 for its 2007/08 fiscal year. In 2008/09, the District plans to contribute \$1 million to the CalPERS OPEB Trust, and will pre-fund the full ARC thereafter through the CalPERS OPEB trust. Based on these assumptions, below are the 2007/08 ARC (Annual Required Contribution), AOC (Annual OPEB Cost), and the estimated June 30, 2008 NOO (Net OPEB Obligation).

Annual Required Contribution (ARC)

The Annual Required Contribution is the sum of the Normal Cost plus a 30-year level percent of pay amortization of the Unfunded Actuarial Accrued Liability (or less an amortization of excess assets) determined as of the end of the fiscal year.

The 2007/08 Annual Required Contribution determined by this valuation includes the Normal Cost and a 30-year amortization of the unfunded AAL, both as a level percentage of payroll and determined as of the end of the fiscal year (amounts in \$000's):

▪ Normal Cost	\$ 161
▪ UAAL Amortization	<u>125</u>
▪ Total ARC	286
▪ Projected 2007/08 Payroll	2,948
▪ ARC as a % of Payroll	9.7%

Annual OPEB Cost (AOC)

The Annual OPEB Cost is the expense recognized on the District's income statement for providing post-retirement healthcare benefits. The AOC will equal the ARC, adjusted for prior differences between the ARC and actual contributions.

The AOC is equal to the ARC, except when the District has a Net OPEB Obligation (NOO) at the beginning of the year. When that happens, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The end of year AOC for fiscal year 2007/08 is determined as follows (amounts in \$000's):

▪ ARC	\$ 286
▪ Interest on NOO	
▪ Amortization of NOO	<u>(0)</u>
▪ Total AOC	286
▪ AOC as a % of Payroll	9.7%

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(8) Other post-employment benefits (Continued)

Net OPEB Obligation (NOO)

The NOO is the historical difference between the ARC and actual contributions. If an agency has always contributed the ARC, then the NOO equals zero. However, contributions have not been "made" for purposes of GASB 45 unless they have been segregated in an irrevocable trust for the sole purpose of paying plan benefits.

Based on the AOC developed above, the estimated June 30, 2008 NOO is (amounts in \$000's):

▪ June 30, 2007 NOO	\$ 0
▪ AOC	286
▪ *Expected 2007/08 contributions	<u>(1,067)</u>
▪ Estimated June 30, 2008 NOO	(781)

*This contribution for 2007/08 was paid to the Trust after June 30, 2008.

Benefit Obligations as of June 30, 2007
7.75% Discount Rate
(amounts in 000's)

	<u>Medical & Dental</u>	<u>Medical, Dental & Vision Out of Pocket Reimbursement</u>	<u>Total</u>
▪ Present Value of Benefits			
• Actives	\$ 2,412	\$ 425	\$2,837
• Retirees	<u>464</u>	<u>161</u>	<u>625</u>
• Total	2,876	586	3,462
▪ Actuarial Accrued Liability			
• Actives	1,156	231	1,387
• Retirees	<u>464</u>	<u>161</u>	<u>625</u>
• Total	1,620	392	2,012
▪ Assets	<u>0</u>	<u>0</u>	<u>0</u>
▪ Unfunded AAL	1,620	392	2,012
▪ 2007/08 Expected Benefit Payments	50	17	67

Actuarial Methods

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. The EAN cost method is required by CalPERS for agencies pre-funding through the CalPERS OPEB Trust.

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(8) Other post-employment benefits (Continued)

The Actuarial Accrued Liability (AAL) is the cumulative value, on the valuation date, of prior Normal Costs. For retirees, the AAL is the present value of all projected benefits. The initial unfunded AAL is being amortized over 30 years as a level percent of payroll, as selected by the District.

The Plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the Plan exists.

Actuarial Assumptions

Valuation Date				
• June 30, 2007				
• 2007/08 Plan cost				
Discount Rate				
• The District will pre-fund through CalPERS beginning with fiscal year 2007/08				
• 7.75%, representing CalPERS investment return				
General Inflation				
• 3.0% per annum				
• Same as CalPERS assumption				
Aggregate Payroll Increase				
• 3.25% per annum				
• Same as CalPERS assumption				
Salary Merit Increases				
• CalPERS 1997-2002 Experience Study				
Mortality, Withdrawal, Disability				
• CalPERS 1997-2002 Experience Study				
Retirement Assumption				
• CalPERS 1997-2002 Experience Study				
• Miscellaneous: 3% @ 60				
Healthcare Trend				
	<u>HMO</u>		<u>PPO</u>	
	Pre-	Post-	Pre-	Post-
<u>Year</u>	<u>Medicare</u>	<u>Medicare</u>	<u>Medicare</u>	<u>Medicare</u>
2008	10.4%	10.8%	11.3%	11.7%
2009	9.7%	10.1%	10.5%	10.9%
2010	9.1%	9.4%	9.8%	10.1%
2011	8.4%	8.7%	9.0%	9.3%
2012	7.8%	8.0%	8.3%	8.5%
2013	7.1%	7.3%	7.5%	7.7%
2014	6.5%	6.6%	6.8%	6.9%
2015	5.8%	5.9%	6.0%	6.1%
2016	5.2%	5.2%	5.3%	5.3%
2017+	4.5%	4.5%	4.5%	4.5%

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(8) Other post-employment benefits (Continued)

<p>Age-Based Claims Cost Because early retirees are paying the same premium rates as actives, an implied subsidy (the difference between expected claims and premiums paid for retirees) is valued until Medicare eligibility.</p> <p>The following age-based monthly claims costs are used to calculate the implied subsidy for the Blue Cross PPO medical plan: (based on 2007 premium rates)</p> <table border="1"> <thead> <tr> <th>Age</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>30</td> <td>\$ 252.19</td> <td>\$ 446.17</td> </tr> <tr> <td>35</td> <td>310.38</td> <td>465.57</td> </tr> <tr> <td>40</td> <td>329.78</td> <td>523.77</td> </tr> <tr> <td>45</td> <td>407.38</td> <td>620.76</td> </tr> <tr> <td>50</td> <td>523.77</td> <td>620.76</td> </tr> <tr> <td>55</td> <td>678.96</td> <td>640.16</td> </tr> <tr> <td>60</td> <td>853.55</td> <td>698.36</td> </tr> </tbody> </table>			Age	Male	Female	30	\$ 252.19	\$ 446.17	35	310.38	465.57	40	329.78	523.77	45	407.38	620.76	50	523.77	620.76	55	678.96	640.16	60	853.55	698.36
Age	Male	Female																								
30	\$ 252.19	\$ 446.17																								
35	310.38	465.57																								
40	329.78	523.77																								
45	407.38	620.76																								
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55	678.96	640.16																								
60	853.55	698.36																								
<p>Dental and Vision Increases • 3.0% per annum</p>																										
<p>Out-of-Pocket Reimbursement (Caps: \$4,000 Single, \$8,000 2-Party, \$12,000 Family) • Reimbursement Cap Increase – 0% • 2007 Per Person Usage: ➤ Medical \$840 ➤ Dental \$270 ➤ Vision \$103 • Medical per person usage increased with PPO healthcare trend; dental and vision per person usage increased 3% per year</p>																										
<p>Medical Plan at Retirement • Same as active plan</p>																										
<p>Participation at Retirement • 100%</p>																										
<p>Medicare Eligible Rate • 100% • Everyone eligible for Medicare will elect Part B coverage</p>																										
<p>Marital Status • Married if 2-party or family medical coverage</p>																										
<p>Spouse Age • Males 3 years older than females if no spouse birth date provided</p>																										
<p>Dependents • 10% have family coverage at retirement • No family coverage after age 65</p>																										
<p>Future New Participants • Closed Group – no future new participants assumed</p>																										

**WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(8) Other postemployment benefits (Continued)

Schedules of Funding Progress:

Municipal Retired Employees Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/07	\$0	\$2,012,000	\$2,012,000	0%	\$3,032,688	66.00%

(9) Commitments and contingencies

The District has entered into various contracts for the purchase of material, construction of the utility plant, professional and nonprofessional services. Certain amounts are based on the contractor's estimated cost to complete. At June 30, 2008 the total unpaid amount on these contracts is approximately \$23,600,000. These commitments may be funded from restricted assets.

