COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

WATER EFFICIENCY

RECYCLED WATER

OCEAN-WATER DESALINATION

WEST BASIN MUNICIPAL WATER DISTRICT

Carson, CA

WEST BASIN MUNICIPAL WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

Prepared by: Finance Department
Margaret Moggia, CPA
Chief Financial Officer

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West Basin Municipal Water District
Carson, California
Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013

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INTRODUCTORY SECTION

WEST BASIN MUNICIPAL WATER DISTRICT
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December 1, 2013

TO THE BOARD OF DIRECTORS AND CUSTOMERS OF WEST BASIN MUNICIPAL WATER DISTRICT:

West Basin Municipal Water District (West Basin) staff is pleased to present the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year 2012-2013, which ended June 30, 2013.

The CAFR is intended to provide the Board of Directors, West Basin's customers, the public and interested parties with West Basin's broad financial outlook. This report is also prepared for the purpose of meeting California law requiring special districts to submit an audited annual financial report to the State Controller within six months after the end of the fiscal year.

This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB). For the last seven years, West Basin has submitted the CAFR and received the Excellence in Financial Reporting award from the Government Finance Officers Association (GFOA).

West Basin staff prepared this financial report in conjunction with unmodified "clean" opinion issued by Mayer Hoffman McCann P.C. The independent auditors' report is located at the front of the financial section of this report. The Management Discussion and Analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview and analysis of the basic financial statement. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of West Basin management's representations concerning the finances of West Basin. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report to the best of West Basin staff knowledge.

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ABOUT **WEST BASIN MUNICIPAL WATER DISTRICT**

West Basin Municipal Water District (West Basin) is a special district of the State of California and an innovative, award-winning public agency that provides drinking and recycled water, water efficiency and water education programs to approximately one million residents within a 185-square mile service area (see Service Area Map, p. 5). West Basin purchases imported water from the Metropolitan Water District of Southern California (Metropolitan) and sells the imported water to cities, water agencies, and private water companies in coastal Los Angeles County.

To protect our local groundwater aquifer from seawater intrusion, West Basin's goal is to provide 100% highly purified recycled water to the Water Replenishment District of Southern California (WRD). This year, West Basin expanded its capacity to reach 100% for injection into the West Coast seawater barrier. The seawater barrier protects and augments $200 million dollars' worth of local groundwater supplies.

West Basin is currently executing a Board-adopted Strategic Business Plan with the goal of building more reliability into local water supplies. Through its 2008 Board-adopted Water Reliability 2020 Program (WR 2020), West Basin is currently expanding production of locally-produced water by doubling water recycling and conservation programs and planning to add 10% of our future water supplies from ocean-water desalination. In late 2010, West Basin opened its Ocean-Water Desalination Demonstration Facility and Water Education Center to the public to share Southern California's water story, teach the community about local water supplies, and conduct scientific research on ocean-water desalination.

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

BOARD OF DIRECTORS

Carol W. Kwan
President | Division III

Edward C. Little
Vice President | Division IV

Ronald C. (Ron) Smith
Treasurer | Division I

Gloria D. Gray
Division II

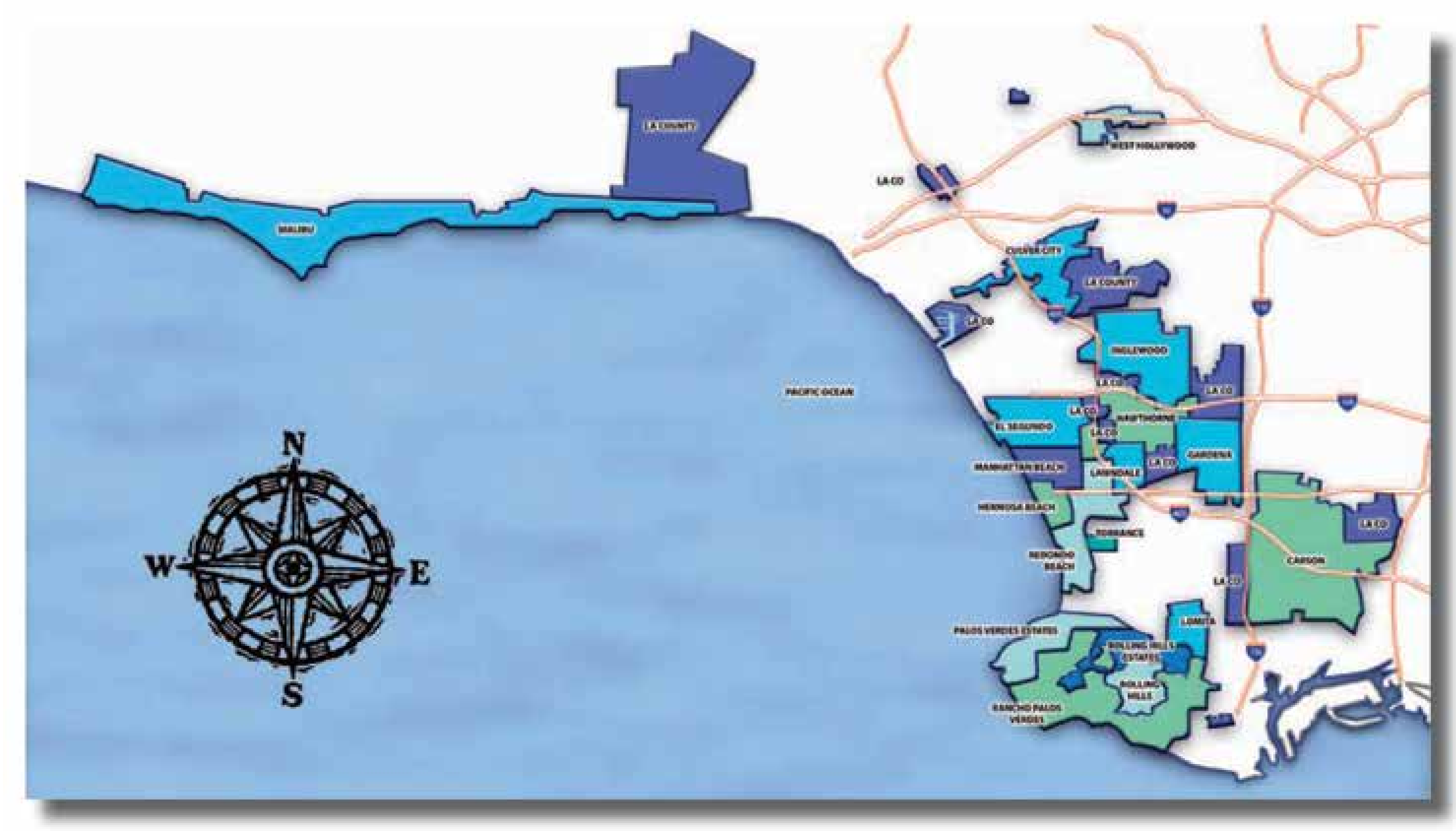
Donald L. Dear
Division V

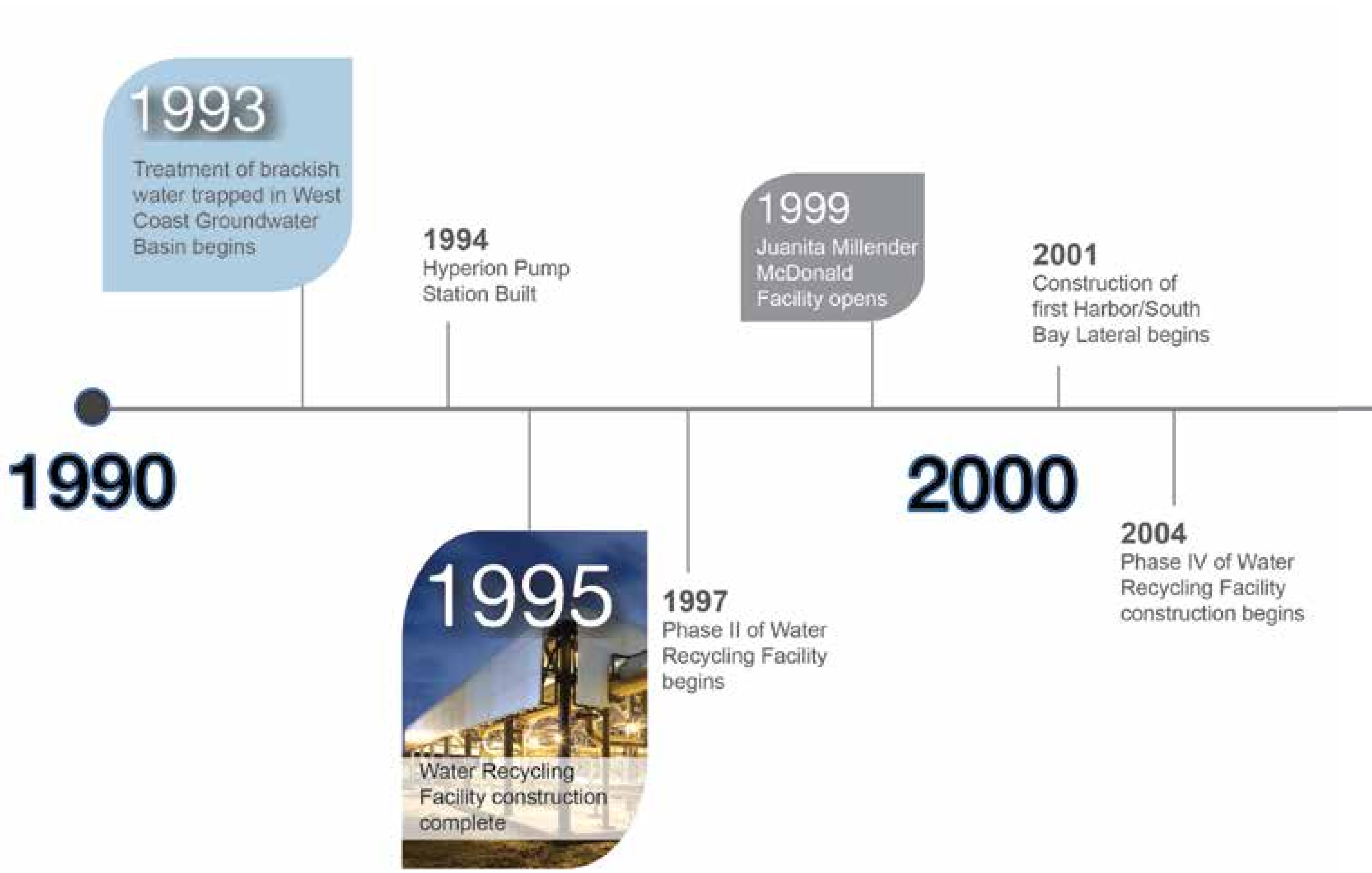
Five publicly-elected officials serveas West Basin's Board of Directors. Voters in each of the five divisions from Malibu to Palos Verdes and El Segundo to Carson, elect one director to serve a four-year term. The West Basin Board then appoints two representatives to serve on the 37-member Metropolitan Board of Directors.

The two representatives currently serving on the Metropolitan Water District Board of Directors are Donald L. Dear and Gloria D. Gray.

SERVICE AREA

West Basin serves a diverse population of nearly one million people living and working in 17 cities and parts of unincorporated coastal Los Angeles County. West Basin has a 3:1 resident-to-business ratio and an average median income of $67,000. The community income diversity ranges from approximately $23,000 in Westmont to approximately $200,000 in Rolling Hills (Source: 2000 census).



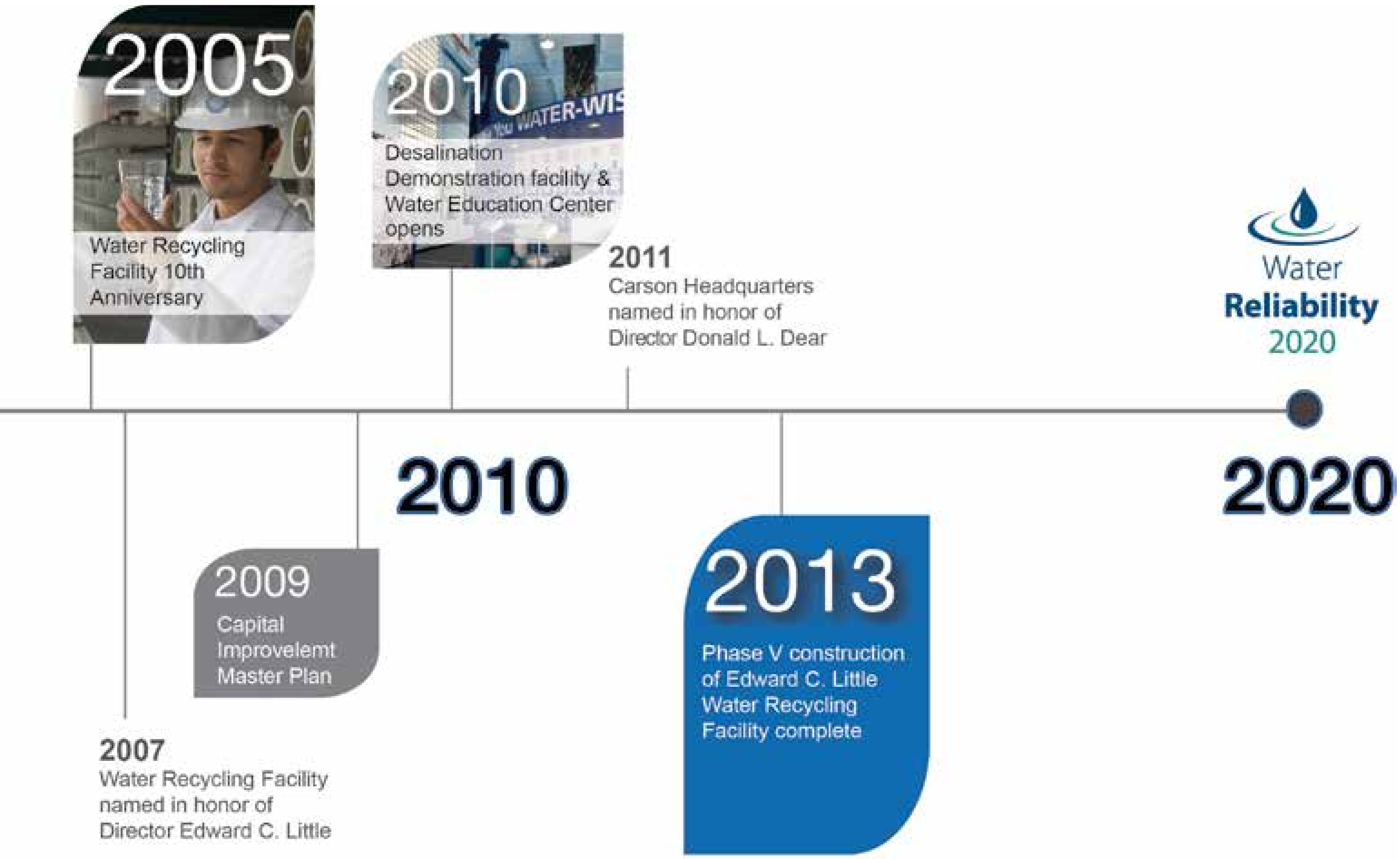


HISTORY

As early as 1918, the levels in local groundwater basins were dropping so low that salt water from the ocean was seeping in and contaminating groundwater. Lawns in coastal Los Angeles were dying from salty water, and well water was so salty it was often undrinkable. In the 1940s, studies showed that the local groundwater aquifer was being depleted at a much faster rate than it was being recharged or refilled. Each year, the aquifer was being over drafted by millions of gallons - more water was taken out than was put back in.

