



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



FISCAL YEAR ENDED JUNE 30, 2017
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

WEST BASIN MUNICIPAL WATER DISTRICT
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01

INTRODUCTORY SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT



**Edward C. Little Water Recycling Facility
(ECLWRF)**

INTRODUCTION



Tour guide leading a group demonstration

December 1, 2017

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 2016-2017, which ended June 30, 2017.

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. Since West Basin issued bonds to finance its operation, by debt covenants, West Basin must file a 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 CAFR for the fiscal year that ended on June 30, 2016. This was the 10th 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. West Basin believes 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 ending on June 30, 2017. 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, an innovative and award-winning public agency, is a special district of the State of California that wholesales imported drinking water and produces recycled water, as well as provides water-efficiency and water education programs to approximately 870,000 residents within a 185-square-mile service area.

West Basin is governed by a board of five directors, who are elected by the public in staggered four-year terms. West Basin is a member agency of the Metropolitan Water District of Southern California (Metropolitan), a cooperative of 26 member agencies including cities and water agencies. West Basin sells the imported water it purchases from Metropolitan to cities, water agencies, and private water companies in coastal Los Angeles County.

Recycled water is the cornerstone of West Basin's efforts to increase water reliability by conserving and augmenting local supplies. The District's award-winning Edward C. Little Water Recycling Facility in El Segundo, Calif. is the only facility in the world that produces five types of customer-tailored, "designer" waters. West Basin provides recycled water to more than 300 industrial, commercial and public customer connections in the service area.

To protect our local groundwater aquifer from seawater intrusion, West Basin currently provides highly purified recycled water to the Water Replenishment District of Southern California (WRD) for injection into the West Coast Groundwater Basin seawater barrier. The seawater barrier protects and augments \$200 million dollars' worth of local groundwater supplies. While the groundwater pumping is not a direct sale of West Basin, it is another source of water for some customers to pump within our mutual service area.

In August 2017, West Basin adopted a new Strategic Business Plan. In addition, West Basin is executing its Water Reliability Program with the goal of building a more diverse, locally controlled and reliable water supply. This includes reducing dependence on imported water through continued water conservation, increased water recycling and the continued exploration of ocean water desalination as a new, drought-proof supply of drinking water.

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



BOARD OF DIRECTORS



DIVISION I

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



DIVISION II

Gloria D. Gray
Secretary



DIVISION III

Carol W. Kwan
Past President



DIVISION IV

Scott A. Houston
Vice President



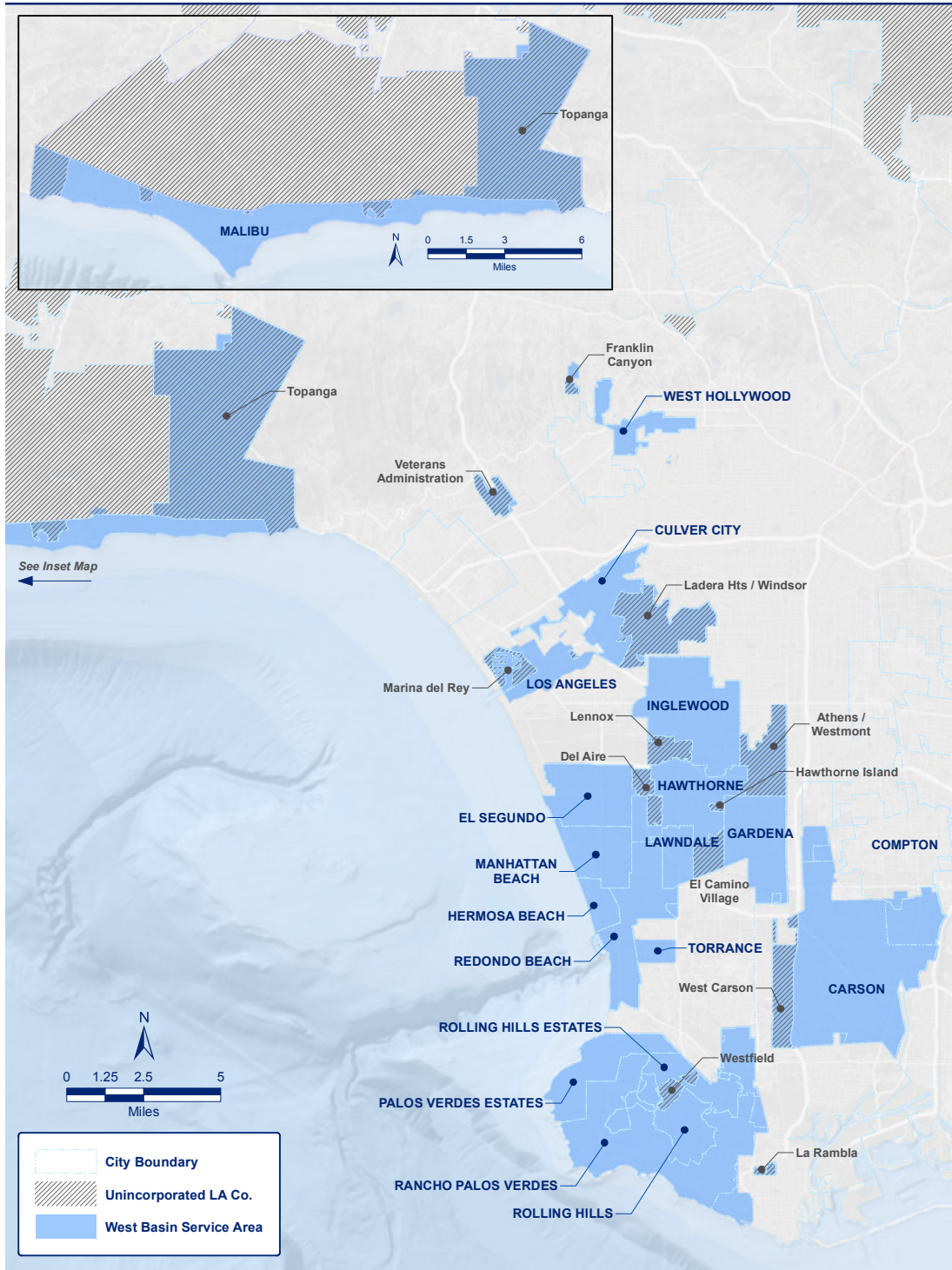
DIVISION V

Donald L. Dear
Treasurer

SERVICE AREA AND CUSTOMER BASE

WEST BASIN MUNICIPAL WATER DISTRICT SERVICE AREA MAP

West Basin Municipal Water District serves a diverse population in 17 cities and parts of unincorporated coastal Los Angeles County.



SERVICE AREA AND CUSTOMER BASE

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

CUSTOMER AGENCIES	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 overdrafted 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. 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 Metropolitan, an agency that imported water from the Colorado River, and later would also import water from Northern California. Since that time, West Basin has served its customer agencies and communities as the sole 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 only water recycling facility that could convert treated

wastewater into different types of high-quality recycled water purified for groundwater recharge, irrigation, municipal, industrial, and commercial uses.

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

Today, West Basin is an international water industry leader that hosts visitors from around the globe at its water recycling facility. West Basin is focused on providing value to its customers and delivering water reliability for the region. All departments at West Basin contribute to the achievement of the goals and objectives stated in the Strategic Business Plan.

MAJOR INITIATIVES:

Highlighted below are major initiatives during fiscal year 2017:

WATER RELIABILITY

- Distributed 1,800 rain barrels to the public during five Rain Barrel Distribution Events held throughout our service area;
- Conducted five greywater education workshops;
- Conducted nearly 100 water-saving audits of commercial kitchen facilities through the Cash 4 Kitchens program;
- Constructed the final four of 18 total Ocean Friendly Demonstration Gardens in partnership with the Surfrider Foundation;
- Completed the annual Water Use Report for our customer agencies.
- Provided monthly updates to the customer agencies regarding the State Water Resources Control Board's mandatory water conservation reporting.

WATER QUALITY

- Completed laboratory services required to comply with Federal Safe Drinking Water regulations such as analyses of all inorganic, organic compounds, and radioactivity;
- Completed the construction for the disinfected tertiary water Alkalinity Improvement Project.

CUSTOMER SERVICE

- Received policy direction and strategic priorities from the Board of Directors through monthly committee and board meetings and the recent review of the Strategic Planning document;
- Conducted an informational workshop with customer agencies to review proposed FY 2017-18 budget and water rates and provide updates on various programs and projects;
- Provided regular and timely updates to state and federal legislators regarding the ongoing drought crisis, conservation, and new local water supply projects;
- Developed new and/or improved communication vehicles to showcase West Basin's brand and value.

SOUND FINANCIAL AND RESOURCE MANAGEMENT

- Refinanced more than \$98 million of refunding revenue certificates of participation and \$32 million of commercial paper resulting in net present value savings of \$17 million at a total interest cost rate of 2.61%;
- Revised Part 4, Chapter 1 (Financial Matters) and Part 7 (Records Management) of the Administrative Code to reflect best practices and improved processes;
- Received Excellence in Budget Recognition for the FY 2016-17 Operating Budget from GFOA and the California Society of Municipal Finance Officers (CSMFO);
- Received the Innovation Award from CSFMO for its work related to capital asset management;
- Completed the required biennial actuarial report for the PARS plan;
- Conducted mandatory staff Safety Meetings in accordance with West Basin's Injury/Illness Prevention Program.

ENVIRONMENTAL STEWARDSHIP

- Partnered with several environmental organizations in the development and implementation of its water efficiency programs;
- Joined the City of Malibu and Los Angeles County Waterworks District #29 on attending the City of Malibu's One Water Expo.

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 staff to ensure the budget includes the financial requirements necessary to achieve these goals and objectives. To ensure completion, the goals are also incorporated into each individual employee'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.

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 result in a dynamic financial model for West Basin. The capital recycled water expenditures are based on the Capital Improvement Program and

estimates for the Ocean-water Desalination program costs. In addition, the model provides the basis for certain criteria to be incorporated into financial policy development, such as debt management, swap and designated fund levels. West Basin continues to monitor its assumptions to actual to ensure it remains a financially healthy organization.

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. Other non-financial policies are maintained by West Basin through its Administrative Code and are reviewed periodically to ensure compliance with legal statutes. These efforts lend to a solid management focus on fiscal policies and metrics and have assisted West Basin to receive strong credit ratings and allow West Basin to obtain low-cost financing for its capital projects. Please refer to Table 17 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.

SOURCE OF REVENUE

West Basin primarily receives its source of revenue from imported and recycled water sales. Imported water sales and charges totaled \$145 million for the fiscal year ending June 30, 2017, while recycled water sales amounted to \$45 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 10 Fiscal Years) and Table 12: Imported Water Rates.

WEST BASIN STAFF SERVICES

West Basin currently employs 45 full-time persons, 26 of whom work in the operations, planning, communications and engineering departments and 19 work in accounting or administration.