(10) Swap transaction agreements

The District entered into a swap transaction in the original notional amount of \$22,875,000, subject to the master agreement executed and confirmed on June 7, 2004, amended as of May 22, 2008, and further amended and restated as of June 6, 2008. The agreement is scheduled to terminate August 1, 2027 unless terminated earlier. Under the swap transaction, the District pays a fixed rate of 3.662% and receives the lesser of the following two floating rates from and including the Effective Date to but excluding August 1, 2008: (1) 58% of the British Bankers Association - London Interbank offered rate (BBA - LIBOR) plus .22%; or (2) from the Effective Date to but excluding May 22, 2008, the bond rate of the West Basin Municipal Water District Revenue Refunding Certificates of Participation, 2004 Series A; and from and including May 22, 2008 the bond rate of the West Basin Municipal Water District Revenue Refunding Certificates of Participation, 2008 Series A-1. From and including August 1, 2008, the District receives 65% of the BBA - LIBOR. The purpose of the swap transaction is to lower the cost of borrowing in combination with the District's refunding of the West Basin Municipal Water District Revenue Certificates of Participation Series 1998.

A termination of the swap transaction may also result in the District's making or receiving a termination payment based on market interest rates at the time of the termination. As of June 30, 2008, the District has an unrealized and unrecorded loss of approximately \$1,100,000 related to the swap transaction based on the market interest rates in effect at June 30, 2008.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

(10) Swap transaction agreements (Continued)

The District entered into a swap transaction in the notional amount of \$18,175,000, subject to the master agreement executed on June 7, 2004 and the transaction was confirmed on April 26, 2005. The agreement was effective July 31, 2007, but amended and restated on May 22, 2008 and is scheduled to terminate August 21, 2021, unless terminated earlier. Under the swap transaction, the District pays a fixed rate of 3.495% from April 26, 2005 to but excluding May 22, 2008 and 3.515% from and including May 22, 2008. The District receives the floating rate of 65% of the British Bankers Association - London Interbank offered rate (BBA - LIBOR). The purpose of the swap is to lower the cost of borrowing in combination with the District's refunding of the West Basin Municipal Water District Refunding Revenue Certificates of Participation Series 1997.

A termination of the swap transaction may also result in the District's making or receiving a termination payment based on market interest rates at the time of the termination. As of June 30, 2008, the District has an unrealized and unrecorded loss of approximately \$676,000 related to the swap transaction based on the market interest rates in effect at June 30, 2008.

As a settlement of litigation regarding previous swap transactions under a master agreement dated October 2, 2001 and confirmations dated October 2, 2001 and February 26, 2003, the District entered into a swap transaction in the notional amount of \$220,575,000, subject to the master agreement executed on March 26, 2007, together with a schedule and confirmation of that same date. The agreement is effective March 26, 2007, but was amended and restated on May 29, 2008; and is scheduled to terminate August 1, 2030, unless terminated earlier. A swap payment assurance agreement dated March 26, 2007 was executed in conjunction with the swap transaction. Under the swap transaction and swap payment assurance agreement, annually on August 1 the District pays the sum of the floating rate of the Bond Market Association Municipal Swap Index and the difference obtained by subtracting the sum of British Bankers Association - London Interbank offered rate (BBA - LIBOR) and .992% from the quotient of the BMA Municipal Swap Index divided by 0.604 and receives the floating rate of the Bond Market Association Municipal Swap Index. The terms of the swap payment assurance agreement made between the District and Rice Financial Products Co. Capital Services, LLC ("Rice") indicate that in the event that District is to receive a net periodic payment, the District will receive half of the payment, and Rice will receive half of the payment. In the event the District is to owe a net periodic payment, Rice will pay to the District the full amount that is owed.

The District's rights under the agreement are secured by a collateral account funded by periodic payments from Rice (periodic installments to fund the termination payment) as well as earnings generated by both Rice and the District under the swap agreement ("swap savings").

In the event that funds in the collateral account are insufficient to satisfy Rice's obligations under the agreement, the District's recovery under the agreement would be subject to the general financial resources of Rice.

A termination of the swap transaction may result in the District receiving a termination payment based on market rates at the time of the termination.



Comprehensive Annual Financial Report



This part of West Basin Municipal Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about West Basin Municipal Water District's overall financial health.

Contents

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Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance has changed over time.

Table 1: Net Assets Last Seven Fiscal Years	60
Table 2: Changes in Net Assets Last Ten Fiscal Years	61
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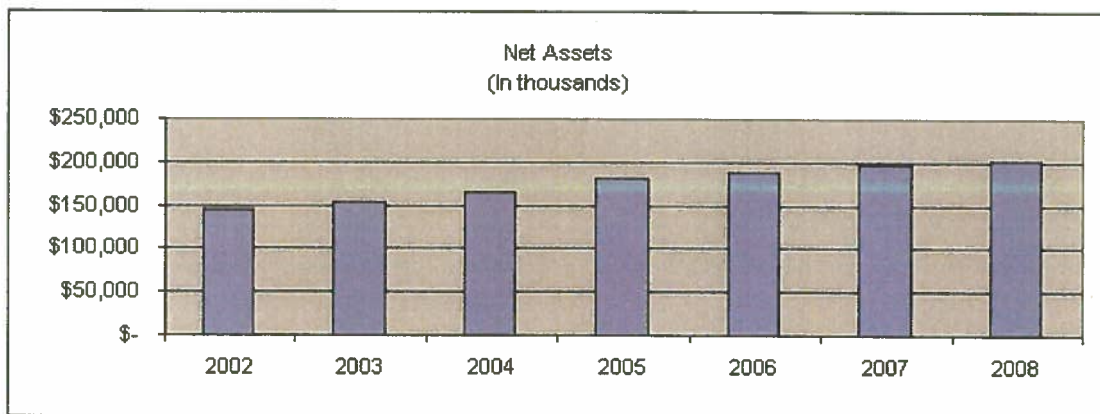
WEST BASIN MUNICIPAL WATER DISTRICT

Table 1

**NET ASSETS
LAST SEVEN FISCAL YEARS**
(In Thousands)

Fiscal Year Ended June 30,	Invested in Capital Assets Net of Related Debt	Restricted for Capital Projects	Unrestricted	Total Net Assets
2002	\$ 69,012	\$ 831	\$ 75,259	\$ 145,102
2003	76,138	625	76,515	153,278
2004	81,090	516	83,071	164,677
2005	87,335	611	93,125	181,071
2006	95,010	558	92,991	188,559
2007	110,352	460	86,473	197,285
2008	126,537	439	75,992	202,968

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 34 in Fiscal Year 2001 - 2002. Financial statements prior to this fiscal year were restated for the purpose of providing ten year trend data. As information becomes available, additional years will be presented.



Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT

**Table 2
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

(In Thousands)

Fiscal Year Ended June 30,	Operating Revenues	Operating Expenses	Operating Revenue (Loss)	Standby Charges	Interest Earnings	Grant Inc / Misc Inc(Exp)	Interest Expense	Total Nonoperating Revenue (Loss)	Income (Loss) Before Contributions	Capital Contributions	Change in Net Assets
	(1)	(2)						(3)		(4)	
1999	89,404	89,927	(523)	9,478	2,851	(172)	(6,959)	5,198	4,675	13,034	17,709
2000	93,659	93,814	(155)	9,811	5,041	(320)	(7,680)	6,852	6,697	5,278	11,975
2001	92,769	93,659	(890)	9,821	4,323	(576)	(9,650)	3,918	3,028	5,336	8,364
2002	95,438	98,182	(2,744)	9,496	3,732	(797)	(7,815)	4,616	1,872	7,334	9,206
2003	94,116	97,756	(3,640)	9,607	2,543	(486)	(7,770)	3,894	254	7,922	8,176
2004	94,924	97,751	(2,827)	9,724	433	(140)	(7,179)	2,838	11	11,388	11,399
2005	91,913	97,091	(5,178)	9,669	2,669	396	(10,195)	2,539	(2,639)	19,033	16,394
2006	95,486	104,191	(8,705)	9,785	2,230	(1,588)	(10,593)	(166)	(8,871)	16,359	7,488
2007	105,289	113,094	(7,805)	9,659	4,555	1,081	(9,101)	6,194	(1,611)	10,337	8,726
2008	106,072	115,260	(9,188)	9,365	3,581	207	(9,808)	3,345	(5,843)	11,526	5,683

(1) Breakdown is shown on Table 3 - "Operating Revenues by Source"

(2) Breakdown is shown on Table 4 - "Operating Expenses by Source"

(3) Non-Operating Revenue (Loss) represents standby charges, interest earnings, miscellaneous income (expense) and interest expense. See Table 15 - "Standby Charge and Fixed Revenue Charge" for the nature of and ten year information on this revenue.

Also, the 2006 amount also includes \$1.5million on loss of disposition of assets.

(4) Breakdown is shown on Table 5 - "Capital Contributions by Source" with explanations of nature of these contributions

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 3
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year Ended June 30,	Water Sales				Total
	Potable, Barrier & CC	Recycled & LRP	Desalting & GRP	Conservation and Monitoring	
(1)					
1999	77,157	10,562	1,039	646	89,404
2000	80,097	12,496	670	396	93,659
2001	79,029	12,912	538	290	92,769
2002	77,948	16,891	376	223	95,438
2003	76,099	17,351	472	194	94,116
2004	78,797	15,826 (2)	- (3)	301	94,924
2005	76,021	15,528 (2)	- (3)	364	91,913
2006	79,299	15,680 (2)	- (3)	507	95,486
2007	84,978	19,627 (2)	65 (3)	619	105,289
2008	82,404	22,890 (2)	352 (3)	426	106,072

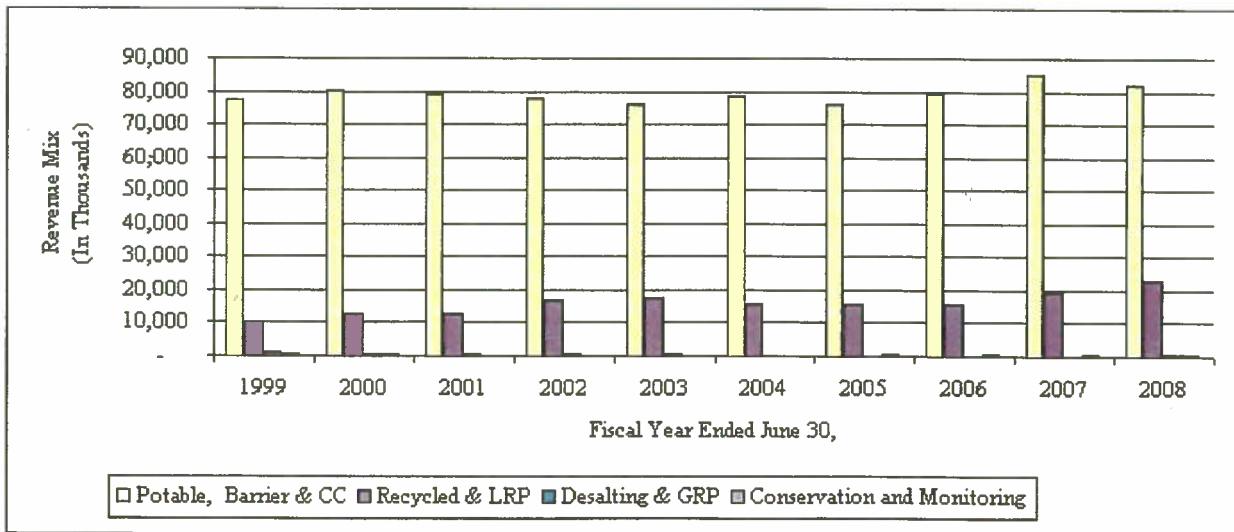
LRP = Local Resource Program. This is a rebate from Metropolitan Water District of Southern California of \$250 per acre-foot of recycled water sold.

GRP = Groundwater Recovery Program. This is a rebate from Metropolitan Water District of Southern California of \$250 per acre-foot of groundwater sold.

(1) Includes non-interruptible, seasonal storage, seawater barrier and Capacity Charge (CC).

(2) See explanation of the fluctuations in recycled water sales on Table 10 - "Recycled Water Sales in Acre-Feet".

(3) See explanation of fluctuations on Table 8 - "All Water Deliveries in Acre-Feet".



Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 4
OPERATING EXPENSES BY SOURCE
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year Ended June 30,	Source of Supply	Water Recycling Costs	Desalting Operations	Communication and Monitoring	General and Administrative	Water Resource Planning	Depreciation and Amortization	Total Operating Expenses
	(1)	(2)						
1999	70,923	8,667	630	1,487	1,372	-	6,848	89,927
2000	73,369	9,592	667	1,468	308	(4) 625	7,785	93,814
2001	72,409	10,174	589	1,250	508	509	8,220	93,659
2002	71,797	14,534	311	1,590	319	718	8,913	98,182
2003	69,918	14,849	411	1,937	614	974	9,053	97,756
2004	70,944	14,193	167	(3) 2,095	797	1,355	8,200	97,751
2005	69,609	13,719	69	(3) 2,509	1,113	1,732	8,340	97,091
2006	73,089	14,899	72	(3) 2,487	3,350	(5) 1,985	8,309	104,191
2007	77,828	17,317	137	(3) 2,309	(6) 1,997	(5) 3,163	(6) 10,343	113,094
2008	75,470	20,709	440	(3) 3,123	(6) -	(5) 2,195	(6) 13,323	115,260

- (1) Includes water purchases from Metropolitan Water District of Southern California, readiness-to-serve charge, and capacity charge.
- (2) Represents District's costs to operate and maintain its recycling facilities.
- (3) See explanation of fluctuations on Table 8—"All Water Deliveries in Acre-Feet".
- (4) In Fiscal Year 2000, the District separated costs relating to Resource Planning that were previously included in G&A.
- (5) Increases/Decreases in General & Administrative expenses were in accordance with budgeted amounts. Budget amounts were based on activities of the District. In 2006 & 2007, the increase in General & Administrative expenses relate to significant legal expenses. In 2007, the District changed its allocation methodology and began allocating the costs for activities related to the Board of Directors.
- (6) As a result of organizational restructuring, the District assigned costs to Water Resource Planning in Fiscal Year 2007 relating to the District's conservation efforts that were reassigned in Fiscal Year 2008.

