



**WESTERN MUNICIPAL
WATER DISTRICT**
Securing your water supply

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021

14205 Meridian Parkway, Riverside, CA 92518 • 951.571.7100 • wmwd.com

2020-21



ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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.

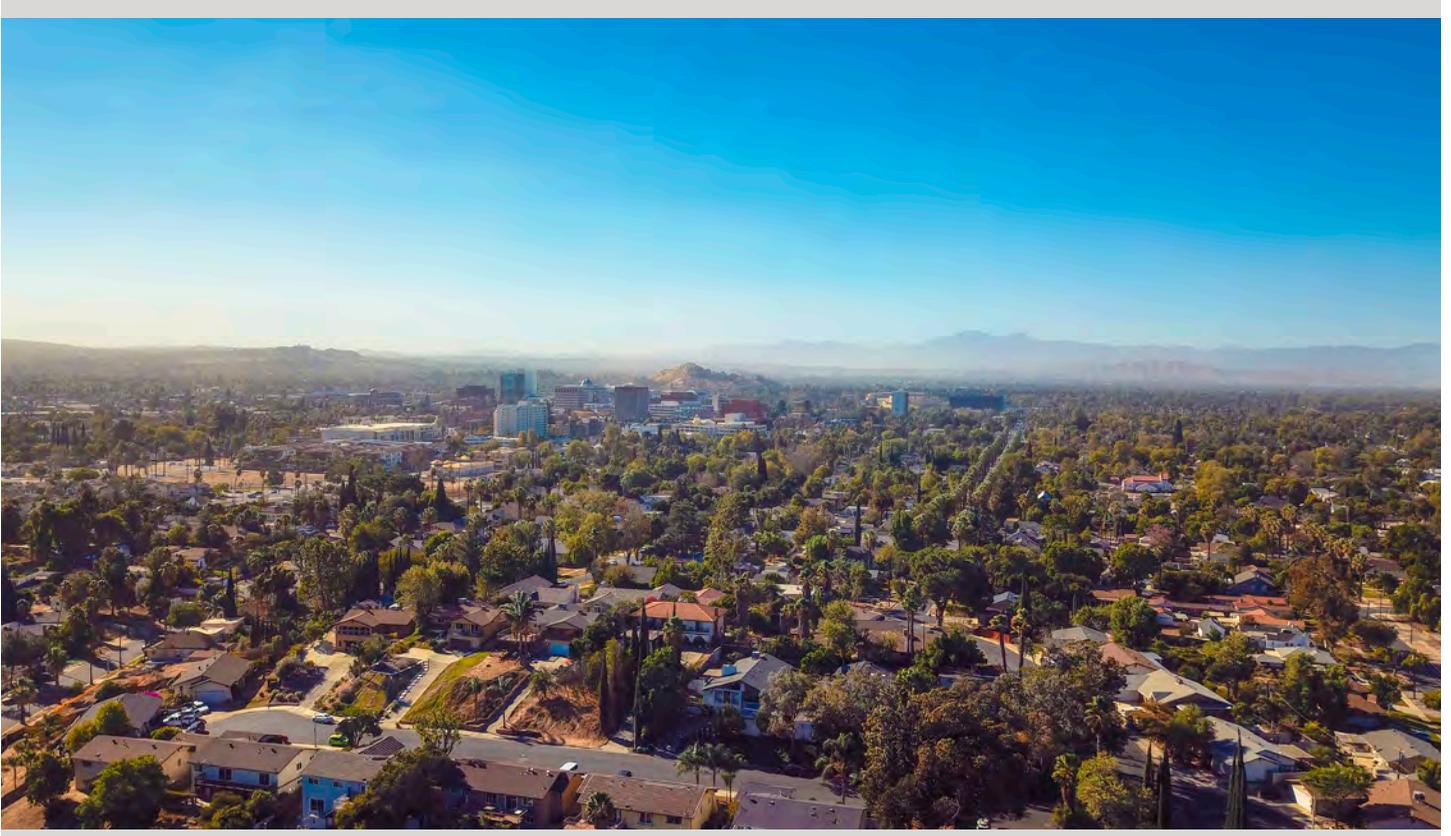


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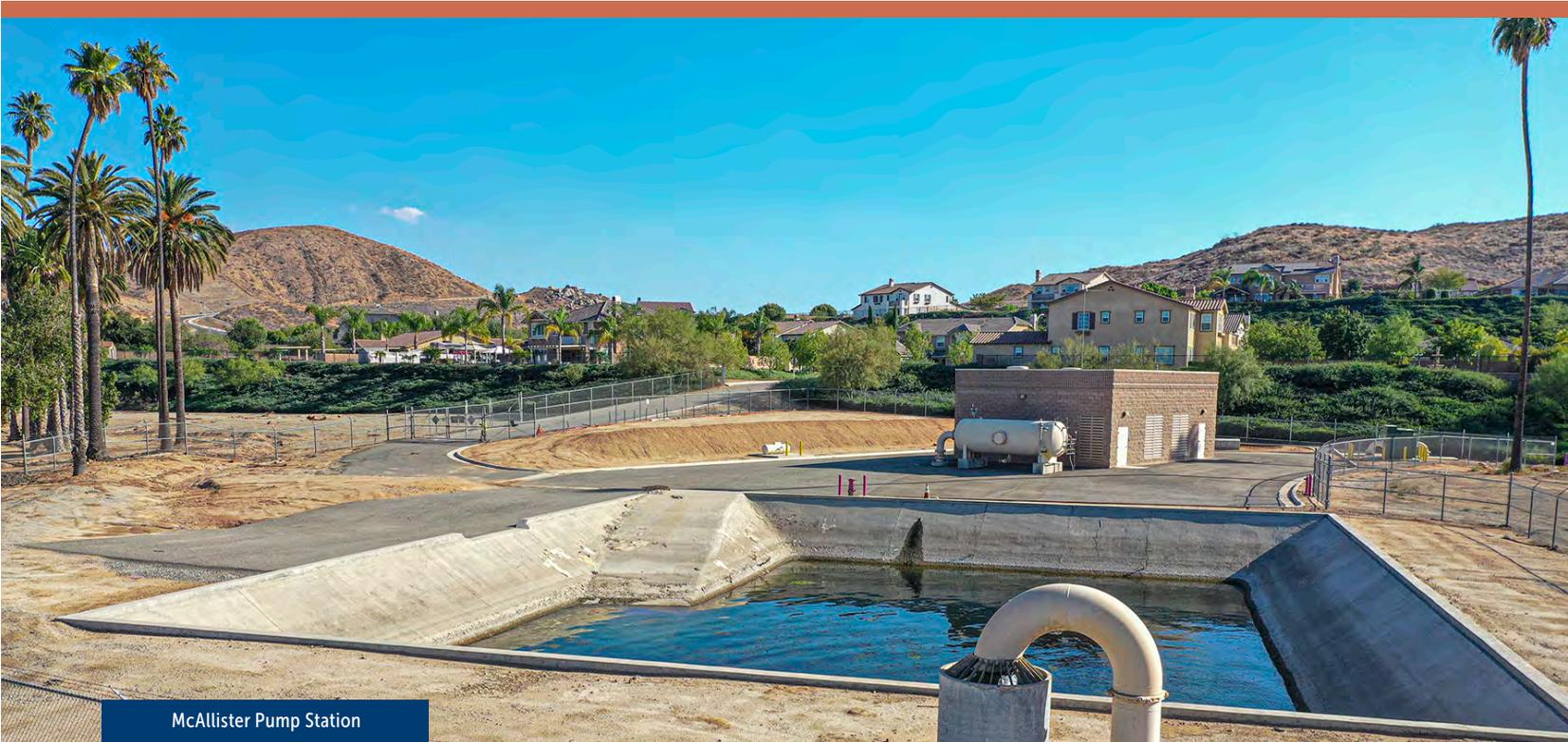
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McAllister Pump Station

INTRODUCTORY SECTION



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
2020-21**



Craig D. Miller
General Manager

Mike Gardner **Gracie Torres** **Brenda Dennstedt** **Laura Roughton** **Fauzia Rizvi**
Division 1 Division 2 Division 3 Division 4 Division 5

December 29, 2021

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

I am pleased to present Western Municipal Water District's (Western) Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. Western's Finance Department prepared the report 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 wastewater (sewer) service today and for future generations.

Western is responsible for the accuracy of the presented data and 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 Western's operations and financials. 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, 2021, 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, 2021 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 \$119 billion in this past fiscal year. The population of Riverside County is about 2.5 million, of which Western both directly and indirectly serves approximately 988,400 - 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, to distribute supplemental water purchased from The Metropolitan Water District of Southern California (MWD) to a growing western Riverside County. Before Western's creation, the local water supply was primarily groundwater wells that would become 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, its 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 and/or wastewater standby charge on land within the boundaries of Western to which water and wastewater (sewer) services 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. Western is not regulated by the Public Utilities Commission, but instead is governed by a body 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. Western has 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 25,000 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 2021, Western delivered approximately 91,858 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 30 billion gallons. Approximately 68 percent of the purchased water Western delivered was potable water (drinking water); the balance was non-potable or raw water. Western delivered 73 percent of its water to wholesale customers and the rest to direct customers.

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 and Norco; Eagle Valley Mutual Water Company; Elsinore Valley Municipal Water District; Jurupa Community Services District; Rancho California Water District; and Temescal Valley Water District.



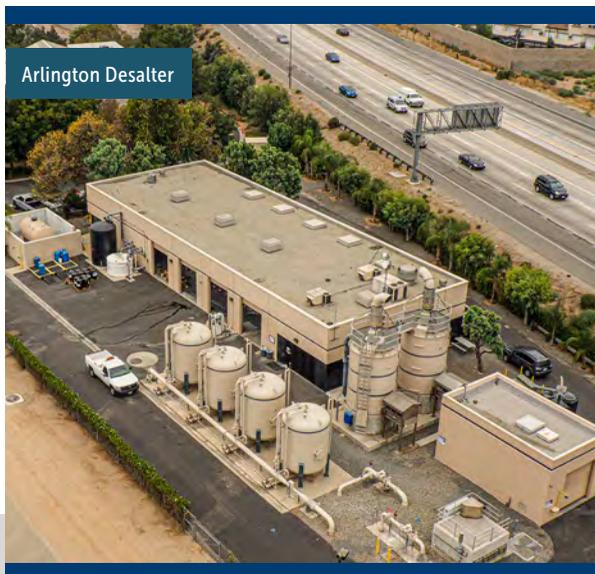
REPORTING ENTITY AND ITS SERVICES

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 4,383 acre-feet of high-quality drinking water to the city of Norco and Corona 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 \$4.8 million.

RETAIL WATER SERVICES

Western supplies water directly to approximately 25,000 residential, commercial, and agricultural users in 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 are supplemented by 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 2.1 MGD.

WWRF currently provides wastewater treatment services for about 1,700 customers as well as the March Air Reserve Base and several industrial customers. 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 customers to irrigate landscaping and agriculture.

WESTERN RIVERSIDE COUNTY REGIONAL WASTEWATER AUTHORITY'S 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 7.81

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 0.75 MGD, or 39 percent of Western's treatment capacity right.

In 2018 the plant completed a \$74.3 million upgrade and expansion to 14.0 MGD 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 plant expansion cost, but participated in related odor control costs. WRCRWA received a change of use permit from the State Water Resources Control Board (SWRCB) in February 2018, allowing WRCRWA to use some or all of its recycled water for beneficial reuse (e.g., 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 0.75 MGD, flows to the WRCRWA treatment plant with ultimate disposal of the tertiary treated wastewater into the Prado Basin. WRCRWA continues to pursue the highest and most efficient use of its recycled water. This includes an opportunity to connect WRCRWA to Inland Empire Utilities Agency's (IEUA) existing recycled water system. The recycled water would be delivered to direct customers for irrigation purposes and/or recharged in the Chino Groundwater Basin. While IEUA has a recycled water permit from the Santa Ana Regional Water Quality Control Board (RWQCB), WRCRWA will need to coordinate with the RWQCB with regards to any additional recycled water permits that may be required under this arrangement. 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 currently treats 2.8 MGD.

MURRIETA SERVICE AREA

Western provides wastewater collection and conveyance services to approximately 2,300 customers surrounding the historic downtown area of the city of Murrieta. Treatment of roughly 691,000 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), 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 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.



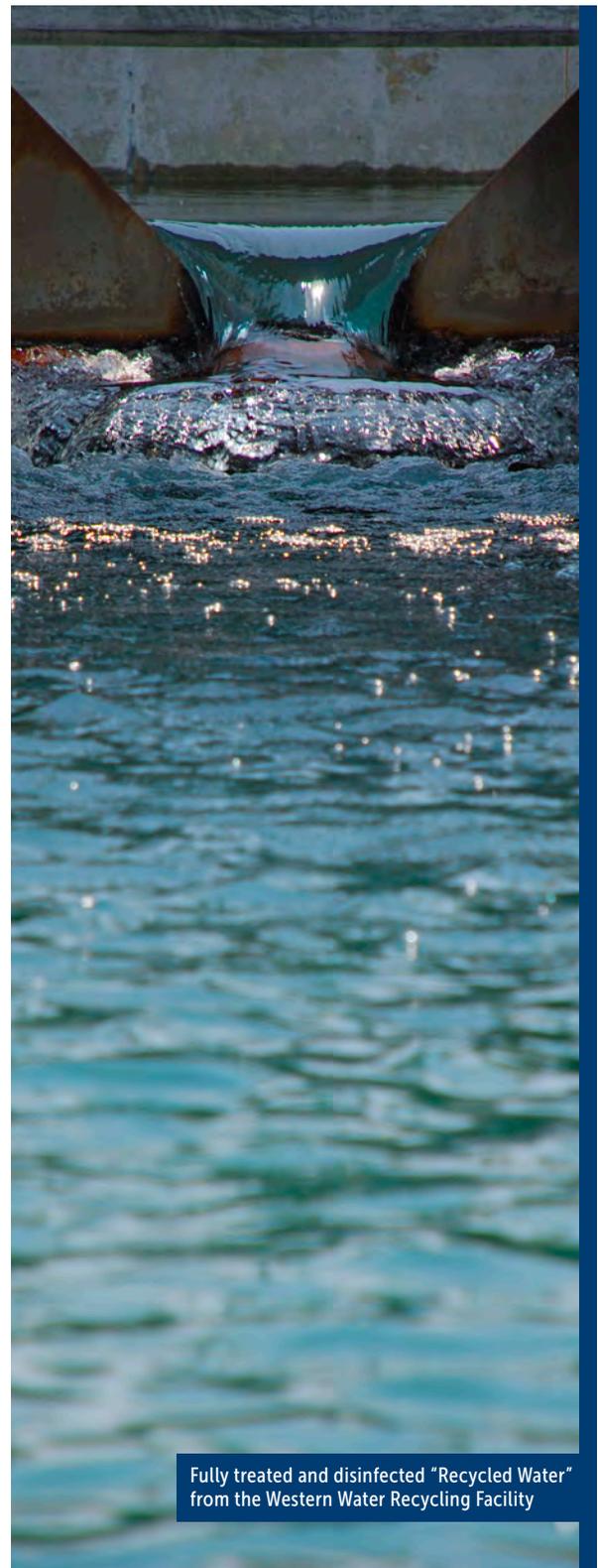
ECONOMIC CONDITIONS AND OUTLOOK

As with all industries, the water industry is affected by a wide variety of economic factors, including legislative action, regulatory requirements, and labor force skill and availability. Significant factors that particularly affect Western are the availability and cost of water; energy costs; and 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.

For Western, the goal of water use efficiency remains paramount. As California moves into another drought cycle, it is Western's responsibility to help communicate the value of water and assist customers in using it wisely. In order to assist Western's customers to continue to save water, Western has increased indoor and outdoor rebate funding available to customers. In addition, Western is leading a region-wide outreach campaign to deliver a unified message through the Inland Empire that inspires customers to step up water saving efforts.

In response to 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 60% of the drinking water for its retail customers. MWD continues to experience increases in the cost of acquiring and delivering water to member agencies, such as Western. As a result, MWD's Tier 1 rate for full-service potable water will increase from \$1,104 per acre-foot to \$1,143 per acre-foot on Jan. 1, 2022, a 3.5 percent increase.



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



ECONOMIC CONDITIONS AND OUTLOOK CONT'D

New meter connections per year have steadily increased (approximately 350 new connections in fiscal year 2020-2021); and Western continues to see an increasing trend in new connections. Western has also noted an increase in warehouse and commercial development activity. Water demand from these customers is 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 sewer flows due to commercial activities.

