



**WESTERN MUNICIPAL
WATER DISTRICT**

Securing your water supply

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2022

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

2021-22

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Prepared by: Western Municipal Water District's 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.

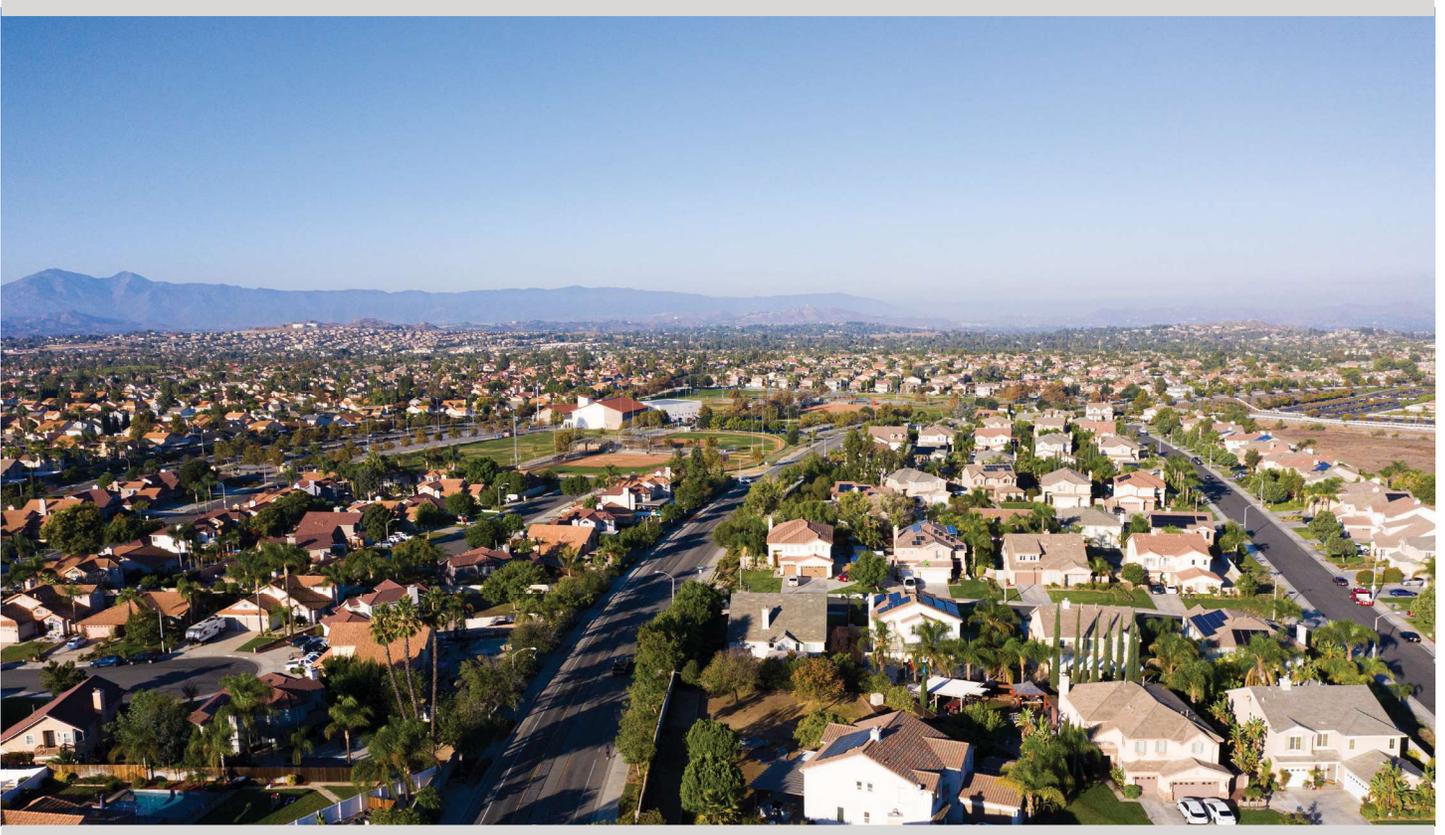


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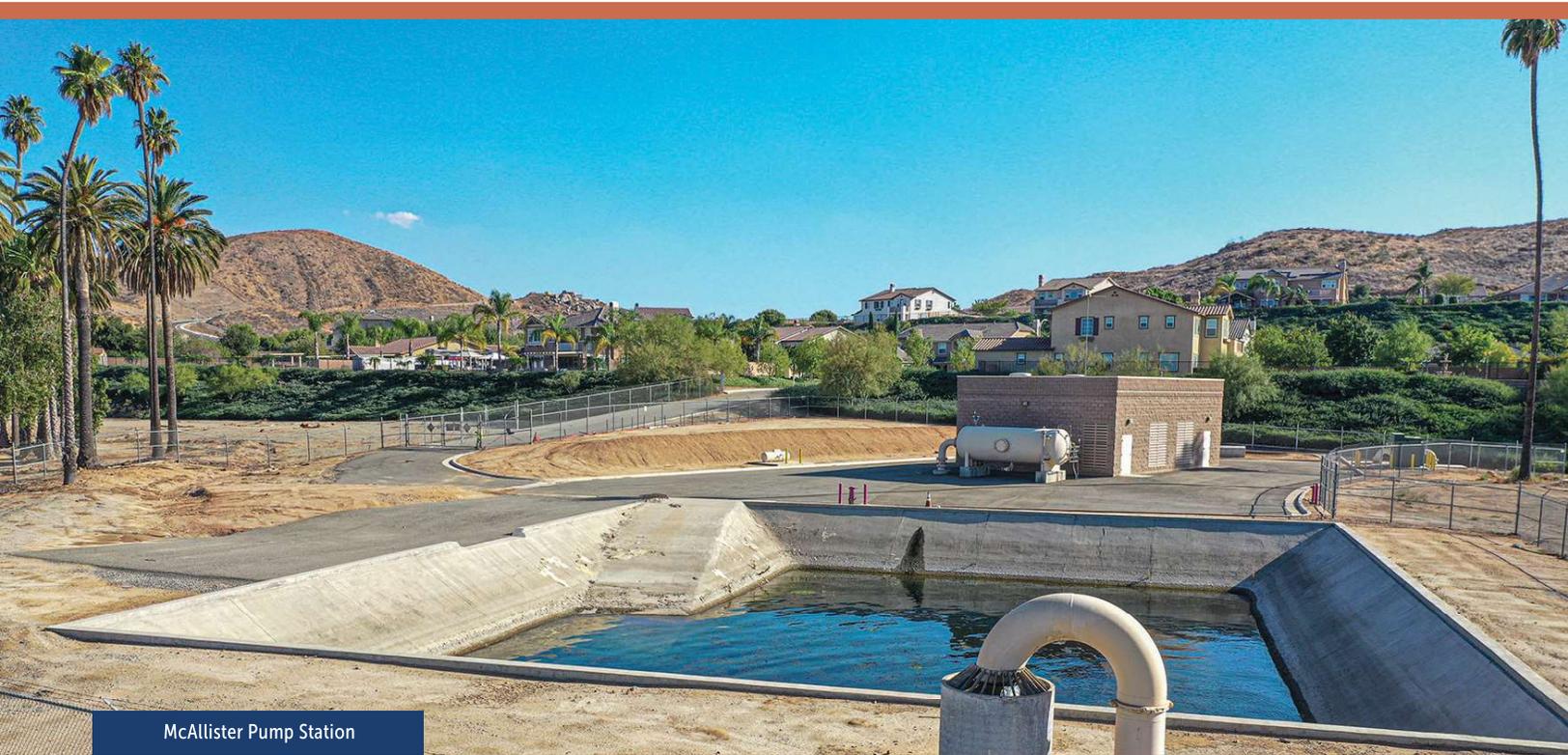
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McAllister Pump Station

Introductory Section



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

January 20, 2023

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, 2022. 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). This 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, 2022, 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, 2022, 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.

Sincerely,

A handwritten signature in black 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 \$125 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 999,800 - 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 147 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 retail, residential and commercial accounts and eight 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 2022, Western delivered approximately 85,830 acre-feet of water in its retail and wholesale service area (please refer to Tables VIII and IX in the Statistical section for additional information). This is equal to about 28 billion gallons. Approximately 66 percent of the purchased water Western



delivered was potable water (drinking water); the balance was non-potable or raw water. Western delivered 71 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 Western 1,846 acre-feet of high-quality drinking water to the city of Norco and Western's Riverside Service area 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 for the Arlington Desalter for the fiscal year was \$4.9 million.

RETAIL WATER SERVICES

Western supplies water directly to approximately 25,000 residential, commercial, and agricultural users in the communities of 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.

Arlington Desalter Reverse Osmosis Membranes



Reverse Osmosis (RO) System during a RO Membrane change out at the Arlington Desalter



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 nearby residential and commercial customers located in portions of the city and county of Riverside. WWRF has a 3.0 MGD capacity and is currently operating at about 1.7 MGD.

WWRF currently provides wastewater treatment services for about 1,800 customers including 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 Riverside County Regional Wastewater Authority Treatment Plant

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

The treatment plant has a total capacity of 14.0 MGD, and currently processes an average of 8.14

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 0.72 MGD, or 37 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). 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



SEWER AND RECYCLED WATER SERVICES

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.

LA SIERRA SERVICE AREA

Western provides wastewater collection and conveyance services to approximately 5,200 customers in the La Sierra area of the city of Riverside. The collected wastewater, averaging about 0.72 MGD, flows to the WRCRWA treatment plant with ultimate disposal of the tertiary treated wastewater into the Prado Basin. The collection system serving La Sierra is maintained by Western personnel who ensure lines are functioning properly.

SANTA ROSA REGIONAL RESOURCES AUTHORITY

Western is one of the three member agencies comprising the Santa Rosa Regional Resources Authority (SRRRA), located in Murrieta. SRRRA is responsible for collecting, treating and disposing of or recycling wastewater for residents and businesses in the Murrieta, Temecula and Wildomar communities. The joint powers authority comprises Elsinore Valley Municipal Water District, Rancho California Water District, and Western. Wastewater flows originating in the SRRRA service area are treated at the Santa Rosa Water Reclamation Facility. The treatment plant has a capacity of 5.0 MGD. On average, the plant currently treats 2.7 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 814,000 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.



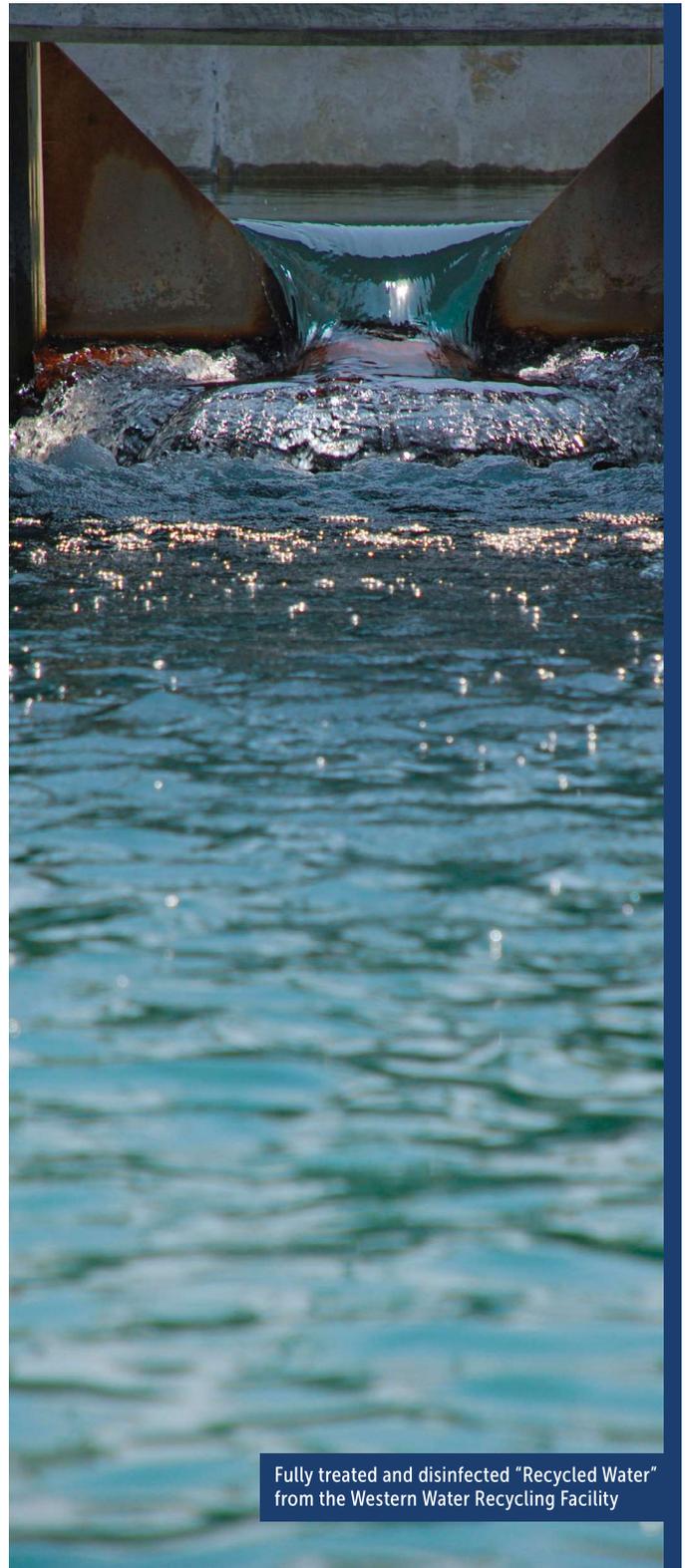
ECONOMIC CONDITIONS AND OUTLOOK

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

For Western, the goal of water use efficiency remains paramount. As California continues in 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 all 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 \$1,143 per acre-foot to \$1,209 per acre-foot on Jan. 1, 2023, a 5.8 percent increase.



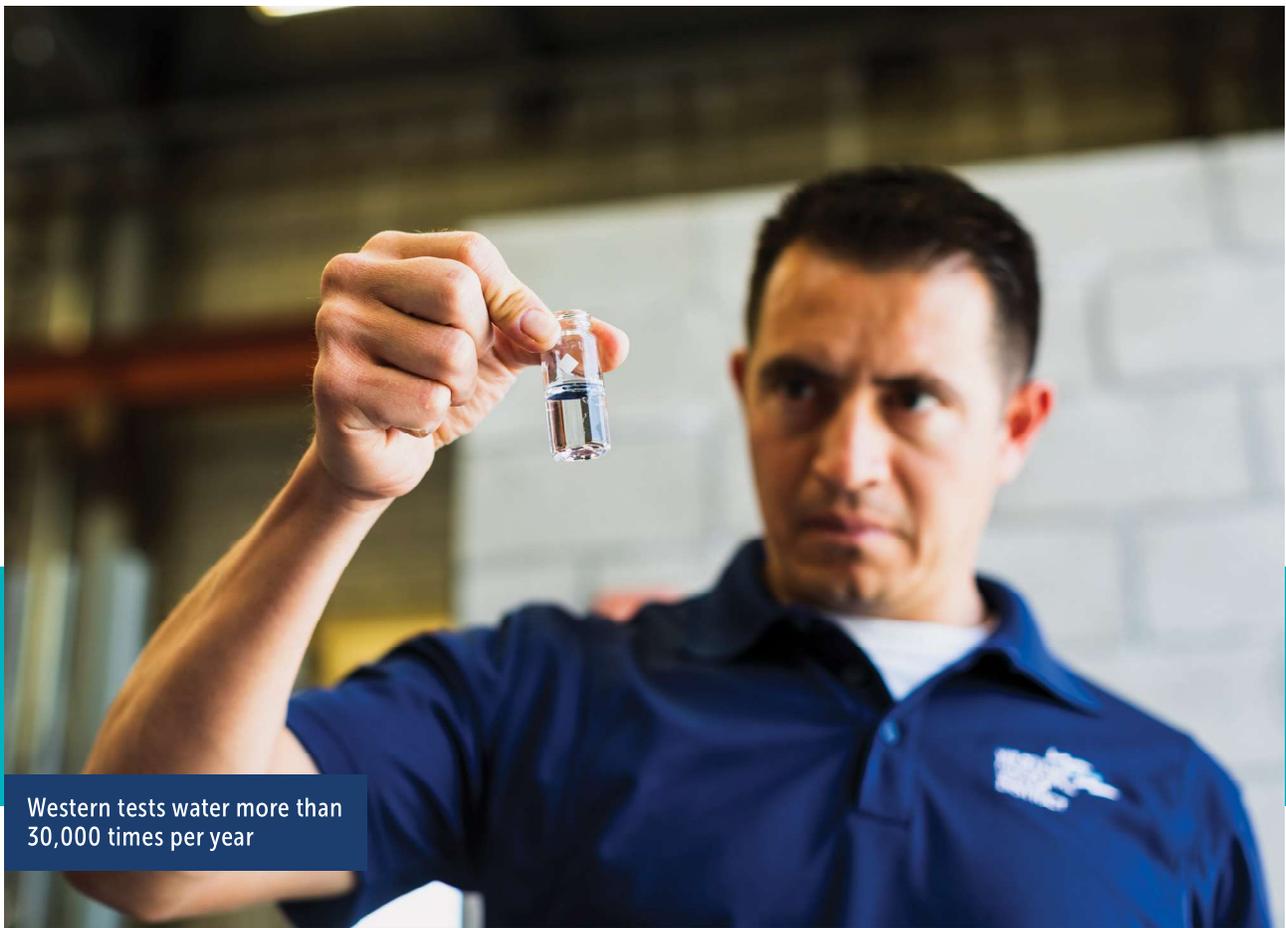
Fully treated and disinfected "Recycled Water" from the Western Water Recycling Facility



ECONOMIC CONDITIONS AND OUTLOOK CONT'D

New meter connections per year have steadily increased (approximately 119 new connections in fiscal year 2021-2022). 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 was used to reduce delinquent balances for customers experiencing financial hardships related to the economic impacts of the pandemic.



Western tests water more than 30,000 times per year



MAJOR INITIATIVES

At Western Municipal Water District (Western), we understand that it is imperative to continually adapt in an evolving world. During periods of uncertainty and continual change, long-term planning will guide us.

During a worldwide pandemic and in the face of record-level water shortages, Western remains committed to expanding its strategic priorities and envisioning a business model that pioneers a path toward drought resilience alongside sustained financial integrity and a customer-first approach. The Western team is proactive and prepared to adapt to evolving environmental considerations and customer expectations. We continue to drive solutions that yield stability and resources to the communities we serve.

SOLVE THE WATER CRISIS COALITION

This past fiscal year, Western spearheaded a statewide education effort that aims to capitalize upon the current drought and bring into sharp focus the long-term water supply crisis that must be addressed by policymakers and legislators. With Western leading the effort, the coalition is made up of water managers and business stakeholders from across the state. As the coalition took form, non-traditional partners such as northern and southern water utilities, agriculture, business, the building industry and others aligned with the coalition to make it clear that bold, immediate water solutions must be the State's top priority. This growing coalition has elevated Western as a statewide leader on critical water issues and continues to work toward solidifying funding and infrastructure progress on critical water storage and conveyance solutions.

DROUGHT RESPONSE PROGRAM

In response to the ongoing drought, and recent state and regional efforts to encourage water users to use less water, Western led a regional collaborative of agencies—the Inland Empire Clean Water Partnership comprised of Western, Eastern Municipal Water District, Inland Empire Utilities Agency, and San Bernardino Valley Municipal Water District—to deliver cohesive messaging throughout the community. With a scalable and customizable approach, this communication effort will also be used by Western's retail member agencies throughout the duration of this drought period. Additionally, Western continues to provide ongoing support and a targeted campaign designed for retail and commercial water user outreach to guide its direct customers toward using our limited supplies efficiently.

REGIONAL PARTNERSHIPS

When it comes to providing water, arguably this region's most essential service, to both our directly served residents as well as our neighbors throughout western Riverside County, Western recognizes we are better together when we work collaboratively with fellow water providers. Through innovative and creative partnerships, Western is keeping water rates as low as possible for everyone while ensuring delivery of the highest quality water for customers.

