



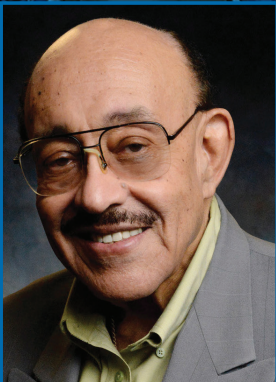
# ACHIEVEMENTS IN WATER INDEPENDENCE

*Comprehensive  
Annual Financial Report  
Fiscal Year Ending  
June 30, 2019*

**ALBERT  
ROBLES  
CENTER**

**WATER RECYCLING &  
ENVIRONMENTAL LEARNING**

**THE WATER REPLENISHMENT DISTRICT  
BOARD OF DIRECTORS**



**Willard H. Murray, Jr.**  
Secretary



**Rob Katherman**  
Treasurer



**John D. S. Allen**  
President



**Sergio Calderon**  
Director



**Vera Robles DeWitt**  
Vice President



**Comprehensive Annual Financial Report  
Water Replenishment District of Southern California  
For the Years Ended June 30, 2019 and 2018  
With Independent Auditors' Report**

**Prepared By: Finance Department**



## Our Mission Statement

*“To provide, protect and preserve safe and reliable high quality groundwater.”*

### Water Replenishment District of Southern California Board of Directors as of June 30, 2019

<u>Name</u>	<u>Division</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
John D. S. Allen	3	President	Elected	01/19-01/23
Vera Robles-DeWitt	5	Vice President	Appointed	08/18-01/21
Willard H. Murray, Jr.	1	Secretary	Elected	01/19-01/23
Robert Katherman	2	Treasurer	Elected	01/17-01/21
Sergio Calderon	4	Director	Elected	01/19-01/23

Water Replenishment District of Southern California  
Robb Whitaker, General Manager  
4040 Paramount Boulevard  
Lakewood, California 90712  
(562) 921-5521  
[www.wrd.org](http://www.wrd.org)



# Water Replenishment District of Southern California

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DIRECTORS  
JOHN D. S. ALLEN, PRESIDENT  
VERA ROBLES DEWITT, VICE PRESIDENT  
WILLARD H. MURRAY, JR., SECRETARY  
ROB KATHERMAN, TREASURER  
SERGIO CALDERON, DIRECTOR

ROBB WHITAKER, P.E., GENERAL MANAGER

December 11, 2019

The Honorable Board of Directors of the  
Water Replenishment District of Southern California

State law requires that every general-purpose government agency publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Due to costs, internal controls should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Pun Group LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Water Replenishment District of Southern California (WRD)’s financial statements for the year ended June 30, 2019. The independent auditors’ report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements and should be read in conjunction with this letter of transmittal.

The District has one blended component unit with a June 30 year-end. Accordingly, the Southern California Water Replenishment Financing Corporation is presented as a blended component unit of the District.

### **Profile of the District**

The District is a special water district that was established in 1959 by popular vote to counteract the effects of over pumping of groundwater from two major groundwater basins in Los Angeles County. It is the only replenishment district in California operating under the provisions of the California Water Code, Section 60000 et seq., which specifically governs water replenishment districts.

The District manages the Central and West Coast groundwater basin (collectively, the “Basins”) which provide groundwater for approximately four million residents in 43 cities of southern Los Angeles County (County). The District was formed in response to a history of over pumping of the Basins which caused wells to go dry and seawater to intrude into the potable water aquifers. The District serves as the groundwater manager for the Basins, in accordance with the adjudications of the Basins. The District protects the Basins by replenishing the groundwater, deterring sea water intrusion and removing contaminants from the groundwater.

The District is bound by the Baldwin, Whittier, and Merced Hills to the north, the Orange County line to the east, and the Pacific Ocean to the south and west. It lies entirely within Los Angeles County and serves 43 cities, including Los Angeles, Long Beach, Downey, and Torrance. The approximately 420 square mile service area uses about 220,000 acre-feet of groundwater per year.

The District's mission is "to provide, protect and preserve safe and reliable high quality groundwater." Although the District does not directly serve customers, it ensures the health of the groundwater basins so groundwater supplies are available to those with water rights to those basins, such as the cities that supply water to their residents. According to District estimates, in the past nearly 40 percent of the water consumed by the area served by the District comes from groundwater sources. Due to the drought and conservation, the percentage is now closer to 50 percent. The remaining amount comes from water imported from the Colorado River and Northern California.

The District was originally established to oversee the replenishment of groundwater levels in the Central and West Coast groundwater basins of Los Angeles County. The need for an entity to perform this function had become clear by the 1950s. The increasing population of the Los Angeles area during the early part of this century had overwhelmed the area's limited sources of surface water, so communities, private water companies, and businesses began pumping water out of the groundwater basins. Since the natural inflow to the groundwater basins relies primarily on rainfall that averages only 14 inches per year, it was not long before the pumping outstripped the basins' ability to recharge themselves through natural means. As the groundwater levels continued to go down, some wells went dry and saltwater intruded into the basins' coastal areas, causing wells to be abandoned.

The West Basin Water Association was formed in 1947, and the Central Basin Water Association was formed in 1952. These associations developed a plan to provide supplemental water to their members, limit groundwater extraction from the basins, and create a means to provide groundwater pumping rights to users who lacked access to other supplemental water supplies. At about the same time, the entities went to court seeking specific assignments for groundwater rights. In 1956 and 1961, the court awarded varying amounts of groundwater rights to a number of entities. During fiscal year 1997/98, 150 parties to these judgments held a total of 217,367 acre-feet of water rights in the Central Basin, and 68 parties held a total of 64,468 acre-feet of water rights in the West Coast Basin. Since water rights are property rights, they can be bought and sold.

By law, the District has broad authority to carry out its responsibilities, which include the purchase of water to replenish the basins, administering clean water programs and investing in projects intended to improve the reliable supply of clean water at a reasonable cost. The District annually purchases an average of 71,000 acre-feet of water to be added to spreading grounds, where it gradually percolates into the underlying aquifers. The District also purchases an average of 27,000 acre-feet per year of water to be injected into seawater barrier wells along the coastline. Water injected into these barrier wells forms a dam of freshwater that keeps seawater from flowing into the groundwater aquifers in areas where groundwater levels have dropped below sea level. Los Angeles County operates the spreading grounds and barrier wells, using the water the District provides.

In addition, the District operates a number of clean water programs under the authority of 1991 legislation that broadened its mission to include the detection, prevention, and removal of contaminants in the groundwater. In response to this legislation, the District has established programs to monitor water quality, remove containments, and mitigate saltwater intrusion.

## **Local Economy**

The District office is located in Los Angeles County, California's most populous county, with over 10 million residents in 88 cities spread across 4,100 square miles; Los Angeles County's population exceeds that of 43 states.

Los Angeles County's economy remains dynamic and growing. The County boasts a workforce of more than 5.1 million people and is the nation's largest manufacturing center and the world's largest entertainment hub. High paying technology based jobs continued to increase. In 2018, real GDP in Los Angeles County grew at 2.8 percent to \$807 billion, with the unemployment rate down to 4.6 percent. Job growth has been positive since 2011, averaging 2.5 percent annually. Another 59,000 jobs were added in 2018. Continued growth of 60,000 jobs per year is anticipated in 2019 and 2020.

Personal income in Los Angeles County has been rising, posting consecutive year-over-year increases since 2013. The Los Angeles County Economic Development Corporation forecasts continued personal income growth of 2.6 percent in 2019. It is expected that all industry sectors will continue to add jobs over the next two years, with the largest increase in the education and health care services and leisure and hospitality industry. The public sector will continue to be a large employer in Los Angeles County. Federal, state and local governments accounting for 13 percent of all payroll jobs in the county. Jobs in the government sector are expected to be relatively flat over the next two years.

Water in California remains at the top of the state's priority list, and this year is no different. The District is tasked with ensuring a reliable supply of high quality groundwater is available for use by residents and businesses. Through coordination and planning with other local and regional water suppliers, the District continues to engage in developing long-term solutions to various water supply challenges. These efforts are evidenced in the District's participation in regional conjunctive use programs as well as local groundwater storage and recovery projects.

The District developed a suite of projects through its Water Independence Now (WIN) initiative to further develop local and sustainable sources of water for use in all replenishment activities and to eliminate the need for imported water for groundwater recharge. The cornerstone project for WIN is the Albert Robles Center (ARC) for Water Recycling and Environmental Learning, a new advanced water treatment facility constructed in the City of Pico Rivera. The ARC will accomplish imported water independence by providing an additional 21,000 acre-feet (6.8 billion gallons) of locally derived recycled water annually to replenish the groundwater basins in-lieu of using imported water from northern California and the Colorado River.

## **Relevant Financial Policies**

### *Internal Control Structure*

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### *Investment Policy*

The Board of Directors annually adopts an investment policy that conforms to California State law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The Investment Policy's objectives are safety, liquidity, and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund, Certificates of Deposit, Government Agency Obligations or other specifically authorized investments.

### *Replenishment Assessment*

Following several public budget workshops, the WRD Board of Directors voted to increase the 2018-2019 Replenishment Assessment to \$339.00 per acre-foot. Despite rising operating costs, the District managed to stay the course through general belt-tightening and a conscious decision to reduce purchases for increasingly expensive imported water in favor of more cost-effective local supply.

### *Fitch Ratings and Standard & Poor's affirms WRD's AA+ Debt Rating*

Reflecting confidence in WRD's financial stability and management, both of the major rating agencies assigned AA+ long-term rating to the 2018 Replenishment Assessment Revenue Bonds, which is at or near the top rating for water agencies in the state.

## **District Achievements**

The District had the foresight 15 years ago to radically change the way we looked at water supply for groundwater replenishment. Being heavily reliant on imported water for most of our history, and, in fact, one of the largest users of imported water in Metropolitan Water District's entire system, we made the conscious decision to undertake programs and projects that would eliminate the use of imported water altogether. We called it the Water Independence Now, or WIN, initiative.

With the opening of the Albert Robles Center for Water Recycling and Environmental Learning (ARC), a major chapter in WRD's 60-year history has come to a close and a new chapter begins. ARC is the final step in WRD's Water Independence Now (WIN) journey. Turning the page, this year we launched what we are calling WIN 4 ALL to expand to the region the WIN principle of local water self-reliance. With WIN, we demonstrated how it is possible to become totally independent of imported water to meet our replenishment needs. With WIN 4 ALL, our objective is to achieve regional independence from imported water in the Los Angeles Basin region by fully utilizing the groundwater basins.

### *WIN – Storm Water Capture*

Initiated in 2004, WIN was a guiding principle for WRD’s approach to water supply for groundwater replenishment. In practice, it became a suite of projects that eliminated altogether WRD’s need for imported water. The projects included three rubber dams on the San Gabriel River, the expansion of the Conservation Pool behind the Whittier Narrows Dam to increase storm water capture, and a pipeline connecting the Rio Hondo and San Gabriel Spreading Grounds. Jointly financed by WRD and the Los Angeles County Department of Public Works (DPW), these three projects increased the volume of storm water available for natural replenishment by an average annual volume of 7,900 acre-feet.

### *WIN – Seawater Barriers*

Owned and operated separately by WRD, the West Basin Municipal Water District, and the City of Los Angeles, the three facilities that provide advanced treated recycled water for injection into DPW’s seawater barriers were all expanded. The expansions totaled an additional 16,000 acre-feet, bringing the capacity of all three facilities to 31,500 acre-feet per year - more than enough to meet the needs of the barriers.

### *WIN – ARC*

The crown jewel in WRD’s WIN portfolio of projects is ARC, an advanced recycled water treatment facility initially producing 10,000 acre-feet per year for use in the spreading grounds or injection wells. Located in the City of Pico Rivera, ARC is a spectacular facility that in addition to producing water will serve as an educational center and community asset for years to come.

### *WIN – Results*

Three storm water capture projects, three expansions of advanced treated recycled water facilities to produce water for seawater barrier injection, and ARC make up the WIN suite of projects. Combined, they account for an annual average of 33,900 acre-feet of new local water supply captured or produced in the last 15 years. Combined with WRD’s historic average use of recycled water and storm water captured, the new local supply eliminates WRD’s need for imported water to meet its replenishment needs.

### *WIN 4 ALL*

As early as 2010, the WRD Board had made regional self-reliance a District objective, at least in concept, when it approved the preparation of the Groundwater Basin Master Plan. Following a six-year extensive pumper engagement process accompanied by modeling of basin use concepts, scenarios and alternatives, the Board in 2016 adopted the Master Plan. The Plan identifies possible projects and programs to enhance basin replenishment, increase reliability of groundwater resources, and improve and protect groundwater quality.

The Plan is a blueprint for WIN 4 ALL. One of the concepts explored would result in an additional groundwater supply of 220,250 acre-feet, enough water to meet the needs of more than 1.7 million people. Studies are underway to assess the feasibility of brackish groundwater remediation on a massive scale and the use of water from the Hyperion Treatment Plant for groundwater replenishment, both of which would contribute to the WIN 4 ALL objective.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the fourteenth consecutive year that the District submitted its CAFR for this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District has also been presented with the following awards as part of its ongoing effort to provide, protect and preserve high-quality groundwater within the Central and West Coast Groundwater Basins.

- Government Finance Officers Association Distinguished Budget Presentation Award
- California Society of Municipal Finance Officers Association Award of Excellence in Budgeting

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Water Replenishment District of Southern California's fiscal policies.