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 and economic hardships. As a water and wastewater (sewer) service provider, Western is an essential business. While the pandemic did not severely impact Western's operations and finances, public utilities like Western have seen a sharp increase in the number of retail customer accounts with past-due amounts. In September 2021, Western's Board approved participating in the California Water and Wastewater Arrearage Payment Program through the California State Water Resources Control Board. The funding from this program will be used to reduce delinquent water and wastewater (sewer) balances for customers experiencing financial hardships related to the economic impacts of the pandemic.



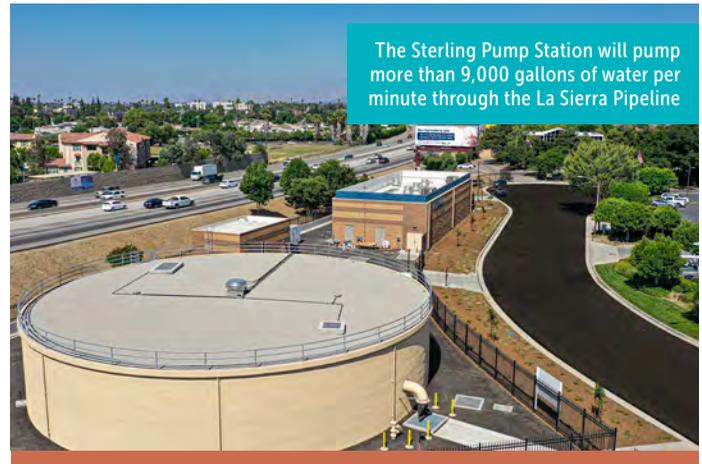
Western tests your water more than 30,000 times per year



MAJOR INITIATIVES

Through an ongoing pandemic, Western has remained committed to delivering safe, reliable, high-quality water and wastewater (sewer) services to nearly 1 million people who live, work, and play across a diverse region. As drought emergencies were declared across the state, Western stayed proactive in planning and investing to protect our region's most precious resource.

By staying focused on its mission and driven by its values, Western is prepared to meet the service needs of the region – today and into the future.



WATER AND SEWER RATE ADJUSTMENTS

In July 2020, Western embarked on an effort to inform and educate the communities it serves about a necessary water and wastewater (sewer) service rate adjustment. An integrated, comprehensive community relations program was developed to engage Western's Board of Directors, retail customers, and community stakeholders before considering the proposed rate adjustment by the Western Board. Western committed to a customer outreach effort that included strategic communication efforts within the development of the rate model, cost of service study, project timeline, and all subsequent efforts. With a detailed cost of service study and an understanding that customers were not very aware of the services Western provides, communicating the value of Western and educating about Western's water sources was critical to building a strong foundation for the campaign.

The adjustments were based on a four-year comprehensive rate model that forecasted long-term needs, and the alignment of future adjustments with the biennial budget.

Western successfully achieved its objective of increasing participation in the process, decreasing formal negative sentiment about the proposal, and garnering the majority Board support needed to adopt the proposed rate adjustment. With only seven formal letters of opposition—down from 850 during the previous rate adjustment in 2017—and majority support from the Board, Western adopted the proposed rate adjustment on June 2, 2021, and the rate increase went into effect with billing statements issued on and after July 1, 2021.



MAJOR INITIATIVES CONT'D

REGIONAL PARTNERSHIP AND A WHOLESAL WATER SUPPLY SYSTEM

In a region where groundwater is scarce, and approximately 60 percent of the retail water delivered to customers is imported from northern California and the Colorado River, Western continues to pioneer opportunities to secure water supply reliability through regional partnerships. The establishment of the North Perris Basin Agreement with Eastern Municipal Water District, and the Meeks and Daley Lease Agreement and Non-potable Lease Agreement with Elsinore Valley Municipal Water District have positioned Western to continue meeting the supply needs of the area while decreasing reliance on imported water.

A new concept being explored by Western is the wholesale water supply enterprise, which would increase system/supply resiliency by harnessing the interconnectedness of the Western delivery system. By optimizing existing assets, a wholesale water supply enterprise would equitably distribute water service costs. During the fiscal year, Western performed modeling and two live flow tests. These tests contributed to the successful completion of pilot flow tests from the Arlington Desalter distribution system to the Jurupa Community Services District pump station turnout.

REGIONAL LEADERSHIP ON LEGISLATIVE AND COMMUNICATIONS ISSUES

To increase its leadership footprint across the region, Western established a regional coalition to advocate on issues such as Per- and polyfluoroalkyl substances (PFAS), COVID-19 payment assistance, and climate issues. Western was the requested expert by the Senate delegation on PFAS, COVID-19, and infrastructure funding and successfully supported securing \$1B in funding past-due payment relief for customers financially impacted by COVID-19.

The establishment of the Inland Empire Clean Water Partnership was led by Western, and is the first collaboration of its kind in the region. Under Western's leadership, Eastern Municipal Water District, Inland Empire Utilities Agency, and San Bernardino Valley Municipal Water District are working together to tackle the region's most pressing water quality and supply challenges by coordinating regional approaches to communications and government relations efforts.

CUSTOMER SUPPORT PROGRAMS HELP SAVE WATER AND MONEY

With the completion of the Riverside and Murrieta Master Plans, Western is looking at current and future facility upgrades and expansion requirements that support development activity. Knowing that development activities will continue even during a drought, it is critical that Western proactively enhance customer cost-saving opportunities to encourage increased water use efficiency. Western is dedicated to making sure customers use water as efficiently as possible, by increasing awareness and access to water use efficiency programs. As part of these enhancements, the Western Board of Directors approved \$250,000 in enhanced rebates, invested in an online device store, and will soon be offering leak detection and water use data via an online customer portal. By providing these programs, Western is addressing the region's long-term water needs while empowering customers to take control of their water usage making water efficiency the way of life.

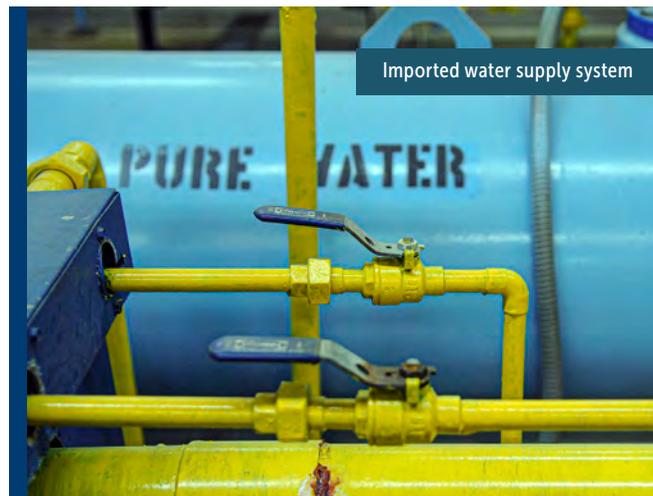


FINANCIAL POLICIES

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 concerning 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, and those funds maintained for the retired employee medical benefit. 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 and 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 accounting and reporting, budgeting, 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. Western also reports on fiduciary fund activities for the Western Municipal Water District Retirement Medical Plan, an Other Post-Employment Benefit Plan. The fiduciary fund reporting focuses on economic resources and are accounted for under the accrual basis of accounting.

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 typically 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 annual comprehensive financial report for the fiscal year ended June 30, 2020. This is the 16th year that Western has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report (ACFR). 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 ACFR 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

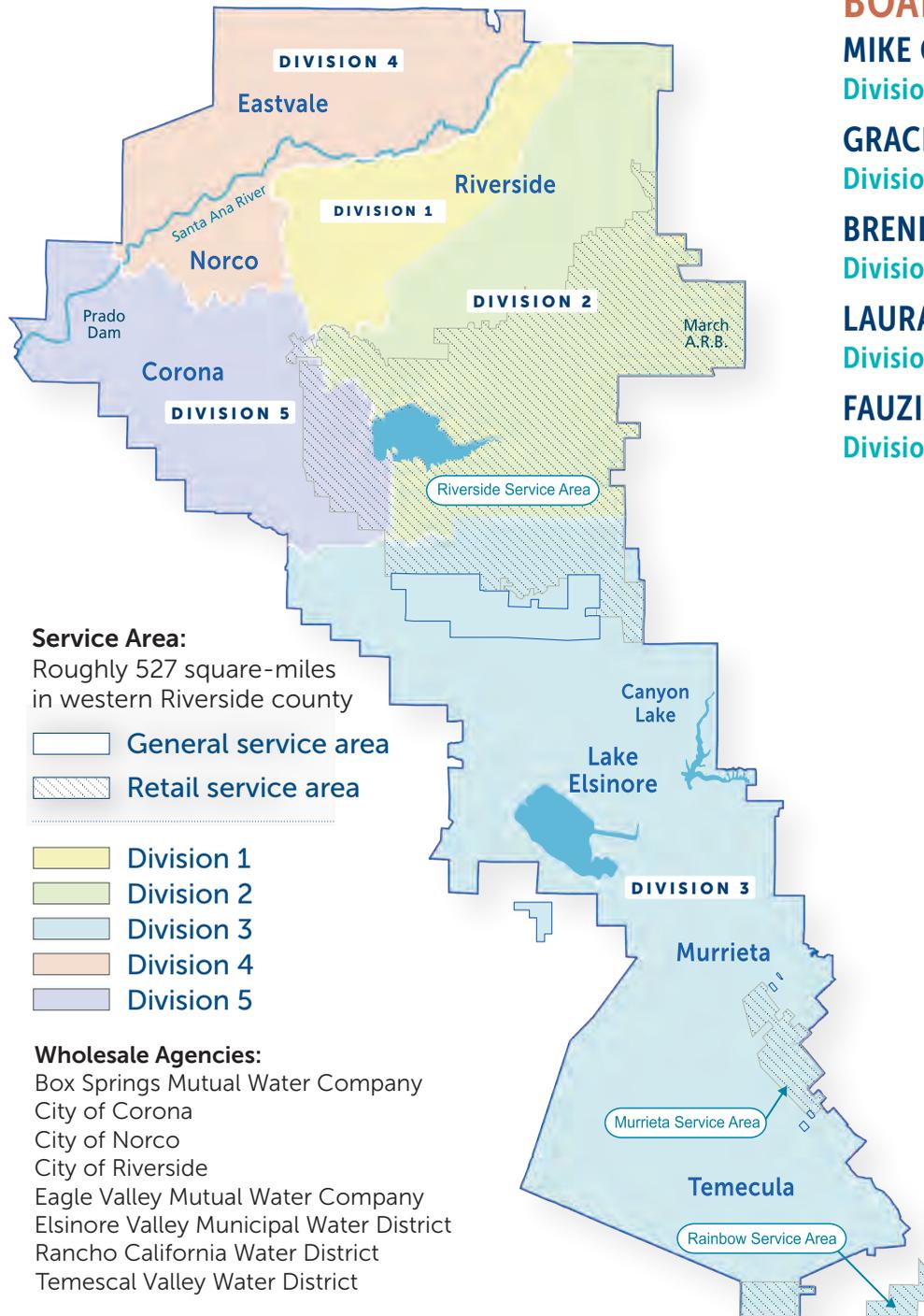
June 30, 2020

Christopher P. Morill

Executive Director/CEO



WESTERN'S SERVICE AREA MAP



Agencies also within Western's boundaries are Home Gardens County Water District, Home Gardens Sanitary District, Jurupa Community Services District, March Air Reserve Base, and Rubidoux Community Services District.

BOARD OF DIRECTORS

MIKE GARDNER

Division 1

GRACIE TORRES

Division 2

BRENDA DENNSTEDT

Division 3

LAURA ROUGHTON

Division 4

FAUZIA RIZVI

Division 5



DISTRICT OFFICIALS

FOR FISCAL YEAR ENDED JUNE 30, 2021

ELECTED BOARD OF DIRECTORS

Mike Gardner, Division 1, Secretary-Treasurer

Gracie Torres, Division 2, Vice President

Brenda Dennstedt, Division 3, President

Laura Roughton, Division 4, (Appointed in August 2021)

Fauzia Rizvi, Division 5

LENGTH OF SERVICE

<1 YEAR

2 YEARS

14 YEARS

<1 YEAR

<1 YEAR

EXECUTIVE MANAGEMENT TEAM

Craig D. Miller, General Manager

Timothy T. Barr, Deputy General Manager

Rod LeMond, Assistant General Manager/Chief Financial Officer

LENGTH OF SERVICE

7 YEARS

26 YEARS

12 YEARS

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

Tony Pollak, Assistant Deputy Director of Operations

Paul Ruge, Director of Operations

Ryan Shaw, Director of Water Resources

6 YEARS

3 YEARS

5 YEARS

15 YEARS

2 YEARS

17 YEARS

5 YEARS

2 YEARS

7 YEARS

16 YEARS

4 YEARS

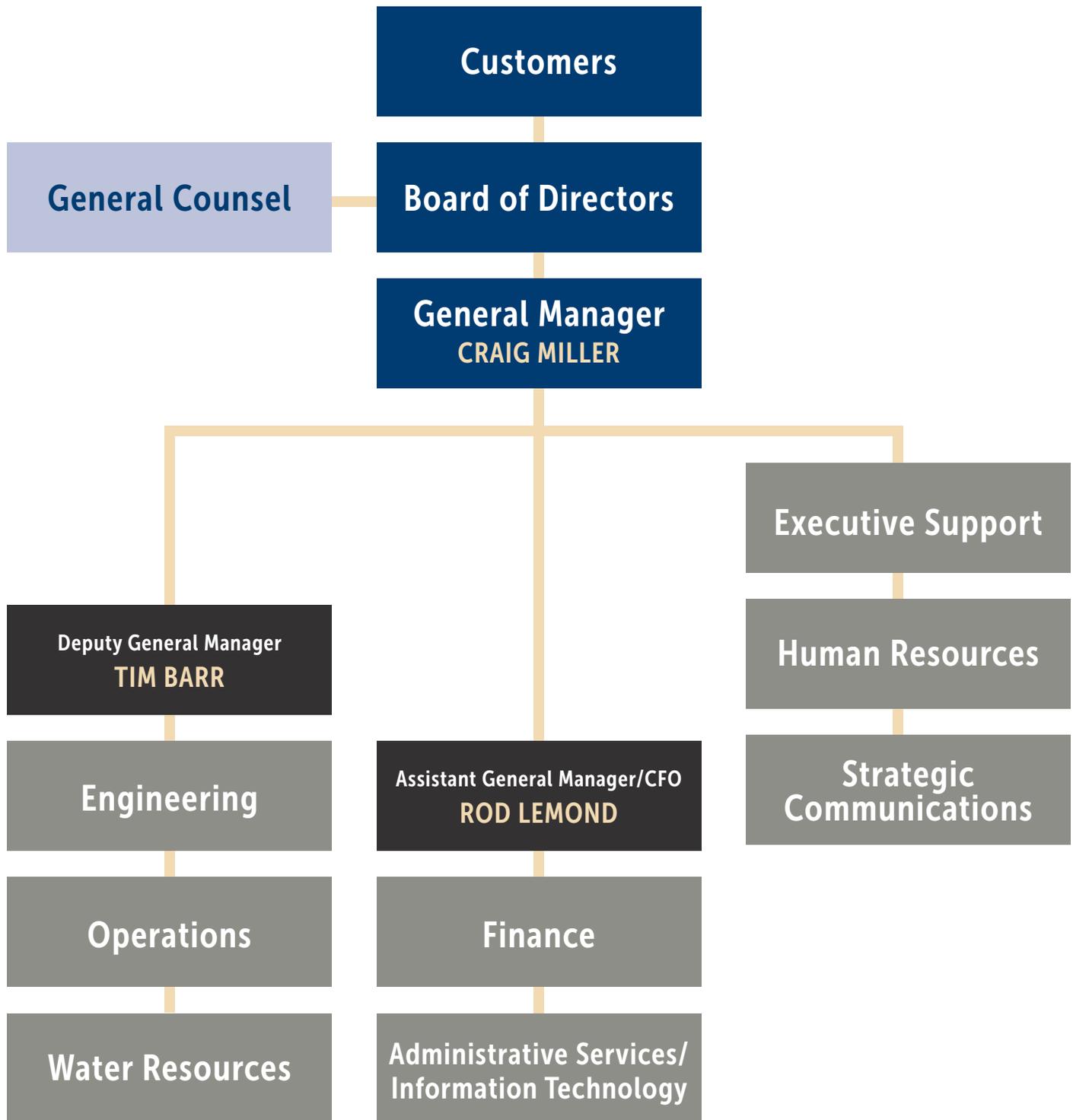
GENERAL COUNSEL

Best Best & Krieger, LLP

65 YEARS



ORGANIZATIONAL CHART



FINANCIAL SECTION



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
2020-21**



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, 2021, 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, 2021, and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

During the fiscal year ended June 30, 2021, the District adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the OPEB trust was added to the financial statements as a fiduciary fund, (see Note 14). Our opinion is not modified with respect to that matter.

