

WESTERN MUNICIPAL WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Prepared by: Western Municipal Water District Finance Department



OUR MISSION

It is the mission of Western Municipal Water District to provide water supply, wastewater disposal, and water resource management to the public in a safe, reliable, environmentally sensitive, and financially responsible manner.

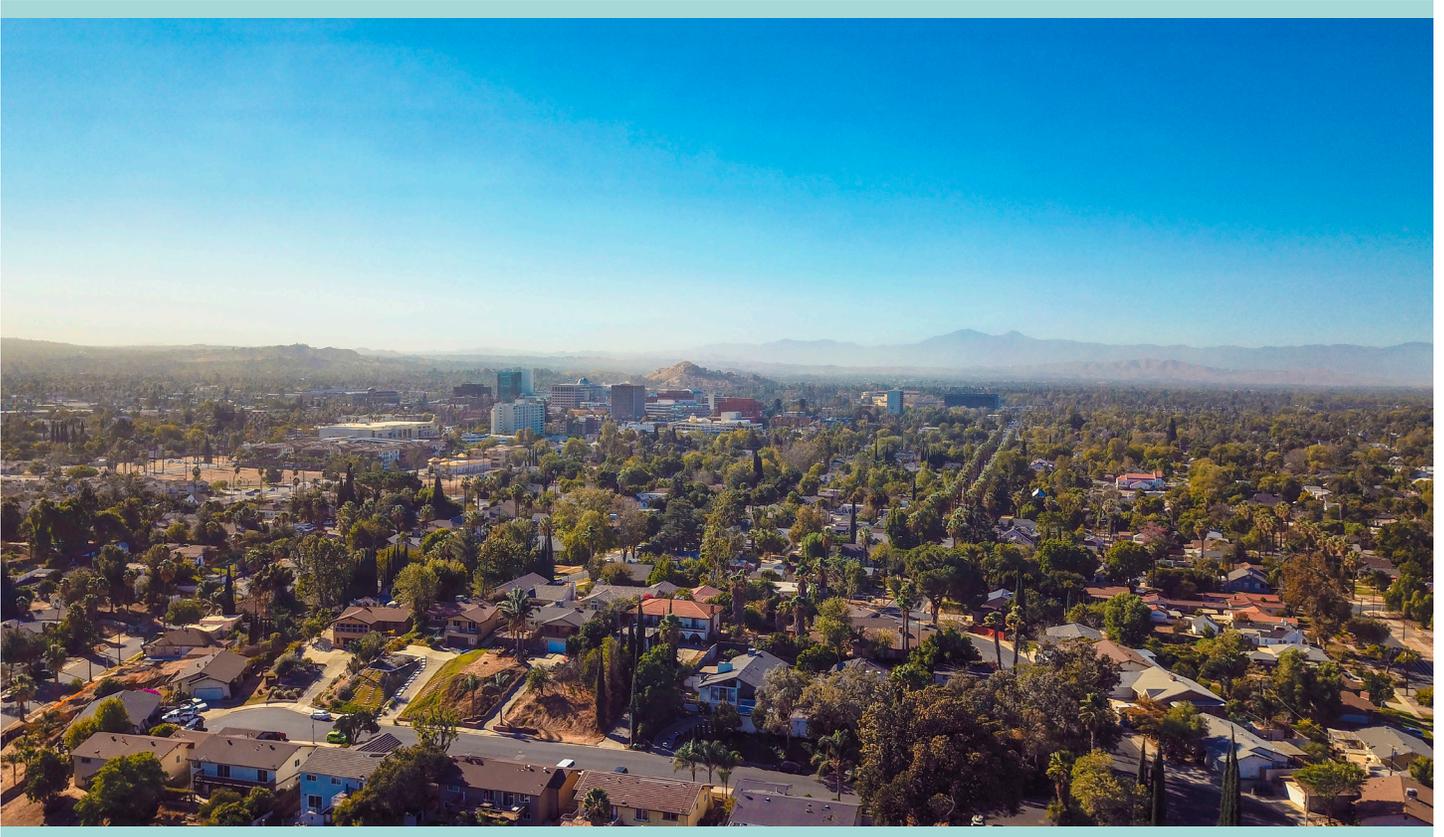


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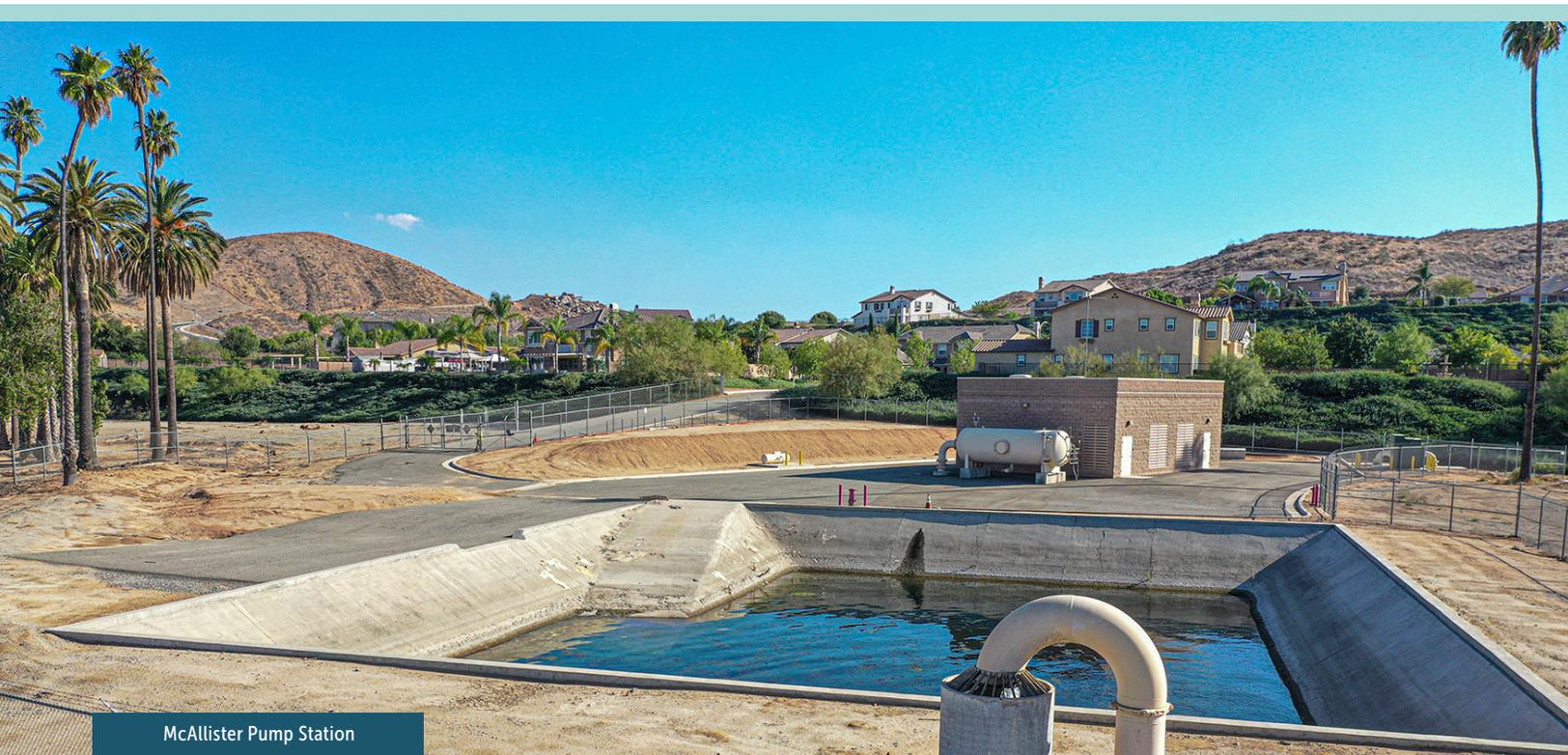
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McAllister Pump Station

INTRODUCTORY SECTION



Looking out on Western's Riverside service area from the La Sierra Reservoir

Craig D. Miller
General Manager

Vacant
Division 1

Gracie Torres
Division 2

Brenda Dennstedt
Division 3

Donald D. Galleano
Division 4

S.R. "Al" Lopez
Division 5



Securing Your Water Supply

January 2, 2021

To the Board of Directors and customers served by Western Municipal Water District,

I am pleased to present the Western Municipal Water District's (Western) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The report was prepared by Western's Finance Department following guidelines recommended by the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Western prides itself in using customer revenue responsibly to build, monitor and maintain the systems that deliver water and sewer service today and for future generations.

Western is responsible for the accuracy of the data presented along with the completeness and fairness of the presentation, including disclosures. We believe that the data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of operations of Western. This report includes all disclosures needed to enhance your understanding of Western's financial condition.

As required by GAAP, this report has a narrative introduction, overview and analysis accompanied by the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The transmittal letter is designed to complement the MD&A, which should be read in conjunction with the basic financial statements. Western's MD&A is found immediately following the report by the independent audit firm.

Western's financial statements have been audited by Clifton Larson Allen, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of Western for the fiscal year ended June 30, 2020, are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that Western's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A handwritten signature in blue ink that reads "Craig D. Miller".

Craig D. Miller, General Manager



REPORTING ENTITY AND ITS SERVICES

WESTERN'S SERVICE AREA

Western Municipal Water District (Western) is one of the largest public agencies in Riverside County, providing water, wastewater (sewer), and recycled water services to nearly a million people, both retail and wholesale customers who live, work and play within 527 square miles in one of California's most populous regions. Within Western's service boundaries are the cities of Canyon Lake, Corona, Eastvale, Jurupa Valley, Lake Elsinore, Murrieta, Norco, Riverside, Rubidoux, and Temecula. Western provides imported water to its service area as a supplement to the region's local water supply.



The assessed valuation of Western's service area has grown from less than \$150 million when formed in 1954 to approximately \$112 billion in this past fiscal year. Riverside County's population is approximately 2.5 million, of which Western both directly and indirectly serves approximately 984,500 - or 40 percent of the county population.

WESTERN'S AUTHORITY

Western was formed by voters on January 19, 1954, under the Municipal Water District Act of 1911, for the purpose of distributing supplemental water purchased from the Metropolitan Water District of Southern California (MWD) to a growing western Riverside County. Prior to Western's creation, the local water supply was primarily groundwater wells that would be insufficient to support the growing region's water demands.

Western is authorized to acquire, distribute, store, treat, recycle, recapture, and salvage any water (including sewage) for the beneficial use of Western, residents within the service area, or the owners of rights to water within Western's boundaries.



The Municipal Water District Act of 1911 authorizes Western to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water; to use facilities or property or provision for service; and to fix in each fiscal year a water service standby or availability charge along with a wastewater service standby or availability charge on land within the boundaries of Western to which water and wastewater services, respectively, are made available by Western. Western may also issue bonds, borrow money, and incur debt.



REPORTING ENTITY AND ITS SERVICES



GOVERNANCE

Western is a quasi-governmental agency (Special District) of the state of California. It is not regulated by the Public Utilities Commission, but instead is governed by a Board of five directors who are publicly elected for a four-year term from comparably sized divisions based on population.

Since the year of its inception, Western has been a member of MWD, which is a cooperative organization of 26 cities and water agencies that are responsible for providing imported water to arid southern California. The assessed value of property within the service area of

the member agency determines how many directors each agency is allowed. Western is currently entitled to have one representative on the MWD Board.

Western employs 157 full-time staff under the direction of the Board-appointed General Manager. Western's General Manager is also a court-appointed Watermaster with responsibilities for reporting compliance with water quality and quantity provisions of court orders regarding water rights issues in the Santa Ana River watershed, and the San Bernardino groundwater basin area.

WATER SERVICES

Western serves approximately 24,500 residential and commercial accounts and nine water agencies and cities with water from both the Colorado River and the State Water Project (purchased from MWD), and from local sources. In fiscal year 2020, Western delivered approximately 87,135 acre-feet of water in

its retail and wholesale service area (please refer to Tables VIII and IX in the Statistical section for additional information). This is equal to about 28 billion gallons. Approximately 63 percent of the purchased water Western delivered was potable water (drinking water); the balance was non-potable or raw water. Western delivered 68 percent of its water to wholesale customers and the rest to retail users.

Wholesale customers that buy water from Western and in turn sell the water to their own customers are: Box Springs Mutual Water Company; the cities of Corona, Norco, and Riverside; Eagle Valley Mutual Water Company; Elsinore Valley Municipal Water District; Jurupa Community Services District; Rancho California Water District; and Temescal Valley Water District.



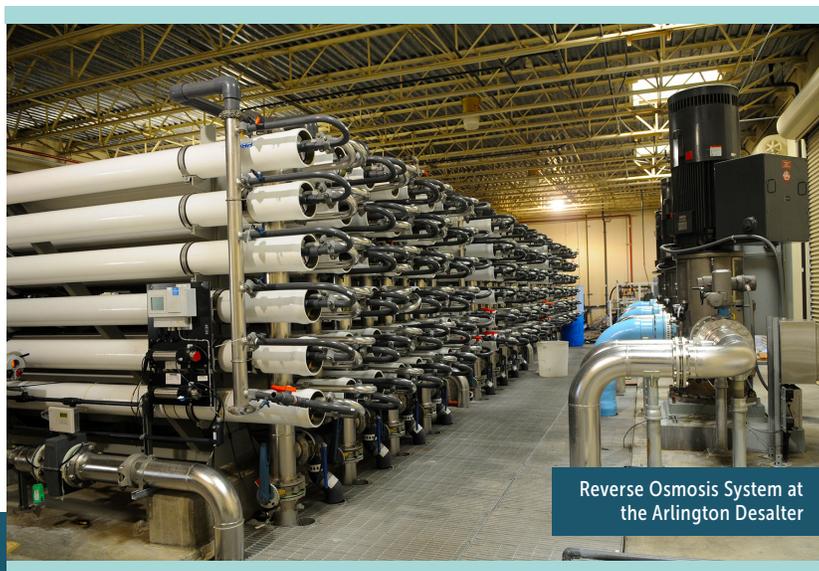
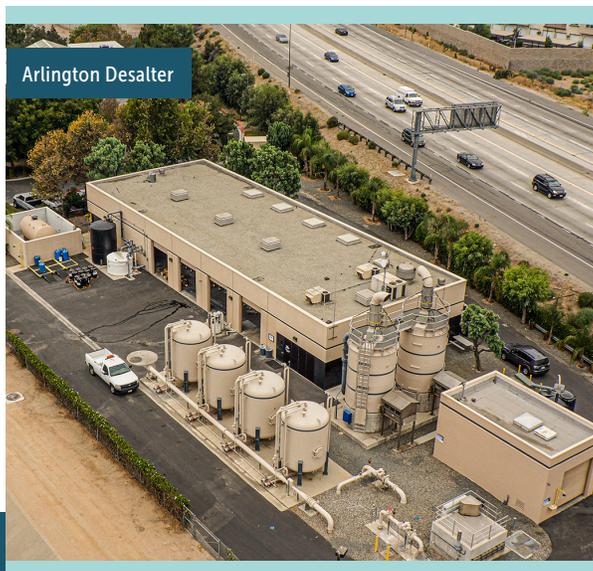
REPORTING ENTITY AND ITS SERVICES

ARLINGTON DESALTER

The only potable water (drinking water) treatment facility owned and operated by Western is the Arlington Desalter. The Arlington Desalter is a 7.2 million-gallon per day (MGD) reverse osmosis water treatment plant that provided 4,850 acre-feet of high-quality drinking water to the city of Norco for the fiscal year, removing millions of pounds of salts from brackish (salty) groundwater in the Arlington Groundwater Basin. The salt-laden waste is sent to the Orange County Sanitation District for treatment and discharge to the ocean. The annual revenue budget for the Arlington Desalter for the fiscal year was \$5.0 million.

RETAIL WATER SERVICES

Western supplies water directly to approximately 24,500 residential, commercial, and agricultural users in the areas of Eagle Valley, El Sobrante, Lake Mathews, March Air Reserve Base, Mission Grove, Orangecrest, Rainbow Canyon, Temescal Creek, Woodcrest, and portions of the cities of Riverside and Murrieta. The Murrieta service area, unlike most of Western's retail service area, has its own local groundwater wells that supplement imported water supplies.



SEWER AND RECYCLED WATER SERVICES

WESTERN WATER RECYCLING FACILITY

Western owns and operates the Western Water Recycling Facility (WWRF), which provides wastewater collection and treatment for the March Air Reserve Base and other residential and commercial customers located in portions of the city of Riverside. WWRF has a 3.0 MGD capacity and is currently operating at about 1.4 MGD.

WWRF currently provides wastewater treatment services for about 1,700 customers as well as the March Air Reserve Base and a number of industrial complexes. All of the treated wastewater from WWRF is used in Western's recycled water system. Supplemented with non-potable local groundwater from the Riverside Canal and surface water from the Colorado River Aqueduct, the tertiary treated recycled water from WWRF is used by 61 customers to irrigate landscaping and agriculture.

WESTERN RIVERSIDE COUNTY REGIONAL WASTEWATER AUTHORITY'S TREATMENT PLANT



Western Riverside County Regional Wastewater Authority Treatment Plant

Western is one of the five member agencies comprising the Western Riverside County Regional Wastewater Authority (WRCRWA). Since 1998, Western has been the contracted operator of the WRCRWA treatment plant located near the Santa Ana River, west of the city of Norco. Agencies and communities served by the plant include the city of Corona; Home Gardens Sanitary District; Jurupa Community Services District; the city of Norco; and Western.

The treatment plant has a total capacity of 14.0 MGD, and currently processes an average of 7.47

MGD from residential and commercial wastewater customers, some of which are in Western's retail service area. Of the total plant capacity of 14.0 MGD, Western owns treatment capacity rights of 1.93 MGD. Wastewater flows from Western customers averages 0.84 MGD, or 43 percent of Western's treatment capacity right.

In 2018 the plant completed a \$74.3 million upgrade and expansion to 14.0 MGD in order to better serve the needs of the steady growth in the region. Since Western's existing owned capacity is sufficient for its current and future customers, Western did not participate in the cost of the plant expansion, but participated in related odor control costs. WRCRWA received a change of use permit from the State Water Resources Control Board (SWRCB) in February of 2018, allowing WRCRWA to use some or all of its recycled water for beneficial reuse (i.e., irrigation, groundwater recharge).



SEWER AND RECYCLED WATER SERVICES

LA SIERRA SERVICE AREA

Western provides wastewater collection and conveyance services to approximately 5,100 customers in the La Sierra area of the city of Riverside. The collected wastewater, averaging about 0.84 MGD, flows to the WRCRWA treatment plant with ultimate disposal of the tertiary treated wastewater into the Prado Basin. The collection system serving La Sierra is maintained by Western personnel who ensure lines are functioning properly.

SANTA ROSA REGIONAL RESOURCES AUTHORITY

Western is one of the three member agencies comprising the Santa Rosa Regional Resources Authority (SRRRA), located in Murrieta. SRRRA is responsible for collecting, treating and disposing of or recycling wastewater for residents and businesses in the Murrieta, Temecula and Wildomar communities. The joint powers authority comprises Elsinore Valley Municipal Water District, Rancho California Water District, and Western. Wastewater flows originating in the SRRRA service area are treated at the Santa Rosa Water Reclamation Facility. The treatment plant has a capacity of 5.0 MGD. On average, the plant treats 2.7 MGD.

MURRIETA SERVICE AREA

The Murrieta service area provides wastewater collection and conveyance services to approximately 2,200 customers surrounding the historic downtown area of the city of Murrieta. Treatment of approximately 729,000 gallons per day of wastewater from the Murrieta area is provided by SRRRA. Eastern Municipal Water District provides treatment services to 76 of Western's Murrieta commercial customers.

INLAND EMPIRE BRINE LINE

The Inland Empire Brine Line (Brine Line), formerly known as the Santa Ana Regional Interceptor, is an industrial wastewater disposal system owned by the Santa Ana Watershed Project Authority (SAWPA). The Brine Line is designed to convey 30 MGD of non-reclaimable wastewater from the upper Santa Ana River basin area to the ocean for disposal after treatment by the Orange County Sanitation District. The non-reclaimable wastewater consists of desalter brine concentrate, or salt-laden waste, and industrial wastewater. The Brine Line dischargers include desalter facilities operated by the Chino Desalter Authority, city of Corona, Eastern Municipal Water District, Western and other commercial and industrial entities. Western is a member agency of SAWPA and is contracted by SAWPA for periodic maintenance. Western operates a wastewater disposal station located at the city of Corona's Wastewater Treatment Plant No. 1, which has a connection to the Brine Line.



ECONOMIC CONDITIONS AND OUTLOOK

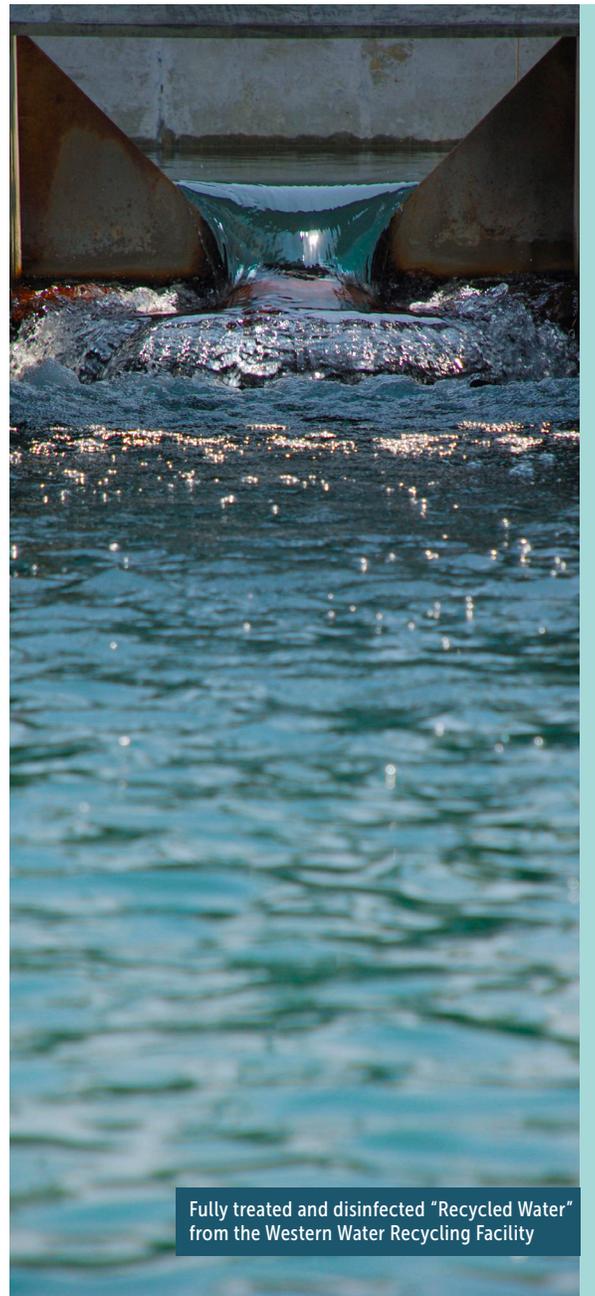
As with all industries, the water industry is affected by a wide variety of economic factors, including legislative action, regulatory requirements, labor force skill and availability, etc. Major factors that particularly affect Western are: (1) the availability and cost of water; (2) energy costs; and (3) property development. The ongoing COVID-19 (coronavirus) pandemic has affected Western's future budget planning, and how Western staff work on a day-to-day basis to ensure safe, reliable service. The impact of COVID-19 on the operations and finances of the District are uncertain at this time.

