

Achievements in Water Independence

Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2020



**Comprehensive Annual Financial Report
Water Replenishment District of Southern California
For the Years Ended June 30, 2020 and 2019
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, 2020**

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

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

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Water Replenishment District of Southern California
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INTRODUCTORY SECTION
(Unaudited)

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

ROBB WHITAKER, P.E., GENERAL MANAGER

December 1, 2020

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

State law requires that every general-purpose government agency publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

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

The 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 year ended June 30, 2020. The independent auditors’ report is located at the front of the financial section of this report.

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

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

Profile of the District

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

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

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

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

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

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

By law, the District has broad authority to carry out its responsibilities, which include the purchase of water to replenish the basins, administering clean water programs and investing in projects intended to improve the reliable supply of clean water at a reasonable cost. In addition, the District operates a number of clean water programs under the authority of 1991 legislation that broadened its mission to include the detection, prevention, and removal of contaminants in the groundwater. In response to this legislation, the District has established programs to monitor water quality, remove containments, and mitigate saltwater intrusion.

Local Economy

The District office is located in Los Angeles County, California's most populous County, with over 10 million residents in 88 cities spread across 4,100 square miles; Los Angeles County's population exceeds that of 43 states. Los Angeles boasts a workforce of more than 5.1 million people and is the nation's largest manufacturing center. In 2020, real GDP in Los Angeles County grew at 1.6 percent, with the unemployment rate down to 4.5%.

Induced by the COVID-19 pandemic, the economy has a great fall since March 2020. Despite all of the stimulus including Paycheck Protection Program being poured into the economy, many small businesses failed and jobs in restaurants and personal service firms disappeared in the short-run. It will take time for consumers to return to normal.

The COVID-19 impacts on water demand could be short-lived as people slowly return to work. However, there could be longer-term impacts if unemployment remains high and people continue to work from home. The duration of the pandemic is yet to be determined. The UCLA Anderson Forecast states that the global health crisis has morphed into a depression-like crisis and that it does not expect the national economy to return to its 2020 fourth-quarter peak until 2023.

In California, the seasonally adjusted unemployment rate was 14.9 percent in June 2020, 16.4 percent in May 2020, and 4.0 percent a year ago in June 2020. The comparable estimates for the nation were 11.1 percent in June 2020, 13.3 percent in May 2020, and 3.7 percent a year ago in June 2020.

Southern California like the rest of the state and the county, will face significant economic challenges. In Los Angeles County, the seasonally adjusted unemployment rate decreased over the month to 19.4 percent in June 2020, from a revised 21.1 percent in May 2020, and was above the rate of 4.4 percent one year ago. Civilian employment increased by 242,000 to 3,981,000 in June 2020, while unemployment decreased by 43,000 to 956,000. Between June 2019 and June 2020, the leisure and hospitality employment in Los Angeles County was down 171,600 jobs or 31 percent from a year ago, making up the majority of the job reduction.

Relevant Financial Policies

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Investment Policy

The Board of Directors annually adopts an investment policy that conforms to California State law, District ordinance and resolutions, prudent money management, and the "prudent person"

standards. The Investment Policy's objectives are safety, liquidity, and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund, Certificates of Deposit, Government Agency Obligations or other specifically authorized investments.

Replenishment Assessment

Following several public budget workshops, the WRD Board of Directors voted to increase the Fiscal Year 2019-2020 Replenishment Assessment to \$365.00 per acre-foot. Despite rising operating costs, the District managed to stay the course through general belt-tightening and a conscious decision to reduce purchases for increasingly expensive imported water in favor of more cost-effective local supply.

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

Reflecting confidence in WRD's financial stability and management, both of the major rating agencies assigned AA+ long-term rating to the 2019 Replenishment Assessment Revenue Bonds, which is at or near the top rating for water agencies in the state.

District Achievements

This was an exceptionally productive year for the Water Replenishment District. The District completed one of the most sophisticated advanced recycled water treatment facilities in the world, launched an initiative to make our region independent of imported water by 2040 and added to the growing portfolio of awards we have received in recent years.

The highlight of the year, marking one of the most significant events in WRD's 60-year history, was the August 2019 opening celebration of the Albert Robles Center for Water Recycling and Environmental Learning (ARC). Attended by 800 people, the opening showcased the magnificent advanced recycled water treatment facility and the educational and community center that attaches to it.

ARC is the culmination of WRD's Water Independence Now or WIN program. The objective of the 15-year WIN effort was to become independent of imported water for groundwater replenishment and, with the completion of ARC, the District achieved that objective. ARC will produce 10,000 acre-feet of water annually for delivery to the spreading grounds for infiltration into the underlying aquifer. The water is of such a high quality that visitors who complete the facility tour can actually drink it.

In addition to its very significant contribution to local water supply, ARC is an educational destination for school kids where they can learn about water recycling, stormwater capture, native landscaping, watershed health, and the history of WRD and its role in providing 50% of the water supply to the service area. And it is a community asset that has hosted numerous public agency and civic organization meetings.

The WRD Board annually adopts a 5-year Strategic Plan to articulate the near- and long-term goals. The incorporation of WIN 4 ALL this year into that Plan commits the District to a vision of regional independence from imported water by 2040. Just as the realization of WIN eliminated

imported water for groundwater replenishment, WIN 4 ALL aims to offset the region's imported water use by securing locally sustainable groundwater supplies for the entire WRD service area.

WRD has also received distinguished recognition over the years for its programs and projects. For the ARC project, the District received the 2020 American Public Works Association Project of the Year Award and the 2020 American Council of Engineering Companies Merit Award.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This was the fifteenth consecutive year that the District 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 CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

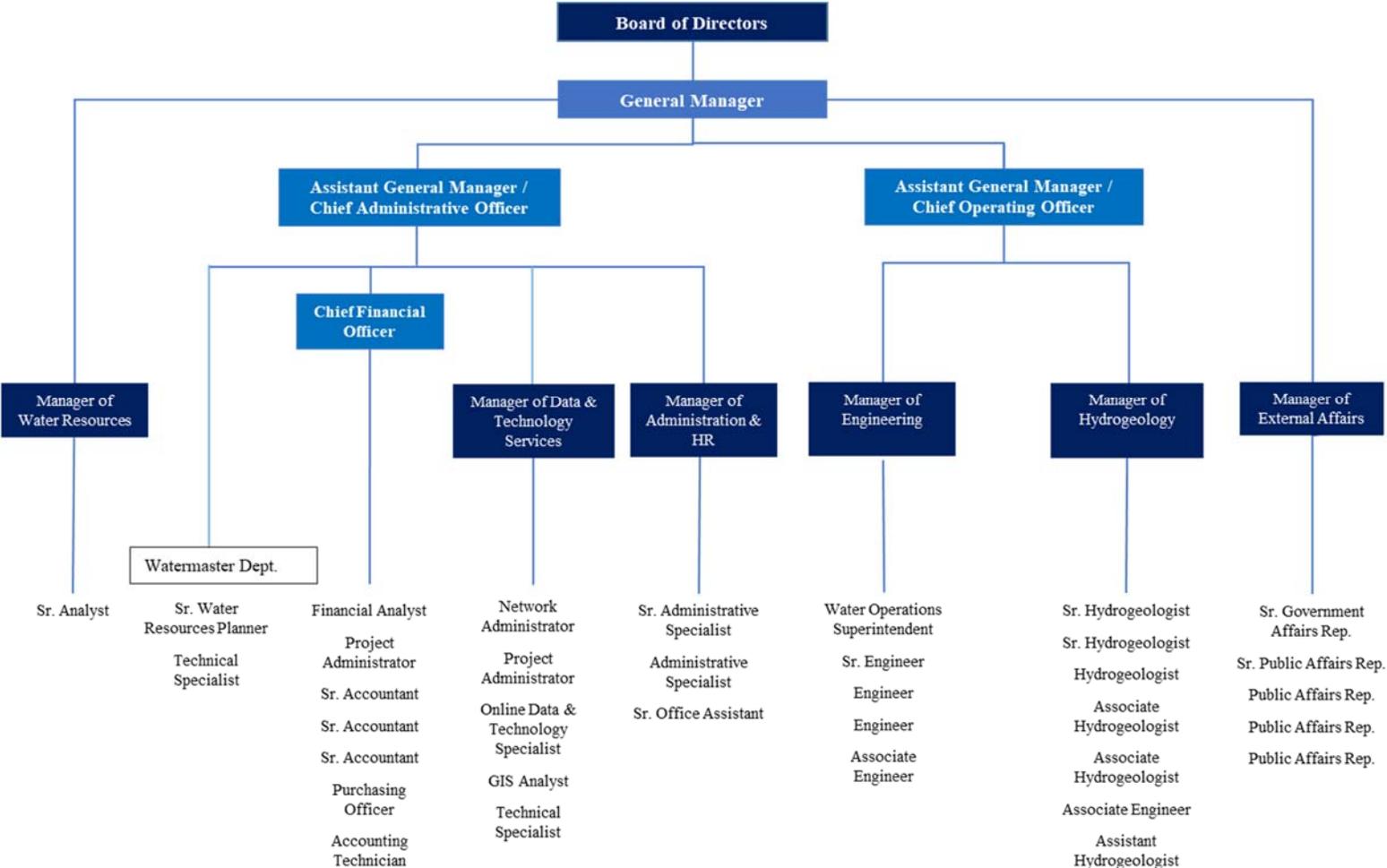
Respectfully submitted,



Lawrence Chiu
Chief Financial Officer
Water Replenishment District of Southern California

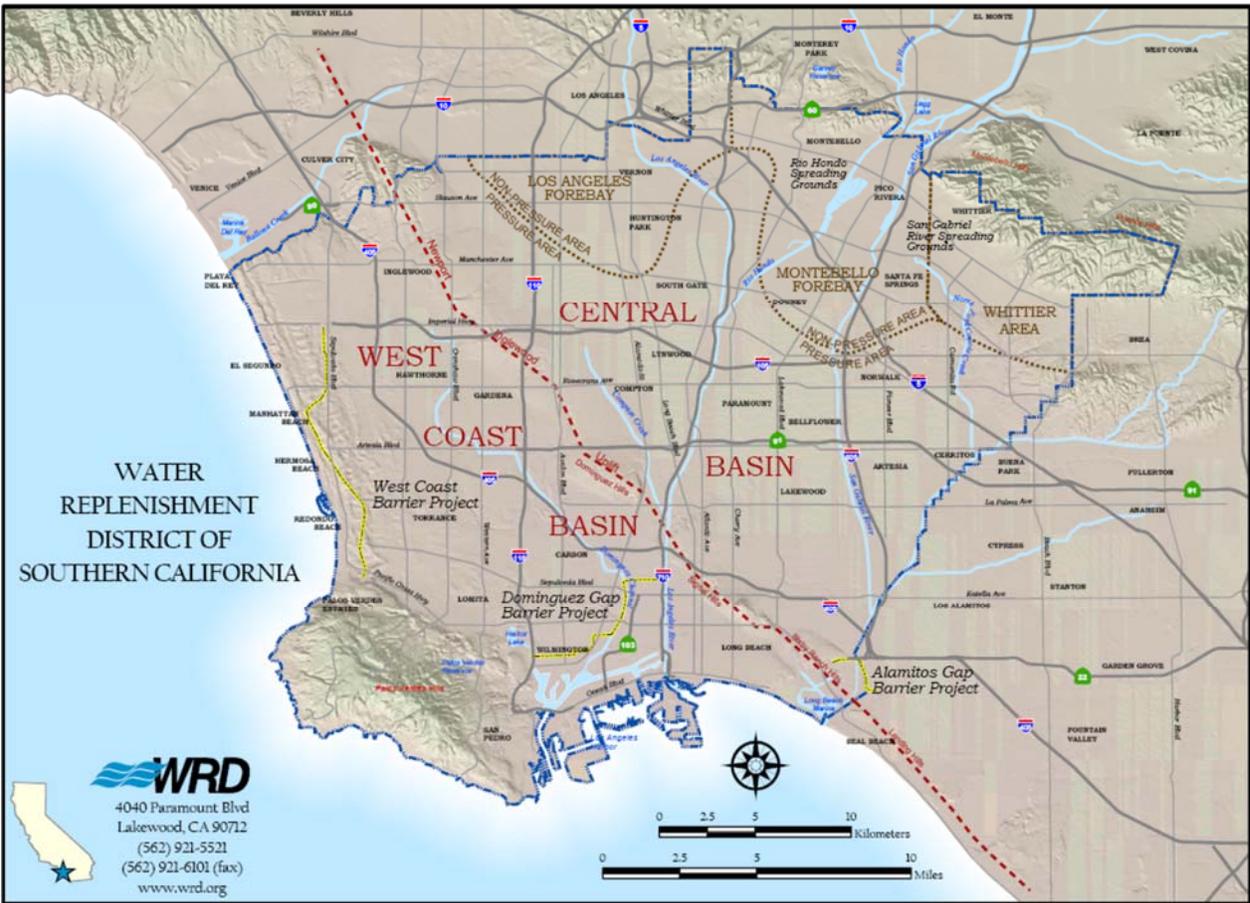
**Water Replenishment District of Southern California
Organizational Chart**

Organization Chart
(2020)



45 Total Full Time Equivalent (FTE) positions
(41 funded by WRD Replenishment Assessment + 4 funded by Watermaster)

Water Replenishment District of Southern California Map of the District





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Water Replenishment District
of Southern California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Replenishment District of Southern California (the District), which comprise the statement of net position as of June 30, 2020, the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements (collectively, the basic financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in its financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, and the required supplementary information on pages 71 through 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



2019 Financial Statements

The District's basic financial statements as of and for the year ended June 30, 2019 were audited by other auditors whose report dated December 11, 2019, expressed an unmodified opinion on the financial statements of the District.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, 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 1, 2020**

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, 2020 and 2019. 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 5.0% or \$6,761,558 from \$135,944,364 in fiscal year 2019 to \$142,705,922 in fiscal year 2020. Net position increased 9.4% or \$11,667,654 from \$124,276,710 in fiscal year 2018 to \$135,944,364 in fiscal year 2019.
- The District's total operating revenues increased by 5.1% or \$3,528,295 from \$69,700,370 in fiscal year 2019 to \$73,228,665 in fiscal year 2020.
- The District's total expenses increased by 12.7% or \$9,206,171 from fiscal year 2019 to 2020. This was primarily due to the following:
 - Operating expenses including cost of water injection, water in-lieu, connection fees, administrative cost and depreciation expense increased by \$9.3 million; but was offset by \$118 thousand decrease in non-operating expenses on the Replenishment Assessment Revenue Bonds, Series 2015 and 2018.
- From fiscal year 2018 to 2019, the District's total expenses increased by 5.6% or \$3,814,597 primarily due to the following:
 - Operating expenses including cost of water injection, imported spreading water, connection fees, administrative cost and depreciation expense decreased by \$1.0 million; but was offset \$4.8 million increase in non-operating expenses on the Replenishment Assessment Revenue Bonds, Series 2015 and 2018.

