THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2016 and 2015

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Prepared by:

Office of the Chief Financial Officer

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal i
GFOA Certificate of Achievement viii
Organization Chart ix
Board of Directors x

FINANCIAL SECTION

Independent Auditor's Report 1
Management's Discussion and Analysis (Unaudited) 3
Basic Financial Statements:
- Statements of Net Position 16
- Statements of Revenues, Expenses, and Changes in Net Position 19
- Statements of Cash Flows 20
- Notes to Basic Financial Statements 23

Required Supplementary Information (Unaudited) 85

STATISTICAL SECTION (Unaudited)

Table 1: Ten-Year Summary of Net Position by Component – Accrual Basis 89
Table 2: Ten-Year Summary of Changes in Net Position – Accrual Basis 90
Table 3: Ten-Year Summary of Water Sales Revenues by Component – Accrual Basis 91
Table 4: Ten-Year Summary of Water Sales Rate Structure 92
Table 5: Principal Water Sales Customers – Accrual Basis 93
Table 6: Ten-Year Summary of Property Tax Levies and Collections – Cash Basis 94
Table 7: Ten-Year Summary of Assessed Valuations and Property Tax Rates 95
Table 8: Ten-Year Summary of Assessed Valuation Within Metropolitan's Service Area - By Counties 96
Table 9: Ten-Year Summary of Ratios of General Obligation Debt to Net Assessed Valuations, Total Outstanding Debt to Total Household Income, and Amounts of Total and Net Outstanding Debt per Capita 97
Table 10: Direct and Overlapping Bonded Debt as of June 30, 2016 98
Table 11: Ten-Year Summary of Legal Debt Margin Information 99
Table 12: Ten-Year Summary of Revenue Bond Debt Service Coverage 100
Table 13: Ten-Year Summary of Demographic Statistics 101
Table 14: Principal Employers within Service Area 102
Table 15: Ten-Year Summary of Operating Information 103
Table 16: Projects Completed as of June 30, 2016 104
Table 17: Major Construction Contracts in Progress as of June 30, 2016 – Accrual Basis 105

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Executive Office

December 15, 2016

Chairman and Members of the Board of Directors,

The Metropolitan Water District of Southern California:

We are pleased to present the Comprehensive Annual Financial Report for The Metropolitan Water District of Southern California (Metropolitan) for the fiscal years ended June 30, 2016 and 2015.

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

Macias Gini & O'Connell LLP, an independent public accounting firm, has issued an unmodified opinion on Metropolitan's basic financial statements for the fiscal years ended June 30, 2016 and 2015. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of Metropolitan

Metropolitan is a public agency and a quasi-municipal corporation, which was created by an act of the state Legislature in 1928. Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member public agencies. Most member agencies have other sources of water. Metropolitan is comprised of 26 member agencies including 14 cities, 11 municipal water districts, and one county water authority, which collectively serve the residents and businesses of more than 300 cities and numerous unincorporated communities. Its service area spans some 5,200 square miles, and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura.

Metropolitan has historically provided between 40 and 60 percent of the water used by approximately 18.7 million Southern Californians who reside within its service area. Metropolitan imports water from two principal sources, Northern California, via the California Aqueduct, and the Colorado River, via the Colorado River Aqueduct owned by Metropolitan.

Metropolitan is governed by a 38-member Board of Directors (Board), with each member agency having at least one representative on the Board. Representation and voting rights are based upon the assessed valuation of real property within the jurisdictional boundary of each member agency. The Board elects the Chair and Secretary, and the Vice Chairs are appointed by the Chair. Generally, Board officers are limited to two consecutive two-year terms.

Metropolitan had approximately 1,752 full time employees in fiscal year 2016 under the administrative direction of General Manager Jeffrey Kightlinger and management staff. Employees are represented by the American Federation of State, County and Municipal Employees, Locals 1001 and 1902, the Association of Confidential Employees, and the Supervisors Association of Metropolitan. Metropolitan is an equal opportunity employer and encourages diversity in contracting and in the workforces of Metropolitan contractors.

Financial Policies and Highlights

Metropolitan has a comprehensive set of financial policies. These policies set forth comprehensive guidelines to maintain control and accountability over revenue and expenses, maintain a reasonable balance between debt and assets in providing funding for capital assets, and ensure proper appropriation of reserves and restricted funds.

Rate Stabilization

Metropolitan's reserve policy currently provides for a minimum unrestricted reserve balance at June 30 of each year that is based on probability studies of the wet periods that affect Metropolitan's water sales. The policy establishes a minimum targeted unrestricted reserve level based on an 18-month revenue shortfall estimate and a target level based on an additional two years revenue shortfall estimate. Funds representing the minimum reserve level are held in the Revenue Remainder Fund, and any funds in excess of the minimum reserve level are held in the Water Rate Stabilization Fund.

Metropolitan established the Water Rate Stabilization Fund for the principal purpose of maintaining stable and predictable water rates and charges. Funds above the target reserve level may be utilized for funding of capital expenditures, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper, as determined by the Board. If Metropolitan's fixed charge coverage ratio, which measures the total coverage of all fixed obligations (which includes all revenue bond debt service obligations, State Water Contract capital payments paid from current year operation and subordinate obligations) after payment of operating expenses, is at or above 1.2 times, funds above the target may be used for any lawful purpose of Metropolitan, as determined by the Board.

Investment

Annually, the Board adopts an investment policy that is in compliance with the California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board to Metropolitan's Treasurer who assumes full responsibility for the transactions of the investment program, which includes the investment of bond proceeds and debt service reserves. Metropolitan's investments are in compliance with the adopted investment policy. Refer to Note 3 in the Notes to the Basic Financial Statements for detailed investment information.

Ad Valorem Tax

In addition to water sales revenues, Metropolitan is expressly empowered under the Metropolitan Water District Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations. As a result of legislation enacted in 1984, tax levies beginning in fiscal year 1990-91, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan's general obligation bonds and Metropolitan's proportionate share of state general obligation bond debt service under the State Water Contract. However, under the terms of the 1984 legislation, the Board may, following a public hearing, suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. During fiscal years 2014-15 and 2015-16, the Board suspended the tax rate limitations and maintained the rate at the rate levied since fiscal year 2012-13 to pay a portion of State Water Contract costs other than debt service.

Budget and Rates

Metropolitan's budget system incorporates features of program budgeting, management by objectives, and performance reporting, which provides for funding, analysis, review, and control. Operating budgets are prepared by each group and department biennially. Each program and its required resources are reviewed by management and, upon acceptance, are incorporated into the overall budget for approval by the Board. Costs are maintained by project and activity, and expenditures are controlled by Board-approved appropriations.

The adopted biennial budget for fiscal years 2014-15 and 2015-16 met the fixed charge coverage target, provided increased funding from revenues for the Capital Investment Plan, and promoted the long-term fiscal sustainability goals of Metropolitan. The total budgets for fiscal years 2014-15 and 2015-16 were $1.89 billion and $1.93 billion, respectively.

Each month, variances between budget estimates and actual receipts and expenditures are identified and evaluated. This review is performed as one of several control measures to assure progress in meeting Metropolitan's goals and program objectives.

