



**2021**

# Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

Prepared By:  
Finance Department  
Margaret Moggia, CPA  
Executive Manager of Finance

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17140 S Avalon Blvd  
Carson, CA 90746



*West Basin Municipal  
Water District*

**Annual Comprehensive Financial Report**

For the fiscal year ended June 30, 2021  
*(With comparative totals for prior year)*

Prepared by:  
Finance Department

17140 S. Avalon Blvd.  
Carson, California 90746

# *West Basin Municipal Water District*

## **Annual Comprehensive Financial Report For the Year Ended June 30, 2021**

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*West Basin Municipal Water District*

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For the Year Ended June 30, 2021**

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17140 S. Avalon Blvd.  
Carson, CA 90746

310-217-2411  
www.westbasin.org

**December 9, 2021**

**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 Annual Comprehensive Financial Report for the Fiscal Year 2020-2021, which ended June 30, 2021.

The financial report 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 seven months after the end of the fiscal year. In addition, bond covenants require West Basin must file a financial report 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 financial report for the fiscal year that ended on June 30, 2020. This was the 14th 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 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 annual certificate.

West Basin staff prepared this financial report in conjunction with the Independent Auditors' Report issued by Roger, Anderson, Malody & Scott, LLP, a certified public accounting firm, and they have issued an unmodified (or "clean") opinion on West Basin's financial statements for the year ending on June 30, 2021. 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 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.

**BOARD OF DIRECTORS**

---

Harold C. Williams  
*President*

Donald L. Dear  
*Vice President*

Scott Houston  
*Treasurer*

Desi Alvarez  
*Secretary*

Gloria D. Gray  
*Immediate Past President*

## **ABOUT WEST BASIN MUNICIPAL WATER DISTRICT**

West Basin Municipal Water District (West Basin), an innovative and award-winning public agency, is a special district of the State of California that provides imported drinking water, produces recycled water, and provides water-use efficiency and education programs to approximately 882,000 residents within a 185-square mile service area. Located in the heart of Southern California's coastal plain, its service area has a Mediterranean climate, characterized by warm, dry summers and wet, cool winters with moderate precipitation.

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

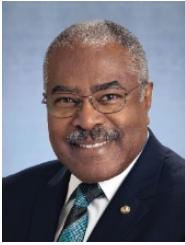
Recycled water is the cornerstone of West Basin's efforts to increase water reliability by augmenting local supplies. The District's award-winning Edward C. Little Water Recycling Facility in El Segundo, California and its satellite plants are the only facility network in the world that produces five different types of customer-specific recycled water including irrigation; industrial cooling towers; high- and low-pressure boiler feeds; and seawater barrier water for groundwater replenishment and protection. West Basin provides recycled water through more than 450 connections to industrial, commercial and public facilities in the service area.

To protect our local groundwater aquifer from seawater intrusion, West Basin currently provides imported and highly purified recycled water to the Water Replenishment District of Southern California (WRD) for injection into the West Coast seawater barrier. While West Basin does not pump groundwater, it is another source of water for many of the communities within our service area.

In August 2017, West Basin's Board of Directors approved an updated Strategic Business Plan. In March 2019, West Basin updated its Water Reliability Program to reflect current goals through a reinvigorated Water for Tomorrow Program. Water for Tomorrow brings new emphasis to West Basin's commitment to protecting, securing and diversifying its water supply while continuing its history of innovation and industry leadership. This includes reducing dependence while increasing reliability of our imported water supply, expanding conservation efforts, maximizing water recycling and evaluating ocean water desalination as a local, drought-resilient resource.

West Basin continues to invest in staff, operations and programs to maintain high standards within our workforce and reach out to the community through water-use efficiency programs, education, community partnerships, small and local business opportunities and other programs focused on providing value to our service area.

## Board of Directors



**Harold C. Williams**

**President**

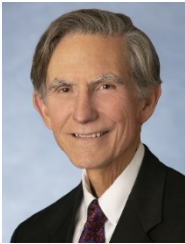
**Division 1:** Cities of Carson, Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills and the unincorporated Los Angeles County area of Rancho Dominguez



**Gloria D. Gray**

**Immediate Past President**

**Division 2:** City of Inglewood and unincorporated Los Angeles County areas of South Ladera Heights, Lennox, West Athens and Westmont



**Desi Alvarez**

**Secretary**

**Division 3:** Cities of Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance



**Scott Houston**

**Treasurer**

**Division 4:** Cities of Culver City, El Segundo, Malibu, West Hollywood and unincorporated Los Angeles County areas of Del Aire, Lennox, Marina del Rey, North Ladera Heights, Topanga, View Park, Wiseburn and Windsor Hills



**Donald L. Dear**

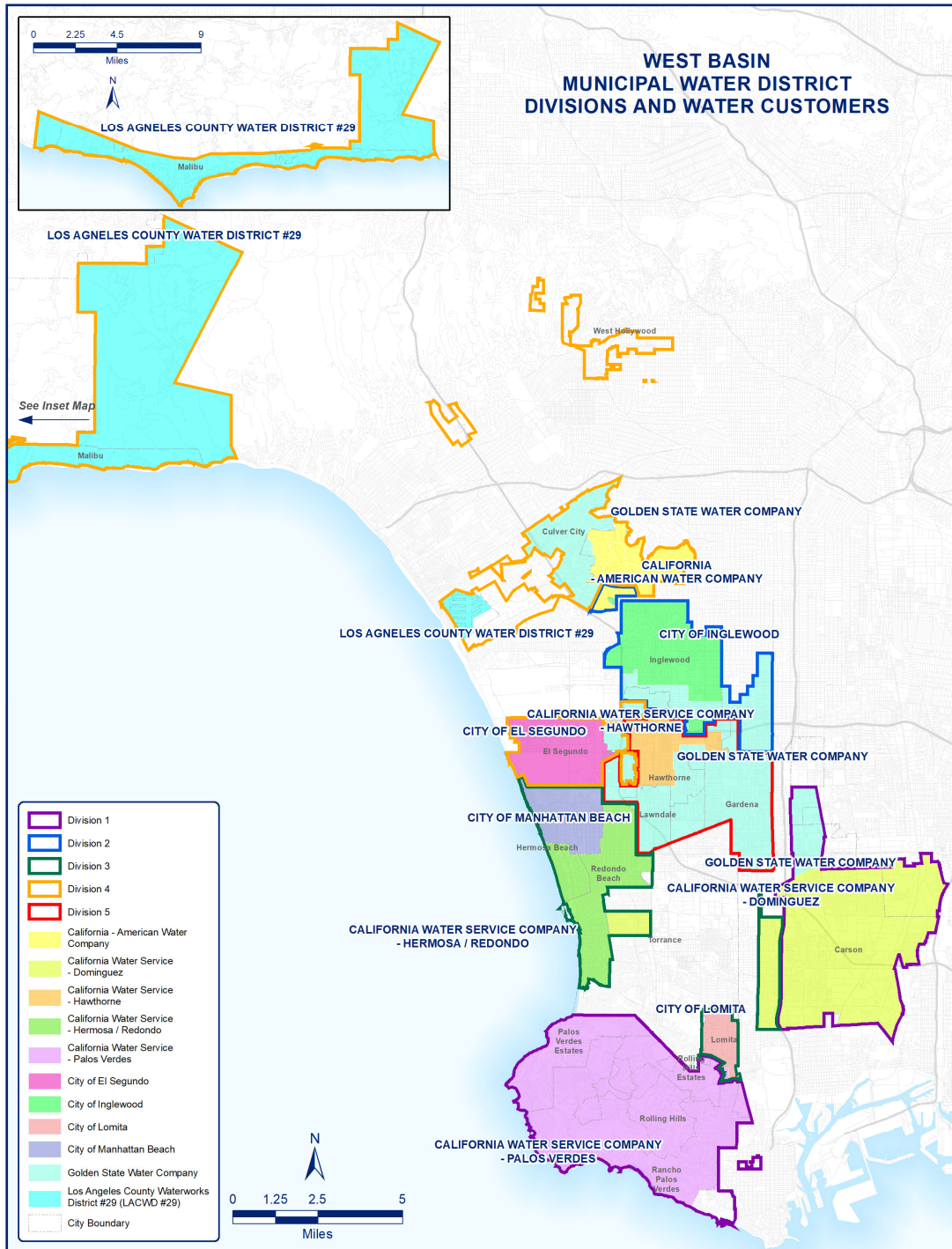
**Vice President**

**Division 5:** Cities of Gardena, Hawthorne, Lawndale and the unincorporated Los Angeles County area of El Camino Village

# SERVICE AREA

## DIVISION OF BOUNDARIES

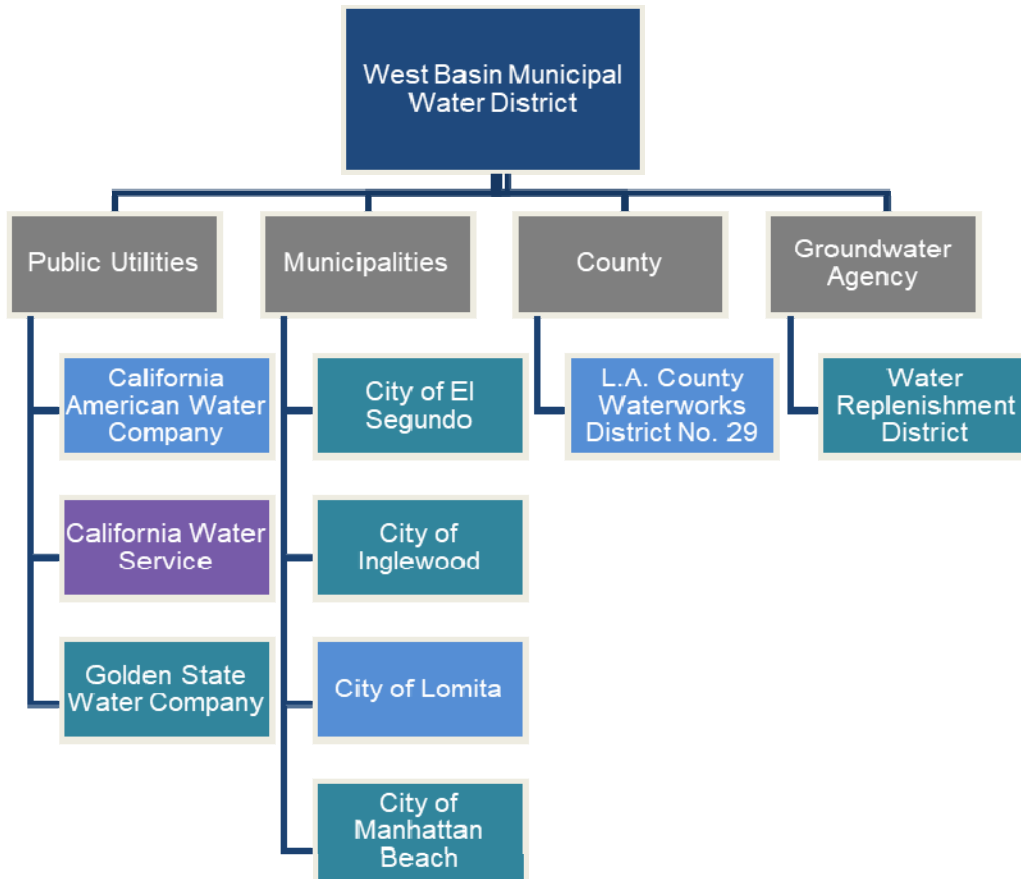
West Basin Municipal Water District serves a diverse population in 17 cities and parts of unincorporated coastal Los Angeles County.





## DISTRICT STATISTICS

Formed	December 17, 1947
Estimated Population	882,000
Area Served	185 square miles
Water Portfolio	Potable, Recycled & Desalted
Average Residential Parcel Size	9,240 square feet
Lowest Median Income	\$14,685 - Westmont
Highest Median Income	Over \$250,000 – Manhattan Beach, Palos Verdes



- = Potable Water Sales Only
- = Potable & Recycled Water Sales
- = Potable, Recycled and Desalted Water Sales

## HISTORY

As early as 1918, the levels in local groundwater basins were dropping so low that salt water from the ocean was seeping in and contaminating groundwater. Lawns in coastal Los Angeles were dying from salty water, and well water was so salty it was often undrinkable. In the 1940s, studies showed that the local groundwater aquifer was being depleted at a much faster rate than it was being recharged or refilled.

At that time, one solution was to supply the region with imported water through MWD. In 1947, West Basin was formed by a vote of the people to serve as a wholesale agency to distribute imported water throughout its service area. In 1948, West Basin became a member agency of MWD, an agency that imports water from the Colorado River, and later would also import water from Northern California. For the next several decades, West Basin served its customer agencies and communities solely as a wholesale provider 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 water use efficiency 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 would convert treated sewer water into five different types of high-quality recycled water suitable for groundwater recharge, irrigation, municipal, industrial and commercial uses.

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

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

## **MAJOR ACCOMPLISHMENTS**

### Water Supply Reliability

- Completed the Recycled Water Master Plan which outlines the District's capital improvement projects for the next 20 years and provides a roadmap for the cost to construct future capital facilities.
- Awarded contract to construct the Phase II Expansion at the Juanita Millender-McDonald Water Recycling Facility in Carson.
- Completed the Urban Water Management Plan to evaluate West Basin's water resource needs, provide detailed water supply planning projections over a 25-year planning horizon, and identify water supplies that are needed to meet existing and future demands.

### Sound Financial and Resource Management

- Re-negotiated agreements with local refinery customers to recoup the cost of rehabilitation and replacement for facility infrastructure.
- Maintained credit ratings from Moody's at Aa2 and S&P at AA- in May 2021.

### Water Quality

- Completed annual consumer confidence water quality reports for participating retailers for compliance as required by the Department of Drinking Water for a public water.
- Completed water quality monitoring to ensure it meets water quality compliance and contractual requirements.
- Met all permit and regulatory requirements with no issued Notices of Violation.

### Customer Service

- Conducted monthly updates to our customer agencies and municipalities at the West Basin hosted Metropolitan Caucus meetings, and West Basin Water Association meetings.
- Developed online webinar class options for the public in response to COVID-19 pandemic.

### Environmental Stewardship

- Expanded program partnership with the Roundhouse Aquarium and established new program partnership with Wildwoods Foundation.

## **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 and finance functions, which include cash management, treasury and debt management, accumulation and processing of accounting information, financial reporting, and contracts administration.

### *INTERNAL CONTROLS*

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

As affirmed in May 2021, West Basin currently maintains a Aa2 from Moody's and a AA- from Standards & Poor's. In order to maintain these ratings, West Basin has internally set budgeted debt coverage goals, updated financial policies and updated rates as appropriate. West Basin's Board of Directors has approved a number of financial policies to effectively manage the agency. A copy of these policies can be found on West Basin's website at [www.westbasin.org](http://www.westbasin.org). Other non-financial policies are maintained by West Basin through its Administrative Code and are reviewed periodically to ensure compliance with legal statutes. These efforts 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.

## *SOURCE OF REVENUE*

West Basin primarily receives its source of revenue from imported and recycled water sales. Imported water sales and charges totaled \$164 million for the fiscal year ending June 30, 2021, while recycled water sales amounted to \$39 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 has budgeted 53 full-time employees, 3 full-time limited term employees, and 6 interns.

## *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,

A handwritten signature in blue ink that reads "Margaret Moggia". The signature is written in a cursive style with a large initial 'M'.