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, 2020 and 2019**

Statements of Net Position

	Condensed Statements of Net Position							
	June 30,		Change		June 30,		Change	
	2020	2019	Amount	%	2018	Amount	%	
Current assets	\$ 105,996,252	\$ 89,002,717	\$ 16,993,535	19.1	\$ 75,148,947	\$ 13,853,770	18.4	
Restricted assets	60,086,871	79,024,759	(18,937,888)	-24.0	23,362,227	55,662,532	238.3	
Other noncurrent assets	1,498,922	118,083	1,380,839	1169.4	343,403	(225,320)	-65.6	
Capital assets, net	<u>326,784,477</u>	<u>301,184,433</u>	<u>25,600,044</u>	<u>8.5</u>	<u>255,236,818</u>	<u>45,947,615</u>	<u>18.0</u>	
Total assets	<u>494,366,522</u>	<u>469,329,992</u>	<u>25,036,530</u>	<u>5.3</u>	<u>354,091,395</u>	<u>115,238,597</u>	<u>32.5</u>	
Deferred outflows of resources	<u>7,345,834</u>	<u>8,645,711</u>	<u>(1,299,877)</u>	<u>-15.0</u>	<u>10,149,649</u>	<u>(1,503,938)</u>	<u>-14.8</u>	
Current liabilities	33,603,826	32,448,501	1,155,325	3.6	31,248,391	1,200,110	3.8	
Noncurrent liabilities	<u>325,037,968</u>	<u>309,305,277</u>	<u>15,732,691</u>	<u>5.1</u>	<u>208,497,795</u>	<u>100,807,482</u>	<u>48.3</u>	
Total liabilities	<u>358,641,794</u>	<u>341,753,778</u>	<u>16,888,016</u>	<u>4.9</u>	<u>239,746,186</u>	<u>102,007,592</u>	<u>42.5</u>	
Deferred inflows of resources	<u>364,640</u>	<u>277,561</u>	<u>87,079</u>	<u>31.4</u>	<u>218,148</u>	<u>59,413</u>	<u>27.2</u>	
Net position								
Net investment in capital assets	56,282,577	67,639,056	(11,356,479)	-16.8	79,330,770	(11,691,714)	-14.7	
Restricted for debt service	-	1,675,642	(1,675,642)	-100.0	-	1,675,642	100.0	
Unrestricted	<u>86,423,345</u>	<u>66,629,666</u>	<u>19,793,679</u>	<u>29.7</u>	<u>44,945,940</u>	<u>21,683,726</u>	<u>48.2</u>	
Total net position	<u>\$ 142,705,922</u>	<u>\$ 135,944,364</u>	<u>\$ 6,761,558</u>	<u>5.0</u>	<u>\$ 124,276,710</u>	<u>\$ 11,667,654</u>	<u>9.4</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 \$142.7 million and \$135.9 million as of June 30, 2020 and 2019, respectively.

Total assets increased \$25.0 million or 5.3% in the current year primarily due to capital contributions received during the year, the proceeds from the Clean Water State Revolving Fund loan drawn down during the year to fund construction projects, and the connection fees charged by the Los Angeles County Sanitation District, which were capitalized during the year as part of construction in progress.

Total liabilities increased by \$16.9 million or 4.9% due to the additional loan drawn down from the Clean Water State Revolving Fund Loan of \$10.5 million offset by the payments made during the year, the loan related to the permit connection fees from the Los Angeles County Sanitation District and the amortization of bond premium of \$1.1 million.

At the end of fiscal years 2020 and 2019, the District shows a positive balance in unrestricted net position of \$86.4 million and \$66.6 million, respectively.

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019**

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	
	2020	2019	Amount	%	2018	Amount	%	
Revenues:								
Operating revenues	\$ 73,228,665	\$ 69,700,370	\$ 3,528,295	5.1	\$ 74,289,639	\$ (4,589,269)	(6.2)	
Nonoperating revenues								
Property taxes	744,972	717,812	27,160	3.8	658,530	59,282	9.0	
Interest and investment earnings	862,544	940,725	(78,181)	(8.3)	1,027,074	(86,349)	(8.4)	
Other	7,286,361	2,841,726	4,444,635	156.4	4,209,797	(1,368,071)	(32.5)	
Total revenues	<u>82,122,542</u>	<u>74,200,633</u>	<u>7,921,909</u>	<u>10.7</u>	<u>80,185,040</u>	<u>(5,984,407)</u>	<u>(7.5)</u>	
Expenses:								
Operating expenses	69,522,721	60,198,870	9,323,851	15.5	61,184,657	(985,787)	(1.6)	
Nonoperating expenses	11,957,054	12,074,734	(117,680)	(1.0)	7,274,350	4,800,384	66.0	
Total expenses	<u>81,479,775</u>	<u>72,273,604</u>	<u>9,206,171</u>	<u>12.7</u>	<u>68,459,007</u>	<u>3,814,597</u>	<u>5.6</u>	
Income before capital contributions	642,767	1,927,029	(1,284,262)	(66.6)	11,726,033	(9,799,004)	(83.6)	
Capital contributions - capital grants	6,118,791	9,740,625	(3,621,834)	(37.2)	11,600,940	(1,860,315)	(16.0)	
Change in net position	6,761,558	11,667,654	(4,906,096)	(42.0)	23,326,973	(11,659,319)	(50.0)	
Net position - beginning of year	<u>135,944,364</u>	<u>124,276,710</u>	<u>11,667,654</u>	<u>9.4</u>	<u>100,949,737</u>	<u>7,705,157</u>	<u>7.6</u>	
Net position - end of year	<u>\$ 142,705,922</u>	<u>\$ 135,944,364</u>	<u>\$ 6,761,558</u>	<u>5.0</u>	<u>\$ 124,276,710</u>	<u>\$ (3,954,162)</u>	<u>(3.2)</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 \$6.8 million and \$11.7 million during the fiscal years ended June 30, 2020 and 2019, respectively. In fiscal year 2020, the increase in net position is due to total revenues of \$82.1 million exceeding total expenses of \$81.5 million with capital contributions of \$6.1 million. In fiscal year 2019, the increase in net position is due to total revenues of \$74.2 million exceeding total expenses of \$72.3 million with capital contributions of \$9.7 million.

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

In fiscal year 2020, total revenues increased \$7.9 million and total expenses increased \$9.2 million for a net decrease in income before capital contributions of \$1.3 million. The District also saw a decrease in capital contributions of \$3.6 million for a net decrease in change in net position for 2020 of \$4.9 million.

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

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019**

Operating Revenues

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Operating Revenues:					
Water replenishment assessments	\$ 70,948,823	\$ 68,007,111	\$ 2,941,712	\$ 73,687,699	\$ (5,680,588)
Desalter assessments	1,114,275	1,138,025	(23,750)	334,381	803,644
Water treatment subsidies	758,496	497,799	260,697	171,759	326,040
Other operating income	<u>407,071</u>	<u>57,435</u>	<u>349,636</u>	<u>95,800</u>	<u>(38,365)</u>
Total operating revenues	<u>\$ 73,228,665</u>	<u>\$ 69,700,370</u>	<u>\$ 3,528,295</u>	<u>\$ 74,289,639</u>	<u>\$ (4,589,269)</u>

Total operating revenues increased by \$3.5 million from \$69.7 million in fiscal year 2019 to \$73.2 million in fiscal year 2020 primarily due to increased pumping activities in Central Basin and West Coast Basin.

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

Operating Expenses - Water Supply Management Expenses

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Water supply management:					
Water purchases - injecting	\$ 28,475,096	\$ 24,286,777	\$ 4,188,319	\$ 26,328,547	\$ (2,041,770)
Water purchases - spreading	4,591,197	7,688,844	(3,097,647)	10,707,564	(3,018,720)
Water in-lieu	2,532,344	-	2,532,344	-	-
Connection fees	<u>2,213,180</u>	<u>2,036,791</u>	<u>176,389</u>	<u>1,970,372</u>	<u>66,419</u>
Total water supply management expenses	<u>\$ 37,811,817</u>	<u>\$ 34,012,412</u>	<u>\$ 3,799,405</u>	<u>\$ 39,006,483</u>	<u>\$ (4,994,071)</u>

Water purchases make up the majority of the District's total operating expenses which saw an increase of \$3.8 million over the prior fiscal year. The main reason for the change was due to the increase in the cost of water injection of \$4.2 million, increase in water in-lieu of \$2.5 million and decrease in spreading water of \$3.1 million.

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019**

Capital Assets

At June 30, 2020 and 2019, the District's investment in capital assets amounted to \$326.8 million and \$301.2 million (net of accumulated depreciation), respectively. This investment in capital assets includes land, utility plant, monitoring and injection equipment, service connections, office furniture and equipment, and construction-in-progress. Major capital asset additions during fiscal year 2020 and 2019 include expenses related to the Albert Robles Center for Water Recycling and Environmental Learning, Leo J. Vander Lans Advanced Water Treatment Facility Expansion Project, Goldsworthy Desalter and the Regional Groundwater Monitoring Program.

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</u> <u>July 1, 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Non-depreciable assets	\$ 202,877,455	\$ 30,423,710	\$ -	\$ 233,301,165
Depreciable assets	142,711,780	-	(1,429)	142,710,351
Accumulated depreciation	<u>(44,404,802)</u>	<u>(4,822,237)</u>	<u>-</u>	<u>(49,227,039)</u>
Capital assets, net	<u>\$ 301,184,433</u>	<u>\$ 25,601,473</u>	<u>\$ (1,429)</u>	<u>\$ 326,784,477</u>
	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Non-depreciable assets	\$ 177,043,335	\$ 51,937,646	\$ (26,103,526)	\$ 202,877,455
Depreciable assets	117,940,658	35,055	24,736,067	142,711,780
Accumulated depreciation	<u>(39,747,175)</u>	<u>(4,657,627)</u>	<u>-</u>	<u>(44,404,802)</u>
Capital assets, net	<u>\$ 255,236,818</u>	<u>\$ 47,315,074</u>	<u>\$ (1,367,459)</u>	<u>\$ 301,184,433</u>

**Water Replenishment District of Southern California
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019**

Long-Term Debt

At June 30, 2020 and 2019, the District had long-term debt of \$308.5 million and \$304.0 million respectively. See Note 8 – Long Term Debt to the Basic Financial Statements for further details.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Replenishment Assessment Revenue				
Bonds Series 2015	\$ 141,895,000	\$ -	\$ (2,560,000)	\$ 139,335,000
Add: Unamortized premium	20,875,074	-	(800,322)	20,074,752
Series 2018	65,785,000	-	-	65,785,000
Add: Unamortized premium	9,708,406	-	(333,813)	9,374,593
Clean Water State Revolving Fund Loan	65,782,463	10,473,561	(2,295,672)	73,960,352
Total long-term debt	<u>\$ 304,045,943</u>	<u>\$ 10,473,561</u>	<u>\$ (5,989,807)</u>	<u>\$ 308,529,697</u>

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Water Replenishment District of Southern California
Statements of Net Position

	June 30	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 81,391,632	\$ 65,291,255
Receivables:		
Water replenishment assessments	24,459,952	23,358,238
Grants receivable	5,133	5,684
Notes receivable - due within one year	139,535	308,420
Prepaid items and deposits	-	39,120
Total current assets	105,996,252	89,002,717
Noncurrent assets		
Restricted cash and cash equivalents	60,086,871	79,024,759
Notes receivable - due in more than one year	1,360,465	-
Net pension asset	138,457	118,083
Capital assets:		
Nondepreciable	233,301,165	202,877,455
Depreciable, net of accumulated depreciation	93,483,312	98,306,978
Capital assets, net	326,784,477	301,184,433
Total noncurrent assets	388,370,270	380,327,275
Total assets	494,366,522	469,329,992
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	2,260,317	4,346,763
Deferred outflows related to pensions	2,293,718	2,179,266
Deferred outflows related to OPEB	2,791,799	2,119,682
Total deferred outflows of resources	7,345,834	8,645,711

See notes to the financial statements.

