



FISCAL YEAR ENDED JUNE 30, 2016

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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WEST BASIN MUNICIPAL WATER DISTRICT  
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CARSON, CA 90746  
[WWW.WESTBASIN.ORG](http://WWW.WESTBASIN.ORG)

**PREPARED BY:**  
FINANCE DEPARTMENT  
MARGARET MOGGIA, CPA  
CHIEF FINANCIAL OFFICER



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01.



INTRODUCTORY SECTION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION



**West Basin employee educating and leading a demonstration at the plant.**

# INTRODUCTION



Plant worker  
leading a group  
demonstration

December 1, 2016

## 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 2015-2016, which ended June 30, 2016.

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. Because West Basin had issued bonds to finance its operation by debt covenants, West Basin must file CAFR within 270 days after the end of each fiscal year to the Municipal Securities Rulemaking Board website.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to West Basin for its comprehensive annual financial report for the fiscal year ended on June 30, 2015. This was the tenth consecutive year that West Basin has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally

accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

West Basin staff prepared this financial report in conjunction with the Independent Auditors' Report issued by Davis Farr LLP, a certified public accounting firm. Davis Farr has issued an unmodified (or "clean") opinion on West Basin's financial statements for the year ended on June 30, 2016. 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 and the Notes to the Financial Statements complement 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

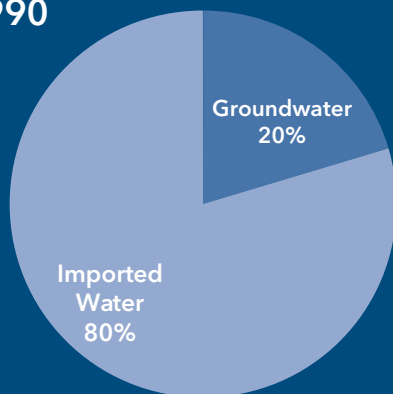
West Basin Municipal Water District (West Basin), an innovative and award-winning public agency, is a special district of the State of California that provides drinking and recycled water, water efficiency and water education programs to approximately 870,000 residents within a 185-square mile service 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.

West Basin is currently executing a Board-adopted Strategic Business Plan with the goal of building a more diverse, locally controlled and reliable water supply. Through the 2008 Board-adopted Water Reliability Program (WR), West Basin is expanding production of locally-produced water by doubling water recycling and conservation programs and researching adding 10% of future water supplies from ocean-water desalination.

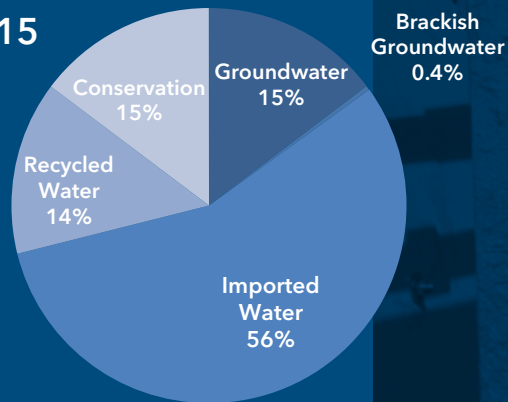
## WEST BASIN MUNICIPAL WATER DISTRICT HISTORICAL TOTAL WATER USE:

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1990



2015





# GOVERNANCE

West Basin is governed by a Board of five directors, who are elected by the public in staggering four-year terms. West Basin is a member of MWD and is a cooperative organization of twenty-six member agencies including cities and water agencies. West Basin is currently entitled to have two representatives on the MWD Board and they are appointed by West Basin Board.

## BOARD OF DIRECTORS



### DIVISION I

**Harold C. Williams**  
MSCE, P.E., DTM  
Vice President



### DIVISION II

**Gloria D. Gray**  
Past President



### DIVISION III

**Carol W. Kwan**  
President



### DIVISION IV

**Scott A. Houston**  
Treasurer



### DIVISION V

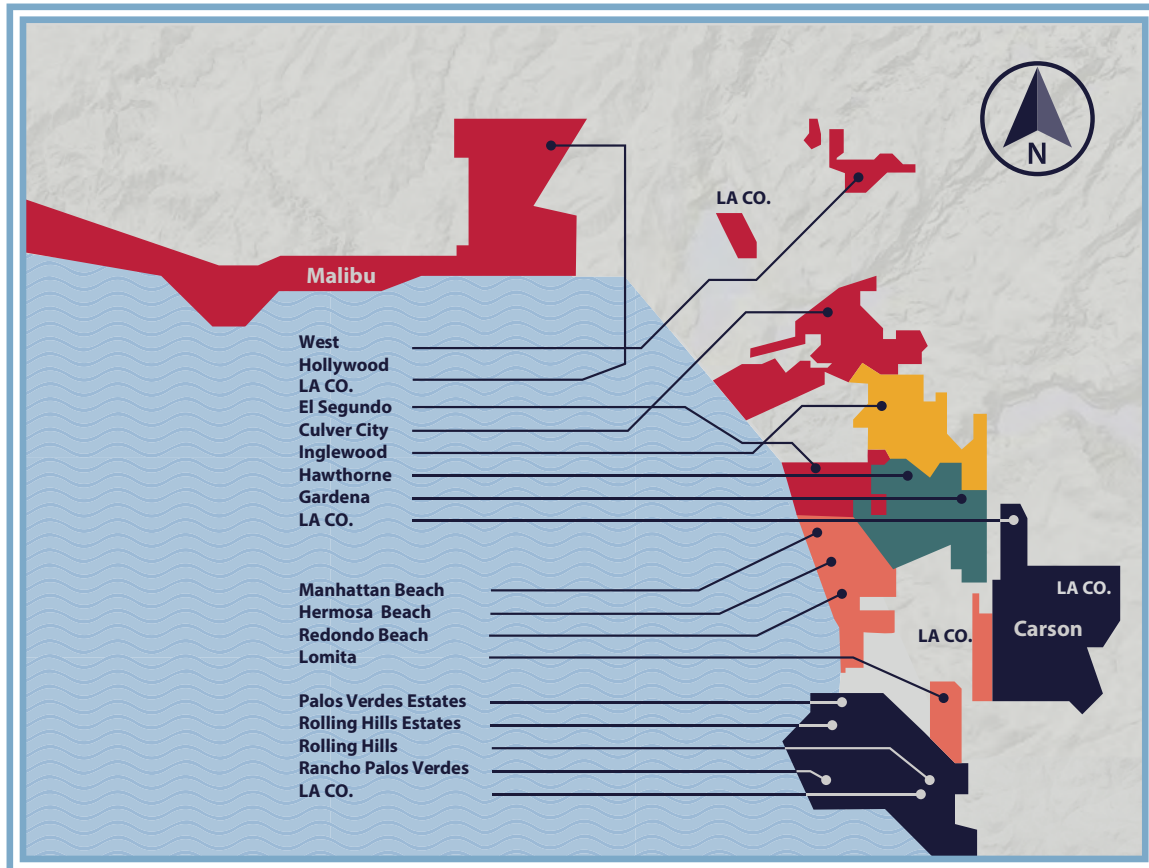
**Donald L. Dear**  
Secretary

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.

# SERVICE AREA AND CUSTOMER BASE

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 MUNICIPAL WATER DISTRICT SERVICE AREA MAP



Formed	December 17, 1947
Estimated Population	870,000
Area Served	185 square miles
Water Portfolio	Potable, Recycled & Desalted
Average Residential Parcel Size	9,240 square feet
Lowest Median Income	\$12,410 - Westmont
Highest Median Income	\$245,000 - Manhattan Beach

Employer	Number of Employees
Northrop Grumman Corporation	9,230
Raytheon Company	5,422
Boeing Satellite Systems Inc.	5,042
Sony Pictures Entertainment	3,200
Aerospace Corporation	2,560
DirecTV Operations Inc.	2,384
Palos Verdes Peninsula Unified School District	1,970
Mattel, Inc.	1,791
Accenture	1,211

CUSTOMERS	Water Purchases		
	Potable	Recycled	Desalted
California American	✓		
California Water Service	✓	✓	✓
City of El Segundo	✓	✓	
City of Inglewood	✓	✓	
City of Lomita	✓		
City of Manhattan Beach	✓	✓	
City of Torrance		✓	
Golden State Water Company	✓	✓	
Los Angeles County Water Works No. 29	✓		
Los Angeles Department of Water & Power		✓	
Water Replenishment District	✓	✓	

# 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.



**“ 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.”**

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 waste water into

different types of high-quality recycled water suitable for groundwater recharge, irrigation, municipal, industrial, and other 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.

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## MAJOR INITIATIVES

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Highlighted below are major initiatives during fiscal year 2016:

### WATER RELIABILITY

- Implemented a Drought Rationing Plan to help meet service area goals for mandatory conservation of imported water. Although the state-wide goals have since been rescinded, the district continues to monitor conservation targets as part of the state's required "self-certification" process;
- Completed the 2015 Urban Water Management Plan for compliance with the California Urban Water Management Planning Act of 1983 which details water supply and demand projections to the year 2040 for our service area;
- Continued emphasis on Conservation programs such as Rain Barrel Distribution and Sprinkler Exchange events, Turf-Removal programs, and greywater workshops;
- Completed the design of the Carson Mall Lateral Phase II project to deliver recycled water into new areas within the City of Carson.

### WATER QUALITY

- Completed the rehabilitation and refurbishment of the Biofor treatment process utilized to produce nitrified tertiary effluent for refinery customer cooling tower applications;
- Completed the design of the Reverse Osmosis (RO) Clean-in-Place Waste Discharge project;
- Conducted two different purveyor workshops to help coordinate between water companies on important water quality and compliance issues.

### CUSTOMER SERVICE

- Conducted an informational workshop with customer agencies to review proposed FY 2016-17 budget and water rates and the 2015 Urban Water Management Plan;
- Continued success with outreach programs which serve to engage and educate the public, effectively communicating the message on conservation and current water issues through school tours, technical tours, and evening Water 101 classes for the communities we serve;
- In partnership with South Bay Environmental Services Center, represented and promoted West Basin's programs at over 100 community events.

### SOUND FINANCIAL AND RESOURCE MANAGEMENT

- Credit ratings maintained at Aa2 and AA- with Moody's and Standard and Poors;
- Received an Excellence in Financial Reporting Award for West Basin's Comprehensive Annual Financial Annual Report (CAFR) for FY 2014-15 from the Government Finance Officers Association (GFOA);
- Received Excellence in Budget Recognition for the FY 2015-16 Operating Budget from GFOA and the California Society of Municipal Finance Officers (CSMFO);
- Applied for and succeeded in being awarded for several grant funding opportunities in support of conservation and reliability programs.

### ENVIRONMENTAL STEWARDSHIP

- Completed the design of the Reverse Osmosis (RO) Clean-in-Place Waste Discharge project to allow RO cleaning chemicals to be discharged to the sewer rather than being combined with RO brine and discharged to Hyperion Treatment Plant's ocean outfall.

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# 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. Recent audits have not uncovered any weakness in internal control that would cause concern when Recommendation for Improvements is made.

## BUDGET PROCESS AND CONTROLS

Public agencies develop budgets as a performance tool to measure accountability to its stakeholders. For West Basin, the budget is developed based on meeting the priorities, goals and objectives established by the Board of Directors through its Strategic Business Plan (Plan), which was developed through a series of interviews with the Board of Directors, management, and key staff in addition to interviews with key stakeholders. The Plan provides direction for planning, budgeting, implementation, evaluation and reporting. The Plan is a "living" document in that it does not have a termination date, but it is constantly changing and evolving as the needs of West Basin change and evolve.

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

The General Manager communicates the goals and the current year budget objectives to the managers to ensure the budget includes the financial requirements necessary to achieve these goals and objectives. To ensure completion, the goals are also incorporated into individual staff's performance goals. Furthermore, the high level goals are also included in the monthly board memos to reflect the commitment to meet the Board's directives.

West Basin is not required to adopt a budget and therefore does not appropriate funds. However, as a good business practice, West Basin does prepare, adopt, monitor, and report budgeted information.

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## **LONG-TERM FINANCIAL PLANNING**

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 results 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 ensure it remains a financially healthy organization.

## **CREDIT RATING AND DEBT COVERAGE**

In September 2016, Moody's and Standards & Poor's rated West Basin bonds as 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. A copy of these policies can be found on West Basin's website at [www.westbasin.org](http://www.westbasin.org). 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 create a solid management focus on fiscal policies and metrics and have assisted West Basin in receiving 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.

## **DESIGNATED FUNDS**

West Basin maintains two major types of funds, either restricted or unrestricted. Restricted funds consist of custodial accounts and bond reserves that are subject to the conditions of the respective bond financing documents. The unrestricted reserves are then designated by the Board of Directors and are reviewed annually as further described in the board-approved policy.

Designated Funds are a strong indicator of an agency's financial health. West Basin's Designated Funds Policy is sometimes referred to as a Reserve Policy and was designed to ensure West Basin has adequate funds to protect its financial health and the furtherance of West Basin's mission.

The policy does not specifically state a target amount but staff has established an internal target approach in its Long-Range Financial Plan to fund West Basin's Designated Funds. The policy allows for the fluidity of a target and will change each year based on the anticipated expenditures. The target amounts are based on West Basin's experience, the current operating budget and capital improvement program. The sum of all the core components provide an overall target amount that serves as a trigger for the Board of Directors to consider options when funding levels fall near or below the overall target. If reserve levels exceed the minimum, the Board may consider retiring outstanding debt or reducing future debt by considering funding certain capital projects with cash.

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## **SOURCE OF REVENUE**

West Basin primarily receives its source of revenue from imported and recycled water sales. Imported water sales and charges totaled \$136 million for the fiscal year ending June 30, 2016, while recycled water sales amounted to \$40 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.

## **WEST BASIN STAFF SERVICES**

West Basin currently employs 43 full-time persons, of whom 25 work in the operations, planning, communications and engineering departments and 18 work in accounting or administration.