Rancho-Western Capacity Purchase and Water Wheeling Agreement

To continue delivering superior service to a growing community, a water system capacity purchase and water wheeling agreement between Rancho California Water District and Western was executed to provide the most cost-effective and timely development opportunities within the City of Murrieta's Innovation Zone, also known as the Jefferson Corridor.



MAJOR INITIATIVES CONT'D

PIPELINE REPLACEMENT PROGRAM

With the completion of the replacement of 3,600 feet of aged and problematic steel pipeline within the historically listed Green Acres residential community adjacent to the March Air Reserve Base, Western tested and proved the efficiency and effectiveness of a program that will serve Western customers now and into the future.

These upgrades significantly improved system reliability for more than 100 homes, replacing the original pipelines installed prior to 1950 with modern PVC pipeline, new control and isolation valves, and improved service connections for each home that provide for water metering of each unit's consumption. With individual metering planned for the near future, improved water conservation is anticipated. This effort laid the foundation for Board approval of a multi-year, fully financed, proactive pipeline replacement program.

NORTH WELL REHABILITATION

The recent completion of the rehabilitation of Western's North Well in its Murrieta service area will allow lower-cost high-quality water supply to be reintroduced into the Murrieta system. The Well's design capacity is 750 gallons per minute and can produce about 1,200 acre-feet per year.

SECURED \$9.4 MILLION IN GRANT FUNDS

\$3M Federal Community Project Funding for PFAS Mitigation at March Air Reserve Base

With public health and water quality a top priority, Western successfully secured \$3 million for the Western Water Recycling Facility (WWRF) PFAS Treatment and Prevention Project – Phase 1 with support from Senators Feinstein and Padilla. Out of all the projects submitted to California's two Senators, Western's project was selected as one of six projects that made it into the final 2022-23 Federal budget. Phase 1 of the project will install a granular activated carbon facility at WWRF.

Arlington Basin Well 7

In the last year, Western completed design and started construction of the Arlington Basin Well 7—a project fully funded through state grants. The new well is anticipated to provide more than 1 million gallons per day of low-cost local non-potable water to Western that will be used by nurseries, agriculture, and landscape customers in lieu of more expensive imported water from the Colorado River.

Phase 2 Smart Meter Conversion

To continuously improve operational efficiencies and reduce water loss from "un-billed" water, Western is gradually upgrading existing customer meters with "smart" meters. Western completed the second phase of its meter replacement program, which replaced approximately 6,000 water meters in Western's Riverside service area. Western also installed data-collection antennas in its Murrieta service area to support existing "smart" meters, enabling daily readings via the automated metering infrastructure (AMI). This second phase is a \$3.9 million investment for which Western was awarded a \$1 million WaterSMART Water and Energy Efficiency Grant from the U.S. Bureau of Reclamation.

Thanks to this project, 94 percent of Western's Riverside service area customers now have a "smart" meter. These meters, when paired with the new AMI technology, provide customers with near real-time access to their water usage data via a new online customer portal coming in 2023. This technology will empower customers to monitor water usage, identify leaks and maximize water use efficiency.



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, 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.



The Victoria Recharge Basin will increase groundwater storage through the capture and recharge of stormwater during wet years



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, 2021. This is the 17th 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 D. Miller
General Manager



Kevin C. Mascaro
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, 2021

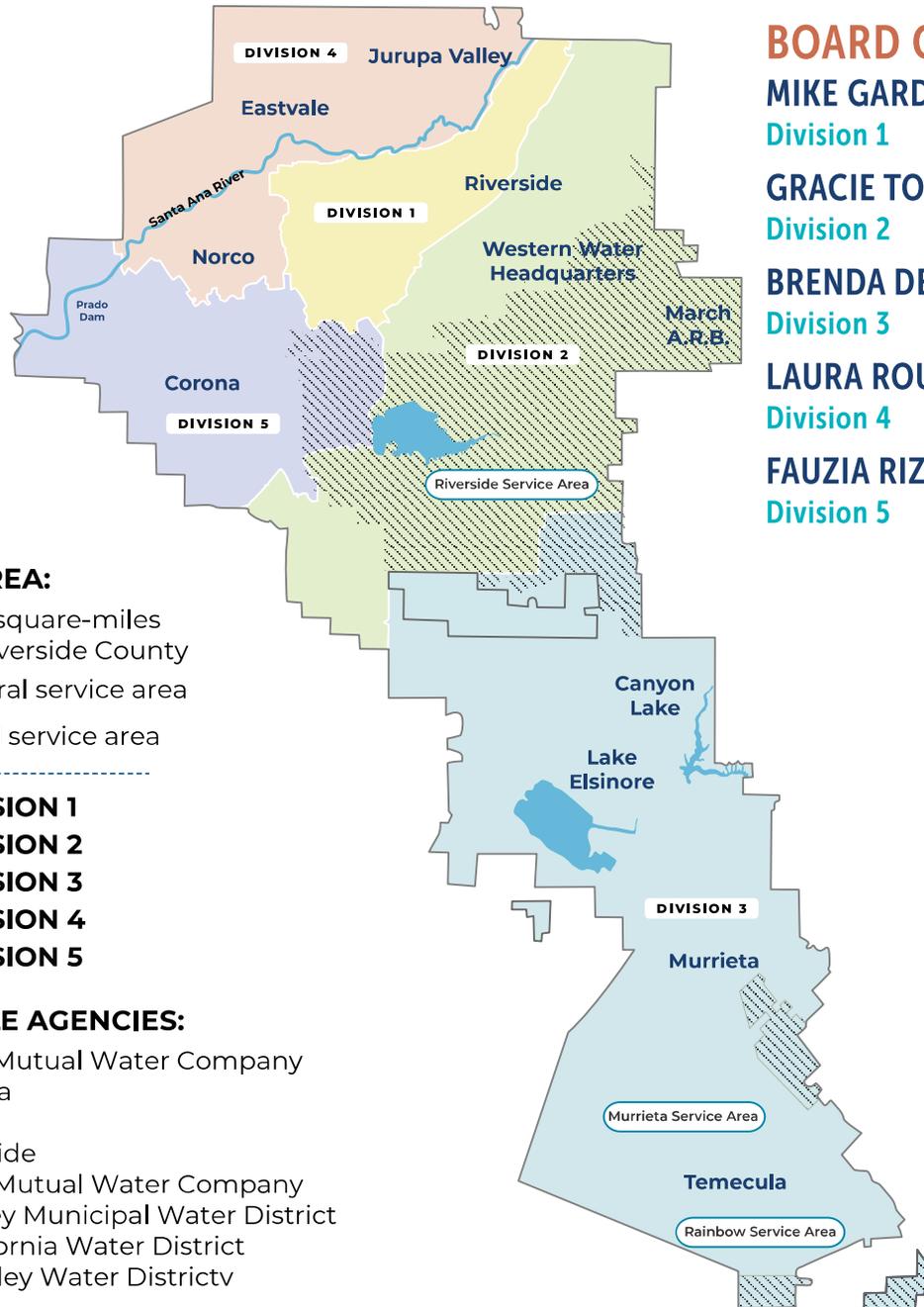
Christopher P. Morill

Executive Director/CEO



WESTERN'S SERVICE AREA MAP

SERVICE AREA



BOARD OF DIRECTORS

MIKE GARDNER

Division 1

GRACIE TORRES

Division 2

BRENDA DENNSTEDT

Division 3

LAURA ROUGHTON

Division 4

FAUZIA RIZVI

Division 5

SERVICE AREA:

Roughly 527 square-miles in western Riverside County

General service area

Retail service area

DIVISION 1

DIVISION 2

DIVISION 3

DIVISION 4

DIVISION 5

WHOLESALE AGENCIES:

Box Springs Mutual Water Company

City of Corona

City of Norco

City of Riverside

Eagle Valley Mutual Water Company

Elsinore Valley Municipal Water District

Rancho California Water District

Temescal Valley Water District

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.



DISTRICT OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Fauzia Rizvi, Division 5

LENGTH OF SERVICE

1 YEAR

3 YEARS

15 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

Kevin C. Mascaro, Assistant General Manager/Chief Financial Officer (June 2022)

Sarah Macdonald, Assistant General Manager/Communications and Customer Experience

Candi Judd, Director of Human Resources

Christopher Fike, Deputy Director of Operations - Maintenance

Derek Kawaii, Director of Engineering

Gary Miller, Deputy Director of Operations - Operations

Jason Pivovaroff, Deputy Director of Water Resources

Karl Francis, Deputy Director of Engineering

Mike Mouser, Deputy Director of Information Services

Paul Rukke, Director of Operations

Ryan Shaw, Director of Water Resources

Tony Pollak, Assistant Deputy Director of Operations

Veronica Zheng, Director of Finance

LENGTH OF SERVICE

8 YEARS

27 YEARS

13 YEARS

18 YEARS

3 YEARS

6 YEARS

7 YEARS

16 YEARS

6 YEARS

3 YEARS

4 YEARS

6 YEARS

17 YEARS

5 YEARS

8 YEARS

12 YEARS

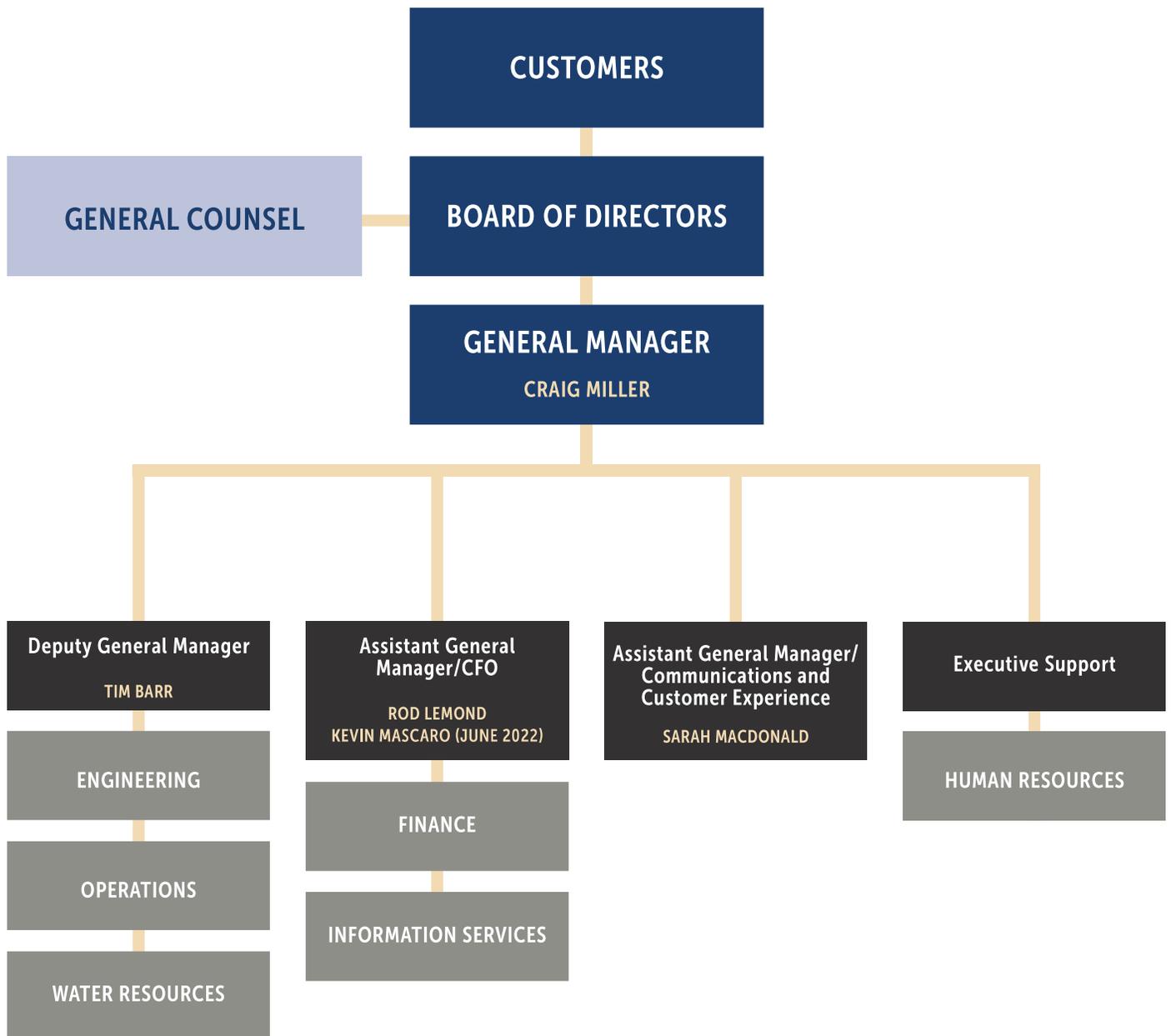
GENERAL COUNSEL

Best Best & Krieger, LLP

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ORGANIZATIONAL CHART



Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Western Municipal Water District
Riverside, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Western Municipal Water District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 15 to the financial statements, effective July 1, 2021, the District adopted new accounting guidance, GASB No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 postemployment benefits (OPEB) liability and related ratios, and the schedule of contributions – OPEB, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023, 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
January 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Western Municipal Water District (the District or Western), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditor's Report, and the accompanying basic financial statements and notes to the financial statements.

Overview

The District

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

Required Financial Statements

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

Summary Financial Information and Analysis

The District's Statement of Net Position remains strong, providing a foundation for continued growth within the District's service area. Historically, the District experiences a loss at the operating level, meaning operating revenues are less than operating expenses. This operating loss is normally offset by net non-operating revenues. In fiscal year 2022, 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, 2022 and 2021

| | As of June 30, | | Increase (Decrease) | |
|--|-----------------------|-----------------------|------------------------|---------------|
| | 2022 | 2021* | \$ Change | % Change |
| Assets | | | | |
| Current | \$ 248,730,576 | \$ 246,435,802 | \$ 2,294,774 | 0.9% |
| Noncurrent: | | | | |
| Capital | 448,344,905 | 445,392,602 | 2,952,303 | 0.7% |
| Other | 70,163,322 | 70,188,868 | (25,546) | 0.0% |
| Total Assets | <u>\$ 767,238,803</u> | <u>\$ 762,017,272</u> | <u>\$ 5,221,531</u> | <u>0.7%</u> |
| Deferred Outflows of Resources | <u>\$ 19,560,800</u> | <u>\$ 21,261,579</u> | <u>(1,700,779)</u> | <u>-8.0%</u> |
| Liabilities | | | | |
| Current | \$ 47,870,446 | \$ 51,663,994 | \$ (3,793,548) | -7.3% |
| Noncurrent | 217,891,491 | 236,818,498 | (18,927,007) | -8.0% |
| Total Liabilities | <u>\$ 265,761,937</u> | <u>\$ 288,482,492</u> | <u>\$ (22,720,555)</u> | <u>-7.9%</u> |
| Deferred Inflows of Resources | <u>\$ 23,364,666</u> | <u>\$ 7,585,018</u> | <u>\$ 15,779,648</u> | <u>208.0%</u> |
| Net Position | | | | |
| Net investment in capital assets | \$ 274,308,171 | \$ 267,854,439 | \$ 7,121,940 | 2.7% |
| Restricted for debt service | 1,443,855 | - | 1,443,855 | |
| Restricted for capacity charges | 24,913,314 | 22,713,124 | 2,200,190 | 9.7% |
| Restricted for other post-employment benefits (OPEB) | 6,588,963 | 2,474,801 | 4,114,162 | 166.2% |
| Unrestricted | 190,418,697 | 194,168,977 | (4,418,490) | -2.3% |
| Total Net Position | <u>\$ 497,673,000</u> | <u>\$ 487,211,341</u> | <u>\$ 10,461,659</u> | <u>2.1%</u> |

*As restated for the adoption of GASB 87. See note 15 for further information.

Assets

At June 30, 2022, total assets increased by \$5.2 million, or 0.7% as compared to June 30, 2021. This increase is primarily due to 1) an increase in capital assets net of accumulated depreciation of \$3.0 million, 2) an increase in net OPEB assets of \$4.1 million, and 3) a reduction in receivables in the amount of \$3.1 million.

Deferred Outflows of Resources

Deferred outflows of resources are consumption of net position that apply to future periods. As of June 30, 2022, total deferred outflows of resources decreased by \$1.7 million, or 7.9% as compared to June 30, 2021. This is largely due to a decrease in the deferred outflow of resources related to deferred SWAP outflow in the amount of \$1.8 million. Information on the District's SWAP can be found in Note 8 of the Notes to the Basic Financial Statements.

Liabilities

At June 30, 2022, total liabilities decreased by \$22.7 million, or 7.9% as compared to June 30, 2021. This is primarily due to decreases in 1) current liabilities in the amount of \$3.8 million, 2) long-term bonds payable in the amount of \$4.5 million, 3) net pension liability in the amount of \$10.2 million, and 4) reduction of derivative instrument - interest rate SWAP in the amount of \$1.8 million.

Deferred Inflows of Resources

Deferred inflows of resources are acquisition of net position applicable to a future reporting period. As of June 30, 2022, total deferred inflows of resources increased by \$15.8 million, or 208% as compared to June 30, 2021. This is primarily due to increases in deferred inflows of resources related to 1) deferred SWAP inflow in the amount of \$1.6 million, 2) Pension in the amount of \$9.8 million, and 3) OPEB in the amount of \$4.5 million. Information on the District's OPEB can be found in Note 11 of the Notes to the Basic Financial Statements.

Net Position

Net position is the net from the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position increased as of June 30, 2022 by \$10.5 million, or 2.1% as compared to June 30, 2021. Net position is classified into five categories: 1) net investment in capital assets, 2) restricted for debt service, 3) restricted for capacity charges, 4) restricted for other post-employment benefits, and 5) unrestricted.

Net Investment in Capital Assets – The amount of net investment 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, 2022 was \$274.3 million. The \$7.1 million, or 2.7% increase in fiscal year 2022 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.

in Capital Assets as of June 30, 2022 and 2021

| | <u>As of June 30,</u> | | <u>Increase (Decrease)</u> | |
|---|-----------------------|-----------------------|----------------------------|-----------------|
| | <u>2022</u> | <u>2021*</u> | <u>\$ Change</u> | <u>% Change</u> |
| Plant, building and improvements | \$ 471,302,851 | \$ 425,163,765 | \$ 46,139,086 | 10.9% |
| Capacity rights | 127,640,542 | 120,581,155 | 7,059,387 | 5.9% |
| Construction in progress | 24,045,886 | 60,046,262 | (36,000,376) | -60.0% |
| Land and land improvements | 17,668,663 | 17,668,663 | - | 0.0% |
| Equipment and vehicles | 18,892,181 | 20,712,920 | (1,820,739) | -8.8% |
| Right of use leased assets | 1,232,703 | 923,105 | 309,598 | 33.5% |
| Total capital assets | <u>660,782,826</u> | <u>645,095,870</u> | <u>15,686,956</u> | <u>2.4%</u> |
| Less accumulated depreciation | <u>(212,437,921)</u> | <u>(199,703,268)</u> | <u>(12,734,653)</u> | <u>6.4%</u> |
| Capital assets, net | 448,344,905 | 445,392,602 | 2,952,303 | 0.7% |
| Less related debt: | | | | |
| State Water Resources Control Board | | | | |
| La Sierra Project | 32,814,088 | 33,751,668 | (937,580) | -2.8% |
| Western Riverside County Regional | | | | |
| Wastewater Authority | 540,338 | 569,010 | (28,672) | -5.0% |
| Santa Rosa Regional Resources Authority | 13,036,853 | 12,478,674 | 558,179 | 4.5% |
| 2012 Series A bonds | 25,011,102 | 26,498,684 | (1,487,582) | -5.6% |
| 2020 Series A bonds | 92,058,752 | 91,628,943 | 429,809 | 0.5% |
| Note on vehicle leases | 191,080 | 998,897 | (807,817) | -80.9% |
| Note on headquarters building | 5,328,622 | 6,587,285 | (1,258,663) | -19.1% |
| Lease payable | 1,034,873 | 923,105 | 111,768 | 12.1% |
| Acquisition and construction of capital | | | | |
| assets in accounts payable | <u>4,021,026</u> | <u>4,770,107</u> | <u>(749,081)</u> | <u>-15.7%</u> |
| Net investment in capital assets | <u>\$ 274,308,171</u> | <u>\$ 267,186,229</u> | <u>\$ 7,121,942</u> | <u>2.7%</u> |

*As restated for the adoption of GASB 87. See note 15 for further information.

