



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014

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

WEST BASIN MUNICIPAL WATER DISTRICT » Carson, CA

WEST BASIN MUNICIPAL WATER DISTRICT
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
Fiscal Year Ended June 30, 2014

Prepared by: Finance Department
Margaret Moggia, CPA
Chief Financial Officer

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COMPREHENSIVE ANNUAL FINANCIAL REPORT*Fiscal Year Ended June 30, 2014*

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
INTRODUCTORY SECTION



WEST BASIN MUNICIPAL WATER DISTRICT
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Carson, CA 90746
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December 1, 2014

TO THE BOARD OF DIRECTORS AND CUSTOMERS OF WEST BASIN MUNICIPAL WATER DISTRICT:

West Basin Municipal Water District (West Basin) staff is pleased to present the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year 2013-2014, which ended June 30, 2014.

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

This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB). For the last eight years, West Basin has submitted the CAFR and received Excellence in Financial Reporting award from the Government Finance Officers Association (GFOA).

West Basin staff prepared this financial report in conjunction with Independent Auditors' Report issued by Mayer Hoffman McCann P.C. The independent auditors' report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview and analysis of the basic financial statement. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of management's representations concerning the finances of West Basin. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report to the best of our knowledge.

ABOUT WEST BASIN MUNICIPAL WATER DISTRICT

West Basin Municipal Water District (West Basin) is a special district of the State of California and an innovative, award-winning public agency that provides drinking and recycled water, water efficiency and water education programs to its approximately one million residents within a 185-square mile service area. West Basin purchases imported water from the Metropolitan Water District of Southern California (MWD) and sells the imported water to cities, water agencies, and private water companies in coastal Los Angeles County.

To protect our local groundwater aquifer from seawater intrusion, West Basin currently provides highly purified recycled water to the Water Replenishment District of Southern California (WRD) for injection into the West Coast seawater barrier. The seawater barrier protects and augments \$200 million dollars' worth of local groundwater supplies.

West Basin is currently executing a Board-adopted Strategic Business Plan with the goal of building more local control and reliability into our local water supply. Through the 2008 Board-adopted Water Reliability 2020 Program (WR 2020), West Basin is currently expanding production of locally-produced water by doubling water recycling and conservation programs and planning to add 10% of future water supplies from ocean-water desalination. In late 2010, West Basin opened its Ocean-Water Desalination Demonstration Facility Water Education Center to the public to share Southern California's water story, teach the community about local supplies, and conduct scientific research on ocean-water desalination.

West Basin continues to invest in staff, operations and programs to maintain high standards within our workforce and reach out to the community even more through conservation, outreach, education, community partnerships, local business opportunities and other programs focused on providing value to our service area.

BOARD OF DIRECTORS

Five publicly-elected officials serve as West Basin's Board of Directors. Voters in each of the five divisions from Malibu to Palos Verdes and El Segundo to Carson, elect one director to serve a four-year term. The West Basin Board then appoints two representatives to serve on the 37-member Metropolitan Board of Directors.

The two representatives currently serving on the Metropolitan Water District Board of Directors are Donald L. Dear and Gloria D. Gray.



Donald L. Dear
PRESIDENT | DIVISION V
MWD Representative



Gloria D. Gray
VICE PRESIDENT | DIVISION II
MWD Representative



Ronald C. Smith
TREASURER | DIVISION I



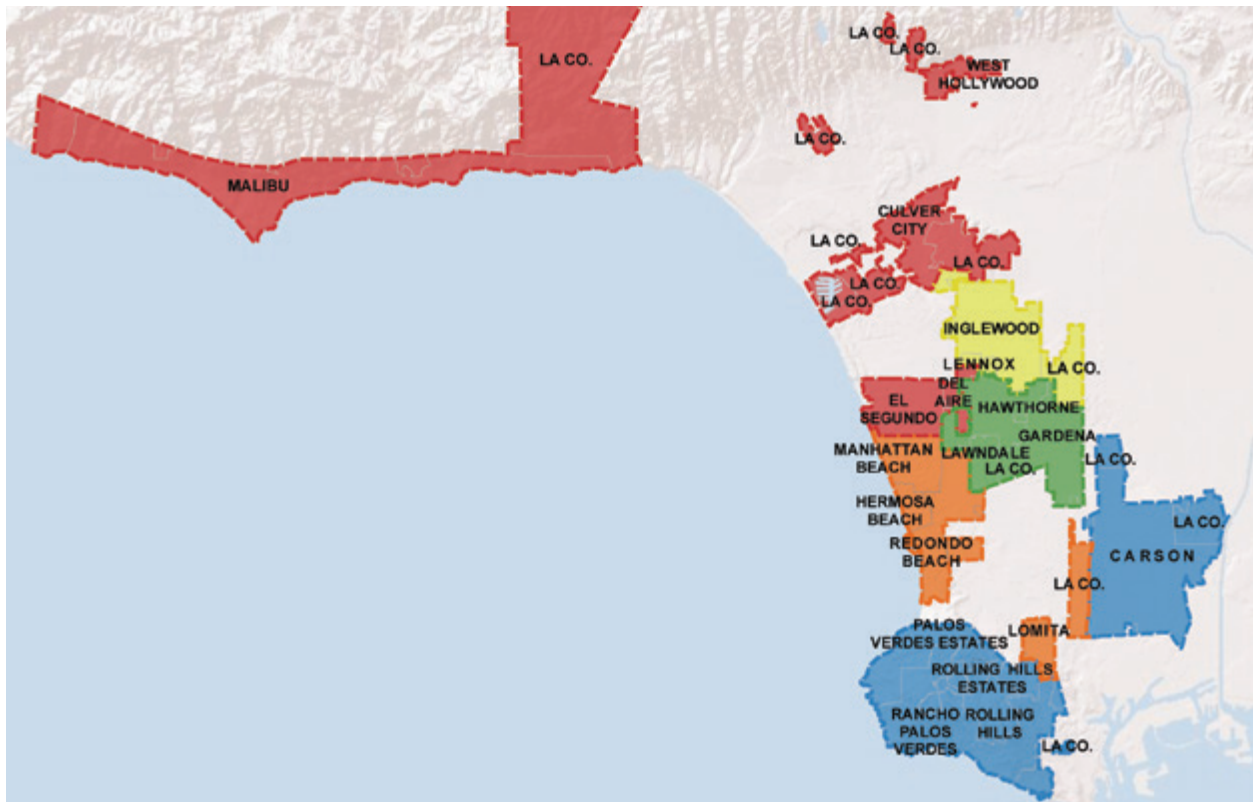
Carol W. Kwan
DIVISION III



Edward C. Little
DIVISION IV
(Resigned on May 20, 2014)

SERVICE AREA

West Basin Municipal Water District serves a diverse population of nearly one million people in 17 cities and parts of unincorporated coastal Los Angeles County. West Basin has a 3:1 resident-to-business ratio and an average median income of \$67,000. The community income diversity ranges from approximately \$23,000 in Westmont to approximately \$200,000 in Rolling Hills (Source: 2000 census).



HISTORY

As early as 1918, the levels in local groundwater basins were dropping so low that salt water from the ocean was seeping in and contaminating groundwater. Lawns in coastal Los Angeles were dying from salty water, and well water was so salty it was often undrinkable. In the 1940s, studies showed that the local groundwater aquifer was being depleted at a much faster rate than it was being recharged or refilled. Each year, the aquifer was being over drafted by millions of gallons - more water was taken out than was put back in.

At that time, one 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. In 1948, West Basin became a member agency of MWD, an agency that imported water from the Colorado River, and later would also import water from Northern California. Since that time, West Basin served its customer agencies and communities solely as a wholesaler of imported water.

As a result of the extreme drought of the late 1980s and early 1990s, West Basin leaders decided to diversify the agency's water portfolio to include conservation and water reuse to provide a more reliable supply of water for future generations. Early efforts included building the world's most unique water recycling facility that would convert treated wastewater into different types of high-quality recycled water suitable for groundwater recharge, irrigation, municipal, industrial, and commercial uses.

The benefits generated by the water recycling facility include more affordable water rates for customers, a reliable, locally-controlled supply of recycled water, reducing energy use by importing less water from hundreds of miles away, reducing wastewater and biosolids discharged to the ocean, and use of wastewater as a sustainable water resource. The drought of the early 1990s also increased awareness about water conservation and resulted in West Basin's addition of conservation as a new water supply alternative. West Basin currently offers free indoor and outdoor programs for residents and businesses to reduce their consumption of water and maximize water use efficiency.

Today, West Basin is an international water industry leader, hosting visitors from around the globe. West Basin is focused on providing value to its customers and delivering water reliability for the region through a diverse supply of water that includes imported, recycled, desalted and conserved water. All West Basin departments contribute to the agency meeting the goals and objectives of the Board of Directors Strategic Business Plan.

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, information technology 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.

Budget Process and Controls

Public agencies develop budgets as both a performance tool and to demonstrate accountability to its stakeholders. West Basin's budget is developed in accordance with the priorities, goals and objectives established by the Board of Directors through its Strategic Plan. The Strategic Plan provides direction for planning, budgeting, implementation, evaluation and reporting. The General Manager communicates the goals and objectives with his senior staff to ensure the budget includes the monetary requirements necessary to achieve the goals and objectives set within the Strategic Plan.

The budget is also used as a communication tool. Interested parties, such as bond holders, credit rating agencies, and customers can review the budget to obtain a wide variety of information on West Basin's short- and long-term strategic planning, financial policies, and the current and future fiscal stability. For West Basin, the budget shows how the agency invests its revenues derived from user fees and fixed revenue sources to support its mission, goals and programs.

West Basin is not required to adopt a budget and therefore does not appropriate its fund. However, as a good business practice, West Basin prepares, adopts, monitors, and reports budgeted information.

Credit Rating and Debt Coverage

The latest credit rating from Moody's and Standards & Poor's is Aa2 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. West Basin's Board of Directors has approved a number of financial policies to effectively manage the agency. Other non-financial policies are maintained by West Basin through its Administrative Code and are reviewed periodically to ensure compliance with legal statutes. These efforts lend to a solid management focus on fiscal policies and metrics and have assisted West Basin to receive strong credit ratings and allow West Basin to obtain low-cost financing for its capital projects. Please refer to Table 16 of the Statistical Section for the 10-year historical information on West Basin's debt coverage.

To maintain its financial strength, West Basin developed a Long-Range Financial Model. The model uses the current fiscal year budget, incorporates multiple year revenue and expense assumptions used to address anticipated operating and capital expenditures, and result in a dynamic financial model for West Basin. The capital recycled water expenditures are based on the Capital Improvement Program and estimates for the Ocean-water Desalination program costs. In addition, the model provides the basis for certain criteria to be incorporated into financial policy development, such as debt management, swap and designated fund levels. West Basin continues to monitor its assumptions to actual to ensure it remains a financially healthy organization.

Source of Revenue

West Basin primarily receives its source of revenue from imported and recycled water sales. Imported water sales and charges totaled \$135 million for the fiscal year ending June 30, 2014, while recycled water sales amounted to \$42 million for the same period. More detailed information regarding West Basin's revenues is presented in the statistical section –Table 6: Payors-Potable Water Sales and Table 7: Payors-Recycled Water Sales.

Water Rates

West Basin establishes rates and charges annually through a resolution by the Board of Directors. 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. In October 2013, the West Basin Board approved a revised Designated Fund Policy that combined certain funds, and clarified certain language. The core funds include Operating Liquidity Fund, Operating Contingency Fund, Capital Contingency Fund, and the Rehabilitation & Replacement Fund. In addition, West Basin maintained its System Expansion Fund, Rate Stabilization Fund and added a new designated fund, the Standby Charges Defeasance Fund, to account for the new policy.

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 restricted funds are the Bond Reserve Funds and custodial cash accounts.

WEST BASIN STAFF SERVICES

West Basin currently employs 40 full-time persons, of whom 24 work in the operations, planning, communications and engineering departments and 16 work in accounting or administration.

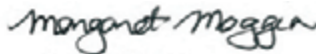
ACKNOWLEDGEMENTS

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 and recognize members of the finance staff who contributed to this report.