Respectfully submitted,



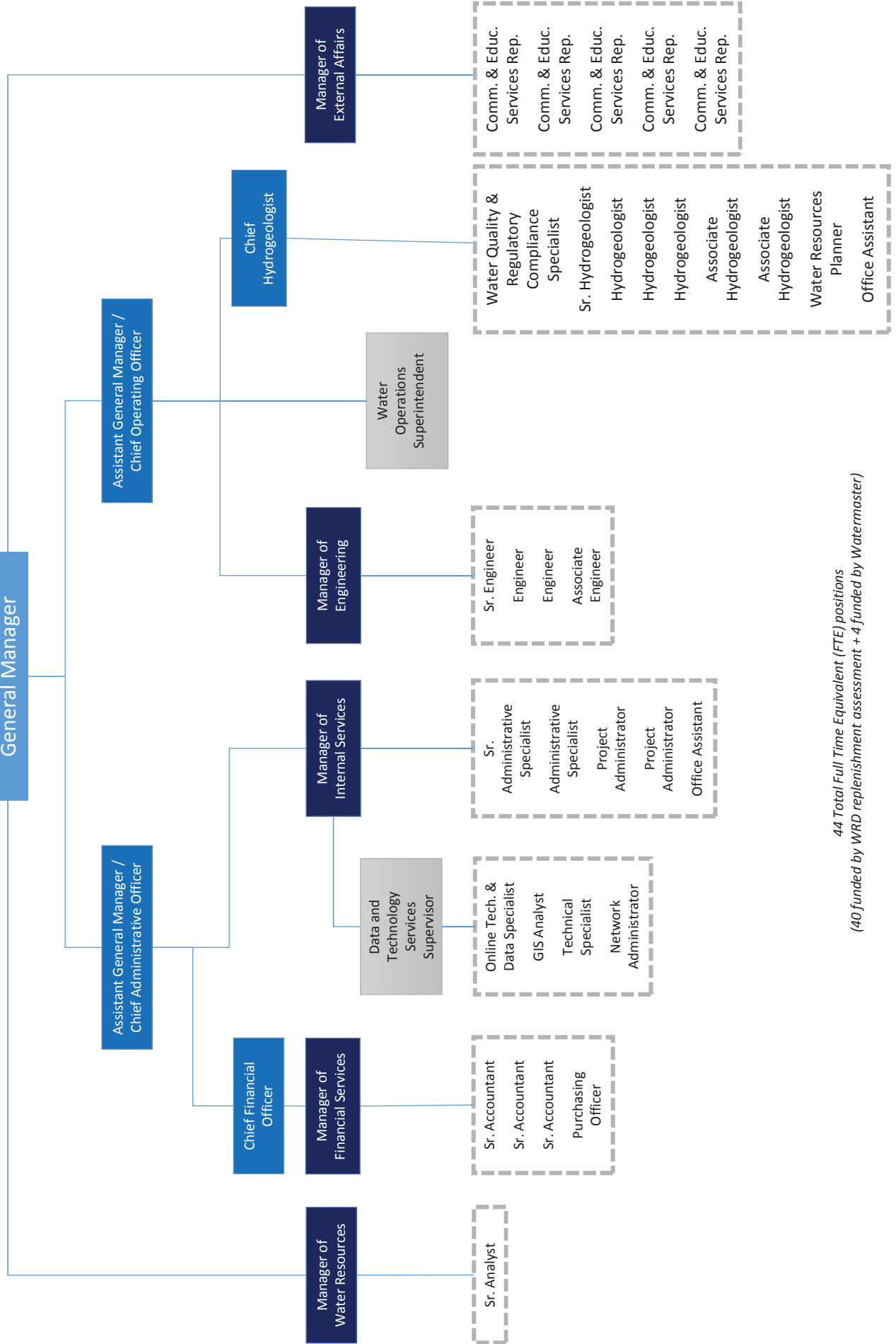
Lawrence Chiu

Chief Financial Officer

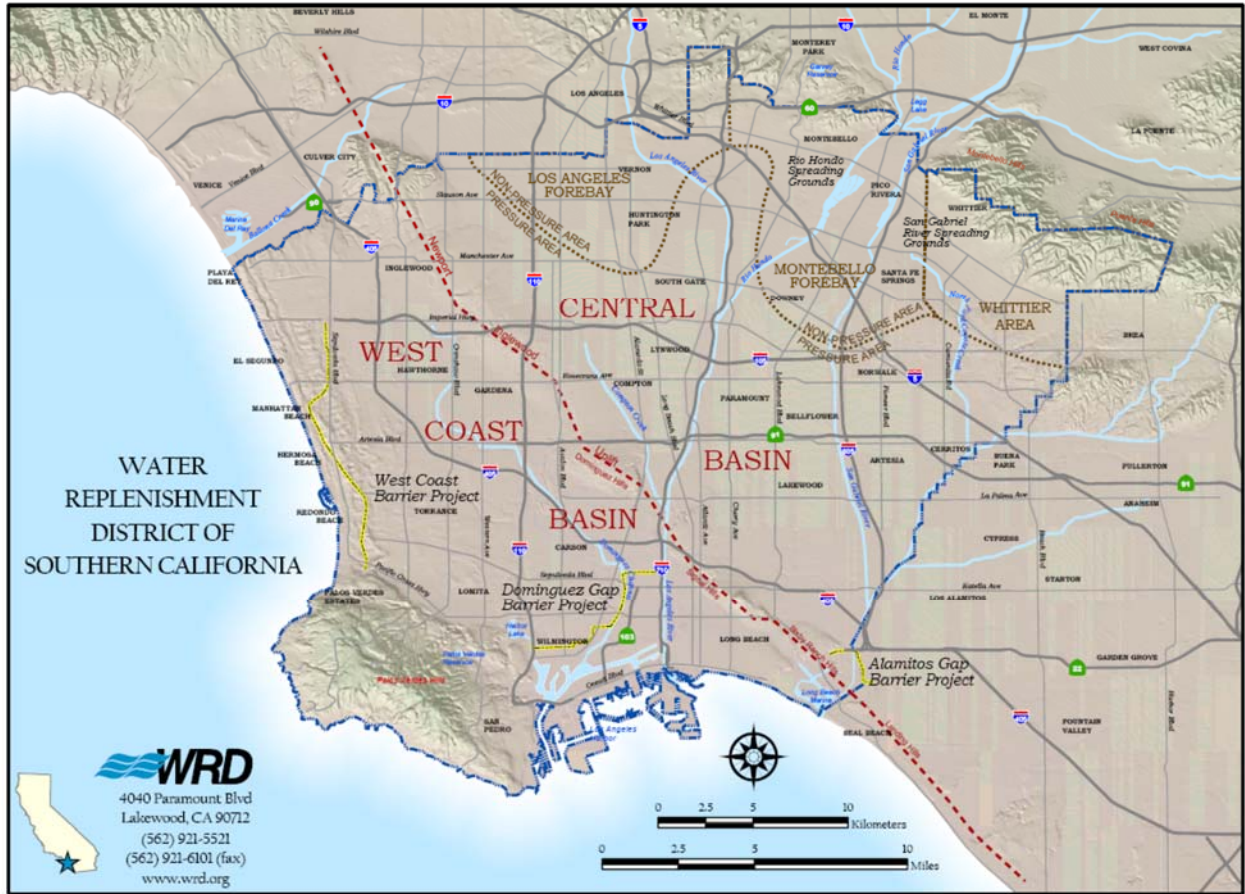
Water Replenishment District of Southern California



# Adopted Organization Chart (January 2019)



44 Total Full Time Equivalent (FTE) positions  
(40 funded by WRD replenishment assessment + 4 funded by Watermaster)







Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Water Replenishment District  
of Southern California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Water Replenishment District of Southern California  
Lakewood, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Water Replenishment District of Southern California, California (the "District"), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions - Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedules of Contributions - Other Postemployment Benefits on pages 3 through 8 and 58 through 65, 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 Information*

Our audits was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*2018 Financial Statements*

The District's basic financial statements for the year ended June 30, 2018 were audited by other auditors whose report thereon dated December 26, 2018, expressed an unmodified opinion on the financial statement of the District.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Santa Ana, California  
December 11, 2019

**Water Replenishment District of Southern California**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Years Ended June 30, 2019 and 2018**

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The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Water Replenishment District of Southern California (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position increased by 9.4% or \$11,667,654 from \$124,276,710 in fiscal year 2018 to \$135,944,364 in fiscal year 2019. Net position increased 23.1% or \$23,326,973 from \$100,949,737 in fiscal year 2017 to \$124,276,710 in fiscal year 2018.
- The District's total operating revenues decreased by 6.2% or \$4,589,269 from \$74,289,639 in fiscal year 2018 to \$69,700,370 in fiscal year 2019.
- The District's total expenses increased by 5.6% or \$3,814,597 from fiscal year 2018 to 2019. This was primarily due to the following:
  - Operating expenses including cost of water injection, imported spreading water, connection fees, administrative cost and depreciation expense decreased by \$1.0 million; but was offset \$4.8 million increase in non-operating expenses on the Replenishment Assessment Revenue Bonds, Series 2015 and 2018.
- From fiscal year 2017 to 2018, the District's total expenses decreased by 3.0% or \$2,153,683 primarily due to the following:
  - The cost of imported spreading water decreased by \$11.6 million but was offset by the increase in the cost of water injection and increase in administrative cost due to increase in pension and OPEB expense resulting from updated actuarial valuation report from CalPERS and implementation of GASB Statement 75, Accounting and Financial Report for Postemployment Benefits Other Than Pensions (OPEB).

**Required Financial Statements**

This annual report includes the basic financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate fiscal stability and credit worthiness.

The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Water Replenishment District of Southern California**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. One can think of the District's net position - the difference between assets and liabilities - as a way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation, such as changes in Federal and State water quality standards.

**Statement of Net Position**

Condensed Statement of Net Position							
	6/30/2019	6/30/2018	\$ Change	% Change	6/30/2017	\$ Change	% Change
Current Assets	\$ 89,002,717	\$ 75,148,947	\$ 13,853,770	18.4%	\$ 68,511,957	\$ 6,636,990	9.7%
Restricted Assets	79,024,759	23,362,227	55,662,532	238.3%	33,015,303	(9,653,076)	-29.2%
Other Noncurrent Assets	118,083	343,403	(225,320)	-65.6%	662,998	(319,595)	-48.2%
Capital Assets, Net	301,184,433	255,236,818	45,947,615	18.0%	195,214,183	60,022,635	30.7%
Total Assets	<u>469,329,992</u>	<u>354,091,395</u>	<u>115,238,597</u>	<u>32.5%</u>	<u>297,404,441</u>	<u>56,686,954</u>	<u>19.1%</u>
Deferred Outflows of Resources	<u>8,645,711</u>	<u>10,149,649</u>	<u>(1,503,938)</u>	<u>-14.8%</u>	<u>12,986,438</u>	<u>(2,836,789)</u>	<u>-21.8%</u>
Current Liabilities	32,448,501	31,248,391	1,200,110	3.8%	20,572,660	10,675,731	51.9%
Noncurrent Liabilities	309,305,277	208,497,795	100,807,482	48.3%	184,404,593	24,093,202	13.1%
Total Liabilities	<u>341,753,778</u>	<u>239,746,186</u>	<u>102,007,592</u>	<u>42.5%</u>	<u>204,977,253</u>	<u>34,768,933</u>	<u>17.0%</u>
Deferred Inflows of Resources	<u>277,561</u>	<u>218,148</u>	<u>59,413</u>	<u>27.2%</u>	<u>4,463,889</u>	<u>(4,245,741)</u>	<u>-95.1%</u>
Net Position							
Net Investment in Capital	67,639,056	79,330,770	(11,691,714)	-14.7%	58,811,863	20,518,907	34.9%
Restricted for Debt Service	1,675,642	-	1,675,642	100.0%	-	-	
Unrestricted	66,629,666	44,945,940	21,683,726	48.2%	42,137,874	2,808,066	6.7%
Total Net Position	<u>\$ 135,944,364</u>	<u>\$ 124,276,710</u>	<u>\$ 11,667,654</u>	<u>9.4%</u>	<u>\$ 100,949,737</u>	<u>\$ 23,326,973</u>	<u>23.1%</u>

As noted earlier, over time, changes in net position may serve as a useful indicator of a government's financial condition. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$135.9 million and \$124.3 million as of June 30, 2019 and 2018, respectively.

Total assets increased \$115.2 million or 32.5% in the current year primarily due to the proceeds from the Replenishment Assessment Revenue Bonds, Series 2018 during the fiscal year. The debt proceeds were used to fund certain construction projects which include the Albert Robles Center for Water Recycling and Environmental Learning. Thus, Capital assets increased by \$45.9 million during the fiscal year 2019.

Total liabilities increased by \$102.0 million or 42.5% due to the issuance of Replenishment Assessment Revenue Bonds, Series 2018 and additional loan drawn down from the Clean Water State Revolving Fund Loan.

At the end of fiscal years 2019 and 2018, the District shows a positive balance in unrestricted net position of \$66.6 million and \$44.9 million respectively.

**Water Replenishment District of Southern California**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Statement of Revenues, Expenses and Changes in Net Position**

	Condensed Statement of Revenues, Expenses and Changes in Net Position						
	6/30/2019	6/30/2018	\$ Change	% Change	6/30/2017	\$ Change	% Change
Revenues:							
Operating Revenues	\$ 69,700,370	\$ 74,289,639	\$ (4,589,269)	-6.2%	\$ 74,573,333	\$ (283,694)	-0.4%
Nonoperating Revenues							
Property Taxes	717,812	658,530	59,282	9.0%	613,015	45,515	7.4%
Interest & Investment Earnings	940,725	1,027,074	(86,349)	-8.4%	864,242	162,832	18.8%
Other, Net	2,841,726	4,209,797	(1,368,071)	-32.5%	3,270,421	939,376	28.7%
Total Revenues	<u>74,200,633</u>	<u>80,185,040</u>	<u>(5,984,407)</u>	<u>-7.5%</u>	<u>79,321,011</u>	<u>864,029</u>	<u>1.1%</u>
Expenses:							
Operating Expenses	60,198,870	61,184,657	(985,787)	-1.6%	66,362,121	(5,177,464)	-7.8%
Nonoperating Expenses	12,074,734	7,274,350	4,800,384	66.0%	4,250,569	3,023,781	71.1%
Total Expenses	<u>72,273,604</u>	<u>68,459,007</u>	<u>3,814,597</u>	<u>5.6%</u>	<u>70,612,690</u>	<u>(2,153,683)</u>	<u>-3.0%</u>
Income before Capital Contributions	1,927,029	11,726,033	(9,799,004)	-83.6%	8,708,321	3,017,712	34.7%
Capital Contributions - Capital Grants	9,740,625	11,600,940	(1,860,315)	-16.0%	7,550,656	4,050,284	53.6%
Change in Net Position	<u>11,667,654</u>	<u>23,326,973</u>	<u>(11,659,319)</u>	<u>-50.0%</u>	<u>16,258,977</u>	<u>7,067,996</u>	<u>43.5%</u>
Net Position - Beginning of Year	124,276,710	100,949,737	23,326,973	23.1%	87,722,701	13,227,036	15.1%
Prior Period Adjustment	-	-	-		(3,031,941)	3,031,941	
Net Position - End of Year	<u>\$ 135,944,364</u>	<u>\$ 124,276,710</u>	<u>\$ 11,667,654</u>	<u>9.4%</u>	<u>\$ 100,949,737</u>	<u>\$ 23,326,973</u>	<u>23.1%</u>

The Statement of Revenues, Expenses and Changes in Net Position shows how the District's net position changed during the fiscal year. The net position increased \$11.7 million and \$23.3 million during the fiscal years ended June 30, 2019 and 2018 respectively. In fiscal year 2019, the increase in net position is due to total revenues of \$74.2 million exceeding total expenses of \$72.2 million with capital contributions of \$9.7 million. In fiscal year 2018, the increase in net position is due to total revenues of \$80.2 million exceeding total expenses of \$68.5 million with capital contributions of \$11.6 million.

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

In fiscal year 2019, total revenues decreased \$6.0 million and total expenses increased \$3.8 million for a net decrease of \$9.8 million. The District also saw a decrease in capital contributions of \$1.9 million for a net decrease in change in net position for 2019 of \$11.7 million.

In fiscal year 2018, total revenues increased \$0.9 million and total expenses decreased \$2.1 million for a net increase of \$3.0 million. The District also saw an increase in capital contributions of \$4.1 million for a net increase in change in net position for 2018 of \$7.1 million.

**Water Replenishment District of Southern California**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Operating Revenues**

	6/30/2019	6/30/2018	\$ Change	6/30/2017	\$ Change
Operating Revenues:					
Water Replenishment Assessments	\$ 68,007,111	\$ 73,687,699	\$ (5,680,588)	\$ 73,822,097	\$ (134,398)
Desalter Assessments	1,138,025	334,381	803,644	-	334,381
Water Treatment Subsidies	497,799	171,759	326,040	355,914	(184,155)
Other Operating Income	57,435	95,800	(38,365)	395,322	(299,522)
Total Operating Revenues	<u>\$ 69,700,370</u>	<u>\$ 74,289,639</u>	<u>\$ (4,589,269)</u>	<u>\$ 74,573,333</u>	<u>\$ (283,694)</u>

Total operating revenues decreased by \$4.6 million from \$74.3 million in fiscal year 2018 to \$69.7 million in fiscal year 2019 primarily due to water conservation and lower underground water pumping activities in Central Basin and West Coast Basin.

Total operating revenues decreased slightly by \$0.3 million from \$74.6 million in fiscal year 2017 to \$74.3 million in fiscal year 2018.

**Operating Expenses - Water Supply Management Expenses**

	6/30/2019	6/30/2018	\$ Change	6/30/2017	\$ Change
Water Supply Management:					
Water Purchases - Injecting	\$ 24,286,777	\$ 26,328,547	\$ (2,041,770)	\$ 21,344,615	\$ 4,983,932
Water Purchases - Spreading	7,688,844	10,707,564	(3,018,720)	22,333,722	(11,626,158)
Connection Fees	2,036,791	1,970,372	66,419	4,010,063	(2,039,691)
Total Water Supply Management Expenses	<u>\$ 34,012,412</u>	<u>\$ 39,006,483</u>	<u>\$ (4,994,071)</u>	<u>\$ 47,688,400</u>	<u>\$ (8,681,917)</u>

Water purchases make up the majority of the District's total operating expenses which saw a decrease of \$5.0 million over the prior fiscal year. The main reason for the change was due to the decrease in the cost of water injection and spreading water of \$2.0 million and \$3.0 million respectively.

**Capital Assets**

At June 30, 2019 and 2018, the District's investment in capital assets amounted to \$301.2 million and \$255.2 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, utility plant, monitoring and injection equipment, service connections, office furniture and equipment, and construction-in-progress. Major capital asset additions during fiscal year 2019 and 2018 include expenses related to the Albert Robles Center for Water Recycling and Environmental Learning, Leo J. Vander Lans Advanced Water Treatment Facility Expansion Project, Goldsworthy Desalter and the Regional Groundwater Monitoring Program.



**Water Replenishment District of Southern California**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

The capital assets of the District are summarized below and more fully analyzed in the Notes to the Basic Financial Statements.

	<b>Balance 7/1/2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassification</b>	<b>Balance 6/30/2019</b>
Non-Depreciable Assets	\$ 177,043,335	\$ 51,937,646	\$ (1,367,459)	\$ (24,736,067)	\$ 202,877,455
Depreciable Assets	117,940,658	35,055	-	24,736,067	142,711,780
Accumulated Depreciation	(39,747,175)	(4,657,627)	-	-	(44,404,802)
Capital Asserts, Net	\$ 255,236,818	\$ 47,315,074	\$ (1,367,459)	\$ -	\$ 301,184,433

	<b>Balance 7/1/2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassification</b>	<b>Balance 6/30/2018</b>
Non-Depreciable Assets	\$ 118,913,270	\$ 64,134,698	\$ -	\$ (6,004,633)	\$ 177,043,335
Depreciable Assets	112,104,525	-	(168,500)	6,004,633	117,940,658
Accumulated Depreciation	(35,803,612)	(4,112,063)	168,500	-	(39,747,175)
Capital Asserts, Net	\$ 195,214,183	\$ 60,022,635	\$ -	\$ -	\$ 255,236,818

**Long-Term Debt**

At June 30, 2019 and 2018, the District had long-term debt of \$304.0 million and \$201.5 million respectively. See Notes to the Basic Financial Statements for further details.

	<b>Balance 7/1/2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2019</b>
Replenishment Assessment Revenue Bonds				
Series 2015	\$ 144,340,000	\$ -	\$ (2,445,000)	\$ 141,895,000
Add: Unamortized Premium	21,645,846	-	(770,772)	20,875,074
Series 2018	-	65,785,000	-	65,785,000
Add: Unamortized Premium	-	9,903,131	(194,725)	9,708,406
Clean Water State Revolving Fund Loan	35,464,627	30,317,836	-	65,782,463
Total Long-Term Debt	\$ 201,450,473	\$ 106,005,967	\$ (3,410,497)	\$ 304,045,943

	<b>Balance 7/1/2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2018</b>
Replenishment Assessment Revenue Bonds				
Series 2015	\$ 146,690,000	\$ -	\$ (2,350,000)	\$ 144,340,000
Add: Unamortized Premium	22,435,360	-	(789,514)	21,645,846
Clean Water State Revolving Fund Loan	9,778,138	25,686,489	-	35,464,627
Total Long-Term Debt	\$ 178,903,498	\$ 25,686,489	\$ (3,139,514)	\$ 201,450,473

**Water Replenishment District of Southern California**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Requests for Information**

This Comprehensive Annual Financial Report is designed to provide customers, stakeholders and other interested parties with an overview of the District's financial operations and overall financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Chief Financial Officer at 4040 Paramount Boulevard, Lakewood, California 90712.