Restricted for Debt Service – The \$1.4 million restricted for debt service at June 30, 2022 is related to the La Sierra Project State Revolving fund loan.

Restricted for Capacity Charges – The \$24.9 million restricted for capacity charges at June 30, 2022 reflects added facilities charges and distribution system fees received from land owners and developers for the future expansion of water distribution and wastewater treatment and conveyance systems. An equivalent amount is reported in the Assets section of the Statement of Net Position as part of the restricted investments line item (classified as capacity charges in Note 3 of the Notes to the Basic Financial Statements). Net position becomes restricted when constraints placed on use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Additional information related to restricted cash and investments can be found in Note 3 of the Notes to the Basic Financial Statements.

Restricted for other post-employment benefits (OPEB) – The \$6.5 million restricted for OPEB at June 30, 2022 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 net position at June 30, 2022 was \$190.4 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, 2022 and 2021

| | Fiscal Years Ended June 30, | | Increase (Decrease) | |
|--|-----------------------------|-----------------------|----------------------|----------|
| | 2022 | 2021 | \$ Change | % Change |
| Operating Revenue | \$ 135,837,820 | \$ 140,557,065 | \$ (4,719,245) | -3.4% |
| Operating Expenses | (148,730,180) | (152,238,915) | 3,508,735 | -2.3% |
| Net Non-operating Revenue | 11,535,417 | 37,093,116 | (25,557,699) | -68.9% |
| Net Income Before Capital Contributions | (1,356,943) | 25,411,266 | (26,768,209) | -105.3% |
| Capital Contributions | 11,818,602 | 13,559,720 | (1,741,118) | -12.8% |
| Change in Net Position | 10,461,659 | 38,970,986 | (28,509,327) | -73.2% |
| Net Position, July 1 | 487,211,341 | 448,240,355 | 38,970,986 | 8.7% |
| Net Position, June 30 | <u>\$ 497,673,000</u> | <u>\$ 487,211,341</u> | <u>\$ 10,461,659</u> | 2.1% |

Combined Revenue

The following table presents a comparison of revenues by category for the fiscal years ended June 30, 2022 and 2021:

Revenues by Category for the Fiscal Years Ended June 30, 2022 and 2021

| | Fiscal Years Ended June 30, | | Increase (Decrease) | |
|---|-----------------------------|-----------------------|------------------------|----------|
| | 2022 | 2021 | \$ Change | % Change |
| Water sales | \$ 90,804,160 | \$ 96,387,528 | \$ (5,583,368) | -5.8% |
| Water service | 24,263,833 | 24,574,875 | (311,042) | -1.3% |
| Wastewater disposal | 15,243,153 | 14,592,692 | 650,461 | 4.5% |
| Contractual services | 5,376,463 | 4,860,581 | 515,882 | 10.6% |
| Property taxes | 28,939,433 | 27,416,336 | 1,523,097 | 5.6% |
| Investment earnings | (14,568,475) | (446,251) | (14,122,224) | 3164.6% |
| Capacity rights sales | 209,018 | 15,940,572 | (15,731,554) | -98.7% |
| Other | 3,481,682 | 1,129,408 | 2,352,274 | 208.3% |
| Total revenues | 153,749,267 | 184,455,741 | (30,706,474) | -16.6% |
| Capital contributions | 11,818,602 | 13,559,720 | (1,741,118) | -12.8% |
| Total revenues and capital contributions | <u>\$ 165,567,869</u> | <u>\$ 198,015,461</u> | <u>\$ (32,447,592)</u> | -16.4% |

Combined revenue (excluding capital contributions) for fiscal year 2022 totaled \$153.7 million, a decrease of \$30.7 million, or 16.6% from fiscal year 2021. The most significant variances from fiscal year 2021 to 2022 were in three revenue categories: water sales (\$5.6 million decrease), investment earnings (\$14.1 million decrease) and capacity rights sales (\$15.7 million decrease).

Water Sales - The \$5.6 million decrease in water sales was a result of a decrease in demand in the District's retail and wholesale service area.

Investment Earnings - The \$14.1 million decrease in investment earnings was primarily due to unrealized losses from fair market value adjustments of the District's investments.

Capacity Rights Sales - The \$15.7 million decrease was attributable to the one-time revenue of \$15.4 million in the prior year from the sale of capacity rights, and related purchase option, in the Mills Gravity Line, to Elsinore Valley Municipal Water District.

Capital Contributions

During fiscal year 2022, the District experienced a decrease of \$1.7 million, or 12.8% from fiscal year 2021, 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, 2022 and 2021:

Expenses by Category for the Fiscal Years Ended June 30, 2022 and 2021

| Expense Category | Fiscal Years Ended June 30, | | Increase (Decrease) | |
|-------------------------------|------------------------------------|-----------------------|----------------------------|-----------------|
| | 2022 | 2021 | \$ Change | % Change |
| Source of supply | \$ 1,401,007 | \$ 1,278,460 | \$ 122,547 | 9.6% |
| Purchased water | 78,965,903 | 82,239,192 | (3,273,289) | -4.0% |
| Pumping - booster pumps | 6,301,412 | 6,249,818 | 51,594 | 0.8% |
| Water treatment | 5,027,518 | 4,794,448 | 233,070 | 4.9% |
| Transmission and distribution | 11,392,793 | 11,443,335 | (50,542) | -0.4% |
| Administrative and general | 11,992,745 | 12,930,326 | (937,581) | -7.3% |
| Contractual services | 4,331,625 | 4,294,338 | 37,287 | 0.9% |
| Wastewater disposal | 12,044,690 | 11,769,591 | 275,099 | 2.3% |
| Depreciation and amortization | 14,369,632 | 14,022,593 | 347,039 | 2.5% |
| Interest expense | 5,202,386 | 5,355,265 | (152,879) | -2.9% |
| Other | 4,076,499 | 4,667,109 | (590,610) | -12.7% |
| Total expenses | <u>\$ 155,106,210</u> | <u>\$ 159,044,475</u> | <u>\$ (3,938,265)</u> | -2.5% |

Combined expenses for fiscal year 2022 totaled \$155.1 million, a decrease of \$3.9 million, or 2.5% from fiscal year 2021, which is primarily due to a reduction in purchased water, in the amount of \$3.3 million.

Purchased Water – The \$3.3 million decrease in purchased water expense was mainly due to the decrease in volume of imported water during fiscal year 2022 from MWD due to decreased demand from both retail and wholesale water agency customers.

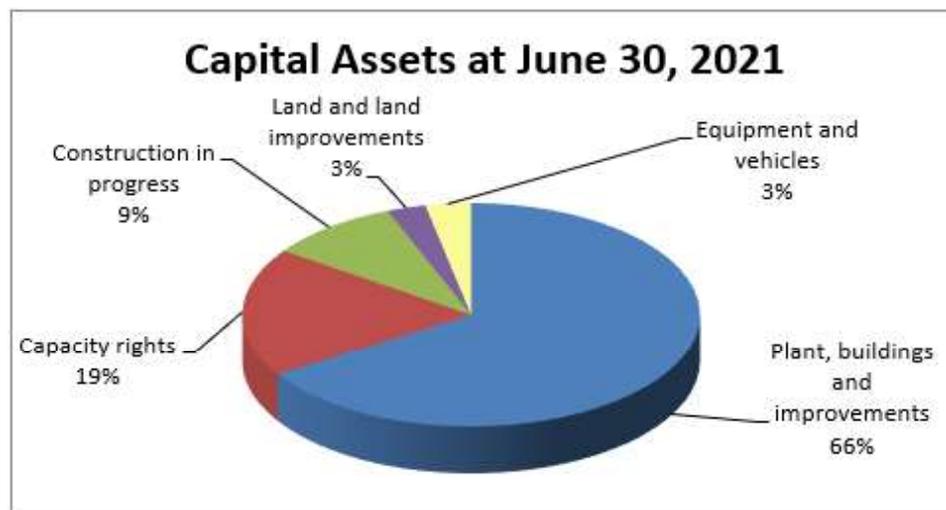
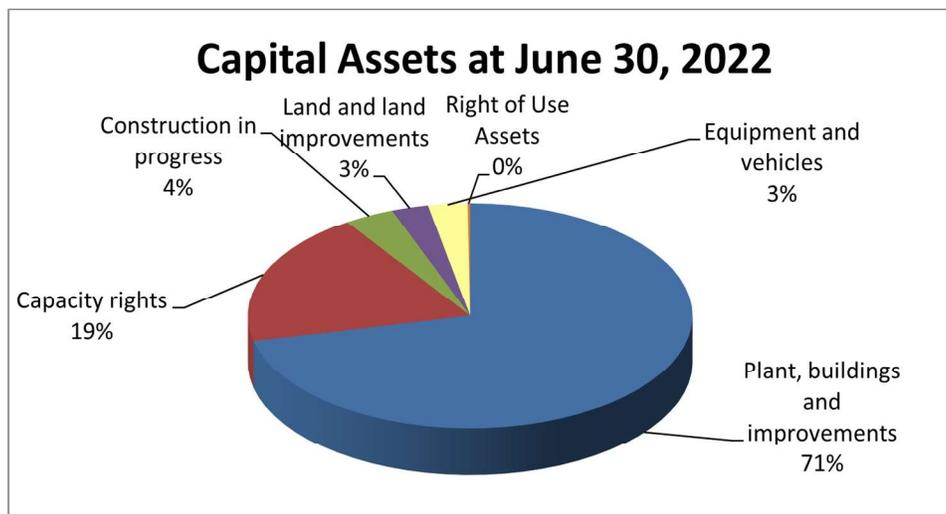
Capital Assets

The District’s investment in capital assets as of June 30, 2022 was \$448.3 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:

| | 2022 | 2021* |
|---|-----------------------|-----------------------|
| Plant, buildings and improvements | \$ 471,302,851 | \$ 425,163,765 |
| Capacity rights | 127,640,542 | 120,581,155 |
| Construction in progress | 24,045,886 | 60,046,262 |
| Land and land improvements | 17,668,663 | 17,668,663 |
| Equipment and vehicles | 18,892,181 | 20,712,920 |
| Right of use leased assets | 1,232,703 | 923,105 |
| Total capital assets | 660,782,826 | 645,095,870 |
| Less accumulated depreciation | (212,437,921) | (199,703,268) |
| Total capital assets, net of accumulated depreciation | <u>\$ 448,344,905</u> | <u>\$ 445,392,602</u> |

*As restated for the adoption of GASB 87. See note 15 for further information.



Long-term Liabilities

As of June 30, 2022, the District has outstanding long-term liabilities of \$225.0 million. Long-term liabilities include a swap liability, compensated absences, amounts due to other governments, bonds, leases, notes 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, and information regarding the net pension liability can be found in Note 10.

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

| | <u>2022</u> | <u>2021*</u> |
|---|-----------------------|-----------------------|
| Compensated absences | \$ 4,654,530 | \$ 4,532,205 |
| Lease payable | 1,034,873 | 1,922,002 |
| Due to other governments | 46,391,279 | 46,799,352 |
| Bonds payable | | |
| Revenue bonds | 125,675,000 | 127,710,000 |
| Unamortized premium | 27,698,311 | 29,614,014 |
| Swap liability | 2,500,528 | 2,932,667 |
| Note payable | 5,519,702 | 6,587,285 |
| Net pension liability | 11,547,259 | 21,706,462 |
| Derivative instrument - interest rate swap | - | 1,759,954 |
| Total long-term liabilities | <u>225,021,482</u> | <u>243,563,941</u> |
| Less current portion | <u>(7,129,991)</u> | <u>(6,745,443)</u> |
| Total long-term liabilities, net of current portion | <u>\$ 217,891,491</u> | <u>\$ 236,818,498</u> |

*As restated for the adoption of GASB 87. See note 15 for further information.

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 2023 fiscal year budget includes \$8.0 million in capital projects, net of estimated grant funding and financing proceeds.

Rates effective July 1, 2022 as recommended by a cost-of-service study, were adopted by the Board of Directors on June 2, 2021. This resulted in an increase for fiscal year 2023 of 3.5% to an average bill for a residential customer in the Riverside service area, 4.4% 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, 2022, to accommodate rising costs to operate and maintain the wastewater system.

Contacting the District's Financial Management

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

Western Municipal Water District
Statement of Net Position
June 30, 2022

Assets and Deferred Outflows of Resources

| | |
|---|--------------------|
| Current assets: | |
| Cash (note 2) | \$ 23,822,309 |
| Restricted cash (note 2) | 10,816,026 |
| Investments (note 2) | 187,765,049 |
| Receivables, net (note 4) | 21,710,049 |
| Lease receivable (note 13) | 128,669 |
| Stored groundwater inventory | 1,525,095 |
| Materials and supplies inventory | 1,307,392 |
| Other current assets | <u>1,655,987</u> |
| Total current assets | <u>248,730,576</u> |
| Non-current assets: | |
| Restricted investments (notes 2, 3) | 52,773,857 |
| Notes receivable (note 4) | 4,395,331 |
| Assessments receivable | 2,000,000 |
| Other non-current assets | 2,090,000 |
| Derivative instrument - interest rate swap (note 8) | 1,611,869 |
| Net OPEB Asset (note 11) | 6,588,963 |
| Lease receivable (note 13) | 703,302 |
| Capital assets not being depreciated (note 6) | 129,809,706 |
| Capital assets being depreciated, net (note 6) | <u>318,535,199</u> |
| Total non-current assets | <u>518,508,227</u> |
| Total assets | <u>767,238,803</u> |
| Deferred outflows of resources: | |
| Deferred outflow of resources - debt refunding | 8,879,499 |
| Deferred outflow of resources - pension (note 10) | 5,477,672 |
| Deferred outflow of resources - OPEB (note 11) | <u>5,203,629</u> |
| Total deferred outflows of resources | <u>19,560,800</u> |

Liabilities, Deferred Inflows of Resources, and Net Position

| | |
|--|-----------------------|
| Current liabilities: | |
| Accounts payable and accrued expenses | 23,415,488 |
| Customer deposits and unearned revenue | 9,682,729 |
| Construction advances | 6,279,815 |
| Accrued interest payable | 1,362,423 |
| Long-term liabilities - due in less than one year: | |
| Compensated absences (note 5) | 2,679,007 |
| Lease payable (note 7) | 225,316 |
| Due to other governments (note 7) | 672,944 |
| Note payable (note 7) | 1,432,724 |
| Bonds payable (note 7) | <u>2,120,000</u> |
| Total current liabilities | <u>47,870,446</u> |
| Non-current liabilities: | |
| Long-term liabilities - due in more than one year: | |
| Compensated absences (note 5) | 1,975,523 |
| Lease payable (note 7) | 809,557 |
| Due to other governments (note 7) | 45,718,335 |
| Note payable (note 7) | 4,086,978 |
| Bonds payable (note 7) | 153,753,839 |
| Net pension liability (note 10) | <u>11,547,259</u> |
| Total non-current liabilities | <u>217,891,491</u> |
| Total liabilities | <u>265,761,937</u> |
| Deferred inflows of resources: | |
| Deferred inflow of resources - deferred swap inflow (note 8) | 1,611,869 |
| Deferred inflow of resources - pension (note 10) | 10,288,636 |
| Deferred inflow of resources - OPEB (note 11) | 10,653,922 |
| Deferred inflow of resources - leases | <u>810,239</u> |
| Total deferred inflows of resources | <u>23,364,666</u> |
| Net Position: | |
| Net investment in capital assets (note 9) | 274,308,171 |
| Restricted for debt service (note 3) | 1,443,855 |
| Restricted for capacity charges (note 3) | 24,913,314 |
| Restricted for OPEB benefits (note 11) | 6,588,963 |
| Unrestricted | <u>190,418,697</u> |
| Total net position | <u>\$ 497,673,000</u> |

See accompanying notes to the basic financial statements.

Western Municipal Water District
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2022

| | |
|---|-----------------------|
| Operating Revenues: | |
| Water sales | \$ 90,804,160 |
| Water service | 24,263,833 |
| Wastewater disposal | 15,243,153 |
| Other charges and services | 150,211 |
| Contractual services | <u>5,376,463</u> |
| Total operating revenues | <u>135,837,820</u> |
| Operating Expenses: | |
| Source of supply | 1,401,007 |
| Purchased water | 78,965,903 |
| Pumping - booster pumps | 6,301,412 |
| Water treatment | 5,027,518 |
| Transmission and distribution | 11,392,793 |
| Customer accounts | 1,298,687 |
| Administrative and general | 11,992,745 |
| Contractual services | 4,331,625 |
| Wastewater disposal | 12,044,690 |
| Other operating expense | <u>1,604,168</u> |
| Total operating expenses before depreciation and amortization | <u>134,360,548</u> |
| Operating income before depreciation and amortization | 1,477,272 |
| Depreciation and amortization | <u>(14,369,632)</u> |
| Operating loss | <u>(12,892,360)</u> |
| Non-operating revenues (expenses): | |
| Property taxes and assessments | 28,939,433 |
| Investment earnings | (14,568,475) |
| Interest expense | (5,202,386) |
| Capacity rights sales | 209,018 |
| Other revenues | 1,650,291 |
| Other expenses | (1,173,644) |
| Gain (loss) on disposal of assets, net | <u>1,681,180</u> |
| Total net non-operating revenues | <u>11,535,417</u> |
| Net loss before capital contributions | <u>(1,356,943)</u> |
| Capital contributions: | |
| Capacity charges | 8,181,962 |
| Developer capital contributions | 473,416 |
| Federal, state and local capital grants | <u>3,163,224</u> |
| Total capital contributions | <u>11,818,602</u> |
| Change in net position | 10,461,659 |
| Net position, beginning of year, as restated (note 15) | <u>487,211,341</u> |
| Net position, end of year | <u>\$ 497,673,000</u> |

See accompanying notes to the basic financial statements.

**Western Municipal Water District
Statement of Cash Flows
For the Year Ended June 30, 2022**

| | |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Cash receipts from customers for water sales and services | \$ 138,602,540 |
| Cash paid to employees for salaries and wages | (22,694,798) |
| Cash paid to vendors and suppliers for materials and services | <u>(112,502,862)</u> |
| Net cash provided by operating activities | <u>3,404,880</u> |
| | |
| Cash flows from non-capital financing activities: | |
| Proceeds from property taxes and assessments | 28,867,349 |
| Deposit paid for swap collateral requirement | <u>(592,011)</u> |
| Net cash provided by non-capital financing activities | <u>28,275,338</u> |
| | |
| Cash flows from capital and related financing activities: | |
| Proceeds from capacity rights sales | 209,018 |
| Proceeds from notes receivable | 357,991 |
| Acquisition and construction of capital assets | (20,395,698) |
| Proceeds from disposal of capital assets | 3,174,686 |
| Proceeds from capital contributions | 10,374,717 |
| Principal paid on long-term debt | (4,531,735) |
| Interest paid on long-term debt | <u>(6,379,617)</u> |
| Net cash used in capital and related financing activities | <u>(17,190,638)</u> |
| | |
| Cash flows from investing activities: | |
| Investment earnings | 4,561,644 |
| Purchase of investments | (173,253,713) |
| Proceeds from sale of investments | <u>157,291,787</u> |
| Net cash used in investing activities | <u>(11,400,282)</u> |
| | |
| Net increase in cash | 3,089,298 |
| | |
| Cash, beginning of year | <u>31,549,037</u> |
| Cash, end of year | <u><u>\$ 34,638,335</u></u> |
| | |
| Reconciliation of cash to statement of net position: | |
| Cash | \$ 23,822,309 |
| Restricted cash | <u>10,816,026</u> |
| Total cash | <u><u>\$ 34,638,335</u></u> |

Continued on next page

See accompanying notes to the basic financial statements.