ACKNOWLEDGEMENTS

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

Respectfully,



Shivaji Deshmukh, P.E.
Acting Co-General Manager



Fernando Paludi
Acting Co-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

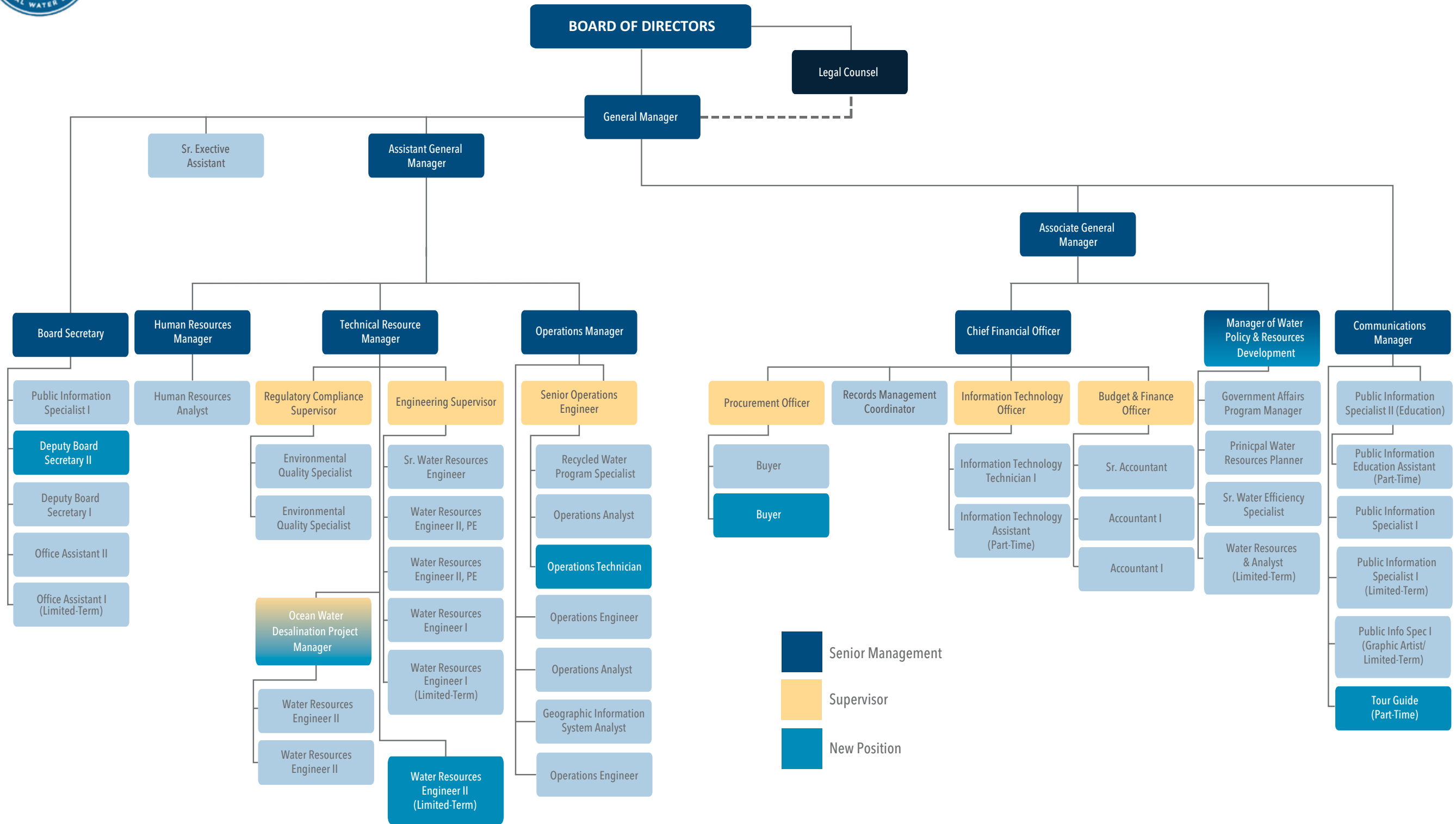
June 30, 2016

Executive Director/CEO

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WEST BASIN MUNICIPAL WATER DISTRICT
JULY 2017



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02

FINANCIAL SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT



**Edward C. Little Water Recycling Facility
(ECLWRF)**

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, 2017, 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.

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, 2017, and the respective changes in financial position and cash flows 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived..

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Other Information

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 November 9, 2017 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
November 9, 2017

WEST BASIN MUNICIPAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 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, 2017. 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 their Public Employees' Retirement System (PERS) and Public Agency Retirement Services (PARS) programs. As of June 30, 2017, West Basin's Pension Liability for the PERS program is \$1,926,502 and West Basin's Net Pension Asset for the PARS program is \$270,312.
- In fiscal year 2017, West Basin's water recycling revenue increased by \$5,863,132 when compared to the prior year. At same time, water recycling cost only increased by \$2,880,988 resulting in the increase in net revenue of \$2,982,144.
- In fiscal year 2017, the new contract signed with Water Replenishment District of Southern California released the prior year accrued liability of \$3,624,204 which is recognized as Miscellaneous Income in the current year.
- On October 27, 2016, the District issued Series 2016A Refunding Revenue Bonds in the amount of \$112,875,000 to refund the 2008B Refunding Certificate of Participation and pay off the balance in the 2010A Adjustable Rate Certificates of Participation. The refunding reduced total debt service payment by \$20,316,490 and obtained an economic gain of \$17,021,042.
- On October 27, 2016, pursuant to GASB 53, West Basin terminated hedge accounting and the balance of the deferral account was cleared on the termination date. Change in fair value of the swaps from the refunding date is reported in the Statement of Revenues, Expenses and Changes in Net Position as investment revenue or loss. On June 30, 2017, the change from the refunding date resulted in a revenue gain of \$713,118.
- In fiscal year 2017, a total of \$2,708,246 capital assets that were no longer in service were disposed (see Note 5 to Notes to Financial Statements) and Loss on disposition of assets for the amount of \$1,568,533 was recorded.
- In fiscal year 2017, Capital Contribution increased by \$3,455,848 when compared to the prior year. This included the contribution of a pipeline from the U.S. Army Corps of Engineers in the amount of \$1,641,049, Andeavor's (formerly Tesoro) cash contribution of \$1,113,750 and California Department of Water Resources' contribution of \$719,800.
- West Basin had a positive Change in Net Position of \$21,069,958 in fiscal year 2017.

REQUIRED FINANCIAL STATEMENTS

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

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

The Statement of Revenues, Expenses and Changes in Net Position present information that shows the result of West Basin financial performance during the year. All of the current year's revenues and expenses are accounted for in this statement. The Statement measures the success of West Basin's operations over the past year and determines whether West Basin has recovered its costs through user fees and other charges.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements as well as a description of the accounting policies used to prepare the financial statements. It also presents material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes to the Financial Statements can be found on pages 29 through 59.

REQUIRED SUPPLEMENTARY INFORMATION

The required supplementary information provides additional information for West Basin's PARS and PERS programs. It can be found on pages 60 through 63.

WEST BASIN MUNICIPAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

FINANCIAL ANALYSIS OF WEST BASIN

1) Statement of Net Position

Condensed Statement of Net Position

	2017	2016	Change
Assets			
Current Unrestricted Assets	\$105,803,862	\$98,436,280	\$7,367,582
Current Restricted Assets	4,577,842	4,583,251	(5,409)
Capital Asset, Net	454,351,212	455,726,799	(1,375,587)
Other Assets	1,338,934	915,261	423,673
Total Assets	566,071,850	559,661,591	6,410,259
Deferred Outflows of Resources			
	19,659,695	14,016,654	5,643,041
Liabilities			
Current Liabilities	42,791,981	46,528,928	(3,736,947)
Long Term Liabilities	286,652,568	291,628,257	(4,975,689)
Total Liabilities	329,444,549	338,157,185	(8,712,636)
Deferred Inflows of Resources			
	633,696	937,718	(304,022)
Net Position			
Net Investment in Capital Assets	180,967,033	175,436,877	5,530,156
Unrestricted	74,686,267	59,146,465	15,539,802
Total Net Position	\$255,653,300	\$234,583,342	\$21,069,958

Net Position measures West Basin's financial health or financial position. Over time, increases or decreases in West Basin's net position are indicators 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 \$255,653,300 and \$234,583,342 as of June 30, 2017 and 2016, respectively.

A large portion of West Basin's net position (\$180,967,033 and \$175,436,877 as of June 30, 2017 and 2016, 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

June 30, 2017 and 2016

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

Condensed Statements of Revenue, Expenses and Changes In Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenue			
Operating revenues			
Water and monitoring	\$145,047,691	\$136,338,044	\$8,709,647
Water recycling revenue	45,401,684	39,538,552	5,863,132
Water conservation	393,100	500,218	(107,118)
Desalting revenue	280,659	815,118	(534,459)
Total operating revenues	<u>191,123,134</u>	<u>177,191,932</u>	<u>13,931,202</u>
Non-Operating revenues			
Standby charges	9,613,891	9,654,900	(41,009)
Investment Income	457,990	505,804	(47,814)
Other non-operating revenues	4,419,718	124,904	4,294,814
Total non-operating revenues	<u>14,491,599</u>	<u>10,285,608</u>	<u>4,205,991</u>
Total revenue	<u>205,614,733</u>	<u>187,477,540</u>	<u>18,137,193</u>
Expenses			
Operating expenses			
Source of supply and monitoring	118,289,291	114,270,691	4,018,600
Water recycling costs	35,651,178	32,770,190	2,880,988
Depreciation and amortization	25,285,729	24,928,075	357,654
Public information and education	2,754,077	2,477,330	276,747
Water policy and conservation	3,001,038	2,436,088	564,950
Desalting operations	592,014	881,093	(289,079)
Total operating expenses	<u>185,573,327</u>	<u>177,763,467</u>	<u>7,809,860</u>
Non-Operating expenses			
Loss on disposition of assets	1,568,533	3,757,408	(2,188,875)
Interest expense	8,160,897	9,846,114	(1,685,217)
Total non-operating expenses	<u>9,729,430</u>	<u>13,603,522</u>	<u>(3,874,092)</u>
Total expenses	<u>195,302,757</u>	<u>191,366,989</u>	<u>3,935,768</u>
Net Income (loss) before capital contributions	<u>10,311,976</u>	<u>(3,889,449)</u>	<u>14,201,425</u>
Capital Contributions	<u>10,757,982</u>	<u>7,302,134</u>	<u>3,455,848</u>
Change in Net Position	<u>21,069,958</u>	<u>3,412,685</u>	<u>17,657,273</u>
Net position - Beginning of year	<u>234,583,342</u>	<u>231,170,657</u>	<u>3,412,685</u>
Net position - End of year	<u>\$255,653,300</u>	<u>\$234,583,342</u>	<u>\$21,069,958</u>

WEST BASIN MUNICIPAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 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 \$21,069,958 for the fiscal year ending June 30, 2017.

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

- In 2017, West Basin's Total Operating Revenue increased by \$13,931,202 from the prior year. The increase of \$8,709,647 from water and monitoring is the result of the increase in potable water rates. The increase of \$5,863,132 from water recycling revenue is the result of both the increase in recycling water rates and total sales in acre feet.
- In 2017, Water conservation revenues decreased due to the reduction of the conservation activities that West Basin participated during the year.
- In 2017, West Basin's Total Non-Operating Revenue increased by \$4,205,991. This is due to the new contract signed with Water Replenishment District of Southern California; prior year's accrued liability of \$3,624,204 released and is recognized as Miscellaneous Income. Also, on October 27, 2016, due to the issuance of 2016A Refunding Revenue Bonds, West Basin terminated hedge accounting of the swaps and the balance of the deferral account was cleared on the termination date. Change in value of the swaps from the refunding date resulted in a revenue gain of \$713,118.
- In 2017, West Basin Total Operating Expenses increased by \$7,809,860. This was primarily due to the increase in potable water rates from Metropolitan Water District (MWD) and the cost of producing more recycled water.
- In 2017, West Basin Total Non-Operating Expenses decreased by \$3,874,092. This was primarily due to the decrease in the Loss on Disposal of Capital Assets of \$2,188,875 from 2016 to 2017 and a decrease of \$1,685,217 in Interest expense.
- Overall, a large increase in Total Revenue (\$18,137,193) and a small increase in Total Expenses (\$3,935,768) resulted in an increase in Net Income before Capital Contributions of \$14,201,425 in 2017 when compared with 2016.
- The Capital Contributions include the fixed payments from major recycled water customers, U.S. Army Corps of Engineers, capital grants and cash contribution. Total contribution amount for each year may vary due to the on-going projects for a particular year. In 2017, the total Capital Contributions increased by \$3,455,848.