As discussed in Note 15 to the financial statements, the District made restatements to beginning fund balance and net position. Our opinion is not modified with respect to this matter.

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.

Board of Directors
Western Municipal Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 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

Irvine, California
December 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of Western Municipal Water District (the District), 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, 2021. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditors' 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 the 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 the accounting principles 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 regarding the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses and Change 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 Change 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.

In addition, the District reports information on a Fiduciary Fund where the District holds the assets as a trustee for the benefit of others. The Fiduciary Fund Statements consist of the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

The *Statement of Fiduciary Net Position* presents information on assets, liabilities, and deferred inflow of resources of fiduciary activities.

The *Statement of Changes in Fiduciary Net Position* presents additions and deductions to or from the net position of the Fiduciary Fund.

Summary Financial Information and Analysis

One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. 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 2021, this loss has been offset by net non-operating revenues primarily from property tax revenues and capacity rights sales. 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, 2021 and 2020

	<u>As of June 30,</u>		<u>Increase (Decrease)</u>	
	<u>2021</u>	<u>2020 As Restated</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current	\$ 246,435,802	\$ 213,547,355	\$ 32,888,447	15.4%
Noncurrent:				
Capital	444,469,497	438,963,703	5,505,794	1.3%
Other	69,235,020	35,630,728	33,604,292	94.3%
Total Assets	<u>\$ 760,140,319</u>	<u>\$ 688,141,786</u>	<u>\$ 71,998,533</u>	10.5%
Deferred Outflows of Resources	<u>\$ 21,261,579</u>	<u>\$ 24,099,904</u>	<u>\$ (2,838,325)</u>	-11.8%
Liabilities				
Current	\$ 51,663,994	\$ 44,287,147	\$ 7,376,847	16.7%
Noncurrent	235,895,393	214,104,765	21,790,628	10.2%
Total Liabilities	<u>\$ 287,559,387</u>	<u>\$ 258,391,912</u>	<u>\$ 29,167,475</u>	11.3%
Deferred Inflows of Resources	<u>\$ 6,631,170</u>	<u>\$ 5,609,423</u>	<u>\$ 1,021,747</u>	18.2%
Net Position				
Net investment in capital assets	\$ 267,186,229	\$ 260,463,443	\$ 6,722,786	2.6%
Restricted for capacity charges	22,713,124	20,337,578	2,375,546	11.7%
Restricted for other post-employment benefits (OPEB)	2,474,801	-	2,474,801	-
Unrestricted	194,837,187	167,439,334	27,397,853	16.4%
Total Net Position	<u>\$ 487,211,341</u>	<u>\$ 448,240,355</u>	<u>\$ 38,970,986</u>	8.7%

Assets

During the fiscal year ended June 30, 2021, total assets increased by \$72.0 million, or 10.5%. This increase is primarily due to increases in (1) cash, including restricted cash of \$9.3 million; (2) investments, including restricted investments of \$56.4 million; (3) net capital asset additions of \$5.5 million; and (4) net Other Post-Employment Benefit (OPEB) asset of \$2.5 million. The increase in cash and investments is due to the following: (1) receipt of proceeds from the sale of capacity rights in the amount of \$15.4 million, (2) unspent proceeds from the issuance of new bonds in the amount of \$22.9 million, (3) return of collateral requirement related to the swap agreement for \$3.4 million, and (4) proceeds from capacity charges for \$6.0 million.

Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net position that apply to future periods. During the fiscal year ended June 30, 2021, total deferred outflows of resources decreased by \$2.8 million, or 11.8%. This decrease is largely due to a decrease in the deferred outflow of resources related to the deferred SWAP outflow, in the amount of \$2.3 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, 2021, total liabilities increased by \$29.2 million, or 11.3%. This increase results mainly from an increase in bonds payable from the issuance of the Series 2020A Water Revenue Bonds. The bonds were issued to provide funds to acquire various capital improvements for the District's water and wastewater system facilities in the amount of \$25.5 million, and to refund the Series 2016A and Series 2010B Revenue Bonds.

Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position applicable to a future reporting period. During the fiscal year ended June 30, 2021, total deferred inflows of resources increased by \$1.0 million, or 18.2%. This increase is due to an increase in deferred inflows of resources related to OPEB of \$1.7 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 of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position increased during fiscal year 2021 by \$39.0 million, or 8.7% as a result of current year operations. Net position is classified into three categories: (1) net investment in capital assets, (2) restricted for capacity charges, (3) restricted for other post-employment benefits, and (4) 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, 2021, was \$267.2 million. The \$6.7 million, or 2.6% increase in fiscal year 2021 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, 2021 and 2020

	As of June 30,		Increase (Decrease)	
	2021	2020	\$ Change	% Change
Plant, building and improvements	\$ 425,163,765	\$ 413,530,378	\$ 11,633,387	2.8%
Capacity rights	120,581,155	118,253,738	2,327,417	2.0%
Construction in progress	60,046,262	58,310,348	1,735,914	3.0%
Land and land improvements	17,668,663	16,620,352	1,048,311	6.3%
Equipment and vehicles	20,712,920	19,760,306	952,614	4.8%
Total capital assets	644,172,765	626,475,122	17,697,643	2.8%
Less accumulated depreciation	(199,703,268)	(187,511,419)	(12,191,849)	6.5%
Capital assets, net	444,469,497	438,963,703	5,505,794	1.3%
Less related debt:				
State Water Resources Control Board				
La Sierra Project	33,751,668	34,271,709	(520,041)	-1.5%
Western Riverside County Regional				
Wastewater Authority	569,010	597,146	(28,136)	-4.7%
Santa Rosa Regional Resources Authority	12,478,674	11,576,842	901,832	7.8%
2010 Series A bonds	-	1,239,181	(1,239,181)	-100.0%
2010 Series B bonds	-	42,606,752	(42,606,752)	-100.0%
2012 Series A bonds	26,498,684	27,899,642	(1,400,958)	-5.0%
2016 Series A bonds	-	47,001,213	(47,001,213)	-100.0%
2020 Series A bonds	91,628,943	-	91,628,943	100.0%
Note on vehicle leases	998,897	1,469,782	(470,885)	-32.0%
Note on headquarters building	6,587,285	7,817,855	(1,230,570)	-15.7%
Acquisition and construction of capital assets in accounts payable	4,770,107	4,020,138	749,969	18.7%
Net investment in capital assets	<u>\$ 267,186,229</u>	<u>\$ 260,463,443</u>	<u>\$ 6,722,786</u>	2.6%

Restricted for Capacity Charges – The \$22.7 million restricted for capacity charges at June 30, 2021, reflect added facilities charges and distribution system fees received from land owners and developers for the future expansion of the water distribution, 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 become 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.

Restricted for other post-employment benefits (OPEB) – The \$2.5 million restricted for OPEB at June 30, 2021 consists of net assets recognized for OPEB.

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, 2021, was \$194.8 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, 2021 and 2020

	Fiscal Years Ended June 30,		Increase (Decrease)	
	2021	2020 As Restated	\$ Change	% Change
Operating revenue	\$ 140,557,065	\$ 122,346,891	\$ 18,210,174	14.9%
Operating expenses	(152,238,915)	(139,579,516)	(12,659,399)	9.1%
Net nonoperating revenue	37,093,116	30,079,330	7,013,786	23.3%
Net income before capital contributions	25,411,266	12,846,705	12,564,561	97.8%
Capital contributions	13,559,720	14,913,731	(1,354,011)	-9.1%
Change in net position	38,970,986	27,760,436	11,210,550	40.4%
Net position, July 1, as restated	448,240,355	420,479,919	27,760,436	6.6%
Net position, June 30	<u>\$ 487,211,341</u>	<u>\$ 448,240,355</u>	<u>\$ 38,970,986</u>	8.7%

Combined Revenue

The following table presents a comparison of revenues by category for the fiscal years ended June 30, 2021 and 2020:

Revenues by Category for the Fiscal Years Ended June 30, 2021 and 2020

	Fiscal Years Ended June 30,		Increase (Decrease)	
	2021	2020 As Restated	\$ Change	% Change
Water sales	\$ 96,387,528	\$ 80,000,798	\$ 16,386,730	20.5%
Water service	24,574,875	23,149,760	1,425,115	6.2%
Wastewater disposal	14,592,692	14,174,941	417,751	2.9%
Contractual services	4,860,581	4,940,400	(79,819)	-1.6%
Property taxes	27,416,336	24,616,030	2,800,306	11.4%
Investment earnings	(446,251)	11,084,735	(11,530,986)	-104.0%
Capacity rights sales	15,940,572	84,469	15,856,103	18771.5%
Intergovernmental revenue	-	865,043	(865,043)	-100.0%
Other	1,129,408	1,138,822	(9,414)	-0.8%
Total revenues	<u>184,455,741</u>	<u>160,054,998</u>	<u>24,400,743</u>	15.2%
Capital contributions	<u>13,559,720</u>	<u>14,913,731</u>	<u>(1,354,011)</u>	-9.1%
Total revenues and capital contributions	<u>\$ 198,015,461</u>	<u>\$ 174,968,729</u>	<u>\$ 23,046,732</u>	13.2%

Combined revenue (excluding capital contributions) for fiscal year 2021 totaled \$184.5 million, an increase of \$24.4 million, or 15.2%. The most significant variances from fiscal year 2020 to 2021 were in three revenue categories: water sales (\$16.4 million increase), investment earnings (\$11.5 million decrease) and capacity rights sales (\$15.9 million increase).

Water Sales – The \$16.4 million increase in water sales was a result of an increase in demand from the District’s wholesale and retail customers. The District’s water demand is highly influenced by weather conditions.

Investment Earnings – The \$11.5 million decrease in investment earnings was primarily due to unrealized losses from the market value adjustment of the District’s investments.

Capacity Rights Sales – The \$15.9 million increase was due to a one-time revenue of \$15.4 million from the sale of capacity rights and related purchase option of the Mills Gravity Line to Elsinore Valley Municipal Water District.

Capital Contributions

During fiscal year 2021, the District experienced a decrease of \$1.4 million, or 9.1%, in capital contributions. Capital contributions include water and sewer added facilities charges (capacity charges), contributed assets from developers and grant proceeds. The decrease in capital contributions is mainly due to lower capacity charge revenues compared to the prior year.

Combined Expenses

The following table presents a comparison of expenses by category for the fiscal year ended June 30, 2021 and 2020:

Expenses by Category for the Fiscal Years Ended June 30, 2021 and 2020

Expense Category	Fiscal Years Ended June 30,		Increase (Decrease)	
	2021	2020	\$ Change	% Change
Source of supply	\$ 1,278,460	\$ 1,264,213	\$ 14,247	1.1%
Purchased water	82,239,192	67,906,312	14,332,880	21.1%
Pumping - booster pumps	6,249,818	5,541,953	707,865	12.8%
Water treatment	4,794,448	4,712,375	82,073	1.7%
Transmission and distribution	11,443,335	10,371,146	1,072,189	10.3%
Administrative and general	12,930,326	14,982,493	(2,052,167)	-13.7%
Contractual services	4,294,338	4,629,855	(335,517)	-7.2%
Wastewater disposal	11,769,591	10,999,326	770,265	7.0%
Depreciation and amortization	14,022,593	13,405,239	617,354	4.6%
Interest expense	5,355,265	5,954,479	(599,214)	-10.1%
Other	4,667,109	7,440,902	(2,773,793)	-37.3%
Total expenses	<u>\$ 159,044,475</u>	<u>\$ 147,208,293</u>	<u>\$ 11,836,182</u>	8.0%

Combined expenses for fiscal year 2021 totaled \$159.0 million, an increase of \$11.8 million, or 8.0%. The most significant variances from fiscal year 2020 to 2021 were in three expense categories: purchased water (\$14.3 million increase), administrative and general (\$2.1 million decrease) and other expenses (\$2.8 million decrease).

Purchased Water – The \$14.3 million increase in purchased water expense was mainly due to the increase in volume of imported water during fiscal year 2021 purchased from Metropolitan Water District (MWD) due to increased demand from both retail and wholesale water agency customers.

Administrative and General – The \$2.1 million decrease in administrative and general expenses is due to: (1) lower Governmental Accounting Standards Board No. 68 pension expense by \$0.6 million, (2) higher OPEB income by \$0.5 million, and (3) due to lower cost than expected in a wide variety of administrative areas totaling \$1.0 million.

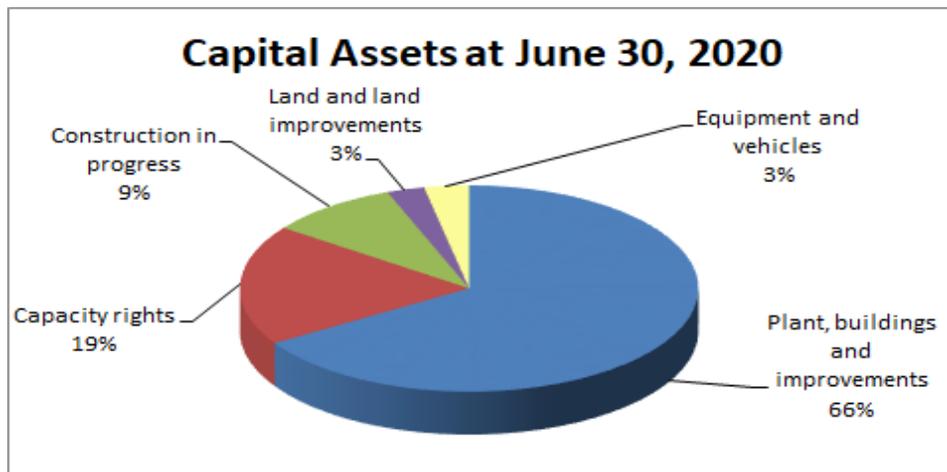
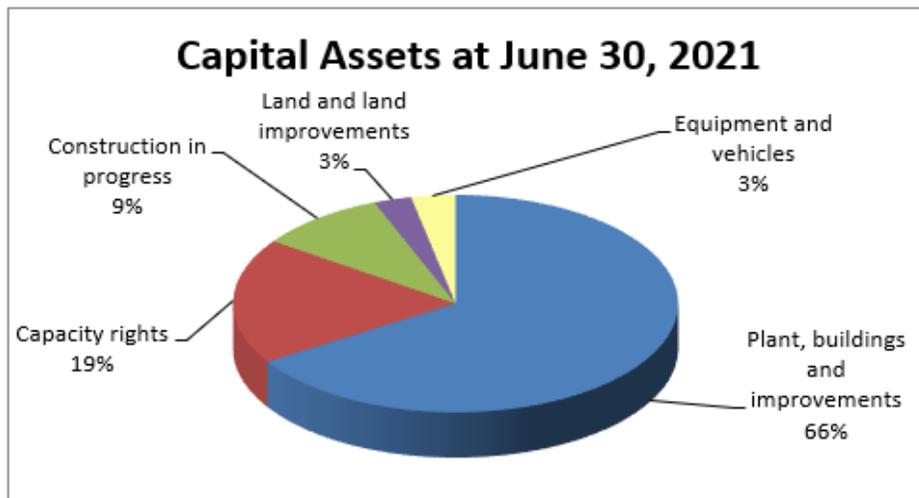
Other Expenses – The \$2.8 million decrease in other expenses is primarily due to the \$2.6 million write-off in the prior year of construction-in-progress related to costs for the Chino Desalter Expansion and the failed microtunnel Santa Ana River crossing.

Capital Assets

The District’s investment in capital assets as of June 30, 2021 was \$444.5 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:

	<u>2021</u>	<u>2020</u>
Plant, buildings and improvements	\$ 425,163,765	\$ 413,530,378
Capacity rights	120,581,155	118,253,738
Construction in progress	60,046,262	58,310,348
Land and land improvements	17,668,663	16,620,352
Equipment and vehicles	20,712,920	19,760,306
Total capital assets	<u>644,172,765</u>	<u>626,475,122</u>
Less accumulated depreciation	<u>(199,703,268)</u>	<u>(187,511,419)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 444,469,497</u>	<u>\$ 438,963,703</u>



Long-Term Liabilities

As of June 30, 2021, the District has outstanding long-term liabilities of \$242.6 million. Long-term liabilities include a swap liability, compensated absences, amounts due to other governments, bonds, lease payable, 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. Information regarding the net OPEB liability (asset) can be found in Note 11.