Margaret Moggia  
Executive Manager of Finance



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, 2020

*Christopher P. Morill*

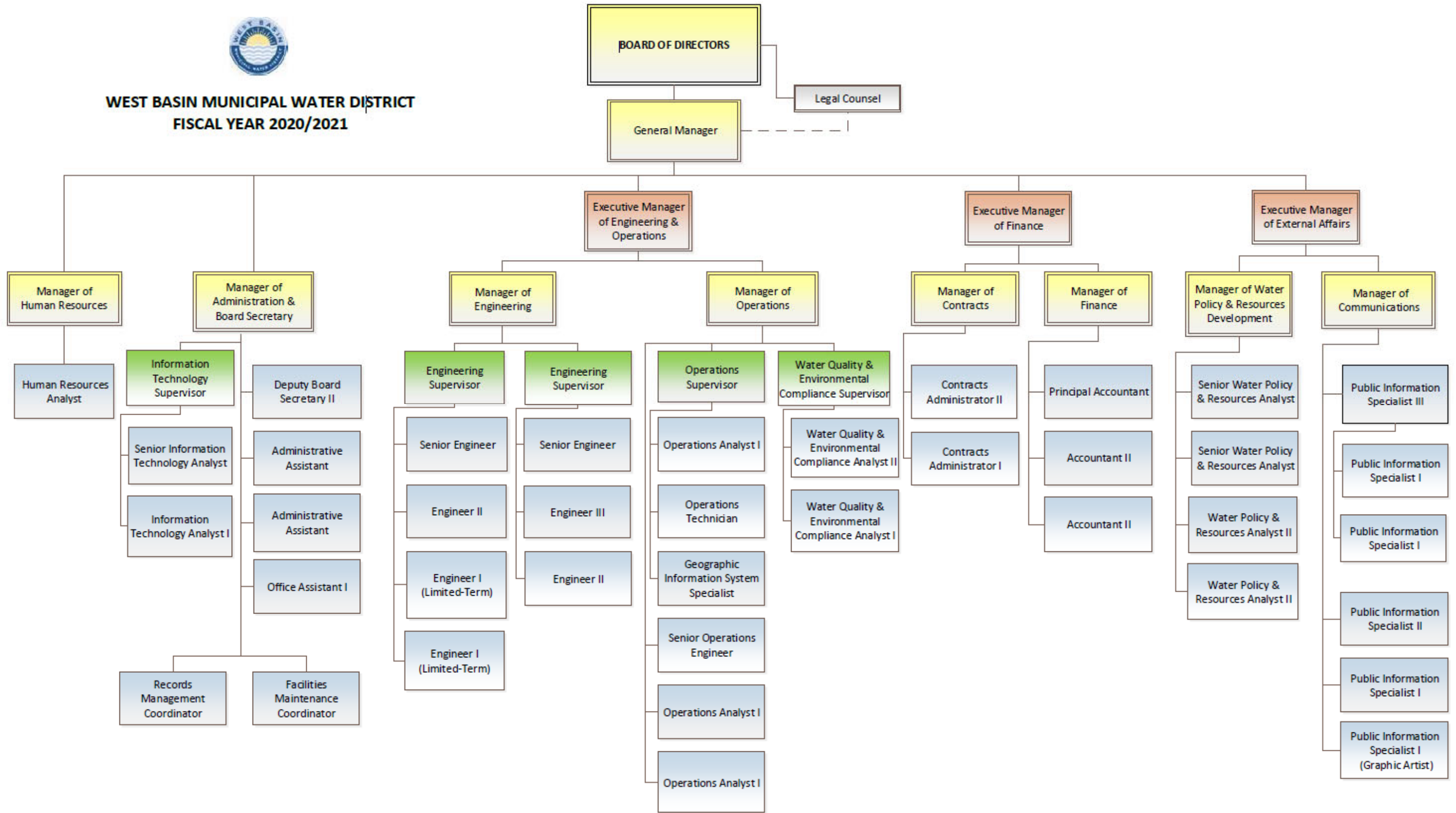
Executive Director/CEO

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**WEST BASIN MUNICIPAL WATER DISTRICT  
FISCAL YEAR 2020/2021**



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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscpa.net

## *Independent Auditor's Report*

Board of Directors  
West Basin Municipal Water District

### **PARTNERS**

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST

### **MANAGERS / STAFF**

Charles De Simoni, CPA  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA  
Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
Xinlu Zoe Zhang, CPA, MSA  
John Maldonado, CPA, MSA  
Thao Le, CPA, MBA  
Julia Rodriguez Fuentes, CPA, MSA

### **MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants

## **Report on the Audit of the Financial Statements**

### **Opinions**

We have audited the financial statements of the business-type activities and the fiduciary fund of the West Basin Municipal Water District (West Basin) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise West Basin's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the fiduciary fund of West Basin as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing Special Districts

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West Basin and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As discussed in Note 1 of the financial statements, West Basin adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified in respect to this matter.



### ***Responsibilities of Management for the Financial Statements***

West Basin's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Basin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Report on Summarized Comparative Information***

We have previously audited West Basin's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 West Basin's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 9, 2021

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## *West Basin Municipal Water District*

### **Management's Discussion and Analysis For the Year Ended June 30, 2021**

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The following Management's Discussion and Analysis (MD&A) of the 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, 2021. 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 had a positive Change in Net Position of \$9,059,713 in fiscal year 2021.
- As of June 30, 2021, West Basin had a Net Asset of \$815,758 for the Other Postemployment Benefits (OPEB) program.
- As of June 30, 2021, West Basin had a Net Pension Liability of \$1,586,130 for the PERS program and had a Net Pension Asset of \$320,138 for the PARS program.
- In fiscal year 2021, West Basin's potable water and monitoring revenue was \$164,016,244 and the potable water and monitoring expense was \$131,137,033 resulting in net revenue of \$32,879,211.
- West Basin's water recycling revenue was \$38,645,372 and water recycling cost was \$38,031,146.
- In fiscal year 2021, West Basin issued 2021A Refunding Revenue Bonds for the amount of \$74,900,000.
- 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. The 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, 2021, the change in fair value during the fiscal year resulted in a gain of \$479,202.
- Capital Contribution increased from \$7,562,454 in fiscal year 2020 to \$12,109,530 in fiscal year 2021.
- Total Net Position in fiscal year 2021 was \$303,739,098. Net investment in capital assets was \$207,047,006.
- West Basin implemented GASB Statement No. 84 in fiscal year 2021. There is only one fiduciary fund identified. Prior period adjustment of \$87,739 has been restated.

# *West Basin Municipal Water District*

## **Management's Discussion and Analysis For the Year Ended June 30, 2021**

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### **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 results 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 19 through 56.

### **REQUIRED SUPPLEMENTARY INFORMATION**

The required supplementary information provides additional information for West Basin's PARS, PERS and OPEB programs. It can be found on pages 57 through 62.



# West Basin Municipal Water District

## Management's Discussion and Analysis For the Year Ended June 30, 2021

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### Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
<b>Assets</b>			
Current unrestricted assets	\$ 132,169,159	\$ 117,076,823	\$ 15,092,336
Current restricted assets	2,027,688	4,173,752	(2,146,064)
Capital assets, net	452,966,659	460,924,779	(7,958,120)
Other assets	3,594,437	3,993,181	(398,744)
<b>Total Assets</b>	<u>590,757,943</u>	<u>586,168,535</u>	<u>4,589,408</u>
<b>Deferred Outflows of Resources</b>	<u>10,791,529</u>	<u>13,605,488</u>	<u>(2,813,959)</u>
<b>Liabilities</b>			
Current liabilities	44,815,053	59,550,209	(14,735,156)
Long-term liabilities	250,881,023	243,345,979	7,535,044
<b>Total Liabilities</b>	<u>295,696,076</u>	<u>302,896,188</u>	<u>(7,200,112)</u>
<b>Deferred Inflows of Resources</b>	<u>2,114,298</u>	<u>2,198,450</u>	<u>(84,152)</u>
<b>Net Position</b>			
Net investment in capital assets	207,047,006	223,889,895	(16,842,889)
Unrestricted	96,692,092	70,789,490	25,902,602
<b>Total Net Position</b>	<u>\$ 303,739,098</u>	<u>\$ 294,679,385</u>	<u>\$ 9,059,713</u>

### STATEMENT OF NET POSITION

Current unrestricted assets increased by \$15,092,336 based on higher than expected net earnings from the fiscal year offset by the funds invested in capital projects. In addition, West Basin cash balances still reflect funds withdrawn from its Commercial Paper line to support some of the longer useful life projects currently underway.

In 2021, West Basin disposed a total of \$4,984,970 capital assets and the depreciation expense increased by \$2,365,064 from fiscal year 2020. The combination of both caused the decrease of \$7,958,120 in 2021.

During Fiscal Year 2021, total liabilities decreased by \$7,200,112 because of refunding of eligible bonds, and scheduled principal payments on its outstanding bonds.

## *West Basin Municipal Water District*

### **Management's Discussion and Analysis For the Year Ended June 30, 2021**

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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, change in population, 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 \$303,739,098 and \$294,679,385 as of June 30, 2021 and 2020, respectively. Increase in Net Position of \$9,059,713 is shown in Condensed Statements of Revenue, Expense and Changes in Net Position.

A large portion of West Basin's net position (\$207,047,006 and \$223,889,895 as of June 30, 2021 and 2020, respectively) reflects the West Basin's net investment in capital assets (net of accumulated depreciation) less any related debts used to acquire those assets that are still outstanding. West Basin uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

# West Basin Municipal Water District

## Management's Discussion and Analysis For the Year Ended June 30, 2021

### STATEMENT OF NET POSITION

#### Condensed Statements of Revenue, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
<b>Revenues</b>			
Operating revenues			
Water and monitoring	\$ 164,016,244	\$ 161,573,938	\$ 2,442,306
Water recycling revenue	38,645,372	43,428,442	(4,783,070)
Water conservation	111,704	134,979	(23,275)
Desalting revenue	427,455	144,318	283,137
Total operating revenues	<u>203,200,775</u>	<u>205,281,677</u>	<u>(2,080,902)</u>
Non-Operating revenues			
Standby charges	10,051,886	9,986,787	65,099
Investment income	555,658	2,208,492	(1,652,834)
Other non-operating revenues	391,324	697,255	(305,931)
Total non-operating revenues	<u>10,998,868</u>	<u>12,892,534</u>	<u>(1,893,666)</u>
<b>Total revenue</b>	<u>214,199,643</u>	<u>218,174,211</u>	<u>(3,974,568)</u>
<b>Expenses</b>			
Operating expenses			
Source of supply and monitoring	131,137,033	131,450,213	(313,180)
Water recycling costs	38,031,146	38,950,560	(919,414)
Depreciation	26,468,469	24,103,404	2,365,065
Public information and education	3,758,544	3,988,770	(230,226)
Water policy and conservation	3,908,762	4,415,212	(506,450)
Project planning	1,977,879	1,309,637	668,242
Desalting operations	934,359	815,763	118,596
Total operating expenses	<u>206,216,192</u>	<u>205,033,559</u>	<u>1,182,633</u>
Non-Operating expenses			
Other non-operating expenses	(190,557)	110,807	(301,364)
Loss on disposition of assets	1,152,307	-	1,152,307
Interest expense	10,071,518	10,604,017	(532,499)
Total non-operating expenses	<u>11,033,268</u>	<u>10,714,824</u>	<u>318,444</u>
<b>Total expenses</b>	<u>217,249,460</u>	<u>215,748,383</u>	<u>1,501,077</u>
<b>Net Income (loss) before capital contributions</b>	<u>(3,049,817)</u>	<u>2,425,828</u>	<u>(5,475,645)</u>
<b>Capital Contributions</b>	<u>12,109,530</u>	<u>7,562,454</u>	<u>4,547,076</u>
<b>Change in Net Position</b>	<u>9,059,713</u>	<u>9,988,282</u>	<u>(928,569)</u>
<b>Net position - Beginning of year</b>	<u>294,679,385</u>	<u>284,691,103</u>	<u>9,988,282</u>
<b>Net position - End of year</b>	<u>\$ 303,739,098</u>	<u>\$ 294,679,385</u>	<u>\$ 9,059,713</u>

# *West Basin Municipal Water District*

## **Management's Discussion and Analysis For the Year Ended June 30, 2021**

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

The Statement of Revenues, Expenses and Changes in Net Position reflects that West Basin's net position changed during the fiscal year. Net position increased by \$9,059,713 for the fiscal year ending June 30, 2021.

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

- Water and Monitoring revenues increased \$2,442,306 from fiscal year 2020 to 2021. The fixed service charge, included in Water and Monitoring revenues, was implemented in fiscal year 2019 and phased in with increases through fiscal year 2021. It was the final year of its phase-in.
- West Basin's water recycling revenue decreased by \$4,783,070 from fiscal year 2020. West Basin receives local resource program incentive from Metropolitan Water District (MWD)'s Local Resource Program. The incentives are included in the water recycling revenue. In fiscal year 2020, West Basin received \$6,740,675 from MWD. However, in fiscal year 2021, the incentive decreased to \$139,250 as one incentive agreement reached its termination date. As a result, West Basin is not eligible for another incentive for the majority of its recycled water sales.
- Costs for district wide studies and cancelled construction project costs are being recorded into Project planning. The total cost for fiscal year 2021 is \$1,977,879.
- In 2021, West Basin's Total Operating Expenses increased by \$1,182,633. The major increase was the depreciation increase of \$2,365,065. West Basin capitalized \$67,133,891 assets, which included a pump station, micro-filtration and reverse osmosis expansions and newly constructed education center to its recycled water facilities at the end of fiscal year 2020, these assets increased the depreciation costs in fiscal year 2021.
- West Basin's Total Non-Operating Revenue decreased by \$1,893,666 from fiscal year 2020. In fiscal year 2020, West Basin had \$469,169 unrealized gain from its investment portfolio, due to market condition changed in fiscal year 2021, West Basin had unrealized loss of (\$428,910), the net change resulted the reduction of \$898,079. Interest earnings were much less in fiscal year 2021 due to interest rates from LAIF dropped from 2.45% in fiscal year 2020 to 0.33% in fiscal year 2021.
- Capital Contributions increased in fiscal year 2021 by \$4,547,076. Capital Contributions include the fixed capital payments from major recycled water customers and from other agencies. In 2021, West Basin received two donated recycled water pipelines with the total value of \$3,569,000 from other agencies. In addition, West Basin renewed a contract with an existing customer who agreed to pay towards capital projects.

## West Basin Municipal Water District

### Management's Discussion and Analysis For the Year Ended June 30, 2021

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#### WEST BASIN MUNICIPAL WATER DISTRICT CAPITAL ASSETS

On June 30, 2021, West Basin investment in capital assets totaled \$774,450,722. 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:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 25,211,646	\$ 25,211,646	\$ -
Discharge capacity	621,189	621,189	-
Water facilities	657,647,297	650,526,046	7,121,251
Building and improvements	4,676,307	4,676,307	-
Potable distribution system	1,241,681	1,241,681	-
Furniture, fixtures, and equipment	2,922,384	2,513,279	409,105
Construction in progress	82,130,218	74,982,888	7,147,330
Total capital assets	<u>\$ 774,450,722</u>	<u>\$ 759,773,036</u>	<u>\$ 14,677,686</u>

West Basin continued 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 disposed of at the year-end. In 2021, West Basin invested \$20 million into its water recycling facility capital projects and disposed of \$5 million from its existing assets that are no longer in service. The net increase of \$14,677,686 is shown in the table above.