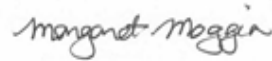
## **ACKNOWLEDGMENTS**

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**

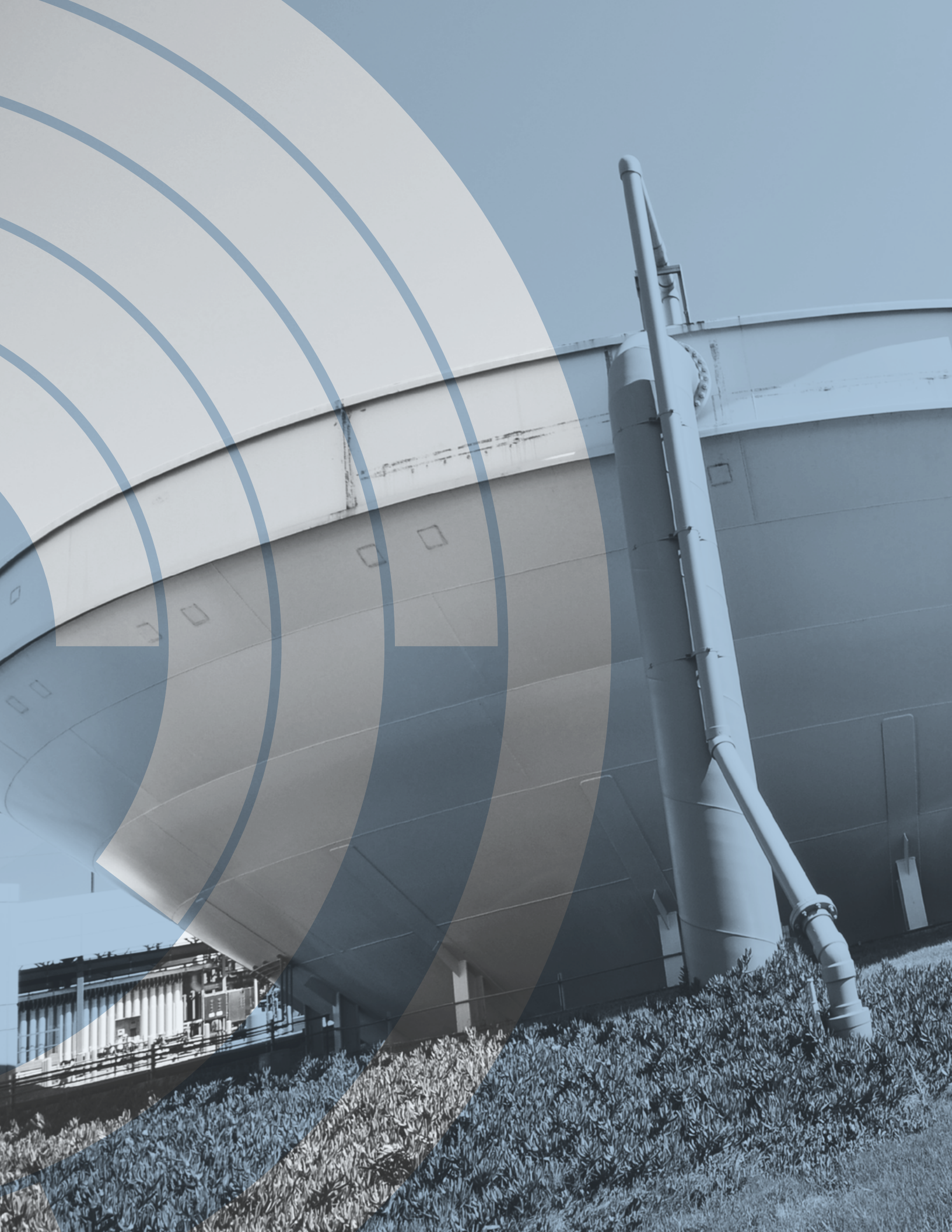
Presented to

**West Basin Municipal Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

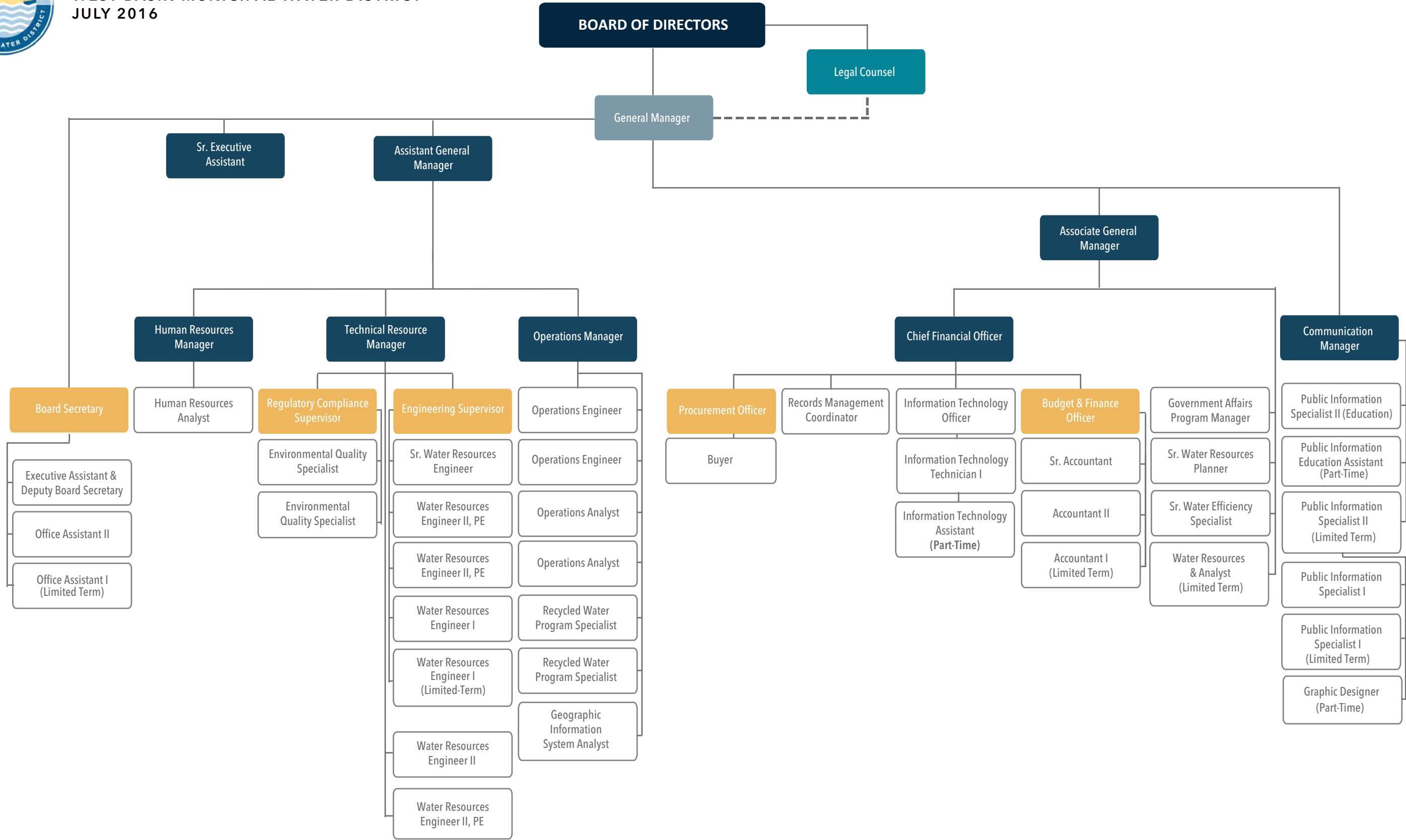
**June 30, 2015**

Executive Director/CEO





**WEST BASIN MUNICIPAL WATER DISTRICT**  
**JULY 2016**





# 02.



## FINANCIAL SECTION COMPREHENSIVE ANNUAL FINANCIAL REPORT

## Microfiltration (MF)



- MF is the first major step in the purification process for seawater barrier water
- MF removes bacteria, protozoa and suspended solids
- Water is pulled through holes (1/300th size of human hair) in the sides of "straw-like" MF membranes
- MF is a proven technology that has been used since the 1940's to purify fruit juices and other beverages. It is used to sterilize milk and other liquids that do not need to be heated.





Board of Directors  
West Basin Municipal Water District  
Carson, California

## **INDEPENDENT AUDITOR'S 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, 2016, 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 opinions 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 opinions.

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## OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the District's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## OTHER MATTERS

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section 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 December 2, 2016 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.



Irvine, California  
December 2, 2016



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

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, 2016. 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.

### MAJOR FINANCIAL ACTIVITIES

- West Basin implemented Government Accounting Standard Board (GASB) Statement No. 68 at the end of fiscal year 2015 for both of their Public Employees' Retirement System (PERS) and Public Agency Retirement Services (PARS) programs. As of June 30, 2016, West Basin's Net Pension Liability for the PERS program is \$1,311,119 and West Basin's Net Pension Asset for the PARS program is \$153,484. There is a (\$1,596,350) adjustment made to West Basin PERS expense account at the end of fiscal year 2016 per GASB No. 68 calculation, which is leading to the result of a net pension income of \$973,890 for West Basin for the current year.
- In fiscal year 2015, West Basin made a significant evaluation of its capital asset accounts and identified a total of \$27.1 million capital assets that were either no longer in service or had been disposed of in the prior years. West Basin continues its asset evaluation procedures in fiscal year 2016 and disposed of an additional \$7,556,686 in capital assets (see Note 5 to Notes to Financial Statements) and recorded Loss on disposition of assets for the amount of \$3,757,408.
- West Basin had a positive Change in Net Position of \$3,412,685 in fiscal year 2016.

### 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.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2016

## **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 30 through 57.

## **REQUIRED SUPPLEMENTARY INFORMATION**

The required supplementary information provides additional information for West Basin's PARS and PERS programs. It can be found on pages 58 through 61.

WEST BASIN MUNICIPAL WATER DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### FINANCIAL ANALYSIS OF WEST BASIN

#### 1) Statement of Net Position

##### Condensed Statement of Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Assets</b>			
Current Unrestricted Assets	\$98,436,280	\$99,097,652	(\$661,372)
Current Restricted Assets	4,583,251	4,507,740	75,511
Capital Asset, Net	455,726,799	464,434,321	(8,707,522)
Other Assets	915,261	926,515	(11,254)
<b>Total Assets</b>	<u>559,661,591</u>	<u>568,966,228</u>	<u>(9,304,637)</u>
<b>Deferred Outflows Of Resources</b>	<u>14,016,654</u>	<u>13,982,208</u>	<u>34,446</u>
<b>Liabilities</b>			
Current Liabilities	46,528,928	45,963,998	564,930
Long Term Liabilities	291,628,257	304,565,591	(12,937,334)
<b>Total Liabilities</b>	<u>338,157,185</u>	<u>350,529,589</u>	<u>(12,372,404)</u>
<b>Deferred Inflows Of Resources</b>	<u>937,718</u>	<u>1,248,190</u>	<u>(310,472)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	164,067,687	155,922,966	8,144,721
Unrestricted	70,515,655	75,247,691	(4,732,036)
<b>Total Net Position</b>	<u>\$234,583,342</u>	<u>\$231,170,657</u>	<u>\$3,412,685</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 shows that Assets and Deferred Outflows of West Basin exceeded liabilities and Deferred Inflows by \$234,583,342 and \$231,170,657 as of June 30, 2016 and 2015, respectively.

A large portion of West Basin's net position (\$164,067,687 and \$155,922,966 as of June 30, 2016 and 2015, 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.

WEST BASIN MUNICIPAL WATER DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2016

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

Condensed Statements of Revenue, Expenses and Changes In Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Revenue</b>			
Operating Revenues			
Water and Monitoring	\$136,338,044	\$136,761,807	(\$423,763)
Water Recycling Revenue	39,538,552	40,386,155	(847,603)
Water Conservation	500,218	735,542	(235,324)
Desalting Revenue	815,118	700,631	114,487
Total Operating Revenues	<u>177,191,932</u>	<u>178,584,135</u>	<u>(1,392,203)</u>
Non-Operating Revenues			
Standby Charges	9,654,900	9,740,981	(86,081)
Investment Income	505,804	294,532	211,272
Other Non-Operating Revenues	124,904	727,880	(602,976)
Total Non-Operating Revenues	<u>10,285,608</u>	<u>10,763,393</u>	<u>(477,785)</u>
<b>Total Revenue</b>	<u>187,477,540</u>	<u>189,347,528</u>	<u>(1,869,988)</u>
<b>Expenses</b>			
Operating Expenses			
Source of Supply and Monitoring	114,270,691	116,722,812	(2,452,121)
Water Recycling Costs	32,770,190	34,511,305	(1,741,115)
Depreciation and Amortization	24,915,643	25,099,267	(183,624)
Public Information and Education	2,477,330	2,905,785	(428,455)
Water Policy and Conservation	2,436,088	3,163,415	(727,327)
Desalting Operations	881,093	870,052	11,041
Total Operating Expenses	<u>177,751,035</u>	<u>183,272,636</u>	<u>(5,521,601)</u>
Non-Operating Expenses			
Loss on Disposition of Assets	3,757,408	849,491	2,907,917
Interest Expense	9,858,546	11,138,976	(1,280,430)
Total Non-Operating Expenses	<u>13,615,954</u>	<u>11,988,467</u>	<u>1,627,487</u>
<b>Total Expenses</b>	<u>191,366,989</u>	<u>195,261,103</u>	<u>(3,894,114)</u>
<b>Net Income (Loss) Before Capital Contributions</b>	<u>(3,889,449)</u>	<u>(5,913,575)</u>	<u>2,024,126</u>
<b>Capital Contributions</b>	<u>7,302,134</u>	<u>7,662,456</u>	<u>(360,322)</u>
<b>Change in Net Position</b>	<u>3,412,685</u>	<u>1,748,881</u>	<u>1,663,804</u>
<b>Net Position - Beginning of Year</b>	<u>231,170,657</u>	<u>229,421,776</u>	<u>1,748,881</u>
<b>Net Position - End of Year</b>	<u>\$234,583,342</u>	<u>\$231,170,657</u>	<u>\$3,412,685</u>

## WEST BASIN MUNICIPAL WATER DISTRICT

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

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 \$3,412,685 for the fiscal year ending June 30, 2016.