**Western Municipal Water District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2022**

Reconciliation of operating loss to net cash provided by operating activities:

| | | |
|-----------------------|----|--------------|
| Operating loss | \$ | (12,892,360) |
|-----------------------|----|--------------|

Adjustments to reconcile operating loss to net cash provided by operating activities:

| | | |
|----------------|--|-------------|
| Depreciation | | 14,162,933 |
| Amortization | | 206,699 |
| Other revenues | | 1,650,291 |
| Other expenses | | (1,117,673) |

Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:

| | | |
|---|-----------|------------------|
| (Increase) decrease in assets: | | |
| Accounts receivable | | 2,761,662 |
| Materials and supplies inventory | | 410,061 |
| Other current and noncurrent assets | | 22,411 |
| Net OPEB asset | | (4,114,162) |
| (Increase) decrease in deferred outflow of resources: | | |
| Deferred outflow of resources - pension | | 344,000 |
| Deferred outflow of resources - OPEB | | (1,436,565) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | | (869,985) |
| Customer deposits and unearned revenue | | 3,058 |
| Compensated absences | | 122,325 |
| Net pension liability | | (10,159,203) |
| Increase (decrease) in deferred inflow of resources: | | |
| Deferred inflow of resources - pension | | 9,841,086 |
| Deferred inflow of resources - OPEB | | 4,470,302 |
| Total adjustments | | 16,297,240 |
| Net cash provided by operating activities | \$ | 3,404,880 |

Supplemental disclosure of non-cash capital and related financing and investing activities:

| | | |
|--|----|--------------|
| (Decrease) in fair value of investments | \$ | (19,036,509) |
| Capital Contribution | | 459,950 |
| Acquisition and construction of capital assets in accounts payable | | 4,021,027 |
| Acquisition of capital assets in long-term debt | | 1,057,055 |
| Acquisition of capital assets in capacity charges | | 209,018 |

See accompanying notes to the basic financial statements.

**Western Municipal Water District
Statement of Fiduciary Net Position
June 30, 2022**

| | | <u>OPEB Trust Fund</u> |
|---|-----------|---------------------------------|
| Assets | | |
| Cash and investments - OPEB Trust: | | |
| Money Market Funds | \$ | 111,248 |
| Exchange-Traded Funds: | | |
| Small Cap U.S. Equity | | 2,518,373 |
| Mid Cap U.S. Equity | | 2,669,514 |
| Large Cap U.S. Equity | | 3,412,350 |
| International Equity | | 2,076,720 |
| Emerging Market Equity | | 987,105 |
| U.S. Core Bonds | | 4,997,264 |
| U.S. High Yield Bonds | | 1,043,165 |
| International Bonds | | 396,320 |
| Real Estate | | 1,357,539 |
| International Real Estate | | 359,040 |
| Other | | 153,384 |
| Total investments | | <u>20,082,022</u> |
| Accrued interest | | 54,091 |
| Prepaid expenses | | 43,025 |
| Total assets | | <u><u>20,179,138</u></u> |
| Liabilities | | |
| Accrued expenses | | <u>7,372</u> |
| Net position restricted for OPEB | \$ | <u><u>20,171,766</u></u> |

See accompanying notes to the basic financial statements.

**Western Municipal Water District
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

| | OPEB Trust Fund |
|---|------------------------|
| Additions: | |
| Contributions: | |
| Employer contributions | \$ 851,933 |
| Total contributions | 851,933 |
| Investment income: | |
| Net decrease in fair value of investments | (3,705,463) |
| Interest | 54,122 |
| Dividends | 481,136 |
| Total investment income | (3,170,205) |
| Less: investment expense | (46,383) |
| Net investment income | (3,216,588) |
| Total additions | (2,364,655) |
| Deductions: | |
| Benefits | 700,456 |
| Administrative expense | 40,489 |
| Total deductions | 740,945 |
| Change in net position | (3,105,600) |
| Net position restricted for OPEB, beginning of year | 23,277,366 |
| Net position restricted for OPEB, end of year | \$ 20,171,766 |

See accompanying notes to the basic financial statements.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

Western Municipal Water District of Riverside County (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 87% 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 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 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, 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, 2022

(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.

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

1. Investments

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

2. Receivables, Net Allowance for Uncollectible Accounts

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

3. Property Taxes and Assessments

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

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

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

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

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

3. Property Taxes and Assessments, continued

| | |
|-----------------|---|
| 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'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 because 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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

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

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

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 |
| Right of use leased assets | 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, 2022.

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

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

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

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

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

At June 30, 2022, the District has three items reported as deferred outflow of resources. The first item relates to the deferred outflow of resources on debt refunding of \$8,879,499 at June 30, 2022. This amount relates to previous debt refundings in 2012 and 2020. It represents the difference in the carrying value of refunded debts and their reacquisition prices, net of amortization. The deferred outflow of resources on refunding are amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter. The second and third items are the deferred outflow of resources related to pension and OPEB in the amount of \$5,477,672 and \$5,203,629, respectively. These amounts include the pension contributions made after the measurement date of the net pension liability, differences between expected and actual experience for both pension and OPEB, changes in assumption for OPEB, net difference between projected and actual earnings on pension and OPEB plan investments, and adjustment due to differences in proportions for pension. Refer to Notes 10D and 11D for additional information.

At June 30, 2022, the District has four items reported as deferred inflow of resources. The first item relates to the deferred swap inflow of \$1,611,869. This amount would be recognized as an investment gain 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, 2022. The District currently has no intention of terminating its interest rate swap agreement in advance. The second and third items relate to pension and OPEB in the amount of \$10,288,636 and \$10,653,922, respectively. The amounts include the deferred inflow resulting from differences between expected and actual experience for OPEB, changes of assumption for OPEB, net difference between projected and actual earnings on pension 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. The fourth item relates to lease receivables in the amount of \$810,239. This amount is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. The deferred inflows of resources is recognized as revenue over the life of the lease term.

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 liability associated with the acquisition, construction or improvement of those assets.
- **Restricted for debt service** – This component of net position is restricted for debt service related to the La Sierra Project State Revolving fund loan.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

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

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

10. Net Position, continued

- **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 *net investment in capital assets*.

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

D. Revenues

1. Water and Wastewater Services

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

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 non-operating grant revenue, as appropriate, on the statement of revenues, expenses and change in net position.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

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

E. Pensions

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

F. Other Post-Employment Benefits (OPEB)

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

G. Use of Estimates

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

H. Budgetary Policies

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

(2) Cash and Investments

Cash and investments as of June 30, 2022 are classified in the financial statements as follows:

| | |
|----------------------------|----------------|
| Cash | \$ 23,822,309 |
| Restricted Cash | 10,816,026 |
| Total cash | 34,638,335 |
| Investments | 187,765,049 |
| Restricted investments | 52,773,857 |
| Total investments | 240,538,906 |
| Total cash and investments | \$ 275,177,241 |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(2) Cash and Investments, continued

Cash and investments as of June 30, 2022 consist of the following:

| | | |
|---|----|-------------|
| Petty cash | \$ | 16,500 |
| Deposits with financial institution | | 23,805,809 |
| Deposits with escrow agents | | 721,550 |
| Deposits held by fiscal agent | | 10,094,476 |
| Total cash | | 34,638,335 |
| | | |
| Money Market Funds | \$ | 802,602 |
| California Local Agency Investment Fund | | 20,026,458 |
| U.S. Treasury Notes | | 50,725,488 |
| Government-Sponsored Agency Securities | | 52,671,216 |
| Corporate Medium-Term Notes | | 54,812,101 |
| Asset-Backed Securities | | 23,717,578 |
| Collateralized Mortgage Obligations | | 19,877,139 |
| Supranationals | | 7,419,603 |
| Held by fiscal agent: | | |
| U.S. Treasury Notes | | 4,024,538 |
| Government-Sponsored Agency Securities | | 6,462,183 |
| Total investments | | 240,538,906 |
| Total cash and investments | \$ | 275,177,241 |

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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(2) Cash and Investments, continued

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|---------------------|---|--|
| Municipal Securities | 5 years | 30% | 5% |
| California State and Local Agency Obligations | | | |
| Notes or Bonds of any of the other 49 states | | | |
| U.S. Treasury Obligations | 10 years | No limit | No limit |
| U.S. Government Agency Securities Obligations | 10 years | No limit | 25% |
| Banker's Acceptances | 180 days | 40% | 5% |
| Prime Commercial Paper | 270 days | 25% | 5% |
| Federally Insured Time Deposits (Non-negotiable CDs) | 5 years | 20% (combined with collateralized Time Deposits) | FDIC Limit |
| Collateralized Time Deposits (Non-negotiable CDs) | 5 years | 20% (combined with Federally- insured Time Deposits) | No limit |
| Certificate of Deposit Placement Services (CDARS) | 5 years | 30% (combined with CDs) | No limit |
| Negotiable Certificates of Deposit (NCDs) | 5 years | 30% (combined with CDARS) | 5% |
| Repurchase Agreements | 90 days | No limit | 5% |
| Corporate Medium-Term Notes | 5 years | 30% | 5% |
| Supranational | 5 years | 30% | 10% |
| California State Local Agency Investment Fund (LAIF) | N/A | \$75 million | No limit |
| Mutual Funds | N/A | 20% (combined with Money Market Mutual Funds) | 10% |
| Money Market Mutual Funds | N/A | 20% (combined with Mutual Funds) | No limit |
| Mortgage Pass-Through Securities | 5 years | 20% | 5% |
| Asset-Backed Securities | 5 years | 20% | 5% |
| Collateralized Mortgage Obligations(1) | 5 years | 20% | 5% |
| County Pooled Investment Funds | N/A | No limit | No limit |
| CalTrust Pooled Investment Funds | N/A | No limit | No limit |

(1) The maximum maturity is 10 years rather than 5 years, and there is no issuer limitation on any mortgage security where the issuer is the U.S. Treasury or a Federal/Agency Government Sponsored Entity.

Investments Authorized by Debt Agreements

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

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(2) Cash and Investments, continued

Investments Authorized by Debt Agreements, continued

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|-------------------------------------|---------------------|--|--|
| Government Obligations | No limit | No limit | No limit |
| Local Agency Bonds | No limit | No limit | No limit |
| U.S. Agency Securities | No limit | No limit | No limit |
| Certificates of Deposit | 365 days | 10% | No limit |
| Money Market Funds | N/A | No limit | No limit |
| | | No Limit up to maximum allowable per LAIF | |
| Local Agency Investment Fund (LAIF) | N/A | | No limit |

Custodial Credit Risk

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

At June 30, 2022, the carrying amount of the District's deposits was \$34,621,835, and the corresponding bank balance was \$35,936,557. The difference of \$1,314,722 was principally due to outstanding checks, wires and/or deposits in transit.

Of the bank balances, up to \$250,000 is federally insured under the Federal Deposit Insurance Corporation per financial institution 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.

| | Bank Balance | FDIC Insurance |
|-------------------------------------|---------------|----------------|
| Deposits with financial institution | \$ 24,920,129 | \$ 250,000 |
| Deposits with escrow agents | 921,952 | 500,000 |
| Deposits held by fiscal agent | 10,094,476 | 250,000 |
| Total bank balance | \$ 35,936,557 | \$ 1,000,000 |

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(2) Cash and Investments, continued

Investment in State Investment Pool

The District is a voluntary participant in LAIF that is regulated by the California Government Code Section 16429 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, which are recorded on an amortized cost basis. LAIF is part of the California Pooled Money Investment Account (PMIA): included in LAIF's investment portfolio are mortgage-backed and other asset-backed securities of \$2.1 billion, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a on-for-one basis, and structured notes of \$2.4 billion. At June 30, 2022, PMIA had a total portfolio of approximately \$231.6 billion. The average maturity of PMIA investments was 311 days as of June 30, 2022. The amounts invested in LAIF are recorded as cash and investments. As of June 30, 2022, the District's total investment in LAIF was \$20,026,458.

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, 2022 are as follows:

| Investment Type | Fair Value | Investment Maturities (in Years) | | |
|---|-----------------------|----------------------------------|-----------------------|----------------------|
| | | Less Than 1 | 1 - 5 | 6 - 10 |
| U.S. Treasury Notes | \$ 50,725,488 | \$ - | \$ 20,050,534 | \$ 30,674,954 |
| Government-Sponsored Agency Securities | 52,671,216 | 2,389,402 | 32,945,075 | 17,336,739 |
| Corporate Medium-Term Notes | 54,812,101 | - | 54,812,101 | - |
| Asset-Backed Securities | 23,717,578 | - | 23,717,578 | - |
| Collateralized Mortgage Obligations | 19,877,139 | - | 10,104,725 | 9,772,414 |
| Supranationals | 7,419,603 | - | 7,419,603 | - |
| California Local Agency Investment Fund | 20,026,458 | 20,026,458 | - | - |
| Money Market Funds | 802,602 | 802,602 | - | - |
| Held by Fiscal Agent: | | | | |
| U.S. Treasury Notes | 4,024,538 | 4,024,538 | - | - |
| Government-Sponsored Agency Securities | 6,462,183 | 6,462,183 | - | - |
| Total | \$ 240,538,906 | \$ 33,705,183 | \$ 149,049,616 | \$ 57,784,107 |

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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings of investments as of June 30, 2022 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 | \$ 50,725,488 | N/A | \$ 50,725,488 | \$ - | \$ - | \$ - | \$ - |
| Government-Sponsored Agency Securities | 52,671,216 | None | - | - | 52,671,216 | - | - |
| Corporate Medium-Term Notes | 54,812,101 | A ** | - | - | 18,478,862 | 36,333,239 | - |
| Asset-Backed Securities | 23,717,578 | AA | - | 23,717,578 | - | - | - |
| Collateralized Mortgage Obligations | 19,877,139 | AA | - | 19,877,139 | - | - | - |
| Supranationals | 7,419,603 | AAA | - | 7,419,603 | - | - | - |
| California Local Agency Investment Fund | 20,026,458 | None | - | - | - | - | 20,026,458 |
| Money Market Funds | 802,602 | * | - | 802,602 | - | - | - |
| Held by Fiscal Agent: | | | | | | | |
| U.S. Treasury Notes | 4,024,538 | N/A | 4,024,538 | - | - | - | - |
| Government-Sponsored Agency Securities | 6,462,183 | None | - | - | 6,462,183 | - | - |
| | <u>\$ 240,538,906</u> | | <u>\$ 54,750,026</u> | <u>\$ 51,816,922</u> | <u>\$ 77,612,261</u> | <u>\$ 36,333,239</u> | <u>\$ 20,026,458</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, 2022.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer, other than the \$75 million limitation on LAIF, as stipulated by the California Government Code. The District's investment with LAIF is 8.00% of the District's total depository and investment portfolio as of June 30, 2022. Investments (excluding Held by Fiscal Agent) in any one issuer other than U.S. Treasury securities, mutual funds, external investment pools that represent 5% or more of total District investments are as follows:

| Issuer | Investment Type | Reported Amount | % of Total Investments |
|--|--|-----------------|------------------------|
| Federal Home Loan Bank | Government-Sponsored Agency Securities | \$ 17,628,852 | 7% |
| Federal National Mortgage Association | Government-Sponsored Agency Securities | 17,761,411 | 7% |
| Federal Home Loan Mortgage Corporation | Government-Sponsored Agency Securities | 13,620,067 | 6% |
| Federal Home Loan Mortgage Corporation | Collateralized Mortgage Obligations | 19,877,139 | 8% |

Fair Value Measurements

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

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(2) Cash and Investments, continued

The District has the following recurring fair value measurements as of June 30, 2022:

| Investment Type | Fair Value or Amortized Cost | Quoted Prices in Active Markets for Identical Assets Level (1) | Significant Other Observable Inputs Level (2) | Significant Unobservable Inputs Level (3) |
|--|---------------------------------|---|--|--|
| U.S. Treasury Notes | \$ 50,725,488 | \$ - | \$ 50,725,488 | \$ - |
| Government-Sponsored Agency Securities | 52,671,216 | - | 52,671,216 | - |
| Corporate Medium-Term Notes | 54,812,101 | - | 54,812,101 | - |
| Asset-Backed Securities | 23,717,578 | - | 23,717,578 | - |
| Collateralized Mortgage Obligations | 19,877,139 | - | 19,877,139 | - |
| Supranational | 7,419,603 | - | 7,419,603 | - |
| Money Market Funds | 802,602 | 802,602 | - | - |
| Held by fiscal agent: | | | | |
| U.S. Treasury Notes | 4,024,538 | - | 4,024,538 | - |
| Government-Sponsored Agency Securities | 6,462,183 | - | 6,462,183 | - |
| Investments at fair value | <u>220,512,448</u> | <u>802,602</u> | <u>219,709,846</u> | <u>-</u> |
| California Local Agency Investment Fund | 20,026,458 | - | - | - |
| Investment at amortized cost | <u>20,026,458</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 240,538,906</u> | <u>\$ 802,602</u> | <u>\$ 219,709,846</u> | <u>\$ -</u> |
| Derivative Instrument - interest rate swap | <u>\$ 1,611,869</u> | <u>\$ -</u> | <u>\$ 1,611,869</u> | <u>\$ -</u> |

Cash and investments as of June 30, 2022 classified on the Statement of Fiduciary Net Position consist of the following:

| | |
|----------------------------|----------------------|
| Money market funds | \$ 111,248 |
| Exchange-traded funds: | |
| Small cap US equity | 2,518,373 |
| Mid cap US equity | 2,669,514 |
| Large cap US equity | 3,412,350 |
| International equity | 2,076,720 |
| Emerging market equity | 987,105 |
| US core bonds | 4,997,264 |
| US high yield bonds | 1,043,165 |
| International bonds | 396,320 |
| Real estate | 1,357,539 |
| International real estate | 359,040 |
| Other | 153,384 |
| Total cash and investments | <u>\$ 20,082,022</u> |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(2) Cash and Investments, continued

OPEB Trust Fund

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 |

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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(2) Cash and Investments, continued

OPEB Trust Fund, continued

Interest Rate Risk, continued

Maturities of investments at June 30, 2022 are as follows:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|------------------------|---------------------|----------------------------------|-------------|-------------|--------------|
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| Money market funds | \$ 111,248 | \$ 111,248 | \$ - | \$ - | \$ - |
| Exchange-traded funds: | | | | | |
| US core bonds | 4,997,264 | 4,997,264 | - | - | - |
| US high yield bonds | 1,043,165 | 1,043,165 | - | - | - |
| International bonds | 396,320 | 396,320 | - | - | - |
| Total | \$ 6,547,997 | \$ 6,547,997 | \$ - | \$ - | \$ - |

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, 2022 are as follows:

| Investment Type | Minimum Legal Rating | Fair Value | Ratings as of | |
|------------------------|----------------------|---------------------|-------------------|---------------------|
| | | | Year-End AAA | Not Rated |
| Money market funds | N/A | \$ 111,248 | \$ 111,248 | \$ - |
| Exchange-traded funds: | | | | |
| US core bonds | N/A | 4,997,264 | - | 4,997,264 |
| US high yield bonds | N/A | 1,043,165 | - | 1,043,165 |
| International bonds | N/A | 396,320 | - | 396,320 |
| | | \$ 6,547,997 | \$ 111,248 | \$ 6,436,749 |

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, 2022

(2) Cash and Investments, continued

OPEB Trust, continued

Fair Value Measurements

The OPEB Trust Fund categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. 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, 2022 is as follows:

| | Quoted Prices Level (1) | Quoted Prices Level (2) | Unobservable Inputs Level (3) | Total |
|---------------------------|-------------------------------|-------------------------------|-------------------------------------|----------------------|
| Money market funds | \$ 111,248 | \$ - | \$ - | \$ 111,248 |
| Exchange-traded funds: | | | | |
| Small cap US equity | 2,518,373 | - | - | 2,518,373 |
| Mid cap US equity | 2,669,514 | - | - | 2,669,514 |
| Large cap US equity | 3,412,350 | - | - | 3,412,350 |
| International equity | 2,076,720 | - | - | 2,076,720 |
| Emerging market equity | 987,105 | - | - | 987,105 |
| US core bonds | 4,997,264 | - | - | 4,997,264 |
| US high yield bonds | 1,043,165 | - | - | 1,043,165 |
| International bonds | 396,320 | - | - | 396,320 |
| Real estate | 1,357,539 | - | - | 1,357,539 |
| International real estate | 359,040 | - | - | 359,040 |
| Other | 153,384 | - | - | 153,384 |
| Total investments | <u>\$ 20,082,022</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,082,022</u> |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(3) Restricted Cash and Investments