At that time, one solution was to supply the region with imported water through Metropolitan. In 1947, West Basin was formed by a vote of the people to serve as a wholesale agency to distribute water throughout its service area. In 1948, West Basin became a member agency of Metropolitan, an agency that at that time imported water from the Colorado River, and later would also import water from Northern California. For almost four decades, West Basin served its customer agencies and communities solely as a wholesaler of imported water.

As a result of the extreme drought of the late 1980s and early 1990s, West Basin leaders decided to diversify the agency's water portfolio to include conservation and water reuse to provide a more reliable supply of water for future generations. Early efforts included building the world's most unique water recycling facility that would convert treated wastewater into five types of high-quality recycled water suitable for groundwater recharge, irrigation, municipal, industrial and commercial uses.



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

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

FINANCIAL INFORMATION

ACCOUNTING SYSTEM

As required by Generally Accepted Accounting Principles for enterprise funds, accounts are maintained and financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. West Basin's Finance department is responsible for the overall accounting, finance and administrative functions, which include cash management, treasury and debt management, accumulation and processing of accounting information, financial reporting, information technology and contracts administration.

INTERNAL CONTROLS

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

BUDGET PROCESS AND CONTROLS

Public agencies develop budgets as both a performance tool and to demonstrate accountability to its stakeholders. West Basin's budget is developed in accordance with the priorities, goals and objectives established by the Board of Directors through its Strategic Plan and customer surveys. The Strategic Plan provides direction for planning, budgeting, implementation, evaluation and reporting. Semi-annually, the Board of Directors reviews the Strategic Business Plan through a scorecard where the goals and objectives are measured against individual target dates, percent completion, and comments that support the direction taken by the Board of Directors and staff to meet these objectives.

The budget is also used as a communication tool. Interested parties, such as bond holders, credit rating agencies, and customers can review the budget to obtain a wide variety of information on West Basin's short and long-term strategic planning, financial policies, and the current and future fiscal stability. The budget shows how the agency invests its revenues derived from user fees and fixed revenue sources to support its mission, goals and programs.

The General Manager communicates the goals and objectives with executive staff to ensure the budget includes the monetary requirements necessary to achieve the goals and objectives set within the Strategic Plan.

West Basin is not required to adopt a budget and therefore does not appropriate its fund. However, as a good business practice, West Basin prepares, adopts, monitors, and reports budgeted information.

CREDIT RATING AND DEBT COVERAGE

West Basin's latest credit rating from Moody's and Standards & Poor's is AA2 and AA-, respectively. In order to maintain these ratings, West Basin has internally set budgeted debt coverage goals, updated financial policies and updated rates as appropriate. This past year, the Board has adopted a new Standby Charge Policy and staff continues to make improvements to its award-winning Investment Policy. Each of these efforts lends to a solid management focus on fiscal policies and metrics and has assisted West Basin to receive strong ratings and allow West Basin to obtain low-cost financing for its capital projects.

Please refer to the Statistical Section for 10-year historical information on West Basin's debt coverage. In Fiscal Year 2005-2006, the subordinate debt coverage was not achieved due to lower-than-budgeted barrier sales due to poor water quality, Los Angeles County operational issues and also higher than anticipated legal expenses. West Basin has budgeted to exceed required debt coverage on both parity and subordinate debt in all subsequent fiscal years.

To maintain its financial strength, West Basin developed a Long-Range Financial Model (LRFP). The model uses the current fiscal year budget, incorporates multiple year revenue and expense assumptions used to address anticipated operating and capital expenditures, and results in a dynamic financial model for West Basin. The capital recycled water expenditures are based on the Capital Improvement Master Plan (CIMP) and updated estimates for the Ocean-Water Desalination program costs. In addition, the model provides the basis for certain criteria to be incorporated into financial policy development, such as debt management, swap and designated fund levels. West Basin continues to monitor its assumptions to actual to ensure it remains a financially healthy organization.

SOURCE OF REVENUE

West Basin primarily receives its source of revenue from imported and recycled water sales. Imported water sales and charges totaled $130 million for the fiscal year ending June 30, 2013, while recycled water sales amounted to $33 million for the same period. More detailed information regarding West Basin's revenues is presented in the statistical section Table 6: Payors-Potable Water Sales and Table 7: Payors-Recycled Water Sales.

WATER RATES

West Basin establishes rates and charges annually through a resolution by the Board of Directors. Starting in fiscal year ended June 30, 2003, West Basin implemented a new potable pricing structure that incorporates MWD's new rates. The statistical section provides more detailed information about the rates under Table 11: Average Water Rates per Acre-Foot (Last Ten Fiscal Years) and Table 12: Imported Water Rates.

DESIGNATED FUNDS

West Basin categorizes its funds into either unrestricted or restricted. Unrestricted funds consist of designated funds that can be used for any lawful purpose at the discretion of the Board of Directors. The monies held within designated funds can be shifted or re-allocated at any time at the Board of Directors' direction. In October 2013, the West Basin Board approved a revised Designated Fund Policy that combined certain funds, and clarified certain language. The core funds include Operating Liquidity Fund, Operating Contingency Fund, Capital Contingency Fund, and the Rehabilitation & Replacement Fund. In addition, West Basin maintained its System Expansion Fund, Rate Stabilization Fund and added a new designated fund, the Standby Charges Defeasance Fund, to account for the new policy.

Restricted funds consist of funds with external restrictions imposed by creditors, grantors, contributors, or by laws or regulations of government and can only be used for a designated purpose. Currently, West Basin's only restricted funds are the Bond Reserve Funds.

WEST BASIN STAFF SERVICES

West Basin currently employs 38 full-time persons, of whom 23 work in the operations, planning, communications and engineering departments and 15 work in accounting or administration.

ACKNOWLEDGEMENTS

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

Respectfully,

Richard Nagel	Margaret Moggia
General Manager	*Chief Financial Officer*

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Basin Municipal Water District, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

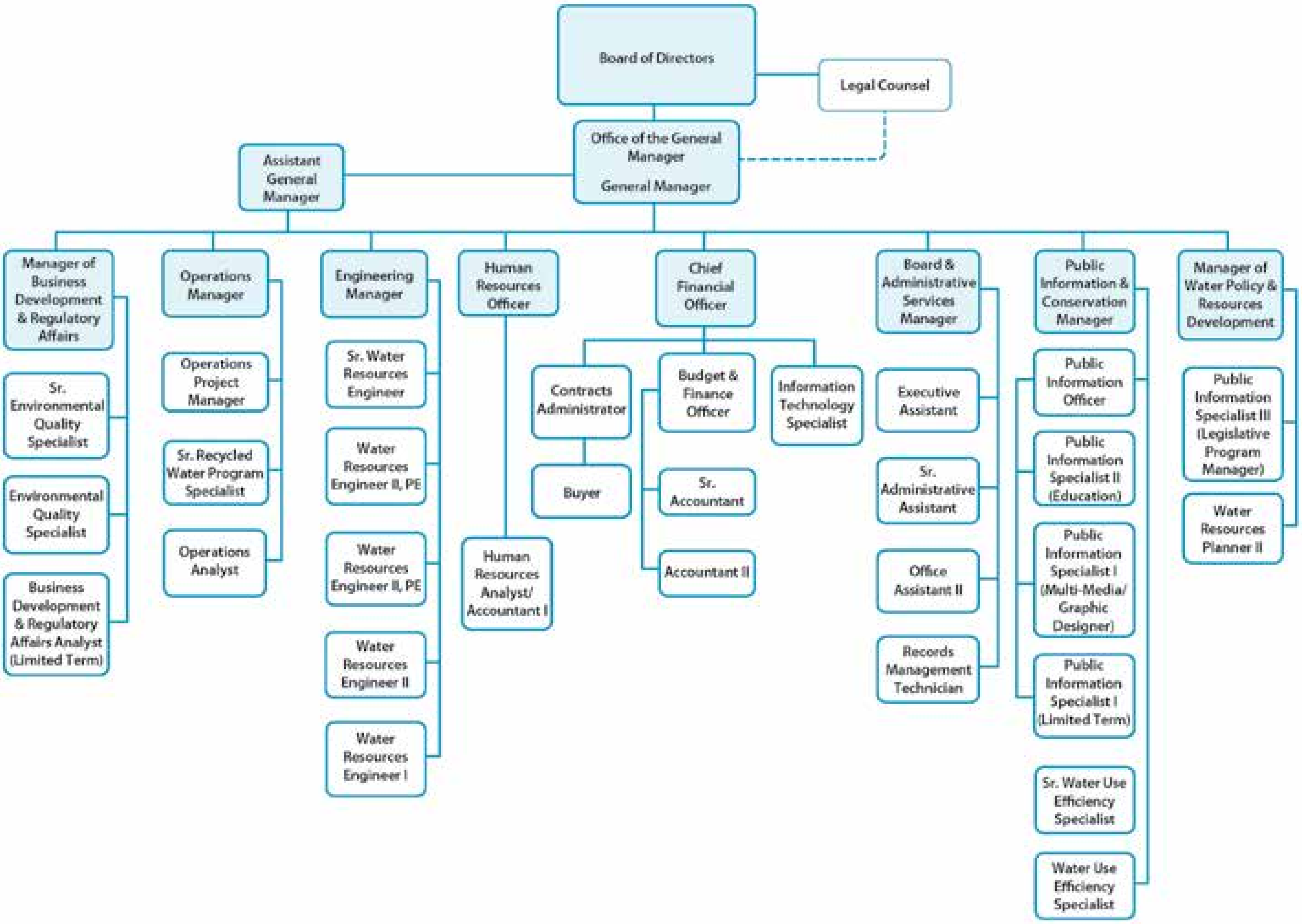
June 30, 2012

Executive Director/CEO

WEST BASIN MUNICIPAL WATER DISTRICT

ORGANIZATIONAL CHART

July 2013



FINANCIAL SECTION

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Board of Directors
WEST BASIN MUNICIPAL WATER DISTRICT

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the West Basin Municipal Water District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note one to the financial statements, during the year ended June 30, 2013, the entity implemented GASB Statement No. 63. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Irvine, California
October 31, 2013

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MANAGEMENT'S **DISCUSSION** AND **ANALYSIS**

For the Year Ended June 30, 2013

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the West Basin (or "District") provides an introduction to the financial statement of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory section and with the basic financial statements and related notes which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net assets increased by $14 million, or 6.5% from the prior year.
- The District's total operating income results in $1.8 million net income when compared with the net loss of $1.8 million in the prior year.
- During the year, the District issued one refunding revenue bond (2013A) to be used for various water system projects. The refunding transactions resulted in overall economic gain (difference between the present values of the old and new debt service requirements) of $1.9 million.
- Capital contributions to the District were approximately $8.5 million for the year.

REQUIRED FINANCIAL STATEMENTS

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

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

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

The Statement of Cash Flows provides information regarding the District's cash receipts, cash disbursements and net changes in cash resulting from operating, non-capital financing, capital financing and investing activities. This statement addresses where cash comes from, what cash was used for, and what the change in cash balance during the reporting period was.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements as well as a description of the accounting policies used to prepare the financial statements. It also presents material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes to the Financial Statements can be found on pages 28 through 49.

FINANCIAL ANALYSIS OF THE DISTRICT

1) Statement of Net Position

Condensed Statement of Net Position

	2013	2012	Change
Assets			
Current unrestricted assets	$ 85,436,512	$ 97,052,646	$ (11,616,134)
Current restricted assets	6,459,771	37,288,836	(30,829,065)
Capital asset, net	489,263,337	466,904,415	22,358,922
Other assets	4,161,742	4,698,153	(536,411)
Total assets	**585,321,362**	**605,944,050**	**(20,622,686)**
Deferred Outflows-Interest rate swaps	**3,859,295**	**5,448,633**	**(1,589,338)**
Liabilities			
Current liabilities	35,135,500	46,530,950	(11,395,450)
Long term liabilities	325,494,100	350,234,819	(24,740,719)
Total Liabilities	**360,629,600**	**396,765,769**	**(36,136,169)**
Net Position:			
Invested in capital assets, net of related debt	174,080,738	152,041,660	22,039,078
Unrestricted	54,470,319	62,585,254	(8,114,935)
Total Net Position	**$ 228,551,057**	**$ 214,626,914**	**$ 13,924,143**

Net Position measures the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, new or changed government legislation, etc. The Condensed Statement of Net Position show that Assets and Deferred Outflows of the District exceeded liabilities by $229 million and $215 million as of June 30, 2013 and 2012, respectively.