Respectfully,



Richard Nagel
General Manager



Margaret Moggia
Chief Financial Officer



Government Finance Officers Association

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

Presented to

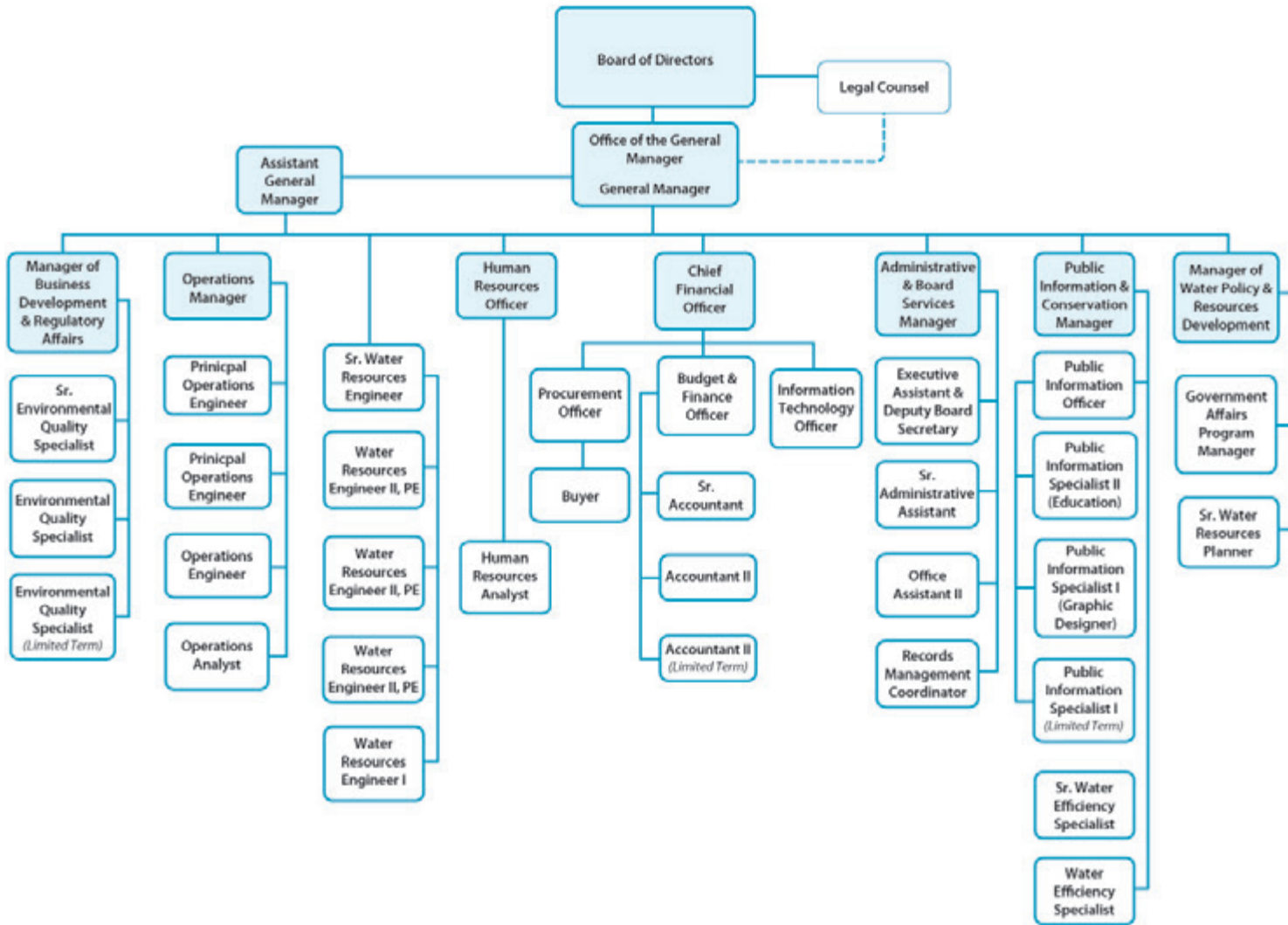
**West Basin Municipal Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

WEST BASIN MUNICIPAL WATER DISTRICT
ORGANIZATIONAL CHART
 July 2014



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FINANCIAL SECTION



Board of Directors
WEST BASIN MUNICIPAL WATER DISTRICT

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the West Basin Municipal Water District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note eleven to the financial statements, during the year ended June 30, 2014, the entity implemented GASB Statement No. 65. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to *management's discussion and analysis* in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

WEST BASIN MUNICIPAL WATER DISTRICT

Page three

Other Information

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 the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mayor Holloman Nelson A.C.

Irvine, California
October 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the West Basin Municipal Water District (or "West Basin") provides an introduction to the financial statement of West Basin for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the introductory section, the basic financial statements and related notes which follow this section.

FINANCIAL HIGHLIGHTS

- West Basin's Net Position increased by \$14.5 million, or 4.1% from the prior year. During the year, West Basin implemented GASB Statement No. 65 resulting in a prior period adjustment of \$3.5 million to write off all bond issuance costs. The net overall change in Net Position was \$11 million.
- West Basin's total operating revenue increased by \$15 million, or 9.0% from the prior year.
- During the year, West Basin borrowed an additional \$26.3 million from the 2010A Adjustable Rate Revenue Certificates of Participation ("2010A") to pay off the entire outstanding balance of the 2008A Adjustable Rate Refunding Revenue Certificates of Participation ("2008A COPS"). The transaction resulted in overall economic gain (difference between the present values of the old and new debt service requirements) of \$796,476.
- During the year, West Basin amortized and contributed \$3.7 million to the California Employers Benefit Retirement Trust resulting in the balance of all unfunded OPEB liability to be paid.
- During the year, West Basin completed the \$81 million Phase V Recycling Water Facility Expansion project. The Phase V project is expected to increase Barrier water production by up to an additional 5 million gallons per day ("MGD"), increase additional 20 MGD pretreatment capacity within Title 22 system and provide 0.5 MGD Low-Pressure Boiler Feed system capacity to El Segundo Energy Center ("NRG").
- Capital contributions to West Basin were approximately \$16.4 million for the year which included \$8.3 million from NRG to pay for the construction of the additional recycling facility and pipeline that supported NRG.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of West Basin using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of West Basin's Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources with the difference between the four reported as Net Position. Net Position is displayed in the following categories: Net Investment in Capital Assets and Unrestricted Net Position. This statement provides the basis for evaluating the capital structure of West Basin and assessing the liquidity and financial flexibility of West Basin.

The Statement of Revenues, Expenses and Changes in Net Position present information that shows the result of West Basin financial performance during the year. All of the current year's revenues and

expenses are accounted for in this statement. The Statement measures the success of West Basin's operations over the past year and determines whether West Basin has recovered its costs through user fees and other charges.

The Statement of Cash Flows provides information regarding West Basin's cash receipts, cash disbursements and net changes in cash resulting from operating, non-capital financing, capital financing and investing activities. This statement provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements as well as a description of the accounting policies used to prepare the financial statements. It also presents material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes to the Financial Statements can be found on pages 26 through 48.

FINANCIAL ANALYSIS OF WEST BASIN

1) Statement of Net Position

Condensed Statement of Net Position

	2014	2013	Change
Assets			
Current unrestricted assets	\$103,675,774	\$85,436,512	\$18,239,262
Current restricted assets	4,501,566	6,459,771	(1,958,205)
Capital asset, net	485,434,657	489,263,337	(3,828,680)
Other assets	0	4,161,742	(4,161,742)
Total assets	<u>593,611,997</u>	<u>585,321,362</u>	<u>8,290,635</u>
Deferred Outflows Of Resources	<u>14,390,699</u>	<u>15,939,471</u>	<u>(1,548,772)</u>
Liabilities			
Current liabilities	47,342,673	35,135,500	12,207,173
Long term liabilities	321,029,886	337,574,276	(16,544,390)
Total Liabilities	<u>368,372,559</u>	<u>372,709,776</u>	<u>(4,337,217)</u>
Deferred Outflows Of Resources	<u>77,012</u>	<u>0</u>	<u>77,012</u>
Net Position:			
Net investment in capital assets	175,455,369	174,080,738	1,374,631
Unrestricted	64,097,756	54,470,319	9,627,437
Total Net Position	<u>\$239,553,125</u>	<u>\$228,551,057</u>	<u>\$11,002,068</u>

Net Position measures West Basin's financial health or financial position. Over time, increases or decreases in West Basin's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, new or changed government legislation, etc. The Condensed Statement of Net Position show that Assets and Deferred Outflows of West Basin exceeded liabilities and Deferred Inflows by \$240 million and \$229 million as of June 30, 2014 and 2013, respectively.

A large portion of West Basin's net position (\$175 million and \$174 million as of June 30, 2014 and 2013, respectively) reflects the West Basin's net investment in capital assets (net of accumulated depreciation) less any related debts used to acquire those assets that are still outstanding. West Basin uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

2) Statement of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenue, Expenses and Changes In Net Position

Revenue	2014	2013	Change
Operating revenues			
Water	\$135,310,145	\$129,606,873	\$5,703,272
Water recycling revenue	42,151,257	32,628,990	9,522,267
Water conservation and monitoring	972,298	1,101,047	(128,749)
Desalting revenue	789,969	879,124	(89,155)
Total operating revenues	<u>179,223,669</u>	<u>164,216,034</u>	<u>15,007,635</u>
Non-Operating revenues			
Standby charges	9,683,207	9,805,001	(121,794)
Investment Income	234,129	2,872,452	(2,638,323)
Other non-operating revenues	338,051	194,252	143,799
Total non-operating revenues	<u>10,255,387</u>	<u>12,871,705</u>	<u>(2,616,318)</u>
Total revenue	<u>189,479,056</u>	<u>177,087,739</u>	<u>12,391,317</u>
Expenses			
Operating expenses			
Source of supply	118,116,614	110,529,956	7,586,658
Water recycling costs	32,682,913	27,103,178	5,579,735
Depreciation and amortization	20,792,901	17,521,735	3,271,166
Communications and monitoring	6,004,376	4,731,293	1,273,083
Water resource planning	2,302,418	1,611,964	690,454
Desalting operations	810,526	891,600	(81,074)
Total operating expenses	<u>180,709,748</u>	<u>162,389,726</u>	<u>18,320,022</u>
Non-Operating expenses			
Miscellaneous expenses	66,107	93,496	(27,389)
Interest expense	10,650,835	9,208,657	1,442,178
Total non-operating expenses	<u>10,716,942</u>	<u>9,302,153</u>	<u>1,414,789</u>
Total expenses	<u>191,426,690</u>	<u>171,691,879</u>	<u>19,734,811</u>
Net Income (loss) before capital contributions	<u>(1,947,634)</u>	<u>5,395,860</u>	<u>(7,343,494)</u>
Capital Contributions	<u>16,446,497</u>	<u>8,528,283</u>	<u>7,918,214</u>
Change in Net Position	<u>14,498,863</u>	<u>13,924,143</u>	<u>574,720</u>
Net Position – Beginning of year (as restated, note 11)	<u>225,054,262</u>	<u>214,626,914</u>	<u>10,427,348</u>
Net Position – End of year	<u><u>\$239,553,125</u></u>	<u><u>\$228,551,057</u></u>	<u><u>\$11,002,068</u></u>

The Statement of Revenues, Expenses and Changes in Net Position shows how West Basin's net position changed during the fiscal year. Net position increased by \$11 million (with the prior year adjustment of \$3.5 million) and \$13.9 million for the fiscal years ending June 30, 2014 and 2013, respectively.

A closer examination of the sources of changes in net position reveals that:

- In 2014, West Basin's total operating revenues increased by \$15 million, primarily due to an increase in potable water sales revenues of \$5.7 million and an increase in recycled water revenue of \$9.5 million. The increase in potable water revenues is the result of both increases in water rates and sales in the year. The potable water sales of \$135 million included the deduction of \$3.6 million accrued contingency expense that West Basin is in negotiation with another water district regarding the price adjustments associated with prior water delivery. The increase in recycling water revenues is due to the increase of the water rates and sales. In fiscal year 2014, West Basin completed the Phase V recycling water facility expansion project. The completion of this project enables West Basin to provide more recycling water to West Coast Barrier and Chevron. With the approval from the County of LA, West Basin was able to provide an additional 6,000 AF recycling water to the Barrier. Chevron Nitrification sales increased 700 AF when compared with the prior year. West Basin recorded an additional \$1.7 million recycling water revenue due to the discovery of a faulty meter in West Basin's service area.
- In 2014, West Basin total non-operating revenues decreased by \$2.6 million, primarily due to the decrease in realized gain and interest income. In 2013, West Basin refinanced its 2003A Refunding Revenue Certificates of Participation. The transaction resulted in \$1.4 million in realized gain. 2003A Refunding Revenue Certificates of Participation had a reserve fund of \$9.2 million that earned interest income for West Basin. The 2013 refinancing also liquidated the reserve fund, so in 2014, interest income decreased.
- In 2014, West Basin total operating expenses increased by \$18 million, primarily due to the increase in potable water purchase cost, recycling water facility operation and maintenance costs, depreciation cost and the funding of OPEB. West Basin purchases potable water from Metropolitan Water District (MWD). In 2014, the potable rate was \$867/AF and West Basin bought 120,915 AF of potable water from MWD. The recycling water facility operation and maintenance cost included power, utility, chemical and other costs. Since West Basin sold more recycling water in 2014, the costs were increased as well. The depreciation expense increased mainly due to the starting depreciation of the newly completed \$81 million Phase V recycling water facility expansion project. In 2014, West Basin paid an additional \$3.7 million to the OPEB fund to pay off all of its unfunded liability. The cost of the additional payment was allocated to all West Basin's operation projects.
- In 2014, West Basin total non-operating expenses increased by \$1.4 million, primarily due to the increase in interest expense.
- The capital contributions include the fixed payments from major recycled water customers, capital grants and cash contribution. In 2014, the capital contributions increased by \$7.9 million, primarily due to the capital contribution from NRG for the amount of \$8.3 million to repay for the construction of the additional recycling facility that supported NRG.

3) Capital Assets

On June 30, 2014, West Basin investment in capital assets totaled \$680.6 million. Capital assets include land, discharge capacity rights, water facilities, potable distribution system, education center, buildings and improvements, furniture, fixtures and equipment and construction in progress. This amount represents an increase of \$17.3 million over the prior year. The following is a summary of capital assets:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Land	\$25,211,646	\$25,211,646	\$0
Discharge Capacity	621,189	621,189	0
Water Facilities	582,678,678	494,178,963	88,499,715
Building and Improvements	4,125,905	3,345,013	780,892
Potable Distribution System	1,241,681	1,241,681	0
Education Center	548,067	548,067	0
Furniture, Fixtures, and Equipment	3,019,126	2,668,960	350,166
Construction in Progress	63,152,062	135,530,355	(72,378,293)
Total Capital Assets	<u>\$680,598,354</u>	<u>\$663,345,874</u>	<u>\$17,252,480</u>

In 2014, the value of West Basin's Water Facilities increased by \$88.5 million and the value of Construction in Progress decreased by \$72.4 million, primarily due to the completion of the \$81 million Phase V Recycling Expansion Project and several other projects. Once the construction projects were completed, they were capitalized to other asset categories. Within the \$63.2 million Construction in Progress category, the majority of the costs were for the research and development of the Ocean Desalination project. West Basin has invested in Ocean Desalination since 2000 and plans to continue this project.

Additional information regarding capital assets can be found in Note 4 in Notes to Basic Financial Statements.

4) Long-Term Liabilities

As of June 30, 2014, West Basin had \$334.3 million in long term liabilities, including certificates of participation, refunding revenue bonds and interest rate swaps. West Basin paid down \$35.2 million of principal in its long-term debts in fiscal year 2014 through refunding and cash payments. During the year, West Basin borrowed an additional \$26.3 million from the 2010A to pay off the entire outstanding balance of the 2008A COPS. The transaction resulted in overall economic gain (difference between the present values of the old and new debt service requirements) of \$796,476. Note 5 in the Notes to Basic Financial Statements disclose the detail of all Long-Term debt.