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

- In 2016, West Basin's Total Operating Revenue decreased by \$1,392,203 from the prior year. The majority of the decrease (\$981,755) came from the decrease in recycling water sales to Torrance Refining Company (formerly Exxon Mobil), which is located in Torrance, California. The decrease in sales for Torrance Refining Company is the result of a massive explosion that occurred in February 2015. After the blast, the California Division of Occupational Safety and Health ordered Torrance Refining Company to shut down the unit until it was able to demonstrate safe operation in May 2016. In addition, West Basin had the Biofor replacements project underway in its three major recycling facilities that required temporary plant shutdowns, which also contributed to the decrease in recycling water sales.
- Water conservation revenues decrease is due to the reduction of the conservation programs that West Basin participated in 2016.
- In 2016, West Basin's Total Non-Operating Revenue decreased by \$477,785. This was because West Basin recorded a one-time potential legal settlement income of \$420,000 into the miscellaneous revenue account in 2015.
- In 2016, West Basin Total Operating Expenses decreased by \$5,521,601. This was primarily due to the decrease in potable water purchased from Metropolitan Water District (MWD) for its Barrier operation (\$3,196,083 less purchased in 2016 from MWD than in 2015) and the reduction of the Readiness to Serve Fee from MWD that resulted in additional saving of \$557,144 to West Basin. Also, due to the completion of the Biofor replacement project and the completion of the repair of the broken Title 22 feedline, utility cost was reduced over \$200,000 in 2016 and water cost was reduced over \$700,000 in 2016.
- In 2016, West Basin Total Non-Operating Expenses increased by \$1,627,487. This was primarily due to the increase in the loss on disposal of capital assets of \$2,907,917 from 2015 to 2016. West Basin reviews its capital assets status at each year-end. Capital assets that are either no longer in service or are disposed of are recorded in the current year financial statements.
- Overall, a minor decrease in Total Revenue (\$1,869,988) and a larger decrease in Total Expenses (\$3,894,114) resulted in an increase in Net Income before Capital Contributions of \$2,024,126 in 2016 when compared with 2015.
- The capital contributions include the fixed payments from major recycled water customers, capital grants and cash contribution. Total contribution amount for each year may vary due to the ongoing projects for a particular year. In 2016, the total capital contributions decreased by \$360,322.

## WEST BASIN MUNICIPAL WATER DISTRICT

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### 3) Capital Assets

On June 30, 2016, West Basin Investment In Capital Assets totaled \$678,297,060. Capital assets include land, discharge capacity rights, water facilities, a potable distribution system, an education center, buildings and improvements, furniture, fixtures and equipment and construction in progress. The following is a summary of capital assets:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$25,211,646	\$25,211,646	\$0
Discharge Capacity	621,189	621,189	0
Water Facilities	565,128,249	556,838,034	8,290,215
Building and Improvements	4,147,480	4,137,301	10,179
Potable Distribution System	1,241,681	1,241,681	0
Education Center	548,067	548,067	0
Furniture, Fixtures, and Equipment	2,383,297	2,133,820	249,477
Construction in Progress	79,015,451	75,144,044	3,871,407
Total Capital Assets	<u><u>\$678,297,060</u></u>	<u><u>\$665,875,782</u></u>	<u><u>\$12,421,278</u></u>

West Basin continues its internal review of the capital asset accounts at year-end. Capital assets that were either no longer in service or disposed of in the current year were both disposed of at the year-end. In 2016, the capital asset additions totalled \$19,977,964 and the capital asset deletions totalled \$7,556,686. This resulted in a total increase in capital assets of \$12,421,278.

Additional information regarding capital assets can be found in Note 5 in Notes to Basic Financial Statements.

### 4) Long Term Liabilities

As of June 30, 2016, West Basin had \$301,590,479 in Total Long Term Liabilities, including certificates of participation, refunding revenue bonds, net pension liability and interest rate swaps. Note 6 in the Notes to Basic Financial Statements disclose the detail of all Long Term debt.

## WEST BASIN MUNICIPAL WATER DISTRICT

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

West Basin's net pension liability is \$1,311,119 for this year. This is a slight increase from \$1,259,725 in 2015. The Net Pension Liability shown on the Financial Statement is only for West Basin's PERS program. West Basin's PARS program shows Net Pension Asset of \$153,484, slightly decreased from \$202,000 in 2015. Please see Note 7 in the Notes to Basic Financial Statements for details.

West Basin has two outstanding swaps at the end of the fiscal year with the total notional amount of \$23.3 million. These two swaps are associated with 2010A Adjustable Rate Revenue Certificate of Participation. The fair market value of these two swaps has decreased by \$122,962 during the year, and the combined values are recorded as \$3,172,954 in liabilities on the Statement of Net Position. Note 10 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 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Compensated Absences	\$1,275,168	\$1,248,436	\$26,732
Refunding Certificates of Participation	142,439,846	148,446,190	(6,006,344)
Refunding Revenue Bonds	153,391,392	164,235,780	(10,844,388)
Net Pension Liability	1,311,119	1,259,725	51,394
Interest Rate Swaps	<u>3,172,954</u>	<u>3,049,992</u>	<u>122,962</u>
Total Long Term Liabilities	<u>\$301,590,479</u>	<u>\$318,240,123</u>	<u>(\$16,649,644)</u>

### 5) Subsequent Events

On October 27, 2016, the District issued Series 2016A Refunding Revenue Bonds in the amount of \$112,875,000 to refinance the callable portions (approximately \$98 million) of the 2008B Refunding Certificates of Participation and fix out all of the outstanding balance of the 2010A Adjustable Rate Certificates of Participation. The lower interest rate of the 2016A refunding resulted in an overall net present value savings of approximately \$12,000,000 for West Basin from 2017 to 2036. Please see Note 12 in the Notes to Financial Statement for details.

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WEST BASIN MUNICIPAL WATER DISTRICT

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2016

### **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 position, 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.



WEST BASIN MUNICIPAL WATER DISTRICT  
**STATEMENT OF NET POSITION**

June 30, 2016 (With Comparative Totals for June 30, 2015)

	<u>ASSETS</u>	
<b>CURRENT ASSETS</b>	<u>2016</u>	<u>2015</u>
Unrestricted Assets:		
Cash and Cash Equivalents (Note 2)	\$39,513,234	\$38,529,839
Investments (Note 2)	27,172,355	30,240,059
Accounts Receivable	30,767,364	29,339,751
Accrued Interest Receivable	140,764	134,807
Inventory	587,518	615,645
Prepaid Expenses	255,045	237,551
Total Unrestricted Assets	<u>98,436,280</u>	<u>99,097,652</u>
Restricted Assets:		
Cash and Cash Equivalents (Note 4)	4,172,126	4,170,615
Custodial Cash (Note 4)	411,125	337,125
Total Restricted Assets	<u>4,583,251</u>	<u>4,507,740</u>
<b>TOTAL CURRENT ASSETS</b>	<u>103,019,531</u>	<u>103,605,392</u>
 <b>NONCURRENT ASSETS</b>		
Other Receivable	761,777	724,515
Capital Assets, Not Depreciable (Note 5)	104,848,286	100,976,879
Capital Assets, Net of Depreciation (Note 5)	350,878,513	363,457,442
Net Pension Asset (Note 7)	153,484	202,000
<b>TOTAL NONCURRENT ASSETS</b>	<u>456,642,060</u>	<u>465,360,836</u>
<b>TOTAL ASSETS</b>	<u>559,661,591</u>	<u>568,966,228</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pension Contributions (Note 7)	709,460	803,127
Deferred Outflows - Actuarial (Note 7)	1,434,214	3,653
Deferred Outflows - Additional Deferral (Note 7)	503,790	337,526
Deferred Amount on Refunding	11,369,190	12,837,902
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>14,016,654</u>	<u>13,982,208</u>

(Continued)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WEST BASIN MUNICIPAL WATER DISTRICT

**STATEMENT OF NET POSITION**

June 30, 2016 (With Comparative Totals for June 30, 2015)

(CONTINUED)

	<b><u>LIABILITIES AND NET POSITION</u></b>	
	2016	2015
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expense	30,792,734	26,505,483
Accrued Interest Payable	5,773,972	5,783,983
Current Portion of Long Term Liabilities (Note 6)	9,962,222	13,674,532
TOTAL CURRENT LIABILITIES	46,528,928	45,963,998
 <b>LONG TERM LIABILITIES (Note 6)</b>		
Compensated Absences	1,275,168	1,248,436
2008B Refunding Revenue Certificates of Participation	111,356,066	115,062,822
2010A Adjustable Rate Revenue Certification of Participation	31,083,780	33,383,368
2011A Refunding Revenue Bonds	35,428,620	36,133,140
2011B Refunding Revenue Bonds	63,581,911	63,907,183
2012A Refunding Revenue Bonds	51,038,030	53,528,646
2013A Refunding Revenue Bonds	3,342,831	10,666,811
Net Pension Liability (Note 7)	1,311,119	1,259,725
Interest Rate Swaps (Note 10)	3,172,954	3,049,992
Subtotal	301,590,479	318,240,123
Less: Current Portion Above	(9,962,222)	(13,674,532)
TOTAL LONG TERM LIABILITIES	291,628,257	304,565,591
TOTAL LIABILITIES	338,157,185	350,529,589
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Actuarial (Note 7)	607,264	794,774
Deferred Change in Swap Fair Value (Note 10)	330,454	453,416
TOTAL DEFERRED INFLOWS	937,718	1,248,190
 <b>NET POSITION</b>		
Net Investment in Capital Assets	164,067,687	155,922,966
Unrestricted	70,515,655	75,247,691
TOTAL NET POSITION	\$234,583,342	\$231,170,657

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WEST BASIN MUNICIPAL WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

June 30, 2016 (With Comparative Totals for June 30, 2015)

	2016	2015
<b>OPERATING REVENUES:</b>		
Water and Monitoring	\$136,338,044	\$136,761,807
Water Recycling Revenue	39,538,552	40,386,155
Water Conservation	500,218	735,542
Desalting Revenue	815,118	700,631
TOTAL OPERATING REVENUES	<u>177,191,932</u>	<u>178,584,135</u>
<b>OPERATING EXPENSES:</b>		
Source of Supply and Monitoring	114,270,691	116,722,812
Water Recycling Costs	32,770,190	34,511,305
Depreciation and Amortization	24,915,643	25,099,267
Public Information and Education	2,477,330	2,905,785
Water Policy and Conservation	2,436,088	3,163,415
Desalting Operations	881,093	870,052
TOTAL OPERATING EXPENSES	<u>177,751,035</u>	<u>183,272,636</u>
OPERATING INCOME (LOSS)	<u>(559,103)</u>	<u>(4,688,501)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Standby Charges	9,654,900	9,740,981
Investment Income	505,804	294,532
Miscellaneous Income	124,904	689,906
Noncapital Grants	-	37,974
Loss on Disposition of Assets	(3,757,408)	(849,491)
Interest Expense	(9,858,546)	(11,138,976)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,330,346)</u>	<u>(1,225,074)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(3,889,449)</u>	<u>(5,913,575)</u>
<b>CAPITAL CONTRIBUTIONS:</b>		
Capital Contributions	7,302,134	7,662,456
CHANGE IN NET POSITION	<u>3,412,685</u>	<u>1,748,881</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>231,170,657</u>	<u>229,421,776</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$234,583,342</u></u>	<u><u>\$231,170,657</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WEST BASIN MUNICIPAL WATER DISTRICT

**STATEMENT OF CASH FLOWS**

June 30, 2016 (With Comparative Totals for June 30, 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$175,727,057	\$183,949,856
Cash Paid to Suppliers of Goods and Services	(131,203,183)	(141,188,894)
Cash Paid for Employee Services and Benefits	(9,118,539)	(8,573,970)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	35,405,335	34,186,992
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grants Received	-	37,974
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	-	37,974
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Long Term Liabilities	(15,369,588)	(15,591,632)
Acquisition and Construction of Capital Assets	(16,815,456)	(11,611,145)
Interest Paid on Long Term Liabilities	(13,031,065)	(13,568,590)
Capital Contributions	7,302,134	7,662,456
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(37,913,975)	(33,108,911)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Investments	23,362,943	26,780,346
Purchase of Investments	(20,189,693)	(27,854,296)
Interest Received	394,296	186,950
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,567,546	(887,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,058,906	229,055
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,037,579	42,808,524
CASH AND CASH EQUIVALENTS, END OF YEAR	\$44,096,485	\$43,037,579
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON THE STATEMENT OF NET POSITION:</b>		
Cash and Cash Equivalents	\$39,513,234	\$38,529,839
Restricted Cash and Cash Equivalents	4,172,126	4,170,615
Restricted Custodial Cash	411,125	337,125
Cash and Cash Equivalents at End of Year	\$44,096,485	\$43,037,579

(Continued)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

June 30, 2016 (With Comparative Totals for June 30, 2015)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2016	2015
Operating Income (Loss)	\$(559,103)	\$(468,8501)
Standby Charges	9,654,900	9,740,981
Depreciation and Amortization	24,915,643	25,099,267
Nonoperating Miscellaneous Income	124,904	689,906
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,464,875)	5,365,721
(Increase) Decrease in Inventory	28,127	(106,866)
(Increase) Decrease in Prepaid Expense	(17,494)	(835)
(Increase) Decrease in Net Pension Asset	48,516	(56,000)
(Increase) Decrease in Deferred Outflows-Pension	(1,503,158)	(363,685)
Increase (Decrease) in Accounts Payable	4,287,251	(1,815,815)
Increase (Decrease) in Compensated Absences	26,732	120,160
Increase (Decrease) in Net Pension Liability	51,402	(592,115)
Increase (Decrease) in Deferred Inflows Actuarial	(187,510)	794,774
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 \$35,405,335	 \$34,186,992
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
 Gain (Loss) on Disposition of Assets	 \$(3,757,408)	 \$(849,491)
 Unrealized Gain (Loss) from Investments	 \$105,546	 \$84,944

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

### (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 voters in the area to four-year terms.

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 plus two additional agencies outside its 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.