## **BASIC FINANCIAL STATEMENTS**

**Water Replenishment District of Southern California**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

ASSETS	2019	2018
<b>Current assets:</b>		
Cash and cash equivalents	\$ 65,291,255	\$ 47,951,465
Receivables:		
Water replenishment assessments, net	23,358,238	26,750,651
Grants	5,684	1,469
Notes receivable, due within one year	308,420	308,421
Prepaid items and deposits	39,120	136,941
<b>Total current assets</b>	<b>89,002,717</b>	<b>75,148,947</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	79,024,759	23,362,227
Notes receivable, due in more than one year	-	308,460
Net pension asset	118,083	34,943
Capital assets:		
Nondepreciable	202,877,455	177,043,335
Depreciable, net of accumulated depreciation	98,306,978	78,193,483
Capital assets, net	301,184,433	255,236,818
<b>Total noncurrent assets</b>	<b>380,327,275</b>	<b>278,942,448</b>
<b>Total assets</b>	<b>469,329,992</b>	<b>354,091,395</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on debt refunding	4,346,763	6,433,209
Deferred outflows of resources related to pensions	2,179,266	2,707,779
Deferred outflows of resources related to other postemployment benefits	2,119,682	1,008,661
<b>Total deferred outflows of resources</b>	<b>8,645,711</b>	<b>10,149,649</b>

**Water Replenishment District of Southern California**  
**Statements of Net Position (Continued)**  
**June 30, 2019 and 2018**

<b>LIABILITIES</b>	<u>2019</u>	<u>2018</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 11,387,598	\$ 15,334,051
Accrued wages and related payables	344,638	279,064
Retention payable	5,642,885	4,251,011
Interest payable	4,184,229	2,854,458
Unearned revenue	5,081,192	5,132,802
Compensated absences, due within one year	202,885	162,491
Long-term debt, due within one year	5,605,074	3,234,514
<b>Total current liabilities</b>	<u>32,448,501</u>	<u>31,248,391</u>
<b>Noncurrent liabilities:</b>		
Compensated absences, due in more than one year	342,914	391,746
Long-term debt, due in more than one year	298,440,869	198,215,959
Net pension liabilities	4,872,655	4,977,020
Net other postemployment benefits liabilities	5,648,839	4,913,070
<b>Total noncurrent liabilities</b>	<u>309,305,277</u>	<u>208,497,795</u>
<b>Total liabilities</b>	<u>341,753,778</u>	<u>239,746,186</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	277,561	204,978
Deferred inflows of resources related to other postemployment benefits	-	13,170
<b>Total deferred inflows of resources</b>	<u>277,561</u>	<u>218,148</u>
 <b>NET POSITION</b>		
Net investment in capital assets	67,639,056	79,330,770
Restricted for debt service	1,675,642	-
Unrestricted	66,629,666	44,945,940
<b>Total net position</b>	<u>\$ 135,944,364</u>	<u>\$ 124,276,710</u>

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**Water Replenishment District of Southern California**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Operating Revenues:</b>		
Water replenishment assessments	\$ 68,007,111	\$ 73,687,699
Desalter assessments	1,138,025	334,381
Water treatment subsidies	497,799	171,759
Other operating income	57,435	95,800
<b>Total operating revenues</b>	<b>69,700,370</b>	<b>74,289,639</b>
<b>Operating Expenses:</b>		
Water supply management:		
Water purchases - injecting	24,286,777	26,328,547
Water purchases - spreading	7,688,844	10,707,564
Connection fees	2,036,791	1,970,372
General and administrative	21,528,831	18,066,111
Depreciation and amortization	4,657,627	4,112,063
<b>Total operating expenses</b>	<b>60,198,870</b>	<b>61,184,657</b>
<b>Net Operating Income</b>	<b>9,501,500</b>	<b>13,104,982</b>
<b>Nonoperating Revenues (Expenses):</b>		
Property taxes	717,812	658,530
Interest and investment earnings	940,725	1,027,074
Interest expense and fiscal charges	(10,105,952)	(6,174,350)
Election costs	(601,323)	(1,100,000)
Loss on disposal of capital assets	(1,367,459)	-
Other revenues	2,841,726	4,209,797
<b>Total nonoperating revenues (expenses)</b>	<b>(7,574,471)</b>	<b>(1,378,949)</b>
<b>Capital Contributions:</b>		
Capital contributions from other government	9,740,625	11,600,940
<b>Total capital contributions</b>	<b>9,740,625</b>	<b>11,600,940</b>
<b>Changes in Net Position</b>	<b>11,667,654</b>	<b>23,326,973</b>
<b>Net Position:</b>		
Beginning of year	124,276,710	100,949,737
End of year	<b>\$ 135,944,364</b>	<b>\$ 124,276,710</b>

**Water Replenishment District of Southern California**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Cash received from water assessments and subsidies	\$ 73,092,783	\$ 49,430,706
Cash payments to vendors and suppliers for material and services	(37,861,044)	(40,395,144)
Cash payments to employees for salaries and benefits	(21,446,526)	(5,765,105)
<b>Net cash provided by operating activities</b>	<b>13,785,213</b>	<b>3,270,457</b>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Cash paid for election expenses	(601,323)	(1,100,000)
Proceeds from other nonoperating revenue	2,841,726	4,209,797
Property taxes and fee collected	717,812	658,530
<b>Net cash provided by noncapital financing activities</b>	<b>2,958,215</b>	<b>3,768,327</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(50,580,827)	(59,883,687)
Proceeds from issuance of debt	105,545,119	25,686,489
Repayment of bonds payable	(2,445,000)	(2,350,000)
Interest payment	(7,194,384)	(7,003,031)
Proceeds from capital contributions - capital grants	9,684,800	25,968,882
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>55,009,708</b>	<b>(17,581,347)</b>
<b>Cash Flows From Investing Activities:</b>		
Interest received	940,725	1,027,074
Collection of notes receivable	308,461	505,940
<b>Net cash provided by investing activities</b>	<b>1,249,186</b>	<b>1,533,014</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>73,002,322</b>	<b>(9,009,549)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	71,313,692	80,323,241
End of year	<u>\$ 144,316,014</u>	<u>\$ 71,313,692</u>
<b>Financial Statement Presentation:</b>		
Cash and cash equivalents	\$ 65,291,255	\$ 47,951,465
Restricted cash and cash equivalents	79,024,759	23,362,227
<b>Total cash and cash equivalents</b>	<u>\$ 144,316,014</u>	<u>\$ 71,313,692</u>
<b>Noncash Activities from Capital and Related Financing Activities</b>		
Capitalized interest	\$ -	\$ 3,736,849
Increase in loans payable attributed to accrued interest	\$ 460,848	\$ -
Loss on disposal of capital assets	\$ 1,367,459	\$ -



**Water Replenishment District of Southern California**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Reconciliation of Net Operating Income to Net Cash</b>		
<b>    Provided By Operating Activities:</b>		
Net operating income	\$ 9,501,500	\$ 13,104,982
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,657,627	4,112,063
Changes in operating assets, liabilities, and deferred outflows/inflows of resources		
(Increase) decrease in water replenishment assessments receivable, net	3,392,413	(20,704,268)
(Increase) decrease in prepaid items and deposits	97,821	79,295
(Increase) decrease in accounts payable and accrued expenses	(3,946,453)	6,368,569
(Increase) decrease in pensions and other postemployment benefits related deferred outflows of resources	(582,508)	2,836,789
(Increase) decrease in pensions and other postemployment benefits related deferred inflows of resources	59,413	(4,245,741)
Increase (decrease) in accrued wages and related payables	65,574	88,066
Increase (decrease) in net pension liabilities	(187,505)	799,495
Increase (decrease) in net other postemployment benefits liability	735,769	706,337
Increase (decrease) in compensated absences	(8,438)	124,870
<b>    Net cash provided by operating activities</b>	<b>\$ 13,785,213</b>	<b>\$ 3,270,457</b>

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**Water Replenishment District of Southern California**  
**Index to the Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Water Replenishment District of Southern California**  
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**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 1 – Reporting Entity**

The Water Replenishment District of Southern California (the “District”) was formed by a vote of the people in 1959 for the purpose of protecting the groundwater resources of the Central and West Coast groundwater basins in Southern Los Angeles County. The District provides groundwater management for four million residents in 43 cities of Southern Los Angeles County (the “County”). The District was formed in response to a history of over pumping of the basins which caused wells to go dry and seawater to intrude into the potable water aquifers. The District's principal funding mechanisms include a water replenishment assessment on all the pumping from the groundwater basins and a general tax assessment in the form of a tax levy upon the real property and improvements within the County. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

*Blended Component Unit*

As required by U.S. GAAP, these financial statements present the District and its blended component units. The component units, although legally separate entities are, in substance, part of the District's operations and so data from these units are combined with data of the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or impose specific financial burdens on the primary government. A primary government may also financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Management determined that the following component unit should be blended based on the criteria above:

*Southern California Water Replenishment Financing Corporation*

The Southern California Water Replenishment Financing Corporation (“Corporation”) was incorporated on March 11, 1999. The Corporation is a California nonprofit public benefit corporation formed to assist the District by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by the District and leasing or selling such property to the District and as such has no employees or other operations. Although the Corporation is a legally separate entity, it is included as a blended component unit of the District, as it is in substance a part of the District's operations. No separate financial statements are prepared for the Corporation.

**Note 2 – Summary of Significant Accounting Policies**

**A. Basis of Presentation**

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the District.

The financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of managing the groundwater basins on a continuing basis are financed or recovered primarily through user charges (water replenishment assessments), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues from water replenishment assessments are recognized in the accounting period in which related costs or charges associated with the rates assessed are incurred. Expenses are recognized in the period incurred.

Operating revenues, such as water replenishment assessments, result from exchange transactions associated with the District’s principal activity. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives or receives value without directly receiving or giving value in exchange. Operating expenses, such as water purchases, are the result of the District’s exchange transactions along with associated expenses for running the District’s day-to-day operations. Nonoperating expenses, such as interest paid on debt service or election costs every other year, are the result of expenses that do not relate to the District’s day-to-day operations.

**C. Cash, Cash Equivalents, and Investments**

Whenever possible, the District’s cash is invested in interest bearing accounts. However, the safety and liquidity of the District’s cash always takes priority over yield. The District considers all highly liquid investments with a maturity of 12 months or less to be cash equivalents.

**D. Restricted Cash and Cash Equivalents**

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants or donor limitations. Fiscal agents acting on behalf of the District hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, and have been invested only as permitted by specific State statutes or applicable District ordinance, resolution or bond indenture.

**E. Water Replenishment Assessments Receivable**

The District extends credit to customers in the normal course of operations. Management closely monitors outstanding balances and, based on collection experience, has determined all water replenishment assessment receivables are collectible. Allowances for doubtful accounts at June 30, 2019 and 2018 was estimated at \$0.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**F. Grants Receivable**

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a grant receivable on the statement of net position and as an intergovernmental revenue or a capital contribution on the statement of revenues, expenses and changes in net position.

**G. Prepaid Items and Deposits**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items and deposits in the basic financial statements.

**H. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. A provision for depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Service Connections	50 Years
Monitoring and injection equipment	3 - 20 Years
Building and improvements	40 Years
Improvements other than buildings	10 - 40 Years
Machinery and equipment	10 - 20 Years
Autos and trucks	3 - 7 Years
Office furniture and equipment	5-10 Years
Utility plant and equipment	30 Years

The District has evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Management asserted that there were no impairments of capital assets as of June 30, 2019 and 2018.

**I. Unearned Revenue**

Unearned revenue are reported for resources received before the eligibility requirements are met (excluding time requirements).

**J. Deferred Outflows of Resources and Deferred Inflows of Resources**

The Statement of Net Position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods; therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods; therefore, are not recognized as a revenue until that time.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**K. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by the Federal and State granting agencies.

**L. Compensated Absences**

The District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Sick leave is payable when an employee is unable to work because of illness. Upon termination, an employee will be paid for any unused sick leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed.

It is management's belief that the majority of the obligation will be utilized during the course of the next fiscal year. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment.

**M. Long-Term Debt**

Debt premiums and discounts are amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable unamortized bond premium or discount. Debt issuance costs are expensed when incurred.

**N. Arbitrage Rebate Requirement**

The District is subject to the Internal Revenue Code ("IRC") Section 148(f), related to its tax exempt revenue bonds. The IRC requires that investment earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. The District had no rebate liability for arbitrage as of June 30, 2019 and 2018.

**O. Pensions**

For purposes of measuring the net pension liability and deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

The Following timeframes are used for pension reporting:

CalPERS

For the Year Ended	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Measurement Period	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

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For the Year Ended	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2016
Measurement Date	June 30, 2019	June 30, 2018
Measurement Period	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018



**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**O. Pensions (Continued)**

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. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line 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.

**P. Other Postemployment Benefits (“OPEB”)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

The Following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2017
Measurement Period	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line 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.

**Q. Net Position**

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

**Net Investment in Capital Assets** – This component of net position consists of capital assets, unexpended proceeds of debt restricted to the financing of capital assets, and related deferred charges on refunding, net of accumulated depreciation and reduced by any related debt outstanding against the acquisition, construction or improvement of those capital assets.

**Restricted** – This component of net position consists of constraints placed on net position use through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Q. Net Position (Continued)**

**Unrestricted** – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**R. Property Taxes and Assessments**

The County Assessor's Office assesses all real and personal property within the County each year. The County Tax Collector's Office bills and collects the District's share of property taxes and assessments.

The County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

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

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**S. Water Replenishment Assessments**

Water replenishment assessments are billed on a monthly basis and are recognized in the accounting period in which related costs or charges associated with the rates assessed are incurred.

**T. Overhead Absorption**

Certain operating expenses are allocated to capital assets using management's allocation of manpower and service estimates that are directly related to the construction of capital assets.

**U. Use of Estimates**

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

**V. Implementation of New GASB Pronouncements**

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). The primary objective of this Statement is to improve the information that is disclosed in notes to government 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 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 9 for long-term debt disclosure.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**V. Implementation of New GASB Pronouncements (Continued)**

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. 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.

**Note 3 – Reclassification**

Certain financial statement amounts reported for the year ended June 30, 2018 were reclassified.

**Note 4 – Cash and Investments**

At June 30, 2019 and 2018, cash and investments are classified in the accompanying statements of net position as follows:

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 65,291,255	\$ 47,951,465
Restricted cash and cash equivalents	79,024,759	23,362,227
<b>Total cash and investments</b>	<b>\$144,316,014</b>	<b>\$ 71,313,692</b>

At June 30, 2019 and 2018, cash and investments consisted of the followings:

	<b>2019</b>	<b>2018</b>
Deposits with financial institutions	\$ 68,888,035	\$ 51,569,678
Investment	1,955,649	1,930,885
Investment with fiscal agent	73,472,330	17,813,129
<b>Total cash and investment</b>	<b>\$144,316,014</b>	<b>\$ 71,313,692</b>

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 4 – Cash and Investments (Continued)**

***Demand Deposits***

Demand deposits are held in pool by the District. The carrying amounts of cash deposits were \$68,888,035 and \$51,569,678 at June 30, 2019 and 2018, respectively. Bank balance at June 30, 2019 and 2018 were \$71,041,356 and \$59,067,070, respectively, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The fair value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that addresses interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
Local agency bonds	5 years	None	None
United States Treasury bills, bonds and notes	5 years	None	None
Bonds issued by Local Agencies or States	5 years	None	None
United States government sponsored agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposits	5 years	None	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreement	92 days	20% of base value	None
Medium-Term notes	5 years	30%	None
Money market mutual funds	5 years	20%	10%
Mortgage passthrough security	5 years	None	None
Los Angeles County Pooled Surplus Investment Fund	5 years	None	None
California Local Agency Investment Fund (LAIF)	5 years	None	None

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 4 – Cash and Investments (Continued)**

***Investments Authorized by Debt Agreements***

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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
United States Treasury bills, bonds and notes	None	None	None
United States government sponsored agency securities	None	None	None
Banker's acceptances	180 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	None	None	None
Investment contracts	30 years	None	None

***Disclosures Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2019 and 2018.

<b>Investment Type</b>	<b>2019</b>	<b>2018</b>
	<b>Remaining Maturity (in Years)</b>	<b>Remaining Maturity (in Years)</b>
	<b>Less Than 1 Year</b>	<b>Less Than 1 Year</b>
Money market mutual funds	\$ 1,955,649	\$ 1,930,885
Investment with fiscal agents:		
Money market mutual funds	73,472,330	17,813,129
<b>Total</b>	<b>\$ 75,427,979</b>	<b>\$ 19,744,014</b>

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 4 – Cash and Investments (Continued)**

***Disclosures Relating to Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the District's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard and Poor's, and Moody's Investors Service. Presented in the following table are the Standard and Poor's credit ratings for the Districts investments as of June 30, 2019 and 2018.

<b>Investment</b>	<b>2019</b>		
	<b>Total As of June 30, 2019</b>	<b>Minimum Legal Requirement</b>	<b>AAA</b>
Money market mutual funds	\$ 1,955,649	None	\$ 1,955,649
Investment with fiscal agents:			
Money market mutual funds	73,472,330	None	73,472,330
<b>Total</b>	<b>\$ 75,427,979</b>		<b>\$ 75,427,979</b>

<b>Investment</b>	<b>2018</b>		
	<b>Total As of June 30, 2018</b>	<b>Minimum Legal Requirement</b>	<b>AAA</b>
Money market mutual funds	\$ 1,930,885	None	\$ 1,930,885
Investment with fiscal agents:			
Money market mutual funds	17,813,129	None	17,813,129
<b>Total</b>	<b>\$ 19,744,014</b>		<b>\$ 19,744,014</b>

***Concentration of Credit Risk***

The District's investment policy contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2019 and 2018, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% 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. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2019, and 2018, none of the District's deposits or investments were exposed to custodial credit risk.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 5 – Notes Receivable**

At June 30, 2019 and 2018, notes receivable consisted of the followings:

	<b>2019</b>	<b>2018</b>
City of Lakewood	\$ 197,480	\$ 394,960
City of Maywood	110,940	221,921
Total notes receivable	\$ 308,420	\$ 616,881
Due within one year	\$ 308,420	\$ 308,421
Due in more than one year	\$ -	\$ 308,460

***City of Lakewood***

On November 24, 2008, the District entered into a loan agreement with the City of Lakewood for a maximum loan amount of \$2,200,000 to finance the design, installation and construction of a wellhead treatment system at the City’s groundwater well. The loan is payable annually over a 10-year period. The loan is unsecured and non-interest bearing. The project was completed during the fiscal year 2010-2011. Annual repayment of the loan in the amount of \$220,000 started upon completion of the project and full disbursement of the loan proceeds to the City. The balance at June 30, 2019 and 2018 was \$197,480 and \$394,960, respectively.

