Westlands Water District

Fresno, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT

February 28, 2018

K·COE
ISOM

WESTLANDS WATER DISTRICT

Audited Financial Statements – Table of Contents

Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	4
Audited Financial Statements	
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Required Supplementary Information Section (Other Than MD&A)	
Defined Benefit Pension Plan	43
Other Post-Employment Benefits Plan	44
Other Report Section	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*	46

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Westlands Water District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Westlands Water District (the District), as of and for the year ended February 28, 2018, 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

The District's 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 as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 and the State Controller's *Minimum Audit Requirements and Reporting Guidelines for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of February 28, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by The State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018 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.

September 13, 2018
Fresno, California

REQUIRED SUPPLEMENTARY INFORMATION

The following management discussion and analysis of Westlands Water District (the District) provides an overview of the financial activities and transactions for fiscal year 2017-2018 in the context of the requirements of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements; Management's Discussion and Analysis for State and Local Governments, as amended. This discussion and analysis should be read in conjunction with the District's audited financial statements and accompanying notes.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $269.8 million (net position), representing $118.1 million in net investment in capital assets, $2.9 million restricted for specific purposes, $8.7 million for the rate stabilization fund, $16.9 million for the special purpose fund and $123.2 million unrestricted for operations. This represents an increase of $17.8 million or 7.1% versus the prior year net position of $252 million.

- In the fiscal year ending February 28, 2018, the District's operating revenues from all sources increased by $42.2 million or 20% from the prior year primarily due to increases in irrigation water sales as a result of the increased CVP contract water allocation. The CVP allocation for 2017-2018 was 100% versus the 2016-2017 CVP allocation of 5%.

- Total non-operating revenue (expenses) for the fiscal year decreased by $17.9 million, primarily due to a significant decrease in sales of District-owned land in the 2017-2018 fiscal year and the shifting of cost recovery of certain debt service costs to assessments.

- The District's outstanding long-term debt was $126.4 million as compared to $144.2 million in the prior year. The decrease of $17.8 million or 12% was due to two primary reasons. There was a cash defeasance of $6.8 million on the 2012A Refunding Revenue Bonds and scheduled periodic payments of $11.1 million.

Financial Reporting and Explanation of Financial Statements

The District's accounting records are maintained in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The District's financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The statement of net position provides information about assets and obligations of the District at a specific point in time. The statement of revenues, expenses and changes in net position provides information regarding the District's operations during the fiscal year indicated. The statement of cash flows reports cash sources and cash uses for operations, capital and non-capital financing, and investing activities.

Statement of Net Position

The following is a condensed presentation of assets, deferred outflows, liabilities and deferred inflows. The balances as of February 28, 2018 and February 28, 2017 are:

	2018	2017	% Change
Assets			
Current assets	$171,906,365	$220,782,388	(22%)
Utility plant, net of accumulated depreciation	103,571,422	105,567,487	(2%)
Other assets	206,068,213	217,701,774	(5%)
Total assets	481,546,000	544,051,649	
Deferred Outflow of Resources	6,972,820	3,709,137	88%
Liabilities			
Current liabilities	77,211,830	138,530,587	(44%)
Long term debt, net of current maturities	126,351,031	144,169,140	(12%)
Other liabilities	12,078,330	9,579,676	26%
Total liabilities	215,641,191	292,279,403	
Deferred Inflow of Resources	3,069,929	3,476,758	(12%)
Net investment in capital assets	118,160,969	110,394,451	7%
Restricted for specific purposes	2,855,229	10,672,344	(73%)
Designated and unrestricted:			
Rate stabilization fund	8,700,000	8,700,000	0%
Special purpose fund	16,900,000	16,900,000	0%
Unrestricted	123,191,502	105,337,830	17%
Net Position	$269,807,700	$252,004,625	7%

Current Assets

Current assets decreased in fiscal year 2017-2018 by $48.9 million or 22%. Prepaid water costs decreased by $58.8 million. Other prepaid expenses increased $0.6 million partially due to excess contributions for other post-employment benefits. Accounts receivable increased by $23.5 million due to an increase in outstanding assessments and an increase in water deliveries in February 2018 versus February 2017. Cash and cash equivalents decreased approximately $13.8 million.

Utility Plant

New construction and fixed asset additions amounted to approximately $1.5 million, offset by retirements and depreciation of $3.6 million, resulting in a net decrease of $2 million or 2%.

Other Assets

Other assets decreased by $11.6 million or 5%. The amortization of water rights resulted in a net decrease of $4.1 million. Long-term notes and other financing receivables increased $0.3 million due to additional irrigation equipment leases in fiscal year 2017-2018. Restricted assets decreased by $7.8 million mainly due to the partial defeasance of the Series 2012A Revenue Refunding Bonds.

Deferred Outflow of Resources

Deferred outflow of resources increased by $3.3 million or 88%. The deferred outflow of resources related to pensions in accordance with GASB 68 requirements increased $3.1 million.

Current Liabilities

Current liabilities decreased by $61.3 million or 44%. Accounts payable increased $25.1 million primarily due to one time water user refunds for the 2014-2015 supplemental water program. The current portion of long-term debt decreased $1.7 million. Unearned revenues decreased $84.7 million primarily due to water user advances applied to delivered water during the year and the transfer of refunds due to water users to accounts payable.

Long-Term Debt

Long-term debt decreased by $17.8 million or 12%. Proceeds from land sales of $6.8 million was used to defease a portion of the outstanding Series 2012A Revenue Refunding Bonds. The balance of the decrease is attributable to normal annual principal payments.

Other Liabilities

Net pension liability increased $2.4 million due to the District's share of the miscellaneous risk pool. More information on the District's pension plan can be found in Note O.

Deferred Inflow of Resources

Deferred inflow of resources decreased $0.4 million or 12%. A deferred inflow related to pensions has been recorded resulting in a decrease of $0.4 million.

Net Position

Net position is the residual of all other elements. Net position increased during fiscal year 2017-2018 by $17.8 million or 7%. This is partially due to increased water sales due to the increase in CVP water allocation in 2017-2018. Another contributing factor is the increased water revenues with the delivery of supplemental water at significantly higher prices than CVP water. Net position is classified into three categories: 1) net investment in capital assets; 2) restricted for specific purposes; and 3) designated and unrestricted net position.

Net investment in capital assets – This is the carrying amount of capital assets less accumulated depreciation and less any liability outstanding related to the capital assets. This increased by $7.8 million or 7%, primarily as a result of the reduction of debt due to the defeasance of $6.8 million of 2012A bonds.

Restricted for specific purposes – Items are considered restricted when constraints for their use have been imposed externally by creditors or imposed by law through constitutional provisions or enabling legislation. Included in this category is the Section 125 trust account, the debt service accounts held by the bond trustee and the land and water fund. This category decreased by $7.8 million or 73%, primarily due to use of the land and water acquisition funds for defeasance of $6.8 million of debt.

Designated and unrestricted net position – The unrestricted amount of net position is the portion that is not already classified in the above categories. The unrestricted amount includes two designated funds, established in conjunction with the issuance of the Refunding Revenue Bonds, Series 2016A. The indenture of trust for the 2016A Refunding Revenue Bonds has certain criteria necessary for the use of the funds. More information on these funds may be found in Note N. This category, including the two designated funds, increased $17.8 million or 14%, primarily due to results of operations.

Statement of Changes in Net Position

The following is a condensed presentation of the revenues, expenses and changes in net position for the fiscal years ended February 28, 2018, and February 28, 2017:

	2018	2017	% Change
Revenues and Expenses			
Operating revenues	$ 250,787,099	$ 208,593,239	20%
Operating expenses	(237,891,077)	(204,666,833)	16%
Non-operating revenues and expenses	4,907,053	22,834,719	(79%)
Net revenue	$ 17,803,075	$ 26,761,125	
Changes in Net Position			
Net position – beginning of year	$ 252,004,625	$ 225,243,500	
Changes in net position:			
Increase in net position	17,803,075	26,761,125	
Net position – end of year	$ 269,807,700	$ 252,004,625	

Operating Revenues

Operating revenues increased by $42.2 million, compared to fiscal year 2016-2017. Revenues from water sales increased $38.7 million, due to increased water deliveries. Water sales to municipal & industrial (M&I) users decreased $0.1 million. Land based charges and assessments increased $3.4 million, mainly due to the inclusion of long term water supply debt service in the 2017 assessment.

Operating Expenses

Operating expenses increased by $33.2 million from the prior fiscal year. Water expenses increased $45.2 million mainly due to the increased water deliveries resulting from an increase in the CVP water allocation. Transmission and distribution expenses increased $0.9 million. General and administrative expenses decreased by $13.1 million, mainly due to decreases in pension expense of $8.8 million and expenses related to debt service of $3.0 million.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses decreased $17.9 million or 79% from fiscal year 2016-2017. Approximately $3.6 million collected for Certificates of Participation repayment was included in the 2017 assessment and is now included in operating revenues. Net revenues from the sale of land decreased $11.8 million from fiscal year 2016-2017. Interest revenue decreased $0.5 million while interest expenses decreased $2.0 million.

Capital Assets

The District's investment in capital assets (utility plant) as of February 28, 2018, amounts to $103,571,422 (net of accumulated depreciation). This investment includes land, distribution and drainage system, buildings, vehicles and equipment, but excludes properties acquired under certain land and water acquisition programs. The total decrease in the District's investment in capital assets was approximately 2%.

	2018	2017
Land	$ 1,074,135	$ 1,074,136
Construction in Progress	905,002	755,002
Land Improvements	17,561	17,561
Distribution System	172,676,289	172,364,994
Drainage System	20,433,960	20,433,960
Buildings	6,344,386	6,245,089
Furniture & Fixtures/Information Systems	1,621,458	1,616,358
Communication Equipment	115,226	115,226
Survey Equipment & Small Tools	99,309	99,309
Autos/Trucks	2,957,779	2,662,757
Shop Equipment	401,824	401,824
Field Equipment	1,592,072	1,497,820
Fishing Club Assets	2,326,275	2,175,032
	210,565,276	209,459,068
Less Accumulated Depreciation	(106,993,854)	(103,891,581)
Net Utility Plant	$ 103,571,422	$ 105,567,487

Capital asset events during the 2017-2018 fiscal year included the following:

- Computer server upgrades at a cost of $53,083.
- Purchase of vehicle replacements at a cost of $180,533.
- Purchase of John Deere 710L backhoe loader at a cost of $172,932.
- Purchase of field and office equipment at $94,252.
- Well rehabilitation at a cost of $288,811.