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

	June 30	
	2020	2019
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses - due within one year	\$ 10,102,939	\$ 11,387,598
Accrued wages and related payables	115,146	344,638
Retention payable	5,994,778	5,642,885
Deposits payable	479,879	-
Interest payable	4,497,425	4,184,229
Unearned revenue	5,055,861	5,081,192
Compensated absences - due within one year	286,331	202,885
Long-term debt - due within one year	7,071,467	5,605,074
Total current liabilities	33,603,826	32,448,501
Noncurrent liabilities		
Accounts payable and accrued expenses - due in more than one year	11,479,535	-
Compensated absences, due in more than one year	511,778	342,914
Long-term debt, due in more than one year	301,458,230	298,440,869
Net pension liability	5,414,574	4,872,655
Net OPEB liability	6,173,851	5,648,839
Total noncurrent liabilities	325,037,968	309,305,277
Total liabilities	358,641,794	341,753,778
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	308,551	277,561
Deferred inflows related to OPEB	56,089	-
Total deferred inflows of resources	364,640	277,561
NET POSITION		
Net position		
Net investment in capital assets	69,050,712	67,639,056
Restricted for debt service	-	1,675,642
Unrestricted	73,655,210	66,629,666
Total net position	\$ 142,705,922	\$ 135,944,364

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,	
	2020	2019
Operating revenues		
Water replenishment assessments	\$ 70,948,823	\$ 68,007,111
Desalter assessments	1,114,275	1,138,025
Water treatment subsidies	758,496	497,799
Other operating income	407,071	57,435
Total operating revenues	73,228,665	69,700,370
Operating expenses		
Water supply management:		
Water purchases - injecting	28,475,096	24,286,777
Water purchases - spreading	4,591,197	7,688,844
Water in-lieu	2,532,344	-
Connection fees	2,213,180	2,036,791
General and administrative	26,888,667	21,528,831
Depreciation and amortization	4,822,237	4,657,627
Total operating expenses	69,522,721	60,198,870
Net operating income	3,705,944	9,501,500
Nonoperating revenues (expenses)		
Property taxes	744,972	717,812
Interest and investment earnings	862,544	940,725
Interest expense and fiscal charges	(11,957,054)	(10,105,952)
Election costs	-	(601,323)
Loss on disposal of capital assets	-	(1,367,459)
Other revenues	7,286,361	2,841,726
Total nonoperating revenues (expenses)	(3,063,177)	(7,574,471)
Capital contributions		
Capital contributions from other government	6,118,791	9,740,625
Total capital contributions	6,118,791	9,740,625
Changes in net position	6,761,558	11,667,654
Net position		
Beginning of year	135,944,364	124,276,710
End of year	\$ 142,705,922	\$ 135,944,364

See notes to the financial statements.

Water Replenishment District of Southern California
Statements of Cash Flows

	Years ended June 30,	
	2020	2019
Cash flows from operating activities:		
Cash received from water assessments and subsidies	\$ 72,126,951	\$ 73,092,783
Cash paid to vendors and suppliers for materials and services	(43,420,736)	(37,861,044)
Cash paid to employees for salaries and wages	(7,757,649)	(21,446,526)
Net cash provided by operating activities	20,948,566	13,785,213
Cash flows from noncapital financing activities:		
Cash paid for election expenses	-	(601,323)
Proceeds from other nonoperating revenue (expense), net	7,286,361	2,841,726
Proceeds from property taxes	744,972	717,812
Net cash provided by noncapital financing activities	8,031,333	2,958,215
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(30,422,281)	(50,580,827)
Proceeds from issuance of debt, net	10,473,561	105,545,119
Repayment of bonds payable	(4,855,672)	(2,445,000)
Interest payment	(12,777,994)	(7,194,384)
Proceeds from capital contributions - capital grants	6,094,012	9,684,800
Net cash provided by (used in) capital and related financing activities	(31,488,374)	55,009,708
Cash flows from investing activities:		
Interest received	862,544	940,725
Issuance of notes receivable	(1,500,000)	-
Collection of notes receivable	308,420	308,461
Net cash provided by (used in) investing activities	(329,036)	1,249,186
Net change in cash and cash equivalents	(2,837,511)	73,002,322
Cash and cash equivalents:		
Beginning of year	144,316,014	71,313,692
End of year	\$ 141,478,503	\$ 144,316,014
Financial statement presentation:		
Cash and cash equivalents	\$ 81,391,632	\$ 65,291,255
Restricted assets - cash and cash equivalents	60,086,871	79,024,759
Total cash and cash equivalents	\$ 141,478,503	\$ 144,316,014
Noncash activities from capital and related financing activities		
Increase in loans payable attributed to accrued interest	\$ -	\$ 460,848
Loss on disposal of capital assets	\$ -	\$ 1,367,459

See notes to the financial statements.

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

	Years ended June 30,	
	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 3,705,944	\$ 9,501,500
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	4,822,237	4,657,627
Changes in operating assets, liabilities, and deferred outflows/inflows of resources		
(Increase) decrease in water replenishment assessments receivable, net	(1,101,714)	3,392,413
Decrease in prepaid items and deposits	39,120	97,821
Increase in accounts payable and accrued expenses	10,194,876	(3,946,453)
Increase in retention payable	351,893	-
Increase in deposits payable	479,879	-
(Increase) decrease in pensions and other postemployment benefits related deferred outflows of resources	1,299,877	(582,508)
Increase in pensions and other postemployment benefits related deferred inflows of resources	87,079	59,413
Increase (decrease) in accrued wages and related payables	(229,492)	65,574
Increase (decrease) in net pension liabilities	521,545	(187,505)
Increase in net other postemployment benefits liability	525,012	735,769
Increase (decrease) in compensated absences	252,310	(8,438)
Net cash provided by operating activities	\$ 20,948,566	\$ 13,785,213

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, 2020 and 2019

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Note 1 Reporting Entity

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

Blended Component Unit

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

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

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

Note 1 Reporting Entity (Continued)

Southern California Water Replenishment Financing Corporation

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

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

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

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.

Note 2 Summary of Significant Accounting Policies

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

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

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

Cash, Cash Equivalents, and Investments

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

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.

Note 2 Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019 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.

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, 2020 and 2019.

Note 2 Summary of Significant Accounting Policies (Continued)

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

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

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 of \$12.8 million.

Note 2 Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019.

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, 2020	June 30, 2019
Valuation Date	June 30, 2018	June 30, 2017
Masurement Date	June 30, 2019	June 30, 2018
Measurement Period	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

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For the Year Ended	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Masurement Date	June 30, 2020	June 30, 2019
Measurement Period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2017
Masurement Date	June 30, 2019	June 30, 2018
Measurement Period	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

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.

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 3 Cash and Investments

At June 30, 2020 and 2019, cash and investments are classified in the accompanying statements of net position as follows:

	2020	2019
Cash and cash equivalents	\$ 81,391,632	\$ 65,291,255
Restricted cash and cash equivalents	60,086,871	79,024,759
Total cash and cash equivalents	\$ 141,478,503	\$ 144,316,014

At June 30, 2020 and 2019, cash and investments consisted of the followings:

	2020	2019
Deposits with financial institutions	\$ 84,979,680	\$ 68,888,035
Investment	1,968,542	1,955,649
Investment with fiscal agent	54,530,281	73,472,330
Total cash and cash equivalents	\$ 141,478,503	\$ 144,316,014

Demand Deposits

Demand deposits are held in pool by the District. The carrying amounts of cash deposits were \$84,979,680 and \$68,888,035 at June 30, 2020 and 2019, respectively. Bank balance at June 30, 2020 and 2019 were \$84,876,558 and \$71,041,356, 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.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019

Note 3 Cash and Investments (Continued)

Investments Authorized by Debt Agreements (continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2020 and 2019.

<u>Investment Type</u>	<u>2020</u>	<u>2019</u>
	<u>Remaining Maturity (in Years)</u>	<u>Remaining Maturity (in Years)</u>
	<u>Less Than 1 Year</u>	<u>Less Than 1 Year</u>
Money market mutual funds	\$ 1,968,542	\$ 1,955,649
Investments with fiscal agent:		
Money market mutual funds	54,530,281	73,472,330
Total	\$ 56,498,823	\$ 75,427,979

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019.

<u>Investment Type</u>	2020		
	Total As of June 30, 2020	Minimum Legal Requirement	AAA
Money market mutual funds	\$ 1,968,542	None	\$ 1,968,542
Investments with fiscal agent:			
Money market mutual funds	54,530,281	None	54,530,281
Total	\$ 56,498,823		\$ 56,498,823

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

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, 2020 and 2019, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% more of total District investments.

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, 2020, and 2019, none of the District's deposits or investments were exposed to custodial credit risk.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 4 Notes Receivable

At June 30, 2020 and 2019, notes receivable consisted of the followings:

	2020	2019
City of Lakewood	\$ -	\$ 197,480
Maywood Mutual Water Company	-	110,940
City of Vernon	1,500,000	-
Total notes receivable	\$ 1,500,000	\$ 308,420
Due within one year	\$ 139,535	\$ 308,420
Due in more than one year	\$ 1,360,465	\$ -

City of Lakewood

On November 24, 2008, the District entered into a loan agreement with the City of Lakewood for a maximum loan amount of \$2,200,000 to finance the design, installation and construction of a wellhead treatment system at the City’s groundwater well. The loan is payable annually over a 10-year period. The loan is unsecured and non-interest bearing. The project was completed during the fiscal year 2010-2011. Annual repayment of the loan in the amount of \$220,000 started upon completion of the project and full disbursement of the loan proceeds to the City. The balance at June 30, 2020 and 2019 was \$0 and \$197,480, respectively.

Maywood Mutual Water Company

On June 19, 2009, the District entered into a loan agreement with the Maywood Mutual Water Company Number 2 (Water Company) for a maximum loan amount of \$900,000, to finance the design, installation and construction of a wellhead treatment system at the Water Company’s groundwater well. The loan is payable annually over a 10-year period. The loan is unsecured and non-interest bearing. The Water Company has drawn down a total of \$1,109,801 as of June 30, 2011. Annual repayment of the loan in the amount of \$110,000 started in the fiscal year 2010-2011 when the project was completed. The outstanding balances at June 30, 2020 and 2019 were \$0 and \$110,940, respectively.

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, 2020 was \$1,500,000.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 5 Capital Assets

Changes in capital assets for the year ended June 30, 2020 were as follows:

	Balance July 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Capital assets, not depreciated				
Land	\$ 16,673,743	\$ -	\$ -	\$ 16,673,743
Construction-in-process	186,203,712	30,423,710	-	216,627,422
Total capital assets, not depreciated	<u>202,877,455</u>	<u>30,423,710</u>	<u>-</u>	<u>233,301,165</u>
Capital assets, being depreciated				
Building and improvements	10,283,111	-	-	10,283,111
Utility plant and equipment	108,806,232	-	(8,680)	108,797,552
Capacity rights	2,439,604	-	-	2,439,604
Monitoring and injection equipment	20,779,984	-	8,680	20,788,664
Service connections	402,849	-	(1,429)	401,420
Total capital assets, being depreciated	<u>142,711,780</u>	<u>-</u>	<u>(1,429)</u>	<u>142,710,351</u>
Less accumulated depreciation				
Building and improvements	(3,264,787)	(275,374)	-	(3,540,161)
Utility plant and equipment	(26,585,783)	(3,626,585)	-	(30,212,368)
Capacity rights	(1,138,656)	(81,309)	-	(1,219,965)
Monitoring and injection equipment	(13,320,669)	(830,941)	-	(14,151,610)
Service connections	(94,907)	(8,028)	-	(102,935)
Total accumulated depreciation	<u>(44,404,802)</u>	<u>(4,822,237)</u>	<u>-</u>	<u>(49,227,039)</u>
Total capital assets, being depreciated, net	<u>98,306,978</u>	<u>(4,822,237)</u>	<u>(1,429)</u>	<u>93,483,312</u>
Total capital assets, net	<u>\$ 301,184,433</u>	<u>\$ 25,601,473</u>	<u>\$ (1,429)</u>	<u>\$ 326,784,477</u>