West Basin has two outstanding swaps at the end of the fiscal year. These two swaps had been associated with the 2008A COPS. During the year, West Basin refunded the 2008A COPS by issuing of an additional \$26.3 million of 2010A, and the swaps are now associated with 2010A. The fair market value of these two swaps has increased by \$0.4 million during the year, and the combined values are recorded as \$3.4 million in liabilities on the Statement of Net Position. Note 9 in the Notes to Basic Financial Statements disclose the detail of the swaps.

The following is a summary of the Long-Term Liabilities for the years 2014 and 2013:

	2014	2013	Change
Compensated Absences	\$1,128,276	\$1,100,648	\$27,628
Refunding Certificates of Participation	154,879,578	162,096,334	(7,216,756)
Refunding Revenue Bonds	174,875,168	176,589,556	(1,714,388)
Interest Rate Swaps	3,426,396	3,859,295	(432,899)
Total Long Term Liabilities	<u>\$334,309,418</u>	<u>\$343,645,833</u>	<u>(\$9,336,415)</u>

5) Prior Year Adjustment

During the year, West Basin implemented GASB Statement No. 65. With the implementation of GASB No. 65, the unamortized bond issuance costs have been written off as a prior year adjustment.

6) Other Post Employment Benefits (OPEB)

During the year, West Basin amortized and contributed \$3.7 million to California Employers Benefit Retirement Trust resulting in the balance of the unfunded OPEB liability to be paid.

CONDITION AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any conditions that would have a significant impact on the West Basin's financial position, net assets, or operating results in terms of past, present and future.

CONTACTING WEST BASIN'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with an overview of the West Basin's financial operations and overall financial condition. If you have questions about this report or need additional financial information, please contact Margaret Moggia, Chief Financial Officer, at West Basin.

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STATEMENT OF NET POSITION

June 30, 2014 (With comparative totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents (note 2)	\$ 38,306,958	\$ 22,585,030
Investments (note 2)	29,081,165	31,136,519
Accounts receivable	35,429,987	30,963,851
Accrued interest receivable	112,169	157,274
Inventory	508,779	427,138
Prepaid expenses	236,716	166,700
Total unrestricted assets	<u>103,675,774</u>	<u>85,436,512</u>
Restricted assets (note 3):		
Cash and cash equivalents (note 2)	4,170,711	4,889,798
Investments (note 2)	-	1,527,601
Accrued interest receivable	-	34,721
Custodial cash (note 2)	330,855	7,651
Total restricted assets	<u>4,501,566</u>	<u>6,459,771</u>
TOTAL CURRENT ASSETS	<u>108,177,340</u>	<u>91,896,283</u>
NONCURRENT ASSETS		
Capital assets, not depreciable (note 4)	88,984,897	161,363,190
Capital assets, net of depreciation (note 4)	396,449,760	327,900,147
Net OPEB asset (note 7)	-	664,947
Unamortized bond issuance costs (note 11):		
2008 adjustable rate refunding revenue certification of participation	-	253,659
2008 refunding revenue certificates of participation	-	2,010,577
2011A refunding revenue bonds	-	304,072
2011B refunding revenue bonds	-	384,753
2012A refunding revenue bonds	-	348,210
2013A refunding revenue bonds	-	195,524
TOTAL NONCURRENT ASSETS	<u>485,434,657</u>	<u>493,425,079</u>
TOTAL ASSETS	<u>\$ 593,611,997</u>	<u>\$ 585,321,362</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred change in swap fair value (Note 9)	\$ -	\$ 3,859,295
Deferred amount on refunding	14,390,699	12,080,176
TOTAL DEFERRED OUTFLOWS	<u>\$ 14,390,699</u>	<u>\$ 15,939,471</u>

See accompanying notes to financial statements.

STATEMENT OF NET POSITIONJune 30, 2014 *(With comparative totals for June 30, 2013)*

(Continued)

LIABILITIES AND NET POSITION

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 28,321,298	\$ 23,495,342
Accrued interest payable	5,741,843	5,568,601
Current portion of long-term liabilities (note 5)	13,279,532	6,071,557
TOTAL CURRENT LIABILITIES	<u>47,342,673</u>	<u>35,135,500</u>
 LONG-TERM LIABILITIES (note 5)		
Compensated absences	1,128,276	1,100,648
2008A adjustable rate refunding revenue certification of participation	-	30,065,000
2008B refunding revenue certificates of participation	118,579,578	122,031,334
2010A adjustable rate revenue certification of participation	36,300,000	10,000,000
2011A refunding revenue bonds	36,822,660	37,502,180
2011B refunding revenue bonds	64,232,455	64,557,727
2012A refunding revenue bonds	55,959,262	56,334,878
2013A refunding revenue bonds	17,860,791	18,194,771
Interest rate swaps (note 9)	3,426,396	3,859,295
Subtotal	<u>334,309,418</u>	<u>343,645,833</u>
Less current portion above	<u>(13,279,532)</u>	<u>(6,071,557)</u>
TOTAL LONG-TERM LIABILITIES	<u>321,029,886</u>	<u>337,574,276</u>
TOTAL LIABILITIES	<u>\$ 368,372,559</u>	<u>\$ 372,709,776</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred change in swap fair value (Note 9)	<u>\$ 77,012</u>	<u>\$ -</u>
 NET POSITION:		
Net investment in capital assets	\$ 175,455,369	\$ 174,080,738
Unrestricted	<u>64,097,756</u>	<u>54,470,319</u>
TOTAL NET POSITION	<u>\$ 239,553,125</u>	<u>\$ 228,551,057</u>

See accompanying notes to financial statements.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2014 (With comparative totals for the year ended June 30, 2013)

	2014	2013
OPERATING REVENUES:		
Water	\$ 135,310,145	\$ 129,606,873
Water recycling revenue	42,151,257	32,628,990
Water conservation and monitoring	972,298	1,101,047
Desalting revenue	789,969	879,124
TOTAL OPERATING REVENUES	<u>179,223,669</u>	<u>164,216,034</u>
OPERATING EXPENSES:		
Source of supply	118,116,614	110,529,956
Water recycling costs	32,682,913	27,103,178
Depreciation and amortization	20,792,901	17,521,735
Communications and monitoring	6,004,376	4,731,293
Water resource planning	2,302,418	1,611,964
Desalting operations	810,526	891,600
TOTAL OPERATING EXPENSES	<u>180,709,748</u>	<u>162,389,726</u>
OPERATING INCOME (LOSS)	<u>(1,486,079)</u>	<u>1,826,308</u>
NONOPERATING REVENUES (EXPENSES):		
Standby charges	9,683,207	9,805,001
Investment income	234,129	2,872,452
Miscellaneous income	255,470	128,180
Noncapital grants	82,581	66,072
Miscellaneous expense	(66,107)	(93,496)
Interest expense	(10,650,835)	(9,208,657)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(461,555)</u>	<u>3,569,552</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(1,947,634)</u>	<u>5,395,860</u>
CAPITAL CONTRIBUTIONS:		
Capital contributions	16,446,497	8,528,283
CHANGE IN NET POSITION	<u>14,498,863</u>	<u>13,924,143</u>
NET POSITION - BEGINNING OF YEAR (as restated, note 11)	<u>225,054,262</u>	<u>214,626,914</u>
NET POSITION - END OF YEAR	<u><u>\$ 239,553,125</u></u>	<u><u>\$ 228,551,057</u></u>

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWSYear ended June 30, 2014 *(With comparative totals for the year ended June 30, 2013)*

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$175,059,020	\$161,748,085
Cash paid to suppliers of goods and services	(137,541,956)	(134,610,415)
Cash paid for arbitrage rebate	(227,657)	-
Cash paid for employee services and benefits	(7,436,934)	(4,638,579)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	29,852,473	22,499,091
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants received	82,581	66,072
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	82,581	66,072
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(5,760,000)	(12,410,000)
Cash paid to bond escrow for refundings	(27,990,000)	(35,858,745)
Acquisition and construction of capital assets	(17,252,480)	(39,566,000)
New issuance of long-term liabilities	26,300,000	17,697,203
Interest paid on long-term liabilities	(10,477,593)	(8,611,772)
Capital contributions	16,446,497	8,528,283
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(18,733,576)	(70,221,031)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	27,293,221	35,415,140
Purchase of investments	(24,080,125)	(12,838,679)
Interest received	911,471	3,288,170
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,124,567	25,864,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,326,045	(21,791,237)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,482,479	49,273,716
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 42,808,524	\$ 27,482,479
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents	\$ 38,306,958	\$ 22,585,030
Restricted cash and cash equivalents	4,170,711	4,889,798
Restricted custodial cash	330,855	7,651
Cash and cash equivalents at end of year	\$ 42,808,524	\$ 27,482,479

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS (continued)

Year ended June 30, 2014 (With comparative totals for the year ended June 30, 2013)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2014	2013
Operating income (loss)	\$ (1,486,079)	\$ 1,826,308
Standby charges	9,683,207	9,805,001
Depreciation and amortization	20,792,901	17,521,735
Nonoperating miscellaneous revenue	255,470	128,180
Nonoperating miscellaneous expenses	(66,107)	(93,496)
Arbitrage rebate payment	(227,657)	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,466,136)	(2,467,949)
(Increase) decrease in inventory	(81,641)	3,654
(Increase) decrease in prepaid expense	(70,016)	126,077
(Increase) decrease in net OPEB asset	664,947	(11,597)
Increase (decrease) in accounts payable	4,825,956	(4,460,865)
Increase (decrease) in compensated absences	27,628	122,043
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 29,852,473	\$ 22,499,091
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Unrealized gain (loss) from investments	\$ 550,281	\$ 132,916
Reclassification of deferred outflows associated with swap agreements as a result of debt refunding (see note 9)	\$ 2,765,248	\$ -

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(1) **Summary of significant accounting policies**

Organization and description of West Basin - The West Basin Municipal Water District (District) was incorporated on December 17, 1947, which operates under the authority of Division 20 of the California Water Code for the purpose of providing water and related services to the properties within West Basin. West Basin is governed by a five member board of Directors elected by the voter in the area to four-year term.

The mission of West Basin is to provide a safe and reliable supply of high quality water to the communities we serve. West Basin's customers consist of 9 agencies, private and public, within its 185-square mile service area. West Basin provides drinking and recycled water and water efficiency programs to its customers.

Basis of accounting

West Basin financial statements are comprised of the Statements of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the notes to the financial statements.

West Basin uses an enterprise fund to record its activities. An enterprise fund is a type of Proprietary fund used to account for operations where the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user fees and charges or debt backed by fees and charges.

West Basin uses "accrual basis of accounting", where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

West Basin distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water operations. Revenues not meeting this definition are reported as non-operating revenues.

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.

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

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.

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

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(1) **Summary of significant accounting policies (Continued)**

Capital assets - Capital assets are classified into two major criteria of the business:

Capital assets used to support General Administration must meet (2) conditions:

1. Each individual item has a cost of \$3,000 or more or a group of same type assets has a cost of \$5,000 or more; and
2. Useful life of at least three years

Capital assets used to support Infrastructure and Other Construction Projects must meet (2) conditions:

1. Each individual item or component unit has a cost of \$10,000 or more; and
2. Useful life of at least three years

All purchased or constructed capital assets are reported at historical cost. Contributed assets are reported at fair market value on the date received. Replacements, refurbishments and other capital outlays that significantly extend the useful life of an asset by at least three years and the cost of the individual project is \$10,000 or more 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	3 - 75 year
Buildings and improvements	3 - 40 year
Furniture, fixtures and equipment	3 - 10 year

Depreciation aggregated \$21,081,160 for the year ended June 30, 2014.

Construction in progress includes demonstration facilities that were constructed to test and validate the desalination methodologies to be used in the completed facility. These costs are considered by management to be integral and necessary to the successful completion and installation of the desalination facilities.

Amortization - 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 (\$288,259) for the year ended June 30, 2014.

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

Compensated Absences - Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(1) **Summary of significant accounting policies (Continued)**

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. West Basin has reclassified certain prior year information to conform with current year presentations.

Capital contributions - Capital contributions of \$16,446,497 include capital grants, capital contributions, and capital recovery charges for the fiscal year ended June 30, 2014.

Capital grants and contributions - West Basin receives grants from LADWP and other entities/agencies for several ongoing projects.

Capital-recovery charges (recycling operations) - West Basin receives fixed payments from major recycled water customers, which are intended to cover the cost of recycled water facilities owned by West Basin, but that were exclusively constructed to meet their recycling needs.

Risk management - West Basin 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. The ACWA-JPIA board is composed of representatives from a number of water districts, including the West Basin Municipal Water District.

At June 30, 2014, West Basin participated in the self-insurance programs of the Insurance Authority as follows:

Property loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$100,000,000 (total insurable value of \$247,424,568). West Basin 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 \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$58,000,000.

Auto liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$58,000,000.

Public officials' liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage up to \$58,000,000.

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

At June 30, 2014, West Basin also had insurance coverage with Alliant Insurance for crime up to \$3,000,000, with a \$100,000 deductible.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(2) Cash and investments

Cash and investments held by West Basin were comprised of the following at June 30, 2014:

	<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	\$31,955,282	\$ -	\$ -	\$31,955,282
Money market mutual funds	4,347,843	-	-	4,347,843
Deposits with financial institutions	5,285,777	-	-	5,285,777
Investments:				
United States agency securities	-	9,487,631	-	9,487,631
United States treasury securities	3,194,942	4,192,608	-	7,387,550
Corporate notes	2,838,227	4,931,210	-	7,769,437
Commercial Paper	<u>5,656,169</u>	<u>-</u>	<u>-</u>	<u>5,656,169</u>
Total cash and investments	<u>\$53,278,240</u>	<u>\$18,611,449</u>	<u>\$ -</u>	<u>\$71,889,689</u>

Financial Statement Classification:

Unrestricted assets:

Cash and cash equivalents \$38,306,958Investments 29,081,165

Restricted assets:

Cash and cash equivalents 4,170,711Custodial cash 330,855Total Cash and Investments \$71,889,689

Investments authorized by the California government code and West Basins investment policy - The table below identifies the investment types that are authorized for West Basin 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 West Basin, rather than the general provision of the California Government Code or West Basin's investment policy:

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(2) Cash and investments (Continued)

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury obligations	Yes	5 year	None	None
U.S. agency securities	Yes	5 year	None	None
Bankers acceptances	Yes	180 days	15%	15%
California municipal obligations	Yes	5 year	10%	5%
State municipal obligations	Yes	5 year	10%	5%
Commercial paper	Yes	270 days	25%	10%
Certificates of deposit	Yes	5 year	30%	5%
Repurchase agreements	No	1 year	None	None
Reverse repurchase agreements	Yes	92 days	20% of base value	None
Medium-term notes	Yes	5 year	30%	5%
Mutual funds	No	N/A	20%	10%
Money market mutual funds	Yes	N/A	20%	10%
Mortgage pass-through securities	No	5 year	20%	None
LAIF	Yes	N/A	None	None

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

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 West Basin’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 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

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

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(2) Cash and investments (Continued)

Interest rates. In accordance with its Investment Policy, West Basin 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 West Basin's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of West Basin's investments by maturity as of June 30, 2014.