***City of Maywood***

On June 19, 2009, the District entered into a loan agreement with the Maywood Mutual Water Company Number 2 (Water Company) for a maximum loan amount of \$900,000, to finance the design, installation and construction of a wellhead treatment system at the Water Company’s groundwater well. The loan is payable annually over a 10-year period. The loan is unsecured and non-interest bearing. The Water Company has drawn down a total of \$1,109,801 as of June 30, 2011. Annual repayment of the loan in the amount of \$110,000 started in the fiscal year 2010-2011 when the project was completed. The outstanding balances at June 30, 2019 and 2018 was \$110,940 and \$221,921, respectively.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Capital Assets**

Changes in capital assets for the year ended June 30, 2019 were as follows:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
<b>Capital assets, not depreciated</b>					
Land	\$ 16,673,743	\$ -	\$ -	\$ -	\$ 16,673,743
Construction in progress	160,369,592	51,937,646	(1,367,459)	(24,736,067)	186,203,712
<b>Total capital assets, not depreciated</b>	<u>177,043,335</u>	<u>51,937,646</u>	<u>(1,367,459)</u>	<u>(24,736,067)</u>	<u>202,877,455</u>
<b>Capital assets, being depreciated</b>					
Building and improvements	10,283,111	-	-	-	10,283,111
Utility plant and equipment	84,362,803	8,791	-	24,434,638	108,806,232
Capacity rights	2,439,604	-	-	-	2,439,604
Monitoring and injection equipment	20,753,720	26,264	-	-	20,779,984
Service connections	101,420	-	-	301,429	402,849
<b>Total capital assets, being depreciated</b>	<u>117,940,658</u>	<u>35,055</u>	<u>-</u>	<u>24,736,067</u>	<u>142,711,780</u>
<b>Less accumulated depreciation</b>					
Building and improvements	(2,989,413)	(275,374)	-	-	(3,264,787)
Utility plant and equipment	(23,162,820)	(3,422,963)	-	-	(26,585,783)
Capacity rights	(1,057,347)	(81,309)	-	-	(1,138,656)
Monitoring and injection equipment	(12,444,716)	(875,953)	-	-	(13,320,669)
Service connections	(92,879)	(2,028)	-	-	(94,907)
<b>Total accumulated depreciation</b>	<u>(39,747,175)</u>	<u>(4,657,627)</u>	<u>-</u>	<u>-</u>	<u>(44,404,802)</u>
<b>Total capital assets, being depreciated, net</b>	<u>78,193,483</u>	<u>(4,622,572)</u>	<u>-</u>	<u>24,736,067</u>	<u>98,306,978</u>
<b>Total capital assets, net</b>	<u>\$ 255,236,818</u>	<u>\$ 47,315,074</u>	<u>\$ (1,367,459)</u>	<u>\$ -</u>	<u>\$ 301,184,433</u>

Changes in capital assets for the year ended June 30, 2018 were as follows:

	Balance July 1, 2017	Additions	Deletions	Reclassification	Balance June 30, 2018
<b>Capital assets, not depreciated</b>					
Land	\$ 16,673,743	\$ -	\$ -	\$ -	\$ 16,673,743
Construction in progress	102,239,527	64,134,698	-	(6,004,633)	160,369,592
<b>Total capital assets, not depreciated</b>	<u>118,913,270</u>	<u>64,134,698</u>	<u>-</u>	<u>(6,004,633)</u>	<u>177,043,335</u>
<b>Capital assets, being depreciated</b>					
Building and improvements	10,283,111	-	-	-	10,283,111
Utility plant and equipment	78,358,170	-	-	6,004,633	84,362,803
Capacity rights	2,439,604	-	-	-	2,439,604
Monitoring and injection equipment	20,922,220	-	(168,500)	-	20,753,720
Service connections	101,420	-	-	-	101,420
<b>Total capital assets, being depreciated</b>	<u>112,104,525</u>	<u>-</u>	<u>(168,500)</u>	<u>6,004,633</u>	<u>117,940,658</u>
<b>Less accumulated depreciation</b>					
Building and improvements	(2,714,039)	(275,374)	-	-	(2,989,413)
Utility plant and equipment	(20,350,723)	(2,812,097)	-	-	(23,162,820)
Capacity rights	(976,038)	(81,309)	-	-	(1,057,347)
Monitoring and injection equipment	(11,671,961)	(941,255)	168,500	-	(12,444,716)
Service connections	(90,851)	(2,028)	-	-	(92,879)
<b>Total accumulated depreciation</b>	<u>(35,803,612)</u>	<u>(4,112,063)</u>	<u>168,500</u>	<u>-</u>	<u>(39,747,175)</u>
<b>Total capital assets, being depreciated, net</b>	<u>76,300,913</u>	<u>(4,112,063)</u>	<u>-</u>	<u>6,004,633</u>	<u>78,193,483</u>
<b>Total capital assets, net</b>	<u>\$ 195,214,183</u>	<u>\$ 60,022,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,236,818</u>



**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Capital Assets (Continued)**

Major capital asset additions during the year include work on various stages of construction projects. A significant portion of these additions related to various projects that were completed during the current year and transferred out of construction-in-process and into the related capital assets categories.

The District engaged in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances as of June 30 2019 and 2018 are as follows:

Project	2019	2018
Leo J. Vander Lans Advanced Water Treatment Facility (LJVWTF) Expansion	\$ 879,402	\$ 664,410
Caltans Pipeline	913,182	913,182
Compliance Monitoring	2,298	-
Goldworthy Desalter	5,593	24,420,927
Regional Groundwater Monitoring Program	1,048,701	765,354
Safe Drinking Water Program	5,188,893	1,023,918
Dominguez Gap Recycled Water Project	842,934	814,405
Replenishment operations (Interconnection Pipeline)	-	300,000
Alamitos Physical Barrier Project	-	549,475
Groundwater Replenishment Improvement Project (GRIP)	147,550,131	102,787,927
Groundwater Infrastructure Improvements	779,147	779,147
Environmental and Compliance Monitoring	1,602,669	1,149,590
Bond interest for capital projects	19,715,369	19,715,369
WRD Headquarter Building Improvement	1,040,458	1,035,249
Whittier Narrow Conservation Pool	-	817,915
SCADA	2,650,868	2,546,698
Asset Management	1,585,397	1,424,225
Paramount Equipment/Fleet Center	503,677	471,325
Regional Brackish Water Reclamation Program	1,293,872	73,364
General Engineering Administration	264,058	117,112
Pipeline Projects	3,382	-
Joint LA Basin Replenishment & Extraction Project	333,681	-
<b>Total</b>	<b>\$ 186,203,712</b>	<b>\$ 160,369,592</b>

**Capitalized Interest**

Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost of \$3,736,849 was capitalized during the years ended June 30, 2018. And starting the fiscal year ended June 30, 2019, the District no longer capitalize interest due to the implementation of GASB Statement No. 89.

**Note 7 – Unearned Revenue**

***Water Replenishment Assessment***

Cities may prepay their water replenishment assessment per the terms of a groundwater banking agreement between the District and the respective city. There was no unearned revenue as of June 30, 2019 and 2018.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Unearned Revenue (Continued)**

*Advances from Caltrans*

In April 2004, the District and the California Department of Transportation (Caltrans) entered into an agreement relating to groundwater in the vicinity of the I-105 freeway. The agreement calls for \$8 million to be paid by Caltrans to the District to be used to pay the costs of the proposed pipeline project described in the agreement, and to pay the replenishment assessment levied against the Caltrans groundwater extractions from beneath the I-105 freeway section. Caltrans advanced the \$8 million to the District to fund the proposed pipeline project. As of June 30, 2019, and 2018, the District has spent \$2,918,808 and \$2,867,199 on the project, leaving an unexpended balance on the advance of \$5,081,192 and \$5,132,802, respectively.

**Note 8 – Compensated Absences**

Summary of changes in compensated absences for the years ended June 30, 2019 and 2018 are as follows:

Fiscal Year	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More than One Year
2018-19	\$ 554,237	\$ 241,102	\$ (249,540)	\$ 545,799	\$ 202,885	\$ 342,914
2017-18	429,367	199,934	(75,064)	554,237	162,491	391,746

**Note 9 – Long-Term Debt**

Summary of changes in long-term debt for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
Replenishment Assessment Revenue Refunding Bonds, Series 2015	\$144,340,000	\$ -	\$ (2,445,000)	\$141,895,000	\$ 2,560,000	\$139,335,000
Add: Unamortized Premium	21,645,846	-	(770,772)	20,875,074	770,772	20,104,302
Replenishment Assessment Revenue Bonds, Series 2018	-	65,785,000	-	65,785,000	-	65,785,000
Add: Unamortized Premium	-	9,903,131	(194,725)	9,708,406	333,813	9,374,593
Clean Water State Revolving Fund Loan	35,464,627	30,317,836	-	65,782,463	1,940,489	63,841,974
<b>Total long-term debt</b>	<b>\$201,450,473</b>	<b>\$106,005,967</b>	<b>\$ (3,410,497)</b>	<b>\$304,045,943</b>	<b>\$ 5,605,074</b>	<b>\$298,440,869</b>

Summary of changes in long-term debt for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in More Than One Year
Replenishment Assessment Revenue Refunding Bonds, Series 2015	\$146,690,000	\$ -	\$ (2,350,000)	\$144,340,000	\$ 2,445,000	\$141,895,000
Add: Unamortized Premium	22,435,360	-	(789,514)	21,645,846	789,514	20,856,332
Clean Water State Revolving Fund Loan	9,778,138	25,686,489	-	35,464,627	-	35,464,627
<b>Total long-term debt</b>	<b>\$178,903,498</b>	<b>\$ 25,686,489</b>	<b>\$ (3,139,514)</b>	<b>\$201,450,473</b>	<b>\$ 3,234,514</b>	<b>\$198,215,959</b>

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 9 – Long-Term Debt (Continued)**

***Replenishment Assessment Revenue Refunding Bonds, Series 2015***

On December 10, 2015, the District issued \$148,345,000 of Replenishment Assessment Revenue Bonds, Series 2015. The bonds were rated AA+ from both Standard & Poor's and Fitch Ratings. The proceeds were used to refinance the District's outstanding 2004, 2008 and 2011 certificates of participation and provide \$69,500,000 which will fund the District's 5-year capital improvement plan, including projects such as the Groundwater Reliability Improvement Project, the expansion of the Goldsworthy Desalter, the Groundwater Basin Management Program and the Safe Drinking Water Program. The bonds call for level debt service payments and mature in annual installments through the year ended June 30, 2046.

The Replenishment Assessment Revenue Bonds, Series 2015 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,560,000	\$ 6,688,900	\$ 9,248,900
2021	2,690,000	6,557,650	9,247,650
2022	2,830,000	6,419,650	9,249,650
2023	2,975,000	6,274,525	9,249,525
2024	3,125,000	6,122,025	9,247,025
2025-2029	18,200,000	28,035,500	46,235,500
2030-2034	23,370,000	22,865,000	46,235,000
2035-2039	30,005,000	16,226,375	46,231,375
2040-2044	38,365,000	7,870,325	46,235,325
2045-2046	17,775,000	718,100	18,493,100
<b>Total</b>	<b>\$ 141,895,000</b>	<b>\$ 107,778,050</b>	<b>\$ 249,673,050</b>

***Replenishment Assessment Revenue Bonds, Series 2018***

On December 1, 2018, the District issued \$65,785,000 of Replenishment Assessment Revenue Bonds, Series 2018. The bonds were rated AA+ from both Standard & Poor's and Fitch Ratings. The bonds will fund the District's 5-year Capital Improvement Plan including projects such as the Water Independence Now Program, Groundwater Basin Management Program, the Groundwater Quality Protection and Remediation Plan and the Regional Brackish Water Reclamation Program. The bonds call for level debt service payments and mature in annual installments through the year ended June 30, 2049.

The Replenishment Assessment Revenue Bonds, Series 2018 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ -	\$ 3,289,250	\$ 3,289,250
2021	1,035,000	3,263,375	4,298,375
2022	1,085,000	3,210,375	4,295,375
2023	1,145,000	3,154,625	4,299,625
2024	1,200,000	3,096,000	4,296,000
2025-2029	6,985,000	14,491,875	21,476,875
2030-2034	8,980,000	12,506,250	21,486,250
2035-2039	11,530,000	9,955,000	21,485,000
2040-2044	14,810,000	6,678,750	21,488,750
2045-2049	19,015,000	2,471,875	21,486,875
<b>Total</b>	<b>\$ 65,785,000</b>	<b>\$ 62,117,375</b>	<b>\$ 127,902,375</b>

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 9 – Long-Term Debt (Continued)**

**Clean Water State Revolving Fund Loan**

In October 2017, the Board of Directors of the District approved an agreement with California’s State Water Resources Control Board (SWRCB) that will provide \$95 million in funding for the construction of the Groundwater Reliability Improvement Project (GRIP), an advanced water treatment facility currently under construction in the City of Pico Rivera. Of the \$95 million in funding, SWRCB has agreed to provide \$15 million as grant funds while the remaining \$80 million will be a loan that is payable in annual installments starting on December 31, 2019 and matures on December 31, 2048. The \$80 million loan has an interest rate of 1%. During the years ended June 30, 2019 and 2018, the District received \$30,317,836 and \$25,686,489, respectively, from SWRCB.

The annual debt service requirement at June 30, 2019 are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,940,489	\$ 606,488	\$ 2,546,977
2021	1,908,557	638,420	2,546,977
2022	1,927,643	619,334	2,546,977
2023	1,946,919	600,058	2,546,977
2024	1,966,388	580,589	2,546,977
2025-2029	10,130,862	2,604,022	12,734,884
2030-2034	10,647,638	2,087,246	12,734,884
2035-2039	11,190,774	1,544,110	12,734,884
2040-2044	11,761,616	973,268	12,734,884
2045-2049	12,361,577	373,307	12,734,884
<b>Total</b>	<b>\$ 65,782,463</b>	<b>\$ 10,626,842</b>	<b>\$ 76,409,305</b>

**Note 10 – Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in IRS Code Section 457 and 401(a) Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for District employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. The District is in compliance with this legislation. These assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The assets and related liabilities are not shown on the statements of net position. The District has little administrative involvement and does not perform the investing function for this plan. Unaudited market value of all plan assets held in trust at June 30, 2019 and 2018 was \$4,458,393 and \$4,087,015, respectively.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 11 – Defined Benefit Pension Plans**

**A. CalPERS Plans**

**General Information about the Pension Plans**

*Plan Description*

The District's defined benefit pension plan (the "Plan") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Miscellaneous Risk Pool Public Agency portion of the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefit Provided*

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for service retirement upon attainment of age 60 with at least 5 years of credited service. During the year ended June 30, 2013, the California's Public Employees' Pension Reform Act ("PEPRA") went into effect. Employees hired after January 1, 2013 who are new to the CalPERS system are part of the PEPRA plan. PEPRA members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay. Retirement benefits for classic employees are calculated as 3% of the average final 12 months compensation. Retirement benefits for PEPRA employees are calculated as 2% of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the District to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit.

The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one-month salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**A. CalPERS Plans (Continued)**

**General Information about the Pension Plans (Continued)**

*Benefit Provided (Continued)*

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

*Employee Covered by Benefit Terms*

At June 30, 2017 and 2016, the valuation dates, the following employees were covered by the benefit terms:

	<u>2017</u>		<u>2016</u>	
	<u>Classic</u>	<u>PEPRA</u>	<u>Classic</u>	<u>PEPRA</u>
Active employees	22	14	23	10
Transferred and terminated employees	35	1	34	0
Retired employees and beneficiaries	32	0	32	0
Total	<u>89</u>	<u>15</u>	<u>89</u>	<u>10</u>

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the 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 employees. For the measurement period ended June 30, 2018, the classic active employee contribution rates were 8.00% of annual pay, and the required employer contribution rates were 13.545% of the annual payroll; the PEPRA active employee contribution rate was 6.50% of annual pay, and the required employer contribution rates were 6.908% of the annual payroll. For the measurement period ended June 30, 2017, the classic active employee contribution rates were 8.00% of annual pay, and the required employer contribution rates were 13.504% of the annual payroll; the PEPRA active employee contribution rate was 6.50% of annual pay, and the required employer contribution rates were 6.930% of the annual payroll.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 11 – Defined Benefit Pension Plans (Continued)**

**A. CalPERS Plans (Continued)**

**Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The June 30, 2017 and 2016 valuations were rolled forward to determine the June 30, 2018 and 2017 total pension liabilities based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50% for 2018; 2.75% for 2017
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.00% and 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% and 2.75% thereafter for measurement dates June 30, 2018 and 2017, respectively.