## (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 acquisition cost 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 are \$10,000 or more are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	<b>USEFUL LIFE</b>
Water Facilities	3 - 75 years
Buildings and Improvements	3 - 40 years
Furniture, Fixtures and Equipment	3 - 10 years

Depreciation aggregated \$24,928,077 for the year ended June 30, 2016.

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 (\$12,432) for the year ended June 30, 2016.

**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.

**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.

## (1) **Summary of Significant Accounting Policies (Continued)**

**CAPITAL CONTRIBUTIONS** - Capital contributions of \$7,302,134 include capital grants, capital contributions, and capital recovery charges for the fiscal year ended June 30, 2016.

**CAPITAL GRANTS AND CONTRIBUTIONS** - West Basin receives grants from 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, 2016, 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 \$150,000,000 (total insurable value of \$256,789,622). 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, 2016, West Basin also had insurance coverage with Alliant Insurance for crime up to \$3,000,000 with a \$2,500 deductible.

**PENSIONS** - For purposes of measuring the net pension liability or asset, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office and PARS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS' website under Forms and Publications.



## (1) **Summary of Significant Accounting Policies (Continued)**

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For the CalPERS report, the following timeframes are used:

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	June 30, 2014 to June 30, 2015

For the PARS report, the following timeframes are used:

Valuation Date (VD)	June 30, 2014, rolled forward to June 30, 2015
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	June 30, 2014 to June 30, 2015

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES** - In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. West Basin has four items that qualify for reporting in this category: the deferred outflows on pension contributions, the deferred outflows - actuarial, the deferred outflows - additional deferral and the deferred charges on debt refundings.

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

**FAIR VALUE MEASUREMENTS** - Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the West Basin's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include West Basin's own data.

## (2) **Cash and Investments**

Cash and investments held by West Basin were comprised of the following at June 30, 2016:

	Maturity in Year			Total
	1 Year or Less	1 - 5 Years	More than 5 Years	
Local Agency Investment Fund	\$29,972,884	-	-	\$29,972,884
Money Market Mutual Funds	4,172,126	-	-	4,172,126
Deposits with Financial Institutions	9,951,475	-	-	9,951,475
Investments:				
United States Agency Securities	3,065,340	10,039,721	-	13,105,061
United States Treasury Securities	3,059,099	3,833,630	-	6,892,729
Corporate Notes	<u>3,257,852</u>	<u>3,916,713</u>	-	<u>7,174,565</u>
 Total Cash and Investments	 <u>\$53,478,776</u>	 <u>17,790,064</u>	 <u>-</u>	 <u>\$71,268,840</u>

### Financial Statement Classification:

Unrestricted Assets:		
Cash and Cash Equivalents		\$39,513,234
Investments		27,172,355
Restricted Assets:		
Cash and Cash Equivalents		4,172,126
Custodial Cash		<u>411,125</u>
 Total Cash and Investments		 <u>\$71,268,840</u>

### Investments Authorized by the California Government Code and West Basin's 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:

## (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%	5%
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	No	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
Supernationals	Yes	5 year	30%	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>Percentage Allowed Maximum</u>	<u>Investment in One Issuer</u>
Cash	None	None	None
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
Certificate of Deposit	360 days	None	None
LAIF	None	None	None
State Municipal Obligations	None	None	None

## (2) **Cash and Investments (Continued)**

**Disclosures Relating to Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

In accordance with its Investment Policy, West Basin manages its exposure to interest rate risk 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, 2016.

**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 &amp; Poor's</u>
U.S. Agency Securities	N/A	AA+, AAA
U.S. Treasury Securities	N/A	AA+
LAIF	N/A	Not Rated
Money Market Mutual Funds	N/A	A-1+
Corporate Notes	A	A-, A, A+, AA-, AA and AA+, AAA

**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	\$ 7,599,861
Federal Home Loan Mortgage Association	U.S. agency securities	2,663,105
Federal Home Loan Bank	U.S. agency securities	<u>2,842,095</u>
		<u>\$13,105,061</u>

## (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, 2016 is 167 days.

## (3) Fair Value Measurement

West Basin categorizes certain assets and liabilities within the fair value hierarchy established by generally accepted accounting principles. West Basin has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair Value Hierarchy</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level_3</u>	<u>Total</u>
US Treasury Bills	\$6,892,729	\$ -	\$ -	\$6,892,729
Federal Agency Securities	-	13,105,061	-	13,105,061
Corporate Bonds	-	7,174,565	-	7,174,565
LAIF	-	29,972,884	-	29,972,884
Interest Rate Swaps	-	(3,172,954)	-	(3,172,954)
Total Assets and Liabilities Reported at Fair Value	<u>\$ 6,892,729</u>	<u>\$47,079,556</u>	<u>\$ -</u>	<u>\$53,972,285</u>

## (4) Restricted Assets

Restricted assets were provided by, and are to be used for, the following at June 30, 2016:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Refunding Revenue Bonds	Reserve Requirement	\$4,172,126
Custodial Account	Custodial Costs	<u>411,125</u>
		<u>\$4,583,251</u>

## (5) **Capital Assets**

The investment in capital assets consists of the following at June 30, 2016:

	<b>Balance at July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2016</b>
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>75,144,044</u>	<u>19,625,442</u>	<u>(15,754,035)</u>	<u>79,015,451</u>
Total Capital Assets, Not Being Depreciated	<u>100,976,879</u>	<u>19,625,442</u>	<u>(15,754,035)</u>	<u>104,848,286</u>
Capital Assets, Being Depreciated:				
Building - Carson	2,343,574	-	-	2,343,574
Building Improvement	1,793,727	10,179	-	1,803,906
Potable Distribution System	1,241,681	-	-	1,241,681
Ocean Desalination Education Center	548,067	-	-	548,067
Recycling Facilities	552,779,456	15,826,278	(7,556,686)	561,049,048
Groundwater Desalting Facility	4,058,578	20,623	-	4,079,201
Machinery and Equipment	1,898,929	212,978	-	2,111,907
Furniture and Fixtures	<u>234,891</u>	<u>36,499</u>	<u>-</u>	<u>271,390</u>
Total Capital Assets, Being Depreciated	<u>564,898,903</u>	<u>16,106,557</u>	<u>(7,556,686)</u>	<u>573,448,774</u>
Less Accumulated Depreciation:				
Building - Carson	(742,132)	(93,743)	-	(835,875)
Building Improvement	(383,583)	(114,204)	-	(497,787)
Potable Distribution System	(279,378)	(62,084)	-	(341,462)
Ocean Desalination Education Center	(274,034)	(60,896)	-	(334,930)
Recycling Facilities	(196,799,987)	(24,136,368)	3,799,277	(217,137,078)
Groundwater Desalting Facility	(1,791,053)	(199,249)	-	(1,990,302)
Machinery and Equipment	(959,804)	(249,837)	-	(1,209,641)
Furniture and Fixtures	<u>(211,490)</u>	<u>(11,696)</u>	<u>-</u>	<u>(223,186)</u>
Total Accumulated Depreciation	<u>(201,441,461)</u>	<u>(24,928,077)</u>	<u>3,799,277</u>	<u>(222,570,261)</u>
Total Capital Assets, Being Depreciated, Net	<u>363,457,442</u>	<u>(8,821,520)</u>	<u>(3,757,409)</u>	<u>350,878,513</u>
Total Capital Assets, Net	<u>\$464,434,321</u>	<u>\$10,803,922</u>	<u>\$(19,511,444)</u>	<u>\$455,726,799</u>

## (6) Long Term Debt

The following amounts of long term liabilities were outstanding June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>	<u>Current Portion</u>
2008B Refunding Revenue Certificate of Participation	\$115,062,822	\$ -	\$(3,706,756)	\$111,356,066	\$3,775,000
2010A Adjustable Rate Revenue Certificates of Participation	33,383,368	-	(2,299,588)	31,083,780	-
2011A Refunding Revenue Bonds	36,133,140	-	(704,520)	35,428,620	-
2011B Refunding Revenue Bonds	63,907,183	-	(325,272)	63,581,911	-
2012A Refunding Revenue Bonds	53,528,646	-	(2,490,616)	51,038,030	2,200,000
2013A Refunding Revenue Bonds	<u>10,666,811</u>	<u>-</u>	<u>(7,323,980)</u>	<u>3,342,831</u>	<u>3,315,000</u>
<b>Subtotal</b>	<u>312,681,970</u>	<u>-</u>	<u>(16,850,732)</u>	<u>295,831,238</u>	<u>9,290,000</u>
Compensated Absences	<u>1,248,436</u>	<u>757,350</u>	<u>(730,618)</u>	<u>1,275,168</u>	<u>672,222</u>
<b>Total</b>	<u>\$313,930,406</u>	<u>\$757,350</u>	<u>\$(17,581,350)</u>	<u>\$297,106,406</u>	<u>\$13,674,532</u>

## (6) Long Term Debt (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	\$109,595,000
Unamortized Premium	<u>1,761,066</u>
Net Liability	<u>\$111,356,066</u>

**2010A Adjustable Rate Revenue Certificates of Participation** - In April 2016, the 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 October 22, 2018). The interest paid on the utilized portion of the Certificate is based on fixed rate and adjusted LIBOR rate of .19% at June 30, 2016.

**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.

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 of unamortized discounts and premiums as follows:

Bonds outstanding	\$32,765,000
Unamortized premium	<u>2,663,620</u>
Net liability	<u>\$35,428,620</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 of unamortized discounts and premiums as follows:

Bonds Outstanding	\$60,275,000
Unamortized Premium	<u>3,306,911</u>
Net Liability	<u>\$63,581,911</u>



## (6) Long Term Debt (Continued)

**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 of unamortized discounts and premiums as follows:

Bonds outstanding	\$46,155,000
Unamortized premium	<u>4,883,030</u>
Net liability	<u>\$51,038,030</u>

**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 2013A Refunding Revenue 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 of unamortized discounts and premiums as follows:

Bonds Outstanding	\$3,315,000
Unamortized Premium	<u>27,831</u>
Net Liability	<u>\$3,342,83</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, 2016, debt coverage (net revenues divided by senior debt service) for senior debt was approximately 2.97. Debt coverage (net revenues divided by total debt service) for all debt was approximately 1.84.

## (6) Long Term Debt (Continued)

**Debt Service Requirements** - The Certificates of Participation (COP's) and Refunding Revenue Bonds (Bonds) (not including the 2010 Adjustable rate revenue certificates of participation) debt service requirements subsequent to June 30, 2016, are as follows:

	<u>Total COP's</u>		<u>Hedging</u>	<u>Total Refunding Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Derivatives,</u> <u>Net</u>	<u>Principal</u>	<u>Interest</u>	
2016/17	\$ 3,775,000	\$ 5,286,381	\$ 703,279	\$ 5,515,000	\$ 6,720,950	\$ 22,000,610
2017/18	3,825,000	5,135,381	626,761	6,105,000	6,500,350	22,192,492
2018/19	3,960,000	4,982,381	545,652	6,345,000	6,256,150	22,089,183
2019/20	4,125,000	4,823,981	459,913	6,580,000	6,012,700	22,001,594
2020/21	4,280,000	4,653,825	380,607	6,810,000	5,794,250	21,918,682
2021/22	4,450,000	4,477,275	280,885	7,125,000	5,493,750	21,826,910
2022/23	6,530,000	4,254,775	232,157	7,480,000	5,137,500	23,634,432
2023/24	7,135,000	3,928,275	190,023	7,780,000	4,776,000	23,809,298
2024/25	7,490,000	3,571,525	147,222	8,150,000	4,387,000	23,745,747
2025/26	7,865,000	3,197,025	102,335	8,720,000	4,010,500	23,894,860
2026/27	8,260,000	2,803,775	55,997	8,915,000	3,574,500	23,609,272
2027/28	8,670,000	2,390,775	7,175	9,435,000	3,149,250	23,652,200
2028/29	9,105,000	1,957,275	-	9,910,000	2,677,500	23,649,775
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
	<b>\$109,595,000</b>	<b>\$54,524,149</b>	<b>\$3,732,006</b>	<b>\$142,510,000</b>	<b>\$73,642,400</b>	<b>\$384,003,555</b>

## (7) **Defined Benefit Pension Plans**

**Plan Description** - All qualified employees are eligible to participate in West Basin's separate Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefits provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Tier I</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	3.0% @ 60	2% @ 62
Benefit Vesting Schedule	5 years service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50-60	52-67
Required Employee Contribution Rates	8%	6.5%
Required Employer Contribution Rates	12.764%	6.730%

**Contribution Description** - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate is 8% percent of annual pay, and the average employer's contribution rate is 12.764 percent of annual payroll for Tier I employees. For PEPRA employees the active employee contribution rate is 6.5% percent annual pay and the average employer's contribution rate is 6.730 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

West Basin's contributions to the Plan for the year ended June 30, 2016 were as follows:

	<u>Miscellaneous</u>
Contributions - Employer	\$ 622,460
Contributions - Employee (Paid by Employer)	338,587

## (7) **Defined Benefit Pension Plans (Continued)**

### **Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 valuation. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in Accordance with the Requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Change of Assumption** - GASB 68, Paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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