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 5
CAPITAL CONTRIBUTIONS BY SOURCE
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year Ended June 30,	Recycling Operations	U.S. Army Corps of Engineers	CA Dept of Water Resources	Other	Total
1999	13,034	-	-	-	13,034
2000	5,278	-	-	-	5,278
2001	5,336	-	-	-	5,336
2002	7,334	-	-	-	7,334
2003	7,891	-	-	31	7,922
2004	7,586	3,784	-	18	11,388
2005	7,625	3,538	7,860	10	19,033
2006	7,574	7,151	1,546	88	16,359
2007	7,426	1,160	-	1,751 (1)	10,337
2008	8,229	3,255	-	42	11,526

Recycling Operations - The District receives fixed payments from major recycled water customers, which are intended to cover the costs of recycled water facilities that were exclusively constructed for them. The fixed payments will continue to 2025, as the existing contracts expire. In addition, the District received funding from the U.S. Department of Interior, Bureau of Reclamation.

U.S. Army Corps of Engineers - 75% of the construction costs related to the Harbor-South Bay Water Recycling Project are being paid by the U.S. Army Corps of Engineers.

California Department of Water Resources - The District received a grant from the California Department of Water Resources to assist with the design and construction of the Sea Water Barrier Conservation Project.

(1) Southern California Edison provided a \$1.7M incentive to the District for the installation of solar panels

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 6
PAYORS - POTABLE WATER SALES
FOR THE CURRENT YEAR AND NINE YEARS AGO

(In Thousands)

Table below shows water sales to principal customers of West Basin
(excluding the Meter Charges, Capacity Charges and late penalties).

Name	2008	
	in US \$	%
California Water Service (CalWater)	40,680	50.7%
Golden State Water Company (GSWC) (1)	13,137	16.4%
Water Replenishment District (WRD)	4,510	5.6%
Los Angeles County Water Works (LA County)	6,308	7.9%
City of El Segundo	5,361	6.7%
City of Inglewood	4,525	5.6%
City of Manhattan Beach	3,117	3.9%
City of Lomita	1,523	1.9%
California American Water Company (CAWC)	1,082	1.3%
Total	\$ 80,243	100.0%

Name	1999	
	in US \$	%
California Water Service (CalWater)	21,488	28.1%
Southern California Water Company (SCWC) (1)	17,201	22.5%
Dominguez Water Corp (2)	10,789	14.1%
City of El Segundo	7,692	10.0%
Water Replenishment District (WRD)	6,589	8.6%
Los Angeles County Water Works (LA County)	4,765	6.2%
City of Inglewood	2,864	3.7%
City of Manhattan Beach	2,791	3.6%
City of Lomita	1,435	1.9%
California American Water Company (CAWC)	943	1.2%
Total	\$ 76,557	100.0%

(1) In Fiscal Year 2006 Southern California Water Company changed their name to Golden State Water Company.

(2) In fiscal year 2000 Dominguez Water Corp was incorporated into California Water Service (Cal Water).

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 7'
PAYORS - RECYCLED WATER SALES
FOR THE CURRENT YEAR AND NINE YEARS AGO
(In Thousands)

Table below shows water sales to principal customers of West Basin (excluding LRP rebate).

Name	2008	
	in US \$	%
City of El Segundo	4,229	28.5%
Water Replenishment District (WRD)	4,897	33.0%
California Water Service (CalWater)	2,714	18.3%
City of Torrance	2,322	15.6%
City of Inglewood	229	1.5%
Golden State Water Company (GSWC) (1)	197	1.3%
L.A. Dept of Water & Power	140	0.9%
City of Manhattan Beach	105	0.7%
Inglewood Unified School District	21	0.1%
Total	\$ 14,854	100.0%

Name	1998	
	in US \$	%
Water Replenishment District (WRD)	3,045	51.8%
City of Torrance	1,617	27.5%
City of El Segundo	841	14.3%
City of Inglewood	144	2.5%
Southern California Water Company (SCWC) (1)	67	1.1%
City of Manhattan Beach	55	0.9%
California Water Service (CalWater)	60	1.0%
L.A. Dept of Water & Power	44	0.7%
Total	\$ 5,873	100.0%

(1) In fiscal year 2006 Southern California Water Company changed their name to Golden State Water Company.

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 8
ALL WATER DELIVERIES IN ACRE-FEET / OPERATING INDICATORS
LAST TEN FISCAL YEARS

This table presents a summary of imported water purchases by the retail agencies from Metropolitan Water District of Southern California (MWD) through West Basin, desalted water delivered to California Water Service Company Dominguez by West Basin, recycled water delivered to the retail agencies by West Basin and groundwater pumped by retail agencies from the West Coast Basin for the last ten fiscal years.

Fiscal Year Ended June 30,	Potable Water					Total Potable Water	Recycled	Desalting		Total Water
	Non-Interruptible	Ground-water (4)	Saltwater Barrier	Seasonal Water (1)						
1999	130,025	51,630	12,272	2,046		195,973	18,668	1,576		216,217
2000	130,626	54,292	16,637	2,521		204,076	21,693	1,017		226,786
2001	126,920	51,698	19,058	1,899		199,575	21,976	816	(2)	222,367
2002	120,195	51,436	18,124	6,220	(3)	195,975	27,387	571	(2)	223,933
2003	124,022	51,099	17,877	1,864		194,862	27,114	716	(2)	222,692
2004	132,181	48,461	17,737	-		198,379	24,553	-	(2)	222,932
2005	129,315	44,329	11,400	-		185,044	24,070	-	(2)	209,114
2006	129,260	36,792	13,722	745		180,519	23,653	-	(2)	204,172
2007	134,802	36,424	11,162	1,982		184,370	29,250	89	(2)	213,709
2008	127,925	38,785	7,609	-	(5)	174,319	32,209	467	(2)	206,995

(1) Seasonal Water includes (a) Seasonal Storage Long-term; (b) Seasonal Shift; (c) Seasonal Shift Contract, as applicable.

(2) Deliveries declined in Fiscal Years ended June 30, 2001 and 2002 due to well rehabilitation and delays in obtaining certain permits. In January 2003, the well was shut down as it required replacement. The District redesigned the project and completed construction in August 2005, however, the District didn't receive the permit to operate the desalter until May 2006. In Fiscal Year 2007 the desalter was operational for two months and then required additional repairs that were subsequent to year end. In Fiscal Year 2008 desalter sales increased over the prior year, however, the desalter experienced water quality issues. However, this resulted in less than anticipated sales.

(3) During this period, MWD offered more seasonal water, thereby increasing deliveries on this type of water, but resulted in a corresponding decrease on non-interruptible water deliveries.

(4) Groundwater does not represent water deliveries of West Basin. This information is included in the table above only for analysis. West Basin's deliveries of non-interruptible, saltwater barrier, and seasonal water are affected by the amount of groundwater pumped. Groundwater is purchased by the retail water agencies from the Water Replenishment District of Southern California.

(5) The District supplied additional recycled water to the saltwater barrier which reduced potable water sales.

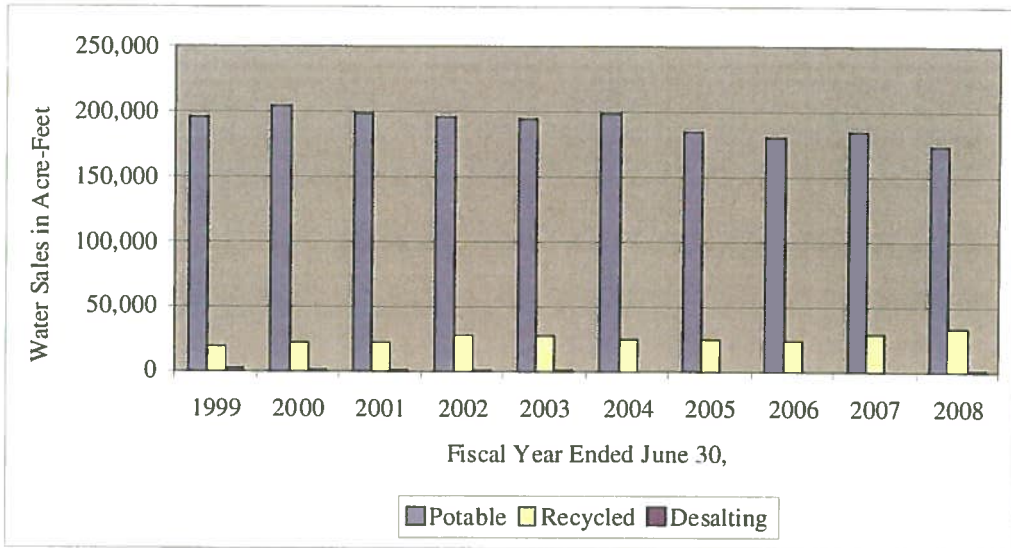
Additional operating indicators as it relates to capital assets and full-time personnel can be found on the schedule "General Operating Information"

See graphs on next page.