Additional information regarding Capital Assets can be found in Note 5 in Notes to Basic Financial Statements.

#### WEST BASIN MUNICIPAL WATER DISTRICT LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities for the years 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
<b>Long-term debt</b>			
Refunding revenue bonds	\$ 255,419,210	\$ 252,232,124	\$ 3,187,086
<b>Other long-term liabilities</b>			
Compensated absences	1,548,344	1,305,346	242,998
Net pension liability	1,586,130	1,063,331	522,799
Interest rate swaps	955,487	1,434,689	(479,202)
Total long-term liabilities	<u>\$ 259,509,171</u>	<u>\$ 256,035,490</u>	<u>\$ 3,473,681</u>

## *West Basin Municipal Water District*

### **Management's Discussion and Analysis For the Year Ended June 30, 2021**

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As of June 30, 2021, West Basin had \$259,509,171 in total long-term liabilities, including compensated absences, long-term debt, net pension liability, and interest rate swaps. Note 7 in the Notes to Basic Financial Statements disclose the detail of all long-term debt.

West Basin had four separate refunding revenue bonds (series 2011A, series 2011B, series 2012A and series 2016A) and a \$10,000,000 Tax -Exempt Commercial Paper Program in fiscal year 2020. On June 9, 2021, West Basin issued Series 2021A Refunding Revenue Bonds in the amount of \$74,900,000 to refund the outstanding balance of the 2011A and 2011B refunding revenue bonds and fix out outstanding balance of the Commercial Paper. Note 7 in the Notes to Basic Financial Statements disclose the detail of the transaction.

West Basin's net pension liability of \$1,586,130 reflected on this year's financial statement is only for West Basin's PERS program. West Basin's PARS program shows a net pension asset of \$320,138. Please see Note 10 in the Notes to Basic Financial Statements for details.

West Basin has two outstanding swaps at the end of the fiscal year with the total notional amount of \$11 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, 2021, the change from the refunding date resulted in a gain of \$479,202. Note 9 in the Notes to Basic Financial Statements disclose the detail of the swaps.

#### **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 EXECUTIVE MANAGER OF FINANCE**

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, Executive Manager of Finance, at West Basin.

# West Basin Municipal Water District

## Statement of Net Position

June 30, 2021 (With comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted assets:		
Cash and cash equivalents (note 2)	\$ 54,117,382	\$ 42,863,849
Investments (note 2)	42,592,230	37,671,096
Accounts receivable	34,389,292	35,479,726
Accrued interest receivable	315,040	324,255
Inventory	693,157	656,184
Prepaid expenses	62,058	81,713
Total unrestricted assets	<u>132,169,159</u>	<u>117,076,823</u>
Restricted assets:		
Cash and cash equivalents (note 4)	2,027,688	4,173,752
Total restricted assets	<u>2,027,688</u>	<u>4,173,752</u>
<b>TOTAL CURRENT ASSETS</b>	<u>134,196,847</u>	<u>121,250,575</u>
<b>NONCURRENT ASSETS</b>		
Other receivable	2,458,541	2,406,697
Capital assets, not depreciable (note 5)	107,963,053	100,815,723
Capital assets, net of depreciation (note 5)	345,003,606	360,109,056
Net pension asset - PARS (note 10)	320,138	395,393
Net OPEB asset - (note 11)	815,758	1,191,091
<b>TOTAL NONCURRENT ASSETS</b>	<u>456,561,096</u>	<u>464,917,960</u>
<b>TOTAL ASSETS</b>	<u>590,757,943</u>	<u>586,168,535</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pension contributions (note 10)	847,866	631,830
Deferred outflows - pension actuarial (note 10)	1,023,758	815,080
Deferred outflows - OPEB contributions (note 11)	525,729	368,456
Deferred outflows - OPEB actuarial (note 11)	922,307	766,634
Deferred amount on debt refunding	7,471,869	11,023,488
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>10,791,529</u>	<u>13,605,488</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

# West Basin Municipal Water District

## Statement of Net Position

June 30, 2021 (With comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expense	\$ 33,262,336	\$ 32,226,006
Accrued interest payable	2,924,569	4,634,692
Current portion of compensated absences (note 6)	753,148	854,511
Commercial Paper (note 8)	-	10,000,000
Current portion of long-term debt (note 7)	7,875,000	11,835,000
TOTAL CURRENT LIABILITIES	<u>44,815,053</u>	<u>59,550,209</u>
<b>LONG-TERM LIABILITIES</b>		
Compensated absences (note 6)	1,548,344	1,305,346
2011A refunding revenue bonds (note 7)	-	22,220,540
2011B refunding revenue bonds (note 7)	-	62,280,823
2012A refunding revenue bonds (note 7)	37,269,950	40,195,566
2016A refunding revenue bonds (note 7)	121,225,259	127,535,195
2021A refunding revenue bonds (note 7)	96,924,001	-
Net pension liability (note 9)	1,586,130	1,063,331
Interest rate swaps (note 8)	955,487	1,434,689
Subtotal	<u>259,509,171</u>	<u>256,035,490</u>
Less: current portion above	<u>(8,628,148)</u>	<u>(12,689,511)</u>
TOTAL LONG-TERM LIABILITIES	<u>250,881,023</u>	<u>243,345,979</u>
TOTAL LIABILITIES	<u>295,696,076</u>	<u>302,896,188</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pension actuarial (note 10)	550,034	415,587
Deferred inflows - OPEB actuarial (note 11)	1,564,264	1,782,863
TOTAL DEFERRED INFLOWS	<u>2,114,298</u>	<u>2,198,450</u>
<b>NET POSITION</b>		
Net investment in capital assets	207,047,006	223,889,895
Unrestricted	<u>96,692,092</u>	<u>70,789,490</u>
TOTAL NET POSITION	<u>\$ 303,739,098</u>	<u>\$ 294,679,385</u>

The accompanying notes are an integral part of these financial statements.



## *West Basin Municipal Water District*

### **Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2021 (With comparative totals for June 30, 2020)**

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES</b>		
Water and monitoring	\$ 164,016,244	\$ 161,573,938
Water recycling revenue	38,645,372	43,428,442
Water conservation	111,704	134,979
Desalting revenue	427,455	144,318
TOTAL OPERATING REVENUES	203,200,775	205,281,677
<b>OPERATING EXPENSES</b>		
Sources of supply and monitoring	131,137,033	131,450,213
Water recycling costs	38,031,146	38,950,560
Depreciation	26,468,469	24,103,404
Public information and education	3,758,544	3,988,770
Water policy and conservation	3,908,762	4,415,212
Project planning	1,977,879	1,309,637
Desalting operations	934,359	815,763
TOTAL OPERATING EXPENSES	206,216,192	205,033,559
OPERATING INCOME (LOSS)	(3,015,417)	248,118
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Standby charges	10,051,886	9,986,787
Investment income	555,658	2,208,492
Miscellaneous income	104,967	255,258
Noncapital grants	286,357	441,997
Change in fair value of interest rate swap	479,202	(110,807)
Loss on disposition of assets	(1,152,307)	-
Interest expense	(10,071,518)	(10,604,017)
Miscellaneous expense	(288,645)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(34,400)	2,177,710
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(3,049,817)	2,425,828
<b>CAPITAL CONTRIBUTIONS</b>		
Capital contributions	12,109,530	7,562,454
CHANGE IN NET POSITION	9,059,713	9,988,282
<b>NET POSITION - BEGINNING OF YEAR</b>	294,679,385	284,691,103
<b>NET POSITION - END OF YEAR</b>	<b>\$ 303,739,098</b>	<b>\$ 294,679,385</b>

*The accompanying notes are an integral part of these financial statements.*

# West Basin Municipal Water District

## Statement of Cash Flows

For the Year Ended June 30, 2021 (With comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 214,116,788	\$ 214,485,758
Cash payments to suppliers for goods and services	(170,841,932)	(173,436,549)
Cash paid for employee services and benefits	<u>(7,492,206)</u>	<u>(7,545,678)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>35,782,650</u>	<u>33,503,531</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grants received	<u>286,357</u>	<u>441,997</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>286,357</u>	<u>441,997</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on long-term debt	(11,835,000)	(11,425,000)
Commercial paper repayment	(25,000,000)	-
Proceeds from debt	111,948,296	10,000,000
Bond refunding	(79,600,369)	-
Acquisition and construction of capital assets	(16,093,656)	(11,150,693)
Interest paid on long-term debt	(10,555,863)	(11,826,578)
Capital contributions	<u>8,540,530</u>	<u>7,562,454</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(22,596,062)</u>	<u>(16,839,817)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	13,987,742	30,536,612
Purchase of investments	(19,415,225)	(30,339,139)
Investment earnings	<u>1,062,007</u>	<u>1,512,913</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(4,365,476)</u>	<u>1,710,386</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,107,469	18,816,097
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>47,037,601</u>	<u>28,221,504</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 56,145,070</u>	<u>\$ 47,037,601</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON THE STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 54,117,382	\$ 42,863,849
Restricted cash and cash equivalents	<u>2,027,688</u>	<u>4,173,752</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 56,145,070</u>	<u>\$ 47,037,601</u>

The accompanying notes are an integral part of these financial statements.

# West Basin Municipal Water District

## Statement of Cash Flows

For the Year Ended June 30, 2021 (With comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (3,015,417)	\$ 248,118
Standby charges	10,051,886	9,986,787
Depreciation	26,468,469	21,103,404
Nonoperating miscellaneous income (expense)	(183,678)	255,258
<b>CHANGE IN ASSETS AND LIABILITIES:</b>		
(Increase) decrease in accounts receivable	1,047,805	(1,037,964)
(Increase) decrease in inventory	(36,973)	(161,750)
(Increase) decrease in prepaid expenses	19,655	198,411
(Increase) decrease in net pension asset - PARS	75,255	(19,028)
(Increase) decrease in net OPEB asset	375,333	(1,191,091)
(Increase) decrease in deferred outflows - pension	(424,714)	194,904
(Increase) decrease in deferred outflows - OPEB	(312,946)	396,653
Increase (decrease) in accounts payable and accrued expenses	1,036,330	(635,183)
Increase (decrease) in compensated absences	242,998	118,223
Increase (decrease) in net pension liability	522,799	415,652
Increase (decrease) in net OPEB liability	-	(503,715)
Increase (decrease) in deferred inflows - pension actuarial	134,447	(282,919)
Increase (decrease) in deferred inflows - OPEB actuarial	(218,599)	1,417,771
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 35,782,650</u>	<u>\$ 30,503,531</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Gain (loss) on disposition of assets	<u>\$ (1,152,307)</u>	<u>\$ -</u>
Unrealized gain (loss) from investments	<u>\$ (428,910)</u>	<u>\$ 469,169</u>
Change in fair value of interest rate swap	<u>\$ 479,202</u>	<u>\$ (110,807)</u>
Capital Contributions	<u>\$ 3,569,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

*West Basin Municipal Water District*

**Statement of Fiduciary Net Position  
June 30, 2021**

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	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 118,902
Receivables:	
Other governments	303,637
<b>TOTAL ASSETS</b>	<u>422,539</u>
<b>LIABILITIES</b>	
Accounts payable and other liabilities	267,696
<b>TOTAL LIABILITIES</b>	<u>267,696</u>
<b>NET POSITION</b>	
Restricted for:	
Other governments	154,843
<b>TOTAL NET POSITION</b>	<u>\$ 154,843</u>

*The accompanying notes are an integral part of these financial statements.*

*West Basin Municipal Water District*

**Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2021**

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	<u>Custodial Fund</u>
<b>ADDITIONS</b>	
Collections for other governments	\$ 964,305
Total additions	<u>964,305</u>
<b>DEDUCTIONS</b>	
Administrative expense	9,564
Payments to other entities	887,637
Total deductions	<u>897,201</u>
Net increase (decrease) in fiduciary net position	67,104
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<u>87,739</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 154,843</u></u>

*The accompanying notes are an integral part of these financial statements.*

# *West Basin Municipal Water District*

## **Notes to Financial Statements For the Year Ended June 30, 2021**

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### **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 voters in the area where each serve a 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**

**Enterprise Fund** - West Basin's enterprise 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.

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 are recovered primarily through user fees and charges.

West Basin distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from producing and delivering water to the customers and providing education and conservation services to the community. Revenues not meeting this definition are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Fiduciary Fund** - West's Basin's fiduciary fund financial statements include a statement of Fiduciary Net Position and a Statement of Changed in Fiduciary Net Position. The Fiduciary (Custodial) fund is used to account for assets held by West Basin in a trustee capacity or as an agent for individuals, private organizations, and/or other funds.

West Basin uses the "economic resources focus" and the 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.

**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. Actual results could defer from those estimates.

**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.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 cost, these inventories are not held for resale.

#### **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. Donated assets are reported at acquisition value on the date received. Replacements, refurbishments and other capital outlays that significantly extend the useful life of an asset by at least three years and the cost of the individual project 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 \$26,468,469 for the year ended June 30, 2021.

Construction in progress includes those projects that are currently under design and construction to expand or refurbish District facilities and distribution system. In addition, construction in progress costs include costs toward the evaluation and design of 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 \$1,085,539 for the year ended June 30, 2021.

**Compensated absences** - Vested or accumulated vacation, sick and personal holiday leave is recorded as an expense and liability as benefits accrue to employees.

# *West Basin Municipal Water District*

## **Notes to Financial Statements For the Year Ended June 30, 2021**

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### **1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Capital contributions** - Capital contributions of \$12,109,530 include capital contributions, and capital recovery charges for the fiscal year ended June 30, 2021.

**Capital grants and contributions** - West Basin receives grants and donated assets 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 exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. It 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, 2021, West Basin participated in the self-insurance programs of the Insurance Authority as follows:

**Property loss** - Covered up to replacement value with a \$25,000 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a \$1,000 deductible per occurrence and actual cash value on scheduled vehicles with a \$1,000 deductible per occurrence. JPIA is self-insured up to \$100,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment.

**General liability, Automobile, Employment Practices and Public Officials Liability** - Broad coverage against third-party claims for the Agency, its directors, employees, and volunteers. Covered up to the following limits: the JPIA pools for first \$5 million and purchases excess coverage with limit up to \$55 million with aggregated policy limits.



# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Risk management (continued)

**Cyber Liability** - Including Cyber Security up to \$3,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability Deductible varies from \$10,000 to \$50,000 depending on Agency Revenue.

**Employee Dishonesty Crime Supplement Liability** - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence, West Basin has a \$1,000 deductible.

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

At June 30, 2021, West Basin also had insurance coverage with Alliant Insurance for crime up to \$3,000,000 with a \$2,500 deductible.

There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

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

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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

For the PARS report, the following timeframes are used:

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

# *West Basin Municipal Water District*

## **Notes to Financial Statements For the Year Ended June 30, 2021**

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### **1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Other postemployment benefits (OPEB)** - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of West Basin's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes.

For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

**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 five items that qualify for reporting in this category: the deferred outflows on pension contributions, the deferred outflows on OPEB contributions, the deferred outflows – pension actuarial, the deferred outflows – OPEB actuarial and the deferred amounts on debt refunding.

