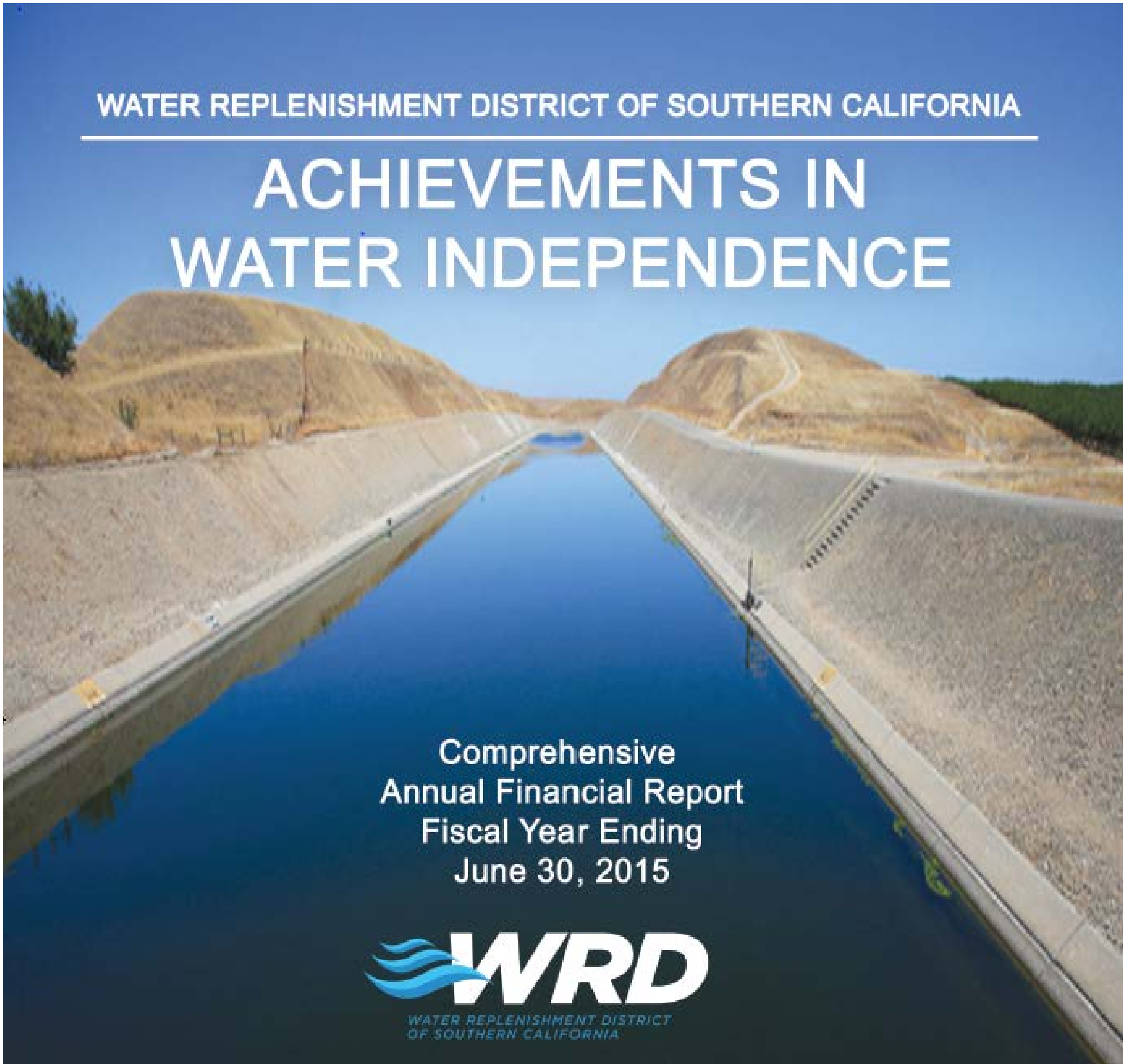
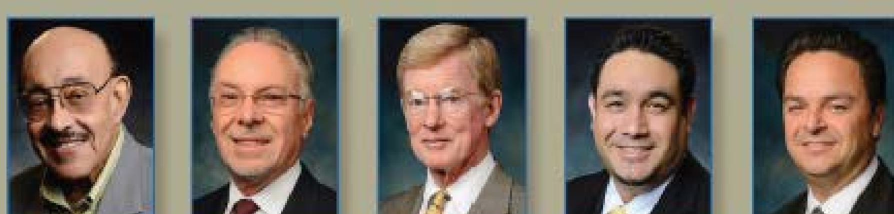
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

ACHIEVEMENTS IN WATER INDEPENDENCE



Comprehensive
Annual Financial Report
Fiscal Year Ending
June 30, 2015

WRD
WATER REPLENISHMENT DISTRICT
OF SOUTHERN CALIFORNIA



THE WATER REPLENISHMENT DISTRICT BOARD OF DIRECTORS

Comprehensive Annual Financial Report

Fiscal Year Ended

June 30, 2015

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 Paramount Boulevard
Lakewood, California 90712

Prepared by:
Finance Department
Scott M. Ota, CPA, CFF, CIRA, CGMA
Chief Financial Officer

Jenna H. Shaunessy, Manager of Finance and Administration
Elizabeth Betham, Senior Accountant
Remy Hernandez, Senior Accountant
Binhyen Bui, Senior Accountant

Our Mission Statement

"To provide, protect and preserve high quality groundwater through innovative, cost-effective and environmentally sensitive basin management practices for the benefit of residents and businesses of the Central and West Coast Basins."

Water Replenishment District of Southern California
Board of Directors as of June 30, 2015

Name	Division	Title	Elected/ Appointed	Current Term
Sergio Calderon	4	President	Elected	01/15 - 01/19
Willard H. Murray, Jr.	1	Vice President	Elected	01/15 – 01/19
Robert Katherman	2	Secretary	Elected	01/15 – 01/19
Albert Robles	5	Treasurer	Elected	01/13 - 01/17
John D.S. Allen	3	Director	Elected	01/13 – 01/17

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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Introductory Section

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WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

December 24, 2015

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, 2015.

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.

Vasquez & Company LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Water Replenishment District of Southern California's financial statements for the year ended June 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

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

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

Profile of the District

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

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

The District is bound by the Baldwin, Whittier, and Merced Hills to the north, the Orange County line to the east, and the Pacific Ocean to the south and west. It lies entirely within Los Angeles County and serves 43 cities, including Los Angeles, Long Beach, Downey, and Torrance. The approximately 420 square mile service area uses about 250,000 acre-feet of groundwater per year.

The District's stated mission is "to provide, protect and preserve high quality groundwater through innovative, cost-effective and environmentally sensitive water basin management practices for the benefit of residents and businesses of the Central and West Coast Basins." 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, nearly 40 percent of the water consumed by the area served by the District comes from groundwater sources. 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 West Coast and Central groundwater basins of Los Angeles County. The need for an entity to perform this function had become clear by the 1950s. The increasing population of the Los Angeles area during the early part of this century had overwhelmed the area's limited sources of surface water, so communities, private water companies, and businesses began pumping water out of the groundwater basins. Since the natural inflow to the groundwater basins relies primarily on rainfall that averages only 14 inches per year, it was not long before the pumping outstripped the basins' ability to recharge themselves through natural means. As the groundwater levels continued to go down, some wells went dry and saltwater intruded into the basins' coastal areas, causing wells to be abandoned.

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

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

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

Local Economy

The District office is located in Los Angeles County, with approximately 10 million residents; Los Angeles County is the most populous county in the nation. Its population is larger than that of 42 states and if it were a country, it would have the 21st largest economy in the world.

The county added 78,700 jobs in 2014, equivalent to a 1.9% annual increase that matched the U.S. as a whole. Most of the county's major industries added jobs last year, and as a result, the unemployment rate fell to 8.2%, the lowest in six years. Los Angeles County should surpass its pre-recession jobs peak by virtue of another 1.9% gain expected this year and continue to add jobs at a 1.7% annual rate in 2016. The unemployment rate should improve to 7.2% this year and 6.6% in 2016.

Population growth is expected to slow this year and next, with the rate of growth at approximately 0.5% annually. The county's high cost of living and lack of affordable housing units for low and middle-income households are contributing to the slowdown in population growth. Like most other parts of the state, the housing market in Los Angeles County has improved over the last two years. The median price for all homes finished the year in December with median price of $460,000 (a 7.0% year-to-year increase), while sales rose by 3.5% compared to a year earlier.

Job gains occurred across most of the county's major industries over the past year, with a handful of industries hitting record high employment levels in 014. In annual terms, the largest job gains occurred in health care and social assistance (22,800 jobs), followed by administrative, support and waste services (14,300 jobs), and leisure and hospitality (9,700 jobs). The fastest growing sectors in percentage terms were construction (7.0%), administrative, support and waste services (5.6%), and management of companies and enterprises (4.6%). Other industries with noteworthy job gains included professional, scientific and technical services, and information, which includes motion picture and sound recording. Private sector job losses occurred in manufacturing, finance and insurance, and wholesale trade, while the government sector also lost employment.

As America's gateway to Asia, international trade plays an important role in the Los Angeles economy. The twin ports had their third-best year in 2014 with throughput of 15.2 million containers.

The entertainment industry is a cornerstone of the Los Angeles economy. The industry's largest component is the motion picture and sound recording industry, which is a subsector of the major industry, information services. Total production activity rose in 2014, with increases in television and commercial production and a decrease in feature film activity. Corresponding to this increase, the county's motion picture and sound recording industry added jobs at more than four times the national rate generating 8,000 jobs (a gain of 6.5%) and achieving the highest annual employment in ten years (130,900 jobs).

The professional services super-sector is the second largest in Los Angeles County with over 616,000 workers in 2014. There are three major industries in this group: professional, scientific and technical services; management of enterprises; and administrative, support and waste services. These industries are among the fastest growing in the county, providing jobs across a wide range of skill and income levels.

Los Angeles County has seen steady improvement over the past three years, both in terms of job gains and decreases in its unemployment rate. A handful of industries have been the source of most job creation over the past year, a pattern that will continue over the next few years. Long-awaited but modest wage increases should factor into the picture as well, as the local labor market tightens. It will be some time before middle-wage job growth catches up with the gains that have been seen among high-wage and low-wage occupations.

California's water supply continues to pose many new and complex challenges for water suppliers in the state. Four years into the drought in California, Governor Jerry Brown announced the first ever, statewide mandatory water restrictions. California's water year, which ended on September 30, 2014 was fourth driest years in the state's recorded history, followed by the droughts in 1977, 1924 and 1931. Water year 2014 ended with less than 60% of average precipitation and is the third consecutive year the state has battled low rainfall.

California has often endured drought situations throughout its history and each drought has brought its own challenges. However, out of these trials, we have learned valuable lessons and have made adjustments to assist Californians in the unpredictable weather in California.

The Water Replenishment District of Southern California has embraced water conservation and the use of recycled water for many years. Through coordination and planning with other local and regional water suppliers, the District continues to engage in developing long-term solutions to the various water supply challenges. These efforts are evidenced in the District's participation in regional conjunctive use programs as well as local groundwater storage and recovery projects. It is through participation in these and other programs, such as the District's Water Independence Now (WIN) Program, that will enable the District to continue to meet its long-term water supply needs.

The WIN program is specifically designed to make use of local water supplies to become completely independent of imported water from the Colorado River and the California State Water Project. Prior to 1961-62, the West and Central Groundwater Basins received about 36% of the replenishment water from storm water and 64% from imported water. Today, the demand for imported water has dropped dramatically due to the many projects and cooperative interagency programs WRD has helped develop. Imported water has dropped to 20% of the current replenishment water demand; supplemented with 40% recycled water and 40% storm water. The increase in replenishment due to natural recharge is a direct result of storm water capture projects which increases the ability to benefit from local storm events. The WIN Program will completely eliminate the need for imported water by replacing the 20% of current imported water needs with recycled water. This will be accomplished through completion of the Groundwater Reliability Improvement Program (GRIP) and the use of 100% recycled water at the West Coast and Dominguez Gap Seawater Intrusion Barrier Projects.

Source of economic data: Los Angeles County Profile; Los Angeles County Economic Development Corporation.

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 2015-2016 Replenishment Assessment to $283 per acre-foot. When compared to the cost of imported water of about $1,254 per acre-foot, groundwater represents a substantial savings. We are as proud of the very open and collaborative process we used to arrive at the result as we are of the result itself. Despite rising costs, especially for necessary legal services, we 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 rated the certificates AA+, which is at or near the top rating for water agencies in the state.

District Achievements

The Southern California area is into the fifth consecutive year of a drought that has water supply agencies up and down the state and throughout the West imposing mandatory conservation measures and in some instances securing emergency supplies.

For WRD, the drought means that the volume of local storm water captured for replenishment last year was just 10% of average. Imported water for recharge at the spreading grounds was not available at all, and that has been true for five of the last seven years.

Even so, groundwater conditions remained relatively healthy and groundwater production was robust. For most of the District's history, of course, replenishment water was mainly imported, making our groundwater basins especially vulnerable when the supply of imported water for replenishment was limited by drought. That is no longer the case.