WEST BASIN MUNICIPAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

3) Capital Assets

On June 30, 2017, West Basin Investment in Capital Assets totaled \$699,498,956. Capital Assets include land, discharge capacity rights, water facilities, potable distribution system, education center, buildings and improvements, furniture, fixtures and equipment and construction in progress. The following is a summary of Capital Assets:

	2017	2016	Change
Land	\$25,211,646	\$25,211,646	\$0
Discharge Capacity	621,189	621,189	0
Water Facilities	576,963,611	565,128,249	11,835,362
Building and Improvements	4,152,176	4,147,480	4,696
Potable Distribution System	1,241,681	1,241,681	0
Education Center	548,067	548,067	0
Furniture, Fixtures, and Equipment	2,699,337	2,383,297	316,040
Construction in Progress	88,061,249	79,015,451	9,045,798
Total Capital Assets	<u>\$699,498,956</u>	<u>\$678,297,060</u>	<u>\$21,201,896</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 at the year-end. In 2017, the capital asset additions totaled to \$41,911,550 and the capital asset deletions totaled to \$20,709,654. This resulted in a total increase in capital asset of \$21,201,896.

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, 2017, West Basin had \$297,827,433 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's net pension liability is \$1,926,502 for this year. This is a slight increase from \$1,311,119 in 2016. 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 \$270,312, slightly increased from \$153,484 in 2016. Please see Note 7 in the Notes to Basic Financial Statements for details.

WEST BASIN MUNICIPAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

On October 27, 2016, the District issued Series 2016A Refunding Revenue Bonds in the amount of \$112,875,000 to advance refund the callable portions (approximately \$98 million) of the 2008B Refunding Revenue Certificates of Participation along with pay off the outstanding balance of the 2010 adjustable Rate Revenue Certificates of Participation. Proceeds of \$106,201,156 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The refunding reduced total debt service payments by \$20,316,490 and obtained an economic gain (difference between the present values of the debt service payment on the old and new debt of \$17,021,042).

West Basin has two outstanding swaps at the end of the fiscal year with the total notional amount of \$21 million. Due to the issuance of 2016A Refunding Revenue Bonds on October 27, 2016, these two swaps are no longer associated with 2010A Adjustable Rate Revenue Certificate of Participation. West Basin terminated hedge accounting and the balance of the deferral account was cleared on the termination date. On June 30, 2017, the change from the refunding date resulted in a revenue gain of \$713,118. 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 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Compensated Absences	\$1,490,118	\$1,275,168	\$214,950
Refunding Certificates of Participation	7,948,659	142,439,846	(134,491,187)
Refunding Revenue Bonds	284,428,156	153,391,392	131,036,764
Net Pension Liability	1,926,502	1,311,119	615,383
Interest Rate Swaps	2,034,008	3,172,954	(1,138,946)
Total Long Term Liabilities	<u>\$297,827,443</u>	<u>\$301,590,479</u>	<u>(\$3,763,036)</u>

CONDITION AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any conditions that would have a significant impact on 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 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, 2017 (with comparative totals for June 30, 2016)

	<u>ASSETS</u>	
	2017	2016
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents (note 2)	\$42,476,923	\$39,513,234
Investments (note 2)	28,350,003	27,172,355
Accounts receivable	33,952,542	30,767,364
Accrued interest receivable	187,561	140,764
Inventory	617,285	587,518
Prepaid expenses	219,548	255,045
Total unrestricted assets	105,803,862	98,436,280
Restricted assets:		
Cash and cash equivalents (note 4)	4,184,717	4,172,126
Custodial cash (note 4)	393,125	411,125
Total restricted assets	4,577,842	4,583,251
TOTAL CURRENT ASSETS	110,381,704	103,019,531
NONCURRENT ASSETS		
Other receivable	1,068,622	761,777
Capital assets, not depreciable (note 5)	113,894,084	104,848,286
Capital assets, net of depreciation (note 5)	340,457,128	350,878,513
Net pension asset (note 7)	270,312	153,484
TOTAL NONCURRENT ASSETS	455,690,146	456,642,060
TOTAL ASSETS	566,071,850	559,661,591
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension contributions (note 7)	2,302,416	709,460
Deferred outflows - actuarial (note 7)	2,101,839	1,434,214
Deferred outflows - additional deferral (note 7)	447,521	503,790
Deferred amount on refunding	14,807,919	11,369,190
TOTAL DEFERRED OUTFLOWS	19,659,695	14,016,654

(Continued)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2017 (with comparative totals for June 30, 2016)

(CONTINUED)

LIABILITIES AND NET POSITION

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued expense	26,463,778	30,792,734
Accrued interest payable	5,153,328	5,773,972
Current portion of long-term liabilities (note 6)	11,174,875	9,962,222
TOTAL CURRENT LIABILITIES	42,791,981	46,528,928
LONG-TERM LIABILITIES (note 6)		
Compensated absences	1,490,118	1,275,168
2008B refunding revenue certificates of participation	7,948,659	111,356,066
2010A adjustable rate revenue certification of participation	-	31,083,780
2011A refunding revenue bonds	35,099,100	35,428,620
2011B refunding revenue bonds	63,256,639	63,581,911
2012A refunding revenue bonds	48,462,414	51,038,030
2013A refunding revenue bonds	-	3,342,831
2016A refunding revenue bonds	137,610,003	-
Net pension liability (note 7)	1,926,502	1,311,119
Interest rate swaps (note 10)	2,034,008	3,172,954
Subtotal	297,827,443	301,590,479
Less: current portion above	(11,174,875)	(9,962,222)
TOTAL LONG-TERM LIABILITIES	286,652,568	291,628,257
TOTAL LIABILITIES	329,444,549	338,157,185
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - actuarial (note 7)	633,696	607,264
Deferred change in swap fair value	-	330,454
TOTAL DEFERRED INFLOWS	633,696	937,718
NET POSITION		
Net investment in capital assets	180,967,033	175,436,877
Unrestricted	74,686,267	59,146,465
TOTAL NET POSITION	\$255,653,300	\$234,583,342

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended on June 30, 2017 (with comparative totals for the year ended June 30, 2016)

	2017	2016
OPERATING REVENUES		
Water and monitoring	\$145,047,691	\$136,338,044
Water recycling revenue	45,401,684	39,538,552
Water conservation	393,100	500,218
Desalting revenue	280,659	815,118
TOTAL OPERATING REVENUES	<u>191,123,134</u>	<u>177,191,932</u>
OPERATING EXPENSES		
Source of supply and monitoring	118,289,291	114,270,691
Water recycling costs	35,651,178	32,770,190
Depreciation	25,285,729	24,928,075
Public information and education	2,754,077	2,477,330
Water policy and conservation	3,001,038	2,436,088
Desalting operations	592,014	881,093
TOTAL OPERATING EXPENSES	<u>185,573,327</u>	<u>177,763,467</u>
OPERATING INCOME (LOSS)	<u>5,549,807</u>	<u>(571,535)</u>
NONOPERATING REVENUES (EXPENSES)		
Standby charges	9,613,891	9,654,900
Investment income	457,990	505,804
Miscellaneous income	3,701,152	124,904
Noncapital grants	5,448	-
Change in fair value of interest rate swap	713,118	-
Loss on disposition of assets	(1,568,533)	(3,757,408)
Interest expense	(8,160,897)	(9,846,114)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,762,169</u>	<u>(3,317,914)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>10,311,976</u>	<u>(3,889,449)</u>
CAPITAL CONTRIBUTIONS		
Capital contributions	10,757,982	7,302,134
CHANGE IN NET POSITION	<u>21,069,958</u>	<u>3,412,685</u>
NET POSITION - BEGINNING OF YEAR	<u>234,583,342</u>	<u>231,170,657</u>
NET POSITION - END OF YEAR	<u><u>\$255,653,300</u></u>	<u><u>\$234,583,342</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017 (with comparative totals for the year ended June 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$187,631,111	\$175,727,057
Cash paid to suppliers of goods and services	(140,085,044)	(131,203,183)
Cash paid for employee services and benefits	(12,675,120)	(9,118,539)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	34,870,947	35,405,335
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants received	5,448	-
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	5,448	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(36,598,780)	(15,369,588)
Acquisition and construction of capital assets	(23,837,625)	(16,815,456)
New issuance of long-term liabilities	138,489,241	-
Cash paid to refunding escrow agent	(106,201,156)	-
Interest paid on long-term liabilities	(12,120,273)	(13,031,065)
Capital grants received	863,473	-
Capital contributions	8,253,460	7,302,134
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(31,151,660)	(37,913,975)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	22,280,790	23,362,943
Purchase of investments	(23,608,649)	(20,189,693)
Interest received	561,404	394,296
NET CASH PROVIDED BY INVESTING ACTIVITIES	(766,455)	3,567,546
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,958,280	1,058,906
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	44,096,485	43,037,579
CASH AND CASH EQUIVALENTS, END OF YEAR	\$47,054,765	\$44,096,485
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON THE STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$42,476,923	\$39,513,234
Restricted cash and cash equivalents	4,184,717	4,172,126
Restricted custodial cash	393,125	411,125
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$47,054,765	\$44,096,485

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF CASH FLOWS

Ended June 30, 2017 (with comparative totals for the year ended June 30, 2016)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	2017	2016
Operating income (loss)	\$5,549,807	\$(571,535)
Standby charges	9,613,891	9,654,900
Depreciation	25,285,729	24,928,075
Nonoperating miscellaneous income	3,701,152	124,904
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,492,023)	(1,464,875)
(Increase) decrease in inventory	(29,767)	28,127
(Increase) decrease in deferred outflows-pension	(2,204,312)	(1,503,158)
(Increase) decrease in net OPEB asset	-	-
Increase (decrease) in accounts payable	(4,328,956)	4,287,251
Increase (decrease) in compensated absences	214,950	26,732
Increase (decrease) in net pension liability	615,375	51,402
Increase (decrease) in deferred inflows actuarial	26,432	(187,510)
NET CASH PROVIDED BY	<u>34,870,947</u>	<u>35,405,335</u>
(USED FOR) OPERATING ACTIVITIES	<u>\$34,870,947</u>	<u>\$35,405,335</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Gain (loss) on disposition of assets	<u>\$(1,568,533)</u>	<u>\$(3,757,408)</u>
Capital Contribution	<u>\$1,641,049</u>	<u>\$-</u>
Unrealized gain (loss) from investments	<u>\$(150,211)</u>	<u>\$105,546</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(1) Summary of significant accounting policies

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

The mission of West Basin is to provide a safe and reliable supply of high quality water to the communities we serve. West Basin's customers consist of nine 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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the notes to the financial statements.

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(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 is expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	<u>USEFUL LIFE</u>
Water facilities	3 - 75 year
Buildings and improvements	3 - 40 year
Furniture, fixtures and equipment	3 - 10 year

Depreciation aggregated \$25,285,729 for the year ended June 30, 2017.

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 (\$803,460) for the year ended June 30, 2017.

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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(1) Summary of significant accounting policies (Continued)

CAPITAL CONTRIBUTIONS - Capital contributions of \$10,757,982 include capital grants, capital contributions, and capital recovery charges for the fiscal year ended June 30, 2017.

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, 2017, 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 \$259,234,598). 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 \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$171,000,000.

AUTO LIABILITY - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$171,000,000.

PUBLIC OFFICIALS' LIABILITY - The Insurance Authority has pooled self-insurance up to \$5,000,000 and has purchased excess insurance coverage up to \$171,000,000.

FIDELITY BOND - The Insurance Authority has pooled self-insurance up to \$100,000. West Basin has a \$1,000 deductible. At June 30, 2017, 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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(1) Summary of significant accounting policies (Continued)

statements are publicly available reports that can be obtained at the CalPERS' website under Forms and Publications.