Additional information on the District's capital assets may be found in Note G in this report.

Long-term Debt

On February 28, 2018, the District's long-term debt outstanding totaled $126.4 million compared to $144.2 million at the fiscal year ended February 28, 2017. Outstanding long-term debt includes revenue certificates of participation, refunding revenue bonds, loans from the State of California, and outstanding debt to the United States for the District's internal distribution system. This amount represents a net decrease of $17.8 million from the prior year. This decrease is attributable to a $6.8 million cash defeasance, as well as the annual principal payments.

Detail on the District's long-term debt may be found in Note K in this report.

Economic Factors and Next Year's Budget and Rates

The District is currently operating under an interim renewal water service contract (IRC) with the Bureau of Reclamation (Reclamation) which expires on February 29, 2020. An interim contract is required because long-term contract renewals have been delayed due to Reclamation's re-initiation of formal consultation with the Fish and Wildlife Service on the Central Valley Project's (CVP) Operation Criteria and Plan for the Delta. CVP water delivered under the interim water service contract is subject to Reclamation's Cost of Service Rate, which includes operations, maintenance and capital facilities costs.

The District's contracts with Reclamation entitles it to receive up to 1,195,383 acre-feet of water per fiscal year. The District received 100% of its entitlement in the 2017-2018 fiscal year. The 2018-2019 Budget and rates were based upon a 40% allocation of CVP water. The actual CVP allocation for the 2018-2019 fiscal year was 50%.

On February 20, 2018, the Board of Directors approved the budget for fiscal year 2018-2019. The budget totaled $212.3 million, an overall decrease of $8.9 million. The budget reflects the expectation of decreases in the forecasted power usage and power costs, water costs and debt service.

The District collects fixed operations and maintenance charges through assessments to landowners and variable operations and maintenance charges through the water rate. In fiscal year 2017-2018, the District adopted a new benefit assessment methodology based on land categories of eligible for other water and eligible for CVP allocation. The benefit assessment methodology will be in place for ten years. In fiscal year 2018-2019, all lands eligible for other water will be charged $10.22 per acre. All lands eligible for CVP allocation will be charged $35.09 per acre.

The District is continually engaged in efforts to supplement its water supply from other sources. The annual debt service to finance these acquisitions is collected through land-based charges and assessments. In fiscal year 2018-2019, the costs for long-term water supply acquisitions have been included in the District's 2018 assessment. The costs for District water supply continue to be collected through land-based charges. For 2018-2019, the District water supply rate is $6.2974 per acre for Pre-Merger Lands and $14.6730 per acre for Merged Lands. This is a decrease of $0.3268 per acre and $0.7614 per acre, respectively. The extraordinary pipe repair land-based charge is $6.3078 per acre, an increase of $5.5748 per acre from the 2017-2018 rate. The District plans to replace lateral 27R mainline RPM pipe with funds collected from the extraordinary pipe repair land-based charge.

The agricultural water rate for 2018-2019 is $211.05 per acre foot. This rate includes pass-thru rates from the United States Bureau of Reclamation and the San Luis and Delta-Mendota Water Authority. The District's municipal and industrial water supply rate is $498.73 per acre foot.

The District continually reviews opportunities to reduce its expenses, including potential refinancing of its outstanding long-term debt.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have any questions about the information contained in this report or need additional financial information, contact the Finance and Administration Division at Westlands Water District, 3130 N. Fresno Street, Fresno, CA, 93703-6056.

AUDITED FINANCIAL STATEMENTS

WESTLANDS WATER DISTRICT
STATEMENT OF NET POSITION
FEBRUARY 28, 2018

	Water District	Other	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 114,170,118	$	$ 114,170,118
Accounts Receivable – water users and others	29,195,408		29,195,408
Inventory	2,837,639		2,837,639
Prepaid water and other current assets	25,703,200		25,703,200
Total current assets	171,906,365		171,906,365
Utility plant, net of accumulated depreciation	102,064,039	1,507,383	103,571,422
Other assets:			
Restricted assets	2,855,229		2,855,229
Advances to water users	456,150		456,150
Deposits	2,202,257		2,202,257
Real property held	102,691,457		102,691,457
Water rights, net of accumulated amortization	61,899,467		61,899,467
Interest in water project	30,648,863		30,648,863
Long term notes and financing receivables	4,390,155		4,390,155
Debt issue costs, net of accumulated amortization	645,598		645,598
Due to/from other funds		279,037	279,037
Total other assets	205,789,176	279,037	206,068,213
Total assets	479,759,580	1,786,420	481,546,000
Deferred Outflow of Resources			
Deferred amount on refunding	2,230,252		2,230,252
Deferred outflow-pensions	4,742,568		4,742,568
Total deferred outflow of resources	6,972,820		6,972,820
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	52,873,353		52,873,353
Accrued payroll and related liabilities	884,451		884,451
Unearned revenue	14,006,327		14,006,327
Current maturities of debt borrowings	9,447,699		9,447,699
Total current liabilities	77,211,830		77,211,830
Long term debt	126,351,031		126,351,031
Net pension liability	11,343,143		11,343,143
Water exchange payable	456,150		456,150
Due to/from other funds	279,037		279,037
Total liabilities	215,641,191		215,641,191
Deferred Inflow of Resources			
Deferred inflow-pensions	3,069,929		3,069,929
Total deferred inflow of resources	3,069,929		3,069,929
Net Position			
Net investment in capital assets	116,653,586	1,507,383	118,160,969
Restricted for specific purposes	2,855,229		2,855,229
Rate stabilization fund	8,700,000		8,700,000
Special purpose fund	16,900,000		16,900,000
Unrestricted	122,912,465	279,037	123,191,502
Total net position	$268,021,280	$1,786,420	$269,807,700

See independent auditors' report and notes to financial statements.

WESTLANDS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED FEBRUARY 28, 2018

	Enterprise Funds		
	Water District	Other	Total
Operating Revenues			
Irrigation water sales	$228,221,901	$	$228,221,901
Municipal and industrial water sales	2,555,292		2,555,292
Land-based charges and assessments	19,311,107		19,311,107
Other operating revenues	218,817	479,982	698,799
Total operating revenues	250,307,117	479,982	250,787,099
Operating Expenses			
Purchased water	207,351,572		207,351,572
Pumping	380,098		380,098
Transmission and distribution	6,730,220		6,730,220
Customer accounts	2,559,856		2,559,856
General and administrative	13,280,548		13,280,548
Depreciation and amortization of water rights	7,285,637	76,530	7,362,167
Other operating expenses	6	226,610	226,616
Total operating expenses	237,587,937	303,140	237,891,077
Income (loss) from operations	12,719,180	176,842	12,896,022
Non-operating revenues (expenses)			
Investment income	1,317,232		1,317,232
Interest expense	(6,281,793)		(6,281,793)
Benefit charges	2,499,012		2,499,012
District water supply	6,346,464		6,346,464
Miscellaneous	1,024,264		1,024,264
Gain on sale of land	1,874		1,874
Total non-operating revenues (expenses)	4,907,053		4,907,053
Net increase (decrease) in net position	17,626,233	176,842	17,803,075
Net position – beginning of year	250,395,047	1,609,578	252,004,625
Net position – end of year	$268,021,280	$1,786,420	$269,807,700

WESTLANDS WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2018

	Water District	Enterprise Funds Other	Total
Cash flows from operating activities:			
Cash received from water sales and related activities	$143,259,615	$	$143,259,615
Cash received from other operating activities	218,817	479,982	698,799
Cash payments for water purchases and related activities	(148,591,317)		(148,591,317)
Cash payments to other vendors for other operating activities	11,403,136	(154,034)	11,249,102
Cash payments to employees and employee benefit programs	(11,939,336)	(72,576)	(12,011,912)
Net cash provided (used) by operating activities	(5,649,085)	253,372	(5,395,713)
Cash flows from investing activities:			
Investment income	618,256		618,256
Loans made for financing receivables	(1,861,261)		(1,861,261)
Principal payments received from financing receivables	1,270,359		1,270,359
Principal payments received from long-term notes receivable	187,663		187,663
Net cash provided by investing activities	215,017		215,017
Cash flows from non-capital financing activities:			
Transfer to/from other funds	253,372	(253,372)	0
Proceeds from miscellaneous non-operating revenue	1,012,479		1,012,479
Net cash provided (used) by non-capital financing activities	1,265,851	(253,372)	1,012,479
Cash flows from capital and related financing activities:			
Proceeds from benefit charges	2,499,012		2,499,012
Proceeds from District water supply	6,346,464		6,346,464
Proceeds from debt borrowings	(1,152,788)		(1,152,788)
Principal payments on debt borrowings	(17,869,450)		(17,869,450)
Interest payments on debt borrowing	(6,044,847)		(6,044,847)
Acquisition and construction of utility plant	(1,224,680)		(1,224,680)
Proceeds from sales of capital assets	43,506		43,506
Purchase of water rights	(36,067)		(36,067)
Purchase of real property, net of sales	(21,188)		(21,188)
Net cash used by capital and financing activities	(17,460,038)		(17,460,038)
Net decrease in cash and cash equivalents	(21,628,255)		(21,628,255)
Cash and cash equivalents – beginning of year (including $10,672,344 reported as restricted assets)	138,653,602		138,653,602
Cash and cash equivalents – end of year (including $2,855,229 reported as restricted assets)	$ 117,025,347		$ 117,025,347

See independent auditors' report and notes to financial statements.