Disclosure 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 Investment Policy, West Basin 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 under current assets and restricted assets.

<u>Investment</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End Standard & Poor's</u>
U.S. agency securities	N/A	AA+
U.S. treasury securities	N/A	AA+
LAIF	N/A	Not Rated
Money market mutual funds	N/A	AAA-m
Corporate notes	A	A, A+, AA-, AA and AA+
Commercial paper	A-1	A-1 and A-1+
Held by bond trustee:		
Money market mutual funds	N/A	AAAm

Concentration of credit risk - Concentration of credit is the risk of loss attributed to the magnitude of West Basin'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 National Mortgage Association	U.S. agency securities	\$5,420,561
Federal Home Loan Mortgage Association	U.S. agency securities	1,555,815
Federal Home Loan Bank	U.S. agency securities	<u>2,511,255</u>
		<u>\$9,487,631</u>

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(2) **Cash and investments (Continued)**

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, West Basin 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) West Basin 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 West Basin'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 - West Basin 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 West Basin's investment in this pool is reported in the accompanying financial statements at amounts based upon West Basin's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF which are recorded on an amortized cost basis. The weighted average maturity of the LAIF portfolio as of June 30, 2014 is 232 days.

(3) **Restricted assets**

Restricted assets were provided by, and are to be used for, the following at June 30, 2014:

<u>Funding source</u>	<u>Use</u>	<u>Amount</u>
Refunding Revenue Bonds	Reserve Requirement	\$4,170,711
Custodial Account	Custodial costs	<u>330,855</u>
		<u>\$4,501,566</u>

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(4) Capital assets

The investment in capital assets consists of the following at June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Capital assets, not being depreciated:				
Land - Recycling facilities	\$ 23,541,078	\$ -	\$ -	\$ 23,541,078
Land – Carson	1,670,568	-	-	1,670,568
Discharge Capacity	621,189	-	-	621,189
Construction-in-progress	<u>135,530,355</u>	<u>17,001,311</u>	<u>(89,379,604)</u>	<u>63,152,062</u>
Total capital assets, not being depreciated	<u>161,363,190</u>	<u>17,001,311</u>	<u>(89,379,604)</u>	<u>88,984,897</u>
Capital assets, being depreciated:				
Building – Carson	2,343,574	-	-	2,343,574
Building improvement	1,001,439	780,892	-	1,782,331
Potable distribution system	1,241,681	-	-	1,241,681
Ocean desalination education center	548,067	-	-	548,067
Recycling facilities	489,274,501	88,359,994	-	577,634,495
Groundwater desalting facility	4,904,462	139,722	-	5,044,184
Machinery and equipment	2,259,986	350,165	-	2,610,151
Furniture and fixtures	<u>408,974</u>	<u>-</u>	<u>-</u>	<u>408,974</u>
Total capital assets, being depreciated	<u>501,982,684</u>	<u>89,630,773</u>	<u>-</u>	<u>591,613,457</u>
Less accumulated depreciation:				
Building – Carson	(554,646)	(93,743)	-	(648,389)
Building improvement	(156,964)	(102,806)	-	(259,770)
Potable distribution system	(155,210)	(62,084)	-	(217,294)
Ocean desalination education center	(152,241)	(60,896)	-	(213,137)
Recycling facilities	(169,508,052)	(20,336,371)	-	(189,844,423)
Groundwater desalting facility	(2,007,724)	(198,925)	-	(2,206,649)
Machinery and equipment	(1,194,397)	(199,628)	-	(1,394,025)
Furniture and fixtures	<u>(353,303)</u>	<u>(26,707)</u>	<u>-</u>	<u>(380,010)</u>
Total accumulated depreciation	<u>(174,082,537)</u>	<u>(21,081,160)</u>	<u>-</u>	<u>(195,163,697)</u>
Total capital assets, being depreciated, net	<u>327,900,147</u>	<u>68,549,613</u>	<u>-</u>	<u>396,449,760</u>
Total capital assets, net	<u>\$489,263,337</u>	<u>\$ 85,550,924</u>	<u>\$(89,379,604)</u>	<u>\$485,434,657</u>

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(5) Long-term liabilities

The following amounts of long term liabilities were outstanding June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>	<u>Current Portion</u>
2008A Adjustable Rate Refunding Revenue Certificate of Participation	\$ 30,065,000	\$ -	\$(30,065,000)	\$ -	\$ -
2008B Refunding Revenue Certificate of Participation	122,031,334	-	(3,451,756)	118,579,578	3,400,000
2010A Adjustable Rate Revenue Certificates of Participation	10,000,000	26,300,000	-	36,300,000	-
2011A Refunding Revenue Bonds	37,502,180	-	(679,520)	36,822,660	360,000
2011B Refunding Revenue Bonds	64,557,727	-	(325,272)	64,232,455	-
2012A Refunding Revenue Bonds	56,334,878	-	(375,616)	55,959,262	2,055,000
2013A Refunding Revenue Bonds	<u>18,194,771</u>	<u>-</u>	<u>(333,980)</u>	<u>17,860,791</u>	<u>6,860,000</u>
Subtotal	338,685,890	26,300,000	(35,231,144)	329,754,746	12,675,000
Compensated Absences	1,100,648	710,813	(683,185)	1,128,276	604,532
Interest rate swaps	<u>3,859,295</u>	<u>-</u>	<u>(432,899)</u>	<u>3,426,396</u>	<u>-</u>
Total	<u>\$343,645,833</u>	<u>\$27,010,813</u>	<u>\$(36,347,228)</u>	<u>\$334,309,418</u>	<u>\$13,279,532</u>

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(5) Long-term liabilities (Continued)

2008B refunding revenue certificates of participation - In May 2008, the Financing Corporation issued \$128,665,000 Refunding Revenue Certificates of Participation (“2008B Refunding Revenue Certificates”) to assist West Basin in financing and refinancing certain facilities of West Basin previously financed and refinanced from the proceeds of the 2003B 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 2008B Refunding Revenue Certificates have interest rates ranging from 3.0% to 5.0% with maturities through August 2031. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$116,585,000
Unamortized premium	<u>1,994,578</u>
Net liability	<u>\$118,579,578</u>

2010A adjustable rate revenue certificates of participation - In April 2013, U.S. Bank National Association agreed to extend up to \$40,000,000 authorization credit to West Basin on a revolving basis through the purchase of West Basin Municipal Water District Adjustable Rate Revenue Certificates of Participation, Series 2010 (the “Certificate”), evidencing undivided interests in Installment Payments to be paid by West Basin under an Installment Purchase Agreement dated June 1, 2010 (the “Installment Purchase Agreement”), by and between West Basin and the Financing Corporation, prior to the commitment termination date (no later than April 25, 2016). The interest paid on the utilized portion of the Certificate is based on fixed rate and adjusted LIBOR rate of .16% at June 30, 2014. During the fiscal year West Basin drew down additional monies to redeem the 2008A Adjustable Rate Refunding Certificates of Participation (2008A Certificates). The undiscounted cash flows required to service the refunding 2010A Certificates that were issued during the year ended June 30, 2014 will be \$2,707,956 less than the cash flows that would have been required to service the called 2008A Certificates. The economic gain (difference between the present values of the old and new debt service payments) resulting from this transaction was \$796,476. The amount of certificates outstanding at June 30, 2014, totaled \$36,300,000.

2011A refunding revenue bonds - In September 2011, West Basin issued \$34,190,000 Refunding Revenue Bonds (“2011A Refunding Revenue Bonds”) to assist West Basin in refinancing a portion of certain facilities of West Basin previously financed and refinanced from the proceeds of the 2003A Refunding Revenue Certificates of Participation, to refinance certain facilities of West Basin previously financed from the proceeds of the State of California loan, and to pay costs of delivery of the 2011A Refunding Revenue Bonds.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(5) Long-term liabilities (Continued)

The 2011A Refunding Revenue Bonds have interest rates ranging from 2.5% to 5.0% with maturities through August 2024. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$33,500,000
Unamortized premium	<u>3,322,660</u>
Net liability	<u>\$36,822,660</u>

2011B refunding revenue bonds – In November 2011, West Basin issued \$60,275,000 Refunding Revenue Bonds (“2011B Refunding Revenue Bonds”) to assist West Basin in refinancing a portion of certain facilities of West Basin previously financed and refinanced from the proceeds of the 2003A Refunding Revenue Certificates of Participation, to refinance certain facilities of West Basin previously financed from the proceeds of the 2010A Adjustable Rate Revenue Certificates of Participation, to fund capitalized interest, to fund a reserve fund and to pay costs of delivery of the 2011B Refunding Revenue Bonds.

The 2011B Refunding Revenue Bonds have interest rates ranging from 4.0% to 5.0% with maturities through August 2036. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$60,275,000
Unamortized premium	<u>3,957,455</u>
Net liability	<u>\$64,232,455</u>

2012A refunding revenue bonds - In April 2012, West Basin issued \$50,325,000 Refunding Revenue Bonds (“2012A Refunding Revenue Bonds”) to assist West Basin in refinancing a portion of certain facilities of West Basin previously financed from the proceeds of the 2003A Refunding Revenue Certificates of Participation, to refinance certain facilities of West Basin previously financed from the proceeds of the 2010A Adjustable Rate Revenue Certificates of Participation, to fund capitalized interest, to fund a portion of a reserve fund and to pay costs of delivery of the 2012A Refunding Revenue Bonds.

The 2012A Refunding Revenue Bonds have interest rates ranging from 3.0% to 5.0% with maturities through August 2029. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$50,325,000
Unamortized premium	<u>5,634,262</u>
Net liability	<u>\$55,959,262</u>

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(5) Long-term liabilities (Continued)

2013A refunding revenue bonds – In May 2013, West Basin issued \$17,165,000 Refunding Revenue Bonds (“2013A Refunding Revenue Bonds”) to refund all of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2003A, and to pay costs of delivery of the 2013A Refunding Revenue Bonds.

The Bonds have interest rates ranging from 2.0% to 4.0% with maturities through August 2016. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$17,165,000
Unamortized premium	<u>695,791</u>
Net liability	<u>\$17,860,791</u>

Debt Coverage - West Basin has pledged revenues, net of specified operating expenses, as security for debt service associated with indebtedness incurred to finance various capital facilities of West Basin. The bonds are payable solely from net revenues and are payable through fiscal year 2037. For the year ended June 30, 2014, debt coverage (net revenues divided by senior debt service) for senior debt was approximately 2.62. Debt coverage (net revenues divided by total debt service) for all debt was approximately 1.73.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(5) Long-term liabilities (Continued)

Debt Service Requirements - of the Certificates of Participation and Refunding Revenue Bonds (not including the 2010 Adjustable rate revenue certificates of participation) subsequent to June 30, 2014, are as follows:

	<u>Certificates of Participation</u>		<u>Hedging Derivatives, Net</u>	<u>Refunding Revenue Bonds</u>		<u>Total</u>
	<u>Total COP's</u>			<u>Total Refunding Rev Bonds</u>		
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	
2014/15	\$ 3,400,000	\$ 5,585,531	\$ 982,069	\$ 9,275,000	\$ 7,306,050	\$26,548,650
2015/16	3,590,000	5,429,981	907,162	9,480,000	7,096,400	26,503,543
2016/17	3,775,000	5,286,381	831,575	5,515,000	6,720,950	22,128,906
2017/18	3,825,000	5,135,381	748,405	6,105,000	6,500,350	22,314,136
2018/19	3,960,000	4,982,381	666,760	6,345,000	6,256,150	22,210,291
2019/20	4,125,000	4,823,981	580,417	6,580,000	6,012,700	22,122,098
2020/21	4,280,000	4,653,825	491,463	6,810,000	5,794,250	22,029,538
2021/22	4,450,000	4,477,275	396,531	7,125,000	5,493,750	21,942,556
2022/23	6,530,000	4,254,775	300,467	7,480,000	5,137,500	23,702,742
2023/24	7,135,000	3,928,275	247,833	7,780,000	4,776,000	23,867,108
2024/25	7,490,000	3,571,525	203,054	8,150,000	4,387,000	23,801,579
2025/26	7,865,000	3,197,025	156,225	8,720,000	4,010,500	23,948,750
2026/27	8,260,000	2,803,775	108,709	8,915,000	3,574,500	23,661,984
2027/28	8,670,000	2,390,775	58,376	9,435,000	3,149,250	23,703,401
2028/29	9,105,000	1,957,275	8,338	9,910,000	2,677,500	23,658,113
2029/30	9,555,000	1,506,250	-	10,410,000	2,182,000	23,653,250
2030/31	10,035,000	1,028,500	-	4,080,000	1,661,500	16,805,000
2031/32	10,535,000	526,750	-	4,285,000	1,457,500	16,804,250
2032/33	-	-	-	4,500,000	1,243,250	5,743,250
2033/34	-	-	-	4,725,000	1,018,250	5,743,250
2034/35	-	-	-	4,960,000	782,000	5,742,000
2035/36	-	-	-	5,210,000	534,000	5,744,000
2036/37	-	-	-	5,470,000	273,500	5,743,500
	\$116,585,000	\$65,539,661	\$6,687,384	\$161,265,000	\$ 88,044,850	\$ 438,121,895

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(6) **Defined benefit pension plan**

CalPERS:

West Basin contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by CalPERS. Copies of CalPERS' 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 to the cost sharing multiple-employer defined benefit plan. West Basin is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2014, is 15.909% of annual covered payroll. The contribution requirements of plan members and West Basin are established and may be amended by the Board of Directors in conjunction with applicable labor contracts. West Basin's employer contributions to the plan for the years ending June 30, 2012, 2013, and 2014 were \$608,017, and \$632,727 and \$754,458. The contributions for the year ended June 30, 2014, were based on an actuarial with a valuation date of June 30, 2011.