<sup>1</sup>The mortality table used in 2018 was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS

The mortality table used in 2017 was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

*Change of Assumption*

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Long-Term Expected Rate of Return*

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**A. CalPERS Plans (Continued)**

**Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Long-Term Expected Rate of Return (Continued)*

The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed adopted by the Board for the measurement dates June 30, 2018 and 2017, respectively:

Asset Class <sup>1</sup>	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
<b>Total</b>	<b>100.00%</b>		

<sup>1</sup> In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation of 2.00% used

<sup>3</sup> An expected inflation of 2.92% used

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
<b>Total</b>	<b>100.00%</b>		

<sup>1</sup> An expected inflation of 2.5% used

<sup>2</sup> An expected inflation of 3.0% used

**Discount Rate**

The discount rate used to measure the June 30, 2018 and 2017 total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**A. CalPERS Plans (Continued)**

**Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Sensitivity of the District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Plan's Net Pension Liability		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
June 30, 2018	\$ 7,826,836	\$ 4,872,655	\$ 2,434,027
June 30, 2017	7,967,628	4,977,020	2,500,144

*Pension Plan Fiduciary Net Position*

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement periods July 1, 2017 to June 30, 2018 and July 1, 2016 to June 30, 2017:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	\$ 21,742,463	\$ 16,765,443	\$ 4,977,020
Balance at June 30, 2018 (Measurement Date)	22,727,047	17,854,392	4,872,655
Net Changes during July 1, 2017 to June 30, 2018	984,584	1,088,949	(104,365)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 18,998,748	\$ 14,810,049	\$ 4,188,699
Balance at June 30, 2017 (Measurement Date)	21,742,463	16,765,443	4,977,020
Net Changes during July 1, 2016 to June 30, 2017	2,743,715	1,955,394	788,321

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**A. CalPERS Plans (Continued)**

**Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2018 and 2017.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation dates (June 30, 2017 and 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement dates (June 30, 2018 and 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2018 and June 30, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement periods (2017-18 and 2016-2017).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan’s share of the actuarial accrued liability. FNP is allocated based on the rate plan’s share of the market value assets.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocated based on the District’s share of contribution.

The District’s proportionate share of the net pension liability was as follows:

<u>2019</u>		<u>2018</u>	
<u>Measurement Date</u>		<u>Measurement Date</u>	
June 30, 2017	0.05019%	June 30, 2016	0.04807%
June 30, 2018	<u>0.05057%</u>	June 30, 2017	<u>0.05019%</u>
Change - Increase (Decrease)	<u>0.000380%</u>	Change - Increase (Decrease)	<u>0.002120%</u>

For the year ended June 30, 2019 and 2018, the District recognized pension expense in the amounts of \$1,192,888 and \$1,302,401 for CalPERS plan, respectively.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**A. CalPERS Plans (Continued)**

**Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

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). The EARSL for the miscellaneous plan risk pool for the 2017-18 measurement period is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired). The EARSL for the miscellaneous plan risk pool for the 2016-17 measurement period 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).

At June 30, 2019, and 2018, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	2019		2018	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution made after the measurement date	\$ 774,592	\$ -	\$ 901,063	\$ -
Difference between expected and actual experience	186,955	(63,619)	7,312	(104,760)
Changes of assumptions	555,496	(136,141)	907,266	(69,180)
Adjustment due to differences in proportions	295,054	(12,780)	352,496	(31,038)
Difference between District's contribution and proportionate share of contribution:	302,901	-	280,863	-
Net difference between projected and actual earning on pension plan investments	24,089	-	205,186	-
<b>Total</b>	<b>\$ 2,139,087</b>	<b>\$ (212,540)</b>	<b>\$ 2,654,186</b>	<b>\$ (204,978)</b>

\$774,592 and \$901,063 reported as deferred outflows of resources related to pensions for the fiscal year ended June 30, 2019 and 2018, respectively, resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2020 and June 30, 2019.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the future pension expense as follows:

Year Ending June 30,	2019		Year Ending June 30,	2018	
	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources		Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2020	\$ 759,196		2019	\$ 539,752	
2021	495,469		2020	702,005	
2022	(58,885)		2021	428,211	
2023	(43,825)		2022	(121,823)	
2024	-		2023	-	
Thereafter	-		Thereafter	-	
<b>Total</b>	<b>\$ 1,151,955</b>		<b>Total</b>	<b>\$ 1,548,145</b>	

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**B. Public Agency Retirement System (“PARS”) Plan**

**General Information about the Pension Plan**

*Plan Description*

The District provides retirement benefits to its elected directors who do not participate in CalPERS through a single-employer defined benefit plan administered as part of the Public Agency Retirement System (PARS). A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan. Directors who retire at age 50 with 5 years of service with the District are eligible to receive pension benefits under the plan. The plan provides a benefit equal to the “3% at 60” plan factor of final average compensation for all years of service. The plan provides a benefit equal to “2% at 62” for Board members of the District hired after December 31, 2012 and are not participating in the CalPERS plan.

*Benefit Provided*

The plan provides a Tier I benefit for Board Members of the Water District on or after January 1, 2003 and hired prior on or before December 31, 2012 equal to the CalPERS “3.0% at 60” benefit. Final average compensation for Tier I is defined as the highest year of W-2 and/or 1099 compensation paid by the District.

The plan provides a Tier II benefit for Board Members of the Water District hired after December 31, 2012 equal to the CalPERS “2.0% at 62” benefit. Final average compensation for Tier II is the highest average annual compensation paid to an employee during any consecutive thirty-six (36) months of compensation with the District, and shall be based on normal monthly rate of pay of similarly-situated employees and shall not exceed an annual amount equal to 120% of the maximum taxable earnings under Social Security as of 2012 (adjusted annually by CPI).

Eligibility for an immediate benefit under Tier I is defined as reaching age 50 and completing five years of continuous service with the Water District. Eligibility for an immediate benefit under Tier II is defined as reaching age 52 and completing five years of continuous service with the Water District.

The plan provides a deferred retirement benefit to those members who terminate employment after completing at least five years of full-time continuous service with the Water District but do not meet the age requirements for an immediate benefit. The benefit will commence upon satisfying all of the Tier I or Tier II eligibility requirements.

Members contribute 8% of their compensation to the Plan each year. If a member terminates prior to completing five years of full-time continuous service, then he or she will receive a refund of contributions accumulated with 5% interest per annum. The same benefit, along with an additional lump sum of \$500, is paid to the surviving spouse or the designated beneficiary upon the death of a member who was actively employed at the time of his or her death.

*Employee Covered by Benefit Terms*

At July 1, 2018 and 2016, the valuation dates, the following employees were covered by the benefit terms:

	<u>2018</u>	<u>2016</u>
Active employees	4	4
Transferred and terminated employees	0	1
Retired employees and beneficiaries	0	1
Total	<u>4</u>	<u>6</u>

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**B. Public Agency Retirement System (“PARS”) Plan (Continued)**

**General Information about the Pension Plan (Continued)**

Contributions

Employees contribute 8.00% of compensation, the employer contributed 16.62% and 13.50% of compensation during the years ended June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The July 1, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability and the July 1, 2016 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

<b>2019</b>	
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Inflation	2.50%
Salary Increases	2.50%
Cost of Living Adjustments	2.00%
Withdrawal	10% every fourth year. Participants terminating prior to attainment of age 50 (age 52 for Tier II) are assumed to elect a refund of contributions in lieu of a deferred annuity.
Disability	None assumed.
Mortality	Pre-retirement: Consistent with the Non-Industrial Rates used to value the Miscellaneous Public Agency CalPERS Pension Plans. Post-retirement: Consistent with the Non-Industrial Rates used to value the Miscellaneous Public Agency CalPERS Pension Plans.
<b>2018</b>	
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	5.50%
Inflation	3.00%
Salary Increases	3.00%
Cost of Living Adjustments	2.00%
Withdrawal	10% every fourth year. Participants terminating prior to attainment of age 50 (age 52 for Tier II) are assumed to elect a refund of contributions in lieu of a deferred annuity.
Disability	None assumed.
Mortality	Pre-retirement: Consistent with the Non-Industrial Rates used to value the Miscellaneous Public Agency CalPERS Pension Plans. Post-retirement: CalPERS 1997-2011 HealthyRetireeTables (sex distinct) with an assumed base year of 2008 and full generational improvements using Scale AA.

Change of Assumption

In 2019, the discount rate reduced from 5.50 percent to 5.00 percent.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**B. Public Agency Retirement System (“PARS”) Plan (Continued)**

Long-Term Expected Rate of Return

The long-term expected rate of return was selected by the District. Below is a projection of the 30-year average return derived by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation on the Plan's current asset allocation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2019 and 2018, respectively.

<b>2019</b>			
Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	5.82%	0.71%	0.71%
US Core Fixed Income	78.58%	1.83%	1.73%
US Equity Market	11.75%	4.71%	3.52%
Foreign Developed Equity	1.85%	6.06%	4.55%
Emerging Markets Equity	1.28%	8.23%	5.43%
US REITs	0.72%	5.05%	3.42%
<b>Total</b>	<b>100.00%</b>		
Assumed Inflation - Mean		2.21%	2.20%
Assumed Inflation - Standard Deviation		1.65%	1.65%
Portfolio Real Mean Return		2.29%	2.19%
Portfolio Nominal Mean Return		4.50%	4.43%
Portfolio Standard Deviation			3.72%
Long-Term Expected Rate of Return			5.00%
<b>2018</b>			
Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	4.42%	0.31%	0.31%
US Core Fixed Income	79.60%	2.14%	2.02%
US Equity Market	11.97%	4.59%	3.32%
Foreign Developed Equity	2.59%	5.52%	3.91%
Emerging Markets Equity	0.99%	7.82%	4.59%
US REITs	0.43%	5.04%	3.27%
<b>Total</b>	<b>100.00%</b>		
Assumed Inflation - Mean		2.32%	2.30%
Assumed Inflation - Standard Deviation		1.85%	1.85%
Portfolio Real Mean Return		2.51%	2.38%
Portfolio Nominal Mean Return		4.83%	4.74%
Portfolio Standard Deviation			4.40%
Long-Term Expected Rate of Return			5.50%

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**B. Public Agency Retirement System (“PARS”) Plan (Continued)**

*Discount Rate (Continued)*

The following table shows the changes in net pension liability recognized over the measurement period of July 1, 2018 to June 30, 2019.

	<b>2019</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (c) = (a) - (b)</b>
Balance at June 30, 2018 (Valuation Date)	\$ 383,277	\$ 418,220	\$ (34,943)
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	10,999	-	10,999
Interest on the total pension liability	19,666	-	19,666
Effect of plan changes	-	-	-
Difference between expected and actual experience	(79,798)	-	(79,798)
Changes of assumptions	18,590	-	18,590
Contributions from the employer	-	18,066	(18,066)
Contributions from employees	-	8,696	(8,696)
Net investment income	-	28,020	(28,020)
Benefit payments, including refunds of employee contributions	(1,925)	(1,925)	-
Administrative Expense	-	(2,185)	2,185
<b>Net Changes during July 1, 2018 to June 30, 2019</b>	<b>(32,468)</b>	<b>50,672</b>	<b>(83,140)</b>
<b>Balance at June 30, 2019 (Measurement Date)</b>	<b>\$ 350,809</b>	<b>\$ 468,892</b>	<b>\$ (118,083)</b>

The following table shows the changes in net pension liability recognized over the measurement period of July 1, 2017 to June 30, 2018.

	<b>2018</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (c) = (a) - (b)</b>
Balance at June 30, 2017	\$ 365,564	\$ 411,680	\$ (46,116)
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	13,512	-	13,512
Interest on the total pension liability	20,409	-	20,409
Effect of plan changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	12,571	(12,571)
Contributions from employees	-	6,051	(6,051)
Net investment income	-	6,208	(6,208)
Benefit payments, including refunds of employee contributions	(16,208)	(16,208)	-
Administrative Expense	-	(2,082)	2,082
<b>Net Changes during July 1, 2017 to June 30, 2018</b>	<b>17,713</b>	<b>6,540</b>	<b>11,173</b>
<b>Balance at June 30, 2018 (Measurement Date)</b>	<b>\$ 383,277</b>	<b>\$ 418,220</b>	<b>\$ (34,943)</b>

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**B. Public Agency Retirement System (“PARS”) Plan (Continued)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Plan as of the measurement date June 30, 2019, calculated using the discount rate of 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.00%) or 1 percentage-point higher (6.00%) than the current rate:

Measurement Date	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(4.00%)	Rate (5.00%)	(6.00%)
June 30, 2019	\$ (73,948)	\$ (118,083)	\$ (154,357)

The following presents the net pension liability of the Plan as of the measurement date June 30, 2018, calculated using the discount rate of 5.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50%) or 1 percentage-point higher (6.50%) than the current rate:

Measurement Date	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(4.50%)	Rate (5.50%)	(6.50%)
June 30, 2018	\$ 12,002	\$ (34,943)	\$ (72,715)

*Pension Plan Fiduciary Net Position*

Detailed information about the plan’s fiduciary net position is available upon request.

For the measurement period ended June 30, 2019 and June 30, 2018, the District incurred a pension expense of \$13,361 and \$32,341, respectively.

As of measurement date of June 30, 2019 and June 30, 2018, the District has deferred outflows and deferred inflows of resources related to pension as follows:

	2019		2018	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ 13,804	\$ (65,021)	\$ 29,141	\$ -
Changes of assumptions	15,147	-	-	-
Net difference between projected and actual earning on pension plan investments	11,228	-	24,452	-
<b>Total</b>	<b>\$ 40,179</b>	<b>\$ (65,021)</b>	<b>\$ 53,593</b>	<b>\$ -</b>

The amounts above are net of outflows and inflows recognized in the 2018-2019 measurement period and 2017-2018 measurement period expense.



**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 11 – Defined Benefit Pension Plans (Continued)**

**B. Public Agency Retirement System (“PARS”) Plan (Continued)**

*Pension Plan Fiduciary Net Position (Continued)*

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

2019		2018	
Year Ending June 30,	Deferred Outflows/(Inflows) of Resources	Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 8,353	2019	\$ 25,039
2021	(7,516)	2020	20,568
2022	(8,928)	2021	4,699
2023	(18,126)	2022	3,287
2024	1,375	2023	-
Thereafter	-	Thereafter	-
<b>Total</b>	<b>\$ (24,842)</b>	<b>Total</b>	<b>\$ 53,593</b>

**Note 12 – Other Postemployment Benefits (“OPEB”)**

**General Information about the OPEB**

*Plan Description*

Employees hired prior to December 20, 2001 qualify for postemployment healthcare benefits if they retire with 12 or more years of service at the District; however, they receive no benefits until age 55. Retirees, spouses and surviving spouses receive a benefit equal to the entire medical and dental premium cost. In addition, retirees participate in a Medical Reimbursement Program and Vision Reimbursement Program.

Employees hired on or after December 20, 2001 and before January 1, 2012 qualify for postemployment healthcare benefits if they retire at age 55 or older with 12 or more years of service. Retirees, spouses and surviving spouses receive a benefit equal to the entire medical and dental premium cost. In addition, retirees participate in a Medical Reimbursement Program and Vision Reimbursement Program.

Employees hired after December 31, 2011 qualify for postemployment healthcare benefits if they retire at age 55 or older with 10 or more years of service. They will be eligible for an employer contribution toward the cost of medical and dental coverage according to the following schedule:

Credit Years of Service	Percentage of Employer Contribution
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 12 – Other Postemployment Benefits (“OPEB”) (Continued)**

**General Information about the OPEB (Continued)**

*Plan Description (Continued)*

Employees hired after December 31, 2011 are not eligible to participate in the Medical Reimbursement Program or the Vision Reimbursement Program.

*Employee Covered by Benefit Terms*

At June 30, 2017, valuation date, the following employees were covered by the benefit terms:

Active employees	42
Transferred and terminated employees	15
Retired employees and beneficiaries	7
Total	64

*Contribution*

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019 and 2018, the District's actual contributions were \$1,202,789 and \$301,889 in total payments, which were recognized as a reduction to the OPEB liability.

**Net OPEB Liability**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 and 2017 total OPEB liabilities based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Net Investment Rate of Return	6.73%
Inflation	2.26%
Payroll Growth	3.25%
Health Plan Participation	100.00%
Morbidity Factors	CalPERS 2013 study
Disability	None assumed.
Mortality	The mortality rates used in this valuation are those described in the 2014 CalPERS experience study. Pre-retirement: CalPERS 2014 Mortality pre-retireme Post-retirement: CalPERS 2014 Mortality post-retirement
Pre-Excise Tax Health Care Trend	Pre-65: 8.4% for 2019, decreasing to 5.00% for 2033 and after Post-65: 5.00%

*Change of Assumption*

There was no change of assumption during June 30, 2018, measurement date. In 2017, the average per capital claims lost was updated to reflect 2017 premiums, the health care lost trend rate was updated to reflect 2018 industry survey data, and the mortality table was updated to reflect the most recent CalPERS studies.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 12 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Total OPEB Liability**

*Long-Term Expected Rate of Return*

As of June 30, 2018, and 2017, the measurement dates, the long-term expected rates of return for each major investment class in the Plan’s portfolio are as follows:

Asset Class <sup>1</sup>	Target Allocation	Long-Term Expected Real Rate of Return <sup>2</sup>
Equity	43.00%	5.43%
Fixed Income	49.00%	1.63%
REITs	8.00%	5.06%
	100.00%	

<sup>1</sup> Target asset allocation in the CERBT Strategy 2 Investment Policy

<sup>2</sup> JP Morgan arithmetic Long Term Capital Market assumptions and expected inflation of 2.26%

*Discount Rate*

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	June 30, 2018	June 30, 2017
Discount Rate	6.73%	6.73%
Bond Buyer 20-Bond GO Index	3.87%	3.58%

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 12 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Change in Net OPEB Liability**

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2017 to June 30, 2018.

	<b>2019</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (c) = (a) - (b)</b>
Balance at June 30, 2018	\$ 11,137,952	\$ 6,224,882	\$ 4,913,070
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	387,880	-	387,880
Interest on the total pension liability	765,695	-	765,695
Changes of benefit terms	247,812	-	247,812
Difference between expected and actual experience	9,090	-	9,090
Changes of assumptions	-	-	-
Contributions from the employer	-	301,888	(301,888)
Contributions from employees	-	-	-
Net investment income	-	376,091	(376,091)
Benefit payments, including refunds of employee contributions	(301,888)	(301,888)	-
Administrative Expense	-	(3,271)	3,271
<b>Net Changes during July 1, 2017 to June 30, 2018</b>	<b>1,108,589</b>	<b>372,820</b>	<b>735,769</b>
<b>Balance at June 30, 2018 (Measurement Date)</b>	<b>\$ 12,246,541</b>	<b>\$ 6,597,702</b>	<b>\$ 5,648,839</b>

The following table shows the changes in net pension liability recognized over the measurement period of July 1, 2016 to June 30, 2017.