## (7) Defined Benefit Pension Plans (Continued)

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

The table below reflects long-term expected real rate of return by asset class.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>1</sup></b>	<b>Real Return Years 11+<sup>2</sup></b>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

### ***Allocation of Net Pension Liability and Pension Expense to Individual Employers***

The following table shows West Basin's proportionate share of the net pension liability over the measurement period:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (c) = (a) - (b)</b>
Balance at: 6/30/2014	\$8,934,915	\$7,675,190	\$1,259,725
Balance at: 6/30/2015	10,615,898	9,304,779	1,311,119
Net Changes during 2014-15	1,680,983	1,629,589	51,394

## (7) **Defined Benefit Pension Plans (Continued)**

The net pension liability of the plan is measured as of June 30, 2015, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The proportion of the net pension liability was based on a projection of West Basin's long term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. West Basin's proportionate share of the net pension liability for the plan as of June 30, 2014 and 2015 measurement date was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2014	\$1,259,725
Proportion - June 30, 2015	1,311,119
Change - Increase (Decrease)	51,394

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	<u>Discount Rate - 1%</u> <u>(6.65%)</u>	<u>Current Discount Rate</u> <u>(7.65%)</u>	<u>Discount Rate + 1%</u> <u>(8.65%)</u>
Plan's Net Pension Liability	(\$2,756,863)	(\$1,311,119)	(\$117,490)

### ***Amortization of Deferred Outflows and Deferred Inflows of Resources***

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

## (7) Defined Benefit Pension Plans (Continued)

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total services years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

### *Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, West Basin recognized a pension income of \$973,890 for the Plan. As of June 30, 2016, West Basin reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 622,460	\$ -
Differences between actual contributions made and proportionate share of contributions	503,790	-
Differences between expected and actual experience	45,647	-
Changes of assumptions	-	(431,865)
Net difference between projected and actual earnings on pension plan investments	711,554	-
Adjustment due to differences in proportions	637,471	(150,799)
<b>Total</b>	<u>\$ 2,520,922</u>	<u>\$ (582,664)</u>

\$622,460 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$996,798
2017	366,725
2018	297,997
2019	276,738
2020	-
Thereafter	-

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## (7) **Defined Benefit Pension Plans (Continued)**

### **PARS:**

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

**TIER I:** Members retire from West Basin after July 1, 2002 and assumed office prior to January 1, 2013, 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 and assumed office prior to January 1, 2013, 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 after 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.

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. West Basin contributes to each benefit on behalf of the eligible directors. 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. The Tier III members contribute up to 50% of the normal cost which was 7% through December 31, 2015 and 15.3% from January 1, 2016 through June 30, 2016.

Employees Covered - At June 30, 2016, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	5
Total	<u>7</u>



## **(7) Defined Benefit Pension Plans (Continued)**

### **Contribution Description**

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, 2016, is based on an actuarial valuation as of June 30, 2014. For the fiscal year ending June 30, 2016, West Basin's annual pension cost was \$92,600.

Actuarial Valuation Date:	June 30, 2014 rolled forward to 2015
Asset Valuation Method:	Smoothed market value
Discount rate:	5.5%
Mortality:	Post-retirement mortality rates are from the CalPERS' 1997-2011 Experience Study
General Inflation:	3%
Aggregate payroll Increase:	3%
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

### **Actuarial Methods**

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

The initial unfunded AAL for the original multiple employer plan was amortized over 20 years as of July 1, 2002 as a level percentage of expected payroll. Subsequent gains or losses are amortized over 15 years, and plan amendments, methods and assumption changes are amortized over 20 years. The maximum combined amortization period is 30 years. Effective June 30, 2006, the plan was split into two plans. At that time, all West Basin Municipal Water District bases were combined into a single fresh start base amortized over 16 years, which was the remaining period of the initial UAL. Currently, 8 years remain on this base.

Plan funded status based on the excess of

- 1) Actuarial Accrued Liability
- over
- 2) Plan assets

Actuarial assets are equal to market value assets. This is a change from the prior valuation, in which actuarial assets recognized asset gains/losses over 5 years.

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

## (7) Defined Benefit Pension Plans (Continued)

### Discount Rate

The discount rate used to measure the total pension liability was 5.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the actuary stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 5.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 5.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 30 basis points. An investment return excluding administrative expenses would have been 5.78 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

### Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
<b>Balance at: 6/30/2014 (VD)</b>	<b>\$1,052,000</b>	<b>\$1,254,443</b>	<b>\$(202,443)</b>
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	75,000		75,000
Interest on the Total Pension Liability	61,470		61,470
Differences between Expected and Actual Experience			
Contributions from the Employer		90,583	(90,583)
Contributions from Employees			
Investment Income		20,884	(20,884)
Administrative Expense		(23,956)	23,956
Benefit Payments, including Refunds of Employee Contributions	(18,745)	(18,745)	0
<b>Net Changes during 2014-15</b>	<b>\$117,725</b>	<b>\$68,766</b>	<b>\$48,959</b>
<b>Balance at: 6/30/2015 (MD)</b>	<b>\$1,169,725</b>	<b>\$1,323,209</b>	<b>\$(153,484)</b>

## (7) Defined Benefit Pension Plans (Continued)

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 5.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50 percent) or 1 percentage-point higher (6.50 percent) than the current rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Net Pension Liability	\$ (9,579)	\$ (153,484)	\$ (270,564)

### Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (June 30, 2014), the NPA is \$202,443. For the measurement period ending June 30, 2015 (the measurement date), West Basin recognized a pension contribution of \$90,583 for the Plan.

As of June 30, 2015, West Basin reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 87,000	\$ 0
Differences between Expected and Actual Experience	0	0
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	14,942	0
<b>Total</b>	<b>\$ 101,942</b>	<b>\$ 0</b>

As of June 30, 2016, West Basin reported \$87,000 as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement period Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$88,685
2017	1,685
2018	1,685
2019	9,887
2020	0
Thereafter	0

## (8) **Other Postemployment 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:* 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 postemployment 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	\$ 382,438
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	382,438
Contributions made (including retiree premiums paid)	<u>(382,438)</u>
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation (asset) - beginning of year	<u>-</u>
Net OPEB obligation (asset) - end of year	<u>\$ -</u>

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 2014 to FY 2016.

<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>
6/30/2014	\$ 4,413,859	\$ 3,748,912	85%	\$ -
6/30/2015	440,774	440,774	100%	-
6/30/2016	382,438	382,438	100%	-

## **(8) Other Postemployment Benefits (OPEB) (Continued)**

*Funding Status and Funding Progress:* As of July 1, 2015, the most recent actuarial valuation date, the plan was 108% funded. The table below shows the Schedule of Funding Progress.

*Schedule of Funding Progress*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
7/1/11	\$2,180,681	\$4,466,071	\$2,285,390	49%	\$3,647,096	62.7%
7/1/13	3,272,335	6,362,579	3,090,244	51%	3,976,526	77.7%
7/1/15	7,916,471	7,358,756	(557,715)	108%	4,238,252	-13.2%

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.

*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 7.28% 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 8% for medical plan premiums initially, reduced by decrements of 0.5% per year to an ultimate rate of 4.5% after the ninth year. The plan values its assets at market value. All the rates included a 3% inflation assumption. West Basin's amortization period of the UAAL is one year. It is assumed West Basin's payroll will increase 3.25% per year.

## **(9) Commitments and Contingencies**

West Basin has entered into various contracts for the purchase of material, construction of the utility plant, and professional and nonprofessional services. Certain amounts are based on the contractor's estimated cost to complete. At June 30, 2016, the total unpaid amount on these contracts is approximately \$33,600,000. 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.

## (10) Swap Transaction Agreements

In June 2004, the 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, the 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 (\$2,434,226) as of June 30, 2016.

Also in April, 2005, the 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 became effective on June 7, 2004. In 2008, the 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 (\$738,728) as of June 30, 2016.

In February 2015, the GASB issued Statement 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The District adopted GASB 72 beginning Fiscal Year ended June 30, 2016.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps.

Given the observability of inputs that are significant to the entire measurement, the fair values of the District swaps are categorized as Level 2.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016, 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, 2016		
	Classification	Amount	Classification	Amount	Notional
<b>Business-type activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	\$ 243	Debt	\$ (2,434)	\$14,350
Pay-fixed interest rate swap	Deferred inflow	\$ (120)	Debt	\$ (739)	\$ 8,950

## (10) Swap Transaction Agreements (Continued)

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. All derivatives are reported on the statement of net assets at fair value, and all hedges must be tested for effectiveness to qualify for hedge accounting. Depending on the test results, the changes in fair value from the time a hedge is associated with the debt are either reported on the statement of net assets as a deferral if the swap qualifies as a hedge, or in the statement of activities as investment revenue or loss if the swap does not qualify as a hedge.

Fair Value values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. Fair values reflect the effect of non-performance risk, which includes West Basin's credit risk.

### 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, 2016, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating*
Pay-fixed interest rate swap	Hedge of the variable rate interest exposure relating to the Adjustable Rate Revenue Certificates of Participation Series 2010A.	\$14,350	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 Adjustable Rate Revenue Certificates of Participation Series 2010A.	\$8,950	5/22/08	8/01/21	Pay 3.515%; receives 65% of the BBA-LIBOR	A

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

## **(10) Swap Transaction Agreements (Continued)**

*Credit Risk.* As of June 30, 2016 West Basin has no credit risk exposure on the swap transactions because the swaps have negative fair values, meaning the counterparties are exposed to West Basin in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the swaps become positive, West Basin would be exposed to credit risk. To minimize its potential exposure to loss related to credit risk, it is West Basin's policy to require counterparty collateral posting provisions in its swap transactions. 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.

*Basis Risk.* Basis risk is the risk that the interest rate paid by West Basin on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. West Basin is exposed to basis risk when the floating rate that it receives on a swap is less than the actual variable rate West Basin pays on the bonds. 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.

*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 mark-to-market value of the swap at the time of such termination.

Independent consultants engaged by West Basin have determined that these swaps served as an effective hedge as of June 30, 2016 with respect to the 2010A Adjustable Rate Revenue Certificates of Participation. From June 30, 2015, the liability associated with the fair value of the swaps increased by \$122,962. This decrease in swap fair value resulted in an adjustment of deferred inflows that are associated with the hedging of the 2010A Certificates of Participation to account for the changes in fair value that took place from June 30, 2015 to the date of the Statement of Net Position (June 30, 2016).



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## **(11) 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.

## **(12) Subsequent Events**

On October 27, 2016, the District issued Series 2016A Refunding Revenue Bonds in the amount of \$112,875,000 to refinance the callable portions (approximately \$98 million) of the 2008B Refunding Certificates of Participation and fix out all of the outstanding balance of the 2010A Adjustable Rate Certificates of Participation. The lower interest rate of the 2016A refunding resulted in an overall net present value saving of approximately \$12,000,000 for West Basin from 2017 to 2036. Please see Note 12 in the Notes to Financial Statement for details.

WEST BASIN MUNICIPAL WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2016

Last 10 Years\*

**Defined Benefit Pension Plan - PERS**

*Schedule of the Plan's Proportionate Share of the Net Pension Liability*

	Misc. Plan Measurement Date <u>6/30/2015</u>	Misc. Plan Measurement Date <u>6/30/2014</u>
Proportion of the Collective Net Pension Liability	.04779%	.02024%
Proportionate Share of the Collective Net Pension Liability	\$ 1,311,119	\$ 1,259,725
Covered-Employee Payroll	\$4,389,575	\$ 4,335,349
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	29.87%	29.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	.596%	.05097%

**Notes to Schedule:**

**Benefit Changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

**Changes in Assumptions.** The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

\*Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

WEST BASIN MUNICIPAL WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2016

Last 10 Years\*

**Schedule of Plan Contributions - PERS**

	<b>Misc. Plan Fiscal Year 2015-16</b>	<b>Misc. Plan Fiscal Year 2014-15</b>
Actuarially Determined Contribution	\$ 622,460	\$ 711,101
Contributions in Relation to the Actuarially Determined Contribution	(622,460)	(711,101)
Contribution Deficiency (Excess)	-	-
Covered Payroll	\$ 4,389,575	\$ 4,335,349
Contributions as a Percentage of Covered-Employee Payroll	14.18%	15.25%

**Notes to Schedule**

Fiscal Year End:	6/30/2016	6/30/2015
Valuation Date:	6/30/2013	6/30/2012

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value
Discount Rate	7.65%	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

\*Fiscal Year 2015 was the first year of implementation; therefore, only two years are shown.

WEST BASIN MUNICIPAL WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2016

Last 10 Years\*

**Defined Benefit Pension Plan - PARS**

**Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period**

Measurement Period	2014-15	2013-14
TOTAL PENSION LIABILITY		
Service Cost	\$ 75,000	\$ 73,000
Interest	61,470	55,000
Changes of Benefit Terms	0	0
Difference between Expected and Actual Experience	0	0
Changes of Assumptions	0	0
Benefit Payments, Including Refunds of Employee Contributions	(18,745)	0
Net Change in Total Pension Liability	117,725	128,000
Total Pension Liability - Beginning	1,052,000	924,000
Total Pension Liability - Ending (a)	<u>\$ 1,169,725</u>	<u>\$ 1,052,000</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 90,583	\$ 115,000
Contributions - Employee	0	0
Investment Income	20,884	102,000
Administrative Expense	(23,956)	(33,000)
Benefit Payments, Including Refunds of Employee Contributions	(18,745)	0
Other Changes in Net Fiduciary Position	0	0
Net Change in Fiduciary Net Position	68,766	184,000
Plan Fiduciary Net Position - Beginning	1,254,443	1,070,000
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,323,209</u>	<u>\$ 1,254,000</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ (153,484)</u>	<u>\$ (202,000)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	113.1%	119.2%
Covered-Employee Payroll	\$139,328	\$143,680
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	-110.2%	140.6%

**Notes to Schedule:**

Benefit Changes: There were no changes to benefit terms specific to the plan.