While not entirely drought-proof, the District has progressively insulated itself from protracted periods of dry weather by developing local sources of supply to reduce reliance on imported water. Through the implementation of our Water Independence Now program (WIN), we have greatly increased our use of recycled water as well as our capacity to use larger amounts of storm water for recharge during average or above average years of rain.

Water Supply at the Spreading Grounds

- The District has completed the environmental documentation and design of two new turnout structures to connect the Los Angeles County Sanitation Districts' recycled water delivery pipeline to the Montebello Forebay Spreading Grounds and the San Gabriel River. The structures are key elements of the Groundwater Reliability Improvement Program (GRIP) and upon completion next year will enable the delivery to the spreading grounds of an additional 11,000 acre-feet of recycled water per year on average. The Greater Los Angeles Integrated Regional Water Management Steering Committee has recommended $4.5 million in Proposition 84 funding for these structures.
- Environmental documentation and design work continued on GRIP. Anticipated to begin construction in 2016 or 2017, the GRIP Advanced Water Treatment Facility will produce 10,000 acre-feet of water for the spreading grounds. The use of advanced treated water will allow for additional quantities of tertiary recycled water to be spread during years with reduced levels of precipitation.
- The longstanding WRD/Los Angeles County Department of Public Works (DPW) partnership has in recent years resulted in the construction of two additional rubber dams on the San Gabriel River, the expansion of the Whittier Narrows Conservation Pool, and the interconnection pipeline linking the two spreading grounds. These projects have enabled the capture of an additional 10,000 acre-feet of storm water for recharge during years of average rainfall. We continued work this year with DPW and the US Army Corps of Engineers on improvements to the Conservation Pool to capture an additional 1,100 acre-feet for groundwater augmentation.

Water Supply at the Seawater Barriers

- Construction is nearly complete on the expansion of WRD's Leo J. Vander Lans Advanced Water Treatment Plant. The expansion will more than double the capacity of the plant from 3,600 acre-feet per year to 8,900 acre-feet. By October, 100% of the water injected into the Alamitos Barrier will be recycled water from that plant.
- 75% of the water supplied to the West Coast Basin Barrier last year was produced by the West Basin Municipal Water District's Edward C. Little Advanced Water Treatment Plant. That percentage keeps rising and by the end of the year, all 17,000 acre-feet required for injection into that barrier will be recycled.
- 42% of the water supplied to the Dominguez Gap Barrier last year was water produced by the City of Los Angeles Terminal Island Advanced Water Treatment Plant. WRD is working with the Los Angeles City Bureau of Sanitation to expand the volume of recycled water produced, with the goal of eliminating the use of imported water by 2017.

Goldsworthy Desalter

- Constructed in 2002, the Robert W. Goldsworthy Desalter extracts and treats a locally sustainable groundwater supply to reduce dependence on imported water while accelerating the remediation of a significant plume of brackish groundwater trapped inland when the seawater intrusion barriers were placed in operation. To date, the Desalter has treated more than 20,000 acre-feet of brackish water for potable use in the City of Torrance. The Desalter has an existing capacity of 2,200 acre-feet. This year, environmental documentation and final design were completed to expand the capacity of the plant to 4,400 acre-feet. $4 million in Proposition 84 funding for the expansion has been recommended by the Greater Los Angeles Integrated Regional Water Management Steering Committee.

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, 2014. This was the eleventh consecutive year that the District submitted its CAFR for this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement programs requirements and we are submitting it to the GFOA to determine its eligibility for 2015.

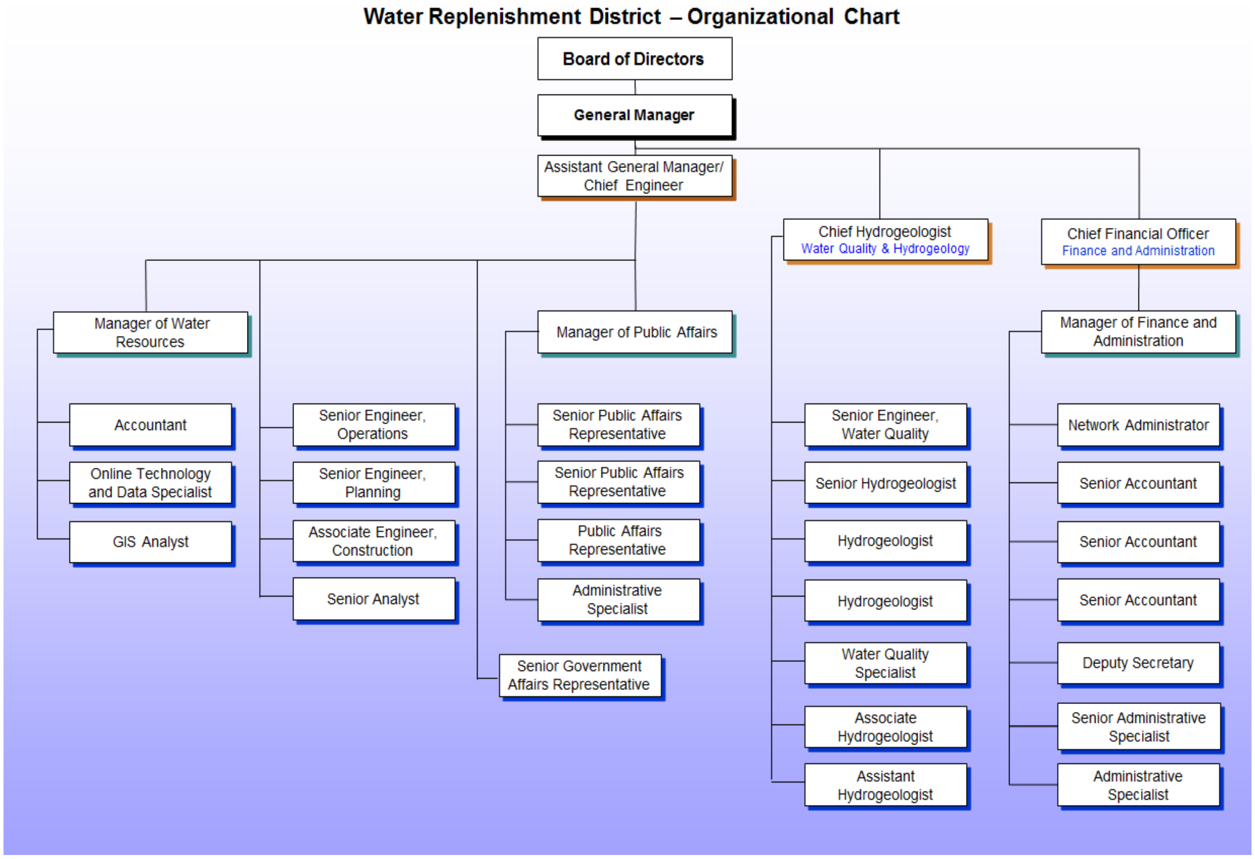
The District has also been presented with the following awards as part of its ongoing effort to provide, protect and preserve high-quality groundwater within the Central and West Coast Groundwater Basins.

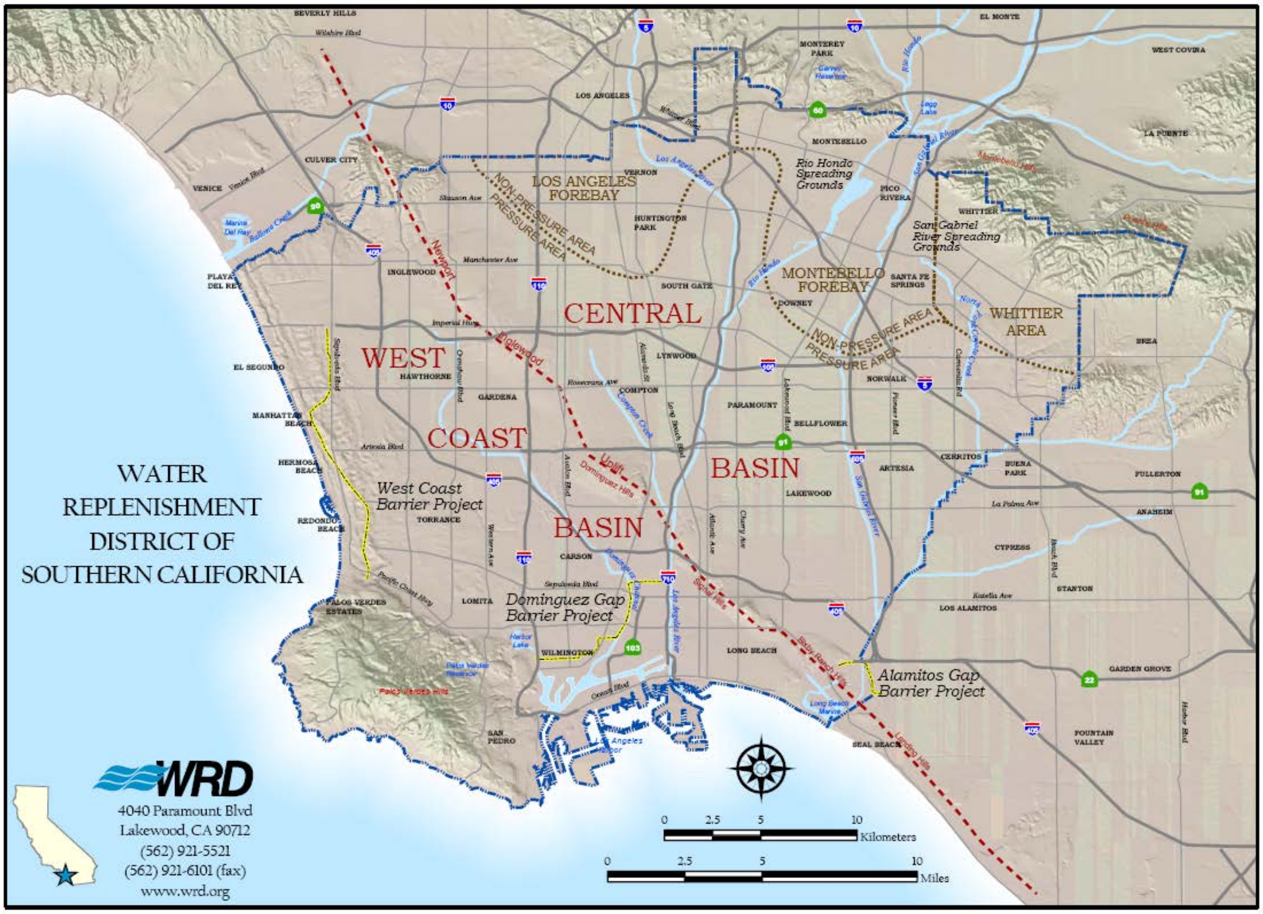
- Government Finance Officers Association Distinguished Budget Presentation Award
- California Society of Municipal Finance Officers Association Award of Excellence in Budgeting

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

Respectfully submitted,

Scott M. Ota, CPA, CFF, CIRA, CGMA
Chief Financial Officer
Water Replenishment District of Southern California


Water Replenishment District – Organizational Chart
Board of Directors
General Manager
Assistant General Manager/ Chief Engineer
Chief Hydrogeologist
Water Quality & Hydrogeology
Chief Financial Officer
Finance and Administration
Manager of Water Resources
Manager of Public Affairs
Manager of Finance and Administration
Accountant
Online Technology and Data Specialist
GIS Analyst
Senior Engineer, Operations
Senior Engineer, Planning
Associate Engineer, Construction
Senior Analyst
Senior Public Affairs Representative
Senior Public Affairs Representative
Public Affairs Representative
Administrative Specialist
Senior Government Affairs Representative
Senior Engineer, Water Quality
Senior Hydrogeologist
Hydrogeologist
Hydrogeologist
Water Quality Specialist
Associate Hydrogeologist
Assistant Hydrogeologist
Network Administrator
Senior Accountant
Senior Accountant
Senior Accountant
Deputy Secretary
Senior Administrative Specialist
Administrative Specialist


WATER
REPLENISHMENT
DISTRICT OF
SOUTHERN CALIFORNIA
WEST
COAST
BASIN
CENTRAL
BASIN
LOS ANGELES
FOREBAY
MONTEBELLO
FOREBAY
WHITTIER
AREA
NON-PRESSURE AREA
PRESSURE AREA
Rio Hondo
Spreading
Grounds
San Gabriel
River Spreading
Grounds
West Coast
Barrier Project
Dominguez Gap
Barrier Project
Alamitos Gap
Barrier Project
WRD
4040 Paramount Blvd
Lakewood, CA 90712
(562) 921-5521
(562) 921-6101 (fax)
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0 2.5 5 10 Kilometers
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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, 2014

Executive Director/CEO

Financial Section

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Vasquez & Company LLP
Certified Public Accountants and Business Consultants

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Fax (213) 873-1777

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OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

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) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2015, and the change in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and the required supplementary information on page 46 through 50, 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 section and statistical section 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.

