

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

Achievements in Water Independence

Annual Comprehensive Financial Report
Fiscal Years Ending June 30, 2022 and 2021



(BACK OF COVER PAGE)

**Annual Comprehensive Financial Report
Water Replenishment District of Southern California
For the Years Ended June 30, 2022 and 2021
With Independent Auditor's 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, 2022

<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
Sergio Calderon	4	Vice President	Elected	01/19 – 01/23
Vera Robles Dewitt	5	Secretary	Elected	01/21– 01/25
Robert Katherman	2	Treasurer	Elected	01/21 – 01/25
Joy Langford	1	Director	Appointed	02/22 – 01/23

Water Replenishment District of Southern California
Stephan D. Tucker, General Manager
4040 Paramount Boulevard
Lakewood, California 90712
(562) 921-5521
www.wrd.org

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Water Replenishment District of Southern California
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INTRODUCTORY SECTION
(Unaudited)

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DIRECTORS

JOHN D. S. ALLEN, **PRESIDENT**
SERGIO CALDERON, **VICE PRESIDENT**
VERA ROBLES DEWITT, **SECRETARY**
ROB KATHERMAN, **TREASURER**
JOY LANGFORD, **DIRECTOR**

STEPHAN TUCKER, **GENERAL MANAGER**

12/8/2022

The Honorable Board of Directors of the
Water Replenishment District of Southern California (WRD)

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 satisfies that requirement for the fiscal year ended on June 30, 2022.

Management assumes sole responsibility for the completeness, reliability and integrity of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. The primary objective is to provide governance and stakeholders a reasonable, rather than absolute, assurance the financial statements are not subject to or affected by any material misstatements.

The Vasquez & Company LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Water Replenishment District of Southern California (WRD)’s financial statements for the fiscal year ended on June 30, 2022. The Independent Auditor’s report precedes the Management Discussion and Analysis (MD&A) section of this report. MD&A 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 WRD has one blended component unit (see Notes to the Basic Financial Statements, note 1) with a fiscal year ended on June 30. Accordingly, the Southern California Water Replenishment Financing Corporation is presented as a blended component unit of the WRD.

Profile of the WRD

The WRD 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 WRD 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.

WRD 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 WRD protects the Basins by replenishing the groundwater, deterring sea water intrusion and removing contaminants from the groundwater. The WRD serves as the groundwater manager for the Basins, in accordance with the adjudications of the Basins and 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. The service territory lies entirely within the 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.

WRD’s mission is “to provide, protect and preserve safe and sustainable high-quality groundwater”. Although WRD does not directly serve customers, it ensures the health of the groundwater basins, to meet the demands of maintenance and preservation of the Basins and the availability of water for pumpers to pump. According to WRD estimates, local groundwater supplies on average 41 percent of the water consumed by the area served by WRD. The remaining amount comes from water imported from the Colorado River and Northern California.

WRD was originally established to oversee the replenishment of groundwater levels in the Central and West Coast groundwater basins of the 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 several of the 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, WRD 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. In addition, WRD operates several 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, WRD has established programs to monitor water quality, remove containments, and mitigate saltwater intrusion.

Local Economy

At the beginning of 2020, the County was experiencing a long and unprecedented period of economic strength. However, by the end of the first quarter of 2021, the COVID-19 pandemic struck, temporarily halting economic growth and stability in the region.

The County's "Safer at Home" order, issued on March 19, 2020, mandated closures and restrictions that significantly affected a number of businesses. Bars, fitness centers, schools, and entertainment venues were forced to close. In-person dining at restaurants was prohibited with restaurants being limited to take-out and delivery services. Restrictions were relaxed towards the end of May 2020 but were reinstated in July and November which impacted the path of economic recovery, particularly for businesses directly affected by reinstated restrictions.

The structure of the County economy is characterized by a relatively high prevalence of the types of industries (and their accompanying workforce) that were most hard-hit by the pandemic. These industries require a high degree of in-person interaction, and include sectors focused on entertainment, particularly the film and television industry, and the types of businesses that cater to tourists such as restaurants and hotels. As a result, the County was particularly hard-hit compared to California or the nation as a whole.

Although jobs recovered at a slower rate in the County compared to California and the U.S. during 2020 and the first half of 2021, during the second half of 2021, the County has been adding jobs back at a faster rate than the state or the nation. Nevertheless, the County's economy has yet to fully recover from the pandemic-induced downturn. Furthermore, economic recovery has been uneven, with some industries experiencing stronger recovery than others.

The County's economic recovery in the years to come will depend on a variety of factors including the future trajectory of the COVID-19 pandemic. Important industries in the County provide services that require high degrees of in-person interaction. As a result, the economic performance of many of these industries will be inextricably linked with the state of the pandemic.

Gross county product is expected to grow by 6.8 percent in 2021 and is projected to grow by another 4.6 percent in 2022. Although growth is expected to slow over the next two years after the major rebound of 2021, there are positive signs that the County economy is getting back on track after the losses in 2020.

The negative employment effects of the COVID-19 pandemic were most severe in March and April 2020; approximately 716,100 nonfarm jobs were lost within those two months. By May 2020, the County's seasonally adjusted unemployment rate had climbed sharply from 4.3 percent in February to 21.1 percent. By December 2020, the unemployment rate in the County had fallen back down to 12.3 percent.

In 2021, the unemployment rate in the County continued to fall. February's unemployment rate declined almost two percentage points, reflecting the loosening of restrictions when the Regional Stay at Home Order was rescinded statewide on January 25. The unemployment rate in August was below 10 percent for the first time since the pandemic struck. By November, the unemployment rate had fallen to around 7 percent.

All major industry sectors in the County experienced a decline in employment as a result of the pandemic in 2020. The leisure and hospitality sector and trade, transportation, and utilities sector (which includes retail trade) experienced the most significant negative employment shocks in terms of total job losses. The leisure and hospitality industry, whose components include arts, entertainment, and recreation as well as accommodation and food services, was extremely hard hit as tourism all but disappeared during the depths of the pandemic and most offered services could not be provided remotely.

Compared to the Great Recession, the immediate effect of the pandemic on employment was swifter and more significant. However, the rate of employment recovery has so far been more rapid than during the Great Recession. Throughout the pandemic, the County experienced the greatest job loss associated with the measures taken to mitigate the spread of the virus that took place between March and April, when more than 772,000 jobs fell off county nonfarm payrolls. Since then, the County has added around 67.5 percent of those jobs back.

While the hardest hit industries are trending upwards, many still have quite a way to go before they reach pre-pandemic employment levels. While the Los Angeles region continues to recover from the pandemic-induced downturn, industries that were hardest hit by the pandemic are still trailing behind in the recovery process. These lagging industries include leisure and hospitality, information (which includes the motion picture and sound recording industry), and other services (which includes personal care services such as hair and nail salons).

Overall, employment in the County was significantly up across most industries in 2021 compared to the depths of the pandemic in 2020. The hardest-hit industries added the highest number of jobs with leisure and hospitality adding back the most. Though the County has been adding jobs back to payrolls on a monthly basis, employment in the County is still significantly below January 2020 levels.

Over the next two years, professional and business services, leisure and hospitality, and education and health services are expected to add the most payroll jobs.

The County is quickly recovering from the negative economic and social effects of the COVID-19 pandemic. The pandemic-induced job losses, business failures, industry shifts, and overall social and economic changes, will have ramifications that will extend beyond the end of the pandemic.

Relevant Financial Policies

Internal Control Structure

WRD management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the WRD 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. WRD'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, WRD ordinance and resolutions, prudent money management, and the "prudent person" standards. The Investment Policy's objectives are safety, liquidity, and yield. WRD 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, WRD Board of Directors voted to increase the Fiscal Year 2022 Replenishment Assessment to \$394.00 per acre-foot. Despite rising operating costs, WRD 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 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.

WRD Achievements

This was an exceptionally productive year for the Water Replenishment WRD of Southern California. The Albert Robles Center for Water Recycling and Environmental Learning (ARC) has been awarded the Leadership and Environmental Design (LEED) Platinum certification, the highest rating offered to environmentally sustainable buildings.

ARC achieved the certification through a planned effort to obtain the highest score possible from the outset. The site has 995 solar panels that reduce carbon dioxide emissions and power the learning center. Outdoor landscaping reduces water costs by 60 percent through an efficient low flow irrigation system using recycled water. At least 20 percent of the building's construction is derived from recycled content and over 20 percent of those materials are locally sourced. Thoughtfully designed windows minimize the need for electric lighting and create energy savings. In addition, the biggest achievement of ARC is that it produces 14 million gallons a day of advanced treated water to replenish groundwater resources in the region.

With respect to the brackish water, WRD and seven stakeholder partners including the West Basin Municipal Water District have completed a study that outlines the technical challenges and solutions to the saline plume. Environmental documentation for a proposed Regional Brackish Water Reclamation project is underway and a plausible location for a major desalter has been identified. As is the case with the Robert W. Goldsworthy Desalter, treated water will be a potable water supply that can offset imported supply.

Water taken out and treated will need to be replaced and effectively put into storage. There are two options. WRD and the Los Angeles Department of Water and Power are developing a Joint Los Angeles Basin Master Plan. A key provision of that plan is to figure out how to store up to 200,000 acre-feet of water from the Hyperion Water Reclamation Plant, conceivably in both basins. Plans to advance treat Hyperion water are well underway. A second option will be to take and store up to 150,000 acre-feet of advanced treated water from the Joint Water Pollution Control Plant in Carson. The Metropolitan Water District (MWD) and the Los Angeles County Sanitation District have completed a demonstration project documenting the feasibility of treating the water. WRD is providing groundwater modeling to MWD to assess storage opportunities in both basins from a technical standpoint.

Additionally, WRD has an unused annual allocation from the County Sanitation District of 10,000 acre-feet of tertiary water from the Los Coyotes Water Reclamation Plant. The idea is to deliver that water to the Leo J. Vander Lans Advanced Water Treatment Facility for treatment to advanced standards. The treated water would then be injected into inland injection wells in the Central Basin. WRD does not need this water for replenishment, so the objective would be to develop a storage and water rights augmentation program for participating pumpers.

While all these projects carry significant capital price tags, once built, the water produced will be less costly than water imported from distant places. More importantly, they will provide a reliable, sustainable local supply to drought-proof the region and protect against the vulnerabilities of imported supply.

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 WRD for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the seventeenth consecutive year that WRD has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. 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 Annual Comprehensive Financial Report 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.

Preparation of this report was accomplished by the combined efforts of WRD staff. We appreciate the dedicated efforts and professionalism that our staff members bring to WRD. 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.

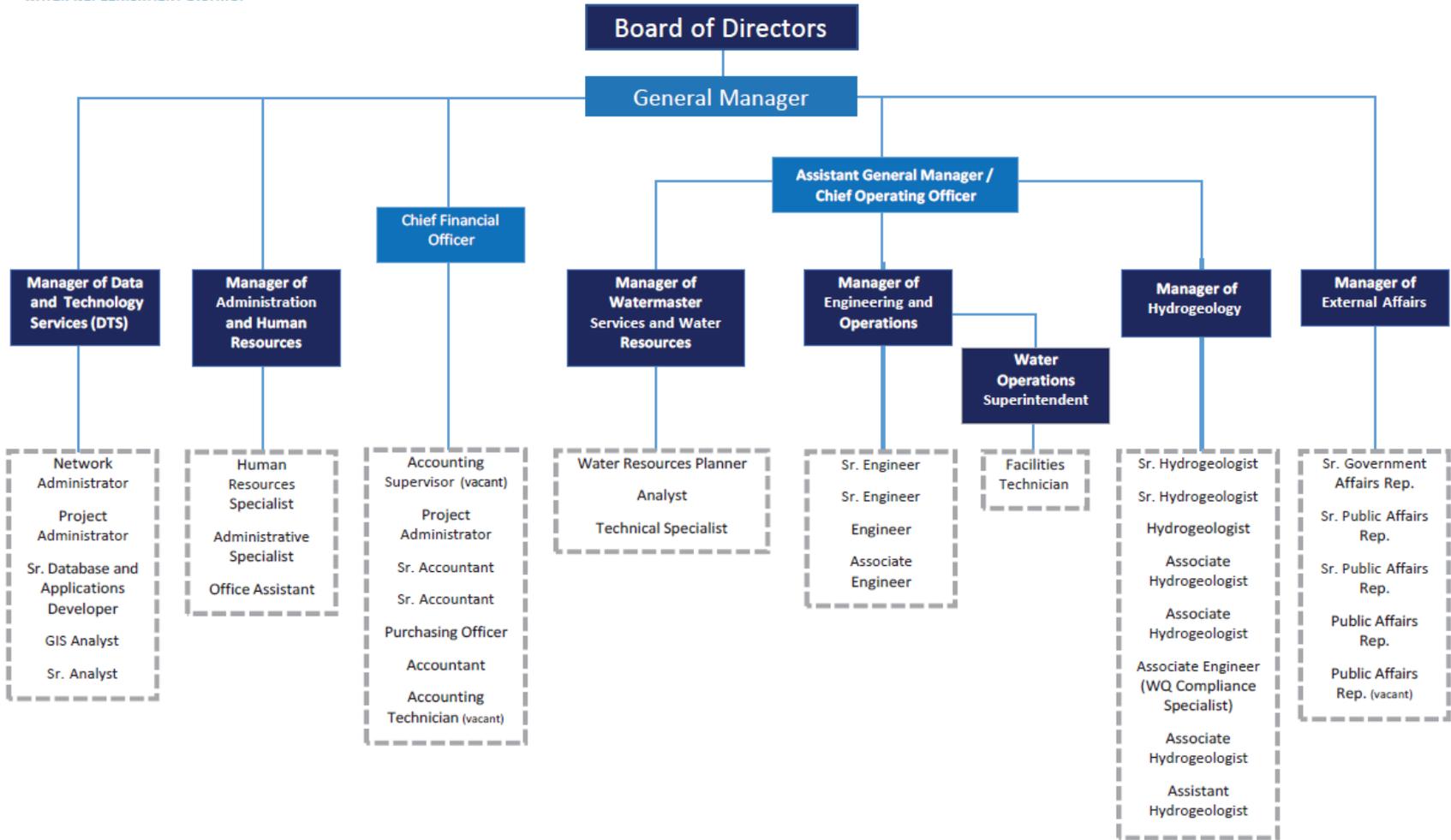
Respectfully submitted,



Gregory J. Black
Chief Financial Officer
Water Replenishment District of Southern California



Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Water Replenishment District of Southern California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water Replenishment District of Southern California (the District), which comprise the statements of net position as of June 30, 2022 and 2021, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, (collectively, the District's basic financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibilities for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, and the required supplementary information on pages 76 through 81, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, 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.

**Glendale, California
December 8, 2022**

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, 2022 and 2021. 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 9.1% or \$14,547,775 from \$160,504,337 in fiscal year 2021 to \$175,052,112 in fiscal year 2022. Net position increased by 12.5% or \$17,798,415 from \$142,705,922 in fiscal year 2020 to \$160,504,337 in fiscal year 2021.
- The District's total operating revenues increased by 2.0% or \$1,651,742 from \$81,609,406 in fiscal year 2021 to \$83,261,148 in fiscal year 2022.
- The District's total expenses increased by 2.9% or \$2,357,604 from fiscal year 2021 to 2022. This was primarily due to the following:
 - Operating expenses including cost of water injection, water in-lieu, connection fees, and depreciation expense increased by \$6.8 million; but was offset by non-operating expenses including \$1.9 million decrease in interest expense and fiscal charges and \$2.6 million decrease in election costs.
- From fiscal year 2020 to 2021, the District's total expenses increased by 1.0% or \$ 804,823 primarily due to the following:
 - Operating expenses including cost of water injection, water in-lieu, connection fees, and depreciation expense decreased by \$1.5 million; but was offset by non-operating expenses including \$226 thousand decrease in interest expense and fiscal charges and \$2.6 million increase in election costs.