For Western, the goal of water use efficiency remains paramount. As stewards of this natural resource, it is Western's responsibility to help communicate the value of water and assist customers in using it wisely.

In response to current legislation by the State Assembly Bill (AB) 1668 and Senate Bill (SB) 606, Western continues to work with the Department of Water Resources (DWR) and the SWRCB to develop a long-term framework that will make water conservation a California way of life. This framework will help to improve the resiliency of California supplies in times of drought. Western is also participating in eight working groups hosted by DWR and SWRCB, ranging in topics from water loss reporting and data streaming to standard outdoor water use objectives.

Although Western seeks to increase local water supplies as evidenced by Western's recent purchase of permanent groundwater rights, it is heavily dependent upon imported supplies from MWD for drinking water for its retail customers. MWD continues to experience increases in the cost of acquiring water and delivering that water to member agencies, such as Western. As a result, MWD's Tier 1 rate for full-service potable water will increase from \$1,078 per acre-foot to \$1,104 per acre-foot on Jan. 1, 2021, a 2.4 percent increase.

The Southern California Gas Company (SoCalGas) reports that as of Oct. 1, 2020, the rate will be 43.324 cents per therm, which is a decrease of 13.7 percent compared with the rate at Oct. 1, 2019, when it was 50.220 cents per therm.



Fully treated and disinfected "Recycled Water" from the Western Water Recycling Facility



ECONOMIC CONDITIONS AND OUTLOOK CONT'D

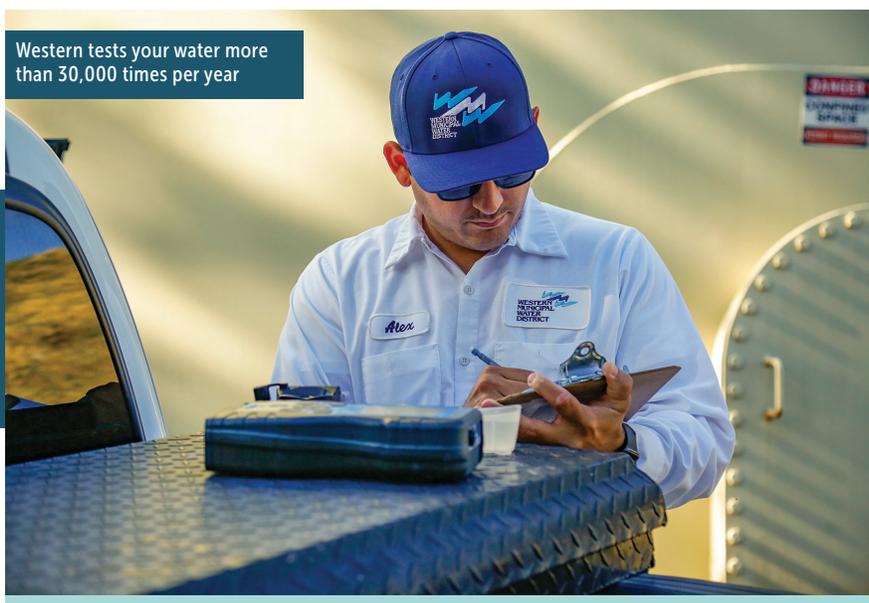
The price decrease has been attributed to the warm season extending into fall as supply continues to grow. Natural gas-fired power plants generated about one third of California's total in-state net electricity generation in 2019.

Renewable electricity generation such as solar, wind and hydro generation continues to climb, though it represents about 36 percent of the overall generation in California as of the end of 2019. California passed a law that will require 100 percent renewable energy generation by the year 2045. Electrical prices are projected to grow moderately as the system incorporates more renewable energy sources.

New meter connections per year remain low (approximately 158 new connections in fiscal year 2019-2020); however, Western has seen an increasing connection trend. Western has also noted an increase in warehouse and commercial development activity. Water demand from these customers are about five to 10 equivalent dwelling units (EDUs) for each connection. For sewer connections, the warehouse and commercial customers range from five to 50 EDUs due to peaks in site occupation with employees or customers.

Western continues to plan for and construct the necessary infrastructure capable of accommodating the significant long-term growth expected in the region. In addition, Western is aggressively pursuing alternative sources of water and expanding efficiency efforts, as well as developing increased use of non-potable and recycled water where appropriate.

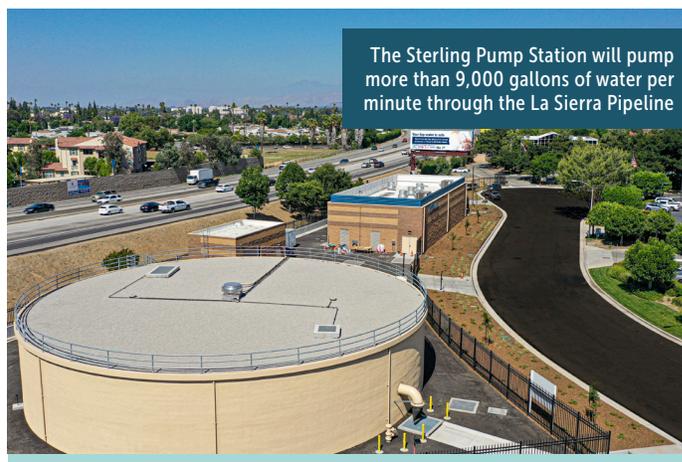
On March 11, 2020, the World Health Organization declared COVID-19 (coronavirus) a global pandemic, which has caused business disruption through mandated and voluntary business closures. As a water and wastewater service provider, Western is an essential business. Most office staff at Western are working remotely during the pandemic. Operations staff continue to report to regular work areas in small work groups to prevent the spread of COVID-19, in order to provide safe and reliable water and wastewater service to homes and businesses. Since the duration of the pandemic is uncertain, the ultimate financial impact cannot yet be determined.



MAJOR INITIATIVES

Western continues to make progressive investments in infrastructure and local partnerships to increase local water supplies and decrease our reliance on more costly imported water. We are working every day to make sure our customers receive the highest quality water and wastewater (sewer) services.

Through projects and strengthened partnerships, Western is building a network that will significantly boost local water supply levels while improving system redundancy and reliability so that Western is able to stabilize costs and ensure an exceptional customer experience.



STERLING RESERVOIR AND PUMP STATION PROJECT

With the construction of the Sterling Reservoir and Pump Station nearly complete, commissioning and startup of the station is planned for early 2021. Located along Sterling Avenue in Riverside, this station is a critical facility that will connect to the La Sierra Pipeline to help move local water from the nearby Arlington Desalter to both retail and wholesale water customers. Ultimately, this project reduces Western's dependence on imported water from northern California, improves redundancy and system resiliency while offering the region a local supply to tap into during emergencies.

VICTORIA RECHARGE BASIN PROJECT

Recently completed, the Victoria Recharge Basin located at Victoria Avenue and Jackson Street in Riverside captures local stormwater runoff to improve water supply and quality within the Arlington groundwater basin, boosting production at the nearby Arlington Desalter. In June, Western was honored with a sustainability award from the Santa Ana River Basin Section (SARBS) of the California Water Environment Association (CWEA). The basin mimics a natural process called 'recharging'— which happens when water seeps down through the soil to replenish underground water sources. In this case, Western designed a 10-acre site in Riverside that can recharge up to 1,800 acre-feet of water per year, enough to supply about 3,600 homes for one year.

MURRIETA NORTH WELL 2

Anticipated to be in service by early 2021, North Well will reestablish a local well site in Murrieta to provide local long-term supply reliability. The North Well will replace an older well that was decommissioned in 2017 at the same location because the infrastructure no longer met Western's service standards. However, the quality of the groundwater remains high, so the new well will provide a critical local water source exclusively for our Murrieta customers. Upon completion, the North Well is expected to produce 750 gallons of water per minute or 1.09 million gallons per day. In this case, Western designed a 10-acre site in Riverside that can recharge up to 2,500 acre-feet of water per year, enough water to fill more than 1,200 Olympic-size swimming pools.



MAJOR INITIATIVES CONT'D

MARCH AIR RESERVE BASE PIPELINE AT GRAEBER STREET

In 2020, Western successfully replaced about 6,300 feet of aging water pipeline along Graeber Street in Riverside, an improvement that is providing more reliable water service to the March Air Reserve Base (MARB). Notably, MARB relies on this pipeline for fire protection services for most hangers, aircraft operations, flight line protection, and high value facilities. The new, larger pipeline will ensure the military base gets the optimal water delivery and fire flow it needs for daily and emergency operations. Protecting the integrity of our pipelines is one of the many ways Western is committed to providing high-quality, reliable water.

METER REPLACEMENT PROGRAM PHASE 2

As part of our continuing efforts to provide customers with new cost-efficient technologies, Western has replaced over half of its water meters (or about 14,000) in its Riverside service area with smart meters. Smart meters provide a range of benefits to customers, including the ability to obtain real-time water use information and leak detection notifications. After securing \$1 million grant funding, Western is continuing this effort with a "Phase 2" that will replace an additional 6,500 meters. Ultimately the plan is to upgrade meters in the remainder of Western's service areas so that all customers can benefit from the advanced meter data technology.

SANTA ANA RIVER WATER CONSERVATION AND CONJUNCTIVE USE PROGRAM

To help foster reliability and add the ability to convey water more effectively across Western's entire service area, Western is participating in the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). This program will provide approximately \$26 million in grant funding to help secure and deliver supplemental water supply for use when imported water is reduced or not available. The supplemental water will be stored in local groundwater basins and pumped during planned maintenance shutdowns or unplanned emergency or catastrophic events. Through this program, Western will create up to 34,000 acre-feet of ground water storage. This regional collaborative program will be incorporated into Western's 2020 water facility master planning efforts.

WATER EFFICIENCY PROJECTS HELP SAVE WATER, MONEY

As part of its dedication to ensure customers are using water wisely and addressing the region's long-term water needs, Western offers many water and cost-saving programs. Western's 2019 Water Use Efficiency Master Plan (Plan), developed in collaboration with the University of California, Riverside, continues to guide Western's water-use-efficiency programs for the next five years. The Plan focuses on empowering customers to take advantage of new programs, rebates, and partnerships that will help reduce water use throughout Western's service area. The Plan, funded in part by a grant from the Bureau of Reclamation, supports Western's efforts to meet statewide water-use targets while encouraging customers to take control of their water usage.

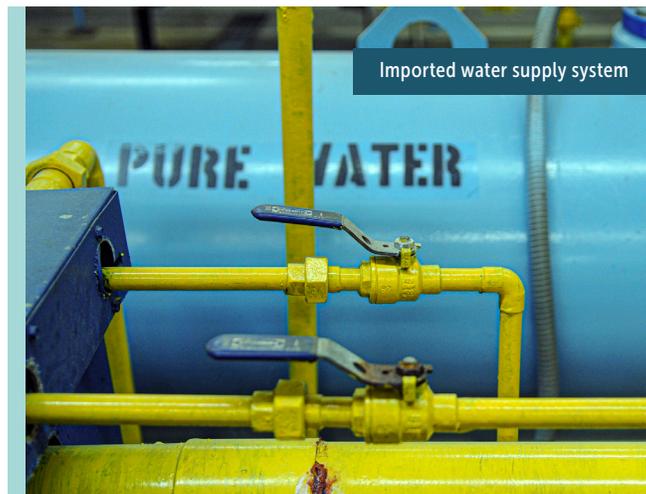


FINANCIAL POLICIES

Western has formally adopted the following financial policies:

CASH RESERVE POLICY

This policy states the purpose, source, and minimum/maximum funding levels for each of its designated reserves. These reserves have been established to meet internal requirements and/or external legal requirements. This policy enables restricting funds for future infrastructure needs, replacement of aging facilities, bond reserves, and various operating reserves to mitigate unexpected occurrences. These reserves are critical to Western's financial strength and high credit ratings.



INTEREST AND FINANCIAL RISK MANAGEMENT POLICY

The purpose of this policy is to establish guidelines for the use and management of all interest rate and risk management agreements incurred in connection with the expected issuance of new bonds, notes, and other obligations, or to accompany bonds already issued, or to manage other risks of Western. This policy sets forth the manner of execution of swaps, and provides for security and payment provisions, risk considerations, and certain other relevant provisions.

DEBT AND FINANCIAL MANAGEMENT POLICY

Western's debt and financial management policy is designed to establish parameters for issuing debt and provide guidance to decision makers with respect to all options available to finance infrastructure and other capital projects so that the most prudent, equitable and cost-effective method of financing is selected. The policy also documents the objectives to be achieved by staff both prior and subsequent to debt issuance. It promotes objectivity in the decision-making process and facilitates the financing process by establishing important policy decisions in advance.

INVESTMENT POLICY

The investment policy is intended to outline the guidelines and practices to be used in effectively managing Western's available cash and investment portfolio. It applies to all cash and investment assets of Western except those funds maintained in deferred compensation accounts for employees. All Western monies, including those not required for immediate expenditure, are to be invested in compliance with governing provisions of law (California Government Code Sections 53600 et seq.). The policy lists in detail authorized investments as well as the percentage of portfolio limitations and required credit ratings for each investment type.



FINANCIAL POLICIES CONT'D

ACCOUNTING SYSTEM

Western's Finance Department is responsible for providing financial services including financial accounting and reporting, accounts payable and receivable, purchasing, custody and investment of funds, billing and collection of water and wastewater charges, property taxes, and other revenues. Western accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. It is the intent of the Board of Directors to manage Western's operations as a business, thus matching revenues against the costs of providing the services.

INTERNAL CONTROLS

Western operates within a system of internal accounting controls established and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in accordance with Western policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls for which its value adequately exceeds its costs. Recent audits have not noted any weaknesses in internal controls.

BUDGETARY CONTROLS

Though Western is not legally required to adopt and adhere to a budget or present budgetary comparison information, the Board of Directors has chosen to approve a two-year operating budget as a management tool. Quarterly comparison reports of budget to actual are prepared and presented at a summary level to the Board of Directors, along with explanations of significant variances.



AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Western for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the 15th year that Western 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 (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to the Finance Department staff and the independent accounting firm of Clifton Larson Allen, LLP for the efforts made to prepare this report. We would also like to thank the Board of Directors for their continued interest and support in all aspects of Western's financial management.

Respectfully submitted,



Craig Miller
General Manager



Rod LeMond
Assistant General Manager / Chief Financial Officer



AWARDS AND ACKNOWLEDGMENTS



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Western Municipal Water District
of Riverside County, California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



WESTERN'S SERVICE AREA MAP

BOARD OF DIRECTORS

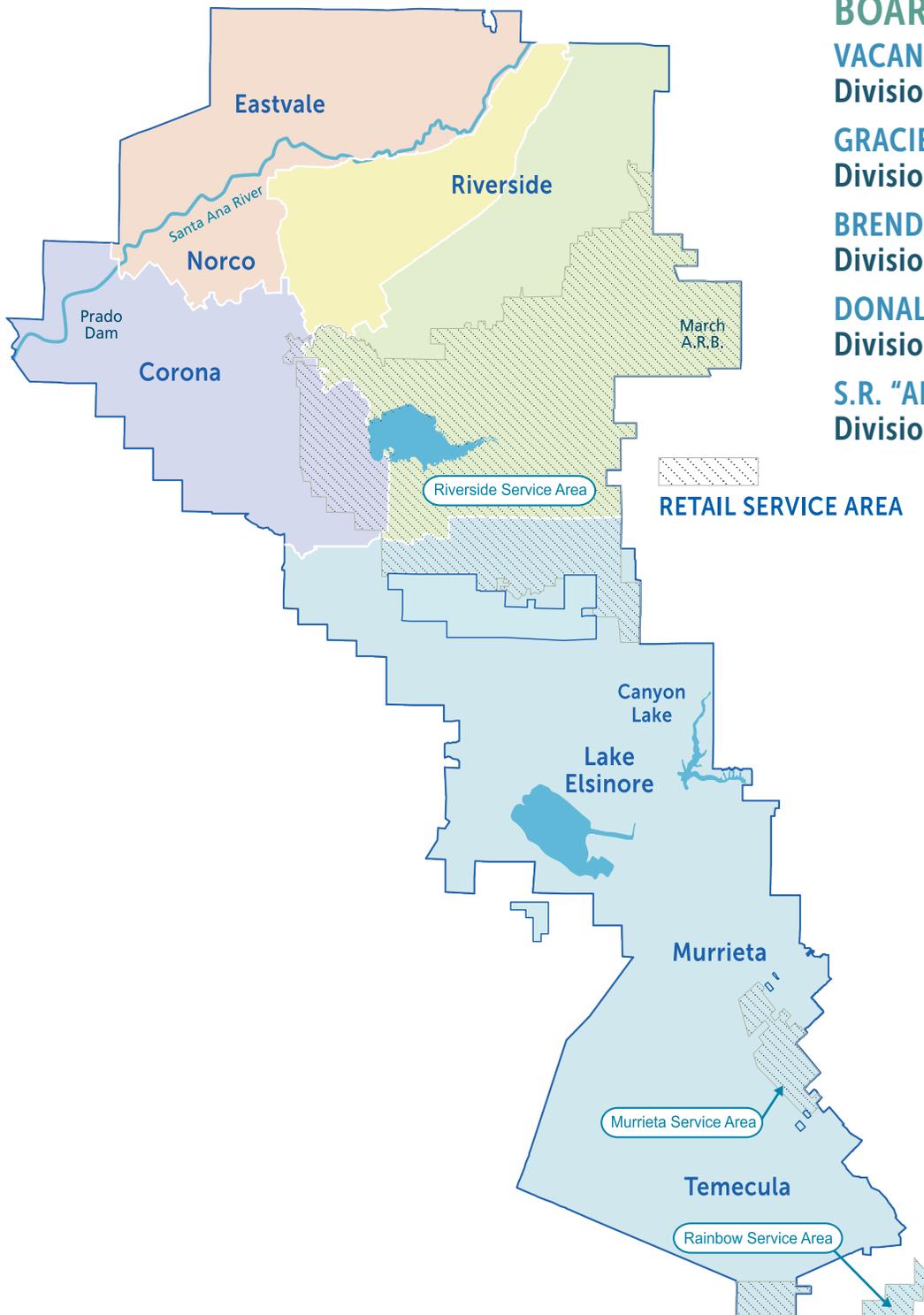
VACANT
Division 1

GRACIE TORRES
Division 2

BRENDA DENNSTEDT
Division 3

DONALD D. GALLEANO
Division 4

S.R. "AL" LOPEZ
Division 5



DISTRICT OFFICIALS

FOR FISCAL YEAR ENDED JUNE 30, 2020

ELECTED BOARD OF DIRECTORS

Vacant, Division 1

Gracie Torres, Division 2

Brenda Dennstedt, Division 3, Secretary-Treasurer

Donald D. Galleano, Division 4, President

S. R. "Al" Lopez, Division 5, Vice President

LENGTH OF SERVICE

1 YEAR

13 YEARS

15 YEARS

19 YEARS

EXECUTIVE MANAGEMENT TEAM

Craig D. Miller, General Manager

Timothy T. Barr, Deputy General Manager

Rod LeMond, Assistant General Manager/Chief Financial Officer

Greg Duecker, Director of Administration

Christopher Fike, Deputy Director of Operations - Maintenance

Karl Francis, Deputy Director of Engineering

Candi Judd, Director of Human Resources

Derek Kawaii, Director of Engineering

Sarah Macdonald, Director of Strategic Communications

Kevin C. Mascaro, Director of Finance

Gary Miller, Deputy Director of Operations - Operations

Jason Pivovarov, Deputy Director of Water Resources

Paul Ruge, Director of Operations

Ryan Shaw, Director of Water Resources

LENGTH OF SERVICE

6 YEARS

25 YEARS

11 YEARS

14 YEARS

5 YEARS

2 YEARS

4 YEARS

14 YEARS

1 YEAR

16 YEARS

4 YEARS

1 YEAR

15 YEARS

3 YEARS

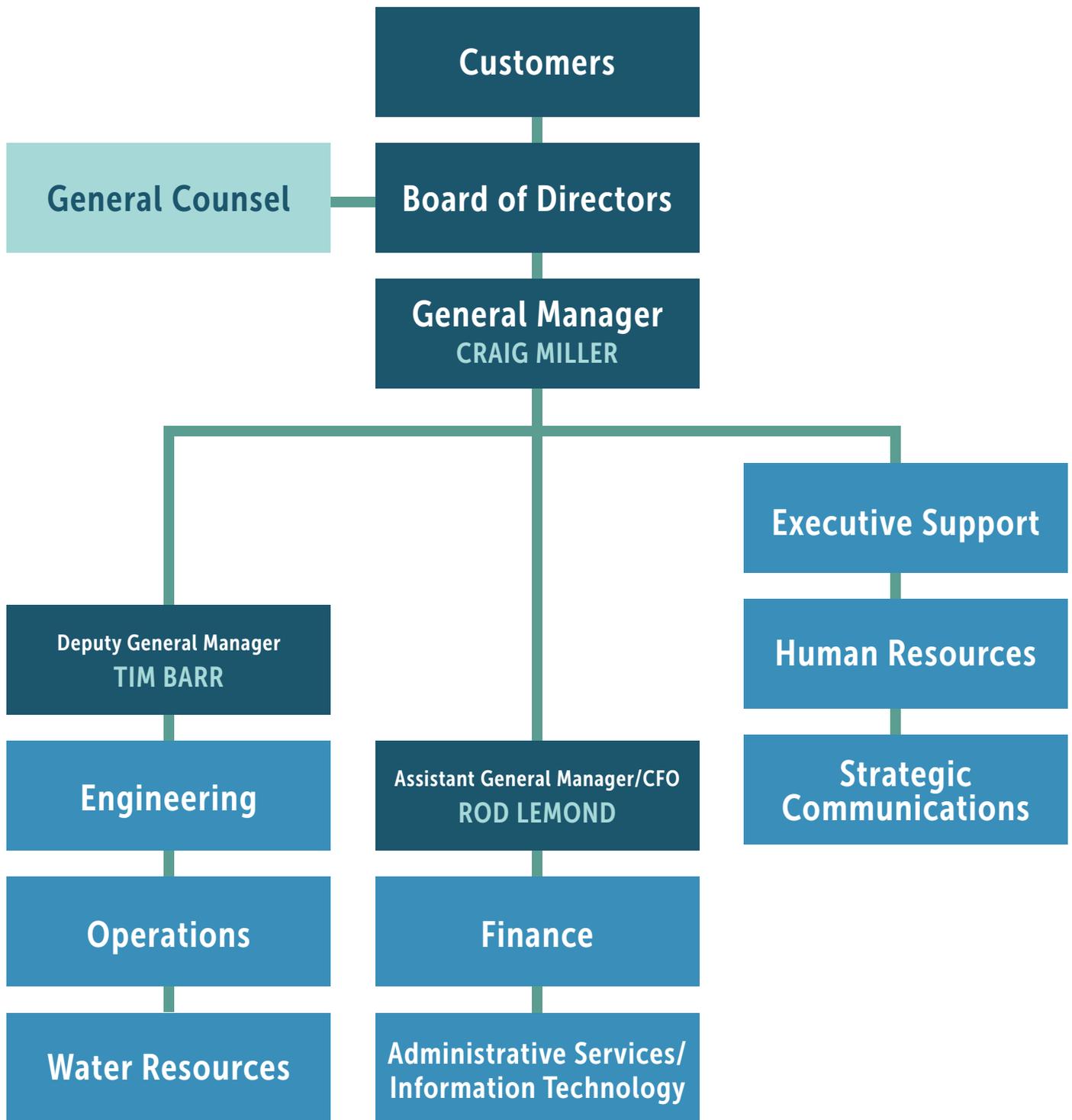
GENERAL COUNSEL

Best Best & Krieger, LLP

64 YEARS



ORGANIZATIONAL CHART



FINANCIAL SECTION



Western continues to provide reliable water and wastewater (sewer) services through the COVID-19 pandemic



INDEPENDENT AUDITORS' REPORT

Board of Directors
Western Municipal Water District
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Western Municipal Water District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the plan's net pension liability and related ratios as of the measurement date, the schedule of contributions - pension, the schedule of changes in the net other post-employment benefits (OPEB) liability and related ratios, and the schedule of contributions - OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
January 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Western Municipal Water District (the District or Western), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditor's Report, and the accompanying basic financial statements and notes to the financial statements.