	<b>2018</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (c) = (a) - (b)</b>
Balance at June 30, 2016	\$ 9,244,324	\$ 5,037,591	\$ 4,206,733
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	363,121	-	363,121
Interest on the total pension liability	638,606	-	638,606
Changes of benefit terms	-	-	-
Difference between expected and actual experience	106,713	-	106,713
Changes of assumptions	1,026,121	-	1,026,121
Contributions from the employer	-	1,048,933	(1,048,933)
Contributions from employees	-	-	-
Net investment income	-	382,144	(382,144)
Benefit payments, including refunds of employee contributions	(240,933)	(240,933)	-
Administrative Expense	-	(2,853)	2,853
<b>Net Changes during July 1, 2016 to June 30, 2017</b>	<b>1,893,628</b>	<b>1,187,291</b>	<b>706,337</b>
<b>Balance at June 30, 2017 (Measurement Date)</b>	<b>\$ 11,137,952</b>	<b>\$ 6,224,882</b>	<b>\$ 4,913,070</b>

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 12 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Change in Net OPEB Liability (Continued)**

*Sensitivity of the net OPEB liability to changes in the discount rate*

The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.73 percent) or 1-percentage-point higher (7.73 percent) than the current discount rate:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 1% (5.73%)	Current Discount Rate (6.73%)	Discount Rate + 1% (7.73%)
June 30, 2018	\$ 7,635,176	\$ 5,648,839	\$ 4,042,974
June 30, 2017	\$ 6,708,754	\$ 4,913,070	\$ 3,460,817

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates*

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Measurement Date	Plan's Net OPEB Liability		
	Trend - 1%	Current Trend Rate	Trend + 1%
June 30, 2018	\$ 3,888,159	\$ 5,648,839	\$ 7,858,461
June 30, 2017	\$ 3,325,475	\$ 4,913,070	\$ 6,902,475

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019 and 2018, the District recognized OPEB expense in the amounts of \$1,116,256 and \$759,779, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 1,202,789	\$ -	\$ -	\$ -
Difference between expected and actual experience	91,413	-	95,016	-
Changes of assumptions	801,169	-	913,645	-
Net difference between projected and actual earning on pension plan investments	24,311	-		(13,170)
Total	\$ 2,119,682	\$ -	\$ 1,008,661	\$ (13,170)

The \$1,202,789 reported as deferred outflows of resources related to OPEB resulting from the District’s contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 12 – Other Postemployment Benefits (“OPEB”) (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expenses based on expected average remaining service lifetime for the measurement periods as follows:

2019		2018	
Year Ending June 30,	Deferred Outflows/(Inflows) of Resources	Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 130,424	2019	\$ 120,881
2021	130,424	2020	120,881
2022	130,422	2021	120,881
2023	133,717	2022	120,879
2024	125,169	2023	124,173
Thereafter	266,737	Thereafter	387,796
<b>Total</b>	<b>\$ 916,893</b>	<b>Total</b>	<b>\$ 995,491</b>

**Note 13 – Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2019 and 2018, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5,000,000, combined single limit at \$5,000,000 per occurrence. The District purchased additional excess coverage layers: \$55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages. The District purchased additional coverage of \$1,000,000, which increases the limit on the insurance coverage noted above.
- The District has coverage for replacement cash value of scheduled buildings, personal property, fixed equipment subject to \$1,000 deductible per occurrence. However, if real property is not repaired or replaced within a reasonable period of time, then the actual cash value applies. Scheduled vehicles and mobile equipment are covered for actual cash value, subject to \$500 deductible and \$1,000 deductible per occurrence respectively. The District has a total insurable value of \$73,370,946 and \$73,054,752 for the years ended June 30, 2019 and 2018, respectively.
- Boiler and machinery coverage for the replacement cost of scheduled equipment up to \$100 million program sublimit, subject to various deductibles (\$25,000 - \$50,000) depending on the type of equipment.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 13 – Risk Management (Continued)**

- Public officials’ personal liability coverage up to \$100,000 for each occurrence, with an annual aggregate of \$100,000 per each elected/appointed official to which this coverage applies is subject to the terms, with a deductible of \$1,000 per claim.
- Workers' compensation insurance provides coverage up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended June 30, 2019 and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

**Note 14 – Net Position – Net Investment in Capital Assets**

The calculation of net position – balances of net investment in capital assets at June 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Capital assets, net	\$ 301,184,433	\$ 255,236,818
Long-term debt	(304,045,943)	(201,450,473)
Retention payable	(5,642,885)	(4,251,011)
Deferred amount on refunding	4,346,763	6,433,209
Unspent debt proceeds	71,796,688	23,362,227
<b>Net investment in capital assets</b>	<b>\$ 67,639,056</b>	<b>\$ 79,330,770</b>

**Note 15 – Commitments**

**Recycled Water Agreement**

In January 2004, the District entered into a twenty-year agreement with the West Basin Municipal Water District (WBMWD) to purchase certain amounts of recycled water from WBMWD on an annual basis. Until completion of WBMWD's recycling facility expansion project, the District will purchase 7,500 Acre Feet (“AF”) of recycled water on an annual basis, or a lesser amount that is authorized by WBMWD's Regional Board Permit, at \$430 per AF. After the expanded facility is completed and operable, the District will purchase 12,500 AF on an annual basis at \$470 per AF of recycled water. The agreement also provides for annual increases in price.

**Basin Improvement Project Funding Agreement**

On May 1, 2015, the District approved a settlement agreement with the cities of Cerritos, Downey and Signal Hill. This settlement was due to litigation related to claims that the District failed to comply with the requirements under Proposition 218 when imposing its annual replenishment assessments. As of June 30, 2019, the District has funded \$1,830,000 and \$340,000 to the City of Cerritos and City of Signal Hill, respectively. As part of the agreement, the District would fund \$2,830,000 in basin improvement projects of the City of Downey within seven years from the effective date of the agreement.

**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 15 – Commitments (Continued)**

**New Well Construction and Rehabilitation Loan Program**

On May 19, 2019, the District approved a loan agreement with the City of Vernon. Under the Loan Program, the District provides assistance for well construction and rehabilitation in the form of an unsecured, no-interest basis, an amount not to exceed \$1,500,000 loan to the City for a term of ten years and evidenced by a Promissory Note. The City of Vernon’s project includes the construction of one new well, Well 22, which is expected to yield approximately 2,300 AF per year. The project was scheduled to be completed within 18-months of the start of construction, which began on September 16, 2019 and the outstanding commitment for this project is in the amount of \$1,500,000 at June 30, 2019.

**Construction Contracts**

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems and other District activities. The financing of such contracts is provided primarily from the proceeds of bonds issued by the District. The District has committed to approximately \$32 million of open construction contracts as of June 30, 2019.

The contracts outstanding include:

<b>Project Name</b>	<b>Total Approved Contract</b>	<b>Construction Costs to - date</b>	<b>Balance to Complete</b>
LJVWTF Expansion	\$ 763,282	\$ 696,342	\$ 66,940
Goldsworthy Desalter Expansion	20,053,680	20,044,325	9,355
Regional Groundwater Monitoring Program 2018 Wells	1,439,500	965,403	474,097
Safe Drinking Water Program	7,559,574	4,972,421	2,587,153
WRD Headquarter Building Improvement	946,390	930,632	15,758
Groundwater Replenishment Improvement Project (ARC)	165,867,577	139,518,198	26,349,379
General Engineering Admin (New)	409,440	298,156	111,284
SCADA System Master	3,494,484	3,490,140	4,344
Asset Management	1,296,195	983,861	312,334
Paramount Equip/Fleet Center	497,482	297,936	199,546
Regional Brackish Reclamation Program	1,425,868	1,222,796	203,072
Joint LA Basin Replenishment and Extraction Project	1,499,976	294,815	1,205,161
	<u>\$ 205,253,448</u>	<u>\$ 173,715,025</u>	<u>\$ 31,538,423</u>



**Water Replenishment District of Southern California**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 16 – Contingencies**

**Operating Leases**

The District has entered into an operating lease for land which does not contain a purchase option. Rental expense was \$266,752 and \$265,140 for the years ended June 30, 2019 and 2018, respectively.

Future minimum annual fixed rentals required during the fiscal years 2020 through 2023 under this lease are:

<b>Year Ending</b>		<b>Amount</b>
June 30,		
2020	\$	270,001
2021		107,405
2022		107,405
2023		107,405
2024		107,405
<b>Total</b>	\$	<b>699,621</b>

**Litigation**

The District is currently not engaged in any litigation. Additionally, the District is unaware of any potential claims that will have any material adverse effect on the District's financial condition.

**Grant Awards**

Grant funds received by the District are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursements by the grantor agencies for expenditures disallowed under the terms of the grant. District management believes that such disallowances, if any, would not be significant.

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**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Years Ended June 30, 2019 and 2018**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS")**

Measurement period	2013-14	2014-15	2015-16	2016-17	2017-18 <sup>1</sup>
District's proportion of the net pension liability	0.04592%	0.11629%	0.48070%	0.05019%	0.05057%
District's proportionate share of the net pension liability	\$ 2,857,450	\$ 3,190,280	\$ 4,188,699	\$ 4,977,020	\$ 4,872,655
District's covered payroll	\$ 3,413,694	\$ 3,501,750	\$ 3,748,587	\$ 3,843,634	\$ 4,290,759
District's proportionate share of the net pension liability as a percentage of its covered payroll	83.71%	91.11%	111.74%	129.49%	113.56%
Plan fiduciary net position as a percentage of the total pension liability	83.03%	81.98%	81.25%	77.11%	78.56%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be displayed as it becomes available.

**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**For the Years Ended June 30, 2019 and 2018**

**Last Ten Fiscal Years**

**Public Agency Retirement System ("PARS")**

Measurement period	2014-15	2015-16	2016-17	2017-18	2018-19 <sup>1</sup>
<b>Total pension liability</b>					
Service cost	\$ 14,757	\$ 14,757	\$ 13,512	\$ 13,512	\$ 10,999
Interest	13,202	14,546	15,988	20,409	19,666
Differences between expected and actual experience	-	-	59,815	-	(79,798)
Changes of assumptions	-	-	-	-	18,590
Benefit payments, including refunds of employee contributions	(5,191)	(1,814)	(1,850)	(16,208)	(1,925)
<b>Net change in total pension liability</b>	<b>22,768</b>	<b>27,489</b>	<b>87,465</b>	<b>17,713</b>	<b>(32,468)</b>
<b>Total pension liability - beginning</b>	<b>227,842</b>	<b>250,610</b>	<b>278,099</b>	<b>365,564</b>	<b>383,277</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 250,610</b>	<b>\$ 278,099</b>	<b>\$ 365,564</b>	<b>\$ 383,277</b>	<b>\$ 350,809</b>
<b>Pension fiduciary net position</b>					
Contributions - employer	\$ 17,390	\$ 21,266	\$ 13,308	\$ 12,571	\$ 18,066
Contributions - employee	-	-	6,406	6,051	8,696
Net investment income	4,313	9,664	14,356	6,208	28,020
Benefit payments, including refunds of employee contributions	(5,191)	(1,814)	(1,850)	(16,208)	(1,925)
Administrative Expenses	(1,857)	(2,821)	(1,979)	(2,082)	(2,185)
<b>Net change in plan fiduciary net position</b>	<b>14,655</b>	<b>26,295</b>	<b>30,241</b>	<b>6,540</b>	<b>50,672</b>
<b>Plan fiduciary net position - beginning</b>	<b>340,489</b>	<b>355,144</b>	<b>381,439</b>	<b>411,680</b>	<b>418,220</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 355,144</b>	<b>\$ 381,439</b>	<b>\$ 411,680</b>	<b>\$ 418,220</b>	<b>\$ 468,892</b>
<b>District's net pension asset - ending (a) - (b)</b>	<b>\$ (104,534)</b>	<b>\$ (103,340)</b>	<b>\$ (46,116)</b>	<b>\$ (34,943)</b>	<b>\$ (118,083)</b>
<b>Plan fiduciary net position as a percentage of the total pension asset</b>	<b>141.71%</b>	<b>137.16%</b>	<b>112.62%</b>	<b>109.12%</b>	<b>133.66%</b>
<b>Covered payroll</b>	<b>\$ 88,771</b>	<b>\$ 88,771</b>	<b>\$ 100,642</b>	<b>\$ 87,336</b>	<b>\$ 87,366</b>
<b>District's net pension asset as a percentage of covered payroll</b>	<b>-117.76%</b>	<b>-116.41%</b>	<b>-45.82%</b>	<b>-40.01%</b>	<b>-135.16%</b>

<sup>1</sup>Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Pensions**  
**For the Years Ended June 30, 2019 and 2018**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS")**

Fiscal Year	2013-14 <sup>1</sup>	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution	\$ 576,966	\$ 904,036	\$ 801,773	\$ 830,116	\$ 901,063
Contributions in relation to the actuarially determined contribution	(576,966)	(904,036)	(801,773)	(830,116)	(901,063)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll <sup>2</sup>	\$ 3,413,694	\$ 3,501,750	\$ 3,748,587	\$ 3,843,634	\$ 4,290,759
Contributions as a percentage of covered payroll	16.90%	25.82%	21.39%	21.60%	21.00%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

<sup>2</sup> Includes one year's payroll growth using 3.00 percent payroll assumption from 2017-18 to 2018-19.

**Notes to Schedule:**

Change in Benefit Terms: There were no changes in benefit term.

Changes of Assumptions: Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Pensions (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS")**

Fiscal Year	<u>2018-19</u>
Actuarially determined contribution	\$ 774,592
Contributions in relation to the actuarially determined contribution	<u>(774,592)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	<u>\$ 4,419,482</u>
Contributions as a percentage of covered payroll	17.53%

**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Pensions (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Last Ten Fiscal Years**

**Public Agency Retirement System ("PARS")**

Fiscal Year	2013-14 <sup>1</sup>	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution	\$ 3,257	\$ 3,257	\$ 14,757	\$ 14,757	\$ 13,512
Contributions in relation to the actuarially determined contribution	(14,538)	(17,390)	(21,266)	(13,308)	(12,571)
Contribution deficiency (excess)	\$ (11,281)	\$ (14,133)	\$ (6,509)	\$ 1,449	\$ 941
Covered payroll	\$ 88,777	\$ 88,771	\$ 88,771	\$ 100,642	\$ 87,336
Contributions as a percentage of covered payroll	16.38%	19.59%	23.96%	13.22%	14.39%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

**Notes to Schedule:**

Changes of Assumptions: In 2018, the accounting discount rate reduced from 5.50 percent to 5.00 percent.

Valuation date: July 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar
Remaining amortization period	15 years as of valuation date
Asset valuation method	5-year soothed market
Inflation	2.50%
Salary increases	2.50%
Investment rate of return	5.00%
Retirement age	All TIER 1 participants assumed to retire upon attaining retirement eligibility and age 60. All TIER 2 participants: 67 years
Mortality	Consistent with the Non-Industrial rates used to value the CalPERS plans.



**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Pensions (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Last Ten Fiscal Years**

**Public Agency Retirement System ("PARS")**

Fiscal Year	<u>2018-19</u>
Actuarially determined contribution	\$ 11,729
Contributions in relation to the actuarially determined contribution	<u>(18,066)</u>
Contribution deficiency (excess)	<u>\$ (6,337)</u>
Covered payroll	<u>\$ 87,366</u>
Contributions as a percentage of covered payroll	20.68%

**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**  
**For the Years Ended June 30, 2019 and 2018**

**Last Ten Fiscal Years**

**Other Postemployment Benefits**

	2016-17 <sup>1</sup>	2017-18
Measurement period		
<b>Total OPEB liability</b>		
Service cost	\$ 363,121	\$ 387,880
Interest	638,606	765,695
Changes of benefit terms	-	247,812
Differences between expected and actual experience	106,713	9,090
Changes of assumptions	1,026,121	-
Benefit payments, including refunds of employee contributions	(240,933)	(301,888)
<b>Net change in total OPEB liability</b>	1,893,628	1,108,589
<b>Total OPEB liability - beginning</b>	9,244,324	11,137,952
<b>Total OPEB liability - ending (a)</b>	\$ 11,137,952	\$ 12,246,541
<b>OPEB fiduciary net position</b>		
Contributions - employer	1,048,933	301,888
Contributions - employee	-	-
Net investment income	382,144	376,091
Benefit payments, including refunds of employee contributions	(240,933)	(301,888)
Administrative Expenses	(2,853)	(3,271)
<b>Net change in plan fiduciary net position</b>	\$ 1,187,291	\$ 372,820
<b>Plan fiduciary net position - beginning</b>	5,037,591	6,224,882
<b>Plan fiduciary net position - ending (b)</b>	\$ 6,224,882	\$ 6,597,702
<b>District's net OPEB liability - ending (a) - (b)</b>	\$ 4,913,070	\$ 5,648,839
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	55.89%	53.87%
<b>Covered payroll<sup>2</sup></b>	N/A	N/A
<b>District's net OPEB liability as a percentage of covered payroll<sup>2</sup></b>	N/A	N/A

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

<sup>2</sup> Covered payroll not available

**Water Replenishment District of Southern California**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions - Other Postemployment Benefits**  
**For the Years Ended June 30, 2019 and 2018**

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**Last Ten Fiscal Years**

**Other Postemployment Benefits**

Fiscal Year	2016-2017 <sup>1</sup>	2017-18	2018-19
Actuarially determined contribution	\$ 627,990	\$ 754,917	\$ 740,962
Contributions in relation to the actuarially determined contribution	(1,048,933)	(301,888)	(1,202,789)
Contribution deficiency (excess)	\$ (420,943)	\$ 453,029	\$ (461,827)
Covered payroll <sup>2</sup>	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

<sup>2</sup> Covered payroll not available

**Notes to Schedule:**

Valuation date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Straight-line
Inflation	2.26%
Payroll Growth	3.25%
Investment rate of return	6.73%
Disability	None assumed
Mortality	The mortality rates used are those described in the 2014 CalPERS experience study.