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, 2013 to June 30, 2014, has been determined by an actuarial valuation of the plan as of June 30, 2011.

<i>Schedule of Employer Contribution</i>			
<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 608,017	100%	\$-0-
6/30/13	632,727	100%	-0-
6/30/14	754,458	100%	-0-

Effective with the 6/30/2003 valuation, risk pools were established for plans containing less than 100 active members as of the valuation date. In general, plans satisfying this criteria were lumped into pools based on their benefit formula and membership category (safety/miscellaneous). In total, ten risk pools, including the Agency's, were established for the 6/30/2003 valuation.

PARS:

West Basin has established a defined benefit, single-employer retirement plan that provides a pension benefit for full time elected or appointed Directors:

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(6) Defined benefit pension plan (Continued)

Tier I: Members retire from West Basin after July 1, 2002, who are at least age 50 with 5 or more years of continuous service, who have not been a CalPERS member prior to January 1, 2003.

Tier II: Members retire from West Basin after July 1, 2002, who have assumed office on or after January 1, 1995, who are at least age 55 with 12 or more years of continuous service, and who are not eligible for another District retiree benefit.

Tier III: Members assumed office on or before January 1, 2013, who are at least age 52 with 5 or more years of continuous service, and who have not been a CalPERS member prior to January 2003.

This plan is administered for West Basin through a third party administrator, PARS. Copies of PARS' annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

PARS:

The pension benefit for Tier I members starts at 2% of the highest average annual salary for a one year period of employment with West Basin at age 50, increases by 0.1% for each year after age of 50, capped at 3% at 60. For Tier II members, the benefit is increased by a 2% annual Cost of Living Adjustment (COLA) after retirement with the annual Supplemental benefit of \$5,000. For Tier III members, the benefit starts at 1% of the highest average annual compensation paid during any 36 consecutive months, capped at 2.5% at age 67. West Basin contributes to each benefit on behalf of the eligible directors.

The actuarial assumptions used for the report are listed in below:

Asset Valuation Method:	Smoothed market value
Discount rate:	5.5%, a decrease from the 6.0% assumed previously
Mortality:	Post-retirement mortality rates are from the CalPERS' 1997-2007 Experience Study
General Inflation:	3%
Aggregate payroll Increase:	3.25%
Termination:	None assumed
Salary Scale:	Individual payroll increases are the lesser of 5% and inflation
Retirement Age:	Employees will immediately retire upon the later of eligibility for benefits (which is usually the expiration of the third term on the Board), or end of the current term on the Board

The actuarial methods used are listed in below:

Cost Method: Entry Age Normal Level % of Pay.

The Unfunded Liability Amortization is calculated by using:

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(6) Defined benefit pension plan (Continued)

- The plan's June 30, 2006, Fresh Start Unfunded Actuarial Accrued Liability (UAAL) has 9 years remaining as of 2013/2014
- Gains and losses are amortized over 15 years (closed)
- Plan changes, assumption and method changes are amortized over 20 years (closed)
- Maximum 30 years combined amortization period

The Actuarial Value Assets are calculated by using:

- Asset gains/losses recognized over 5 years
- Corridor: 80% & 120% of market value

The schedule in below shows the results of the actuarial assumptions and methods used for the report:

Schedule of Funding Progress (amounts in \$000's)

Actuarial Covered Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Liabilities (b-a)	Funded Ratio (a/b)	Annual Funded Payroll (c)	Ratio of Unfunded Liability to Annual Covered Payroll (b-a)/c
6/30/08	\$ 479	\$ 579	\$ 100	82.7%	\$ 152	65.8%
6/30/10	709	832	123	85.2%	156	78.8%
6/30/12	986	1,097	111	89.9%	169	65.7%

West Basin's funding policy is to make the contribution as determined by the Plan's actuary, expressed as a percentage of total Director's payroll. The Plan's annual pension cost for the fiscal year ending June 30, 2014, is based on an actuarial valuation as of June 30, 2012. For the fiscal year ending June 30, 2014, West Basin's annual pension cost is \$115,609 or 74% of the projected total Director payroll. West Basin contributed \$110,113 to the plan.

The required schedule of funding progress immediately following presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Employer Contribution

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Obligation (Asset)
2012	\$ 104,000	106%	\$ -
2013	125,000	90%	12,871
2014	115,609	95%	5,496

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(7) Other Post Employment Benefits (OPEB)

Plan Description: West Basin Municipal Water District provides postretirement medical benefits to employees who retire directly from West Basin under CalPERS under a single-employer defined benefit post-employment benefits plan. To be eligible for District-paid healthcare benefits, retirees must be at least age 55 with 10 years of District service at retirement, or meet the 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, West Basin 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.

District's Funding Policy: West Basin adopted GASB 45 in its fiscal year 2007/08. Based on the actuarial report, West Basin contributes Annual Required Contribution of the Employer required contribution of the employer (ARC) to the California Employer's Retirement Benefit Trust (CERBT) administered by CalPERS.

CERBT holds irrevocable employer contributions in a trust restricted for benefits under this program. Separate financial statements are published by CERBT to conform to GASB Statement No. 43. Copies of CERBT annual financial report can be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Annual OPEB Cost and Net OPEB Obligation. West Basin's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of West Basin's annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in West Basin's net OPEB obligation for these benefits:

Annual required contribution	\$ 3,748,912
Interest on net OPEB obligation	(49,871)
Adjustment to annual required contribution	<u>714,818</u>
Annual OPEB cost (expense)	4,413,859
Contributions made (including retiree premiums paid)	<u>(3,748,912)</u>
Increase (decrease) in net OPEB obligation	664,947
Net OPEB obligation (asset) - beginning of year	<u>(664,947)</u>
Net OPEB obligation (asset) - end of year	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(7) Other Post Employment Benefits (Continued)

This table summarizes West Basin's annual OPEB costs, annual OPEB contribution, cash directly paid to retired employees, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation from FY 2012 to FY 2014.

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Contributed/Paid</u>	<u>% of Annual OPEB Contributed/Paid</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2012	\$ 471,960	\$ 471,960	100%	\$ (653,350)
6/30/2013	475,703	487,300	102%	(664,947)
6/30/2014	4,413,859	3,748,912	85%	-

Funding Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan was 51% funded. The table below shows the Funding Progress.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/c)</u>
7/1/09	\$ 1,084,341	\$ 2,456,093	\$ 1,371,752	44%	\$ 3,285,222	41.76%
7/1/11	2,180,681	4,466,071	2,285,390	49%	3,647,096	62.66%
7/1/13	3,272,335	6,362,579	3,090,244	51%	3,976,526	77.71%

As of June 30, 2014, West Basin has paid all of its unfunded liability.

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

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(7) Other Post Employment Benefits (Continued)

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Method. The actuarial assumptions included a 7.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and annual cost trend rate of 9.5% for medical plan premiums initially, reduced by decrements of 0.5% per year to an ultimate rate of 5% after the ninth year. The plan values its assets at market value. All the rates included a 3.25% inflation assumption. During the year ended June 30, 2014, West Basin changed its amortization period of the UAAL to one year. It is assumed West Basin's payroll will increase 3.25% per year.

(8) Commitments and contingencies

West Basin 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, 2014, the total unpaid amount on these contracts is approximately \$20,358,000. These commitments may be funded from restricted assets.

The accompanying financial statements include a liability in the amount of \$3.6 million for the possible settling of pricing adjustments associated with prior delivered water. Negotiations between the parties are ongoing and final amounts pertaining to this matter are not known at this time.

(9) Swap transaction agreements

In June, 2004, District entered into a swap transaction in the original notional amount of \$22,875,000 for the purpose of hedging the variable interest rate that related to one of West Basin's Adjustable Rate Refunding Certificates of Participation at the time. This swap was executed and confirmed on June 8, 2004. In 2008, District refinanced this Adjustable Rate Refunding Revenue Certificates of Participation and the swap was amended and restated as of June 6, 2008 for the original notional amount of \$22,875,000. The agreement is scheduled to terminate August 1, 2027 unless terminated earlier. Under the amended and restated swap transaction, West Basin pays a fixed rate of 3.662% and receives 65% of the British Bankers Association - London Interbank offered rate (BBA - LIBOR). The fair market value of this swap was (\$2,341,369) based on the market interest rates as of June, 30, 2014.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(9) Swap transaction agreements (Continued)

Also in April, 2005, District entered into a swap transaction in the notional amount of \$18,175,000 for the purpose of hedging the variable interest rate that related to another District's Adjustable Rate Refunding Revenue Certificates of Participation at the time. This swap was executed on June 7, 2004. In 2008, District refinanced the 2008A-2 Adjustable Rate Refunding Revenue Certificates of Participation and the swap was amended and restated as of May 22, 2008 for the original notional amount of \$18,175,000 and is scheduled to terminate August 1, 2021, unless terminated earlier. Under the amended and restated swap transaction, West Basin pays a fixed rate of 3.515% and receives the floating rate of 65% of BBA - LIBOR. The fair market value of this swap was (\$1,085,027) based on the market interest rates as of June, 30, 2014.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands):

	Changes in Fair Value		Fair Value at June 30, 2014		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Business-type activities					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	\$ (206)	Debt	\$ (2,341)	\$16,175
Pay-fixed interest rate swap	Deferred outflow	\$ (249)	Debt	\$ (1,085)	\$11,525

The fair value of each of the above interest rate swap agreements has been reported as a liability in the accompanying statement of net position. Swap agreements that have a strong correlation to the debt agreement of West Basin to which they relate and that meet the hedge accounting criteria of GASB No. 53 have been accounted for as cash flow hedges. Under hedge accounting, the changes in fair value associated with cash flow hedges are recorded on the statement of net assets as deferred outflows of financial resources (an asset).

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(9) Swap transaction agreements (Continued)**Objective and Terms of Hedging Derivative Instruments**

The following table displays the objective and terms of West Basin's hedging derivative instruments outstanding at June 30, 2014, along with the credit rating of the associated counterparty (amounts in thousands).

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating*</u>
Pay-fixed interest rate swap	Hedge of the variable rate interest exposure relating to the Refunding Revenue Certificates of Participation Series 2010A.	\$16,175	5/22/08	8/01/27	Pay 3.662%; receives 65% of the BBA-LIBOR	A-
Pay-fixed interest rate swap	Hedge of the variable rate interest exposure relating to the Refunding Revenue Certificates of Participation Series 2010A.	\$11,525	5/22/08	8/01/21	Pay 3.515%; receive floating rate of 65% of BBA-LIBOR	A-

* S&P rating of subordinated debt for Citibank, N.A.

Credit risk. West Basin is exposed to credit risk on hedging derivative instruments. To minimize its exposure to loss related to credit risk, it is West Basin's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty, or its guarantor, not have credit ratings from two nationally recognized rating agencies in at least the two highest rating categories. Collateral posted is to be in the form of cash, U.S. Treasury Securities or Agency Securities rated "Aaa" or "AAA" by two of the nationally recognized rating agencies held by a third-party custodian.

Interest rate risk. West Basin is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR decreases, West Basin's net payment on the swap increases. In addition, on its basis interest rate swap, as LIBOR decreases or the SIFMA swap index increases, West Basin's net payment on the swap increases.

Basis risk. West Basin is exposed to basis risk on its interest rate swaps. For its pay-fixed and receive-variable interest rate swaps, the variable-rate payments received by West Basin on these hedging derivative instruments are based on 65% of one-month LIBOR index, reset every month. At each reset of its hedged variable rate debt, West Basin can choose the period until the next reset, and the interest rate on the debt is then based on 70% of the LIBOR index with a tenure that best approximates the chosen period. As of June 30, 2014, West Basin chose a reset period of one month for its hedged variable-rate debt, and 65% and 70% of one-month LIBOR were approximately 0.10% and 0.11%, respectively.

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2014

(9) **Swap transaction agreements (Continued)**

Termination risk. West Basin or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In such event, West Basin may either receive or owe a payment to the counterparty. The amount and the direction of the payment are dependent on swap interest rates and ratios and it reflects the value of the swap at the time of such termination. The fair value of the swaps at June 30, 2014 suggests that a payment of \$3,426,396 would be required if the two swaps were terminated on that date.

During the year ended June 30, 2104, the 2008A Adjustable Rate Certificates of Participation were redeemed as a result of the issuance of the 2010A Adjustable Rate Revenue Certificates of Participation. In accordance with GASB Statement No. 53, the balance of the deferred outflows through the date of the refunding that were associated with the 2008A Adjustable Rate Revenue Certificates of Participation have been removed from the Statement of Net Position and taken into account in the determination of the deferred refunding charge that is associated with the 2010A Adjustable Rate Revenue Certificates of Participation. The balance of this reclassified deferral account as of the date of the refunding was \$3,503,408.

The interest rate swap agreements previously associated with the 2008A Adjustable Rate Revenue Certificates of Participation are now associated with the 2010A Adjustable Rate Revenue Certificates of Participation. Consultants engaged by West Basin have determined that these swaps serve as an effective hedge with respect to the 2010A Adjustable Rate Revenue Certificates of Participation. Accordingly, deferred inflows have been recognized for this new hedging relationship to account for the changes in fair value that have taken place from the date of the refunding (March 4, 2014) to the date of the Statement of Net Position (June 30, 2014). From March 4, 2014 (the date of the refunding) through June 30, 2014, the liability associated with the fair value of the swaps decreased by \$77,012. This decrease in swap fair value resulted in the establishment of deferred inflows that are associated with the hedging of the 2010A Certificates of Participation.