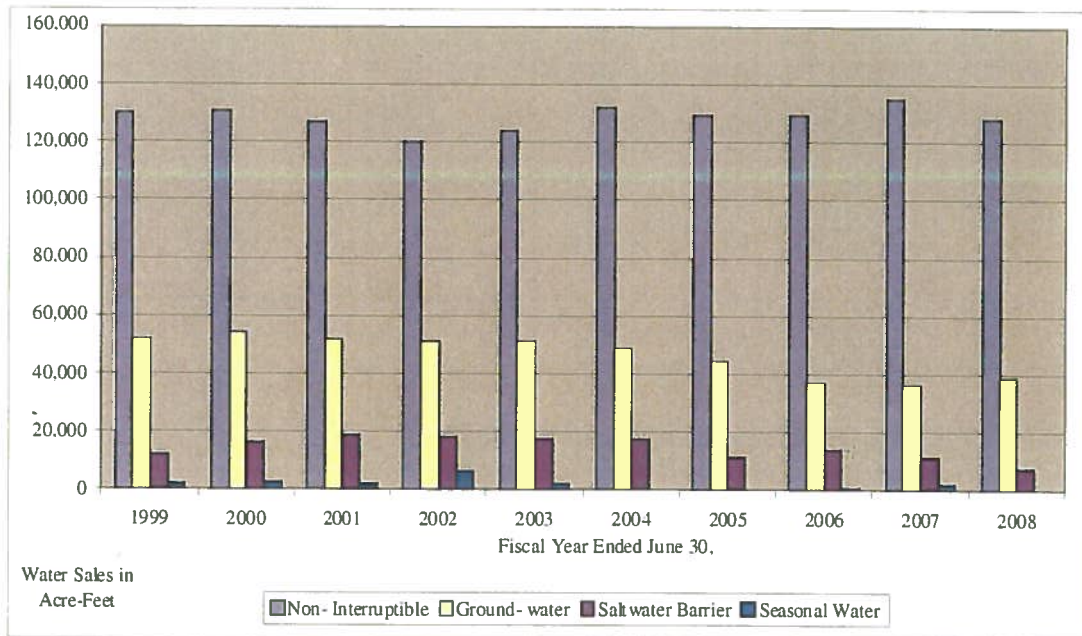
Source: Finance Department

**WEST BASIN MUNICIPAL WATER DISTRICT
ALL WATER DELIVERIES IN ACRE-FEET
LAST TEN FISCAL YEARS**

ALL WATER DELIVERIES



POTABLE WATER DELIVERIES



Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 9
POTABLE AND DESALTED WATER SALES TO CUSTOMERS
PER ACRE-FOOT
LAST TEN FISCAL YEARS

The following table presents a summary of water sales by West Basin to each retail agency for the last ten fiscal years. Water sales include desalted, non-interruptible, seasonal storage, and seawater barrier. This table does not include recycled water sales.

	Name	1999	2000		2001	2002	
1	California American Water Company (CAWC)	1,920	2,131		1,999	1,898	
2	California Water Service (CalWater)	41,995	61,434		60,114	65,297	
3	City of El Segundo	14,441	14,122		14,526	9,331	(3)
4	City of Inglewood	5,360	5,805		6,449	5,578	
5	City of Lomita	2,700	2,796		2,725	2,752	
6	City of Manhattan Beach	5,718	6,033		5,537	5,582	
7	Dominguez Water Corporation	20,179		(1)	-	-	
8	Golden State Water Company (GSWC)	32,375	32,348		28,926	26,828	
9	Los Angeles County Water Works (LA County)	8,959	9,495		9,359	9,720	
10	Water Replenishment District (WRD)	12,272	16,637		19,058	18,124	
	Total	145,919	150,801		148,693	145,110	

- (1) Incorporated into California Water Service beginning Fiscal Year 1999-2000.
- (2) Decrease is due to replacement of the pressure reducing valves during the year.
- (3) City of El Segundo shifted to purchasing more recycled water resulting in a corresponding Decrease in purchases of non-interruptible water. Total water purchases by the City of El Segundo remained constant during these years.
- (4) Overall sales decreased in FY 2008 due to consistent conservation messaging by West Basin.

Source: Finance Department

(Continued)

WEST BASIN MUNICIPAL WATER DISTRICT
Table 9
POTABLE AND DESALTED WATER SALES TO CUSTOMERS
PER ACRE-FOOT
LAST TEN FISCAL YEARS
(Continued)

2003	2004	2005		2006	2007	2008	
1,892	1,451	1,373		682	2,272	1,725	
65,409	68,500	66,175		66,103	70,540	68,998	
8,543	8,764	8,492		8,363	8,861	9,085	
6,735	6,912	6,290		7,248	8,085	7,689	
2,734	2,813	2,676		2,576	2,720	2,583	
5,748	5,670	5,620		6,172	5,721	5,278	
-	-	-		-	-	-	
25,485	27,593	28,942		29,260	27,748	22,382	
10,056	10,478	9,748		9,533	10,836	10,654	
17,877	17,737	11,400	(2)	13,790	11,162	7,609	
144,479	149,918	140,715		143,727	147,945	136,001	(4)

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT

Table 10

RECYCLED WATER SALES IN ACRE-FEET
LAST TEN FISCAL YEARS

Table below shows recycled water accounts and sales for the last ten fiscal years identified by four largest purchasers and others.