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 assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 revenues 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 creditworthiness.

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.

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 deferred outflows of resources and liabilities and deferred inflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources - 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.

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021**

Statements of Net Position

	Condensed Statements of Net Position							
	June 30,		Change		June 30,		Change	
	2022	2021	Amount	%	2020	Amount	%	
Current assets	\$ 116,280,050	\$ 109,375,918	\$ 6,904,132	6.3	\$ 105,996,252	\$ 3,379,666	3.2	
Restricted assets	42,274,401	53,214,216	(10,939,815)	-20.6	60,086,871	(6,872,655)	-11.4	
Other noncurrent assets	2,581,395	1,291,836	1,289,559	99.8	1,498,922	(207,086)	-13.8	
Capital assets, net	339,449,579	335,583,744	3,865,835	1.2	326,784,477	8,799,267	2.7	
Total assets	<u>500,585,425</u>	<u>499,465,714</u>	<u>1,119,711</u>	<u>0.2</u>	<u>494,366,522</u>	<u>5,099,192</u>	<u>1.0</u>	
Deferred outflows of resources	<u>6,376,182</u>	<u>5,766,180</u>	<u>610,002</u>	<u>10.6</u>	<u>7,345,834</u>	<u>(1,579,654)</u>	<u>-21.5</u>	
Current liabilities	28,205,500	26,354,676	1,850,824	7.0	33,603,826	(7,249,150)	-21.6	
Noncurrent liabilities	297,883,522	318,186,115	(20,302,593)	-6.4	325,037,968	(6,851,853)	-2.1	
Total liabilities	<u>326,089,022</u>	<u>344,540,791</u>	<u>(18,451,769)</u>	<u>-5.4</u>	<u>358,641,794</u>	<u>(14,101,003)</u>	<u>-3.9</u>	
Deferred inflows of resources	<u>5,820,473</u>	<u>186,766</u>	<u>5,633,707</u>	<u>3016.5</u>	<u>364,640</u>	<u>(177,874)</u>	<u>-48.8</u>	
Net position								
Net investment in capital assets	76,142,705	80,503,245	(4,360,539)	-5.4	69,050,712	11,452,533	16.6	
Restricted for debt service	-	-	-	0.0	-	-	100.0	
Unrestricted	98,909,407	80,001,092	18,908,315	23.6	73,655,210	6,345,882	8.6	
Total net position	<u>\$ 175,052,112</u>	<u>\$ 160,504,337</u>	<u>\$ 14,547,775</u>	<u>9.1</u>	<u>\$ 142,705,922</u>	<u>\$ 17,798,415</u>	<u>12.5</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 \$175.1 million and \$160.5 million as of June 30, 2022 and 2021, respectively.

Total assets increased \$1.1 million or 0.2% in the current year primarily due to increase in replenishment assessment rate and increase in capital expenses for various projects during the year.

Total liabilities decreased by \$18.5 million or 5.4% due to the payments made to loans during the year and the amortization of bond premium.

At the end of fiscal years 2022 and 2021, the District shows a positive balance in unrestricted net position of \$98.9 million and \$80.0 million, respectively.

Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021

Statements of Revenues, Expenses and Changes in Net Position

	Condensed Statements of Revenues, Expenses and Changes in Net Position						
	Years Ended June 30,		Change		Year ended	Change	
	2022	2021	Amount	%	2020	Amount	%
Revenues:							
Operating revenues	\$ 83,261,148	\$ 81,609,406	\$ 1,651,742	2.0	\$ 73,228,665	\$ 8,380,741	11.4
Nonoperating revenues							
Property taxes	811,900	808,891	3,009	0.4	744,972	63,919	8.6
Interest and investment earnings	48,298	53,882	(5,584)	-10.4	862,544	(808,662)	-93.8
Other, net	<u>9,762,555</u>	<u>4,457,355</u>	<u>5,305,200</u>	<u>119.0</u>	<u>7,286,361</u>	<u>(2,829,006)</u>	<u>-38.8</u>
Total revenues	<u>93,883,901</u>	<u>86,929,534</u>	<u>6,954,367</u>	<u>8.0</u>	<u>82,122,542</u>	<u>4,806,992</u>	<u>5.9</u>
Expenses							
Operating expenses	74,792,388	67,985,088	6,807,300	10.0	69,522,721	(1,537,633)	-2.2
Nonoperating expenses							
Interest expense and fiscal charges	9,849,814	11,730,855	(1,881,041)	-16.0	11,957,054	(226,199)	-1.9
Election costs	-	2,568,655	(2,568,655)	-100.0	-	2,568,655	100.0
Total expenses	<u>84,642,202</u>	<u>82,284,598</u>	<u>2,357,604</u>	<u>2.9</u>	<u>81,479,775</u>	<u>804,823</u>	<u>1.0</u>
Income before capital contributions	9,241,699	4,644,936	4,596,763	99.0	642,767	4,002,169	622.6
Capital contributions - capital grants	<u>5,306,076</u>	<u>13,153,479</u>	<u>(7,847,403)</u>	<u>-59.7</u>	<u>6,118,791</u>	<u>7,034,688</u>	<u>115.0</u>
Change in net position	<u>14,547,775</u>	<u>17,798,415</u>	<u>(3,250,640)</u>	<u>-18.3</u>	<u>6,761,558</u>	<u>11,036,857</u>	<u>163.2</u>
Net position - beginning of year	<u>160,504,337</u>	<u>142,705,922</u>	<u>17,798,415</u>	<u>12.5</u>	<u>135,944,364</u>	<u>6,761,558</u>	<u>5.0</u>
Net position - end of year	<u>\$ 175,052,112</u>	<u>\$ 160,504,337</u>	<u>\$ 14,547,775</u>	<u>9.1</u>	<u>\$ 142,705,922</u>	<u>\$ 17,798,415</u>	<u>12.5</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 \$14.5 million and \$17.8 million during the fiscal years ended June 30, 2022 and 2021, respectively. In fiscal year 2022, the increase in net position is due to total revenues of \$93.9 million exceeding total expenses of \$84.6 million with capital contributions of \$5.3 million. In fiscal year 2021, the increase in net position is due to total revenues of \$86.9 million exceeding total expenses of \$82.3 million with capital contributions of \$13.1 million.

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

In fiscal year 2022, total revenues increased \$7.0 million and total expenses increased \$2.4 million for a net increase in income before capital contributions of \$4.6 million. The District also saw a decrease in capital contributions of \$7.8 million for a net decrease in change in net position for 2022 of \$3.2 million.

In fiscal year 2021, total revenues increased \$4.8 million and total expenses increased \$805 thousand for a net increase in income before capital contributions of \$4.0 million. The District also saw an increase in capital contributions of \$7.0 million for a net increase in change in net position for 2021 of \$11.0 million.

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021**

Operating Revenues

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2020</u>	<u>Change</u>
Operating Revenues:					
Water replenishment assessment	\$ 75,528,104	\$ 76,161,044	\$ (632,940)	\$ 70,948,823	\$ 5,212,221
Desalter assessments	3,470,172	1,925,675	1,544,497	1,114,275	811,400
Water treatment subsidies	2,014,334	2,047,303	(32,969)	758,496	1,288,807
Other operating income	<u>2,248,538</u>	<u>1,475,384</u>	<u>773,154</u>	<u>407,071</u>	<u>1,068,313</u>
Total operating revenues	<u>\$ 83,261,148</u>	<u>\$ 81,609,406</u>	<u>\$ 1,651,742</u>	<u>\$ 73,228,665</u>	<u>\$ 8,380,741</u>

Total operating revenues increased by \$1.6 million from \$81.6 million in fiscal year 2021 to \$83.3 million in fiscal year 2022 primarily due to increased desalter water production and the rate increase during the year.

Total operating revenues increased by \$8.4 million from \$73.2 million in fiscal year 2020 to \$81.6 million in fiscal year 2021 primarily due to increased pumping activities and the rate increase during the year.

Operating Expenses

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>2020</u>	<u>Change</u>
Operating Expenses:					
Water supply management:					
Water purchases - injecting	\$ 27,892,665	\$ 27,176,259	\$ 716,406	\$ 28,475,096	\$ (1,298,837)
Water purchases - spreading	6,315,554	4,662,502	1,653,052	4,591,197	71,305
Water in-lieu	-	-	-	2,532,344	(2,532,344)
Connection fees	2,118,009	2,299,044	(181,035)	2,213,180	85,864
General and administrative	27,305,699	29,089,019	(1,783,320)	26,888,667	2,200,352
Depreciation and amortization	<u>11,160,461</u>	<u>4,758,264</u>	<u>6,402,197</u>	<u>4,822,237</u>	<u>(63,973)</u>
Total operating expenses	<u>\$ 74,792,388</u>	<u>\$ 67,985,088</u>	<u>\$ 6,807,300</u>	<u>\$ 69,522,721</u>	<u>\$ (1,537,633)</u>

Total operating expenses increased by \$6.8 million from \$68.0 in fiscal year 2021 to \$74.8 million in fiscal year 2022 primarily due to increase in depreciation expense from Groundwater Replenishment Improvement Project (GRIP) completed in June 2021 and transferred out of construction-in-process and into the related capital assets categories.

Total operating expenses decreased by \$1.5 million from \$69.5 million in fiscal year 2020 to \$68.0 million in fiscal year 2021. The main reason for the change was due to lesser imported water purchased at West Coast and Dominguez Gap barriers during the year.

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021**

Capital Assets

At June 30, 2022 and 2021, the District's investment in capital assets amounted to \$339.4 million and \$335.6 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 2022 and 2021 include expenditures 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.

The capital assets of the District are summarized below and more fully analyzed in Note 5 – Capital Assets to the Basic Financial Statements.

	<u>Balance July 1, 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2022</u>
Non-depreciable assets	\$ 70,976,233	\$ 14,859,368	\$ (7,547,361)	\$ 78,288,240
Depreciable assets	318,592,814	7,732,976	(18,687)	326,307,103
Accumulated depreciation	<u>(53,985,303)</u>	<u>(11,160,461)</u>	<u>-</u>	<u>(65,145,764)</u>
Capital assets, net	<u>\$ 335,583,744</u>	<u>\$ 11,431,883</u>	<u>\$ (7,566,048)</u>	<u>\$ 339,449,579</u>
	<u>Balance July 1, 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2021</u>
Non-depreciable assets	\$ 233,301,165	\$ 12,234,906	\$ (174,559,838)	\$ 70,976,233
Depreciable assets	142,710,352	175,882,462	-	318,592,814
Accumulated depreciation	<u>(49,227,039)</u>	<u>(4,758,264)</u>	<u>-</u>	<u>(53,985,303)</u>
Capital assets, net	<u>\$ 326,784,478</u>	<u>\$ 183,359,104</u>	<u>\$ (174,559,838)</u>	<u>\$ 335,583,744</u>

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021**

Long-Term Debt

At June 30, 2022 and 2021, the District had long-term debt of \$298.2 million and \$301.5 million respectively. See Note 9 – Long-Term Debt to the Basic Financial Statements for further details.

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
Replenishment Assessment Revenue Bonds				
Series 2015	\$ 136,645,000	\$ -	\$ (2,830,000)	\$ 133,815,000
Add: Unamortized premium	19,274,430	-	(800,322)	18,474,108
Series 2018	64,750,000	-	(1,085,000)	63,665,000
Add: Unamortized premium	9,040,780	-	(333,813)	8,706,967
Clean Water State Revolving Fund Loan	<u>71,748,020</u>	<u>4,186,873</u>	<u>(2,397,093)</u>	<u>73,537,800</u>
Total long-term debt	<u>\$ 301,458,230</u>	<u>\$ 4,186,873</u>	<u>\$ (7,446,228)</u>	<u>\$ 298,198,875</u>

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Replenishment Assessment Revenue Bonds				
Series 2015	\$ 139,335,000	\$ -	\$ (2,690,000)	\$ 136,645,000
Add: Unamortized premium	20,074,752	-	(800,322)	19,274,430
Series 2018	65,785,000	-	(1,035,000)	64,750,000
Add: Unamortized premium	9,374,593	-	(333,813)	9,040,780
Clean Water State Revolving Fund Loan	<u>73,960,352</u>	<u>-</u>	<u>(2,212,332)</u>	<u>71,748,020</u>
Total long-term debt	<u>\$ 308,529,697</u>	<u>\$ -</u>	<u>\$ (7,071,467)</u>	<u>\$ 301,458,230</u>

Requests for Information

This Annual Comprehensive 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.

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BASIC FINANCIAL STATEMENTS

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Water Replenishment District of Southern California
Statements of Net Position

	June 30	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 89,089,531	\$ 77,306,235
Receivables:		
Water replenishment assessments	27,044,984	31,914,791
Grants receivable	-	9,277
Notes receivable - due within one year	139,535	139,535
Prepaid items and deposits	6,000	6,080
Total current assets	116,280,050	109,375,918
Noncurrent assets		
Restricted cash and cash equivalents	42,274,401	53,214,216
Notes receivable - due within one year	2,581,395	1,220,930
Net pension asset	-	70,906
Capital assets:		
Nondepreciable	78,288,240	70,976,233
Depreciable, net of accumulated depreciation	261,161,339	264,607,511
Capital assets, net	339,449,579	335,583,744
Total noncurrent assets	384,305,375	390,089,796
Total assets	500,585,425	499,465,714
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	-	173,871
Deferred outflows related to pensions	2,724,925	2,535,303
Deferred outflows related to OPEB	3,651,257	3,057,006
Total deferred outflows of resources	6,376,182	5,766,180

See notes to the financial statements.

Water Replenishment District of Southern California
Statements of Net Position (Continued)

June 30

	2022	2021
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,167,679	\$ 7,152,986
Accrued wages and related payables	195,980	150,811
Retention payable	630,611	235,983
Deposits payable	-	1,372,996
Interest payable	4,339,414	4,412,032
Unearned revenue	5,044,615	5,046,262
Compensated absences - due within one year	48,771	595,925
Lease payable, due within one year	138,348	105,429
Long-term debt - due within one year	7,640,082	7,282,252
Total current liabilities	28,205,500	26,354,676
Noncurrent liabilities		
Accounts payable and accrued expenses - due in more than one year	-	10,160,189
Compensated absences, due in more than one year	1,094,917	674,470
Lease payable, net of current portion	1,054,741	1,111,356
Long-term debt, due in more than one year	290,558,793	294,175,978
Net pension liability	2,670,419	5,992,089
Net OPEB liability	2,504,652	6,072,033
Total noncurrent liabilities	297,883,522	318,186,115
Total liabilities	326,089,022	344,540,791
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	2,343,561	115,091
Deferred inflows related to OPEB	3,476,912	71,675
Total deferred inflows of resources	5,820,473	186,766
NET POSITION		
Net position		
Net investment in capital assets	76,142,705	80,503,245
Unrestricted	98,909,407	80,001,092
Total net position	\$ 175,052,112	\$ 160,504,337

See notes to the financial statements.