Implementation of New Accounting Standards

As discussed in Note 1, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* effective for the fiscal year ended June 30, 2015. As a result of this required implementation, the District's beginning net position was restated to retroactively report the net pension liability as of the beginning of the fiscal year. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vasquez & Company LLP

Los Angeles, California
December 24, 2015

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 year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased by 9.2% or $6,734,200 from $73,283,344 in fiscal year 2014 to $80,017,544 in fiscal year 2015 and increased 31.8% or $17,674,631 from $55,608,713 in fiscal year 2013 to $73,283,344 in fiscal year 2014.

- The District's operating revenues increased by 32.7% or $19,797,418 in fiscal year 2015 primarily caused by deferred revenue being recognized as a part of the District's purchase of imported spreading water.

- The District's expenses increased by 53.1% or $26,408,449 and increased 9.8% or $4,454,771 in fiscal years 2015 and 2014, respectively. This was primarily due to the following:

  - ✓ In fiscal year 2015, the District was able to purchase imported spreading water which was unavailable in fiscal year 2014. The purchases of this type of water accounted for 12,545,279 of the change. The District also saw an increase of $4,213,882 of In-lieu water costs from $2,028,005 in fiscal 2014 to $6,241,887 in fiscal 2015. Additionally, in 2015, the District was preparing for litigation which ultimately resulted in a settlement prior to court proceedings which increased 2015 expenses to $23,451,200 from $14,496,122 in 2014.

  - ✓ In fiscal year 2014, injection water increased $5.9 million and In-lieu replenishment increased $1.7 million while general and administrative costs decreased by $1.7 million.

Required Financial Statements

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

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate fiscal stability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 13 through 45.

Financial Analysis of the District

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

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

Statement of Net Position

Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Change Amount	Change %	June 30, 2013	Change Amount	Change %
Current assets	$ 63,977,006	$ 78,005,581	$ (14,028,575)	-18.0	$ 69,410,426	$ 8,595,155	12.4
Restricted assets	28,444,554	50,275,005	(21,830,451)	-43.4	61,578,774	(11,303,769)	-18.4
Noncurrent assets	1,233,800	1,731,149	(497,349)	-28.7	2,228,499	(497,350)	-22.3
Capital assets	116,886,598	96,671,031	20,215,567	20.9	69,166,383	27,504,648	39.8
Deferred inflows of resources	1,062,375	-	1,062,375	-	-	-	-
	211,604,333	226,682,766	(15,078,433)	-6.7	202,384,082	24,298,684	12.0
Current liabilities	17,195,906	19,867,379	(2,671,473)	-13.4	16,869,737	2,997,642	17.8
Noncurrent liabilities	99,388,078	98,577,563	810,515	0.8	101,004,304	(2,426,741)	-2.4
Deferred outflows of resources	15,002,805	34,954,480	(19,951,675)	-57.1	28,901,328	6,053,152	20.9
	131,586,789	153,399,422	(21,812,633)	-14.2	146,775,369	6,624,053	4.5
Net position							
Net investment in capital assets	47,030,300	46,797,968	232,332	0.5	29,824,873	16,973,095	56.9
Unrestricted	32,987,244	26,485,376	6,501,868	24.5	25,783,840	701,536	2.7
	$ 80,017,544	$ 73,283,344	$ 6,734,200	9.2	$ 55,608,713	$ 17,674,631	31.8

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 of the District exceeded liabilities by $80,017,544 and $73,283,344 as of June 30, 2015 and 2014, respectively.

In 2015, there was a decrease in restricted assets of $21,830,451 and a corresponding increase in the capital assets account of $20,215,567 due to the completion of the Leo J. Vander Lans Advanced Water Treatment Facility Expansion Project and capital expenses related to the Groundwater Reliability Improvement Program (GRIP). The decrease in current assets of $14,028,575 is tied to an increase in operating expenses, primarily related to litigation expenses. There was also a decrease in deferred inflows of resources due to the availability and purchase of imported spreading water in fiscal 2015.

In 2014, the District saw an increase of $17,674,631 in net position primarily due to an increase in water replenishment assessment revenues and capital contributions from outside funding. As shown above, capital assets have increased $27,504,648 accounting for majority of the net change in total assets of $24,298,684. With respect to increase in liabilities of $6,624,053, deferred replenishment assessment revenue is the cause for the majority of the increase with accounts payable increasing $2,997,642 due to a timing difference in the payment of invoices for water purchases.

At the end of fiscal years 2015 and 2014, the District shows a positive balance in unrestricted net position of $32,987,244 and $26,485,376, respectively, which will primarily be used for the future purchase of replenishment water.

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30,		Change		Year ended	Change	
	2015	2014	Amount	%	2013	Amount	%
Revenues:							
Operating revenues	$ 80,154,123	$ 60,386,705	$ 19,767,418	32.7	$ 46,003,068	$ 14,383,637	31.3
Nonoperating revenues							
Property taxes	581,180	544,319	36,861	6.8	606,562	(62,243)	(10.3)
Interest and investment earnings	163,704	244,961	(81,257)	(33.2)	259,644	(14,683)	(5.7)
Other, net	4,102,881	45,682	4,057,199	8,881.4	170,406	(124,724)	(73.2)
Total revenues	85,001,888	61,221,667	23,780,221	38.8	47,039,680	14,181,987	30.1
Expenses							
Operating expenses	69,991,319	44,086,875	25,904,444	58.8	38,868,302	5,218,573	13.4
Depreciation and amortization	2,629,444	2,537,023	92,421	3.6	2,495,964	41,059	1.6
Nonoperating expenses	3,541,948	3,130,364	411,584	13.1	3,935,225	(804,861)	(20.5)
Total expenses	76,162,711	49,754,262	26,408,449	53.1	45,299,491	4,454,771	9.8
Income (loss) before capital contributions	8,839,177	11,467,405	(2,628,228)	(22.9)	1,740,189	9,727,216	559.0
Capital contributions - capital grants	1,109,714	6,207,226	(5,097,512)	(82.1)	2,107,865	4,099,361	194.5
Change in net position	9,948,891	17,674,631	(7,725,740)	(43.7)	3,848,054	13,826,577	359.3
Net position at beginning of year, as restated	70,068,653	55,608,713	14,459,940	26.0	51,760,659	3,848,054	7.4
Net position at end of year	$ 80,017,544	$ 73,283,344	$ 6,734,200	9.2	$ 55,608,713	$ 17,674,631	31.8

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 by $9,948,891 and $17,674,631 during the fiscal years ended June, 30, 2015 and 2014, respectively. In 2015, the increase in net position is due to total revenues of $85,001,888 exceeding total expenses of $76,162,711 with an additional $1,109,714 in capital contributions. In 2014, the increase in net position is due to total revenues of $61,221,667 exceeding total expenses of $49,754,262 with an additional $6,207,226 in capital contributions.

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

In 2015, total revenue increased $23,780,221 with total operating expenses increasing $26,408,449 for a net decrease of $2,628,228. The District also saw a decrease in capital contributions of $5,097,512. Coupled with the increase due to the prior period adjustment in 2014 due to the implementation of GASB Statement No. 6 of $3,214,691, the net increase at the end of fiscal year 2015 is $9,948,891.

In 2014, total revenue increased $14,181,987 with total expenses increasing only $4,454,771 for a net income before capital contributions of $9,727,216. The District also received an additional $4,099,361 in capital contributions in 2014 which added to the increase in net position of $13,826,577.

Operating Revenue

	2015	2014	Change	2013	Change
Operating Revenues:					
Water replenishment assessment	$ 79,085,428	$ 58,665,579	$ 20,419,849	$ 43,710,697	$ 14,954,882
Desalter assessments	517,963	840,559	(322,596)	868,531	(27,972)
Water treatment subsidies	182,649	377,650	(195,001)	591,292	(213,642)
Other operating income	368,083	502,917	(134,834)	832,548	(329,631)
Total operating revenues	$ 80,154,123	$ 60,386,705	$ 19,767,418	$ 46,003,068	$ 14,383,637

The rise in revenue in 2015 is primarily due to the recognition of deferred inflows of resources matched against the purchase of imported spreading water. In fiscal year 2015, the Goldsworthy Desalter was not operating at full capacity and therefore, there is a decrease in Desalter assessments and water treatment subsidies. Also contributing to the decrease in water treatment subsidies was the temporary shutdown of the Leo J. Vander Lans Advanced Water Treatment Facility due to the expansion project. The increase in revenue in 2014 is primarily due to the increase of $24 per acre-foot in the replenishment assessment from $244 to $268 with an additional 3,000 acre-feet pumped from the basin over the prior year and higher deferral of revenue in fiscal year 2013. There were also decreases of ($571,245) in other non-replenishment assessment revenue.

Operating Expenses - Water Supply Management Expenses

	2015	2014	Change	2013	Change
Water supply management:					
Water purchases - injecting	$ 23,385,697	$ 24,496,761	$ (1,111,064)	$ 18,599,786	$ 5,896,975
Water purchases - spreading	14,325,715	1,780,436	12,545,279	2,021,060	(240,624)
Connection fees	2,586,820	1,285,551	1,301,269	1,187,540	98,011
Total water supply management expenses	$ 40,298,232	$ 27,562,748	$ 12,735,484	$ 21,808,386	$ 5,754,362

Water purchases make up the majority of the District's operating expenses which saw an increase of $12,735,484 over the prior fiscal year; the majority of which is due to purchase of imported spreading water which was unavailable in the prior year which only accounts for recycled spreading water. In 2014, the Dominguez Gap Seawater Intrusion Barrier required more imported water than recycled water accounting for the majority of the increase. The District also saw a slight increase of injection costs at the West Coast Barrier.

Capital Asset Administration

At the end of fiscal years 2015 and 2014, the District's investment in capital assets amounted to $116,886,598 and $96,697,031 (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 2015 include expenses related to the Leo J. Vander Lans Advanced Water Treatment Facility Expansion Project, the Regional Groundwater Monitoring Program and the Groundwater Reliability Improvement Program (GRIP).

The capital assets of the District are summarized below and more fully analyzed in Note 4 to the basic financial statements.

	Balance 2014	Additions/ Transfers	Deletions/ Transfers	Balance 2015
Non-depreciable assets	$ 53,142,737	$ 19,758,410	$ -	$ 72,901,147
Depreciable assets	68,932,206	3,086,601	-	72,018,807
Accumulated depreciation	(25,403,912)	(2,629,444)	-	(28,033,356)
Capital assets, net	$ 96,671,031	$ 20,215,567	$ -	$ 116,886,598

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets	$ 24,816,050	$ 30,041,671	$ (1,714,984)	$ 53,142,737
Depreciable assets	67,217,222	1,714,984	-	68,932,206
Accumulated depreciation	(22,866,889)	(2,537,023)	-	(25,403,912)
Capital assets, net	$ 69,166,383	$ 29,219,632	$ (1,714,984)	$ 96,671,031

Long-term Debt

At the end of fiscal years 2015 and 2014, the District had long-term debt of $98,300,852 and $100,148,068 outstanding, respectively (See Note 6 for further details).

Changes in long-term debt in 2015 were as follows:

	Balance 2014	Additions	Deletions	Balance 2015
Certificate of participation (2004)	$ 13,000,000	$ -	$ (405,000)	$ 12,595,000
Certificate of participation (2008)	16,905,000	-	(345,000)	16,560,000
Certificate of participation (2011)	69,195,000	-	(1,060,000)	68,135,000
	99,100,000	-	(1,810,000)	97,290,000
Bond discount	(407,288)	-	16,853	(390,435)
Bond premium	1,455,356	-	(54,069)	1,401,287
	$ 100,148,068	$ -	$ (1,847,216)	$ 98,300,852

Changes in long-term debt in 2014 were as follows:

	Balance 2013	Additions	Deletions	Balance 2014
Certificate of participation (2004)	$ 13,385,000	$ -	$ (385,000)	$ 13,000,000
Certificate of participation (2008)	17,255,000	-	(350,000)	16,905,000
Certificate of participation (2011)	69,195,000	-	-	69,195,000
	99,835,000	-	(735,000)	99,100,000
Bond discount	(424,141)	-	16,853	(407,288)
Bond premium	1,509,425	-	(54,069)	1,455,356
	$ 100,920,284	$ -	$ (772,216)	$ 100,148,068

Conditions Affecting Current Financial Position

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

Requests for Information

This financial report is designed to provide the District's funding sources, 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

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Water Replenishment District of Southern California
Statement of Net Position
June 30, 2015

ASSETS		
Current assets		
Cash and investments	$	46,402,613
Water replenishment assessments receivable, net		16,502,465
Grants receivable		11,516
Notes receivable - current portion		694,829
Prepaid expenses and other deposits		365,583
Total current assets - unrestricted		63,977,006
Restricted current assets - cash and cash equivalents		
Cash and investments		28,444,554
Total current assets		92,421,560
Noncurrent assets		
Notes receivable		1,233,800
Capital assets, net		116,886,598
Total noncurrent assets		118,120,398
Total assets		210,541,958
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources		1,062,375
Total deferred outflows of resources		1,062,375
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses		7,729,111
Accrued wages and related payables		128,535
Compensated absences - current portion		158,858
Advances from Caltrans		5,340,868
Interest payable		1,963,534
Certificates of participation - current portion		1,875,000
Total current liabilities		17,195,906
Noncurrent liabilities		
Net pension liability		2,752,916
Compensated absences - net of current portion		209,310
Certificates of participation - net of current portion		96,425,852
Total noncurrent liabilities		99,388,078
Total liabilities		116,583,984
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources		15,002,805
Total deferred inflows of resources		15,002,805
NET POSITION		
Net position		
Net investment in capital assets		47,030,300
Unrestricted		32,987,244
Total net position	$	80,017,544

See notes to the financial statements.