WESTLANDS WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2018
(Continued)

	Enterprise Funds		
	Water District	Other	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Income (loss) from operations	$ 12,719,180	$ 176,842	$ 12,896,022
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization of water rights	7,285,637	76,530	7,362,167
Non-cash pension expense	(1,075,361)		(1,075,361)
Changes in operating assets and liabilities:			
Accounts receivable – water users and others	(23,460,041)		(23,460,041)
Operating supplies	374,772		374,772
Prepaid water costs and other current assets	58,168,734		58,168,734
Accounts payable and accrued expenses	25,050,559		25,050,559
Accrued payroll and related liabilities	32,467		32,467
Unearned revenue	(84,745,032)		(84,745,032)
Total adjustments	(18,368,265)	76,530	(18,291,735)
Net cash provided (used) by operating activities	$ (5,649,085)	$ 253,372	$(5,395,713)

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Organization: Westlands Water District (the District) was organized under California state law in 1952 as a California special district. The District administers delivery of water from the United States Bureau of Reclamation's (Reclamation) Central Valley Project to users (primarily consisting of users involved in the Central California agriculture industry) within the District's boundaries encompassing approximately 614,700 acres. The water is purchased from Reclamation and sold to users at prices designed to cover the cost of purchasing the water, plus the administrative, operating and maintenance expenses of the District.

Reclamation constructed a distribution and drainage system in the 1960s and 1970s to convey water within the District's boundaries. This system provides water service to all but approximately 70,000 acres of District land. The District had two separate contracts, a 20-year and a 40-year contract with Reclamation to repay the construction costs. The obligation for the 20-year contract was completed in December 2000 and the obligation for the 40 year contract will be completed in 2018.

State law provides for the election of a governing Board of Directors (the Board) by District land owners, or their representatives, each voting according to the District's assessed value of the land owner's land within the District. The District is not subject to state or federal income taxes. The District accounts for its activities using the public utility accounting system.

The District complies with Generally Accepted Accounting Principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity: GASB Statement No. 61, *The Financial Reporting Entity,* amends GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis–for State and Local Governments.* Under GASB Statement No. 61, fiscal dependency alone no longer requires inclusion of a potential component unit. Instead, to justify inclusion, a financial benefit or burden relationship must also exist between the potential component unit and the primary government.

A primary government must be a legally separate entity, with a separately elected governing body, that is fiscally independent in its financial management. The District's blended component unit, the Westlands Water District Financing Corporation, is included in these financial statements. The Broadview Water District is also included in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The District's activities are accounted for as an enterprise fund and are financed and operated in a manner similar to that of a private business enterprise.

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets and liabilities associated with the District's activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned while expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports the following major proprietary funds:

> The Water District fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
>
> The Other Fund accounts for the activities of District owned land temporarily operated as a private fishing club located in Shasta County, California.

The District's funds distinguish revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's ongoing operations. The principal operating revenues of the District are water sales, land-based charges and assessments. Operating expenses include water purchases and distribution system costs, administrative expenses, depreciation and amortization on capital assets and water rights. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District's financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). GAAP requires the classification of net position into three components defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances used to put in place the capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the assets or debt are also included in this component.
- *Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – This component consists of net position that does not meet the definition of restricted or net investment in capital assets.

Under GAAP, the Statement of Cash Flows is required to be presented using the direct method of presentation. The statement is also required to present a reconciliation of operating cash flows to operating income (loss).

Management's Discussion and Analysis: GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of a "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Control: Annual budgets are approved and adopted each year by the District's Board. The budget is used to estimate annual revenues and expenditures and is amended primarily upon Board committee or Board approval. Budgeting control is maintained at the department level.

Cash and Cash Equivalents: Cash and cash equivalents include investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request. The District's investment pool utilizes investments authorized by the California Government Code and is further defined by the District's investment policy. Revisions, if any, to the District's investment policy are reviewed and approved by the Board in accordance with Section 53646(a)(2) of the Government Code. Authorized investments include securities backed by the U.S. government; investment grade state or local instruments; insured or collateralized certificates of deposit; commercial paper; bankers acceptances; and medium-term notes.

Accounts Receivable: The District's management believes that all accounts receivable from water users and others are fully collectible for the year ended February 28, 2018. Accordingly, an allowance for doubtful accounts has not been recorded in these financial statements.

Inventory: Inventory consists of operating supplies used in the course of maintaining operations and are recorded on the basis of cost, determined by a weighted average which does not exceed market.

Prepaid Water and Other Current Assets: Prepaid water includes advance payments made for water, either rescheduled or supplemental, that has not been delivered to the user. Other current assets include prepayments made on insurance or employee benefits applicable to the next fiscal year, as well as miscellaneous deposits.

Utility Plant: Utility plant assets are recorded on the basis of cost. Capital assets are defined as assets with an initial individual cost of $5,000 or more and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 10 to 75 years for distribution, drainage and related facilities, 20 to 40 years for buildings and 2 to 25 years for other operating equipment. Expenditures for maintenance, repairs and renewals are charged to expenses as incurred, while expenditures for significant improvements that increase the value or extend the useful life of the asset are capitalized.

The District records and capitalizes the construction costs for irrigation water distribution and drainage collector facilities which have been constructed by Reclamation and to which title is retained by the United States. A liability for repayment is also recorded by the District. When the obligation is relieved, the District believes Congress will enact the passage of title to the District.

Direct Financing Leases: The District leases certain irrigation equipment to various water users under terms which are accounted for as "direct financing leases" as defined in GAAP. The difference between the gross rental to be received and the present value of the rentals is recorded as unearned financing income and is amortized into income over the term of the lease using the effective interest rate method. The present value of the rentals to be received under such leases is recorded in the District's financial statements. The direct financing leases are included in the category of long-term notes and other financing receivables.

Deferred Outflows/Inflows of Resources: This represents a consumption of net position that applies to future periods and will not be recognized as an expense or revenue until then. Items in this category include deferred outflows on refunding which is amortized over the life of the related debt. Also included are deferred outflows or inflows related to pensions which represents changes in assumptions, actual versus expected experience, or other differences that occurred during the fiscal year.

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

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to be depleted before unrestricted – net position.

Amortization: The District's Board of Directors authorized a Land and Water Acquisition Program in 1998. When land and water rights are purchased together, the District values the land at 39% of the cost and the water rights at 61% of the cost. The water rights purchased are amortized using the straight-line method over the remaining life of the District's water service contracts with Reclamation, or up to 34 years, based upon the expiration of the contracts on December 31, 2007, and their guaranteed renewal for a minimum of 25 years as provided by the Central Valley Project (CVP) Improvement Act. More information on the District's Land and Water Acquisition Program may be found in Note Q. Prepaid insurance costs associated with debt are amortized using the straight-line method over the life of the related loan.

Assessments: The District levies an assessment on all land owners within the District's boundaries typically each fiscal year. After the assessment roll is completed and the District has made the roll available for public review, the District then equalizes the assessment roll. Liens are then placed on the land and assessments become due and payable within six months from the date of the lien. For fiscal year 2017-2018, the assessments were levied on September 19, 2017 with a lien date of September 19, 2017. The assessments were due on March 19, 2018. Penalties and interest are assessed if payment is not received by the due date.

Land-based Charges: Certain costs associated with improving or enhancing the water supply within the District and improving the distribution system are passed along to District land owners in the form of land-based charges. The payments are due in one or two installments depending on the type of charge and the location of the land within the District. The first installment was due on March 25, 2017 and the second installment was due on September 25, 2017.

Revenue Recognition: Water sales are recorded when water is delivered to the user. Assessments are recorded when levied. When prepayments or deposits are received on future water deliveries, they are recognized as revenue when the water is delivered to the water user. Land-based charges are recognized as revenue in the year the installments are due.

Compensated Absences: The District's policy allows employees to accumulate vacation leave, capped at 240 hours. Upon termination, employees will be paid their accrued vacation at the rate of pay upon separation.

The District's policy allows employees to accumulate an unlimited amount of medical leave. Upon separation from the District, an employee who is eligible for retirement with California Public Employees Retirement System (CalPERS) shall have the remaining unused medical leave converted to service credit on an hour for hour basis, up to a maximum of six months additional service credit, subject to the rules and regulations of CalPERS. Employees hired on or before March 31, 1996, and as of that date, had fifteen years of service or were eligible for retirement benefits with CalPERS, in lieu of converting unused sick leave to service credit, may elect to receive a fifty percent (50%) cash payout at the employee's rate of pay at the time of separation for the lesser of the employee's unused medical leave accrued before March 31, 1996, up to 520 hours or such lower balance of unused medical leave which may result from use prior to employee's separation. As of February 28, 2018, there were no remaining employees eligible for a cash payout.

Fair Value Measurements: The provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, are effective for these financial statements. GASB No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs, other than quoted prices; Level 3 inputs are significant unobservable inputs.

Accounting Pronouncements:

1. **New Accounting Pronouncements Adopted**

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the District's fiscal year ending February 28, 2018.

Governmental Accounting Standards Board Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures.* The requirements of this statement are effective for the District's fiscal year ending February 28, 2018.

Governmental Accounting Standards Board Statement No. 80

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14.* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of all state and local governments. This statement is effective for the District's fiscal year ending February 28, 2018.

Governmental Accounting Standards Board Statement No. 81

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement is effective for the District's fiscal year ending February 28, 2018.

Government Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues regarding (1) the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations for the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the District's fiscal year ending February 28, 2018.

2. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. The requirements of this statement are effective for the District's fiscal year ending February 28, 2019.

Governmental Accounting Standards Board Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement is effective for the District's fiscal year ending February 28, 2019.

Governmental Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. This statement is effective for the District's fiscal year ending February 29, 2020.

Governmental Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017.* The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement is effective for the District's fiscal year ending February 28, 2019.

Governmental Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement is effective for the District's fiscal year ending February 28, 2019.

Governmental Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement is effective for the District's fiscal year ending February 28, 2021.

Governmental Accounting Standards Board Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this statement is to improve information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for the District's fiscal year ending February 29, 2020.

Governmental Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No, 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest costs incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement is effective for the District's fiscal year ending February 28, 2021.