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

	<u>2021</u>	<u>2020</u>
Compensated absences	\$ 4,532,205	\$ 3,785,217
Due to other governments	46,799,352	46,445,697
Bonds payable		
Revenue bonds	127,710,000	135,085,000
Unamortized discount	-	(211,325)
Unamortized premium	29,614,014	9,182
Swap liability	2,932,667	3,390,695
Note payable	6,587,285	7,817,855
Lease payable	998,897	1,469,782
Net pension liability	21,706,462	19,865,378
Net OPEB liability	-	121,140
Derivative instrument - interest rate swap	1,759,954	4,097,497
Total long-term liabilities	<u>242,640,836</u>	<u>221,876,118</u>
Less current portion	(6,745,443)	(7,771,353)
Total long-term liabilities, net of current portion	<u>\$ 235,895,393</u>	<u>\$ 214,104,765</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 2022 fiscal year budget includes \$7.5 million in capital projects, net of estimated grant funding and financing proceeds.

Rates effective July 1, 2021, as recommended by a cost-of-service study, were adopted by the Board of Directors on June 2, 2021. This will result in an increase for fiscal year 2022 of 2.1% to an average bill for a residential customer in the Riverside service area, 2.2% to customers in the Murrieta service area, and 3.5% to customers in the Rainbow service area. A rate increase of 3.0% for most of the District's wastewater customers went into effect on July 1, 2021, to accommodate the 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 District received a ratings upgrade from Fitch from AA+ to AAA during fiscal year 2021. The current ratings for the District are Standard & Poor's AA+ and Fitch AAA.

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 at 14205 Meridian Parkway, Riverside, CA 92518.

Western Municipal Water District
Statement of Net Position
June 30, 2021

	2021
<i>Assets and Deferred Outflows of Resources</i>	
Current assets:	
Cash	\$ 25,243,171
Restricted cash	6,305,866
Investments	185,994,752
Receivables, net	24,859,227
Stored groundwater inventory	1,525,095
Materials and supplies inventory	1,717,453
Other current assets	790,238
Total current assets	246,435,802
Non-current assets:	
Restricted investments	57,618,737
Notes receivable	4,753,322
Assessments receivable	2,000,000
Other non-current assets	2,388,160
Net OPEB asset	2,474,801
Capital assets not being depreciated	164,061,291
Capital assets being depreciated, net	280,408,206
Total noncurrent assets	513,704,517
Total assets	760,140,319
Deferred outflows of resources:	
Deferred outflow of resources - deferred swap outflow	1,759,954
Deferred outflow of resources - debt refunding	9,912,889
Deferred outflow of resources - pension	5,821,672
Deferred outflow of resources - OPEB	3,767,064
Total deferred outflows of resources	21,261,579
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Current liabilities:	
Accounts payable and accrued expenses	26,437,898
Customer deposits and unearned revenue	11,714,322
Construction advances	5,510,517
Accrued interest payable	1,255,814
Long-term liabilities - due in less than one year:	
Compensated absences	2,437,214
Lease payable	487,019
Due to other governments	527,546
Note payable	1,258,662
Bonds payable	2,035,002
Total current liabilities	51,663,994
Non-current liabilities:	
Long-term liabilities - due in more than one year:	
Compensated absences	2,094,991
Lease payable	511,878
Due to other governments	46,271,806
Note payable	5,328,623
Bonds payable	158,221,679
Net pension liability	21,706,462
Derivative instrument - interest rate swap	1,759,954
Total noncurrent liabilities	235,895,393
Total liabilities	287,559,387
Deferred inflows of resources:	
Deferred inflow of resources - pension	447,550
Deferred inflow of resources - OPEB	6,183,620
Total deferred inflows of resources	6,631,170
Net Position:	
Net investment in capital assets	267,186,229
Restricted for capacity charges	22,713,124
Restricted for other post-employment benefits (OPEB)	2,474,801
Unrestricted	194,837,187
Total net position	\$ 487,211,341

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, 2021

	2021
Operating Revenues:	
Water sales	\$ 96,387,528
Water service	24,574,875
Wastewater disposal	14,592,692
Other charges and services	141,389
Contractual services	4,860,581
Total operating revenues	140,557,065
Operating Expenses:	
Source of supply	1,278,460
Purchased water	82,239,192
Pumping - booster pumps	6,249,818
Water treatment	4,794,448
Transmission and distribution	11,443,335
Customer accounts	1,231,653
Administrative and general	12,930,326
Contractual services	4,294,338
Wastewater disposal	11,769,591
Other operating expense	1,985,161
Total operating expenses before depreciation and amortization	138,216,322
Operating income before depreciation and amortization	2,340,743
Depreciation and amortization	(14,022,593)
Operating loss	(11,681,850)
Non-operating revenues (expenses):	
Property taxes and assessments	27,416,336
Investment earnings	(446,251)
Interest expense	(5,355,265)
Capacity rights sales	15,940,572
Other revenues	988,019
Other expenses	(1,395,352)
Loss on disposal of assets, net	(54,943)
Total net nonoperating revenues	37,093,116
Net income before capital contributions	25,411,266
Capital contributions:	
Capacity charges	5,919,393
Developer capital contributions	4,666,987
Federal, state and local capital grants	2,973,340
Total capital contributions	13,559,720
Change in net position	38,970,986
Net position, beginning of year, as restated	448,240,355
Net position, end of year	\$ 487,211,341

See accompanying notes to the basic financial statements

**Western Municipal Water District
Statements of Cash Flows
For the Year Ended June 30, 2021**

	2021
Cash flows from operating activities:	
Cash receipts from customers for water sales and services	\$ 140,768,773
Cash paid for salaries, wages, and selected benefits	(23,457,987)
Cash paid to vendors and suppliers for materials and services	(110,612,224)
Net cash provided by operating activities	6,698,562
Cash flows from noncapital financing activities:	
Proceeds from property taxes and assessments	27,239,564
Proceeds from intergovernmental revenue	223,453
Deposit returned for swap collateral requirement	3,400,230
Net cash provided by noncapital financing activities	30,863,247
Cash flows from capital and related financing activities:	
Proceeds from capacity rights sales	15,527,872
Proceeds from notes receivable	338,102
Acquisition and construction of capital assets	(12,556,855)
Proceeds from disposal of capital assets	115,371
Proceeds from capital contributions	11,455,538
Proceeds from the issuance of long-term debt	120,656,025
Redemption of bonds payable	(94,730,000)
Principal paid on long-term debt	(6,242,787)
Interest paid on long-term debt	(6,027,123)
Net cash provided by capital and related financing activities	28,536,143
Cash flows from investing activities:	
Investment earnings	5,436,778
Purchase of investments	(223,452,991)
Proceeds from sale of investments	161,230,874
Net cash used in investing activities	(56,785,339)
Net increase in cash	9,312,613
Cash, beginning of year	22,236,424
Cash, end of year	\$ 31,549,037
Reconciliation of cash to statement of net position:	
Cash	\$ 25,243,171
Restricted cash	6,305,866
Total cash	\$ 31,549,037

Continued on next page

See accompanying notes to the basic financial statements

**Western Municipal Water District
Statements of Cash Flows, continued
For the Year Ended June 30, 2021**

	2021
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (11,681,850)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	14,022,593
Other revenues	988,019
Other expenses	(724,192)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in assets:	
Accounts receivable	(1,497,683)
Materials and supplies inventory	31,971
Other current and noncurrent assets	(110,368)
Net OPEB asset	(2,595,941)
(Increase) decrease in deferred outflow of resources:	
Deferred outflow of resources - pension	(12,787)
Deferred outflow of resources - OPEB	263,250
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	2,696,340
Customer deposits and unearned revenue	1,709,391
Compensated absences	746,988
Net pension liability	1,841,084
Increase (decrease) in deferred inflow of resources:	
Deferred inflow of resources - pension	(659,220)
Deferred inflow of resources - OPEB	1,680,967
Total adjustments	18,380,412
Net cash provided by operating activities	\$ 6,698,562

Noncash investing, capital and financing transactions:

(Decrease) in fair value of investments	\$ (5,743,605)
Capital asset contributions	4,493,932
Acquisition and construction of capital assets in accounts payable	4,770,107
Acquisition of capital assets in long-term debt	2,370,858
Acquisition of capital assets in capacity charges	412,700
Reduction of principal amount in long-term debt	790,147
State capital grant revenue	871,909

See accompanying notes to the basic financial statements

**Western Municipal Water District
Statement of Fiduciary Net Position
June 30, 2021**

		<u>OPEB Trust Fund</u>
Assets		
Cash and investments - OPEB Trust:		
Money Market Funds	\$	117,795
Exchange-Traded Funds:		
Small Cap U.S. Equity		3,221,504
Mid Cap U.S. Equity		3,171,014
Large Cap U.S. Equity		3,869,280
International Equity		2,534,784
Emerging Market Equity		1,243,699
U.S. Core Bonds		5,273,646
U.S. High Yield Bonds		1,264,540
International Bonds		456,800
Real Estate		1,516,671
International Real Estate		468,800
Other		106,838
Prepaid expenses		46,523
Total assets		<u>23,291,894</u>
Liabilities		
Accrued expenses		14,528
		<u>14,528</u>
Net position held in trust	\$	<u><u>23,277,366</u></u>

See Notes 1 and 11 to the financial statements

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

	OPEB Trust Fund
Additions:	
Contributions:	
Employer contributions	\$ 793,304
Total contributions	793,304
Investment income:	
Net increase in fair value of investments	4,890,828
Interest	14
Dividends	425,127
Total investment income	5,315,969
Less: investment expense	(41,893)
Net investment income	5,274,076
Total additions	6,067,380
Deductions:	
Benefits	657,441
Administrative expense	32,786
Total deductions	690,227
Change in net position held in trust	5,377,153
Net position held in trust, beginning of year	17,900,213
Net position held in trust, end of year	\$ 23,277,366

See Notes 1 and 11 to the financial statements

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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 77% of its water from the Metropolitan Water District of Southern California. Approximately 32% of the purchased water comes from the Colorado River aqueduct and approximately 68% comes from the State Water Project.

The criteria used in determining the scope of the financial reporting entity is based on the 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.

Fiduciary Component Unit

The Western Municipal Water District Retirement Medical Benefits Plan (the Medical Plan), an Other Post-Employment Benefit (OPEB) Plan, provides advance funding for post-employment healthcare benefits to eligible employees and eligible dependents in accordance with plan provisions. Separate financial statements are prepared for the Voluntary Employee's Beneficiary Association (VEBA) Trust, established by the District for the Medical Plan, and may be obtained at Western Municipal Water District located at 14205 Meridian Parkway, Riverside, CA 92518.

B. Basis of Accounting and Measurement Focus

The District reports its activities as a special-purpose government engaged in 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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

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

B. Basis of Accounting and Measurement Focus, continued

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.

The District also reports on fiduciary fund activities. The Other Post-Employment Benefit Trust Fund is used to account for contribution and distributions related to the Medical Plan. The fiduciary fund reporting focuses on economic resources and are accounted for under the accrual basis of accounting.

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.

For the purpose of the statement of cash flows, the District considers short-term, highly liquid investments, such as investments in Money Market Funds and the California Local Agency Investment Fund (LAIF), as part of the District's investing activities.

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 the 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 it is 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 1% of countywide-assessed valuations.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

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

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

3. Property Taxes and Assessments

Property taxes receivable at year-end are related to the property taxes collected by the County, which have not been credited to the District's cash balance as of June 30, 2021. 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

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 entity'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. Restricted Assets

Restricted cash and investments are classified as restricted assets on the statement of net position as these are maintained in separate bank accounts or tracked separately. Uses of these assets are restricted by applicable bond covenants, resolution or contracts, such as with escrow agreements.

7. 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 the acquisition value upon 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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

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

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

7. Capital Assets, continued

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.

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, 2021.

8. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation leave up to a maximum of 480 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.

9. 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 the net position. The impact of deferred outflow of resources and deferred inflow of resources on the net position is explained in the following paragraphs.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

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

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

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

At June 30, 2021, the District had four items reported as deferred outflow of resources. The first item relates to the deferred swap outflow of \$1,759,954. 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, 2021. 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 \$9,912,889 at June 30, 2021. This amount relates to the previous debt refunding in 2012 and the refunding in July of 2020. It represents the difference in the carrying value of refunded debts and its 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 OPEB in the amount of \$5,821,672 and \$3,767,064, respectively. These amounts include the pension contributions made after the measurement date of the net pension liability include differences between the expected and actual experience for both pension and OPEB, changes in assumption for OPEB, net difference between projected and actual earnings on pension plan investments, and adjustments due to differences in proportions for pension. Refer to Notes 10D and 11D for additional information.

At June 30, 2021, the District had two items reported as deferred inflow of resources. These items relate to pension and OPEB, in the amount of \$447,550 and \$6,183,620, respectively. The amounts include the deferred inflow resulting from differences between expected and actual experience for OPEB, changes of assumption for both pension and OPEB, net difference between projected and actual earnings on OPEB plan investments, and differences between the employer's contributions and the employer's proportionate share of contributions for pension. Refer to Notes 10D and 11D for additional information.

10. 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.
- **Restricted for other post-employment benefits (OPEB)** – This component of net position consists of net assets recognized for the OPEB.
- **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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

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

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.

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 change 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 nonoperating grant revenue, as appropriate, on the statement of revenues, expenses and change 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

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 accounting principles generally accepted in the United States of America (U.S. GAAP) 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, 2021

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

H. Budgetary Policies

The District adopts a biennial nonappropriated 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:

	2021
Cash	\$ 25,243,171
Restricted cash	6,305,866
Total cash	31,549,037
Investments	185,994,752
Restricted investments	57,618,737
Total investments	243,613,489
Total cash and investments	\$ 275,162,526

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

	2021
Petty cash	\$ 16,500
Deposits with financial institution	25,226,671
Deposits with escrow agents	1,458,556
Deposits held by fiscal agent	4,847,310
Total cash	\$ 31,549,037
Money market funds	835,258
California Local Agency Investment Fund	8,265,264
U.S. Treasury Notes	48,085,614
Government-Sponsored Agency Securities	74,152,690
Corporate Medium-Term Notes	48,989,180
Asset-Backed Securities	14,890,028
Collateralized Mortgage Obligations	13,782,925
Supranationals	12,602,764
Negotiable Certificate of Deposit	4,001,800
Held by fiscal agent:	
U.S. Treasury Notes	7,307,680
Commercial Paper	1,124,460
Government-Sponsored Agency Securities	9,575,826
Total investments	243,613,489
Total cash and investments	\$ 275,162,526

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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%
		20% (combined with collateralized	
Federally Insured Time Deposits (Non-negotiable CDs)	5 years	Time Deposits)	FDIC Limit
		20% (combined with Federally-	
Collateralized Time Deposits (Non-negotiable CDs)	5 years	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
		20% (combined with Money	
Mutual Funds	N/A	Market Mutual Funds)	10%
		20% (combined with Mutual	
Money Market Mutual Funds	N/A	Funds)	No limit
Mortgage Pass-Through Securities	5 years	20%	5%
Asset-Backed Securities	5 years	20%	5%
Collateralized Mortgage Obligations ¹	5 years	20%	5% ¹
County Pooled Investment Funds	N/A	No limit	No limit
CalTrust Pooled Investment Funds	N/A	No limit	No limit

¹ There is no issuer limitation on any mortgage security where the issuer is the U.S. Treasury or a Federal/Agency Government Sponsored Entity.

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

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(2) Cash and Investments, continued

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 deed of trust 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, 2021, the carrying amount of the District's deposits was \$31,532,537, and the corresponding bank balance was \$34,087,410. The difference of \$2,554,873 was principally due to outstanding checks, wires and/or deposits in transit.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(2) Cash and Investments, continued

Investments Authorized by Debt Agreements

Of the bank balances, 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.