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

# *West Basin Municipal Water District*

## **Notes to Financial Statements For the Year Ended June 30, 2021**

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### **1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

### **Implementation of new pronouncement**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

#### 2) CASH AND INVESTMENTS

Financial Statement Classification:

Unrestricted assets:	
Cash and cash equivalents	\$ 54,117,382
Investments	42,592,230
Restricted assets:	
Cash and cash equivalents	2,027,688
Custodial cash - Fiduciary fund	118,902
Total Cash and Investments	<u>\$ 98,856,202</u>

Cash and investments held by West Basin were comprised of the following at June 30, 2021:

	Maturity in Year			Total
	1 Year Or Less	1 - 5 Years	More than 5 Years	
Local agency investment fund	\$ 37,992,797	\$ -	\$ -	\$ 37,992,797
Money market mutual funds	9,323,455	-	-	9,323,455
Deposits with financial institutions	8,947,720	-	-	8,947,720
U.S. agency securities	-	11,881,425	-	11,881,425
U.S. treasury securities	4,387,038	17,365,367	-	21,752,405
State municipal obligations	-	338,837	-	338,837
Corporate notes	444,672	5,094,017	-	5,538,689
Negotiable certificates of deposit	903,090	1,292,659	-	2,195,749
Supranationals	-	405,250	-	405,250
Asset-backed securities	-	479,875	-	479,875
	<u>\$ 61,998,772</u>	<u>\$ 36,857,430</u>	<u>\$ -</u>	<u>\$ 98,856,202</u>

## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

#### 2) CASH AND INVESTMENTS (continued)

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

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer*
U.S. treasury obligations	Yes	5 year	None	None
U.S. agency securities	Yes	5 year	None	None
Banker's 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%	5%
Negotiable 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%	None
Mortgage pass-through securities	Yes	5 year	20%	5%
Local agency investment fund	Yes	N/A	None	\$75m**
Supranaturals	Yes	5 year	30%	None

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

\*\*LAIF's maximum allowed investment.

## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

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#### 2) CASH AND INVESTMENTS (continued)

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Investment in One Issuer</u>
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
Negotiable Certificates of deposit	360 days	None	None
Local agency investment fund	None	None	None
State Municipal Obligations	None	None	None
Deposit Accounts	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 and the payments of debt service.

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, 2021.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

### 2) CASH AND INVESTMENTS (continued)

**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 are rated “A” or higher by at least one nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment under current assets and restricted assets.

Authorized Investment Type	Amount	Minimum Legal Rating	Rating as of Year End				
			AAA	AA	A	BBB*	Not Rated
Local agency investment fund	\$ 37,992,797	N/A	\$ -	\$ -	\$ -	\$ -	\$ 37,992,797
Money market mutual funds	9,323,455	N/A	7,295,766	-	2,027,689	-	-
Deposits with financial institutions	8,947,720	N/A	-	-	-	-	8,947,720
U.S. agency securities	11,881,425	N/A	-	11,881,425	-	-	-
U.S. treasury securities	21,752,405	N/A	-	21,752,405	-	-	-
State municipal obligations	338,837	A	-	75,721	207,570	-	55,546
Corporate notes	5,538,689	A	-	606,434	4,405,266	526,989	-
Negotiable certificates of deposit	2,195,749	A	-	561,938	1,633,811	-	-
Supranationals	405,250	AA	405,250	-	-	-	-
Asset-backed securities	479,875	AA	479,875	-	-	-	-
<b>Total</b>	<b>\$ 98,856,202</b>		<b>\$ 8,180,891</b>	<b>\$ 34,877,923</b>	<b>\$ 8,274,336</b>	<b>\$ 526,989</b>	<b>\$ 46,996,063</b>

\* On June 30, 2021, S&P rated four corporate notes at BBB for a total of \$526,989 and Moody's did not rate any of the corporate notes at BBB.

**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:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corp	U.S. Agency Securities	\$ 9,329,698
Federal National Mortgage Association	U.S. Agency Securities	2,169,551

**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 counterparty (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 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.

## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

#### 2) CASH AND INVESTMENTS (continued)

**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, 2021 is 291 days at a rate of 0.30%.

#### 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, 2021:

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ -	\$ 11,881,425	\$ -	\$ 11,881,425
U.S. treasury securities	-	21,752,405	-	21,752,405
State municipal obligations	-	338,837	-	338,837
Supranationals	-	405,250	-	405,250
Negotiable certificates of deposit	-	2,195,749	-	2,195,749
Corporate notes	-	5,538,689	-	5,538,689
Asset-backed securities	-	479,875	-	479,875
Interest rate swaps	-	(955,487)	-	(955,487)
Total assets and liabilities reported at fair value	\$ -	\$ 41,636,743	\$ -	\$ 41,636,743

U.S. Agencies, U.S. Treasuries, State Municipal Obligations, Supranationals, Negotiable Certificates of Deposit, Corporate Notes, Asset-backed Securities are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curves and indices, and other market-related data and classified in Level 2 of the fair value hierarchy. Interest Rate Swaps are valued using the income approach and classified in Level 2, see note 8 for additional information.

#### 4) RESTRICTED ASSETS

Restricted assets were provided by, and are to be used for, the following at June 30, 2021:

Funding source	Use	Amount
Refunding Revenue Bonds	Reserve Requirement	\$ 2,027,688
Custodial - Fiduciary Fund	Custodial Costs	118,902



# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

### 5) CAPITAL ASSETS

The investment in capital assets consists of the following at June 30, 2021:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
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	74,982,888	15,505,230	(8,357,900)	82,130,218
Total capital assets, not being depreciated	<u>100,815,723</u>	<u>15,505,230</u>	<u>(8,357,900)</u>	<u>107,963,053</u>
Capital assets, being depreciated:				
Building - Carson	2,343,574	-	-	2,343,574
Building improvement	2,332,733	-	-	2,332,733
Potable distribution system	1,241,681	-	-	1,241,681
Recycling facilities	645,180,447	11,724,986	(4,844,024)	652,061,409
Groundwater desalting facility	5,345,599	381,235	(140,946)	5,585,888
Machinery and equipment	2,359,258	409,105	-	2,768,363
Furniture and fixtures	154,021	-	-	154,021
Total capital assets, being depreciated	<u>658,957,313</u>	<u>12,515,326</u>	<u>(4,984,970)</u>	<u>666,487,669</u>
Less accumulated depreciation:				
Building - Carson	(1,210,847)	(93,743)	-	(1,304,590)
Building improvement	(1,009,146)	(232,395)	-	(1,241,541)
Potable distribution system	(589,797)	(62,085)	-	(651,882)
Recycling facilities	(291,040,731)	(25,650,827)	3,724,071	(312,967,487)
Groundwater desalting facility	(2,805,197)	(277,935)	108,592	(2,974,540)
Machinery and equipment	(2,047,070)	(147,834)	-	(2,194,904)
Furniture and fixtures	(145,469)	(3,650)	-	(149,119)
Total accumulated depreciation	<u>(298,848,257)</u>	<u>(26,468,469)</u>	<u>3,832,663</u>	<u>(321,484,063)</u>
Total capital assets, being depreciated, net	<u>360,109,056</u>	<u>(13,953,143)</u>	<u>(1,152,307)</u>	<u>345,003,606</u>
Total capital assets, net	<u>\$ 460,924,779</u>	<u>\$ 1,552,087</u>	<u>\$ (9,510,207)</u>	<u>\$ 452,966,659</u>

## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

#### 6) COMPENSATED ABSENCES

Changes in compensated absences for fiscal year ended June 30, 2021 were as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Current Portion
Compensated Absences	\$ 1,305,346	\$ 604,783	\$ (361,785)	\$ 1,548,344	\$ 753,148

#### 7) LONG-TERM DEBT

The following amounts of long-term debt were outstanding June 30, 2021:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Current Portion
<b>Long-term debt</b>					
2011A Refunding Revenue Bonds	\$ 20,875,000	\$ -	\$ (20,875,000)	\$ -	\$ -
2011A Premium	1,345,540		(1,345,540)	-	-
2011B Refunding Revenue Bonds	60,275,000	-	(60,275,000)	-	-
2011B Premium	2,005,823		(2,005,823)	-	-
2012A Refunding Revenue Bonds	36,815,000	-	(2,550,000)	34,265,000	2,675,000
2012 A Premium	3,380,566		(375,616)	3,004,950	-
2016A Refunding Revenue Bonds	106,655,000	-	(5,025,000)	101,630,000	5,200,000
2016A Premium	20,880,195		(1,284,936)	19,595,259	
2021A Refunding Revenue Bonds	-	74,900,000	-	74,900,000	-
2021A Premium	-	22,048,296	(24,295)	22,024,001	-
<b>Total long-term debt</b>	<b>\$ 252,232,124</b>	<b>\$ 96,948,296</b>	<b>\$ (93,761,210)</b>	<b>\$ 255,419,210</b>	<b>\$ 7,875,000</b>

**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. In June 2021, the 2011A Refunding Revenue Bonds were refunded with the 2021A Refunding Revenue Bonds.

**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. In June 2021, the 2011B Refunding Revenue Bonds were refunded with the 2021A Refunding Revenue Bonds.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 7) LONG-TERM DEBT (continued)

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

The 2012A Refunding Revenue Bonds have interest rates from the original issue date 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	\$ 34,265,000
Unamortized premium	3,004,950
<b>Net liability</b>	<b><u>\$ 37,269,950</u></b>

**2016A refunding revenue bonds** - On October 27, 2016, West Basin 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.

A portion of the proceeds from the 2016A were placed in an irrevocable trust to provide for future debt service payments on the 2008B bonds. Accordingly, the trust account assets and the liability for the defeased bonds were not included in West Basin's financial statements. The Trust made debt service payments due on or prior to August 1, 2018, and on August 1, 2018, repaid the remaining principal of the 2008B bonds.

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	\$ 101,630,000
Unamortized premium	19,595,259
<b>Net liability</b>	<b><u>\$ 121,225,259</u></b>

**2021A refunding revenue bonds** - On June 9, 2021, West Basin issued Series 2021A Refunding Revenue Bonds in the amount of \$74,900,000 to refund the outstanding balance of the 2011A and 2011B refunding revenue bonds and the outstanding balance of the Commercial Paper.

The 2021A Refunding Revenue Bonds have interest rates ranging from 4.0% to 5.0% with maturities through August 2041. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$ 74,900,000
Unamortized premium	22,024,001
<b>Net liability</b>	<b><u>\$ 96,924,001</u></b>

## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

#### 7) LONG-TERM DEBT (continued)

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$890,691. This difference is being amortized on a straight-line basis as interest expense (interest on debt). The District current refund the Series 2011A and 2011B bonds and the commercial paper balance to reduce its total debt service payments by \$22,029,495 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt, less any prior funds on hand) of \$18,927,923.

**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 2042. For the year ended June 30, 2021, debt coverage (net revenues divided by total debt service) for all debt was approximately 1.84.

**Debt Service Requirements** - The Refunding Revenue Bonds debt service requirements subsequent to June 30, 2021, are as follows. This schedule is obtained from the Official Statements for the Refunding Revenue Bonds, series 2012A, 2016A and 2021A.

	<b>Refunding Revenue Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021/22	\$ 7,875,000	\$ 7,141,184	\$ 15,016,184
2022/23	11,865,000	10,078,850	21,943,850
2023/24	12,360,000	9,485,600	21,845,600
2024/25	12,965,000	8,867,600	21,832,600
2025/26	13,795,000	8,219,350	22,014,350
2026/27	14,250,000	7,529,600	21,779,600
2027/28	15,035,000	6,817,100	21,852,100
2028/29	15,790,000	6,065,350	21,855,350
2029/30	16,580,000	5,275,850	21,855,850
2030/31	13,230,000	4,446,850	17,676,850
2031/32	13,890,000	3,785,350	17,675,350
2032/33	10,200,000	3,090,850	13,290,850
2033/34	10,720,000	2,580,850	13,300,850
2034/35	11,260,000	2,044,850	13,304,850
2035/36	11,830,000	1,481,850	13,311,850
2036/37	12,435,000	890,350	13,325,350
2037/38	1,240,000	268,600	1,508,600
2038/39	1,290,000	219,000	1,509,000
2039/40	1,340,000	167,400	1,507,400
2040/41	1,395,000	113,800	1,508,800
2041/42	1,450,000	58,000	1,508,000
<b>Total</b>	<b>\$ 210,795,000</b>	<b>\$ 88,628,234</b>	<b>\$ 299,423,234</b>

## *West Basin Municipal Water District*

### **Notes to Financial Statements For the Year Ended June 30, 2021**

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#### **8) COMMERCIAL PAPER**

West Basin established its Tax-Exempt Commercial Paper Program in October 2018. Commercial paper is a form of variable-rate debt issued with maturities of 1 to 270 days. When the commercial paper matures, it may be rolled over to new investors by its commercial paper dealer. Bank of the West agreed to extend up to \$50,000,000 authorization of credit to West Basin. West Basin pays a letter of credit fee of 30 basis points on the unutilized portion of the commercial paper and pays a dealer fee of 4.75 basis points on the utilized portion of the commercial paper.

As of June 30, 2021, the outstanding balance was \$0 as it was repaid with the issuance of the Series 2021A Refunding Revenue Bonds.

#### **9) SWAP TRANSACTION AGREEMENTS**

In June 2004, the West Basin 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 West Basin 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 market value of this swap was (\$946,911) as of June 30, 2021.

In April 2005, the West Basin 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 West Basin's Adjustable Rate Refunding Revenue Certificates of Participation at the time. This swap became effective on June 7, 2004. In 2008, the West Basin refinanced the 2008A-2 Adjustable Rate Refunding Revenue Certificates of Participation and the swap was amended and restated as of May 22, 2008 for the original notional amount of \$18,175,000 and is scheduled to terminate August 1, 2021, unless terminated earlier. Under the amended and restated swap transaction, West Basin pays a fixed rate of 3.515% and receives the floating rate of 65% of BBA - LIBOR. The fair market value of this swap was (\$8,576) as of June 30, 2021.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

### 9) SWAP TRANSACTION AGREEMENTS (continued)

In 2010, West Basin refinanced the 2008A Adjustable Rate Refunding Revenue Certificates of Participation. On October 27, 2016, West Basin 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 West Basin having no outstanding variable rate debt. Based on GASB 53, the swaps are potential hedges currently deemed Investment Derivatives until associated with new variable debt.

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 West Basin swaps are categorized as Level 2.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

(Debit (Credit))

	Change in Fair Value		Fair Value at June 30, 2021		
	Classification	Amount	Classification	Amount	Notional
Investment derivative instruments:					
Pay-fixed interest rate swaps (WESTBASIN200406080001)	Investment revenue	\$ 414,050	Investment	\$ (946,911)	\$ 9,150,000
Pay-fixed interest rate swaps (WESTBASIN200504260001)	Investment revenue	65,152	Investment	(8,576)	1,625,000

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, 2021, the change during the fiscal year resulted in a revenue gain of \$479,202.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 9) SWAP TRANSACTION AGREEMENTS (continued)

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

#### Terms of Derivative Instruments

The following table displays the terms of West Basin's hedging derivative instruments outstanding at June 30, 2021, along with the credit rating of the associated counterparty.

Type	Current Notional Amount	Effective Date	Maturity Date	Rate Paid	Rate Received	Bank Counterparty	Counterparty Ratings (Moody's/ S&P/Fitch)
Pay-fixed interest rate swaps	\$ 9,150,000	5/22/2008	8/1/2027	3.662%	65% of USD-LIBOR	Citibank, N.A., New York	Aa3/A+/A+
Pay-fixed interest rate swaps	\$ 1,625,000	5/22/2008	8/1/2021	3.515%	65% of USD-LIBOR	Citibank, N.A., New York	Aa3/A+/A+

*Credit risk.* This is the risk that a counterparty will not fulfill its obligations. As of June 30, 2021, West Basin was not exposed to credit risk because the swaps had a negative mark-to-market value of \$957,819, 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.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 9) SWAP TRANSACTION AGREEMENTS (continued)

*Termination risk.* West Basin or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In such event, West Basin may either receive or owe a payment to the counterparty. The amount and the direction of the payment are dependent on prevailing swap interest rates and it reflects the mark-to-market value of the swap at the time of such termination.