Metropolitan's budgetary accounting method is done on a modified accrual basis. The modified accrual basis of accounting that Metropolitan uses varies from the accrual basis of accounting in the following respects: depreciation and amortization are not recorded and payments of debt service are recorded when due and payable. Under the modified accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned and available and certain expenses are recognized when incurred.

Metropolitan's Economic Condition

Local Economy

Metropolitan's service area has an economic base that is diversified and well positioned to participate in U.S. and world economic growth over the next ten years. In 2015, the economy of the six county area served by Metropolitan (Six County Area) was larger than all but twelve nations of the world, ranking between Australia and the Russian

Federation, with an estimated gross domestic product of $1.34 trillion[1]. In 2015, the major sectors of the economy providing employment in the Six County Area were education and health services; professional and business services, which include architecture, design, computer, research and development, advertising, legal, accounting, and internet-related and management services; government; leisure and hospitality; and retail trade and manufacturing. Educational and health services and leisure and hospitality have shown the largest growth since 2007[2]. The Six County Area has an above-average share of four additional fast-growing sectors – wholesale trade and transportation, tied to the area's projected growth in foreign trade; information which includes motion pictures; and the tourism component of leisure and hospitality, tied to growth in disposable income in the U.S. and worldwide. Longer-term, international trade has been a leading growth sector in the Six County Area, with Los Angeles and Long Beach ports being the nation's leading port complex in terms of trade volume.

The Six County Area has an employed labor force of approximately 9.0 million. The Six County Area had 21.9 million residents in 2016, approximately 56 percent of the State's population. High housing prices and large job losses have contributed to slowing population growth since 2005, yet the population grew by 1.8 million residents between 2000 and 2010. It is anticipated that the Six County Area's population will increase to 25.6 million by 2040.

Long-term Financial Planning

Metropolitan currently has several major construction projects underway. These projects involve expansion and rehabilitation of existing facilities and construction of new facilities to meet future water demands, ensure system reliability as well as enhance operational efficiency, and comply with water quality regulations. The estimated cost, excluding contingencies, of Metropolitan's capital investment plan for the fiscal years ending June 30, 2017 through 2021 totals approximately $1.00 billion, as set forth in the adopted biennial budget for fiscal years 2016-17 and 2017-18, including escalations for inflation of 2.77 percent per year for projects for which formal construction contracts have not been awarded.

Metropolitan's capital investment plan is regularly reviewed and updated. Implementation and construction of specific elements of the program are subject to Board approval, and the amount and timing of borrowings will depend upon, among other factors, status of construction activity and water demands within Metropolitan's service area. Major projects in the capital investment plan are highlighted below.

Funding of the capital investment plan is accomplished with external and internal resources. The Board has adopted an internal funding objective to fund 60 percent of capital program expenditures required for replacements and refurbishments of Metropolitan facilities from current revenues. The amount of internal funding is determined by the Board as part of the biennial budget process. The remainder of capital program expenditures is funded primarily through the issuance of water revenue bonds payable from net operating revenues. Additional information on Metropolitan's capital investment plan can be found in Note 9g of the Notes to the Basic Financial Statements.

[1] Source: Countries – World Bank; U.S. Bureau of Economic Analysis; California and Six County Area – U.S. Department of Commerce.
[2] Source: California Employment Development Department (EDD).

Highlights of the Capital Investment Plan

Oxidation Retrofit Facilities. The oxidation retrofit facilities program includes the design and construction of oxidation facilities and appurtenances at all of Metropolitan's treatment plants. This program is intended to allow Metropolitan to meet drinking water standards for disinfection by-products and reduce taste and odor incidents. The first phase of the oxidation retrofit program, at Henry J. Mills Treatment Plant in Riverside County, was completed in 2003. Oxidation retrofit at the Joseph Jensen Treatment Plant was completed July 1, 2005. Oxidation retrofit at the Robert A. Skinner pant was completed in June 2014. Construction at the Robert B. Diemer Treatment Plant was completed in June 2013. All testing and start-up work was completed in 2015 and the new facilities are in full operation. The construction contract for the F.E. Weymouth oxidation facilities, the last Metropolitan treatment plant to be retrofitted was awarded in June 2012 with completion expected in 2017.

F.E. Weymouth Treatment Plant Improvements. The F.E. Weymouth Treatment Plant was built in 1938 and subsequently expanded several times over the following 25 years. It is Metropolitan's oldest water treatment facility. Metropolitan has completed several upgrades and refurbishment/replacement projects to maintain the plant's reliability and improve its efficiency. These include power systems upgrades, a residual solids dewatering facility, refurbishment/replacement of the mechanical equipment in two of the eight flocculation and settling basins, a new plant maintenance facility, new chemical feed systems and storage tanks, replacement of the plant domestic/fire water system, seismic upgrades to the plant inlet structure and filter buildings, and a new chlorine handling containment facility. Planned projects over the next several years include refurbishment of the plant's filters and settling basins, seismic retrofits to the administration building, and replacement of the valves used to control filter operation.

Robert B. Diemer Treatment Plant Improvements. The Robert B. Diemer Treatment Plant was built in 1963 and subsequently expanded in 1968. It is Metropolitan's second oldest water treatment facility and has a capacity to treat 520 million gallons of water a day. Several upgrades and refurbishment/replacement projects have been completed at the Diemer plant including power systems upgrades, a new residual solids dewatering facility, new vehicle and plant maintenance facilities, new chemical feed systems and storage tanks, a new chlorine handling containment facility, construction of a roller-compacted concrete slope stabilization system and a new secondary access road. Planned projects over the next several years include refurbishment of the plant's settling basins, seismic retrofits to the filter buildings and administration building, and replacement of the valves used to control filter operation.

Colorado River Aqueduct (CRA) Facilities. Deliveries through the CRA began in 1941. Through annual inspections and maintenance activities, the performance and reliability of the various components of the CRA are regularly evaluated. A major overhaul of the pump units at the five pumping plants was completed in 1988. Refurbishment or replacement of many of the electrical system components, including the transformers, circuit breakers and motor control centers, is currently under way. Projects completed over the past 10 years include replacement of high voltage circuit breakers and transformers at the five pumping plant switchyards, refurbishment of operators and power centers on the head gates downstream of the pumping plants, refurbishment/replacement of 15 isolation/ control gates, replacement of cast iron pipe and other components at over 200 outlet structures with stainless steel components, replacement of pumping plant inlet trash racks, replacement of several miles of deteriorated concrete canal liner, and replacement of the outlet gates and appurtenant electrical, mechanical, and control systems at the Copper Basin Reservoir. Additionally, many of the mechanical components at all five pumping plants will be evaluated and replaced or refurbished over the next several years.