A large portion of the District's net position ($174 million and $152 million as of June 30, 2013 and 2012, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debts used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

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

Condensed Statements of Revenue, Expenses and Changes In Net Position

Revenue	2013	2012	Change
Operating revenues			
Water	$ 129,606,873	$ 114,973,744	$ 14,633,129
Water recycling revenue	32,628,990	29,258,124	3,370,866
Water conservation and monitoring	1,101,047	841,457	259,590
Desalting revenue	879,124	1,073,749	(194,625)
Total operating revenues	**164,216,034**	**146,147,074**	**18,068,960**
Non-Operating revenues			
Standby charges	9,805,001	9,631,773	173,228
Investment Income	2,872,452	1,323,378	1,549,074
Realized gain on swap information	0	4,916,234	(4,916,234)
Other non-operating revenues	194,252	563,725	(369,473)
Total non-operating revenues	**12,871,705**	**16,435,110**	**(3,563,405)**
Total revenue	**177,087,739**	**162,582,184**	**14,505,555**
Expenses			
Operating expenses			
Source of supply	110,529,956	99,019,067	11,510,889
Water recycling costs	27,103,178	23,594,939	3,508,239
Depreciation and amortization	17,521,735	18,283,392	(761,657)
Communications and monitoring	4,731,293	4,940,155	(208,862)
Water resource planning	1,611,964	1,193,711	418,253
Desalting operations	891,600	900,652	(9,052)
Total operating expenses	**162,389,726**	**147,931,916**	**14,457,810**
Non-Operating expenses			
Miscellaneous expenses	93,496	0	93,496
Loss on disposition of assets	0	16,614	(16,614)
Interest expense	9,208,657	11,002,424	(1,793,767)
Total non-operating expenses	**9,302,153**	**11,019,038**	**(1,716,885)**
Total expenses	**171,691,879**	**158,950,954**	**12,740,925**
Net Income (loss) before capital contributions	**5,395,860**	**3,631,230**	**1,764,630**
Capital Contributions	**8,528,283**	**10,560,202**	**(2,031,919)**
Change in Net Position	**13,924,143**	**14,191,432**	**(267,289)**
Net Position – Beginning of year	**214,626,914**	**200,435,482**	**14,191,432**
Net Position – End of year	**$ 228,551,057**	**$ 214,626,914**	**$ 13,924,143**

2) Statement of Revenues, Expenses, and Changes in Net Position
Condensed Statements of Revenue, Expenses and Changes In Net Position (Continued)

The Statement of Revenues, Expenses and Changes In Net Position shows how the District's net position changed during the fiscal year. Net position increased by $13.9 million and $14.1 million for the fiscal years ending June 30, 2013 and 2012, respectively.

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

- In 2013, the District's total operating revenues increased by $18 million, primarily due to an increase in potable water sales revenues of $14.6 million and increase in recycled water revenue of $3.4 million. The increase in potable water revenues is the result of both increase in water rates and sales in the year.
- The District purchases potable water from Metropolitan and sets its rate based on the rate from Metropolitan. In 2013, the potable rate increased by $53 per acre foot or 7% during the fiscal year. As a result, the District paid $11 million more to Metropolitan to purchase the potable water.
- The recycled water sales increase is due to the increase of water rate. The recycling water cost in 2013 includes the write-off of over $900,000 research and development cost.
- The capital contributions include the fixed payments from major recycled water customers of $7.4 million, capital grants and cash contribution of $1.2 million. There was no contributed facilities from other governmental agencies in 2013.

3) Capital Assets

At June 30, 2013, the District investment in capital assets totaled $663.3 million. Capital assets include land, discharge capacity rights, water facilities, potable distribution system, education center, buildings and improvements, furniture, fixtures and equipment and construction in progress. This amount represents an increase of $39.6 million over the prior year. The following is a summary of capital assets:

	2013	2012	Change
Land	$ 25,211,646	$ 25,211,646	-
Discharge Capacity	621,189	621,189	-
Water Facilities	494,178,963	487,053,689	7,125,274
Building and Improvements	3,345,013	3,291,643	53,370
Potable Distribution System	1,241,681	1,241,681	-
Education Center	548,067	548,067	-
Furniture, Fixtures, and Equipment	2,668,960	2,532,760	136,200
Construction in Progress	135,530,355	103,279,199	32,251,156
Total Capital Assets	**$ 663,345,874**	**$ 623,779,874**	**$ 39,566,000**

A significant portion of the current year's construction in progress is attributable to the District's Phase V expansion of the water recycling facility, as well as the District's continued efforts in Ocean-Water Desalination.

Additional information regarding capital assets can be found in Note 4 of Notes to Basic Financial Statements.

4) Long-Term Liabilities

As of June 30, 2013, the District had $344 million in long term liabilities, including certificates of participation, refunding revenue bonds and interest rate swaps. The District paid down $47 million from the principal of its long-term debts in fiscal year 2013 through refunding and cash payments. The District re-financed an additional $17 million in revenue bonds. Note 5 in the "Notes to Basic Financial Statements" section discloses the detail of all Long-Term debt.

The District has two outstanding swaps at the end of the fiscal year, the fair market value of these two swaps has been increased by $1.6 million, and however, the combined values are still recorded as $3.9 million liabilities on Statement of Net Position. Note 9 in the "Notes to Basic Financial Statements" discloses the detail of the swaps.

The following is a summary of the Long-Term Liabilities for the years 2013 and 2012:

	2013	2012	Change
Compensated absences	$ 1,100,648	$ 978,605	$ 122,043
Certificates of participation	162,096,334	210,320,660	(48,224,326)
Refunding revenue bonds	176,589,556	159,765,193	16,824,363
Interest rate swaps	3,859,295	5,448,633	(1,589,338)
Subtotal	343,645,833	376,513,091	(32,867,258)
Less deferred amount on refunding	(12,080,176)	(13,563,991)	1,483,815
Total Long Term Liabilities	**$ 331,565,657**	**$ 362,949,101**	**$ (31,383,444)**

CONDITION AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any conditions that would have a significant impact on the District's financial position, net assets, or operating results in terms of past, present and future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with an overview of the District's financial operations and overall financial condition. If you have questions about this report or need additional financial information, please contact Margaret Moggia, CPA, Chief Financial Officer, at West Basin.

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF **NET POSITION**

June 30, 2013 *(With comparative totals for June 30, 2012)*

ASSETS

	2013	2012
CURRENT ASSETS		
Unrestricted assets:		
Cash and cash equivalents (note 2)	$ 22,585,030	$ 26,537,544
Investments (note 2)	31,136,519	40,879,984
Accounts receivable	30,963,851	28,495,902
Accrued interest receivable	157,274	415,647
Inventory	427,138	430,792
Prepaid expenses	166,700	292,777
Total unrestricted assets	85,436,512	97,052,646
Restricted assets (note 3):		
Cash and cash equivalents (note 2)	4,889,798	22,724,564
Investments (note 2)	1,527,601	14,227,681
Accrued interest receivable	34,721	324,983
Custodial cash (note 2)	7,651	11,608
Total restricted assets	6,459,771	37,288,836
TOTAL CURRENT ASSETS	91,896,283	134,341,482
NONCURRENT ASSETS		
Capital assets, not depreciable (note 4)	161,363,190	129,112,034
Capital assets, net of depreciation (note 4)	327,900,147	337,792,381
Net OPEB asset (note 7)	664,947	653,350
Unamortized bond issuance costs:		
2003 refunding revenue certificates of participation	-	475,867
2008 adjustable rate refunding revenue certification of participation	253,659	271,671
2008 refunding revenue certificates of participation	2,010,577	2,121,761
2010 adjustable rate revenue certification of participation	-	61,717
2011A refunding revenue bonds	304,072	331,536
2011B refunding revenue bonds	384,753	425,412
2012A refunding revenue bonds	348,210	356,839
2013A refunding revenue bonds	195,524	
TOTAL NONCURRENT ASSETS	493,425,079	471,602,568
TOTAL ASSETS	$ 585,321,362	$ 605,944,050

DEFERRED OUTFLOWS

	2013	2012
Deferred outflows -fair value of hedging derivatives (Note 9)	$ 3,859,295	$ 5,448,633

See accompanying notes to the financial statements

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF **NET POSITION**

June 30, 2013 *(With comparative totals for June 30, 2012)*

(Continued)

LIABILITIES

	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued expense	$ 23,495,342	$ 27,956,207
Accrued interest payable	5,568,601	5,860,461
Current portion of long-term liabilities (note 5)	6,071,557	12,714,282
TOTAL CURRENT LIABILITIES	35,135,500	46,530,950
LONG-TERM LIABILITIES (note 5)		
Compensated absences	1,100,648	978,606
Interest rate swaps (note 9)	3,859,295	5,448,633
2003 refunding revenue certificates of participation	-	43,062,570
2008 adjustable rate refunding revenue certification of participation	30,065,000	32,090,000
2008 refunding revenue certificates of participation	122,031,334	125,168,090
2010 adjustable rate revenue certification of participation	10,000,000	10,000,000
2011A refunding revenue bonds	37,502,180	38,171,700
2011B refunding revenue bonds	64,557,727	64,882,999
2012A refunding revenue bonds	56,334,878	56,710,494
2013A refunding revenue bonds	18,194,771	-
Subtotal	343,645,833	376,513,092
Less: Deferred amount on refunding	(12,080,176)	(13,563,991)
Total	331,565,657	362,949,101
Less current portion above	(6,071,557)	(12,714,282)
TOTAL LONG-TERM LIABILITIES	325,494,100	350,234,819
TOTAL LIABILITIES	$ 360,629,600	$ 396,765,769

NET POSITION

	2013	2012
NET POSITION:		
Net investment in capital assets	$ 174,080,738	$ 152,041,660
Unrestricted	54,470,319	62,585,254
TOTAL NET POSITION	$ 228,551,057	$ 214,626,914

See accompanying notes to the financial statements

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WEST BASIN MUNICIPAL WATER DISTRICT

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

Year ended June 30, 2013 *(With comparative totals for the year ended June 30, 2012)*

	2013	2012
OPERATING REVENUES:		
Water	$ 129,606,873	$ 114,973,744
Water recycling revenue	32,628,990	29,258,124
Water conservation and monitoring	1,101,047	841,457
Desalting revenue	879,124	1,073,749
TOTAL OPERATING REVENUES	164,216,034	146,147,074
OPERATING EXPENSES:		
Source of supply	110,529,956	99,019,067
Water recycling costs	27,103,178	23,594,939
Depreciation and amortization	17,521,735	18,283,392
Communications and monitoring	4,731,293	4,940,155
Water resource planning	1,611,964	1,193,711
Desalting operations	891,600	900,652
TOTAL OPERATING EXPENSES	162,389,726	147,931,916
OPERATING INCOME (LOSS)	1,826,308	(1,784,842)
NONOPERATING REVENUES (EXPENSES):		
Standby charges	9,805,001	9,631,773
Investment income	2,872,452	1,323,378
Realized gain on swap termination	-	4,916,234
Miscellaneous income	128,180	287,463
Non-capital grant income	66,072	276,262
Miscellaneous expense	(93,496)	
Loss on disposition of assets	-	(16,614)
Interest expense	(9,208,657)	(11,002,424)
TOTAL NONOPERATING REVENUES (EXPENSES)	3,569,552	5,416,072
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	5,395,860	3,631,230
CAPITAL CONTRIBUTIONS:		
Capital grants and contribution (cash)	1,168,612	922,112
Capital-recovery charges	7,359,671	7,240,560
Contributed facilities	-	2,397,530
TOTAL NONOPERATING REVENUES	8,528,283	10,560,202
CHANGE IN NET POSITION	13,924,143	14,191,432
NET POSITION - BEGINNING OF YEAR	214,626,914	200,435,482
NET POSITION - END OF YEAR	$ 228,551,057	$ 214,626,914

See accompanying notes to the financial statements

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF **CASH FLOWS**

Year ended June 30, 2013 *(With comparative totals for the year ended June 30, 2012)*

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$	161,748,085	$	154,459,760
Cash paid to suppliers of goods and services		(134,610,415)		(120,605,252)
Cash paid to employees for services		(4,638,579)		(4,346,809)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		22,499,091		29,507,699
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants received		66,072		276,262
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES		66,072		276,262
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term liabilities		(12,410,000)		(86,072,332)
Cash paid to bond escrow for refundings		(35,858,745)		(72,344,176)
Acquisition and construction of capital assets		(39,566,000)		(55,251,838)
New issuance of long-term liabilities		17,697,203		217,653,762
Interest paid on long-term liabilities		(8,611,772)		(10,316,639)
Capital grants received		1,168,612		922,112
Capital recovery charges		7,359,671		7,240,560
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(70,221,031)		1,831,449
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments		35,415,140		34,358,164
Purchase of investments		(12,838,679)		(39,795,398)
Interest received		3,288,170		743,110
NET CASH PROVIDED BY INVESTING ACTIVITIES		25,864,631		(4,694,124)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(21,791,237)		26,921,286
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		49,273,716		22,352,430
CASH AND CASH EQUIVALENTS, END OF YEAR	$	27,482,479	$	49,273,716

(Continued)

See notes to the financial statements

WEST BASIN MUNICIPAL WATER DISTRICT

STATEMENT OF **CASH FLOWS** (continued)

Year ended June 30, 2013 *(With comparative totals for the year ended June 30, 2012)*

		2013		2012
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON THE STATEMENT OF NET ASSETS:				
Cash and cash equivalents	$	22,585,030	$	26,537,544
Restricted cash and cash equivalents		4,889,798		22,724,564
Restricted custodial cash		7,651		11,608
Cash and cash equivalents at end of year	$	27,482,479	$	49,273,716
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	$	1,826,308	$	(1,784,842)
Standby charges		9,805,001		9,631,773
Depreciation and amortization		17,521,735		18,283,392
Nonoperating miscellaneous revenue		128,180		287,463
Nonoperating miscellaneous expenses		(93,496)		-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable		(2,467,949)		(1,606,549)
(Increase) decrease in inventory		3,654		8,212
(Increase) decrease in prepaid expense		126,077		273,938
(Increase) decrease in net OPEB asset		(11,597)		-
(Increase) decrease in custodial accounts receivable		-		-
Increase (decrease) in accounts payable		(4,460,865)		4,336,444
Increase (decrease) in compensated absences		122,043		77,868
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	22,499,091	$	29,507,699
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Contributed facilities	$	-	$	2,397,530
Gain (loss) on disposition of assets	$	-	$	(16,614)
Unrealized gain (loss) from investments	$	132,916	$	(493,194)
Termination of swap by application of counterparty funds pursuant to agreement	$	-	$	4,665,996

See accompanying notes to the financial statements

NOTES TO **FINANCIAL STATEMENTS**

(1) Summary of Significant Accounting Policies

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

The mission of the District is to provide a safe and reliable supply of high quality water to the communities it serves. The District's customers consist of nine agencies, private and public, within its 185-square mile service area. The District provides drinking and recycled water and water efficiency programs to its customers.