Operating revenues		
Water replenishment assessment	$	**79,085,428**
Desalter assessments		**517,963**
Water treatment subsidies		**182,649**
Other operating income		**368,083**
Total operating revenues		**80,154,123**
Operating expenses		
Water supply management:		
Water purchases - injecting		**23,385,697**
Water purchases - spreading		**14,325,715**
Connection fees		**2,586,820**
Groundwater basin management:		
In-lieu replenishment		**6,241,887**
General and administrative		**23,451,200**
Total operating expenses		**69,991,319**
Operating income before depreciation and amortization		**10,162,804**
Depreciation and amortization		**(2,629,444)**
Operating income		**7,533,360**
Nonoperating revenue (expense)		
Property taxes		**581,180**
Interest and investment earnings		**163,704**
Interest expense		**(2,144,351)**
Election costs		**(1,397,597)**
Other, net		**4,102,881**
Net nonoperating revenue (expense)		**1,305,817**
Income before capital contributions		**8,839,177**
Capital contributions - capital grants		**1,109,714**
Total capital contributions		**1,109,714**
Change in net position		**9,948,891**
Total net position - beginning of year, as restated		**70,068,653**
Total net position - end of year	$	**80,017,544**

See notes to the financial statements.

Cash flows from operating activities		
Cash receipts from water assessments and subsidies	$	62,608,710
Cash paid to vendors and suppliers for materials and services		(71,856,222)
Cash paid to employees for salaries and wages		(3,682,254)
Net cash used in operating activities		(12,929,766)
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets		(20,308,946)
Payment of long-term debt		(1,847,216)
Proceeds from capital contributions - capital grants		5,784,191
Deferred capital project		(127,120)
Interest paid on long-term debt		(4,706,165)
Net cash used in capital and related financing activities		(21,205,256)
Cash flows from non-capital financing activities		
Proceeds from property taxes		581,180
Net cash provided by non-capital financing activities		581,180
Cash flows from investing activities		
Principal received from (issuance of) notes receivable		299,869
Interest and investment earnings		166,712
Net cash provided by investing activities		466,581
Change in cash and cash equivalents		(33,087,261)
Cash and cash equivalents - beginning of year		107,934,428
Cash and cash equivalents - end of year	$	74,847,167
Reconciliation of cash and cash equivalents to statements of net position		
Cash and cash equivalents	$	46,402,613
Restricted assets - cash and cash equivalents		28,444,554
Total cash and cash equivalents	$	74,847,167
Noncash, investing, capital and financing activities		
Capitalized interest	$	2,536,065

See notes to the financial statements.

Reconciliation of operating income to net cash used in operating activities		
Operating income	$	7,533,360
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation		2,629,444
Election costs		(1,397,597)
Effect of prior period adjustment		(3,214,691)
Other non-operating revenues (expenses), net		4,102,881
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Water replenishment assessments receivable, net		(1,696,619)
Prepaid expenses and other deposits		(11,621)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses - water purchases		(2,628,515)
Deferred outflows of resources		(1,062,375)
Deferred inflows of resources		(19,951,675)
Accrued wages and related payables		8,341
Net pension liability		2,752,916
Compensated absences		6,385
Total adjustments		(20,463,126)
Net cash used in operating activities	$	(12,929,766)

See notes to the financial statements.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Water Replenishment District of Southern California (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 (County). The District was formed in response to a history of overpumping 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.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statements No. 14 and 61 (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) it is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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 legally separate, 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.

Basis of Accounting and Measurement Focus

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

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial Reporting
The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net position replaces the balance sheet and reports assets, liabilities, and the difference between them as net position, not equity. A statement of revenues, expenses and changes in net position replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Implementation of New Accounting Pronouncements
During the fiscal year ended June 30, 2015, the District adopted the following new Statements of GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment* of GASB *Statements No. 27 and 50.* This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures of pensions that are provided by local governmental employers through pension plans that are administered through trusts that meet certain conditions. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GAS Statement No. 68*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Pension

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

Assets, Liabilities and Net Position

Use of Estimates - The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - 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 three months or less to be cash equivalents.

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 an allowance for doubtful accounts of $0 at June 30, 2015.

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 a grant contribution on the statement of revenues, expenses and changes in net position.

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

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes receivable at year-end are related to property taxes collected by the County of Los Angeles, 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

Prepaid Expenses and Other Deposits - Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items 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 estimated fair 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. Provision for depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

- Utility plant and equipment and capacity rights - 30 years
- Monitoring and injection equipment - 3 to 20 years
- Service connections - 50 years
- Office furniture and equipment - 5 to 10 years
- Building and improvements - 30 to 40 years

Under GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* governments are required to evaluate 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, 2015.

Bond discount – The Bond discount is being amortized using the effective interest method.

Compensated Absences - The District's policy is to permit employees to accumulate a limited amount of earned vacation and 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. Normally, an employee cannot accrue more than thirty days of vacation. 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.

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources
Pursuant to GASB Statement Nos. 63 and 65, the District recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Net Position - The financial statements utilize a net position presentation. Net position is categorized as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any 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 constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District did not have any restrictions as of June 30, 2015.

- Unrestricted - This component of net position consists of net position that do not meet the definition of restricted or investment in capital assets, net of related debt.

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.

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

Budgetary Policies - The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

		2015
Cash and cash equivalents	$	46,402,613
Restricted cash and cash equivalents		28,444,554
Total cash and investments	$	74,847,167

Cash and investments as of June 30 consists of the following:

		2015
Deposit with financial institutions	$	51,941,729
Cash with fiscal agent - mutual funds		22,905,438
Total cash and investments	$	74,847,167

The District's cash balance and reserves as of June 30 are presented as follows:

		2015
Operating Reserve Fund	$	5,781,000
Reserved cash and cash equivalents:		
Water Purchase Fund		38,394,927
Capital Projects		3,641,849
Debt Service Reserve Fund		6,244,747
Total reserved cash and cash equivalents		48,281,523
Restricted cash:		
Capital Projects - Bond Trustee		14,672,289
Cal Trans Trust Fund		5,539,116
Debt Service Reserve Fund - Bond Trustee		8,233,149
Restricted cash and cash equivalents		28,444,554
Reconciling items:		
Capital Projects Reimbursement in Transit		(7,659,910)
Total restricted cash		20,784,644
Total Cash and Cash Equivalents	$	74,847,167

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. 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	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% off base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee 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 the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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 over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2015, the District's funds are placed in investments with maturities of 12 months or less.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Maturities of investments at June 30, 2015, were as follows:

Investment Type	Total Investment	Minimum Legal Rating	Ratings as of Year End Unrated	AAA	AA-	BBB+
Cash and investments with fiscal agent:						
Money Market Mutual Funds	$ 44,183,185	A	$ -	$ 44,183,185	$ -	$ -

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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2015, were as follows:

Investment Type	Total Investment	Minimum Legal Rating	Ratings as of Year End Unrated	AAA	AA-	BBB+
Cash and investments with fiscal agent:						
Money Market Mutual Funds	$ 44,183,185	A	$ -	$ 44,183,185	$ -	$ -

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2015, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

NOTE 2 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, 2015, $34,048,426 of the District's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

NOTE 3 NOTES RECEIVABLE

Notes receivable consist of the following as of June 30, 2015:

Notes receivable - current portion	$	694,829
Notes receivable - noncurrent portion		1,233,800
	$	1,928,629

City of Paramount
The District entered into a loan agreement with the City of Paramount in fiscal year 2006 for the amount of $1,700,000. The loan is payable annually over a 10 year period. The loan is unsecured and non-interest bearing. The balance at June 30, 2015 was $188,888.

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 payment of the loan in the amount of $220,000 will start upon completion of the project and full disbursement of the loan to the City. The balance at June 30, 2015 was $1,184,881.

NOTE 3 NOTES RECEIVABLE (CONTINUED)

City of Maywood
On June 19, 2009, the District entered into a loan agreement with the Maywood Mutual Water Company Number 2 (Water Company) for a maximum loan amount of $900,000, to finance the design, installation and construction of a wellhead treatment system at the Water Company's groundwater well. The loan is payable annually over a 10 year period. The loan is unsecured and non-interest bearing. The Water Company has drawn down a total of $1,109,801. Annual payment of the loan in the amount of $110,000 started in the fiscal year 2010-2011 when the project was completed. The outstanding balance at June 30, 2015 was $554,860.

Future collections of notes receivable are as follows:

Year ended June 30		
2016	$	694,829
2017		308,460
2018		308,460
2019		308,460
2020		308,420
	$	1,928,629

NOTE 4 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2015 were as follows:

	Balance 2014	Additions/ Transfers	Deletions/ Transfers	Balance 2015
Non-depreciable assets				
Land	$ 2,644,753	$ 10,248,961	$ -	$ 12,893,714
Construction-in-process	50,497,984	9,509,449	-	60,007,433
Total non-depreciable assets	53,142,737	19,758,410	-	72,901,147
Depreciable assets				
Bulding and improvements	10,283,111	-	-	10,283,111
Utility plant and equipment	38,074,348	-	-	38,074,348
Capacity rights	2,439,604	-	-	2,439,604
Monitoring and injection equipment	18,033,723	3,086,601	-	21,120,324
Service connections	101,420	-	-	101,420
Total depreciable assets	68,932,206	3,086,601	-	72,018,807
Accumulated depreciation and amortization				
Building and improvements	(1,887,917)	(275,374)	-	(2,163,291)
Utility plant and equipment	(13,854,251)	(1,269,145)	-	(15,123,396)
Capacity rights	(732,111)	(81,309)	-	(813,420)
Monitoring and injection equipment	(8,844,866)	(1,001,588)	-	(9,846,454)
Service connections	(84,767)	(2,028)	-	(86,795)
Total accumulated depreciation and amortization	(25,403,912)	(2,629,444)	-	(28,033,356)
Depreciable assets, net	43,528,294	457,157	-	43,985,451
Capital assets, net	$ 96,671,031	$ 20,215,567	$ -	$ $116,886,598

NOTE 4 CAPITAL ASSETS (CONTINUED)

Major capital asset additions during the year include work on various stages of construction projects. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects.

The District engaged in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at year-end are as follows:

		2015
Leo J. Vander Lans Advanced Water Treatment Facility (LJVWTF) expansion	$	40,284,559
Caltans Pipeline		913,182
Goldworthy Desalter		2,220,161
Regional Groundwater Monitoring Program		51,980
Safe Drinking Water Program		716,184
Dominguez Gap Recycled Water Project		804,698
Replenishment operations (Interconnection Pipeline)		300,000
Alamitos Physical Barrier Project		549,441
Groundwater Replenishment Improvement Project (GRIP)		7,054,328
Groundwater Infrastructure		233,246
Environmental Monitoring		594,765
Bond interest for capital projects		6,284,889
Total construction-in-process	$	60,007,433

Capitalized Interest

Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest is capitalized in accordance with GASB No. 34. Interest cost of $2,536,065 was capitalized during the year ended June 30, 2015.

NOTE 5 COMPENSATED ABSENCES

Changes in compensated absences were as follows:

Balance at beginning of year	$	361,783
Earned by employees		153,227
Payments to employees		(146,842)
Balance at end of year		368,168
Less current portion		(158,858)
Long-term portion	$	209,310

NOTE 6 LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2015 were as follows:

	Balance 2014	Additions	Deletions	Balance 2015
Certificate of participation (2004)	$ 13,000,000	$ -	$ (405,000)	$ 12,595,000
Certificate of participation (2008)	16,905,000	-	(345,000)	16,560,000
Certificate of participation (2011)	69,195,000	-	(1,060,000)	68,135,000
	99,100,000	-	(1,810,000)	97,290,000
Bond discount	(407,288)	-	16,853	(390,435)
Bond premium	1,455,356	-	(54,069)	1,401,287
	$ 100,148,068	$ -	$ (1,847,216)	$ 98,300,852

Certificates of Participation
On November 9, 2004, the District executed and issued certificates of participation in the amount of $15,410,000 to provide funds for the acquisition, construction and installation of certain clean water and replenishment projects and the purchase of a building which serves as the District's headquarters. In addition, a portion of the funds were used to pay certain costs incurred in connection with the execution and delivery of the certificates and to fund a reserve fund for the outstanding certificates. Interest is payable semiannually on August 1st and February 1st of each year while principal payments are made on August 1st each year, commencing August 1, 2007, with interest rates ranging from 2.5% to 5%. The revenue certificates of participation are collateralized by a pledge of District revenues. At June 30, 2015, the principal outstanding was $12,595,000.