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**STATISTICAL SECTION**  
**(Unaudited)**

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# Water Replenishment District of Southern California

## STATISTICAL SECTION

### Fiscal Year 2018-19

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

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- Operating Expenses by Activity 73

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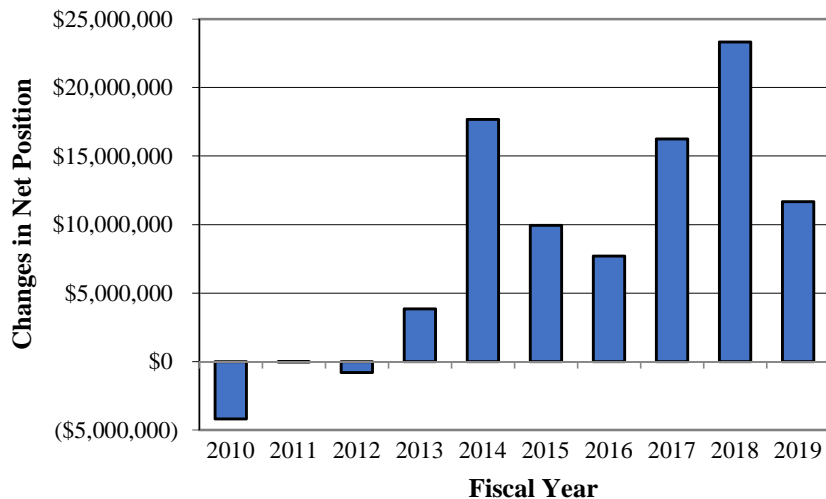
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**Water Replenishment District of Southern California**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2010	2011	2012	2013	2014
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 45,601,400	\$ 56,284,385	\$ 48,121,854	\$ 46,003,068	\$ 60,386,705
Operating expenses (see Schedule 3)	(46,705,411)	(52,788,111)	(44,170,360)	(38,868,302)	(44,086,875)
Depreciation and amortization	(2,324,791)	(2,394,968)	(2,446,962)	(2,495,964)	(2,537,023)
Operating income(loss)	(3,428,802)	1,101,306	1,504,532	4,638,802	13,762,807
Non-operating revenues(expenses)					
Property taxes, net of collection expenses	446,160	481,874	476,937	606,562	544,319
Investment income/(loss)	234,908	128,575	121,351	259,644	244,961
Interest Expense	(1,183,999)	(1,170,199)	(3,802,841)	(3,935,225)	(3,130,364)
Election costs	(450,000)	(1,008,030)	-	-	-
Gain/(Loss) on sale/disposition of assets	-	-	-	-	-
Other revenue/(expense), net	131,199	100,761	144,530	170,406	45,682
Net non-operating revenues (expenses)	(821,732)	(1,467,019)	(3,060,023)	(2,898,613)	(2,295,401)
<b>Net income before capital contributions</b>	(4,250,534)	(365,713)	(1,555,491)	1,740,189	11,467,406
Capital contributions	60,577	348,943	752,468	2,107,865	6,207,226
<b>Changes in net position</b>	(4,189,957)	(16,770)	(803,023)	3,848,054	17,674,632
<b>Prior period adjustment</b>	-	-	-	-	-
<b>Adjusted changes in net position</b>	(4,189,957)	(16,770)	(803,023)	3,848,054	17,674,632
Net position by component:					
Invested in capital assets, net of related debt	34,945,659	35,110,097	29,781,357	29,824,873	46,797,969
Restricted	-	-	-	-	-
Unrestricted	32,843,183	18,952,155	21,979,302	25,783,840	26,485,376
<b>Total net assets</b>	\$ 67,788,842	\$ 54,062,252	\$ 51,760,659	\$ 55,608,713	\$ 73,283,345

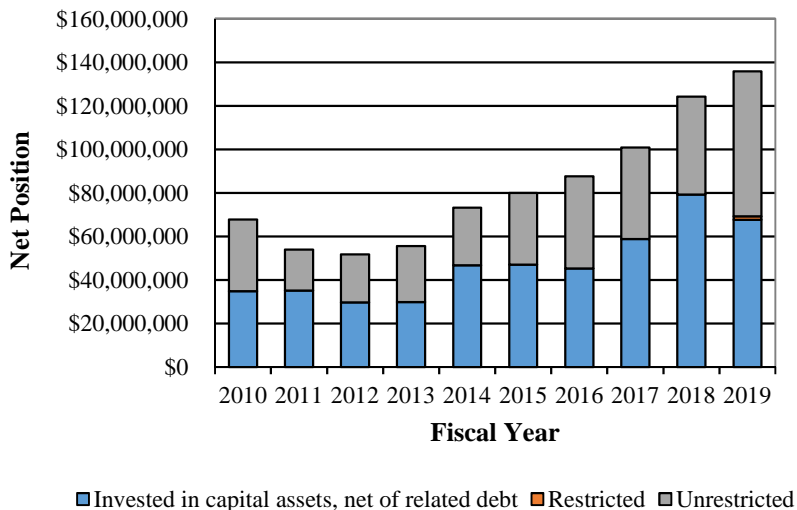


Source: Water Replenishment District Finance Department



**Water Replenishment District of Southern California**  
**Changes in Net Position and Net Position by Component (Continued)**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2015	2016	2017	2018*	2019
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 80,154,123	\$ 59,852,856	\$ 74,573,333	\$ 74,289,639	\$ 69,700,370
Operating expenses (see Schedule 3)	(69,991,319)	(51,786,834)	(62,347,174)	(57,072,594)	(55,541,243)
Depreciation and amortization	(2,629,444)	(4,003,734)	(4,014,947)	(4,112,063)	(4,657,627)
Operating income(loss)	7,533,360	4,062,288	8,211,212	13,104,982	9,501,500
Non-operating revenues(expenses)					
Property taxes, net of collection expenses	581,180	585,957	613,015	658,530	717,812
Investment income/(loss)	163,704	562,438	864,242	1,027,074	940,725
Interest Expense	(2,144,351)	(2,148,520)	(2,875,746)	(6,174,350)	(10,105,952)
Election costs	(1,397,597)	-	(1,374,823)	(1,100,000)	(601,323)
Gain/(Loss) on sale/disposition of assets	-	-	-	-	(1,367,459)
Other revenue/(expense), net	4,102,881	4,192,116	3,270,421	4,209,797	2,841,726
Net non-operating revenues (expenses)	1,305,817	3,191,991	497,109	(1,378,949)	(7,574,471)
<b>Net income before capital contributions</b>	8,839,177	7,254,279	8,708,321	11,726,033	1,927,029
Capital contributions	1,109,714	450,878	7,550,656	11,600,940	9,740,625
<b>Changes in net position</b>	9,948,891	7,705,157	16,258,977	23,326,973	11,667,654
<b>Prior period adjustment</b>	-	-	(3,031,941)	-	-
<b>Adjusted changes in net position</b>	9,948,891	7,705,157	13,227,036	23,326,973	11,667,654
Net position by component:					
Invested in capital assets, net of related debt	47,030,300	45,393,945	58,811,863	79,330,770	67,639,056
Restricted					1,675,642
Unrestricted	32,987,244	42,328,756	42,137,874	44,945,940	66,629,666
<b>Total net assets</b>	<b>\$ 80,017,544</b>	<b>\$ 87,722,701</b>	<b>\$ 100,949,737</b>	<b>\$ 124,276,710</b>	<b>\$ 135,944,364</b>



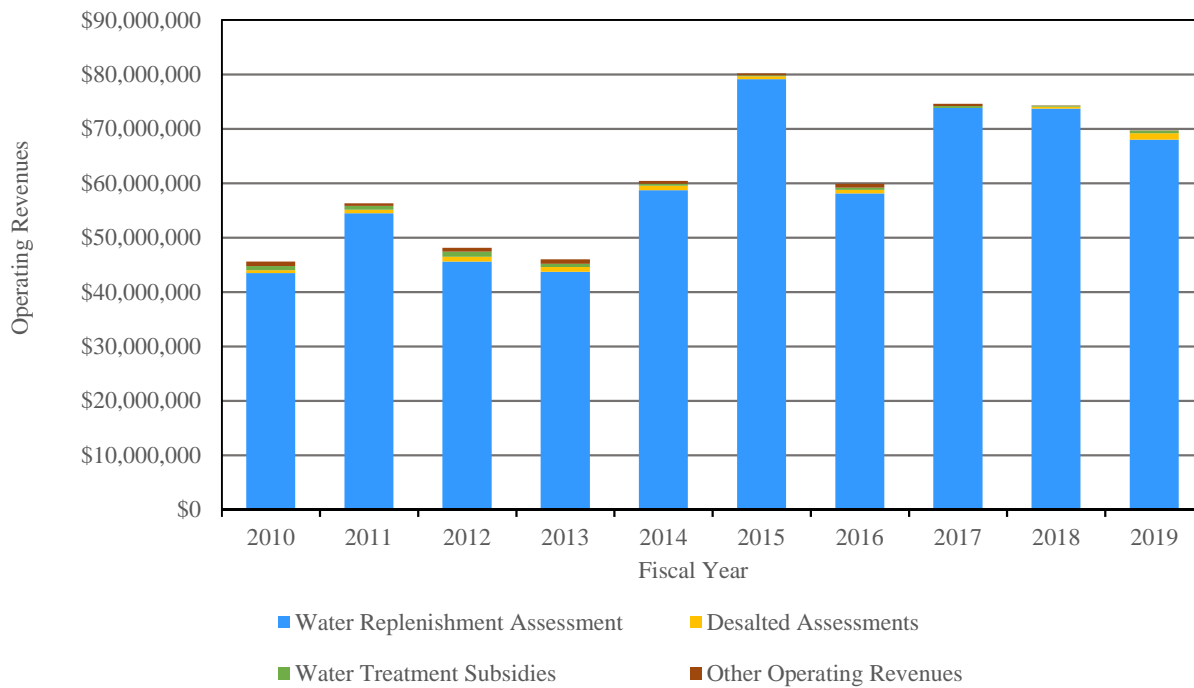
\* 2018 balances were reclassified.

Source: Water Replenishment District Finance Department

## Water Replenishment District of Southern California

### Operating Revenues by Source Last Ten Fiscal Years

Fiscal Year	Water Replenishment Assessment	Desalted Assessments	Water Treatment Subsidies	Other Operating Revenues	Total Operating Revenues
2010	\$ 43,452,025	\$ 554,734	\$ 726,375	\$ 868,266	\$ 45,601,400
2011	54,470,197	621,099	695,293	497,796	56,284,385
2012	45,571,109	913,204	894,411	743,130	48,121,854
2013	43,710,697	868,531	591,292	832,548	46,003,068
2014	58,665,579	840,559	377,650	502,917	60,386,704
2015	79,085,428	517,963	182,649	368,083	80,154,123
2016	58,128,626	619,806	412,706	691,718	59,852,856
2017	73,822,097	-	355,914	395,322	74,573,333
2018	73,687,699	334,381	171,759	95,800	74,289,639
2019	68,007,209	1,138,025	497,799	57,337	69,700,370



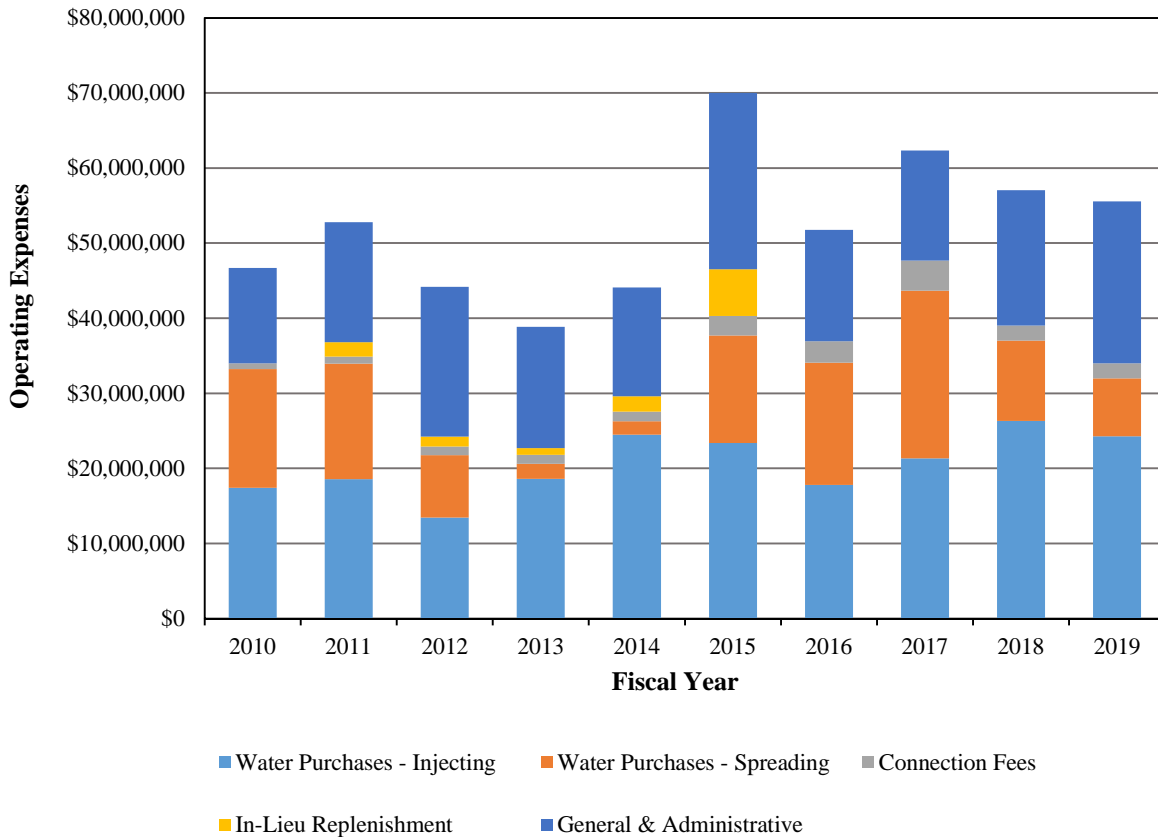
Source: Water Replenishment District Finance Department

## Water Replenishment District of Southern California

### Operating Expenses by Activity

#### Last Ten Fiscal Years

Fiscal Year	Water Purchases - Injecting	Water Purchases - Spreading	Connection Fees	In-Lieu Replenishment	General & Administrative	Total Operating Expenses (excluding Depreciation)
2010	\$ 17,406,851	\$ 15,808,953	\$ 796,787	\$ -	\$ 12,692,820	\$ 46,705,411
2011	18,552,696	15,405,518	911,745	1,937,484	15,980,668	52,788,111
2012	13,466,495	8,285,830	1,146,511	1,314,384	19,957,140	44,170,360
2013	18,599,786	2,021,060	1,187,540	888,692	16,171,224	38,868,302
2014	24,496,761	1,780,435	1,285,550	2,028,005	14,496,122	44,086,874
2015	23,385,697	14,325,715	2,586,820	6,241,887	23,451,200	69,991,319
2016	17,798,133	16,290,901	2,824,490	-	14,873,310	51,786,834
2017	21,344,615	22,333,722	4,010,063	-	14,658,774	62,347,174
2018	26,328,547	10,707,564	1,970,372	-	18,066,111	57,072,594
2019	24,286,777	7,688,844	2,036,791	-	21,528,831	55,541,243

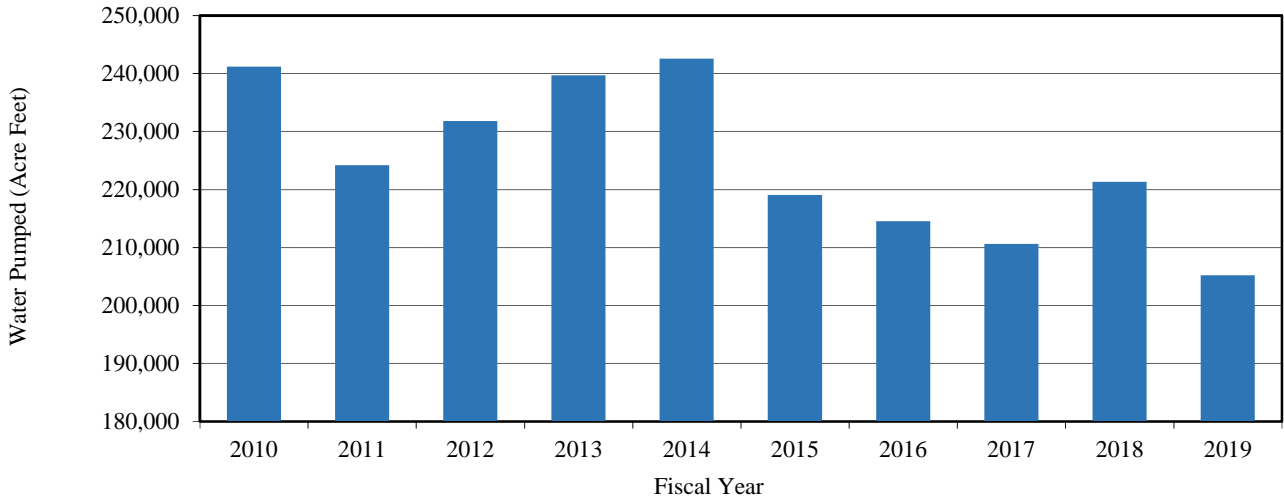


Source: Water Replenishment District Finance Department

**Water Replenishment District of Southern California**  
**Revenue Base**  
**Last Ten Fiscal Years**

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Fiscal Year	Water Pumped (Acre Feet)
2010	241,198
2011	224,158
2012	231,815
2013	239,691
2014	242,527
2015	219,068
2016	214,489
2017	210,600
2018	221,315
2019	205,198