	2021 Bank Balance	2021 FDIC Insurance
Deposits with financial institution	\$ 27,783,419	\$ 250,000
Deposits with escrow agents	1,456,681	500,000
Deposits held by fiscal agent	4,847,310	250,000
Total bank balance	\$ 34,087,410	\$ 1,000,000

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, 2021

(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, 2021, are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
U.S. Treasury Notes	\$ 48,085,614	\$ -	\$ 16,696,227	\$ 31,389,387
Government-Sponsored Agency Securities	74,152,690	4,493,430	38,017,040	31,642,220
Corporate Medium-Term Notes	48,989,180	2,742,515	46,246,665	-
Asset-Backed Securities	14,890,028	-	14,890,028	-
Collateralized Mortgage Obligations	13,782,925	991,884	12,791,041	-
Supranationals	12,602,764	2,273,895	10,328,869	-
Negotiable Certificates of Deposit	4,001,800	4,001,800	-	-
California Local Agency Investment Fund	8,265,264	8,265,264	-	-
Money Market Funds	835,258	835,258	-	-
Held by Fiscal Agent:				
U.S. Treasury Notes	7,307,680	7,307,680	-	-
Commercial Paper	1,124,460	1,124,460	-	-
Government-Sponsored Agency Securities	9,575,826	2,953,355	6,622,471	-
Total	<u>\$ 243,613,489</u>	<u>\$ 34,989,541</u>	<u>\$ 145,592,341</u>	<u>\$ 63,031,607</u>

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(2) Cash and Investments, continued

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, 2021, 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	\$ 48,085,614	N/A	\$ 48,085,614	\$ -	\$ -	\$ -	\$ -
Government-Sponsored Agency Securities	74,152,690	None	-	-	74,152,690	-	-
Corporate Medium-Term Notes	48,989,180	A **	-	1,020,245	12,901,728	35,067,207	-
Asset-Backed Securities	14,890,028	AA	-	14,890,028	-	-	-
Collateralized Mortgage Obligations	13,782,925	AA	-	13,782,925	-	-	-
Supranationals	12,602,764	AAA	-	12,602,764	-	-	-
Negotiable Certificates of Deposits	4,001,800	None	-	-	-	4,001,800	-
California Local Agency Investment Fund	8,265,264	None	-	-	-	-	8,265,264
Money Market Funds	835,258	*	-	835,258	-	-	-
Held by Fiscal Agent:							
U.S. Treasury Notes	7,307,680	N/A	7,307,680	-	-	-	-
Commercial Paper	1,124,460	A	-	-	1,124,460	-	-
Government-Sponsored Agency Securities	9,575,826	None	-	-	9,575,826	-	-
	<u>\$ 243,613,489</u>		<u>\$ 55,393,294</u>	<u>\$ 43,131,220</u>	<u>\$ 97,754,704</u>	<u>\$ 39,069,007</u>	<u>\$ 8,265,264</u>

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

** Rated A or higher by at least one nationally recognized statistical rating agencies. There were two securities that had a split-rating of A/BBB+/A at June 30, 2021.

Concentration of Credit Risk

Investments (excluding held by fiscal agent) in any one issuer other than U.S. Treasury securities, money market funds, external investment pools that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	2021 Reported Amount	2021 % of Total Investments
Federal Home Loan Bank	Government-Sponsored Agency Securities	\$ 23,912,214	10%
Federal National Mortgage Association	Government-Sponsored Agency Securities	23,703,530	10%
Federal Home Loan Mortgage Corporation	Government-Sponsored Agency Securities	19,167,921	8%
Federal Home Loan Mortgage Corporation	Collateralized Mortgage Obligations	13,782,925	6%

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(2) Cash and Investments, continued

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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, 2021:

Investment Type	June 30, 2021	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	\$ 48,085,614	\$ -	\$ 48,085,614	\$ -
Government-Sponsored Agency Securities	74,152,690	-	74,152,690	-
Corporate Medium-Term Notes	48,989,180	-	48,989,180	-
Asset-Backed Securities	14,890,028	-	14,890,028	-
Collateralized Mortgage Obligations	13,782,925	-	13,782,925	-
Supranational	12,602,764	-	12,602,764	-
Negotiable Certificates of Deposits	4,001,800	-	4,001,800	-
Held by fiscal agent:				
U.S. Treasury Notes	7,307,680	-	7,307,680	-
Commercial Paper	1,124,460	-	1,124,460	-
Government-Sponsored Agency Securities	9,575,826	-	9,575,826	-
Investments subject to fair value hierarchy	<u>234,512,967</u>	<u>-</u>	<u>234,512,967</u>	<u>-</u>
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	8,265,264	-	-	-
Money Market Funds	835,258	-	-	-
Investments not subject to fair value hierarchy	<u>11,100,522</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 243,613,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Derivative Instrument - interest rate swap	<u>\$ (1,759,954)</u>	<u>\$ -</u>	<u>\$ (1,759,954)</u>	<u>\$ -</u>

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(2) Cash and Investments, continued

OPEB Trust Fund

Cash and investments as of June 30, 2021, classified on the Statement of Fiduciary Net Position consist of the following:

	2021
Money market funds	\$ 117,795
Exchange-traded funds:	
Small cap US equity	3,221,504
Mid cap US equity	3,171,014
Large cap US equity	3,869,280
International equity	2,534,784
Emerging market equity	1,243,699
US core bonds	5,273,646
US high yield bonds	1,264,540
International bonds	456,800
Real estate equity	1,516,671
International real estate equity	468,800
Other	106,838
Total cash and investments	\$ 23,245,371

Investments Authorized by the Trust Agreement

Investments of the OPEB Trust Fund are held by the trustee and governed by provisions of the trust agreement rather than the general provisions of the California Government Code. The table below identifies the investment classes that are authorized for investments held by the trustee. The table also identifies certain provisions of the trust agreement that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Exchange-traded funds and/or mutual funds:			
Equities			
Domestic	No limit	75%	No limit
International	No limit	50%	No limit
Real Estate			
Domestic	No limit	25%	No limit
International	No limit	10%	No limit
Commodities	No limit	25%	No limit
Bonds			
Domestic	No limit	75%	No limit
International	No limit	30%	No limit
Cash/Money market funds	N/A	10%	No limit

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(2) Cash and Investments, continued

OPEB Trust Fund, continued

Custodial Credit Risk

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 OPEB Trust Fund's investment policy does not contain legal or policy requirements, 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 Exchange-Traded Funds. All investments are in the name of the Trust and held by a third-party custodian.

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 change in market interest rates. Interest rate risk applies to investments in debt securities.

Maturities of investments at June 30, 2021, are as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	\$ 117,795	\$ 117,795	\$ -	\$ -	\$ -
Exchange-traded funds:					
US core bonds	5,273,646	5,273,646	-	-	-
US high yield bonds	1,264,540	1,264,540	-	-	-
International bonds	456,800	456,800	-	-	-
Total	<u>\$ 7,112,781</u>	<u>\$ 7,112,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(2) Cash and Investments, continued

OPEB Trust Fund, continued

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, Standard & Poor's and Moody's. Credit risk applies to investments in debt securities.

Credit ratings of investments at June 30, 2021, are as follows:

Investment Type	Minimum Legal Rating	Fair Value	Ratings as of Year-End AAA	Not Rated
Money market funds	N/A	\$ 117,795	\$ 117,795	\$ -
Exchange-traded funds:				
US core bonds	N/A	5,273,646	-	5,273,646
US high yield bonds	N/A	1,264,540	-	1,264,540
International bonds	N/A	456,800	-	456,800
		<u>\$ 7,112,781</u>	<u>\$ 117,795</u>	<u>\$ 6,994,986</u>

Concentration of Credit Risk

The OPEB Trust Fund's investment policy contains no limitations on the amounts that can be invested in any one issuer. The OPEB Trust Fund does not hold investments in any one issuer other than Mutual Funds or Exchange-Traded Funds that represent 5% or more of total investments.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(2) Cash and Investments, continued

OPEB Trust Fund, continued

Fair Value Measurements

The OPEB Trust Fund categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the relative inputs used to measure the fair value of the 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 OPEB Trust Fund's investment manager from a third-party service provider. Level 3 inputs are significant unobservable inputs.

The hierarchy of the OPEB Trust Fund's investments at June 30, 2021 is as follows:

	Quoted Prices Level (1)	Quoted Prices Level (2)	Unobservable Inputs Level (3)	Total
Exchange-traded funds:				
Small cap US equity	\$ 3,221,504	\$ -	\$ -	\$ 3,221,504
Mid cap US equity	3,171,014	-	-	3,171,014
Large cap US equity	3,869,280	-	-	3,869,280
International equity	2,534,784	-	-	2,534,784
Emerging market equity	1,243,699	-	-	1,243,699
US core bonds	5,273,646	-	-	5,273,646
US high yield bonds	1,264,540	-	-	1,264,540
International bonds	456,800	-	-	456,800
Real estate equity	1,516,671	-	-	1,516,671
International real estate equity	468,800	-	-	468,800
Other	106,838	-	-	106,838
Total investments subject to fair value hierarchy	<u>\$ 23,127,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,127,576</u>
Investments not subject to the fair value hierarchy:				
Money market funds	<u>2021</u>			
	<u>\$ 117,795</u>			

(3) Restricted Cash and Investments

Restricted cash at June 30 are restricted as follows:

	<u>2021</u>
Construction Retainage Escrow Accounts	\$ 1,458,556
2012 Series A Water Revenue Bonds Service Fund	2,668
2020 Series A Water Revenue Bonds Project Fund	<u>4,844,642</u>
	<u>\$ 6,305,866</u>

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(3) Restricted Cash and Investments, continued

Restricted investments at June 30 are restricted as follows:

	2021
Capacity charges	\$ 22,713,124
Customer deposits	4,508,009
Construction advances	5,510,517
Unearned revenues - SARCCUP grants	6,879,121
2020 Series A Water Revenue Bonds Project Fund	18,007,966
	\$ 57,618,737

(4) Receivables

Current Receivables, net

Current receivables at June 30 consisted of the following:

	2021
Utility services - wholesale	\$ 13,815,852
Utility services - retail	7,740,633
Allowance for doubtful accounts	(200,178)
Accrued interest	847,928
Property taxes and assessments	856,348
Other	1,798,644
	\$ 24,859,227

Notes Receivable, Noncurrent

Noncurrent receivables at June 30 consisted of the following:

	2021
Note receivable from Jurupa Community Services District	\$ 4,753,322

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%.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(5) Compensated Absences

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

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

Balance 2020	Earned	Taken	Balance 2021	Current Portion	Long-term Portion
\$ 3,785,217	\$ 3,267,057	\$ (2,520,069)	\$ 4,532,205	\$ 2,437,214	\$ 2,094,991

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(6) Capital Assets

The balance in capital assets for the year ended June 30, 2021, was as follows:

	Balance 2020	Additions	Deletions/ Transfers	Balance 2021
Capital assets not being depreciated:				
Land	\$ 8,668,641	\$ -	\$ (70,388)	\$ 8,598,253
Capacity rights	93,410,341	2,006,435	-	95,416,776
Construction-in-progress	58,310,348	15,551,247	(13,815,333)	60,046,262
Total capital assets not being depreciated	<u>160,389,330</u>	<u>17,557,682</u>	<u>(13,885,721)</u>	<u>164,061,291</u>
Capital assets being depreciated:				
Land improvements	7,951,711	1,118,699	-	9,070,410
Plant	486,428	-	-	486,428
Source of supply - plant	1,056,579	-	(374,131)	682,448
Pumping plant	32,237,840	488,994	(135,553)	32,591,281
Water treatment plant	8,538,553	368,185	(547,873)	8,358,865
Transmission and distribution plant	229,404,119	8,022,624	(142,505)	237,284,238
Wastewater treatment plant	115,177,212	3,507,672	(116,116)	118,568,768
Buildings	26,629,647	621,114	(59,024)	27,191,737
Furniture, fixtures and office equipment	1,666,441	-	-	1,666,441
Vehicles	7,131,234	549,863	(694,401)	6,986,696
Construction and maintenance equipment	1,773,144	877,355	-	2,650,499
Computer equipment	7,799,228	219,797	-	8,019,025
Miscellaneous equipment	1,390,259	-	-	1,390,259
Capacity rights	24,843,397	360,013	(39,031)	25,164,379
Total capital assets being depreciated	<u>466,085,792</u>	<u>16,134,316</u>	<u>(2,108,634)</u>	<u>480,111,474</u>
Less accumulated depreciation:				
Land improvements	(2,106,189)	(360,452)	-	(2,466,641)
Plant	(445,105)	(6,936)	-	(452,041)
Source of supply - plant	(1,056,579)	-	374,131	(682,448)
Pumping plant	(18,535,677)	(957,392)	109,657	(19,383,412)
Water treatment plant	(6,442,327)	(211,788)	544,155	(6,109,960)
Transmission and distribution plant	(93,915,737)	(5,485,658)	84,263	(99,317,132)
Wastewater treatment plant	(37,555,233)	(4,025,228)	37,065	(41,543,396)
Buildings	(8,318,500)	(876,391)	20,030	(9,174,861)
Furniture, fixtures and office equipment	(1,594,099)	(10,994)	-	(1,605,093)
Vehicles	(5,079,003)	(567,728)	661,443	(4,985,288)
Construction and maintenance equipment	(803,292)	(134,613)	-	(937,905)
Computer equipment	(5,159,808)	(750,970)	-	(5,910,778)
Miscellaneous equipment	(1,031,171)	(107,103)	-	(1,138,274)
Capacity rights	(5,468,699)	(527,340)	-	(5,996,039)
Total accumulated depreciation	<u>(187,511,419)</u>	<u>(14,022,593)</u>	<u>1,830,744</u>	<u>(199,703,268)</u>
Total capital assets being depreciated, net	<u>278,574,373</u>	<u>2,111,723</u>	<u>(277,890)</u>	<u>280,408,206</u>
Total capital assets, net	<u>\$ 438,963,703</u>	<u>\$ 19,669,405</u>	<u>\$ (14,163,611)</u>	<u>\$ 444,469,497</u>

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(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>2021</u>
La Sierra Pipeline and Sterling Pump Station	\$ 41,289,062
SRRRA Plant Rehabilitation - Capacity Rights	4,952,216
Meter Replacement	1,943,739
Various projects	<u>11,861,245</u>
Construction-in-progress	<u>\$ 60,046,262</u>

Capital Leases

The District leases certain vehicles classified as capital leases. Total assets under capital leases and total accumulated amortization are \$2,500,653 and \$1,469,338, respectively, at June 30, 2021.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(7) Long-Term Debt

Long-term debt activities for the year ended June 30, 2021, were as follows:

	Balance 2020	Additions	Deletions	Balance 2021	Current Portion	Long-term Portion
Due to other governments:						
Public Offering:						
Santa Rosa Regional Resources Authority:						
SRRRA 2017 Bond Issuance	\$ 8,232,674	\$ -	\$ (730,971)	\$ 7,501,703	\$ 498,876	\$ 7,002,827
Direct Borrowing:						
Western Riverside County Regional Wastewater Authority:						
State Water Resources Control Board - Plant Expansion	597,146	-	(28,136)	569,010	28,670	540,340
Santa Rosa Regional Resources Authority						
SRRRA SRF Loan	3,344,168	2,370,858	(738,055)	4,976,971	-	4,976,971
State Water Resources Control Board						
La Sierra Project	34,271,709	409,276	(929,317)	33,751,668	-	33,751,668
Total due to other governments	<u>46,445,697</u>	<u>2,780,134</u>	<u>(2,426,479)</u>	<u>46,799,352</u>	<u>527,546</u>	<u>46,271,806</u>
Bonds payable:						
Public Offering:						
2010 Series A bonds	1,230,000	-	(1,230,000)	-	-	-
2010 Series B bonds	42,755,000	-	(42,755,000)	-	-	-
Unamortized premium	9,182	-	(9,182)	-	-	-
Unamortized discount	(148,248)	-	148,248	-	-	-
2012 Series A bonds	39,125,000	-	(1,675,000)	37,450,000	1,740,002	35,709,998
2016 Series A bonds	51,975,000	-	(51,975,000)	-	-	-
Unamortized discount	(63,077)	-	63,077	-	-	-
2020 Series A bonds	-	90,260,000	-	90,260,000	295,000	89,965,000
Unamortized premium	-	31,341,035	(1,727,021)	29,614,014	-	29,614,014
Swap liability (1)	3,390,695	-	(458,028)	2,932,667	-	2,932,667
Total bonds payable	<u>138,273,552</u>	<u>121,601,035</u>	<u>(99,617,906)</u>	<u>160,256,681</u>	<u>2,035,002</u>	<u>158,221,679</u>
Note payable:						
Direct Borrowing:						
Note payable - headquarters building	7,817,855	-	(1,230,570)	6,587,285	1,258,662	5,328,623
Total note payable	<u>7,817,855</u>	<u>-</u>	<u>(1,230,570)</u>	<u>6,587,285</u>	<u>1,258,662</u>	<u>5,328,623</u>
Lease payable:						
Direct Borrowing:						
Lease payable - vehicle lease	1,469,782	-	(470,885)	998,897	487,019	511,878
Total lease payable	<u>1,469,782</u>	<u>-</u>	<u>(470,885)</u>	<u>998,897</u>	<u>487,019</u>	<u>511,878</u>
Total long-term debt	<u>\$ 194,006,886</u>	<u>\$ 124,381,169</u>	<u>\$ (103,745,840)</u>	<u>\$ 214,642,215</u>	<u>\$ 4,308,229</u>	<u>\$ 210,333,986</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, 2021**

(7) Long-Term Debt, continued

Scheduled future debt service requirements of long-term debt, other than lease payable, for years subsequent to June 30, 2021, are as follows, assuming that the 2012 Series A is remarketed and the liquidity agreement is renewed. 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.