On December 1, 2008, the District issued certificates of participation amounting to $18,365,000, payable in annual installments from August 1, 2009 through August 1, 2038. Interest rates range from 3.75% to 5.25%, payable beginning February 1, 2009. The agreement is between the District and the Southern California Water Replenishment Financing Corporation, with US Bank serving as trustee. Amounts on deposit shall be applied to finance the acquisition, construction and installation of certain clean water and replenishment projects and the purchase of a building which serves as the District's headquarters. The revenue certificates of participation are collateralized by a pledge of District revenues. At June 30, 2015, the principal outstanding was $16,560,000.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Following are the five capital improvement projects financed from the certificates of participation proceeds:

- Upgrades and improvements to the Water Treatment Facility
- Construction of safe drinking water wellhead treatment units
- Construction of San Gabriel River rubber dams
- Construction of trunk line capacity for the Desalter and Water Treatment Facility
- Acquisition and construction of the District's headquarters

On August 19, 2011, the District issued 2011 Water Revenue certificates of participation amounting to $69,195,000, payable in installments starting from August 1, 2014 through August 1, 2038. Interest rates range from 3% to 5.25% payable semiannually, beginning February 1, 2012. The proceeds from the sale of the certificates will be used to (1) finance the acquisition, construction and installation of certain clean water and replenishment projects for the District, (2) fund the reserve fund for the certificates, (3) fund capitalized interest through August 1, 2012, and (4) pay costs of issuance of the certificates. The projects to be financed by the proceeds are: (1) the LJVWTF Expansion Project, (2) the GRIP Facility, (3) the Regional Groundwater Monitoring Program, (4) the Safe Drinking Water Program, and (5) the Groundwater Infrastructure Improvements. At June 30, 2015, the principal outstanding was $68,135,000.

Fiscal Year	Principal	Interest	Total
2016	$ 1,875,000	$ 4,676,031	$ 6,551,031
2017	1,945,000	4,607,172	6,552,172
2018	2,020,000	4,532,862	6,552,862
2019	2,105,000	4,447,070	6,552,070
2020	2,195,000	4,357,153	6,552,153
2021-2025	12,500,000	20,261,479	32,761,479
2026-2030	15,820,000	16,939,856	32,759,856
2031-2035	20,190,000	12,578,031	32,768,031
2036-2040	26,165,000	6,596,231	32,761,231
2041-2042	12,475,000	629,988	13,104,988
Total	$ 97,290,000	$ 79,625,873	$ 176,915,873
Less current portion	1,875,000		
Total non-current	$ 95,415,000		

Accrued interest amounted to approximately $2.0 million as of June 30, 2015.

NOTE 7 UNEARNED REVENUE

The City of Long Beach prepaid its water replenishment assessment per the terms of a groundwater banking agreement between the District and the City of Long Beach. This revenue became earned income during the year ended June 30, 2014. There was no income earned from this agreement during the year ended June 30, 2015.

NOTE 8 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 $8.0 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 has advanced the $8.0 million to the District to fund the proposed pipeline project. As of June 30, 2015, the District has spent $2,659,132 on the project, leaving an unexpended balance of $5,340,868.

NOTE 9 DEFERRED INFLOWS OF RESOURCES

During the year ended June 30, 2012, the District implemented certain provisions of GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, specifically the accounting for rate–regulated activities which allows deferral of the recognition of revenues until the related costs or charges associated with the rates assessed is incurred. The balance of Deferred Revenue – Replenishment Assessments of $13.9 million as of June 30, 2015, pertains to assessments that were deferred until the related costs of water supply management are incurred. Pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, these amounts were reported as deferred inflows of resources in the Statement of Net Position. See Notes 12 and 13 related to deferred inflows of resources related to GASB No. 68.

NOTE 10 NET INVESTMENT IN CAPITAL ASSETS

The balance of net investment in capital assets at June 30 was composed of the following:

		2015
Capital assets, net	$	**116,886,598**
Certificates of participation:		
Current portion		**(1,875,000)**
Noncurrent portion		**(96,425,852)**
Unspent debt proceeds		**28,444,554**
Net investment in capital assets	$	**47,030,300**

NOTE 11 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. Unaudited market value of all plan assets held in trust at June 30, 2015 was $2,565,552.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

NOTE 12 DEFINED BENEFIT PENSION PLAN

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 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 a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street, Sacramento, California 95811.

Funding Policy

The contribution requirements of the Plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. Under the Public Employees’ Pension Reform Act (PEPRA) of 2013, the District pays the member contribution to CalPERS (8% of annual covered salary) for employees. New members hired on or after January 1, 2013 are required to contribute at least 50% of their normal pension cost.

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2015 was 17.80%, for classic members. Required employer contribution rate for new members is 7% for the fiscal year ended June 30, 2015.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension
As of June 30, 2015, the District reported net pension liability for its proportionate shares of the net pension liability of the Plan as follows:

	June 30, 2015
Proportionate share of net pension liability	$ 2,857,450
Total net pension liability	$ 2,857,450

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.1284%
Proportion - June 30, 2014	0.1156%
Change	-0.0128%

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the District recognized pension expense of $518,863. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 904,036	$ -
Differences between actual and expected experience	-	-
Changes in assumption	-	-
Changes in employer's proportion	-	(175,100)
Differences between the employer's contributions and the employer's proportionate share of contributions	146,584	-
Net differences between projected and actual earnings on plan investments	-	(960,235)
Total	$ 1,050,620	$ (1,135,335)

$904,036 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year Ended June 30	Amount
2016	$ (250,243)
2017	(250,243)
2018	(248,206)
2019	(240,059)
2020	-

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions
The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by Entry Age and Service
(2) Net of pension plan investment and administrative expenses, including inflation
(3) Derived using CALPERS' Membership data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate
The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed the methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns.

The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.50%
Net Pension Liability	$ 5,091,093
Current Discount Rate	7.50%
Net Pension Liability	$ 2,857,450
1% Increase	8.50%
Net Pension Liability	$ 1,003,739

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2015, the District did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 13 PUBLIC AGENCY RETIREMENT SYSTEM (PARS) 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). 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.

Funding Policy

The District is required to contribute the actuarially determined amounts necessary to fund the benefits for the participants. Contribution amounts are determined by an actuarial study performed every two years.

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

As of June 30, 2015, the District reported net pension liability (asset) for its proportionate shares of the net pension liability (asset) of the plan as follows:

	June 30, 2015
Proportionate share of net pension liability (asset)	$ (104,534)
Total net pension liability (asset)	$ (104,534)

The District's net pension liability (asset) for the Plan is measured as the proportionate share of the net pension liability (asset). The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2015, the District recognized pension expense of $13,748. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

NOTE 13 PUBLIC AGENCY RETIREMENT SYSTEM (PARS) PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ -	$ -
Differences between actual and expected experience	-	-
Changes in assumption	-	-
Changes in employer's proportion	-	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	11,755	-
Total	$ 11,755	$ -

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

Year Ended June 30	Amount
2016	$ 2,939
2017	2,939
2018	2,939
2019	2,938
2020	-

NOTE 13 PUBLIC AGENCY RETIREMENT SYSTEM (PARS) PLAN (CONTINUED)

Actuarial Assumptions
The total pension liability (asset) in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	5.50%
Inflation	3.00%
Payroll Growth	3.00%
Projected Salary Increase	3.00%
Investment Rate of Return	5.50%
Mortality	(1)
Post-Retirement Benefit Increase	3.00%

(1) Consistent with the rates used to value the CalPERS plan

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a 2014 actuarial experience study for the period 1997 to 2011 with an assumed base year of 2008 and full generational improvements using scale AA.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+(b)
Cash	6.53%	0.53%	0.53%
Core Fixed Income	79.43%	2.03%	1.90%
Broad U.S. Equities	10.18%	5.64%	4.25%
Developed Foreign Equities	2.98%	6.31%	4.58%
Emerging Market Equities	0.88%	8.56%	5.11%
	100.00%		

(a) An expected inflation of 2.48% used for this period.
(b) An expected inflation of 2.40% used for this period.

NOTE 13 PUBLIC AGENCY RETIREMENT SYSTEM (PARS) PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate

1% Decrease		4.50%
Net Pension Liability (Asset)	$	(73,434)
Current Discount Rate		5.50%
Net Pension Liability (Asset)	$	(104,534)
1% Increase		6.50%
Net Pension Liability (Asset)	$	(129,907)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PARS financial reports.

Payable to the Pension Plan

As of June 30, 2015, the District did not have outstanding amount of contributions to the plan required for the year ended June 30, 2015.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in Note 12 and Note 13, the District provides single-employer postemployment healthcare benefits to qualified employees who meet the District's Public Employees Retirement System (PERS) current plan requirements. The following requirements outline the criteria that must be met by District employees in order to be eligible for these benefits:

a. 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.
b. Employees hired on or after December 20, 2001 qualify for postemployment benefits if they retire at age 55 or older with 12 or more years of service.

The District's contribution is currently based on a projected pay-as-you-go funding method, that is, benefits are payable when due. For the year ended June 30, 2015, the District paid $608,583 in postemployment health care benefits, net of retiree contributions, and had 13 eligible employees in each year.

GASB adopted Statement No. 45 in 2004, which addresses *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. Along with other agencies with total annual revenues of $10 million or more but not over $100 million, the District implemented the GASB 45 OPEB reporting requirements beginning in fiscal year 2008-2009.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Eligible participants in the plan at July 1, 2013, the date of the latest actuarial valuation are as follows:

Retirees receving benefits		13
Active/full-time employees		35
	Total	48

Refer to Required Supplementary Information on page 46 for the three-year Schedule of Funding Progress of the Plan.

The actuarial method used in estimating the liability is the entry age normal actuarial cost method. Under the entry age normal actuarial cost method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or service of individuals between entry age and the assumed exit age(s). The portion of the Actuarial Present Value (APV) of the postemployment benefits attributed to past service is called the Actuarial Accrued Liability (AAL). The significant assumptions in the computation include a discount rate of 6.73% (formerly 7.06%) , healthcare cost trend rate of 8.25% for January 1, 2016 decreasing by 0.25% through 2028 and 5.0% thereafter, an inflation rate of 8.25% for participants under 65 and 5.75% for those over 65 years of age, and an annual increase in payroll of 3.25%.

The following table shows the components of the District's annual Other Postemployment Benefits (OPEB) cost for the year (based on 30-year amortization using the level percentage of projected payroll), the amount of contribution and benefits and/or insurance premiums actually paid and the District's Net OPEB obligation as of June 30, 2015:

	2015
Annual required contribution	**$ 613,777**
Interest on net OPEB obligation	**(21,199)**
Adjustment to ARC	**19,693**
Annual OPEB cost	**612,271**
Contribution (including benefit payments)	**(608,583)**
Increase (decrease) in net OPEB obligation	**3,688**
Net OPEB obligation (prepayment) - beginning of year	**(303,954)**
Net OPEB obligation (prepayment) - end of year	**$ (300,266)**

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed a closed 30-year period. The amortization method used in the valuation is the level percentage of projected payroll method.

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 was:

Fiscal Year End	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Prepayment)
6/30/2013	$ 801,228	$ 3,741,160	467%	$ (300,266)
6/30/2014	587,502	591,190	101%	(303,954)
6/30/2015	612,271	608,583	99%	(300,266)

Based on the latest Actuarial Study of the District's Postemployment Healthcare Program, as of July 1, 2015, the Unfunded Actuarial Accrued Liability (UAAL) ratio to covered payroll was 109%. During the year ended June 30, 2014 the District opened an irrevocable trust. The District contributed $608,583 to the plan for the year ended June 30, 2015.

Refer to Required Supplementary Information on page 46 for the plan's Schedule of Funding Progress.

NOTE 15 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, 2015, 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 $2,000,000, combined single limit at $2,000,000 per occurrence. The District purchased additional excess coverage layers: $58 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

- Employee dishonesty coverage up to $100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages. The District purchased additional coverage of $1,000,000, which increases the limit on the insurance coverage noted above.

NOTE 15 RISK MANAGEMENT (CONTINUED)

- Property loss is paid based on the replacement cost for the property on file. If the property is replaced within two years after the loss or otherwise paid on an actual cash value basis, to a combined total of $150 million per occurrence it is subject to a $2,500 deductible per occurrence. The District has a total insurable value of $38,026,207.

- Boiler and machinery coverage for the replacement cost up to $150 million per occurrence, subject to various deductibles 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 year ended June 30, 2015. 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). There were no IBNR claims payable as of June 30, 2015.

NOTE 16 COMMITMENTS

San Gabriel River Rubber Dams
In April 2004, the Board of Directors approved funding assistance to the Los Angeles County Department of Public Works for the construction of two rubber dams in the San Gabriel River. The dams will potentially capture additional storm water that could result in savings to the District. The District approved funding of the project for an amount not-to-exceed twenty-five percent of the project costs or $1.14 million, whichever is less. Funding is expected to be paid from the District's bond offering.

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 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.

NOTE 16 COMMITMENTS (CONTINUED)

Water Purchase Agreement

On February 18, 2014, the District approved a water purchase agreement with Central Basin Municipal Water District (CBMWD) for the purchase of 60,000 AF of untreated tier 1 imported water for a total cost of $40,000,000.

The agreement shall expire upon the fulfillment of the purchase of the 60,000 AF of water from CBMWD or upon the fifth (5^{th}) anniversary of the effective date, whichever comes first. The District purchased $8,700,000 of untreated tier 1 imported water during the year ended June 30, 2015 leaving $31,300,000 to be purchased under the agreement.