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

	Balance July 1, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Capital assets, not depreciated				
Land	\$ 16,673,743	\$ -	\$ -	\$ 16,673,743
Construction-in-process	160,369,592	51,937,646	(26,103,526)	186,203,712
Total capital assets, not depreciated	<u>177,043,335</u>	<u>51,937,646</u>	<u>(26,103,526)</u>	<u>202,877,455</u>
Capital assets, being depreciated				
Building and improvements	10,283,111	-	-	10,283,111
Utility plant and equipment	84,362,803	8,791	24,434,638	108,806,232
Capacity rights	2,439,604	-	-	2,439,604
Monitoring and injection equipment	20,753,720	26,264	-	20,779,984
Service connections	101,420	-	301,429	402,849
Total capital assets, being depreciated	<u>117,940,658</u>	<u>35,055</u>	<u>24,736,067</u>	<u>142,711,780</u>
Less accumulated depreciation				
Building and improvements	(2,989,413)	(275,374)	-	(3,264,787)
Utility plant and equipment	(23,162,820)	(3,422,963)	-	(26,585,783)
Capacity rights	(1,057,347)	(81,309)	-	(1,138,656)
Monitoring and injection equipment	(12,444,716)	(875,953)	-	(13,320,669)
Service connections	(92,879)	(2,028)	-	(94,907)
Total accumulated depreciation	<u>(39,747,175)</u>	<u>(4,657,627)</u>	<u>-</u>	<u>(44,404,802)</u>
Total capital assets, being depreciated, net	<u>78,193,483</u>	<u>(4,622,572)</u>	<u>24,736,067</u>	<u>98,306,978</u>
Total capital assets, net	<u>\$ 255,236,818</u>	<u>\$ 47,315,074</u>	<u>\$ (1,367,459)</u>	<u>\$ 301,184,433</u>

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 5 Capital Assets (Continued)

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

The District engaged in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances as of June 30, 2020 and 2019 are as follows:

	2020	2019
Leo J. Vander Lans Advanced Water Treatment Facility (LJVWTF) Expansion	\$ 1,831,014	\$ 879,402
Caltans Pipeline	913,182	913,182
Compliance Monitoring	2,363	2,298
Goldworthy Desalter	81,906	5,593
Regional Groundwater Monitoring Program	1,489,286	1,048,701
Safe Drinking Water Program	8,119,982	5,188,893
Dominguez Gap Recycled Water Project	918,300	842,934
Replenishment operations (Interconnection Pipeline)	13,570	-
Groundwater Replenishment Improvement Project (GRIP)	169,003,981	147,550,131
Groundwater Infrastructure Improvements	779,147	779,147
Environmental and Compliance Monitoring	4,573,522	1,602,669
Bond interest for capital projects	19,715,369	19,715,369
WRD Headquarter Building Improvement	1,041,750	1,040,458
SCADA	2,692,199	2,650,868
Asset Management	1,594,228	1,585,397
Paramount Equipment/Fleet Center	519,897	503,677
Regional Brackish Water Reclamation Program	1,620,023	1,293,872
General Engineering Administration	288,579	264,058
Pipeline Projects	13,289	3,382
Joint LA Basin Replenishment & Extraction Project	1,415,835	333,681
Total construction-in-process	\$ 216,627,422	\$ 186,203,712

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 as of June 30, 2020 and 2019.

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, 2020, and 2019, the District has spent \$2,944,139 and \$2,918,808 on the project, leaving an unexpended balance on the advance of \$5,055,861 and \$5,081,192, respectively.

Note 7 Compensated Absences

Summary of changes in compensated absences for the years ended June 30, 2020 and 2019 are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>	<u>Due in More than One Year</u>
2019-20	\$ 545,799	\$ 343,032	\$ (90,722)	\$ 798,109	\$ 286,331	\$ 511,778
2018-19	554,237	241,102	(249,540)	545,799	202,885	342,914

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Replenishment Assessment						
Revenue Refunding Bonds, Series 2015	\$ 141,895,000	\$ -	\$ (2,560,000)	\$ 139,335,000	\$ 2,690,000	\$ 136,645,000
Add: Unamortized Premium	20,875,074	-	(800,322)	20,074,752	800,322	19,274,430
Replenishment Assessment						
Revenue Bonds, Series 2018	65,785,000	-	-	65,785,000	1,035,000	64,750,000
Add: Unamortized Premium	9,708,406	-	(333,813)	9,374,593	333,813	9,040,780
Clean Water State Revolving Fund Loan	65,782,463	10,473,561	(2,295,672)	73,960,352	2,212,332	71,748,020
Total long-term debt	\$ 304,045,943	\$ 10,473,561	\$ (5,989,807)	\$ 308,529,697	\$ 7,071,467	\$ 301,458,230

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

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

Replenishment Assessment Revenue Refunding Bonds, Series 2015

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

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 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
2021	\$ 2,690,000	\$ 6,557,650	\$ 9,247,650
2022	2,830,000	6,419,650	9,249,650
2023	2,975,000	6,274,525	9,249,525
2024	3,125,000	6,122,025	9,247,025
2025	3,285,000	5,961,775	9,246,775
2026-2030	19,135,000	27,102,125	46,237,125
2031-2035	24,565,000	21,666,625	46,231,625
2036-2040	31,545,000	14,687,625	46,232,625
2041-2045	40,120,000	6,115,850	46,235,850
2046	9,065,000	181,300	9,246,300
Total	\$ 139,335,000	\$ 101,089,150	\$ 240,424,150

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, 2020 and 2019

Note 8 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
2021	\$ 1,035,000	\$ 3,263,375	\$ 4,298,375
2022	1,085,000	3,210,375	4,295,375
2023	1,145,000	3,154,625	4,299,625
2024	1,200,000	3,096,000	4,296,000
2025	1,260,000	3,034,500	4,294,500
2026-2030	7,345,000	14,133,625	21,478,625
2031-2035	9,440,000	12,045,750	21,485,750
2036-2040	12,125,000	9,363,625	21,488,625
2041-2045	15,565,000	5,919,375	21,484,375
2046-2049	15,585,000	1,606,875	17,191,875
Total	\$ 65,785,000	\$ 58,828,125	\$ 124,613,125

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, 2020 and 2019, the District drew down \$10,473,561 and \$30,317,836, respectively, from SWRCB.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 8 Long-Term Debt (Continued)

The annual debt service requirement at June 30, 2020 are as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 2,212,332	\$ 738,265	\$ 2,950,597
2022	2,233,117	717,480	2,950,597
2023	2,255,448	695,149	2,950,597
2024	2,278,002	672,595	2,950,597
2025	2,300,782	649,815	2,950,597
2026-2030	11,853,664	2,899,321	14,752,985
2031-2035	12,458,322	2,294,663	14,752,985
2036-2040	13,093,821	1,659,164	14,752,985
2041-2045	13,761,738	991,247	14,752,985
2046-2049	11,513,126	289,260	11,802,386
Total	\$ 73,960,352	\$ 11,606,959	\$ 85,567,311

Note 9 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, 2020 and 2019 was \$4,570,165 and \$4,458,393, respectively.

Note 10 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.

Note 10 Defined Benefit Pension Plans (Continued)

CalPERS Plans (Continued)

General Information about the Pension Plans (Continued)

Benefit Provided

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

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

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

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

Note 10 Defined Benefit Pension Plans (Continued)

CalPERS Plans (Continued)

General Information about the Pension Plans (Continued)

Benefit Provided (Continued)

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

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

Employee Covered by Benefit Terms

At June 30, 2018 and 2017, the valuation dates, the following employees were covered by the benefit terms:

	2018		2017	
	Classic	PEPRA	Classic	PEPRA
Active employees	22	17	22	14
Transferred and terminated employees	36	1	35	1
Retired employees and beneficiaries	33	0	32	0
	91	18	89	15

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, 2019, the classic active employee contribution rates were 8.00% of annual pay, and the required employer contribution rates were 14.369% of the annual payroll; the PEPRA active employee contribution rate was 7.25% of annual pay, and the required employer contribution rates were 7.266% of the annual payroll.

Note 10 Defined Benefit Pension Plans (Continued)

CalPERS Plans (Continued)

General Information about the Pension Plans (Continued)

Contributions(Continued)

For the measurement period ended June 30, 2018, the classic active employee contribution rates were 8.00% of annual pay, and the required employer contribution rates were 13.545% of the annual payroll; the PEPRA active employee contribution rate was 6.50% of annual pay, and the required employer contribution rates were 6.908% of the annual payroll.

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, 2018 and 2017 valuations were rolled forward to determine the June 30, 2019 and 2018 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.

Note 10 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)

Change of Assumption

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

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.

Note 10 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 (Continued)

The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows for the measurement dates June 30, 2019 and 2018:

<u>Asset Class (1)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (2)</u>	<u>Real Return Years 11+ (3)</u>
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 2.0% used for this period.

(3) An expected inflation of 2.9% used for this period.

Note 10 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, 2019 and 2018 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>	Plan's Net Pension Liability		
	Discount Rate -1%	Current Discount	Discount Rate +1%
	(6.15%)	Rate	(8.15%)
		(7.15%)	
June 30, 2019	\$ 8,846,549	\$ 5,414,574	\$ 2,581,721
June 30, 2018	7,826,836	4,872,655	2,434,027

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
For the Years Ended June 30, 2020 and 2019

Note 10 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, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018:

<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, 2018 (Valuation Date)	\$ 22,727,047	\$ 17,854,392	\$ 4,872,655
Balance at June 30, 2019 (Measurement Date)	25,515,966	20,101,392	5,414,574
Net changes during July 1, 2018 to June 30, 2019	2,788,919	2,247,000	541,919

<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, 2017 (Valuation Date)	\$ 21,742,463	\$ 16,765,443	\$ 4,977,020
Balance at June 30, 2018 (Measurement Date)	22,727,047	17,854,392	4,872,655
Net changes during July 1, 2017 to June 30, 2018	984,584	1,088,949	(104,365)

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, 2019 and 2018.

(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, 2018 and 2017). 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 10 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, 2019 and 2018). 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, 2019 and June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement periods (2018-19 and 2017-2018).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

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

Note 10 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:

2020		2019	
Measurement Date		Measurement Date	
June 30, 2018	0.05057%	June 30, 2017	0.05019%
June 30, 2019	0.05284%	June 30, 2018	0.05057%
Change - Increase (Decrease)	0.002270%	Change - Increase (Decrease)	0.000380%

For the years ended June 30, 2020 and 2019, the District recognized pension expense in the amounts of \$1,266,427 and \$1,192,888 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 2018-19 measurement period is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired). The EARSL for the miscellaneous plan risk pool for the 2017-18 measurement period is 3.8 years, which was obtained by dividing the total service years of 516,417 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired).

Water Replenishment District of Southern California
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For the Years Ended June 30, 2020 and 2019

Note 10 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, 2020, and 2019, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>2020</u>		<u>2019</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,190,808	\$ -	\$ 774,592	\$ -
Differences between actual and expected experience	376,065	(29,137)	186,955	(63,619)
Changes of assumptions	258,192	(91,527)	555,496	(136,141)
Adjustment due to differences in proportions	304,616		295,054	(12,780)
Differences between the District's contribution and proportionate share of contribution	145,885	(42,980)	302,901	
Net differences between projected and actual earnings on plan investments	-	(94,663)	24,089	-
Total	<u>\$ 2,275,566</u>	<u>\$ (258,307)</u>	<u>\$ 2,139,087</u>	<u>\$ (212,540)</u>

\$1,190,808 and \$774,592 reported as deferred outflows of resources related to pensions as of June 30, 2020 and 2019, 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, 2021 and June 30, 2020.

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

<u>2020</u>		<u>2019</u>	
Year Ending June 30,	Deferred Outflows (Inflows) of Resources	Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2021	653,413	2020	\$ 759,196
2022	79,714	2021	495,469
2023	74,195	2022	(58,885)
2024	19,129	2023	(43,825)
2025	-	2024	-
Thereafter	-	Thereafter	-
Total	<u>\$ 826,451</u>	Total	<u>\$ 1,151,955</u>

Note 10 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 Water District on or after January 1, 2003 and hired prior on or before December 31, 2012 equal to the CalPERS “3.0% at 60” benefit. Final average compensation for Tier I is defined as the highest year of W-2 and/or 1099 compensation paid by the District.

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

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

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

Note 10 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, 2018, the valuation date, the following employees were covered by the benefit terms:

Active employees	4
Transferred and terminated employees	0
Retired employees and beneficiaries	0
	4

Contributions

Employees contribute 8.00% of compensation, the employer contributed 9.01% and 16.62% of compensation during the years ended June 30, 2020 and 2019, respectively.