NOTE B – CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

	2018
Statement of net position:	
Cash and cash equivalents	$ 114,170,118
Restricted assets:	
Cash and investments	614,166
Cash and investments by bond trustee	2,241,063
Total restricted assets	2,855,229
Total cash and investments	$ 117,025,347

Cash and investments as of February 28, 2018 consist of the following:

	2018
Cash on hand	$ 175
Deposits with financial institutions	6,861,703
Investments	110,163,469
Total cash and investments	$ 117,025,347

Interest Rate Risk: In accordance with its investment policy, the District manages its exposure to changes in market interest rates by diversifying its investment in various security types and institutions. In addition, the maximum authorized term of maturity shall be five years unless authorized by the Board of Directors; provided, the weighted average maturity of all investments shall be 36 months or less. The following table illustrates the distribution of the District's investments by maturity as of February 28, 2018:

	Fair Value	12 months or less	More than 12 months
External Investment Pools	$107,922,406	$107,922,406	
Held by Bond Trustee:			
US Treasury Money Market Funds	2,241,063	2,241,063	
Total	$110,163,469	$110,163,469	

Credit Risk: The District limits its exposure to credit risk, that is, the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, by limiting its investments to instruments with the top ratings issued by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating for each investment type as of February 28, 2018:

	Fair Value	Minimum Legal Rating	AAA	AA	A	Not Rated
External Investment Pools	$107,922,406	N/A	$	$23,033,126	$68,607,193	$16,282,087
Held by Bond Trustee:						
US Treasury Money Market Funds	2,241,063	N/A	2,241,063			
Total	$110,163,469		$ 2,241,063	$23,033,126	$68,607,193	$16,282,087

Concentration of Credit Risk: The District's investment policy provides for diversification of investments by security type and institution. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. In accordance with the California Government Code, the District's financial institution secures deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities must equal at least 110% of the total amount deposited by the public agencies. At February 28, 2018, none of the District's deposits in excess of federal depository insurance were held in uncollateralized accounts.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of February 28, 2018, none of the District's investments were subject to custodial credit risk.

Investments in External Investment Pools: The District is a voluntary participant in the following external investment pools: Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTrust). LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. CalTrust is administered under the oversight of a Board of Trustees, comprised of experienced investment managers. The fair value of the District's investments in these pools are reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the pools for their entire portfolio (in relation to the amortized cost of that portfolio).

Fair Value Measurements: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. When quoted prices in active markets are not readily available, fair values are based on pricing models or matrices maximizing the use of observable inputs for similar securities. Level 3 inputs are significant observable events.

Investment Type	Fair Value	Level 1	Level 2	Level 3
Money Market	2,241,063	2,241,063		
LAIF	16,282,087	16,282,087		
CalTrust	91,640,319	91,640,319		
Total	$110,163,469	$110,163,469		

NOTE C – ACCOUNTS RECEIVABLE – WATER USERS AND OTHERS

Accounts receivable from water users and others consisted of the following types at February 28, 2018:

Water users and others:	
Water users from water sales, etc.	$ 20,762,610
Land owners' assessments/Land-based charges	7,344,775
Total water users and others	28,107,385
Accrued interest receivable	39,150
Current portion of long-term notes and financing receivables	1,048,873
Total	$ 29,195,408

NOTE D – INTEREST IN WATER PROJECT

Interest in water project represents the District's participation in the San Luis Delta-Mendota Authority's (SLDMWA) funding of the Department of Water Resources (DWR) water project that will increase the reliability of the District's water supply. If the project moves forward, DWR intends to issue bonds for financing.

NOTE E – LONG-TERM NOTES AND FINANCING RECEIVABLES

Long-term notes and financing receivables consisted of long-term notes with other water districts and investments in direct financing leases at February 28, 2018:

Direct financing leases:	
Lease payments to be received	$ 2,565,129
Less unearned finance income	(158,171)
	2,406,958
Less current portion	(857,319)
	1,549,639
Long-term note with Santa Clara Valley Water District	1,718,916
Promissory note	1,313,155
	3,032,071
Less current portion	(191,555)
	2,840,516
Total	$ 4,390,155

Minimum future rents receivable under non-cancelable direct financing leases are: $857,319 in 2019; $709,606 in 2020; $534,337 in 2021; and $305,695 in 2022.

As of February 28, 2018, the District had a note receivable from Santa Clara Valley Water District in the amount of $1,718,916, payable at an amount equal to one-half the annual net debt service costs incurred by the District to finance the acquisition of the water rights from Mercy Springs Water District. Payments from Santa Clara are to be made two times per year on a date not less than 90 days prior to the date the District is obligated to pay the principal and interest on the debt. The final maturity date of the note is June 1, 2027.

NOTE F – PROMISSORY NOTE

The District holds a promissory note secured by real property on a loan made to a former management level employee. The note terms provide for principal and interest payments to be made on a semi-monthly basis and is due in full on or before August 31, 2021. At February 28, 2018, the balance due is $1,313,155.

WESTLANDS WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2018
(Continued)

NOTE G – UTILITY PLANT

The District's utility plant consisted of the following at February 28, 2018:

ASSETS AT COST	2/28/17	Additions	Deletions	2/28/18
Not Depreciated:				
Land	$ 1,074,136	$	$ (1)	$ 1,074,135
Construction in Progress	755,002	429,991	(279,991)	905,002
Water District Assets, Not Depreciated	1,829,138	429,991	(279,992)	1,979,137
Fishing Club Assets, Not Depreciated	10,300	151,243		161,543
Total Assets, Not Depreciated	1,839,438	581,234	(279,992)	2,140,680
Assets, Being Depreciated:				
Land Improvements	17,561			17,561
Distribution	172,364,994	311,295		172,676,289
Drainage System	20,433,960			20,433,960
Buildings	6,245,089	111,343	(12,046)	6,344,386
Furniture & Fixtures/Information Systems	1,616,358	53,083	(47,983)	1,621,458
Communications Equipment	115,226			115,226
Survey Equipment & Small Tools	99,309			99,309
Autos/Trucks	2,662,757	353,465	(58,443)	2,957,779
Shop Equipment	401,824			401,824
Field Equipment	1,497,820	94,252		1,592,072
Water District Assets, Being Depreciated	205,454,898	923,438	(118,472)	206,259,864
Fishing Club Assets, Being Depreciated	2,164,732			2,164,732
Total Assets, Being Depreciated	207,619,630	923,438	(118,472)	208,424,596
LESS ACCUMULATED DEPRECIATION				
Land Improvements	$ 17,561	$	$	$ 17,561
Distribution	85,094,999	2,329,469		87,424,468
Drainage System	8,750,304	272,453		9,022,757
Buildings	4,673,642	232,675	(12,046)	4,894,271
Furniture & Fixtures/Information Systems	1,422,210	33,940	(47,983)	1,408,167
Communications Equipment	114,810			114,810
Survey Equipment & Small Tools	78,589	1,008		79,597
Autos/Trucks	1,276,523	200,296	(18,705)	1,458,114
Shop Equipment	393,470			393,470
Field Equipment	1,327,110	34,637		1,361,747
Accumulated Depreciation, Water District	103,149,218	3,104,478	(78,734)	106,174,962
Accumulated Depreciation, Fishing Club	742,363	76,529		818,892
Total Accumulated Depreciation	103,891,581	3,181,007	(78,734)	106,993,854
Total Water District Assets, Net	104,134,818			102,064,039
Total Fishing Club Assets, Net	1,432,669			1,507,383
Total Utility Plant	$105,567,487			$103,571,422

NOTE H – RESTRICTED ASSETS

Restricted assets consisted of the following cash balances at February 28, 2018:

Section 125 Trust Account	$ 10,899
Bond Indenture Agreements – Series 2007B	400,703
Bond Indenture Agreements – Series 2012A	675,610
Bond Indenture Agreements – Series 2016A	1,164,750
Land and Water Fund	603,267
Total	$2,855,229

Bond Indenture Agreements – Series 2007B: In accordance with the offering of $20,945,000 Series 2007B Revenue Certificates of Participation, the District was required to establish a Bond Reserve Fund in an amount equal to the maximum Series 2007B payments due in the then current or any future fiscal year. A Surety Bond held by the trustee has been provided as an alternative to the District depositing the funds. The face amount of the Surety Bond is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2007B Certificates. As of February 28, 2018, the District has $400,703 in the Certificate Payment Fund for the payment due March 1.

Bond Indenture Agreements – Series 2012A: In fiscal year 2012-2013, $77,000,000 Series 2012A Refunding Revenue Bonds were issued to refund the outstanding Series 2002A Revenue Certificates of Participation. In accordance with the offering, a Bond Reserve Fund was required to be established. A Surety Bond held by the trustee has been provided as an alternative to the District depositing the funds. The face amount of the Surety Bond is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2012A Bonds. As of February 28, 2018, the District had $675,610 in the Bond Payment Fund for the payment due March 1.

Bond Indenture Agreements – Series 2016A: In fiscal year 2016-2017, $51,280,000 Series 2016A Refunding Revenue Bonds were issued to refund the outstanding Revenue Certificates of Participation, Series 2005A and Series 2007A and Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A. In accordance with the offering, a Bond Reserve Fund was required to be established. A Surety Policy held by the trustee has been provided as an alternative to the District depositing the funds. The face amount of the Surety Policy is equal to the Reserve requirement and the premium was fully paid at the time of delivery of the 2016A Bonds. As of February 28, 2018, the District had $1,164,750 in the Payment Fund for the payment due March 1.

Land and Water Fund: The Land and Water Fund consists of funds that have been received from the sale of land or otherwise returned to the District from debt proceeds. The funds are restricted for future land and water acquisitions or for the retirement of debt. In fiscal year 2017-2018, $7.8 million was used to defease $6.8 million of principal of the outstanding Series 2012A Refunding Revenue Bonds, with the balance to escrow for future interest payments. As of February 28, 2018, the balance of this fund was $603,267.