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

For the PARS report, the following timeframes are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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 one item that qualifies for reporting in this category: deferred inflow - actuarial.

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.

WEST BASIN MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect 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

Financial Statement Classification:

Unrestricted assets	
Cash and cash equivalents	\$42,476,923
Investments	28,350,003
Restricted assets	
Cash and cash equivalents	4,184,717
Custodial cash	<u>393,125</u>
Total Cash and Investments	<u><u>\$75,404,768</u></u>

Cash and investments held by West Basin were comprised of the following at June 30, 2017:

	<u>Maturity in Year</u>			<u>Total</u>
	<u>1 Year or Less</u>	<u>1 - 5 Years</u>	<u>More than 5 Years</u>	
Local agency investment fund	\$29,306,837	\$ -	\$ -	\$ 29,306,837
Money market mutual funds	4,184,717	-	-	4,184,717
Deposits with financial institutions	13,563,211	-	-	13,563,211
US agency securities	3,469,446	8,223,125	-	11,692,571
US treasury securities	-	2,171,100	-	2,171,100
Corporate notes	2,072,505	4,889,935	-	6,962,440
Commercial paper	2,715,643	-	-	2,715,643
Certificate of deposit	<u>2,125,622</u>	<u>2,682,627</u>	-	<u>4,808,249</u>
Total cash and investments	<u><u>\$57,437,981</u></u>	<u><u>\$17,966,787</u></u>	<u><u>\$ -</u></u>	<u><u>\$75,404,768</u></u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(2) Cash and investments (Continued)

INVESTMENTS AUTHORIZED BY THE CALIFORNIA GOVERNMENT CODE AND WEST BASIN'S INVESTMENT POLICY - The table at the top of page 34 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:

<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
Superannationals	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 to the right 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.

WEST BASIN MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(2) Cash and investments (Continued)

Authorized Investment Type	Maximum Maturity	Percentage Allowed Maximum	Investment in One Issuer
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

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 the 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, 2017.

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 the Investment Policy, West Basin only purchases investments that meet the minimum rating of "A" or higher by a nationally recognized statistical rating organization at the time of the purchase; and will monitor ratings throughout the duration to ensure the safety and liquidity of the investment. 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</u>
		<u>Standard & 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+
Commercial Paper	A-1	A-1
Corporate Notes	A	BBB+, A-, A, A+, AA-, AA, AA+, AAA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(2) Cash and investments (Continued)

CONCENTRATION OF CREDIT RISK - Concentration of credit is the risk of loss attributed to the magnitude of West Basin’s investment in a single issue.

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	U.S. Agency Securities	\$ 5,846,032
Federal Home Loan Bank	U.S. Agency Securities	4,051,059
		<u>\$ 9,897,091</u>

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, 2017 is 194 days.

WEST BASIN MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(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, 2017

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
US agency securities	\$ -	\$ 11,692,571	\$ -	\$ 11,692,571
US treasury securities	2,171,100	-	-	2,171,100
Corporate notes	-	6,962,440	-	6,962,440
Commercial paper	-	2,715,643	-	2,715,643
Interest rate swaps	-	(2,034,008)	-	(2,034,008)
Total assets and liabilities reported at fair value	\$ 2,171,100	\$ 19,336,646	\$ -	\$ 21,507,746

(4) Restricted assets

Restricted assets were provided by, and are to be used for, the following at June 30, 2017:

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

WEST BASIN MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(5) Capital assets

The investment in capital assets consists of the following at June 30, 2017:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Capital assets, not being depreciated:				
Land - Recycling facilities	\$ 23,541,078	\$ -	\$ -	\$ 23,541,078
Land - Carson	1,670,568	-	-	1,670,568
Discharge Capacity	621,189	-	-	621,189
Construction-in-progress	<u>79,015,451</u>	<u>25,478,674</u>	<u>(16,432,876)</u>	<u>88,061,249</u>
Total capital assets, not being depreciated	<u>104,848,286</u>	<u>25,478,674</u>	<u>(16,432,876)</u>	<u>113,894,084</u>
Capital assets, being depreciated:				
Building - Carson	2,343,574	-	-	2,343,574
Building improvement	1,803,906	4,696	-	1,808,602
Potable distribution system	1,241,681	-	-	1,241,681
Ocean desalination education center	548,067	-	-	548,067
Recycling facilities	561,049,048	16,112,140	(4,276,778)	572,884,410
Groundwater desalting facility	4,079,201	-	-	4,079,201
Machinery and equipment	2,111,907	312,014	-	2,423,921
Furniture and fixtures	<u>271,390</u>	<u>4,026</u>	<u>-</u>	<u>275,416</u>
Total capital assets, being depreciated	<u>573,448,774</u>	<u>16,432,876</u>	<u>(4,276,778)</u>	<u>585,604,872</u>
Less accumulated depreciation:				
Building - Carson	(835,875)	(93,743)	-	(929,618)
Building improvement	(497,787)	(106,293)	-	(604,080)
Potable distribution system	(341,462)	(62,084)	-	(403,546)
Ocean desalination education center	(334,930)	(60,896)	-	(395,826)
Recycling facilities	(217,137,078)	(24,475,603)	2,708,246	(238,904,435)
Groundwater desalting facility	(1,990,302)	(179,864)	-	(2,170,166)
Machinery and equipment	(1,209,641)	(293,444)	-	(1,503,085)
Furniture and fixtures	<u>(223,186)</u>	<u>(13,802)</u>	<u>-</u>	<u>(236,988)</u>
Total accumulated depreciation	<u>(222,570,261)</u>	<u>(25,285,729)</u>	<u>2,708,246</u>	<u>(245,147,744)</u>
Total capital assets, being depreciated, net	<u>350,878,513</u>	<u>(8,852,853)</u>	<u>(1,568,532)</u>	<u>340,457,128</u>
Total capital assets, net	<u><u>\$455,726,799</u></u>	<u><u>\$ 18,973,885</u></u>	<u><u>\$ (20,349,472)</u></u>	<u><u>\$ 454,351,212</u></u>

WEST BASIN MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(6) Long-term debt

The following amounts of long term debts were outstanding June 30, 2017:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>	<u>Current Portion</u>
2008B Refunding Revenue					
Certificate of Participation	\$111,356,066	\$ -	\$ (103,407,407)	\$ 7,948,659	\$ 3,825,000
2010A Adjustable Rate Revenue					
Certificates of Participation	31,083,780	-	(31,083,780)	-	-
2011A Refunding Revenue					
Bonds	35,428,620	-	(329,520)	35,099,100	3,820,000
2011B Refunding Revenue					
Bonds	63,581,911	-	(325,272)	63,256,639	-
2012A Refunding Revenue					
Bonds	51,038,030	-	(2,575,616)	48,462,414	2,285,000
2013A Refunding Revenue					
Bonds	3,342,831	-	(3,342,831)	-	-
2016A Refunding Revenue					
Bonds	-	138,489,241	(879,238)	137,610,003	680,000
Subtotal	<u>295,831,238</u>	<u>138,489,241</u>	<u>(141,943,664)</u>	<u>292,376,815</u>	<u>10,610,000</u>
Compensated Absences	<u>1,275,168</u>	<u>1,073,460</u>	<u>(858,510)</u>	<u>1,490,118</u>	<u>564,875</u>
Total	<u><u>\$297,106,406</u></u>	<u><u>\$ 139,562,701</u></u>	<u><u>\$ (142,802,174)</u></u>	<u><u>\$ 293,866,933</u></u>	<u><u>\$ 11,174,875</u></u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(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 original 2008B Refunding Revenue Certificates had interest rates ranging from 3.0% to 5.0% with maturities through August 2031. In 2016, the certificates were partially refunded by the 2016A Refunding Revenue Bond. The outstanding balance of the 2008B certificates is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$7,785,000
Unamortized premium	<u>163,659</u>
Net liability	<u><u>\$7,948,659</u></u>

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 net of unamortized discounts and premiums as follows:

Bonds outstanding	\$32,765,000
Unamortized premium	<u>2,334,100</u>
Net liability	<u><u>\$35,099,100</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(6) Long-term debt (Continued)

Bonds outstanding	\$60,275,000
Unamortized premium	<u>2,981,639</u>
Net liability	<u><u>\$63,256,639</u></u>

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

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

Bonds outstanding	\$43,955,000
Unamortized premium	<u>4,507,414</u>
Net liability	<u><u>\$48,462,414</u></u>

2016A REFUNDING REVENUE BONDS - On October 27, 2016, the District issued Series 2016A Refunding Revenue Bonds in the amount of \$112,875,000 to advance refund the callable portions (approximately \$98 million) of the 2008B Refunding Revenue Certificates of Participation and repay the outstanding balance of the 2010A Adjustable Rate Revenue Certificates of Participation. Proceeds of \$106,201,156 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The refunding reduced total debt service payments by \$20,316,490 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$17,021,042.

The 2016A Refunding Revenue Bonds have interest rates ranging from 3.0% to 5.0% with maturities through August 2036. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$112,875,000
Unamortized premium	<u>24,735,003</u>
Net liability	<u><u>\$137,610,003</u></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, 2017, debt coverage (net revenues divided by total debt service) for all debt was approximately 2.27.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(6) Long-term debt (Continued)

DEBT SERVICE REQUIREMENTS - The Certificates of Participation and Refunding Revenue Bonds (not including the 2010 Adjustable rate revenue certificates of participation) debt service requirements subsequent to June 30, 2017, are as follows:

	Certificates of Participation		Refunding Revenue Bonds		
	Total COP's		Total Refunding Revenue Bonds		
	Principal	Interest	Principal	Interest	Total
2017/18	\$ 3,825,000	\$ 311,400	\$ 6,785,000	\$ 10,655,065	\$ 21,576,465
2018/19	3,960,000	158,400	7,040,000	11,701,300	22,859,700
2019/20	-	-	11,425,000	11,437,000	22,862,000
2020/21	-	-	11,835,000	11,024,750	22,859,750
2021/22	-	-	12,325,000	10,523,250	22,848,250
2022/23	-	-	12,825,000	9,959,000	22,784,000
2023/24	-	-	13,670,000	9,330,250	23,000,250
2024/25	-	-	14,330,000	8,646,750	22,976,750
2025/26	-	-	15,210,000	7,961,250	23,171,250
2026/27	-	-	15,730,000	7,200,750	22,930,750
2027/28	-	-	16,585,000	6,434,750	23,019,750
2028/29	-	-	17,420,000	5,605,500	23,025,500
2029/30	-	-	18,290,000	4,734,500	23,024,500
2030/31	-	-	12,355,000	3,820,000	16,175,000
2031/32	-	-	12,970,000	3,202,250	16,172,250
2032/33	-	-	9,230,000	2,553,750	11,783,750
2033/34	-	-	9,700,000	2,092,250	11,792,250
2034/35	-	-	10,190,000	1,607,250	11,797,250
2035/36	-	-	10,705,000	1,097,750	11,802,750
2036/37	-	-	11,250,000	562,500	11,812,500
	\$7,785,000	\$469,800	\$249,870,000	\$130,149,865	\$388,274,665

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans

The District has two pension plans one with CalPERS and one with PARS. The information below includes the aggregate total pension related items for both plans.

	<u>CalPERS</u>	<u>PARS</u>	<u>Total</u>
Net pension liability	\$ 1,926,502	\$ -	\$1,926,502
Net pension asset	-	270,312	270,312
Deferred outflows of resources - pension	4,722,799	128,977	4,851,776
Deferred inflows of resources - pension	493,175	140,521	633,696
Pension expense	550,426	72,658	623,084

CalPERS Plan:

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, 2017, 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 of 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 are 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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

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, 2016 (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 PEPRAs 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, 2017 were as follows:

	Miscellaneous
Contributions - Employer	\$ 2,226,416
Contributions - Employee (Paid by Employer)	297,616

ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE TOTAL PENSION LIABILITY

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 valuation. The June 30, 2016 total pension liability were 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%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

All other actuarial assumptions used in the June 30, 2015 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 - There were no changes of assumptions.