Note 10 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, 2018 valuation was rolled forward to determine the June 30, 2020 and 2019 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Inflation	2.50%
Salary increases	0.00%
Cost of Living Adjustments	2.00%
Withdrawal	10% every fourth year. Participants terminating prior to attainment of age 50 (age 52 for Tier II) are assumed to elect a refund of contributions in lieu of a deferred annuity.
Disability	None assumed.
Mortality	Pre-retirement: Consistent with the Non-Industrial Rates used to value the Miscellaneous Public Agency CalPERS Pension Plans 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 10 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, 2020 and 2019, as shown below:

2020			
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Long-term Expected Geometric Real Rate of Return
US Cash	3.53%	-0.22%	-0.20%
US Core Fixed Income	81.86%	0.92%	0.84%
US Equity Market	11.46%	4.82%	3.52%
Foreign Developed Equity	1.83%	6.32%	4.75%
Emerging Markets Equity	1.07%	8.35%	5.53%
US REITs	0.25%	5.32%	3.62%
Total	100.00%		
Assumed Inflation - Mean		2.21%	2.20%
Assumed Inflation - Standard Deviation		1.65%	1.65%
Portfolio Real Mean Return		1.52%	1.43%
Portfolio Nominal Mean Return		3.73%	3.60%
Portfolio Standard Deviation			3.76%
Long-term Expected Rate of Return			5.00%

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10 Defined Benefit Pension Plans (Continued)

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

Long-Term Expected Rate of Return (Continued)

2019			
Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	Long-term Expected Geometric Real Rate of Return
US Cash	5.82%	0.71%	0.71%
US Core Fixed Income	78.58%	1.83%	1.73%
US Equity Market	11.75%	4.71%	3.52%
Foreign Developed Equity	1.85%	6.06%	4.55%
Emerging Markets Equity	1.28%	8.23%	5.43%
US REITs	0.72%	5.05%	3.42%
Total	100.00%		
Assumed Inflation - Mean		2.21%	2.20%
Assumed Inflation - Standard Deviation		1.65%	1.65%
Portfolio Real Mean Return		2.29%	2.19%
Portfolio Nominal Mean Return		4.50%	4.43%
Portfolio Standard Deviation			3.72%
Long-term Expected Rate of Return			5.00%

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 5%.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10 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, 2019 to June 30, 2020.

	2020		
	Increase (Decrease)		
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (Asset) (c) = (a) -(b)
Balances at June 30, 2019 (Valuation Date)	\$ 350,809	\$ 468,892	\$ (118,083)
Changes Recognized for the Measurement Period:			
Service cost	10,999	-	10,999
Interest on the total pension liability	18,042	-	18,042
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions from the employer	-	16,904	(16,904)
Contributions from employees	-	12,291	(12,291)
Net investment income	-	22,680	(22,680)
Benefit payments, including refunds of employee contributions	(1,963)	(1,963)	-
Administrative expense	-	(2,460)	2,460
Net Changes during July 1, 2019 to June 30, 2020	27,078	47,452	(20,374)
Balances at June 30, 2020 (Measurement Date)	\$ 377,887	\$ 516,344	\$ (138,457)

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10 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, 2018 to June 30, 2019.

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

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10 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, 2020, calculated using the discount rate of 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.00%) or 1 percentage-point higher (6.00%) than the current rate:

<u>Measurement Date</u>	<u>Plan's Net Pension Liability (Asset)</u>		
	<u>Current Discount</u>		
	<u>Discount Rate -1%</u> <u>(4.00%)</u>	<u>Rate</u> <u>(5.00%)</u>	<u>Discount Rate +1%</u> <u>(6.00%)</u>
June 30, 2020	\$ (93,184)	\$ (138,457)	\$ (175,610)

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

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

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, 2020 and June 30, 2019, the District incurred a pension expense of \$3,782 and \$13,361, respectively.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 10 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, 2020 and June 30, 2019, the District has deferred outflows and deferred inflows of resources related to pension as follows:

	<u>2020</u>		<u>2019</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (50,244)	\$ 13,804	\$ (65,021)
Changes of assumptions	11,704	-	15,147	-
Net differences between projected on pension plan investments	<u>6,446</u>	<u>-</u>	<u>11,228</u>	<u>-</u>
Total	<u>\$ 18,150</u>	<u>\$ (50,244)</u>	<u>\$ 40,179</u>	<u>\$ (65,021)</u>

The amounts above are net of outflows and inflows recognized in the 2019-2020 measurement period and 2018-2019 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:

	<u>2020</u>		<u>2019</u>	
Year Ending June 30,	Deferred Outflows (Inflows) of Resources	Year Ending June 30,	Deferred Outflows (Inflows) of Resources	
2021	(7,241)	2020	\$ 8,353	
2022	(8,653)	2021	(7,516)	
2023	(11,938)	2022	(8,928)	
2024	(4,262)	2023	(18,126)	
2025	-	2024	1,375	
Thereafter	-	Thereafter	-	
Total	<u>\$ (32,094)</u>	Total	<u>\$ (24,842)</u>	

Note 11 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 11 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, 2019, valuation date, the following employees were covered by the benefit terms:

Category	Count
Active employees	46
Retired members and beneficiaries	17
Terminated vested	2
	65

Contribution

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020 and 2019, the District's actual contributions were \$1,120,825 and \$1,202,789 in total payments, which were recognized as a reduction to the OPEB liability.

Note 11 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, 2019 valuation calculated the total OPEB liabilities based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age 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 2013 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 2020, decreasing to 5% for 2030 and later Post-65: Actual for 2020, decreasing to 5% for 2030 and later

Change of Assumption

There was no change of assumption during June 30, 2019 valuation date and June 30, 2018 measurement date.

Note 11 Other Postemployment Benefits (“OPEB”)(Continued)

General Information about the OPEB (Continued)

Total OPEB Liability

Long-Term Expected Rate of Return

As of June 30, 2019, and 2018, 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%
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, 2020 and 2019

Note 11 Other Postemployment Benefits (“OPEB”)(Continued)

General Information about the OPEB (Continued)

Total OPEB Liability (Continued)

Discount Rate (Continued)

	June 30, 2019	June 30, 2018
Discount Rate	6.73%	6.73%
Bond Buyer 20-Bond GO Index	3.50%	3.87%

Change in Net OPEB Liability

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

	2020		
	Increases (Decreases)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2019	\$ 12,246,541	\$ 6,597,702	\$ 5,648,839
Changes Recognized for the Measurement Period:			
Service cost	498,970	-	498,970
Interest on the total pension liability	844,995	-	844,995
Differences between expected and actual experience	1,004,789	-	1,004,789
Change of assumptions	(48,676)	-	(48,676)
Net investment income	-	512,264	(512,264)
Contributions from the employer	-	1,264,283	(1,264,283)
Benefit payments, including refunds of employee contributions	(386,027)	(386,027)	-
Administrative expense	-	(1,481)	1,481
Net changes during July 1, 2018 to June 30, 2019	1,914,051	1,389,039	525,012
Balances at June 30, 2019 (Measurement Date)	\$ 14,160,592	\$ 7,986,741	\$ 6,173,851

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 11 Other Postemployment Benefits (“OPEB”)(Continued)

Change in Net OPEB Liability (Continued)

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

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

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

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

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 5.73%	Current Discount 6.73%	Discount Rate 7.73%
	June 30, 2019	\$ 8,424,797	\$ 6,173,851
June 30, 2018	\$ 7,635,176	\$ 5,648,839	\$ 4,042,974

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 11 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	Trend +1%
June 30, 2019	\$ 4,203,247	\$ 6,173,851	\$ 8,650,775
June 30, 2018	\$ 3,888,159	\$ 5,648,839	\$ 7,858,461

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

For the years ended June 30, 2020 and 2019, the District recognized OPEB expense in the amounts of \$1,091,303 and \$1,116,256, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,120,825	\$ -	\$ 1,202,789	\$ -
Differences between actual and expected experience	982,281	-	91,413	-
Changes of assumptions	688,693	43,772	801,169	-
Net differences between projected and actual earnings on OPEB plan investments	-	12,317	24,311.00	-
Total	\$ 2,791,799	\$ 56,089	\$ 2,119,682	\$ -

The \$1,120,825 and \$1,202,789 reported as deferred outflows of resources related to OPEB resulting from the District’s contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2021 and June 30, 2020, respectively.

Note 11 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:

2020		2019	
Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2021	\$ 218,905	2020	\$ 130,424
2022	218,903	2021	130,424
2023	222,198	2022	130,422
2024	213,649	2023	133,717
2025	221,493	2024	125,169
Thereafter	519,737	Thereafter	266,737
	\$ 1,614,885		\$ 916,893

Note 12 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, 2020 and 2019, 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 12 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 \$144,469,295 and \$73,370,946 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019. 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, 2020 and 2019

Note 13 Net Position – Net Investment in Capital Assets

The calculation of net position – balances of net investment in capital assets at June 30, 2020 and 2019 are as follows:

	2020	2019
Capital assets, net	\$ 326,784,477	\$ 301,184,433
Long-term debt	(308,529,697)	(304,045,943)
Retention payable	(5,994,778)	(5,642,885)
Deferred amount on refunding	2,260,317	4,346,763
Unspent debt proceeds	54,530,393	71,796,688
Net investment in capital assets	\$ 69,050,712	\$ 67,639,056

Note 14 Commitments

Recycled Water Agreement

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

Basin Improvement Project Funding Agreement

On May 1, 2015, the District approved a settlement agreement with the cities of Cerritos, Downey and Signal Hill. This settlement was due to litigation related to claims that the District failed to comply with the requirements under Proposition 218 when imposing its annual replenishment assessments. As of June 30, 2020, the District has funded \$1,830,000 and \$340,000 to the City of Cerritos and City of Signal Hill, respectively. As part of the agreement, the District would fund \$2,830,000 in basin improvement projects of the City of Downey within seven years from the effective date of the agreement.

Water Replenishment District of Southern California
Notes to the Basic Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 14 Commitments (Continued)

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 \$21 million of open construction contracts as of June 30, 2020.

The contracts outstanding include:

Project Name	Total Approved Contract	Construction Costs to-date	Balance to Complete
LJVWTF Expansion Improvement(New)	\$ 2,383,750	\$ 1,592,882	\$ 790,868
Goldsworthy Desalter Expansion	699,745	60,233	639,512
Regional Groundwater Monitoring Program 2018 Wells	1,439,500	1,404,271	35,229
Safe Drinking Water Program	8,596,722	7,860,119	736,604
WRD Headquarter Building Improvement	1,964,522	1,720,335	244,187
Groundwater Replenishment Improvement Project (ARC	163,021,431	159,757,015	3,264,415
Environmental Monitoring	4,810,745	4,246,910	563,835
Whittier Narrow Conservation Pool	1,475,000	815,000	660,000
SCADA System Master	3,494,484	2,892,965	601,519
Asset Management	1,296,195	986,517	309,678
Paramount Equip/Fleet Center	497,482	308,900	188,582
Regional Brackish Reclamation Program (New)	1,425,868	1,410,238	15,630
Joint LA Basin Replenishment & Extraction Project	1,650,000	1,305,166	344,834
	<u>\$192,755,444</u>	<u>\$184,360,551</u>	<u>\$ 8,394,893</u>

Note 15 Contingencies

Operating Leases

The District has entered into an operating lease for land which does not contain a purchase option. Rental expense was \$132,294 and \$266,752 for the years ended June 30, 2020 and 2019, respectively.

Note 15 Contingencies (Continued)

Operating Leases (Continued)

Future minimum annual fixed rentals required during the fiscal years 2021 through 2025 under this lease are:

Year ending June 30	Amount
2021	\$ 16,246
2022	16,246
2023	16,246
2024	16,246
2025	16,246
	\$ 81,230

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 16 Subsequent Events

On March 4, 2020, California Governor Gavin Newsom declared a State of Emergency in response to the spread of COVID-19 in the state of California. Water utilities are identified as critical infrastructure by the United States Department of Homeland Security, and the District has activated its emergency response plan. The District has instituted guidelines prescribed by the Centers for Disease Control (CDC) to help prevent the spread of COVID-19. Accordingly, as of report issuance date, there is no direct threat to the water supply from the COVID-19 pandemic and the District continues to monitor CDC and the Environmental Protection Agency (EPA) guidelines to ensure the District’s groundwater and water delivery services are not compromised.