Basis of Accounting

The District financial statements are comprised of the Comparative Statements of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Net Position, the Comparative Statement of Cash Flows and the notes to the financial statements.

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

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

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

The District has elected to not apply the option in Paragraph 7 of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Activities" and as a consequence will continue to apply GASB statements and interpretations.

The accompanying financial statements reflect the implementation of GASB Statement No. 63. Significant impacts of GASB Statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of net position to add separate sections for deferred *inflows of resources* and *deferred outflows of resources* certain balances that were previously reported as assets and liabilities.

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

Cash and Cash Equivalents - For purposes of the statements of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

(1) Summary of Significant Accounting Policies (Continued)

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

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

Capital assets - Capital assets are classified into two major criteria of the business:

Capital assets used to support General Administration must meet (2) conditions:

1. Each individual item has a cost of $3,000 or more or a group of same type assets has a cost of $5,000 or more; and
2. Useful life of at least three years

Capital assets used to support infrastructure and other construction projects must meet (2) conditions:

1. Each individual item or component unit has a cost of $10,000 or more; and
2. Useful life of at least three years

All purchased or constructed capital assets are reported at historical cost. Contributed assets are reported at fair market value on the date received. Replacements, refurbishments and other capital outlays that significantly extend the useful life of an asset by at least three years and the cost of the individual project is $10,000 or more are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	Useful Life
Water facilities	3 - 75 years
Buildings and improvements	3 - 40 years
Furniture, fixtures and equipment	3 - 10 years

Depreciation aggregated $17,207,078 for the year ended June 30, 2013.

Construction in progress includes demonstration facilities that were constructed to test and validate ocean-water desalination methodologies to be used in a future completed facility. These costs are considered by management to be integral and necessary to the successful completion and installation of a future desalination facility.

Amortization - Bond issuance costs, bond discounts, bond premiums and the deferred amount on refunding are being amortized on the straight line method over periods not to exceed debt maturities. Amortization expense aggregated $314,657 for the year ended June 30, 2013.

Classification of liabilities - Certain liabilities which are currently payable have been classified as restricted because they will be funded from restricted assets.

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences - Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

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

Capital contributions - Capital contributions for the fiscal year ended June 30, 2013 are as follows:

Capital grants and contributions (cash)	$ 1,168,612
Capital-recovery charges	7,359,671
Total	$ 8,528,283

Capital grants and contributions (cash) - The District receives grants from Los Angeles Department of Water and Power and other agencies for several ongoing projects.

Capital-recovery charges (recycling operations) - The District receives fixed payments from major recycled water customers, which are intended to cover the cost of recycled water facilities owned by the District, that were exclusively constructed to meet their recycling needs. The fixed payments will continue through 2025, as the existing contracts expire.

Risk management - The District is a member of the Association of California Water Agencies (ACWA) Joint Powers Insurance Authority ("Insurance Authority"). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The ACWA-Insurance Authority board is composed of representatives from a number of water districts, including West Basin.

At June 30, 2013 the District participated in the self-insurance programs of the Insurance Authority as follows:

Property loss - The Insurance Authority has pooled self-insurance up to $100,000 per occurrence and has purchased excess insurance coverage up to $100,000,000 (total insurable value of $242,445,367). The District has a $25,000 deductible for buildings, personal property and fixed equipment and a $1,000 deductible on mobile equipment.

(1) Summary of Significant Accounting Policies (Continued)

General liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage up to $58,000,000.

Auto liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage up to $58,000,000.

Public officials' liability - The Insurance Authority has pooled self-insurance up to $2,000,000 and has purchased excess insurance coverage up to $58,000,000.

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

At June 30, 2013 the District also had insurance coverage with Alliant Insurance for crime up to $3,000,000, with a $100,000 deductible.

(2) Cash and investments

Cash and investments held by the District were comprised of the following at June 30, 2013:

	Maturity in Year			
	1 Year or Less	**1 - 5 Years**	**More than 5 Years**	**Total**
Local agency investment fund	$20,506,654	$ -	$ -	$20,506,654
Money market mutual funds	4,908,419	-	-	4,908,419
Deposits with financial institutions	2,067,406	-	-	2,067,406
Investments:				
United States agency securities	13,902,573	10,135,490	-	24,038,063
United States treasury securities	-	3,253,215	-	3,253,215
Corporate notes	952,550	2,892,691	-	3,845,241
Guaranteed investment contracts	-	-	1,527,601	1,527,601
Total cash and investments	$42,337,602	$16,281,396	$1,527,601	$60,146,599

Financial Statement Classification:	
Current assets:	
Cash and cash equivalents	$22,585,030
Investments	31,136,519
Restricted assets:	
Cash and cash equivalents	4,889,798
Investments	1,527,601
Custodial cash	7,651
Total Cash and Investments	$60,146,599

The statement of cash flows has been prepared by considering the following deposits and investment instruments to be cash and cash equivalents:

Local agency investment fund	$20,506,654
Money market mutual funds	4,908,419
Deposits with financial institutions	2,067,406
Total cash and cash equivalents	$27,482,479

(2) Cash and investments (Continued)

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	5 year	None	None
U.S. agency securities	5 year	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Certificates of deposit	5 year	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base value	None
Medium-term notes	5 year	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 year	20%	None
LAIF	N/A	None	None

The District's investment policy is more restrictive than the California Government Code. The District's investment policy restricts investment in prime bankers acceptances to 15% of the portfolio and no more than 15% of this category may be invested in any one commercial bank's acceptances. For Commercial paper, the District allows no more than 5% of the portfolio may be invested in any one issuer.

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

(2) Cash and investments (Continued)

Authorized Investment Type	**Maximum Maturity**	**Maximum Percentage Allowed**	**Investment in One Issuer**
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Bankers acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Guaranteed investment contracts	30 year	None	None

Disclosures relating to interest rate risk – Interest rate risk is defined as changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its Investment Policy, the District manages its exposure to interest rate risk by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time. This provides the necessary cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity as of June 30, 2013.

Disclosures relating to credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. In accordance with its Investment Policy, the District only purchases investments that are rated "A" or higher by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment under current assets and restricted assets.

Investment	**Minimum Legal Rating**	**Rating as of Year End Standard & Poor's**
U.S. agency securities	N/A	AA+
U.S. treasury securities	N/A	AAA
LAIF	N/A	Not Rated
Money market mutual funds	N/A	Not Rated
Corporate notes	A	A and AA+
Commercial paper	A-1	A-1 and A-1+
Held by bond trustee:		
Money market mutual funds	N/A	A-1+ and AAA
Guaranteed investment contracts	N/A	Not Rated

(2) Cash and investments (Continued)

Concentration of credit risk - Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

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

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	U.S. agency securities	$ 8,178,347
Federal Home Loan Mortgage Association	U.S. agency securities	15,859,716
		$24,038,063

Cash and investments in the amount of $1,527,601 (including amounts held by bond trustee) are held in the form of a non-negotiable guaranteed investment contract issued by FSA Capital Management Services that matures on August 1, 2027.

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker) the District 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.

Investment in state investment pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of 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.

(3) Restricted assets

Restricted assets were provided by, and are to be used for, the following at June 30, 2013:

Funding source	Use	
Refunding Certificates of Participation and Refunding Revenue Bonds	Bond Payment	$6,452,120
Custodial receipts	Custodial costs	7,651
		$6,459,771

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 necessary.

(4) Capital assets

The investment in capital assets consists of the following at June 30, 2013:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets, not being depreciated:				
Land - Recycling facilities	$ 23,541,078	$ -	$ -	$ 23,541,078
Land – Carson	1,670,568	-	-	1,670,568
Discharge Capacity	621,189	-	-	621,189
Construction-in-progress	103,279,199	40,313,689	(8,062,533)	135,530,355
Total capital assets, not being depreciated	129,112,034	40,313,689	(8,062,533)	161,363,190
Capital assets, being depreciated:				
Building – Carson	2,343,574	-	-	2,343,574
Building improvement	948,069	53,370	-	1,001,439
Potable distribution system	1,241,681	-	-	1,241,681
Education center	548,067	-	-	548,067
Recycling facilities	482,149,227	7,125,274	-	489,274,501
Groundwater desalting facility	4,904,462	-	-	4,904,462
Machinery and equipment	2,123,786	136,200	-	2,259,986
Furniture and fixtures	408,974	-	-	408,974
Total capital assets, being depreciated	494,667,840	7,314,844	-	501,982,684
Less accumulated depreciation:				
Building – Carson	(460,903)	(93,743)	-	(554,646)
Building improvement	(78,474)	(78,490)	-	(156,964)
Potable distribution system	(93,126)	(62,084)	-	(155,210)
Ocean desalination education center	(91,345)	(60,896)	-	(152,241)
Recycling facilities	(153,000,563)	(16,507,489)	-	(169,508,052)
Groundwater desalting facility	(1,822,514)	(185,210)	-	(2,007,724)
Machinery and equipment	(1,006,585)	(187,812)	-	(1,194,397)
Furniture and fixtures	(321,949)	(31,354)	-	(353,303)
Total accumulated depreciation	(156,875,459)	(17,207,078)	-	(174,082,537)
Total capital assets, being depreciated, net	337,792,381	(9,892,234)	-	327,900,147
Total capital assets, net	$466,904,415	$30,421,455	$(8,062,533)	$489,263,337

(5) Long-term liabilities

The following amounts of long term liabilities were outstanding June 30, 2013:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Current Portion
2003A Refunding Revenue Certificates of Participation	$ 43,062,570	$ -	$(43,062,570)	$ -	$ -
2008A Adjustable Rate Refunding Revenue Certificate of Participation	32,090,000	-	(2,025,000)	30,065,000	2,075,000
2008B Refunding Revenue Certificate of Participation	125,168,090	-	(3,136,756)	122,031,334	3,335,000
2010A Adjustable Rate Revenue Certificates of Participation	10,000,000	-	-	10,000,000	-
2011A Refunding Revenue Bonds	38,171,700	-	(669,520)	37,502,180	350,000
2011B Refunding Revenue Bonds	64,882,999	-	(325,272)	64,557,727	-
2012A Refunding Revenue Bonds	56,710,494	-	(375,616)	56,334,878	-
2013A Refunding Revenue Bonds	-	18,194,771	-	18,194,771	-
Subtotal	370,085,853	18,194,771	(49,594,734)	338,685,890	5,760,000
Deferred Amount on Refunding	(13,563,991)	(299,233)	1,783,048	(12,080,176)	-
Compensated Absences	978,606	422,936	(300,894)	1,100,648	311,557
Interest rate swaps	5,448,633	-	(1,589,338)	3,859,295	-
Total	$362,949,101	$18,318,474	$(49,701,918)	$331,565,657	$6,071,557

2003A Refunding Revenue Certificates of Participation - In October 2003, the Financing Corporation issued $156,085,000 Refunding Revenue Certificates of Participation ("2003 Refunding Revenue Certificates of Participation") to assist the District in financing and refinancing certain facilities within the District's recycled water system, to fund a deposit to the reserve fund, to fund capitalized interest, and to pay costs of delivery of the 2003 Refunding Revenue Certificates. During the fiscal year the District refunded the 2003A Refunding Revenue Certificates.

The 2003A Refunding Revenue Certificates have interest rates from 4.0% to 5.25% with maturities through August 2030. The amount of bonds outstanding at June 30, 2013 totaled $0.

(5) Long-term liabilities (Continued)

2008A adjustable rate refunding revenue certificates of participation - In May 2008, the Financing Corporation issued $39,465,000 ($21,110,000 series 2008A-1 and $18,355,000 series 2008A-2) Adjustable Rate Refunding Revenue Certificates of Participation ("2008A Adjustable Rate Refunding Revenue Certificates") to assist the District in refinancing certain facilities of the District previously financed and refinanced from the proceeds of the 2004 and 2007 Adjustable Rate Refunding Revenue Certificates, to fund a reserve fund, and to pay costs of delivery of the 2008A Adjustable Rate Refunding Revenue Certificates.

Both 2008A-1 and 2008A-2 have interest rates that are remarketed on a weekly basis (0.14% at June 30, 2013). The amount of bonds outstanding at June 30, 2013 totaled $30,065,000.

2008B refunding revenue certificates of participation - In May 2008, the Financing Corporation issued $128,665,000 Refunding Revenue Certificates of Participation ("2008B Refunding Revenue Certificates") to assist the District in financing and refinancing certain facilities of the District previously financed and refinanced from the proceeds of the 2003 Adjustable Rate Revenue Certificates, to purchase a reserve fund financial guaranty insurance policy for deposit in the Reserve Fund, and to pay costs of delivery of the 2008 Refunding Revenue Certificates.