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.

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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	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	1.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

SUBSEQUENT EVENTS - In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5% to 7.0% over the next three years. For public agencies, the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020 and 2021 are 7.375%, 7.25% and 7.0%, respectively.

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:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015	\$ 10,615,898	\$ 9,304,779	\$ 1,311,119
Balance at: 6/30/2016	12,506,981	10,580,479	1,926,502
Net Changes during 2015-16	1,891,083	1,275,700	615,383

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2016. 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, 2015 and 2016 measurement date was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2015	.07783%
Proportion - June 30, 2016	.08687%
Change - Increase (Decrease)	.00904%

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	\$ (3,610,331)	\$ (1,926,502)	\$ (534,901)

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(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 EARSLS of members provided with pensions through the Plan. The EARSLS for the Plan for the June 30, 2016 measurement date is 3.7 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, 2017, West Basin recognized a pension income of \$550,426 for the Plan. As of June 30, 2017, 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	\$ 2,226,416	\$ -
Differences between actual contributions made and proportionate share of contributions	447,521	-
Change in employer's proportion	408,293	(144,878)
Differences between expected and actual experience	29,345	(4,692)
Changes of assumptions	-	(277,627)
Net difference between projected and actual earnings on pension plan investments	1,611,224	-
Adjustment due to differences in proportions	-	(65,978)
Total	<u>\$ 4,722,799</u>	<u>\$ (493,175)</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

\$2,226,416 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, 2018. 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
2018	\$634,222
2019	565,499
2020	542,333
2021	261,154
2022	-
Thereafter	-

SUBSEQUENT EVENTS - In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5% to 7% over the next three years. For public agencies, the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375%, 7.25%, and 7.00%, respectively.

PARS Plan:

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 retired 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 retired 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 five 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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

EMPLOYEES COVERED - At June 30, 2017, 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	<u>5</u>
Total	7

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, 2017, is based on an actuarial valuation as of June 30, 2016. For the fiscal year ending June 30, 2017, West Basin’s annual pension cost was \$72,658.

Actuarial Valuation Date:	June 30, 2016
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:	3.25%
Termination:	None assumed
Salary Scale:	Individual payroll increases are the lesser of 5% and inflation
Retirement Age:	Employees will immediately retire upon the later of eligibility for benefits (which is usually the expiration of the third term on the Board), or end of the current term on the Board

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

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, 6 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 June 30, 2012 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.

DISCOUNT RATE - The discount rate used to measure the total pension liability (asset) 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 (Asset).

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

CHANGES IN NET PENSION LIABILITY (ASSET) - The following table shows the changes in net pension liability (asset) recognized over the measurement period

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at 6/30/2015 (MD)	\$1,169,725	\$1,323,209	\$(153,484)
Changes Recognized for the Measurement Period:			
Service Cost	77,000	-	77,000
Interest on the Total Pension Liability	68,175	-	68,175
Differences between Expected and Actual Experience	(179,554)	-	(179,554)
Contributions from the Employer	-	87,000	(87,000)
Contributions from Employees	-	5,372	(5,372)
Investment Income	-	26,278	(26,728)
Administrative Expense	-	(36,201)	36,201
Benefit Payments, including Refunds of Employee Contributions	(14,346)	(14,346)	-
Net Changes during 2014-15	\$(48,725)	\$68,103	\$(116,828)
Balance at 6/30/2015 (MD)	\$1,121,000	\$1,391,312	\$(270,312)

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE - The following presents the net pension liability (asset) 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 (asset) 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:

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(7) Defined benefit pension plans (Continued)

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Net Pension Liability	\$ (133,312)	\$ (270,312)	\$ (385,312)

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

For the measurement period ending June 30, 2016 (the measurement date), West Basin recognized a pension expense of \$72,658 for the Plan.

As of June 30, 2017, West Basin reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 76,000	\$ 0
Differences between Expected and Actual Experience	0	(140,521)
Changes of Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	52,977	0
Total	<u>\$ 128,977</u>	<u>\$(140,521)</u>

As of June 30, 2017, West Basin reported \$76,000 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 (asset) in the year ended June 30, 2018. 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>
2018	\$(27,418)
2019	(27,418)
2020	(19,216)
2021	(13,492)
2022	0
Thereafter	0

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(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	\$ 394,969
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>394,969</u>
Contributions made (including retiree premiums paid)	<u>(394,969)</u>
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation (asset) - beginning of year	-
Net OPEB obligation (asset) - end of year	<u><u>\$ -</u></u>

WEST BASIN MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(8) Other postemployment benefits (Continued)

This table summarizes West Basin’s annual OPEB costs, annual OPEB contribution, cash directly paid to retired employees, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation from FY 2015 to FY 2017.

<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>
6/30/2015	\$ 440,774	\$ 440,774	100%	\$ -
6/30/2016	382,438	382,438	100%	-
6/30/2017	394,969	394,969	100%	-

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/c)</u>
7/1/11	\$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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(8) Other postemployment benefits (Continued)

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, professional and nonprofessional services. Certain amounts are based on the contractor's estimated cost to complete. At June 30, 2017, the total unpaid amount on these contracts is approximately \$58,000,000. These commitments may be funded from restricted assets.

(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). West Basin engaged independent consultants with no vested interest in the swap transactions to perform the mark-to-market and fair value calculations of the swaps. The fair value of this swap was (\$1,628,131) as of June 30, 2017.

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 the 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 value of this swap was (\$405,877) as of June 30, 2017.

In 2010, the District refinanced the 2008A Adjustable Rate Refunding Revenue Certificates of Participation. On October 27, 2016, the District refunded the 2010A Adjustable Rate Refunding Revenue Certificates of Participation with a Fixed Rate Revenue Certificates of Participation. The Series 2016A paid off the balance of the Series 2010A, resulting in the District having no outstanding variable rate debt. The variable rate Certificates of Participation program remains available to the District to draw upon and anticipates doing so to fund ongoing capital and/or project needs, and the current swaps would then be employed as a hedge against variable interest rate exposure. Based on GASB 53, the swaps are potential hedges currently deemed Investment Derivatives until associated with new variable debt.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(10) Swap transaction agreements (Continued)

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, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands)

Derivative Statements as of 6/30/17
(Debit (Credit))

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2017</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Business-type activities					
Investment derivative instruments:					
Pay-fixed interest rate swaps (WESTBASIN200406080001)	Investment revenue	\$ (504)	Investment	\$ (1,628)	\$ 13,375
Pay-fixed interest rate swaps (WESTBASIN200504260001)	Investment revenue	\$ (209)	Investment	\$ (406)	\$ 7,600

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. On the refunding date, October 27, 2016, pursuant to GASB 53, West Basin terminated hedge accounting and the balance of the deferral account was cleared on the termination date. Change in fair value of the swaps from the refunding date is reported in the statement of activities as investment revenue or loss. On June 30, 2017, the change from the refunding date resulted in a revenue gain of \$713,118.

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 the Department's credit risk.

WEST BASIN MUNICIPAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(10) Swap transaction agreements (Continued)

TERMS OF DERIVATIVE INSTRUMENTS - The following table displays the terms of West Basin’s hedging derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty (amounts in thousands).

Type	National Amount	Effective Date	Maturity Date	Rate Paid	Rate Received	Bank Counterparty	Counterparty Ratings (Moody’s/S&P/Fitch)
Pay-fixed interest rate swap	\$ 13,375	5/22/2008	8/1/2027	3.662%	65% of USD-LIBOR	Citibank, N.A., New York	A1/A+/A+
Pay-fixed interest rate swap	\$ 7,600	5/22/2008	8/1/2021	3.515%	65% of USD-LIBOR	Citibank, N.A., New York	A1/A+/A+

Credit risk. This is the risk that a counterparty will not fulfill its obligations. As of June 30, 2017, the District was not exposed to credit risk because the swaps had a negative mark-to-market value of \$2,038,212, meaning the counterparties are exposed to West Basin in the amount of the derivatives’ mark-to-market values. However, should interest rates change and the mark-to-market 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 mark-to-market 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 and prevailing interest rates decrease, West Basin’s net payments and liability mark-to-market value on the swap increases

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 prevailing swap interest rates and it reflects the mark-to-market value of the swap at the time of such termination.

(11) 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.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

(11) Associated with West Basin's Recycled Water Program (Continued)

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.

WEST BASIN MUNICIPAL WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

Last 10 Years*

PERS

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

	Misc. Plan Measurement Date	Misc. Plan Measurement Date	Misc. Plan Measurement Date
	6/30/2016	6/30/2015	6/30/2014
Proportion of the Collective Net Pension Liability	.05546%	.04779%	.02024%
Proportionate Share of the Collective Net Pension Liability	\$ 1,926,502	\$ 1,311,119	\$ 1,259,725
Covered-Employee Payroll	\$4,389,575	\$4,335,349	\$ 3,867,694
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	43.89%	30.24%	32.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.6%	87.6%	85.9%

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 three years are shown.

WEST BASIN MUNICIPAL WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

Last 10 Years*

SCHEDULE OF PLAN CONTRIBUTIONS - PERS

	Misc. Plan Fiscal Year 2016-17	Misc. Plan Fiscal Year 2015-16	Misc. Plan Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 613,167	\$ 622,460	\$ 711,101
Contributions in Relation to the Actuarially Determined Contribution	(2,226,416)	(622,460)	(711,101)
Contribution Deficiency (Excess)	\$ (1,613,249)	\$ -	\$ -
Covered Payroll	\$ 4,546,614	\$ 4,389,575	\$ 4,335,349
Contributions as a Percentage of Covered-Employee Payroll	48.97%	14.18%	15.25%

NOTES TO SCHEDULE

Fiscal Year End:	6/30/2017	6/30/2016	6/30/2015
Valuation Date:	6/30/2014	6/30/2013	6/30/2012

Methods and Assumptions used to Determine Contribution Rates:

	Entry Age	Entry Age	Entry Age
Actuarial Cost Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method	Market Value	Market Value	Market Value
Asset Valuation Method	7.65%	7.65%	7.50%
Discount Rate	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	3.30% to 14.20% depending on age, service, and type of employment
Projected Salary Increase	2.75%	2.75%	2.75%
Inflation	3.00%	3.00%	3.00%
Payroll 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%.	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%.
Individual Salary Growth			

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

WEST BASIN MUNICIPAL WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017

Last 10 Years*

DEFINED BENEFIT PENSION PLAN - PARS

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

Measurement Period	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 77,000	\$ 75,000	\$ 73,000
Interest	68,175	61,470	55,000
Changes of Benefit Terms	0	0	0
Difference between Expected and Actual Experience	(179,554)	0	0
Changes of Assumptions	0	0	0
Benefit Payments, Including Refunds of Employee Contributions	(14,346)	(18,745)	0
Net Change in Total Pension Liability	(48,725)	117,725	128,000
Total Pension Liability - Beginning	1,169,725	1,052,000	924,000
Total Pension Liability - Ending (a)	<u>\$1,121,000</u>	<u>\$1,169,725</u>	<u>\$1,052,000</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 87,000	\$ 90,583	\$ 115,000
Contributions - Employee	5,372	0	0
Investment Income	26,278	20,884	102,000
Administrative Expense	(36,201)	(23,956)	(33,000)
Benefit Payments, Including Refunds of Employee Contributions	(14,346)	(18,745)	0
Other Changes in Net Fiduciary Position	0	0	0
Net Change in Fiduciary Net Position	68,103	68,766	184,000
Plan Fiduciary Net Position - Beginning	1,323,209	1,254,443	1,070,000
Plan Fiduciary Net Position - Ending (b)	<u>\$1,391,312</u>	<u>\$1,323,209</u>	<u>\$1,254,000</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$(270,312)</u>	<u>\$(153,484)</u>	<u>\$(202,000)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	124.1%	113.1%	119.2%
Covered-Employee Payroll	\$ 168,909	\$ 139,328	\$ 143,680
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	-160.0%	-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

For the Year Ended June 30, 2017

Last 10 Years*

SCHEDULE OF PLAN CONTRIBUTIONS - PARS

	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 76,000	\$ 87,000	\$ 92,026
Contributions in Relation to the Actuarially Determined Contribution	<u>(76,000)</u>	<u>(87,000)</u>	<u>(92,026)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 179,740	\$ 168,909	\$ 143,680
Contributions as a Percentage of Covered-Employee Payroll	42.28%	51.51%	64.0%

NOTES TO SCHEDULE

Valuation date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Market value of assets
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 three years are shown.