### 10) DEFINED BENEFIT PENSION PLAN

The pension plans and related deferred inflows and outflows of resources are summarized as follows:

	<u>PERS - Misc</u>	<u>PARS</u>	<u>Total</u>
Net Pension Liability	\$ 1,586,130	\$ -	\$ 1,586,130
Net Pension Asset	-	320,138	320,138
Deferred Outflows - Pension Related	1,546,940	324,684	1,871,624
Deferred Inflows - Pension Related	306,902	243,132	550,034
Pension expense	1,110,135	45,518	1,155,653

#### CalPERS Plan:

#### *General Information about the Pension Plan*

#### *Plan Description*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. West Basin sponsors two miscellaneous plans. Benefit provisions under the Plan are established by State statute and West Basin resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).



# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

#### **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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	<b>Miscellaneous</b>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	3.0% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required employer contribution rates	16.337%	7.874%

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

#### Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2021 were \$775,866. The actual employer payments of \$569,830 made to CalPERS by West Basin during the measurement period ended June 30, 2020 differed from West Basin's proportionate share of the employer's contributions of \$906,451 by \$336,621, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

#### Net Pension Liability

West Basin's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

#### **Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

<b>Asset Class<sup>1</sup></b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 - 10<sup>2</sup></b>	<b>Real Return Years 11+<sup>3</sup></b>
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)

<sup>1</sup> In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation of 2.00% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

#### **Change of Assumptions**

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

#### **Discount Rate**

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Pension Plan Fiduciary Net Position**

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

#### **Proportionate Share of Net Pension Liability**

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	<b>Increase (Decrease)</b>		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2019 (VD)	\$ 20,000,215	\$ 18,936,884	\$ 1,063,331
Balance at: 6/30/2020 (MD)	21,873,918	20,287,788	1,586,130
Net Changes during 2019-20	1,873,703	1,350,904	522,799

Valuation Date (VD), Measurement Date (MD)

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

West Basin's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). West Basin's proportionate share of the net pension liability for the miscellaneous Plan as of the June 30, 2019 and 2020 measurement dates was as follows:

Proportionate Share - June 30, 2019	0.02655%
Proportionate Share - June 30, 2020	0.03760%
Change - Increase (Decrease)	0.01105%

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

The following presents West Basin's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>Discount Rate - 1%</u> <u>(6.15%)</u>	<u>Current Discount</u> <u>Rate (7.15%)</u>	<u>Discount Rate + 1%</u> <u>(8.15%)</u>
Plan's Net Pension Liability/(Asset)	\$ 4,497,014	\$ 1,586,130	\$ (819,043)

#### ***Subsequent Events***

There were no subsequent events that would materially affect the results presented in this disclosure.

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

Under GASB 68, 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 outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

### 10) DEFINED BENEFIT PENSION PLAN (continued)

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 lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired) in PERF C. 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***

As of the start of the measurement period (July 1, 2019), West Basin's net pension liability was \$1,063,331. For the measurement period ending June 30, 2020 (the measurement date), the Local Government incurred a pension expense of \$1,110,135.

As of June 30, 2021, the West Basin has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 81,738	\$ -
Changes of Assumptions	-	11,313
Difference between Projected and Actual Earnings on Pension Plan Investments	47,118	-
Changes in employer's proportion	637,941	-
Differences between the employer's contributions and the employer's proportionate share of contributions	4,277	295,589
Pension Contributions Subsequent to Measurement Date	775,866	-
Total	<u>\$ 1,546,940</u>	<u>\$ 306,902</u>

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

The amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. Contributions subsequent to the measurement date of \$775,866 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<b>Fiscal year ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2022	\$ 286,893
2023	106,580
2024	48,100
2025	22,599
2026	-
Thereafter	-

#### ***Payable to the Pension Plan***

At June 30, 2021, West Basin reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

#### **PARS Plan:**

##### ***General Information about the Pension Plan***

##### ***Plan Description***

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 5 or more years of continuous service, and who have not been a CalPERS member prior to January 1, 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.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

#### **Benefits Provided**

The pension benefit for Tier I members starts at 2% of the highest annual salary for 12 consecutive months of employment with West Basin at age 50, increases by 0.1% for each year after age of 50, and 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 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 12.50% at June 30, 2020 the valuation date.

#### **Employees Covered**

At June 30, 2020 the valuation date, the following employees were covered by the benefit terms for the Plan:

	<u>PARS</u>
Inactive employees or beneficiaries currently receiving benefits	1
Terminated employees	1
Active employees	<u>5</u>
Total	<u><u>7</u></u>

#### **Contribution Description**

West Basin's funding policy is to make the contribution as determined by the Plan's actuary. The Plan's annual pension cost for the measurement period ending June 30, 2020, is based on an actuarial valuation as of June 30, 2020. For the fiscal year ending June 30, 2021, West Basin's annual pension expense was \$45,518.

#### **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.



## *West Basin Municipal Water District*

### **Notes to Financial Statements For the Year Ended June 30, 2021**

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#### **10) DEFINED BENEFIT PENSION PLAN (continued)**

The initial unfunded AAL for the original multiple employer plan was amortized over 20 years as of July 1, 2002 as a level percentage of expected payroll. Subsequent gains or losses are amortized over 15 years, and plan amendments, methods and assumption changes are amortized over 20 years. The maximum combined amortization period is 30 years. As of June 30, 2006, 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, 2 years remain on this base.

Plan funded status is based on the excess of (1) Actuarial Accrued Liability over (2) Plan assets. Actuarial assets are equal to market value assets, which is provided by PARS.

A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Asset Valuation Method	Set equal to Market Value of Assets
Actuarial Assumptions	
Discount Rate	5.25%
Salary increase	3.00%
Inflation	2.75%
Mortality Rate Table	CalPERS 1997-2015 experience study

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class Component</u>	<u>Target Allocation Conservative</u>	<u>Expected Real Rate of Return</u>
Global equity	29.00%	4.82%
Fixed income	65.00%	1.47%
REITs	1.00%	3.76%
Cash	5.00%	0.06%

Assumed long-term rate of inflation: 2.75%, Expected long-term net rate of return, rounded: 5.25%

#### ***Change of Assumptions***

The mortality projection scale was updated to the Society of Actuaries Scale MP-2019.

#### ***Discount rate***

The discount rate used to measure the total pension liability (asset) was 5.25 percent. West Basin chose a moderately conservative investment strategy when setting up the plan. The current 5.25 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 5.25 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 0.30 percent of assets. An investment return excluding administrative expenses would have been 5.54 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability (Asset).

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

### 10) DEFINED BENEFIT PENSION PLAN (continued)

#### *Changes in net pension liability/(asset)*

The following table shows the changes in net pension liability/(asset) recognized over the measurement period:

	<b>Increases (Decreases)</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)=(a)-(b)
<b>Balance at 6/30/2019 (MD)</b>	\$ 1,358,050	\$ 1,753,443	\$ (395,393)
<b>Changes Recognized for the Measurement Period</b>			
• Service Cost	68,638	-	68,638
• Interest	74,493	-	74,493
• Changes of Benefit Terms	-	-	-
• Differences between Expected and Actual Experience	305,526	-	305,526
• Changes of Assumptions	(269,808)	-	(269,808)
• Contributions from the Employer	-	62,000	(62,000)
• Contributions from the Employee	-	6,935	(6,935)
• Net Investment Income	-	73,669	(73,669)
• Benefit Payments	(15,529)	(15,529)	-
• Administrative Expenses	-	(39,010)	39,010
<b>Net Change during 2019-20</b>	163,320	88,065	75,255
<b>Balance at: 6/30/2020 (MD)</b>	\$ 1,521,370	\$ 1,841,508	\$ (320,138)

Valuation Date (VD), Measurement Date (MD)

#### ***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 5.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.25 percent) or 1 percentage-point higher (6.25 percent) than the current rate:

	<b>Discount Rate - 1%</b> <b>(4.25%)</b>	<b>Current Discount</b> <b>Rate (5.25%)</b>	<b>Discount Rate + 1%</b> <b>(6.25%)</b>
PARS Plan's Net Pension Liability/(Asset)	\$ (113,636)	\$ (320,138)	\$ (486,541)

# *West Basin Municipal Water District*

## **Notes to Financial Statements For the Year Ended June 30, 2021**

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### **10) DEFINED BENEFIT PENSION PLAN (continued)**

#### ***Subsequent Events***

There were no subsequent events that would materially affect the results presented in this disclosure.

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

Under GASB 68, gains and losses related to changes in total pension liability/(asset) 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 outflows and deferred inflows of resources related to pensions and are 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 average expected remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the measurement date ending June 30, 2020 from the June 30, 2020 valuation date is 4.6 years, which was obtained by dividing the total service years of 28 (the sum of remaining service lifetimes of the active employees) by 7 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

*West Basin Municipal Water District*

**Notes to Financial Statements  
For the Year Ended June 30, 2021**

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**10) DEFINED BENEFIT PENSION PLAN (continued)**

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

As of the start of the measurement period (July 1, 2019), the Plan's net pension asset was \$395,393. For the measurement period ending June 30, 2020 (the measurement date), the Plan incurred a pension expense of \$45,518. A complete breakdown of the pension expense is as follows:

<u>Description</u>	<u>Amount</u>
Service Cost	\$ 68,638
Interest	74,493
Projected Earnings on Investments	(92,484)
Employee Contributions	(6,935)
Administrative Expenses	39,010
Recognition of deferred outflows/(inflows):	
Experience	9,977
Assumptions	(61,163)
Asset returns	13,982
<b>Total Pension Expense</b>	<b>\$ 45,518</b>

As of June 30, 2021, the Plan has deferred outflows and deferred inflows of resources related to pensions as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 239,107	\$ 29,718
Changes of Assumptions	-	213,414
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,577	-
Pension Contributions Subsequent to Measurement Date	72,000	-
<b>Total</b>	<b>\$ 324,684</b>	<b>\$ 243,132</b>

These amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. Contributions subsequent to the measurement date of \$72,000 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 10) DEFINED BENEFIT PENSION PLAN (continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2022	\$ (20,159)
2023	14,066
2024	7,224
2025	8,421
2026	-
Thereafter	-

#### ***Payable to the Pension Plan***

At June 30, 2021, the Plan reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

### 11) OTHER POST-EMPLOYMENT BENEFITS (OPEB)

#### ***Plan Description***

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

#### ***Employees Covered***

As of the June 30, 2019 the valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Category	Count
Active employees	47
Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefit payments	-
<b>Total</b>	<b>66</b>

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

### 11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

#### Contributions

The Plan and its contribution requirements are established by District's Administrative Code and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the measurement period ended June 30, 2020, West Basin's cash contributions were \$448,941 to the California Employers' Retiree Benefit Trust (CERBT), and the estimated implicit subsidy of \$76,788 resulting in total payments of \$525,729.

#### Net OPEB liability/(asset)

West Basin's net OPEB liability/(asset) was measured as of June 30, 2020, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

#### Actuarial Assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Discount Rate	7.10%
Inflation	2.75%
Salary Increases	3.25% - Per annum
Investment Rate of Return	7.10%
Mortality Rate	CalPERS 2017 experience assumptions; Mortality projections using MacLeod Watts Scale 2018 applied generationally.
Healthcare Trend Rate	6.5% to 5% Step 0.5%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
TIPS	5%	0.25%
Fixed Income	25%	1.10%
Global Equities	59%	4.80%
REIT's	8%	3.20%
Commodities	3%	1.50%
Total	100%	

*West Basin Municipal Water District*

**Notes to Financial Statements  
For the Year Ended June 30, 2021**

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**11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

***Discount Rate***

The discount rate used to measure the total OPEB liability/(asset) was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

***Changes in the OPEB Liability/(asset)***

The changes in the net OPEB liability/(asset) for the Plan are as follows:

	<b>Increases (Decreases)</b>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
<b>Balance at June 30, 2020</b> (Measurement Date June 30, 2019)	<u>\$ 10,312,367</u>	<u>\$ 11,503,458</u>	<u>\$ (1,191,091)</u>
<b>Changes for the year:</b>			
Service Cost	501,946	-	501,946
Interest	754,736	-	754,736
Changes of assumptions	(112,152)	-	(112,152)
Contributions - employer	-	368,456	(368,456)
Net investment income	-	406,373	(406,373)
Benefit payments	(368,456)	(368,456)	-
Administrative expenses	-	(5,632)	5,632
<b>Net Changes</b>	<u>776,074</u>	<u>400,741</u>	<u>375,333</u>
<b>Balance at June 30, 2021</b> (Measurement Date June 30, 2020)	<u><u>\$ 11,088,441</u></u>	<u><u>\$ 11,904,199</u></u>	<u><u>\$ (815,758)</u></u>



## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

#### 11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### ***Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate***

The following presents the net OPEB liability/(asset) of West Basin if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	<u>1% Decrease</u> 6.10%	<u>Current</u> <u>Discount Rate</u> 7.10%	<u>1% Increase</u> 8.10%
Net OPEB Liability	\$ 808,808	\$ (815,758)	\$ (2,132,602)

##### ***Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability/(asset) of West Basin if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	<u>1% Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ (2,341,022)	\$ (815,758)	\$ 1,214,579

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

Gains and losses related to changes in total OPEB liability/(asset) and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

Difference between projected and actual trust earnings	5 years straight-line recognition
All other amounts	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years. (8.23 years at June 30, 2020).

## West Basin Municipal Water District

### Notes to Financial Statements For the Year Ended June 30, 2021

#### 11) OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

##### ***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2021, West Basin recognized OPEB expense of \$369,517. A complete breakdown of the OPEB expense is as follows:

<u>Description</u>	<u>Amount</u>
Service Cost	\$ 501,946
Interest	754,736
Projected Earnings on Investments	(816,546)
Employee Contributions	-
Administrative Expenses	5,632
Recognition of deferred outflows/(inflows):	
Experience	(150,210)
Assumptions	40,651
Asset returns	33,308
<b>Total OPEB Expense</b>	<b>\$ 369,517</b>

As of fiscal year ended June 30, 2021, West Basin reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 525,729	\$ -
Changes of assumptions	617,482	689,586
Differences between expected and actual experience	-	874,678
Net difference between projected and actual earnings on OPEB plan investments	304,825	-
Total	<u>\$ 1,448,036</u>	<u>\$ 1,564,264</u>

The \$525,729 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability/(asset) during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (76,252)
2023	(20,013)
2024	(9,620)
2025	(36,244)
2026	(200,259)
Thereafter:	(299,569)

# West Basin Municipal Water District

## Notes to Financial Statements For the Year Ended June 30, 2021

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### 12) COMMITMENTS AND CONTINGENCIES

West Basin has entered into various contracts for the purchase of materials, construction of the utility plant, professional and nonprofessional services. Certain amounts are based on the contractor's estimated cost to complete. At June 30, 2021, the total unpaid amount on these contracts is \$98 million.

West Basin is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

On October 6, 2020, the District reached a tentative settlement with respect to previous ongoing litigation. The settlement includes a potential reduction in future standby charges and also stipulates the District shall be responsible for various costs associated with the litigation and settlement agreement. These costs could potentially be in excess of \$9 million. The court must approve the terms of this settlement and is not expected to have final approval until November 2021 at the earliest.