The 2008B Refunding Revenue Certificates have interest rates ranging from 3.0% to 5.0% with maturities through August 2031. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	$119,920,000
Unamortized premium	2,111,334
Net liability	$122,031,334

2010A adjustable rate revenue certificates of participation - In June 2010, U.S. Bank National Association agreed to extend up to $40,000,000 authorization credit to the District on a revolving basis through the purchase of West Basin Municipal Water District Adjustable Rate Revenue Certificates of Participation, Series 2010 (the *"Certificate"*), evidencing undivided interests in Installment Payments to be paid by the District under an Installment Purchase Agreement dated June 1, 2010 (the *"Installment Purchase Agreement"*), by and between the District and the Financing Corporation, prior to the commitment termination date (no later than June 14, 2016). The interest paid on the utilized portion of the Certificate is based on fixed rate and adjusted LIBOR rate of .14% at June 30, 2013. The District also pays facility fee on the unutilized portion of the Certificate, which is based on the fixed rate. The amount of certificates outstanding at June 30, 2013 totaled $10,000,000.

(5) Long-term liabilities (Continued)

2011A refunding revenue bonds - In September 2011, the District issued $34,190,000 Refunding Revenue Bonds ("2011A Refunding Revenue Bonds") to assist the District in refinancing a portion of certain facilities of the District previously financed and refinanced from the proceeds of the 2003A Refunding Revenue Certificates of Participation, to refinance certain facilities of the District previously financed from the proceeds of the State of California loan, and to pay costs of delivery of the 2011A Refunding Revenue Bonds.

The 2011A Refunding Revenue Bonds have interest rates ranging from 2.5% to 5.0% with maturities through August 2024. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	$33,850,000
Unamortized premium	3,652,180
Net liability	$37,502,180

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

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

Bonds outstanding	$60,275,000
Unamortized premium	4,282,727
Net liability	$64,557,727

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

(5) Long-term liabilities (Continued)

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

Bonds outstanding	$50,325,000
Unamortized premium	6,009,878
Net liability	$56,334,878

2013 A refunding revenue bonds - The 2013A Refunding Revenue Bonds were issued during the fiscal year to refund all of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2003A. The difference between the remaining debt service on the defeased debt and the debt service on the 2013A refunding revenue bonds was $1,878,894. The economic gain (difference between the present values of the old and new debt service requirements) resulting from the transaction was $1,913,779.

The Bonds have interest rates ranging from 2.0% to 4.0% with maturities through August 2016. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	$17,165,000
Unamortized premium	1,029,771
Net liability	$18,194,771

Defeased Debt Outstanding - In the current year and in prior years, the District defeased certain certificates of participation by placing the proceeds of certain revenue bonds in an irrevocable trust to provide for all future debt service payments on the old certificates of participation. Accordingly, the trust account assets and the liabilities for the defeased debt are not included in the District's financial statements.

Debt Coverage - The District has pledged revenues, net of specified operating expenses, as security for debt service associated with indebtedness incurred to finance various capital facilities of the District. The bonds are payable solely from net revenues and are payable through fiscal year 2037. For the year ended June 30, 2013, debt coverage (net revenues divided by senior debt service) for senior debt was approximately 2.33. Debt coverage (net revenues divided by total debt service) for all debt was approximately 1.55.

(5) Long-term liabilities (Continued)

Debt Service Requirements - of the Certificates of Participation (not including the 2010 Adjustable rate revenue certificates of participation) subsequent to June 30, 2013 are as follows:

	Certificates of Participation			Refunding Revenue Bonds		
	Principal	Interest	Hedging Derivatives, Net	Principal	Interest	Total
2013/14	$5,410,000	6,739,292	1,042,558	350,000	6,870,926	20,412,776
2014/15	5,600,000	6,596,944	974,069	9,275,000	7,306,050	29,752,063
2015/16	5,840,000	6,434,042	899,777	9,480,000	7,096,400	29,750,219
2016/17	6,125,000	6,082,023	824,810	5,515,000	6,720,950	25,267,783
2017/18	6,250,000	5,904,216	742,322	6,105,000	6,500,350	25,501,888
2018/19	6,485,000	5,709,318	661,347	6,345,000	6,256,150	25,456,815
2019/20	6,750,000	5,373,269	575,713	6,580,000	6,012,700	25,291,682
2020/21	7,005,000	5,186,067	487,488	6,810,000	5,794,250	25,282,805
2021/22	7,275,000	4,853,967	393,335	7,125,000	5,493,750	25,141,052
2022/23	7,770,000	4,552,448	298,059	7,480,000	5,137,500	25,238,007
2023/24	8,425,000	4,180,924	245,850	7,780,000	4,776,000	25,407,774
2024/25	8,805,000	3,776,836	201,429	8,150,000	4,387,000	25,320,265
2025/26	9,230,000	3,355,159	154,975	8,720,000	4,010,500	25,470,634
2026/27	9,700,000	2,916,747	107,839	8,915,000	3,574,500	25,214,086
2027/28	10,085,000	2,442,592	57,909	9,435,000	3,149,250	25,169,751
2028/29	9,105,000	1,957,275	8,271	9,910,000	2,677,500	23,658,046
2029/30	9,555,000	1,506,250	-	10,410,000	2,182,000	23,653,250
2030/31	10,035,000	1,028,500	-	4,080,000	1,661,500	16,805,000
2031/32	10,535,000	526,750	-	4,285,000	1,457,500	16,804,250
2032/33	-	-	-	4,500,000	1,243,250	5,743,250
2033/34	-	-	-	4,725,000	1,018,250	5,743,250
2034/35	-	-	-	4,960,000	782,000	5,742,000
2035/36	-	-	-	5,210,000	534,000	5,744,000
2036/37	-	-	-	5,470,000	273,500	5,743,500
	$149,985,000	79,122,619	7,675,751	161,615,000	94,915,776	493,314,146

(6) Defined benefit pension plan

PERS:

The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

All full-time District employees are eligible to participate in PERS with benefits vesting after five years of service. For employees hired prior to January 1, 2013 (Tier I), the maximum PERS benefit is calculated based on the formula of 3 percent at age of 60. Employees hired on or after January 1, 2013 (Tier II) who have not already been a member of a pension system are subject to the California Public Employees' Pension Reform Act of 213 (PEPRA), which was signed by the governor on September 12, 2012. This legislation establishes a new pension tier with the formula of 2 percent at age 62 with benefits calculated on the highest average annual compensation over a consecutive thirty-six-month period.

Contributions – Tier I employees are required to contribute 8% of their annual covered salary to the cost-sharing multiple-employer defined benefit plan. The District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2013 is 15.450% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors in conjunction with applicable labor contracts. The District's employer contributions to the plan for the years ending June 30, 2011, 2012, and 2013 were $522,633, and $608,017 and $632,727. The contributions for the year ended June 30, 2013 were based on an actuarial with a valuation date of June 30, 2010.

Tier II employees are required to contribute 6.5% of their annual covered salary to the cost-sharing multiple-employer defined benefit plan. The District is required to contribute 6.7% of annual covered payroll.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010.

Schedule of Employer Contribution

Fiscal Year	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	$ 522,633	100%	$-0-
6/30/12	608,017	100%	-0-
6/30/13	632,727	100%	-0-

Effective with the 6/30/2003 valuation, risk pools were established for plans containing less than 100 active members as of the valuation date. In general, plans satisfying this criteria were lumped into pools based on their benefit formula and membership category (safety/miscellaneous). In total, ten risk pools, including the Agency's, were established for the 6/30/2003 valuation.

6) Defined benefit pension plan (Continued)

PARS:

The District has established a defined benefit, single-employer retirement plan that provides a pension benefit for full time Directors who retire from the District after July 1, 2002, who are at least age 50 with 5 or more years of continuous service, and who have not been a CalPERS member prior to January 1, 2003. The Plan also provides for a supplemental retirement benefit to full time Directors who retire from the District after July 1, 2002, who have assumed office on or after January 1, 1995, who are at least age 55 with 12 or more years of continuous service, and who are not eligible for another District retiree benefit.

This plan is administered for the District through a third party administrator, PARS. Copies of PARS' annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

The pension benefit starts at 2% of the highest average annual salary for a one year period of employment with the District at age 50, increases by 0.1% for each year after age of 50, capped at 3% at 60. This benefit is increased by a 2% annual Cost of Living Adjustment (COLA) after retirement. The Supplemental benefit is a $5,000 annual benefit, which is increased by the all-urban CPI (U.S. city average). The District contributes to each benefit on behalf of the eligible directors.

The actuarial assumptions used for the report are listed in below:

Asset Valuation Method:	Smoothed market value
Discount rate:	5.5%, a decrease from the 6.0% assumed previously
Mortality:	Post-retirement mortality rates are from the CalPERS' 1997-2007 Experience Study
General Inflation:	3%
Aggregate payroll Increase:	3.25%
Termination:	None assumed
Salary Scale:	Individual payroll increases are the lesser of 5% and inflation
Retirement Age:	Employees will immediately retire upon the later of eligibility for benefits (which is usually the expiration of the third term on the Board), or end of the current term on the Board

The actuarial methods used are listed in below:

Cost Method: Entry Age Normal Level % of Pay.

The Unfunded Liability Amortization is calculated by using:

- The plan's June 30, 2006 Fresh Start Unfunded Actuarial Accrued Liability (UAAL) has 10 years remaining as of 2012/13
- Gains and losses are amortized over 15 years (closed)
- Plan changes, assumption and method changes are amortized over 20 years (closed)
- Maximum 30 years combined amortization period

(6) Defined benefit pension plan (Continued)

PARS:

The Actuarial Value Assets are calculated by using:
- Asset gains/losses recognized over 5 years
- Corridor: 80% & 120% of market value

The schedule below shows the results of the actuarial assumptions and methods used for the report:

Schedule of Funding Progress (amounts in $000's)

Actuarial Covered Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Accrued Liabilities (b-a)	Funded Ratio (a/b)	Annual Funded Payroll (c)	Ratio of Unfunded Liability to Annual Covered Payroll (b-a)/c)
6/30/08	$ 479	$ 579	$ 100	82.7%	$ 152	65.8%
6/30/10	709	832	123	85.2%	156	78.8%
6/30/12	986	1,097	111	89.9%	169	65.7%

The District's funding policy is to make the contribution as determined by the Plan's actuary, expressed as a percentage of total Director's payroll. The Plan's annual pension cost for the fiscal year ending June 30, 2013 is based on an actuarial valuation as of June 30, 2012. For the fiscal year ending June 30, 2013, the District's annual pension cost is $125,000 or 73.9% of the projected total Director payroll. The District contributed $111,893 to the plan.

The required schedule of funding progress immediately following presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Employer Contribution

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Obligation (Asset)
2011	$ 104,000	94%	$ 6,362
2012	104,000	106%	-
2013	125,000	90%	12,871

(7) Other post-employment benefits (OPEB)

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

District's Funding Policy: The District adopted GASB 45 in its fiscal year 2007/08. Based on the actuarial report, the District contributes Annual Required Contribution of the Employer required contribution of the employer (ARC) to the California Employer's Retirement Benefit Trust (CERBT) administered by CalPERS.

CERBT holds irrevocable employer contributions in a trust restricted for benefits under this program. Separate financial statements are published by CERBT to conform to GASB Statement No. 43. Copies of CERBT annual financial report can be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for these benefits:

Annual required contribution	$ 487,300
Interest on net OPEB obligation	(49,472)
Adjustment to annual required contribution	37,875
Annual OPEB cost (expense)	475,703
Contributions made (including retiree premiums paid)	(487,300)
Increase (decrease) in net OPEB obligation	(11,597)
Net OPEB obligation (asset) - beginning of year	(653,350)
Net OPEB obligation (asset) - end of year	$ (664,947)

(7) Other post-employment benefits (Continued)

This table summarizes the District's annual OPEB costs, annual OPEB contribution, cash directly paid to retired employees, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation from FY 2011 to FY 2013.

Year Ended	Annual OPEB Cost	Annual OPEB Contributed/Paid	% of Annual OPEB Contributed/Paid	Net OPEB Obligation (Asset)
6/30/2011	$ 305,558	$ 305,558	100%	$ (653,350)
6/30/2012	471,960	471,960	100%	(653,350)
6/30/2013	475,703	487,300	102%	(664,947)

Funding Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the plan was 49% funded. The table below shows the Funding Progress.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
7/1/07	$ -	$ 2,012,000	$ 2,012,000	0%	$ 2,915,179	69.02%
7/1/09	1,084,341	2,456,093	1,371,752	44%	3,285,222	41.76%
7/1/11	2,180,681	4,466,071	2,285,390	49%	3,647,096	62.66%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

(7) Other post-employment benefits (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Method. The actuarial assumptions included a 7.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and annual cost trend rate of 9.5% for medical plan premiums initially, reduced by decrements of 0.5% per year to an ultimate rate of 5% after the ninth year. The plan values its assets at market value. All the rates included a 3.25% inflation assumption. The UAAL is being amortized over 30 years using a level-of-projected payroll basis on a closed basis. It is assumed the District's payroll will increase 3.25% per year.

(8) Commitments and contingencies

The District has entered into various contracts for the purchase of material, construction of the utility plant, professional and non-professional services. Certain amounts are based on the contractor's estimated cost to complete. At June 30, 2013 the total unpaid amount on these contracts is approximately $16,865,000. These commitments may be funded from restricted assets.

(9) Swap transaction agreements

In June, 2004, District entered into a swap transaction in the original notional amount of $22,875,000 for the purpose of hedging the variable interest rate that related to one of the District's Revenue Certificates of Participation at the time. This swap was executed and confirmed on June 8, 2004. In 2008, District refinanced this Revenue Certification to 2008A-1 Refunding Revenue Certificates of Participation and the swap was amended and restated as of June 6, 2008 for the original notional amount of $22,875,000. The agreement is scheduled to terminate August 1, 2027 unless terminated earlier. Under the amended and restated swap transaction, the District pays a fixed rate of 3.662% and receives 65% of the British Bankers Association - London Interbank offered rate (BBA - LIBOR). The fair market value of this swap was ($2,530,291) based on the market interest rates as of June, 30, 2013.