Water Replenishment District of Southern California
Statements of Revenues, Expenses and Changes in Net Position

	Years ended June 30	
	2022	2021
Operating revenues		
Water replenishment assessments	\$ 75,528,104	\$ 76,161,044
Desalter assessments	3,470,172	1,925,675
Water treatment subsidies	2,014,334	2,047,303
Other operating income	2,248,538	1,475,384
Total operating revenues	83,261,148	81,609,406
Operating expenses		
Water supply management:		
Water purchases - injecting	27,892,665	27,176,259
Water purchases - spreading	6,315,554	4,662,502
Connection fees	2,118,009	2,299,044
General and administrative	27,305,699	29,089,019
Depreciation and amortization	11,160,461	4,758,264
Total operating expenses	74,792,388	67,985,088
Net operating income	8,468,760	13,624,318
Nonoperating revenues (expenses)		
Property taxes	811,900	808,891
Interest and investment earnings	48,298	53,882
Interest expense and fiscal charges	(9,849,814)	(11,730,855)
Election costs	-	(2,568,655)
Other revenues	9,762,555	4,457,355
Total nonoperating revenues (expenses)	772,939	(8,979,382)
Capital contributions		
Capital contributions from other government	5,306,076	13,153,479
Total capital contributions	5,306,076	13,153,479
Changes in net position	14,547,775	17,798,415
Net position		
Beginning of year	160,504,337	142,705,922
End of year	\$ 175,052,112	\$ 160,504,337

See notes to the financial statements.

Water Replenishment District of Southern California
Statements of Cash Flows

	Years ended June 30	
	2022	2021
Cash flows from operating activities:		
Cash received from water assessments and subsidies	\$ 88,130,955	\$ 74,154,567
Cash received from other nonoperating revenue	9,762,555	4,457,355
Cash paid to vendors and suppliers for materials and services	(67,199,087)	(62,519,740)
Cash paid to employees for salaries and wages	(6,432,602)	(7,395,162)
Cash paid for election expenses	-	(2,568,655)
Net cash provided by operating activities	24,261,821	6,128,365
Cash flows from noncapital financing Activity:		
Proceeds from property taxes	811,900	808,891
Cash provided by noncapital financing activities	811,900	808,891
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,936,768)	(12,340,746)
Proceeds from issuance of debt, net	4,186,873	-
Cash paid for lease	(113,226)	-
Repayment of bonds payable	(6,312,093)	(5,937,332)
Interest payment	(11,056,567)	(12,950,384)
Proceeds from capital contributions - capital grants	5,313,708	13,139,737
Net cash used in capital and related financing activities	(22,918,073)	(18,088,725)
Cash flows from investing activities:		
Interest received	48,298	53,882
Issuance of notes receivable	(1,500,000)	-
Collection of notes receivable	139,535	139,535
Net cash provided by (used in) investing activities	(1,312,167)	193,417
Net change in cash and cash equivalents	843,481	(10,958,052)
Cash and cash equivalents:		
Beginning of year	130,520,451	141,478,503
End of year	\$ 131,363,932	\$ 130,520,451
Financial statement presentation:		
Cash and cash equivalents	\$ 89,089,531	\$ 77,306,235
Restricted assets - cash and cash equivalents	42,274,401	53,214,216
Total cash and cash equivalents	\$ 131,363,932	\$ 130,520,451
Noncash activities from capital and related financing activities		
Increase in loans payable attributed to accrued interest	\$ -	\$ -
Loss on disposal of capital assets	\$ -	\$ -

See notes to the financial statements.

Water Replenishment District of Southern California
Statements of Cash Flows (Continued)

	Years ended June 30	
	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 8,468,760	\$ 13,624,318
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	11,160,461	4,758,264
Other nonoperating revenue	9,762,555	4,457,355
Other nonoperating expenses	-	(2,568,655)
Changes in operating assets, liabilities, and deferred outflows/inflows of resources		
(Increase) decrease in:		
Water replenishment assessments receivable, net	4,869,807	(7,454,839)
Prepaid items and deposits	80	(6,080)
Net pension asset	70,906	67,551
Increase (decrease) in:		
Accounts payable and accrued expenses	(7,145,496)	(4,269,299)
Retention payable	394,628	(5,758,795)
Deposits payable	(1,372,996)	893,117
Debt refunding related deferred outflows of resources	(189,622)	2,086,446
Pensions and other postemployment benefits related deferred outflows of resources	(420,380)	(506,792)
Pensions and other postemployment benefits related deferred inflows of resources	5,633,707	(177,874)
Accrued wages and related payables	45,169	35,665
Net pension liability	(3,321,670)	577,515
Net other postemployment benefits liability	(3,567,381)	(101,818)
Compensated absences	(126,707)	472,286
Net cash provided by operating activities	\$ 24,261,821	\$ 6,128,365

See notes to the financial statements.

Water Replenishment District of Southern California
Index to the Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

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Water Replenishment District of Southern California
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For the Years Ended June 30, 2022 and 2021

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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 accounting principles generally accepted in the United States of America (U.S. GAAP), these financial statements present the District and its blended component unit. The component unit, although a legally separate entity is, in substance, part of the District's operations and so data from this unit is 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 be 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.

Note 1 Reporting Entity (Continued)

Southern California Water Replenishment Financing Corporation (Continued)

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

Basis of Presentation

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

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.

Note 2 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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 3 months or less to be cash equivalents.

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.

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, 2022 and 2021 was estimated at \$0.

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.

Note 2 Summary of Significant Accounting Policies (Continued)

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.

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 building	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
Capacity rights	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, 2022 and 2021.

Unearned Revenue

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

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 a consumption of net assets that applies to future periods; therefore, will not be recognized as an expense until that time.

Note 2 Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods; therefore, are not recognized as a revenue until that time.

Capital Contributions

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

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.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include amounts payable to vendors including the wastewater connection fees payable to the County of Los Angeles Sanitation Districts with outstanding balance at June 30, 2022 and 2021 of \$0 and \$11.5 million, respectively.

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.

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, 2022 and 2021.

Note 2 Summary of Significant Accounting Policies (Continued)

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, 2022	June 30, 2021
Valuation Date	June 30, 2020	June 30, 2019
Masurement Date	June 30, 2021	June 30, 2020
Measurement Period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

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For the Year Ended	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2020	June 30, 2020
Masurement Date	June 30, 2022	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

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.

For the years ended June 30, 2022 and 2021, the District recognized total pension expense of \$390,064 and \$1,677,250 for all pension plans, respectively

Note 2 Summary of Significant Accounting Policies (Continued)

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, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2019
Masurement Date	June 30, 2021	June 30, 2020
Measurement Period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

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.

For the years ended June 30, 2022 and 2021, the District recognized total OPEB expense in the amounts of \$709,970 and \$1,168,111, respectively.

Note 2 Summary of Significant Accounting Policies (Continued)

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.

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.

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

Note 2 Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Implementation of New GASB Pronouncements

Financial Reporting

The District implemented the following new standards during the fiscal year ended June 30, 2022.

GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The implementation of this new accounting standards resulted in recognition of lease payable and right-to-use lease asset in the District's June 30, 2022 and 2021 financial statements.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 3 Cash and Investments

At June 30, 2022 and 2021, cash and investments are classified in the accompanying statements of net position as follows:

	2022	2021
Cash and cash equivalents	\$ 89,089,531	\$ 77,306,235
Restricted cash and cash equivalents	42,274,401	53,214,216
Total cash and cash equivalents	\$ <u>131,363,932</u>	<u>\$ 130,520,451</u>

At June 30, 2022 and 2021, cash and investments consisted of the followings:

	2022	2021
Deposits with financial institutions	\$ 94,648,231	\$ 82,863,823
Investment with fiscal agent	36,715,701	47,656,628
Total cash and cash equivalents	\$ <u>131,363,932</u>	<u>\$ 130,520,451</u>

Demand Deposits

Demand deposits are held in pool by the District. The carrying amounts of cash deposits were \$94,648,231 and \$82,863,823 at June 30, 2022 and 2021, respectively. Bank balance at June 30, 2022 and 2021 were \$98,335,023 and \$84,154,469, 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.

Note 3 Cash and Investments (Continued)

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

The table below identifies the investment types that are authorized for the District by the California Government Code (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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury bills, bonds and notes	5 years	None	None
Bonds issued by Local Agencies or States	5 years	None	None
U.S. government sponsored agency securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% off base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	5 years	20%	10%
Mortgage Pass-Through Securities	5 years	None	None
Los Angeles County Pooled Surplus Investment Fund	5 years	None	None
Local Agency Investment Fund (LAIF)	5 years	None	None

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.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 3 Cash and Investments (Continued)

Investments Authorized by Debt Agreements (continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury bills, bonds and notes	None	None	None
U.S. 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, 2022 and 2021.

Investment Type	2022 Remaining Maturity (in Years) Less Than 1 Year	2021 Remaining Maturity (in Years) Less Than 1 Year
Investments with fiscal agent:		
Money market mutual funds	\$ 36,715,701	\$ 47,656,628
Total	\$ 36,715,701	\$ 47,656,628

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 3 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, 2022 and 2021.

	2022		
Investment Type	Total As of June 30, 2022	Minimum Legal Requirement	AAA
Investments with fiscal agent:			
Money market mutual funds	\$ 36,715,701	None	\$ 36,715,701
Total	\$ 36,715,701		\$ 36,715,701
	2021		
Investment Type	Total As of June 30, 2021	Minimum Legal Requirement	AAA
Investments with fiscal agent:			
Money market mutual funds	\$ 47,656,628	None	\$ 47,656,628
Total	\$ 47,656,628		\$ 47,656,628

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, 2022 and 2021, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total District investments.

Note 3 Cash and Investments (Continued)

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, 2022, and 2021, none of the District's deposits or investments were exposed to custodial credit risk.

Note 4 Notes Receivable

At June 30, 2022 and 2021, notes receivable consisted of the followings:

	2022	2021
City of Vernon	\$ 1,220,930	\$ 1,360,465
City of Signal Hill	1,500,000	-
Total notes receivable	\$ 2,720,930	\$ 1,360,465
Due within one year	\$ 139,535	\$ 139,535
Due in more than one year	\$ 2,581,395	\$ 1,220,930

City of Vernon

On May 16, 2019, the District entered into a loan agreement with the City of Vernon for a maximum loan amount of \$1,500,000 to finance the design, construction, installation and other services required to construct or rehabilitate the City's groundwater well. The loan is payable annually over a 10-year period. The loan is unsecured and non-interest bearing. Quarterly repayment of the loan in the amount of \$34,884 started upon completion of the project and full disbursement of the loan proceeds to the City. The balance at June 30, 2022 was \$1,220,930.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 4 Notes Receivable (Continued)

City of Signal Hill

On December 19, 2019, the District entered into a loan agreement with the City of Signal Hill for a maximum loan amount of \$1,500,000 to finance the design, construction, installation, rehabilitation, and other services required to construct a replacement for the City's groundwater well. The loan is payable annually over a 10-year period. The loan is unsecured and non-interest bearing. Quarterly repayment of the loan will start upon completion of the project and full disbursement of the loan proceeds to the City. The balance at June 30, 2022 was \$1,500,000.

Note 5 Capital Assets

Changes in capital assets for the year ended June 30, 2022 were as follows:

	Balance July 1, 2021	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2022
Capital assets, not depreciated				
Land	\$ 16,673,743	\$ -	\$ -	\$ 16,673,743
Construction-in-process	54,302,490	14,859,368	(7,547,361)	61,614,497
Total capital assets, not depreciated	<u>70,976,233</u>	<u>14,859,368</u>	<u>(7,547,361)</u>	<u>78,288,240</u>
Capital assets, being depreciated				
Building and improvements	10,283,111	875,601	-	11,158,712
Utility plant and equipment	283,357,390	2,071,745	-	285,429,135
Capacity rights	2,439,604	-	-	2,439,604
Monitoring and injection equipment	20,894,505	4,677,413	-	25,571,918
Service connections	401,420	18,687	(18,687)	401,420
Leased assets	1,216,784	89,530	-	1,306,314
Total capital assets, being depreciated	<u>318,592,814</u>	<u>7,732,976</u>	<u>(18,687)</u>	<u>326,307,103</u>
Less accumulated depreciation				
Building and improvements	(3,815,535)	(341,244)	-	(4,156,779)
Utility plant and equipment	(33,838,953)	(9,494,424)	-	(43,333,377)
Capacity rights	(1,301,274)	(81,309)	-	(1,382,583)
Monitoring and injection equipment	(14,918,578)	(1,084,964)	-	(16,003,542)
Service connections	(110,963)	(8,028)	-	(118,991)
Leased assets	-	(150,492)	-	(150,492)
Total accumulated depreciation	<u>(53,985,303)</u>	<u>(11,160,461)</u>	<u>-</u>	<u>(65,145,764)</u>
Total capital assets, being depreciated, net	<u>264,607,511</u>	<u>(3,427,485)</u>	<u>(18,687)</u>	<u>261,161,339</u>
Total capital assets, net	<u>\$ 335,583,744</u>	<u>\$ 11,431,883</u>	<u>\$ (7,566,048)</u>	<u>\$ 339,449,579</u>

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5 Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Capital assets, not depreciated				
Land	\$ 16,673,743	\$ -	\$ -	\$ 16,673,743
Construction-in-process	216,627,422	12,234,906	(174,559,838)	54,302,490
Total capital assets, not depreciated	<u>233,301,165</u>	<u>12,234,906</u>	<u>(174,559,838)</u>	<u>70,976,233</u>
Capital assets, being depreciated				
Building and improvements	10,283,111	-	-	10,283,111
Utility plant and equipment	108,797,552	174,559,838	-	283,357,390
Capacity rights	2,439,604	-	-	2,439,604
Monitoring and injection equipment	20,788,665	105,840	-	20,894,505
Service connections	401,420	-	-	401,420
Leased assets	-	1,216,784	-	1,216,784
Total capital assets, being depreciated	<u>142,710,352</u>	<u>175,882,462</u>	<u>-</u>	<u>318,592,814</u>
Less accumulated depreciation				
Building and improvements	(3,540,161)	(275,374)	-	(3,815,535)
Utility plant and equipment	(30,212,368)	(3,626,585)	-	(33,838,953)
Capacity rights	(1,219,965)	(81,309)	-	(1,301,274)
Monitoring and injection equipment	(14,151,610)	(766,968)	-	(14,918,578)
Service connections	(102,935)	(8,028)	-	(110,963)
Leased assets	-	-	-	-
Total accumulated depreciation	<u>(49,227,039)</u>	<u>(4,758,264)</u>	<u>-</u>	<u>(53,985,303)</u>
Total capital assets, being depreciated, net	<u>93,483,313</u>	<u>171,124,198</u>	<u>-</u>	<u>264,607,511</u>
Total capital assets, net	<u>\$ 326,784,478</u>	<u>\$ 183,359,104</u>	<u>\$ (174,559,838)</u>	<u>\$ 335,583,744</u>

Major capital asset additions during 2022 and 2021 include work on various stages of construction projects. A significant portion of these additions related to various projects were completed during the current year and transferred out of construction-in-process and into the related capital assets categories.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5 Capital Assets (Continued)

The District engaged in various construction projects throughout 2022. The balances of the various construction projects that comprise the construction-in-progress balances as of June 30, 2022 and 2021 are as follows:

	2022	2021
Leo J. Vander Lans Advanced Water Treatment Facility (LJVWTF) Expansion	\$ 4,269,526	\$ 2,717,716
Caltrans Pipeline	913,182	913,182
Compliance Monitoring	2,363	2,363
Goldworthy Desalter	732,754	518,534
Regional Groundwater Monitoring Program	-	2,415,974
Safe Drinking Water Program	10,053,820	9,208,407
Dominguez Gap Recycled Water Project	1,349,296	1,109,730
Replenishment operations (Interconnection Pipeline)	16,464	16,464
Groundwater Replenishment Improvement Project (GRIP)	210,352	-
Groundwater Infrastructure Improvements	779,147	779,147
Environmental and Compliance Monitoring	12,685,338	6,224,981
Bond interest for capital projects	19,715,369	19,715,369
WRD Headquarter Building Improvement	-	1,250,287
Supervisory Control and Data Acquisition (SCADA)	2,721,415	2,721,415
Asset Management	1,648,403	1,637,026
Paramount Equipment/Fleet Center	698,251	557,727
Regional Brackish Water Reclamation Program	2,793,234	2,110,159
General Engineering Administration	295,375	290,958
Pipeline Projects	13,768	13,768
Joint LA Basin Replenishment & Extraction Project	2,716,440	2,099,283
Total construction-in-process	\$ 61,614,497	\$ 54,302,490

Capitalized Interest

Starting the fiscal year ended June 30, 2019, the District no longer capitalize interest due to the implementation of GASB Statement No. 89.