### 13) ASSOCIATED WITH WEST BASIN'S RECYCLED WATER PROGRAM

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

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

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

### 14) PRIOR PERIOD ADJUSTMENT

As discussed in Note 1, West Basin implemented GASB Statement No. 84. Accordingly, beginning net position for the year ended June 30, 2021, has been restated as follows:

Fiduciary Fund	Amount
Net position, beginning of year, as previously stated	\$ -
Prior period adjustment	87,739
Net position, beginning of year, as restated	<u>\$ 87,739</u>

### 15) SUBSEQUENT EVENT

On August 23, 2021, the Board of Directors approved the sale of the Brewer desalter extraction well to Water Replenishment District (WRD) in the amount of \$1,500,000. WRD's Board of Director approved the purchase of the extraction well on October 21, 2021. It is anticipated that the transfer will occur in 2022.

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*West Basin Municipal Water District*

**Required Supplementary Information  
Year Ended June 30, 2021  
Last Ten Fiscal Years\***

**Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios – CalPERS**

<b>Measurement date</b>	<b>Employer's proportion of the collective net pension liability (asset) <sup>1</sup></b>	<b>Employer's proportionate share of the collective net pension liability</b>	<b>Covered payroll</b>	<b>Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll</b>	<b>Pension plan's fiduciary net position as a percentage of the total pension liability</b>
June 30, 2014	0.02076%	\$ 1,259,725	\$ 3,867,694	32.57%	85.90%
June 30, 2015	0.01910%	1,311,119	4,335,349	30.24%	87.60%
June 30, 2016	0.02226%	1,926,502	4,389,575	43.89%	84.60%
June 30, 2017	0.00752%	745,354	4,586,588	16.25%	95.20%
June 30, 2018	0.00672%	647,679	5,522,647	11.73%	96.30%
June 30, 2019	0.01038%	1,063,331	5,501,582	19.33%	94.70%
June 30, 2020	0.01458%	1,586,130	5,255,691	30.18%	92.75%

<sup>1</sup> Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

*\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

# West Basin Municipal Water District

## Required Supplementary Information Year Ended June 30, 2021 Last Ten Fiscal Years\*

### Schedule of Plan Contributions – CalPERS

<u>Fiscal year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2015	\$ 711,101	\$ (711,101)	\$ -	\$ 4,335,349	16.40%
June 30, 2016	622,460	(622,460)	-	4,389,575	14.18%
June 30, 2017	613,167	(2,226,416)	(1,613,249)	4,586,588	48.54%
June 30, 2018	659,118	(659,118)	-	5,522,647	11.93%
June 30, 2019	684,280	(684,280)	-	5,501,582	12.44%
June 30, 2020	569,830	(569,830)	-	5,255,691	10.84%
June 30, 2021	775,866	(775,866)	-	5,786,304	13.41%

#### Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

# West Basin Municipal Water District

## Required Supplementary Information Year Ended June 30, 2021 Last Ten Fiscal Years\*

### Schedule of Changes on Net Pension Liability and Related Ratios – PARS

Measurement date	June 30,						
	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>							
Service Cost	\$ 68,638	\$ 66,639	\$ 75,190	\$ 73,000	\$ 77,000	\$ 75,000	\$ 73,000
Interest	74,493	68,121	72,180	65,268	68,175	61,470	55,000
Difference between Expected and Actual Experience	305,526	-	(128,778)	-	(179,554)	-	-
Changes of Assumptions	(269,808)	-	(9,787)	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(15,529)	(15,224)	(14,926)	(14,633)	(14,346)	(18,745)	-
Net Change in Total Pension Liability	163,320	119,536	(6,121)	123,635	(48,725)	117,725	128,000
Total Pension Liability - Beginning	1,358,050	1,238,514	1,244,635	1,121,000	1,169,725	1,052,000	924,000
Total Pension Liability - Ending (a)	1,521,370	1,358,050	1,238,514	1,244,635	1,121,000	1,169,725	1,052,000
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions - Employer	62,000	61,000	78,000	76,000	87,000	90,583	115,000
Contributions - Employee	6,935	13,049	7,921	12,712	5,372	-	-
Investment Income	73,669	106,699	50,895	88,081	26,278	21,327	102,000
Administrative Expense	(39,010)	(26,960)	(38,243)	(22,240)	(36,201)	(23,956)	(33,000)
Benefit Payments, Including Refunds of Employee Contributions	(15,529)	(15,224)	(14,926)	(14,633)	(14,346)	(18,745)	-
Net Change in Fiduciary Net Position	88,065	138,564	83,647	139,920	68,103	69,209	184,000
Plan Fiduciary Net Position - Beginning	1,753,443	1,614,879	1,531,232	1,391,312	1,323,209	1,254,000	1,070,000
Plan Fiduciary Net Position - Ending (b)	1,841,508	1,753,443	1,614,879	1,531,232	1,391,312	1,323,209	1,254,000
<b>PLAN NET PENSION LIABILITY - Ending (a) - (b)</b>							
	<u>\$ (320,138)</u>	<u>\$ (395,393)</u>	<u>\$ (376,365)</u>	<u>\$ (286,597)</u>	<u>\$ (270,312)</u>	<u>\$ (153,484)</u>	<u>\$ (202,000)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	121.0%	129.1%	130.4%	123.0%	124.1%	113.1%	119.2%
Covered Payroll	\$ 193,883	\$ 184,906	\$ 167,478	\$ 179,740	\$ 168,909	\$ 139,328	\$ 143,680
Plan Net Pension Liability as a Percentage of Payroll	-165.1%	-213.8%	-224.7%	-159.5%	-160.0%	-110.2%	-140.6%

**Notes to schedule:**

Changes in Benefit Terms: None

Changes in Assumptions: For measurement date June 30, 2020, the mortality projection scale was updated to the Society of Actuaries Scale MP-2019.

\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

# West Basin Municipal Water District

## Required Supplementary Information Year Ended June 30, 2021 Last Ten Fiscal Years\*

### Schedule of Plan Contributions – PARS

Fiscal year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 92,026	\$ (92,026)	\$ -	\$ 139,328	66.05%
June 30, 2016	87,000	(87,000)	-	168,909	51.51%
June 30, 2017	76,000	(76,000)	-	179,740	42.28%
June 30, 2018	78,000	(78,000)	-	167,478	46.57%
June 30, 2019	61,000	(61,000)	-	184,906	32.99%
June 30, 2020	62,000	(62,000)	-	193,883	31.98%
June 30, 2021	72,000	(72,000)	-	174,109	41.35%

**Notes to Schedule:**

Valuation date: June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	16.7 years
Asset valuation method	Set equal to market value of assets
Inflation	2.75%
Salary increases	Aggregate 3% annually; individual increase are the lesser of 5% and inflation.
Investment rate of return	5.25%, net of pension plan investments expense, including inflation
Mortality	CalPERS 1997-2015 Experience Study

\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.



# West Basin Municipal Water District

## Required Supplementary Information Year Ended June 30, 2021 Last Ten Fiscal Years\*

### Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios

Measurement date	June 30,			
	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 501,946	\$ 575,615	\$ 534,301	\$ 406,900
Interest on the Total OPEB Liability	754,736	811,988	735,231	616,794
Actual and expected experience difference	-	(1,020,285)	-	(207,291)
Changes in assumptions	(112,152)	(780,809)	282,757	895,541
Benefit payments	(368,456)	(269,960)	(242,988)	(181,950)
<b>Net change in Total OPEB Liability</b>	776,074	(683,451)	1,309,301	1,529,994
<b>Total OPEB Liability - beginning</b>	10,312,367	10,995,818	9,686,517	8,156,523
<b>Total OPEB Liability - ending (a)</b>	11,088,441	10,312,367	10,995,818	9,686,517
<b>Plan Fiduciary Net Position</b>				
Contribution - employer	368,456	615,957	616,651	410,213
Net investment income	406,373	667,630	748,339	891,549
Benefit payments	(368,456)	(269,960)	(242,988)	(181,950)
Administrative expense	(5,632)	(2,272)	(5,020)	(4,504)
Other	-	-	(12,420)	-
<b>Net change in Plan Fiduciary Net Position</b>	400,741	1,011,355	1,104,562	1,115,308
<b>Plan Fiduciary Net Position - beginning</b>	11,503,458	10,492,103	9,387,541	8,272,233
<b>Plan Fiduciary Net Position - ending (b)</b>	11,904,199	11,503,458	10,492,103	9,387,541
<b>Net OPEB Liability/(Asset) - ending (a) - (b)</b>	<b>\$ (815,758)</b>	<b>\$ (1,191,091)</b>	<b>\$ 503,715</b>	<b>\$ 298,976</b>
Plan fiduciary net position as a percentage of the total OPEB liability	107.36%	111.55%	95.42%	96.91%
Covered-employee payroll	\$ 5,266,105	\$ 5,135,869	\$ 5,679,646	\$ 5,038,972
Net OPEB liability as a percentage of covered-employee payroll	-15.49%	-23.19%	8.87%	5.93%

Notes to schedule:

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

*The following assumptions were changed from the prior valuation:*

Demographic assumptions: Assumed termination, disability and retirement rates were updated to the rates in the most recent available experience study (2017) of the CalPERS program

Mortality Improvement: The mortality improvement scale was updated from MacLeod Watts Scale 2017 to the 2018 scale.

Healthcare trend: Medical plan premiums are assumed to increase at somewhat lower rates than assumed in the prior valuation between 2020 and 2024, increasing at a 0.5% slower rate per year compared to the prior valuation.

Excise Tax on high cost coverage: The valuation reflects the two year delay in the effective date from of the excise tax attributable to retirees for high cost healthcare plans under the Affordable Care Act. A the effective tax rate was reduced to 40%.

\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

# West Basin Municipal Water District

## Required Supplementary Information Year Ended June 30, 2021 Last Ten Fiscal Years\*

### Schedule of OPEB Plan Contributions

Fiscal year	Actuarially determined contribution	Contributions in relation to the contractually determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of employee covered payroll
June 30, 2018	\$ 596,625	\$ (596,625)	\$ -	\$ 5,679,646	10.50%
June 30, 2019	615,957	(615,957)	-	5,135,869	11.99%
June 30, 2020	440,474	(368,456)	72,018	5,266,105	7.00%
June 30, 2021	453,711	(525,729)	(72,018)	5,696,201	9.23%

**Notes to schedule:**

Actuarial methods and assumptions used to set actuarially determined contributions for fiscal year 2021 were from the June 30, 2019 actuarial valuation.

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry age normal cost, level percent of pay
Amortization Methodology	Level percent of payroll over a closed 30 year period (18 years remaining)
Asset Valuation Method	Market value of assets
Inflation	2.75%
Payroll Growth	3.25%
Investment Rate of Return	7.10% per annum. Assumes investing in California Employers' Retiree Benefit Trust assets allocation Strategy 1
Healthcare Trend	6.50% in 2021 to 5.00% in steps of 0.50%
Retirement Age	50 to 75 years
Mortality	CalPERS 2017 Experience Study

\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

# West Basin Municipal Water District

## Statistical Section

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

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These schedules contain information to help the reader understand how West Basins' financial performance has changed over time.

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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> (1)	<u>Unrestricted</u>	<u>Total</u> <u>Net Position</u> (1)
2012	\$ 152,042	\$ 62,585	\$ 214,627
2013	174,081	54,470	228,551
2014	175,455	64,098	239,553 (2)
2015	155,923	75,248	231,171 (3)
2016	175,437	59,146	234,583
2017	180,967	74,686	255,653
2018	197,595	72,835	270,430 (4)
2019	224,356	60,335	284,691
2020	223,890	70,790	294,680
2021	207,047	96,692	303,739

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

(2) 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.

(3) Fiscal Year 2015 beginning Net Position was restated for two reasons: (1) A prior year adjustment of \$0.9M liability was recorded due to the implementation of GASB No. 68 (2) A prior year adjustment of \$9.2M was made to reduce the capital assets that are no longer in service.

(4) Fiscal Year 2018 Beginning Net Position was restated (increased by \$525,823) due to the implementation of GASB No. 75.

# 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)				
	Operating	Operating	Operating	Standby	Investment	Realized Gain	Grant Income	
	Revenues	Expenses	Revenue				Misc. Inc (Exp)	Interest
(1)	(2)	(Loss)	Charges	Income	(Swap Termination)	Loss on Disposal	Expense	
2012	\$ 146,147	\$ 147,932	\$ (1,785)	\$ 9,632	\$ 1,323	\$ 4,916	\$ 549	\$ (11,002)
2013	164,216	162,390	1,826	9,805	2,872	-	103	(9,209)
2014	179,224	180,710	(1,486)	9,683	234	-	274	(10,651)
2015	178,584	183,273	(4,689)	9,741	295	-	(120)	(11,139)
2016	177,192	177,763	(571)	9,655	506	-	(3,630)	(9,859)
2017	191,123	185,573	5,550	9,614	458	-	2,139	(8,161)
2018	204,923	193,347	11,576	10,038	848	-	(3,508)	(11,418)
2019	209,132	201,498	7,634	10,030	1,819	-	826	(10,860)
2020	205,282	205,034	248	9,987	2,209	-	697	(10,604)
2021	203,201	206,216	(3,015)	10,052	556	-	(1,050)	(10,071)

(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 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. In Fiscal Year 2019 and 2020, Investment Income increased due to increases in interest rates and the duration of the investments.

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

(5) The District recognized \$3.8M, \$1.6M, \$4.0 and \$1.2M loss from disposition of capital assets in Fiscal Year 2016, 2017, 2018 and 2021, respectively. Also in Fiscal Year 2017, the District wrote-off a \$3.6M liability resulting in \$3.6M miscellaneous revenue.

(6) The interest expense declined in Fiscal Year 2012 and 2013 due to refunding of the 2003A Refunding Revenue Certificates of Participation and declined in Fiscal Year 2016 and 2017 due to refunding of the 2008B Refunding Revenue Certificates of Participation.

(7) In Fiscal Year 2011, 2017, 2018, 2019, and 2020, 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.

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

(Continued)

<b>Nonoperating Revenue (Loss)</b>				
Change in Fair	Total	Income (Loss)		
Value of Swap	Nonoperating	Before	Capital	Change in
(Nonhedged)	Revenue (Loss)	Contributions	Contributions	Net Position
(7)			(8)	
\$ -	\$ 5,416	\$ 3,631	\$ 10,560	\$ 14,191
-	3,569	5,395	8,528	13,923
-	(462)	(1,948)	16,447	14,499
-	(1,225)	(5,914)	7,663	1,749
-	(3,330)	(3,901)	7,302	3,401
713	4,763	10,313	10,758	21,071
806	(3,234)	8,342	5,909	14,251
(96)	1,719	9,353	4,908	14,261
(111)	2,178	2,426	7,562	9,988
479	(34)	(3,049)	12,110	9,061

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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 (1)	Water Recycling (2)	Desalting (3)	Conservation (4)	
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
2018	155,312	49,444	76	91	204,923
2019	162,280	46,518	268	66	209,132
2020	161,574	43,429	144	135	205,282
2021	164,016 (5)	38,645 (5)	428	112	203,201

(1) Includes non-interruptible, seawater barrier, and Capacity Charge (CC). 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. This incentive ended March 31, 2020. 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. Sales were down between 2017 through 2020 due to the facility being shut down for major repairs.

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

(5) The shift in sales between non-interruptible and recycled water sales was due to an increase demand in barrier sales as the County addressed operational items on the West Coast Barrier that impacted the District's ability to inject more recycled water into the barrier. The increase in non-interruptible sales was also due to the increase in the pass-through cost for the purchase of non-interruptible water.