(9) Swap transaction agreements (Continued)

Also in April, 2005, District entered into a swap transaction in the notional amount of $18,175,000 for the purpose of hedging the variable interest rate that related to another District's Revenue Certificates of Participation at the time. This swap was executed on June 7, 2004. In 2008, District refinanced this Revenue Certification to 2008A-2 Refunding Revenue Certificates of Participation and the swap was amended and restated as of May 22, 2008 for the original notional amount of $18,175,000 and is scheduled to terminate August 1, 2021, unless terminated earlier. Under the amended and restated swap transaction, the District pays a fixed rate of 3.515% and receives the floating rate of 65% of BBA - LIBOR. The fair market value of this swap was ($1,329,004) based on the market interest rates as of June, 30, 2013.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands):

	Changes in Fair Value		Fair Value at June 30, 2013		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Business-type activities					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	$ (1,060)	Debt	$ (2,530)	$17,025
Pay-fixed interest rate swap	Deferred outflow	$ (529)	Debt	$ (1,329)	$12,725

The fair value of each of the above interest rate swap agreements has been reported as a liability in the accompanying statement of net position. Swap agreements that have a strong correlation to the debt agreement of the District to which they relate and that meet the hedge accounting criteria of GASB No. 53 have been accounted for as cash flow hedges. Under hedge accounting, the changes in fair value associated with cash flow hedges are recorded on the statement of net assets as deferred outflows of financial resources (an asset).

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

(9) Swap transaction agreements (Continued)

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating*
Pay-fixed interest rate swap	Hedge of the variable rate interest exposure relating to the Refunding Revenue Certificates of Participation Series 2008A-1.	$17,025	5/22/08	8/01/27	Pay 3.662%; receives 65% of the BBA-LIBOR	A-
Pay-fixed interest rate swap	Hedge of the variable rate interest exposure relating to the Refunding Revenue Certificates of Participation Series 2008A-2.	$12,725	5/22/08	8/01/21	Pay 3.515%; receive floating rate of 65% of BBA-LIBOR	A-

* S&P rating of subordinated debt for Citibank, N.A.

Credit risk. The District is exposed to credit risk on hedging derivative instruments. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty, or its guarantor, not have credit ratings from two nationally recognized rating agencies in at least the two highest rating categories. Collateral posted is to be in the form of cash, U.S. Treasury Securities or Agency Securities rated "Aaa" or "AAA" by two of the nationally recognized rating agencies held by a third-party custodian.

Interest rate risk. The District is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR decreases, the District's net payment on the swap increases. In addition, on its basis interest rate swap, as LIBOR decreases or the SIFMA swap index increases, the District's net payment on the swap increases.

Basis risk. The District is exposed to basis risk on its interest rate swaps. For its pay-fixed and receive-variable interest rate swaps, the variable-rate payments received by the District on these hedging derivative instruments are based on 65 percent of one-month LIBOR index, reset every month, rather than the interest rates the District pays on its hedged variable-rate debt, which are remarketed every 7 days. As of June 30, 2013, the interest rate on the District's hedged variable-rate debt was 0.19 percent, while 65% of LIBOR was approximately 0.13%.

Termination risk. The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In such event, the District may either receive or owe a payment to the counterparty. The amount and the direction of the payment is dependent on swap interest rates and ratios and is reflects the value of the swap at the time of such termination. As of June 30, 2013, the District would owe $3,859,295 if its two swaps were terminated.

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STATISTICAL SECTION

STATISTICAL **SECTION**

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

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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 1: **NET POSITION**

Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Net Investment In Capital Assets (3)	Unrestricted	Total Net Position (3)
2004	$78,504	$86,173	$164,677
2005	84,855	96,216	181,071
2006	92,636	95,923	188,559
2007	108,085	89,200	197,285
2008	123,492	79,476	202,968
2009	135,653	66,928	202,581
2010	138,496	55,514	194,010 (1)
2011	142,314	58,122	200,436 (2)
2012	152,042	62,585	214,627
2013	174,081	54,470	228,551

(1) Fiscal Year 2010 beginning Net Position were restated due to the deduction of $3.6 million in Construction-In-Progress account and per GASB No. 53 requirements, the fair value of nonhedged swap ($15.7M) at the end of the Fiscal Year 2009 was recorded in Fiscal Year 2010.

(2) Fiscal Year 2011 beginning Net Position were restated in Fiscal Year 2012 to reflect the deduction of $1.2 million in Construction-In-Progress account in Fiscal Year 2008.

(3) In Fiscal Year 2013, West Basin adopted GASB No. 63, the name of this worksheet reflects the change to Net Position.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 2: **CHANGES IN NET POSITION**

Last Ten Fiscal Years *(In Thousands)*

	Operating Revenue (Loss)			Nonoperating Revenue (loss)			
Fiscal Year Ended June 30,	Operating Revenues (1)	Operating Expenses (2)	Operating Revenue (Loss)	Standby Charges	Investment Income (8)	Realized Gain (Swap Termination) (3)	Grant Income Misc Inc (Exp) Loss on Disposal (4)
2004	$94,924	$97,751	$(2,827)	$9,724	$433	$ -	$(140)
2005	91,913	97,091	(5,178)	9,669	2,669	-	396
2006	95,486	104,191	(8,705)	9,785	2,230	-	(1,588)
2007	105,289	113,094	(7,805)	9,659	4,555	-	1,081
2008	106,072	115,260	(9,188)	9,365	3,581	-	207
2009	107,704	119,924	(12,220)	9,701	3,093	-	243
2010	130,623	138,786	(8,163)	9,679	1,426	-	(808)
2011	134,352	144,604	(10,252)	9,899	1,216	-	567
2012	146,147	147,932	(1,785)	9,632	1,323	4,916	546
2013	164,216	162,390	1,826	9,805	2,872	-	100

(1) Further detail is shown on Table 3 - "Operating Revenues by Source"

(2) Further detail is shown on Table 4 - "Operating Expenses by Source"

(3) One interest rate swap is terminated resulting in 4.9M realized gain.

(4) In Fiscal Year 2006, there is $1.5 million loss from the disposition of capital assets.

(5) Increase due to the debt refinancing in FY 2008, of its auction rate securites to fixed rate debt due to the volatility in the variable rates. The interest expense declined in Fiscal Year 2012 and 2013 due to refinacing its 2003A Refunding Certificates of Participation

(6) Effective Fiscal Year 2010, GASB 53 states that the swap agreements that do not conform to the hedge accounting criteria referred to as investment derivatives. The changes in fair value associated with investment derivative are reported as a gain or loss in the statement of revenues, expenses and changes in net assets. West Basin terminated this type of the swap in Fiscal Year 2012.

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

(8) In Fiscal Year 2013, West Basin sold a $12.1M guaranteed investment contract (GIC) investment for the 2003A debt serivce reserve fund and realized a gain of $2.0M on this transaction.

(continued)

TABLE 2: **CHANGES IN NET POSITION** (continued)

Last Ten Fiscal Years *(In Thousands)*

	Nonoperating Revenue (loss)					
Fiscal Year Ended June 30,	Interest Expense	Change in fair value of swap (nonhedged)	Total Nonoperating Revenue (Loss)	Income (Loss) Before Contributions	Capital Contributions	Change in Net Position
	(5)	(6)			(7)	
2004	$(7,179)	$ -	$2,838	$11	$11,388	$11,399
2005	(10,195)	-	2,539	(2,639)	19,033	16,394
2006	(10,593)	-	(166)	(8,871)	16,359	7,488
2007	(9,101)	-	6,194	(1,611)	10,337	8,726
2008	(9,808)	-	3,345	(5,843)	10,332	4,489
2009	(13,848)	-	(811)	(13,032)	9,069	(3,963)
2010	(12,498)	5,702	3,501	(4,662)	15,319	10,657
2011	(12,038)	5,033	4,675	(5,577)	13,196	7,619
2012	(11,002)	-	5,413	3,631	10,560	14,191
2013	(9,209)	-	3,566	5,395	8,528	13,923

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WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 3: **OPERATING REVENUES BY SOURCE**

Last Ten Fiscal Years *(In Thousands)*

	Water Sales				
Fiscal Year Ended June 30,	Potable, Barrier & CC (1)	Recycled & LRP (2)	Desalting & GRP (3)	Conservation and Monitoring	Total
2004	$78,797	$15,826	$ -	$301	$94,924
2005	76,021	15,528	-	364	91,913
2006	79,299	15,680	-	507	95,486
2007	84,978	19,627	65	619	105,289
2008	82,404	22,890	352	426	106,072
2009	82,569	23,599	566	970	107,704
2010	101,365	28,012	334	912	130,623
2011	106,427	26,382	802	741	134,352
2012	114,974	29,258	1,074	841	146,147
2013	129,607	32,629	879	1,101	164,216

(1) Includes non-interruptible, seasonal storage, seawater barrier and Capacity Charge (CC). In Fiscal Year 2010, non-interruptible and seawater barrier water rate increased 21% over the prior year.

(2) Includes recycled sales and incentives from Metropolitan Water District of Southern California Local Resource Programs (LRP) which offers $250 incentive per acre-foot of the recycled water sold. Explanation of the fluctuations in recycled water sales is on Table 10 - "Recycled Water Sales in Acre-Feet".

(3) Includes desalting water sales and incentives from Metropolitan Water District of Southern California Groundwater Recovery Program (GRP) which offers $250 incentive per acre-foot of the desalting water sold. This incentive ended in Fiscal Year 2013. Explanation of the fluctuations in desalting water sales is on Table 8 - "All Water Deliveries in Acre-Feet ".

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 4: **OPERATING EXPENSES BY SOURCE**

Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Source of Supply	Water Recycling Costs	Desalting Operations	Communications and Monitoring
	(1)	(2)	(3)	(5)
2004	$70,944	$14,193	$167	$2,095
2005	69,609	13,719	69	2,509
2006	73,089	14,899	72	2,487
2007	77,828	17,317	137	2,309
2008	75,470	20,709	440	3,123
2009	76,153	21,528	481	4,476
2010	92,276	23,477	551	4,360
2011	94,855	25,277	668	4,643
2012	99,019	23,595	901	4,940
2013	110,530	27,103	892	4,731

(1) Includes water purchases from Metropolitan Water District of Southern California, capacity charges, and readiness-to-serve. MWD increases are passed on to West Basin customers. In Fiscal Year 2010, Metropolitan Water District of Southern California's water rate increased 21% over the prior year.

(2) Represents West Basin's costs to operate and maintain its recycling facilities.

(3) Represents district's costs to operate and maintain its brackish desalting facility.

(4) Increases/decreases in general and administrative (G&A) expenses were in accordance with budgeted amounts. In 2006 and 2007, the increase in general and administrative expenses relate to significant legal expenses. Starting in 2008, the District changed its allocation methodology and began allocating all G & A costs to direct programs.

(5) The fluctuation in Fiscal Year 2008 and Fiscal Year 2013 was the result of organizational restructuring.

(continued)

TABLE 4: **OPERATING EXPENSES BY SOURCE** (continued)

Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	General and Administrative	Water Resource Planning	Depreciation and Amortization	Total Operating Expenses
	(4)	(5)		
2004	$797	$1,355	$8,200	$97,751
2005	1,113	1,732	8,340	97,091
2006	3,350	1,985	8,309	104,191
2007	1,997	3,163	10,343	113,094
2008	-	2,195	13,323	115,260
2009	-	1,096	16,190	119,924
2010	-	1,044	17,078	138,786
2011	-	893	18,268	144,604
2012	-	1,194	18,283	147,932
2013	-	1,612	17,522	162,390

TABLE 5: **CAPITAL CONTRIBUTIONS BY SOURCE**

Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Recycling Operations (1)	U.S. Army Corps of Engineers (2)	California Department of Water Resources (3)	Other (4)	Total
2004	$7,586	$3,784	$ -	$18	$11,388
2005	7,625	3,538	7,860	10	19,033
2006	7,574	7,151	1,546	88	16,359
2007	7,426	1,160	-	1,751	10,337
2008	8,229	2,061	-	42	10,332
2009	7,140	1,068	409	452	9,069
2010	7,172	7,572	126	449	15,319
2011	6,887	4,628	1,239	442	13,196
2012	7,241	2,398	94	827	10,560
2013	7,360	-	-	1,168	8,528

(1) Recycling Operations - West Basin receives fixed payments from major recycled water customers, which are intended to cover the capital costs of recycled water facilities that were exclusively constructed for them. The fixed payments will continue to 2025, as the existing contracts expire.

(2) U.S. Army Corps of Engineers - 75% of the construction costs related to the Harbor-South Bay Water Recycling Project are being paid by the U.S. Army Corps of Engineers. To date, the total contributions received was $33M. Prior period adjustments were made for Fiscal Year 2008 and Fiscal Year 2009 to reflect the correct contribution.

(3) California Department of Water Resources (DWR) - West Basin received a grant from the California Department of Water Resources to assist with the design and construction of the Sea Water Barrier Conservation and seawater desalination projects.

(4) Other - West Basin received contributions from other agencies such as Los Angeles Department of Water & Power, Tesoro (formerly BP), Southern California Edison (SCE), Metropolitan Water District of Southern California and etc. In Fiscal Year 2007, SCE provided a $1.7M incentive to the District for the installation of solar panels.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 6: **PAYORS - POTABLE WATER SALES**

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

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

2013

Customer		in US $	%
California Water Service (CalWater)		61,815	48.5%
Golden State Water Company (GSWC)	(1)	17,625	13.8%
Water Replenishment District (WRD)		12,055	9.5%
City of El Segundo		10,202	8.0%
Los Angeles County Water Works (LA County)		9,797	7.7%
City of Inglewood		8,754	6.9%
City of Manhattan Beach		3,668	2.9%
City of Lomita		2,411	1.9%
California American Water Company (CAWC)		1,059	0.8%
Total		$127,386	100.0%

2004

Customer		in US $	%
California Water Service (CalWater)		35,269	45.7%
Southern California Water Company (SCWC)	(1)	14,194	18.4%
Water Replenishment District (WRD)		9,049	11.7%
Los Angeles County Water Works (LA County)		5,394	7.0%
City of El Segundo		4,512	5.9%
City of Inglewood		3,554	4.6%
City of Manhattan Beach		2,935	3.8%
City of Lomita		1,448	1.9%
California American Water Company (CAWC)		748	1.0%
Total		$77,103	100.0%

(1) In Fiscal Year 2006 Southern California Water Company changed their name to Golden State Water Company.