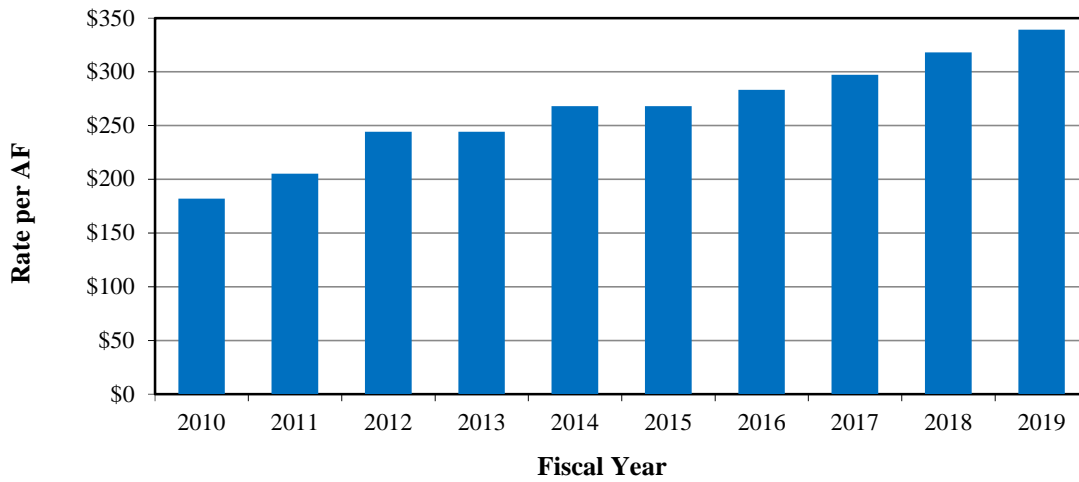


**Note:** See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

**Water Replenishment District of Southern California**  
**Revenue Rates**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Rate per Acre Feet (AF)</u>
2010	\$182
2011	205
2012	244
2013	244
2014	268
2015	268
2016	283
2017	297
2018	318
2019	339



**Notes:** Rates as of June 30 of each fiscal year.

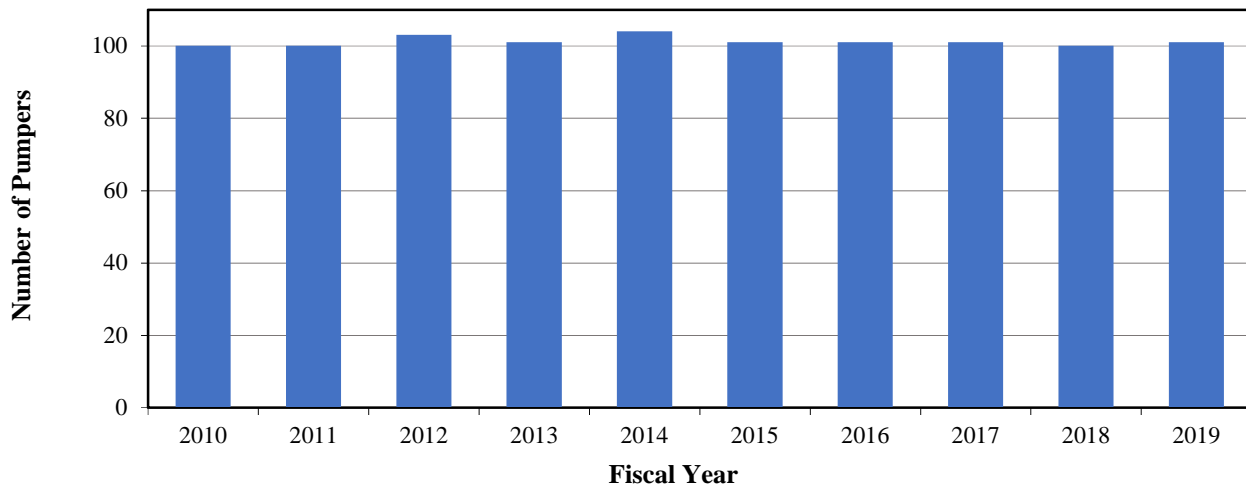
# Water Replenishment District of Southern California

## Number of Pumpers

### Last Ten Fiscal Years

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<u>Fiscal Year</u>	<u>Number of Pumpers</u>
2010	100
2011	100
2012	103
2013	101
2014	104
2015	101
2016	101
2017	101
2018	100
2019	101



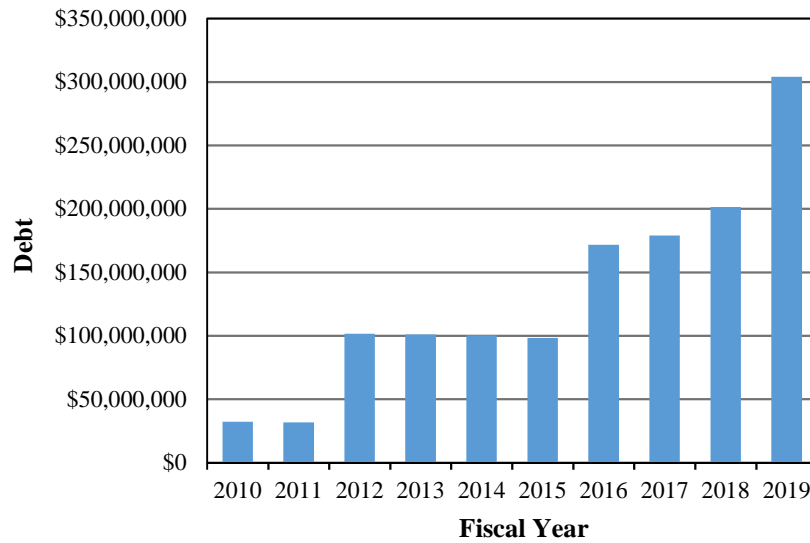
**Water Replenishment District of Southern California**  
**Principal Customers**  
**Last Fiscal Year and Nine Years Ago**

<b>Customer</b>	<b>2019</b>		<b>2010</b>	
	<b>Water Pumped (Acre Feet)</b>	<b>Percentage of Total</b>	<b>Water Pumped (Acre Feet)</b>	<b>Percentage of Total</b>
Long Beach, City of	27,796	14%	33,818	14%
Golden State Water Company	25,542	12%	36,714	15%
California Water Service Company	15,170	7%	15,300	6%
Downey, City of	14,298	7%	16,209	7%
Lakewood, City of	8,903	4%	9,108	4%
South Gate, City of	8,190	4%	9,080	4%
Liberty Utilities Corporation	8,158	4%	-	0%
Cerritos, City of	7,840	4%	9,307	4%
Compton, City of	7,269	4%	6,326	3%
Vernon, City of	6,081	3%	7,282	3%
<b>Total</b>	<b>129,247</b>	<b>63%</b>	<b>143,144</b>	<b>59%</b>
<b>Total Water Consumed (Acre Feet)</b>	<b>205,198</b>	<b>100%</b>	<b>241,198</b>	<b>100%</b>

**Source:** Water Replenishment District Finance Department

**Water Replenishment District of Southern California**  
**Ratio of Outstanding Debt**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Debt</u>	<u>Per Capital</u>	<u>As a Share of Personal Income</u>
2010	\$ 32,175,300	\$ 3.27	0.007981%
2011	31,552,153	3.19	0.007496%
2012	101,632,500	10.20	0.023458%
2013	100,920,284	10.13	0.022784%
2014	100,148,068	10.00	0.021954%
2015	98,300,852	9.66	0.019656%
2016	171,569,874	16.70	0.033312%
2017	178,903,498	17.26	0.033798%
2018	201,450,473	20.64	0.039675%
2019	304,045,943	28.82	0.054319%





**Water Replenishment District of Southern California**  
**Debt Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2010	\$ 46,474,244	\$ (46,705,411)	\$ (231,167)	\$ 500,000	\$ 1,642,081	\$ 2,142,081	(0.11)
2011	48,243,866	(52,788,111)	(4,544,245)	640,000	1,616,331	2,256,331	(2.01)
2012	49,617,140	(44,170,360)	5,446,780	695,000	3,648,519	4,343,519	1.25
2013	49,147,545	(38,868,302)	10,279,243	675,000	4,815,932	5,490,932	1.87
2014	67,428,893	(44,086,875)	23,342,018	735,000	4,788,544	5,523,544	4.23
2015	86,111,602	(69,991,319)	16,120,283	1,810,000	4,743,381	6,553,381	2.46
2016	65,644,245	(51,786,834)	13,857,411	1,655,000	4,118,895	5,773,895	2.40
2017	86,871,667	(62,347,174)	24,524,493	2,350,000	6,897,700	9,247,700	2.65
2018	91,785,980	(57,072,594)	34,713,386	2,445,000	6,801,800	9,246,800	3.75
2019	83,941,258	(55,541,243)	28,400,015	2,560,000	9,978,150	12,538,150	2.27

**Notes:**

(1) Gross revenue is made up of total operating revenues, nonoperating revenue and total capital contributions from the Statements of Revenues, Expenses and Changes in Net Position

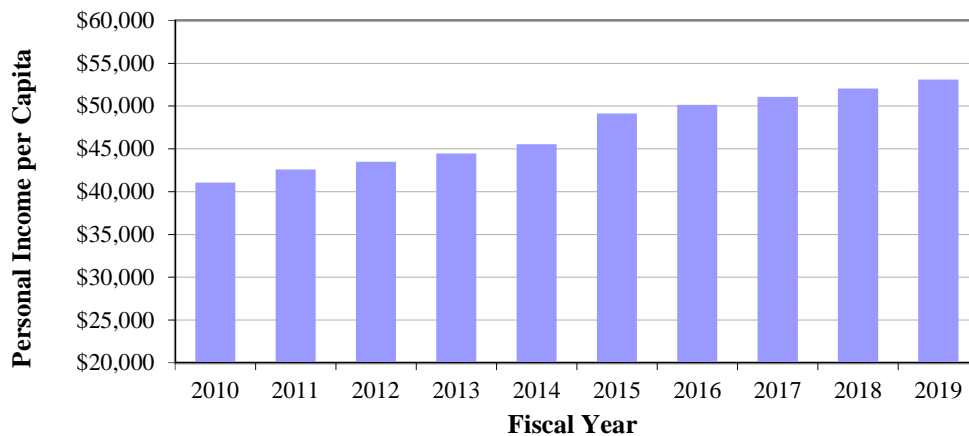
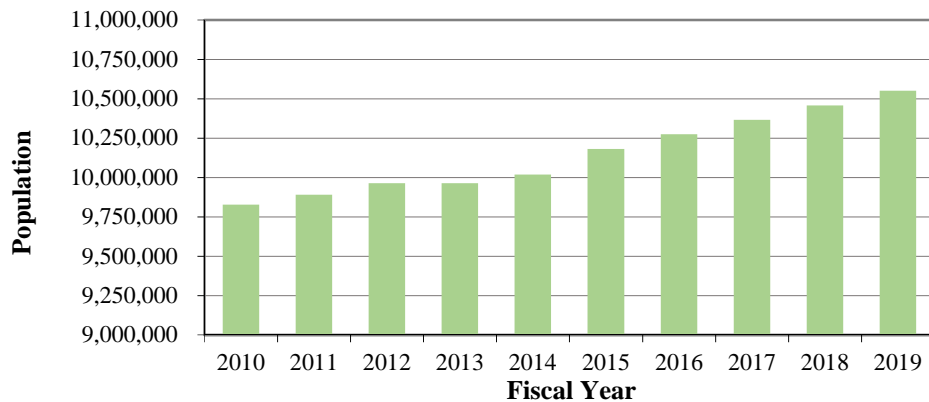
Prior year balances have been restated

(2) Operating expenses exclude depreciation expense

**Source:** Water Replenishment District Finance Department

## Water Replenishment District of Southern California Demographic and Economic Statistics - County of Los Angeles Last Ten Fiscal Years

Year	Unemployment Rate (1)	Total Population (2)	Personal Income (thousands of dollars) (2)	Personal Income per Capita (2)
2010	12.4%	9,826,773	\$ 403,144,483	\$ 41,025
2011	12.5%	9,889,056	420,913,463	42,564
2012	11.1%	9,962,563	433,261,902	43,489
2013	9.6%	9,962,789	442,935,636	44,459
2014	8.2%	10,017,068	456,177,277	45,540
2015	7.3%	10,181,140	500,117,959	49,122
2016	4.9%	10,274,040	515,037,625	50,130
2017	4.4%	10,365,720	529,335,857	51,066
2018	4.4%	10,457,330	544,136,709	52,034
2019	4.6%	10,549,490	559,745,389	53,059



**Notes:**

(1) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.

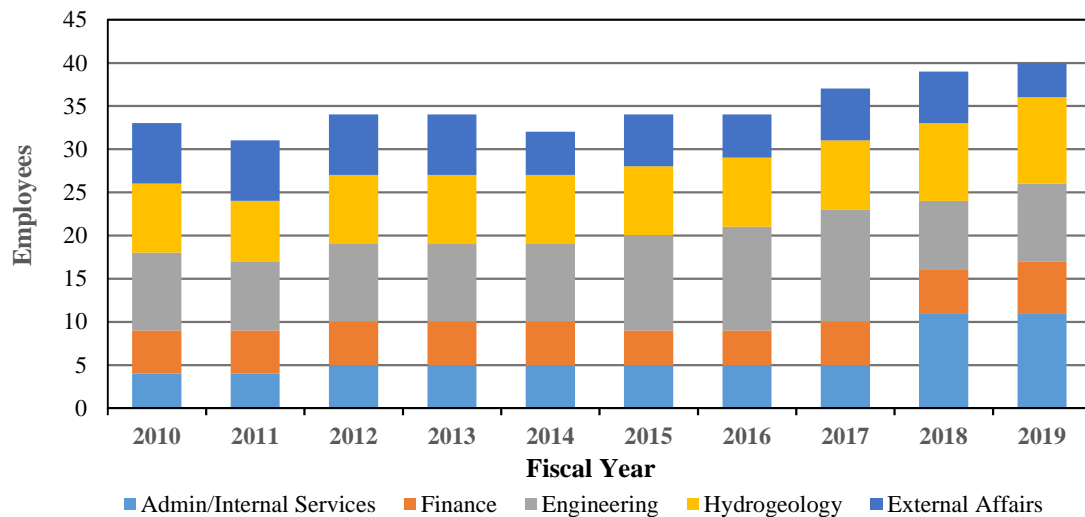
Sources: California Department of Finance and CaliforniaLaborMarketInfo, Los Angeles Business Journal, FRED Economic Data - St. Louis Fed

(2) Per capita personal income was computed using Census Bureau mid-year population estimates and Real Per Capita Income estimates from CalGov's Los Angeles County Economic Forecast. All state and local area dollar estimates are in current dollars (not adjusted for inflation).

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, CalGov.com/Los Angeles County Economic Forecast

## Water Replenishment District of Southern California Operating and Capacity Indicators Last Ten Fiscal Years

Department	Employees									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Admin/Internal Services	4	4	5	5	5	5	5	5	11	11
Finance	5	5	5	5	5	4	4	5	5	6
Engineering	9	8	9	9	9	11	12	13	8	9
Hydrogeology	8	7	8	8	8	8	8	8	9	10
External Affairs	7	7	7	7	5	6	5	6	6	4
<b>Total</b>	<b>33</b>	<b>31</b>	<b>34</b>	<b>34</b>	<b>32</b>	<b>34</b>	<b>34</b>	<b>37</b>	<b>39</b>	<b>40</b>



### Other Operating and Capacity Indicators

<u>Fiscal Year</u>	<u>Number of Groundwater Pumps</u>	<u>Acre Feet Injected</u>
2010	366	28,400
2011	372	27,408
2012	373	19,023
2013	361	23,277
2014	365	30,075
2015	353	28,881
2016	357	25,667
2017	360	25,906
2018	380	26,953
2019	383	23,057

**Note:**

**Number of Wells**

In previous years, the count of the number of production wells was based on wells labeled as “Active” in the wells database, regardless of whether they had production in the current Fiscal Year.

In order to provide a more accurate summary of active wells, we performed a review of the historical pumping table and identified all wells that had production greater than zero during each fiscal year.

A summary of this count is provided above.

**Sources:** Water Replenishment District Engineering and Finance Departments

**Water Replenishment District of Southern California**  
**Largest Employers - County of Los Angeles**  
**June 30, 2019**

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**Largest Public Companies (1)**

The Walt Disney Company  
Molina Healthcare, Inc  
AECOM Technology Corp.  
CBRE Group, Inc  
Edison International  
Farmers Insurance Exchange  
Live Nation Entertainment, Inc.  
Reliance Steel & Aluminum Company  
Activision Blizzard Inc.  
A-Mark Precious Metals, Inc.

(1) Ranked by 2018 sales volume  
Source: Los Angeles Almanac

**Largest Private Companies (2)**

Capital Group of Companies, Inc.  
Consolidated Electrical Distributors, Inc.  
The Wonderful Company  
Forever 21 Inc.  
Panda Restaurant Group  
Newegg, Inc.  
Guitar Center, Inc.  
Red Chamber Co.

(2) Ranked by 2018 sales volume  
Source: Los Angeles Almanac

**Largest Employers (3)**

County of Los Angeles  
Los Angeles Unified School District  
University of California, Los Angeles  
City of Los Angeles (Including DWP)  
Federal Government (non-Defense Dept.)  
Kaiser Permanente  
State of California (non-education)  
University of Southern California  
Northrop Grumman Corp.  
Providence Health & Services  
Target Corp.  
Cedars-Sinai Medical Center  
Kroger Co. (Ralphs, Food 4 Less)  
Los Angeles Community College District  
The Walt Disney Company

(3) Ranked by 2018 number of employees in Los Angeles County  
Source: California Employment Development Department,  
the Los Angeles Business Journal, and Almanac research