## West Basin Municipal Water District

**Table 4: Operating Expenses by Source  
Last Ten Fiscal Years (In Thousands)**

<u>Fiscal Year Ended June 30</u>	<u>Source of Supply &amp; Monitoring</u>	<u>Water Recycling Costs</u>	<u>Desalting Operations</u>	<u>Public Information and Education</u>	<u>Water Policy and Conservation</u>
	(1)	(2)	(3)	(4)	(4)
2012	\$99,019	\$23,595	\$901	\$4,940	\$ 1,194
2013	110,530	27,103	892	4,731	1,612
2014	118,117	32,683	811	6,004	2,302
2015	116,723	34,512	870	2,906	3,163
2016	114,271	32,770	881	2,477	2,436
2017	118,289	35,651	592	2,754	3,001
2018	125,745	34,828	475	3,201	3,257
2019	132,387	37,576	774	2,988	2,784
2020	131,450	38,951	816	3,989	4,415
2021	131,137	38,031	934	3,759	3,909

(1) Includes water purchases from Metropolitan Water District of Southern California, Capacity Charges, and Readiness-to-Serve Charge. MWD rate adjustments are passed on to West Basin customers. 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 added to 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 2014 was the result of organizational restructuring. In Fiscal Year 2015, monitoring expense was reclassified to be grouped with source of supply.

(5) In Fiscal Year 2018 Project Planning was created to capture costs such as district wide planning and cancelled capital projects.

(6) Fiscal Year 2016 to 2021 amounts only represent depreciation expense; amortization expenses are included in Interest Expense.

(Continued)

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<u>Project Planning</u>	<u>Depreciation and Amortization</u>	<u>Total Operating Expenses</u>
(5)	(6)	
\$ -	\$18,283	\$147,932
-	17,522	162,390
-	20,793	180,710
-	25,099	183,273
-	24,928	177,763
-	25,286	185,573
653	25,188	193,347
1,343	23,646	201,498
1,310	24,103	205,034
1,978	26,468	206,216

## West Basin Municipal Water District

**Table 5: Capital Contributions by Source  
Last Ten Fiscal Years (In Thousands)**

Fiscal Year Ended June 30	Recycling Operations	U.S. Army Corps of Engineers	California Department of Water Resources	Other	Total
	(1)	(2)	(3)	(4)	
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
2018	5,909	-	-	-	5,909
2019	4,805	-	66	37	4,908
2020	7,457	-	61	44	7,562
2021	8,385	-	-	3,725	12,110

(1) 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 2027. In Fiscal Year 2018, a contract with a major recycled customer expired, in spring 2020, this contract was renewed resulting in a full year of capital contributions in fiscal year 2021. In March 2021, the District renewed another refinery agreement to pay for current and future construction projects.

(2) Represents the contributed value of 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. To date, the total contributions received was \$35M.

(3) West Basin received grants from the California Department of Water Resources (DWR) to assist with the design and construction of the expansion to the Edward C. Little Water Recycling Facility as well as seawater desalination project.

(4) West Basin received contributions from other agencies such as Los Angeles Department of Water & Power, Marathon (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. In Fiscal Year 2021, West Basin was donated two constructed pipelines valued at \$3,569,000.

## West Basin Municipal Water District

**Table 6: Payors – Potable Water Sales  
Current Year and Nine Years Prior (In Thousands)**

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

<b>2021</b>		
Customer	<u>in US \$</u>	<u>%</u>
California Water Service (CalWater)	\$ 76,913	49.8%
Golden State Water Company (GSWC)	30,432	19.7%
Los Angeles County Water Works (LA County)	12,445	8.1%
City of Inglewood	8,813	5.7%
City of El Segundo	7,870	5.1%
City of Manhattan Beach	6,910	4.5%
Water Replenishment District (WRD)	6,804	4.4%
City of Lomita	2,976	1.9%
California American Water Company (CAWC)	1,424	0.9%
Total	<u>\$ 154,587</u>	<u>100.0%</u>

<b>2012</b>		
Customer	<u>in US \$</u>	<u>%</u>
California Water Service (CalWater)	\$ 55,686	49.45%
Golden State Water Company (GSWC)	14,953	13.3%
City of El Segundo	10,929	9.7%
Los Angeles County Water Works (LA County)	8,734	7.8%
Water Replenishment District (WRD)	8,050	7.1%
City of Inglewood	7,616	6.8%
City of Manhattan Beach	3,449	3.1%
City of Lomita	2,319	2.1%
California American Water Company (CAWC)	883	0.8%
Total	<u>\$ 112,619</u>	<u>100.0%</u>

## *West Basin Municipal Water District*

**Table 7: Payors – Recycled Water Sales  
Current Year and Nine Years Prior (In Thousands)**

Tables below show recycled water sales to principal customers of West Basin  
(excluding LRP rebate)

<b>2021</b>		
Customer	<u>in US \$</u>	<u>%</u>
Water Replenishment District (WRD)	\$ 11,335	29.4%
City of El Segundo	9,890	25.7%
California Water Service (CalWater)	7,692	20.0%
City of Torrance	6,294	16.3%
L.A. Dept of Water & Power	1,211	3.1%
City of Inglewood	1,119	2.9%
Golden State Water Company (GSWC)	618	1.6%
City of Manhattan Beach	347	0.9%
Total	<u>\$ 38,506</u>	<u>100.0%</u>

<b>2012</b>		
Customer	<u>in US \$</u>	<u>%</u>
City of El Segundo	\$ 6,967	30.9%
California Water Service (CalWater)	5,355	23.8%
City of Torrance	4,981	22.1%
Water Replenishment District (WRD)	3,611	16.0%
L.A. Dept of Water & Power	635	2.8%
City of Inglewood	491	2.2%
Golden State Water Company (GSWC)	265	1.2%
City of Manhattan Beach	225	1.0%
Total	<u>\$ 22,530</u>	<u>100.0%</u>

## West Basin Municipal Water District

**Table 8: All Water Sold in Acre-Feet  
Last Ten Fiscal Years**

This table presents a summary of water sold by West Basin MWD. Except for groundwater, West Basin delivers potable and recycled water to its customers within its service area and to two (2) additional customers outside its service area. Imported water is purchased from Metropolitan Water District of Southern California (MWD), however, West Basin produces and delivers potable desalted water and recycled water. The groundwater is delivered by a neighboring agency.

Fiscal Year Ended June 30	Potable Water					Total Potable Water	Recycled (5)	All Water Deliveries
	Imported		Ground- water (3)	Desalting (4)				
	Non- Interruptible (1)	Saltwater Barrier (2)						
2012	105,309	8,057	38,152	958	152,476	27,659	180,135	
2013	108,550	11,320	43,303	825	163,998	29,962	193,960	
2014	111,659	9,285	42,294	817	164,055	36,720	200,775	
2015	105,540	7,354	39,096	690	152,680	35,251	187,931	
2016	103,638	3,681	31,635	779	139,733	35,003	174,736	
2017	103,333	6,563	27,642	284	137,822	36,330	174,152	
2018	106,601	7,740	33,917	50	148,308	37,060	185,368	
2019	108,365	8,674	27,569	238	144,846	33,192	178,038	
2020	105,686	6,950	28,667	124	141,427	34,340	175,767	
2021	103,955	5,138	32,676	362	142,131	33,920	176,051	

(1) The decline in non-interruptible potable sales between Fiscal Year 2015 and 2017 is the result of a statewide mandate to reduce consumption due to the prolonged drought. The decrease in non-interruptible potable sales in Fiscal Year 2020 and 2021 was largely due to customers pumping more groundwater.

(2) Saltwater Barrier sales are affected by fluctuations in recycled water sales and repairs performed by Los Angeles County.

(3) Groundwater does not represent water deliveries from West Basin. This information is included in the table above only for analysis. West Basin's deliveries of non-interruptible and saltwater barrier water are affected by the amount of groundwater pumped.

(4) The Desalting operation was shut down during portions of Fiscal Year 2017 to 2021 due to major rehabilitations.

(5) In Fiscal Year 2012 to 2013, recycled water sales fluctuated due to poor source water and other operational constraints. In Fiscal Year 2014, recycled water sales increased due to West Basin completion of the Phase V construction. The decrease in Fiscal Year 2015 was due to rehabilitation of the biofords and reduced capacity at one of the refineries. The decrease in Fiscal Year 2019 was due to the major repair work that was done by the LA County Sanitation District that interrupted sales to the barrier.

## 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, imported (non-interruptible and saltwater barrier), and recycled.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
California Water Service (CalWater)	62,797	65,185	70,679	70,361	57,367
Water Replenishment District (WRD) (1)	14,587	23,679	21,657	19,757	17,358
City of El Segundo	17,848	17,144	16,681	17,387	16,782
Golden State Water Company (GSWC)	15,399	11,637	16,516	12,622	25,791
Los Angeles County Water Works (LA County)	8,802	9,234	10,090	9,182	7,932
City of Inglewood	8,327	9,021	9,028	8,174	7,458
City of Torrance	6,352	6,634	6,529	5,270	4,012
City of Lomita	2,336	2,275	1,788	1,463	1,374
City of Manhattan Beach	3,757	3,863	3,849	3,496	3,738
California American Water Company (CAWC)	902	1,019	667	238	415
L.A. Dept of Water & Power	876	966	998	886	874
Total (2)	<u>141,983</u>	<u>150,657</u>	<u>158,482</u>	<u>148,836</u>	<u>143,101</u>

(1) Sales decreased due to well & pipeline repairs in Fiscal Year 2012, 2016 and 2021.

(2) Overall sales decreased in Fiscal Year 2012 and again in Fiscal Year 2015 and 2016 due to local residents' response towards conservation/water efficiency programs to address drought conditions. In Fiscal Year 2020, West Basin sales declined to the City of Inglewood due to their adding a new groundwater well and to the City of Segundo purchasing less recycled water.



(Continued)

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<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
58,216	60,431	60,213	59,581	59,974
19,577	20,788	18,412	20,034	16,132
16,482	16,335	17,078	14,953	14,952
24,272	21,830	24,211	23,607	21,909
8,414	8,809	7,839	7,856	8,753
7,127	8,117	8,261	6,205	7,094
5,037	6,685	5,887	5,424	5,447
1,549	1,416	1,520	2,004	2,093
4,582	4,788	4,794	4,868	5,135
428	1,397	1,426	1,696	1,004
<u>825</u>	<u>855</u>	<u>829</u>	<u>870</u>	<u>882</u>
<u>146,509</u>	<u>151,451</u>	<u>150,470</u>	<u>147,098</u>	<u>143,375</u>

## 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.

Fiscal Year Ended June 30	Number of Accounts	Chevron Refinery (1)	Torrance Refinery (1)	Marathon Refinery (1)	Total Refineries (2)	West Coast Barrier (3)	Disinfected Tertiary (5)	Total
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	17,069	13,677	4,256	35,002
2017	436	8,978	4,725	5,571	19,274	13,014	4,043	36,331
2018	475	8,454	6,231	4,751	19,436	13,047	4,577	37,060
2019	434	9,061	5,532	4,803	19,395	9,738	4,059	33,192
2020	446	8,006	5,128	4,014	17,148	13,084	4,671	34,339
2021	468	8,737	5,098	4,487	18,322	10,995	4,604	33,387

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

(2) Recycled Water Sales include deliveries to refineries for nitrification, low and high pressure boiler feed. In Fiscal Year 2011, sales to all refineries were decreased due to water quality issues. In Fiscal Year 2020, sales to all refineries were decreased due to a combination of poor water quality during the 1st two quarters and the impact of COVID-19 pandemic on travel during the 4th quarter of the fiscal year.

(3) Low recycled water sales in Fiscal Year 2012 and 2013 were due to poor source water quality. In Fiscal Year 2014, sales increased due to the completion of the Phase V project. Sales decreased in Fiscal Years 2019 and 2021 due to repair work performed by LA County Sanitation District that impacted injections into West Coast Barrier.

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

(5) Sales of Disinfected Tertiary recycled water are affected by the amount of precipitation and addition/deletion of recycled water customers. Sales in Fiscal Years 2020 and 2021 increased due to the addition of Dominguez Tech Center, SoFi Stadium and Hollywood Park.

## West Basin Municipal Water District

**Table 11: Average Water Rates Per Acre-Foot  
Last Ten Fiscal Years**

Type of Water	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Purchased from MWD (1)</b>										
Non-interruptible	\$ 994	\$1,063	\$1,132	\$1,188	\$1,242	\$1,301	\$1,343	\$1,370	\$1,380	\$1,423
Saltwater Barrier	994	1,063	1,132	1,188	1,242	1,301	1,343	1,370	1,380	1,423
Seasonal Storage - LT	721	865	-	-	-	-	-	-	-	-
<b>West Basin Recycled Water (2)</b>										
Recycled - Disinfected Tertiary	\$ 775	\$ 840	\$ 908	\$ 955	\$1,005	\$1,069	\$1,105	\$1,151	\$1,186	\$1,255
Recycled - Disinfected Tertiary- Outside Service Area	817	882	950	997	1,047	1,111	1,147	1,193	1,228	1,297
Recycled - Barrier	553	565	578	586	605	618	836	896	961	1,031
Recycled - Low Pressure Boiler Feed (3)	1,003	1,068	1,136	1,183	1,233	1,297	1,333	1,379	1,075	1,128
Recycled - High Pressure Boiler Feed (3)	1,359	1,424	1,492	1,539	1,589	1,653	1,689	1,735	856	893
Recycled - Nitrified	755	820	888	935	985	1,049	1,085	1,131	1,166	1,118
<b>West Basin Desalting Plant (4)</b>										
Desalted Water	\$ 792	\$ 840	\$ 978	\$1,019	\$1,048	\$1,078	\$1,106	\$1,133	\$1,158	\$1,186

(1) 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 MWD's 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 Disinfected Tertiary 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 negotiated an amendment to certain recycled water refinery agreements in both Fiscal Years 2020 and 2021, lowering the average rate for Boiler Feed and Nitrified recycled water.

(4) 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, 2020 and 2021**

Tables below delineate the fiscal years ended June 30, 2020 and 2021 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>
			(1)	
<b>Fiscal Year Ended June 30, 2020</b>				
<i>July 1, 2019 to December 31, 2019</i>				
Non-Interruptible & Barrier (Tier 1)	\$1,050	\$98	\$237	\$1,385
Non-Interruptible & Barrier (Tier 2)	1,136	98	237	1,471
<i>January 1, 2020 to June 30, 2020</i>				
Non-Interruptible & Barrier (Tier 1)	\$1,078	\$90	\$237	\$1,405
Non-Interruptible & Barrier (Tier 2)	1,165	90	237	1,492
<b>Fiscal Year Ended June 30, 2021</b>				
<i>July 1, 2020 to December 31, 2020</i>				
Non-Interruptible & Barrier (Tier 1)	\$1,078	\$90	\$237	\$1,405
Non-Interruptible & Barrier (Tier 2)	1,165	90	237	1,492
<i>January 1, 2021 to June 30, 2021</i>				
Non-Interruptible & Barrier (Tier 1)	\$1,104	\$100	\$237	\$1,441
Non-Interruptible & Barrier (Tier 2)	1,146	100	237	1,483

(1) Reliability Service Charge did not increase due to West Basin adopting a new Fixed Service Charge in FY 2018-19.