TABLE 7: **PAYORS - RECYCLED WATER SALES**

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

Table below shows recycled water sales to principal customers of West Basin (excluding LRP rebate).

2013

Customer		in US $	%
City of El Segundo		8,051	31.1%
California Water Service (CalWater)		6,022	23.3%
City of Torrance		5,631	21.8%
Water Replenishment District (WRD)		3,741	14.5%
L.A. Dept of Water & Power		837	3.2%
City of Inglewood		649	2.5%
Golden State Water Company (GSWC)	(1)	604	2.3%
City of Manhattan Beach		343	1.3%
Inglewood Unified School District	(2)	-	0.0%
Total		$25,878	100.0%

2004

Customer		in US $	%
City of El Segundo		3,820	39.4%
California Water Service (CalWater)		1,835	18.9%
City of Torrance		1,803	18.6%
Water Replenishment District (WRD)		1,692	17.4%
City of Inglewood		181	1.9%
Southern California Water Company (SCWC)	(1)	129	1.3%
L.A. Dept of Water & Power		128	1.3%
City of Manhattan Beach		90	0.9%
Inglewood Unified School District		21	0.2%
Total		$9,699	100.0%

(1) In Fiscal Year 2006 Southern California Water Company changed their name to Golden State Water Company.

(2) In Fiscal Year 2012 Inglewood Unified School District purchased recycled water directly through the City of Inglewood and no longer is a direct customer to West Basin.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 8: **ALL WATER SOLD IN ACRE-FEET**

Last Ten Fiscal Years *(In Thousands)*

This table presents a summary of imported water purchases by the retail agencies from Metropolitan Water District of Southern California (MWD) through West Basin, desalted water delivered to California Water Service Company Dominguez by West Basin, recycled water delivered to the retail agencies by West Basin and groundwater pumped by retail agencies from the West Coast Basin for the last ten fiscal years.

	Potable Water							
Fiscal Year Ended June 30,	Non-Interruptible	Ground-water (1)	Saltwater Barrier (2)	Seasonal Water (3)	Total Potable Water	**Recycled** (4)	**Desalting** (5)	**All Water Deliveries**
2004	132,180	48,461	17,737	-	198,378	24,553	-	222,931
2005	129,315	44,329	11,400	-	185,044	24,070	-	209,114
2006	129,258	36,792	13,722	745	180,517	23,653	-	204,170
2007	134,800	36,424	11,162	1,982	184,368	29,250	89	213,706
2008	127,927	38,785	7,609	-	174,321	32,209	467	206,997
2009	114,294	43,835	9,774	-	167,903	29,908	682	198,493
2010	108,261	44,405	13,054	-	165,720	30,680	285	196,685
2011	102,611	44,215	13,534	-	160,360	26,419	882	187,661
2012	105,309	38,152	8,057	-	151,518	27,659	958	180,135
2013	108,550	43,303	11,320	-	163,173	29,962	825	193,960

(1) Groundwater does not represent water deliveries of West Basin. This information is included in the table above only for analysis. West Basin's deliveries of non-interruptible, saltwater barrier, and seasonal water are affected by the amount of groundwater pumped. Groundwater is purchased by the retail water agencies from the Water Replenishment District of Southern California.

(2) In Fiscal Year 2009, recycled water sales were lower due to poor source water issues. This resulted in a corresponding increase in potable water sold to the seawater barrier. In Fiscal Year 2012, sales decreased due to well and pipeline repairs performed by Los Angeles County.

(3) Seasonal Water includes (a) Seasonal Storage Long-term; (b) Seasonal Shift; (c) Seasonal Shift Contract, as applicable. In Fiscal Year 2006 and 2007, MWD offered more seasonal water, therefore increasing deliveries on this type of water. In December 2012, MWD discontinued the Seasonal Storage Program.

(4) In Fiscal Year 2009, recycled water sales were lower due to poor source water issues. This result in corresponding increase in potable water sold to the seawater barrier.

(5) Throughout Fiscal Years 2004-2007, the Desalter underwent a number of capital projects to address aging infrastructure and water quality issues.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 9: ALL WATER SALES TO CUSTOMERS PER ACRE-FOOT

Last Ten Fiscal Years

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

	2004	2005	2006	2007	2008
California American Water Company (CAWC)	1,451	1,384	682	2,272	1,725
California Water Service (CalWater)	72,395	70,014	69,999	74,498	73,917
City of El Segundo	17,074	16,360	15,767	17,062	16,950
City of Inglewood	7,549	6,884	7,816	8,882	8,339
City of Lomita	2,813	2,676	2,576	2,720	2,583
City of Manhattan Beach	5,972	5,893	6,419	6,037	5,566
City of Torrance	6,581	6,921	6,409	6,037	6,389
Golden State Water Company (GSWC)	28,024	29,377	29,689	28,270	22,935
Inglewood Unified School District	67	60	57	68	56
Los Angeles County Water Works (LA County)	10,478	9,748	9,533	10,836	10,654
L.A. Dept of Water & Power	394	283	257	335	360
Water Replenishment District (WRD) (1)	21,672	15,185	18,174	20,266	18,738
Total (2)	174,470	164,785	167,378	177,283	168,212

(1) Sales decreased due to replacement of the pressure reducing valves during Fiscal Year 2005, poor source water quality in Fiscal Year 2008 and well & pipeline repairs in Fiscal Year 2012.

(2) Overall sales decreased from Fiscal Year 2008 to 2012 due to local residents' response towards conservation/water efficiency programs to address drought conditions.

(Continued)

TABLE 9: ALL WATER SALES TO CUSTOMERS PER ACRE-FOOT (continued)

Last Ten Fiscal Years

	2009	2010	2011	2012	2013
California American Water Company (CAWC)	1,436	809	712	902	1,019
California Water Service (CalWater)	68,164	65,422	61,127	62,797	65,185
City of El Segundo	17,773	19,666	16,522	17,848	17,144
City of Inglewood	7,817	7,173	7,545	8,327	9,021
City of Lomita	2,420	2,290	2,096	2,336	2,275
City of Manhattan Beach	5,073	3,565	3,359	3,757	3,863
City of Torrance	5,876	6,445	5,785	6,352	6,634
Golden State Water Company (GSWC)	18,280	16,634	16,352	15,399	11,637
Inglewood Unified School District	63	56	-	-	-
Los Angeles County Water Works (LA County)	9,886	8,750	8,331	8,802	9,234
L.A. Dept of Water & Power	444	619	763	876	966
Water Replenishment District (WRD)	17,426	20,851	20,854	14,587	23,679
	154,658	152,280	143,446	141,983	150,657

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 10: RECYCLED WATER SALES IN ACRE-FEET

Last Ten Fiscal Years

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

Fiscal Year Ended June 30,	Number of Accounts	Chevron Refinery	Mobil Refinery	Tesoro Refinery	Total Refineries	West Coast Barrier	Title 22 Irrigation	Total
	(2)	(1)	(1)	(1)	(3)	(4)		
2004	205	7,957	6,350	3,276	17,583	3,935	3,035	24,553
2005	207	7,563	6,708	3,183	17,454	3,799	2,817	24,070
2006	216	7,004	6,130	3,191	16,325	4,383	2,945	23,653
2007	221	7,661	5,742	2,951	16,354	9,104	3,792	29,250
2008	226	7,366	6,047	4,091	17,504	11,129	3,576	32,209
2009	326	8,478	5,578	4,759	18,815	7,652	3,441	29,908
2010	354	8,492	6,146	4,708	19,346	7,797	3,537	30,680
2011	378	6,163	5,538	3,973	15,674	7,320	3,425	26,419
2012	384	6,397	6,060	5,019	17,476	6,530	3,653	27,659
2013	402	7,146	6,348	5,208	18,702	6,622	4,638	29,962

(1) Chevron refinery is located in the city of El Segundo, ExxonMobil refinery is located in Torrance, and Tesoro (formerly BP Amoco) is located in Carson.

(2) In February 2009, 100 new recycled water irrigation sites were connected.

(3) Recycled Water Sales include deliveries to refineries for nitrification, boiler feed, reverse osmosis industrial, and Reverse Osmosis Ultra. In Fiscal Year 2011, sales to all refineries were decreased due to water quality issues.

(4) Sales declined in Fiscal Year 2004 through 2006 due to barrier operating issues and poor source water quality. In October 2006, the District began injecting additional recycled water into the West Coast Barrier (up to 75%). Recycled water sales decreased in Fiscal Year 2009 to 2011 due to poor source water quality.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 11: **AVERAGE WATER RATES PER ACRE-FOOT**

Last Ten Fiscal Years

Type of Water	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Purchased from MWD (1)										
Non-interruptible	$515	$528	$560	$541	$591	$650	$773	$898	$994	$1,063
Saltwater Barrier	515	528	560	541	591	650	773	898	994	1,063
Seasonal Storage-LT	326	344	382	362	411	454	547	645	721	865
West Basin Recycled Water (2)										
Recycled- T22	$303	$303	$337	$312	$367	$438	$600	$686	$775	$840
Recycled- T22 OSA	343	343	354	379	409	480	642	728	817	882
Recycled- Barrier	430	430	430	421	440	458	501	540	553	565
Recycled- RO Industrial	549	549	568	596	633	722	913	914	1003	1,068
Recycled- RO Ultra	725	725	750	788	837	954	1195	1270	1359	1,424
Recycled- RO Nitrified	283	283	292	317	347	418	577	666	755	820
West Basin Desalting Plant (3)										
Desalted Water	$409	$451	$491	$472	$517	$608	$723	$746	$792	$840

(1) Purchased from MWD
Water rates are comprised of three components: MWD's commodity charge, West Basin's reliability service charge, and the Readiness-to-Serve (RTS) Charge. As MWD changes its rates effective January 1st, the rates presented above represent the average rates for the period covered.

(2) West Basin Recycled Water
Rates exclude MWD's Local Resources Program incentive of $250 per acre-foot of recycled water sold. For T22 water sales within and outside West Basin's service area, rate decreases as the volume of recycled water purchases increases. Rates shown above are for purchases of 0 - 25 AF per month and are adopted annually.

(3) West Basin Desalting Plant
Rates exclude MWD's Groundwater Recovery Program incentive of $250 per acre-foot of desalting water sold.

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 12: **IMPORTED WATER RATES**

For the Years Ended June 30, 2012 and 2013

Tables below delineate the fiscal years ended June 30, 2012 and 2013 water rates for West Basin and Metropolitan Water District of Southern California (MWD).

		MWD	Readiness-to-Serve Charge	West Basin Reliability Service Charge	Total
Fiscal Year Ended June 30, 2012					
July 1, 2011 to December 31, 2011					
Non-Interruptible & Barrier (Tier 1)		$744	$125	$95	$964
Non-Interruptible & Barrier (Tier 2)		869	125	95	1,089
Seasonal Storage Long-term		601	-	95	696
January 1, 2012 to June 30, 2012					
Non-Interruptible & Barrier (Tier 1)		$794	$135	$95	$1,024
Non-Interruptible & Barrier (Tier 2)		920	135	95	1,150
Seasonal Storage Long-term		651	-	95	746
Fiscal Year Ended June 30, 2013					
July 1, 2012 to December 31, 2012					
Non-Interruptible & Barrier (Tier 1)		$794	$135	$107	$1,036
Non-Interruptible & Barrier (Tier 2)		920	135	107	1,162
Seasonal Storage Long-term	(1)	651	N/A	107	758
January 1, 2013 to June 30, 2013					
Non-Interruptible & Barrier (Tier 1)		$997	$135	$107	$1,239
Non-Interruptible & Barrier (Tier 2)		847	135	107	1,089
Seasonal Storage Long-term	(1)	N/A	N/A	N/A	N/A

(1) The Seasonal Storage Program was discountinued on December 31, 2012.

TABLE 13: **OUTSTANDING DEBT TO CAPITAL ASSETS**

Last Ten Fiscal Years *(In Thousands)*

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

	OUTSTANDING DEBT			**CAPITAL ASSETS**			
Fiscal Year Ended June 30,	Certificate of Participation & Revenue Bonds	State Loan	Total LT Debt	Capitalized Assets (1)	Construction-in-Progress (2)	Total Capital Assets	Debt/ Capital Assets
2004	$339,225	$3,361	$342,586	$376,422	$12,424	$388,846	0.88
2005	334,435	3,114	337,549	378,985	41,900	420,885	0.80
2006	326,340	2,857	329,197	381,143	73,251	454,394	0.72
2007	315,290	2,593	317,883	387,074	89,738	476,812	0.67
2008	302,600	2,319	304,919	477,099	18,932	496,031	0.61
2009	293,400	2,036	295,436	483,019	29,362	512,381	0.58
2010	294,395	1,743	296,138	496,722	39,395	536,117	0.55
2011	300,050	1,440	301,490	507,066	59,081	566,147	0.53
2012 (3)	327,023	-	327,023	520,501	103,279	623,780	0.52
2013 (3)	338,686	-	338,686	527,816	135,530	663,346	0.51

(1) Amounts exclude accumulated depreciation; does not include capital assets of the Financing Authority through Fiscal Year 2007. See details at "General Operating Information".

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

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

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 14: **ANNUAL DEBT PAYMENTS TO EXPENSES**

Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Principal Payments	Interest Payments	Total Debt Payment	Operating Expenses *	Ratio Debt/ Expenses
2004	$9,925	$7,179	$17,104	$89,551	0.19
2005	5,038	10,195	15,233	88,751	0.17
2006	8,351	10,593	18,944	95,882	0.20
2007	11,315	9,170	20,485	102,751	0.20
2008	11,839	9,374	21,213	101,937	0.21
2009	9,483	12,766	22,249	103,734	0.21
2010	9,298	12,773	22,071	121,708	0.18
2011	10,448	11,989	22,437	126,336	0.18
2012	11,073	10,317	21,390	129,649	0.16
2013	12,410	8,612	21,022	144,868	0.15

* Excludes depreciation and amortization.