Other than the events described above, no events have occurred subsequent to the balance sheet date through December 1, 2020, the date on which the financial statements were available to be issued, that require adjustment to, or disclosure in, the financial statements

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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")
For the Years Ended June 30, 2020 and 2019

Measurement Date	Last Ten Fiscal Years					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (1)
District's proportion of the net pension liability	<u>0.04592%</u>	<u>0.11629%</u>	<u>0.48070%</u>	<u>0.05019%</u>	<u>0.05057%</u>	<u>0.52840%</u>
District's proportionate share of the net pension liability	<u>\$ 2,857,450</u>	<u>\$ 3,190,280</u>	<u>\$ 4,188,699</u>	<u>\$ 4,977,020</u>	<u>\$ 4,872,655</u>	<u>\$ 5,414,574</u>
District's covered payroll	<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>
District's proportionate share of the net pension liability as a percentage of its covered	<u>83.71%</u>	<u>91.11%</u>	<u>111.74%</u>	<u>129.49%</u>	<u>113.56%</u>	<u>118.66%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.03%</u>	<u>81.98%</u>	<u>81.25%</u>	<u>77.11%</u>	<u>78.56%</u>	<u>73.43%</u>

(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”)
For the Years Ended June 30, 2020 and 2019

Measurement Period	Last Ten Fiscal Years					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 (1)
Total pension liability						
Service cost	\$ 14,757	\$ 14,757	\$ 13,512	\$ 13,512	\$ 10,999	\$ 10,999
Interest	13,202	14,546	15,988	20,409	19,666	18,042
Differences between expected and actual experience	-	-	59,815	-	(79,798)	
Changes of assumptions	-	-	-	-	18,590	
Benefit payments, including refunds of employee contributions	(5,191)	(1,814)	(1,850)	(16,208)	(1,925)	(1,963)
Net change in total pension liability	22,768	27,489	87,465	17,713	(32,468)	27,078
Total pension liability - beginning	227,842	250,610	278,099	365,564	383,277	350,809
Total pension liability - ending (a)	<u>\$ 250,610</u>	<u>\$ 278,099</u>	<u>\$365,564</u>	<u>\$383,277</u>	<u>\$ 350,809</u>	<u>\$ 377,887</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 17,390	\$ 21,266	\$ 13,308	\$ 12,571	\$ 18,066	\$ 16,904
Contributions - employee	-	-	6,406	6,051	8,696	12,291
Net investment income	4,313	9,664	14,356	6,208	28,020	22,680
Benefit payments, including refunds of employee contributions	(5,191)	(1,814)	(1,850)	(16,208)	(1,925)	(1,963)
Administrative expense	(1,857)	(2,821)	(1,979)	(2,082)	(2,185)	(2,460)
Net change in plan fiduciary net position	14,655	26,295	30,241	6,540	50,672	47,452
Plan fiduciary net position - beginning (a)	340,489	355,144	381,439	411,680	418,220	468,892
Plan fiduciary net position - ending (b)	<u>\$ 355,144</u>	<u>\$ 381,439</u>	<u>\$411,680</u>	<u>\$418,220</u>	<u>\$ 468,892</u>	<u>\$ 516,344</u>
District's net pension assets - ending (a)-(b)	<u>\$ (104,534)</u>	<u>\$ (103,340)</u>	<u>\$ (46,116)</u>	<u>\$ (34,943)</u>	<u>\$ (118,083)</u>	<u>\$ (138,457)</u>
Plan fiduciary net position as a percentage of the total pension asset	<u>141.71%</u>	<u>137.16%</u>	<u>112.62%</u>	<u>109.12%</u>	<u>133.66%</u>	<u>136.64%</u>
Covered payroll	<u>\$ 88,771</u>	<u>\$ 88,771</u>	<u>\$100,642</u>	<u>\$ 87,336</u>	<u>\$ 87,366</u>	<u>\$ 159,958</u>
District's net pension asset as a percentage of covered payroll	<u>-117.76%</u>	<u>-116.41%</u>	<u>-45.82%</u>	<u>-40.01%</u>	<u>-135.16%</u>	<u>-86.56%</u>

(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
Schedules of Contributions – Pensions
California Public Employees’ Retirement System (“CalPERS”)
For the Years Ended June 30, 2020 and 2019

	Last Ten Fiscal Years						
Fiscal year	<u>2013-14 (1)</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Actuarially determined contribution	\$ 576,966	\$ 904,036	\$ 801,773	\$ 830,116	\$ 901,063	\$ 774,592	\$ 1,190,808
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>
Contribution deficiency (excess)	<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>
Contributions as a percentage of covered payroll	16.90%	25.82%	21.39%	21.60%	21.00%	16.98%	25.34%

(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 2018-19 to 2019-20.

Notes to Schedule

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

Changes of Assumptions: In 2019, there was no change in assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Water Replenishment District of Southern California
Schedules of Contributions – Pensions
Public Agency Retirement System (“PARS”)
For the Years Ended June 30, 2020 and 2019

Fiscal year	Last Ten Fiscal Years						
	<u>2013-14 (1)</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Actuarially determined contribution	\$ 3,257	\$ 3,257	\$ 14,757	\$ 14,757	\$ 13,512	\$ 11,729	\$ 14,061
Contributions in relation to the actuarially determined contributions	<u>(14,538)</u>	<u>(17,390)</u>	<u>(21,266)</u>	<u>(13,308)</u>	<u>(12,571)</u>	<u>(18,066)</u>	<u>(16,904)</u>
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>
Covered payroll	<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>
Contributions as a percentage of covered payroll	16.38%	19.59%	23.96%	13.22%	14.39%	20.68%	10.57%

(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: None. Discount rate of 5.00 percent is the same in 2018

Valuation date: July 1, 2018

Methods and assumptions used to determine contribution

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar
Remaining amortization period	15 years as of valuation
Asset valuation method	4.5 year soothed market
Inflation	2.50%
Salary increases	2.50%
Investment rate of return	5.00%
Retirement age	All Tier I participants assumed to retire upon attaining retirement eligibility and age 60. All Tier II participants: 67 years
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, 2020 and 2019

Measurement period	Last Ten Fiscal Years		
	2016-17 (1)	2017-18	2018-19
Total OPEB Liability			
Service cost	\$ 363,121	\$ 387,880	\$ 498,970
Interest	638,606	765,695	844,995
Change of benefit terms	-	247,812	-
Differences between expected and actual experience	106,713	9,090	1,004,789
Changes of assumptions	1,026,121		(48,676)
Benefit payments, including refunds of employee contributions	(240,933)	(301,888)	(386,027)
Net change in total OPEB liability	<u>1,893,628</u>	<u>1,108,589</u>	<u>1,914,051</u>
Total OPEB liability - beginning	<u>9,244,324</u>	<u>11,137,952</u>	<u>12,246,541</u>
Total OPEB liability - ending (a)	<u>\$ 11,137,952</u>	<u>\$ 12,246,541</u>	<u>\$ 14,160,592</u>
Plan Fiduciary Net Position			
Contributions - employer	1,048,933	301,888	1,264,283
Contributions - employee	-	-	-
Net investment income	382,144	376,091	512,264
Benefit payments, including refunds of employee contributions	(240,933)	(301,888)	(386,027)
Administrative expense	(2,853)	(3,271)	(1,481)
Net change in plan fiduciary net position	<u>\$ 1,187,291</u>	<u>\$ 372,820</u>	<u>\$ 1,389,039</u>
Plan fiduciary net position - beginning	<u>5,037,591</u>	<u>6,224,882</u>	<u>6,597,702</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,224,882</u>	<u>\$ 6,597,702</u>	<u>\$ 7,986,741</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>
Plan fiduciary net position as a percentage of the total pension liability	<u>56%</u>	<u>54%</u>	<u>56%</u>
Covered payroll (2)	N/A	N/A	4,476,287
District's net OPEB liability as percentage of covered-employee payroll	N/A	N/A	138%

(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.

(2) Covered payroll not available

**Water Replenishment District of Southern California
Schedule of Contributions – Other Postemployment Benefits
For the Years Ended June 30, 2020 and 2019**

Fiscal Year	Last Ten Fiscal Years			
	2016-2017 (1)	2017-2018	2018-2019	2019-2020
Actuarially determined contribution	\$ 627,990	\$ 754,917	\$ 740,962	\$ 740,962
Contributions in relation to the actuarially determined contribution	(1,048,933)	(301,888)	(1,202,789)	(1,120,825)
Contribution deficiency (excess)	<u>\$ (420,943)</u>	<u>\$ 453,029</u>	<u>\$ (461,827)</u>	<u>\$ (379,863)</u>
Covered payroll (2)	N/A	N/A	N/A	4,476,287
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	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.

(2) Covered payroll not available

Notes to Schedule

Valuation date:	June 30, 2019
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.

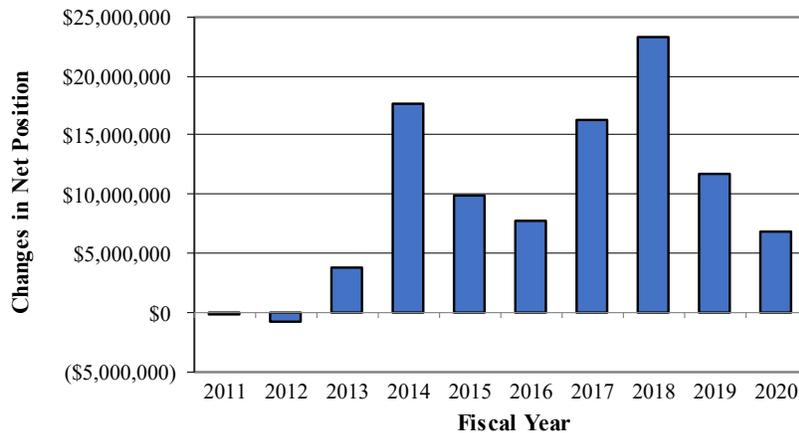
STATISTICAL SECTION
(Unaudited)

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

Contents	<u>Page</u>
Financial Trends	
These tables contain trend information that may assist the reader in the District's current financial performance by placing it in historical perspective.	
- Changes in Net Position and Net Position by Component	78
- Operating Revenues by Source	80
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Revenue Capacity	
These tables contain information that may help in assessing the viability of the District's most significant revenue sources, the property and sales taxes.	
- Revenue Base	82
- Revenue Rates	83
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Debt Capacity	
These tables present information that may assist the reader in analyzing the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.	
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These tables contain service and infrastructure indicators that can inform one's understanding how the information in the District's financial statements relate to the services the District provides and the activities it performs.	
- Operating and Capacity Indicators	89
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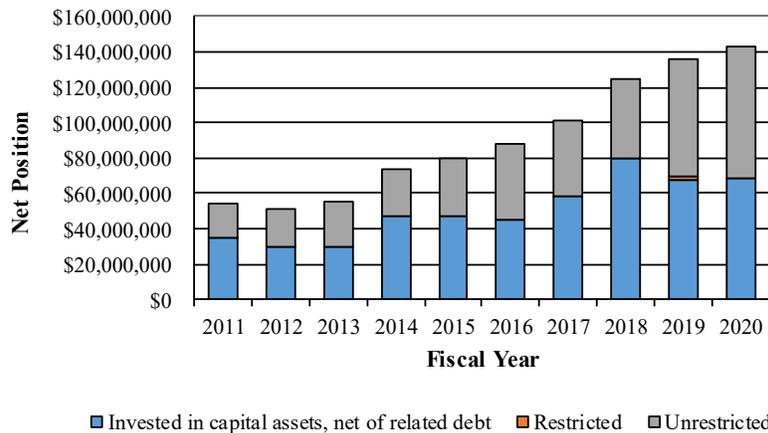
Water Replenishment District of Southern California
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				
	2011	2012	2013	2014	2015
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 56,284,385	\$ 48,121,854	\$ 46,003,068	\$ 60,386,705	\$ 80,154,123
Operating expenses (see Schedule 3)	(52,788,111)	(44,170,360)	(38,868,302)	(44,086,875)	(69,991,319)
Depreciation and amortization	(2,394,968)	(2,446,962)	(2,495,964)	(2,537,023)	(2,629,444)
Operating income(loss)	<u>1,101,306</u>	<u>1,504,532</u>	<u>4,638,802</u>	<u>13,762,807</u>	<u>7,533,360</u>
Non-operating revenues(expenses)					
Property taxes, net of collection expenses	481,874	476,937	606,562	544,319	581,180
Interest expense and investment earnings	128,575	121,351	259,644	244,961	163,704
Interest expense and fiscal charges	(1,170,199)	(3,802,841)	(3,935,225)	(3,130,364)	(2,144,351)
Election costs	(1,008,030)	-	-	-	(1,397,597)
Gain/(Loss) on sale/disposition of assets	-	-	-	-	-
Other revenue/(expense), net	<u>100,761</u>	<u>144,530</u>	<u>170,406</u>	<u>45,682</u>	<u>4,102,881</u>
Net non-operating revenues (expenses)	<u>(1,467,019)</u>	<u>(3,060,023)</u>	<u>(2,898,613)</u>	<u>(2,295,401)</u>	<u>1,305,817</u>
Net income before capital contributions	(365,713)	(1,555,491)	1,740,189	11,467,406	8,839,177
Capital contributions	<u>348,943</u>	<u>752,468</u>	<u>2,107,865</u>	<u>6,207,226</u>	<u>1,109,714</u>
Changes in net position	(16,770)	(803,023)	3,848,054	17,674,632	9,948,891
Prior period adjustment	-	-	-	-	-
Adjusted changes in net position	<u>\$ (16,770)</u>	<u>\$ (803,023)</u>	<u>\$ 3,848,054</u>	<u>\$ 17,674,632</u>	<u>\$ 9,948,891</u>
Net position by component:					
Invested in capital assets, net of related debt	\$ 35,110,097	\$ 29,781,357	\$ 29,824,873	\$ 46,797,969	\$ 47,030,300
Restricted	-	-	-	-	-
Unrestricted	<u>18,952,155</u>	<u>21,979,302</u>	<u>25,783,840</u>	<u>26,485,376</u>	<u>32,987,244</u>
Total net assets	<u>\$ 54,062,252</u>	<u>\$ 51,760,659</u>	<u>\$ 55,608,713</u>	<u>\$ 73,283,345</u>	<u>\$ 80,017,544</u>