## West Basin Municipal Water District

**Table 13: Outstanding Debt to Capital Assets  
Last Ten Fiscal Years (In Thousands)**

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

Fiscal Year Ended June 30	TOTAL DEBT				CAPITAL ASSETS			Total Debt/ Capital Assets
	Certificates of Participation & Revenue Bonds	CP	State Loan	Total LT Debt	Capitalized Assets	Construction- in-Progress	Total Capital Assets	
(1)		(2)			(3)	(4)		
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
2018	279,300	-	-	279,300	611,756	109,785	721,541	0.39
2019	265,972	-	-	265,972	617,574	132,592	750,166	0.35
2020	252,232	10,000	-	262,232	684,791	74,983	759,774	0.35
2021	255,419	-	-	255,419	692,320	82,130	774,450	0.33

(1) 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.

(2) A Commercial Paper Program was established in October 2018, however, the first draw occurred in July 2019. In Fiscal Year 2021 the balance was fixed out in conjunction with the 2021 refunding transaction.

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

(4) Amounts include all of West Basin's Construction-in-Progress projects.

## *West Basin Municipal Water District*

**Table 14: Debt Per Capita  
Last Ten Fiscal Years**

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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.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Total LT</u> <u>Debt</u>	<u>West Basin</u> <u>Population</u>	<u>Debt Per Capita</u>
	(1)		
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
2018	279,300,000	882,000	317
2019	265,972,000	882,000	302
2020	262,232,000	882,000	297
2021	255,419,000	882,000	290

(1) Numbers are rounded to the nearest thousand.

## West Basin Municipal Water District

**Table 15: Annual Debt Payments to Expenses  
Last Ten Fiscal Years (In Thousands)**

<u>Fiscal Year Ended June 30</u>	<u>Bond Refunding</u> <i>(Info Only)</i>	<u>Principal Payments</u> (1)	<u>Interest Payments</u> (1)	<u>Total Debt Payment</u>	<u>Operating Expenses</u>	<u>Ratio Debt/ Expenses</u> (3)
2012	\$ 75,312	\$ 10,760	\$ 10,317	\$ 21,077	\$ 147,932	0.14
2013	-	19,785	(2) 8,612	28,397	162,390	0.17
2014	-	5,760	(2) 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	27,309	9,290	12,120	21,410	185,573	0.12
2018	-	10,610	12,739	23,349	193,347	0.12
2019	-	11,000	12,161	23,161	201,498	0.11
2020	-	11,425	11,827	23,252	205,034	0.11
2021	80,241	11,835	9,915	21,750	206,216	0.11

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

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

(3) The impact of the ratio of debt payments to operating expenses may vary based on the refunding opportunities in any given year.

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## West Basin Municipal Water District

**Table 16: Standby Charge and Capital Fixed Payments  
Last Ten Fiscal Years (In Thousands)**

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Standby</u> <u>Charge</u>	<u>Capital Fixed</u> <u>Payments</u>	<u>Total</u>	<u>Debt Payment</u> <u>Cash Basis</u>	<u>% of</u> <u>Debt Service</u>
	(1)	(2)		(3)	(4)
2012	9,632	7,241	16,873	21,077	80%
2013	9,805	7,360	17,165	28,397	60%
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	21,410	78%
2018	10,038	5,909	15,947	23,349	68%
2019	10,030	4,908	14,938	23,161	64%
2020	9,987	7,562	17,549	23,252	75%
2021	10,052	8,420	18,472	21,750	85%

(1) Considered for approval 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) Fixed Capital Revenues are paid by Marathon/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) During Fiscal Year 2012, West Basin refunded its 2003A Refunding Revenue Certificates of Participation which resulted in a lower debt payment in Fiscal Year 2014 and a higher debt payment in Fiscal Year 2013. Breakdown is shown on Table 15 - "Annual Debt Service to Expenses".

(4) Excludes the amount of bond refunding in any given year.

## West Basin Municipal Water District

**Table 17: Debt Coverage**  
**Last Ten Fiscal Years (In Thousands)**

	2012	2013	2014	2015	2016
Changes in Net Position (1)	\$ 14,191	\$ 13,923	\$ 14,499	\$ 1,749	\$ 3,401
Add: Interest Expense	11,002	9,209	10,651	11,139	9,859
Add: Depreciation/Amortization	18,283	17,522	20,793	25,099	24,928
Less: Non-cash items (2)	<u>(6,805)</u>	<u>(133)</u>	<u>(550)</u>	<u>764</u>	<u>3,652</u>
Net Revenues for Coverage	<u>\$ 36,671</u>	<u>\$ 40,521</u>	<u>\$ 45,393</u>	<u>\$ 38,751</u>	<u>\$ 41,840</u>
Parity Debt Service	\$ 16,115	\$ 17,790	\$ 17,205	\$ 17,695	\$ 13,646
2003A Bonds	10,437	8,973	-	-	-
2008A Bonds	3,157	3,462	1,169	899	799
2010A Bonds	475	398	197	219	250
2011A Rev Bonds	1,427	1,788	1,788	1,792	1,437
2011B Rev Bonds	295	1,491	2,993	2,993	2,993
2012A Rev Bonds	241	1,621	4,220	4,389	4,390
2013A Rev Bonds	-	57	6,838	7,403	3,777
2016A Rev Bonds	-	-	-	-	-
2021A Rev Bonds	-	-	-	-	-
SWRCB Loan	83	-	-	-	-
Reserve Fund Earnings	<u>(763)</u>	<u>(681)</u>	<u>170</u>	<u>(1)</u>	<u>(2)</u>
Total Net Senior Debt Service	<u>\$ 15,352</u>	<u>\$ 17,109</u>	<u>\$ 17,375</u>	<u>\$ 17,694</u>	<u>\$ 13,644</u>
<b>Debt Coverage</b>	<u><b>2.34</b></u>	<u><b>2.33</b></u>	<u><b>2.62</b></u>	<u><b>2.19</b></u>	<u><b>3.07</b></u>
Subordinate Debt Service	\$ 8,817	\$ 9,056	\$ 8,993	\$ 9,017	\$ 9,058
2003B Bonds	-	-	-	-	-
2008B Bonds	8,817	9,056	8,993	9,017	9,058
2018 Commercial Paper	-	-	-	-	-
Reserve Fund Earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Subordinate Debt Service	<u>\$ 8,817</u>	<u>\$ 9,056</u>	<u>\$ 8,993</u>	<u>\$ 9,017</u>	<u>\$ 9,058</u>
<b>Debt Coverage</b>	<u><b>2.33</b></u>	<u><b>2.51</b></u>	<u><b>3.13</b></u>	<u><b>2.34</b></u>	<u><b>3.11</b></u>
<b>All-In Debt Coverage</b>	<u><b>1.52</b></u>	<u><b>1.55</b></u>	<u><b>1.73</b></u>	<u><b>1.45</b></u>	<u><b>1.84</b></u>
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	\$ 12,502	\$ 14,356	\$ 19,025	\$ 12,040	\$ 19,138

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

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

(Continued)

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 21,071	\$ 14,251	\$ 14,261	\$ 9,988	\$ 9,061
8,161	11,418	10,860	10,604	10,071
25,286	25,188	23,646	24,103	26,468
<u>(636)</u>	<u>3,436</u>	<u>(308)</u>	<u>(358)</u>	<u>(2,466)</u>
<u>\$ 53,882</u>	<u>\$ 54,293</u>	<u>\$ 48,459</u>	<u>\$ 44,337</u>	<u>\$ 43,134</u>
\$ 17,821	\$ 19,422	\$ 22,912	\$ 23,292	\$ 23,264
-	-	-	-	-
728	493	-	-	-
213	170	394	439	415
4,907	5,218	5,210	5,219	5,218
2,993	2,993	2,993	2,993	2,927
4,387	4,390	4,390	4,391	4,389
287	-	-	-	-
4,306	6,158	9,925	10,250	10,231
-	-	-	-	84
-	-	-	-	-
<u>(6)</u>	<u>(9)</u>	<u>(14)</u>	<u>(7)</u>	<u>-</u>
<u>\$ 17,815</u>	<u>\$ 19,413</u>	<u>\$ 22,898</u>	<u>\$ 23,285</u>	<u>\$ 23,264</u>
<u>3.02</u>	<u>2.80</u>	<u>2.12</u>	<u>1.90</u>	<u>1.85</u>
\$ 5,774	\$ 4,120	\$ 460	\$ 171	\$ 177
-	-	-	-	-
5,774	4,120	343	-	-
-	-	117	-	177
-	<u>(1)</u>	<u>(1)</u>	-	-
\$ 5,774	\$ 4,119	\$ 459	\$ 171	\$ 177
<u>6.25</u>	<u>8.47</u>	<u>55.66</u>	<u>123.07</u>	<u>112.26</u>
<u>2.28</u>	<u>2.31</u>	<u>2.07</u>	<u>1.89</u>	<u>1.84</u>
\$ 30,293	\$ 30,761	\$ 25,102	\$ 20,881	\$ 19,693

*West Basin Municipal Water District*

**Table 18: Ten Largest Employers Within West Basin Service Area  
Calendar Year 2020 and Nine Years Prior**

<b>Employer</b>	2020	<b>Rank</b>	2011	<b>Rank</b>
	Number of Employees (1)		Number of Employees	
Boeing Satellite Systems Inc.	13,411	1	4,735	4
Northrop Grumman Corporation	10,604	2	5,645	3
Raytheon Company	6,000	3	7,302	1
Space Exploration Technologies Aerospace Corporation	5,094	4	-	N/A
Sony Pictures Entertainment	3,400	5	2,983	5
Mattel, Inc.	3,000	6	6,000	2
Westfield Shoppingtown-Fox Hills	1,545	7	1,615	7
Amazon Fulfillment Center	1,500	8	-	N/A
PV Unified School District	1,500	9	-	N/A
	1,461	10	1,350	8
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**

<u>Calendar Year</u>	<u>West Basin Population</u>	<u>LA County Population</u>	<u>Personal Income (In Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
	(1)	(2)	(2)	(2)	(3)
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	563,907,868	55,624	5.3%
2017	870,000	10,163,507	593,741,110	58,419	3.7%
2018	882,000	10,105,518	628,808,732	62,224	4.8%
2019	882,000	10,039,107	653,482,910	65,094	4.5%
2020	882,000	Not Available	Not Available	Not Available	19.6%
2021	882,000	Not Available	Not Available	Not Available	10.3%

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

(2) Data obtained from the Bureau of Economic Analysis. Information for Calendar year 2020 through 2021 is not available.

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

# *West Basin Municipal Water District*

## **Demographics**

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### **Service Area**

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Estimated Total Population Served	882,000
Area	185 square miles

Division I – Represented by Harold C. Williams  
Carson, Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills, and unincorporated Los Angeles County area of Rancho Dominguez

Division II – Represented by Director Gloria D. Gray  
Inglewood, and unincorporated Los Angeles County areas of South Ladera Heights, and a portion of Lennox, West Athens, and Westmont

Division III – Represented by Director Desi Alvarez  
Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance

Division IV – Represented by Director Scott Houston  
Culver City, El Segundo, Malibu, West Hollywood, and unincorporated Los Angeles County areas of Del Aire, Lennox, Marina del Rey, North Ladera Heights, Topanga, View Park, Wiseburn, and Windsor Hills

Division V – Represented by Director Donald L. Dear  
Gardena, Hawthorne, Lawndale and unincorporated Los Angeles County area of El Camino Village

### **Customers**

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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**

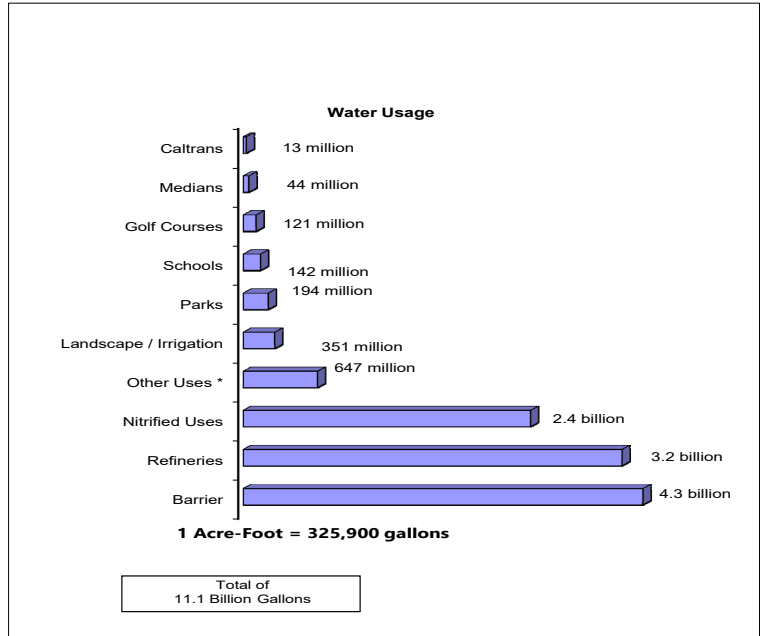
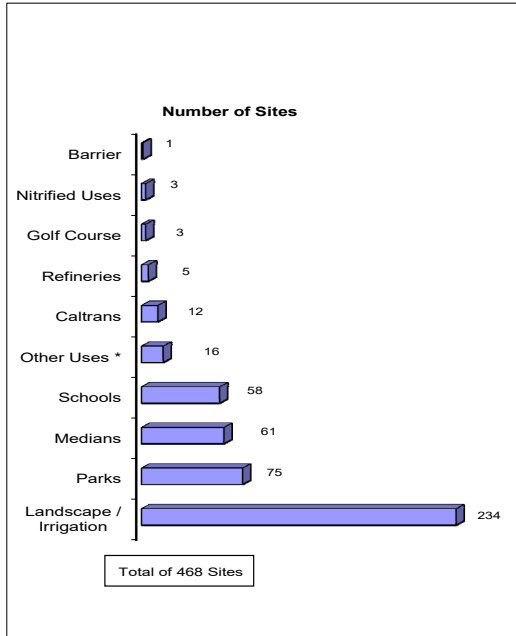
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Potable Water (including desalting)	109,455 acre-feet
Recycled Water	33,920 acre-feet

# West Basin Municipal Water District

## Recycled Water Users

Fiscal Year Ended June 30, 2021



Other Uses \*

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

# *West Basin Municipal Water District*

## **General Operating Information Fiscal Year Ended June 30, 2021**

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### **NUMBER OF BUDGETED FULL-TIME PERSONNEL**

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2012	36
2013	36
2014	40
2015	41
2016	43
2017	49
2018	56
2019	56
2020	56
2021	56

### **CERTIFICATIONS AND LICENSES HELD BY DISTRICT EMPLOYEES**

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Professional Engineer	6
Certified Public Accountant	3
Licensed attorneys	1
Masters Degree	15
State Water Certification:	
Distribution Operator	4
Treatment Plant Operator	6



# West Basin Municipal Water District

## General Operating Information (continued) Fiscal Year Ended June 30, 2021

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### CAPITAL ASSETS (IN THOUSANDS)

	<u>Recycling Facilities</u>	<u>Desalting</u>	<u>Machinery &amp; Equipment</u>	<u>Construction- in-Progress</u>	<u>Admin. Facility</u>	<u>West Basin Capital Assets</u> (1)
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
2018	597,661	4,079	3,484	109,785	6,532	721,541
2019	602,250	5,304	3,519	132,592	6,501	750,166
2020	669,343	5,346	3,601	74,983	6,501	759,774
2021	676,223	5,586	4,010	82,130	6,501	774,450

(1) 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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