Fiscal Years	Principal	Interest (1)	Total
2022	\$ 3,821,210	\$ 5,943,171	\$ 9,764,381
2023	4,862,923	6,342,703	11,205,626
2024	5,002,609	6,218,047	11,220,656
2025	5,147,121	6,088,946	11,236,067
2026	5,287,543	5,955,273	11,242,816
2027-2031	30,887,155	27,252,491	58,139,646
2032-2036	39,413,642	20,831,921	60,245,563
2037-2041	47,181,966	11,682,218	58,864,184
2042-2046	22,130,050	3,222,967	25,353,017
2047-2051	12,385,447	1,162,829	13,548,276
Total	\$ 176,119,666	\$ 94,700,566	\$ 270,820,232

Unamortized premium	29,614,014
SWAP liability	2,932,667
SRRRA SRF Loan	4,976,971
Lease payable	998,897
Total	<u>214,642,215</u>

Less current portion	<u>(4,308,229)</u>
Total noncurrent	<u>\$ 210,333,986</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 \$569,010 as of June 30, 2021.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(7) Long-Term Debt, continued

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

As of June 30, 2021, the future annual maturities of the District's obligation are as follows:

Fiscal Years	Principal	Interest	Total
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	30,912	8,569	39,481
2027-2031	163,597	33,810	197,407
2032-2036	179,741	17,667	197,408
2037-2038	76,769	2,195	78,964
Total	569,010	\$ 102,175	\$ 671,185
Less current portion	(28,670)		
Total noncurrent	\$ 540,340		

Santa Rosa Regional Resources Authority

SRRRA 2017 Bonds

On August 1, 2017, the District entered into a Capacity Funding Agreement with Santa Rosa Regional Resources Authority (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 1.50% 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 \$4,156,438 and \$5,752,289, as revised 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, 2021, the future annual maturities of the District's obligation are as follows:

Fiscal Years	Principal	Interest	Total
2022	\$ 498,876	\$ 260,163	\$ 759,039
2023	488,732	244,690	733,422
2024	504,409	228,685	733,094
2025	509,019	211,639	720,658
2026	513,630	193,857	707,487
2027-2031	2,601,468	688,964	3,290,432
2032-2034	2,385,569	158,331	2,543,900
Total	7,501,703	\$ 1,986,329	\$ 9,488,032
Less current portion	(498,876)		
Total noncurrent	\$ 7,002,827		

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(7) Long-Term Debt, continued

Santa Rosa Regional Resources Authority, continued

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 \$6,300,000, with interest at 1.80%, 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, 2021, the District's share is \$4,976,971. 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 1.50%. On March 12, 2019, the SWRCB increased the original loan approval to \$35,794,100 with interest at 1.50%, 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. The repayment term is 30 years beginning one year after construction is substantially completed. Total proceeds from the loan were \$34,680,985. Of this amount, \$929,317 was repaid at June 30, 2021.

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, 2021, the future annual maturities of the District's obligation are as follows:

Fiscal Years	Principal	Interest	Total
2022	\$ -	\$ -	-
2023	937,580	506,275	1,443,855
2024	951,644	492,211	1,443,855
2025	965,919	477,937	1,443,856
2026	980,407	463,448	1,443,855
2027-2031	5,127,090	2,092,186	7,219,276
2032-2036	5,523,332	1,695,944	7,219,276
2037-2041	5,950,197	1,269,079	7,219,276
2042-2046	6,410,052	809,224	7,219,276
2047-2051	6,905,447	313,829	7,219,276
Total	33,751,668	\$ 8,120,133	\$ 41,871,801
Less current portion	-		
Total noncurrent	\$ 33,751,668		

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(7) Long-Term Debt, continued

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 2021.

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 year 2024 to 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, 2021, 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
2022	\$ 1,740,002	\$ 1,016,768	\$ 2,756,770
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	2,030,000	816,401	2,846,401
2027-2031	11,405,000	3,211,031	14,616,031
2032-2036	5,210,000	1,764,479	6,974,479
2037-2041	-	1,550,944	1,550,944
2042-2043	11,424,998	378,743	11,803,741
Total	37,450,000	\$ 11,497,757	\$ 48,947,757
Less current portion	(1,740,002)		
Total noncurrent	\$ 35,709,998		

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

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(7) Long-Term Debt, continued

Bonds Payable, continued

2020 Series A Bonds

In July 2020, the Authority issued \$90,260,000 of 2020 Series A Water Revenue Bonds (2020 Series A) with an original issue premium of \$31,341,035. The bonds were issued to: (1) refund of the 2010 Series B Water Revenue, Taxable Build America Bonds (2010 Series B) in the amount of \$42,755,000; (2) refund the 2016 Series A Adjustable Rate Water Revenue Refunding Bonds (2016 Series A) in the amount of \$51,975,000 prior to the October 1, 2020, mandatory tender date; and (3) provide funds to acquire various capital improvements to the District's water and wastewater system facilities in the amount of \$25,500,000.

The 2010 Series B Bonds and 2016 Series A Bonds were fully redeemed as of June 30, 2021.

The 2020 Series A Bonds bear stated interest at 5.00% and are payable semiannually in April and October through October 2050. 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.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,706,939 refunding loss. This difference is reported on the accompanying financial statements as a deferred outflow of resources, which will be amortized through 2050. The balance of the deferred outflow is \$5,392,463 at June 30, 2021.

For the refunding of the 2010 Series B Bonds, the District obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$8,684,069. The old debt service payment is net of the Build America Bonds subsidy payments of up to 35% of interest payable.

As of June 30, 2021, the outstanding balance on the 2020 Series A Bonds was \$90,260,000. The future annual maturities of the District's obligation are estimated as follows:

Years Ending June 30:	Variable-Rate Bonds		
	Principal	Interest	Total
2022	\$ 295,000	\$ 4,513,000	\$ 4,808,000
2023	310,000	4,498,250	4,808,250
2024	325,000	4,482,750	4,807,750
2025	340,000	4,466,500	4,806,500
2026	355,000	4,449,500	4,804,500
2027-2031	11,590,000	21,226,500	32,816,500
2032-2036	26,115,000	17,195,500	43,310,500
2037-2041	41,155,000	8,860,000	50,015,000
2042-2046	4,295,000	2,035,000	6,330,000
2047-2051	5,480,000	849,000	6,329,000
Total	90,260,000	\$ 72,576,000	\$ 162,836,000
Less current portion	(295,000)		
Total noncurrent	\$ 89,965,000		

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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, 2021, the future annual maturities of the District’s obligation are as follows:

Fiscal Years	Principal	Interest	Total
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	1,377,594	23,498	1,401,092
Total	6,587,285	\$ 418,172	\$ 7,005,457
Less current portion	(1,258,662)		
Total noncurrent	\$ 5,328,623		

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
2022	\$ 530,346
2023	356,090
2024	146,109
2025	40,711
Total	\$ 1,073,256
Less amount representing interest	(74,359)
Present value of minimum lease payments	\$ 998,897

For certain vehicles leases that will mature in the next five years, the District intends to replace these vehicles under new five-year lease terms for each vehicle.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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 fiscal year ended June 30, 2021, the balance of the swap liability is \$2,932,667. The swap liability is amortized as a component of interest expense over the life of the old debt. 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, 2021. 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, 2021, is \$1,759,954, which is the amount the District would owe as of this date should the swap be terminated. The change in fair value by \$2,337,543 resulted in a decrease deferred swap outflow for the year ended June 30, 2021.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(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, 2021, 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 may increase.

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, 2021, the District's 2012 Series A Bonds, which are hedged by the amended swap, had a weighted-average variable rate of 0.05%. Over the same period, the weighted average of 67% of one-month LIBOR was 0.09%. Therefore, the District's basis gain over this period was approximately 0.04%. As of June 30, 2021, the current rate on the 2012 Series A Bonds was 0.02%, and the current rate of 67% of one-month LIBOR was 0.07%, 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 is 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, 2021, was within these limits.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(9) Net Investment in Capital Assets

The balance at June 30 consists of the following:

	2021
Capital assets not being depreciated	\$ 164,061,291
Capital assets being depreciated, net	280,408,206
Due to other governmental agencies	(46,799,352)
Bonds payable	(128,040,516)
Deferred outflow of resources - debt refunding	9,912,889
Notes payable	(6,587,285)
Lease payable	(998,897)
Acquisition and construction of capital assets in accounts payable	(4,770,107)
Net investment in capital assets	\$ 267,186,229

(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, 2019, 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 the California Public Employees' Pension Reform Act of 2013 (PEPRA) 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 PEPRA 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,

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(10) Defined Benefit Pension Plan, continued

A. General Information about the Pension Plan, continued

Benefits Provided, continued

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.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), PEPRA, and the regulations, procedures and policies adopted by the CalPERS Board of Administration (CalPERS Board). 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, 2021 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%	6.75%
Required employer contribution rates	12.361%	10.484%	7.732%
Unfunded liability lump-sum payment	\$ 1,343,417	\$ 48,610	\$ 27,836

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. Employer contribution rates may change if plan contracts are amended. For the period ended June 30, 2021, the employer contributions for the respective District sponsored Miscellaneous Rate Plan, Miscellaneous Second Tier Rate Plan and PEPRA Miscellaneous Rate Plan are \$1,057,783, \$439,072 and \$350,228, plus respective lump sum payments of \$1,343,417, \$48,610 and \$27,836. Thus, employer contributions made by the District to the Plan of the period ended June 30, 2021 is \$3,266,946.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(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, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability (asset) is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability using standard updated procedures. The June 30, 2020, total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous Plan</u>
Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
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 the Public Agency Cost-Sharing Multiple-Employer Plan (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, 2021

(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 followed:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
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	<u>100.0%</u>		

⁽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 No. 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 Annual Comprehensive Financial Report closing and final reconciled reserves.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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 (Decrease)		
	District's Total Pension Liability (a)	District's Fiduciary Net Position (b)	District's Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2019 (MD)	\$ 83,376,495	\$ 63,511,117	\$ 19,865,378
Balance at: 6/30/2020 (MD)	90,091,555	68,385,093	21,706,462
Net Changes during 2019-20	6,715,060	4,873,976	1,841,084

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, 2020, 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, 2019, rolled forward to June 30, 2020, 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, 2020 and 2019 was as follows:

	District Pension Plan
Proportionate Share - June 30, 2019 (MD)	0.49608%
Proportionate Share - June 30, 2020 (MD)	0.51461%
Change - Increase	0.01853%

MD = Measurement Date

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	\$ 33,695,450	\$ 21,706,462	\$ 11,800,338

Recognition of Gains and Losses

Under GASB No. 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, 2021**

(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 PERF C.

The EARSL for the PERF C for the June 30, 2020, measurement period is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired). 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, 2019), the District's proportionate share of the Plan's net pension liability is \$19,865,378 (the net pension liability of the Miscellaneous Risk Pool as of June 30, 2019 is \$4,004,500,996).

For the measurement period ended June 30, 2020 (the measurement date), the District incurred pension expense of \$4,436,023 (the pension expense for the risk pool for the measurement period is \$867,712,876).

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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, 2021, 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	\$ 1,118,598	\$ -
Changes of assumptions	-	(154,819)
Net difference between projected and actual earnings on pension plan investments	644,825	-
Adjustment due to differences in proportions	791,303	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(292,731)
Pension contributions subsequent to measurement date	3,266,946	-
Total	\$ 5,821,672	\$ (447,550)

These amounts above are net of outflows and inflow recognized in the 2019 to 2020 measurement period expense. \$3,266,946 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, 2021. The remaining 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	\$ 445,527
2022	781,124
2023	571,249
2024	309,276
2025	-
Thereafter	-
Total	\$ 2,107,176

E. Payable to the Pension Plan

At June 30, 2021, the District reported a payable of \$101,113 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(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 that provides 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, located 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 employees and their 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, 2021, the following employees and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefit payments	80
Active Employees	149
Total	<u>229</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 at the time of biennial valuation. For the fiscal year ended June 30, 2021, the District's total benefit payments of \$851,933, net of estimated implied subsidy of \$187,353, resulted in cash contributions of \$664,580 in payments to the trust.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(11) Other Post-Employment Benefits

B. Net OPEB Liability (Asset)

The District's net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated November 1, 2019, that was rolled forward using standard update procedures to determine the June 30, 2021, 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, 2021
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.00%
Inflation	2.50%
Salary scale	1.50%
Expected long-term 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 2032 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, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	28.5%	2.80%
Equity	64.0%	8.50%
Real estate	7.0%	6.70%
Other	0.5%	5.00%
Total	100.0%	

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(11) Other Post-Employment Benefits, continued

B. Net OPEB Liability (Asset), 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 (Asset)

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at June 30, 2020	\$ 18,021,353	\$ 17,900,213	\$ 121,140
Changes in the year:			
Service cost	810,090	-	810,090
Interest on the total OPEB liability	1,294,035	-	1,294,035
Differences between actual and expected experience	-	-	-
Changes in assumptions	1,367,534	-	1,367,534
Change in benefit terms	-	-	-
Contribution - employer	-	793,304	(793,304)
Contribution - retiree	-	33,005	(33,005)
Net investment income	-	5,274,077	(5,274,077)
Administrative expenses	-	(32,786)	32,786
Benefit payments	(690,446)	(690,446)	-
Net changes	<u>\$ 2,781,213</u>	<u>\$ 5,377,154</u>	<u>\$ (2,595,941)</u>
Balance as of June 30, 2021 (Measurement Date)	<u>\$ 20,802,566</u>	<u>\$ 23,277,367</u>	<u>\$ (2,474,801)</u>

Change in Assumptions

Actuarial assumptions that changed from the prior year include (1) the salary scale was changed from 3.0% to 1.5%, and (2) the medical trend rate table was reset in 2022.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(11) Other Post-Employment Benefits, continued

C. Changes in Net OPEB Liability (Asset), continued

Subsequent Events

The Medical Plan was amended effective July 1, 2021, to add a third group of eligible participants to the plan (Group 3). Group 3 are classified and non-classified employees hired on or after July 1, 2021, who are at least 55 years old at retirement, have completed at least 20 years of service with the District, and have retired from service with the District through CalPERS. The District provides medical benefits for the employee only. This subsequent event did not have an effect to the results presented in this disclosure.

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

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) 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)	\$ 673,535	\$ (2,474,801)	\$ (5,045,210)

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

The following represents the net OPEB liability (asset) of the District, as well as the District's net OPEB liability (asset) 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 healthcare cost trend rates:

	1% Decrease (6.50)%	Current Healthcare Cost Trend Rates (7.50)%	1% Increase (8.50)%
Net OPEB liability (asset)	\$ (5,612,993)	\$ (2,474,801)	\$ 1,487,145

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$174,585. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$ 920,210	\$ (2,738,194)
Change of assumptions	2,846,854	(1,088,941)
Net differences between projected and actual earnings on OPEB Plan Investments		(2,356,485)
Total	\$ 3,767,064	\$ (6,183,620)

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(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 2020 to 2021 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:

Year Ending June 30:	Amount
2022	\$ (588,710)
2023	(555,035)
2024	(628,100)
2025	(873,188)
2026	(72,138)
Thereafter	300,615
Total	<u>\$ (2,416,556)</u>

E. Payable to the OPEB Plan

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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 (JPIA), an intergovernmental risk-pooling self-insurance authority, created under the provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. At June 30, 2021, the District participated in the following self-insurance programs of JPIA:

- General, automobile, employment practices and public officials' liability: Broad coverage against third-party claims for the district, its directors, employees, and volunteers. Covered up to the following limits: The JPIA pools for first \$5,000,000 and purchases excess coverage limits to \$60,000,000 with aggregated policy limits.
- Property loss: Insured up to replacement value with a \$50,000 deductible per occurrence on scheduled buildings, fixed equipment and contents. Actual cash value on scheduled mobile equipment with a \$25,000 deductible per occurrence, and actual cash value on schedule vehicles with a \$25,000 per occurrence. JPIA is self-insured up to \$100,000 per loss and has purchased re-insurance coverage up to a \$500,000,000 limit per occurrence. Scheduled fixed equipment is covered for accidental mechanical breakdown up to sub-limit of \$100,000,000 with deductible of \$25,000 to \$50,000 depending on the type of equipment. Property program includes earthquake coverage with aggregate limit of \$2,500,000, and is subject to minimum \$75,000 deductible and flood coverage with aggregate limit of \$25,000,000 and is subject to a \$100,000 deductible.
- Workers' compensation: Insured for statutory limits, and employer's liability is insured up to \$2,000,000 per accident and \$2,000,000 per disease. JPIA is self-insured up to \$2,000,000 and JPIA has purchased excess insurance coverage.
- Cyber liability: Including cyber security up to \$5,000,000 per occurrence and \$5,000,000 aggregate limit. Cyber liability is subject to a \$50,000 deductible.
- Employee dishonesty/Crime Supplement: Insured up to \$1,100,000 per occurrence with a \$1,000 deductible for employee dishonesty, computer fraud, and forgery or alteration. The program covers all employees and the Board of Directors.