NOTE I – WATER RIGHTS AND DEBT ISSUE PREPAID INSURANCE COSTS

Water rights purchased and debt issue prepaid insurance costs consisted of the following at February 28, 2018:

Water rights:	
Value of water rights at estimated cost	$ 121,068,580
Less accumulated amortization	(59,169,113)
Total	$ 61,899,467
Debt issue prepaid insurance costs:	
Value of debt issue prepaid insurance cost	$ 864,129
Less accumulated amortization	(218,531)
Total	$ 645,598

Under GASB 65, *Items Previously Reported as Assets and Liabilities,* prepaid insurance costs related to debt issues are required to be amortized over the life of the related debt.

Amortization expense for the year ended February 28, 2018 was $4,216,742.

NOTE J – REAL PROPERTY HELD

Real property held consisted of the following at February 28, 2018:

Land held under land and water acquisition programs	$ 48,951,035
Land held for future use	597,734
McCloud River property	32,889,157
Yolo Ranch property	20,253,531
Total	$102,691,457

In fiscal year 2006-2007, the District acquired approximately 3,000 acres of property located in Shasta County, California, along the McCloud River. The property was acquired to facilitate the raising of Shasta Dam by the United States Department of the Interior. Until that time, or for a period of 25 years from the closing date, the District has agreed to maintain the property as a private fishing club. A separate enterprise fund has been established to report the financial transactions of the fishing club.

In fiscal year 2007-2008, the District acquired approximately 3,400 acres of property located in Yolo County, California. The property was acquired to pursue projects to address water supply-related environmental and/or Endangered Species Act issues. Acquisition of this property included 3,582 shares of Sweetwater Company, a mutual water company. The District's shares represents 83.07% of the total ownership.

NOTE K – LONG TERM DEBT

Long term debt consisted of the following at February 28, 2018:

U.S. Bureau of Reclamation distribution and drainage collector system construction contracts; payable in semiannual installments on January 1 and July 1 of $1,991,357 through 2018; non-interest bearing, collateralized by distribution and drainage collector systems.	$ 2,069,411
Extended Irrigation System Improvement Program; payable to State of California in annual installments of $323,293 through 2019, including interest at 2.6%; collateralized by lease payments on the equipment.	315,100
Series 2007B Revenue Certificates of Participation; payable to Trustee in annual installments beginning at $350,000 in September 2008 and increasing in amounts ranging from $15,000 to $60,000 annually through September 2037; plus interest at rates ranging from 3.5% to 5.0%; collateralized by revenues of the District.	16,725,000
Series 2012A Revenue Refunding Bonds; payable to Trustee in annual installments beginning at $2,315,000 in September 2013 and adjusting in amounts ranging from $55,000 to $265,000 annually through September 2028; plus interest at rates ranging from 2.0% to 5.0%; collateralized by revenues of the District.	28,625,000
Series 2013A San Luis Delta-Mendota Water Authority Revenue Refunding Bonds; payable to Trustee in annual installments beginning at $330,567 in March 2014 and adjusting in amounts ranging from $20,400 to $163,200 annually through March 2043; plus interest at rates ranging from 3.0% to 5.0%; collateralized by revenues of the District.	28,775,650
Series 2016A Refunding Revenue Bonds; payable to Trustee in annual installments beginning at $3,290,000 in September 2017 and adjusting in amounts ranging from an increase of $65,000 to a decrease of $1,705,000 annually through September 2036; plus interest at rates ranging from 3.0% to 5.0%; collateralized by revenues of the District.	47,990,000
Total	124,500,161
Bond premiums and discounts	11,298,569
Less current maturities	(9,447,699)
Total Long Term Debt	$126,351,031

Debt service requirements to maturity are as follows:

Year ending the last day of February	Principal	Interest
2019	$ 9,447,699	$ 5,770,122
2020	7,366,756	5,448,826
2021	7,680,323	5,103,913
2022	8,022,972	4,728,477
2023	8,410,620	4,320,215
2024-2028	37,685,885	15,545,325
2029-2033	16,538,693	9,179,159
2034-2038	19,189,421	4,574,335
2039-2043	8,251,931	1,342,061
2044	1,905,861	-
Total	$124,500,161	$56,012,433

San Luis & Delta-Mendota Water Authority (SLDMWA) Revenue Refunding Bonds, Series 2013A (DHCCP Development Project): On June 25, 2013, the San Luis Delta-Mendota Water Authority issued $37,550,000 Revenue Bonds to refund the Revenue Notes, Series 2009A. The Series 2009A notes were issued to fund Delta Habitat Conservation and Conveyance Program (DHCCP) activity and the District, along with certain members of the Authority, entered into financing agreements with the Authority to pay the principal of and interest on the Notes. Prior to the refunding, some financing participants elected to pay cash rather than continuing with the financing. Therefore, a portion of the Series 2009A Notes remained outstanding after the issuance of the Series 2013A Revenue Bonds and an Escrow Fund was established with the Trustee. The maturity date on the Series 2009A notes was March 1, 2014.

Although the SLDMWA Refunding Bonds are issued in the Authority's name, the District is obligated to pay 100% of the principal of and interest on the bonds when due under its DHCCP activity agreement with the Authority. The Trustee will apply payments of principal and interest received through the Authority from the other financing participants to reimburse the District.

The District has been a member of the Authority since its formation in 1992. This transaction qualifies as a nonexchange financial guarantee under GASB 70. The District's Board approved the SLDMWA DHCCP activity agreement which was executed on March 17, 2009. The District's financial guarantee for the bonds extends through the maturity date of March 1, 2043. In the event that a financing participant has failed to make its payment required by its activity agreement, the Authority has agreed to take reasonable action for collection to reimburse the District. As of February 28, 2018, the total guarantees outstanding extended by the District, principal and interest, are $11,394,182. On April 24, 2017, the Authority used $3,684,100 of the remaining 2009A Note Proceeds to defease $4,060,000 of the San Luis and Delta-Mendota Water Authority Revenue Refunding Bonds, Series 2013A. Bonds with a maturity date of March 1, 2043 and a major portion of bonds with a maturity date of March 1, 2042 were selected for defeasance. These bonds are callable on March 1, 2023 at which time $2,335,000 and $1,725,000 will be paid by the trustee. The bond principal placed in escrow is not considered defeased as the escrow was set up for the principal portion of the debt service only. The District continues to pay interest on these bonds.

Series 2012A Refunding Revenue Bonds: In August 2017, The District utilized $7,926,000 of available funds to defease a portion of the outstanding 2012A bonds with maturity dates from September 1, 2028 through September 1, 2029. The funds have been placed in an escrow account held by the bond trustee to pay the semi-annual interest payments until the bond call date of September 1, 2022. The bonds amounting to $6,765,000, are considered defeased and have been removed from the District's financial statements. The annual interest savings as a result of the defeasance is $338,250.

Series 2016A Refunding Revenue Bonds: In November 2016, the District issued $51,280,000 Refunding Revenue Bonds, Series 2016A to prepay all of the outstanding Revenue Certificates of Participation, Series 2005A, Revenue Certificates of Participation, Series 2007A and Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debts of $1,329,490, which will be amortized over the life of the new debt through 2037. At the time of refunding, the anticipated net present value savings was $7,635,458.

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$135,695,271	$	$(13,579,621)	$122,115,650	$7,063,188
Plus premiums	12,933,272		(1,606,803)	11,326,469	
Less discounts	(29,294)		1,395	(27,899)	
Total bonds payable	148,599,249		(15,185,029)	133,414,220	7,063,188
Repayment contract	6,052,125		(3,982,714)	2,069,411	2,069,411
Loans payable	622,215		(307,115)	315,100	315,100
Water exchanges	476,730		(20,580)	456,150	
Pension liability	8,926,037	2,417,106		11,343,143	
Total long-term liabilities	$164,676,356	$2,417,106	$(19,495,438)	$147,598,024	$9,447,699

NOTE L – WATER EXCHANGE PAYABLE

Water exchange payable consisted of the following at February 28, 2018:

KCWA 1995-1996 exchange	$456,150

The 1995-1996 Kern County Water Agency (KCWA) liability at February 28, 2018, represents 15,205 acre-feet of water to be acquired and provided to certain Priority II water users as a result of an exchange transaction. The amount is included in the District's financial statements as both a non-current asset and liability.

NOTE M – DEPOSITS

The District participates in the Power and Water Resources Pooling Authority (PWRPA), a joint powers authority which was organized in 2004 under California State law to collectively manage individual power assets and loads. The District's initial reserve deposit of $2,202,257 was made in 2005 and is reflected in the District's financial statements as an asset.

NOTE N – DESIGNATED ASSETS

Certain funds have been set aside by the District for future use for specific purposes. These amounts are included in unrestricted net position, unless shown as a separate component. As of February 28, 2018, designated assets consisted of the following cash balances:

General Reserve	$ 6,365,036
Self-Insurance/Unemployment Reserves	50,048
O&M Reserves	3,715,081
Rate Stabilization Fund	8,700,000
Special Purpose Fund	16,900,000
Irrigation Equipment Lease Programs	4,409,050
Total	$40,139,215

General Reserve: The general reserve was established to help the District meet unexpected obligations. As of February 28, 2018, the District had designated funds of $6,365,036 in this reserve.

Self-Insurance/Unemployment Reserves: The District established a self-insurance reserve for vehicle collision and comprehensive expenses as they occur. In addition, funds are included for unemployment insurance expenses. As of February 28, 2018, $50,048 was held in this reserve.

O&M Reserves: Through water rates, the District collects an amount to be set aside to fund current and future operations and maintenance activities. Funds are collected for distribution system maintenance, vehicle purchases, facility maintenance and replacement, and information systems. As of February 28, 2018, the balance of the O&M Reserves was $3,715,081.

Rate Stabilization Fund: In fiscal year 2016-2017, in conjunction with the refunding of certain bonds, the District designated $5.5 million of the O&M Reserves into the Rate Stabilization Fund. Prior to finalizing the 2016-2017 financial statements, the Board designated $3.2 million of the increase in net position to be transferred to this fund. This fund is shown as a separate component of net position. As of February 28, 2018, the District had $8.7 million available in the Rate Stabilization Fund.