Changes of Assumptions: There were no changes in assumptions.

\*Fiscal Year 2015 was the first year of implementation; therefore, only two years are shown.

WEST BASIN MUNICIPAL WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2016

Last 10 Years\*

**Schedule of Plan Contributions - PARS**

	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 87,000	\$ 92,026
Contributions in Relation to the Actuarially Determined Contribution	(87,000)	(92,026)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 168,909	\$ 143,680
Contributions as a Percentage of Covered-Employee Payroll	51.51%	64.0%

**Notes to Schedule**

Valuation date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15 years
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	5.0%, average, including inflation of 3.0%
Investment Rate of Return	5.5%, net of pension plan investment expense, including inflation
Retirement Age	67 yrs.
Mortality	CalPERS 1997-2011 Experience Study

\*Fiscal Year 2015 was the first year of implementation; therefore, only two years are shown.



# 03.



**STATISTICAL SECTION**  
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.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how West Basin’s financial performance have changed over time.	
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<b>Table 2:</b> Changes in Net Position Last Ten Fiscal Years	65
<b>Table 3:</b> Operating Revenues by Source Last Ten Fiscal Years	67
<b>Table 4:</b> Operating Expenses by Source Last Ten Fiscal Years	69
<b>Table 5:</b> Capital Contributions by Source Last Ten Fiscal Years	71
<b>Revenue Capacity</b>	
These schedules contain information to help the reader understand West Basin’s revenue sources.	
<b>Table 6:</b> Payors-Potable Water Sales for the Current Year and Nine Years Prior	72
<b>Table 7:</b> Payors-Recycled Water Sales for the Current Year and Nine Years Prior	73
<b>Table 8:</b> All Water Sold in Acre-Feet Last Ten Fiscal Years	74
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<b>Table 11:</b> Average Water Rates Per Acre-Foot Last Ten Fiscal Years	78
<b>Table 12:</b> Imported Water Rates for the Years Ended June 30, 2015 and 2016	79
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of West Basin’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
<b>Table 13:</b> Outstanding Debt to Capital Assets Last Ten Fiscal Years	80
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<b>Table 15:</b> Standby Charge and Capital Fixed Payments Last Ten Fiscal Years	82
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<b>Demographic Information</b>	
These schedules offer demographic and economic information to help the reader understand the environment within which West Basin’s financial activities take place.	
<b>Table 17:</b> Ten Largest Employers Within West Basin Service Area Calendar Year 2015 and Seven Years Prior	85
<b>Table 18:</b> Population and Economic Statistics Last Ten Calendar Years	86
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<b>Operating Information</b>	
These schedules contain information about West Basin’s operations and infrastructure data to help the reader understand how West Basin’s financial report relates to the services the West Basin provides and the activities it performs.	
General Operating Information Fiscal Year Ended June 30, 2016	89

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 1: NET POSITION**

Last Ten Fiscal Years (In Thousands)

<b>Fiscal Year Ended June 30</b>	<b>Net Investment In Capital Assets</b> (3)	<b>Unrestricted</b>	<b>Total Net Position</b> (3)
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)
2015	155,923	75,248	231,171 (5)
2016	164,068	70,515	234,583

(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.

(5) Fiscal Year 2015 beginning Net Position was restated for two reasons: Due to the implementation of GASB No. 68, prior year adjustment of \$0.9M liability was recorded, and due to the internal review of the capital asset accounts, a prior year adjustment of \$9.2M was made to reduce capital assets account no longer in service.

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 2: CHANGES IN NET POSITION**

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Operating Revenue (Loss)			Nonoperating Revenue (Loss)							Total Nonoperating Revenue (Loss)	Income (Loss) Before Contributions	Capital Contributions	Change in Net Position
	Operating Revenues	Operating Expenses	Operating Revenue (Loss)	Standby Charges	Investment Income	Realized Gain (Swap Termination)	Grant Income Misc Inc (Exp) Loss on disposal	Interest Expense	Change in fair value of swap (nonhedged)					
	(1)	(2)			(8)	(3)	(4)	(5)	(6)			(7)		
2007	105,289	113,094	(7,805)	9,659	4,555	-	1,081	(9,101)	-	6,194	(1,611)	10,337	8,726	
2008	106,072	115,260	(9,188)	9,365	3,581	-	207	(9,808)	-	3,345	(5,843)	10,332	4,489	
2009	107,704	119,924	(12,220)	9,701	3,093	-	243	(13,848)	-	(811)	(13,032)	9,069	(3,963)	
2010	130,623	138,786	(8,163)	9,679	1,426	-	(808)	(12,498)	5,702	3,501	(4,662)	15,319	10,657	
2011	134,352	144,604	(10,252)	9,899	1,216	-	567	(12,038)	5,033	4,675	(5,577)	13,196	7,619	
2012	146,147	147,932	(1,785) (4)	9,632	1,323	4,916	546	(11,002)	-	5,413	3,631	10,560	14,191	
2013	164,216	162,390	1,826	9,805	2,872	-	100	(9,209)	-	3,566	5,395	8,528	13,923	
2014	179,224	180,710	(1,486)	9,683	234	-	272	(10,651)	-	(462)	(1,948)	16,447	14,499	
2015	178,584	183,273	(4,689)	9,741	295	-	(122)	(11,139)	-	(1,225)	(5,914)	7,663	1,749	
2016	177,192	177,751	(559)	9,655	506	-	(3,632)	(9,859)	-	(3,330)	(3,889)	7,302	3,413	

(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) The District recognized \$0.8M and \$3.8M loss from disposition of capital assets in Fiscal Year 2015 and 2016, respectively.

(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.

(6) Effective Fiscal Year 2010, per GASB No. 53, a swap agreements 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 position. 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.



EDWARD C. LITTLE  
WATER RECYCLING FACILITY



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WATER DISTRICT

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 3: OPERATING REVENUES BY SOURCE**

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	<b>Water Sales (4)</b>					Total
	Water and Monitoring	Water Recycling	Desalting	Conservation		
	(1)	(2)	(3)	(4)		
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	
2015	136,762	40,386	700	736	178,584	
2016	136,338	39,539	815	500	177,192	

(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. In Fiscal Year 2015, the monitoring revenues were grouped within this line item.

(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) Monitoring revenue was grouped with Conservation in the prior years. In Fiscal Year 2015, it was reclassified to group with water revenue.



PROD # 0000646654  
CONTAINER # 00030834

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 4: OPERATING EXPENSES BY SOURCE**

Last Ten Fiscal Years (In Thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Source of Supply &amp; Monitoring</u> (1)	<u>Water Recycling Costs</u> (2)	<u>Desalting Operations</u> (3)	<u>Public Information and Education</u> (5)	<u>General and Administrative</u> (4)	<u>Water Policy and Conservation</u> (5)	<u>Depreciation and Amortization</u>	<u>Total Operating Expenses</u>
2007	77,828	17,317	137	2,309	1,997	3,163	10,343	113,094
2008	75,470	20,709	440	3,123	-	2,195	13,323	115,260
2009	76,153	21,528	481	4,476	-	1,096	16,190	119,924
2010	92,276	23,477	551	4,360	-	1,044	17,078	138,786
2011	94,855	25,277	668	4,643	-	893	18,268	144,604
2012	99,019	23,595	901	4,940	-	1,194	18,283	147,932
2013	110,530	27,103	892	4,731	-	1,612	17,522	162,390
2014	118,117	32,683	811	6,004	-	2,302	20,793	180,710
2015	116,723	34,512	870	2,906	-	3,163	25,099	183,273
2016	114,271	32,770	881	2,477	-	2,436	24,916	177,751

(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”. In Fiscal Year 2015, monitoring program costs were grouped in this line item.

(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.

(4) In Fiscal Year 2007, the G&A expenses relate to significant legal expenses. Effective 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. In Fiscal Year 2015, monitoring expense was reclassified to be grouped with source of supply.





WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 5: CAPITAL CONTRIBUTIONS BY SOURCE**

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Recycling Operations (1)	U.S. Army Corps of Engineers (2)	California Department of Water Resources (3)	Other (4)	Total
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
2015	7,240	-	-	423	7,663
2016	7,156	-	6	140	7,302

(1) Recycling Operations - West Basin receives fixed payments from major recycled water customers based on contract terms. The capital costs of recycled water facilities are intended to cover the capital construction. Certain 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 third 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.

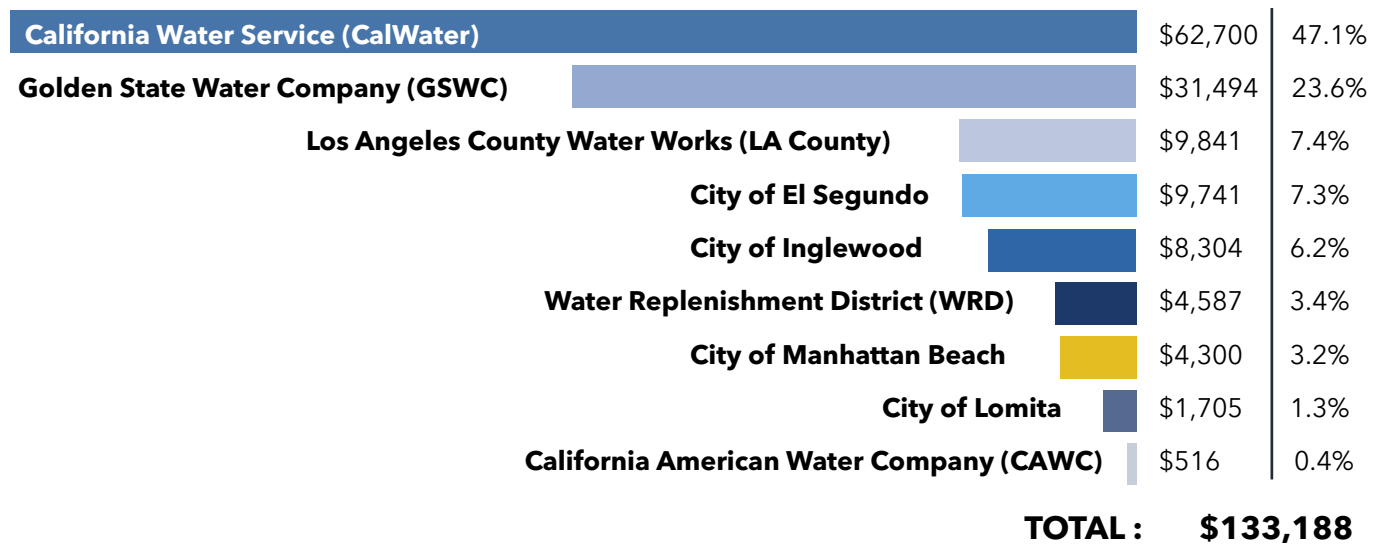
WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 6: PAYORS - POTABLE WATER SALES**

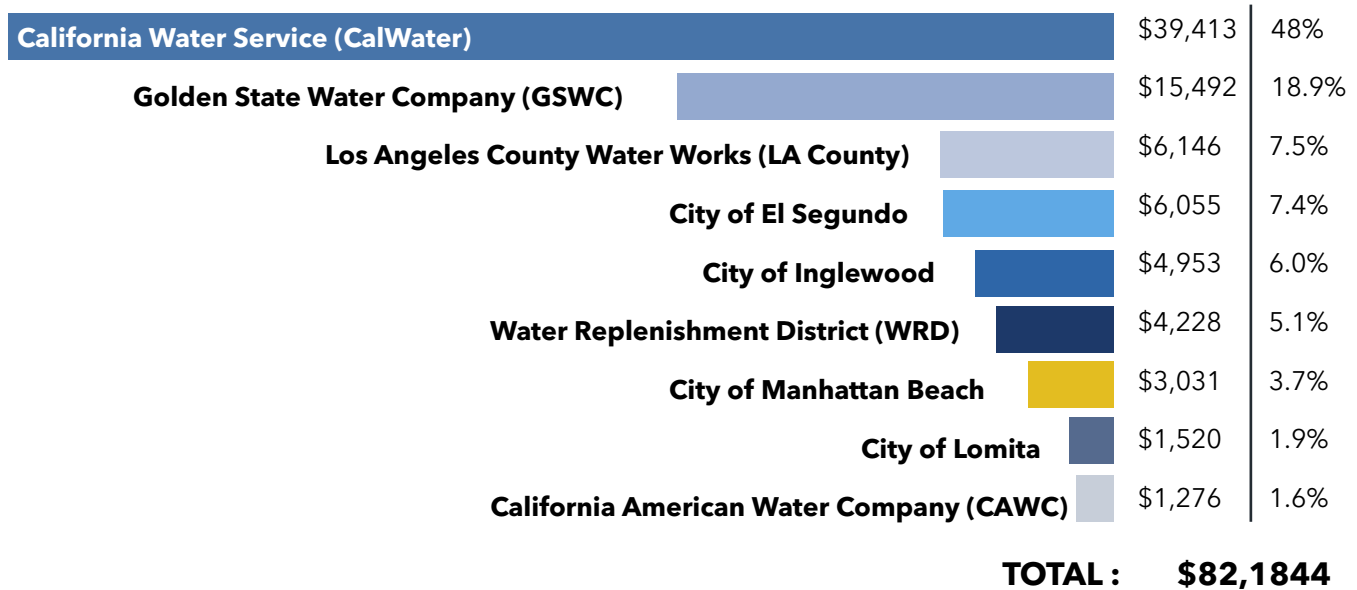
For the Current Year and Nine Years Prior (In Thousands)

**POTABLE WATER SALES TO PRINCIPAL CUSTOMERS OF WEST BASIN  
(excluding Meter Charges, Capacity Charges and Late Penalties)**