Note 6 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 related to water replenishment assessment as of June 30, 2022 and 2021.

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, 2022, and 2021, the District has spent \$2,955,385 and \$2,953,738 on the project, leaving an unexpended balance on the advance of \$5,044,615 and \$5,046,262, respectively.

Note 7 Compensated Absences

Summary of changes in compensated absences for the years ended June 30, 2022 and 2021 are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Net Earned</u>	<u>Buy Back</u>	<u>Ending Balance</u>	<u>Due within One Year</u>	<u>Due in More than One Year</u>
2021-22	\$ 1,270,395	\$ (11,561)	\$ (115,146)	\$ 1,143,688	\$ 48,771	\$ 1,094,917
2020-21	798,109	632,951	(160,665)	1,270,395	595,925	674,470

Note 8 Lease Liabilities

Leases

City of Torrance – Land

On January 1, 2020, the District extended its lease agreement with City of Torrance (lessor) to lease one parcel of real property known as City of Torrance City Service Facility until January 31, 2035 for a monthly payment of \$9,509 subject to adjustment every 5 years based on CPI.

Note 8 Lease Liabilities (Continued)

Leases (Continued)

City of Torrance – Land (Continued)

Since the interest rate implicit in the lease is not readily determined by the District, the future lease payment was discounted using an estimated incremental borrowing rate should a loan be taken to pay lease amounts during the lease term. The discount rate associated with the lease as of June 30, 2022 is 6%.

3673 Industry Avenue, LLC. – Warehouse Space

On April 13, 2022, the District extended a lease agreement with 3673 Industry Avenue, LLC. (lessor) to lease the groundwater monitoring operations facility for twenty-five (25) months for a monthly payment of \$4,480. The extended term of the agreement started on July 1, 2021.

Since the interest rate implicit in the lease is not readily determined by the District, the future lease payment was discounted using an estimated incremental borrowing rate should a loan be taken to pay lease amounts during the lease term. The discount rate associated with the lease as of June 30, 2022 is 6%.

Ricoh, USA, Inc. – Office Equipment

On March 1, 2022, the District entered into a lease agreement with Ricoh USA Inc. (lessor) to lease an office equipment for sixty (60) months from January 1, 2022 to December 31, 2026 for a monthly payment of \$1,731.

Since the interest rate implicit in the lease is not readily determined by the District, the future lease payment was discounted using an estimated incremental borrowing rate should a loan be taken to pay lease amounts during the lease term. The discount rate associated with the lease as of June 30, 2022 is 6%.

Xerox Financial Services, LLC. – Office Equipment

On June 30, 2019, the District entered into a lease agreement with Xero Financial Services, LLC. (lessor) to lease an office equipment for sixty (60) months from October 1, 2019 to September 30, 2024 for a monthly payment of \$642.

Since the interest rate implicit in the lease is not readily determined by the District, the future lease payment was discounted using an estimated incremental borrowing rate should a loan be taken to pay lease amounts during the lease term. The discount rate associated with the lease as of June 30, 2022 is 6%.

The District recorded a right to use asset with a net book value of \$1,155,822 and a lease liability of \$1,193,089 for all these leases as of June 30, 2022.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8 Lease Liabilities (Continued)

Lease Payable

As of June 30, 2022, lease payable consisted of the following:

	Balance			Balance		
	July 1, 2021	Additions	Payments	June 30, 2022	Due within One Year	Due in More Than One Year
City of Torrance	\$ 1,079,306	\$ -	\$ (50,730)	\$ 1,028,576	\$ 53,859	\$ 974,717
3673 Industry Avenue, LLC	114,794	-	(48,184)	66,610	61,261	5,349
Ricoh, USA, Inc.	-	89,530	(7,796)	81,734	16,310	65,424
Xerox Financial Services, LLC	22,685	-	(6,516)	16,169	6,918	9,251
Total lease payable	\$ 1,216,785	\$ 89,530	\$ (113,226)	\$ 1,193,089	\$ 138,348	\$ 1,054,741

As of June 30, 2021, lease payable consisted of the following:

	Balance			Balance		
	July 1, 2020	Additions	Payments	June 30, 2021	Due within One Year	Due in More Than One Year
City of Torrance	\$ -	\$ 1,079,306	\$ -	\$ 1,079,306	\$ 50,730	\$ 1,028,576
3673 Industry Avenue LLC	-	114,794	-	114,794	48,183	66,611
Xerox Financial Services LLC	-	22,685	-	22,685	6,516	16,169
Total lease payable	\$ -	\$ 1,216,785	\$ -	\$ 1,216,785	\$ 105,429	\$ 1,111,356

Payments of principal and interest for each of the next four fiscal years increments thereafter are as follows:

Years ending June 30	Principal	Interest	Total
2023	\$ 138,348	\$ 67,847	\$ 206,195
2024	87,191	60,764	147,955
2025	80,997	55,806	136,803
2026	83,969	50,909	134,878
2027	80,366	45,839	126,205
Therafter	722,218	179,932	902,150
Total	\$ 1,193,089	\$ 461,097	\$ 1,654,186

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 9 Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
Replenishment Assessment Revenue Refunding Bonds, Series 2015	\$ 136,645,000	\$ -	\$ (2,830,000)	\$ 133,815,000	\$ 2,975,000	\$ 130,840,000
Add: Unamortized Premium	19,274,430	-	(800,322)	18,474,108	800,322	17,673,786
Replenishment Assessment Revenue Bonds, Series 2018	64,750,000	-	(1,085,000)	63,665,000	1,145,000	62,520,000
Add: Unamortized Premium	9,040,780	-	(333,813)	8,706,967	333,813	8,373,154
Clean Water State Revolving Fund Loan	71,748,020	4,186,873	(2,397,093)	73,537,800	2,385,947	71,151,853
Total long-term debt	\$ 301,458,230	\$ 4,186,873	\$ (7,446,228)	\$ 298,198,875	\$ 7,640,082	\$ 290,558,793

Summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within One Year	Due in More Than One Year
Replenishment Assessment Revenue Refunding Bonds, Series 2015	\$ 139,335,000	\$ -	\$ (2,690,000)	\$ 136,645,000	\$ 2,830,000	\$ 133,815,000
Add: Unamortized Premium	20,074,752	-	(800,322)	19,274,430	800,322	18,474,108
Replenishment Assessment Revenue Bonds, Series 2018	65,785,000	-	(1,035,000)	64,750,000	1,085,000	63,665,000
Add: Unamortized Premium	9,374,593	-	(333,813)	9,040,780	333,813	8,706,967
Clean Water State Revolving Fund Loan	73,960,352	-	(2,212,332)	71,748,020	2,233,117	69,514,903
Total long-term debt	\$ 308,529,697	\$ -	\$ (7,071,467)	\$ 301,458,230	\$ 7,282,252	\$ 294,175,978

Replenishment Assessment Revenue Refunding Bonds, Series 2015

On December 10, 2015, the District issued \$148,345,000 of Replenishment Assessment Revenue Refunding 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.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 9 Long-Term Debt (Continued)

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 2,975,000	\$ 6,274,525	\$ 9,249,525
2024	3,125,000	6,122,025	9,247,025
2025	3,285,000	5,961,775	9,246,775
2026	3,455,000	5,793,275	9,248,275
2027	3,630,000	5,616,150	9,246,150
2028-2032	21,145,000	25,089,375	46,234,375
2033-2037	27,150,000	19,082,500	46,232,500
2038-2042	34,865,000	11,369,125	46,234,125
2043-2046	34,185,000	2,803,100	36,988,100
	<u>\$ 133,815,000</u>	<u>\$ 88,111,850</u>	<u>\$ 221,926,850</u>

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.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 9 Long-Term Debt (Continued)

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,145,000	\$ 3,154,625	\$ 4,299,625
2024	1,200,000	3,096,000	4,296,000
2025	1,260,000	3,034,500	4,294,500
2026	1,325,000	2,969,875	4,294,875
2027	1,395,000	2,901,875	4,296,875
2028-2032	8,120,000	13,360,750	21,480,750
2033-2037	10,435,000	11,052,625	21,487,625
2038-2042	13,400,000	8,088,250	21,488,250
2043-2047	17,205,000	4,281,875	21,486,875
2048-2049	8,180,000	414,000	8,594,000
	<u>\$ 63,665,000</u>	<u>\$ 52,354,375</u>	<u>\$ 116,019,375</u>

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, 2020 and matures on December 31, 2048. The \$80 million loan has an interest rate of 1%. During the years ended June 30, 2022 and 2021, the District drew down \$4,186,873 and \$0, respectively, from SWRCB.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 9 Long-Term Debt (Continued)

The annual debt service requirements at June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 2,385,947	\$ 735,370	\$ 3,121,317
2024	2,409,807	711,511	3,121,318
2025	2,433,905	687,413	3,121,318
2026	2,458,244	663,074	3,121,318
2027	2,482,826	638,491	3,121,317
2028-2032	12,791,557	2,815,028	15,606,585
2033-2037	13,444,056	2,162,531	15,606,587
2038-2042	14,129,839	1,476,749	15,606,588
2043-2047	14,850,602	755,984	15,606,586
2048-2049	6,151,017	92,406	6,243,423
	<u>\$ 73,537,800</u>	<u>\$ 10,738,557</u>	<u>\$ 84,276,357</u>

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, 2022 and 2021 was \$5,200,589 and \$6,090,196, respectively.

Note 11 Defined Benefit Pension Plans

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.

Note 11 Defined Benefit Pension Plans (Continued)

CalPERS Plans (Continued)

General Information about the Pension Plans (Continued)

Benefit Provided (Continued)

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.

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.

Note 11 Defined Benefit Pension Plans (Continued)

CalPERS Plans (Continued)

General Information about the Pension Plans (Continued)

Employee Covered by Benefit Terms

At June 30, 2020 and 2019, the valuation dates, the following employees were covered by the benefit terms:

	2020		2019	
	Classic	PEPRA	Classic	PEPRA
Active employees	22	22	20	20
Transferred and terminated employees	34	3	36	2
Retired employees and beneficiaries	39	0	36	0
	95	25	92	22

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, 2021, the classic active employee contribution rates were 8.00% of annual pay, and the required employer contribution rates were 16.337% of the annual payroll; the PEPRA active employee contribution rate was 7.25% of annual pay, and the required employer contribution rates were 7.874% of the annual payroll.

For the measurement period ended June 30, 2020, the classic active employee contribution rates were 8.00% of annual pay, and the required employer contribution rates were 15.206% of the annual payroll; the PEPRA active employee contribution rate was 7.25% of annual pay, and the required employer contribution rates were 7.072% of the annual payroll.

Note 11 Defined Benefit Pension Plans (Continued)

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, 2020 and 2019 valuations were rolled forward to determine the June 30, 2021 and 2020 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%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post-Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Change of Assumption

In 2020, 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.

Note 11 Defined Benefit Pension Plans (Continued)

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

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.

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 follows for the measurement dates June 30, 2021 and 2020:

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
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%
	<u>100.00%</u>		

(1) 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.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

Note 11 Defined Benefit Pension Plans (Continued)

CalPERS Plans (Continued)

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

Discount Rate

The discount rate used to measure the June 30, 2021 and 2020 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.

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:

<u>Measurement Date</u>	<u>Plan's Net Pension Liability</u>		
	<u>Current</u>		
	<u>Discount Rate -1%</u> <u>(6.15%)</u>	<u>Discount Rate</u> <u>(7.15%)</u>	<u>Discount Rate +1%</u> <u>(8.15%)</u>
June 30, 2021	\$ 6,712,556	\$ 2,646,887	\$ (714,152)
June 30, 2020	9,704,908	5,992,089	2,924,303

Pension Plan Fiduciary Net Position

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

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
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Note 11 Defined Benefit Pension Plans (Continued)

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

The following table shows the Plan’s proportionate share of the risk pool collective net pension liability over the measurement periods July 1, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020:

<u>Measurement Date</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension Liability</u> (c) =(a) - (b)
Balance at June 30, 2020 (Valuation Date)	\$ 27,900,077	\$ 21,907,988	\$ 5,992,089
Balance at June 30, 2021 (Measurement Date)	30,793,390	28,146,503	2,646,887
Net changes during July 1, 2020 to June 30, 2021	2,893,313	6,238,515	(3,345,202)

<u>Measurement Date</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension Liability</u> (c) =(a) - (b)
Balance at June 30, 2019 (Valuation Date)	\$ 25,515,966	\$ 20,101,392	\$ 5,414,574
Balance at June 30, 2020 (Measurement Date)	27,900,077	21,907,988	5,992,089
Net changes during July 1, 2019 to June 30, 2020	2,384,111	1,806,596	577,515

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, 2021 and 2020.

(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, 2020 and 2019). 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.

Note 11 Defined Benefit Pension Plans (Continued)

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)

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement dates (June 30, 2021 and 2020). 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, 2021 and June 30, 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement periods (2020-21 and 2019-2020).

(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 of 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.

Note 11 Defined Benefit Pension Plans (Continued)

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

2022		2021	
Measurement Date		Measurement Date	
June 30, 2020	0.05507%	June 30, 2019	0.05284%
June 30, 2021	0.04894%	June 30, 2020	0.05507%
Change - Increase (Decrease)	-0.006130%	Change - Increase (Decrease)	0.002230%

For the years ended June 30, 2022 and 2021, the District recognized pension expense in the amounts of \$344,524 and \$1,655,908 for CalPERS plan, respectively.

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 2020-21 measurement period is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired). The EARSL for the miscellaneous plan risk pool for the 2019-20 measurement period is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired).

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 Defined Benefit Pension Plans (Continued)

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)

At June 30, 2022, and 2021, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

District's Proportionate Share of NPL and Pension Expense

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,579,674	\$ -	\$ 1,451,647	\$ -
Differences between actual and expected experience	296,820	-	308,790	-
Changes of assumptions	-	-	-	(42,738)
Adjustment due to differences in proportions	374,968	-	319,733	-
Differences between the District's contribution and proportionate share of contribution	351,871	(12,279)	202,706	(27,629)
Net differences between projected and actual earnings on plan investments	-	(2,310,592)	178,006	-
Total	\$ 2,603,333	\$ (2,322,871)	\$ 2,460,882	\$ (70,367)

\$1,579,674 and \$1,451,647 reported as deferred outflows of resources related to pensions as of June 30, 2022 and 2021, 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, 2023 and June 30, 2022.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 Defined Benefit Pension Plans (Continued)

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)

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

2022		2021	
Year Ending June 30,	Deferred Outflows (Inflows) of Resources	Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2023	\$ (92,563)	2022	\$ 314,064
2024	(178,552)	2023	313,014
2025	(389,570)	2024	226,412
2026	(638,527)	2025	85,378
2027	-	2026	-
Thereafter	-	Thereafter	-
Total	\$ (1,299,212)	Total	\$ 938,868

Note 11 Defined Benefit Pension Plans (Continued)

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

Note 11 Defined Benefit Pension Plans (Continued)

Public Agency Retirement System (“PARS”) Plan (Continued)

General Information about the Pension Plan (Continued)

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 June 30, 2020, the valuation date, the following employees were covered by the benefit terms:

	<u>2020</u>
Active employees	5
Transferred and terminated employees	0
Retired employees and beneficiaries	<u>1</u>
	<u><u>6</u></u>

Contributions

Employees contribute 8.00% of compensation, the employer contributed 9.01% of compensation during the years ended June 30, 2022 and 2021, respectively.