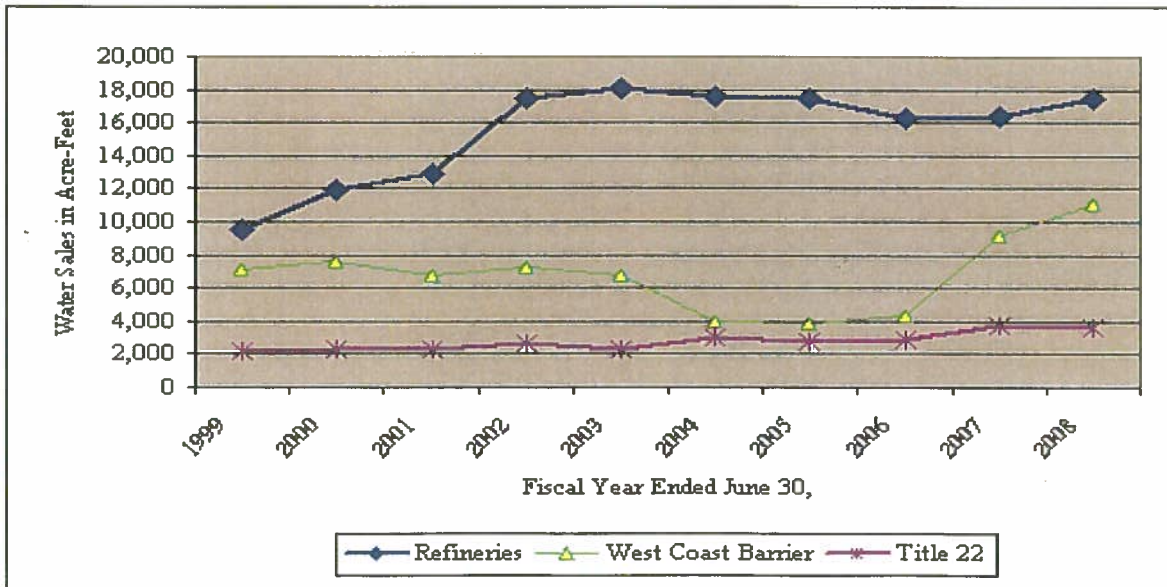
Fiscal Year Ended June 30,	Number of Accounts	Chevron Refinery (1)	Exxon-Mobil Refinery (1)	bp Amoco Refinery (1)	Total Refineries	West Coast Barrier		Title 22 Irrigation	Total
(3)									
1999	145	3,340	6,120	-	9,460	7,081		2,127	18,668
2000	165	3,611	6,983	1,304	11,898	7,539		2,256	21,693
2001	176	3,130	6,515	3,249	12,894	6,753		2,329	21,976
2002	186	7,170	7,172	3,095	17,437	7,289		2,661	27,387
2003	201	7,728	7,301	3,009	18,038	6,754		2,322	27,114
2004	205	7,957	6,350	3,276	17,583	3,935	(2)	3,035	24,553
2005	207	7,563	6,708	3,183	17,454	3,799	(2)	2,817	24,070
2006	216	7,004	6,130	3,191	16,325	4,383	(2)	2,945	23,653
2007	221	7,661	5,742	2,951	16,354	9,104	(2)	3,792	29,250
2008	226	7,366	6,047	4,091	17,504	11,129	(2)	3,576	32,209

⁽¹⁾ Chevron refinery is located in the city of El Segundo, ExxonMobil refinery is located in Torrance, and bp Amoco is located in Carson (CalWater).

⁽²⁾ Sales declined in fiscal years ended June 30, 2004 through 2006 due to barrier operating issues and poor source water quality.

In October 2006, the District began injecting additional recycled water into the West Coast Barrier (up to 75%).

⁽³⁾ Recycled Water Sales include deliveries to refineries for nitrification, boiler feed, reverse osmosis industrial, and RO ultra.



Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 11
AVERAGE WATER RATES PER ACRE-FOOT
LAST TEN FISCAL YEARS

Type of Water	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<i>Purchased from MWD</i>										
Non-interruptible	\$ 528	\$ 528	\$ 528	\$ 528	\$ 519	\$ 515	\$ 528	\$ 541	\$ 560	\$ 591
Saltwater Barrier	528	528	528	528	519	515	528	541	560	591
Seasonal Storage-LT	346	346	346	346	334	326	344	362	382	411
Seasonal Shift	363	374	385	396	401					
Seasonal Shift Contract	346	346	346	346						
<i>West Basin Treatment Plant</i>										
Recycled- T22	\$ 280	\$ 280	\$ 280	\$ 280	\$ 295	\$ 303	\$ 303	\$ 312	\$337	\$367
Recycled- T22 OSA	320	320	320	320	335	343	343	354	379	409
Recycled- RO Barrier	430	430	430	430	430	430	430	430	421	440
Recycled- RO Industrial	508	508	508	508	533	549	549	568	596	633
Recycled- RO Ultra				660	705	725	725	750	788	837
Recycled- RO Nitrified					275	283	283	292	317	347
<i>West Basin Desalting Plant</i>										
Desalted Water	\$ 409	\$ 409	\$ 409	\$ 409	\$ 409	\$ 409	\$ 451	\$ 472	\$ 491	\$ 517

MWD - Metropolitan Water District of Southern California

LT - Long-term

T22 - Title 22

OSA - Outside Service Area

RO - Reverse Osmosis

Notes:

A) Water Purchased from MWD

Water rates are comprised of three components: MWD's commodity charge, West Basin's reliability service charge, and the Readiness-to-Serve (RTS) Charge. MWD changes its rates effective January 1st. The rates presented above represent the average rates for the period covered.

In fiscal year ended June 30, 2003, West Basin implemented a new pricing structure for non-interruptible and saltwater barrier, which incorporates items listed below. This change was based on MWD's change in its rate structure.

- Two price tiers (only tier 1 rates are shown above.)
- Purchase agreements with purveyors for implementing tiered pricing;
- Baseline usage for determining when the higher priced second tier applies;
- Flow-based fixed charge to limit summertime peaking; and
- Reliability service charge

B) West Basin Treatment Plant

Rates exclude MWD's Local Resources Program rebate of \$250 per acre-foot of recycled water sold.

For T22 water sales within and outside West Basin's service area, rate decreases as the volume of recycled water purchases increases. Rates shown above are for purchases of 0 - 25 AF per month.

C) West Basin Desalting Plant

Rates exclude MWD's Groundwater Recovery Program rebate of \$250 per acre-foot of desalting water sold.

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 12
IMPORTED WATER RATES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Tables below delineate the fiscal years ended June 30, 2008 and 2007 water rates for West Basin and MWD.

	<u>MWD</u>	<u>West Basin Surcharge</u>	<u>Reliability Service Charge</u>	<u>Total</u>
Fiscal Year Ended June 30, 2008				
<i>July 1, 2007 to December 31, 2007</i>				
Non-Interruptible & Barrier (Tier 1)	\$478	\$36	\$62	\$576
Non-Interruptible & Barrier (Tier 2)	574	36	62	672
Seasonal Storage Long-term	360	36	-	396
 <i>January 1, 2008 to June 30, 2008</i>				
Non-Interruptible & Barrier (Tier 1)	\$508	\$36	\$62	\$606
Non-Interruptible & Barrier (Tier 2)	606	36	62	704
Seasonal Storage Long-term	390	36	-	426
 Fiscal Year Ended June 30, 2007				
<i>July 1, 2006 to December 31, 2006</i>				
Non-Interruptible & Barrier (Tier 1)	\$453	\$34	\$60	\$547
Non-Interruptible & Barrier (Tier 2)	549	34	60	643
Seasonal Storage Long-term	335	34	-	369
 <i>January 1, 2007 to June 30, 2007</i>				
Non-Interruptible & Barrier (Tier 1)	\$478	\$34	\$60	\$572
Non-Interruptible & Barrier (Tier 2)	574	34	60	668
Seasonal Storage Long-term	360	34	-	394

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 13
OUTSTANDING DEBT TO CAPITAL ASSETS
LAST TEN FISCAL YEARS

(In Thousands)

Most of West Basin's capital assets were acquired and/or constructed through debt financing. Table below provides an overview of the ratio of the total capital assets to debt outstanding as of fiscal year-end.

Fiscal Year Ended June 30,	Revenue Bonds	State Loan	Total LT Debt	Capitalized Assets (1)	Construction-in-Progress (2)	Total Capital Assets	Debt/ Total Capital Assets
1999	307,000	4,483	311,483	260,914	24,387	285,301	1.09
2000	301,646	4,273	305,919	333,778	6,927	340,705	0.90
2001	294,486	4,056	298,542	335,532	29,434	364,966	0.82
2002	285,591	3,832	289,423	365,100	4,921	370,021	0.78
2003	276,310	3,601	279,911	369,748	6,804	376,552	0.74
2004	339,225	3,361	342,586	376,422	12,424	388,846	0.88
2005	334,435	3,114	337,549	378,985	41,900	420,885	0.80
2006	326,340	2,857	329,197	381,143	73,251	454,394	0.72
2007	315,290	2,593	317,883	387,074	89,738	476,812	0.67
2008	302,600	2,319	304,919	477,099	20,126	497,225	0.61

(1) Amounts exclude accumulated depreciation; does not include capital assets of the Financing Authority.