TABLE 15: **STANDBY CHARGE AND CAPITAL FIXED PAYMENTS**

Last Ten Fiscal Years *(In Thousands)*

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

Fiscal Year Ended June 30,	Standby Charge (1)	Capital Fixed Payments (2)	Total	Debt Payment (3)	% of Debt Service
2004	$9,724	$7,586	$17,310	$17,104	101%
2005	9,669	7,625	17,294	15,233	114%
2006	9,785	7,574	17,359	18,944	92%
2007	9,659	7,426	17,085	20,485	83%
2008	9,365	8,229	17,594	21,213	83%
2009	9,701	7,140	16,841	22,249	76%
2010	9,679	7,172	16,851	22,071	76%
2011	9,899	6,887	16,786	22,437	75%
2012	9,632	7,241	16,873	21,390	79%
2013	9,805	7,360	17,165	21,022	82%

(1) Approved annually by the Board, the Standby Charge is imposed by West Basin on land owners. The charge is collected by means of the property owner's tax bill through the County of Los Angeles. The Standby Charge was designed to help drought-proof the area through construction of recycled water distribution an treatment facilities.

(2) Capital Fixed Payments are paid by BP Amoco, Chevron, Exxon Mobil Oil, and Los Angeles Department of Water and Power and are used to repay the cost of the treatment and distribution facilities that were constructed for delivery of recycled water to these entities. Amounts are based on contractual terms. These fixed revenues are reported as Capital Contributions in the basic financial statements, see table 5-"Capital Contribution By Source".

(3) Beginning In Fiscal Year 2006, the debt payments increased due to West Basin paying both interest and principal for its subordinate bonds. In Fiscal Year 2008 West Basin experienced higher interest rates on its variable rate debt Breakdown is shown on Table 14-"Annual Debt Service to Expenses".

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 16: **DEBT COVERAGE**

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

	2004	2005	2006	2007	2008
Changes in Net Assets (1)	$11,399	$16,394	$7,488	$8,726	$4,489
Add: Interest Expense	7,179	10,195	10,593	9,101	9,808
Add: Depreciation/Amortization	8,200	8,340	8,309	10,343	13,323
Less: Non-cash items (2)	(1,898)	(3,125)	(4,671)	(2,517)	(2,827)
Net Revenues for Coverage	$24,880	$31,804	$21,719	$25,653	$24,793
Parity Debt Service (3)	12,263	15,869	16,094	16,185	16,345
Reserve Fund Earnings	(1,338)	(1,868)	(1,177)	(825)	(799)
Total Net Senior Debt Service	$10,925	$14,001	$14,917	$15,360	$15,546
Debt Coverage	**2.28**	**2.27**	**1.46**	**1.67**	**1.54**
Subordinate Debt Service (3)	2,606	3,281	7,246	8,445	6,157
Reserve Fund Earnings	(19)	(5)	(1)	(2)	(12)
Total Net Subordinate Debt Service	$2,587	$3,276	$7,245	$8,443	$6,145
Debt Coverage (4)	**5.39**	**5.43**	**0.94**	**1.22**	**1.50**
All-In Debt Coverage	**1.84**	**1.84**	**0.98**	**1.09**	**1.14**
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	$11,368	$14,527	$(443)	$1,850	$3,102

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

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

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

(4) Subordinate debt coverage in Fiscal Year 2006 did not meet the required legal covenant 1.15 due to a significant decrease in recycled water barrier sales as a result of poor water quality and county operational issues. In addition, West Basin had higher than anticipated legal costs of approximately $1.8M.

(Continued)

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 16: **DEBT COVERAGE** (continued)

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

	2009	2010	2011	2012	2013
Changes in Net Assets (1)	$(3,963)	$10,657	$7,619	$14,191	$13,923
Add: Interest Expense	13,848	12,498	12,038	11,002	9,209
Add: Depreciation/Amortization	16,190	17,078	18,268	18,283	17,522
Less: Non-cash items (2)	(1,446)	(11,579)	(9,109)	(6,805)	(133)
Net Revenues for Coverage	$24,629	28,654	28,816	36,671	40,521
Parity Debt Service (3)	16,595	16,078	16,517	16,115	17,790
Reserve Fund Earnings	(767)	(762)	(762)	(763)	(681)
Total Net Senior Debt Service	$15,828	$15,316	$15,755	$15,352	$17,109
Debt Coverage	**1.51**	**1.82**	**1.78**	**2.34**	**2.33**
Subordinate Debt Service (3)	6,897	7,624	7,968	8,817	9,056
Reserve Fund Earnings	(2)	-	-	-	-
Total Net Subordinate Debt Service	$6,895	$7,624	$7,968	$8,817	$9,056
Debt Coverage (4)	**1.17**	**1.66**	**1.54**	**2.33**	**2.51**
All-In Debt Coverage	**1.09**	**1.26**	**1.22**	**1.52**	**1.55**
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	$1,906	$5,714	$5,093	$12,502	$14,356

TABLE 17: TEN LARGEST EMPLOYERS WITHIN WEST BASIN SERVICE AREA

Calendar Year 2012 and Six Years Prior

	2012 (1)		2006 (2)	
Employer	Number of Employees	Rank	Number of Employees	Rank
Northrop Grumman Corporation	12,001	1	7,675	1
Raytheon Company	6,793	2	8,594	2
Sony Pictures Entertainment	6,000	3	2,018	5
Boeing Satellite Systems Inc.	5,247	4	5,960	3
Aerospace Corporation	2,689	5	2,847	4
DirecTV Operations Inc.	2,427	6	1,268	8
Palos Verdes Peninsula Unified School District	1,970	7	1,800	6
Mattel, Inc.	1,738	8	1,737	7
Chevron Products Company/USA Inc.	1,204	9	1,062	9
G & K Management Company	1,100	10	-	10

Total Employment Within West Basin's Service Area (3): **Not Available**

Percentage of Each Employer of Total Employment Within West Basin Service Area (3): **Not Available**

(1) Most current available data.
(2) Employer information is not readily available prior to 2006.
(3) West Basin service area includes 17 cities and part of unincorporated coastal Los Angeles County, the total employment within our service area is not available therefore West Basin can't provide each employer's percentage of the total employment.

TABLE 18: **POPULATION AND ECONOMIC STATISTICS**

Last Ten Calendar Years

Calendar Year	West Basin Population	LA County Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
	(1)	(2)	(2)	(2)	(2)
2004	837,542	9,793,263	$338,203,048	$34,534	6.5%
2005	839,285	9,786,373	357,186,377	36,498	5.4%
2006	839,385	9,737,955	385,724,212	39,610	4.8%
2007	839,134	9,700,359	400,366,343	41,273	5.1%
2008	838,888	9,735,147	417,454,378	42,881	7.5%
2009	840,260	9,787,400	394,980,563	40,356	11.6%
2010	853,377	9,826,773	410,674,615	41,791	12.5%
2011	857,545	9,889,056	420,913,463	42,564	12.7%
2012	861,545	-	-	-	11.2%
2013	865,882	-	-	-	10.2%

Source:

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

(2) Data obtained from the State of California Employment Development Department for Los Angeles County. The 2013 information is as of August. Calendar year 2012 and 2013 not available.

WEST BASIN MUNICIPAL WATER DISTRICT
DEMOGRAPHICS

Service Area

Estimated Total Population Served	865,882
Area	185 square miles

Division I - Represented by Director Ronald C. (Ron) Smith
Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills and Carson

Division II - Represented by Director Gloria D. Gray
Inglewood, South Ladera Heights, a portion of Lennox, Athens, Howard and Ross-Sexton

Division III - Represented by Director Carol W. Kwan
Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance

Division IV - Represented by Director Edward C. Little
Culver City, Del Aire, El Segundo, Malibu, North Ladera Heights, Topanga, View Park, West Hollywood, Windsor Hills and a portion of Lennox

Division V - Represented by Director Donald L. Dear
Gardena, Hawthorne, Lawndale and El Camino Village

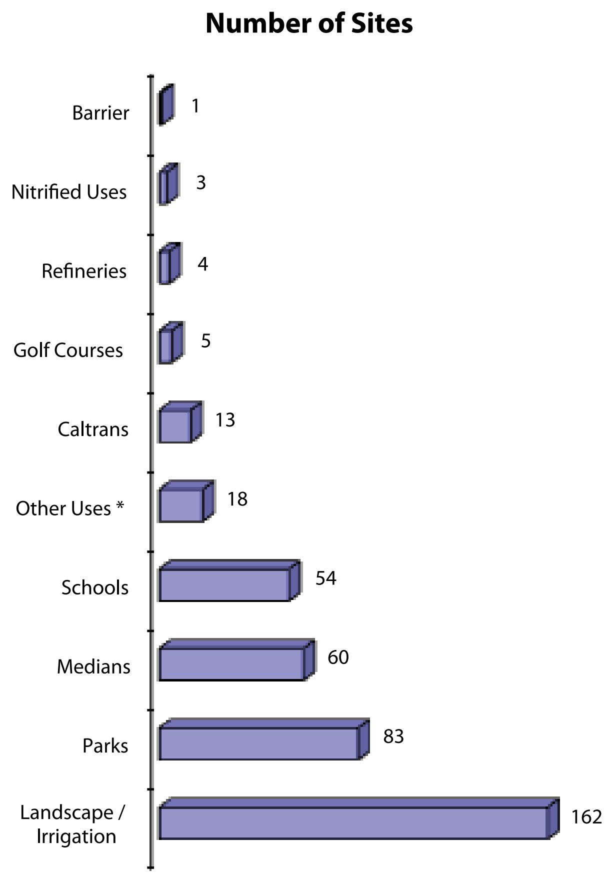
Number of Direct Customers 11

West Basin's customers are comprised of Cities and Retail Water Agencies that purchase Potable Non-Interruptible Water and Recycled Water for further sales to the end-user or use in the Seawater Barrier.

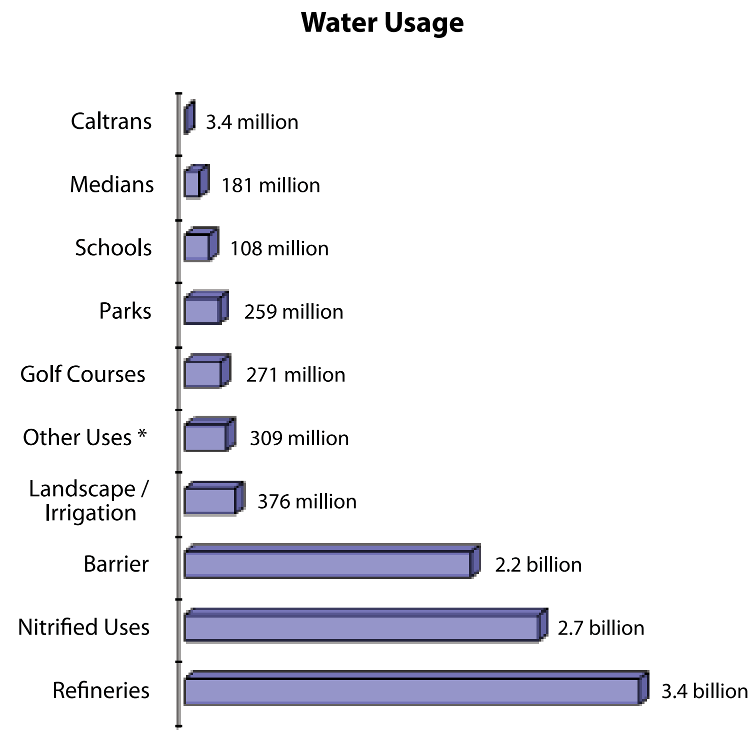
Annual Water Deliveries

Potable Water (including groundwater)	163,998 acre-feet
Recycled Water	29,962 acre-feet

WEST BASIN MUNICIPAL WATER DISTRICT
RECYCLED WATER USERS
For the Fiscal Year Ended June 30, 2013



Total of 402 Sites



Total of
9.8 Billion Gallons

1 Acre-Foot = 325,900 gallons

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

WEST BASIN MUNICIPAL WATER DISTRICT

GENERAL **OPERATING INFORMATION**

For the Fiscal Year Ended June 30, 2013

Number of Budgeted Full-Time Personnel

2004	28
2005	30
2006	30
2007	33
2008	33
2009	33
2010	34
2011	36
2012	36
2013	38

Prior to FY 2007, West Basin had shared staff with Central Basin Municipal Water District. Staff time was allocated each fiscal year between each entity based on the budgeted level of effort.

Certifications and Licenses Held by District Employees

Professional Engineer	8
Engineer in Training	1
Certified Public Accountant	3
Licensed attorneys	1
Masters Degree	12
State Water Certification:	
Distribution Operator	3
Treatment Plant Operator	3

Capital Assets (In Thousands)

	Recycling Facilities	Desalting	Machinery & Equipment	Construction-in-Progress (3)	Admin. Facility (2)	West Basin Capital Assets	Financing Authority (2)	Total Fixed Assets (1)
2004	373,280	2,290	852	12,424	-	388,846	2,591	391,437
2005	375,842	2,290	853	41,900	-	420,885	2,609	423,494
2006	376,702	3,544	897	73,251	-	454,394	2,082	456,476
2007	382,421	3,697	956	89,738	-	476,812	2,082	478,894
2008	468,377	3,697	1,011	18,932	4,014	496,031	-	496,031
2009	474,281	3,700	1,025	29,362	4,014	512,382	-	512,382
2010	486,401	3,794	2,491	39,395	4,035	536,116	-	536,116
2011	493,065	5,299	3,761	59,081	4,941	566,147	-	566,147
2012	506,311	4,904	3,775	103,279	5,511	623,780	-	623,780
2013	513,437	4,904	3,911	135,530	5,564	663,346	-	663,346

(1) Excludes accumulated depreciation.

(2) West Basin fully acquired ownership of its administrative facility in August 2008, previously a shared cost under the Financing Authority.

(3) Adjustments are made in Fiscal Year 2008 and 2009 to reflect the decreases in value of contributed projects from the U.S. Army Corps of Engineers. West Basin invested $513 million in recycling facilities as of June 30, 2013. Cumulative recycled water produced and sold by these facilities was 438,858 acre-feet from inception of operations up to June 30, 2013.

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