Distribution System – Prestressed Concrete Cylinder Pipe. Metropolitan's distribution system is comprised of approximately 830 miles of pipelines ranging in diameter from 30 inches to over 200 inches. 163 miles of the distribution system is made up of prestressed concrete cylinder pipe (PCCP). In response to PCCP failures experienced by several water agencies, Metropolitan initiated the PCCP Assessment Program in December 1996 to evaluate the condition of Metropolitan's PCCP lines and investigate inspection and refurbishment methods. As a result, Metropolitan has identified and made repairs to several sections of PCCP. Rather than continue to make spot repairs to pipe segments, Metropolitan has initiated a long-term capital program to rehabilitate approximately 100 miles of PCCP in five pipelines. This rehabilitation, which is currently planned to consist of relining the pipelines with a steel liner, will be performed in stages to minimize delivery impacts to customers. Priority lining repairs have begun on portions of the Second Lower Feeder and Sepulveda Feeder. Completion of all repairs on Second Lower Feeder and Sepulveda Feeder is anticipated to take 12 to 15 years. Design for rehabilitation of the remaining four pipelines will be initiated over the next several years.

Distribution System – Refurbishments and Improvements. In addition to the long-term program to rehabilitate Metropolitan's PCCP lines, several other components of the distribution system are being refurbished and/or improved. Past and ongoing projects to ensure the reliability of the distribution system, primarily due to age, include multiple replacements or refurbishments of isolation and control valves and gates, refurbishment to pressure control and hydroelectric power facilities, and various other upgrades.

Major Initiatives

Metropolitan faces a number of challenges in providing adequate, reliable, and high quality water supply for southern California. These challenges include population growth in Metropolitan's service area, increased competition for low-cost water supplies, variable weather conditions, increased environmental regulations, and climate change. Metropolitan's resources and strategies for meeting these long-term challenges are identified in its Integrated Water Resources Plan (IRP).

The Board-adopted IRP was developed by Metropolitan, its member agencies, sub-agencies, and groundwater basin managers with the purpose of balancing local and imported water resources to meet the water supply reliability and water quality needs for the service area in a cost-effective and environmentally sound manner. On January 12, 2016, the IRP was updated (2015 IRP Update) enabling Metropolitan and its member agencies to manage future challenges and changes in California's water conditions and to balance investments with water reliability benefits. The 2015 IRP Update seeks to provide regional reliability by stabilizing Metropolitan's traditional imported water supplies and continuing to develop additional conservation programs and local resources. It also advances long-term planning for potential future contingency resources.

Metropolitan will continue to add storage and conservation resources to its diverse water supply portfolio as well as focus on water quality improvements, including the completion of the treatment process retrofit to ozone as the primary disinfectant at its water treatment plants. In addition, Metropolitan will work to stabilize its traditional imported water supplies. Commitment of the resources to achieve these goals will enable Metropolitan to meet its member agencies' and the region's water reliability and quality needs in a fiscally responsible manner.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the twenty-second consecutive year that Metropolitan has received this prestigious award. In order to be awarded a Certificate of Achievement, Metropolitan published an easily readable and efficiently organized CAFR. This report satisfies both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Office of the Assistant General Manager/Chief Financial Officer. I would like to express my appreciation to all staff that assisted and contributed to the preparation of this report. Credit must also be given to the General Manager and the Board for their unfailing support for maintaining the highest standards of professionalism in the management of Metropolitan's finances. Any questions regarding the content of this report may be directed to the Controller, Hal Soper III (213) 217-7505.

Respectfully,

Gary Breaux
Assistant General Manager/Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Metropolitan Water District of Southern California

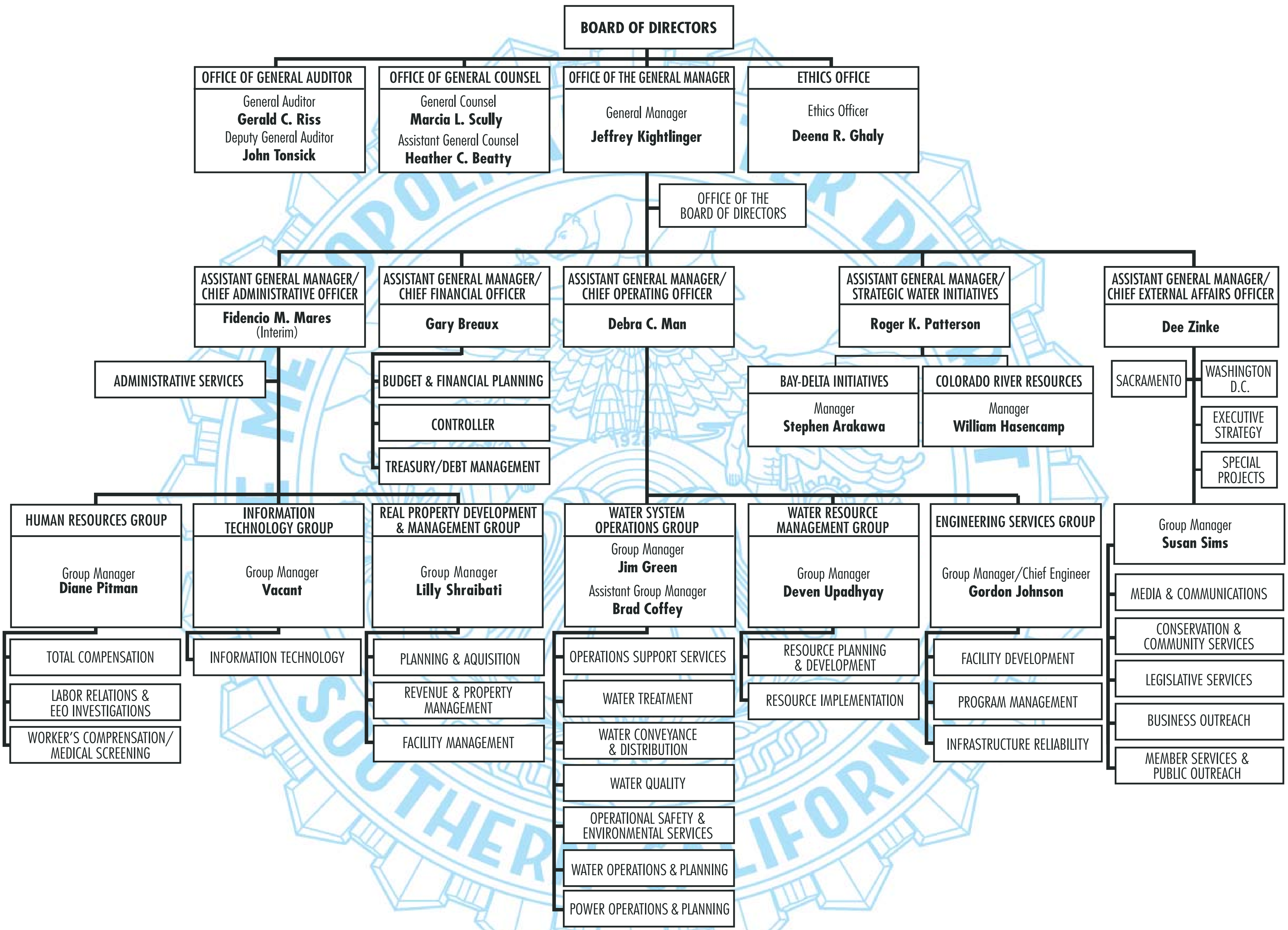
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Jeffrey R. Emer

Executive Director/CEO

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



As of June 30, 2016

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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(As of June 30, 2016)

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Independent Auditor's Report

To the Board of Directors
The Metropolitan Water District of Southern California:

We have audited the accompanying financial statements of the Metropolitan Water District of Southern California (Metropolitan) as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Metropolitan'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Metropolitan Water District of Southern California, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1(q) to the basic financial statements, effective July 1, 2014, Metropolitan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 9(h) to the basic financial statements, San Diego County Water Authority (SDCWA) has filed various lawsuits against Metropolitan challenging Metropolitan's rates and charges effective 2011 to 2018. On November 8, 2015, the Superior Court of California, County of San Francisco (the Court) issued a final judgment and a peremptory writ of mandate in favor of SDCWA with respect to certain of these cases awarding SDCWA $188.3 million in damages and $46.6 million of prejudgment interest for a total judgment of $234.9 million plus $8.9 million of attorney fees. Metropolitan has filed various appeals challenging the above judgments and writs and these judgments and writs are stayed while the appeals are pending. Metropolitan is unable to assess at this time the likelihood of success of this litigation, the appeal or any future claims. Further, as the estimated liability is indeterminable at this time, no amounts have been presently recorded in the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and information related to the pension and other postemployment benefit plans on pages 3–15 and 85–87, respectively, 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 Metropolitan's basic financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Macias Gini & O'Connell LLP

Newport Beach, California
October 14, 2016

The following discussion and analysis of The Metropolitan Water District of Southern California's (Metropolitan) financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2016 and 2015. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

Metropolitan operates as a utility enterprise and maintains its accounting records in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. The statements of net position include all of Metropolitan's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, some of which is restricted in accordance with bond covenants or other commitments. The statements of revenues, expenses and changes in net position report all of Metropolitan's revenues and expenses during the periods indicated. The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes and investment income, and cash used for construction projects, State Water Project costs and principal and interest payments on borrowed money. Certain amounts reported in fiscal years 2015 and 2014 have been reclassified to conform to the fiscal year 2016 presentation. Such reclassification had no effect on the previously reported change in net position.

During the fiscal year ended June 30, 2015, Metropolitan implemented Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which addresses the accounting and financial reporting for pensions. Metropolitan also implemented Governmental Accounting Standards Board Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which resolves transition issues in GASB 68. Metropolitan did not restate the financial statements for the fiscal year ended June 30, 2014 because the necessary actuarial information from the California Public Employees' Retirement System was not provided for fiscal year 2014. As of July 1, 2014, Metropolitan restated beginning net position in the amount of $491.0 million to record the beginning deferred pension contributions and net pension liability.

CONDENSED FINANCIAL INFORMATION

Condensed Schedule of Net Position

	June 30,		
	2016	2015	2014
(Dollars in millions)		As Adjusted [1]	
Assets and deferred outflows of resources			
Capital assets, net	**$ 10,339.4**	$ 10,098.1	$ 10,104.6
Other assets and deferred outflows of resources	**2,237.9**	2,388.0	2,362.7
Total assets and deferred outflows of resources	**12,577.3**	12,486.1	12,467.3
Liabilities and deferred inflows of resources			
Long-term liabilities, net of current portion	**5,011.3**	4,950.9	4,767.1
Current liabilities and deferred inflows of resources	**882.2**	653.5	499.2
Total liabilities and deferred inflows of resources	**5,893.5**	5,604.4	5,266.3
Net position			
Net investment in capital assets, including State Water Project costs	**5,772.4**	5,700.8	5,593.0
Restricted	**382.8**	442.0	319.3
Unrestricted	**528.6**	738.9	1,288.7
Total net position	**$ 6,683.8**	$ 6,881.7	$ 7,201.0

[1] *Related to the adoption of GASB 68 and GASB 71.*

Capital Assets, Net

Net capital assets include plant, participation rights, and construction work in progress, net of accumulated depreciation and amortization.

Fiscal Year 2016 Compared to 2015. At June 30, 2016, net capital assets totaled $10.3 billion, or 81.8 percent, of total assets and deferred outflows of resources, and were $241.3 million higher than the prior year. The increase was primarily due to a $256.4 million Board approved land purchase in the Palo Verde Irrigation District (PVID) in July 2015. Additional increase included Metropolitan's continued expenditures on the capital investment plan and net capital payments for participation rights in the State Water Project. This increase was offset by depreciation and amortization. Capital expenditures during fiscal year 2016 included $105.2 million of participation rights in State Water project and other facilities and $229.4 million (including $24.7 million of capitalized interest) of construction work in progress (CIP) net of the land purchase. See the capital assets section below for additional information.

Fiscal Year 2015 Compared to 2014. At June 30, 2015, net capital assets totaled $10.1 billion, or 80.9 percent, of total assets and deferred outflows of resources, and were $6.5 million lower than the prior year. In fiscal year 2015, Metropolitan reassessed the useful lives of its plant assets and determined that the future benefit of certain assets was less than previously expected therefore the carrying value of the assets were adjusted resulting in additional depreciation expense of $104.4 million. This net decrease represents Metropolitan's continued expenditures on the capital investment plan and net capital payments for participation rights in the State Water Project, offset by depreciation and amortization. In fiscal year 2015, total capital expenditures included $124.3 million of participation rights in State Water Project and other facilities and $221.7 million in CIP (including $22.5 million of capitalized interest). See the capital assets section below for additional information.

Other Assets and Deferred Outflows of Resources

Other assets and deferred outflows of resources include accounts receivable, inventories, prepaid costs, deferred outflows related to loss on bond refundings and swap terminations, deferred outflows related to the net pension liability, deferred outflows for effective interest rate swaps, and cash and investments.

Fiscal Year 2016 Compared to 2015. At June 30, 2016, other assets and deferred outflows totaled $2.2 billion and were $150.1 million lower than the prior year. Included in the decrease were $129.2 million of lower cash and investments and $45.7 million of lower deposits, prepaid costs, and other primarily due to $42.6 million of lower prepaid water costs or 227.2 thousand acre-feet (TAF). These decreases were offset by $22.8 million more of water inventory due to an increase in water storage of 144.5 TAF and $22.8 million of higher deferred outflows of effective swaps due to a decrease in fair value of interest rate swaps.

Fiscal Year 2015 Compared to 2014. At June 30, 2015, other assets and deferred outflows totaled $2.4 billion and were $25.3 million higher than the prior year. Included in the increase were $108.4 million of higher cash and investments and $34.3 million of deferred outflows for pension contribution due to the implementation of GASB 68 and GASB 71. These increases were offset by $65.2 million of lower water sales receivable as fiscal year 2015 May and June sales were 81.9 TAF less than the prior year's comparable months. In addition, water inventory decreased by $27.8 million and prepaid water costs decreased by $26.5 million due to a reduction in water storage of 312.6 TAF.

Long-term Liabilities, Net of Current Portion

Long-term liabilities, net of current portion include long-term debt, customer deposits and trust funds, net pension liability, postemployment benefits other than pensions (OPEB), accrued compensated absences, obligations for off-aqueduct facilities, workers' compensation and third party claims, fair value of interest rate swaps, and other long-term obligations.