Note 11 Defined Benefit Pension Plans (Continued)

Public Agency Retirement System (“PARS”) Plan (Continued)

General Information about the Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Inflation	2.50%
Salary increases	3.00%
Payroll Growth	3.00%
Cost of Living Adjustments	2.00%
Withdrawal	None assumed.
Disability	None assumed.
Mortality	Pre-retirement: Consistent with the Non-Industrial Rates used to value the Miscellaneous Public Agency CalPERS Pension Plans after June 30, 2017. Post-retirement: Consistent with the Non-Industrial Rates used to value the Miscellaneous Public Agency CalPERS Pension Plans after June 30, 2017.

Note 11 Defined Benefit Pension Plans (Continued)

Public Agency Retirement System (“PARS”) Plan (Continued)

General Information about the Pension 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, 2022 and 2021, as shown below:

2022			
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Long-term Expected Geometric Real Rate of Return
US Cash	5.17%	0.21%	0.20%
US Core Fixed Income	80.70%	1.95%	1.84%
US Equity Market	11.27%	5.70%	4.10%
Foreign Developed Equity	1.43%	7.30%	5.56%
Emerging Markets Equity	0.93%	9.44%	5.97%
US REITs	0.50%	6.27%	4.11%
Total	100.00%		
Assumed Inflation - Mean		2.35%	2.35%
Assumed Inflation - Standard Deviation		1.25%	1.25%
Portfolio Real Mean Return		2.45%	2.33%
Portfolio Nominal Mean Return		4.80%	2.74%
Portfolio Standard Deviation			3.64%
Long-term Expected Rate of Return			4.50%

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 Defined Benefit Pension Plans (Continued)

Public Agency Retirement System (“PARS”) Plan (Continued)

Long-Term Expected Rate of Return (Continued)

2021			
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Long-term Expected Geometric Real Rate of Return
US Cash	1.71%	-0.32%	-0.32%
US Core Fixed Income	82.52%	1.37%	1.26%
US Equity Market	11.85%	5.33%	3.70%
Foreign Developed Equity	2.04%	6.27%	4.52%
Emerging Markets Equity	1.39%	8.64%	4.95%
US REITs	0.49%	5.75%	3.57%
Total	100.00%		
Assumed Inflation - Mean		2.30%	2.30%
Assumed Inflation - Standard Deviation		1.16%	1.16%
Portfolio Real Mean Return		2.03%	1.91%
Portfolio Nominal Mean Return		4.33%	4.25%
Portfolio Standard Deviation			3.98%
Long-term Expected Rate of Return			4.50%

Discount Rate

The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return of 4.5%.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 Defined Benefit Pension Plans (Continued)

Public Agency Retirement System (“PARS”) Plan (Continued)

The following table shows the changes in net pension liability recognized over the measurement period of July 1, 2021 to June 30, 2022.

	2022		
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Liability (Asset) (c) = (a) -(b)
Balances at June 30, 2021 (Valuation Date)	\$ 508,954	\$ 579,860	\$ (70,906)
Changes Recognized for the Measurement Period:			
Service cost	37,976	-	37,976
Interest on the total pension liability	23,345	-	23,345
Effect of economic/demographic gains or losses	-	-	-
Change of assumptions or inputs	-	-	-
Contributions from the employer	-	22,307	(22,307)
Contributions from employees	-	13,367	(13,367)
Net investment income	-	(65,882)	65,882
Benefit payments, including refunds of employee contributions	(56,919)	(56,919)	-
Administrative expense	-	(2,909)	2,909
Net Changes during July 1, 2021 to June 30, 2022	4,402	(90,036)	94,438
Balances at June 30, 2022 (Measurement Date)	\$ 513,356	\$ 489,824	\$ 23,532

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 Defined Benefit Pension Plans (Continued)

Public Agency Retirement System (“PARS”) Plan (Continued)

The following table shows the changes in net pension liability (asset) recognized over the measurement period of July 1, 2020 to June 30, 2021.

	2021		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(c) = (a) -(b)
Balances at June 30, 2020 (Valuation Date)	\$ 377,887	\$ 516,344	\$ (138,457)
Changes Recognized for the Measurement Period:			
Service cost	36,870	-	36,870
Interest on the total pension liability	18,574	-	18,574
Effect of economic/demographic gains or losses	37,609	-	37,609
Change of assumptions or inputs	42,052	-	42,052
Contributions from the employer	-	15,582	(15,582)
Contributions from employees	-	13,835	(13,835)
Net investment income	-	40,889	(40,889)
Benefit payments, including refunds of employee contributions	(4,038)	(4,038)	-
Administrative expense	-	(2,752)	2,752
Net Changes during July 1, 2020 to June 30, 2021	131,067	63,516	67,551
Balances at June 30, 2021 (Measurement Date)	\$ 508,954	\$ 579,860	\$ (70,906)

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 Defined Benefit Pension Plans (Continued)

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, 2022, calculated using the discount rate of 4.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.50%) or 1 percentage-point higher (5.50%) than the current rate:

Measurement Date	Plan's Net Pension Liability (Asset)		
	Current Discount		
	Discount Rate -1% (3.50%)	Rate (4.50%)	Discount Rate +1% (5.50%)
June 30, 2022	\$ 101,991	\$ 23,532	\$ (45,543)

The following presents the net pension liability of the Plan as of the measurement date June 30, 2021, calculated using the discount rate of 4.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.50%) or 1 percentage-point higher (5.50%) than the current rate:

Measurement Date	Plan's Net Pension Liability (Asset)		
	Current Discount		
	Discount Rate -1% (3.50%)	Rate (4.50%)	Discount Rate +1% (5.50%)
June 30, 2021	\$ 2,304	\$ (70,906)	\$ (134,961)

Pension Plan Fiduciary Net Position

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

For the measurement periods ended June 30, 2022 and June 30, 2021, the District incurred a pension expense of \$45,540 and \$21,342 , respectively.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 Defined Benefit Pension Plans (Continued)

Public Agency Retirement System (“PARS”) Plan (Continued)

Pension Plan Fiduciary Net Position (Continued)

As of measurement date of June 30, 2022 and June 30, 2021, the District has deferred outflows and deferred inflows of resources related to pension as follows:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,861	\$ (20,690)	\$ 31,235	\$ (35,467)
Changes of assumptions	32,616	-	43,186	-
Net differences between projected and actual earnings on pension plan investments	64,115	-	-	(9,257)
Total	\$ 121,592	\$ (20,690)	\$ 74,421	\$ (44,724)

The amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period and 2020-2021 measurement period expense.

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

2022		2021	
Year Ending June 30,	Deferred Outflows (Inflows) of Resources	Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2023	\$ 16,948	2022	\$ 1,945
2024	24,624	2023	(1,340)
2025	28,888	2024	6,336
2026	30,442	2025	10,600
2027	-	2026	12,156
Thereafter	-	Thereafter	-
Total	\$ 100,902	Total	\$ 29,697

Note 12 Other Postemployment Benefits (“OPEB”)

General Information about the OPEB

Plan Description

Union 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.

Union employees hired on or after December 20, 2001 and before January 1, 2012 qualify for postemployment healthcare benefits if they retire from the District 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.

Union employees hired after December 31, 2011 qualify for postemployment healthcare benefits if they retire from the District 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:

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

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

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

General Information about the OPEB (Continued)

Plan Description (Continued)

Non-Union employees who commenced employment with the District on or before December 20, 2001, and their dependents, qualify for postemployment healthcare benefits if the employee had at least twelve years of service with the District and has reached the age of 55, regardless of the employee’s then current employment status with the District when they reach age 55. In addition, retirees and their dependents participate in a Medical Reimbursement Program and Vision Reimbursement Program.

Non-Union employees who commenced employment with the District on December 21, 2001 or thereafter, and their dependents, qualify for postemployment healthcare benefits if the employee had at least twelve years of service with the District and have reached age 55 at the time of retirement from the District. In addition, retirees and their dependents participate in a Medical Reimbursement Program and Vision Reimbursement Program.

Employee Covered by Benefit Terms

At June 30, 2021, valuation date, the following employees were covered by the benefit terms:

Category	Count
Active employees	47
Retired members and beneficiaries	18
Terminated vested	2
	67

Contribution

The annual contribution is based on the actuarially determined contribution. For the fiscal years ended June 30, 2022 and 2021, the District's actual contributions were \$1,466,365 and \$1,519,550 in total payments, which were recognized as a reduction to the OPEB liability.

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

General Information about the OPEB (Continued)

Net OPEB Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2021 valuation calculated the total OPEB liabilities based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal actuarial cost method
Actuarial assumptions:	
Net Investment Rate of Return	6.73%
Inflation	2.26%
Payroll Growth	3.25% per year
Health Plan Participation	100.00%
Morbidity Factors	CalPERS 2017 study
Disability	None assumed.
Mortality	The mortality rates used in this valuation are those described in the 2017 CalPERS experience study. Pre-retirement: CalPERS 2017 Mortality Post-retirement: CalPERS 2017 Mortality
Pre-Excise Tax Health Care Trend	Pre-65: Actual for 2022, decreasing to 4% for 2069 and later Post-65: Actual for 2022, decreasing 4% for 2069 and later

Change of Assumption

There was no change of assumption during June 30, 2021 valuation date and June 30, 2021 measurement date.

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

General Information about the OPEB (Continued)

Total OPEB Liability

Long-Term Expected Rate of Return

As of June 30, 2021, and 2020, 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 (1)	Target Allocation	Long-Term Expected Real Rate of Return (2)
Equity	43.00%	5.43%
Fixed Income	49.00%	1.63%
REITs	8.00%	5.06%
Cash	0.00%	0.00%
Total	100.00%	

(1) Target asset allocation in the CERBT Strategy 2 investment policy.

(2) JP Morgan arithmetic Long Term Capital Market assumptions and expected inflations 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.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

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

General Information about the OPEB (Continued)

Total OPEB Liability (Continued)

Discount Rate (Continued)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Discount Rate	6.73%	6.73%
Bond Buyer 20-Bond GO Index	2.16%	2.21%

Change in Net OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2020 to June 30, 2021.

	2021		
	Increases (Decreases)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2020 (Measurement date):	\$ 15,187,123	\$ 9,115,090	\$ 6,072,033
Changes Recognized for the Measurement Period:			
Service cost	535,930	-	535,930
Interest on the total pension liability	1,037,222	-	1,037,222
Differences between expected and actual experience	1,109,190	-	1,109,190
Change of assumptions	(2,949,051)	-	(2,949,051)
Net investment income	-	1,784,539	(1,784,539)
Contributions from the employer		1,519,550	(1,519,550)
Benefit payments, including refunds of employee contributions	(629,550)	(629,550)	-
Administrative expense	-	(3,317)	3,317
Net changes during July 1, 2020 to June 30, 2021	<u>(896,259)</u>	<u>2,671,222</u>	<u>(3,567,481)</u>
Balances at June 30, 2021 (Measurement Date)	<u>\$ 14,290,864</u>	<u>\$ 11,786,312</u>	<u>\$ 2,504,552</u>

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

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

Change in Net OPEB Liability (Continued)

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2019 to June 30, 2020.

	2020		
	Increases (Decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2019 (Measurement date):	\$ 14,160,592	\$ 7,986,741	\$ 6,173,851
Changes Recognized for the Measurement Period:			
Service cost	510,409	-	510,409
Interest on the total pension liability	973,429	-	973,429
Differences between expected and actual experience	(36,482)	-	(36,482)
Change of assumptions	-	-	-
Net investment income	-	432,290	(432,290)
Contributions	-	-	-
Contributions from the employer	-	1,120,825	(1,120,825)
Benefit payments, including refunds of employee contributions	(420,825)	(420,825)	-
Administrative expense	-	(3,941)	3,941
Net changes during July 1, 2019 to June 30, 2020	<u>1,026,531</u>	<u>1,128,349</u>	<u>(101,818)</u>
Balances at June 30, 2020 (Measurement Date)	<u>\$ 15,187,123</u>	<u>\$ 9,115,090</u>	<u>\$ 6,072,033</u>

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		
	Current Discount		
	Discount Rate - 1% 5.73%	Rate 6.73%	Discount Rate +1% 7.73%
June 30, 2021	\$ 4,668,170	\$ 2,504,552	\$ 746,243
June 30, 2020	\$ 8,486,152	\$ 6,072,033	\$ 4,123,400

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

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

Change in Net OPEB Liability (Continued)

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, 2020	\$ 577,616	\$ 2,504,552	\$ 4,916,631
June 30, 2019	\$ 3,958,587	\$ 6,072,033	\$ 8,728,510

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

For the years ended June 30, 2022 and 2021, the District recognized OPEB expense in the amounts of \$709,970 and \$1,168,111, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,466,365	\$ -	\$ 1,519,550	\$ -
Differences between actual and expected experience	1,721,151	29,132	868,360	32,807
Changes of assumptions	463,741	2,604,203	576,217	38,868
Net differences between projected and actual earnings on OPEB plan investments	-	843,577	92,879	-
Total	\$ 3,651,257	\$ 3,476,912	\$ 3,057,006	\$ 71,675

The \$1,466,365 and \$1,519,550 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 years ending June 30, 2023 and June 30, 2022, respectively.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

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:

2022		2021	
Year Ending June 30,	Deferred Outflows/(Inflows) of Resources	Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (220,507)	2022	\$ 240,880
2024	(229,056)	2023	244,175
2025	(221,212)	2024	235,626
2026	(246,866)	2025	243,470
2027	(127,412)	2026	217,818
Thereafter	(246,967)	Thereafter	283,812
	\$ (1,292,020)		\$ 1,465,781

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, 2022 and 2021, 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.

Note 13 Risk Management (Continued)

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 \$157,877,258 and \$153,253,764 for the years ended June 30, 2022 and 2021, 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.
- 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, 2022 and 2021. 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).

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 14 Net Position – Net Investment in Capital Assets

The calculation of net position – balances of net investment in capital assets at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Capital assets, net	\$ 339,449,579	\$ 335,583,744
Long-term debt	(298,198,875)	(301,458,230)
Lease Payable	(1,193,089)	(1,216,785)
Retention payable	(630,611)	(235,983)
Deferred amount on refunding	-	173,871
Unspent debt proceeds	36,715,701	47,656,628
Net investment in capital assets	<u>\$ 76,142,705</u>	<u>\$ 80,503,245</u>

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.