Restricted cash at June 30, 2022 are restricted as follows:

| | |
|--|-----------------------------|
| Construction Retainage Escrow Accounts | \$ 721,550 |
| 2012 Series A Water Revenue Bonds Service Fund | 20,268 |
| 2020 Series A Water Revenue Bonds Project Fund | <u>10,074,208</u> |
| | <u><u>\$ 10,816,026</u></u> |

Restricted investments at June 30, 2022 are restricted as follows:

| | |
|---|-----------------------------|
| Capacity charges | \$ 24,913,314 |
| Customer deposits | 4,021,417 |
| Construction advances | 6,279,815 |
| Unearned revenues - SARCCUP grants | 5,628,735 |
| 2020 Series A Water Revenue Bonds Project Fund | 10,486,721 |
| La Sierra Project SRF Loan Debt Service Requirement | <u>1,443,855</u> |
| | <u><u>\$ 52,773,857</u></u> |

(4) Receivables

Current Receivables, net

Current receivables at June 30, 2022 consisted of the following:

| | |
|---------------------------------|-----------------------------|
| Utility services - wholesale | \$ 11,563,521 |
| Utility services - retail | 7,681,735 |
| Allowance for doubtful accounts | (267,141) |
| Accrued interest | 725,717 |
| Property taxes and assessments | 868,347 |
| Other | <u>1,137,870</u> |
| | <u><u>\$ 21,710,049</u></u> |

Notes Receivable, Non-current

Non-current receivables at June 30, 2022 consisted of the following:

| | |
|---|---------------------|
| Note receivable from Jurupa Community Services District | <u>\$ 4,395,331</u> |
|---|---------------------|

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, 2022**

(5) Compensated Absences

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

The changes to compensated absences balances for the year ended June 30, 2022 are as follows:

| Balance at July 1, 2021 | Earned | Taken | Balance at June 30, 2022 | Current Portion | Long-term Portion |
|----------------------------|--------------|----------------|-----------------------------|--------------------|----------------------|
| \$ 4,532,205 | \$ 3,255,810 | \$ (3,133,485) | \$ 4,654,530 | \$ 2,679,007 | \$ 1,975,523 |

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(6) Capital Assets

The balance in capital assets for the year ended June 30, 2022 are as follows:

| | Balance at July 1, 2021* | Additions | Deletions / Transfers | Balance at June 30, 2022 |
|---|-----------------------------|----------------------|--------------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,598,253 | \$ - | \$ - | \$ 8,598,253 |
| Capacity rights | 95,416,776 | 1,748,791 | - | 97,165,567 |
| Construction-in-progress | 60,046,262 | 16,579,040 | (52,579,416) | 24,045,886 |
| Total capital assets not being depreciated | <u>164,061,291</u> | <u>18,327,831</u> | <u>(52,579,416)</u> | <u>129,809,706</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 9,070,410 | - | - | 9,070,410 |
| Plant | 486,428 | - | - | 486,428 |
| Source of supply - plant | 682,448 | - | - | 682,448 |
| Pumping plant | 32,591,281 | - | - | 32,591,281 |
| Water treatment plant | 8,358,865 | - | - | 8,358,865 |
| Transmission and distribution plant | 237,284,238 | 46,036,285 | - | 283,320,523 |
| Wastewater treatment plant | 118,568,768 | 102,801 | - | 118,671,569 |
| Buildings | 27,191,737 | - | - | 27,191,737 |
| Furniture, fixtures and office equipment | 1,666,441 | - | - | 1,666,441 |
| Vehicles | 6,986,696 | 1,264,184 | (3,084,923) | 5,165,957 |
| Right of use leased assets | 923,105 | 309,598 | - | 1,232,703 |
| Construction and maintenance equipment | 2,650,499 | - | - | 2,650,499 |
| Computer equipment | 8,019,025 | - | - | 8,019,025 |
| Miscellaneous equipment | 1,390,259 | - | - | 1,390,259 |
| Capacity rights | 25,164,379 | 6,586,859 | (1,276,263) | 30,474,975 |
| Total capital assets being depreciated | <u>481,034,579</u> | <u>54,299,727</u> | <u>(4,361,186)</u> | <u>530,973,120</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (2,466,641) | (397,071) | - | (2,863,712) |
| Plant | (452,041) | (6,937) | - | (458,978) |
| Source of supply - plant | (682,448) | - | - | (682,448) |
| Pumping plant | (19,383,412) | (954,585) | - | (20,337,997) |
| Water treatment plant | (6,109,960) | (250,559) | - | (6,360,519) |
| Transmission and distribution plant | (99,317,132) | (5,765,140) | - | (105,082,272) |
| Wastewater treatment plant | (41,543,396) | (4,134,783) | - | (45,678,179) |
| Buildings | (9,174,861) | (903,682) | - | (10,078,543) |
| Furniture, fixtures and office equipment | (1,605,093) | (10,135) | - | (1,615,228) |
| Vehicles | (4,985,288) | (673,916) | 1,766,906 | (3,892,298) |
| Right of use leased assets | - | - | (206,699) | (206,699) |
| Construction and maintenance equipment | (937,905) | (201,991) | - | (1,139,896) |
| Computer equipment | (5,910,778) | (749,101) | - | (6,659,879) |
| Miscellaneous equipment | (1,138,274) | (58,925) | - | (1,197,199) |
| Capacity rights | (5,996,039) | (540,734) | 352,699 | (6,184,074) |
| Total accumulated depreciation | <u>(199,703,268)</u> | <u>(14,647,559)</u> | <u>1,912,906</u> | <u>(212,437,921)</u> |
| Total capital assets being depreciated, net | <u>281,331,311</u> | <u>39,652,168</u> | <u>(2,448,280)</u> | <u>318,535,199</u> |
| Total capital assets, net | <u>\$ 445,392,602</u> | <u>\$ 57,979,999</u> | <u>\$ (55,027,696)</u> | <u>\$ 448,344,905</u> |

*As restated for the adoption of GASB 87. See note 15 for further information.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(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, 2022 are as follows:

| | |
|--|---------------|
| Meter Replacement | \$ 3,016,603 |
| Cajalco Intake Switchgear and Motor Control Center Replacement | 2,271,991 |
| Cannon Pump Station and Interconnection with RPU | 1,471,091 |
| Various projects | 17,286,201 |
| Construction-in-progress | \$ 24,045,886 |

(7) Long-term Debt

Long-term debt activities for the year ended June 30, 2022 are as follows:

| | Balance at July 1, 2021 (1) | Additions | Deletions | Balance at June 30, 2022 | Current Portion | Long-term Portion |
|--|--------------------------------|--------------|----------------|-----------------------------|--------------------|----------------------|
| <u>Due to other governments:</u> | | | | | | |
| Public Offering: | | | | | | |
| Santa Rosa Regional Resources Authority: SRRRA 2017 Bond Issuance | \$ 7,501,703 | \$ - | \$ (498,876) | \$ 7,002,827 | \$ 488,732 | \$ 6,514,095 |
| Direct Borrowing: | | | | | | |
| Western Riverside County Regional Wastewater Authority: | | | | | | |
| State Water Resources Control Board - Plant Expansion | 569,010 | - | (28,672) | 540,338 | 29,214 | 511,124 |
| Santa Rosa Regional Resources Authority SRRRA SRF Loan | 4,976,971 | 1,057,055 | - | 6,034,026 | 154,998 | 5,879,028 |
| State Water Resources Control Board La Sierra Project | 33,751,668 | - | (937,580) | 32,814,088 | - | 32,814,088 |
| Total due to other governments | 46,799,352 | 1,057,055 | (1,465,128) | 46,391,279 | 672,944 | 45,718,335 |
| <u>Bonds payable:</u> | | | | | | |
| Public Offering: | | | | | | |
| 2012 Series A bonds | 37,450,000 | - | (1,740,000) | 35,710,000 | 1,810,000 | 33,900,000 |
| 2020 Series A bonds | 90,260,000 | - | (295,000) | 89,965,000 | 310,000 | 89,655,000 |
| Unamortized premium | 29,614,014 | - | (1,915,703) | 27,698,311 | - | 27,698,311 |
| Swap liability (2) | 2,932,667 | - | (432,139) | 2,500,528 | - | 2,500,528 |
| Total bonds payable | 160,256,681 | - | (4,382,842) | 155,873,839 | 2,120,000 | 153,753,839 |
| <u>Note payable:</u> | | | | | | |
| Direct Borrowing: | | | | | | |
| Note payable - headquarters building | 6,587,285 | - | (1,258,663) | 5,328,622 | 1,287,396 | 4,041,226 |
| Note payable - vehicles | 330,687 | - | (139,607) | 191,080 | 145,328 | 45,752 |
| Total note payable | 6,917,972 | - | (1,398,270) | 5,519,702 | 1,432,724 | 4,086,978 |
| Total long-term debt | \$ 213,974,005 | \$ 1,057,055 | \$ (7,246,240) | \$ 207,784,820 | \$ 4,225,668 | \$ 203,559,152 |

(1) As restated for the adoption of GASB 87. See note 15 for further information.

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

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(7) Long-term Debt, continued

Scheduled future debt service requirements of long-term debt, for years subsequent to June 30, 2022 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 |
|----------------------|-----------------------|----------------------|-----------------------|
| 2023 | \$ 4,225,668 | \$ 5,841,441 | \$ 10,067,109 |
| 2024 | 5,204,537 | 6,218,406 | 11,422,943 |
| 2025 | 5,306,107 | 6,088,946 | 11,395,053 |
| 2026 | 5,449,390 | 5,955,273 | 11,404,663 |
| 2027 | 4,908,823 | 5,825,239 | 10,734,062 |
| 2028-2032 | 34,481,087 | 26,186,290 | 60,667,377 |
| 2033-2037 | 41,408,399 | 19,220,017 | 60,628,416 |
| 2038-2042 | 50,632,359 | 9,533,756 | 60,166,115 |
| 2043-2047 | 14,672,320 | 2,601,877 | 17,274,197 |
| 2048-2052 | 11,297,291 | 785,247 | 12,082,538 |
| Total | <u>\$ 177,585,981</u> | <u>\$ 88,256,492</u> | <u>\$ 265,842,473</u> |
| Unamortized premium | 27,698,311 | | |
| SWAP liability | <u>2,500,528</u> | | |
| Total | 207,784,820 | | |
| Less current portion | <u>(4,225,668)</u> | | |
| Total non-current | <u>\$ 203,559,152</u> | | |

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

Due to Other Governments

Western Riverside County Regional Wastewater Authority (WRCRWA) - 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 and matures in December 2038. The District's loan amount is \$540,338 as of June 30, 2022.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(7) Long-term Debt, continued

Due to Other Governments, continued

***Western Riverside County Regional Wastewater Authority (WRCRWA) - State Water Resources Control Board
- Plant Expansion, continued***

As of June 30, 2022, the future annual maturities of the District's obligation are as follows:

| Fiscal Years | Principal | Interest | Total |
|----------------------|------------|-----------|------------|
| 2023 | \$ 29,214 | \$ 10,266 | \$ 39,480 |
| 2024 | 29,770 | 9,711 | 39,481 |
| 2025 | 30,336 | 9,146 | 39,482 |
| 2026 | 30,912 | 8,569 | 39,481 |
| 2027 | 31,500 | 7,982 | 39,482 |
| 2028-2032 | 166,706 | 30,702 | 197,408 |
| 2033-2037 | 183,156 | 14,252 | 197,408 |
| 2038-2039 | 38,744 | 736 | 39,480 |
| Total | 540,338 | \$ 91,364 | \$ 631,702 |
| Less current portion | (29,214) | | |
| Total non-current | \$ 511,124 | | |

Santa Rosa Regional Resources Authority (SRRRA)

SRRRA 2017 Bonds

On August 1, 2017, the District entered into a Capacity Funding Agreement with SRRRA in connection with the issuance of the 2017A and 2017B revenue bonds by SRRRA (collectively referred herein as SRRRA Bonds) to finance the acquisition of the Santa Rosa Water Reclamation Facility (SRWRF) and plant upgrades. Series 2017A tax-exempt, fixed-rate revenue bonds were issued in the amount of \$24,040,000 with interest ranging from 3.00% to 5.00% maturing on August 1, 2034. Series 2017B taxable fixed-rate revenue bonds were issued in the amount of \$31,190,000 with interest ranging from 1.5% to 3.65% maturing on August 1, 2031. Under the Capacity Funding Agreement, the District's shares of the 2017A and 2017B revenue bonds are \$4,156,438 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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(7) Long-term Debt, continued

Due to Other Governments, continued

Santa Rosa Regional Resources Authority (SRRRA), continued

SRRRA 2017 Bonds, continued

As of June 30, 2022, the future annual maturities of the District's obligation are as follows:

| Fiscal Years | Principal | Interest | Total |
|----------------------|--------------|--------------|--------------|
| 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 | 512,449 | 175,479 | 687,928 |
| 2028-2032 | 2,776,011 | 591,923 | 3,367,934 |
| 2033-2037 | 1,698,577 | 79,894 | 1,778,471 |
| Total | 7,002,827 | \$ 1,726,167 | \$ 8,728,994 |
| Less current portion | (488,732) | | |
| Total non-current | \$ 6,514,095 | | |

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's share of debt service is \$6,034,026, which is approximately 18% of the SRRRA SRF loan based on the District's ownership of the treatment capacity in the SRWRF, with interest at 1.8% maturing on September 30, 2051. As of June 30, 2022, the District's share is \$6,034,026.

As of June 30, 2022, the future annual maturities of the District's obligation are as follows:

| Fiscal Years | Principal | Interest | Total |
|----------------------|--------------|--------------|--------------|
| 2023 | \$ 154,998 | \$ 106,999 | \$ 261,997 |
| 2024 | 156,175 | 105,822 | 261,997 |
| 2025 | 158,986 | 103,011 | 261,997 |
| 2026 | 161,848 | 100,150 | 261,998 |
| 2027 | 164,761 | 97,236 | 261,997 |
| 2028-2032 | 869,374 | 440,614 | 1,309,988 |
| 2033-2037 | 950,485 | 359,502 | 1,309,987 |
| 2038-2042 | 1,039,165 | 270,823 | 1,309,988 |
| 2043-2047 | 1,136,117 | 173,870 | 1,309,987 |
| 2048-2052 | 1,242,117 | 67,872 | 1,309,989 |
| Total | \$ 6,034,026 | \$ 1,825,899 | \$ 7,859,925 |
| Less current portion | (154,998) | | |
| Total non-current | \$ 5,879,028 | | |

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(7) Long-term Debt, continued

Due to Other Governments, continued

State Water Resources Control Board – La Sierra Project

On April 17, 2015, the District entered into an agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the construction of the La Sierra Project. The maximum loan amount was \$24,000,000 with interest at 1.5%. On March 12, 2019, the SWRCB increased the original loan approval to \$35,794,100 with interest at 1.5%, which added funding for the construction of the Sterling Reservoir and Pump Station. The District's annual repayment, including principal and interest, is \$1,443,855. The repayment term is 30 years, maturing on July 1, 2050. Total proceeds from the loan as of June 30, 2022 were \$33,751,668. Of this amount, \$937,580 was repaid at June 30, 2022.

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, 2022, the future annual maturities of the District's obligation are as follows:

| Fiscal Years | Principal | Interest | Total |
|----------------------|---------------|--------------|---------------|
| 2023 | \$ - | \$ - | - |
| 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 | 995,113 | 448,742 | 1,443,855 |
| 2028-2032 | 5,203,996 | 2,015,280 | 7,219,276 |
| 2033-2037 | 5,606,182 | 1,613,094 | 7,219,276 |
| 2038-2042 | 6,039,450 | 1,179,826 | 7,219,276 |
| 2043-2047 | 6,506,203 | 713,073 | 7,219,276 |
| 2048-2051 | 5,565,174 | 210,247 | 5,775,421 |
| Total | 32,814,088 | \$ 7,613,858 | \$ 40,427,946 |
| Less current portion | - | | |
| Total non-current | \$ 32,814,088 | | |

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 2022.

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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(7) Long-term Debt, continued

Bonds Payable, continued

2012 Series A Bonds

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 required 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 2024-2043, 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, 2022, 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 |
| 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 | 2,105,000 | 761,286 | 2,866,286 |
| 2028-2032 | 11,855,000 | 2,901,385 | 14,756,385 |
| 2033-2037 | 2,655,000 | 1,623,027 | 4,278,027 |
| 2038-2042 | 8,900,000 | 1,550,944 | 10,450,944 |
| 2043 | 2,525,000 | 68,554 | 2,593,554 |
| Total | 35,710,000 | \$ 10,480,988 | \$ 46,190,988 |
| Less current portion | (1,810,000) | | |
| Total non-current | \$ 33,900,000 | | |

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

2020 Series A Bonds

In July 2020, the Authority issued \$90,260,000 of the 2020 Series A Water Revenue Bonds with original issue premium of \$31,341,035. The bonds were issued to: 1) refund 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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(7) Long-term Debt, continued

Bonds Payable, continued

2020 Series A Bonds, continued

The 2020 Series A bonds bear stated interest at 5.0% and are payable semiannually in April and October through October 2050.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,706,939. The 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 \$5,043,630 at June 30, 2022.

As of June 30, 2022, the outstanding balance on the 2020 Series A Revenue Bonds was \$89,965,000. The future annual maturities of the District's obligation are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|--------------------------|----------------------|---------------|----------------|
| 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 | 1,100,000 | 4,431,750 | 5,531,750 |
| 2028-2032 | 13,610,000 | 20,647,000 | 34,257,000 |
| 2033-2037 | 30,315,000 | 15,889,750 | 46,204,750 |
| 2038-2042 | 34,615,000 | 6,802,250 | 41,417,250 |
| 2043-2047 | 4,505,000 | 1,820,250 | 6,325,250 |
| 2048-2051 | 4,490,000 | 575,000 | 5,065,000 |
| Total | 89,965,000 | \$ 68,063,000 | \$ 158,028,000 |
| Less current portion | <u>(310,000)</u> | | |
| Total non-current | <u>\$ 89,655,000</u> | | |

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(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, 2022, the future annual maturities of the District’s obligation are as follows:

| Fiscal Years | Principal | Interest | Total |
|----------------------|--------------|------------|--------------|
| 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 | 5,328,623 | \$ 275,743 | \$ 5,604,366 |
| Less current portion | (1,287,396) | | |
| Total non-current | \$ 4,041,227 | | |

Note Payable - Vehicle Leases

In August 2016, the District began leasing certain vehicles used in District operations under leases classified as capital leases. As of June 30, 2022, the future minimum lease payments are as follows:

| Fiscal Years | Principal | Interest | Total |
|----------------------|------------|----------|------------|
| 2023 | \$ 145,328 | \$ 5,013 | \$ 150,341 |
| 2024 | 45,752 | 358 | 46,111 |
| Total | 191,080 | \$ 5,371 | \$ 196,452 |
| Less current portion | (145,328) | | |
| Total non-current | \$ 45,752 | | |

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(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, 2022, the balance of the swap liability is \$2,500,528. The swap liability is amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter. Because of the carryover, the new agreement is considered a hybrid instrument for financial reporting, whose pay fixed rate of 2.715% (off-market rate) enables the pay-down of the carryover swap liability.