Basin Improvement Project Funding Agreement

On May 1, 2015, the District approved a settlement agreement with the cities of Bellflower, 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 part of the agreement, the District shall fund $5,000,000 in basin improvement projects of these cities within seven years from the effective date of the agreement.

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 $9.9 million of open construction contracts as of June 30, 2015.

The contracts outstanding include:

Project Name	Total Approved Contract	Construction Costs to-date	Balance to Complete
LJVWTF expansion	$ 37,470,432	$ 37,403,340	$ 67,092
Goldsworthy Desalter	5,619,548	1,967,622	3,651,926
Caltrans Pipeline	745,698	745,698	-
Regional Groundwater Monitoring Program	9,727,708	9,727,708	-
Groundwater Infrastructure	1,021,000	228,905	792,095
Safe Drinking Water Program	730,000	683,901	46,099
Dominguez Gap Recycled Water Project	477,944	477,944	-
Interconnection Pipeline	3,800,000	3,800,000	-
Alamitos Physical Barrier Project	385,517	385,517	-
Groundwater Replenishment Improvement Project	9,646,167	5,136,180	4,509,987
Environmental Monitoring	1,099,470	535,601	563,869
Scada System Master	279,949	-	279,949
	$ 71,003,433	$ 61,092,416	$ 9,911,017

NOTE 16 COMMITMENTS (CONTINUED)

Operating Leases

The District has entered into an operating lease for land which does not contain a purchase option. Rental expense was $142,962 for the year ended June 30, 2015.

Future minimum annual fixed rentals required during the years 2016 through 2020 under this lease are:

2016	$ 87,244
2017	62,862
2018	43,643
2019	43,643
2020	25,459
	$ 262,851

NOTE 17 PROP 218 CASE

The District is currently defending a series of cases in Los Angeles Superior Court based on claims that it failed to comply with the requirements under Prop 218 when imposing its annual replenishment assessments (RAs). These cases seek refunds of the RAs paid. The District denies that Prop 218 is applicable to its adoption of an annual RA and intends to vigorously defend against these cases.

- *Tesoro Refining v. Water Replenishment District of Southern California,* Case No. BS134239, and *Tesoro Refining and Marketing Company v. Water Replenishment District of Southern California,* Case No. BS139830. Tesoro challenges the RAs imposed from 2006-2007 to 2011-2012 based on Prop 218 and non-Prop 218 theories. At the Writ stage, the court ruled for the plaintiff indicating that the District was required to comply with Prop 218, but withheld the issuance of the Writ and judgment thereon until the remaining claims are adjudicated by the trial court.

Pursuant to a joint request of the parties, the February 2, 2015 trial date was vacated. At the June 16, 2015 trial setting conference, trial was set for July 11, 2016 with final status conference set for June 30, 2016. Currently, the Parties are engaged in efforts to resolve the litigation through a negotiated settlement.

NOTE 18 CONTINGENCIES

Litigation

The District is a defendant in other various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District, the resolution of these matters will not have a 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 19 PRIOR PERIOD ADJUSTMENTS

The beginning balance of the District's net position has been restated to reflect the following adjustments:

Net position at beginning of year	$	73,283,344
Prior period adjustments:		
Adjustment to record retroactive effect of as reported implementing GASB Statement No. 68		(3,214,691)
Net position at beginning of year, as restated	$	70,068,653

The net position balance was restated to retroactively report the net pension liability as of the beginning of the fiscal year as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

NOTE 20 SUBSEQUENT EVENTS

On December 10, 2015, the District priced $148,345,000 of Replenishment Assessment Revenue Bonds and anticipates the bonds closing on December 28, 2015. The bonds were rated AA+ from both Standard & Poor's and Fitch Ratings. The bonds will refinance the District's outstanding 2004, 2008 and 2011 debt and include new money of $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 services payment and mature in 2045.

Other than noted above, the District has evaluated events or transactions through December 24, 2015, the date on which the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no other subsequent matters require disclosure or adjustment to the accompanying financial statements.

NOTE 21 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the District.

GASB No. 72 - ***Fair Value Measurement and Application***. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

NOTE 21 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

GASB No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016.

GASB No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined.

In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016.

GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.

- Explanations of how and why the OPEB liability changed from year to year will improve transparency.

NOTE 21 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.

- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return.

- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.

- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms.

- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over defined, closed period, rather than a choice between an open or closed period.

The provision of this Statement are effective for financial statements for periods beginning after June 15, 2017.

GASB No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the abatements have on a government's financial position and economic condition.

NOTE 21 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015.

GASB No. 77 - *Tax Abatement Disclosures.* The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Required Supplementary Information

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Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Accrued Liability [(B) – (A)] (UAAL) (C)	Funded Ratio [(A) / (B)]	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2011	$ -	$ 5,508,234	$ 5,508,234	0%	$ 3,100,000	178%
7/1/2013	3,582,005	7,136,080	3,554,075	50%	3,200,000	111%
7/1/2015	4,927,094	8,516,179	3,589,085	58%	3,300,000	109%

Proportion of the net pension liability (asset)		0.04592%
Proportionate Share of the net pension liability (asset)	$	2,857,450
Covered - employee payroll [(1)]	$	3,679,116
Proportionate Share of the net pension liability (asset) as percentage of covered-employee payroll		77.67%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		83.03%
Plan's Proportionate Share of Aggregate Employer Contributions [(2)]	$	378,030

Notes to Schedule

1 Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

2 The Plan’s proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period. The Plan’s proportionate share of aggregate employer contributions is based on the Plan’s proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Proportionate Share of the net pension liability (asset)	$	(104,534)
Covered - employee payroll [(1)]	$	88,771
Proportionate Share of the net pension liability (asset) as percentage of covered-employee payroll		(117.76%)
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		141.71%
Plan's Proportionate Share of Aggregate Employer Contributions [(2)]	$	13,748

Notes to Schedule

[1] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[2] The Plan’s proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period. The Plan’s proportionate share of aggregate employer contributions is based on the Plan’s proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Contractually required contribution (actuarially determined)	$	576,966
Contributions in relation to the actuarially determined contributions		(576,966)
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	3,679,116
Contributions as a percentage of covered-employee payroll		15.68%

Notes to Schedule

Valuation date	June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses: includes inflation
Retirement age	57 yrs.
Mortality Rate Table	Derived using CalPERS' membership Data for all funds

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Contractually required contribution (actuarially determined)	$	3,257
Contributions in relation to the actuarially determined contributions		(17,390)
Contribution deficiency (excess)	$	(14,133)
Covered-employee payroll	$	88,771
Contributions as a percentage of covered-employee payroll		19.59%

Notes to Schedule

Valuation date	June 30, 2014
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	8.5 years as of valuation date
Asset valuation method	None
Inflation	3.00%
Salary increases	3.00%
Investment rate of return	5.50%
Retirement age	All TIER 1 participants assumed to retire upon attaining retirement eligibility and age 60. All TIER 2 participants: 67 years
Mortality Rate Table	Consistent with the Non-Industrial rates used to value the CalPERS plans.

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Statistical Section

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

Table of Contents

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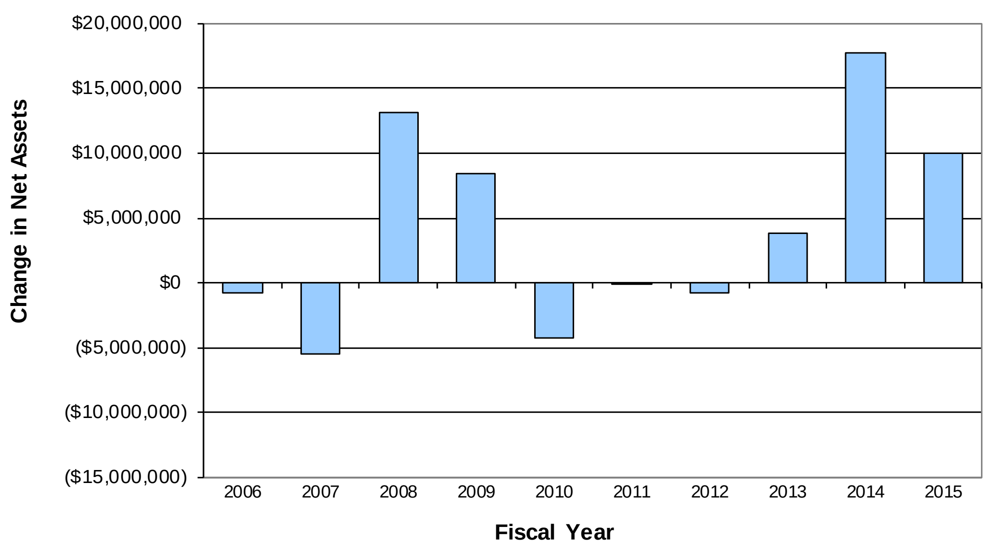
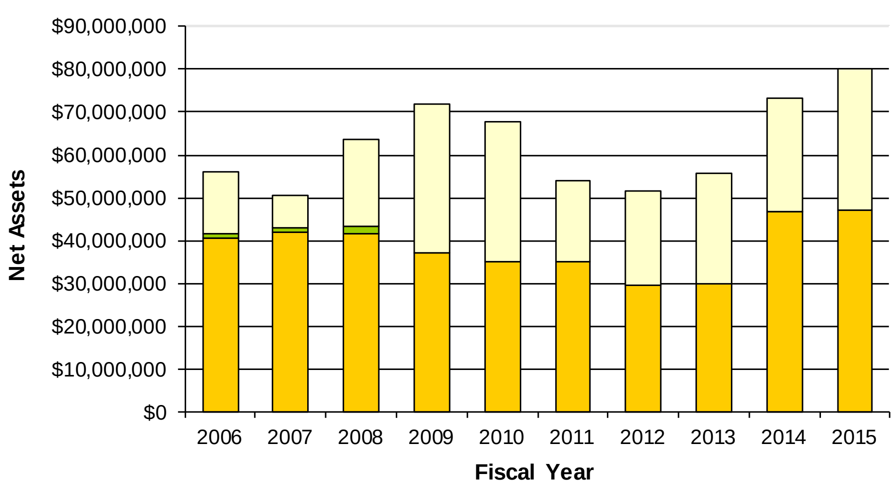
		2006	2007	2008
Changes in net assets:				
Operating revenues (see Schedule 2)	$	32,861,119	34,541,889	39,132,053
Operating expenses (see Schedule 3)		(33,793,189)	(39,817,101)	(24,576,237)
Overhead absorption		854,305	958,150	-
Depreciation and amortization		(1,800,675)	(1,846,275)	(2,304,366)
Operating income(loss)		(1,878,440)	(6,163,337)	12,251,450
Non-operating revenues(expenses)				
Property taxes, net of collection expenses		131,978	450,001	456,702
Investment income/(loss)		479,332	1,126,993	692,431
Interest Expense		-	-	-
Election costs		-	(1,094,665)	(570,547)
Other revenue/(expense), net		11,883	58,679	182,611
Net non-operating revenues (expenses)		623,193	541,008	761,197
Net income before capital contributions		(1,255,247)	(5,622,329)	13,012,647
Capital contributions		498,414	148,577	97,516
Changes in net assets	$	(756,833)	(5,473,752)	13,110,163
Net assets by component:				
Invested in capital assets, net of related debt	$	40,601,432	41,938,718	41,757,258
Restricted		986,555	989,332	1,447,030
Unrestricted		14,358,187	7,544,372	20,378,297
Total net assets	$	55,946,174	50,472,422	63,582,585