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 \$13.5 million of open construction contracts as of June 30, 2022.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 15 Commitments (Continued)

Construction Contracts (Continued)

The contracts outstanding include:

Project Name	Total Approved Contract	Construction Costs to-date	Balance to Complete
LJVWTF Expansion Improvement (New)	\$ 11,167,202	\$ 5,660,051	\$ 5,507,151
Goldsworthy Desalter Expansion (Capitalize FY18/19)	809,763	440,177	369,586
Caltrans Pipeline	745,698	745,698	-
Groundwater Infrastructure Improvement	1,021,000	1,021,000	-
Interconnection Pipeline	3,800,000	3,800,000	-
Safe Drinking Water Program	10,340,811	9,668,165	672,646
Dominguez Gap Recycled Water Project	668,323	351,316	317,007
Groundwater Replenishment Improvement Project (ARC)	88,944	88,944	-
General Engineering Admin (New)	372,172	372,172	-
Environmental Monitoring	14,352,017	12,344,893	2,007,124
Whittier Narrow Conservation Pool	1,475,000	1,475,000	-
SCADA System Master	2,896,741	2,896,741	-
Asset Management	1,631,995	1,547,641	84,354
Paramount Equip/Fleet Center	663,954	663,954	-
Regional Brackish Reclamation Program (New)	7,062,039	2,580,625	4,481,414
Joint LA Basin Replenishment & Extraction Project	2,572,600	2,554,296	18,304
	<u>\$ 59,668,259</u>	<u>\$ 46,210,673</u>	<u>\$ 13,457,586</u>

PFAS Remediation Program

The District is committed to managing and protecting local groundwater resources for over four million residents living in the 43 cities of Southern Los Angeles County. The District is working with water providers to address Perflouroctanic Acid (PFOA) and Perfluorooctanesulfonate (PFOS) in groundwater and to ensure that all potable water meets state and federal drinking water standards and is safe to drink. Last year the District Board of Directors approved a \$34 million grant program to address wells that have been contaminated with PFOA and PFOS.

PFOA and PFOS are man-made compounds that have been used for several decades all over the world in industrial manufacturing, firefighting foams (aqueous film-forming foam [AFFF]), and several consumer products including fast-food wrappers, pizza boxes, non-stick cookware (Teflon™), clothing (Gore-Tex®), fabric protectant (Scotchgard™), and stain-resistant carpets. Collectively, they are known as PFAS. PFOA and PFOS have been phased out of products made in the United States since the 2000s. More information about PFAS Remediation Program is posted on District's website at www.wrd.org.

Note 15 Commitments (Continued)

Regional Brackish Water Reclamation Program

Within the West Coast Basin, a significant plume (approximately 600,000 acre-feet) of brackish groundwater containing high Total Dissolved Solids (TDS) has been trapped due to seawater intrusion and the implementation of the West Coast Seawater Intrusion Barrier. The District began the Regional Brackish Water Reclamation Program to evaluate the feasibility of remediating a portion of the high TDS plume. The Feasibility Study was completed in 2021. The study evaluated various siting options, treatment technologies, project economics, and conveyance of treated water to stakeholders in the West Coast Basin. On February 3, 2022, the District Board of Directors approved a \$4.7 million agreement with the consultant Hazen & Sawyer to help better define the plume geometry and will be conducting a pilot test to evaluate various blends of site-specific water that will be used to feed a new treatment facility and the existing Robert W. Goldsworthy Desalter. Outside funding has been awarded from the United States Bureau of Reclamation (USBR) WaterSMART Desalination Program.

Leo J Vander Lans Advanced Water Treatment Facility (LVL AWTF) Onsite Inland Injection Well Project

The LVL provides advanced-treated recycled water to the Alamitos Seawater Intrusion Barrier (Barrier). Built in 2003, LVL receives tertiary-treated wastewater from the Sanitation Districts of Los Angeles County's (LACSD) Long Beach Water Reclamation Plant (LBWRP) and provides multi-barrier treatment including microfiltration (MF), reverse osmosis (RO) and advanced oxidation process (AOP) with ultraviolet light (UV). In 2014, the expansion of LVL increased its treatment capacity from 3 million gallons per day (mgd) to 8 mgd. LVL has an agreement in place with the Long Beach Water Department for supply of 6,500 AFY of tertiary effluent. Currently, LVL production is limited to the Barrier Demand. At specific times of year, there is more tertiary effluent available than demand in the barrier. This project will construct a 2 mgd injection well on site at LVL (inland of the Barrier wells), allowing for up to 2 mgd to be injected into the Central Basin when excess tertiary effluent is available. This project will improve LVL AWTF operations by allowing more constant operation of the plant due to not being dependent on Barrier operations for LVL AWTF production. On December 21, 2021, The District Board of Directors approved a \$5 million contract with Yellow Jacket Drilling Service to install injection and monitoring wells associated with the project. A \$1.5 million grant was received from the Pepsi Corporation. This project will improve LVL AWTF operations by allowing more constant operation of the plant due to not being dependent on Barrier operations for LVL AWTF production.

Note 16 Contingencies

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.

Note 17 Subsequent Events

The District has evaluated events subsequent to the balance sheet date through December 8, 2022, the date on which the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Water Replenishment District of Southern California
Schedule of District's Proportionate Share of the Net Pension Liability and Related Ratios
California Public Employees' Retirement System ("CalPERS")

Measurement Date	Last Ten Fiscal Years ⁽¹⁾							
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
District's proportion of the net pension liability	0.04592%	0.11629%	0.48070%	0.05019%	0.05057%	0.52840%	0.05507%	0.04894%
District's proportionate share of the net pension liability	\$2,857,450	\$3,190,280	\$4,188,699	\$4,977,020	\$4,872,655	\$5,414,574	\$5,992,089	\$2,646,887
District's covered payroll	\$3,413,694	\$3,501,750	\$3,748,587	\$3,843,634	\$4,290,759	\$4,562,925	\$4,699,813	\$4,840,807
District's proportionate share of its the net pension liability as a percentage of its covered payroll	83.71%	91.11%	111.74%	129.49%	113.56%	118.66%	127.50%	54.68%
Plan fiduciary net position as a percentage of the total pension liability	83.03%	81.98%	81.25%	77.11%	78.56%	73.43%	78.52%	91.40%

⁽¹⁾ 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
Schedule of Changes in Net Pension Liability and Related Ratios
Public Agency Retirement System (“PARS”)

Measurement Period	Last Ten Fiscal Years ⁽¹⁾							
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total pension liability								
Service cost	\$ 14,757	\$ 14,757	\$ 13,512	\$ 13,512	\$ 10,999	\$ 10,999	\$ 36,870	\$ 37,976
Interest	13,202	14,546	15,988	20,409	19,666	18,042	18,574	23,345
Differences between expected and actual experience	-	-	59,815	-	(79,798)	-	-	-
Effect of economic/demographic gains or losses	-	-	-	-	-	-	37,609	-
Changes of assumptions	-	-	-	-	18,590	-	42,052	-
Benefit payments, including refunds of employee contributions	(5,191)	(1,814)	(1,850)	(16,208)	(1,925)	(1,963)	(4,038)	(56,919)
Net change in total pension liability	22,768	27,489	87,465	17,713	(32,468)	27,078	131,067	4,402
Total pension liability - beginning	227,842	250,610	278,099	365,564	383,277	350,809	377,887	508,954
Total pension liability - ending (a)	\$ 250,610	\$ 278,099	\$ 365,564	\$ 383,277	\$ 350,809	\$ 377,887	\$ 508,954	\$ 513,356
Plan Fiduciary Net Position								
Contributions - employer	\$ 17,390	\$ 21,266	\$ 13,308	\$ 12,571	\$ 18,066	\$ 16,904	\$ 15,582	\$ 22,307
Contributions - employee	-	-	6,406	6,051	8,696	12,291	13,835	13,367
Net investment income	4,313	9,664	14,356	6,208	28,020	22,680	40,889	(65,882)
Benefit payments, including refunds of employee contributions	(5,191)	(1,814)	(1,850)	(16,208)	(1,925)	(1,963)	(4,038)	(56,919)
Administrative expense	(1,857)	(2,821)	(1,979)	(2,082)	(2,185)	(2,460)	(2,752)	(2,909)
Net change in plan fiduciary net position	14,655	26,295	30,241	6,540	50,672	47,452	63,516	(90,036)
Plan fiduciary net position - beginning	340,489	355,144	381,439	411,680	418,220	468,892	516,344	579,860
Plan fiduciary net position - ending (b)	\$ 355,144	\$ 381,439	\$ 411,680	\$ 418,220	\$ 468,892	\$ 516,344	\$ 579,860	\$ 489,824
District's net pension assets - ending (a)-(b)	\$ (104,534)	\$ (103,340)	\$ (46,116)	\$ (34,943)	\$ (118,083)	\$ (138,457)	\$ (70,906)	\$ 23,532
Plan fiduciary net position as a percentage of the total pension asset	141.71%	137.16%	112.62%	109.12%	133.66%	136.64%	113.93%	95.42%
Covered payroll	\$ 88,771	\$ 88,771	\$ 100,642	\$ 87,336	\$ 87,366	\$ 159,958	\$ 164,757	\$ 158,172
District's net pension asset as a percentage of covered payroll	-117.76%	-116.41%	-45.82%	-40.01%	-135.16%	-86.56%	-43.04%	14.88%

⁽¹⁾ 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
Schedule of Contributions – Pensions
California Public Employees’ Retirement System (“CalPERS”)**

Fiscal year	Last Ten Fiscal Years ⁽¹⁾								
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Actuarially determined contribution	\$ 576,966	\$ 904,036	\$ 801,773	\$ 830,116	\$ 901,063	\$ 774,592	\$1,190,808	\$1,451,647	\$1,579,674
Contributions in relation to the actuarially determined contributions	<u>(576,966)</u>	<u>(904,036)</u>	<u>(801,773)</u>	<u>(830,116)</u>	<u>(901,063)</u>	<u>(774,592)</u>	<u>(1,190,808)</u>	<u>(1,451,647)</u>	<u>(1,579,674)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (2)	<u>\$3,413,694</u>	<u>\$3,501,750</u>	<u>\$3,748,587</u>	<u>\$3,843,634</u>	<u>\$4,290,759</u>	<u>\$4,562,925</u>	<u>\$4,699,813</u>	<u>\$4,840,807</u>	<u>\$4,986,031</u>
Contributions as a percentage of covered payroll	16.90%	25.82%	21.39%	21.60%	21.00%	16.98%	25.34%	29.99%	31.68%

(1) 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.

(2) Includes one year's payroll growth using 3.00 percent payroll assumption from 2020-21 to 2021-22.

Notes to Schedule

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

Changes of Assumptions: There were no changes in assumptions in 2019 to 2022. 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
Schedules of Contributions – Pensions
Public Agency Retirement System (“PARS”)**

Fiscal year	Last Ten Fiscal Years ⁽¹⁾								
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Actuarially determined contribution	\$ 3,257	\$ 3,257	\$ 14,757	\$ 14,757	\$ 13,512	\$ 11,729	\$ 14,061	\$ 14,412	\$ 24,417
Contributions in relation to the actuarially determined contributions	(14,538)	(17,390)	(21,266)	(13,308)	(12,571)	(18,066)	(16,904)	(15,582)	(22,307)
Contribution deficiency (excess)	<u>\$ (11,281)</u>	<u>\$ (14,133)</u>	<u>\$ (6,509)</u>	<u>\$ 1,449</u>	<u>\$ 941</u>	<u>\$ (6,337)</u>	<u>\$ (2,843)</u>	<u>\$ (1,170)</u>	<u>\$ 2,110</u>
Covered payroll (2)	<u>\$ 88,777</u>	<u>\$ 88,771</u>	<u>\$ 88,771</u>	<u>\$ 100,642</u>	<u>\$ 87,336</u>	<u>\$ 87,366</u>	<u>\$ 159,958</u>	<u>\$ 164,757</u>	<u>\$ 158,172</u>
Contributions as a percentage of covered payroll	16.38%	19.59%	23.96%	13.22%	14.39%	20.68%	10.57%	9.46%	14.10%

(1) 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.

Notes to Schedule

Changes of assumptions: Discount rate of 4.50 percent in 2022 and in 2021.

Valuation date: 30-Jun-20

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	None
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	4.50%
Retirement age	Individual retirement ages assumed for each member based on expiration of term.
Mortality	Consistent with the Non-Industrial rates used to value the CalPERS plan.

Water Replenishment District of Southern California
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
For the Years Ended June 30, 2022 and 2021

Measurement period	Last Ten Fiscal Years (1)				
	2016-17 (1)	2017-18	2018-19	2019-20	2020-21
Total OPEB Liability					
Service cost	\$ 363,121	\$ 387,880	\$ 498,970	\$ 510,409	\$ 535,930
Interest	638,606	765,695	844,995	973,429	1,037,322
Change of benefit terms	-	247,812	-	-	-
Differences between expected and actual experience	106,713	9,090	1,004,789	(36,482)	1,109,190
Changes of assumptions	1,026,121		(48,676)	-	(2,949,051)
Benefit payments, including refunds of employee contributions	(240,933)	(301,888)	(386,027)	(420,825)	(629,550)
Net change in total OPEB liability	<u>1,893,628</u>	<u>1,108,589</u>	<u>1,914,051</u>	<u>1,026,531</u>	<u>(896,159)</u>
Total OPEB liability - beginning	<u>9,244,324</u>	<u>11,137,952</u>	<u>12,246,541</u>	<u>14,160,592</u>	<u>15,187,123</u>
Total OPEB liability - ending (a)	<u>\$ 11,137,952</u>	<u>\$ 12,246,541</u>	<u>\$ 14,160,592</u>	<u>\$ 15,187,123</u>	<u>\$ 14,290,964</u>
Plan Fiduciary Net Position					
Contributions - employer	1,048,933	301,888	1,264,283	1,120,825	1,519,550
Contributions - employee	-	-	-	-	-
Net investment income	382,144	376,091	512,264	432,290	1,784,539
Benefit payments, including refunds of employee contributions	(240,933)	(301,888)	(386,027)	(420,825)	(629,550)
Administrative expense	(2,853)	(3,271)	(1,481)	(3,941)	(3,317)
Net change in plan fiduciary net position	<u>\$ 1,187,291</u>	<u>\$ 372,820</u>	<u>\$ 1,389,039</u>	<u>\$ 1,128,349</u>	<u>\$ 2,671,222</u>
Plan fiduciary net position - beginning	<u>5,037,591</u>	<u>6,224,882</u>	<u>6,597,702</u>	<u>7,986,741</u>	<u>9,115,090</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,224,882</u>	<u>\$ 6,597,702</u>	<u>\$ 7,986,741</u>	<u>\$ 9,115,090</u>	<u>\$ 11,786,312</u>
District's Net OPEB liability - end of year (a)-(b)	<u>\$ 4,913,070</u>	<u>\$ 5,648,839</u>	<u>\$ 6,173,851</u>	<u>\$ 6,072,033</u>	<u>\$ 2,504,652</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>56%</u>	<u>54%</u>	<u>56%</u>	<u>60%</u>	<u>82%</u>
Covered payroll	N/A	N/A	\$ 4,476,287	\$ 5,753,939	\$ 5,757,206
District's net OPEB liability as percentage of covered-employee payroll	N/A	N/A	138%	106%	44%

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

**Water Replenishment District of Southern California
Schedule of Contributions – Other Postemployment Benefits
For the Years Ended June 30, 2022 and 2021**

Fiscal Year	Last Ten Fiscal Years (1)					
	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Actuarially determined contribution (1)	\$ 627,990	\$ 754,917	\$ 740,962	\$ 740,962	\$ 1,004,511	\$ 1,044,115
Contributions in relation to the actuarially determined contribution	(1,048,933)	(301,888)	(1,202,789)	(1,120,825)	(1,519,550)	(1,466,365)
Contribution deficiency (excess)	\$ (420,943)	\$ 453,029	\$ (461,827)	\$ (379,863)	\$ (515,039)	\$ (422,250)
Covered payroll	N/A	N/A	N/A	\$ 4,476,287	\$ 5,753,939	\$ 5,757,206
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	25%	26%	25%

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

Notes to Schedule

Valuation date:	June 30, 2021
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 2017 CalPERS experience study.