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

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

Evaluation of Swap Effectiveness

The District applies the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 prescribes the accounting and financial reporting required for derivative instruments that hedge identified financial risks. If the derivative instrument is determined to be effective in reducing the identified exposure, hedge accounting provides that changes in the fair value of the hedging instrument—in this instance, the interest rate swap—be reported as either deferred inflows or deferred outflows in a government’s statement of net position. To evaluate the effectiveness of the swap, the Synthetic Instrument Method prescribed by GASB Statement No. 53 was employed for the fiscal year ended June 30, 2022. 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, 2022 is \$1,611,869, which is the amount the District would be owed as of this date should the swap be terminated. The change in fair value by \$3,371,823 results in an increase in deferred swap inflow for the year ended June 30, 2022.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(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, 2022 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, 2022, the District's 2012 Series A Bonds, which are hedged by the amended swap, had a weighted-average variable rate of 0.188%. Over the same period, the weighted average of 67% of one-month LIBOR was 0.223%. Therefore, the District's basis gain over this period was approximately 0.035%. As of June 30, 2022, the current rate on the 2012 Series A Bonds was 0.73%, and the current rate of 67% of one-month LIBOR was 0.07%, resulting in a basis gain of 0.47% 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, 2022 was within these limits.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(9) Net Investment in Capital Assets

The balance at June 30 consists of the following:

| | 2022 |
|--|----------------|
| Capital assets not being depreciated | \$ 129,809,706 |
| Capital assets being depreciated, net | 318,535,199 |
| Due to other governmental agencies | (46,391,279) |
| Bonds payable | (125,949,353) |
| Deferred outflow of resources - debt refunding | 8,879,499 |
| Notes payable | (5,519,702) |
| Lease payable | (1,034,873) |
| Acquisition and construction of capital assets in accounts payable | (4,021,026) |
| Net investment in capital assets | \$ 274,308,171 |

(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, 2020 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained from CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

All qualified permanent and probationary employees are eligible to participate in the Plan, administered by CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans under the miscellaneous risk pool: Miscellaneous rate plan, Miscellaneous Second Tier rate plan and PEPRM Miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and District resolution.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(10) Defined Benefit Pension Plan, continued

A. General Information about the Pension Plan, continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for the PEPRAs Miscellaneous rate plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

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

District-sponsored rate plans' provisions and benefits in effect at June 30, 2022 are summarized as follows:

| | Miscellaneous Rate Plan | Miscellaneous Second Tier Rate Plan | PEPRA Miscellaneous Rate Plan |
|---|----------------------------|---|-------------------------------------|
| | Prior to | On or after | On or after |
| | January 1, 2013 | January 1, 2013 | 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 | 12.200% | 10.340% | 7.590% |
| Unfunded liability lump-sum payment | \$ 1,582,289 | \$ 49,432 | \$ 28,223 |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(10) Defined Benefit Pension Plan, continued

A. General Information about the Pension Plan, continued

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, 2022, the employer contributions for the respective District-sponsored miscellaneous rate plan, miscellaneous Second Tier rate plan and PEPRM miscellaneous rate plan are \$943,520, \$429,852 and \$425,643, plus respective lump sum payments of \$1,582,289, \$49,432 and \$28,223. Thus employer contributions made by the District to the Plan for the period ended June 30, 2022 was \$3,458,959.

B. Net Pension Liability

The net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability using standard updated procedures. The June 30, 2021 total pension liabilities were based on the following actuarial methods and assumptions:

| | <u>Miscellaneous Plan</u> |
|----------------------------------|---|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| 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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(10) Defined Benefit Pension Plan, continued

B. Net Pension Liability, continued

Discount Rate

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

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

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

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(10) Defined Benefit Pension Plan, continued

B. Net Pension Liability, continued

Pension Plan Fiduciary Net Position

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

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

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: 6/30/2020 (MD) | \$ 90,091,555 | \$ 68,385,093 | \$ 21,706,462 |
| Balance at: 6/30/2021 (MD) | 97,021,938 | 85,474,679 | 11,547,259 |
| Net Changes during 2020-21 | 6,930,383 | 17,089,586 | (10,159,203) |

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2021 and 2020 was as follows:

| | District Pension Plan |
|--|--------------------------|
| Proportionate Share - June 30, 2020 (MD) | 0.51461% |
| Proportionate Share - June 30, 2021 (MD) | 0.60813% |
| Change - Increase | 0.09352% |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(10) Defined Benefit Pension Plan, continued

C. Proportionate Share of Net Pension Liability, continued

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 | \$ 24,357,153 | \$ 11,547,259 | \$ 957,503 |

Recognition of Gains and Losses

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

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

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

| | |
|--|--|
| Difference between projected and actual earnings | Five-year straight-line amortization |
| All other amounts | Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period |

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

The EARSL for the PERF C for the June 30, 2021 measurement period is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (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.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(10) Defined Benefit Pension Plan, continued

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, 2020), the District's proportionate share of the Plan's net pension liability is \$21,706,462 (the net pension liability of the Miscellaneous Risk Pool as of June 30, 2020 is \$4,218,076,343).

For the measurement period ended June 30, 2021 (the measurement date), the District incurred pension expense of \$3,484,842 (the pension expense for the risk pool for the measurement period is \$148,495,760).

As of June 30, 2022, 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 | \$ 1,294,901 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | (10,080,146) |
| Adjustment due to differences in proportions | 723,812 | - |
| Differences between the employer's contributions and the employer's proportionate share of contributions | - | (208,490) |
| Pension contributions subsequent to measurement date | 3,458,959 | - |
| Total | \$ 5,477,672 | \$ (10,288,636) |

These amounts above are net of outflows and inflow recognized in the 2020-21 measurement period expense. \$3,458,959 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, 2022. 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 |
|--------------------------------------|--|
| 2022 | \$ (1,541,279) |
| 2023 | (1,772,740) |
| 2024 | (2,170,272) |
| 2025 | (2,785,632) |
| 2026 | - |
| Thereafter | - |
| Total | \$ (8,269,923) |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(10) Defined Benefit Pension Plan, continued

E. Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$107,100 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

(11) Other Post-Employment Benefits

A. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

- a. Group 1 are classified and non-classified employees hired on or before December 18, 2002, who are at least 55 years old at retirement and have completed at least 10 years of service. The District provides medical benefits for the employee and spouse/registered domestic partner.
- b. Group 2 are classified and non-classified employees hired after December 18, 2002, who are at least 55 years old at retirement and have completed at least 10 years of service. The District provides medical benefits for the employee only.
- c. Group 3 are classified and non-classified employees hired on or after July 1, 2021, who are at least 55 years old at retirement and have completed at least 20 years of service. The District provides medical benefits for the employee only.

Employees Covered

As of June 30, 2022, the following employees and former employees were covered by the benefit terms under the plan:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 58 |
| Active Employees | 151 |
| Total | <u>209</u> |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(11) Other Post-Employment Benefits, continued

A. General Information about the OPEB Plan, continued

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, 2022, 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.

B. Net OPEB Liability (Asset)

The District's net OPEB liability (asset) was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation dated November 1, 2021, that was rolled forward using standard update procedures to determine the June 30, 2022, total OPEB liability. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

| | |
|--|--|
| Valuation date | 11/1/2021 |
| Measurement date | 6/30/2022 |
| Actuarial cost method | Entry-age normal cost method |
| Actuarial assumptions: | |
| Discount rate | 6.80% |
| Inflation | 2.50% |
| Salary scale | 1.50% |
| Expected long-term investment rate of return | 6.80% |
| Healthcare cost trend rates | 6.50% per annum, decreasing 0.25% per year to an ultimate rate of 4.50% for fiscal year 2031 and later years |
| Pre-retirement turnover | Derived from CalPERS pension plan |
| Mortality | Derived from CalPERS pension plan updated to reflect most recent experience study |

The actuarial assumptions used in the November 1, 2021 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, 2022, are summarized in the following table:

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(11) Other Post-Employment Benefits, continued

B. Net OPEB Liability (Asset), continued

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------|----------------------|---|
| Fixed income | 27.0% | 2.80% |
| Equity | 66.0% | 8.40% |
| Real estate | 7.0% | 6.90% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.8%. 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, 2021 | \$ 20,802,566 | \$ 23,277,366 | \$ (2,474,800) |
| Changes in the Year: | | | |
| Service cost | 609,870 | - | 609,870 |
| Interest on the total OPEB liability | 1,473,775 | - | 1,473,775 |
| Differences between actual and expected experience | (8,137,337) | - | (8,137,337) |
| Changes in assumptions | (436,726) | - | (436,726) |
| Change in benefit terms | - | - | - |
| Contribution - employer | - | 851,933 | (851,933) |
| Contribution - retiree | - | 28,889 | (28,889) |
| Net investment income | - | (3,216,588) | 3,216,588 |
| Administrative expenses | - | (40,490) | 40,490 |
| Benefit payments | (729,345) | (729,344) | (1) |
| Net Changes | \$ (7,219,763) | \$ (3,105,600) | \$ (4,114,163) |
| Balance as of June 30, 2022 (Measurement Date) | \$ 13,582,803 | \$ 20,171,766 | \$ (6,588,963) |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(11) Other Post-Employment Benefits, continued

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

Change in Assumptions

Actuarial assumptions that changed from the prior year include 1) the discount rate was changed from 7.0% to 6.8%, 2) the expected long-term investment rate of return was changed from 7.0% to 6.8%, and 3) the medical trend rate table was reset in 2023.

Change in Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect 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 (5.8%) or one percentage point higher (7.8%) than the current discount rate:

| | 1% Decrease (5.8)% | Discount Rate (6.8)% | 1% Increase (7.8)% |
|----------------------------|-----------------------|-------------------------|-----------------------|
| Net OPEB Liability (Asset) | \$ (4,614,245) | \$ (6,588,963) | \$ (8,198,511) |

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 healthcare cost trend rates that are one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current healthcare cost trend rates:

| | 1% Decrease (5.50)% | Current Healthcare Cost Trend Rates (6.50)% | 1% Increase (7.50)% |
|----------------------------|------------------------|---|------------------------|
| Net OPEB Liability (Asset) | \$ (8,419,659) | \$ (6,588,963) | \$ (4,300,238) |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(11) Other Post-Employment Benefits, continued

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$(190,375). At June 30, 2022, 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 | \$ 764,242 | \$ (9,400,634) |
| Change of assumptions | 2,399,441 | (1,253,288) |
| Net differences between projected and actual earnings on OPEB plan investments | 2,039,946 | - |
| Total | <u>\$ 5,203,629</u> | <u>\$ (10,653,922)</u> |

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 2021 to 2022 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 |
|-------------------------|-----------------------|
| 2023 | \$ (656,828) |
| 2024 | (729,893) |
| 2025 | (974,981) |
| 2026 | (173,933) |
| 2027 | (942,083) |
| Thereafter | <u>(1,972,575)</u> |
| Total | <u>\$ (5,450,293)</u> |

E. Payable to the OPEB Plan

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(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, 2022, the District participated in the following self-insurance and purchased insurance programs with JPIA:

- General, automobile, employment practices & 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 \$55,000,000 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 scheduled 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 a sub-limit of \$100,000,000 with a deductible of \$25,000 to \$50,000 depending on the type of equipment. The property program also includes earthquake coverage with an aggregate limit of \$2,500,000, with a deductible equal to 5% of the District's total insurable values affected in a loss, subject to a minimum of \$75,000, and flood coverage with an aggregate limit up to \$25,000,000 and a sub-limit if \$10,000,000 for Flood Zones A or V, with a \$100,000 deductible.
- Workers' compensation: Insured for employer's liability for job-related injury or disease with a \$4,000,000 program aggregate limit. JPIA pools the first \$2,000,000 and purchases excess coverage for California statutory limits up to a \$4,000,000 program aggregate limit.
- Cyber liability: Including cyber security up to \$3,000,000 per occurrence and \$5,000,000 aggregate limit. Cyber liability is subject to a \$100,000 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.
- Fiduciary liability: Insured up to \$1,000,000 per occurrence and \$1,000,000 aggregate limit with sub-limits of \$100,000 and \$250,000 for certain coverages. Fiduciary liability is subject to a \$100,000 deductible.

In addition, the District has purchased Pollution and Remediation Legal Liability insurance through an independent 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.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(12) Risk Management, continued

Settled claims have not exceeded any coverage amounts in any of the last three fiscal years. There were no reductions in the District's insurance coverage during the year ended June 30, 2022.

(13) Leases

The District has adopted the following policies to account for agreements in accordance with the requirements of GASB Statement No. 87 (unless otherwise specified, the following policies pertain to agreements in which the District is lessee, and agreements in which the District is lessor):

Basis of Lease Classification

In accordance with GASB No. 87, the District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Term

At the time of commencement or conversion, the term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

Discount Rate

Unless explicitly stated in the lease agreement, known by the District, or the District is unable to determine the rate implicitly within the lease, the discount rate used to calculate lease right-of-use assets and liabilities and related lease receivable is the District's incremental borrowing rate at the end of each fiscal year. The incremental borrowing rate was 3.25% as of June 30, 2022, and was the discount rate utilized for applicable leases in fiscal year 2022.

Variable Payments

Variable payments based on the future performance of the lessee or lessor or usage of the underlying asset are not included in the measurement of lease assets or liabilities. For the fiscal year ended June 30, 2022, all leases are based on fixed payments and do not have variable payment components.

Remeasurement

For the fiscal year ended June 30, 2022, the District did not have to remeasure any lease liabilities due to 1) early termination of leases, 2) reduction in monthly lease payment, or 3) change in borrowing rate.

The District as Lessee

Vehicle Leases

The District has entered into various vehicle agreements with lease terms expiring between 2023 to 2027. As of June 30, 2022, the District has recognized right to use assets of \$540,789 and lease liabilities of \$546,419 related to these agreements. During the fiscal year, the District recorded \$193,930 in amortization expense.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(13) Leases, continued

Land Lease

The District has entered into an agreement to lease land from the Metropolitan Water District with the lease term expiring in 2061. As of June 30, 2022, the District has recognized a right to use asset of \$485,216 and a lease liability of \$488,455 related to this agreement. During the fiscal year, the District recorded \$12,768 in amortization expense.

Remaining obligations associated with these leases are as follows:

| Fiscal Years | Principal | Interest | Total |
|--------------|---------------------|-------------------|---------------------|
| 2023 | \$ 225,316 | \$ 29,208 | \$ 254,524 |
| 2024 | 142,753 | 23,408 | 166,161 |
| 2025 | 89,463 | 19,761 | 109,224 |
| 2026 | 71,626 | 17,255 | 88,881 |
| 2027 | 51,064 | 15,053 | 66,117 |
| 2028-2032 | 39,760 | 69,459 | 109,219 |
| 2033-2037 | 46,765 | 62,453 | 109,218 |
| 2038-2042 | 55,005 | 54,214 | 109,219 |
| 2043-2047 | 64,696 | 44,523 | 109,219 |
| 2048-2052 | 76,095 | 33,124 | 109,219 |
| 2053-2057 | 89,502 | 19,717 | 109,219 |
| 2058-2061 | 82,828 | 4,546 | 87,374 |
| Total | <u>\$ 1,034,873</u> | <u>\$ 392,721</u> | <u>\$ 1,427,594</u> |

The District amortized the right to use assets as follows during the fiscal year:

| | Balance at June 30, 2021 | Adjustment | Additions | Deletions | Balance at June 30, 2022 |
|----------|-----------------------------|-------------------|-------------------|---------------------|-----------------------------|
| Land | \$ - | \$ 497,983 | \$ - | \$ (12,768) | \$ 485,215 |
| Vehicles | - | 425,032 | 309,687 | (193,930) | 540,789 |
| Total | <u>\$ -</u> | <u>\$ 923,015</u> | <u>\$ 309,687</u> | <u>\$ (206,698)</u> | <u>\$ 1,026,004</u> |

The District as Lessor

Cell Site Leases

The District has entered into two cell site leases with lease terms expiring between 2024 to 2035. As of June 30, 2022, the lease receivable is \$574,884 and deferred inflows of resources are \$557,407. The District recognized \$76,894 of lease revenue during the year.

Office Space Lease

The District leases a portion of its headquarters to March Joint Powers Authority for office space use with the lease term expiring in 2025. As of June 30, 2022, the lease receivable is \$210,941 and deferred inflows of resources are \$207,612. The District recognized \$65,562 of lease revenue during the fiscal year.

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(13) Leases, continued

Land Sublease

The District subleases a portion of its land at El Sobrante for use by the County of Riverside with the lease term expiring in 2061. As of June 30, 2022, the lease receivable is \$46,146 and deferred inflows of resources are \$45,219. The District recognized \$1,155 of lease revenue during the fiscal year.

Remaining amounts to be received associated with these leases are as follows:

| Fiscal Years | Lease Revenue |
|--------------|-------------------|
| 2023 | \$ 128,669 |
| 2024 | 126,689 |
| 2025 | 97,095 |
| 2026 | 42,371 |
| 2027 | 33,054 |
| 2028-2032 | 204,554 |
| 2033-2037 | 164,676 |
| 2038-2042 | 5,158 |
| 2043-2047 | 6,067 |
| 2048-2052 | 7,136 |
| 2053-2057 | 8,393 |
| 2058-2061 | 8,109 |
| Total | <u>\$ 831,971</u> |

Below is a summary of the District's lease receivable balance:

| | Balance at June 30, 2021 | Adjustment | Additions | Deletions | Balance at June 30, 2022 |
|-----------------|-----------------------------|-------------------|-------------|---------------------|-----------------------------|
| Cell Sites | \$ - | \$ 634,302 | \$ - | \$ (59,418) | \$ 574,884 |
| Office Space | - | 273,174 | - | (62,233) | 210,941 |
| Land (Sublease) | - | 46,372 | - | (226) | 46,146 |
| Total | <u>\$ -</u> | <u>\$ 953,848</u> | <u>\$ -</u> | <u>\$ (121,877)</u> | <u>\$ 831,971</u> |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(14) 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 JCSD 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 costs incurred to date, including the District's internal costs and capitalized interest, is \$72 million as of June 30, 2022. The District's participation in the CDA is accounted for as a joint venture without an equity interest. The District's share of the expansion cost was capitalized throughout construction, including capacity rights of 3,534 acre-feet of water annually.

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

Unaudited financial information for the operation of the CDA for the fiscal year ended June 30, 2022 is as follows:

| | |
|--------------------------------------|----------------|
| Total assets | \$ 309,281,174 |
| Total deferred outflows of resources | \$ 3,304,530 |
| Total liabilities | \$ 75,406,571 |
| Total net position | \$ 237,179,133 |
| Total revenues | \$ 80,434,746 |
| Total expenses | (76,017,572) |
| Change in net position | \$ 4,417,174 |

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, 2022**

(14) Commitments and Contingencies, continued

Joint Ventures, continued

Western Riverside County Regional Wastewater Authority, 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 an equity interest.

WRCRWA owns and operates a tertiary wastewater treatment plant in Riverside County. In 2018, WRCRWA completed an expansion of the plant from an 8.0 MGD to a 14.0 MGD treatment capacity. The member agencies support the operating costs and capital costs through fixed and variable rates established by WRCRWA's Board of Directors. At June 30, 2022, the carrying value of the District's capacity rights in WRCRWA is \$8.3 million, net of accumulated amortization. The capacity rights in WRCRWA are being amortized over the term of the WRCRWA joint exercise of powers 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.

Unaudited financial information for the operation of WRCRWA for the fiscal year ended June 30, 2022 is as follows:

| | |
|------------------------------------|----------------|
| Total assets | \$ 116,559,729 |
| Total liabilities | \$ 62,753,225 |
| Total deferred inflow of resources | \$ 982,706 |
| Total net position | \$ 52,823,798 |
| Total revenues | \$ 18,992,640 |
| Total expenses | (14,619,937) |
| Change in net position | \$ 4,372,703 |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(14) 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, 14205 Meridian Parkway, Riverside, CA 92518.

Santa Ana Watershed Project Authority (SAWPA)

SAWPA was formed under a joint exercise of powers 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, the District and the Inland Empire Utilities Agencies. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of 10. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by contributions based on the general or specific nature of the project or study. The District's participation in SAWPA is accounted for as a joint venture without an equity interest. At June 30, 2022, the carrying value of the District's capacity rights in SAWPA is \$18.7 million. The capacity rights in SAWPA were determined to have an indefinite useful life and are not being amortized. Financial data may be obtained at Santa Ana Watershed Project Authority, 11615 Sterling Avenue, Riverside, CA 92503.

Unaudited financial information for the operation of SAWPA for the fiscal year ended June 30, 2022 is as follows:

| | |
|-------------------------------------|----------------|
| Total assets | \$ 180,505,856 |
| Total deferred outflow of resources | \$ 2,592,450 |
| Total liabilities | \$ 103,551,783 |
| Total deferred inflow of resources | \$ 1,153,595 |
| Total net position | \$ 78,392,928 |
| Total revenues | \$ 30,003,861 |
| Total expenses | (24,936,438) |
| Change in net position | \$ 5,067,423 |

Santa Rosa Regional Resources Authority (SRRRA)

SRRRA was formed under a joint exercise of powers 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, 2022**

(14) Commitments and Contingencies, continued

Joint Ventures, continued

Santa Rosa Regional Resources Authority (SRRRA), continued

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

In 2018, SRRRA completed the acquisition of the SRWRF, a 5.0 MGD secondary and tertiary plant, from Rancho California Water District. Wastewater flows in SRRRA's service area are treated at the SRWRF. At June 30, 2022, the carrying value of the District's capacity rights in SRRRA are \$10.7 million. Financial data may be obtained at Rancho California Water District, 42135 Winchester Road, Temecula, CA 92590.