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03

STATISTICAL SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT



An example of Ocean Friendly Gardening that includes water-wise California Natives.

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.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how West Basin’s financial performance have changed over time.

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Revenue Capacity

These schedules contain information to help the reader understand West Basin’s revenue sources.

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Debt Capacity

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Demographic Information

These schedules offer demographic and economic information to help the reader understand the environment within which West Basin’s financial activities take place.

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Operating Information

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, 2017	94-95
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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 1: NET POSITION

Last Ten Fiscal Years (In Thousands)

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Net Investment</u> <u>In Capital Assets</u> (3)	<u>Unrestricted</u>	<u>Total</u> <u>Net Position</u> (3)
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	175,437	59,146	234,583
2017	180,967	74,686	255,653

(1) Fiscal Year 2010 beginning Net Position was restated for two reasons: There was a deduction of \$3.6M in Construction-In-Progress account due to less contribution from the U.S. Army Corps of Engineers and 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: (1) Due to the implementation of GASB No. 68, a prior year adjustment of \$0.9M liability was recorded (2) 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)						Capital Contribution		Change in Net Position	
	Operating Revenues	Operating Expenses	Operating Revenue (Loss)	Standby Charges	Investment Income	Realized Gain (Swap Termination)	Grant Income		Change in Fair Value of Swap (Nonhedged)	Total Nonoperating Revenue (Loss)	Income (Loss)		
							Misc Inc (Exp) Loss on Disposal	Interest Expense			Before Contributions		Capital Contributions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		
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)	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	177,763	(571)	9,655	506	-	(3,632)	(9,859)	-	(3,330)	(3,901)	7,302	3,401
2017	191,123	185,573	5,550	9,614	458	-	2,137	(8,161)	713	4,762	10,313	10,758	21,071

(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 \$3.8M and \$1.6M loss from disposition of capital assets in Fiscal Year 2016 and 2017, respectively. Also in Fiscal Year 2017, the District wrote-off \$3.6M liability.

(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) In Fiscal Year 2010, 2011 and 2017, per GASB No. 53, the interest rate 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.

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

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

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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 3: OPERATING REVENUES BY SOURCE

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Water Sales				Total
	Water and Monitoring	Water Recycling	Desalting	Conservation	
	(1)	(2)	(3)	(4)	
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
2017	145,048	45,401	281	393	191,123

(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.

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TABLE 4: OPERATING EXPENSES BY SOURCE

Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Source of Supply & Monitoring (1)	Water Recycling Costs (2)	Desalting Operations (3)	Public Information and Education (4)	Water Policy and Conservation (4)	Depreciation and Amortization (5)	Total Operating Expenses
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	24,928	\$177,763
2017	118,289	35,651	592	2,754	3,001	25,286	\$185,573

(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) 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.

(5) Fiscal year 2016 and 2017 amount only represent depreciation expenses, amortization expenses are included in Interest Expense.

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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
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
2017	7,075	1,641	720	1,322	10,758

(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, or 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 expansion to the Edward C. Little Water Recycling Facility as well as seawater desalination projects.

(4) Other - West Basin received contributions from other agencies such as Los Angeles Department of Water & Power, Andeavor (formerly Tesoro), Southern California Edison (SCE), and Metropolitan Water District of Southern California. 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.

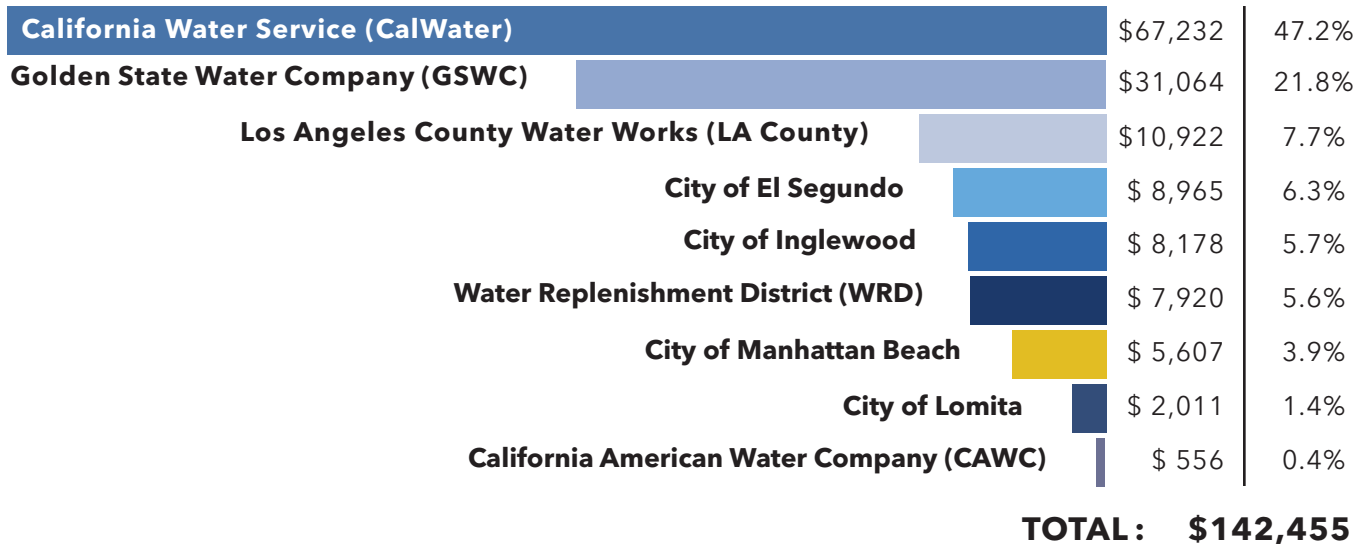
WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 6: PAYORS - POTABLE WATER SALES

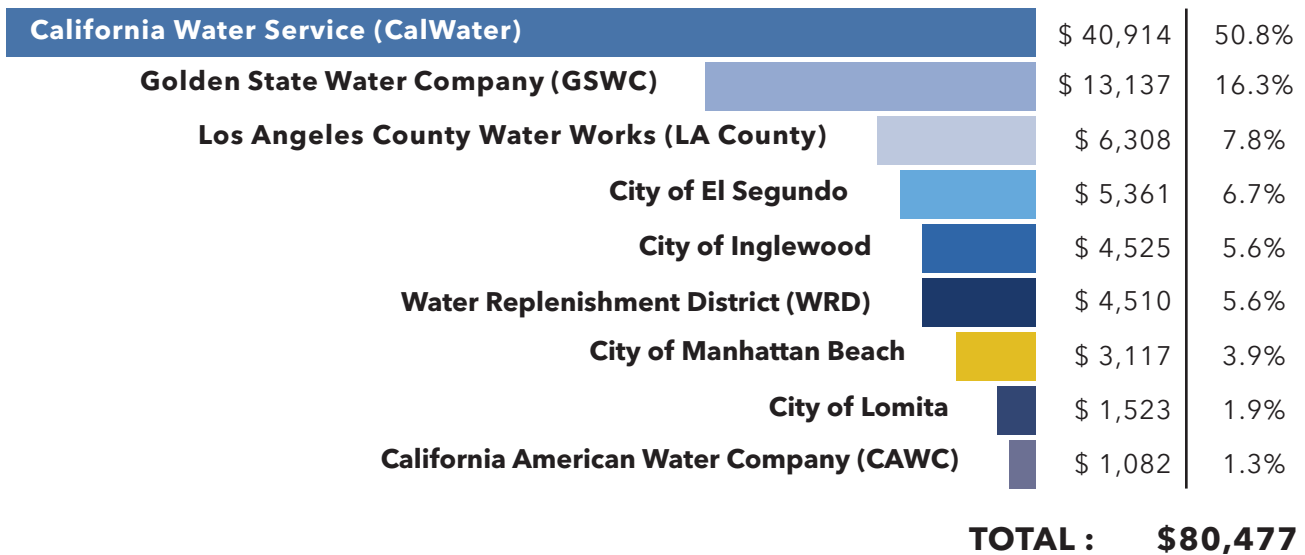
For the Current Year and Nine Years Prior (In Thousands)

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

2017



2008



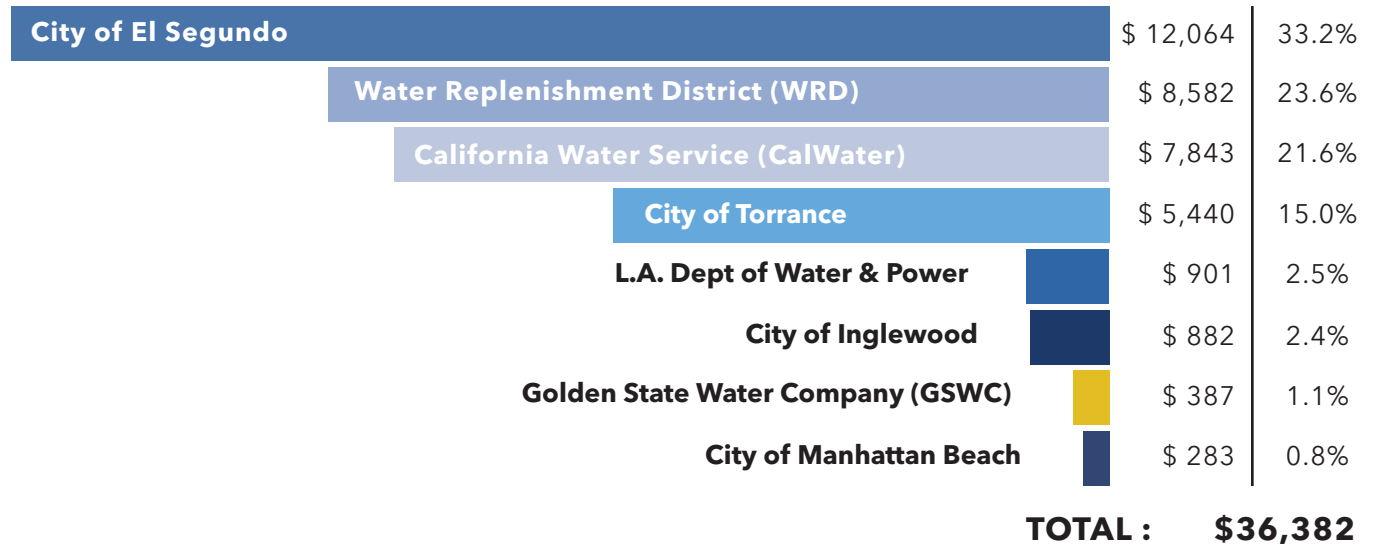
WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 7: PAYORS - RECYCLED WATER SALES