**2016**



**2007**



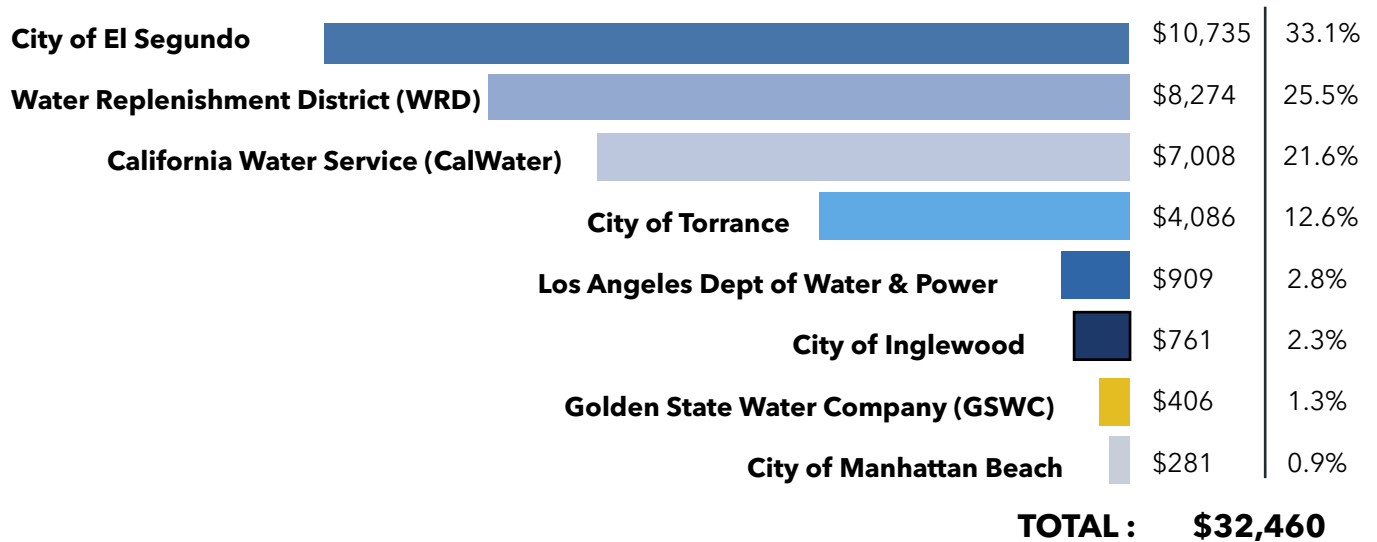
WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 7: PAYORS - RECYCLED WATER SALES**

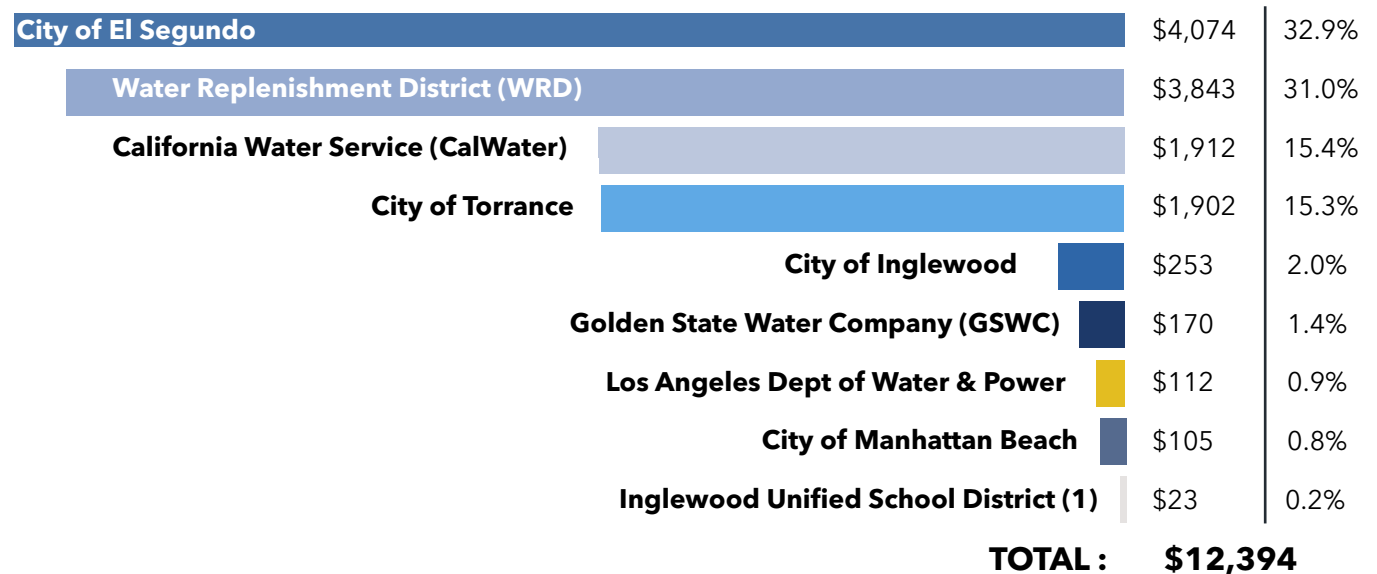
For the Current Year and Nine Years Prior (In Thousands)

**POTABLE WATER SALES TO PRINCIPAL CUSTOMERS OF WEST BASIN  
(excluding LRP rebate)**

**2016**



**2007**



(1) In Fiscal Year 2010 Inglewood Unified School District purchased recycled water directly through the City of Inglewood and is no longer a direct customer of West Basin.

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 8: PAYORS - ALL WATER SOLD IN ACRE-FEET**

Last Ten Fiscal Years (In Thousands)

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							All Water Deliveries
	Non- Interruptible	Ground- water	Saltwater Barrier	Seasonal Water	Total Potable Water	Recycled	Desalting	
	(1)	(2)	(3)	(4)		(5)	(6)	
2007	134,800	36,424	11,162	1,982	184,368	29,250	89	213,706
2008	127,927	38,785	7,609	-	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
2015	105,540	39,096	7,354	-	151,990	35,251	690	187,931
2016	103,638	31,635	3,681	-	138,954	35,003	779	174,736

(1) The decline in non-interruptible potable sales in Fiscal Year 2015 is the result of a statewide mandate to reduce consumption due to the prolonged drought.

(2) 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.

(3) 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. Reduction in potable barrier is expected with an increase in recycled water deliveries to the West Coast Barrier.

(4) In Fiscal Year 2007, MWD offered more seasonal water, therefore increasing deliveries of this type of water. In December 2012, MWD discontinued the Seasonal Storage Program.

(5) 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. The decrease in Fiscal Year 2015 was due to rehabilitation of the biofords and reduced capacity at one of the refineries.

(6) Throughout Fiscal Years 2005-2007, the Desalter underwent a number of capital projects to address aging infrastructure and water quality issues. Some additional repairs were necessary in Fiscal Year 2015.

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 9: ALL WATER SALES TO CUSTOMERS IN ACRE-FEET**

Last Ten Fiscal Years (In Thousands)

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.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
California American Water Company (CAWC)	2,272	1,725	1,436	809	712	902	1,019	667	238	415
California Water Service (CalWater)	74,498	73,917	68,164	65,422	61,127	62,797	65,185	70,679	70,361	57,367
City of El Segundo	17,062	16,950	17,773	19,666	16,522	17,848	17,144	16,681	17,387	16,782
City of Inglewood	8,882	8,339	7,817	7,173	7,545	8,327	9,021	9,028	8,174	7,458
City of Lomita	2,720	2,583	2,420	2,290	2,096	2,336	2,275	1,788	1,463	1,374
City of Manhattan Beach	6,037	5,566	5,073	3,565	3,359	3,757	3,863	3,849	3,496	3,738
City of Torrance	6,037	6,389	5,876	6,445	5,785	6,352	6,634	6,529	5,270	4,012
Golden State Water Company (GSWC)	28,270	22,935	18,280	16,634	16,352	15,399	11,637	16,516	12,622	25,791
Inglewood Unified School District (3)	68	56	63	56	-	-	-	-	-	-
Los Angeles County Water Works (LA County)	10,836	10,654	9,886	8,750	8,331	8,802	9,234	10,090	9,182	7,932
L.A. Dept of Water & Power	335	360	444	619	763	876	966	998	886	874
Water Replenishment District (WRD) (1)	20,266	18,738	17,426	20,851	20,854	14,587	23,679	21,657	19,757	17,358
Total (2)	177,283	168,212	154,658	152,280	143,446	141,983	150,657	158,481	148,835	143,101

Source: WaterUseMater, Potable Wtr Use-By FY

(1) Sales decreased due to well & pipeline repairs in Fiscal Year 2012.

(2) Overall sales decreased from Fiscal Year 2008 to 2012 and again in Fiscal Year 2015 and FY 2016 due to local residents' response towards conservation/water efficiency programs to address drought conditions.

(3) In Fiscal Year 2010, Inglewood Unified School District purchased recycled water directly from the City of Inglewood and no longer is a direct customer to West Basin.



WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 10: RECYCLED WATER SALES IN ACRE - FEET**

Last Ten Fiscal Years (In Thousands)

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	Mobil Refinery	Tesoro Refinery	Total Refineries	West Coast Barrier	Title 22 Irrigation	Total
		(1)	(1)	(1)	(2)	(3)		
2007	214	7,661	5,742	2,951	16,354	9,104	3,792	29,250
2008	217	7,366	6,047	4,091	17,504	11,129	3,576	32,209
2009	310	8,478	5,578	4,759	18,815	7,652	3,441	29,908
2010	340	8,492	6,146	4,708	19,346	7,797	3,537	30,680
2011	359	6,163	5,538	3,973	15,674	7,320	3,425	26,419
2012	376	6,397	6,060	5,019	17,476	6,530	3,653	27,659
2013	390	7,146	6,348	5,208	18,702	6,622	4,638	29,962
2014	394	7,891	6,167	5,572	19,630	12,372	4,718	36,720
2015	404	8,635	4,887 (4)	5,024	18,546	12,403	4,302	35,251
2016	424	8,290	3,596 (4)	5,184	17,070	13,677	4,256	35,003

(1) Chevron refinery is located in the city of El Segundo, Torrance Refining Company (formerly Exxon Mobil 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) 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.

(4) Sales to the Torrance Refining Company decreased in Fiscal Year 2015 and 2016 due to refurbishment of the biofords.

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 11: AVERAGE WATER RATES PER ACRE-FOOT**

Last Ten Fiscal Years (In Thousands)

Type of Water	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Purchased from MWD (1)</i>										
Non-Interruptible	\$560	\$591	\$650	\$773	\$898	\$994	\$1,063	\$1,132	\$1,188	\$1,242
Saltwater Barrier	560	591	650	773	898	994	1,063	1,132	1,188	1,242
Seasonal Storage-LT	382	411	454	547	645	721	865	-	-	-
<i>West Basin Recycled Water (2)</i>										
Recycled- T22	\$337	\$367	\$438	\$600	\$686	\$775	\$840	\$908	\$955	\$1,005
Recycled- T22 OSA	379	409	480	642	728	817	882	950	997	1,047
Recycled- Barrier	421	440	458	501	540	553	565	578	586	605
Recycled- Industrial RO	596	633	722	913	914	1003	1,068	1,136	1,183	1,233
Recycled- Ultra RO	788	837	954	1195	1270	1359	1,424	1,492	1,539	1,589
Recycled- Nitrified	317	347	418	577	666	755	820	888	935	985
<i>West Basin Desalting Plant (3)</i>										
Desalted Water	\$491	\$517	\$608	\$723	\$746	\$792	\$840	\$978	\$1,019	\$1,048

(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.



WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 12: IMPORTED WATER RATES**

For the Years Ended June 30, 2015 and 2016

Tables below delineate the fiscal years ended June 30, 2015 and 2016 water rates for West Basin and Metropolitan Water District of Southern California (MWD).

	MWD	Readiness-to-Serve Charge	West Basin Reliability Service Charge	Total
<b>Fiscal Year Ended June 30, 2015</b>				
<i>July 1, 2014 to December 31, 2014</i>				
Non-Interruptible & Barrier (Tier 1)	\$890	\$112	\$169	\$1,171
Non-Interruptible & Barrier (Tier 2)	1,032	112	169	1,313
 <i>January 1, 2015 to June 30, 2015</i>				
Non-Interruptible & Barrier (Tier 1)	\$923	\$112	\$169	\$1,204
Non-Interruptible & Barrier (Tier 2)	1,055	112	169	1,336
 <b>Fiscal Year Ended June 30, 2016</b>				
<i>July 1, 2015 to December 31, 2015</i>				
Non-Interruptible & Barrier (Tier 1)	\$923	\$112	\$194	\$1,229
Non-Interruptible & Barrier (Tier 2)	1,055	112	194	1,361
 <i>January 1, 2016 to June 30, 2016</i>				
Non-Interruptible & Barrier (Tier 1)	\$942	\$118	\$194	\$1,254
Non-Interruptible & Barrier (Tier 2)	1,076	118	194	1,388

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 13: OUTSTANDING DEBT TO CAPITAL ASSETS**

Last 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, (3)	OUTSTANDING DEBT			CAPITAL ASSETS			Debt/ Capital Assets
	Certificates of Participation & Revenue Bonds	State Loan	Total LT Debt	Capitalized Assets (1)	Construction- in-Progress (2)	Total Capital Assets	
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	590,272	63,152	653,424	0.50
2015	312,682	-	312,682	590,732	75,144	665,876	0.47
2016	295,831	-	295,831	599,282	79,015	678,297	0.44

(1) Amounts exclude accumulated depreciation and capital assets of the Financing Authority through Fiscal Year 2007. See details at "General Operating Information". In Fiscal Year 2015, \$27.1 million of capitalized assets were disposed or no longer in service.

(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.