Fiscal Year 2016 Compared to 2015. At June 30, 2016, long-term liabilities, net of current portion, totaled $5.0 billion and were $60.4 million higher than the prior year. The increase included $72.8 million more of net pension liability due to the decrease of actual pension plan investment earnings as compared to the prior year, offset by $34.3 million of employer contributions. In addition, fair value of interest rate swaps increased $22.8 million due to lower interest rates as compared to the prior year. These increases were offset by $39.8 million of lower long-term debt, net of current portion as $87.4 million of self-liquidity bonds became current when the Revolving Credit Agreement (RCA) expired in March 2016. See the long-term debt section below for additional information.

Fiscal Year 2015 Compared to 2014. At June 30, 2015, long-term liabilities, net of current portion, totaled $5.0 billion and were $183.8 million higher than the prior year. The implementation of GASB 68 resulted in the first time recording of a $406.8 million net pension liability. Offsetting this new liability was $160.1 million reduction in long-term debt primarily due to scheduled principal payments of $120.6 million and a $15.7 million principal reduction related to bond refundings, as the new debt issued was less than the amount of debt refunded. In addition, OPEB was $51.8 million lower than the prior year primarily due to $50 million of additional pre-funding approved by the Board in fiscal year 2014 and a $15.0 million decrease in fair value of interest rate swaps due to an increase in the fair value of swaps.

Current Liabilities and Deferred Inflows of Resources

Current liabilities and deferred inflows of resources represent current liabilities that are due within one year and deferred inflows related to the net pension liability. Current liabilities include accounts payable, accrued liabilities, and the current portion of long-term liabilities.

Fiscal Year 2016 Compared to 2015. At June 30, 2016, current liabilities and deferred inflows of resources totaled $882.2 million, and were $228.7 million higher than the prior year primarily due to $250.0 million of revolving notes issued by Metropolitan in fiscal year 2016. In addition, current portion of long-term debt increased $85.0 million as the RCA that covered the $87.4 million 2013 Series D, Special Variable Rate Water Revenue Refunding Bonds expired in March 2016. Offsetting these increases were $69.1 million lower pension related deferred inflows of resources due to $82.3 million lower actual pension plan investment earnings as compared to prior year partially offset by $24.1 million of deferred pension expenses due to change in assumptions and $28.3 million lower accounts payable and accrued expenses, which included $14.9 million less of various vendor costs and $14.9 million less of conservation credits due to customers.

Fiscal Year 2015 Compared to 2014. At June 30, 2015, current liabilities and deferred inflows of resources totaled $653.5 million, and were $154.3 million higher than the prior year. Included in the increase were $109.2 million of deferred inflows of resources, which represents the net difference between projected and actual earnings on pension plan investments that will be amortized as a component of pension expense over the remaining 4 years. In addition, accounts payable and accrued expenses increased as follows: $12.2 million more of various vendor costs, $9.3 million higher State Water Project costs, and $7.4 million more of conservation credits due to customers.

Net Investment in Capital Assets, including State Water Project Costs

Net investment in capital assets, including State Water Project costs include amounts expended for capital improvements and State Water Project, offset by debt issued for these purposes.

Fiscal Year 2016 Compared to 2015. At June 30, 2016, net investment in capital assets, including State Water Project costs totaled $5.8 billion and was $71.6 million more than the prior year. This increase includes $256.4 million of PVID land purchase offset by the reduction in outstanding debt.

Fiscal Year 2015 Compared to 2014. At June 30, 2015, net investment in capital assets, including State Water Project costs totaled $5.7 billion and was $107.8 million more than the prior year primarily due to the reduction in outstanding debt.

Restricted Net Position

Restricted net position includes amounts restricted for debt service payments and operating expenses, both of which are required by bond covenants.

Fiscal Year 2016 Compared to 2015. At June 30, 2016, restricted net position totaled $382.8 million which was $59.2 million lower than fiscal year 2015 primarily due to $63.7 million of lower restricted for debt service.

Fiscal Year 2015 Compared to 2014. At June 30, 2015, restricted net position totaled $442.0 million which was $122.7 million higher than fiscal year 2014. Included in the increase was $91.6 million of higher restricted for debt service primarily due to increased bond interest, principal and reserve requirements as a result of bond refunding transactions during the year. In addition, restricted for other was $31.1 million more than the prior year primarily due to $20.3 million of State Water Project variable power costs payments for July and August of 2015 that were not required in 2014 due to the low water supply allocation.

Unrestricted Net Position

Unrestricted net position consists of net position items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Certain unrestricted net position items have been designated for purposes authorized by the Board.

Fiscal Year 2016 Compared to 2015. Unrestricted net position of $528.6 million decreased $210.3 million from the prior year primarily due to fiscal year 2016 net loss before contributions of $200.0 million.

Fiscal Year 2015 Compared to 2014. Unrestricted net position of $738.9 million decreased $549.8 million from the prior year. In 2015, Metropolitan implemented GASB 68, which resulted in the recording of $406.8 million of net pension liability and deferred inflows of resources of $109.2 million. Partially offsetting this decrease is fiscal year 2015 net income before contributions of $169.4 million.

CHANGES IN NET POSITION

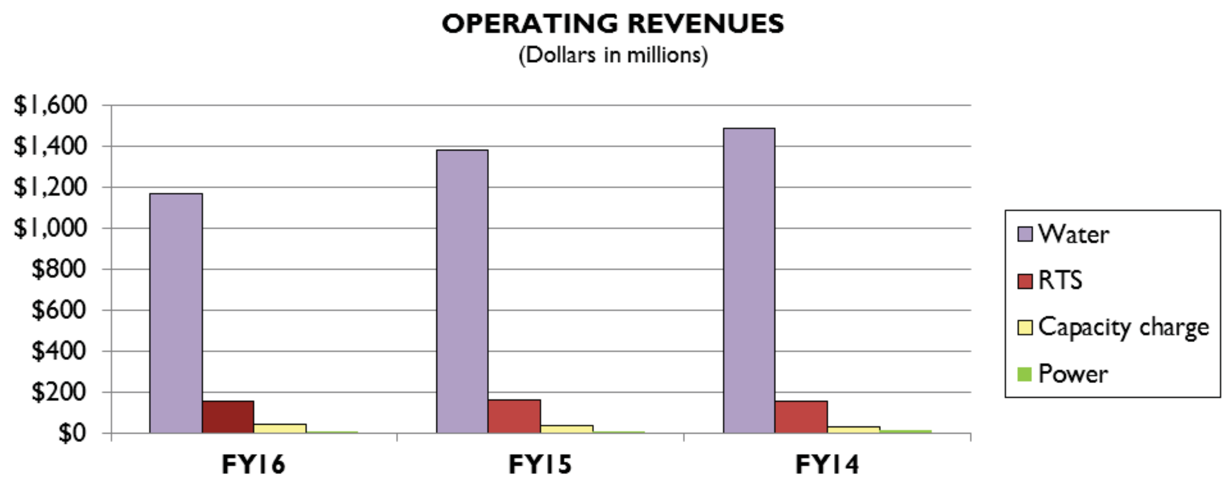
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30,		
	2016	2015	2014
(Dollars in millions)		As Adjusted [1]	
Water sales	**$ 1,166.0**	$ 1,382.9	$ 1,484.6
Readiness-to-serve charges	**155.5**	162.0	154.0
Capacity charge	**44.7**	37.5	28.5
Power sales	**7.5**	8.4	14.6
Operating revenues	**1,373.7**	1,590.8	1,681.7
Taxes, net	**107.9**	102.3	94.5
Investment income (loss)	**19.4**	(3.6)	5.7
Other	**10.2**	5.4	—
Nonoperating revenues	**137.5**	104.1	100.2
Total revenues	**1,511.2**	1,694.9	1,781.9
Power and water costs	**(552.3)**	(473.6)	(510.1)
Operations and maintenance	**(650.1)**	(543.4)	(439.7)
Depreciation and amortization	**(376.5)**	(374.8)	(261.5)
Operating expenses	**(1,578.9)**	(1,391.8)	(1,211.3)
Bond interest, net of amount capitalized	**(126.9)**	(132.5)	(146.7)
Other	**(5.4)**	(1.2)	(25.3)
Nonoperating expenses	**(132.3)**	(133.7)	(172.0)
Total expenses	**(1,711.2)**	(1,525.5)	(1,383.3)
Income (loss) before contributions	**(200.0)**	169.4	398.6
Capital contributions	**2.1**	2.3	2.2
Changes in net position	**(197.9)**	171.7	400.8
Net Position			
Beginning of year, as previously reported	**6,881.7**	7,201.0	6,800.2
Cumulative effect of change in accounting principle	**—**	(491.0)	—
Beginning of year, as restated	**6,881.7**	6,710.0	6,800.2
Net position, end of year	**$ 6,683.8**	$ 6,881.7	$ 7,201.0