(10) **Agreements Associated with West Basin's Recycled Water Program**

For West Basin's recycled water program, West Basin has entered into agreements with various entities that desire to use the recycled water that is produced by West Basin's recycled water treatment facilities.

These agreements entitle those parties to purchase a prescribed amount of recycled water. In return for access to such water, these parties have agreed to pay for the water actually supplied to that user at a rate annually established by West Basin for its recycled water customers.

Because of the significant contingencies associated with each of these agreements and in accordance with the revenue recognition criteria established for voluntary nonexchange transactions, capital contribution revenue and a related receivable was not accrued at the inception of the agreement.

(11) Prior Period Adjustment

The accompanying financial statements reflect the implementation of GASB Statement No. 65. Significant impacts of GASB Statement included the effects of debt issuance costs that no longer meet the definition of an asset. Due to this change in accounting principle, a prior period adjustment was booked. Going forward, debt issuance costs will be expensed in the period they are incurred. The beginning net position as restated is as follows:

Beginning Net Position	\$ 228,551,057
Debt Issuance Costs	<u>(3,496,795)</u>
Beginning Net Position (as restated)	<u>\$ 225,054,262</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT
STATISTICAL SECTION

WEST BASIN MUNICIPAL WATER DISTRICT
STATISTICAL SECTION

This part of West Basin'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's overall financial health.

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WEST BASIN MUNICIPAL WATER DISTRICT
Table 1: NET POSITION
 Last Ten Fiscal Years *(In Thousands)*

<u>Fiscal Year</u> Ended June 30,	<u>Net Investment</u> <u>In Capital Assets</u> (3)	<u>Unrestricted</u>	<u>Total</u> <u>Net Position</u> (3)
2005	\$84,855	\$96,216	\$181,071
2006	92,636	95,923	188,559
2007	108,085	89,200	197,285
2008	123,492	79,476	202,968
2009	135,653	66,928	202,581
2010	138,496	55,514	194,010 (1)
2011	142,314	58,122	200,436 (2)
2012	152,042	62,585	214,627
2013	174,081	54,470	228,551
2014	175,455	64,098	239,553 (4)

(1) Fiscal Year 2010 beginning Net Position was restated for two reasons: (1) Due to less contribution from the U.S. Army Corps of Engineers; there was a deduction of \$3.6M in Construction-In-Progress account (2) Per GASB No. 53, the fair value of \$15.7M nonhedged swap at the end of the Fiscal Year 2009 was required to be recorded in Fiscal Year 2010.

(2) Fiscal Year 2011 beginning Net Position was restated in Fiscal Year 2012 to reflect the deduction of \$1.2M in the Construction-In-Progress account from Fiscal Year 2008.

(3) In Fiscal Year 2013, West Basin adopted GASB No. 63, which reflects the name change on this table.

(4) In Fiscal Year 2014, West Basin adopted GASB No. 65, resulting in a prior year adjustment of \$3.5M to write off all bond issuance costs.

Table 2: CHANGES IN NET POSITION

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30,	Operating Revenue (Loss)			Nonoperating Revenue (loss)			
	Operating Revenues (1)	Operating Expenses (2)	Operating Revenue (Loss)	Standby Charges	Investment Income (8)	Realized Gain (Swap Termination) (3)	Grant Income Misc Inc (Exp) Loss on Disposal (4)
2005	\$91,913	\$97,091	(\$5,178)	\$9,669	\$2,669	-	\$396
2006	95,486	104,191	(8,705)	9,785	2,230	-	(1,588)
2007	105,289	113,094	(7,805)	9,659	4,555	-	1,081
2008	106,072	115,260	(9,188)	9,365	3,581	-	207
2009	107,704	119,924	(12,220)	9,701	3,093	-	243
2010	130,623	138,786	(8,163)	9,679	1,426	-	(808)
2011	134,352	144,604	(10,252)	9,899	1,216	-	567
2012	146,147	147,932	(1,785) (4)	9,632	1,323	4,916	546
2013	164,216	162,390	1,826	9,805	2,872	-	100
2014	179,224	180,710	(1,486)	9,683	234	-	272

(1) Further detail is shown on Table 3 - "Operating Revenues by Source".

(2) Further detail is shown on Table 4 - "Operating Expenses by Source".

(3) In Fiscal Year 2012, one interest rate swap was terminated resulting in a \$4.9M realized gain.

(4) In Fiscal Year 2006, there was a \$1.5M loss from the disposition of capital assets.

(5) The increase in Fiscal Year 2009 was due to the refunding of the auction rate securities to fixed rate debt. The interest expense declined in Fiscal Year 2012 and 2013 due to refunding of the 2003A Refunding Revenue Certificates of Participation.

(continued)

Table 2: CHANGES IN NET POSITION (continued)

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30,	Nonoperating Revenue (loss)			Income (Loss) Before Contributions	Capital Contributions	Change in Net Position
	Interest Expense	Change in fair value of swap (nonhedged)	Total Nonoperating Revenue (Loss)			
	(5)	(6)			(7)	
2,005	(\$10,195)	-	\$2,539	(\$2,639)	\$19,033	\$16,394
2006	(10,593)	-	(166)	(8,871)	16,359	7,488
2007	(9,101)	-	6,194	(1,611)	10,337	8,726
2008	(9,808)	-	3,345	(5,843)	10,332	4,489
2009	(13,848)	-	(811)	(13,032)	9,069	(3,963)
2010	(12,498)	5,702	3,501	(4,662)	15,319	10,657
2011	(12,038)	5,033	4,675	(5,577)	13,196	7,619
2012	(11,002)	-	5,413	3,631	10,560	14,191
2013	(9,209)	-	3,566	5,395	8,528	13,923
2014	(10,651)	-	(462)	(1,948)	16,447	14,499

(6) Effective Fiscal Year 2010, per GASB No. 53, a swap agreement did not conform to the hedge accounting criteria referred to as investment derivatives. The changes in fair value associated with investment derivative are reported as a gain or loss in the statement of revenues, expenses and changes in net assets. West Basin terminated this type of the swap in Fiscal Year 2012.

(7) Further detail is shown on Table 5 - "Capital Contributions by Source" with explanations of the nature of these contributions.

(8) In Fiscal Year 2013, West Basin sold a \$12.1M guaranteed investment contract (GIC) investment for the 2003A Refunding Revenue Certificates of Participation debt service reserve fund and realized a gain of \$2.0M.

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Table 3: OPERATING REVENUES BY SOURCELast Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Water Sales				Total
	Potable, Barrier & CC	Recycled & LRP	Desalting & GRP	Conservation and Monitoring	
	(1)	(2)	(3)		
2005	\$76,021	\$15,528	\$ -	\$364	\$91,913
2006	79,299	15,680	-	507	95,486
2007	84,978	19,627	65	619	105,289
2008	82,404	22,890	352	426	106,072
2009	82,569	23,599	566	970	107,704
2010	101,365	28,012	334	912	130,623
2011	106,427	26,382	802	741	134,352
2012	114,974	29,258	1,074	841	146,147
2013	129,607	32,629	879	1,101	164,216
2014	135,310	42,151	790	973	179,224

(1) Includes non-interruptible, seasonal storage, seawater barrier and Capacity Charge (CC). In Fiscal Year 2010, non-interruptible and seawater barrier water rate increased 21% over the prior year.

(2) Includes recycled sales and incentives from Metropolitan Water District of Southern California Local Resource Programs (LRP) which offers \$250 incentive per acre-foot of the recycled water sold. Explanation of the fluctuations in recycled water sales is on Table 10 - "Recycled Water Sales in Acre-Feet".

(3) Includes desalting water sales and incentives from Metropolitan Water District of Southern California Groundwater Recovery Program (GRP) which offers \$250 incentive per acre-foot of the desalting water sold. This incentive ended in Fiscal Year 2013.

(4) Explanation of the fluctuations in water sales is on Table 8 - "All Water Sold in Acre-Feet".

Table 4: OPERATING EXPENSES BY SOURCELast Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Source of Supply	Water Recycling Costs	Desalting Operations	Communications and Monitoring
	(1)	(2)	(3)	(5)
2005	\$69,609	\$13,719	\$69	\$2,509
2006	73,089	14,899	72	2,487
2007	77,828	17,317	137	2,309
2008	75,470	20,709	440	3,123
2009	76,153	21,528	481	4,476
2010	92,276	23,477	551	4,360
2011	94,855	25,277	668	4,643
2012	99,019	23,595	901	4,940
2013	110,530	27,103	892	4,731
2014	118,117	32,683	811	6,004

(1) Includes water purchases from Metropolitan Water District of Southern California, Capacity Charges, and Readiness-to-Serve. MWD increases are passed on to West Basin customers.

In Fiscal Year 2010, Metropolitan Water District of Southern California's water rate increased 21% over the prior year. Explanation of the fluctuations in source of supply is on Table 8 - "All Water Sold in Acre-Feet".

(2) Represents West Basin's costs to operate and maintain its recycling facilities.

(3) Represents West Basin's costs to operate and maintain its brackish desalting facility.

(continued)

Table 4: OPERATING EXPENSES BY SOURCE (continued)

Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	General and Administrative	Water Resource Planning	Depreciation and Amortization	Total Operating Expenses
	(4)	(5)		
2005	\$1,113	\$1,732	\$8,340	\$97,091
2006	3,350	1,985	8,309	104,191
2007	1,997	3,163	10,343	113,094
2008	-	2,195	13,323	115,260
2009	-	1,096	16,190	119,924
2010	-	1,044	17,078	138,786
2011	-	893	18,268	144,604
2012	-	1,194	18,283	147,932
2013	-	1,612	17,522	162,390
2014	-	2,302	20,793	180,710

(4) Increases/decreases in general and administrative (G&A) expenses were in accordance with budgeted amounts. In Fiscal Year 2006 and 2007, the increase in G&A expenses relate to significant legal expenses. Starting in Fiscal Year 2008, the District changed its allocation methodology and began allocating all G&A costs to other direct programs.

(5) The fluctuation in Fiscal Year 2008 and Fiscal Year 2013 was the result of organizational restructuring.

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	California Department of Water Resources	Other	Total
	(1)	(2)	(3)	(4)	
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	10,337
2008	8,229	2,061	-	42	10,332
2009	7,140	1,068	409	452	9,069
2010	7,172	7,572	126	449	15,319
2011	6,887	4,628	1,239	442	13,196
2012	7,241	2,398	94	827	10,560
2013	7,360	-	-	1,168	8,528
2014	7,296	-	-	9,151	16,447

- (1) Recycling Operations - West Basin receives fixed payments from major recycled water customers, which are intended to cover the capital costs of recycled water facilities that were partially constructed for them. The fixed payments will continue to Fiscal Year 2025, as the existing contracts expire.
- (2) U.S. Army Corps of Engineers - 75% of the construction costs related to the Harbor-South Bay Water Recycling Project are from a grant with the U.S. Army Corps of Engineers. Prior period adjustments were made for Fiscal Year 2008 and 2009 to reflect the correct contributions. To date, the total contributions received was \$35M.
- (3) California Department of Water Resources (DWR) - West Basin received grants from the California Department of Water Resources to assist with the design and construction of the 3rd expansion to the Edward C. Little Water Recycling Facility and seawater desalination projects.
- (4) Other - West Basin received contributions from other agencies such as Los Angeles Department of Water & Power, Tesoro (formerly BP), Southern California Edison (SCE) and Metropolitan Water District of Southern California. In Fiscal Year 2007, SCE provided a \$1.7M incentive to West Basin for the installation of solar panels. In Fiscal Year 2014, West Basin received a capital reimbursement of \$8.3M from NRG for the facilities and pipelines built to meet their recycled water demand.

Table 6: PAYORS - POTABLE WATER SALESFor the Current Year and Nine Years Prior (*In Thousands*)

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

2014		
Name	in US \$	%
California Water Service (CalWater)	71,587	52.4%
Golden State Water Company (GSWC) (1)	18,038	13.2%
Los Angeles County Water Works (LA County)	11,405	8.3%
Water Replenishment District (WRD)	10,489	7.7%
City of Inglewood	9,270	6.8%
City of El Segundo	9,117	6.7%
City of Manhattan Beach	3,999	2.9%
City of Lomita	2,019	1.5%
California American Water Company (CAWC)	752	0.6%
Total	<u>\$136,676</u>	<u>100.0%</u>
2005		
Name	in US \$	%
California Water Service (CalWater)	34,867	47.0%
Southern California Water Company (SCWC) (1)	15,285	20.6%
Water Replenishment District (WRD)	5,976	8.1%
Los Angeles County Water Works (LA County)	5,139	6.9%
City of El Segundo	4,476	6.0%
City of Inglewood	3,315	4.5%
City of Manhattan Beach	3,010	4.1%
City of Lomita	1,410	1.9%
California American Water Company (CAWC)	725	1.0%
Total	<u>\$74,203</u>	<u>100.0%</u>

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

Table 7: PAYORS - RECYCLED WATER SALESFor the Current Year and Nine Years Prior (*In Thousands*)

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

2014		
Name	in US \$	%
City of El Segundo	9,504	29.7%
Water Replenishment District (WRD)	7,151	22.4%
California Water Service (CalWater)	6,877	21.5%
City of Torrance	5,986	18.7%
L.A. Dept of Water & Power	888	2.8%
City of Inglewood	742	2.3%
Golden State Water Company (GSWC) (1)	526	1.6%
City of Manhattan Beach	284	0.9%
Total	\$31,958	100.0%

2005		
Name	in US \$	%
City of El Segundo	3,673	38.7%
California Water Service (CalWater)	1,787	18.8%
City of Torrance	1,909	20.1%
Water Replenishment District (WRD)	1,634	17.2%
City of Inglewood	168	1.8%
Southern California Water Company (SCWC) (1)	125	1.3%
L.A. Dept of Water & Power	93	1.0%
City of Manhattan Beach	82	0.9%
Inglewood Unified School District (2)	18	0.2%
Total	\$9,489	100.0%

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

(2) In Fiscal Year 2012 Inglewood Unified School District purchased recycled water directly through the City of Inglewood and no longer is a direct customer to West Basin.