**STATISTICAL SECTION
(Unaudited)**

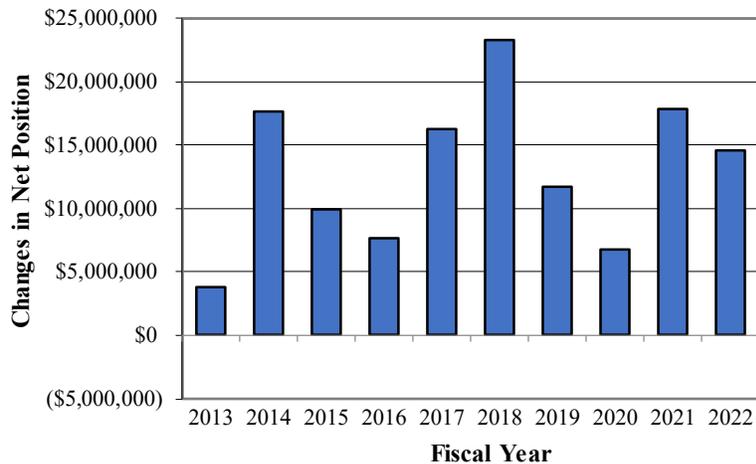
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This part of the Water Replenishment District of Southern California's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required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

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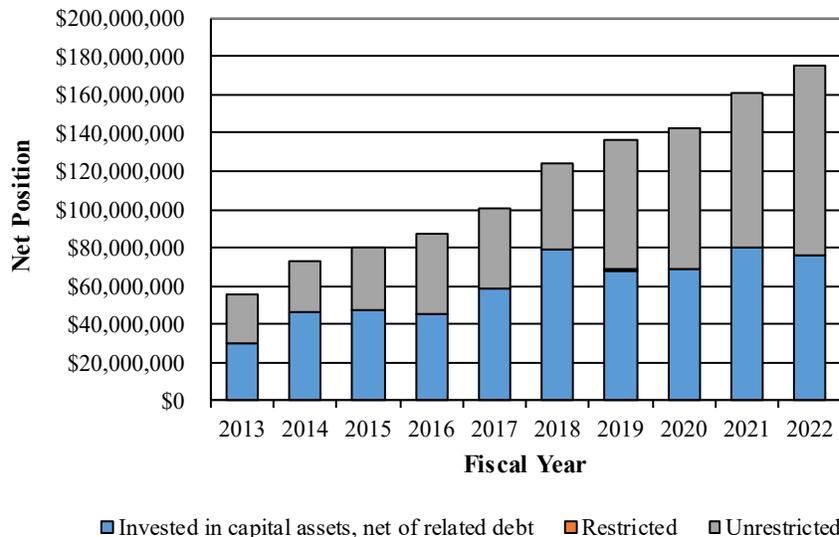
**Water Replenishment District of Southern California
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years**

	Fiscal Year				
	2013	2014	2015	2016	2017
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 46,003,068	\$ 60,386,705	\$ 80,154,123	\$ 59,852,856	\$ 74,573,333
Operating expenses (see Schedule 3)	(38,868,302)	(44,086,875)	(69,991,319)	(51,786,834)	(62,347,174)
Depreciation and amortization	(2,495,964)	(2,537,023)	(2,629,444)	(4,003,734)	(4,014,947)
Operating income	4,638,802	13,762,807	7,533,360	4,062,288	8,211,212
Non-operating revenues(expenses)					
Property taxes, net of collection expenses	606,562	544,319	581,180	585,957	613,015
Interest and investment earnings	259,644	244,961	163,704	562,438	864,242
Interest expense and fiscal changes	(3,935,225)	(3,130,364)	(2,144,351)	(2,148,520)	(2,875,746)
Election costs	-	-	(1,397,597)	-	(1,374,823)
Gain/(loss) on sale/disposition of assets	-	-	-	-	-
Other revenue/(expense), net	170,406	45,682	4,102,881	4,192,116	3,270,421
Net non-operating revenues (expenses)	(2,898,613)	(2,295,401)	1,305,817	3,191,991	497,109
Net income before capital contributions	1,740,189	11,467,406	8,839,177	7,254,279	8,708,321
Capital contributions	2,107,865	6,207,226	1,109,714	450,878	7,550,656
Changes in net position	3,848,054	17,674,632	9,948,891	7,705,157	16,258,977
Prior period adjustment	-	-	-	-	(3,031,941)
Adjusted changes in net position	3,848,054	17,674,632	9,948,891	7,705,157	13,227,036
Net position by component:					
Invested in capital assets, net of related debt	29,824,873	46,797,969	47,030,300	45,393,945	58,811,863
Restricted	-	-	-	-	-
Unrestricted	25,783,840	26,485,376	32,987,244	42,328,756	42,137,874
Total net assets	\$ 55,608,713	\$ 73,283,345	\$ 80,017,544	\$ 87,722,701	\$ 100,949,737



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

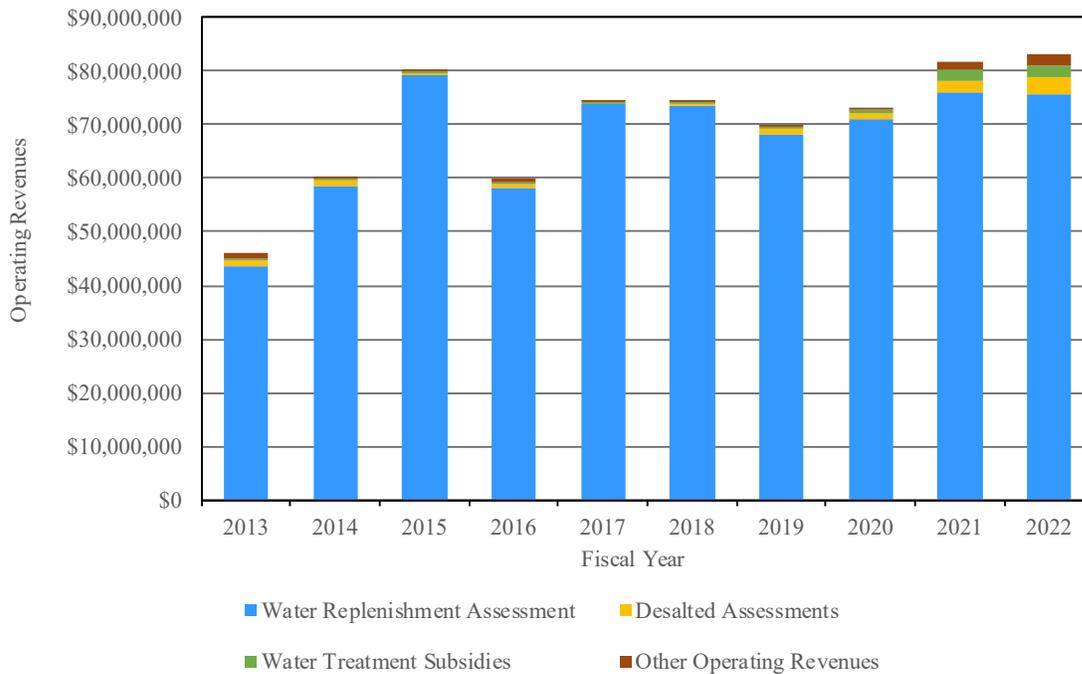
	Fiscal Year				
	2018*	2019	2020	2021	2022
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 74,289,639	\$ 69,700,370	\$ 73,228,665	\$ 81,609,406	\$ 83,261,148
Operating expenses (see Schedule 3)	(57,072,594)	(55,541,243)	(64,700,484)	(63,226,824)	(63,631,927)
Depreciation and amortization	(4,112,063)	(4,657,627)	(4,822,237)	(4,758,264)	(11,160,461)
Operating income	<u>13,104,982</u>	<u>9,501,500</u>	<u>3,705,944</u>	<u>13,624,318</u>	<u>8,468,760</u>
Non-operating revenues(expenses)					
Property taxes, net of collection expenses	658,530	717,812	744,972	808,891	811,900
Interest and investment earnings	1,027,074	940,725	862,544	53,882	48,298
Interest expense and fiscal changes	(6,174,350)	(10,105,952)	(11,957,054)	(11,730,855)	(9,849,814)
Election costs	(1,100,000)	(601,323)	-	(2,568,655)	-
Gain/(loss) on sale/disposition of assets	-	(1,367,459)	-	-	-
Other revenue/(expense), net	<u>4,209,797</u>	<u>2,841,726</u>	<u>7,286,361</u>	<u>4,457,355</u>	<u>9,762,555</u>
Net non-operating revenues (expense):	<u>(1,378,949)</u>	<u>(7,574,471)</u>	<u>(3,063,177)</u>	<u>(8,979,382)</u>	<u>772,939</u>
Net income before capital contributions	11,726,033	1,927,029	642,767	4,644,936	9,241,699
Capital contributions	<u>11,600,940</u>	<u>9,740,625</u>	<u>6,118,791</u>	<u>13,153,479</u>	<u>5,306,076</u>
Changes in net position	23,326,973	11,667,654	6,761,558	17,798,415	14,547,775
Prior period adjustment	-	-	-	-	-
Adjusted changes in net position	<u>23,326,973</u>	<u>11,667,654</u>	<u>6,761,558</u>	<u>17,798,415</u>	<u>14,547,775</u>
Net position by component:					
Invested in capital assets, net of related debt	79,330,770	67,639,056	69,050,712	80,503,245	76,142,705
Restricted	-	1,675,642	-	-	-
Unrestricted	<u>44,945,940</u>	<u>66,629,666</u>	<u>73,655,210</u>	<u>80,001,092</u>	<u>98,909,407</u>
Total net assets	<u>\$ 124,276,710</u>	<u>\$ 135,944,364</u>	<u>\$ 142,705,922</u>	<u>\$ 160,504,337</u>	<u>\$ 175,052,112</u>



* 2018 balances were reclassified.

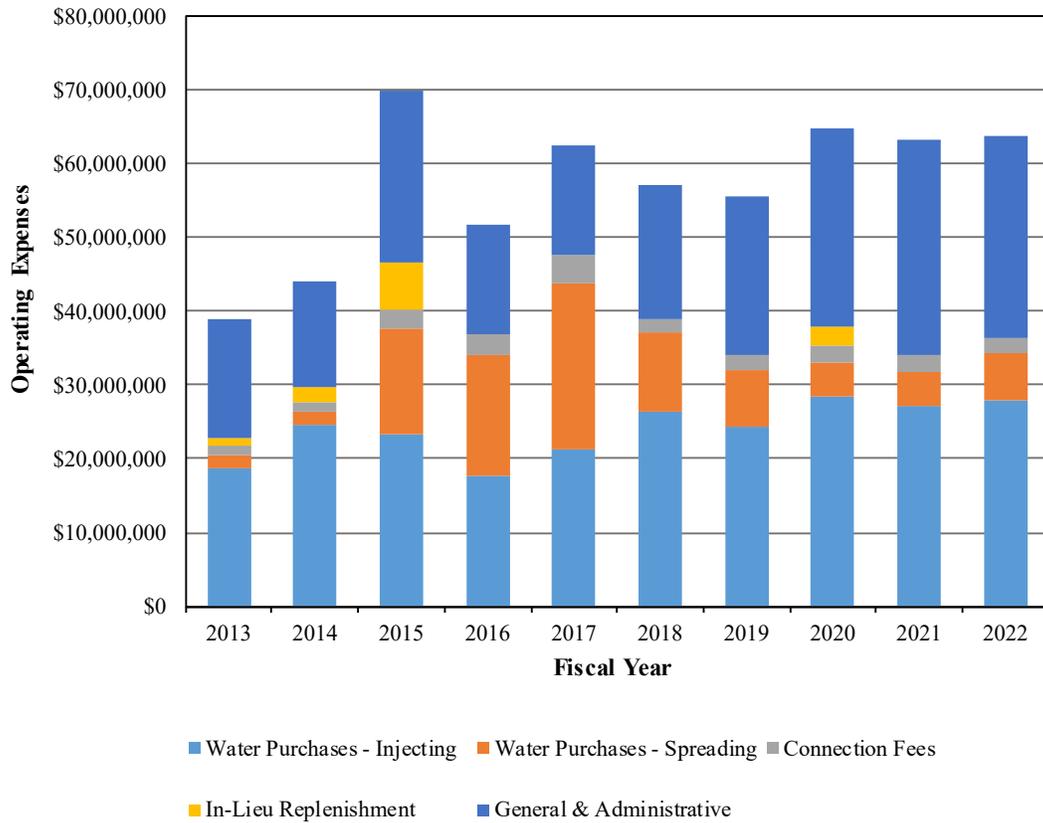
Water Replenishment District of Southern California
Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Water Replenishment Assessment	Desalted Assessments	Water Treatment Subsidies	Other Operating Revenues	Total Operating Revenues
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	68,007,111	1,138,025	497,799	57,435	69,700,370
2020	70,948,823	1,114,275	758,496	407,071	73,228,665
2021	76,161,044	1,925,675	2,047,303	1,475,384	81,609,406
2022	75,528,104	3,470,172	2,014,334	2,248,538	83,261,148



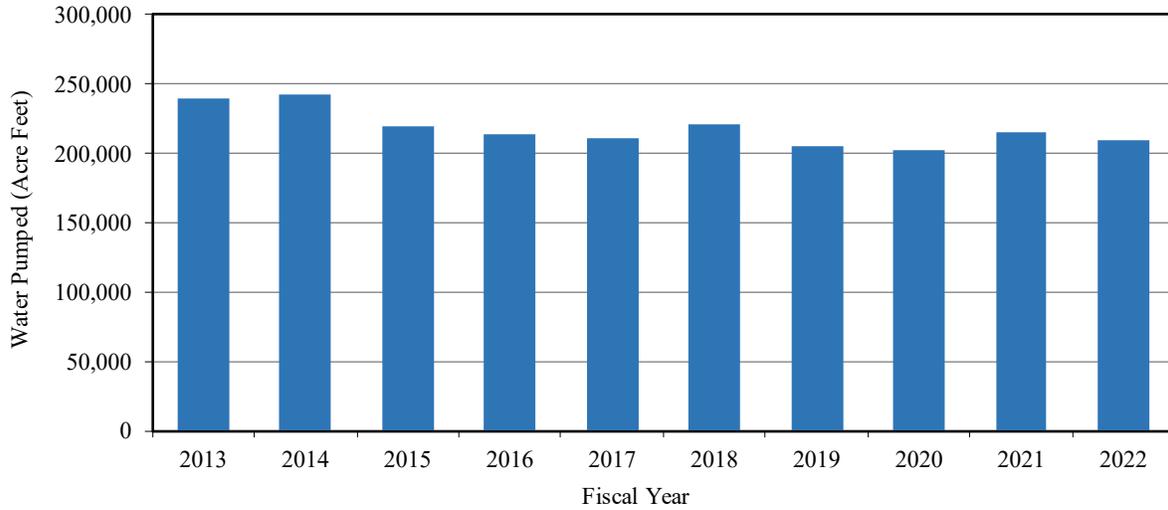
Water Replenishment District of Southern California
Operating Expenses by Activity
Last Ten Fiscal Years

Fiscal Year	Water Purchases - Injecting	Water Purchases - Spreading	Connection Fees	In-Lieu Replenishment	General & Administrative	Total Operating Expenses (excluding Depreciation and Amortization)
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
2020	28,475,096	4,591,197	2,213,180	2,532,344	26,888,667	64,700,484
2021	27,176,259	4,662,502	2,299,044	-	29,089,019	63,226,824
2022	27,892,665	6,315,554	2,118,009	-	27,305,699	63,631,927