Special Purpose Fund: In fiscal year 2016-2017, in conjunction with the refunding of certain bonds, the District designated $5.2 million of the O&M Reserves into the Special Purpose Funds. Prior to finalizing the 2016-2017 financial statements, the Board designated $11.7 million of the increase in net position to be transferred to this fund. This fund is shown as a separate component of net position. As of February 28, 2018, the District had $16.9 million available in the Special Purpose Fund.

Irrigation Equipment Lease Programs: In addition to the State of California Revolving Loan Program funds to purchase and install irrigation systems to be leased by certain water users, the District has designated additional funds to supplement the program. As of February 28, 2018, the District had $4,409,050 available for future leases.

NOTE O – DEFINED BENEFIT PENSION PLANS

Plan Descriptions: The Plans are cost-sharing, multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2016 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained from CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees' Retirement Law.

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

The Plan's provisions and benefits in effect at February 28, 2018, are summarized as follows:

	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution	7%	6.250%
Required employer contribution		
March 1, 2017 – June 30, 2017	8.880%	6.555%
July 1, 2017 – February 28, 2018	8.921%	6.533%
Unfunded Liability Payment	$233,291	$167

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. For public agency cost-sharing plans covered by the miscellaneous risk pool, the actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

Net Pension Liability: The District's net pension liability for each Plan is measured as the total pension liability, less the pension plans' fiduciary net position. The net pension liability of each plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

***Actuarial Assumptions*:** For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and June 30, 2017 pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal cost
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.375%
Mortality rate table	Derived using CalPERS membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.0%

***Discount Rate*:** The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from CalPERS' website under the GASB 68 section.

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.375% investment return assumption used in this accounting valuation is net of administrative expenses. An investment return excluding administrative expense would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that was scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both the short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present values of benefits was calculated at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2017.

Asset Class	Strategic Allocation	Real Return Years 1- 10 (1)	Real Return Years 11+(2)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	100.0%		

(1) An expected inflation rate of 2.50% is used for this period.
(2) An expected inflation rate of 3.00% is used for this period.

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

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

***Proportionate Share of Net Pension Liability*:** The District's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2017, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2017 was as follows:

Proportionate Share	0.28775%

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*:** The following table presents the District's proportionate share of the net pension liability/(asset) for each Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
District's Share of Net Pension Liability/(Asset)	$ 21,294,434	$ 11,343,144	$ 3,101,306

***Subsequent Events*:** Additional contributions were made subsequent to the measurement date.

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

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

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

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

The EARSL for the Plan for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows and Deferred Inflows of Resources Related to Pensions: The following table presents deferred outflows and deferred inflows of resources related to pensions as of February 28, 2018:

	Deferred Outflows	Deferred Inflows
Change in Proportion	$335,120	$(370,021)
Changes in Assumptions	3,018,940	(230,197)
Difference between Actual and Expected Experiences	24,331	(348,590)
Net Difference between Projected and Actual Earnings	682,759	
Difference between Actual and Proportionate Share of Contribution		(2,121,121)
Pension Contributions Subsequent to the Measurement Date	681,418	
Total	$4,742,568	$(3,069,929)

The amounts above are net of outflows and inflows recognized in the 2016-2017 measurement period expense. Contributions of $681,418 made subsequent to the measurement date are reported as deferred outflows of resources but will be recognized as a reduction in pension liability in the fiscal year ending February 28, 2019. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended February 28:	Deferred Outflows/(Inflows) of Resources
2019	$(363,698)
2020	1,109,257
2021	651,028
2022	(405,366)
2023	0
Remaining	0

NOTE P – POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description: An eligible participant is defined as an employee who is continuously employed by the District who qualifies and retires from the California Public Employees' Retirement System (CalPERS) with a service or disability retirement and elects continued enrollment in the CalPERS Health Benefit Plan. The District is a participant in the California Employer's Retirement Benefit Trust (CERBT) administered through CalPERS. The CERBT is an irrevocable trust in accordance with GASB 45 requirements. CalPERS issues a Comprehensive Annual Financial Report (CAFR) which may be obtained by writing to California Public Employees' Retirement System, P.O. Box 942701, Sacramento, CA 94229-2701.

Funding Policy: The contribution requirements of the plan members and the District vary depending on the hire date of the employee and may be amended in the future. For fiscal year 2017-2018, the District contributed $1,367,800 to the plan, including $638,800 for current retirees and $730,000 to prefund benefits. The District's contribution for current retirees consists of the annual statutory minimum contribution pursuant to the Public Employees' Medical and Hospital Care Act (PEMHCA) and a variable amount approved annually by the District's Board of Directors funded through the District's Health Reimbursement Arrangement (HRA) Plan. For fiscal year 2017-2018, the PEMHCA amount for all plan members was $128 per month for the period of March 1 – December 31, 2017, and $133 per month for the period of January 1 – February 28, 2018. The maximum HRA monthly amount for current retirees was $465.50 (single) to $1,177.70 (family) for the period of March 1 – December 31, 2017, and $506.28 (single) to $1,273.13 (family) for the period of January 1 – February 28, 2018. As of February 28, 2018, there were 85 retirees receiving benefits under the plan. There were 103 employees that may be eligible for future benefits upon retirement from the District.

Annual OPEB Cost and Net OPEB Asset: The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer and the amount actuarially determined in accordance with the parameters of GASB Statement 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 year, the amount actually contributed to the plan and changes in the District's net OPEB asset in the plan:

Annual Required Contribution (ARC)	$ 955,458
Interest on net OPEB obligation	(44)
Adjustment to ARC	57
Annual OPEB cost	955,471
Contributions made	(1,368,800)
Increase (decrease) in net OPEB obligation	(413,329)
Net OPEB obligation (asset), beginning of year	(604)
Net OPEB obligation (asset), end of year	$ (413,933)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset is as follows:

Fiscal Year	Annual OPEB Cost	Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
2014-2015	$ 959,959	$ 929,171	96.8%	$ (633)
2015-2016	$1,327,771	$1,326,779	99.9%	$ 359
2016-2017	$1,349,712	$1,350,675	100.0%	$ (604)
2017-2018	$ 955,471	$1,368,800	143.3%	$ 413,329

As of July 1, 2017, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$14,579,416
Actuarial value of assets (AVA)	$9,457,519
Unfunded actuarial accrued liability (UAAL)	$5,121,897
Funded ratio	64.9%
Annual covered payroll	$7,800,437
UAAL as a percentage of covered payroll	65.7%

Actuarial Methods and Assumptions: 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 health 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 in the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the 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 value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2017 actuarial valuation used the Entry Age Normal Cost Method. Under this method, the projected benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion allocated to all prior years is the Actuarial Accrued Liability. The actuarial assumptions included a discount rate of 7.28% and a 5% inflation rate. Health care cost trend rate increases ranged from 7.8% in calendar year 2019 to 5.0% for calendar years 2031 and beyond for retirees under age 65. For retirees age 65 and older, the health care cost trend rate increases ranged from 5.1% in calendar year 2019 to 5.0% for calendar years 2031 and beyond. The Actuarial Value of Assets was determined by the market value of the assets held at the trust as of June 30, 2017. The amortization methodology is based upon a closed, level dollar, 30 year amortization of the Unfunded Actuarial Accrued Liability. Amortization commenced in the 2008-2009 fiscal year. The remaining amortization period at February 28, 2018 was 21 years.

NOTE Q – LAND AND WATER RIGHTS ACQUISITION

Since 1992, the long-term reliability of the District's Central Valley Project (CVP) water supply (Contract Water) has been significantly reduced as a result of a variety of changes in federal law. In an effort to increase the amount of water available for delivery to land owners and water users, the District's Board of Directors authorized a Land and Water Acquisition Program in 1998. According to its guidelines, the CVP Contract Water entitlement acquired, or associated with the land to be acquired, would be reallocated and transferred to the landowners and water users within the District. Likewise, other water supplies acquired would be similarly allocated. Under this program, the District acquired 13,336 acres of land and approximately 37,155 acre-feet of water rights at a total cost of $21,609,923.

On May 14, 1999, the District entered into an agreement with Mercy Springs Water District, Santa Clara Valley Water District and the Pajaro Valley Water Management Agency for the partial assignment of Mercy Springs Water District's existing Central Valley Project Water Contract. Under this agreement, Mercy Springs Water District assigned its right, title and interest in 6,260 annual acre-feet of Project water to the District, Santa Clara Valley Water District (Santa Clara) and Pajaro Valley Water Management Agency (Pajaro). The total cost was $5,663,134. Under this agreement, Santa Clara has the first priority to the water, but may not receive more than 25% of the actual deliveries in each ten-year period. Additionally, Pajaro may exercise an option to obtain the District's share of the assignment during the eleventh through the twentieth year.

In August 1998, the District entered into a Land Retirement Agreement with the United States Department of the Interior, to cooperate on a project for the retirement of up to 15,000 acres of land within the District over a period of three years. During the term of the agreement, a total of 1,433 acres of land was acquired by the United States, with the District contributing up to the $1,150 per acre towards the purchase price in order to retain the right to receive the District's CVP Contract Water associated with the lands. The District acquired approximately 3,812 acre-feet of water rights under this agreement at a total cost of $1,677,092.

On April 29, 2002, the District's Board of Directors approved the Agreement for Distribution of Water, Allocation of Costs, and Settlement of Claims (Sagouspe Settlement Agreement), reached between the Pre-Merger Lands and Merged Lands landowners that were parties to the litigation, and the courts validated this agreement on December 3, 2002. The lands and associated water rights acquired by the District and/or the United States through the Land and Water Acquisition Program, the Land Retirement Agreement and the Peck Settlement Agreements, and repayment of the debt obligation for these lands and associated water rights, were incorporated into and are now governed by the Sagouspe Settlement Agreement. Through this agreement, the District expended $108.5 million ($8.5 million of District reserves and $100 million obtained through the issuance of new debt) to acquire sufficient land within the District, the permanent right to an allocation of the District's CVP Contract Water that is apportioned among lands in the District, or a long-term water supply other than the District's CVP Contract Water, in order to make an equal water supply allocation of 2.60 acre-feet per acre to eligible Pre-Merger Lands and Merged Lands that are not retired lands (i.e., lands acquired within the District, or lands for which the permanent right to an allocation of the District's CVP Contract Water has been acquired) in any water year that the District's Contract Water supply is not less than 1,150,000 acre-feet. Pursuant to this agreement, prior to March 1, 2008, the allocation of water supply was equalized by allocating to Merged Lands, lands that are not retired lands, the District Contract Water and other water supplies obtained through the acquisitions contemplated by the agreement. On and after March 1, 2008, District Contract Water and other supplies from this agreement will be allocated equally on a per-acre basis to eligible Pre-Merger Lands and Merged Lands that are not retired lands. Repayment of debt issued by the District which implements this settlement agreement is being accomplished by the collection of land-based charges imposed on irrigable lands in Pre-Merger Lands and Merged Lands that are not retired lands according to a formula specified in the agreement. Approximately 28,626 acres of land

and 86,271 acre-feet of water rights at a cost of $50,116,121 has been acquired to complement the Land and Water Acquisition Program, the Land Retirement Agreement and the Peck Settlement Agreement acquisitions.