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, 2021.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(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 Jurupa Community Services District (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 are responsible for funding the remaining cost of the \$155 million project, net of grants. The District's total share of the project is about \$64 million reduced by about \$33 million in grant funding, for a net cost of \$31 million excluding the District's internal costs and capitalized interest. The District's share of cost incurred to date, including the District's internal costs and capitalized interest, is \$72 million as of June 30, 2021. 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, located at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

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

	2021
Total assets	\$ 311,309,087
Total deferred outflows of resources	\$ 3,558,725
Total liabilities	\$ 82,105,657
Total net position	\$ 232,762,155
Total revenues	\$ 86,172,123
Total expenses	(66,432,123)
Change in net position	\$ 19,740,000

Western Riverside County Regional Wastewater Authority (WRCRWA)

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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Western Riverside County Regional Wastewater Authority (WRCRWA), continued

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 any 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, 2021, the carrying value of the District's capacity rights in WRCRWA is \$8.8 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

The plant expansion was 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:

	2021
Total assets	\$ 115,446,415
Total liabilities	\$ 66,645,320
Total deferred inflow of resources	\$ 350,000
Total net position	\$ 48,451,095
Total revenues	\$ 13,897,672
Total expenses	(14,096,090)
Change in net position	\$ (198,418)

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Western Riverside County Regional Wastewater Authority, continued

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, located at 14205 Meridian Parkway, Riverside, CA 92518.

Santa Ana Watershed Project Authority

Santa Ana Watershed Project Authority (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 appointed two commissioners to SAWPA to form an oversight committee of 10 members. 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 any equity interest. At June 30, 2021, the carrying value of the District's capacity rights in SAWPA was \$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, located at 11615 Sterling Avenue, Riverside, CA 92503.

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

	2021
Total assets	\$ 176,898,456
Total deferred outflow of resources	\$ 2,820,019
Total liabilities	\$ 104,553,366
Total deferred inflow of resources	\$ 1,838,107
Total net position	\$ 73,327,002
Total revenues	\$ 32,024,564
Total expenses	(32,022,668)
Change in net position	\$ 1,896

Santa Rosa Regional Resources Authority

Santa Rosa Regional Resources Authority (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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(13) Commitments and Contingencies, continued

Joint Ventures, continued

Santa Rosa Regional Resources Authority, continued

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 any 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, 2021, the carrying value of the District's capacity rights in SRRRA was \$10.4 million. Financial data may be obtained at Rancho California Water District, located at 42135 Winchester Road, Temecula, CA 92590.

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

	2021
Total assets	\$ 91,796,896
Total liabilities	\$ 80,369,758
Total net position	\$ 11,427,138
Total revenues	\$ 14,570,051
Total expenses	(9,236,556)
Change in net position	\$ 5,333,495

Construction Contracts

The District has committed to \$9,540,070 in open construction contracts as of June 30, 2021. These include:

Project	Approved Contract	Payments To Date	Remaining Commitment
Sterling Pump Station Project	\$ 19,189,455	\$ 18,752,631	\$ 436,824
Cajalco Pumping Facility Switchgear and Motor Control Center	4,984,345	2,898	4,981,447
Meter Replacement Phase II	2,416,662	1,017,814	1,398,848
Cannon Pump Station and Interconnection with Riverside Public Utilities	1,010,325	211,188	799,137
Water Pipeline Replacement	600,000	-	600,000
Magnolia Avenue Intertie with Riverside Public Utilities	517,787	15,097	502,690
Victoria Basin Recharge Wells	850,782	29,658	821,124
Total	\$ 29,569,356	\$ 20,029,286	\$ 9,540,070

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, 2021.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021**

(14) Implementation of New Accounting Principles

GASB Statement No. 84

The GASB has issued Statement No. 84, Fiduciary Activities. The Statement establishes a 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 District is in compliance with the implementation of this Statement. The implementation of this Statement resulted in the recognition of on OPEB Trust Fund within the District's financial statements.

(15) Prior Period Adjustment

The District received and recognized Santa Ana River Conservation and Conjunctive Use Program (SARCCUP) grant revenue for the La Sierra Pipeline Project (Project) in the amount of \$8,375,733 from the Santa Ana Watershed Project Authority (SAWPA) during the fiscal year 2019-2020. The SARCCUP grant is funded by the State's Prop 84 funding. SAWPA is the grantee and the District is a sub-grantee.

During fiscal year 2021, subsequent to grant receipt and recognition in fiscal year 2020, SAWPA informed the District that because the Project was largely loan funded, project expenditures funded by the Clean Water State Revolving Fund (SRF) Loan proceeds were no longer eligible for the SARCCUP grant reimbursement, but can be used for the cost match requirement. Previously awarded and distributed SARCCUP grant funding should be reallocated to non-SRF Loan funded eligible project expenditures or other eligible project(s) in fiscal year 2021 and future reporting periods. Expenditures in the amount of \$624,704 incurred in fiscal year 2020 were deemed eligible for the SARCCUP grant with the remainder of \$7,751,029 SARCCUP grant funding recognized as unearned revenue in the Statement of Net Position. Accordingly, the District's Net Position as of July 1 was restated as follows:

	Amount
Net position, beginning of year, as previously reported	\$ 455,991,384
Adjustment to correct prior year grant revenues	(7,751,029)
Net position, beginning of year, as restated	\$ 448,240,355

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2021

(16) Subsequent Events

The COVID-19 pandemic has made it difficult for many Californians to pay their bills due to job loss and other hardships. The State Water Resources Control Board established the California Water and Wastewater Arrearage Payment Program (program) to provide community water systems with financial relief for unpaid water bill debt from their residential and commercial customers.

Funding for this program was allocated by the state legislature using federal American Rescue Plan Act of 2021 funds. The funding covers unpaid bills 60 days or more past due for potable water service and for sewer service provided between March 4, 2020 and June 15, 2021. In October 2021, the District has applied and anticipates receiving funding of \$643,726 for unpaid eligible bills. The anticipated receipt of funding for unpaid eligible bills was utilized in determining the estimate for allowance for uncollectible accounts as of June 30, 2021 shown in Note 4.

Required Supplementary Information

**Western Municipal Water District
Required Supplementary Information
June 30, 2021**

*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**

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.19950%	0.19386%	0.18753%	0.18579%	0.18184%	0.18016%	0.14943%
District's proportionate share of the net pension liability	\$ 21,706,462	\$ 19,865,378	\$ 18,070,806	\$ 18,425,168	\$ 15,734,556	\$ 12,365,976	\$ 9,298,222
District's covered payroll ¹	\$ 16,473,446	\$ 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	131.77%	132.81%	132.05%	143.11%	128.17%	106.47%	85.38%
District's share of risk pool Fiduciary Net Position	\$ 68,385,093	\$ 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)	\$ 68,385,093	\$ 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	75.91%	76.17%	76.36%	74.23%	75.02%	78.89%	83.09%

(1) Covered payroll represented above is based on the total pensionable payroll of employees in accordance with GASB Statement No. 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 from 2019 to 2020 (fiscal year 2020 to 2021) was the seventh year of implementation; therefore, only seven 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 7.50% (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, 2021**

*Schedule of Pension Plan Contributions
Last 10 Years**

	Fiscal Year 2020-21	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	\$ 3,266,946	\$ 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	<u>(3,266,946)</u>	<u>(2,868,787)</u>	<u>(2,390,220)</u>	<u>(2,029,535)</u>	<u>(1,785,348)</u>	<u>(1,700,996)</u>	<u>(1,686,011)</u>
Contribution deficiency	<u>\$ -</u>						
Covered payroll ¹	\$ 17,369,367	\$ 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	18.81%	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 Statement No. 82.

* Measurement period 2019 to 2020 (fiscal year 2020 to 2021) was the seventh year of implementation; therefore, only seven 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 7.50% (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, 2021**

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

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 810,090	\$ 803,311	\$ 785,273	\$ 713,625
Interest	1,294,035	1,337,944	1,357,315	1,049,476
Differences between expected and actual experience	-	(3,591,478)	-	1,544,082
Changes in assumptions	1,367,534	1,526,814	(1,742,305)	847,628
Contributions - retiree	33,005	30,622	33,327	36,511
Benefit payments	(723,451)	(761,449)	(692,604)	(498,497)
Net change in total OPEB liability	2,781,213	(654,236)	(258,994)	3,692,825
Total OPEB liability - beginning	18,021,353	18,675,589	18,934,583	15,241,758
Total OPEB liability- ending (a)	20,802,566	18,021,353	18,675,589	18,934,583
Plan Fiduciary Net Position				
Contributions - employer	793,304	926,132	852,704	671,827
Contributions - retiree	33,005	30,622	33,327	36,511
Net investment income	5,274,077	31,747	820,649	1,265,227
Benefit payments	(690,446)	(730,827)	(659,277)	(461,986)
Administrative expense	(32,786)	(28,303)	(30,076)	(27,625)
Net change in plan fiduciary net position	5,377,154	229,371	1,017,327	1,483,954
Plan fiduciary net position--beginning	17,900,213	17,670,842	16,653,515	15,169,561
Plan fiduciary net position--ending (b)	23,277,367	17,900,213	17,670,842	16,653,515
Net OPEB liability (asset) (a) - (b)	<u>\$ (2,474,801)</u>	<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	111.90%	99.33%	94.62%	87.95%
Covered-employee payroll	\$ 18,207,627	\$ 18,274,778	\$ 15,921,966	\$ 14,663,027
Net OPEB liability (asset) as a percentage of covered-employee payroll	(13.59)%	0.66%	6.31%	15.56%

* Fiscal year 2020 to 2021 was the fourth year of implementation; therefore, only four years are shown.

Benefit Changes

There were no benefit changes during fiscal year 2020 to 2021.

Changes of Assumptions

In 2021, the salary scale was changed from 3.00% to 1.50%, and the medical trend rate table was reset in fiscal year 2022. In 2020, the salary increase rate was changed from 5.70% to 3.00%, and the medical trend rate table was reset in fiscal year 2021. In 2019, (1) the salary increase rate was changed from 3.00% to 5.70%, (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, 2021**

**Schedule of OPEB Contributions
Last 10 Years***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 793,304	\$ 926,132	\$ 852,704	\$ 671,838
Actual employer contribution	793,304	926,132	852,704	671,838
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 18,207,627	\$ 18,274,778	\$ 15,921,966	\$ 14,663,027
Contributions as a percentage of covered-employee payroll	4.36%	5.07%	5.36%	4.59%

*Fiscal year 2020 to 2021 was the fourth year of implementation; therefore, only four 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%
Salary scale	1.50%
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 2032 and later years
Retirement age	55 years
Mortality	Derived from CalPERS pension plan updated to reflect most recent experience study

STATISTICAL SECTION



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
2020-21

Statistical Section

This part of the District's annual comprehensive 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

The 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>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>	<u>2021</u>
Net investment in capital assets	\$ 232,667,339	\$ 226,413,476	\$ 246,394,006	\$ 245,674,302	\$ 245,988,252	\$ 252,235,082	\$ 264,247,599	\$ 275,026,568	\$ 260,463,443	\$ 267,186,229
Restricted for debt service	144,619	144,619	144,619	144,619	-	-	-	-	-	-
Restricted for capacity charges	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	22,713,124
Restricted for OPEB benefits	-	-	-	-	-	-	-	-	-	2,474,801
Unrestricted	<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>129,539,337</u>	<u>167,439,334</u>	<u>194,837,187</u>
Total net position	<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>\$ 448,240,355</u> (4)	<u>\$ 487,211,341</u>
Percentage Increase	0%	-1%	4%	-2%	2%	4%	6%	6%	7%	9%

⁽¹⁾ Fiscal years 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.

⁽⁴⁾ Fiscal year 2020 balance was restated for a correction of a grant revenue recognition error.

Source: Western Municipal Water District

TABLE II – CHANGES IN NET POSITION

Last 10 Fiscal Years

Fiscal Years	Operating Revenues (1)	Operating Expenses (2)	Operating Loss	Total Nonoperating Revenues	Income (Loss) Before Capital Contributions	Capital Contributions (3)	Change in Net Position
2021	\$ 140,557,065	\$ 152,238,915	\$(11,681,850)	\$ 37,093,116	\$ 25,411,266	\$ 13,559,720	\$ 38,970,986
2020	122,346,891	139,579,516	(17,232,625)	30,079,330	12,846,705	14,913,731 ⁽⁵⁾	27,760,436
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

⁽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.

⁽⁵⁾ Balance was restated for a correction of a grant revenue recognition error.

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					Combined Revenues
	Water Sales	Water Service	Wastewater Disposal	Contractual Services	Other Operating	Total Operating Revenues	Property Taxes	Investment Earnings	Capacity Rights Sales	Other Nonoperating	Total Nonoperating Revenues	
2021	\$ 96,387,528	\$ 24,574,875	\$ 14,592,692	\$ 4,860,581	\$ 141,389	\$140,557,065	\$ 27,416,336	\$ (446,251)	\$ 15,940,572	\$ 988,019	\$ 43,898,676	\$ 184,455,741
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 ⁽¹⁾	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

⁽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 the line item in Table IV - Expenses by Function.

Source: Western Municipal Water District

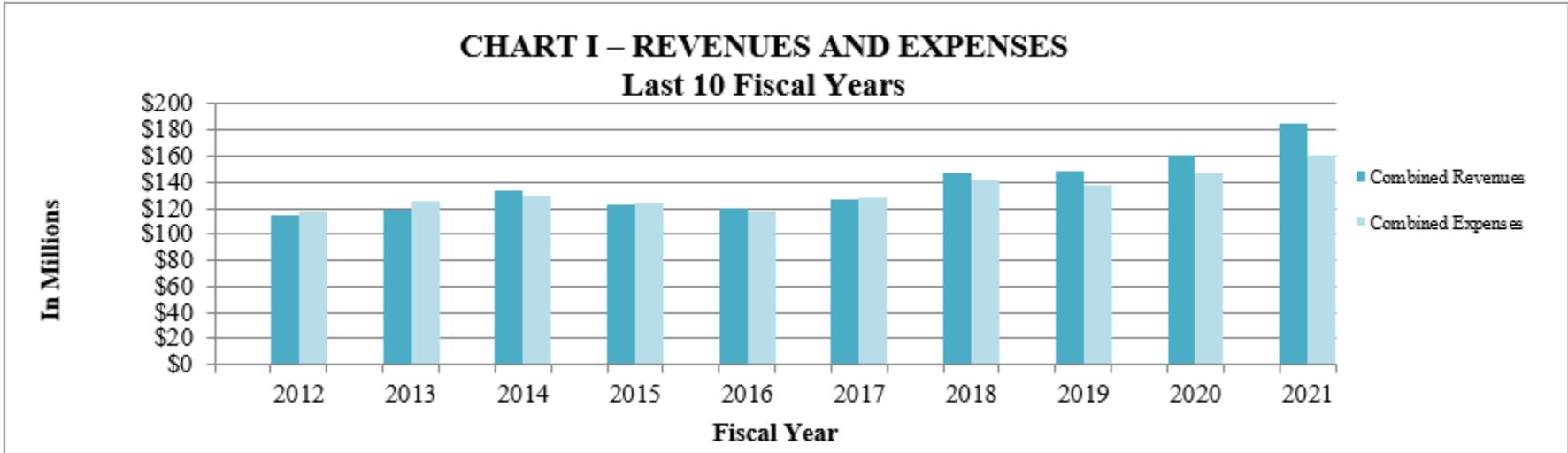
TABLE IV - EXPENSES BY FUNCTION
Last 10 Fiscal Years

Fiscal Years	Operating Expenses									Total Nonoperating Expenses(2)	Combined Expenses
	Purchased Water	Pumping	Transmission and Distribution	Admin and General	Contractual Services	Depreciation and Amortization	Other	Wastewater Disposal	Total Operating		
2021	\$ 82,239,192	\$ 6,249,818	\$ 11,443,335	\$ 12,930,326	\$ 4,294,338	\$ 14,022,593	\$ 9,289,722	\$ 11,769,591	\$ 152,238,915	\$ 6,805,560	\$ 159,044,475
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

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

⁽²⁾ Total nonoperating 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 nonoperating revenues in Table III - Revenues By Sources.