Overview

The District

Western Municipal Water District of Riverside County was formed in 1954 under the Municipal Water District Act of 1911 for the purpose of bringing supplemental water from the Metropolitan Water District of Southern California to growing western Riverside County. The District operates under the authority of the California Water Code and engages in various activities classified as "proprietary." The primary activities of the District include the sale and delivery of potable and non-potable water to wholesale, domestic, agricultural, and commercial accounts, as well as the collection, treatment, and disposal of wastewater. The District also provides both operating and administrative contract services to other agencies within its 527-square-mile service area.

Required Financial Statements

The financial statements of the District report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data on the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The *Statement of Net Position* presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature and amounts of investments in resources and obligations to District creditors with the remaining balance being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, one must consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

The *Statement of Revenues, Expenses and Changes in Net Position* identifies the District's revenues and expenses for the fiscal year. It provides information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its projected costs through user fees, tax revenues, and other service-related charges.

The *Statement of Cash Flows* presents information regarding the District's cash receipts and cash payments for the period categorized according to whether they stem from operating activities, non-capital financing activities, capital and related financing activities or investing activities. From this statement, the reader can obtain comparative information on the sources and uses of the District's cash.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are an integral part of the financial statements.

Summary Financial Information and Analysis

The District's Statement of Net Position remains strong, providing a foundation for continued growth within the District's service area. Historically, the District experiences a loss at the operating level, meaning operating revenues are less than operating expenses. This operating loss is normally offset by net non-operating revenues. In fiscal year 2020, this loss has been offset by net non-operating revenues primarily from property tax revenues and investment earnings. Explanations for significant changes from the prior year are provided in the discussion that follows.

Statements of Net Position

The following table compares the various categories of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position between the current and prior fiscal year.

Condensed Statements of Net Position as of June 30, 2020 and 2019

	<u>As of June 30,</u>		<u>Increase (Decrease)</u>	
	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current	\$ 213,547,355	\$ 172,561,176	\$ 40,986,179	23.8%
Noncurrent:				
Capital	438,963,703	429,044,803	9,918,900	2.3%
Other	35,630,728	27,316,204	8,314,524	30.4%
Total Assets	<u>\$ 688,141,786</u>	<u>\$ 628,922,183</u>	<u>\$ 59,219,603</u>	<u>9.4%</u>
Deferred Outflows of Resources	<u>\$ 24,099,904</u>	<u>\$ 19,567,080</u>	<u>\$ 4,532,824</u>	<u>23.2%</u>
Liabilities				
Current	\$ 36,536,118	\$ 35,271,639	\$ 1,264,479	3.6%
Noncurrent	214,104,765	189,831,787	24,272,978	12.8%
Total Liabilities	<u>\$ 250,640,883</u>	<u>\$ 225,103,426</u>	<u>\$ 25,537,457</u>	<u>11.3%</u>
Deferred Inflows of Resources	<u>\$ 5,609,423</u>	<u>\$ 2,905,918</u>	<u>\$ 2,703,505</u>	<u>93.0%</u>
Net Position				
Net investment in capital assets	\$ 260,463,443	\$ 268,948,994	\$ (8,485,551)	-3.2%
Restricted for capacity charges	20,337,578	15,914,014	4,423,564	27.8%
Unrestricted	175,190,363	135,616,911	39,573,452	29.2%
Total Net Position	<u><u>\$ 455,991,384</u></u>	<u><u>\$ 420,479,919</u></u>	<u><u>\$ 35,511,465</u></u>	<u><u>8.4%</u></u>

Assets

During the fiscal year ended June 30, 2020, total assets increased by \$59.2 million, or 9.4%. This increase is primarily due to increases in 1) cash and cash equivalents of \$8.2 million, 2) investments, including restricted investments of \$41.4 million, and 3) capital assets net of accumulated depreciation for \$9.9 million.

Deferred Outflows of Resources

Deferred outflows of resources are consumption of net position that apply to future periods. During the fiscal year ended June 30, 2020, total deferred outflows of resources increased by \$4.5 million, or 23.2%. This increase is largely due to an increase in the deferred outflow of resources related to the swap, in the amount of \$3.7 million. Information on the District's swap can be found in Note 8 of the Notes to the Basic Financial Statements.

Liabilities

During the fiscal year ended June 30, 2020, total liabilities increased by \$25.5 million, or 11.3%. This increase results mainly from an increase in the amount due to other governments for the construction of the La Sierra Project in the amount of \$22.6 million and the Santa Rosa Regional Resources Authority (SRRRA) Rehabilitation Project in the amount of \$2.1 million.

Deferred Inflows of Resources

Deferred inflows of resources are acquisition of net position applicable to a future reporting period. During the fiscal year ended June 30, 2020, total deferred inflows of resources increased by \$2.7 million, or 93.0%. This increase is due to increases in deferred inflows of resources related to OPEB of \$2.6 million. Information on the District's OPEB can be found in Note 11 of the Notes to the Basic Financial Statements.

Net Position

Net position is the net from the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position increased during fiscal year 2020 by \$35.5 million, or 8.4%. Net position is classified into three categories: 1) net investment in capital assets, 2) restricted for capacity charges, and 3) unrestricted.

Net Investment in Capital Assets – The amount invested in capital assets, net of related debt, is the carrying value of capital assets less accumulated depreciation and less any liability outstanding related to the capital assets. The amount as of June 30, 2020, was \$260.5 million. The \$8.5 million, or 3.2%, decrease in fiscal year 2020 is detailed in the next table. Note that the amounts reported as “related debt” in the following table can either increase if debt proceeds are applied to fund capital assets, or decrease due to required annual debt service payments.

Net Investment in Capital Assets as of June 30, 2020 and 2019

	As of June 30,		Increase (Decrease)	
	2020	2019	\$ Change	% Change
Plant, building and improvements	\$ 413,530,378	\$ 402,390,236	\$ 11,140,142	2.8%
Capacity rights	118,253,738	46,937,478	71,316,260	151.9%
Construction in progress	58,310,348	127,592,357	(69,282,009)	-54.3%
Land and land improvements	16,620,352	11,317,379	5,302,973	46.9%
Equipment and vehicles	19,760,306	19,695,547	64,759	0.3%
Total capital assets	626,475,122	607,932,997	18,542,125	3.1%
Less accumulated depreciation	(187,511,419)	(178,888,194)	(8,623,225)	4.8%
Capital assets, net	438,963,703	429,044,803	9,918,900	2.3%
Less related debt:				
State Water Resources Control Board				
La Sierra Project	34,271,709	11,711,134	22,560,575	192.6%
Western Riverside County Regional				
Wastewater Authority	597,146	603,458	(6,312)	-1.0%
Santa Rosa Regional Resources Authority	11,576,842	10,201,592	1,375,250	13.5%
2010 Series A bonds	1,239,181	2,455,486	(1,216,305)	-49.5%
2010 Series B bonds	42,606,752	42,595,563	11,189	0.0%
2012 Series A bonds	27,899,642	29,214,190	(1,314,548)	-4.5%
2016 Series A bonds	47,001,213	46,639,511	361,702	0.8%
Note on vehicle leases	1,469,782	1,740,343	(270,561)	-15.5%
Note on headquarters building	7,817,855	8,856,958	(1,039,103)	-11.7%
Acquisition and construction of capital				
assets in accounts payable	4,020,138	6,077,574	(2,057,436)	-33.9%
Net investment in capital assets	<u>\$ 260,463,443</u>	<u>\$ 268,948,994</u>	<u>\$ (8,485,511)</u>	-3.2%

Restricted for Capacity Charges – The \$20.3 million restricted for capacity charges at June 30, 2020 reflects added facilities charges and distribution system fees received from land owners and developers for the future expansion of water distribution and wastewater treatment and conveyance systems. An equivalent amount is reported in the Assets section of the Statement of Net Position as part of the restricted investments line item (classified as capacity charges in Note 3 of the Notes to the Basic Financial Statements). Net assets becomes restricted when constraints placed on use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Additional information related to restricted cash and investments can be found in Note 3 of the Notes to the Basic Financial Statements.

Unrestricted – The unrestricted amount is the portion of net position that is not already classified in the above categories. The total amount of unrestricted funds at June 30, 2020 was \$175.1 million. Although these funds are not restricted, the Board of Directors of the District has designated these funds for various construction projects, system improvements and operations.

Changes in Net Position

The following table compares the various categories of revenues, expenses and changes in net position between the current and prior fiscal year:

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Years Ended June 30, 2020 and 2019

	Fiscal Years Ended June 30,		Increase (Decrease)	
	2020	2019	\$ Change	% Change
Operating revenue	\$ 122,346,891	\$ 112,902,500	\$ 9,444,391	8.4%
Operating expenses	(139,579,516)	(130,503,015)	(9,076,501)	7.0%
Net non-operating revenue	30,079,330	28,084,728	1,994,602	7.1%
Net income before capital contributions	12,846,705	10,484,213	2,362,492	22.5%
Capital contributions	22,664,760	11,562,137	11,102,623	96.0%
Change in net position	35,511,465	22,046,350	13,465,115	61.1%
Net position, July 1	420,479,919	374,116,482	46,363,437	12.4%
Net position, June 30	<u>\$ 455,991,384</u>	<u>\$ 420,479,919</u>	<u>\$ 35,511,465</u>	8.4%

Combined Revenue

The following table presents a comparison of revenues by category for the fiscal years ended June 30, 2020 and 2019:

Revenues by Category for the Fiscal Years Ended June 30, 2020 and 2019

	Fiscal Years Ended June 30,		Increase (Decrease)	
	2020	2019	\$ Change	% Change
Water sales	\$ 80,000,798	\$ 74,974,766	\$ 5,026,032	6.7%
Water service	23,149,760	20,717,986	2,431,774	11.7%
Wastewater disposal	14,174,941	12,409,135	1,765,806	14.2%
Contractual services	4,940,400	4,633,486	306,914	6.6%
Property taxes	24,616,030	23,641,810	974,220	4.1%
Investment earnings	11,084,735	8,673,064	2,411,671	27.8%
Capacity rights sales	84,469	47,212	37,257	78.9%
Intergovernmental revenue	865,043	861,821	3,222	0.4%
Other	1,138,822	1,569,246	(430,424)	-27.4%
Total revenues	160,054,998	147,528,526	12,526,472	8.5%
Capital contributions	22,664,760	11,562,137	11,102,623	96.0%
Total revenues and capital contributions	<u>\$ 182,719,758</u>	<u>\$ 159,090,663</u>	<u>\$ 23,629,095</u>	14.9%

Combined revenue (excluding capital contributions) for fiscal year 2020 totaled \$182.7 million, an increase of \$23.6 million, or 14.9%. The most significant variances from fiscal year 2019 to 2020 were in three revenue categories: water sales (\$5.0 million increase), water service (\$2.4 million increase), and investment earnings (\$2.4 million increase).

Water Sales – The \$5.0 million increase in water sales was a result of an increase in demand in the District’s retail and wholesale service area.

Water Service – The \$2.4 million increase in water service was primarily due to increases in retail fixed system charges. The system charge pays for the cost to provide instant, anytime access to clean water. It covers Western’s fixed costs that are required to sustain access and keep the entire system running safely. These costs include water treatment, quality control testing, environmental compliance, maintenance and repairs, administrative costs, and more.

Investment Earnings – The \$2.4 million increase in investment earnings was primarily due to a change in unrealized gains on investments. In 2020, the District experienced unrealized gains of \$7.0 million, whereas in 2019, the District experienced unrealized gains of \$5.5 million.

Capital Contributions

During fiscal year 2020, the District experienced an increase of \$11.1 million, or 96.0%, in capital contributions. Capital contributions include water and sewer added facilities charges (capacity charges), contributed assets from developers and grant proceeds. The increase in capital contributions is due to grants related to the Santa Ana River Conservation and Conjunctive Use Program.

Combined Expenses

The following table presents a comparison of expenses by category for the fiscal years ended June 30, 2020 and 2019:

Expenses by Category for the Fiscal Years Ended June 30, 2020 and 2019

Expense Category	Fiscal Years Ended June 30,		Increase (Decrease)	
	2020	2019	\$ Change	% Change
Source of supply	\$ 1,264,213	\$ 1,438,291	\$ (174,078)	-12.1%
Purchased water	67,906,312	67,250,907	655,405	1.0%
Pumping - booster pumps	5,541,953	5,549,088	(7,135)	-0.1%
Water treatment	4,712,375	2,013,823	2,698,552	134.0%
Transmission and distribution	10,371,146	10,282,887	88,259	0.9%
Administrative and general	14,982,493	14,458,740	523,753	3.6%
Contractual services	4,629,855	3,793,232	836,623	22.1%
Wastewater disposal	10,999,326	10,275,481	723,845	7.0%
Depreciation and amortization	13,405,239	13,092,797	312,442	2.4%
Interest expense	5,954,479	5,740,890	213,589	3.7%
Other	7,440,902	3,148,177	4,292,725	136.4%
Total expenses	\$ 147,208,293	\$ 137,044,313	\$ 10,163,980	7.4%

Combined expenses for fiscal year 2020 totaled \$147.2 million, an increase of \$10.2 million, or 7.4%. The most significant variances from fiscal year 2019 to 2020 were in two expense categories: other (\$4.3 million increase) and water treatment (\$2.7 million increase).

Other – The \$4.3 million increase in other expense was mainly due to write-off of construction-in-progress (CIP) projects of \$2.9 million, which was mostly attributable to additional costs for the Chino Desalter Expansion failed microtunnel Santa Ana River crossing of \$3.6 million, which was reduced by a lawsuit settlement of \$1.0 million, an increase in the loss of disposal of fixed assets in the amount of \$0.5 million, and an increase in special improvements and studies of \$0.3 million.

Water Treatment – The \$2.7 million increase in water treatment was primarily due to an increase of \$2.4 million in operations and maintenance expense relating to capacity rights in the Chino Basin Desalter Authority (CDA).

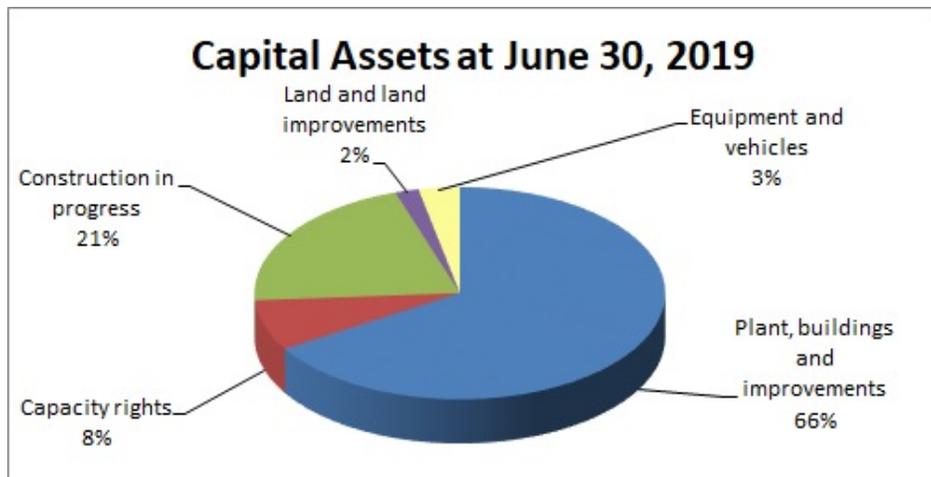
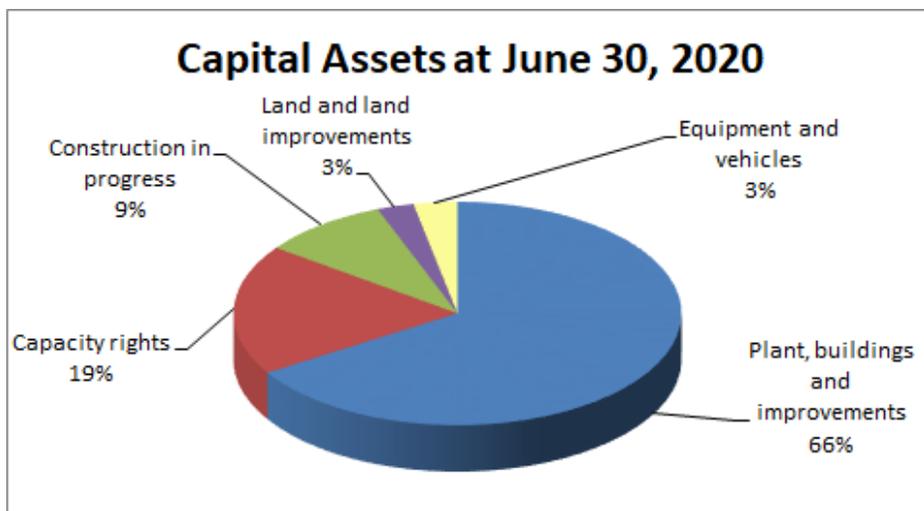
Information on the District’s CDA capacity rights can be found in Note 13 of the Notes to the Basic Financial Statements.

Capital Assets

The District’s investment in capital assets as of June 30, 2020 was \$438.2 million (net of accumulated depreciation). This includes investment in buildings, building improvements, capacity rights, land, land improvements, equipment, vehicles, and plant assets such as supply sources, pumping stations, water treatment plant, transmission and distribution pipelines, wastewater plant, etc. Additional information can be found in Note 6 of the Notes to the Basic Financial Statements.

The following table summarizes the District’s capital assets, net of accumulated depreciation, at June 30:

	2020	2019
Plant, buildings and improvements	\$ 413,530,378	402,390,236
Capacity rights	118,253,738	46,937,478
Construction in progress	58,310,348	127,592,357
Land and land improvements	16,620,352	11,317,379
Equipment and vehicles	19,760,306	19,695,547
Total capital assets	<u>626,475,122</u>	<u>607,932,997</u>
Less accumulated depreciation	<u>(187,511,419)</u>	<u>(178,888,194)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 438,963,703</u>	<u>\$ 429,044,803</u>



Long-Term Liabilities

As of June 30, 2020, the District has outstanding long-term liabilities of \$221.9 million. Long-term liabilities include a swap liability, compensated absences, amounts due to other governments, bonds, lease, note payable, net pension and OPEB liabilities. Additional information regarding long-term debt can be found in Note 7 of the Notes to the Basic Financial Statements, information regarding the swap liability can be found in Note 8, information regarding the net pension liability can be found in Note 10, and information regarding the net OPEB liability can be found in Note 11.

The District's outstanding long-term liabilities as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Compensated absences	\$ 3,785,217	\$ 3,037,262
Due to other governments	46,445,697	22,516,184
Bonds payable		
Revenue bonds	135,085,000	137,875,000
Unamortized discount	(211,325)	(227,101)
Unamortized premium	9,182	45,486
Swap liability	3,390,695	3,872,999
Note payable	7,817,855	9,020,960
Lease payable	1,469,782	1,740,343
Net pension liability	19,865,378	18,070,806
Net OPEB liability	121,140	1,004,747
Derivative instrument - interest rate swap	4,097,497	405,048
Total long-term liabilities	<u>221,876,118</u>	<u>197,361,734</u>
Less current portion	<u>(7,771,353)</u>	<u>(7,529,947)</u>
Total long-term liabilities, net of current portion	<u><u>\$ 214,104,765</u></u>	<u><u>\$ 189,831,787</u></u>

Economic Factors and Next Year's Budgets and Rates

Anticipated growth will further create demand for water supply, wastewater treatment and disposal, and additional capital facilities. These demands have been anticipated in the District's facility master plans with new supply demands being met through imported water, interties with neighboring agencies, desalted water, maximizing reclaimed water and conservation. The District's 2021 fiscal year budget includes \$9.3 million in capital projects, net of estimated grant funding and financing proceeds.

Rates effective January 1, 2020, as recommended by a cost-of-service study, were adopted by the Board of Directors on October 4, 2017 and result in annual increases of 5.5% to an average bill for a residential customer in the Riverside service area, and 6.8% to customers in Murrieta and Rainbow service areas. A rate increase of 2.0% for most of the District's wastewater customers went into effect on October 1, 2019, to accommodate rising costs to operate and maintain the wastewater system.

The District's historically sound financial and operations management has allowed it to achieve excellent credit ratings. The District, as part of its formalized debt policy, meets with the rating agencies periodically to provide a financial update. A sound credit rating results in lower borrowing costs. The current ratings for the District are Standard & Poor's AA+ and Fitch AA+.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Western Municipal Water District of Riverside County's finances for the Board of Directors, customers, taxpayers, creditors, and other interested parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Finance Department, 14205 Meridian Parkway, Riverside, CA 92518.