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 14: ANNUAL DEBT PAYMENTS TO EXPENSES**

Last Ten Fiscal Years (In Thousands)

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total Debt</u> <u>Payment</u>	<u>Operating</u> <u>Expenses</u>	<u>Ratio Debt/</u> <u>Expenses</u>
	(1)	(1)	(2)	(3)	
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
2015	15,592	13,569	29,161	158,174	0.18
2016	15,370	13,031	28,401	152,835	0.19

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

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

(3) Excludes depreciation and amortization.

WEST BASIN MUNICIPAL WATER DISTRICT

**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.

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Standby</u> <u>Charge</u>	<u>Capital Fixed</u> <u>Payments</u>	<u>Total</u>	<u>Debt Payment</u>	<u>% of Debt Service</u>
	(1)	(2)		(3)	
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%
2015	9,741	7,240	16,981	29,161	58%
2016	9,655	7,156	16,811	28,401	59%

(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, Torrance Refining Company, 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 Contribution 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".

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 16: DEBT COVERAGE**

Last Ten Fiscal Years (In Thousands, Except for Debt Coverage)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Changes in Net Position (1)	\$8,726	\$4,489	(\$3,963)	10,657	\$7,619	\$14,191	\$13,923	\$14,499	\$1,749	\$3,413
Add: Interest Expense	9,101	9,808	13,848	12,498	12,038	11,002	9,209	10,651	11,139	9,859
Add: Depreciation/Amortization	10,343	13,323	16,190	17,078	18,268	18,283	17,522	20,793	25,099	24,916
Less: Non-Cash Items (2)	(2,517)	(2,827)	(1,446)	(11,579)	(9,109)	(6,805)	(133)	(550)	764	3,652
Net Revenues for Coverage	<u>\$25,653</u>	<u>\$24,793</u>	<u>\$24,629</u>	<u>\$28,654</u>	<u>\$28,816</u>	<u>\$36,671</u>	<u>\$40,521</u>	<u>\$45,393</u>	<u>\$38,751</u>	<u>\$41,840</u>
Parity Debt Service (3)	16,185	16,345	16,595	16,078	16,517	16,115	17,790	17,205	17,695	13,646
Reserve Fund Earnings	(825)	(799)	(767)	(762)	(762)	(763)	(681)	170	(1)	(2)
Total Net Senior Debt Service	\$15,360	\$15,546	\$15,828	\$15,316	\$15,755	\$15,352	\$17,109	\$17,375	\$17,694	\$13,644
<b>Debt Coverage</b>	<u><b>1.67</b></u>	<u><b>1.54</b></u>	<u><b>1.51</b></u>	<u><b>1.82</b></u>	<u><b>1.78</b></u>	<u><b>2.34</b></u>	<u><b>2.33</b></u>	<u><b>2.62</b></u>	<u><b>2.19</b></u>	<u><b>3.07</b></u>
Subordinate Debt Service (3)	8,445	6,157	6,897	7,624	7,968	8,817	9,056	8,993	9,017	9,058
Reserve Fund Earnings	(2)	(12)	(2)	-	-	-	-	-	-	-
Total Net Subordinate Debt Service	<u>\$8,443</u>	<u>\$6,145</u>	<u>\$6,895</u>	<u>\$7,624</u>	<u>\$7,968</u>	<u>\$8,817</u>	<u>\$9,056</u>	<u>\$8,993</u>	<u>\$9,017</u>	<u>\$9,058</u>
<b>Debt Coverage</b>	<u><b>1.22</b></u>	<u><b>1.50</b></u>	<u><b>1.17</b></u>	<u><b>1.66</b></u>	<u><b>1.54</b></u>	<u><b>2.33</b></u>	<u><b>2.51</b></u>	<u><b>3.13</b></u>	<u><b>2.34</b></u>	<u><b>3.11</b></u>
<b>All-In Debt Coverage</b>	<u><b>1.09</b></u>	<u><b>1.14</b></u>	<u><b>1.09</b></u>	<u><b>1.26</b></u>	<u><b>1.22</b></u>	<u><b>1.52</b></u>	<u><b>1.55</b></u>	<u><b>1.73</b></u>	<u><b>1.45</b></u>	<u><b>1.84</b></u>
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	\$1,850	\$3,102	\$1,906	\$5,714	\$5,093	\$12,502	\$14,356	\$19,025	\$12,040	\$19,138

(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 Engineers, unrealized gains/losses, change in fair value of swap instruments, loss on disposition of assets and non-routine litigation settlements.

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

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BOARD OF DIRECTORS  
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WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 17: TEN LARGEST EMPLOYERS WITHIN WEST BASIN SERVICE AREA**  
CALENDAR YEAR 2015 AND NINE YEARS PRIOR

<b>Employer</b>	2015 Number of Employees (1)	Rank	2006 Number of Employees	Rank
Northrop Grumman Corporation	9,396	1	12,811	1
Raytheon Company	5,422	2	8,594	2
Boeing Satellite Systems Inc.	5,042	3	5,960	3
Sony Pictures Entertainment	3,200	4	2,018	5
Aerospace Corporation	2,560	5	2,847	4
DirecTV Operations Inc.	2,384	6	1,268	8
Palos Verdes Peninsula Unified School District	1,990	7	2,000	6
Mattel, Inc.	1,791	8	1,737	7
Accenture	1,211	9	753	10
Chevron Products Company/ USA Inc.	1,137	10	1,062	9
Total Employment Within West Basin's Service Area (2):			Not Available	
Percentage of Each Employer of Total Employment Within West Basin Service Area (2):			Not Available	

(1) Most current available data.

(2) 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.

WEST BASIN MUNICIPAL WATER DISTRICT

**TABLE 18: POPULATION AND ECONOMIC STATISTICS**

LAST TEN CALENDAR YEARS

Calendar Year	West Basin Population (1)	LA County Population (2)	Personal Income (In Thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (2)
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	9,951,690	455,788,782	45,800	11.2%
2013	865,882	10,017,068	466,098,988	46,530	10.2%
2014	870,219	10,069,036	-	-	7.8%
2015	874,219	-	-	-	6.2%
2016	877,798	-	-	-	5.3%

(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 2015 information is as of September. Other information for Calendar year 2014 through 2016 is not available.



# WEST BASIN MUNICIPAL WATER DISTRICT

## DEMOGRAPHICS

### ***Service Area***

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Estimated Total Population Served	877,798
Area	185 square miles

### **Division I - Represented by Harold C. Williams**

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

### **Division II - Represented by Director Gloria D. Gray**

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

### **Division III - Represented by Director Carol W. Kwan**

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

### **Division IV - Represented by Director Scott Houston**

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***

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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***

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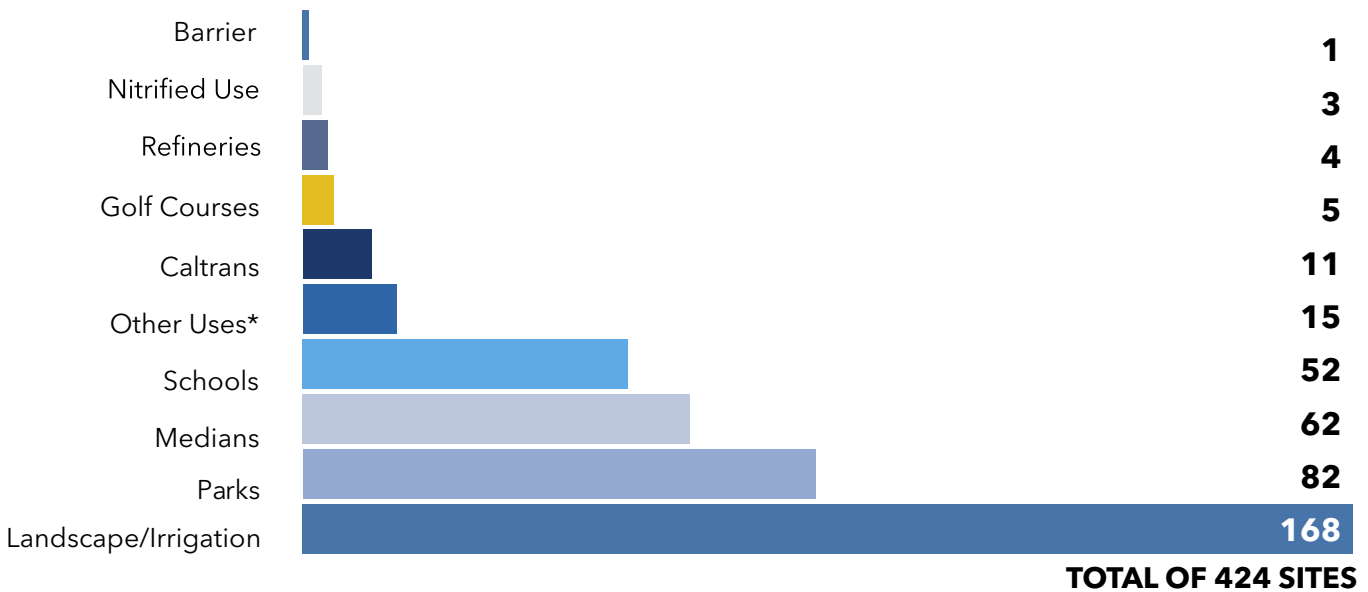
Potable Water (including desalting & groundwater)	139,733	acre-feet
Recycled Water	35,003	acre-feet

WEST BASIN MUNICIPAL WATER DISTRICT

**RECYCLED WATER USERS**

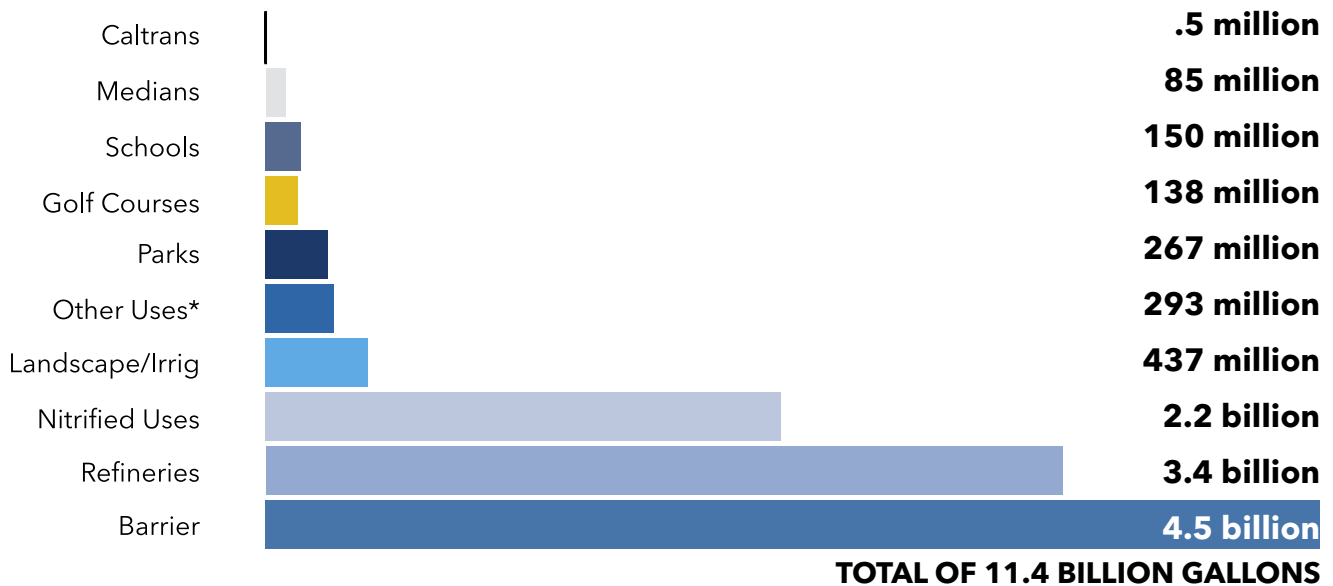
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NUMBER OF SITES**



**WATER USAGE**

1 ACRE-FOOT = 325,900 GALLONS



Source: WaterUsemater, Recycled Water Site

- Other Uses \* :** Cemetery use  
 Multi-industrial / irrigation use  
 Construction use  
 College use  
 Draining / Sump Pumps use

WEST BASIN MUNICIPAL WATER DISTRICT  
**GENERAL OPERATING INFORMATION**  
FISCAL YEAR ENDED JUNE 30, 2016

**NUMBER OF BUDGETED FULL-TIME PERSONNEL**

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<b>2007</b>	33
<b>2008</b>	33
<b>2009</b>	33
<b>2010</b>	34
<b>2011</b>	36
<b>2012</b>	36
<b>2013</b>	38
<b>2014</b>	40
<b>2015</b>	41
<b>2016</b>	43

**CERTIFICATIONS AND LICENSES HELD BY DISTRICT EMPLOYEES**

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<b>Professional Engineer</b>	9
<b>Certified Public Accountant</b>	3
<b>Licensed attorneys</b>	1
<b>Masters Degree</b>	14
<b>State Water Certification:</b>	
<b>Distribution Operator</b>	3
<b>Treatment Plant Operator</b>	4

WEST BASIN MUNICIPAL WATER DISTRICT

**GENERAL OPERATING INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2016 (CONTINUED)

*Capital Assets (In Thousands)*

	Recycling Facilities	Desalting	Machinery & Equipment	Construction- in-Progress	Admin. Facility	West Basin Capital Assets	Financing Authority	Total Capital Assets
				(1)	(2)		(2)	(3)
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	576,537	4,041	3,349	63,152	6,345	653,424	-	653,424
2015	576,941	4,059	3,376	75,144	6,356	665,876	-	665,876
2016	585,211	4,079	3,625	79,015	6,367	678,297		678,297

(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. Total Capital Assets decreased in Fiscal Year 2014 as a result of a prior period adjustment in Fiscal Year 2015 due to the write-off of \$27M of capital assets that were either disposed of or no longer in service.



# WELCOME TO WEST BASIN'S ANNUAL WATER HARVEST FESTIVAL

NO  
PETS  
ALLOWED

PETTING



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