[1] *Related to the adoption of GASB 68 and GASB 71.*

Operating Revenues

Metropolitan's principal source of revenue is from water sales, which typically account for approximately 85 percent of operating revenues. Metropolitan's primary sources of water supply are the Colorado River and the State Water Project.



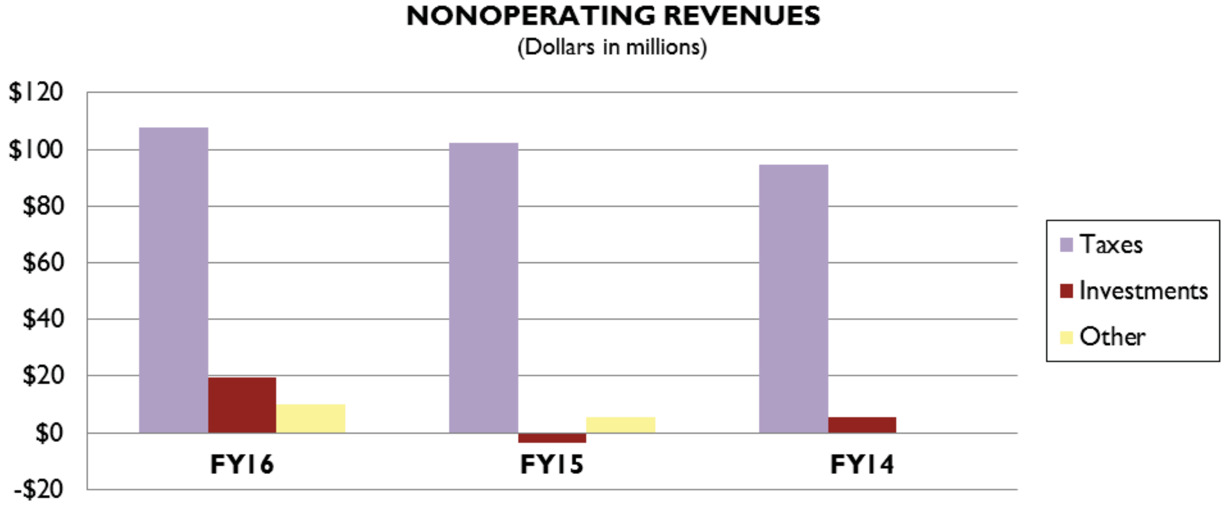
Analytical Review of Operating Revenues

Fiscal Year 2016 Compared to 2015. Fiscal year 2016 operating revenues were $1.4 billion or $217.1 million less than the prior year primarily due to $216.9 million of lower water sales, of which $249.2 million related to 310.7 TAF of lower volumes sold offset by $32.3 million from higher rates. The reduction in water sales was primarily due to the Governor's requirement that retail water agencies implement conservation programs to reduce water consumption by an average of 25 percent statewide.

Fiscal Year 2015 Compared to 2014. Fiscal year 2015 operating revenues were $1.6 billion or $90.9 million less than the prior year primarily due to $101.7 million of lower water sales, of which $110.8 million related to 139.1 TAF of lower volumes sold offset by $9.1 million from higher rates.

Nonoperating Revenues

The primary source of nonoperating revenues is property taxes.



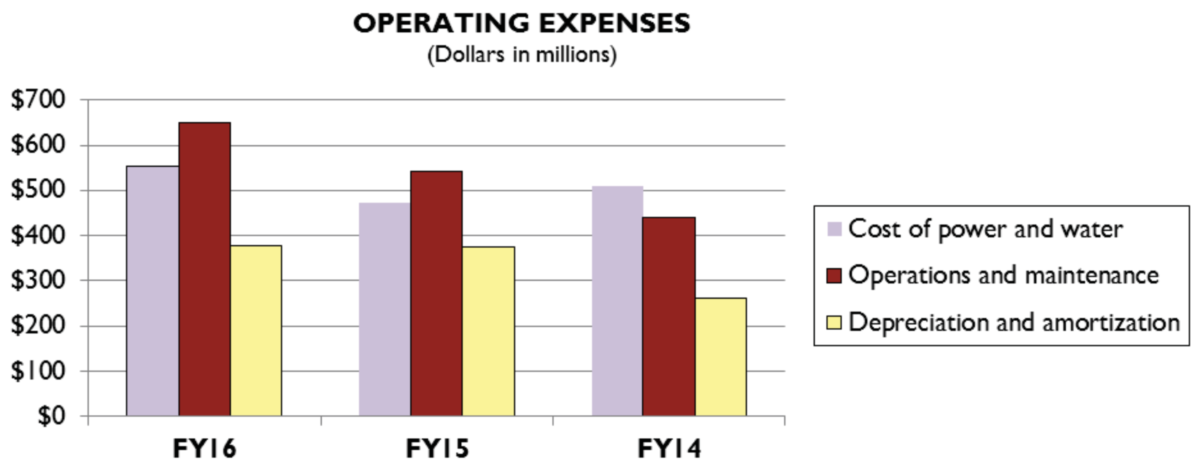
Analytical Review of Nonoperating Revenues

Fiscal Year 2016 Compared to 2015. Nonoperating revenues for fiscal year 2016 totaled $137.5 million and were $33.4 million higher than the prior year. Included in the increase was $23.0 million of higher investment income primarily due to an $18.7 million loss on swap termination that did not occur in the current year. In fiscal years 2015 and 2014, Metropolitan exercised its optional termination provisions and terminated some of its swap positions, which resulted in losses that are included in interest expense. In addition, property tax revenue increased $5.6 million from the collection of delinquent taxes and other, net was $4.8 million more primarily due to $2.5 million of higher property rental revenue.