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

	Fiscal Year				
	2016	2017	2018*	2019	2020
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 59,852,856	\$ 74,573,333	\$ 74,289,639	\$ 69,700,370	\$ 73,228,665
Operating expenses (see Schedule 3)	(51,786,834)	(62,347,174)	(57,072,594)	(55,541,243)	(64,700,484)
Depreciation and amortization	(4,003,734)	(4,014,947)	(4,112,063)	(4,657,627)	(4,822,237)
Operating income(loss)	4,062,288	8,211,212	13,104,982	9,501,500	3,705,944
Non-operating revenues(expenses)					
Property taxes, net of collection expenses	585,957	613,015	658,530	717,812	744,972
Interest expense and investment earnings	562,438	864,242	1,027,074	940,725	862,544
Interest expense and fiscal changes	(2,148,520)	(2,875,746)	(6,174,350)	(10,105,952)	(11,957,054)
Election costs	-	(1,374,823)	(1,100,000)	(601,323)	-
Gain/(Loss) on sale/disposition of assets	-	-	-	(1,367,459)	-
Other revenue/(expense), net	4,192,116	3,270,421	4,209,797	2,841,726	7,286,361
Net non-operating revenues (expenses)	3,191,991	497,109	(1,378,949)	(7,574,471)	(3,063,177)
Net income before capital contributions	7,254,279	8,708,321	11,726,033	1,927,029	642,767
Capital contributions	450,878	7,550,656	11,600,940	9,740,625	6,118,791
Changes in net position	7,705,157	16,258,977	23,326,973	11,667,654	6,761,558
Prior period adjustment	-	(3,031,941)	-	-	-
Adjusted changes in net position	<u>\$ 7,705,157</u>	<u>\$ 13,227,036</u>	<u>\$ 23,326,973</u>	<u>\$ 11,667,654</u>	<u>\$ 6,761,558</u>
Net position by component:					
Invested in capital assets, net of related debt	\$ 45,393,945	\$ 58,811,863	\$ 79,330,770	\$ 67,639,056	\$ 69,050,712
Restricted	-	-	-	1,675,642	-
Unrestricted	42,328,756	42,137,874	44,945,940	66,629,666	73,655,210
Total net assets	<u>\$ 87,722,701</u>	<u>\$ 100,949,737</u>	<u>\$ 124,276,710</u>	<u>\$ 135,944,364</u>	<u>\$ 142,705,922</u>

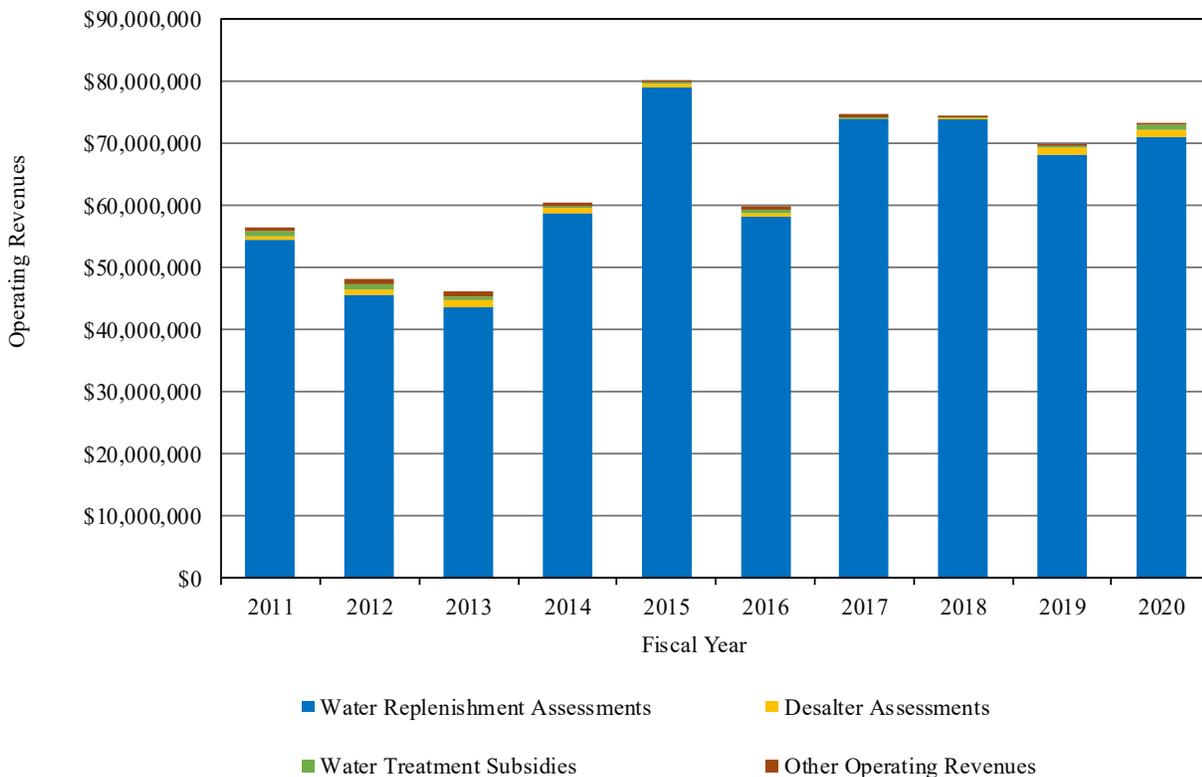


* 2018 balances were reclassified.

Source: Water Replenishment District Finance Department

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

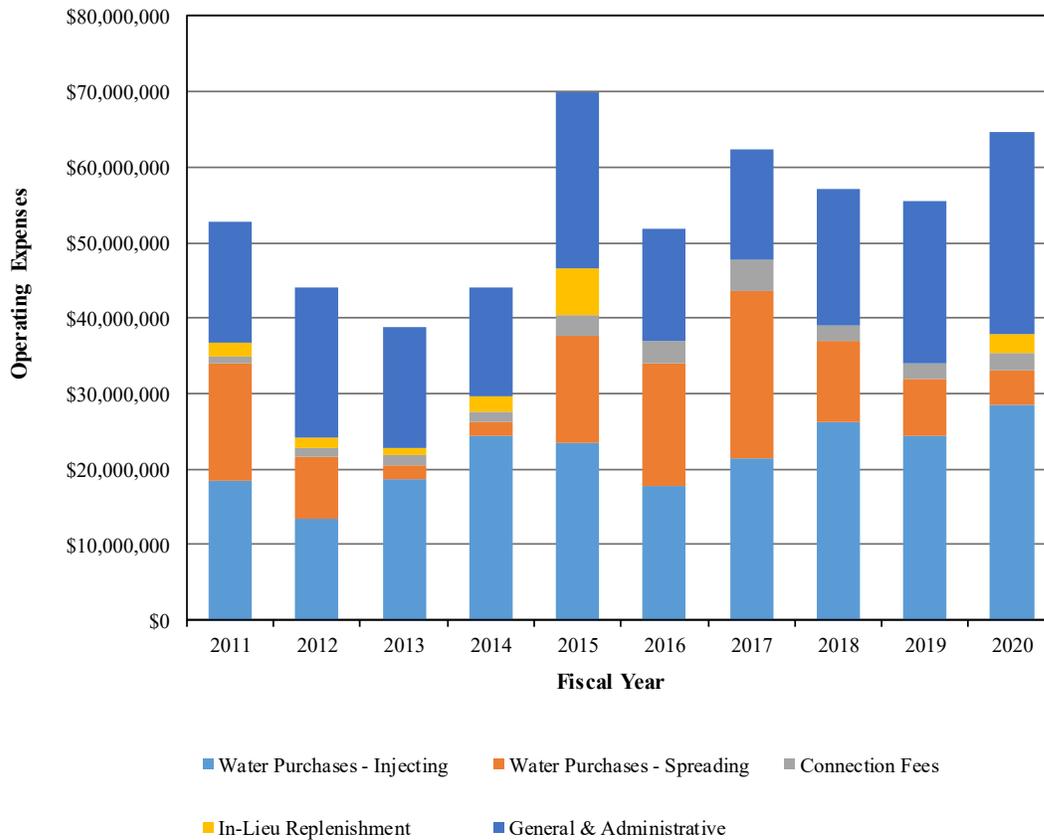
Fiscal Year	Water Replenishment Assessments	Desalter Assessments	Water Treatment Subsidies	Other Operating Revenues	Total Operating Revenues
2011	\$ 54,470,197	\$ 621,099	\$ 695,293	\$ 497,796	\$ 56,284,385
2012	45,571,109	913,204	894,411	743,130	48,121,854
2013	43,710,697	868,531	591,292	832,548	46,003,068
2014	58,665,579	840,559	377,650	502,917	60,386,704
2015	79,085,428	517,963	182,649	368,083	80,154,123
2016	58,128,626	619,806	412,706	691,718	59,852,856
2017	73,822,097	-	355,914	395,322	74,573,333
2018	73,687,699	334,381	171,759	95,800	74,289,639
2019	68,007,111	1,138,025	497,799	57,435	69,700,370
2020	70,948,823	1,114,275	758,496	407,071	73,228,665



Source: Water Replenishment District Finance Department

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

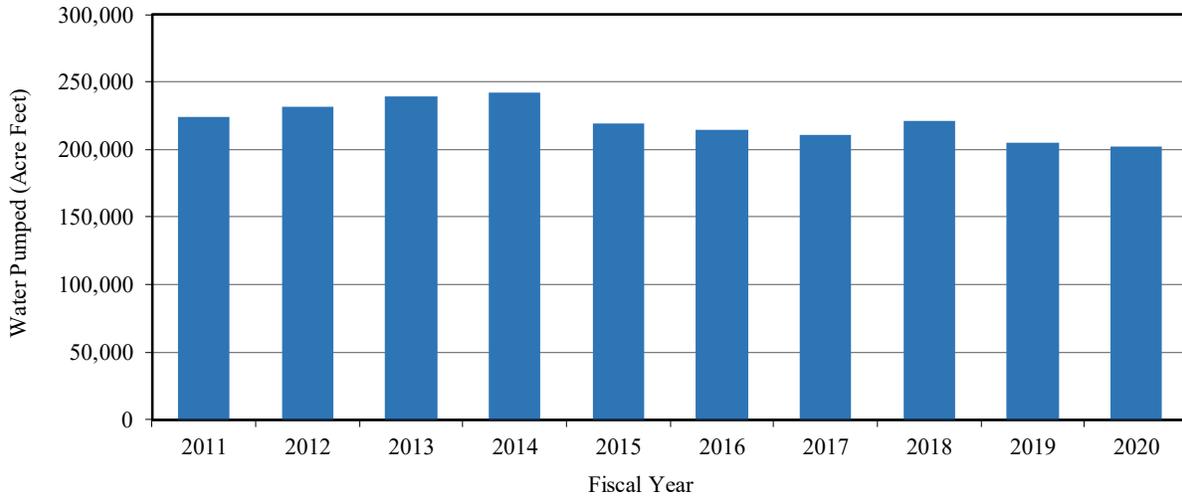
Fiscal Year	Water Purchases - Injecting	Water Purchases - Spreading	Connection Fees	In-Lieu Replenishment	General & Administrative	Total Operating Expenses (excluding Depreciation)
2011	\$ 18,552,696	\$ 15,405,518	\$ 911,745	\$ 1,937,484	\$ 15,980,668	\$ 52,788,111
2012	13,466,495	8,285,830	1,146,511	1,314,384	19,957,140	44,170,360
2013	18,599,786	2,021,060	1,187,540	888,692	16,171,224	38,868,302
2014	24,496,761	1,780,435	1,285,550	2,028,005	14,496,122	44,086,874
2015	23,385,697	14,325,715	2,586,820	6,241,887	23,451,200	69,991,319
2016	17,798,133	16,290,901	2,824,490	-	14,873,310	51,786,834
2017	21,344,615	22,333,722	4,010,063	-	14,658,774	62,347,174
2018	26,328,547	10,707,564	1,970,372	-	18,066,111	57,072,594
2019	24,286,777	7,688,844	2,036,791	-	21,528,831	55,541,243
2020	28,475,096	4,591,197	2,213,180	2,532,344	26,888,667	64,700,484



Source: Water Replenishment District Finance Department

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

<u>Fiscal Year</u>	<u>Water Pumped (Acre Feet)</u>
2011	224,158
2012	231,815
2013	239,691
2014	242,527
2015	219,068
2016	214,489
2017	210,600
2018	221,315
2019	205,198
2020	201,748