In September and December 2002, the District, the United States and owners of approximately 36,000 acres of farmland in the Westlands Water District reached a settlement in a long-standing lawsuit involving drainage issues (Peck Settlement Agreements). Under the agreements, the District purchased approximately 35,000 acres of land over a three-year period and permanently removed the land from irrigated agriculture. The cost of the settlements to the District was approximately $35 million and was funded by the debt issuance from the Sagouspe Settlement Agreement. Likewise, the water formerly allocated to the lands that were acquired is now distributed to other farmers within the District pursuant to the Sagouspe agreement. Approximately 29,487 acres of land and 90,597 acre-feet of water rights has been acquired at a cost of $31,921,273.

In February and March 2005, the District acquired approximately 8,750 acres of land within the Broadview Water District, which is substantially all of Broadview's irrigable acreage. With the acquisition, the District initiated and completed the processes to annex all of Broadview's lands and receive a permanent assignment of Broadview's Central Valley Project Water Contract totaling 27,000 acre-feet to the District from Reclamation. From this water supply, the District annually makes available 6,000 acre-feet of entitlement to the Naval Air Station – Lemoore pursuant to the Supplemental Water Allocation Agreement between the District and NASL. The remaining 21,000 acre-feet of entitlement is annually allocated according to the Sagouspe Settlement Agreement.

In February 2005, the District acquired 4,000 acre-feet of water supply entitlement associated with Oro Loma Water District's Central Valley Project Water Contract. As of March 1, 2012, the District received a permanent assignment of this portion of Oro Loma's water contract from Reclamation and plans to annually make available the 4,000 acre-feet of entitlement to NASL pursuant to the aforementioned agreement.

Through these several initiatives and agreements, the District has acquired approximately 267,522 acre-feet of water rights at a total cost of $102,249,436. The value of these water rights have been capitalized and are being amortized over the life of the District's water service contracts with the Bureau, or up to 34 years, based upon the expiration of the contracts on December 31, 2007, and their guaranteed renewal for a minimum of 25 years as provided by the CVP Improvement Act.

In fiscal year 2003-2004, the Board also authorized the acquisition of permanent, long-term water supplies for M&I use within the District, thereby making the District's CVP Contract Water supply previously used for these purposes available for agricultural use. In October 2003, the District executed an agreement with the County of Kings and acquired 5,000 acre-feet of State Water Project water entitlement from Angiola Water District in order to make this water available to the Naval Air Station – Lemoore, pursuant to the Supplemental Water Allocation Agreement between the District and NASL. In May 2004, the District executed an agreement with Widren Water District and acquired all 2,990 acre-feet of Widren's Central Valley Project Water Contract. In October 2004, the District executed an agreement with Centinella Water District and acquired all 2,500 acre-feet of Centinella's Central Valley Project Water Contract.

NOTE R – CENTRAL VALLEY PROJECT O&M AND CAPITAL OBLIGATIONS

Federal legislation enacted in 1986 directed Reclamation to determine each water contractor's share of main projects O&M costs (occurring after October 1, 1985) which are not currently reimbursed to Reclamation under existing water contracts. Reclamation was further directed to accumulate these excess costs; including interest (collectively O&M deficits) until such time that the new water contracts were renewed. Beginning in fiscal year 2008-2009, under the new interim contract, the District is required to reimburse Reclamation for such O&M deficits through increased costs of its water supply. As of September 30, 2016, according to Reclamation calculations, there was no O&M deficit.

In addition, CVP main project capital allocated to the District must be paid in full by the year 2030. This capital is allocated to the federal water contractor on the basis of future projected water deliveries and is included in Reclamation's cost-of-service water rate. As of September 30, 2016, $362,079,611 in unpaid CVP capital was reflected on Reclamation's accounting records as the District's future capital obligations. This amount has not been accrued as an obligation on the District's financial statements.

NOTE S – CONTINGENCIES AND COMMITMENTS

Drainage Water System: No provision has been made in the financial statements for any liability that may result from a suit filed by the Firebaugh Canal Water District (Firebaugh) and the Central California Irrigation District (CCID). Their amended complaint sought damages from the District, other water districts within the San Luis Unit, and the United States. In addition to damages, the plaintiffs sought injunctive relief requiring the District, other districts within the San Luis Unit, and the United States to undertake measures to eliminate or mitigate for drainage problems on lands in Firebaugh's and CCID's service areas, and related water quality problems in the San Joaquin River. They alleged that lands within their districts have been damaged by irrigation of "upslope" lands within the San Luis Unit, on a theory that water migrates to their lands and worsens drainage problems on their lands. The District vigorously disputes these claims.

The United States District Court for the Eastern District of California has dismissed claims against the District. While the court has ruled that the United States is obligated under Section 1 (a) of the San Luis Unit Act to provide drainage service to lands within the San Luis Unit, Firebaugh and CCID are not within the San Luis Unit. Firebaugh and CCID, however, allege that irrigation of lands in the San Luis Unit has created a "continuing nuisance" on their lands.

The nuisance claims likewise have been dismissed. A claim against the United States under the Administrative Procedure Act is still pending, and plaintiffs contend that the District is a necessary party to that claim. Any remedy for that claim would be limited to declaratory and injunctive relief, and not damages. The ultimate outcome of these matters, and any insurance coverage, together with the amount of the District's potential liability, if any, resulting from the ultimate resolution of these matters cannot presently be determined.

The District has assets of approximately $11,411,203 as of February 28, 2018 (net book value) pertaining to the existing, but closed drainage collector system. The drainage system has not been in use as part of the District's operations since 1986 and is not scheduled to be reopened until an alternative drainage plan can be developed. The ultimate recovery of the cost of the drainage system is contingent upon the development of alternative drainage plans. Management believes that alternative drainage plans to manage and/or otherwise collect, treat, and dispose of subsurface drainage water will be developed and, accordingly, no provision for any loss which might result from the failure to develop such a plan has been made in the financial statements.

Although the United States has been ordered by the District Court to provide a plan for drainage service, the District remains actively involved in its efforts to identify a solution to the drainage problem. Projects evaluated have included a selenium removal treatment plant, and a deep well injection program, both of which have been terminated due to technical problems and higher than anticipated costs. The District has also conducted other preliminary investigations into drainage reduction programs, cogeneration, agro forestry, and shallow groundwater pumping as potential solutions to the drainage problem.

On September 15, 2015, the U.S. Department of Interior, the U.S. Department of Justice and Westlands Water District executed a settlement to end decades-long dispute over the Bureau of Reclamation's responsibility to provide drainage for farmland within Westlands. Highlights of the settlement include: the federal government would relieve the District of its existing Central Valley Project (CVP) capital repayment obligation, Westlands existing water service contracts would be converted to a permanent CVP repayment contract, Reclamation Law acreage and pricing limitations would no longer apply to lands in Westlands, a minimum of 100,000 acres would be permanently retired, the District would assume responsibility for managing drainage within Westlands, and CVP water deliveries would be capped at 75% of the contract quantity. The settlement required Congressional authorization by January 15, 2017, which was extended to January 15, 2018. Because Congress failed to authorize the settlement by that date, the settlement agreement is voidable by either the United States or by Westlands. Neither party has voided the agreement, and Westlands continues to seek Congressional authorization. The ultimate cost of drainage management remains unknown. Management is currently analyzing various aspects of drainage management and the costs associated with potential drainage management options.

Water Supply: The District's water service contracts with Reclamation entitle it to receive up to 1,195,383 acre-feet of water per fiscal year. For the 2018-2019 contract year, Reclamation announced that the District will receive 50% of its contractual entitlement.

Various regulatory and legal proceedings may impact the guarantees of water available to the District in the future. However, management does not believe that these impacts will have a material adverse effect on the District's financial position, and any future impact would be nearly impossible to estimate at this point in time. Accordingly, no liability has been accrued in these financial statements.

On September 28, 2017, the North Coast Rivers Alliance, California Sportfishing Protection Alliance, Pacific Coast Federation of Fishermen's Associations, San Francisco Crab Boat Owners Association and Institute for Fisheries Resources filed an amended complaint against Reclamation claiming that it violated the National Environmental Policy Act and the Administrative Procedure Act when it approved a contract with Westlands Water District, Santa Clara Valley Water District, and Pajaro Valley Water Management Agency (2016-2018 Interim Renewal Contract (EA)) for water from the Central Valley Project. Westlands Water District's interest in the contract is not more than 4,695 acre-feet annually. That is 0.4 percent of the total 1,195,383 of the District's total entitlement to Central Valley Project water. In the opinion of management, the ultimate outcome of the claims will not have a material adverse effect on the District's financial position.

Westlands Water District supported the development of the California WaterFix (CWF) and invested considerable financial resources, time and expertise into its planning, but consistently stated it would not obligate landowners it serves to billions of dollars in debt without reasonable assurances that the project would produce reliable, affordable water supplies. On September 19, 2017, after an analysis by independent consultants and District staff, the Westlands Water District Board of Directors voted to not participate in the CWF. Westlands Water District is participating in proceedings conducted by the California State Water Resources Control Board on change petitions filed by the California Department of Water Resources and the United States Bureau of Reclamation to add points of diversion or rediversion to their respective permits to appropriate water. It is unknown how those proceedings will be concluded or how the Water Board would condition an order approving those change petitions. An order approving the change petitions must include appropriate Delta flow criteria.