Table 8: ALL WATER SOLD IN ACRE-FEET

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					Recycled (4)	Desalting (5)	All Water Deliveries
	Non- Interruptible	Ground- water	Saltwater Barrier	Seasonal Water	Total Potable Water			
		(1)	(2)	(3)				
2005	129,315	44,329	11,400	-	185,044	24,070	-	209,114
2006	129,258	36,792	13,722	-	180,517	23,653	-	204,170
2007	134,800	36,424	11,162	745	184,368	29,250	89	213,706
2008	127,927	38,785	7,609	1,982	174,321	32,209	467	206,997
2009	114,294	43,835	9,774	-	167,903	29,908	682	198,493
2010	108,261	44,405	13,054	-	165,720	30,680	285	196,685
2011	102,611	44,215	13,534	-	160,360	26,419	882	187,661
2012	105,309	38,152	8,057	-	151,518	27,659	958	180,135
2013	108,550	43,303	11,320	-	163,173	29,962	825	193,960
2014	111,659	42,294	9,285	-	163,238	36,720	817	200,775

- (1) 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.
- (2) In Fiscal Year 2009 to 2014, recycled water sales have fluctuated due to poor source water or well and pipeline repairs performed by Los Angeles County.
- (3) In Fiscal Year 2006 and 2007, MWD offered more seasonal water, therefore increasing deliveries of this type of water. In December 2012, MWD discontinued the Seasonal Storage Program.
- (4) In Fiscal Year 2009 to 2014, recycled water sales have fluctuated due to poor source water and other operational constraints. In Fiscal Year 2014, recycled water sales increased due to West Basin completion of the Phase V construction.
- (5) Throughout Fiscal Years 2005-2007, the Desalter underwent a number of capital projects to address aging infrastructure and water quality issues.

Table 9: ALL WATER SALES TO CUSTOMERS IN ACRE-FEET

Last Ten Fiscal Years

The following table presents a summary of all water sales by West Basin to each retail agency for the last ten fiscal years. Water sales include desalted, non-interruptible, recycled, seasonal storage, and seawater barrier.

	2005	2006	2007	2008	2009
California American Water Company (CAWC)	1,384	682	2,272	1,725	1,436
California Water Service (CalWater)	70,014	69,999	74,498	73,917	68,164
City of El Segundo	16,360	15,767	17,062	16,950	17,773
City of Inglewood	6,884	7,816	8,882	8,339	7,817
City of Lomita	2,676	2,576	2,720	2,583	2,420
City of Manhattan Beach	5,893	6,419	6,037	5,566	5,073
City of Torrance	6,921	6,409	6,037	6,389	5,876
Golden State Water Company (GSWC)	29,377	29,689	28,270	22,935	18,280
Inglewood Unified School District (3)	60	57	68	56	63
Los Angeles County Water Works (LA County)	9,748	9,533	10,836	10,654	9,886
L.A. Dept of Water & Power	283	257	335	360	444
Water Replenishment District (WRD) (1)	15,185	18,174	20,266	18,738	17,426
Total (2)	164,785	167,378	177,283	168,212	154,658

(1) Sales decreased due to replacement of the pressure reducing valves during Fiscal Year 2005 and well & pipeline repairs in Fiscal Year 2012.

(2) Overall sales decreased from Fiscal Year 2008 to 2012 due to local residents' response towards conservation/water efficiency programs to address drought conditions.

(3) In Fiscal Year 2012, Inglewood Unified School District purchased recycled water directly from the City of Inglewood and no longer is a direct customer to West Basin.

(Continued)

Table 9: ALL WATER SALES TO CUSTOMERS IN ACRE-FEET (continued)

Last Ten Fiscal Years

	2010	2011	2012	2013	2014
California American Water Company (CAWC)	809	712	902	1,019	667
California Water Service (CalWater)	65,422	61,127	62,797	65,185	70,679
City of El Segundo	19,666	16,522	17,848	17,144	16,681
City of Inglewood	7,173	7,545	8,327	9,021	9,028
City of Lomita	2,290	2,096	2,336	2,275	1,788
City of Manhattan Beach	3,565	3,359	3,757	3,863	3,849
City of Torrance	6,445	5,785	6,352	6,634	6,529
Golden State Water Company (GSWC)	16,634	16,352	15,399	11,637	16,516
Inglewood Unified School District	56	-	-	-	-
Los Angeles County Water Works (LA County)	8,750	8,331	8,802	9,234	10,090
L.A. Dept of Water & Power	619	763	876	966	998
Water Replenishment District (WRD)	20,851	20,854	14,587	23,679	21,657
	152,280	143,446	141,983	150,657	158,481

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 the four largest purchasers and others.

Fiscal Year Ended June 30,	Number of Accounts	Chevron Refinery (1)	Mobil Refinery (1)	Tesoro Refinery (1)	Total West Coast Refineries (2)	West Coast Barrier (3)	Title 22 Irrigation	Total
2005	207	7,563	6,708	3,183	17,454	3,799	2,817	24,070
2006	216	7,004	6,130	3,191	16,325	4,383	2,945	23,653
2007	221	7,661	5,742	2,951	16,354	9,104	3,792	29,250
2008	226	7,366	6,047	4,091	17,504	11,129	3,576	32,209
2009	326	8,478	5,578	4,759	18,815	7,652	3,441	29,908
2010	354	8,492	6,146	4,708	19,346	7,797	3,537	30,680
2011	378	6,163	5,538	3,973	15,674	7,320	3,425	26,419
2012	384	6,397	6,060	5,019	17,476	6,530	3,653	27,659
2013	402	7,146	6,348	5,208	18,702	6,622	4,638	29,962
2014	411	7,891	6,167	5,572	19,630	12,372	4,718	36,720

- (1) Chevron refinery is located in the city of El Segundo, ExxonMobil refinery is located in Torrance, and Tesoro (Formerly BP Amoco) is located in Carson.
- (2) Recycled Water Sales include deliveries to refineries for nitrification, boiler feed, industrial reverse osmosis, and ultra industrial reverse osmosis. In Fiscal Year 2011, sales to all refineries were decreased due to water quality issues.
- (3) Sales declined in Fiscal Year 2005 and 2006 due to barrier operating issues and poor source water quality. In October 2006, West Basin began injecting additional recycled water into the West Coast Barrier (up to 75%). Recycled water sales decreased in Fiscal Year 2009 to 2011 due to poor source water quality. In Fiscal Year 2014, sales increased due to the completion of the Phase V project.

Table 11: AVERAGE WATER RATES PER ACRE-FOOT
 Last Ten Fiscal Years

Type of Water	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Purchased from MWD (1)</i>										
Non-interruptible	\$528	\$541	\$560	\$591	\$650	\$773	\$898	\$994	\$1,063	\$1,132
Saltwater Barrier	528	541	560	591	650	773	898	994	1,063	1,132
Seasonal Storage-LT	344	362	382	411	454	547	645	721	865	-
<i>West Basin Recycled Water (2)</i>										
Recycled- T22	\$303	\$312	\$337	\$367	\$438	\$600	\$686	\$775	\$840	\$908
Recycled- T22 OSA	343	354	379	409	480	642	728	817	882	950
Recycled- Barrier	430	430	421	440	458	501	540	553	565	578
Recycled- Industrial RO	549	568	596	633	722	913	914	1003	1,068	1,136
Recycled- Ultra RO	725	750	788	837	954	1195	1270	1359	1,424	1,492
Recycled- Nitrified	283	292	317	347	418	577	666	755	820	888
<i>West Basin Desalting Plant (3)</i>										
Desalted Water	\$451	\$472	\$491	\$517	\$608	\$723	\$746	\$792	\$840	\$978

(1) 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. The rates presented above represent the average rates for the period due to MWD changing its rates effective January 1st each year. In December 2012, MWD discontinued the Seasonal Storage Program.

- * MWD - Metropolitan Water District of Southern California
- * LT - Long-term

(2) West Basin Recycled Water

Rates exclude MWD's Local Resources Program incentive 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.

(3) West Basin Desalting Plant

Rates exclude MWD's Groundwater Recovery Program incentive of \$250 per acre-foot of desalting water sold. This incentive ended in Fiscal Year 2013.

West Basin adopts its water rates annually by resolution.

Table 12: IMPORTED WATER RATES

For the Years Ended June 30, 2013 and 2014

Tables below delineate the fiscal years ended June 30, 2013 and 2014 water rates for West Basin and Metropolitan Water District of Southern California (MWD).

	MWD	Readiness-to-Serve Charge	West Basin Reliability Service Charge	Total
Fiscal Year Ended June 30, 2013				
<i>July 1, 2012 to December 31, 2012</i>				
Non-Interruptible & Barrier (Tier 1)	\$794	\$135	\$107	\$1,036
Non-Interruptible & Barrier (Tier 2)	920	135	107	1,162
Seasonal Storage Long-term	651	N/A	107	758
<i>January 1, 2013 to June 30, 2013</i>				
Non-Interruptible & Barrier (Tier 1)	\$847	\$135	\$107	\$1,089
Non-Interruptible & Barrier (Tier 2)	997	135	107	1,239
Seasonal Storage Long-term	N/A	N/A	N/A	N/A
Fiscal Year Ended June 30, 2014				
<i>July 1, 2013 to December 31, 2013</i>				
Non-Interruptible & Barrier (Tier 1)	\$847	\$135	\$124	\$1,106
Non-Interruptible & Barrier (Tier 2)	997	135	124	1,256
<i>January 1, 2014 to June 30, 2014</i>				
Non-Interruptible & Barrier (Tier 1)	\$890	\$143	\$124	\$1,157
Non-Interruptible & Barrier (Tier 2)	1,032	143	124	1,299

(1) The Seasonal Storage Program was discontinued on December 31, 2012.

Table 13: OUTSTANDING DEBT TO CAPITAL ASSETSLast Ten Fiscal Years *(In Thousands)*

Table below provides an overview of the ratio of the total capital assets to debt outstanding as of fiscal year-end. Total long-term (LT) debt includes certificates of participation, state loan and refunding revenue bonds.

Fiscal Year Ended June 30,	OUTSTANDING DEBT			CAPITAL ASSETS			Debt/ Capital Assets
	Certificate of Participation & Revenue Bonds	State Loan	Total LT Debt	Capitalized Assets	Construction- in-Progress	Total Capital Assets	
(3)				(1)	(2)		
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	18,932	496,031	0.61
2009	293,400	2,036	295,436	483,019	29,362	512,381	0.58
2010	294,395	1,743	296,138	496,722	39,395	536,117	0.55
2011	300,050	1,440	301,490	507,066	59,081	566,147	0.53
2012	327,023	-	327,023	520,501	103,279	623,780	0.52
2013	338,686	-	338,686	527,816	135,530	663,346	0.51
2014	329,755	-	329,755	617,446	63,152	680,598	0.48

(1) Amounts exclude accumulated depreciation and capital assets of the Financing Authority through Fiscal Year 2007. See details at "General Operating Information".

(2) Amounts include all of West Basin's Construction-in-Progress projects. Adjustments were made in Fiscal Year 2008 and 2009 to reflect the decreases in value of contributed projects from the U.S. Army Corps of Engineers.

(3) Beginning with Fiscal Year 2012, premiums on outstanding revenue bonds and certificates of participation have been included in the outstanding debt along with the outstanding principal balances.

Table 14: ANNUAL DEBT PAYMENTS TO EXPENSESLast Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Principal Payments	Interest Payments	Total Debt Payment	Operating Expenses	Ratio Debt/ Expenses
	(1)	(1)	(2)	(3)	
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
2009	9,483	12,766	22,249	103,734	0.21
2010	9,298	12,773	22,071	121,708	0.18
2011	10,448	11,989	22,437	126,336	0.18
2012	11,073	10,317	21,390	129,649	0.16
2013	12,410	8,612	21,022	144,868	0.15
2014	5,760	10,478	16,238	159,917	0.10

(1) Data obtained from the Statement of Cash Flows.

(2) In Fiscal Year 2014, the Debt Payment decreased due refunding of the 2003A Refunding Revenue Certificates of Participation.

(3) Excludes depreciation and amortization.

Table 15: STANDBY CHARGE AND CAPITAL FIXED PAYMENTS

Last Ten Fiscal Years (In Thousands)

Standby Charges and Capital Fixed Payments are both revenues to West Basin. West Basin uses them to pay the debts incurred for the constructions and improvements of its recycled water facilities. For the past ten years, majority of West Basin's bonds were issued to finance the recycled water projects. The table below shows the information on these revenues as compared to debt service.

Fiscal Year Ended June 30,	Standby Charge	Capital Fixed Payments	Total	Debt Payment	% of Debt Service
	(1)	(2)		(3)	
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%
2009	9,701	7,140	16,841	22,249	76%
2010	9,679	7,172	16,851	22,071	76%
2011	9,899	6,887	16,786	22,437	75%
2012	9,632	7,241	16,873	21,390	79%
2013	9,805	7,360	17,165	21,022	82%
2014	9,683	7,296	16,979	16,238	105%

(1) Approved annually by the Board, the Standby Charge is imposed by West Basin on land owners within its service area. 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 and treatment facilities.

(2) Capital Fixed Payments are paid by Tesoro (formerly 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 for delivery of recycled water to these entities. Amounts are based on contractual terms. These fixed revenues are reported as Capital Contributions in the basic financial statements, see table 5-"Capital Contribution By Source".

(3) Beginning in Fiscal Year 2006, the debt payments increased due to West Basin paying both interest and principal for its subordinate bonds. In Fiscal Year 2008 West Basin experienced higher interest rates on its variable rate debt. During Fiscal Year 2013, West Basin refunded its 2003A Refunding Revenue Certificates of Participation which resulted in a lower debt payment in Fiscal Year 2014. Breakdown is shown on Table 14-"Annual Debt Service to Expenses".