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

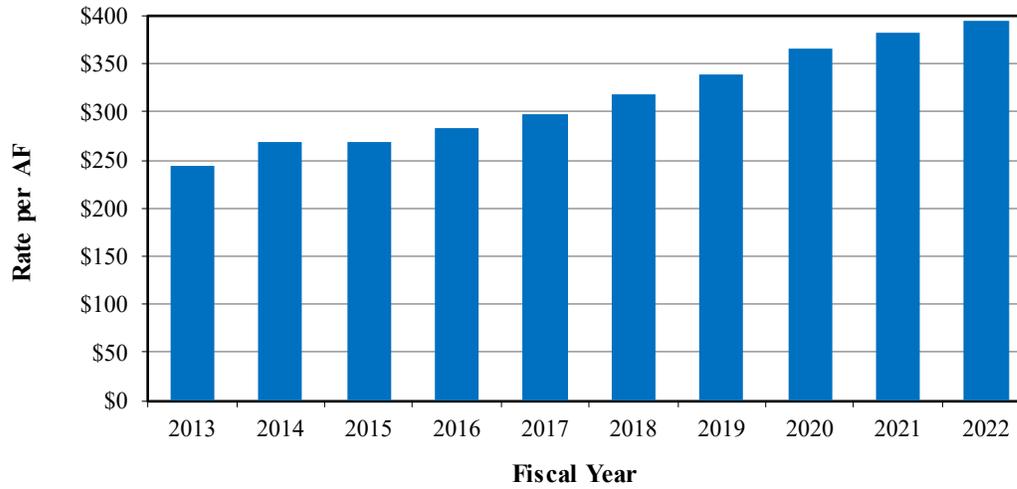
<u>Fiscal Year</u>	<u>Water Pumped (Acre Feet)</u>
2013	239,691
2014	242,527
2015	219,068
2016	214,489
2017	210,600
2018	221,315
2019	205,198
2020	201,748
2021	215,577
2022	209,103



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

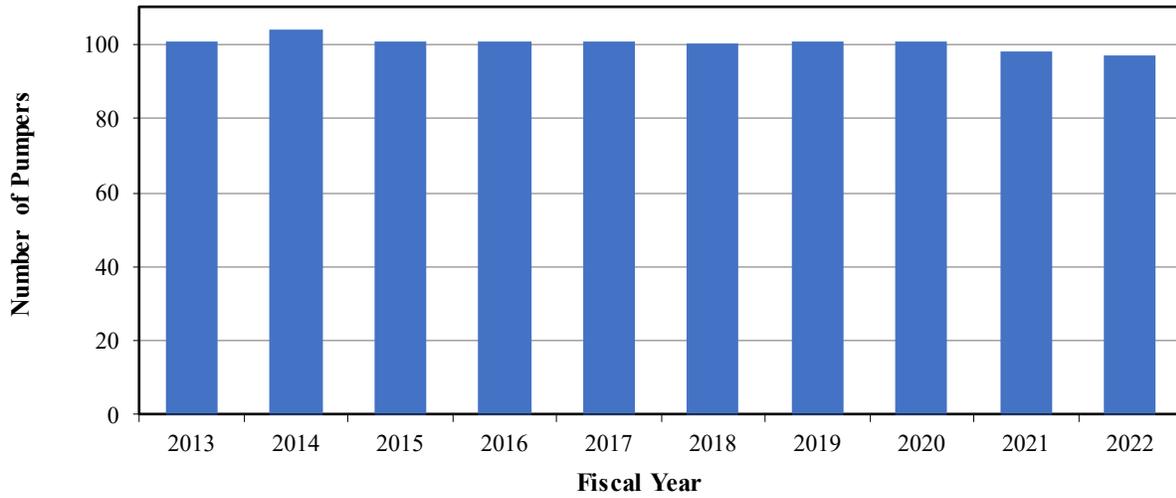
<u>Fiscal Year</u>	<u>Rate per Acre Feet (AF)</u>
2013	\$244
2014	268
2015	268
2016	283
2017	297
2018	318
2019	339
2020	365
2021	382
2022	394



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

Water Replenishment District of Southern California
Number of Pumpers
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Pumpers</u>
2013	101
2014	104
2015	101
2016	101
2017	101
2018	100
2019	101
2020	101
2021	98
2022	97



Source: Water Replenishment District Finance Department

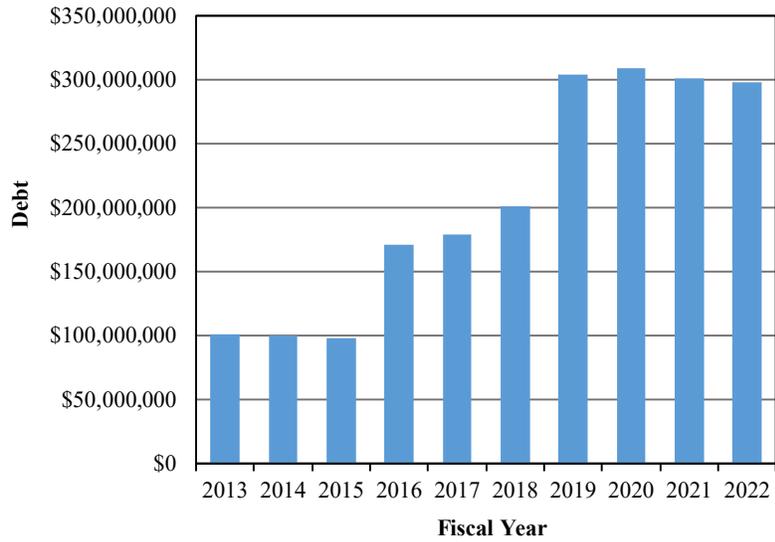
**Water Replenishment District of Southern California
Principal Customers
Current Fiscal Year and Nine Years Ago**

Customer	2022		2013	
	Water Pumped (Acre Feet)	Percentage of Total	Water Pumped (Acre Feet)	Percentage of Total
Long Beach, City of	26,413	13%	30,796	13%
Golden State Water Company	22,997	11%	34,711	14%
California Water Service Company	14,980	7%	16,045	7%
Downey, City of	14,456	7%	16,471	7%
Tesoro Refining & Marketing Company, LLC	9,522	5%	4,408	2%
South Gate, City of	8,159	4%	8,345	3%
Cerritos, City of	7,675	4%	8,943	4%
Compton, City of	7,145	3%	6,347	3%
Lakewood, City of	7,053	3%	9,825	4%
Vernon, City of	6,513	3%	7,258	3%
Total	124,913	60%	143,149	60%
Total Water Consumed (Acre Feet)	209,103	100%	239,691	100%

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 Capita</u>	<u>As a Share of Personal Income</u>
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	0.046278%
2020	308,529,697	30.08	0.044910%
2021	301,458,230	29.56	0.044009%
2022	298,198,975	29.21	0.040961%



Source: Water Replenishment District Finance Department

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

Fiscal Year	Net Revenues*	Water Purchase Payment	Revenue for Rate Covenant	Debt Service Total	Coverage Ratio
2013	\$ 30,868,456	\$ (22,697,078)	\$ 8,171,378	\$ 5,490,931	1.49
2014	46,725,545	(29,590,753)	17,134,792	5,523,544	3.10
2015	61,550,688	(46,540,119)	15,010,569	6,553,382	2.29
2016	50,320,057	(36,913,524)	13,406,533	4,231,240	3.17
2017	64,662,237	(47,688,400)	16,973,837	9,246,245	1.84
2018	62,118,929	(39,006,483)	23,112,446	9,247,700	2.50
2019	52,671,802	(34,012,412)	18,659,390	9,639,683	1.94
2020	55,233,875	(37,811,817)	17,422,058	13,818,064	1.26
2021	57,840,515	(34,137,805)	23,702,710	16,726,543	1.42
2022	66,519,466	(36,326,228)	30,193,238	16,593,725	1.82

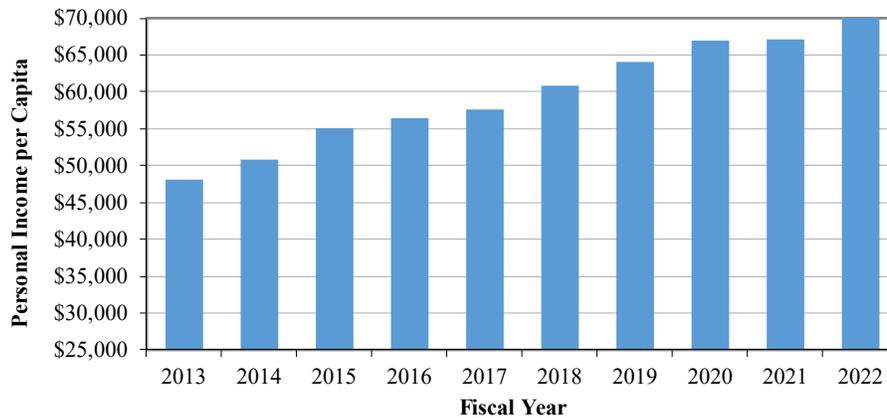
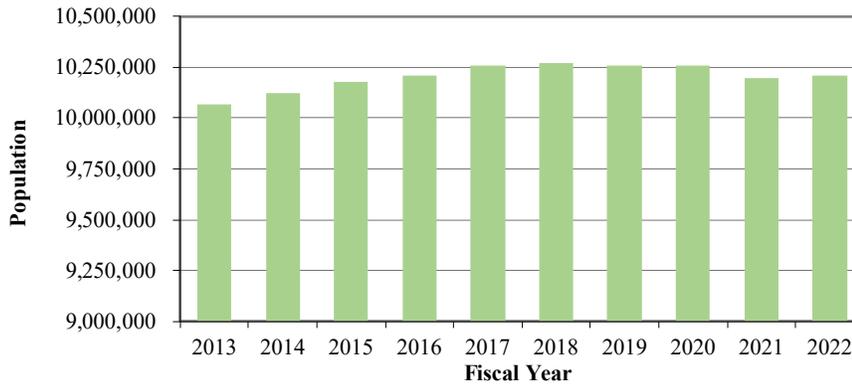
Notes:

* Net revenue is total operating revenues minus operation & maintenance expenses, excluding water purchase payment and debt services payment

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)
2013	9.6%	10,064,909	\$ 483,600,000	\$ 48,048
2014	8.2%	10,124,206	514,500,000	50,819
2015	7.3%	10,176,031	560,000,000	55,031
2016	4.9%	10,211,351	577,000,000	56,506
2017	4.4%	10,255,733	591,000,000	57,626
2018	4.4%	10,269,935	624,000,000	60,760
2019	4.6%	10,260,237	657,000,000	64,034
2020	18.1%	10,257,557	687,000,000	66,975
2021	9.4%	10,198,389	685,000,000	67,167
2022	4.6%	10,208,717	728,000,000	71,312



Notes:

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

Sources: California Department of Finance and CaliforniaLaborMarketInfo, U.S. Bureau of Labor Statistics

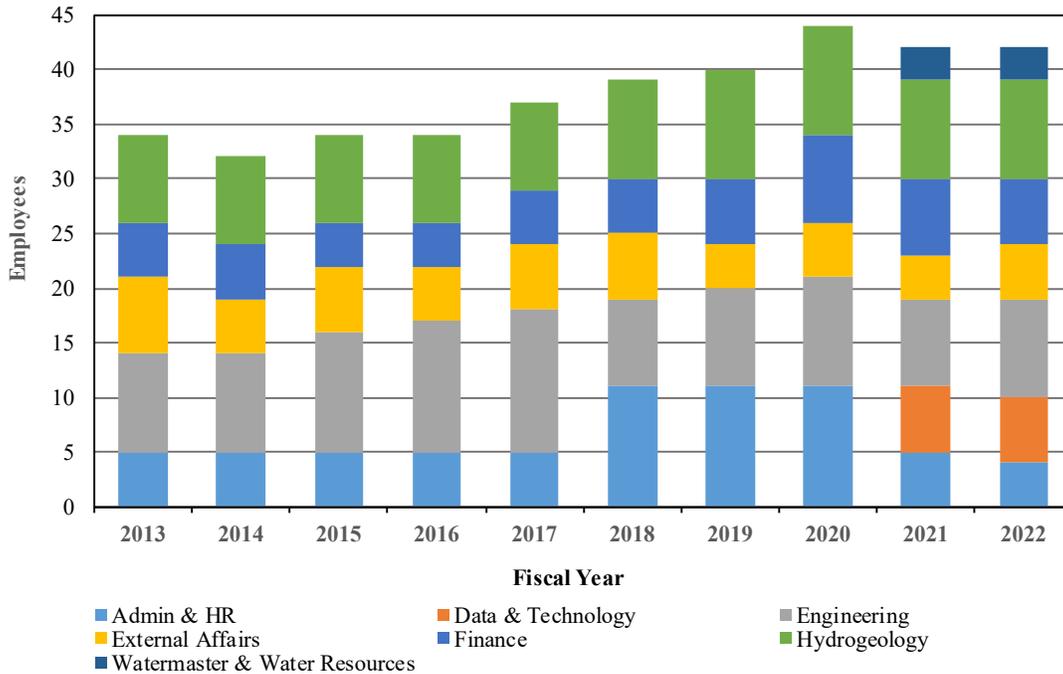
(2) Per capita personal income was computed using Census Bureau mid-year population estimates and Real Per Capita Income estimates from CalGov's Los Angeles County Economic Forecast. All state and local area dollar estimates are in current dollars (not adjusted for inflation).

Sources: Regional Economic Information System, Bureau of Economic Analysis,

CalGov.com/Los Angeles County Economic Forecast

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

Department	Employees										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Admin & HR	5	5	5	5	5	11	11	11	5	4	
Data & Technology	0	0	0	0	0	0	0	0	6	6	
Engineering	9	9	11	12	13	8	9	10	8	9	
External Affairs	7	5	6	5	6	6	4	5	4	5	
Finance	5	5	4	4	5	5	6	8	7	6	
Hydrogeology	8	8	8	8	8	9	10	10	9	9	
Watermaster & Water Resources	0	0	0	0	0	0	0	0	3	3	
Total	34	32	34	34	37	39	40	44	42	42	



Other Operating and Capacity Indicators

<u>Fiscal Year</u>	<u>Number of Groundwater Pumps</u>	<u>Acre Feet Injected</u>
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
2020	354	27,285
2021	363	26,070
2022	326	23,712

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.

**Water Replenishment District of Southern California
Largest Industries – County of Los Angeles
Current Fiscal Year and Nine Years Ago**

<u>Industry</u>	<u>2022</u>			<u>2013</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total</u>
Educational & Health Services	867,600	1	17.49%	704,100	1	14.21%
Professional & Business Services	657,000	2	13.24%	585,500	2	11.81%
Retail Trade, Transportation & Utilities	846,800	3	17.07%	787,100	3	15.88%
Government	572,100	4	11.53%	551,200	4	11.12%
Leisure & Hospitality	499,900	5	10.08%	438,900	5	8.86%
Manufacturing	321,800	6	6.49%	376,700	6	7.60%
Financial Activities	214,200	7	4.32%	213,000	7	4.30%
Information	228,200	8	4.60%	196,900	8	3.97%
Construction	156,600	9	3.16%	114,600	9	2.31%
Other Services	150,200	10	3.03%	145,700	10	2.94%
Ten Largest Industries	4,514,400		90.98%	4,113,700		83.01%
Other Industries	447,300		9.02%	842,100		16.99%
Total Industries	4,961,700		100.00%	4,955,800		100.00%

Note: The District is presenting employment by industry as we have been unable to obtain employment numbers by individual employers.

Source: California Employment Development Department

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