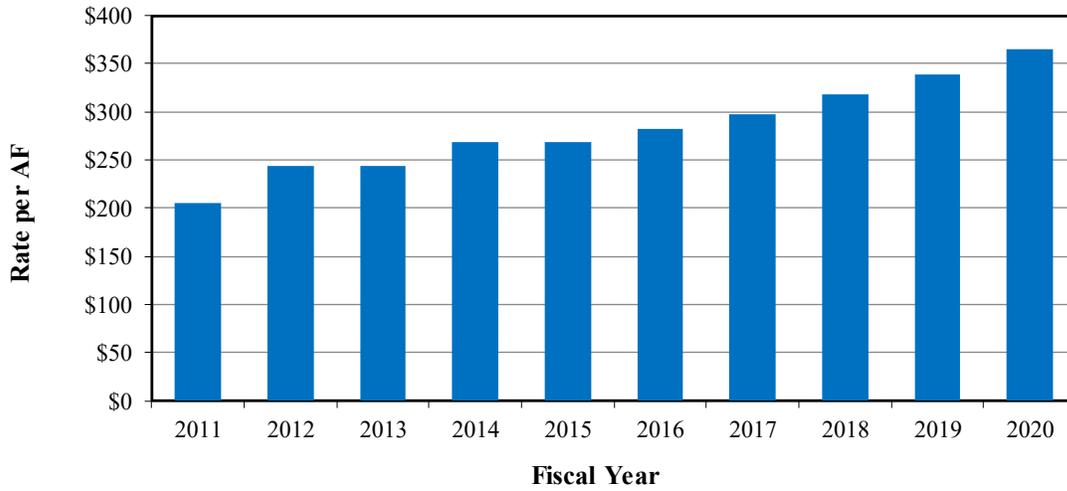


Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

Source: Water Replenishment District Finance Department

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

<u>Fiscal Year</u>	<u>Rate per Acre Feet (AF)</u>
2011	\$205
2012	244
2013	244
2014	268
2015	268
2016	283
2017	297
2018	318
2019	339
2020	365

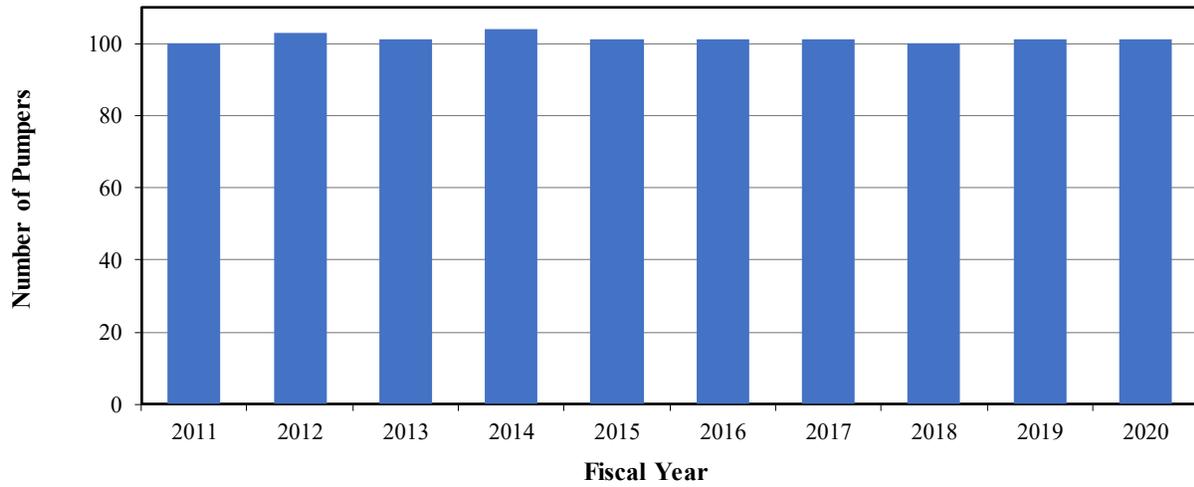


Notes: Rates as of June 30 of each fiscal year.

Source: Water Replenishment District Finance Department

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

<u>Fiscal Year</u>	<u>Number of Pumpers</u>
2011	100
2012	103
2013	101
2014	104
2015	101
2016	101
2017	101
2018	100
2019	101
2020	101



Source: Water Replenishment District Finance Department

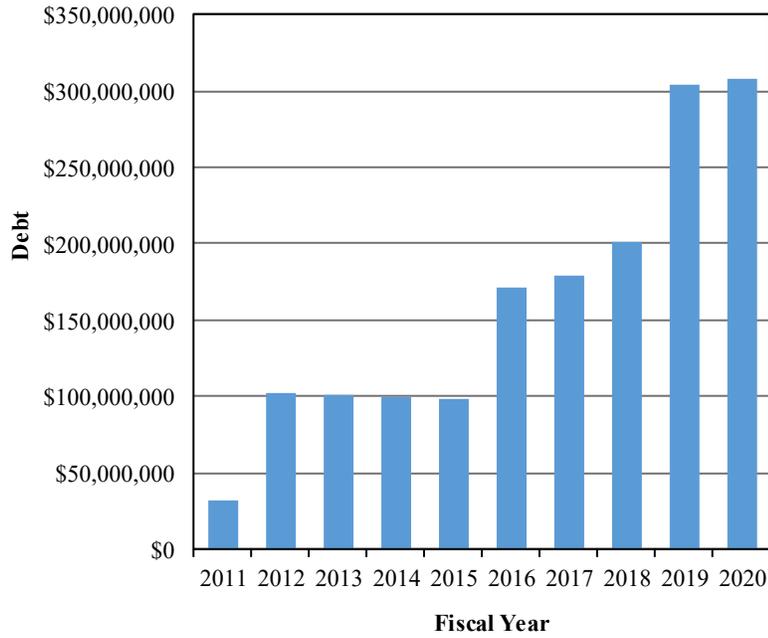
Water Replenishment District of Southern California
Principal Customers
Current Fiscal Year and Nine Years Ago

Customer	2020		2011	
	Water Pumped (Acre Feet)	Percentage of Total	Water Pumped (Acre Feet)	Percentage of Total
Long Beach, City of	24,207	12%	26,027	12%
Golden State Water Company	23,591	12%	34,451	15%
California Water Service Company	14,923	7%	17,362	8%
Downey, City of	13,802	7%	15,744	7%
Lakewood, City of	6,725	3%	7,752	3%
South Gate, City of	8,135	4%	8,554	4%
Liberty Utilities Corporation	7,543	4%	2,513	1%
Cerritos, City of	8,629	4%	8,648	4%
Compton, City of	7,230	4%	6,060	3%
Vernon, City of	6,083	3%	6,872	3%
Total	120,867	60%	133,982	60%
Total Water Consumed (Acre Feet)	201,748	100%	224,158	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>
2011	\$ 31,552,153	\$ 3.19	0.007496%
2012	101,632,500	10.20	0.023458%
2013	100,920,284	10.13	0.022784%
2014	100,148,068	10.00	0.021954%
2015	98,300,852	9.66	0.019656%
2016	171,569,874	16.70	0.033312%
2017	178,903,498	17.26	0.033798%
2018	201,450,473	20.64	0.039675%
2019	304,045,943	28.82	0.046278%
2020	308,529,697	30.08	0.044910%



Source: Water Replenishment District Finance Department

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

<u>Fiscal Year</u>	<u>Net Revenues*</u>	<u>Water Purchase Payment</u>	<u>Revenue for Rate Covenant</u>	<u>Debt Service Total</u>	<u>Coverage Ratio</u>
2011	\$ 41,014,927	\$ (36,807,443)	\$ 4,207,484	\$ 2,256,331	1.86
2012	28,907,532	(24,213,220)	4,694,312	5,275,425	0.89
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

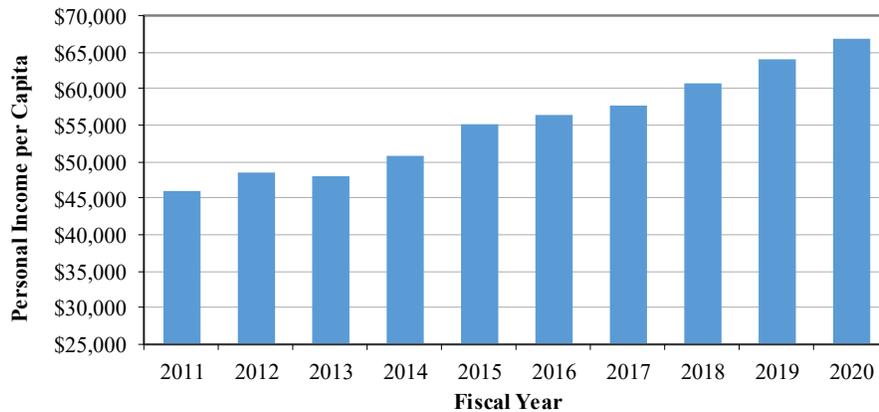
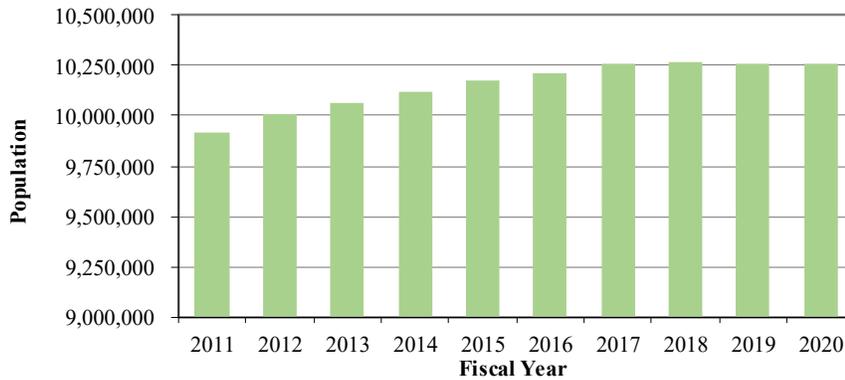
Notes:

* 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)
2011	12.5%	9,913,481	\$ 454,900,000	\$ 45,887
2012	11.1%	10,006,227	486,700,000	48,640
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



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.

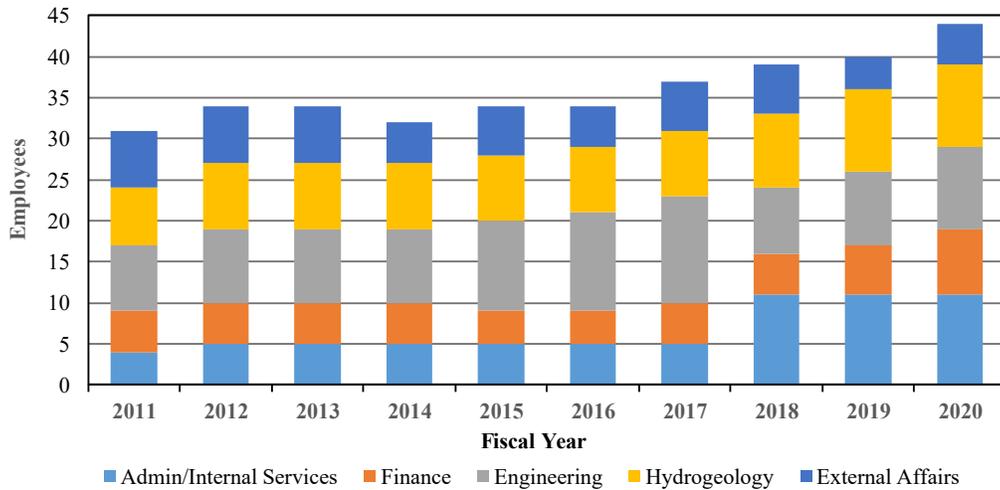
Sources: California Department of Finance and CaliforniaLaborMarketInfo, U.S. Bureau of Labor Statistics

(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, California Department of Finance.

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

Department	Employees									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Admin/Internal Services	4	5	5	5	5	5	5	11	11	11
Finance	5	5	5	5	4	4	5	5	6	8
Engineering	8	9	9	9	11	12	13	8	9	10
Hydrogeology	7	8	8	8	8	8	8	9	10	10
External Affairs	7	7	7	5	6	5	6	6	4	5
Total	31	34	34	32	34	34	37	39	40	44



Other Operating and Capacity Indicators

<u>Fiscal Year</u>	<u>Number of Groundwater Pumps</u>	<u>Acre Feet Injected</u>
2011	372	27,408
2012	373	19,023
2013	361	23,277
2014	365	30,075
2015	353	28,881
2016	357	25,667
2017	360	25,906
2018	380	26,953
2019	383	23,057
2020	354	27,285

Note:

Number of Wells

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

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

A summary of this count is provided above.

Sources: Water Replenishment District Engineering and Finance Departments

Water Replenishment District of Southern California
Largest Industries – County of Los Angeles
June 30, 2020

Industry	2020			2011		
	Number of Employees	Rank	% of Total	Number of Employees	Rank	% of Total
Educational & Health Services	802,000	1	19.58%	525,100	4	12.39%
Professional & Business Services	592,000	2	14.45%	527,200	3	12.44%
Retail Trade, Transportation & Utilities	588,100	3	14.36%	729,800	1	17.22%
Government	540,300	4	13.19%	577,600	2	13.63%
Leisure & Hospitality	370,200	5	9.04%	395,300	5	9.33%
Manufacturing	312,200	6	7.62%	377,700	6	8.91%
Financial Activities	221,600	7	5.41%	206,100	7	4.86%
Information	187,200	8	4.57%	200,700	8	4.74%
Construction	146,800	9	3.58%	100,300	10	2.37%
Other Services	121,800	10	2.97%	136,800	9	3.23%
Ten Largest Industries	3,882,200		94.78%	3,776,600		89.12%
Other Industries	213,600		5.22%	461,100		10.88%
Total Industries	4,095,800		100.00%	4,237,700		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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