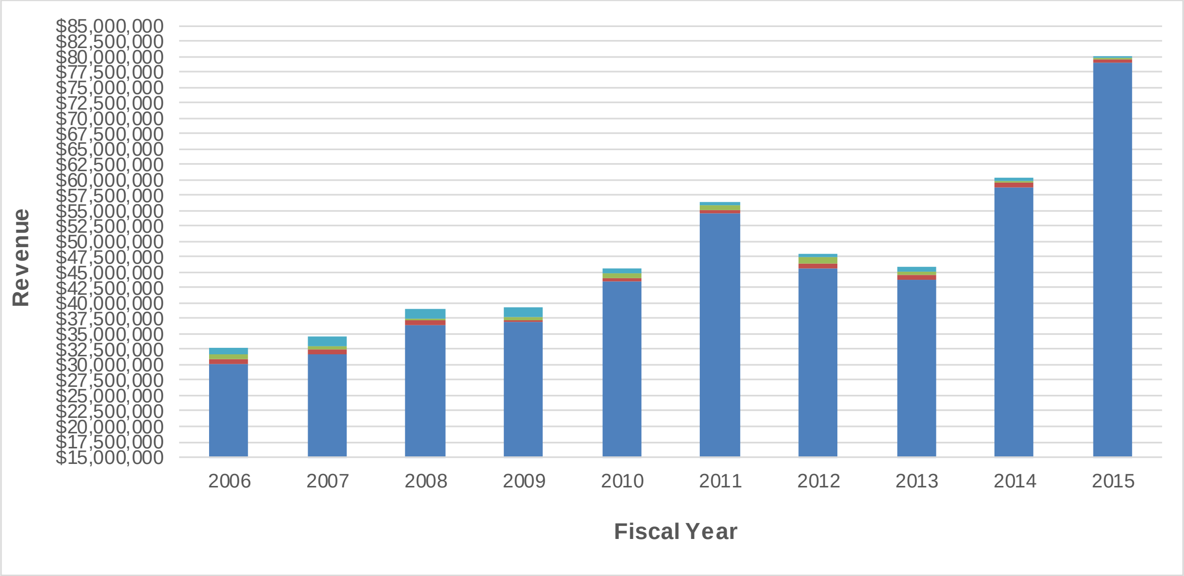


Source: Water Replenishment District Accounting Department

Fiscal Year						
2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
39,335,102	45,601,400	56,284,385	48,121,854	46,003,068	60,386,705	80,154,123
(28,362,636)	(46,705,411)	(52,788,111)	(44,170,360)	(38,868,302)	(44,086,875)	(69,991,319)
-	-	-	-	-	-	-
(2,256,077)	(2,324,791)	(2,394,968)	(2,446,962)	(2,495,964)	(2,537,023)	(2,629,444)
8,716,389	(3,428,802)	1,101,306	1,504,532	4,638,802	13,762,807	7,533,360
493,625	446,160	481,874	476,937	606,562	544,319	581,180
521,171	234,908	128,575	121,351	259,644	244,961	163,704
(1,013,099)	(1,183,999)	(1,170,199)	(3,802,841)	(3,935,225)	(3,130,364)	(2,144,351)
(511,638)	(450,000)	(1,008,030)	-	-	-	(1,397,597)
180,482	131,199	100,761	144,530	170,406	45,682	4,102,881
(329,459)	(821,732)	(1,467,019)	(3,060,023)	(2,898,613)	(2,295,402)	1,305,817
8,386,930	(4,250,534)	(365,713)	(1,555,491)	1,740,189	11,467,405	8,839,177
9,284	60,577	348,943	752,468	2,107,865	6,207,226	1,109,714
8,396,214	(4,189,957)	(16,770)	(803,023)	3,848,054	17,674,631	9,948,891
37,305,026	34,945,659	35,110,097	29,781,357	29,824,873	46,797,968	47,030,300
-	-	-	-	-	-	
34,673,773	32,843,183	18,952,155	21,979,302	25,783,840	26,485,376	32,987,244
71,978,799	67,788,842	54,062,252	51,760,659	55,608,713	73,283,344	80,017,544

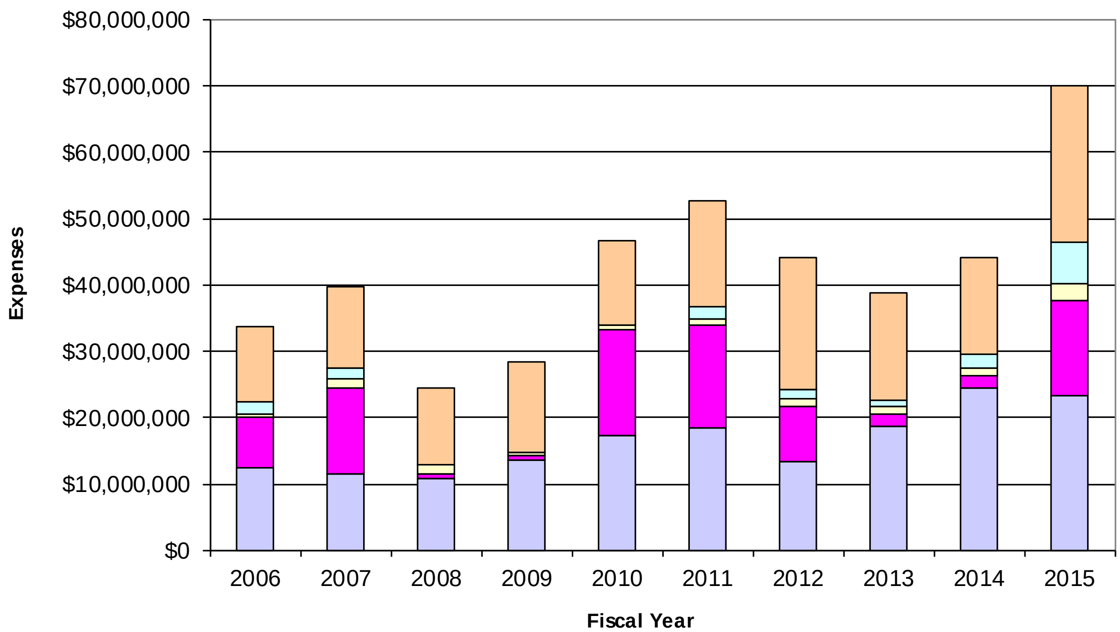


Fiscal Year	Water Replenishment Assessment	Desalter Assessments	Water Treatment Subsidies	Other Operating Revenue	Total Operating Revenue
2006	$ 30,131,602	$ 772,067	$ 681,026	$ 1,276,424	$ 32,861,119
2007	31,613,924	904,186	562,977	1,460,802	34,541,889
2008	36,482,271	606,380	476,491	1,566,911	39,132,053
2009	36,877,706	316,986	598,110	1,542,300	39,335,102
2010	43,452,025	554,734	726,375	868,266	45,601,400
2011	54,470,197	621,099	695,293	497,796	56,284,385
2012	45,571,109	913,204	894,411	743,130	48,121,854
2013	43,710,697	868,531	591,292	832,548	46,003,068
2014	58,665,579	840,559	377,650	502,917	60,386,704
2015	79,085,428	517,963	182,649	368,083	80,154,123



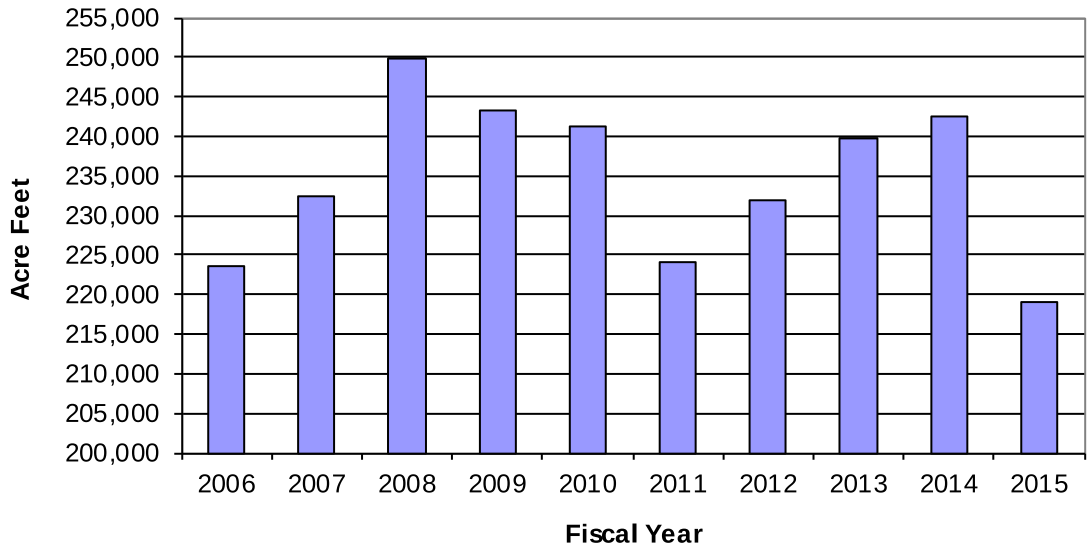
Source: Water Replenishment District Accounting Department

Fiscal Year		Water Purchases Injecting		Water Purchases Spreading		Connection Fees		In-lieu Replenishment		General and Administrative		Total Operating Expenses
2006	$	12,521,505	$	7,559,361	$	520,595	$	1,830,941	$	11,360,787	$	33,793,189
2007		11,514,199		13,022,679		1,437,392		1,421,149		12,421,682		39,817,101
2008		10,819,502		720,160		1,379,127		-		11,657,448		24,576,237
2009		13,623,824		601,706		536,011		-		13,601,095		28,362,636
2010		17,406,851		15,808,953		796,787		-		12,692,820		46,705,411
2011		18,552,696		15,405,518		911,745		1,937,484		15,980,668		52,788,111
2012		13,466,495		8,285,830		1,146,511		1,314,384		19,957,140		44,170,360
2013		18,599,786		2,021,060		1,187,540		888,692		16,171,224		38,868,302
2014		24,496,761		1,780,436		1,285,551		2,028,005		14,496,122		44,086,875
2015		23,385,697		14,325,715		2,586,820		6,241,887		23,451,200		69,991,319



Source: Water Replenishment District Accounting Department

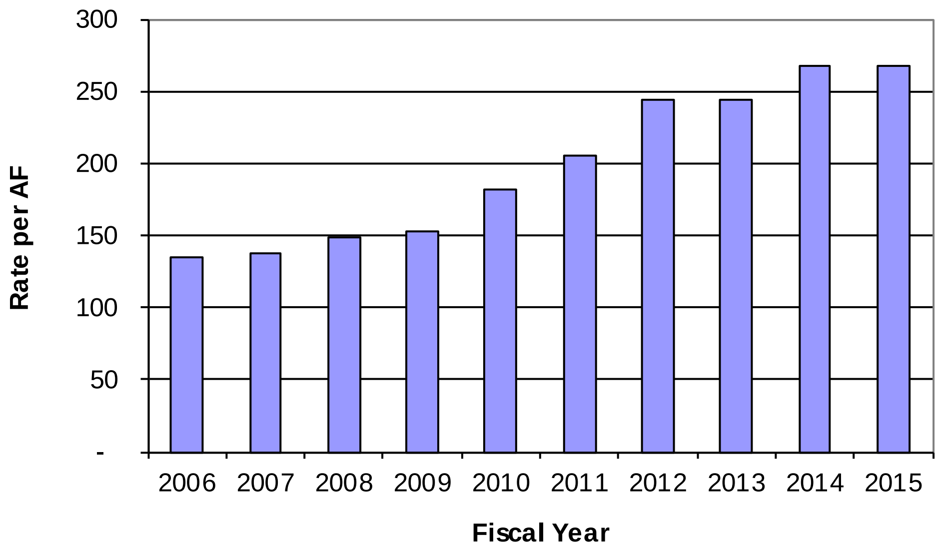
Fiscal Year	Water Pumped (Acre Feet)
2006	223,626
2007	232,518
2008	249,873
2009	243,251
2010	241,198
2011	224,158
2012	231,815
2013	239,691
2014	242,545
2015	219,068



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

Source: Water Replenishment District Accounting Department

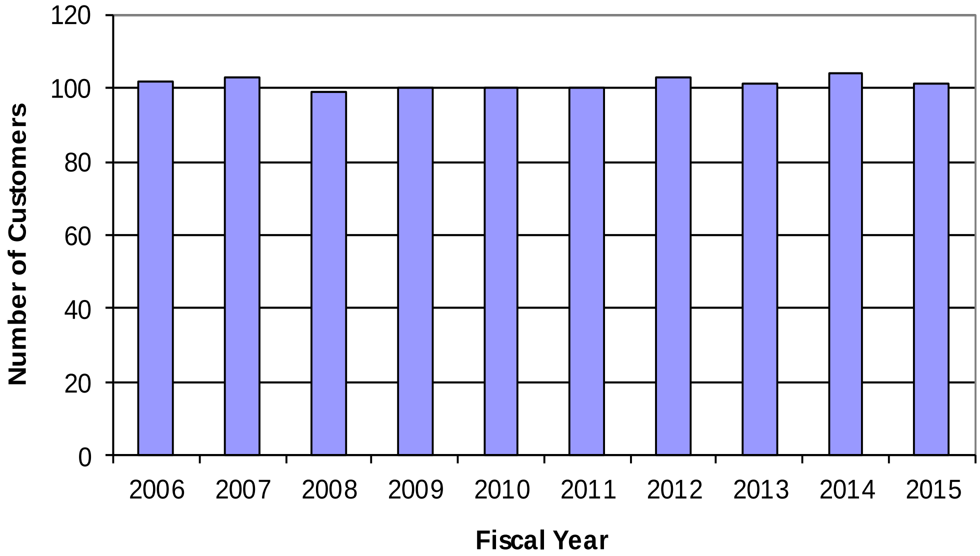
Fiscal Year	Rate per AF
2006	135
2007	138
2008	149
2009	153
2010	182
2011	205
2012	244
2013	244
2014	268
2015	268



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

Source: Water Replenishment District Accounting Department

Fiscal Year	Number of Pumpers
2006	102
2007	103
2008	99
2009	100
2010	100
2011	100
2012	103
2013	101
2014	104
2015	101



Source: Water Replenishment District Accounting Department

Note: Number of customers as of June 30 of fiscal year.

Number of Customers

In previous years, the reported number of customers varied based on different methods of counting individual pumpers and/or w ater rights holders.