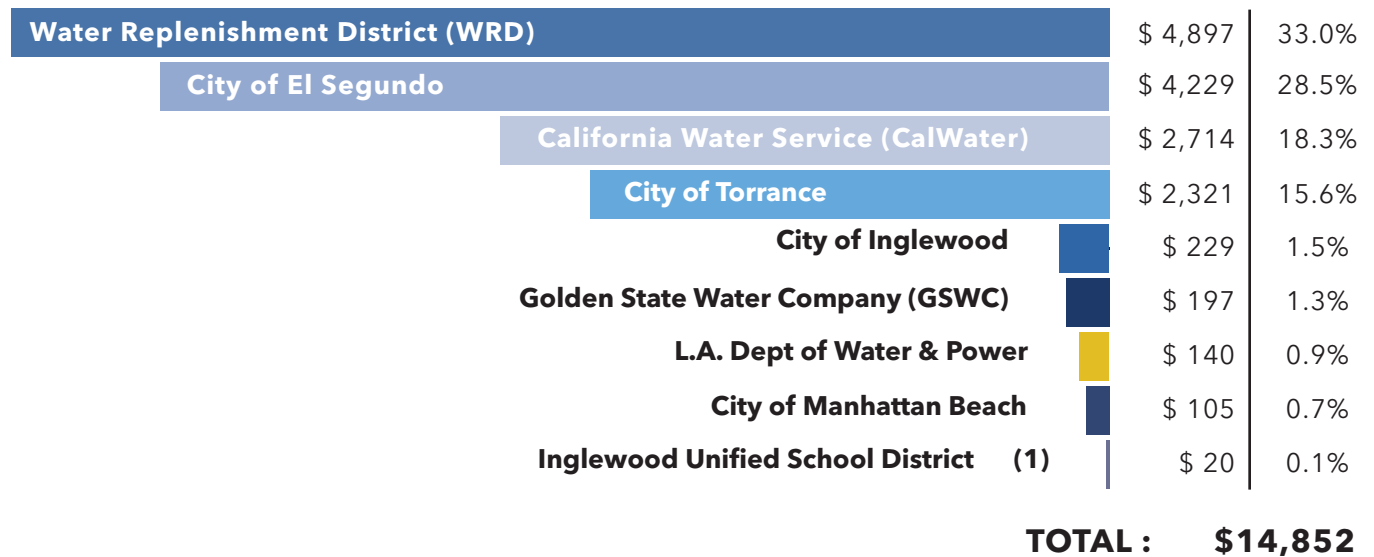
For the Current Year and Nine Years Prior (In Thousands)

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

2017



2008



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

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 8: ALL WATER SOLD IN ACRE-FEET

Last Ten Fiscal Years

The 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 (1)	Ground- water (2)	Saltwater Barrier (3)	Total Potable Water (4)	Recycled	Desalting	
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
2017	103,333	27,642	6,563	137,538	36,330	284	174,151

(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 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 biofilters and reduced capacity at one of the refineries.

WEST BASIN MUNICIPAL WATER DISTRICT

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

Last Ten Fiscal Years

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
California American Water Company (CAWC)	1,725	1,436	809	712	902	1,019	667	238	415	428
California Water Service (CalWater)	73,917	68,164	65,422	61,127	62,797	65,185	70,679	70,361	57,367	58,216
City of El Segundo	16,950	17,773	19,666	16,522	17,848	17,144	16,681	17,387	16,782	16,482
City of Inglewood	8,339	7,817	7,173	7,545	8,327	9,021	9,028	8,174	7,458	7,127
City of Lomita	2,583	2,420	2,290	2,096	2,336	2,275	1,788	1,463	1,374	1,549
City of Manhattan Beach	5,566	5,073	3,565	3,359	3,757	3,863	3,849	3,496	3,738	4,582
City of Torrance	6,389	5,876	6,445	5,785	6,352	6,634	6,529	5,270	4,012	5,037
Golden State Water Company (GSWC)	22,935	18,280	16,634	16,352	15,399	11,637	16,516	12,622	25,791	19,284
Inglewood Unified School District (3)	56	63	56	-	-	-	-	-	-	-
Los Angeles County Water Works (L.A. County)	10,654	9,886	8,750	8,331	8,802	9,234	10,090	9,182	7,932	8,414
L.A. Dept of Water & Power	360	444	619	763	876	966	998	886	874	825
Southern California Water	-	-	-	-	-	-	-	-	-	4,988
Water Replenishment District (WRD) (1)	18,738	17,426	20,851	20,854	14,587	23,679	21,657	19,757	17,358	19,577
Total (2)	168,212	154,658	152,280	143,446	141,983	150,657	158,481	148,835	143,101	146,509

(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.

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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 10: RECYCLED WATER SALES IN ACRE-FEET

Last Ten Fiscal Years

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Number of</u> <u>Accounts</u>	<u>Chevron</u> <u>Refinery</u>	<u>Mobil</u> <u>Refinery</u>	<u>Tesoro</u> <u>Refinery</u>	<u>Total</u> <u>Refineries</u>	<u>West Coast</u> <u>Barrier</u>	<u>Title 22</u> <u>Irrigation</u>	<u>Total</u>
		(1)	(1)	(1)	(2)	(3)		
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) 5,183	17,070	13,677	4,256	35,003
2017	436	8,978	4,725	5,571	19,273	13,014	4,043	36,330

(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) 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 biofors.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 11: AVERAGE WATER RATES PER ACRE-FOOT

Last Ten Fiscal Years

Type of Water	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Purchased from MWD (1)</i>										
Non-interruptible	\$591	\$650	\$773	\$898	\$994	\$1,063	\$1,132	\$1,188	\$1,242	\$1,301
Saltwater Barrier	591	650	773	898	994	1,063	1,132	1,188	1,242	1,301
Seasonal Storage - LT	411	454	547	645	721	865	-	-	-	-
<i>West Basin Recycled Water (2)</i>										
Recycled - T22	\$367	\$438	\$600	\$686	\$775	\$840	\$908	\$955	\$1,005	\$1,069
Recycled - T22 OSA	409	480	642	728	817	882	950	997	1,047	1,111
Recycled - Barrier	440	458	501	540	553	565	578	586	605	618
Recycled - Industrial RO	633	722	913	914	1,003	1,068	1,136	1,183	1,233	1,297
Recycled - Ultra RO	837	954	1,195	1,270	1,359	1,424	1,492	1,539	1,589	1,653
Recycled - Nitrified	347	418	577	666	755	820	888	935	985	1,049
<i>West Basin Desalting Plant (3)</i>										
Desalted Water	\$517	\$608	\$723	\$746	\$792	\$840	\$978	\$1,019	\$1,048	\$1,078

(1) Purchased from MWD Water rates are comprised of three components: Metropolitan Water District of Southern California (MWD) 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 Long-Term (LT) Seasonal Storage Program.

(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, 2016 and 2017

Tables below delineate the fiscal years ended June 30, 2016 and 2017 water rates for West Basin and Metropolitan Water District of Southern California (MWD).

	<u>MWD</u>	<u>Readiness-to-Serve Charge</u>	<u>West Basin Reliability Service Charge</u>	<u>Total</u>
Fiscal Year Ended June 30, 2016				
<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
Fiscal Year Ended June 30, 2017				
<i>July 1, 2016 to December 31, 2016</i>				
Non-Interruptible & Barrier (Tier 1)	\$942	\$118	\$223	\$1,283
Non-Interruptible & Barrier (Tier 2)	1,076	118	223	1,417
<i>January 1, 2017 to June 30, 2017</i>				
Non-Interruptible & Barrier (Tier 1)	\$979	\$116	\$223	\$1,318
Non-Interruptible & Barrier (Tier 2)	1,073	116	223	1,412

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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)	TOTAL DEBT			CAPITAL ASSETS			Total Debt/ Capital Assets
	Certificates of Participation & Revenue Bonds	State Loan	Total LT Debt	Capitalized Assets (1)	Construction- in-Progress (2)	Total Capital Assets	
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
2017	292,377	-	292,377	611,438	88,061	699,499	0.42

(1) See details at "General Operating Information".

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

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

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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 14: DEBT PER CAPITA

Last Ten Fiscal Years

Table below provides an overview of the ratio of the total debt outstanding as compared to West Basin's service area total population as of fiscal year-end.

Fiscal Year Ended June 30	Total LT Debt	West Basin Population	Debt Per Capita
2008	\$304,919,000	838,888	\$363
2009	295,436,000	840,260	352
2010	296,138,000	853,377	347
2011	301,490,000	857,545	352
2012	327,023,000	861,545	380
2013	338,686,000	865,882	391
2014	329,755,000	870,219	379
2015	312,682,000	874,219	358
2016	295,831,000	877,798	337
2017	292,377,000	881,392	332

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 15: 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)		
2008	\$11,839	\$9,374	\$21,213	\$115,260	0.18
2009	9,483	12,766	22,249	\$119,924	0.19
2010	9,298	12,773	22,071	\$138,786	0.16
2011	10,448	11,989	22,437	\$144,604	0.16
2012	86,072	10,317	96,389	\$147,932	0.65
2013	12,410	8,612	21,022	\$162,390	0.13
2014	5,760	10,478	16,238	\$180,710	0.09
2015	15,592	13,569	29,161	\$183,273	0.16
2016	15,370	13,031	28,401	\$177,763	0.16
2017	36,599	12,120	48,719	\$185,573	0.26

(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.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 16: STANDBY CHARGE AND CAPITAL FIXED PAYMENTS

Last Ten Fiscal Years (In Thousands)

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

Fiscal Year Ended June 30	Standby Charge	Capital Fixed Payments	Total	Debt Payment	% of Debt Service
	(1)	(2)		(3)	
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	96,389	18%
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%
2017	9,614	7,075	16,689	48,719	34%

(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 Andeavor (formerly Tesoro), 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) 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 15 - “Annual Debt Service to Expenses”.

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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 17: DEBT COVERAGE

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Changes in Net Position (1)	\$4,489	(\$3,963)	\$10,657	\$7,619	\$14,191	\$13,923	\$14,499	\$1,749	\$3,401	\$21,071
Add: Interest Expense	9,808	13,848	12,498	12,038	11,002	9,209	10,651	11,139	9,859	8,161
Add: Depreciation/Amortization	13,323	16,190	17,078	18,268	18,283	17,522	20,793	25,099	24,928	25,286
Less: Non-cash items (2)	(2,827)	(1,446)	(11,579)	(9,109)	(6,805)	(133)	(550)	764	3,652	(936)
Net Revenues for Coverage	<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>	<u>\$53,582</u>
Parity Debt Service (3)	16,345	16,595	16,078	16,517	16,115	17,790	17,205	17,695	13,646	17,821
Reserve Fund Earnings	(799)	(767)	(762)	(762)	(763)	(681)	170	(1)	(2)	(6)
Total Net Senior Debt Service	<u>\$15,546</u>	<u>\$15,828</u>	<u>\$15,316</u>	<u>\$15,755</u>	<u>\$15,352</u>	<u>\$17,109</u>	<u>\$17,375</u>	<u>\$17,694</u>	<u>\$13,644</u>	<u>\$17,815</u>
Debt Coverage	<u>1.54</u>	<u>1.51</u>	<u>1.82</u>	<u>1.78</u>	<u>2.34</u>	<u>2.33</u>	<u>2.62</u>	<u>2.19</u>	<u>3.07</u>	<u>3.01</u>
Subordinate Debt Service (3)	6,157	6,897	7,624	7,968	8,817	9,056	8,993	9,017	9,058	5,774
Reserve Fund Earnings	(12)	(2)	-	-	-	-	-	-	-	-
Total Net Subordinate Debt Service	<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>	<u>\$5,774</u>
Debt Coverage	<u>1.50</u>	<u>1.17</u>	<u>1.66</u>	<u>1.54</u>	<u>2.33</u>	<u>2.51</u>	<u>3.13</u>	<u>2.34</u>	<u>3.11</u>	<u>6.19</u>
All-In Debt Coverage	<u>1.14</u>	<u>1.09</u>	<u>1.26</u>	<u>1.22</u>	<u>1.52</u>	<u>1.55</u>	<u>1.73</u>	<u>1.45</u>	<u>1.84</u>	<u>2.27</u>
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	\$3,102	\$1,906	\$5,714	\$5,093	\$12,502	\$14,356	\$19,025	\$12,040	\$19,138	\$29,993