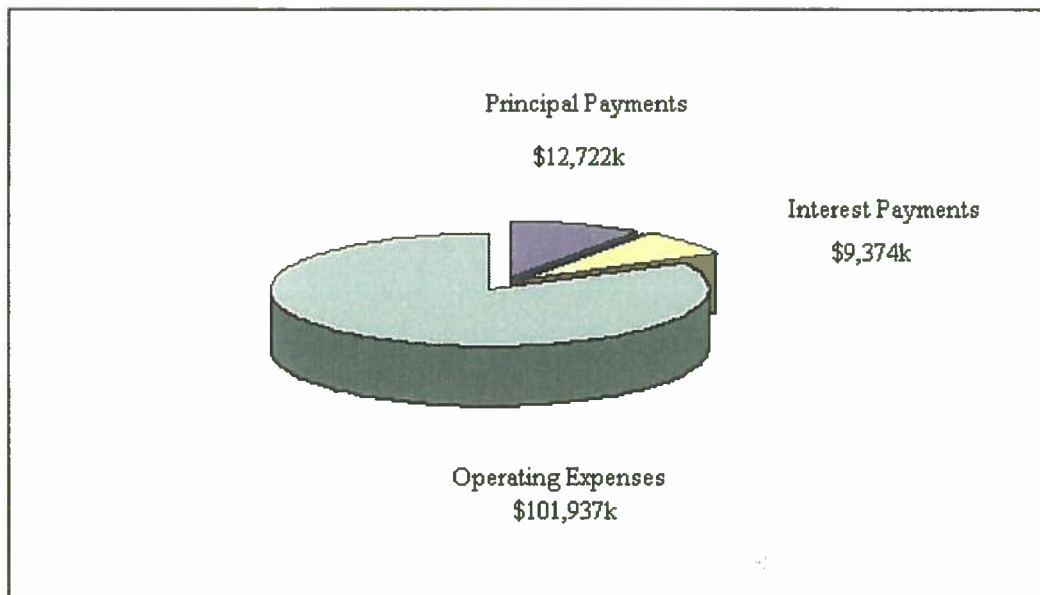
(2) Amounts include all of the District's Construction-in-Progress programs.

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 14
ANNUAL DEBT SERVICE TO EXPENSES
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year Ended June 30,	Principal Payments	Interest Payments	Total Debt Service	Operating Expenses *	Ratio Debt/Exp.
1999	4,473	6,959	11,432	83,079	0.14
2000	5,565	7,680	13,245	86,029	0.15
2001	7,377	9,650	17,027	85,439	0.20
2002	9,119	7,815	16,934	89,269	0.19
2003	9,512	7,770	17,282	88,703	0.19
2004	9,925	7,179	17,104	89,551	0.19
2005	5,038	10,195	15,233	88,751	0.17
2006	8,351	10,593	18,944	95,882	0.20
2007	11,315	9,170	20,485	102,751	0.20
2008	11,839	9,374	21,213	101,937	0.21

* Excludes depreciation and amortization.



Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT
Table 15
STANDBY CHARGE AND FIXED REVENUE CHARGE
LAST TEN FISCAL YEARS
(In Thousands)

Standby charges and fixed revenue charges are designed to pay for the debt incurred to finance the construction of recycled water facilities. For the past ten years, all of West Basin's bonds were issued to finance the recycled water program. Table below shows the information on these revenues as compared to debt service.

Fiscal Year Ended June 30,	Standby Charge (1)	Fixed Revenue Charge (2)	Total	Debt Service (3)	% of Debt Service
1999	9,478	3,394	12,872	11,432	113%
2000	9,811	4,358	14,169	13,245	107%
2001	9,821	5,336	15,157	17,027	89%
2002	9,496	7,334	16,830	16,934	99%
2003	9,607	7,891	17,498	17,282	101%
2004	9,724	7,586	17,310	17,104	101%
2005	9,669	7,625	17,294	15,233	114%
2006	9,785	7,574	17,359	18,944	92%
2007	9,659	7,426	17,085	20,485	83%
2008	9,365	8,229	17,594	21,213	83%

(1) Approved annually by the Board, the Standby Charge is imposed by the District on land owners. The charge is collected by means of the property owner's tax bill through the County of Los Angeles. The Standby Charge was designed to help drought-proof the area through construction of recycled water distribution systems and treatment facilities.

(2) Fixed Revenue Charges are paid by BP Amoco, Chevron, Exxon Mobil Oil, and Los Angeles Department of Water and Power and are used to repay the cost of the treatment and distribution facilities that were constructed exclusively for delivery of recycled water to these entities. Amounts are based on contractual terms. Fixed Revenue Charges are reported as Capital Contributions in the basic financial statements.

(3) In fiscal year 2006 the debt service increased due to the district paying both interest and principal for its subordinate bonds. In fiscal year 2007 the principal portion of the subordinate debt service increased by over \$2 million over the prior year. In fiscal year 2008 the District experienced higher interest rates on its variable rate debt.

Source: Finance Department

WEST BASIN MUNICIPAL WATER DISTRICT

Table 16

DEBT COVERAGE

LAST TEN FISCAL YEARS

(In Thousands, except Debt Coverage)

	1999	2000	2001	2002
Changes in Net Assets (6)	\$ 17,709	\$ 11,975	\$ 8,364	\$ 9,206
Add: Interest Expense	6,959	7,680	9,650	7,815
Add:				
Depreciation/Amortization	6,848	7,785	8,220	8,913
Less: Non-cash items (1)	(131)	86	46	(384)
Net Revenues for Coverage	\$ 31,385	\$ 27,526	\$ 26,280	\$ 25,550
Parity Debt Service (2)				
1993 Bonds	9,501	9,501	9,498	9,501
1997A Bonds	1,929	1,927	1,947	1,949
1999A Bonds (3)	483	2,177	3,425	2,442
2003A Bonds	-	-	-	-
2004A Bonds	-	-	-	-
2007A Bonds	-	-	-	-
2008A Bonds	-	-	-	-
SWRCB Loan	362	362	362	362
Reserve Fund Earnings	(857)	(988)	(863)	(758)
Total Net Senior Debt Service	\$ 11,418	\$ 12,979	\$ 14,369	\$ 13,496
Debt Coverage	2.75	2.12	1.83	1.89
Subordinate Debt Service (2)				
1997 B and C Bonds (3)	\$ 2,746	\$ 3,756	\$ 4,000	\$ 2,829
1998A Bonds	1,279	1,527	1,596	1,599
2003B Bonds (4)	-	-	-	-
2008B Bonds	-	-	-	-
Reserve Fund Earnings	-	-	(102)	(56)
Total Net Subordinate Debt Service	\$ 4,025	\$ 5,283	\$ 5,494	\$ 4,372
Debt Coverage	4.96	2.75	2.17	2.76
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	\$ 15,942	\$ 9,264	\$ 6,417	\$ 7,682

(1) Non-cash items represent grant funding from the U.S Army Corps of Engineers for the construction of the Harbor South Bay Water Recycling Project and unrealized gains/losses.

(2) Net of accrued and capitalized interest.

(3) These are variable rate debt. Interest rates decreased starting fiscal year 2002.

(4) Increase in 2006 debt service is the result of paying both principal and interest payments and in 2008 the debt was refunded.