Fiscal Year 2015 Compared to 2014. Nonoperating revenues for fiscal year 2015 totaled $104.1 million and were $3.9 million higher than the prior year. Included in the increase was $7.8 million of higher property tax revenue from the collection of delinquent taxes. In addition, other, net was $5.4 million more primarily due to $2.1 million of new annexations that were completed in fiscal year 2015. Partially offsetting these increases was $9.3 million of lower investment income primarily due to an unfavorable fair value adjustment.

Operating Expenses

Operating expenses fall into three primary cost areas: power and water, operations and maintenance, and depreciation and amortization.



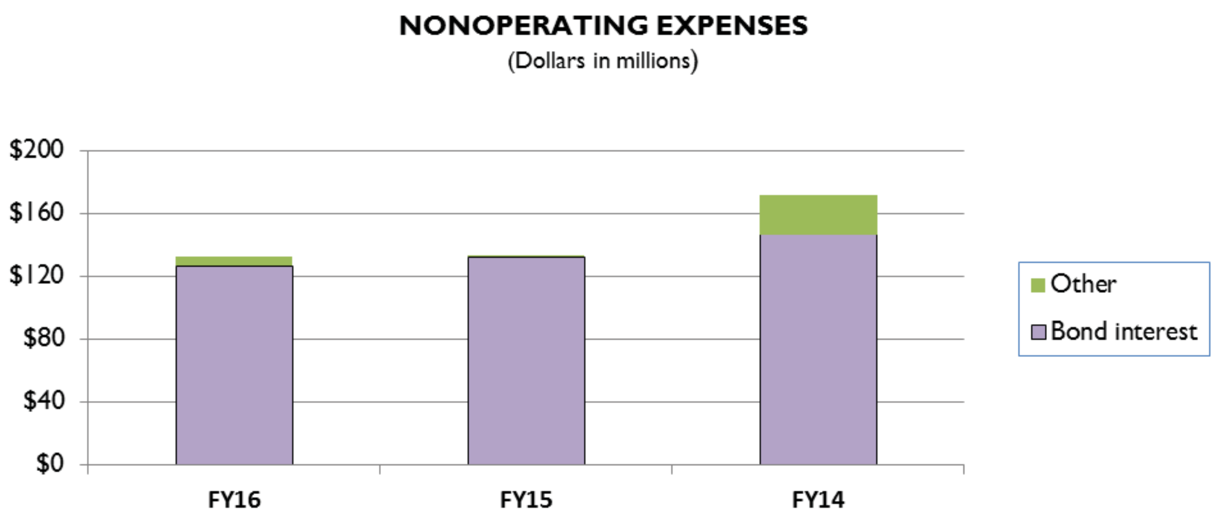
Analytical Review of Operating Expenses

Fiscal Year 2016 Compared to 2015. Fiscal year 2016 operating expenses of $1.6 billion were $187.1 million higher than prior year. The increase included $106.7 million of higher operations and maintenance costs primarily due to $84.8 million higher conservation credits expenses as a result of the Board approving a historic $450.0 million budget in fiscal year 2015 for conservation spending in response to the continued drought. In addition, power and water costs increased $78.7 million primarily due to $48.0 million higher State Water Project operation, maintenance, power and replacement (OMP&R) costs related to the Fish Restoration Program Agreement, biological opinions, and increased labor costs.

Fiscal Year 2015 Compared to 2014. Fiscal year 2015 operating expenses of $1.4 billion were $180.5 million higher than prior year. The increase included $113.3 million of higher depreciation and amortization expense as a result of Metropolitan reassessing the useful lives of its plant assets and determining that the future benefit was less than previously expected. In addition, operations and maintenance costs increased $103.7 million primarily due to $118.0 million higher conservation credits expenses as discussed above.

Nonoperating Expenses

The primary source of nonoperating expenses is interest expense on bonds and other, net.



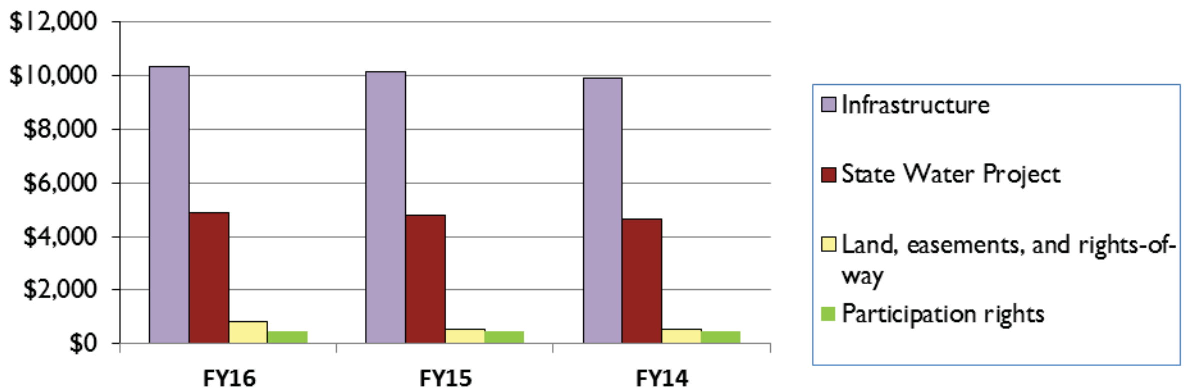
Analytical Review of Nonoperating Expenses

Fiscal Year 2016 Compared to 2015. Fiscal year 2016 nonoperating expenses of $132.3 million were $1.4 million lower than the prior year primarily due to lower interest expense on bonds as a result of bond refunding transactions to take advantage of lower interest rates.

Fiscal Year 2015 Compared to 2014. Fiscal year 2015 nonoperating expenses of $133.7 million were $38.3 million lower than the prior year. Included in the decrease was $22.9 million of construction in progress write-off in fiscal year 2014, due to determination by the Engineering Services Group that no operational asset would result from the costs incurred, that did not occur in the current year. In addition, interest expense on bonds decreased primarily due to bond refunding transactions to take advantage of lower interest rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets include Metropolitan's water infrastructure, land and buildings, as well as participation rights in State Water Project and various other water programs.



Schedule of Capital Assets

(Dollars in millions)	June 30, 2016	2015	2014
Land, easements and rights-of-way	**$ 833.7**	$ 557.6	$ 554.6
Construction in progress	**870.8**	1,644.9	1,631.8
Parker power plant and dam	**13.0**	13.0	13.0
Power recovery plants	**180.3**	178.7	178.7
Other dams and reservoirs	**1,542.2**	1,541.7	1,537.5
Water transportation facilities	**3,708.9**	3,504.0	3,376.2
Pumping plants and facilities	**293.5**	240.7	240.5
Treatment plants and facilities	**2,867.9**	2,138.6	2,070.1
Buildings	**136.1**	136.1	136.1
Other plant assets	**701.0**	681.2	670.8
Pre-operating expenses original aqueduct	**44.6**	44.6	44.6
Participation rights in State Water Project	**4,900.1**	4,794.9	4,670.6
Participation rights in other facilities	**459.7**	461.9	456.1
Gross capital assets	**16,551.8**	15,937.9	15,580.6
Less accumulated depreciation and amortization	**(6,212.4)**	(5,839.8)	(5,476.0)
Capital assets, net	**$ 10,339.4**	$ 10,098.1	$ 10,104.6
Net increase from prior year	**$ 241.3**	$ (6.5)	$ 23.2
Percent change	**2.4%**	-0.1%	0.2%

Fiscal Year 2016 Compared to 2015. Net capital assets totaled approximately $10.3 billion and increased $241.3 million over the prior year. This increase included $256.4 million PVID land purchase, $229.4 million of new construction activity, and a net increase of $105.2 million in participation rights in State Water Project. The increase was offset by depreciation and amortization of $376.5 million.