Western Municipal Water District
Statement of Net Position
June 30, 2020

	2020
<i>Assets and Deferred Outflows of Resources</i>	
Current assets:	
Cash (Note 2)	\$ 22,236,424
Investments (Note 2)	163,495,673
Receivables, net (Note 4)	22,972,709
Stored groundwater inventory	1,525,095
Materials and supplies inventory	1,749,424
Other current assets	1,568,030
Total current assets	213,547,355
Non-current assets:	
Restricted investments (Notes 2, 3)	23,639,304
Notes receivable (Note 4)	5,091,424
Assessments receivable	2,000,000
Other non-current assets	4,900,000
Capital assets not being depreciated (Note 6)	160,389,330
Capital assets being depreciated, net (Note 6)	278,574,373
Total non-current assets	474,594,431
Total assets	688,141,786
Deferred outflows of resources:	
Deferred outflow of resources - deferred swap outflow (Note 8)	4,097,497
Deferred outflow of resources - debt refunding	10,163,208
Deferred outflow of resources - pension (Note 10)	5,808,885
Deferred outflow of resources - OPEB (Note 11)	4,030,314
Total deferred outflows of resources	24,099,904
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Current liabilities:	
Accounts payable and accrued expenses	23,002,347
Customer deposits and unearned revenue	3,297,524
Construction advances	1,694,247
Accrued interest payable	770,647
Long-term liabilities - due in less than one year:	
Compensated absences (Note 5)	2,455,424
Lease payable (Note 7)	448,633
Due to other governments (Note 7)	731,726
Note payable (Note 7)	1,230,570
Bonds payable (Note 7)	2,905,000
Total current liabilities	36,536,118
Non-current liabilities:	
Long-term liabilities - due in more than one year:	
Compensated absences (Note 5)	1,329,793
Lease payable (Note 7)	1,021,149
Due to other governments (Note 7)	45,713,971
Note payable (Note 7)	6,587,285
Bonds payable (Note 7)	135,368,552
Net pension liability (Note 10)	19,865,378
Net OPEB liability (Note 11)	121,140
Derivative instrument - interest rate swap (Note 8)	4,097,497
Total non-current liabilities	214,104,765
Total liabilities	249,890,883
Deferred inflows of resources:	
Deferred inflow of resources - pension (Note 10)	1,106,770
Deferred inflow of resources - OPEB (Note 11)	4,502,653
Total deferred inflows of resources	5,609,423
Net position:	
Net investment in capital assets (Note 9)	260,463,443
Restricted for capacity charges (Note 3)	20,337,578
Unrestricted	175,190,363
Total net position	\$ 455,991,384

See accompanying notes to the basic financial statements

Western Municipal Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

	2020
Operating revenues:	
Water sales	\$ 80,000,798
Water service	23,149,760
Wastewater disposal	14,174,941
Other charges and services	80,992
Contractual services	4,940,400
Total operating revenues	122,346,891
Operating expenses:	
Source of supply	1,264,213
Purchased water	67,906,312
Pumping - booster pumps	5,541,953
Water treatment	4,712,375
Transmission and distribution	10,371,146
Customer accounts	2,046,863
Administrative and general	14,982,493
Contractual services	4,629,855
Wastewater disposal	10,999,326
Other operating expense	3,719,741
Total operating expenses before depreciation and amortization	126,174,277
Operating loss before depreciation and amortization	(3,827,386)
Depreciation and amortization	(13,405,239)
Operating loss	(17,232,625)
Non-operating revenues (expenses):	
Property taxes and assessments	24,616,030
Investment earnings	11,084,735
Interest expense	(5,954,479)
Capacity rights sales	84,469
Intergovernmental revenue	865,043
Other revenues	1,057,830
Other expenses	(1,146,526)
Gain (loss) on disposal of assets, net	(527,772)
Total net non-operating revenues	30,079,330
Net income before capital contributions	12,846,705
Capital contributions:	
Capacity charges	8,514,974
Developer capital contributions	3,768,623
Federal, state, and local capital grants	10,381,163
Total capital contributions	22,664,760
Change in net position	35,511,465
Net position, beginning of year	420,479,919
Net position, end of year	\$ 455,991,384

See accompanying notes to the basic financial statements

**Western Municipal Water District
Statement of Cash Flows
For the Year Ended June 30, 2020**

	2020
Cash flows from operating activities:	
Cash receipts from customers for water sales and services	\$ 127,860,893
Cash paid to employees for salaries and wages	(22,177,133)
Cash paid to vendors and suppliers for materials and services	(98,466,153)
Net cash provided by operating activities	7,217,607
Cash flows from non-capital financing activities:	
Proceeds from property taxes and assessments	24,906,728
Proceeds from intergovernmental revenue	865,043
Deposit paid for swap collateral requirement	(3,999,344)
Net cash provided by non-capital financing activities	21,772,427
Cash flows from capital and related financing activities:	
Proceeds from capacity rights sales	48,682
Proceeds from notes receivable	318,214
Acquisition and construction of capital assets	(19,659,569)
Proceeds from disposal of capital assets	29,993
Proceeds from capital contributions	18,735,489
Proceeds from the issuance of long-term debt	20,718,474
Principal paid on long-term debt	(5,189,718)
Interest paid on long-term debt	(5,398,347)
Net cash provided by capital and related financing activities	9,603,218
Cash flows from investing activities:	
Investment earnings	4,054,872
Purchase of investments	(150,671,420)
Proceeds from sale of investments	116,206,522
Net cash used in investing activities	(30,410,026)
Net increase in cash	8,183,226
Cash, beginning of year	14,053,198
Cash, end of year	\$ 22,236,424

Continued on next page

See accompanying notes to the basic financial statements

**Western Municipal Water District
Statement of Cash Flows, Continued
For the Year Ended June 30, 2020**

	2020
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (17,232,625)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	13,405,239
Other revenues	1,057,830
Other expenses	(727,111)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in assets:	
Accounts receivable	4,811,968
Materials and supplies inventory	(196,220)
Other current assets	(60,734)
(Increase) in deferred outflow of resources:	
Deferred outflow of resources - pension	(145,731)
Deferred outflow of resources - OPEB	(1,829,515)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	3,394,928
Customer deposits and unearned revenue	377,153
Compensated absences	747,955
Net pension liability	1,794,572
Net OPEB liability	(883,607)
Increase in deferred inflow of resources:	
Deferred inflow of resources - pension	98,145
Deferred inflow of resources - OPEB	2,605,360
Total adjustments	24,450,232
Net cash provided by operating activities	\$ 7,217,607
Non-cash investing, capital and financing transactions:	
Change in fair value of investments	\$ 6,926,444
Capital contribution	4,365,504
Acquisition and construction of capital assets in accounts payable	3,001,305
Acquisition of capital assets in long-term debt	2,641,690

See accompanying notes to the basic financial statements

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

Western Municipal Water District of Riverside County (the District) was formed in 1954 and created for the purpose of importing and delivering water to wholesale and retail customers within its service area. The District is governed by a five-member Board of Directors (the Board) who serve overlapping four-year terms. The District purchases approximately 86% of its water from the Metropolitan Water District of Southern California. Approximately 37% of the purchased water comes from the Colorado River aqueduct and approximately 63% comes from the State Water Project.

The criteria used in determining the scope of the financial reporting entity is based on Codification of Governmental Accounting and Financial Reporting Standards, Part II. Financial Reporting, Section 2100: *Defining the Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) it is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Western Municipal Water District Facilities Authority (the Authority) was created in October 2002 by a joint exercise of powers agreement for the purpose of financing public capital improvements. It is governed by a Board of Directors comprising the District's Board of Directors. The Authority has issued debt that is secured solely from installment payments payable under an installment purchase agreement entered into between the District and the Authority. All accounts or funds created and established pursuant to any instrument or agreement to which the Authority is a party, and any interest earned or accrued thereon, shall inure to the benefit of the District. Separate financial statements are not prepared for the Authority. It is reported as a blended component unit.

B. Basis of Accounting and Measurement Focus

The District reports its activities as a special-purpose government engaged in only business-type activities using the economic resources measurement focus, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where, in most instances, the intent of the District is that the costs of providing water or wastewater disposal to its service area on a continuing basis be financed or recovered primarily through user charges (water sales, water service charges, and wastewater disposal), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales, water purchases, and wastewater disposal, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflow of Resources, and Net Position

1. Investments

Investments are generally reported in the accompanying statement of net position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. In addition to the change in fair value, other investment income includes interest earnings and any gains or losses realized upon liquidation or sale of investments.

2. Receivables, Net Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. Account write-offs are based on management's evaluation of customer accounts and creditor's ability to pay. The allowance for doubtful accounts is deducted against receivables on the statement of net position.

3. Property Taxes and Assessments

The County of Riverside Assessor's Office assesses all real and personal property within Riverside County (the County) each year. The County of Riverside Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax revenue is recognized in the period levied for, less an allowance estimated for uncollectibles. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide-assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1 to June 30
Due date	November 1 - First installment February 1 - Second installment
Delinquent date	December 10 - First installment April 10 - Second installment

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position, continued

4. Hedge Accounting

The District applies the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Financial Instruments*, as amended by GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

The District has determined that its interest rate swap agreement for reducing interest rate risk exposure on its variable-rate debt is a hedging derivative instrument. Under hedge accounting, the fair values of a hedging derivative instrument are reported as either an asset and deferred swap inflow or deferred swap outflow and a liability in a government's statement of net position.

5. Inventory

Inventory consists primarily of materials and supplies used in the construction and maintenance of the District's ongoing operations and are valued at weighted-average cost.

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$10,000 and an estimated useful life of more than two years. Donated assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, as follows:

Vehicles and equipment	5 - 10 years
Plant	20 - 75 years
Buildings	30 years

The District participates with various agencies entitling it to certain capacity rights. Such capacity rights are recorded as intangible assets and treated in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The District's participation in these agencies is through cash payments. Monies used for the construction or expansion of capital assets, such as pipelines, wastewater facilities, etc., are recorded as capacity rights and included in capital assets. The capacity rights have either an indefinite useful life or a definite useful life depending on any legal, contractual, regulatory, technological or other factors that limit the useful life of the asset. Capacity rights with definite useful lives are amortized over the life of the agreements.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position, continued

6. Capital Assets, continued

A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The District periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Management has determined that there were no such impairments at June 30, 2020.

7. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation leave up to a maximum of 320 hours and at a rate of 10 to 20 days per year based on the number of years of employment. Sick leave accrues at a rate of eight hours per month up to a maximum of 1,600 hours. Compensated absences are accrued when earned and most are expected to be paid at 100% of the employee's current hourly pay.

8. Deferred Outflow of Resources and Deferred Inflow of Resources

The District applies the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement requires that the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources be reported as net position. The impact of deferred outflow of resources and deferred inflow of resources on net position are explained in the following paragraphs:

At June 30, 2020, the District has four items reported as deferred outflow of resources. The first item relates to the deferred swap outflow of \$4,097,497. This amount would be recognized as an investment loss upon the early termination of the swap as it represents the fair market value or marked-to-market value of the swap at June 30, 2020. The District currently has no intention of terminating its interest rate swap agreement in advance. The second item relates to the deferred outflow of resources on debt refunding of \$10,163,208 at June 30, 2020. This amount relates to previous debt refundings in 2012 and 2016. It represents the difference in the carrying value of refunded debts and their reacquisition prices, net of amortization. The deferred outflow of resources on refunding are amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter. The third and fourth items are the deferred outflow of resources related to pension and other post-employment benefits (OPEB) in the amount of \$5,808,885 and \$4,030,314, respectively. These amounts include the pension contributions made after the measurement date of the net pension liability, differences between expected and actual experience for both pension and OPEB, changes in assumption for both pension and OPEB, net difference between projected and actual earnings on OPEB plan investments, and an adjustment due to differences in proportions for pension. Refer to Notes 10 D and 11 D for additional information.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position, continued

8. Deferred Outflow of Resources and Deferred Inflow of Resources, continued

At June 30, 2020, the District has two items reported as deferred inflow of resources. These items relate to pension and OPEB, in the amount of \$1,106,770 and \$4,502,653, respectively. The amounts include the deferred inflow resulting from differences between expected and actual experience for both pension and OPEB, changes of assumption for both pension and OPEB, net difference between projected and actual earnings on both pension and OPEB plan investments, and differences between the employer's contributions and the employer's proportionate share of contributions for pension. Refer to Notes 10 D and 11 D for additional information.

9. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt associated with the acquisition, construction or improvement of those assets.
- **Restricted for capacity charges** – Restricted net position has constraints placed on it imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position consists of net position that do not meet the definition of *restricted* or *invested in capital assets*.

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

D. Revenues

1. Water and Wastewater Services

Water and wastewater revenue is based on usage and recognized at the time of use. Customers are billed on a monthly cyclical basis. Estimated unbilled water and wastewater revenue based on estimated usage through June 30 has been recognized at year-end.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Revenues, continued

2. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment. Capital contributions are recognized on the statement of revenues, expenses and changes in net position when the cash or capital assets are received.

3. Grants

When a grant agreement is approved and eligibility requirements are met, the amount is recorded as a receivable on the statement of net position and as capital grant contribution or non-operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

E. Pensions

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense (income), information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) cost-sharing plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources related to OPEB, and OPEB expense (income), information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflow of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

H. Budgetary Policies

The District adopts a biennial non-appropriated budget for planning, control and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the financial statements as follows:

	2020
Cash	\$ 22,236,424
Investments	163,495,673
Restricted investments	23,639,304
Total investments	187,134,977
Total cash and investments	\$ 209,371,401

Cash and investments as of June 30 consist of the following:

	2020
Petty cash	\$ 16,200
Deposits with financial institutions	22,220,224
Total cash	22,236,424
Money market funds	618,555
California Local Agency Investment Fund	8,235,418
U.S. treasury notes	31,958,905
Government-sponsored agency securities	73,771,701
Corporate medium-term notes	42,173,984
Asset-backed securities	9,108,218
Collateralized mortgage obligations	14,310,547
Supranationals	6,955,396
Held by fiscal agent:	
Money market funds	2,253
Total investments	187,134,977
Total cash and investments	\$ 209,371,401

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(2) Cash and Investments, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal Securities	5 years	30%	5%
California State and Local Agency Obligations			
Notes or Bonds of any of the other 49 states			
U.S. Treasury obligations	10 years	No limit	No limit
U.S. Government Agency Securities obligations	10 years	No limit	25%
Banker's acceptances	180 days	40%	5%
Prime commercial paper	270 days	25%	5%
Federally insured time deposits (Non-negotiable CDs)	5 years	20% (combined with collateralized Time Deposits)	FDIC Limit
Collateralized time deposits (Non-negotiable CDs)	5 years	20% (combined with Federally- insured Time Deposits)	No limit
Certificate of deposit placement services (CDARS)	5 years	30% (combined with CDs)	No limit
Negotiable certificates of deposit (NCDs)	5 years	30% (combined with CDARS)	5%
Repurchase agreements	90 days	No limit	5%
Corporate medium-term notes	5 years	30%	5%
Supranational	5 years	30%	10%
California State Local Agency Investment Fund (LAIF)	N/A	\$75 million	No limit
Mutual funds	N/A	20% (combined with Money Market Mutual Funds)	10%
Money market mutual funds	N/A	20% (combined with Mutual Funds)	No limit
Mortgage pass-through securities	5 years	20%	5%
Asset-backed securities	5 years	20%	5%
Collateralized mortgage obligations	5 years	20%	5%
County Pooled Investment Funds	N/A	No limit	No limit
CalTrust Pooled Investment Funds	N/A	No limit	No limit

The Board has approved all investments with a maturity in excess of five years.

Investments Authorized by Debt Agreements

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

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(2) Cash and Investments, continued

Investments Authorized by Debt Agreements, continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Government obligations	No limit	No limit	No limit
Local agency bonds	No limit	No limit	No limit
U.S. Agency securities	No limit	No limit	No limit
Certificates of deposit	365 days	10%	No limit
Money market funds	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	No limit up to maximum allowable per LAIF	No limit

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution a government 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-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund (LAIF)). All investments, other than LAIF, are in the name of the District and held by a third-party custodian.

At June 30, 2020, the carrying amount of the District's deposits was \$22,220,224, and the corresponding bank balance was \$23,563,545. The difference of \$1,343,321 was principally due to outstanding checks, wires and/or deposits in transit. Of the bank balance, up to \$250,000 is federally insured under the Federal Deposit Insurance Corporation with balances in excess of \$250,000 collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the name of the District.

Investment in State Investment Pool

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

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(2) Cash and Investments, continued

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. The District's investment policy provides limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Maturities of investments at June 30, 2020 are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
U.S. Treasury Notes	\$ 31,958,905	\$ -	\$ 16,857,346	\$ 15,101,559
Government-sponsored agency securities	73,771,701	3,944,553	39,212,538	30,614,610
Corporate medium-term notes	42,173,984	4,904,924	37,269,060	-
Asset-backed securities	9,108,218	-	9,108,218	-
Collateralized mortgage obligations	14,310,547	-	14,310,547	-
Supranationals	6,955,396	2,319,901	4,635,495	-
Money market funds	620,808	620,808	-	-
Total	\$ 178,899,559	\$ 11,790,186	\$ 121,393,204	\$ 45,716,169

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Credit ratings of investments as of June 30, 2020 were as follows:

Investment Type	Fair Value	Minimum Policy Rating	Exempt From Disclosure	Ratings as of Year-End			Not Rated
				AAA	AA	A	
U.S. Treasury Notes	\$ 31,958,905	N/A	\$ 31,958,905	\$ -	\$ -	\$ -	\$ -
Government-sponsored agency securities	73,771,701	None	-	3,819,267	69,952,434	-	-
Corporate medium-term notes	42,173,984	A	-	1,033,964	10,859,189	30,280,831	-
Asset-backed securities	9,108,218	AA	-	9,108,218	-	-	-
Collateralized mortgage obligations	14,310,547	AA	-	14,310,547	-	-	-
Supranationals	6,955,396	AAA	-	6,955,396	-	-	-
California Local Agency Investment Fund	8,235,418	None	-	-	-	-	8,235,418
Money market funds	620,808	*	-	618,555	-	-	2,253
	\$ 187,134,977		\$ 31,958,905	\$ 35,845,947	\$ 80,811,623	\$ 30,280,831	\$ 8,237,671

* Highest rating by at least two nationally recognized statistical rating agencies.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(2) Cash and Investments, continued

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer, other than the \$75 million limitation on LAIF, as stipulated by the California Government Code. The District's investment with LAIF is 3.93% of the District's total depository and investment portfolio as of June 30, 2020. 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	2020 Reported Amount	2020 % of Total Investments
Federal Home Loan Bank	Government-Sponsored Agency Securities	\$ 28,715,689	15%
Federal National Mortgage Association	Government-Sponsored Agency Securities	23,034,669	12%
Federal Home Loan Mortgage Corporation	Government-Sponsored Agency Securities	12,631,630	7%
Tennessee Valley Authority	Government-Sponsored Agency Securities	9,389,713	5%

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. When quoted prices in active markets are not readily available, fair values are based on pricing models or matrices maximizing the use of observable inputs for similar securities as received by the District's investment advisor from a third-party service provider. For the District's derivative instrument - interest rate swap, it is valued based on applying a standard interest rate swap valuation methodology and by taking into account certain observable interest curves. Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2020:

Investment Type	Fair Value or Amortized Cost	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
U.S. Treasury Notes	\$ 31,958,905	\$ -	\$ 31,958,905	\$ -
Government-sponsored agency securities	73,771,701	-	73,771,701	-
Corporate medium-term notes	42,173,984	-	42,173,984	-
Asset-backed securities	9,108,218	-	9,108,218	-
Collateralized mortgage obligations	14,310,547	-	14,310,547	-
Supranational	6,955,396	-	6,955,396	-
Money market funds	620,808	620,808	-	-
Investments at fair value	<u>178,899,559</u>	<u>620,808</u>	<u>178,278,751</u>	<u>-</u>
California Local Agency Investment Fund	8,235,418	-	-	-
Investment at amortized cost	8,235,418	-	-	-
Total	<u>\$ 187,134,977</u>	<u>\$ 620,808</u>	<u>\$ 178,278,751</u>	<u>\$ -</u>
Derivative Instrument - interest rate swap	\$ (4,097,497)	\$ -	\$ (4,097,497)	\$ -

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(3) Restricted Investments

Restricted investments at June 30 are restricted as follows:

	2020
Capacity charges	\$ 20,337,578
Customer deposits	1,605,225
Construction advances	1,694,247
2010 Series A and Series B Water Revenue Bonds Service Fund	3
2012 Series A Water Revenue Bonds Service Fund	2,250
2016 Series A Water Revenue Bonds Service Fund	1
	\$ 23,639,304

(4) Receivables

Current Receivables, net

Current receivables at June 30 consisted of the following:

	2020
Utility services - wholesale	\$ 14,884,452
Utility services - retail	6,364,803
Allowance for doubtful accounts	(264,273)
Accrued interest	964,994
Property taxes and assessments	727,417
Other	295,316
	\$ 22,972,709

Notes Receivable, Non-Current

Non-current receivables at June 30 consisted of the following:

	2020
Note receivable from Jurupa Community Services District	\$ 5,091,424

In May 2004, the District sold 3.0 million gallons per day (MGD) of its capacity rights in Western Riverside County Regional Wastewater Authority (WRCRWA) to Jurupa Community Services District (Jurupa or JCSD) for \$9,486,754, for which a note was received. The note requires Jurupa to pay the District 29 annual principal payments ranging from \$198,884 to \$517,098 beginning January 1, 2005. The interest rate is variable and currently at 3.305%.