Source: Western Municipal Water District



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
2021	18,632	4,777	440	622	55	81	68	227	24,902
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

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	
2021	24,834	68	24,902	9,145
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

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	Monthly Sewer
	¾-Inch	1-Inch	1½-Inch	2-Inch	3-Inch	4-Inch	6-Inch	8-Inch	Rate (1)	Rate (2)	
2021 ⁽⁴⁾	\$ 41.40	\$ 62.99	\$ 117.13	\$ 139.31	\$ 340.72	\$ 662.88	\$ 1,467.24	\$ 1,951.07	\$ 80.38	\$ 50.40	
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	

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 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.

⁽⁴⁾ There were no rate changes effective in fiscal year 2021.

Source: Western Municipal Water District

TABLE VIII - PRINCIPAL RETAIL WATER CUSTOMERS
 Fiscal Year Ended June 30, 2021, and Nine Years Prior

Fiscal Year 2020-2021

Customer Name	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Riverside National Cemetery	1,189	4.7%
Altman Plants	656	2.6%
Village Nurseries	540	2.1%
Air Force 452 Air Mobility Wing	412	1.6%
Pepsi Cola Plant	347	1.4%
City of Riverside	339	1.3%
Westmont Village	314	1.2%
Riverside Unified School District	299	1.2%
The Kroger Company	252	1.0%
General Old Golf Course	224	0.9%
Total principal customers	<u>4,572</u>	<u>18.1%</u>
Other customers	<u>20,622</u>	<u>81.9%</u>
Total retail water deliveries	<u><u>25,194</u></u>	<u><u>100.0%</u></u>

Fiscal Year 2011-2012

Customer Name	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Riverside National Cemetery	999	3.9%
Altman Plants	581	2.2%
City of Riverside	570	2.2%
Fresh & Easy Neighborhood Market	551	2.1%
Village Nurseries	519	2.0%
Pepsi Cola Plant	352	1.4%
The Kroger Company	329	1.3%
General Old Golf Course	288	1.1%
Air Force Village	255	1.0%
John J. Gless/Gless Ranch	145	0.6%
Total principal customers	<u>4,589</u>	<u>17.7%</u>
Other customers	<u>21,282</u>	<u>82.3%</u>
Total retail water deliveries	<u><u>25,871</u></u>	<u><u>100.0%</u></u>

Source: Western Municipal Water District

TABLE IX - WHOLESALE WATER CUSTOMER DELIVERIES
 Fiscal Year Ended June 30, 2021

Water Agency	Water Deliveries in Acre-Feet	Percentage of Water Deliveries
Rancho California Water District	18,482	27.7%
City of Corona	18,791	28.2%
Elsinore Valley Municipal Water District	17,580	26.4%
City of Norco	4,311	6.5%
Temescal Valley Water District	3,675	5.5%
Jurupa Community Services District	3,550	5.3%
Eagle Valley Mutual Water District	117	0.2%
Box Springs Mutual Water Company	158	0.2%
Total Wholesale Deliveries	66,664	100.0%

Source: Western Municipal Water District

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

Rates Effective	Full Service		Interim Agricultural Program		Long-term Seasonal Storage	
	Treated	Untreated	Treated	Untreated	Treated	Untreated
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
Jan. 1, 2021 Tier 1	1,104	777	n/a	n/a	n/a	n/a
Jan. 1, 2021 Tier 2	1,146	819	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					
2021	57,131	27,133	84,264	-	-	-	84,264	989	7,934	1,789	94,976
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

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)
2021	\$ 160,256,681	\$ -	\$ 46,799,352	\$ 6,587,285	\$ 998,897	\$ 214,642,215	\$ 217.16
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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross revenue:										
Water sales	\$ 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	\$ 96,387,528
Water service	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	24,574,875
Wastewater service	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	14,592,692
Ad Valorem taxes	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	27,416,336
Interest income	5,437,782	(98,679)	2,348,100	2,172,604	4,791,047	(213,020)	(20,117)	8,672,749	11,084,622	(723,382)
Connection fees - water	188,491	924,589	553,954	474,781	481,489	1,629,145	1,907,987	3,104,809	2,865,404	2,559,844
Connection fees - wastewater	98,670	774,762	362,876	95,903	215,298	823,002	4,243,084	4,167,829	5,649,570	3,359,550
Federal, state and local capital grants	1,268,694	872,471	10,413,907	2,115,190	4,057,387	3,913,610	12,574,333	2,320,149	2,630,149	(1) 2,973,340
Other revenue	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	21,930,561
Total	114,785,299	120,486,447	143,132,937	124,671,776	124,324,510	132,967,801	164,844,485	156,259,177	170,334,965	193,071,344
Maintenance and Operation Costs:										
Administration	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	12,930,326
Purchased water	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	82,239,192
Water operations	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	24,997,714
Wastewater operations	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	11,769,591
Other expenses	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	6,980,430
Contract resource obligations	1,076,942	501,693	499,168	508,808	1,725,125	89,063	-	89,053	-	-
Total	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	138,917,253
Net revenues	13,817,943	17,599,669	31,909,649	19,831,167	22,732,378	22,364,902	41,103,271	37,908,556	45,470,231	54,154,091
Series of 2009 A&B Bonds	5,618,520	3,213,871	3,084,773	3,108,317	2,142,382	-	-	-	-	-
Series of 2010 A&B Bonds	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	1,287,533
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	2,687,034
Series of 2016 A Bonds	-	-	-	-	335,672	779,608	779,597	779,586	779,614	15,159
Series of 2020 A Bonds	-	-	-	-	-	-	-	-	-	4,148,117
WRRCWA SRF Loans	33,834	33,834	33,834	33,834	33,833	33,759	33,725	38,448	39,481	39,214
SRRRA Series 2017A&B Bonds	-	-	-	-	-	-	817,161	769,558	1,002,676	978,601
SWRCB - La Sierra Project	-	-	-	-	-	-	-	-	-	1,443,856
Total	\$ 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	\$ 10,599,514
Debt Service Coverage	1.78	2.75	4.34	2.69	3.40	4.38	5.64	5.31	6.10	5.11

(1) Balance was restated for a correction of a grant revenue recognition error.

Source: Western Municipal Water District

TABLE XIV - DIRECT AND OVERLAPPING DEBT
As of June 30, 2021

2020-2021 Assessed Valuation: \$102,110,586,801 (1)

	<u>% Applicable (2)</u>	Debt 6/30/21
Direct and Overlapping Tax and Assessment Debt:		
Metropolitan Water District	3.130%	\$ 839,511
Riverside City Community College District	76.593	236,881,487
Alvord Unified School District	99.988	205,361,580
Corona-Norco Unified School District	96.780	497,205,762
Jurupa Unified School District	99.807	158,217,023
Murrieta Valley Unified School District	12.233	18,398,082
Riverside Unified School District	99.997	341,899,743
Other School Districts	Various	76,698,995
City of Riverside	98.471	6,316,915
Western Municipal Water District	100	0
Western Municipal Water District Community Facilities Districts	100	2,895,000
Riverside County Flood Control District, Zone No. 4 Benefit Assessment District	1.368	140,357
Community Facilities Districts	Various	1,088,372,954
City and Special District 1915 Act Bonds	Various	25,082,846
Total direct and overlapping tax and assessment debt		\$ 2,658,310,255
Direct and overlapping general fund debt:		
Riverside County General Fund Obligations	32.599%	\$ 233,906,202
Riverside County Pension Obligations	32.599	287,384,634
Corona-Norco Unified School District Certificates of Participation	96.780	22,964,506
Jurupa Unified School District Certificates of Participation	99.807	53,151,659
Murrieta Unified School District General Fund Obligations	12.233	2,715,114
Riverside Unified School District Certificates of Participation	99.997	13,231,894
Other School District General Fund Obligations	Various	1,871,505
City of Corona General Fund Obligations	100	31,078,491
City of Jurupa Valley Certificates of Participation	99.812	6,921,962
City of Lake Elsinore General Fund Obligations	70.084	13,249,380
City of Moreno Valley General Fund Obligations	0.774	578,519
City of Murrieta General Fund Obligations	13.600	515,440
City of Riverside General Fund Obligations	98.471	193,214,580
City of Riverside Pension Obligations	98.471	462,104,709
Western Municipal Water District Administrative Office and Capital Facilities Financing	100	6,815,211
Total overlapping general fund debt		\$ 1,329,703,806
Overlapping tax increment debt (Successor Agencies):		\$ 665,792,081
Total direct debt		\$ 6,815,211
Total overlapping debt		\$ 4,646,990,931
Combined total debt		\$ 4,653,806,142 (3)

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

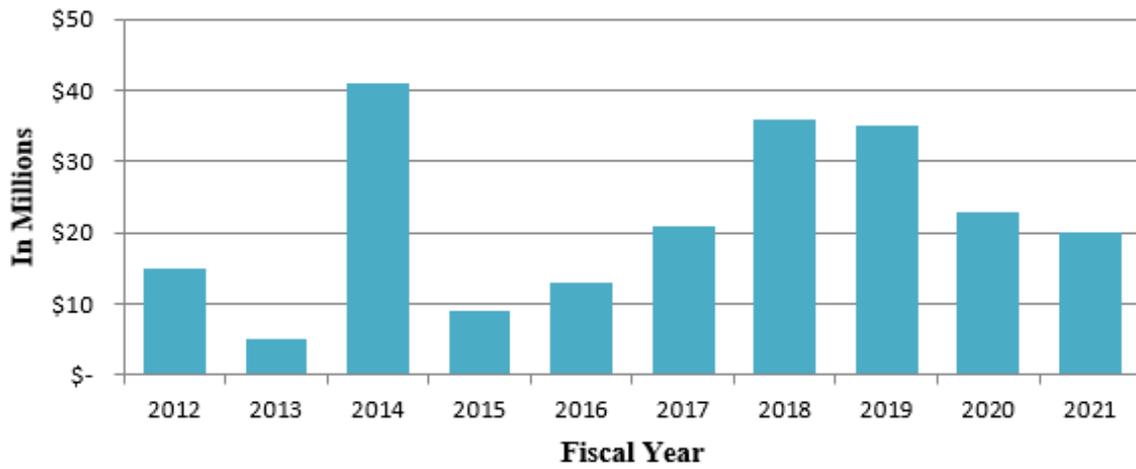
(2) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the district's total 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 2020-2021 Assessed Valuation:	
Direct debt (\$6,815,211)	0.01%
Total direct and overlapping tax and assessment debt	2.60%
Combined total debt	4.56%
Ratio to redevelopment incremental valuation (\$30,029,296,864):	
Total overlapping tax increment debt	2.22%

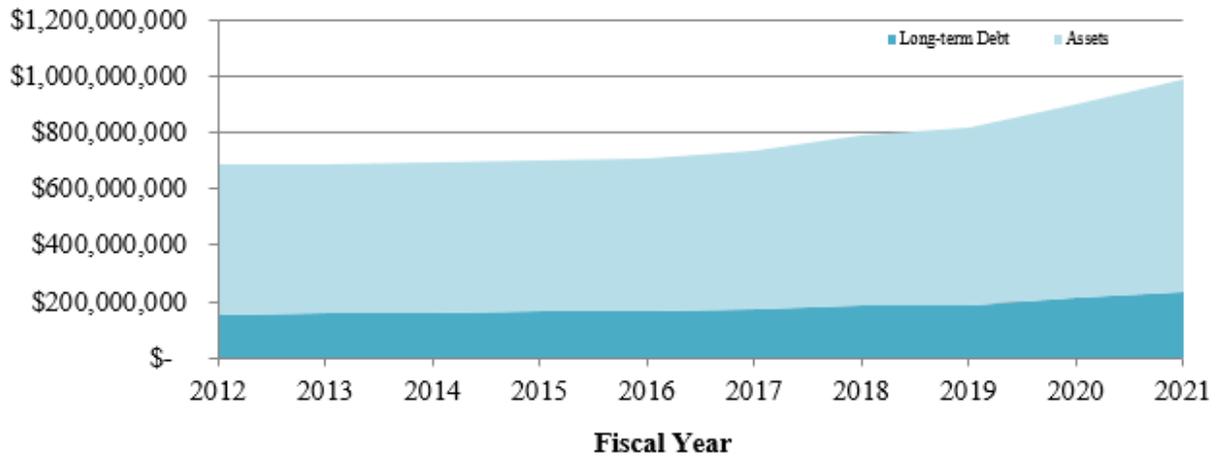
Source: California Municipal Statistics, Inc.

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)
2021	\$ 119,421,587,624	988,400	2,477,971	\$ 37.7	\$ 38,097 ⁽³⁾	7.9%
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%

⁽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 Annual Comprehensive 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, 2021 and Nine Years Prior

Employer Name	Fiscal Year 2021	
	No. of Employees	Percentage of Total County Labor Force
County of Riverside	22,952	2.1%
Amazon	10,500	0.9%
March Air Reserve Base	9,600	0.9%
University of California, Riverside	8,909	0.8%
Stater Bros. Markets	8,304	0.7%
Moreno Valley Unified School District	6,250	0.6%
Kaiser Permanente Medical Center	5,780	0.5%
Corona-Norco Unified School District	5,478	0.5%
Hemet Unified School District	4,460	0.4%
Ross Dress for Less	4,313	0.4%
Total	86,546	7.8%

Total labor force 1,116,000

Employer Name	Fiscal Year 2012	
	No. of Employees	Percentage of Total County Labor Force
County of Riverside	17,702	1.88%
March Air Reserve Base	9,000	0.96%
Stater Bros. Markets	6,900	0.73%
University of California, Riverside	5,790	0.62%
Wal-Mart	5,360	0.57%
Corona-Norco Unified School District	4,686	0.50%
Kaiser Permanente Medical Center	4,000	0.43%
Pechanga Resort and Casino	4,000	0.43%
Riverside Unified School District	3,796	0.40%
Moreno Valley Unified School District	3,500	0.37%
Total	64,734	6.88%

Total labor force 940,400

Notes: 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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Management	7	7	8	8	13	12	14	14	14	15
Human resources and administration	8	10	9	10	9	10	8	13	12	12
Engineering	10	9	12	13	14	15	14	14	16	16
Finance	11	12	12	12	12	10	13	13	13	14
Billing/customer service	6	7	8	7	9	9	9	9	9	9
Strategic communications	6	5	5	5	4	4	3	2	5	4
Water resources	6	6	6	7	6	8	7	6	5	4
Operations	59	63	65	65	65	65	67	69	69	71
Legislative affairs	1	-	1	1	-	1	1	1	1	1
Information systems	6	6	7	7	6	6	7	7	8	8
Total	120	125	133	135	138	140	143	148	152	154

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of employees	120	125	133	135	138	140	143	148	152	154
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	\$ 79	\$ 85	\$ 89	\$ 94	\$ 99	\$ 106	\$ 112	\$ 119
Population served (approx.)	889,000	900,000	910,000	920,800	936,500	951,300	963,710	973,400	984,500	988,400
Miles of water pipeline	622	638	638	638	639	639	639	640	641	641
Number of storage tanks	35	35	35	34	34	34	34	34	35	35
Max storage capacity (million gal.)	92.7	92.7	93.0	92.2	92.2	92.2	92.2	92.2	92.3	92.3
Sewer treatment plants owned	1	1	1	1	1	1	1	1	1	1
Sewer treatment capacity (MGD)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Avg. flows into sewer plant (MGD)	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.2	1.4	2.1
Number of lift stations	20	20	20	20	20	20	19	19	19	19

Source: Western Municipal Water District

COMPLIANCE SECTION



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
2020-21



**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 the 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, 2021, and the related notes to the financial statements, which collectively comprise Western Municipal Water District's basic financial statements, and have issued our report thereon dated December 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Municipal Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Municipal Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Municipal Water 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 Western Municipal Water 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 financial statements. 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Irvine, California
December 28, 2021



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021

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