Financial information for the operation of SRRRA for the fiscal year ended June 30, 2022 is as follows:

| | |
|------------------------|----------------|
| Total assets | \$ 87,468,406 |
| Total liabilities | \$ 77,960,509 |
| Total net position | \$ 9,507,897 |
| Total revenues | \$ 9,382,199 |
| Total expenses | (11,301,440) |
| Change in net position | \$ (1,919,241) |

Construction Contracts

The District has committed to \$7,932,998 in open construction contracts as of June 30, 2022. These include:

| Project | Approved Contract | Payments To Date | Remaining Commitment |
|---|----------------------|---------------------|-------------------------|
| Cajalco Pumping Facility Switchgear and Motor Control Center | \$ 5,531,453 | \$ 1,625,716 | \$ 3,905,737 |
| Water Pipeline Replacement | 1,831,041 | 399,360 | 1,431,681 |
| Cannon Pump Station and Interconnection with Riverside Public Utilities | 1,156,933 | 830,870 | 326,063 |
| Mountain Pipeline Replacement | 1,009,804 | 574,726 | 435,078 |
| Magnolia Avenue Intertie with Riverside Public Utilities | 609,982 | 228,667 | 381,315 |
| Victoria Basin Recharge Wells | 584,853 | 242,048 | 342,805 |
| Various Projects | 1,595,289 | 484,970 | 1,110,319 |
| Total | \$ 12,319,355 | \$ 4,386,357 | \$ 7,932,998 |

**Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022**

(14) Commitments and Contingencies, continued

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, 2022.

(15) Implementation of New Accounting Principles

Adopted in the Current Year

The GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this statement are effective for the District’s fiscal year ended June 30, 2022. The District is in compliance with the implementation of this statement and retroactively restated net position as follows:

| | |
|--|------------------------------|
| Net Position at June 30, 2021, as previously reported | \$ 487,211,341 |
| Add lease receivable at June 30, 2021 | 953,848 |
| Add capital assets, intangible - right of use at June 30, 2021 | 923,105 |
| Less deferred inflows of resources at June 30, 2021 | (953,848) |
| Less lease liabilities at June 30, 2021 | <u>(923,105)</u> |
| Net position at June 30, 2021, as restated | <u><u>\$ 487,211,341</u></u> |

The GASB issued Statement No. 92, *Omnibus 2020*. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. There was no impact to the District as a result of implementing this statement.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses the accounting and financial reporting implications that result from the replacement of Interbank Offered Rates (IBOR). There was no impact to the District as a result of implementing this statement.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(15) Implementation of New Accounting Principles, continued

Adopted in the current year, continued

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement enhances the relevance, comparability and consistency of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This statement also increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. There was no impact to the District as a result of implementing this statement.

Effective in Future Years

The GASB has issued pronouncements that may impact future financial reporting presentations. Management has not currently determined the impact, if any, of the following newly issued pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, effective for the District's fiscal year ending June 30, 2023.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the District's fiscal year ending June 30, 2023.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the District's fiscal year ending June 30, 2023.
- GASB Statement No. 99, *Omnibus 2022*, effective for the District's fiscal year ending June 30, 2023.
- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, effective for the District's fiscal year ending June 30, 2024.
- GASB Statement No. 101, *Compensated Absences*, effective for the District's fiscal year ending June 30, 2025.

(16) Subsequent Events

The District's existing credit facility (letter of credit) with Toronto Dominion Bank supporting the District's Adjustable Rate Water Revenue Refunding Bonds, Series 2012A, expired on October 10, 2022. On August 17, 2022, the Board of Directors of both the District and its Facilities Authority adopted Resolution No. 3243 and No. 22, respectively, to substitute the credit facility with a new five-year credit facility (irrevocable direct-pay letter of credit) with TD Bank, N.A., in an amount not to exceed \$36.2 million that expires on September 6, 2027.

Western Municipal Water District
Notes to the Basic Financial Statements
June 30, 2022

(16) Subsequent Events, continued

On August 17, 2022, the Board of Directors of both the District and its Facilities Authority adopted Resolution No. 3244 and No. 23, respectively, to issue a four-year Tax-Exempt Rate Revolving Notes, Series 2022A (revolving line of credit) with TD Bank, N.A., in an amount not to exceed \$20.0 million that expires on July 15, 2026 to provide funding for the District's Water Pipeline Replacement Program. This revolving line of credit has an interest rate based on a percentage of the Secured Overnight Funding Financing Rate (SOFR) plus a margin based on the District's credit rating. In addition, there is an unutilized fee of 0.20% of the balance of the revolving line of credit remaining after draws against the revolving line of credit. In conjunction with the issuance of the revolving line of credit, the Facilities Authority and the District entered into an Agency Agreement, an Installment Purchase Agreement and a Note Purchase and Continuing Covenant Agreement.

The District executed a Joint Exercise of Powers Agreement in July 2022 to join (and was formally accepted in August 2022) as a member of the Upper Santa Ana River Watershed Infrastructure Financing Authority (USARWIFA). Per District Resolution No. 3249, adopted on September 7, 2022, the District appointed its Chief Financial Officer (CFO) as its primary representative and its Director of Finance as its alternative representative (to serve in the absence of the CFO) on USARWIFA's Board of Directors. USARWIFA was formed by a joint exercise of powers agreement on July 20, 2021 to provide for financing to implement the Upper Santa Ana River Watershed Infrastructure Program.

On November 16, 2022, at the request of Bank of America, N.A., the District's Board of Directors adopted Resolution No. 3259 which replaced the current guarantor for the interest rate SWAP associated with the District's Adjustable Rate Water Revenue Refunding Bonds, Series 2012A, from Merrill Lynch Derivative Products to Bank of America, N.A., effective December 1, 2022. In the same Resolution, the District amended its SWAP confirmation documents to approve a change in the SWAP's market index from the London Interbank Offered Rate (LIBOR), which is being phased out by June 30, 2023, to the Secured Overnight Financing Rate (SOFR). This change will automatically be effective July 1, 2023. The changes in guarantor and market index are considered administrative in nature, are essentially cost-neutral, and neither are expected to affect any other terms of the SWAP agreement.

Required Supplementary Information

**Western Municipal Water District
Required Supplementary Information
June 30, 2022**

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

| | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| District's proportion of the net pension liability | 0.21351% | 0.19950% | 0.19386% | 0.18753% | 0.18579% | 0.18184% | 0.18016% | 0.14943% |
| District's proportionate share of the net pension liability | \$ 11,547,259 | \$ 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 | \$ 17,369,367 | \$ 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 | 66.48% | 131.77% | 132.81% | 132.05% | 143.11% | 128.17% | 106.47% | 85.38% |
| District's share of risk pool Fiduciary Net Position | \$ 85,474,679 | \$ 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) | \$ 85,474,679 | \$ 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 | 88.10% | 75.91% | 76.17% | 76.36% | 74.23% | 75.02% | 78.89% | 83.09% |
| District's proportionate share of aggregate employer contributions ² | \$ 3,361,854 | \$ 3,055,422 | \$ 2,631,647 | \$ 2,223,572 | \$ 2,008,382 | \$ 1,759,697 | \$ 1,598,220 | \$ 1,235,468 |

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

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

* Measurement period 2020 to 2021 (fiscal year 2021 to 2022) was the eighth year of implementation; therefore, only eight years are shown.

**Western Municipal Water District
Required Supplementary Information
June 30, 2022**

Changes of Assumptions

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

**Western Municipal Water District
Required Supplementary Information
June 30, 2022**

*Schedule of Pension Plan Contributions
Last 10 Years**

| | <u>Fiscal Year 2021-22</u> | <u>Fiscal Year 2020-21</u> | <u>Fiscal Year 2019-20</u> | <u>Fiscal Year 2018-19</u> | <u>Fiscal Year 2017-18</u> | <u>Fiscal Year 2016-17</u> | <u>Fiscal Year 2015-16</u> | <u>Fiscal Year 2014-15</u> |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Actuarially determined contribution | \$ 3,458,959 | \$ 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>(3,458,959)</u> | <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 (excess) | <u>\$ -</u> |
| Covered Payroll ¹ | \$ 17,632,348 | \$ 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 | 19.62% | 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 82.

* Measurement period 2020 to 2021 (fiscal year 2021 to 2022) was the eighth year of implementation; therefore, only eight years are shown.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

Changes in Assumptions

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

**Western Municipal Water District
Required Supplementary Information
June 30, 2022**

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|-------------------|---------------------|---------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 609,870 | \$ 810,090 | \$ 803,311 | \$ 785,273 | \$ 713,625 |
| Interest | 1,473,775 | 1,294,035 | 1,337,944 | 1,357,315 | 1,049,476 |
| Differences between expected and actual experience | (8,137,337) | - | (3,591,478) | - | 1,544,082 |
| Changes in assumptions | (436,726) | 1,367,534 | 1,526,814 | (1,742,305) | 847,628 |
| Contributions - retiree | 18,423 | 33,005 | 30,622 | 33,327 | 36,511 |
| Benefit payments | (710,922) | (723,451) | (761,449) | (692,604) | (498,497) |
| Net change in total OPEB liability | <u>(7,219,763)</u> | <u>2,781,213</u> | <u>(654,236)</u> | <u>(258,994)</u> | <u>3,692,825</u> |
| Total OPEB liability - beginning | <u>20,802,566</u> | <u>18,021,353</u> | <u>18,675,589</u> | <u>18,934,583</u> | <u>15,241,758</u> |
| Total OPEB liability- ending (a) | <u>13,582,803</u> | <u>20,802,566</u> | <u>18,021,353</u> | <u>18,675,589</u> | <u>18,934,583</u> |
| | | | | | |
| Plan Fiduciary Net Position | | | | | |
| Contributions - employer | 851,933 | 664,580 | 729,432 | 729,432 | 708,338 |
| Contributions - retiree | 28,889 | 33,005 | 30,622 | 33,327 | 36,511 |
| Net investment income | (3,216,588) | 5,274,077 | 31,747 | 820,649 | 1,265,227 |
| Benefit payments | (729,345) | (561,722) | (534,127) | (536,005) | (498,497) |
| Administrative expense | (40,490) | (32,786) | (28,303) | (30,076) | (27,625) |
| Net change in plan fiduciary net position | <u>(3,105,601)</u> | <u>5,377,154</u> | <u>229,371</u> | <u>1,017,327</u> | <u>1,483,954</u> |
| Plan fiduciary net position--beginning | <u>23,277,367</u> | <u>17,900,213</u> | <u>17,670,842</u> | <u>16,653,515</u> | <u>15,169,561</u> |
| Plan fiduciary net position--ending (b) | <u>20,171,766</u> | <u>23,277,367</u> | <u>17,900,213</u> | <u>17,670,842</u> | <u>16,653,515</u> |
| | | | | | |
| Net OPEB liability (asset) (a) - (b) | <u>\$ (6,588,963)</u> | <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 | 148.25% | 111.90% | 99.33% | 94.62% | 87.95% |
| Covered-employee payroll | \$ 19,228,627 | \$ 18,207,627 | \$ 18,274,778 | \$ 15,921,966 | \$ 14,663,027 |
| Net OPEB liability (asset) as a percentage of covered-employee payroll | (34.08)% | (13.59)% | 0.66% | 6.31% | 15.56% |

* Fiscal year 2021 to 2022 was the fifth year of implementation; therefore, only five years are shown.

Benefit Changes

There were no benefit changes during fiscal year 2022.

**Western Municipal Water District
Required Supplementary Information
June 30, 2022**

Changes of Assumptions

In 2022, 1) the discount rate was changed from 7.0% to 6.8%, 2) the expected long-term investment rate of return was changed from 7.0% to 6.8%, and 3) the medical trend rate table was reset in fiscal year 2023. In 2021, the salary scale was changed from 3.0% to 1.50%, and the medical trend rate table was reset in fiscal year 2022. In 2020, the salary increase rate was changed from 5.7% to 3.0%, and the medical trend rate table was reset in fiscal year 2021. In 2019, 1) the salary increase rate was changed from 3.0% to 5.7%, 2) spousal coverage assumption was changed from 85% to 60%, and 3) the medical trend rate table was reset in fiscal year 2020.

**Western Municipal Water District
Required Supplementary Information
June 30, 2022**

**Schedule of Other Post-Employment Benefits Contributions
Last 10 Years***

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 664,580 | \$ 793,304 | \$ 926,132 | \$ 852,704 | \$ 671,838 |
| Actual employer contribution | 664,580 | 793,304 | 926,132 | 852,704 | 671,838 |
| Contribution deficiency (excess) | <u>\$ -</u> |
| | | | | | |
| Covered-employee payroll | \$ 19,228,627 | \$ 18,207,627 | \$ 18,274,778 | \$ 15,921,966 | \$ 14,663,027 |
| | | | | | |
| Contributions as a percentage of covered-employee payroll | 3.46% | 4.36% | 5.07% | 5.36% | 4.58% |

*Fiscal year 2021 to 2022 was the fifth year of implementation; therefore, only five 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 | 6.80% |
| Inflation | 2.50% |
| Salary scale | 1.50% |
| Investment rate of return | 6.80% |
| Healthcare cost trend rates | 6.50% per annum, decreasing 0.25% per year to an ultimate rate of 4.50% for fiscal year 2031 and later years |
| Retirement age | 55 years |
| Mortality | Derived from CalPERS pension plan updated to reflect most recent experience study |

Statistical Section

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

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons 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>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> | <u>2022</u> |
|----------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|-----------------------|---------------------------|-----------------------|-----------------------|
| Net investment in capital assets | \$ 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 | \$ 274,308,171 |
| Restricted for debt service | 144,619 | 144,619 | 144,619 | - | - | - | - | - | - | 1,443,855 |
| Restricted for capacity charges | 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 | 24,913,314 |
| Restricted for OPEB benefits | - | - | - | - | - | - | - | - | 2,474,801 | 6,588,963 |
| Unrestricted | <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> | <u>190,418,697</u> |
| Total Net Position | <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> | <u>\$ 497,673,000</u> |
| Percentage Increase (Decrease) | -1% | 4% | -2% | 2% | 4% | 6% | 6% | 7% | 9% | 2% |

(1) Fiscal year 2013 balances has 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 grant revenue recognition error.

Source: *Western Municipal Water District*

TABLE II – CHANGES IN NET POSITION

Last 10 Fiscal Years

| <u>Fiscal Years</u> | <u>Operating Revenues (1)</u> | <u>Operating Expenses (2)</u> | <u>Operating Income/(Loss)</u> | <u>Total Non-Operating Revenues</u> | <u>Income/(Loss) Before Capital Contributions</u> | <u>Capital Contributions (3)</u> | <u>Change in Net Position</u> |
|---------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------------|---|----------------------------------|-------------------------------|
| 2022 | \$ 135,837,820 | \$ 148,730,180 | \$(12,892,360) | \$ 11,535,417 | \$(1,356,943) | \$ 11,818,602 | \$ 10,461,659 |
| 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) |

(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 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 | | | | | Total Non-Operating Revenues | Combined Revenues |
|--------------|--------------------|---------------|---------------------|----------------------|-----------------|--------------------------|------------------------|---------------------|-----------------------|--------------------------|---------------|------------------------------|-------------------|
| | Water Sales | Water Service | Wastewater Disposal | Contractual Services | Other Operating | Total Operating Revenues | Property Taxes | Investment Earnings | Capacity Rights Sales | Other Non-Operating | | | |
| 2022 | \$ 90,804,160 | \$ 24,263,833 | \$ 15,243,153 | \$ 5,376,463 | \$ 150,211 | \$ 135,837,820 | \$ 28,939,433 | \$(14,568,475) | \$ 209,018 | \$ 1,650,291 | \$ 16,230,267 | \$ 152,068,087 | |
| 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 | 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 | |

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

Source: Western Municipal Water District

TABLE IV - EXPENSES BY FUNCTION
Last 10 Fiscal Years

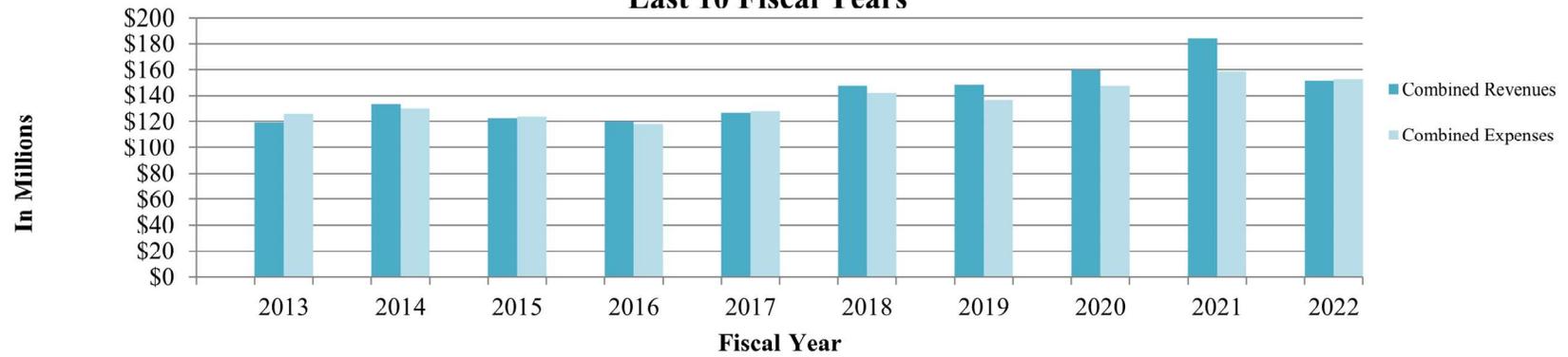
| Fiscal Years | Operating Expenses | | | | | | | | | Total Non-Operating Expenses(2) | Combined Expenses |
|--------------|--------------------|--------------|-----------------------------|-------------------|----------------------|-------------------------------|--------------|---------------------|-----------------|---------------------------------|-------------------|
| | Purchased Water | Pumping | Transmission & Distribution | Admin and General | Contractual Services | Depreciation and Amortization | Other | Wastewater Disposal | Total Operating | | |
| 2022 | \$ 78,965,903 | \$ 6,301,412 | \$ 11,392,793 | \$ 11,992,745 | \$ 4,331,625 | \$ 14,369,632 | \$ 9,331,380 | \$ 12,044,690 | \$ 148,730,180 | \$ 4,694,850 | \$ 153,425,030 |
| 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 | 6,805,860 | 159,044,775 |
| 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 |

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

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

Source: Western Municipal Water District

CHART I – REVENUES AND EXPENSES
Last 10 Fiscal Years



Note: Combined Revenues exclude Capital Contributions and Special Items.

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

| Fiscal Years | ¾-Inch | 1-Inch | 1½-Inch | 2-Inch | 3-Inch | 4-Inch | 6-Inch | 8-Inch and Greater | Total |
|-------------------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|-----------------------------------|--------------|
| 2022 | 18,650 | 4,870 | 439 | 622 | 54 | 78 | 74 | 234 | 25,021 |
| 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 |

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 | |
| 2022 | 24,967 | 54 | 25,021 | 9,201 |
| 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 |

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 Water Usage Charge ⁽¹⁾ | Monthly Sewer Charge ⁽²⁾ |
|---------------------|---|----------|-----------|-----------|-----------|-----------|-------------|-------------|----------|---|---|
| | ¾-Inch | 1-Inch | 1½-Inch | 2-Inch | 3-Inch | 4-Inch | 6-Inch | 8-Inch | | | |
| 2022 | \$ 36.11 | \$ 55.87 | \$ 105.49 | \$ 125.82 | \$ 304.30 | \$ 597.76 | \$ 1,041.68 | \$ 1,232.84 | \$ 88.77 | \$ 51.91 | |
| 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 | |

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 usage charge shown is for an average monthly treated water consumption of 29 units. A unit is 100 cubic feet of water or 748 gallons. In FY 2022, an average customer with a ¾-inch water meter will pay \$124.88 per month (\$36.11 fixed + \$88.77 usage).