(5) Compensated Absences

Compensated absences comprise unpaid vacation and sick leave, which are accrued as earned. The District's liability for compensated absences is determined annually.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(5) Compensated Absences, continued

The changes to compensated absences balances at June 30 were as follows:

Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-Term Portion
\$ 3,037,262	\$ 3,131,421	\$ (2,383,466)	\$ 3,785,217	\$ 2,455,424	\$ 1,329,793

(6) Capital Assets

The balance in capital assets for the year ended June 30, 2020 was as follows:

	Balance 2019	Additions	Deletions / Transfers	Balance 2020
Capital assets not being depreciated:				
Land	\$ 7,948,314	\$ 720,327	\$ -	\$ 8,668,641
Capacity rights	23,043,424	70,366,917	-	93,410,341
Construction-in-progress	127,592,357	23,280,345	(92,562,354)	58,310,348
Total capital assets not being depreciated	<u>158,584,095</u>	<u>94,367,589</u>	<u>(92,562,354)</u>	<u>160,389,330</u>
Capital assets being depreciated:				
Land improvements	3,369,065	4,883,547	(300,901)	7,951,711
Plant	486,428	-	-	486,428
Source of supply - plant	1,056,579	-	-	1,056,579
Pumping plant	33,520,973	447,764	(1,730,897)	32,237,840
Water treatment plant	8,429,865	201,724	(93,036)	8,538,553
Transmission and distribution plant	217,646,067	12,975,492	(1,217,440)	229,404,119
Wastewater treatment plant	114,591,986	1,862,501	(1,277,275)	115,177,212
Buildings	26,658,338	222,720	(251,411)	26,629,647
Furniture, fixtures and office equipment	1,658,964	60,096	(52,619)	1,666,441
Vehicles	6,970,265	195,472	(34,503)	7,131,234
Construction and maintenance equipment	1,773,144	-	-	1,773,144
Computer equipment	7,931,531	246,440	(378,743)	7,799,228
Miscellaneous equipment	1,361,643	30,635	(2,019)	1,390,259
Capacity rights	23,894,054	950,278	(935)	24,843,397
Total capital assets being depreciated	<u>449,348,902</u>	<u>22,076,669</u>	<u>(5,339,779)</u>	<u>466,085,792</u>
Less accumulated depreciation:				
Land improvements	(2,303,963)	(103,127)	300,901	(2,106,189)
Plant	(438,169)	(6,936)	-	(445,105)
Source of supply - plant	(1,056,496)	(83)	-	(1,056,579)
Pumping plant	(19,294,194)	(948,516)	1,707,033	(18,535,677)
Water treatment plant	(6,335,145)	(200,218)	93,036	(6,442,327)
Transmission and distribution plant	(90,004,178)	(5,128,997)	1,217,438	(93,915,737)
Wastewater treatment plant	(34,495,304)	(4,025,972)	966,043	(37,555,233)
Buildings	(7,518,497)	(876,939)	76,936	(8,318,500)
Furniture, fixtures and office equipment	(1,645,168)	(1,550)	52,619	(1,594,099)
Vehicles	(4,458,513)	(625,551)	5,061	(5,079,003)
Construction and maintenance equipment	(664,804)	(138,488)	-	(803,292)
Computer equipment	(4,770,737)	(749,999)	360,928	(5,159,808)
Miscellaneous equipment	(925,248)	(107,942)	2,019	(1,031,171)
Capacity rights	(4,977,778)	(490,921)	-	(5,468,699)
Total accumulated depreciation	<u>(178,888,194)</u>	<u>(13,405,239)</u>	<u>4,782,014</u>	<u>(187,511,419)</u>
Total capital assets being depreciated, net	<u>270,460,708</u>	<u>8,671,430</u>	<u>(557,765)</u>	<u>278,574,373</u>
Total capital assets, net	<u>\$ 429,044,803</u>	<u>\$ 103,039,019</u>	<u>\$ (93,120,119)</u>	<u>\$ 438,963,703</u>

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(6) Capital Assets, continued

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that compose the construction-in-progress balance at June 30 are as follows:

	<u>2020</u>
La Sierra Pipeline and Sterling Pump Station	\$ 39,677,217
SRRRA Plant Rehabilitation - Capacity Rights	3,952,465
North Well Replacement Project	3,269,728
Various projects	<u>11,410,938</u>
Construction-in-progress	<u>\$ 58,310,348</u>

Capital Leases

The District leases certain vehicles classified as capital leases. Total assets under capital leases and total accumulated amortization are \$2,535,158 and \$1,041,170, respectively, at June 30, 2020.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(7) Long-Term Debt

Long-term debt activities for the year ended June 30, 2020 were as follows:

	Balance 2019	Additions	Deletions	Balance 2020	Current Portion	Long-Term Portion
<u>Due to other governments:</u>						
Public Offering:						
Santa Rosa Regional Resources Authority: SRRRA 2017 Bond Issuance	\$ 8,950,097	\$ -	\$ (717,423)	\$ 8,232,674	\$ 703,590	\$ 7,529,084
Direct Borrowing:						
Western Riverside County Regional Wastewater Authority:						
State Water Resources Control Board - Plant Expansion	603,458	21,299	(27,611)	597,146	28,136	569,010
Santa Rosa Regional Resources Authority SRRRA SRF Loan	1,251,495	2,092,673	-	3,344,168	-	3,344,168
State Water Resources Control Board La Sierra Project	11,711,134	22,560,575	-	34,271,709	-	34,271,709
Total due to other governments	<u>22,516,184</u>	<u>24,674,547</u>	<u>(745,034)</u>	<u>46,445,697</u>	<u>731,726</u>	<u>45,713,971</u>
<u>Bonds payable:</u>						
Public Offering:						
2010 Series A bonds	2,410,000	-	(1,180,000)	1,230,000	1,230,000	-
2010 Series B bonds	42,755,000	-	-	42,755,000	-	42,755,000
Unamortized premium	45,486	-	(36,304)	9,182	-	9,182
Unamortized discount	(159,437)	-	11,189	(148,248)	-	(148,248)
2012 Series A bonds	40,735,000	-	(1,610,000)	39,125,000	1,675,000	37,450,000
2016 Series A bonds	51,975,000	-	-	51,975,000	-	51,975,000
Unamortized discount	(67,664)	-	4,587	(63,077)	-	(63,077)
Direct Borrowing:						
Swap liability ⁽¹⁾	3,872,999	-	(482,304)	3,390,695	-	3,390,695
Total bonds payable	<u>141,566,384</u>	<u>-</u>	<u>(3,292,832)</u>	<u>138,273,552</u>	<u>2,905,000</u>	<u>135,368,552</u>
<u>Note payable:</u>						
Direct Borrowing:						
Note payable - headquarters building	9,020,960	-	(1,203,105)	7,817,855	1,230,570	6,587,285
Total note payable	<u>9,020,960</u>	<u>-</u>	<u>(1,203,105)</u>	<u>7,817,855</u>	<u>1,230,570</u>	<u>6,587,285</u>
<u>Lease payable:</u>						
Direct Borrowing:						
Lease payable - vehicle lease	1,740,343	181,017	(451,578)	1,469,782	448,633	1,021,149
Total lease payable	<u>1,740,343</u>	<u>181,017</u>	<u>(451,578)</u>	<u>1,469,782</u>	<u>448,633</u>	<u>1,021,149</u>
Total long-term debt	<u>\$ 174,843,871</u>	<u>\$ 24,855,564</u>	<u>\$ (5,692,549)</u>	<u>\$ 194,006,886</u>	<u>\$ 5,315,929</u>	<u>\$ 188,690,957</u>

⁽¹⁾ Refer to Note 8 for further information on the swap liability agreement.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(7) Long-Term Debt, continued

Scheduled future debt service requirements of long-term debt, other than lease payable, for years subsequent to June 30, 2020 are as follows, assuming that the 2012 Series A is remarketed and the liquidity agreement is renewed, and the 2016 Series A is remarketed over their scheduled maturities of the debt as disclosed below. If the liquidity agreement for 2012 Series A is not renewed in October 2022, amounts due in fiscal year 2023 will increase by \$33,900,000, than the amount reported below. The 2016 bonds were refunded in July 2020.

Fiscal Years	Principal	Interest ⁽¹⁾	Total
2021	\$ 4,867,296	\$ 4,985,547	\$ 9,852,843
2022	6,732,405	6,651,842	13,384,247
2023	6,911,918	6,451,165	13,363,083
2024	7,126,439	6,233,907	13,360,346
2025	7,340,783	6,008,945	13,349,728
2026-2030	34,467,822	26,458,109	60,925,931
2031-2035	39,484,622	19,825,452	59,310,074
2036-2040	44,662,539	11,384,107	56,046,646
2041-2045	26,281,197	2,143,111	28,424,308
2046-2050	6,723,542	410,999	7,134,541
2051-2055	1,405,821	21,087	1,426,908
Total	<u>\$ 186,004,384</u>	<u>\$ 90,574,271</u>	<u>\$ 276,578,655</u>

Unamortized discount	\$ (211,325)
Unamortized premium	9,182
SWAP liability	3,390,695
SRRRA SRF Loan	3,344,168
Total	192,537,104
Less current portion	(4,867,296)
Total non-current	<u>\$ 187,669,808</u>

⁽¹⁾ The 2012 Series A bonds have an assumed interest rate of 2.715% based on the swap.

Western Riverside County Regional Wastewater Authority - State Water Resources Control Board - Plant Expansion

This loan with WRCRWA is in connection with odor control improvements at the WRCRWA Plant and bears interest at 1.9% with a 20-year repayment term that began December 2018. The District's loan amount is \$597,146 as of June 30, 2020.

As of June 30, 2020, the future annual maturities of the District's obligation are as follows:

Fiscal Years	Principal	Interest	Total
2021	\$ 28,136	\$ 11,346	\$ 39,482
2022	28,670	10,811	39,481
2023	29,215	10,266	39,481
2024	29,770	9,711	39,481
2025	30,336	9,146	39,482
2026-2030	160,547	36,861	197,408
2031-2035	176,389	21,018	197,407
2036-2040	114,083	4,362	118,445
Total	597,146	<u>\$ 113,521</u>	<u>\$ 710,667</u>
Less current portion	(28,136)		
Total non-current	<u>\$ 569,010</u>		

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(7) Long-Term Debt, continued

Santa Rosa Regional Resources Authority (SRRRA)

SRRRA 2017 Bonds

On August 1, 2017, the District entered into a Capacity Funding Agreement with SRRRA in connection with the issuance of the 2017A and 2017B revenue bonds by SRRRA (collectively referred herein as SRRRA Bonds) to finance the acquisition of the Santa Rosa Water Reclamation Facility (SRWRF) and plant upgrades. Series 2017A tax-exempt, fixed-rate revenue bonds were issued in the amount of \$24,040,000 with interest ranging from 3.00% to 5.00% maturing on August 1, 2034. Series 2017B taxable fixed-rate revenue bonds were issued in the amount of \$31,190,000 with interest ranging from 1.5% to 3.65% maturing on August 1, 2031. Under the Capacity Funding Agreement, the District's shares of the 2017A and 2017B revenue bonds are \$4,195,469 and \$5,752,289, respectively, which are approximately 18% of the total SRRRA Bonds based on the District's ownership of the treatment capacity in the SRWRF. The District's annual debt service ranges between \$730,000 and \$1,015,000 over the term of the bonds.

As of June 30, 2020, the future annual maturities of the District's obligation are as follows:

Fiscal Years	Principal	Interest	Total
2021	\$ 703,590	\$ 281,900	\$ 985,490
2022	498,876	261,412	760,288
2023	488,732	245,939	734,671
2024	504,409	229,934	734,343
2025	509,019	212,888	721,907
2026-2030	2,607,651	789,530	3,397,181
2031-2035	2,920,397	258,032	3,178,429
Total	8,232,674	\$ 2,279,635	\$ 10,512,309
Less current portion	(703,590)		
Total non-current	\$ 7,529,084		

SRRRA SRF Loan

On January 2, 2018, the District entered into a Funding Agreement with SRRRA for the SRRRA State Revolving Fund Loan with the State Water Resources Control Board in order to finance the costs of rehabilitation projects with respect to the SRWRF. The District expects that its total share of debt service will be approximately 18.5%, or \$6,900,000, with interest at 1.8%, and a 30-year repayment term. Principal and interest will not be due until one year from the completion of the rehabilitation projects expected September 30, 2021. As of June 30, 2020, the District's share is \$3,344,168. An amortization schedule is not yet available for the amounts drawn to date.

State Water Resources Control Board – La Sierra Project

On April 17, 2015, the District entered into an agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the construction of the La Sierra Project. The maximum loan amount was \$24,000,000 with interest at 1.5%. On March 12, 2019, the SWRCB increased the original loan approval to \$35,794,100 with interest at 1.5%, which added funding for the construction of the Sterling Reservoir and Pump Station. The District's annual repayment, including principal and interest, is projected to be \$1,492,012, should the loan amount be fully utilized. Principal and interest will not be due until one year from the completion of the La Sierra Project expected July 2021. Total balance outstanding was \$34,271,709 as of June 30, 2020.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(7) Long-Term Debt, continued

State Water Resources Control Board – La Sierra Project, continued

The loan with the State Water Resources Control Board contains covenants and restrictions that include, but are not limited to, assurances relating to adherence to the Clean Water Act, Equal Opportunity and Civil rights laws, and certain other assurances. As of June 30, 2020, the future annual maturities of the District’s obligation are as follows:

Fiscal Years	Principal	Interest	Total
2021	\$ -	\$ -	-
2022	916,197	510,711	1,426,908
2023	926,575	500,333	1,426,908
2024	940,474	486,434	1,426,908
2025	954,581	472,327	1,426,908
2026-2030	4,992,031	2,142,510	7,134,541
2031-2035	5,377,835	1,756,706	7,134,541
2036-2040	5,793,456	1,341,085	7,134,541
2041-2045	6,241,197	893,343	7,134,540
2046-2050	6,723,542	410,999	7,134,541
2051-2055	1,405,821	21,087	1,426,908
Total	34,271,709	8,535,535	42,807,244
Less current portion	-		
Total non-current	\$ 34,271,709		

Bonds Payable

As provided in the Bond Master Installment Purchase Agreement, the District has created a Rate Stabilization Fund into which the District deposited \$20,000,000 in May 2009. The balance in the Rate Stabilization Fund is currently \$20,000,000, which is recorded in Investments in the financial statements, with no usage of such funding during fiscal year 2020.

2010 Series A Bonds

In October 2010, the Authority issued \$8,485,000 of 2010 Series A Water Revenue Bonds with original issue premium of \$1,266,470, which are outstanding as of June 30, 2020 in the amount of \$1,230,000. The bonds were issued to finance the acquisition and construction of certain water and wastewater facilities. Interest on the bonds is paid semiannually at stated rates ranging from 2.0% to 5.0%. The original issuance premium is being amortized using the effective interest rate method over the life of the bonds. The bonds mature in serial fashion through October 2020. The bonds are secured by a pledge of the District’s net revenues. The District is in compliance of the requirement to maintain net revenues equal to at least 110% of adjusted annual debt service.

As of June 30, 2020, the future annual maturities of the District’s obligation are as follows:

Year Ending June 30,	Fixed-Rate Bonds		
	Principal	Interest	Total
2021	\$ 1,230,000	\$ 49,200	\$ 1,279,200
Total	1,230,000	\$ 49,200	\$ 1,279,200
Less current portion	(1,230,000)		
Total non-current	\$ -		

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(7) Long-Term Debt, continued

Bonds Payable, continued

2010 Series B Bonds

In October 2010, the Authority issued \$42,755,000 of 2010 Series B Water Revenue Bonds, Taxable Build America Bonds, with original issue discount of \$255,745 outstanding as of June 30, 2020 in the amount of \$42,755,000, to finance the acquisition and construction of certain water and wastewater facilities, such as the expansion of the Western Water Recycling Facility. Interest on the bonds is paid semiannually at stated rates ranging from 4.528% to 6.510%. The original issue discount is being amortized using the effective interest rate method over the life of the bonds. The bonds mature in serial and term fashion through October 2040 and certain bonds are subject to optional or mandatory redemption. Build America Bonds, created as part of the American Recovery and Reinvestment Act of 2009 (ARRA), are taxable securities that are subject to a subsidy payment from the United States Treasury equal up to 35% of interest payable on the Build America Bonds. The subsidy payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid under the ARRA. The subsidy is pledged to the repayment of the bonds. The bonds are secured by a pledge of the District's net revenues. The District is required to maintain net revenues equal to at least 110% of adjusted annual debt service.

As of June 30, 2020, the future annual maturities of the District's obligation are as follows:

Years Ending June 30,	Fixed-Rate Bonds		
	Principal	Interest	Total
2021	\$ -	\$ 2,630,711	\$ 2,630,711
2022	1,270,000	2,630,711	3,900,711
2023	1,310,000	2,573,205	3,883,205
2024	1,350,000	2,507,338	3,857,338
2025	1,390,000	2,439,460	3,829,460
2026-2030	7,795,000	10,932,308	18,727,308
2031-2035	9,445,000	8,342,177	17,787,177
2036-2040	11,580,000	5,122,316	16,702,316
2041-2045	8,615,000	560,837	9,175,837
Total	42,755,000	\$ 37,739,063	\$ 80,494,063
Less current portion	-		
Total non-current	\$ 42,755,000		

In July 2020, the District completed the advance refunding of the Series 2010B Bonds, along with the redemption of the Series 2016A Bonds and issuance of additional bonds to finance capital improvements (collectively referred to as the Series 2020A Bonds). The refunding of the 2010B Bonds has reduced the debt service requirements as presently scheduled.

With the refunding of the 2010B Bonds, the District is no longer eligible to receive the subsidy payments related to the 2010B Bonds. Refer to Note 16, Subsequent Events, for additional discussion of the issuance of the Series 2020A Bonds.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(7) Long-Term Debt, continued

Bonds Payable, continued

2012 Series A Bonds

In June 2012, the Authority issued \$43,775,000 of 2012 Series A Adjustable Rate Water Revenue Refunding Bonds (2012 Series A) to refund the District's 2009 Series A Adjustable Rate Water Revenue Refunding Bonds (2009 Series A). The refunded bonds were fully redeemed.

The 2012 Series A Bonds are adjustable interest rate bonds with varying optional redemption provisions whose rates adjust from the remarketing of bonds tendered for redemption. An underlying credit facility that expires in October 2022 provides liquidity and security for redemption should remarketing efforts not provide sufficient funds. In addition to optional redemption, mandatory redemption occurs through scheduled sinking fund payments. The bonds are secured by a pledge of the District's net revenues. The District is in compliance of the requirement to maintain net revenues equal to at least 110% of adjusted annual debt service. Refer to Note 8 for information on an interest-rate swap agreement associated with these bonds.

Scheduled principal maturities of \$33,900,000 occurring between fiscal years 2024-2043, along with any accrued interest would be due in fiscal year 2023 should the underlying credit facility, which matures in October 2022, not be renewed and the remarketing agent is unable to resell bonds that are tendered for redemption.

As of June 30, 2020, the future annual maturities of the District's obligation are as follows if the bonds are successfully remarketed and the underlying credit facility is renewed over the original terms of the bonds:

Years Ending June 30,	Variable Rate Bonds		
	Principal	Interest ⁽¹⁾	Total
2021	\$ 1,675,000	\$ 1,062,244	\$ 2,737,244
2022	1,740,000	1,016,768	2,756,768
2023	1,810,000	969,527	2,779,527
2024	1,875,000	920,385	2,795,385
2025	1,955,000	869,479	2,824,479
2026-2030	10,975,000	3,509,002	14,484,002
2031-2035	7,670,000	1,972,719	9,642,719
2036-2040	-	1,550,944	1,550,944
2041-2045	11,425,000	688,931	12,113,931
Total	39,125,000	\$ 12,559,999	\$ 51,684,999
Less current portion	(1,675,000)		
Total non-current	\$ 37,450,000		

⁽¹⁾ Assuming an interest rate of 2.715% based on the swap.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(7) Long-Term Debt, continued

Bonds Payable, continued

2016 Series A Bonds

In January 2016, the Authority issued \$51,975,000 of 2016 Series A Adjustable Rate Water Revenue Refunding Bonds (2016 Series A) to refund the District's 2009 Series B Water Revenue Bonds (2009 Series B).

The bonds were issued to provide funds to advance refund in full the Authority's Water Revenue Bonds, 2009 Series B Bonds, delivered in the initial payment amount of \$54,340,000, of which \$49,695,000 is to cover the principal as they mature and to pay certain costs of issuance of the Bonds. Consequently, the 2009 Series B Bonds were considered defeased and were removed from the financial statements. The bonds were initially issued in the long-term rate and bear interest at 1.50% per annum through mandatory tender on October 1, 2020. Upon mandatory tender, the District will reissue the bonds at either variable or fixed rates.

The outstanding balance of the refunded bonds that still needs to be redeemed from the escrow account as of June 30, 2020 is \$46,635,000.

As of June 30, 2020, the future annual maturities of the District's obligation are estimated as follows:

Years Ending June 30,	Variable-Rate Bonds		
	Principal	Interest ⁽¹⁾	Total
2021	\$ -	\$ 779,625	\$ 779,625
2022	1,020,000	2,079,000	3,099,000
2023	1,060,000	2,038,200	3,098,200
2024	1,110,000	1,995,800	3,105,800
2025	1,155,000	1,951,400	3,106,400
2026-2030	6,560,000	9,024,400	15,584,400
2031-2035	13,895,000	7,474,800	21,369,800
2036-2040	27,175,000	3,365,400	30,540,400
Total	51,975,000	\$ 28,708,625	\$ 80,683,625
Less current portion	-		
Total non-current	\$ 51,975,000		

⁽¹⁾ Assuming a 4% fixed interest rate upon reissue.

In July 2020, the District has redeemed and refunded the Series 2016A Bonds at fixed rates, along with the advance refunding of the Series 2010B Bonds and issuance of additional bonds to finance capital improvements (collectively referred to as the Series 2020A Bonds). The refunding of the 2016A Bonds have reduced the debt service requirements as presently scheduled. Refer to Note 16, Subsequent Events, for additional discussion on the issuance of Series 2020A Bonds.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(7) Long-Term Debt, continued

Note Payable – Headquarters Building

In July 2016, the District refinanced the original unsecured financing done in September 2009 for the acquisition and development of its headquarters building. Along with this refinance, the District borrowed another \$8 million to accommodate the cash needs for certain capital projects. Terms of the note provide that the District is to make semiannual payments of \$700,546, including interest, through April 2026. The note has a stated interest rate of 2.27%.

As of June 30, 2020, the future annual maturities of the District’s obligation are as follows:

Fiscal Years	Principal	Interest	Total
2021	\$ 1,230,570	\$ 170,521	\$ 1,401,091
2022	1,258,662	142,429	1,401,091
2023	1,287,396	113,695	1,401,091
2024	1,316,786	84,305	1,401,091
2025	1,346,847	54,245	1,401,092
2026-2030	1,377,594	23,498	1,401,092
Total	7,817,855	\$ 588,693	\$ 8,406,548
Less current portion	(1,230,570)		
Total non-current	\$ 6,587,285		

Lease Payable - Vehicle Leases

In August 2016, the District began leasing certain vehicles used in District operations under leases classified as capital leases. The vehicles are leased for five-year terms. The following is a schedule showing future minimum lease payments:

Fiscal Years	Minimum Lease Payments
2021	\$ 526,544
2022	537,577
2023	363,320
2024	153,341
2025	41,314
Total	1,622,096
Less amount representing interest	(152,314)
Present value of minimum lease payments	\$ 1,469,782

At June 30, 2020, the present value of minimum lease payments due within one year is \$448,633. The total assets under capital leases are \$2,535,158 at June 30, 2020.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(8) Interest Rate Swap

The District entered into an interest rate swap agreement for the Authority's 2009 Series A Water Revenue Refunding Bonds. In connection with the refunding of the 2009 Series A Bonds, the District has amended and restated the swap agreement, with the same counterparty, essentially replacing the 2009 Series A Bonds with the 2012 Series A Bonds with no change in notional amounts. The amended agreement carries over the swap liability of \$7,765,573 from the prior agreement. For the fiscal year ended June 30, 2020, the balance of the swap liability is \$3,390,695. The swap liability is amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter. Because of the carryover, the new agreement is considered a hybrid instrument for financial reporting, whose pay fixed rate of 2.715% (off-market rate) enables the pay-down of the carryover swap liability.

The District's objective with the swap agreement is to alter its exposure to interest rate fluctuations, specifically rising interest rates that would negatively impact cash flows, by swapping an obligation to pay fixed rates for one that pays a floating rate. The table that follows summarizes the significant swap payment terms:

Description	Summary of Swap Payment Terms District	Counterparty
Original Confirmation Date	November 4, 2008	November 4, 2008
Original Notional Amount	\$ 48,000,000	\$ 48,000,000
Amended and Restated Date	June 26, 2012	June 26, 2012
Amended Notional Amount	\$ 43,775,000	\$ 43,775,000
Notional Reductions	Annually on October 1	Annually on October 1
Termination Date	October 1, 2042	October 1, 2042
Payment Dates	First calendar day of each month	First calendar day of each month
Payment Rate	2.715%	67% of one-month USD LIBOR

Evaluation of Swap Effectiveness

The District applies the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 prescribes the accounting and financial reporting required for derivative instruments that hedge identified financial risks. If the derivative instrument is determined to be effective in reducing the identified exposure, hedge accounting provides that changes in the fair value of the hedging instrument—in this instance, the interest rate swap—be reported as either deferred inflows or deferred outflows in a government's statement of net position. To evaluate the effectiveness of the swap, the Synthetic Instrument Method prescribed by GASB Statement No. 53 was employed for the fiscal year ended June 30, 2020. The resulting analyses reveal the swap is effective as a hedging instrument for the fiscal year.

The fair value or marked-to-market value of the swap (imputed at market rate of 1.424%) as of June 30, 2020 is \$4,097,497, which is the amount the District would owe as of this date should the swap be terminated. The decrease in fair value by (\$3,692,449) results in an increase deferred swap outflow for the year ended June 30, 2020.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(8) Interest Rate Swap, continued

Credit Risk

The amended and restated interest rate swap agreement adds a third-party guarantor for any termination payment obligation that may be incurred by the counterparty.