(Continued)

WEST BASIN MUNICIPAL WATER DISTRICT

Table 16

DEBT COVERAGE

LAST TEN FISCAL YEARS

(In Thousands, except Debt Coverage)

(continued)

2003	2004	2005	2006	2007	2008
\$ 8,176	\$ 11,399	\$ 16,394	\$ 7,488	\$ 8,726	\$ 5,683
7,770	7,179	10,195	10,593	9,101	9,808
9,053	8,200	8,340	8,309	10,343	13,323
(577)	(1,898)	(3,125)	(4,671)	(2,517)	(4,021)
\$ 24,422	\$ 24,880	\$ 31,804	\$ 21,719	\$ 25,653	\$ 24,793
9,505	3,168	-	-	-	\$ -
1,948	1,946	1,946	1,949	1,946	162
2,281	451	-	-	-	-
-	6,328	12,182	12,305	12,475	12,493
-	8	1,379	1,478	1,402	1,481
-	-	-	-	-	1,508
-	-	-	-	-	339
362	362	362	362	362	362
(682)	(1,338)	(1,868)	(1,177)	(825)	(799)
\$ 13,414	\$ 10,925	\$ 14,001	\$ 14,917	\$ 15,360	\$ 15,546
1.82	2.28	2.27	1.46	1.67	1.60
\$ 2,661	\$ 500	\$ -	\$ -	\$ -	\$ -
1,600	1,393	133	-	-	-
-	713	3,148	7,246	8,445	5,043
-	-	-	-	-	1,114
(35)	(19)	(5)	(1)	(2)	(12)
\$ 4,226	\$ 2,587	\$ 3,276	\$ 7,245	\$ 8,443	\$ 6,145
2.60	5.39	5.43	0.94	1.22	1.50

Source: Finance Department

**WEST BASIN MUNICIPAL WATER DISTRICT
DEMOGRAPHICS**

Service Area

Estimated Total Population Served	915,000
Area	185 square miles

Division I - Represented by Director Ronald C. (Ron) Smith

Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills and Carson

Division II - Represented by Director Gloria D. Gray

Inglewood, South Ladera Heights, a portion of Lennox, Athens, Howard and Ross-Sexton

Division III - Represented by Director Carol W. Kwan

Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance

Division IV - Represented by Director Edward C. Little

Culver City, Del Aire, El Segundo, Malibu, North Ladera Heights, Topanga, View Park, West Hollywood, Windsor Hills and a portion of Lennox

Division V - Represented by Director Donald L. Dear

Gardena, Hawthorne, Lawndale and El Camino Village

Number of direct Customers 9

Certain customers may have only one service or multiple service type(s) and our represented by cities, water districts and school districts. Service types are non-interruptible, seawater barrier and recycled water.

Annual Water Deliveries (approximate)

Non-Interruptible Water (including groundwater)	174,786 acre-feet
Recycled Water	32,209 acre-feet

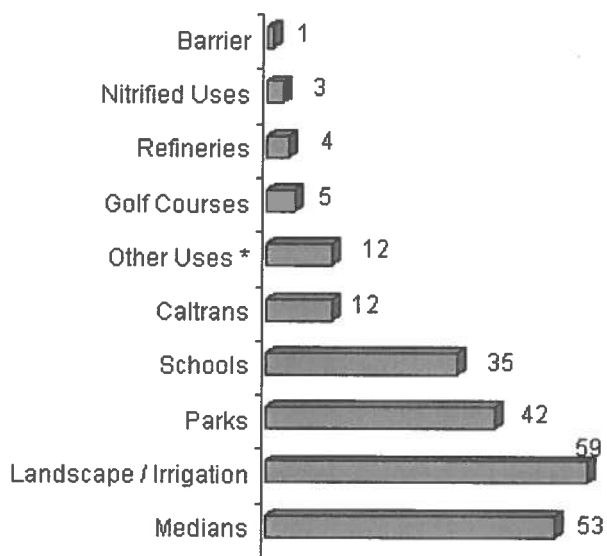
Recycled water sales replace non-interruptible (potable) sales.

Population, total personal income, per capita personal income, and unemployment rate are not particularly relevant to the District.

In addition, the revenue bonds obtained for its capital projects have a fixed revenue stream to support the repayment of the principal and interest. See Table 15 - "Standby Charge and Fixed Revenue Charge" schedule for comparison.

Source: Planning Department

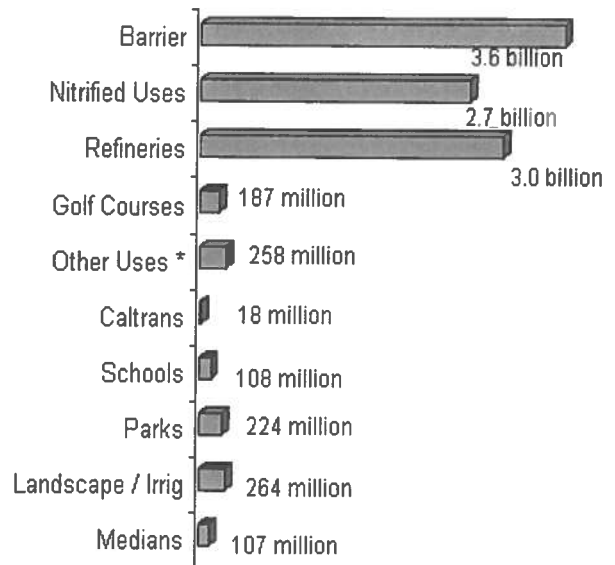
Number of Sites



Total of 226 Sites

1 Acre-Foot = 325,900 gallons

Water Usage



Total of 10.5 Billion Gallons

Other Uses *

- Cemetery (1) 152.4 million
- Multi-industrial / irrigation uses (3) 33.5 million
- Construction uses (1) 143 thousand
- Street Sweeping (1) 9.8 thousand
- College (3) 67.6 million
- Draining / Sump Pumps (3) 4.0 million

Source: Planning Department

**WEST BASIN MUNICIPAL WATER DISTRICT
GENERAL OPERATING INFORMATION
FISCAL YEAR ENDED JUNE 30, 2008**

Number of Budgeted Full-Time Personnel

Budgeted Full-Time Employees	
1999	29
2000	29
2001	31
2002	30
2003	28
2004	28
2005	30
2006	30
2007	33
2008	33

Prior to FY 2007, West Basin had shared staff with Central Basin Municipal Water District. Staff time was allocated each fiscal year between each entity based on the budgeted level of effort.

Certifications and Licenses Held by District Employees

Professional Engineer	7
Engineer in Training	1
Certified Public Accountant	3
Licensed attorneys	2
Masters Degree	10
State Water Certification	
Distribution Operator	2
Treatment Plant Operator	3

Capital Assets (In Thousands)

	Recycling Facilities	Desalting	Machinery & Equipment	Construction- in-Progress (2)	West Basin Capital Assets	Admin. Facility	Financing Authority	Total Fixed Assets (1)
1999	257,656	2,290	968	24,387	285,301	-	2,674	287,975
2000	330,506	2,290	982	6,927	340,705	-	2,696	343,401
2001	332,260	2,290	982	29,434	364,966	-	2,671	367,637
2002	361,827	2,290	983	4,921	370,021	-	2,719	372,740
2003	366,481	2,290	977	6,804	376,552	-	2,821	379,373
2004	373,280	2,290	852	12,424	388,846	-	2,591	391,437
2005	375,842	2,290	853	41,900	420,885	-	2,609	423,494
2006	376,702	3,544	897	73,251	454,394	-	2,082	456,476
2007	382,421	3,697	956	89,738	476,812	-	2,082	478,894
2008	468,377	3,697	1,011	20,126	493,211	4,014 (3)	- (3)	497,225

(1) Excludes accumulated depreciation

(2) In Fiscal Year 2008, the Construction in Progress includes approximately \$12,030,000 in recycling facilities and approximately \$8,096,000 in other capital projects.

(3) West Basin fully acquired ownership of its administrative facility in August 2008, previously a shared cost under the Financing Authority.

The District invested \$468M in recycling facilities as of June 30, 2008. Cumulative recycled water produced and sold by these facilities was 294,503 acre-feet from inception of operations up to June 30, 2008.

Source: Finance Department



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