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

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

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

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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 18: TEN LARGEST EMPLOYERS WITHIN WEST BASIN SERVICE AREA

Calendar Year 2016 and Nine Years Prior

Employer	2016		2007	
	Number of Employees	Rank	Number of Employees	Rank
	(1)			
Northrop Grumman Corporation	9,720	1	10,635	1
Raytheon Company	5,058	2	7,773	2
Aerospace Corporation	3,500	3	2,963	3
Sony Pictures Entertainment	3,400	4	2,020	4
Mattel, Inc.	1,791	5	1,810	6
Palos Verdes Peninsula Unified School District	1,468	6	2,000	5
Chevron Products Company/USA Inc.	1,253	7	1,076	8
Accenture	1,238	8	761	10
Southern CA Hospital (Brontman Medical Center)	1,167	9	900	9
Tesoro Refining & Marketing Company LLC	1,110	10	1,099	7
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 19: POPULATION AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	West Basin Population	LA County Population	Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate
	(1)	(2)	(2)	(2)	(3)
2008	838,888	9,735,147	\$425,573,170	\$43,715	7.6%
2009	840,260	9,787,400	\$411,495,352	\$42,043	11.6%
2010	853,377	9,826,773	\$424,813,015	\$43,234	12.5%
2011	857,545	9,889,056	\$454,935,533	\$45,969	12.2%
2012	861,545	9,951,690	\$486,733,508	\$48,818	10.9%
2013	865,882	10,017,068	\$483,578,594	\$48,140	9.8%
2014	870,219	10,069,036	\$512,846,779	\$50,730	8.2%
2015	874,219	10,170,292	\$544,324,900	\$53,521	6.6%
2016	877,798	10,137,915	\$ -	\$ -	5.2%
2017	870,000	-	\$ -	\$ -	5.2%

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

(2) Data obtained from the Bureau of Economic Analysis. Other information for Calendar year 2016 through 2017 is not available.

(3) Data obtained from the State of California Employment Development Department for Los Angeles County.

WEST BASIN MUNICIPAL WATER DISTRICT

DEMOGRAPHICS

Service Area

Estimated Total Population Served	870,000
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

Customers

Number of Direct Customers	11
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West Basin's direct customers are comprised of cities and retail water agencies that purchase potable non-Interruptible water and recycled water for further sales to the end-user or use in the seawater barrier.

Annual Water Deliveries

Potable Water (including desalting & groundwater)	137,821 acre-feet
Recycled Water	36,330 acre-feet

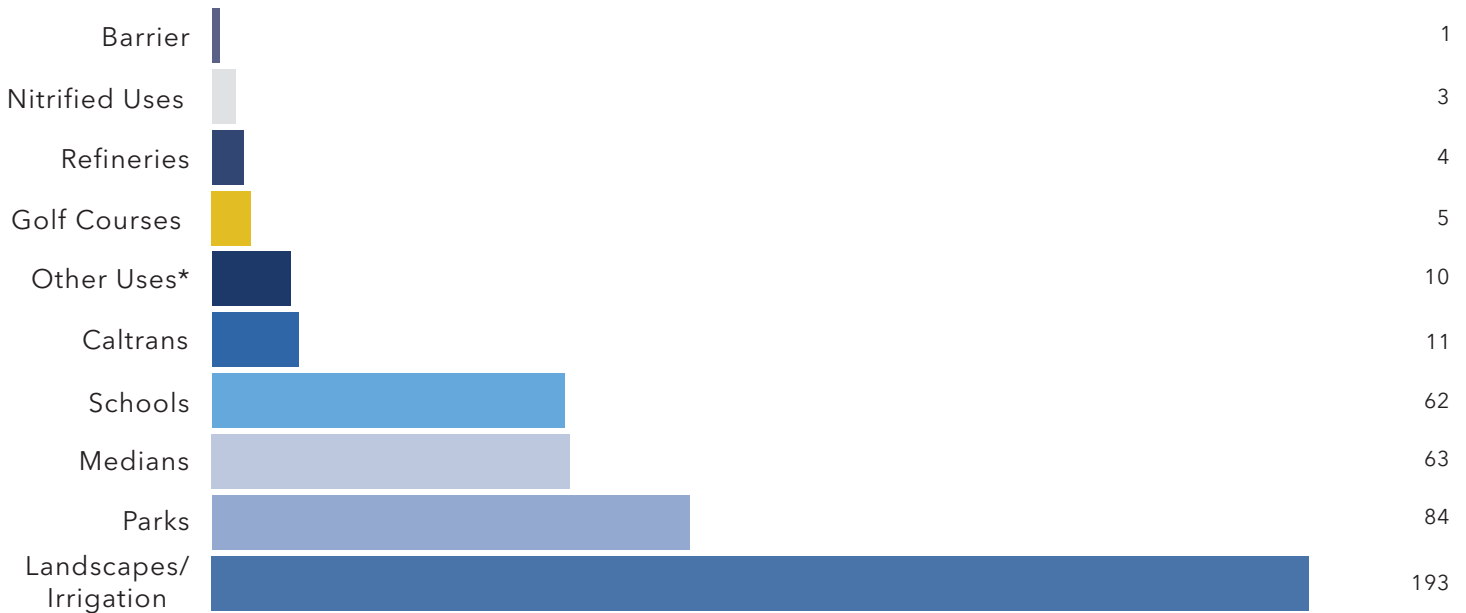
WEST BASIN MUNICIPAL WATER DISTRICT

RECYCLED WATER USERS

For The Fiscal Year Ended June 30, 2017

NUMBER OF SITES

TOTAL OF 436 SITES



WATER USAGE: 1 ACRE-FOOT = 325,900 GALLONS

TOTAL OF 11.8 BILLION GALLONS



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

WEST BASIN MUNICIPAL WATER DISTRICT

GENERAL OPERATING INFORMATION

For The Fiscal Year Ended June 30, 2017

NUMBER OF BUDGETED FULL-TIME PERSONNEL

2008	33
2009	33
2010	34
2011	36
2012	36
2013	38
2014	40
2015	41
2016	43
2017	45

CERTIFICATIONS AND LICENSES HELD BY DISTRICT EMPLOYEES

Professional Engineer	10
Certified Public Accountant	3
Licensed attorneys	1
Master's Degree	15
Doctorate Degree	1
State Water Certification:	
Distribution Operator	5
Treatment Plant Operator	6

WEST BASIN MUNICIPAL WATER DISTRICT

GENERAL OPERATING INFORMATION

For The Fiscal Year Ended June 30, 2017

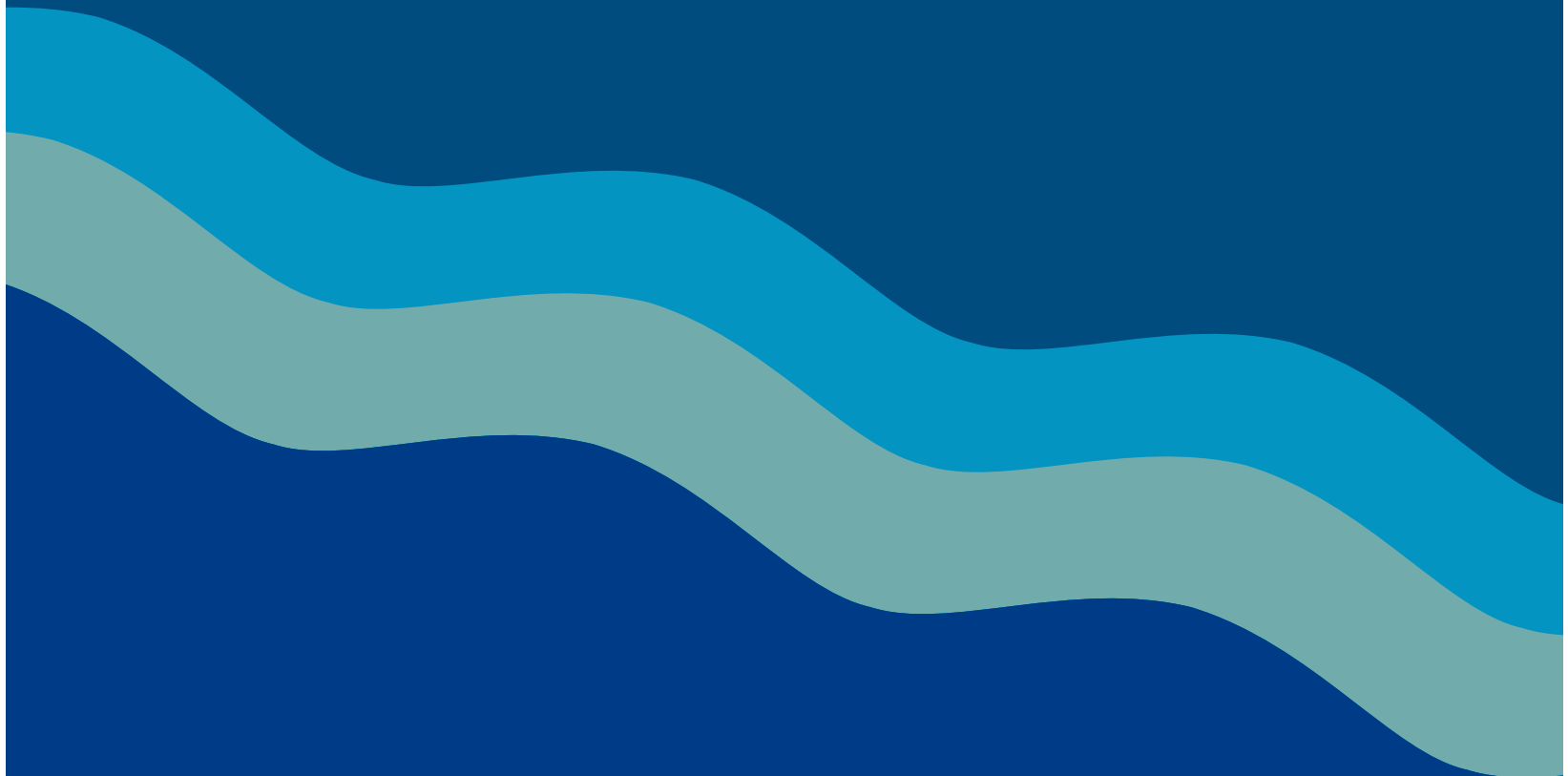
CAPITAL ASSETS (IN THOUSANDS)

	<u>Recycling Facilities</u>	<u>Desalting</u>	<u>Machinery & Equipment</u>	<u>Construction- in-Progress</u> (1)	<u>Admin. Facility</u>	<u>West Basin Capital Assets</u> (2)
2008	\$468,377	\$3,697	\$1,011	\$18,932	\$4,014	\$496,031
2009	474,281	3,700	1,025	29,362	4,014	512,382
2010	486,401	3,794	2,491	39,395	4,035	536,116
2011	493,065	5,299	3,761	59,081	4,941	566,147
2012	506,311	4,904	3,775	103,279	5,511	623,780
2013	513,437	4,904	3,911	135,530	5,564	663,346
2014	576,537	4,041	3,349	63,152	6,345	653,424
2015	576,941	4,059	3,376	75,144	6,356	665,876
2016	585,211	4,079	3,625	79,015	6,367	678,297
2017	597,046	4,079	3,941	88,061	6,372	699,499

(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) 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 or no longer in service.





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