The following tables compare the counterparty and guarantor credit ratings at June 30, 2020 against their threshold rating for termination:

Counterparty	Moody's	S&P
Senior debt	A2	NR
Threshold amount	A3	A-
Counterparty Guarantor	Moody's	S&P
Senior debt	Aa3	AA
Threshold amount	A3	A-

Interest Rate Risk

The District is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap. As LIBOR decreases, the District's net payment on the swap increases.

Basis Risk

The District is exposed to basis risk on the swap because the variable-rate payments received by the District are based on an index other than interest rates the District pays on hedged variable rate debt. For the fiscal year ended June 30, 2020, the District's 2012 Series A Bonds, which are hedged by the amended swap, had a weighted-average variable rate of 0.90%. Over the same period, the weighted average of 67% of one-month LIBOR was 0.96%. Therefore, the District's basis gain over this period was approximately 0.06%. As of June 30, 2020, the current rate on the 2012 Series A Bonds was 0.07%, and the current rate of 67% of one-month LIBOR was 0.12%, resulting in a basis gain of 0.05% for the District.

Termination Risk

The swap may be terminated by the District or its counterparty if the other party fails to perform under the terms of the contract. If, at the time of termination, the swap were in a liability position, the District would be obligated to pay the counterparty the liability position. The District has established policies to limit its termination liability payment risk to a predetermined percentage of its available reserves. The swap termination value at June 30, 2020 was within these limits.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(9) Net Investment in Capital Assets

The balance at June 30 consists of the following:

	2020
Capital assets not being depreciated	\$ 160,389,330
Capital assets being depreciated, net	278,574,373
Due to other governmental agencies	(46,445,697)
Bonds payable	(128,909,996)
Deferred outflow of resources - debt refunding	10,163,208
Notes payable	(7,817,855)
Lease payable	(1,469,782)
Acquisition and construction of capital assets in accounts payable	(4,020,138)
Net investment in capital assets	\$ 260,463,443

(10) Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Descriptions

The Public Agency Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan (Plan), is administered by CalPERS. The Plan was established to provide retirement, death, and disability benefits to public agency rate plans with generally less than 100 active members. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2018 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained from CalPERS' website under Forms and Publications at www.calpers.ca.gov.

All qualified permanent and probationary employees are eligible to participate in the Plan, administered by CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). 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 GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans under the miscellaneous risk pool: Miscellaneous rate plan, Miscellaneous Second Tier rate plan, and PEPRM Miscellaneous rate plan. Benefit provisions under the Plan are established by state statute and District resolution.

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 (52 for the PEPRM Miscellaneous rate plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five 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 the Plan are applied as specified by the Public Employees' Retirement Law.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(10) Defined Benefit Pension Plan, continued

A. General Information about the Pension Plan, continued

Benefits Provided, continued

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.

District-sponsored rate plans' provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous Rate Plan	Miscellaneous Second Tier Rate Plan	PEPRA Miscellaneous Rate Plan
	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Hire date	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2.5 % @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	11.432%	9.680%	6.985%
Unfunded liability lump-sum payments	\$ 1,174,410	\$ 29,953	\$ 13,704

Contributions

Section 20814(c) of 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 the public agency cost-sharing plan covered by either the miscellaneous or safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), and reporting period ended June 30, 2020, the average active employee contribution rates for the respective District-sponsored Miscellaneous Rate Plan, Miscellaneous Second Tier Rate Plan and PEPRA Miscellaneous Rate Plan are 8%, 7% and 6.25% of annual pay, and the respective employer's contribution rates are 10.609%, 8.892% and 6.842% of annual payroll plus a lump-sum payment of \$963,975, \$1,947 and \$11,045. Employer contribution rates may change if plan contracts are amended. Employer Contributions made by the District to the Plan for the measurement period ended June 30, 2019 is \$2,390,220.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(10) Defined Benefit Pension Plan, continued

B. Net Pension Liability/(Asset)

The net pension liability/(asset) for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability/(asset) of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability/(asset) follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability using standard update procedures. The June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous Plan
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%
Mortality	The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
Post-retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance (PPPA) floor on purchasing power applies.

There were no changes to benefit terms or assumptions.

Discount Rate

The discount rate used by CalPERS to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. For the Plan, also known as PERF C, CalPERS believes that demonstrating that a crossover event did not occur for other contracting public agencies (e.g., a combination of State and Public Agency agent multiple-employer plans and cost-sharing multiple-employer plan of school employers), which had lower funded status and active to retiree ratios than the PERF C risk pools, is sufficient proof that no crossover event will occur in PERF C risk pools. The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(10) Defined Benefit Pension Plan, continued

B. Net Pension Liability/(Asset), continued

Discount Rate, continued

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 rate of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%
Total	100.0%		

⁽¹⁾ An expected inflation of 2.0% used for this period

⁽²⁾ An expected inflation of 2.92% used for this period

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 from CalPERS' website under Forms and Publications, at 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.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(10) Defined Benefit Pension Plan, continued

C. Proportionate Share of Net Pension Liability

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

	Increase		
	District's Total Pension Liability (a)	District's Fiduciary Net Position (b)	District's Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2018 (MD)	\$ 76,445,981	\$ 58,375,175	\$ 18,070,806
Balance at: 6/30/2019 (MD)	83,376,495	63,511,117	19,865,378
Net Changes during 2018-19	6,930,514	5,135,942	1,794,572

MD = Measurement Date

The District's net pension liability for the Plan is measured as the proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2018 and 2019 was as follows:

	District Pension Plan
Proportionate share - June 30, 2018 (MD)	0.47950%
Proportionate share - June 30, 2019 (MD)	0.49608%
Change - increase	0.01658%

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

The following presents the District's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.15%) or one percentage-point higher (8.15%) than the current rate:

	Discount Rate - 1% (6.15)%	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15)%
District's net pension liability	\$ 31,079,771	\$ 19,865,378	\$ 10,608,689

Recognition of Gains and Losses

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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(10) Defined Benefit Pension Plan, continued

C. Proportionate Share of Net Pension Liability, continued

Recognition of Gains and Losses, continued

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:

Difference between projected and actual earnings	Five-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives 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 the PERF C for the June 30, 2019 measurement period is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension Expense/(Income) and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2018), the District's proportionate share of the Plan's net pension liability is \$18,070,806 (the net pension liability of the Miscellaneous Risk Pool as of June 30, 2018 is \$3,768,713,117).

For the measurement period ended June 30, 2019 (the measurement date), the District incurred pension expense of \$4,615,773 (the pension expense for the Risk Pool for the measurement period is \$943,590,814).

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(10) Defined Benefit Pension Plan, continued

D. Pension Expense/(Income) and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, continued

As of June 30, 2020, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,379,734	\$ (106,901)
Changes of assumptions	947,273	(335,800)
Net difference between projected and actual earnings on pension plan investments	-	(347,308)
Adjustment due to differences in proportions	613,091	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(316,761)
Pension contributions subsequent to measurement date	2,868,787	-
Total	\$ 5,808,885	\$ (1,106,770)

These amounts above are net of outflows and inflow recognized in the 2018-19 measurement period expense. \$2,868,787 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2020. Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,628,168
2022	(94,258)
2023	229,238
2024	70,180
Thereafter	-
Total	\$ 1,833,328

E. Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$88,945 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(11) Other Post-Employment Benefits

A. General Information about the OPEB Plan

Plan Description

The District is the Plan Administrator for the Western Municipal Water District Retirement Medical Benefits Plan (the Medical Plan). The Medical Plan was established effective June 15, 2006 and is a single employer defined benefit plan to provide advance funding for post-employment healthcare benefits to eligible employees and eligible dependents in accordance with plan provisions. Medical Plan assets are accumulated and benefits are paid from a voluntary employees' beneficiary association (VEBA) trust established by the District. Separate financial statements of the VEBA trust may be obtained at Western Municipal Water District, 14205 Meridian Parkway, Riverside, CA 92518.

Benefits Provided

Eligible participants for the Medical Plan are based on two groups:

- a. Group 1 are classified and non-classified employees hired on or before December 18, 2002, who are at least 55 years old at retirement and have completed at least 10 years of service. The District provides medical benefits for the employee and spouse/registered domestic partner.
- b. Group 2 are classified and non-classified employees hired after December 18, 2002, who are at least 55 years old at retirement and have completed at least 10 years of service. The District provides medical benefits for the employee only.

Employees Covered

As of June 30, 2020, the following employees and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefit payments	74
Active employees	140
Total	<u>214</u>

Funding Policy and Annual Cost

Contributions

The Medical Plan and its contribution requirement of the District is established and may be amended by the District's Board of Directors. The District contributes to the VEBA trust an amount equal to the actuarially determined contribution. For the fiscal year ended June 30, 2020, the District's total benefit payments of \$896,588, net of estimated implied subsidy of \$167,156, resulted in cash contributions of \$729,432 in payments to the trust.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(11) Other Post-Employment Benefits, continued

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated November 1, 2019, that was rolled forward using standard update procedures to determine the June 30, 2020, total OPEB liability. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Valuation date	November 1, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.00%
Inflation	2.50%
Projected salary increase	3.00%
Expected long-term investment rate of return	7.00%
Healthcare cost trend rates	7.50% per annum, decreasing 0.3% per year to an ultimate rate of 4.50% for fiscal year 2031 and later years
Pre-retirement turnover	Derived from CalPERS pension plan
Mortality	Derived from CalPERS pension plan updated to reflect most recent experience study

The actuarial assumptions used in the November 1, 2019 valuation were based on a standard set of assumptions the actuary has used for similar valuations.

The long-term expected rate of return was determined using a building-block method, in which best-estimate ranges of 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	31.0%	3.80%
Fixed income	59.0%	8.50%
Real estate	8.0%	6.70%
Other	2.0%	5.00%
Total	<u>100.0%</u>	

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(11) Other Post-Employment Benefits, continued

B. Net OPEB Liability, continued

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that District's contributions would be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Medical 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 the Medical Plan's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2019	\$ 18,675,589	\$ 17,670,842	\$ 1,004,747
Changes in the year:			
Service cost	803,311	-	803,311
Interest on the total OPEB liability	1,337,944	-	1,337,944
Differences between actual and expected experience	(3,591,478)	-	(3,591,478)
Changes in assumptions	1,526,814	-	1,526,814
Change in benefit terms	-	-	-
Contribution - employer	-	729,432	(729,432)
Contribution - retiree	-	30,622	(30,622)
Net investment income	-	31,747	(31,747)
Administrative expenses	-	(28,303)	28,303
Benefit payments	(730,827)	(534,127)	(196,700)
Net changes	\$ (654,236)	\$ 229,371	\$ (883,607)
Balance as of June 30, 2020 (Measurement date)	\$ 18,021,353	\$ 17,900,213	\$ 121,140

Changes in Assumptions

Actuarial assumptions that changed from the prior year include 1) the salary increase rate was changed from 5.7% to 3.0%, and 2) the medical trend rate table was reset in 2021.

Changes in Benefit Terms

There were no changes of benefit terms.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(11) Other Post-Employment Benefits, continued

C. Changes in net OPEB Liability, continued

Subsequent Events

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a different rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current discount rate:

	1% Decrease (6.0)%	Discount Rate (7.0)%	1% Increase (8.0)%
Net OPEB Liability (Asset)	\$ 2,795,148	\$ 121,140	\$ (2,074,122)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the net OPEB liability of the District, as well as the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current health care cost trend rates:

	1% Decrease (6.50)%	Current Health Care Cost Trend Rates (7.50)%	1% Increase (8.50)%
Net OPEB Liability (Asset)	\$ (2,456,588)	\$ 121,140	\$ 3,355,896

For the year ended June 30, 2020, the District recognized OPEB expense of \$848,992. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$ 1,076,178	\$ (3,195,924)
Change of assumptions	1,926,733	(1,306,729)
Net differences between projected and actual earnings on OPEB Plan investments	1,027,403	-
Total	\$ 4,030,314	\$ (4,502,653)

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(11) Other Post-Employment Benefits, continued

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, continued

The net difference between projected and actual earnings on plan investments is amortized over a five-year period. The differences between actual and expected experience and change in assumptions are amortized over the expected average remaining service life. The expected average remaining service life for the 2019-20 measurement period is 8.0 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Years Ending June 30,	Amount
2021	\$ (63,389)
2022	41,397
2023	75,072
2024	2,007
2025	(243,079)
Thereafter	(284,347)
Total	<u>\$ (472,339)</u>

E. Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

(12) Risk Management

The District is exposed to various risks of loss including, but not limited to, torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide insurance programs for California water agencies. The role of the ACWA/JPIA is to arrange and administers pooled coverage programs where loss is retained and shared among its member agencies, and to purchase excess or specialty-insurance coverage above retained limits. At June 30, 2020, the District participated in the liability, property, and workers compensation programs of the ACWA/JPIA as follows:

- General, auto, and errors and omissions liability coverage up to the ACWA/JPIA pooled self-insured limits of \$5,000,000 per occurrence. ACWA/JPIA purchased additional excess coverage layers, which increases the coverage limits to \$60,000,000 per occurrence limited to one occurrence. Claims under \$30,000,000 have no aggregate limit. Coverage limits are in place for acts of terrorism (\$5,000,000 limit), subsidence events (\$30,000,000 limit), lead issues (\$30,000,000 limit), and mold issues (\$35,000,000 limit).
- Cyber liability coverage for losses resulting from data breaches and other cyber events up to \$3,000,000 per claim and a \$5,000,000 aggregate. Both first-party and third-party coverage is included, subject to a \$50,000 deductible.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(12) Risk Management, continued

- Crime program coverage up to \$1,100,000, which includes employee dishonesty, forgery or alteration and computer fraud, with a \$1,000 deductible.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, and otherwise paid on an actual cash value basis, to a combined total of \$500 million, subject to a deductible that generally ranges from \$25,000 to \$50,000 depending on the type of property.
- Workers' compensation insurance up to the ACWA/JPIA pooled self-insured limit of \$2,000,000 for all work-related injuries/illnesses covered by California law. ACWA/JPIA also purchased excess coverage with a \$4,000,000 program aggregate.

In addition, the District has purchased Pollution and Remediation Legal Liability insurance through an insurance company that provides coverage of \$2,000,000 per occurrence and a \$10,000,000 aggregate. Coverage includes pollution products for water supply and biosolids, sewer backup, mold, remediation, emergency response cost, on-site clean-up cost, third-party claims for off-site clean-up, and transportation pollution liability, with a \$100,000 deductible.

Settled claims have not exceeded any coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended June 30, 2020.

(13) Commitments and Contingencies

Joint Ventures

The District participates in the following joint ventures with other districts and agencies for various water and wastewater projects and operating facilities in southern California:

Chino Basin Desalter Authority

The District joined the Chino Basin Desalter Authority (CDA) in November 2008 and became a voting member of the CDA on September 22, 2011, through a facility buy-in contribution of \$3,163,712. Working in partnership with two CDA partners, the City of Ontario and JCSD, the District is augmenting water supplies from the Chino Basin by expanding the capacity of the Chino II Desalter from 12 MGD to 22 MGD. As expansion partners, the District, the City of Ontario and Jurupa will be responsible for funding the remaining cost of the \$155 million project, net of grants. The District's total share of the project is expected to be \$68 million, excluding the District's internal costs and capitalized interest, reduced by \$33 million in grant funding, for a net cost of \$35 million. The District's share of cost incurred to date, including the District's internal costs and capitalized interest, is \$75 million as of June 30, 2020. The District's participation in the CDA is accounted for as a joint venture without an equity interest. The District's share of the expansion cost was capitalized throughout construction, including capacity rights of 3,534 acre-feet of water annually.

Separate financial statements may be obtained at the Chino Basin Desalter Authority, 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Chino Basin Desalter Authority, continued

Financial information for the operation of the CDA for the fiscal year ended June 30 is as follows:

	2020
Total assets	\$ 299,125,119
Total deferred outflows of resources	\$ 3,812,920
Total liabilities	\$ 90,018,843
Total net position	\$ 212,919,196
Total revenues	\$ 65,149,468
Total expenses	(55,911,671)
Change in net position	\$ 9,237,797

Western Riverside County Regional Wastewater Authority

WRCRWA was formed in 1992 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies, for the purpose of constructing, maintaining, operating and managing facilities for the collection, transmission, treatment and disposal of wastewater, the reclamation of wastewater, and the use of reclaimed wastewater for any beneficial purpose.

The five-member agencies are the Home Gardens Sanitary District, the District, the City of Norco, the City of Corona, and JCSD. WRCRWA is governed by a 10-member Board of Directors. The District's participation in WRCRWA is accounted for as a joint venture without an equity interest.

WRCRWA owns and operates a tertiary wastewater treatment plant in Riverside County. In 2018, WRCRWA completed an expansion of the plant from an 8.0 MGD to a 14.0 MGD treatment capacity. The member agencies support the operating costs and capital costs through fixed and variable rates established by WRCRWA's Board of Directors. At June 30, 2020, the carrying value of the District's capacity rights in WRCRWA is \$8.9 million, net of accumulated amortization. The capacity rights in WRCRWA are being amortized over the term of the WRCRWA joint powers of agreement.

The plant's treatment capacity is owned by member agencies as follows:

Member Agencies	MGD
Western Municipal Water District	1.93
Jurupa Community Services District	6.00
City of Norco	2.70
Home Gardens Sanitary District	0.75
City of Corona	2.62
	14.00

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Western Riverside County Regional Wastewater Authority, continued

The recent plant expansion is financed by all member agencies, including a portion from the District for certain expenses that primarily deal with odor control. The District's participation in the plant expansion did not result in additional allocated capacity to the District. The table above reflects plant treatment capacity among the member agencies as a result of the plant expansion.

Financial information for the operation of WRCRWA for the fiscal year ended June 30 is as follows:

	2020
Total assets	\$ 121,563,996
Total liabilities	\$ 72,564,483
Total deferred inflow of resources	\$ 350,000
Total net position	\$ 48,649,513
Total revenues	\$ 18,508,570
Total expenses	(15,135,685)
Change in net position	\$ 3,372,885

Since July 1, 1998, the District has been responsible for the administration and operations of WRCRWA. Separate financial statements of WRCRWA may be obtained at Western Municipal Water District, 14205 Meridian Parkway, Riverside, CA 92518.

Santa Ana Watershed Project Authority (SAWPA)

SAWPA was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the Santa Ana River Watershed. SAWPA is composed of five water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District and the Inland Empire Utilities Agencies. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of 10. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by contributions based on the general or specific nature of the project or study. The District's participation in SAWPA is accounted for as a joint venture without an equity interest. At June 30, 2020, the carrying value of the District's capacity rights in SAWPA is \$18.0 million. The capacity rights in SAWPA were determined to have an indefinite useful life and are not being amortized. Financial data may be obtained at Santa Ana Watershed Project Authority, 11615 Sterling Avenue, Riverside, CA 92503.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Santa Ana Watershed Project Authority (SAWPA), continued

Financial information for the operation of SAWPA for the fiscal year ended June 30 is as follows:

	2020
Total assets	\$ 171,906,687
Total deferred outflow of resources	\$ 4,218,310
Total liabilities	\$ 102,228,349
Total deferred inflow of resources	\$ 571,542
Total net position	\$ 73,325,106
Total revenues	\$ 22,688,168
Total expenses	(20,922,538)
Change in net position	\$ 1,765,630

Santa Rosa Regional Resources Authority (SRRRA)

SRRRA was formed under a joint exercise of power agreement for the purpose of constructing, maintaining, operating and managing facilities for the collection, transmission, treatment and disposal of wastewater, the reclamation of wastewater, and the use of reclaimed wastewater for any beneficial purpose.

SRRRA comprises three-member agencies: Elsinore Valley Municipal Water District, Rancho California Water District, and Western Municipal Water District. SRRRA is governed by a three-member Board of Directors. The District's participation is accounted for as a joint venture without an equity interest.

In 2018, SRRRA completed the acquisition of the SRWRF, a 5.0 MGD secondary and tertiary plant, from Rancho California Water District. Wastewater flows in SRRRA's service area are treated at the SRWRF. At June 30, 2020, the carrying value of the District's capacity rights in SRRRA are \$10.7 million. Financial data may be obtained at Rancho California Water District, 42135 Winchester Road, Temecula, CA 92590.

Financial information for the operation of SRRRA for the fiscal year ended June 30 is as follows:

	2020
Total assets	\$ 89,283,613
Total liabilities	\$ 83,189,970
Total net position	\$ 6,093,643
Total revenues	\$ 10,407,007
Total expenses	(9,061,699)
Change in net position	\$ 1,345,308

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020**

(13) Commitments and Contingencies, continued

Construction Contracts

The District has committed to \$2,709,107 in open construction contracts as of June 30, 2020. These include:

Project	Approved Contract	Payments To Date	Remaining Commitment
Sterling Pump Station Project	\$ 18,810,057	\$ 18,103,241	\$ 706,816
North Well Replacement Project	3,140,751	2,198,239	942,512
GapVax Sewer Cleaner Equipment	524,363	-	524,363
Victoria Basin Recharge Wells	647,449	112,033	535,416
Total	<u>\$ 23,122,620</u>	<u>\$ 20,413,513</u>	<u>\$ 2,709,107</u>

General Litigation

The District is subject to various claims covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters has already been accrued as of June 30, 2020.

(14) Implementation of New Accounting Principles

GASB Statement No. 95

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

(15) GASB Statements Issued, Not Yet Effective

GASB Statement No. 84

The GASB has issued Statement No. 84, *Fiduciary Activities*. 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. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(15) GASB Statements Issued, Not Yet Effective, continued

GASB Statement No. 87

The GASB has issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease liability and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

GASB Statement No. 90

The GASB has issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

GASB Statement No. 91

The GASB has issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

GASB Statement No. 92

The GASB has issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(15) GASB Statements Issued, Not Yet Effective, continued

GASB Statement No. 93

The GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of IBOR. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

GASB Statement No. 96

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users (governments). This Statement 1) defines a SBITA, 2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

GASB Statement No. 97

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements, and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The impact of the implementation of this Statement on the District's financial statements has not been assessed at this time.

(16) Subsequent Events

In July 2020, the Authority issued \$90,260,000 of the Series 2020A Water Revenue Bonds with an original issue premium of \$31,341,035. The bonds were issued to provide funds to acquire various capital improvements to the District's water and wastewater system facilities in the amount of \$25.5 million, redeem the Series 2016A Revenue Bonds, and advance refund the Series 2010B Bonds.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2020

(16) Subsequent Events, continued

The bonds bear stated interest at 5.0% and are payable semiannually in April and October through October 2050. The future annual maturities of the District's obligation are as follows:

Fiscal Years	Principal	Interest	Total
2021	\$ 295,000	\$ 4,513,000	\$ 4,808,000
2022	310,000	4,498,250	4,808,250
2023	325,000	4,482,750	4,807,750
2024	340,000	4,466,500	4,806,500
2025	355,000	4,449,500	4,804,500
2026-2030	11,590,000	21,226,500	32,816,500
2031-2035	26,115,000	17,195,500	43,310,500
2036-2040	41,155,000	8,860,000	50,015,000
2041-2045	4,295,000	2,035,000	6,330,000
2046-2050	5,480,000	849,000	6,329,000
Total	90,260,000	\$ 72,576,000	\$ 162,836,000
Less current portion	(295,000)		
Total non-current	\$ 89,965,000		

Other than the 2020A bond issuance, events occurring after June 30, 2020 have been evaluated for potential recognition or disclosure through January 25, 2021, which is the date the financial statements were available to be issued.