Table 16: DEBT COVERAGELast Ten Fiscal Years *(In Thousands, Except for Debt Coverage)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Changes in Net Assets (1)	\$16,394	\$7,488	\$8,726	\$4,489	(\$3,963)
Add: Interest Expense	10,195	10,593	9,101	9,808	13,848
Add: Depreciation/Amortization	8,340	8,309	10,343	13,323	16,190
Less: Non-cash items (2)	(3,125)	(4,671)	(2,517)	(2,827)	(1,446)
Net Revenues for Coverage	<u>\$31,804</u>	<u>\$21,719</u>	<u>\$25,653</u>	<u>\$24,793</u>	<u>\$24,629</u>
Parity Debt Service (3)	15,869	16,094	16,185	16,345	16,595
Reserve Fund Earnings	(1,868)	(1,177)	(825)	(799)	(767)
Total Net Senior Debt Service	<u>\$14,001</u>	<u>\$14,917</u>	<u>\$15,360</u>	<u>\$15,546</u>	<u>\$15,828</u>
Debt Coverage	<u>2.27</u>	<u>1.46</u>	<u>1.67</u>	<u>1.54</u>	<u>1.51</u>
Subordinate Debt Service (3)	3,281	7,246	8,445	6,157	6,897
Reserve Fund Earnings	(5)	(1)	(2)	(12)	(2)
Total Net Subordinate Debt Service	<u>\$3,276</u>	<u>\$7,245</u>	<u>\$8,443</u>	<u>\$6,145</u>	<u>\$6,895</u>
Debt Coverage (4)	<u>5.43</u>	<u>0.94</u>	<u>1.22</u>	<u>1.50</u>	<u>1.17</u>
All-In Debt Coverage	<u>1.84</u>	<u>0.98</u>	<u>1.09</u>	<u>1.14</u>	<u>1.09</u>
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	\$14,527	(\$443)	\$1,850	\$3,102	\$1,906

(1) See Table 2 - "Changes in Net Position" for more detail.

(2) Non-cash items represent grant funding from the U.S Army Corps of Engineer , unrealized gains/losses, change in fair value of swap instruments, loss on disposition of assets and nonroutine litigation settlements.

(Continued)

Table 16: DEBT COVERAGE (continued)
Last Ten Fiscal Years (In Thousands, Except for Debt Coverage)

	2010	2011	2012	2013	2014
Changes in Net Assets (1)	\$10,657	\$7,619	\$14,191	\$13,923	\$14,499
Add: Interest Expense	12,498	12,038	11,002	9,209	10,651
Add: Depreciation/Amortization	17,078	18,268	18,283	17,522	20,793
Less: Non-cash items (2)	(11,579)	(9,109)	(6,805)	(133)	(550)
Net Revenues for Coverage	<u>\$28,654</u>	<u>\$28,816</u>	<u>\$36,671</u>	<u>\$40,521</u>	<u>\$45,393</u>
Parity Debt Service (3)	16,078	16,517	16,115	17,790	17,205
Reserve Fund Earnings	(762)	(762)	(763)	(681)	170
Total Net Senior Debt Service	<u>\$15,316</u>	<u>\$15,755</u>	<u>\$15,352</u>	<u>\$17,109</u>	<u>\$17,375</u>
Debt Coverage	<u>1.82</u>	<u>1.78</u>	<u>2.34</u>	<u>2.33</u>	<u>2.62</u>
Subordinate Debt Service (3)	7,624	7,968	8,817	9,056	8,993
Reserve Fund Earnings	-	-	-	-	-
Total Net Subordinate Debt Service	<u>\$7,624</u>	<u>\$7,968</u>	<u>\$8,817</u>	<u>\$9,056</u>	<u>\$8,993</u>
Debt Coverage (4)	<u>1.66</u>	<u>1.54</u>	<u>2.33</u>	<u>2.51</u>	<u>3.13</u>
All-In Debt Coverage	<u>1.26</u>	<u>1.22</u>	<u>1.52</u>	<u>1.55</u>	<u>1.73</u>
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	\$5,714	\$5,093	\$12,502	\$14,356	\$19,025

(3) In Fiscal Year 2012, parity and subordinate debt service was reduced by capitalized interest.

(4) Subordinate debt coverage in Fiscal Year 2006 did not meet the required legal covenant 1.15 due to a significant decrease in recycled water barrier sales as a result of poor water quality and LA county well issues. In addition, West Basin had higher than anticipated legal costs of approximately \$1.8M.

Table 17: TEN LARGEST EMPLOYERS WITHIN WEST BASIN SERVICE AREA

Calendar Year 2013 and Seven Years Prior

Employer	2013 Number of Employees	Rank	2006 Number of Employees	Rank
	(1)		(2)	
Northrop Grumman Corporation	11,082	1	7,675	1
Raytheon Company	6,117	2	8,594	2
Sony Pictures Entertainment	6,000	3	2,018	5
Boeing Satellite Systems Inc.	5,229	4	5,960	3
DirectTV Operations Inc.	2,864	5	1,268	8
Aerospace Corporation	2,580	6	2,847	4
Mattel, Inc.	1,857	7	1,737	7
Palos Verdes Peninsula Unified School District	1,380	8	1,800	6
Chevron Products Company/USA Inc.	1,166	9	1,062	9
G & K Management Company	1,100	10	-	10
Total Employment Within West Basin's Service Area (3):				Not Available
Percentage of Each Employer of Total Employment Within West Basin Service Area (3):				Not Available

(1) Most current available data.

(2) Employer information is not readily available prior to 2006.

(3) West Basin service area includes 17 cities and part of unincorporated coastal Los Angeles County, the total employment within our service area is not available therefore West Basin can not provide each employer's percentage of the total employment.

Table 18: POPULATION AND ECONOMIC STATISTICS

Last Ten Calendar Years

<u>Calendar Year</u>	<u>West Basin Population</u>	<u>LA County Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
	(1)	(2)	(2)	(2)	(2)
2005	839,285	9,786,373	357,186,377	36,498	5.4%
2006	839,385	9,737,955	385,724,212	39,610	4.8%
2007	839,134	9,700,359	400,366,343	41,273	5.1%
2008	838,888	9,735,147	417,454,378	42,881	7.5%
2009	840,260	9,787,400	394,980,563	40,356	11.6%
2010	853,377	9,826,773	410,674,615	41,791	12.5%
2011	857,545	9,889,056	420,913,463	42,564	12.7%
2012	861,545	9,911,665	-	-	11.2%
2013	865,882	-	-	-	10.2%
2014	870,219	-	-	-	7.8%

(1) Data obtained from Water Policy and Resource Development Department.

(2) Data obtained from the State of California Employment Development Department for Los Angeles County. The 2014 information is as of September. Other information for Calendar year 2012 through 2014 is not available.

DEMOGRAPHICS

SERVICE AREA

Estimated Total Population Served: 870,219

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 Edward C. Little (Resigned on May 20, 2014)
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: 11

West Basin's customers are comprised of cities and retail water agencies that purchase potable non-interruptible water and recycled water for further sales to the end-user or use in the seawater barrier.

ANNUAL WATER DELIVERIES

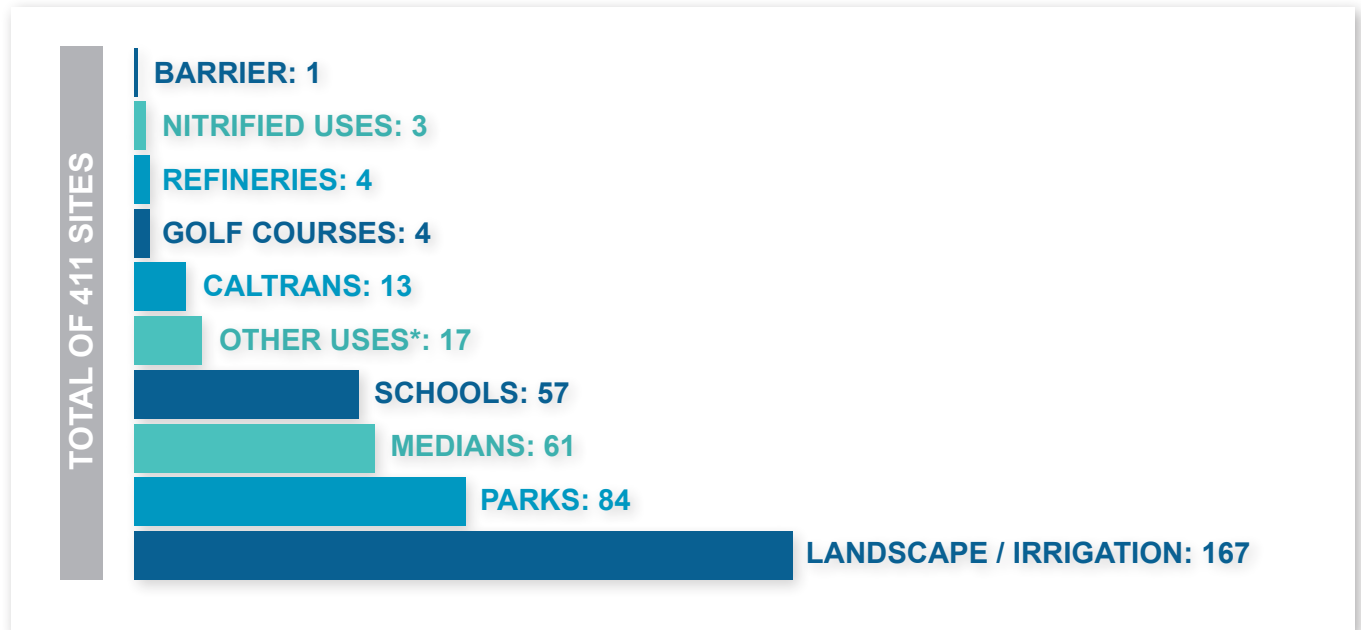
Potable Water (including desalting & groundwater): 164,055 acre-feet

Recycled Water: 36,720 acre-feet

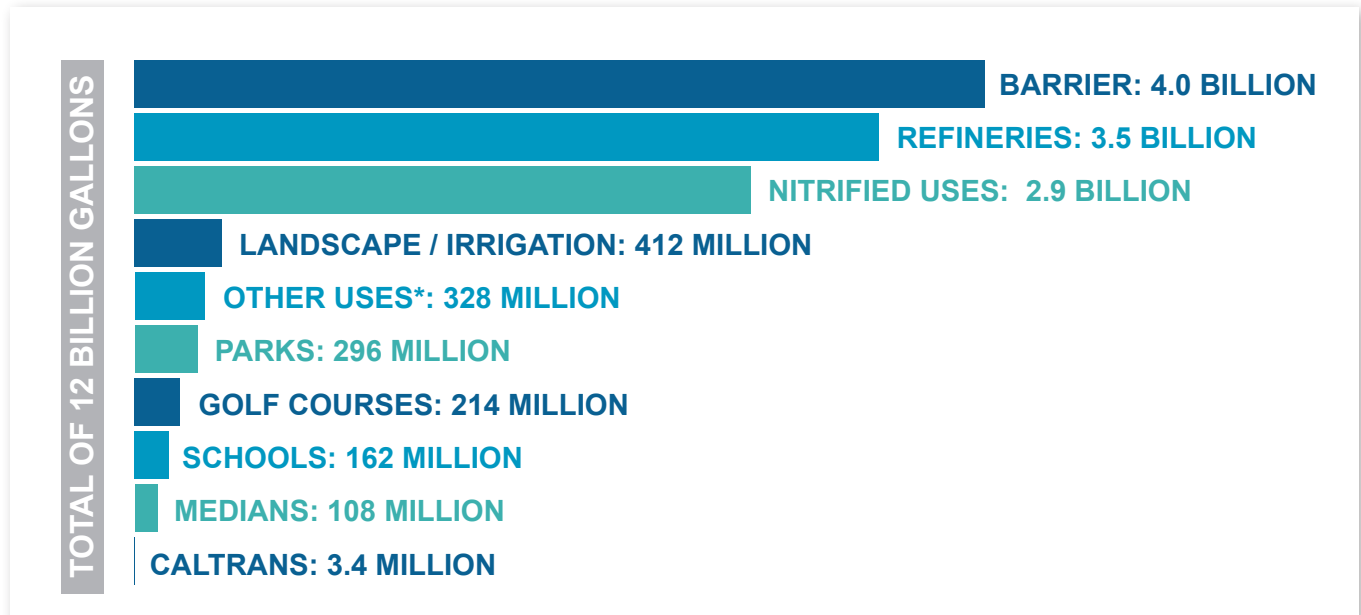
RECYCLED WATER USERS

For the Fiscal Year Ended June 30, 2014

NUMBER OF SITES



WATER USAGE



*** OTHER USES**

- Cemetery use
- Multi-industrial / irrigation use
- Construction use
- College use
- Draining / Sump Pumps use

GENERAL OPERATING INFORMATION

For the Fiscal Year Ended June 30, 2014

NUMBER OF BUDGETED FULL-TIME PERSONNEL

2005	30
2006	30
2007	33
2008	33
2009	33
2010	34
2011	36
2012	36
2013	38
2014	40

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	9
Certified Public Accountant	3
Licensed attorneys	1
Masters Degree	13
State Water Certification:	
Distribution Operator	3
Treatment Plant Operator	2

CAPITAL ASSETS (IN THOUSANDS)

	Recycling Facilities	Desalting	Machinery & Equipment	Construction- in-Progress	Admin. Facility	West Basin Capital Assets	Financing Authority	Total Fixed Assets
				(1)	(2)		(2)	(3)
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	18,932	4,014	496,031	-	496,031
2009	474,281	3,700	1,025	29,362	4,014	512,382	-	512,382
2010	486,401	3,794	2,491	39,395	4,035	536,116	-	536,116
2011	493,065	5,299	3,761	59,081	4,941	566,147	-	566,147
2012	506,311	4,904	3,775	103,279	5,511	623,780	-	623,780
2013	513,437	4,904	3,911	135,530	5,564	663,346	-	663,346
2014	601,796	5,044	4,261	63,152	6,345	680,598	-	680,598

(1) Adjustments were made in Fiscal Year 2008 and 2009 to reflect the decreases in value of contributed projects from the U.S. Army Corps of Engineers.

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

(3) Excludes accumulated depreciation

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