Risk Management: The District maintains general liability, property, auto, crime and excess liability coverage through the Plus Water Insurance Program provided by Alteris-Allied World Assurance Company (A XV (Excellent) A.M. Best Rating).

General liability coverage, which encompasses wrongful acts, bodily, personal and professional injury, including public officials' errors and omissions and employment practices, as well as auto liability coverage, is $1,000,000 per occurrence, $3,000,000 aggregate plus $10,000,000 excess liability. Each claim is subject to a $5,000 deductible.

Coverage for real property and business personal property, including property coverage extensions, is $78,684,509. Scheduled mobile equipment is separately covered for $1,291,821. All coverage deductibles are $5,000.

The crime insurance covers dishonesty; forgery; theft, disappearance and destruction (inside and outside) at $500,000 each; and computer fraud at a limit of $500,000 for each. Each of the coverages has a $500 deductible.

Boiler and machinery coverage is through XL Insurance America, Inc. and is limited at $25,000,000. A deductible of $5,000 is applicable.

Pollution Remediation: In February 2005, the District acquired the Broadview Water District and most of the privately owned lands within its boundaries. At the time of the acquisition, the Bullard Avenue Airstrip was known to be potentially contaminated by various pesticides used within the agriculture industry during that time. The airstrip has not been in use since the District acquired it. The District has retained the services of a consultant who is working with the Regional Water Quality Control Board (RWQCB) to determine the extent of the contamination. Currently work consists of annual water and soil sampling. While the District is a responsible party for remediation, the expected outlays are not reasonably estimable. Accordingly, no liability has been included in these financial statements.

Other Litigation: The District is a party to legal proceedings and claims, related to and/or in addition to those discussed explicitly herein, which arise during the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation will not have a material adverse effect on the District's financial position.

Sustainable Groundwater Management Act (SGMA): On September 16, 2014, the California State Legislature passed comprehensive groundwater legislation contained in three bills: SB1168, SB1319 and AB1739. These bills, collectively known as SGMA, require the formation of groundwater sustainability agencies (GSA) to prepare groundwater sustainability plans (GSP) for high and medium priority groundwater basins to prevent overdraft conditions and to implement measures that promote sustainable management of overdrafted basins. Under SGMA, critically overdrafted basins are required to develop a GSP by 2020 and should achieve sustainability by 2040 through balanced levels of pumping and recharge.

Westlands Water District's service area encompasses nearly all of the Westside Subbasin defined by the California Department of Water Resources (DWR) in its Bulletin 118. On July 19, 2016, the District's Board approved applying to become the GSA for the Westside Subbasin. Subsequently, the District was approved by the Department of Water Resources (DWR) to serve as a GSA.

The District is developing the GSP and will submit the plan to DWR by the required deadline, January 31, 2020. The GSP will describe the sustainable use of groundwater in the subbasin, the mitigation measures that will be employed to address undesirable results, enhancement strategies for subbasin optimization, management policies to administer the GSP, and cost or charges that may be levied for the implementation of the GSP. The ultimate impact of SGMA on the use of groundwater in the subbasin cannot be stated with certainty at this time.

NOTE T – JOINT VENTURES

Power and Water Resources Pooling Authority: On January 22, 2004, the District entered into the Power and Water Resources Pooling Authority (PWRPA) Joint Powers Agreement. This is an independent authority established to study, promote, develop, conduct, design, finance, acquire, construct, and/or operate water and energy related projects and programs. The District, along with fourteen other public agencies, was an initial party or stakeholder to the agreement.

The Agreement includes pro rata sharing of general and administrative costs and other mutual expenses. Specific project costs are paid only by the project participants of that specific project. Initial contributions made to PWRPA included an amount to establish and maintain a reserve fund. The funds held by PWRPA are shown in these financial statements as a deposit. Additional information on the deposit may be found in Note M. Should the District choose to terminate its participation in PWRPA, it would not be entitled to a refund of general and administrative expenses paid. It would, however, be entitled to a refund of its portion of the reserve fund.

PWRPA operates on a calendar year basis. The financial transactions of PWRPA are subject to an annual audit. Copies of the financial statements may be obtained from the Power and Water Resources Pooling Authority – P.O. Box 160 – Arvin, CA 93203.

San Luis & Delta-Mendota Water Authority: The San Luis & Delta-Mendota Water Authority (SLDMWA) was established in January 1992 and consists of water agencies representing approximately 2,100,000 acres of 29 federal and exchange water service contractors within the western San Joaquin Valley, San Benito and Santa Clara counties. The District has been a member of SLDMWA since its inception. As a member of SLDMWA, the District pays dues to cover the operations and maintenance costs based upon its contracted water supply.

SLDMWA operates on a March 1 through the last day of February fiscal year. An audit is performed annually. The administrative offices of SLDMWA are located at 842 6th Street – Los Banos, CA 93635.

State and Federal Contractors Water Agency: The State and Federal Contractors Water Agency (SFCWA) was formed by various water agencies in August of 2009 as a Joint Powers Authority according to California law. The water agencies that formed SFCWA receive water transported across the Sacramento-San Joaquin Delta by the State Water Project and the Central Valley Project. The SFCWA's mission is to develop and support programs to produce robust science and habitat restoration projects that improve the Bay-Delta ecosystem, and assist its member agencies in assuring an adequate reliable and high-quality water supply. The core focus of activities in pursuing this mission is centered on facilitating habitat conservation measures and research related to the restoration of the Delta ecosystem while assuring sufficient and reliable export water supplies. The District, along with five other water agencies, was an initial party to the agreement.

SFCWA operates on a March 1 through the last day of February fiscal year. An audit is performed annually. The SFCWA offices are located at 1121 L Street Suite 806 - Sacramento, CA 95814.

NOTE U – SUBSEQUENT EVENTS

In February 2018, the District sent a written 60-day notice of its intent to withdraw from the August 2009 Joint Powers Agreement forming the State and Federal Contractors Water Agency (SFCWA). The District withdrew that notice in March 2018 because the Board of Directors for SFCWA decided to move to terminate the Joint Powers Authority. At this time there are no longer employees of SFCWA. It is being run by an executive director through a consulting agreement and by the Board of Directors. It is expected that the SFCWA will formally terminate by June 30, 2019, after reconciling any unfunded liability with CalPERS and transferring responsibility for existing SFCWA led projects. Although there remain uncertainties about the extent of liabilities and assets, it appears at this time that the SFCWA will have sufficient assets to cover liabilities.

Final Draft Bay-Delta Plan Update for the Lower San Joaquin River and Southern Delta: The State Water Resources Control Board is working to update the Water Quality Control Plan (WQCP) for the San Francisco Bay/Sacramento-San Joaquin Rivers Delta. That update is occurring in multiple phases. The first phase concerns updates related to the San Joaquin River flow objectives and South Delta salinity objectives. The second phase concerns updates related to all other aspects of the WQCP. The State Water Board was planning on completing the updates by the end of 2018. On July 6, 2018, the staff of the State Water Resources Control Board released a final draft plan to amend the San Joaquin River flow and south Delta salinity objectives. The State Water Board staff also released a framework for the amendments to all other objectives/elements of the Bay-Delta Plan. The State Water Board staff's proposed plan, if approved, would increase Delta inflow and likely Delta outflow, and thus could decrease the quantity of Central Valley Project water pumped from or conveyed through the Sacramento-San Joaquin Delta, thereby reducing water supply to Westlands Water District. If approved, the proposed plan could also reduce or eliminate supplemental water that Westlands Water District purchases from water agencies in the Sacramento Valley and tributaries to the San Joaquin River.

REQUIRED SUPPLEMENTARY INFORMATION SECTION
(Other Than MD&A)

WESTLANDS WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED FEBRUARY 28, 2018

DEFINED BENEFIT PENSION PLAN

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE RISK POOL'S NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE
LAST 10 YEARS*

	JUNE 30, 2015	JUNE 30, 2016	JUNE 30, 2017
District's proportion of the net pension liability (asset)	0.2132%	0.2569%	0.2877%
District's proportionate share of the net pension liability (asset)	$ 3,102,735	$ 8,926,037	$11,343,143
District's covered employee payroll	$ 7,760,192	$ 7,628,010	$ 7,800,437
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.98%	117.02%	145.42%
District's proportionate share of the fiduciary net position as a percentage of the total pension liability	92.50%	86.47%	34.62%

* Measurement date June 30, 2017 represents the third year of implementation, therefore only three years are shown.

SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 YEARS*

	JUNE 30, 2015	JUNE 30, 2016	JUNE 30, 2017
Actuarially required contribution	$ 636,029	$ 727,749	$ 761,503
Contributions in relation to the actuarially required contribution	$ (636,029)	$ (727,749)	$(761,503)
Contribution deficiency (excess)	0	0	0
District's covered-employee payroll	$ 7,760,192	$ 7,628,010	$ 7,800,437
Contributions as a percentage of covered-employee payroll	8.19%	9.54%	9.76%

* Measurement date June 30, 2017 represents the third year of implementation, therefore only three years are shown.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

WESTLANDS WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED FEBRUARY 28, 2018

OTHER POST EMPLOYMENT BENEFIT PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll	UL as % of Payroll
7/01/2013	$5,321,193	$11,044,490	$5,723,297	48.2%	$7,407,661	77.3%
7/01/2014	$6,119,989	$11,740,005	$5,620,016	52.1%	$7,638,099	73.6%
7/01/2015	$7,082,222	$15,896,335	$8,814,113	44.6%	$7,693,322	114.6%
7/01/2016	$7,676,235	$16,768,360	$9,092,125	45.8%	$7,628,010	119.2%
7/01/2017	$9,457,519	$14,579,416	$5,121,897	64.9%	$7,800,437	65.7%

OTHER REPORT SECTION

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

To the Board of Directors
Westlands Water District
Fresno, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Westlands Water District (the District) as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 13, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

September 13, 2018
Fresno, California