(17) COVID-19 Outbreak

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration, and the severity of the outbreak is uncertain. In addition, the economic implications and actions that may be taken by government authorities to contain the outbreak, or to treat its impact, are also unknown.

Potential impacts to the District include, but are not limited to, increasing costs and challenges to the public health in and around the District, cancellations of public events, and disruption of the regional and local economy. While the ultimate impact and extent of COVID-19 on the operations and finances of the District are unknown at this time, the District has increased its allowance for collection losses of accounts receivable. In addition, the District projects an increase in property tax delinquencies through fiscal year 2022, including slower growth in assessed valuations.

As part of the District's response to the COVID-19 outbreak, the District has moved operations staff to separate locations, staggered shifts, and allowed certain employees to telecommute, in order to prevent large gatherings of personnel at any one time. The District does not currently foresee an impact on the water or sewer system operations at this time.

Required Supplementary Information

**Western Municipal Water District
Required Supplementary Information
June 30, 2020**

*Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and
Related Ratios as of the Measurement Date
Last 10 Years**

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's proportion of the net pension liability	0.19386%	0.18753%	0.18579%	0.18184%	0.18016%	0.14943%
District's proportionate share of the net pension liability	\$ 19,865,378	\$ 18,070,806	\$ 18,425,168	\$ 15,734,556	\$ 12,365,976	\$ 9,298,222
District's covered payroll ⁽¹⁾	\$ 14,957,485	\$ 13,685,044	\$ 12,875,107	\$ 12,276,411	\$ 11,614,001	\$ 10,944,715
District's proportionate share of the net pension liability as a percentage of its covered payroll	132.81%	132.05%	143.11%	128.17%	106.47%	85.38%
District's share of risk pool Fiduciary Net Position	\$ 63,511,117	\$ 58,375,175	\$ 53,080,708	\$ 47,253,866	\$ 46,203,551	\$ 45,687,606
District's additional payments to side fund during measurement period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the fiduciary net position (sum of the two preceding lines)	\$ 63,511,117	\$ 58,375,175	\$ 53,080,708	\$ 47,253,866	\$ 46,203,551	\$ 45,687,606
District's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	76.17%	76.36%	74.23%	75.02%	78.89%	83.09%
District's proportionate share of aggregate employer contributions ⁽²⁾	\$ 2,631,647	\$ 2,223,572	\$ 2,008,382	\$ 1,759,697	\$ 1,598,220	\$ 1,235,468

⁽¹⁾ Covered Payroll represented above is based on the total pensionable payroll of employees in accordance with GASB 82.

⁽²⁾ The District's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The District's proportionate share of aggregate contributions is based on the District's proportion of fiduciary net position shown on the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

Measurement period 2018-19 (fiscal year 2019-20) was the sixth year of implementation; therefore, only six years are shown.

Changes of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions in December 2017. In 2017, the accounting discount rate was reduced from 7.65% to 7.15%. In 2015, the discount rate changed from 7.5% (net of administrative expense in 2014) to 7.65% to correct the adjustment, which previously reduced the discount rate for administrative expense.

**Western Municipal Water District
Required Supplementary Information
June 30, 2020**

*Schedule of Plan Contributions
Last 10 Years**

	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially determined contribution	\$ 2,868,787	\$ 2,390,220	\$ 2,029,535	\$ 1,785,348	\$ 1,700,996	\$ 1,686,011
Contributions in relation to the						
Actuarially determined contribution	(2,868,787)	(2,390,220)	(2,029,535)	(1,785,348)	(1,700,996)	(1,686,011)
Contribution deficiency (excess)	<u>\$ -</u>					
 Covered Payroll ⁽¹⁾	 \$ 16,473,446	 \$ 14,957,485	 \$ 13,685,044	 \$ 12,875,107	 \$ 12,276,411	 \$ 11,614,001
 Contributions as a percentage of covered payroll	 17.41%	 15.98%	 14.83%	 13.87%	 13.86%	 14.52%

⁽¹⁾ Covered Payroll represented above is based on the total pensionable payroll of employees in accordance with GASB 82.

Measurement period 2018-19 (fiscal year 2019-20) was the sixth year of implementation; therefore, only six years are shown.

Notes to schedule:

Change in benefit terms: None

Change in assumptions: None

Changes in Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions in December 2017. In 2017, the accounting discount rate was reduced from 7.65% to 7.15%. In 2015, the discount rate changed from 7.5% (net of administrative expense in 2014) to 7.65% to correct the adjustment, which previously reduced the discount rate for administrative expense.

**Western Municipal Water District
Required Supplementary Information
June 30, 2020**

*Schedule of Changes in Net Other Post-Employment Benefits Liability and Related Ratios
Last 10 Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 803,311	\$ 785,273	\$ 713,625
Interest	1,337,944	1,357,315	1,049,476
Differences between expected and actual experience	(3,591,478)	-	1,544,082
Changes in assumptions	1,526,814	(1,742,305)	847,628
Benefit payments	<u>(730,827)</u>	<u>(659,277)</u>	<u>(461,986)</u>
Net change in total OPEB liability	(654,236)	(258,994)	3,692,825
Total OPEB liability - beginning	<u>18,675,589</u>	<u>18,934,583</u>	<u>15,241,758</u>
Total OPEB liability- ending (a)	<u>18,021,353</u>	<u>18,675,589</u>	<u>18,934,583</u>
Plan fiduciary net position			
Contributions - employer	729,432	729,432	708,338
Contributions - retiree	30,622	33,327	36,511
Net investment income	31,747	820,649	1,265,227
Benefit payments	(534,127)	(536,005)	(498,497)
Administrative expense	<u>(28,303)</u>	<u>(30,076)</u>	<u>(27,625)</u>
Net change in plan fiduciary net position	229,371	1,017,327	1,483,954
Plan fiduciary net position--beginning	<u>17,670,842</u>	<u>16,653,515</u>	<u>15,169,561</u>
Plan fiduciary net position--ending (b)	<u>17,900,213</u>	<u>17,670,842</u>	<u>16,653,515</u>
Net OPEB liability (a) - (b)	<u>\$ 121,140</u>	<u>\$ 1,004,747</u>	<u>\$ 2,281,068</u>
Plan fiduciary net position as a percentage of total OPEB liability	99.33%	94.62%	87.95%
Covered-employee payroll	\$ 18,274,778	\$ 15,921,966	\$ 14,663,027
Net OPEB liability as a percentage of covered-employee payroll	0.66%	6.31%	15.56%

* Fiscal year 2019-20 was the third year of implementation; therefore, only three years are shown.

Benefit Changes

There were no benefit changes during fiscal year 2019-20.

Changes of Assumptions

In 2020, the salary increase rate was changed from 5.7% to 3.0%, and the medical trend rate table was reset in fiscal year 2021. In 2019, 1) the salary increase rate was changed from 3.0% to 5.7%, 2) spousal coverage assumption was changed from 85% to 60%, and 3) the medical trend rate table was reset in fiscal year 2020.

**Western Municipal Water District
Required Supplementary Information
June 30, 2020**

**Schedule of Contributions
Last 10 Years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 729,432	\$ 729,432	\$ 708,338
Actual employer contribution	729,432	729,432	708,338
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 18,274,778	\$ 15,921,966	\$ 14,663,027
Contributions as a percentage of covered-employee payroll	3.99%	4.58%	4.83%

*Fiscal year 2019-20 was the third year of implementation; therefore, only three years are shown.

Methods and assumptions used to determine contributions

Actuarial cost method	Entry age normal
Asset valuation method	Fair value of assets
Discount rate	7.00%
Inflation	2.50%
Projected salary increase	3.00%
Investment rate of return	7.00%
Health care cost trend rates	7.50% per annum, decreasing 0.3% per year to an ultimate rate of 4.50% for fiscal year 2031 and later years
Retirement age	55 years
Mortality	Derived from CalPERS pension plan updated to reflect most recent experience study

STATISTICAL SECTION



Western performs more than 30,000 water quality tests, annually

Statistical Section

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make compensations over time and with other agencies.

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

TABLE I – NET POSITION BY COMPONENT
Last 10 Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net investment in capital assets	\$ 235,918,546	\$ 232,667,339	\$ 226,413,476	\$ 246,394,006	\$ 245,674,302	\$ 245,988,252	\$ 252,235,082	\$ 264,247,599	\$ 268,948,994	\$ 260,463,443
Restricted for debt service	144,619	144,619	144,619	144,619	144,619	-	-	-	-	-
Restricted for capacity charges	26,151,035	23,298,893	23,697,955	24,525,261	25,480,723	26,101,407	8,748,405	12,425,740	15,914,014	20,337,578
Unrestricted	<u>84,375,034</u>	<u>92,123,685</u>	<u>94,180,845</u>	<u>87,218,131</u>	<u>80,291,581</u>	<u>86,965,126</u>	<u>113,132,995</u>	<u>121,760,230</u>	<u>135,616,911</u>	<u>175,190,363</u>
Total net position	<u>\$ 346,589,234</u> ⁽¹⁾	<u>\$ 348,234,536</u> ⁽¹⁾	<u>\$ 344,436,895</u> ⁽¹⁾	<u>\$ 358,282,017</u>	<u>\$ 351,591,225</u> ⁽²⁾	<u>\$ 359,054,785</u>	<u>\$ 374,116,482</u> ⁽³⁾	<u>\$ 398,433,569</u>	<u>\$ 420,479,919</u>	<u>\$ 455,991,384</u>
Percentage increase (decrease)	0%	0%	-1%	4%	-2%	2%	4%	6%	6%	8%

⁽¹⁾ Fiscal years 2011, 2012, and 2013 balances have been retrospectively restated for the implementation of GASB Statement No. 65.

⁽²⁾ Fiscal year 2015 balance reflects the cumulative effect of the implementation of GASB Statement No. 68.

⁽³⁾ Fiscal year 2017 balance reflects the cumulative effect of the implementation of GASB Statement No. 75.

Source: Western Municipal Water District

TABLE II – CHANGES IN NET POSITION

Last 10 Fiscal Years

Fiscal Years	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Operating Income/(Loss)	Total Non-Operating Revenues	Income/(Loss) Before Capital Contributions	Capital Contributions ⁽³⁾	Changes in Net Position
2020	\$ 122,346,891	\$ 139,579,516	\$ (17,232,625)	\$ 30,079,330	\$ 12,846,705	\$ 22,664,760	\$ 35,511,465
2019	112,902,500	130,503,015	(17,600,515)	28,084,728	10,484,213	11,562,137	22,046,350
2018	118,267,870	135,533,916	(17,266,046)	22,692,961	5,426,915	18,890,172	24,317,087
2017	104,189,580	121,746,937	(17,557,357)	16,973,881	(583,476)	16,216,272	15,632,796
2016	95,250,268	111,085,922	(15,835,654)	18,293,873	2,458,219	5,005,341	7,463,560
2015	100,092,156	116,186,587	(16,094,431)	15,511,338	(583,093)	5,139,531	4,556,438
2014	105,675,122	120,416,071	(14,740,949)	16,810,158	2,069,209	11,775,913	13,845,122
2013	98,793,243	118,408,651 ⁽⁴⁾	(19,615,408)	12,952,893	(6,662,515)	2,864,874	(3,797,641)
2012	91,100,463	109,473,041 ⁽⁴⁾	(18,372,578)	14,956,215	(3,416,363)	5,061,665	1,645,302
2011	79,471,048	100,249,983	(20,778,935)	14,874,129	(5,904,806)	5,819,656	(85,150)

⁽¹⁾ See Table III for details of revenues.

⁽²⁾ See Table IV for details of expenses.

⁽³⁾ Capital contributions include water and sewer added facilities charges (capacity charges) and contributed assets from developers, as well as grant proceeds. Being dependent on the development interest within the retail service area, these amounts naturally fluctuate from year to year.

⁽⁴⁾ Balance has been retrospectively restated for the implementation of GASB Statement No. 65.

Source: *Western Municipal Water District*

TABLE III - REVENUES BY SOURCES
(Excluding Capital Contributions and Special Items)
 Last 10 Fiscal Years

Fiscal Years	Operating Revenues						Non-Operating Revenues					Total Non-Operating Revenues	Combined Revenues
	Water Sales	Water Service	Wastewater Disposal	Contractual Services	Other Operating	Total Operating Revenues	Property Taxes	Investment Earnings	Capacity Rights Sales	Other Non-Operating			
2020	\$ 80,000,798	\$ 23,149,760	\$ 14,174,941	\$ 4,940,400	\$ 80,992	\$ 122,346,891	\$ 24,616,030	\$ 11,084,735	\$ 84,469	\$ 1,922,873	\$ 37,708,107	\$ 160,054,998	
2019	74,974,766	20,717,986	12,409,135	4,633,486	167,127	112,902,500	23,641,810	8,673,064	47,212	2,263,940	34,626,026	147,528,526	
2018	81,720,213	19,845,736	12,169,537	3,966,995	565,389	118,267,870	21,728,238	(19,896)	41,426	6,961,562 ⁽¹⁾	28,711,330	146,979,200	
2017	70,698,068	17,355,249	11,512,039	4,007,195	617,029	104,189,580	20,053,770	(212,898)	1,548,535	1,880,972	23,270,379	127,459,959	
2016	63,988,478	16,669,887	10,234,040	3,575,488	782,375	95,250,268	18,837,852	4,759,409	338,202	1,209,100	25,144,563	120,394,831	
2015	69,533,191	16,841,065	10,292,222	2,501,677	923,401	100,091,556	18,266,670	2,221,947	414,280	1,939,874	22,842,771	122,934,327	
2014	76,319,361	15,969,208	10,002,414	2,517,042	867,097	105,675,122	16,327,069	2,436,903	6,260,725	1,833,296	26,857,993	132,533,115	
2013	71,596,096	14,290,510	9,875,780	2,152,509	878,348	98,793,243	16,695,696	(3,831)	1,915,041	1,573,844	20,180,750	118,973,993	
2012	66,310,917	12,479,514	10,364,865	1,945,167	-	91,100,463	15,221,864	5,578,084	828,459	1,544,818	23,173,225	114,273,688	
2011	56,473,710	10,477,058	10,862,351	1,569,409	88,520	79,471,048	15,106,222	3,802,289	997,710	1,008,052	20,914,273	100,385,321	

⁽¹⁾ This line item includes the net gain on disposal of assets in the amount of \$2.5 million, while in prior years the District has had a net loss on the disposal of assets and included this line item in Table IV - Expenses by Function.

Source: Western Municipal Water District

TABLE IV - EXPENSES BY FUNCTION
Last 10 Fiscal Years

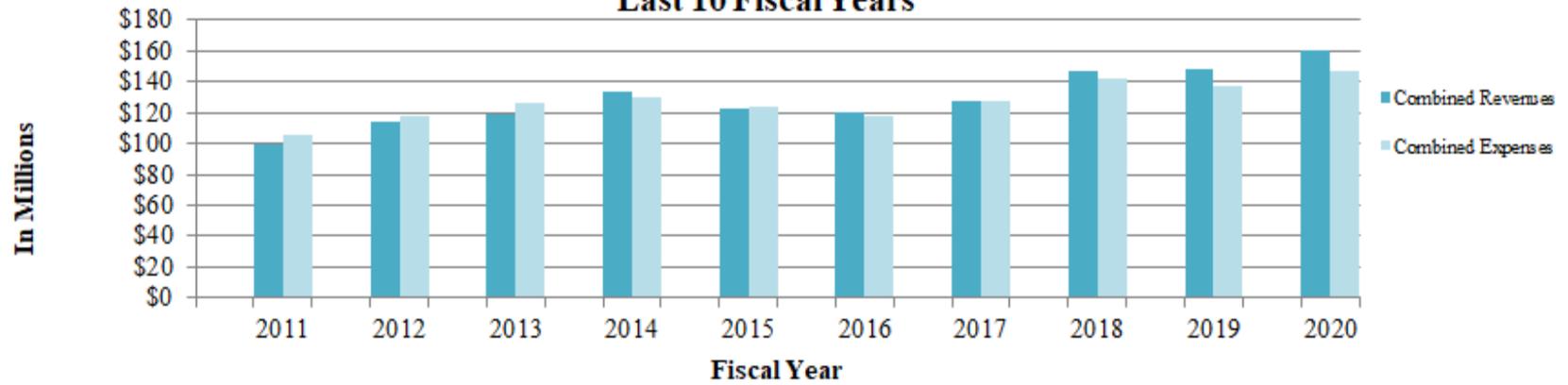
Fiscal Years	Operating Expenses									Total Non-Operating Expenses ⁽²⁾	Combined Expenses
	Purchased Water	Pumping	Transmission and Distribution	Admin and General	Contractual Services	Depreciation and Amortization	Other	Wastewater Disposal	Total Operating		
2020	\$ 67,906,312	\$ 5,541,953	\$ 10,371,146	\$ 14,982,493	\$ 4,629,855	\$ 13,405,239	\$ 11,743,192	\$ 10,999,326	\$ 139,579,516	\$ 7,628,777	\$ 147,208,293
2019	67,250,907	5,549,088	10,282,887	14,458,740	3,793,232	13,092,797	5,799,883	10,275,481	130,503,015	6,541,298	137,044,313
2018	72,045,551	5,395,486	10,367,900	14,041,869	3,559,405	12,735,181	7,133,114	10,254,410	135,532,916	6,018,369	141,551,285
2017	62,906,377	4,943,515	9,361,842	11,064,591	3,508,952	12,722,189	6,493,358	10,746,113	121,746,937	6,296,498	128,043,435
2016	55,342,184	4,703,808	10,040,804	8,239,639	3,261,688	12,787,432	7,100,179	9,610,188	111,085,922	6,850,690	117,936,612
2015	60,519,291	4,327,789	8,019,861	11,671,604	2,413,961	12,904,209	7,297,502	9,032,370	116,186,587	7,331,433	123,518,020
2014	66,430,723	3,849,016	8,692,067	10,824,019	2,460,561	13,124,158	5,988,141	9,047,386	120,416,071	10,047,835	130,463,906
2013	61,600,436	4,074,438	8,260,048	10,955,531	2,113,211	13,166,694 ⁽¹⁾	9,537,963	8,700,330	118,408,651	7,227,857	125,636,508
2012	57,873,634	3,820,373	7,679,552	10,888,801	1,867,917	10,740,215 ⁽¹⁾	7,623,646	8,978,903	109,473,041	8,217,010	117,690,051
2011	51,890,617	3,853,402	6,234,543	11,456,106	1,528,335	10,262,842	5,937,670	9,086,468	100,249,983	6,040,143	106,290,126

⁽¹⁾ Balance has been retrospectively restated for the implementation of GASB Statement No. 65.

⁽²⁾ Total non-operating expenses include net gain or loss on disposal of assets, except for in fiscal year 2018, where the net gain of \$2.5 million was included as part of other non-operating revenues in Table III - Revenues By Sources.

Source: Western Municipal Water District

**CHART I – REVENUES AND EXPENSES
Last 10 Fiscal Years**



Note: Combined revenues exclude capital contributions and special items.

TABLE V - WATER ACCOUNTS BY METER SIZE
Last 10 Fiscal Years

Fiscal Years	¾-Inch	1-Inch	1½-Inch	2-Inch	3-Inch	4-Inch	6-Inch	8-Inch and Greater	Total
2020	18,624	4,672	423	585	56	59	39	71	24,529
2019	18,546	4,617	414	571	54	59	44	66	24,371
2018	18,339	4,566	412	536	54	63	54	68	24,092
2017	18,237	4,452	401	542	52	63	52	68	23,867
2016	18,167	4,399	398	508	50	63	62	67	23,714
2015	18,161	4,377	397	501	54	61	49	73	23,673
2014	18,110	4,358	391	492	50	60	48	73	23,582
2013	18,016	4,348	383	480	50	59	47	72	23,455
2012	17,946	4,326	380	470	48	59	47	70	23,346
2011	17,891	4,312	378	459	46	59	47	67	23,259

Source: Western Municipal Water District

**TABLE VI - RETAIL WATER ACCOUNTS BY TYPE
AND RETAIL WASTEWATER ACCOUNTS**
Last 10 Fiscal Years

Fiscal Years	Water Accounts			Wastewater Accounts
	Domestic	Agriculture	Total	
2020	24,463	66	24,529	9,003
2019	24,299	72	24,371	8,836
2018	24,016	76	24,092	8,592
2017	23,791	76	23,867	8,480
2016	23,629	85	23,714	8,326
2015	23,584	89	23,673	8,303
2014	23,493	89	23,582	8,278
2013	23,367	88	23,455	8,232
2012	23,258	88	23,346	8,188
2011	23,171	88	23,259	8,149

Source: Western Municipal Water District

TABLE VII - WATER AND SEWER RATES
Last 10 Fiscal Years

At June 30	Fixed Monthly Base Rate Based on Meter Size								Monthly Usage Rate ⁽¹⁾	Monthly Sewer Rate ⁽²⁾
	¾-Inch	1-Inch	1½-Inch	2-Inch	3-Inch	4-Inch	6-Inch	8-Inch		
2020 ⁽³⁾	\$ 41.40	\$ 62.99	\$ 117.13	\$ 139.31	\$ 340.72	\$ 662.88	\$ 1,467.24	\$ 1,951.07	\$ 80.38	\$ 50.40
2019	37.94	57.49	106.51	126.62	265.42	466.81	598.78	694.23	78.06	49.41
2018	34.67	52.29	96.48	114.64	205.40	310.74	384.41	442.70	76.59	48.44
2017	26.38	42.66	85.34	105.67	128.02	148.31	168.65	190.99	79.10	46.37
2016	26.38	42.66	85.34	105.67	128.02	148.31	168.65	190.99	79.10	43.21
2015	26.38	42.66	85.34	105.67	128.02	148.31	168.65	190.99	79.10	41.15
2014	24.18	39.11	78.23	96.86	117.35	135.94	154.59	175.06	74.93	38.11
2013	23.14	37.43	74.87	92.69	112.30	130.09	147.94	167.53	70.31	35.29
2012	22.38	36.20	72.41	89.65	108.61	125.82	143.08	162.03	66.85	32.91
2011	20.44	33.06	66.13	81.88	99.19	114.91	130.67	147.98	57.36	30.19

Note: The water meter and water rate information shown is for domestic customers (i.e., non-agricultural) residing in the District's retail service area that has the vast majority of customers (Riverside service area, Power Zone 1).

⁽¹⁾ The rate shown is for an average monthly treated water consumption of 29 units. A unit is 100 cubic feet of water or 748 gallons. In 2020, an average customer with a ¾-inch water meter will pay \$121.78 per month (\$41.40 fixed + 80.38 usage).

⁽²⁾ The sewer rate information shown is for one EDU (equivalent dwelling unit) in the District's Lake Hills area.

⁽³⁾ Water and sewer rates were increased effective January 1, 2020 and October 1, 2019, respectively.