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

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

⁽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, 2022 and Nine Years Prior

Fiscal Year 2021-2022

| Customer Name | Water Deliveries in Acre-Feet | Percentage of Water Deliveries |
|-----------------------------------|--|---|
| Riverside National Cemetery | 1,221 | 4.9% |
| Altman Plants | 709 | 2.8% |
| Village Nurseries | 516 | 2.1% |
| Pepsi Cola Plant | 381 | 1.5% |
| Air Force 452 Air Mobility Wing | 381 | 1.5% |
| City of Riverside | 340 | 1.4% |
| Westmont Village | 304 | 1.2% |
| Riverside Unified School District | 281 | 1.1% |
| The Kroger Company | 247 | 1.0% |
| Lake Hills Reserve HOA | 206 | 0.8% |
| | | |
| Total principal customers | 4,586 | 18.4% |
| Other customers | 20,362 | 81.6% |
| | | |
| Total retail water deliveries | 24,948 | 100.0% |

Fiscal Year 2012-2013

| Customer Name | Water Deliveries in Acre-Feet | Percentage of Water Deliveries |
|-----------------------------------|--|---|
| Altman Plants | 961 | 3.6% |
| Riverside National Cemetery | 857 | 3.2% |
| Fresh & Easy Neighborhood Market | 576 | 2.2% |
| Village Nurseries | 561 | 2.1% |
| Pepsi Cola Plant | 404 | 1.5% |
| City of Riverside | 356 | 1.3% |
| General Old Golf Course | 335 | 1.3% |
| The Kroger Co. | 329 | 1.2% |
| Air Force Village West | 281 | 1.1% |
| Riverside Unified School District | 260 | 1.0% |
| | | |
| Total principal customers | 4,920 | 18.6% |
| Other customers | 21,512 | 81.4% |
| | | |
| Total retail water deliveries | 26,432 | 100.0% |

Source: Western Municipal Water District

TABLE IX - WHOLESALE WATER CUSTOMER DELIVERIES
 Fiscal Year Ended June 30, 2022

| <u>Water Agency</u> | <u>Water Deliveries in Acre-Feet</u> | <u>Percentage of Water Deliveries</u> |
|--|--|---|
| City of Corona | 18,398 | 30.2% |
| Elsinore Valley Municipal Water District | 17,733 | 29.2% |
| Rancho California Water District | 15,458 | 25.4% |
| City of Norco | 4,285 | 7.0% |
| Temescal Valley Water District | 3,659 | 6.0% |
| Jurupa Community Services District | 1,084 | 1.8% |
| Box Springs Mutual Water Company | 105 | 0.2% |
| Eagle Valley Mutual Water District | 101 | 0.2% |
| Total Wholesale Deliveries | <u>60,823</u> | <u>100.0%</u> |

Source: Western Municipal Water District

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

| <u>Rates Effective</u> | <u>Treated</u> | <u>Untreated</u> |
|------------------------|----------------|------------------|
| Jan. 1, 2013 Tier 1 | \$ 847 | \$ 593 |
| Jan. 1, 2013 Tier 2 | 997 | 743 |
| Jan. 1, 2014 Tier 1 | 890 | 593 |
| Jan. 1, 2014 Tier 2 | 1,032 | 735 |
| Jan. 1, 2015 Tier 1 | 923 | 582 |
| Jan. 1, 2015 Tier 2 | 1,055 | 714 |
| Jan. 1, 2016 Tier 1 | 942 | 594 |
| Jan. 1, 2016 Tier 2 | 1,076 | 728 |
| Jan. 1, 2017 Tier 1 | 979 | 666 |
| Jan. 1, 2017 Tier 2 | 1,073 | 760 |
| Jan. 1, 2018 Tier 1 | 1,015 | 695 |
| Jan. 1, 2018 Tier 2 | 1,101 | 781 |
| Jan. 1, 2019 Tier 1 | 1,050 | 731 |
| Jan. 1, 2019 Tier 2 | 1,136 | 817 |
| Jan. 1, 2020 Tier 1 | 1,078 | 755 |
| Jan. 1, 2020 Tier 2 | 1,165 | 842 |
| Jan. 1, 2021 Tier 1 | 1,104 | 777 |
| Jan. 1, 2021 Tier 2 | 1,146 | 819 |
| Jan. 1, 2022 Tier 1 | 1,143 | 799 |
| Jan. 1, 2022 Tier 2 | 1,185 | 841 |

Source: Metropolitan Water District

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

| Fiscal Years | Full Service | | | Purchased Agriculture | | | Purchased | Wells | Desalter | Recycled Water | Grand Total |
|-----------------|--------------|-----------|--------|--------------------------|-----------|-------|-----------|-------|----------|-------------------|-------------|
| | Treated | Untreated | Total | Treated | Untreated | Total | Total | | | | |
| 2022 | 53,234 | 27,057 | 80,291 | - | - | - | 80,291 | 681 | 5,372 | 1,359 | 87,703 |
| 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 |

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 | Finance Leases | Total | Total Debt Per Capita ⁽¹⁾ |
|---------------------|----------------------|--------------------------|----------------------|----------------------|-----------------------|----------------|---|
| 2022 | \$ 155,873,839 | \$ - | \$ 46,391,279 | \$ 5,519,702 | \$ 1,034,873 | \$ 208,819,693 | \$ 208.86 |
| 2021 | 160,256,681 | - | 46,799,352 | 6,587,285 | 1,922,002 | 215,565,320 | 218.10 |
| 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 |

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| GROSS REVENUE | | | | | | | | | | |
| Water Sales | \$ 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 | \$ 90,804,160 |
| Water Service | 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 | 24,263,833 |
| Wastewater Service | 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 | 15,243,153 |
| Ad Valorem Taxes | 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 | 28,939,433 |
| Interest Income including Unrealized Gain/Loss (2) | (98,679) | 2,348,100 | 2,172,604 | 4,791,047 | (213,020) | (20,117) | 8,672,749 | 11,084,622 | (723,382) | (14,743,355) |
| Connection Fees - Water | 924,589 | 553,954 | 474,781 | 481,489 | 1,629,145 | 1,907,987 | 3,104,809 | 2,865,404 | 2,559,844 | 2,060,151 |
| Connection Fees - Wastewater | 774,762 | 362,876 | 95,903 | 215,298 | 823,002 | 4,243,084 | 4,167,829 | 5,649,570 | 3,359,550 | 6,121,811 |
| Federal, State and Local Capital Grants | 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 | 3,163,224 |
| Other Revenue | 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 | 7,385,983 |
| Total | 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 | 163,238,393 |
| MAINTENANCE AND OPERATION COSTS | | | | | | | | | | |
| Administration | 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 | 11,992,745 |
| Purchased Water | 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 | 78,965,903 |
| Water Operations | 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 | 25,421,417 |
| Wastewater Operations | 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 | 12,044,690 |
| Other Expenses | 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 | 5,317,607 |
| Contract Resource Obligations | 501,693 | 499,168 | 508,808 | 1,725,125 | 89,063 | - | 89,053 | - | - | - |
| Total | 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 | 133,742,362 |
| Net Revenues | 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 | 29,496,031 |
| Series of 2009 A&B Bonds | 3,213,871 | 3,084,773 | 3,108,317 | 2,142,382 | - | - | - | - | - | - |
| Series of 2010 A&B Bonds | 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 | 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 | 2,714,483 |
| Series of 2016 A Bonds | - | - | - | 335,672 | 779,608 | 779,597 | 779,586 | 779,614 | 15,159 | 29,795 |
| Series of 2020 A Bonds | - | - | - | - | - | - | - | - | 4,148,117 | 4,622,057 |
| WRCRWA SRF Loans | 33,834 | 33,834 | 33,834 | 33,833 | 33,759 | 33,725 | 38,448 | 39,481 | 39,214 | 39,209 |
| SRRRA Series 2017A&B Bonds | - | - | - | - | - | 817,161 | 769,558 | 1,002,676 | 978,601 | 839,511 |
| SWRCB - La Sierra Project | - | - | - | - | - | - | - | - | 1,443,856 | 1,443,855 |
| Total | \$ 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 | \$ 9,688,910 |
| Debt Service Coverage | 2.75 | 4.34 | 2.69 | 3.40 | 4.38 | 5.64 | 5.31 | 6.10 | 5.11 | 3.04 |
| Adjusted Debt Service Coverage Excluding Unrealized Gain/Loss: | | | | | | | | | | |
| Net Revenues | \$ 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 | \$ 29,496,031 |
| Unrealized (Gain)/Loss | 3,628,797 | 168,949 | (650,791) | (2,560,659) | 2,635,149 | 2,807,012 | (5,484,614) | (6,957,824) | 5,783,181 | 19,298,643 |
| Adjusted Net Revenues | \$ 21,228,466 | \$ 32,078,598 | \$ 19,180,376 | \$ 20,171,719 | \$ 25,000,051 | \$ 43,910,283 | \$ 32,423,942 | \$ 38,512,407 | \$ 59,937,272 | \$ 48,794,674 |
| Adjusted Debt Service Coverage | 3.31 | 4.36 | 2.60 | 3.02 | 4.89 | 6.02 | 4.54 | 5.17 | 5.65 | 5.04 |

Source: Western Municipal Water District

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

(2) Less income on trustee-held investments.

**TABLE XIV - DIRECT AND OVERLAPPING DEBT
As of June 30, 2022**

2021-22 Assessed Valuation: \$107,444,033,270 (1)

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | <u>% Applicable (2)</u> | <u>Debt 6/30/22</u> |
|---|-------------------------|-----------------------------|
| Metropolitan Water District | 3.168% | \$ 639,144 |
| Riverside City Community College District | 76.155 | 228,813,154 |
| Alvord Unified School District | 99.988 | 197,187,937 |
| Corona-Norco Unified School District | 96.725 | 482,395,899 |
| Jurupa Unified School District | 99.798 | 151,591,138 |
| Murrieta Valley Unified School District | 12.612 | 19,847,081 |
| Riverside Unified School District | 99.997 | 321,480,355 |
| Other School Districts | Various | 76,453,113 |
| City of Riverside | 98.539 | 4,867,827 |
| Western Municipal Water District | 100 | 0 |
| Western Municipal Water District Community Facilities Districts | 100 | 1,970,297 |
| Riverside County Flood Control District, Zone No. 4 Benefit Assessment District | 1.336 | 105,277 |
| Community Facilities Districts | Various | 1,120,910,971 |
| City and Special District 1915 Act Bonds | Various | 22,703,272 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$ 2,628,965,465 |
| | | |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | |
| Riverside County General Fund Obligations | 32.599% | \$ 233,840,494 |
| Riverside County Pension Obligations | 32.599 | 266,257,081 |
| Corona-Norco Unified School District Certificates of Participation | 96.780 | 20,967,245 |
| Jurupa Unified School District Certificates of Participation | 99.807 | 50,378,829 |
| Murrieta Unified School District General Fund Obligations | 12.233 | 2,725,453 |
| Riverside Unified School District Certificates of Participation | 99.997 | 12,283,631 |
| Other School District General Fund Obligations | Various | 1,693,777 |
| City of Corona General Fund Obligations | 100 | 287,514,589 |
| City of Jurupa Valley Certificates of Participation | 99.812 | 6,751,605 |
| City of Lake Elsinore General Fund Obligations | 70.084 | 29,932,130 |
| City of Moreno Valley General Fund Obligations | 0.774 | 554,587 |
| City of Murrieta General Fund Obligations | 13.600 | 449,746 |
| City of Riverside General Fund Obligations | 98.471 | 182,888,702 |
| City of Riverside Pension Obligations | 98.471 | 442,612,553 |
| Western Municipal Water District Administrative Office and Capital Facilities Financing | 100 | 5,328,622 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | \$ 1,544,179,044 |
| | | |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): | | \$ 633,524,263 |
| | | |
| TOTAL DIRECT DEBT | | \$ 5,328,622 |
| TOTAL OVERLAPPING DEBT | | \$ 4,801,340,150 |
| | | |
| COMBINED TOTAL DEBT | | \$ 4,806,668,772 (3) |

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

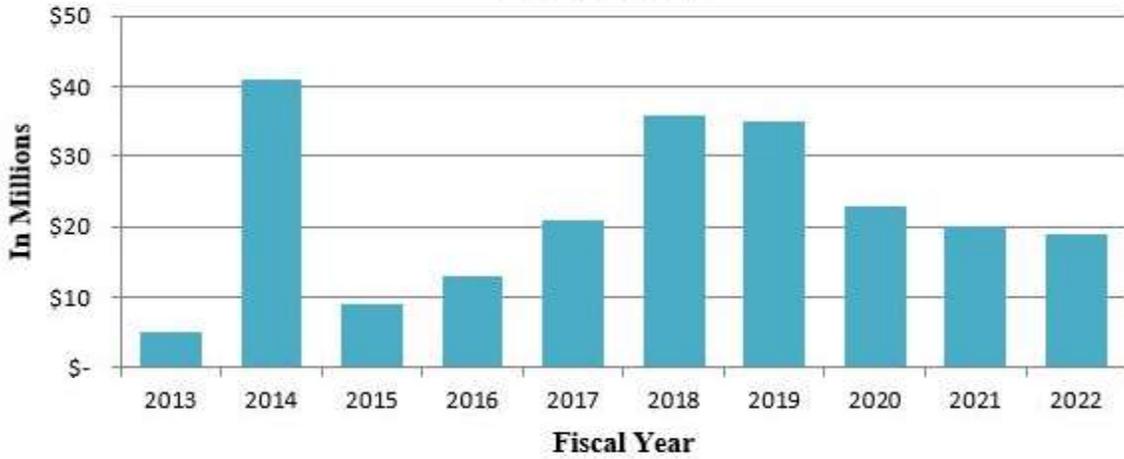
(2) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the district divided by the district's total 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 2021-22 Assessed Valuation: | |
| Direct Debt (\$5,328,622) | -% |
| Total Direct and Overlapping Tax and Assessment Debt | 2.45% |
| Combined Total Debt | 4.47% |
| | |
| Ratio to Redevelopment Incremental Valuation (\$30,029,296,864): | |
| Total Overlapping Tax Increment Debt | 1.98% |

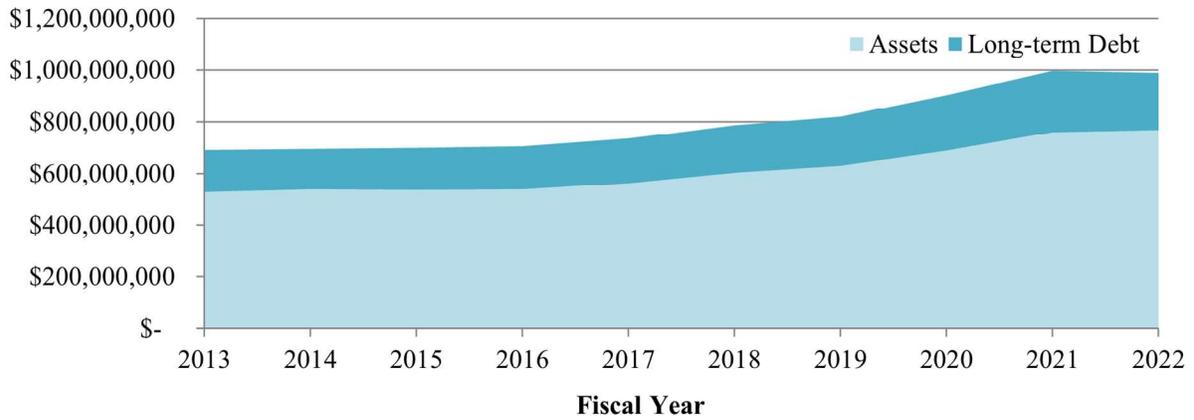
Source: California Municipal Statistics, Inc.

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 Western Service Area ⁽¹⁾ | Estimated Svc. Area Population | County Population | Personal Income (in Billions) ⁽²⁾ | County Per Capita Personal Income | County Unemployment Rate (June) |
|---------------------|---|---|------------------------------|---|--|--|
| 2022 | \$ 125,767,209,288 | 999,800 | 2,506,351 | \$ 38.9 | \$ 38,882 ⁽³⁾ | 4.0% |
| 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% |

⁽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, 2022 and Nine Years Prior

| Employer Name | Fiscal Year 2022 | |
|--|-------------------------|---|
| | No. of Employees | Percentage of Total County Labor Force |
| County of Riverside | 23,772 | 2.2% |
| Amazon | 14,500 | 1.3% |
| March Air Reserve Base | 9,600 | 0.9% |
| University of California, Riverside | 8,593 | 0.8% |
| Moreno Valley Unified School District | 6,020 | 0.5% |
| Kaiser Permanente Medical Center | 5,817 | 0.5% |
| Corona-Norco Unified School District | 5,478 | 0.5% |
| Riverside Unified School District | 5,431 | 0.5% |
| Stater Bros. Markets | 4,699 | 0.4% |
| Mt. San Jacinto Community College District | 4,638 | 0.4% |
| Total | 88,548 | 8.0% |

Total labor force 1,101,000

| Employer Name | Fiscal Year 2013 | |
|---------------------------------------|-------------------------|---|
| | No. of Employees | Percentage of Total County Labor Force |
| County of Riverside | 17,766 | 1.88% |
| March Air Reserve Base | 9,000 | 0.95% |
| Stater Bros. Markets | 6,900 | 0.73% |
| Wal-Mart | 5,681 | 0.60% |
| University of California, Riverside | 5,497 | 0.58% |
| Riverside Unified School District | 5,000 | 0.53% |
| Corona-Norco Unified School District | 4,633 | 0.49% |
| Kaiser Permanente Medical Center | 4,500 | 0.48% |
| Moreno Valley Unified School District | 3,355 | 0.36% |
| Hemet Unified School District | 3,270 | 0.35% |
| Total | 65,602 | 6.95% |

Total labor force 943,667

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Management | 7 | 8 | 8 | 13 | 12 | 14 | 14 | 14 | 15 | 15 |
| Human Resources & Administration | 10 | 9 | 10 | 9 | 10 | 8 | 13 | 12 | 12 | 9 |
| Engineering | 9 | 12 | 13 | 14 | 15 | 14 | 14 | 16 | 16 | 14 |
| Finance | 12 | 12 | 12 | 12 | 10 | 13 | 13 | 13 | 14 | 13 |
| Billing/Customer Service | 7 | 8 | 7 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Strategic Communications | 5 | 5 | 5 | 4 | 4 | 3 | 2 | 5 | 4 | 3 |
| Water Resources | 6 | 6 | 7 | 6 | 8 | 7 | 6 | 5 | 4 | 6 |
| Operations | 63 | 65 | 65 | 65 | 65 | 67 | 69 | 69 | 71 | 71 |
| Legislative Affairs | - | 1 | 1 | - | 1 | 1 | 1 | 1 | 1 | 1 |
| Information Systems | 6 | 7 | 7 | 6 | 6 | 7 | 7 | 8 | 8 | 6 |
| Total | 125 | 133 | 135 | 138 | 140 | 143 | 148 | 152 | 154 | 147 |

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Number of Employees | 125 | 133 | 135 | 138 | 140 | 143 | 148 | 152 | 154 | 147 |
| 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 | \$ 79 | \$ 85 | \$ 89 | \$ 94 | \$ 99 | \$ 106 | \$ 112 | \$ 119 | \$ 126 |
| Population Served (approx.) | 900,000 | 910,000 | 920,800 | 936,500 | 951,300 | 963,710 | 973,400 | 984,500 | 988,400 | 999,800 |
| Miles of Water Pipeline | 638 | 638 | 638 | 639 | 639 | 639 | 640 | 641 | 641 | 640 |
| Number of Storage Tanks | 35 | 35 | 34 | 34 | 34 | 34 | 34 | 35 | 35 | 35 |
| Max Storage Capacity (million gal.) | 92.7 | 93.0 | 92.2 | 92.2 | 92.2 | 92.2 | 92.2 | 92.3 | 92.3 | 92.0 |
| 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 | 0.9 | 0.9 | 1.0 | 1.2 | 1.4 | 2.1 | 1.7 |
| Number of Lift Stations | 20 | 20 | 20 | 20 | 20 | 19 | 19 | 19 | 19 | 19 |

Source: Western Municipal Water District



Western Municipal Water District
14205 Meridian Parkway
Riverside, CA 92518
951.571.7100