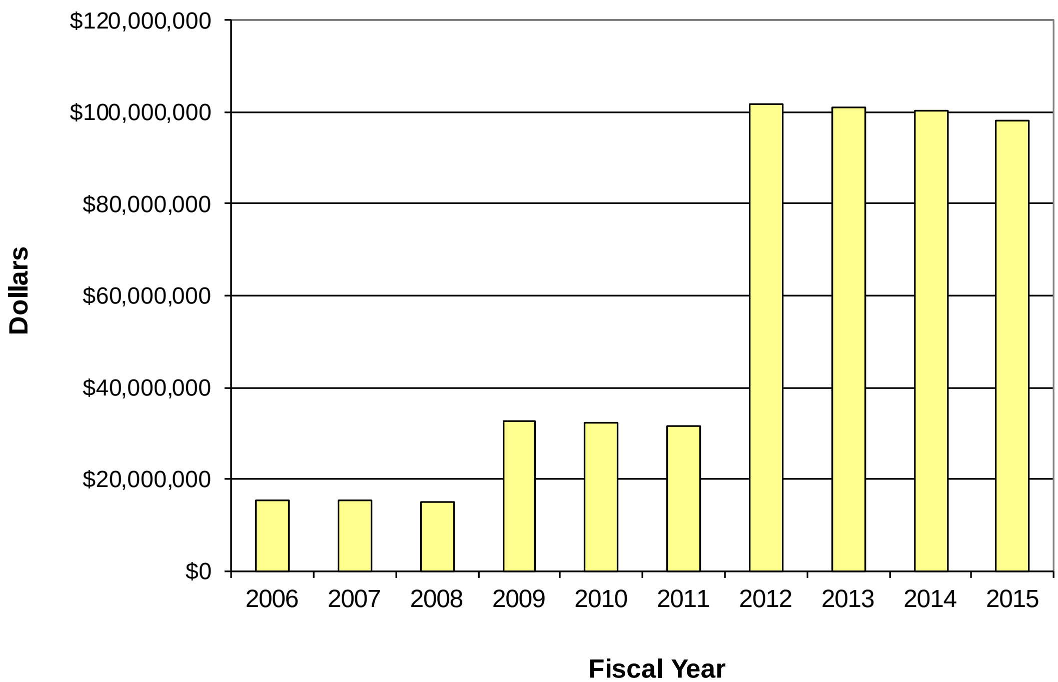
* For example, in some years, California Water Service Company w as counted only once, w hile in other years, they w ere counted multiple times for each of their divisions in the Central and West Coast Basins

In order to eliminate the variability in the number of customers and provide a more consistent count, w e performed a review of our historical pumping table and identified all unique account numbers (aka Alpha Numbers) that had production greater than zero during each Fiscal Year. A revised summary of this count is provided above.

	2015		2006	
Customer	**Water Pumped (AF)**	**Percentage of Total**	**Water Pumped (AF)**	**Percentage of Total**
Golden State Water Company	31,031	14%	28,456	13%
Long Beach, City of	21,771	10%	23,455	10%
Downey, City of	15,030	7%	17,434	8%
California Water Service Company	16,725	8%	13,137	6%
Lakewood, City of	8,670	4%	9,234	4%
Los Angeles Department of Water & Power	6,948	3%	13,290	6%
Cerritos, City of	7,809	4%	12,028	5%
South Gate, City of	7,947	4%	10,295	5%
Compton, City of	7,381	3%	5,248	2%
Vernon, City of	6,632	3%	7,819	3%
Total	129,944	59%	140,395	63%
Total Water Consumed (Acre Feet)	219,068	100%	223,626	100%

Source: Water Replenishment District Accounting Department

		Total		
Fiscal Year	**Certificates of Participation**	**Debt**	**Per Capita**	**As a Share of Personal Income**
2006	15,410,000	15,410,000	1.58	0.003995%
2007	15,410,000	15,410,000	1.59	0.003849%
2008	15,100,000	15,100,000	1.55	0.003617%
2009	32,658,447	32,658,447	3.33	0.008319%
2010	32,175,300	32,175,300	3.27	0.007981%
2011	31,552,153	31,552,153	3.19	0.007496%
2012	101,632,500	101,632,500	10.20	0.023458%
2013	100,920,284	100,920,284	10.13	0.022784%
2014	100,148,068	100,148,068	10.00	0.021954%
2015	98,300,852	98,300,852	9.66	0.019656%



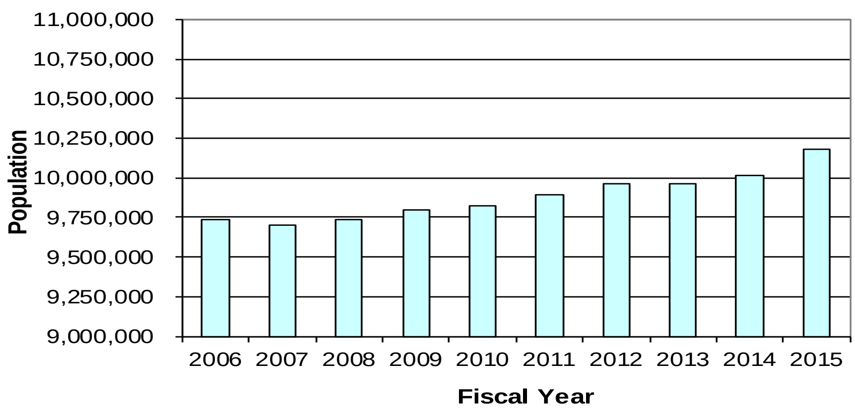
Source: Water Replenishment District Accounting Department

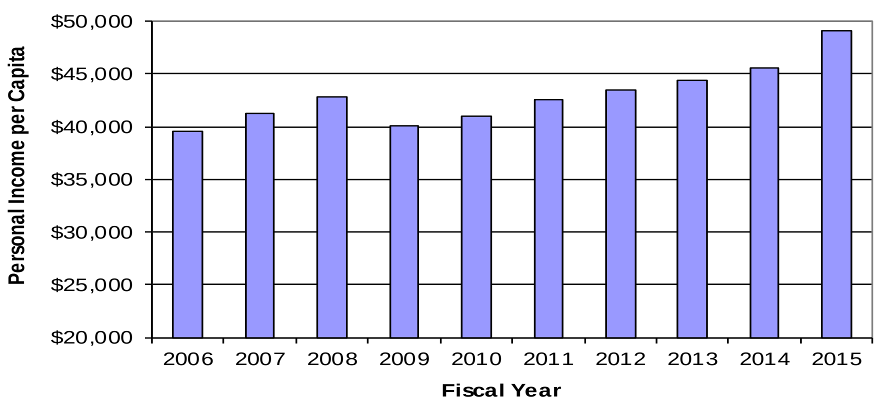
Fiscal Year	Net Revenues (2)	Operating Expenses (1)	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage Ratio
2006	$ 33,484,312	$ (33,793,189)	$ (308,877)	$ -	$ 653,314	$ 653,314	(3.35)
2007	35,082,897	(39,817,101)	(4,734,204)	-	654,931	654,931	(16.64)
2008	39,893,250	(24,576,237)	15,317,013	310,000	647,827	957,827	15.99
2009	39,005,643	(28,362,636)	10,643,007	315,000	764,408	1,079,408	9.86
2010	44,779,668	(46,705,411)	(1,925,743)	500,000	1,642,081	2,142,081	(0.90)
2011	55,166,309	(52,788,111)	2,378,198	640,000	1,616,331	2,256,331	1.05
2012	45,814,299	(44,170,360)	1,643,939	695,000	3,648,519	4,343,519	0.38
2013	45,212,320	(38,868,302)	6,344,018	675,000	4,815,932	5,490,932	1.16
2014	64,298,529	(44,086,875)	20,211,654	735,000	4,788,544	5,523,544	3.66
2015	80,154,123	(69,991,319)	10,162,804	1,810,000	4,743,381	6,553,381	1.55

Notes:
(1) Operating expenses exclude depreciation expense
(2) Net revenues is made up of total operating revenues, net nonoperating revenue (expense) and total capital contributions from the statements of revenue, expenses, and changes in net position.

Source: Water Replenishment District Accounting Department

Year	Unemployment Rate (1)	Population (2)	Personal Income (thousands of dollars) (2)	Personal Income per Capita (2)
2006	4.7%	9,737,955	$ 385,724,212	$ 39,610
2007	4.9%	9,700,359	400,366,343	41,273
2008	7.2%	9,735,147	417,454,378	42,881
2009	11.7%	9,797,400	392,579,855	40,111
2010	12.4%	9,826,773	403,144,483	41,025
2011	12.5%	9,889,056	420,913,463	42,564
2012	11.1%	9,962,563	433,261,902	43,489
2013	9.6%	9,962,789	442,935,636	44,459
2014	8.2%	10,017,068	456,177,277	45,540
2015	7.3%	10,181,140	500,117,959	49,122





Notes:
(1) Only County data is updated annually. Therefore, the District has chosen to use its data since the District believes that the County data is representative of the conditions and experience of the District.
Sources: California Department of Finance and CaliforniaLaborMarketInfo, Los Angeles Business Journal, FRED Economic Data - St. Louis Fed

(2) Per capita personal income was computed using Census Bureau midyear population estimates and Real Per Capita Income estimates from CalGovVs Los Angeles County Economic Forecast. All state and local area dollar estimates are in current dollars (not adjusted for inflation).
Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, CalGov.com/Los Angeles County Economic Forecast

Largest Public Companies (1)

The Walt Disney Company
DirecTV Group
Health Net
Edison International
Jacobs Engineering Group
Farmers Insurance Exchange
Reliance Steel & Aluminum Company
Molina Healthcare, Inc
Cbre Group, Inc
AECOM Technology

(1) Ranked by 2014 sales volume
Source: Fortune Magazine, Los Angeles Almananc

Largest Private Companies (2)

Platinum Equity
Capital Group of Companies
Consolidated Electrical Distributors
Parsons
Forever 21 Inc.
Newegg Inc.
Roll Global LLC
Smart & Final
Guitar Center

(2) Ranked by 2011 sales volume
S**ource:** Forbes Magazine, Los Angeles Almanac

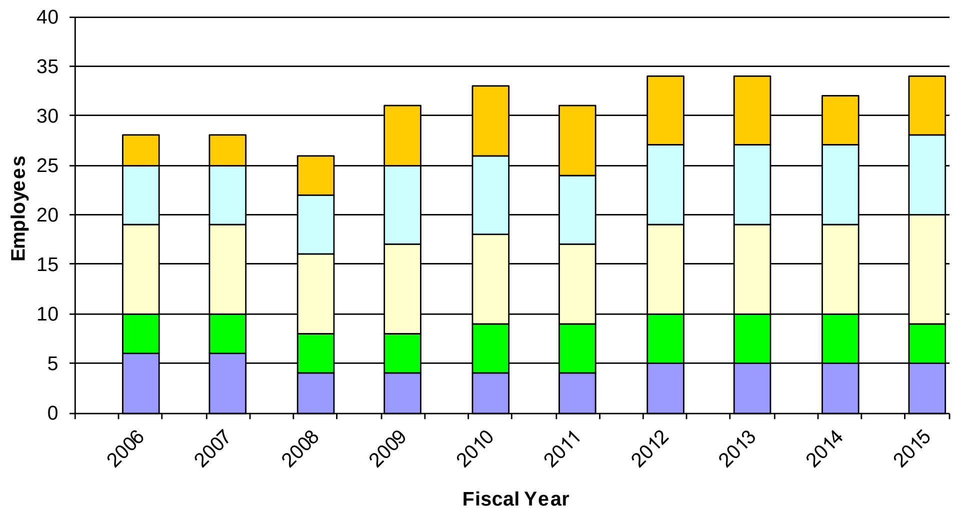
Largest Employers (3)

County of Los Angeles
Los Angeles Unified School District
City of Los Angeles (Including DWP)
University of California, Los Angeles
Federal Government
Kaiser Permanente
State of California (non-education)
Northrop Grumman Corp.
Target Corp.
Providence Health & Services
University of Southern California
Kroger Co. (Ralphs, Food 4 Less)
Bank of America

(3) Ranked by 2014 number of employees in Los Angeles County
Source: California Employment Development Department,
the Los Angeles Business Journal, and Almanac research

Employees

Department	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration	6	6	4	4	4	4	5	5	5	5
Finance	4	4	4	4	5	5	5	5	5	4
Engineering	9	9	8	9	9	8	9	9	9	11
Hydrogeology	6	6	6	8	8	7	8	8	8	8
External Affairs	3	3	4	6	7	7	7	7	5	6
Total	28	28	26	31	33	31	34	34	32	34



Other Operating and Capacity Indicators

Fiscal Year	Number of Groundwater Pumps	Acre Feet Injected
2006	378	20,918
2007	372	24,363
2008	367	26,287
2009	370	25,996
2010	366	28,400
2011	372	27,408
2012	373	19,023
2013	361	23,277
2014	365	30,075
2015	353	28,881

Sources: Water Replenishment District Engineering and Accounting Departments

Note:
Number of Wells
In previous years, the count of the number of production wells was based on wells labeled as "Active" in our wells database table, 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.

Report of Independent Auditors on Internal Controls and Compliance

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Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water Replenishment District of Southern California (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 24, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vasquez & Company LLP

Los Angeles, California
December 24, 2015

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