Source: *Western Municipal Water District*

TABLE VIII - PRINCIPAL RETAIL WATER CUSTOMERS
 Fiscal Year Ended June 30, 2020 and Nine Years Prior

Fiscal Year 2019-2020

Customer Name	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Riverside National Cemetery	1,287	4.6%
City of Riverside	910	3.3%
Altman Plants	696	2.5%
Village Nurseries	558	2.0%
Pepsi Cola Plant	376	1.3%
Air Force 452 Air Mobility Wing	311	1.1%
County of Riverside	306	1.1%
The Kroger Company	247	0.9%
Riverside Unified School District	237	0.8%
General Old Golf Course	217	0.8%
Total principal customers	5,145	18.4%
Other customers	22,753	81.6%
Total retail water deliveries	27,898	100.0%

Fiscal Year 2010-2011

Customer Name	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Riverside National Cemetery	1,163	4.6%
Village Nurseries	519	2.1%
Air Force 452 Air Mobility Wing	480	1.9%
General Old Golf Course	457	1.8%
The Kroger Company	347	1.4%
City of Riverside	324	1.3%
Riverside Unified School District	310	1.2%
Pepsi Cola Plant	269	1.1%
Air Force Village West	230	0.9%
Total principal customers	4,099	16.3%
Other customers	21,125	83.7%
Total retail water deliveries	25,224	100.0%

Source: Western Municipal Water District

TABLE IX - WHOLESALE WATER CUSTOMER DELIVERIES
 Fiscal Year Ended June 30, 2020

Water Agency	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Rancho California Water District	18,399	31.1%
City of Corona	16,255	27.5%
Elsinore Valley Municipal Water District	13,349	22.5%
City of Norco	5,287	8.9%
Temescal Valley Water District	3,279	5.5%
Jurupa Community Services District	2,397	4.1%
Eagle Valley Mutual Water District	137	0.2%
Box Springs Mutual Water Company	134	0.2%
Total wholesale deliveries	59,237	100.0%

Source: Western Municipal Water District

TABLE X - SUMMARY OF IMPORTED WATER RATES
(Dollars per acre-foot)

<u>Rates Effective</u>	<u>Full Service</u>		<u>Interim Agricultural Program</u>		<u>Long-Term Seasonal Storage</u>	
	<u>Treated</u>	<u>Untreated</u>	<u>Treated</u>	<u>Untreated</u>	<u>Treated</u>	<u>Untreated</u>
Jan. 1, 2011 Tier 1	\$ 744	\$ 527	\$ 687	\$ 482	\$ 687	\$ 409
Jan. 1, 2011 Tier 2	869	652	n/a	n/a	n/a	n/a
Jan. 1, 2012 Tier 1	794	560	765	537	651	442
Jan. 1, 2012 Tier 2	920	686	n/a	n/a	n/a	n/a
Jan. 1, 2013 Tier 1	847	593	n/a	n/a	n/a	n/a
Jan. 1, 2013 Tier 2	997	743	n/a	n/a	n/a	n/a
Jan. 1, 2014 Tier 1	890	593	n/a	n/a	n/a	n/a
Jan. 1, 2014 Tier 2	1,032	735	n/a	n/a	n/a	n/a
Jan. 1, 2015 Tier 1	923	582	n/a	n/a	n/a	n/a
Jan. 1, 2015 Tier 2	1,055	714	n/a	n/a	n/a	n/a
Jan. 1, 2016 Tier 1	942	594	n/a	n/a	n/a	n/a
Jan. 1, 2016 Tier 2	1,076	728	n/a	n/a	n/a	n/a
Jan. 1, 2017 Tier 1	979	666	n/a	n/a	n/a	n/a
Jan. 1, 2017 Tier 2	1,073	760	n/a	n/a	n/a	n/a
Jan. 1, 2018 Tier 1	1,015	695	n/a	n/a	n/a	n/a
Jan. 1, 2018 Tier 2	1,101	781	n/a	n/a	n/a	n/a
Jan. 1, 2019 Tier 1	1,050	731	n/a	n/a	n/a	n/a
Jan. 1, 2019 Tier 2	1,136	817	n/a	n/a	n/a	n/a
Jan. 1, 2020 Tier 1	1,078	755	n/a	n/a	n/a	n/a
Jan. 1, 2020 Tier 2	1,165	842	n/a	n/a	n/a	n/a

Source: Metropolitan Water District

TABLE XI - WATER SOURCES (IN ACRE-FEET)
Last 10 Fiscal Years

Fiscal Years	Domestic			Purchased			Purchased Total	Wells	Desalter	Recycled Water	Grand Total
	Treated	Untreated	Total	Treated	Agriculture Untreated	Total					
2020	47,214	27,756	74,970	-	-	-	74,970	573	7,489	1,512	84,544
2019	50,778	24,178	74,956	-	-	-	74,956	393	4,627	1,166	81,142
2018	57,621	26,885	84,506	-	-	-	84,506	427	5,006	917	90,856
2017	52,080	22,804	74,884	-	-	-	74,884	379	5,523	899	81,685
2016	45,896	18,992	64,888	-	-	-	64,888	866	4,969	887	71,610
2015	57,714	17,636	75,350	-	-	-	75,350	1,081	5,498	1,109	83,038
2014	61,843	21,537	83,380	-	-	-	83,380	829	6,063	794	91,066
2013	56,128	19,615	75,743	3,854	2,086	5,940	81,683	1,074	5,736	769	89,262
2012	54,268	20,782	75,050	5,016	4,232	9,248	84,298	678	4,928	649	90,553
2011	47,312	18,168	65,480	5,064	4,278	9,342	74,822	518	4,441	-	79,781

Source: Western Municipal Water District

TABLE XII - RATIO OF OUTSTANDING DEBT BY TYPE
Last 10 Fiscal Years

Fiscal Years	Revenue Bonds	Improvement Bonds	Loans Payable	Notes Payable	Capital Leases	Total	Total Debt Per Capita ⁽¹⁾
2020	\$ 138,273,552	\$ -	\$ 46,445,697	\$ 7,817,855	\$ 1,469,782	\$ 194,006,886	\$ 197.06
2019	141,566,384	-	22,516,184	9,020,960	1,740,343	174,843,871	179.62
2018	144,792,855	-	12,076,194	10,197,212	1,281,334	168,347,595	174.94
2017	147,955,307	-	1,649,679	11,347,212	807,025	161,759,223	170.04
2016	149,626,360	-	1,757,012	4,367,963	-	155,751,335	166.31
2015	149,347,224	135,000	1,975,276	5,506,160	-	156,963,660	170.46
2014	151,690,934	258,729	2,423,071	6,599,086	-	160,971,820	176.99
2013 ⁽²⁾	154,026,083	372,097	2,851,450	7,657,709	-	164,907,339	183.33
2012 ⁽²⁾	155,427,849	475,465	3,261,488	8,789,717	-	167,954,519	188.46
2011	144,605,378	568,833	3,828,009	9,927,683	-	158,929,903	180.62

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

⁽¹⁾ Calculated by dividing the total outstanding debt by the District's estimated service area population.

⁽²⁾ GASB 65 implementation reclassified deferred loss on bond refunding to deferred outflows of resources.

Source: Western Municipal Water District

TABLE XIII - REVENUE BOND COVERAGE
Last 10 Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GROSS REVENUE										
Water sales	\$ 56,473,710	\$ 66,310,917	\$ 71,596,096	\$ 76,319,361	\$ 69,533,791	\$ 63,988,478	\$ 70,698,068	\$ 81,720,213	\$ 74,974,766	\$ 80,000,798
Water service	10,477,058	12,479,514	14,290,510	15,969,208	16,841,065	16,669,887	17,355,249	19,845,736	20,717,986	23,149,760
Wastewater service	10,862,351	10,364,865	9,875,780	10,002,414	10,292,222	10,234,040	11,512,039	12,169,537	12,409,135	14,174,941
Ad valorem taxes	15,048,059	15,161,942	16,651,925	16,532,506	18,220,982	18,837,555	20,053,654	21,728,238	23,641,810	24,616,030
Interest income	3,671,725	5,437,782	(98,679)	2,348,100	2,172,604	4,791,047	(213,020)	(20,117)	8,672,749	11,084,622
Connection fees - water	236,080	188,491	924,589	553,954	474,781	481,489	1,629,145	1,907,987	3,104,809	2,865,404
Connection fees - wastewater	276,856	98,670	774,762	362,876	95,903	215,298	823,002	4,243,084	4,167,829	5,649,570
Federal, state, and local capital grants	3,284,896	1,268,694	872,471	10,413,907	2,115,190	4,057,387	3,913,610	12,574,333	2,320,149	10,381,163
Other revenue	5,042,186	3,474,424	5,598,993	10,630,611	4,925,238	5,049,329	7,196,054	10,675,474	6,249,944	6,163,691
Total	105,372,921	114,785,299	120,486,447	143,132,937	124,671,776	124,324,510	132,967,801	164,844,485	156,259,177	178,085,979
MAINTENANCE AND OPERATION COSTS										
Administration	11,456,106	10,888,801	10,955,531	10,824,019	11,671,604	8,239,639	11,064,591	14,041,869	14,458,740	14,982,493
Purchased water	51,890,617	57,873,634	61,600,436	66,430,723	60,519,291	55,342,184	62,906,377	72,045,551	67,250,907	67,906,312
Water operations	14,832,096	16,039,860	16,729,927	16,809,781	17,084,331	20,122,121	19,660,514	20,456,884	21,014,389	23,936,550
Wastewater operations	9,086,468	8,978,903	8,700,330	9,047,386	9,032,370	9,610,188	10,746,113	10,254,410	10,275,481	10,999,326
Other expenses	5,013,535	6,109,216	4,398,861	7,612,211	6,024,205	6,552,875	6,136,241	6,942,500	5,262,051	7,040,053
Contract resource obligations	698,060	1,076,942	501,693	499,168	508,808	1,725,125	89,063	-	89,053	-
Total	92,976,882	100,967,356	102,886,778	111,223,288	104,840,609	101,592,132	110,602,899	123,741,214	118,350,621	124,864,734
Net revenues	12,396,039	13,817,943	17,599,669	31,909,649	19,831,167	22,732,378	22,364,902	41,103,271	37,908,556	53,211,245
Series of 2002 A Bonds	-	-	-	-	-	-	-	-	-	-
Series of 2009 A&B Bonds	5,753,746	5,618,520	3,213,871	3,084,773	3,108,317	2,142,382	-	-	-	-
Series of 2010 A&B Bonds	1,337,200	2,086,248	1,954,846	3,044,580	3,047,965	3,008,537	3,020,184	3,012,302	3,013,122	3,009,554
Series of 2012 A Bonds	-	10,085	1,208,538	1,188,832	1,180,371	1,163,524	1,277,173	2,648,868	2,539,310	2,618,519
Series of 2016 A Bonds	-	-	-	-	-	335,672	779,608	779,597	779,586	779,614
WRCRWA SRF Loans	33,834	33,834	33,834	33,834	33,834	33,833	33,759	33,725	38,448	39,481
SRRRA Series 2017A&B Bonds	-	-	-	-	-	-	-	817,161	769,558	1,002,676
Total	\$ 7,124,780	\$ 7,748,687	\$ 6,411,089	\$ 7,352,019	\$ 7,370,487	\$ 6,683,948	\$ 5,110,724	\$ 7,291,653	\$ 7,140,024	\$ 7,449,844
DEBT SERVICE COVERAGE	1.74	1.78	2.75	4.34	2.69	3.40	4.38	5.64	5.31	7.14

Source: Western Municipal Water District

**TABLE XIV - DIRECT AND OVERLAPPING DEBT
As of June 30, 2020**

2019-20 Assessed Valuation: \$96,150,322,399 ⁽¹⁾

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>% Applicable</u> ⁽²⁾	Debt 6/30/20
Metropolitan Water District	3.110%	\$ 1,160,030
Riverside City Community College District	77.157	219,253,972
Alvord Unified School District	99.988	197,980,797
Corona-Norco Unified School District	96.852	497,313,383
Jurupa Unified School District	99.818	158,823,386
Murrieta Valley Unified School District	11.697	18,758,515
Riverside Unified School District	99.997	361,004,170
Other School Districts	Various	61,842,941
City of Riverside	98.418	7,671,683
Western Municipal Water District	100	0
Western Municipal Water District Community Facilities Districts	100	3,390,000
Riverside County Flood Control District, Zone No. 4 Benefit Assessment District	1.383	173,290
Community Facilities Districts	Various	1,037,589,478
City and Special District 1915 Act Bonds	Various	23,337,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 2,588,298,645
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	32.490%	\$ 246,861,595
Riverside County Pension Obligations	32.490	305,024,243
Corona-Norco Unified School District Certificates of Participation	69.852	24,989,778
Jurupa Unified School District Certificates of Participation	99.818	56,011,414
Murrieta Unified School District General Fund Obligations	11.697	2,663,407
Riverside Unified School District Certificates of Participation	99.997	14,336,025
Other School District General Fund Obligations	Various	2,460,398
City of Corona General Fund Obligations	100	34,084,756
City of Lake Elsinore General Fund Obligations	69.473	13,779,970
City of Moreno Valley General Fund Obligations	0.792	614,663
City of Murrieta General Fund Obligations	13.038	494,140
City of Riverside General Fund Obligations	98.418	203,242,978
City of Riverside Pension Obligations	98.418	476,859,815
Western Municipal Water District Administrative Office and Capital Facilities Financing	100	7,817,855
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 1,389,241,037
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		\$ 685,870,819
TOTAL DIRECT DEBT		\$ 7,817,855
TOTAL OVERLAPPING DEBT		\$ 4,655,592,646
COMBINED TOTAL DEBT		\$ 4,663,410,501 ⁽³⁾

(1) Excludes assessed valuation of additional fringe areas of the district.

(2) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping District's assessed value that is within the boundaries of the district divided by the district's total taxable assessed value.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2019-20 Assessed Valuation:

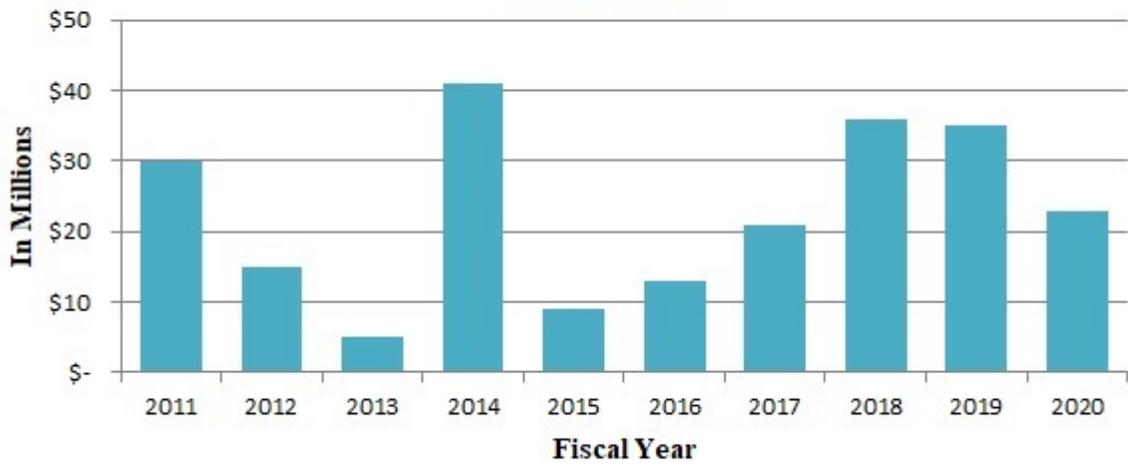
Direct Debt (\$7,817,855)	0.01%
Total Direct and Overlapping Tax and Assessment Debt	2.69%
Combined Total Debt	4.85%

Ratio to Redevelopment Incremental Valuation (\$27,445,230,678):

Total Overlapping Tax Increment Debt	2.50%
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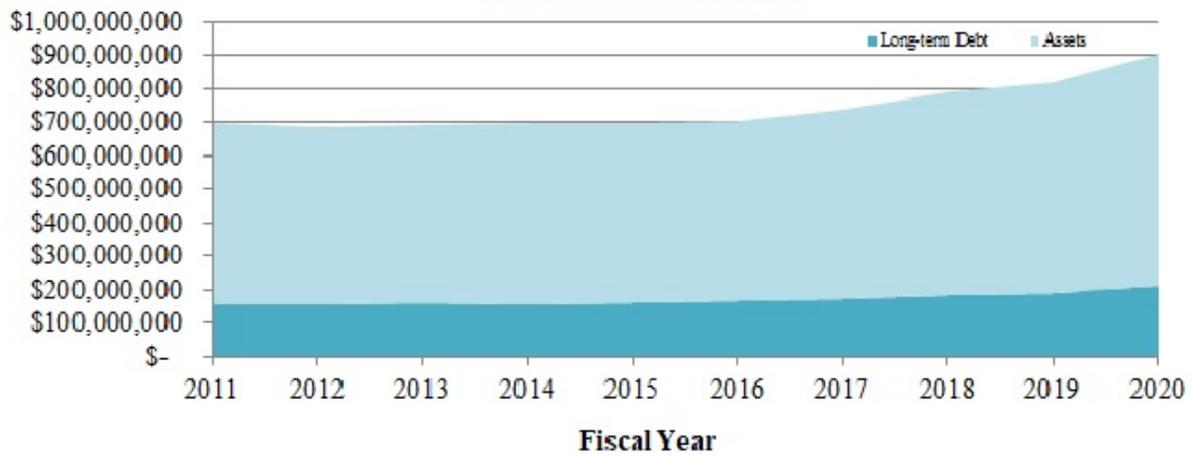
Source: California Municipal Statistics, Inc.

CHART II – DISTRICT AND CONTRIBUTED CAPITAL ASSET ADDITIONS



Source: Western Municipal Water District

**CHART III – TOTAL DEBT TO ASSETS
Last 10 Fiscal Years**



Source: Western Municipal Water District

TABLE XV - DEMOGRAPHIC AND ECONOMIC STATISTICS
Last 10 Fiscal Years

Fiscal Years	Assessed Valuation ⁽¹⁾ Western Service Area	Estimated Svc. Area Population	County Population	Personal Income ⁽²⁾ (in Billions)	County Per Capita Personal Income	County Unemployment Rate (June)
2020	\$ 112,374,068,059	984,500	2,468,145	\$ 36.6	\$ 37,183 ⁽³⁾	14.8%
2019	106,160,081,429	973,400	2,440,124	35.3	36,292 ⁽³⁾	4.4%
2018	99,403,206,463	962,300	2,412,536	34.2	35,569 ⁽³⁾	4.8%
2017	93,927,533,434	951,300	2,384,783	33.4	35,058 ⁽³⁾	5.7%
2016	89,274,829,782	936,500	2,347,828	33.1	35,331 ⁽³⁾	6.7%
2015	84,861,529,145	920,800	2,308,441	32.1	34,910 ⁽³⁾	6.6%
2014	78,774,941,220	909,500	2,279,967	30.9	33,949	8.4%
2013	76,058,192,604	899,500	2,255,059	30.0	33,320	10.2%
2012	76,093,889,073	891,200	2,234,193	28.3	31,742	12.6%
2011	76,380,473,323	879,900	2,205,731	26.3	29,927	14.4%

⁽¹⁾ Assessed value includes both secured and unsecured property.

⁽²⁾ Personal income for the service area is calculated by multiplying the estimated population in the District's service area by the County's per capita personal income projection.

⁽³⁾ Projected based on a 10-year average.

Source: Riverside County Assessor for the assessed valuation; California Department of Finance for the county population estimates; County of Riverside Comprehensive Annual Financial Report for the county per capita personal income; and California Employment Development Department for the county unemployment rate

**TABLE XVI - PRINCIPAL EMPLOYERS IN THE
COUNTY OF RIVERSIDE**
Fiscal Year Ended June 30, 2020 and Nine Years Prior

Employer Name	Fiscal Year 2020	
	No. of Employees	Percentage of Total County Labor Force
County of Riverside	21,672	2.3%
Amazon	10,500	1.1%
University of California, Riverside	9,770	1.0%
March Air Reserve Base	9,600	1.0%
Stater Bros. Markets	8,304	0.9%
Kaiser Permanente Medical Center	5,700	0.6%
Pechanga Resort & Casino	5,078	0.5%
Walmart	4,931	0.5%
Corona-Norco Unified School District	4,903	0.5%
Ross Dress for Less	4,321	0.5%
Total	84,779	8.9%

Total labor force 931,300

Employer Name	Fiscal Year 2011	
	No. of Employees	Percentage of Total County Labor Force
County of Riverside	18,000	2.34%
March Air Reserve Base	8,525	1.11%
Stater Bros. Markets	6,902	0.90%
University of California, Riverside	4,907	0.64%
Corona-Norco Unified School District	4,400	0.57%
Pechanga Resort and Casino	4,000	0.52%
Riverside Unified School District	3,900	0.51%
Kaiser Permanente Medical Center	3,500	0.45%
Riverside Community College	3,141	0.41%
Abbott Vascular	3,000	0.39%
Total	60,275	7.84%

Total labor force 769,700

Note: Data is for the County of Riverside. The District is located within the County.

Source: Riverside County Economic Development Agency

TABLE XVII - DISTRICT EMPLOYEES BY FUNCTION
 Filled Positions Only at June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Management	7	7	7	8	8	13	12	14	14	14
Human resources and administration	8	8	10	9	10	9	10	8	13	12
Engineering	12	10	9	12	13	14	15	14	14	16
Finance	8	11	12	12	12	12	10	13	13	13
Billing/customer service	5	6	7	8	7	9	9	9	9	9
Strategic communications	4	6	5	5	5	4	4	3	2	5
Water resources	5	6	6	6	7	6	8	7	6	5
Operations	56	59	63	65	65	65	65	67	69	69
Legislative affairs	1	1	-	1	1	-	1	1	1	1
Information systems	6	6	6	7	7	6	6	7	7	8
Total	112	120	125	133	135	138	140	143	148	152

Note: All managers are included with their divisions. Temporary and part-time employees are not included.

Source: Western Municipal Water District

TABLE XVIII - OPERATING AND CAPITAL INDICATORS
Last 10 Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of employees	120	120	125	133	135	138	140	143	148	152
Service area (in acres)	337,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000	337,000
Service area (in square miles)	527	527	527	527	527	527	527	527	527	527
Assessed valuation (in billions)	\$ 76	\$ 76	\$ 76	\$ 79	\$ 85	\$ 89	\$ 94	\$ 99	\$ 106	\$ 112
Population served (approx.)	891,000	889,000	900,000	910,000	920,800	936,500	951,300	963,710	973,400	984,500
Miles of water pipeline	621	622	638	638	638	639	639	639	640	641
Number of storage tanks	36	35	35	35	34	34	34	34	34	35
Max storage capacity (million gal.)	93.7	92.7	92.7	93.0	92.2	92.2	92.2	92.2	92.2	92.3
Sewer treatment plants owned	1	1	1	1	1	1	1	1	1	1
Sewer treatment capacity (MGD)	1.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Avg. flows into sewer plant (MGD)	0.9	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.2	1.4
Number of lift stations	20	20	20	20	20	20	20	19	19	19

Source: Western Municipal Water District

COMPLIANCE SECTION



Western staff will meet the moment to ensure uninterrupted services to our communities



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Western Municipal Water District
Riverside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Western Municipal Water District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California

January 25, 2021



Western Municipal Water District
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Riverside, CA 92518
951.571.7100