The major capital asset additions for the current year, excluding capitalized interest, included:

- $61.5 million for the improvements in infrastructure reliability at the treatment plants.
- $31.7 million for the oxidation retrofit program at the filtration plants; this program is designed to reduce the level of disinfection byproducts in the treated water supplied by these plants in order to meet state and federal standards.
- $24.5 million for the supply reliability and system expansion program; this program is designed to improve the reliability and flexibility of delivering Colorado River water during drought or other State Water Project delivery constraints.
- $23.4 million for the distribution system's rehabilitation program.
- $18.2 million for chlorine containment and handling facilities program which is designed to enhance hazardous chemical safety, prevent a chlorine chemical release, and comply with security and safety regulations.
- $17.7 million for the information technology program which is designed to ensure the reliability and efficiency of the information technology infrastructure in support of Metropolitan's operational and business applications.
- $15.5 million for the pre-stressed concrete cylinder pipe reliability (PCCP) program; this program identifies pipelines whose age, location and condition warrant refurbishment/replacement to insure long-term reliability of Metropolitan's PCCP lines water delivery.

Metropolitan's fiscal year 2017 capital budget includes plans to spend $246.0 million principally for the water treatment plants improvements program, the distribution system and rehabilitation projects, the Colorado River Aqueduct reliability and containment programs, the water quality/oxidation retrofit program, and the supply reliability and system expansion program.

Fiscal Year 2015 Compared to 2014. Net capital assets totaled approximately $10.1 billion and decreased $6.5 million over the prior year primarily due to $363.8 million increase in accumulated depreciation and amortization offset by the $221.7 million of new construction activity and a net increase of $124.3 million in participation rights in State Water Project.

The major capital asset additions for the current year, excluding capitalized interest, included:

- $52.4 million for the oxidation retrofit program.
- $48.9 million for the improvements in infrastructure reliability at the treatment plants.
- $29.3 million for the distribution system's rehabilitation program.
- $16.7 million for the supply reliability and system expansion program.
- $14.7 million for the PCCP program.
- $10.8 million for chlorine containment and handling facilities program.
- $10.6 million for the information technology program.

LONG-TERM DEBT

Schedule of Long-term Debt, Including Current Portion

	June 30,		
(Dollars in millions)	**2016**	2015	2014
General obligation bonds *(a)*	**$ 92.9**	$ 110.4	$ 132.3
Revenue bonds *(a)*	**4,188.9**	4,157.1	4,271.5
State revolving loan	**9.1**	10.7	11.7
Other, net *(b)*	**232.5**	200.0	200.9
	$ 4,523.4	$ 4,478.2	$ 4,616.4
Increase (decrease) from prior year	**$ 45.2**	$ (138.2)	$ (221.8)
Percent change	**1.0%**	(3.0%)	(4.6%)

(a) Includes refunding bonds.
(b) Consists of unamortized bond discounts and premiums.

Fiscal Year 2016 Compared to 2015. At June 30, 2016, there was $4.5 billion of outstanding bonds and other long-term obligations, a net increase of $45.2 million or 1.0 percent from the prior year. The increase included the issuance of $208.3 million revenue bonds and $75.2 million of related bond premiums offset by $144.0 million of scheduled principal payments, $49.9 million principal reduction related to refunding transactions, and $42.8 million of scheduled amortization of bond premiums and discounts.

Fiscal Year 2015 Compared to 2014. At June 30, 2015, there was $4.5 billion of outstanding bonds and other long-term obligations, a net decrease of $138.2 million or 3.0 percent from the prior year. The decrease was primarily due to scheduled principal payments and principal reduction related to refunding transactions.

CREDIT RATINGS

Metropolitan's credit ratings at June 30, 2016, are shown below.

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
General obligation bonds	Aaa	AAA	AAA
Water revenue bonds-fixed rate	Aa1	AAA	AA+
Water revenue bonds-variable rate	VMIG 1	A-1+	F1+

STATEMENTS OF NET POSITION

(Dollars in thousands)	June 30, 2016	2015 As Adjusted Note 1q
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and investments, at fair value (Notes 1b and 3):		
Unrestricted (cost: $734,735 and $802,461 for 2016 and 2015, respectively)	**$ 737,877**	$ 803,532
Restricted (cost: $399,088 and $392,486 for 2016 and 2015, respectively)	**400,795**	393,010
Total cash and investments	**1,138,672**	1,196,542
Receivables:		
Water sales	**224,571**	223,397
Interest on investments	**4,481**	4,343
Other, net (Note 1e)	**30,256**	43,337
Total receivables	**259,308**	271,077
Inventories (Note 1f)	**92,545**	69,043
Deposits, prepaid costs, and other (Note 11)	**1,726**	2,839
Total current assets	**1,492,251**	1,539,501
Noncurrent Assets:		
Cash and investments, at fair value (Notes 1b and 3):		
Unrestricted (cost: $211,088 and $268,947 for 2016 and 2015, respectively)	**211,991**	269,306
Restricted (cost: $138,338 and $152,956 for 2016 and 2015, respectively)	**145,262**	159,297
Total cash and investments	**357,253**	428,603
Capital assets (Note 2):		
Plant and equipment - non depreciable (Notes 1g and 9g)	**1,704,537**	2,202,531
Plant and equipment - depreciable (Notes 1g and 9g)	**9,487,454**	8,478,552
Participation rights in State Water Project (Notes 1h and 10)	**4,900,137**	4,794,958
Participation rights in other facilities (Notes 1h and 4)	**459,709**	461,909
Total capital assets	**16,551,837**	15,937,950
Less accumulated depreciation and amortization	**(6,212,401)**	(5,839,828)
Total capital assets, net	**10,339,436**	10,098,122
Other assets, net of current portion:		
Deposits, prepaid costs, and other (Note 11)	**196,927**	241,542
Total other assets	**196,927**	241,542
Total noncurrent assets	**10,893,616**	10,768,267
Deferred Outflows of Resources:		
Loss on bond refundings (Note 1p)	**69,090**	89,685
Loss on swap terminations (Note 1p)	**35,422**	38,626
Pension related (Notes 1q and 7)	**48,475**	34,306
Effective swaps (Note 1p)	**38,480**	15,686
Total deferred outflows of resources	**191,467**	178,303
Total Assets and Deferred Outflows of Resources	**$ 12,577,334**	$ 12,486,071

See accompanying notes to basic financial statements.

STATEMENTS OF NET POSITION

(Dollars in thousands)	June 30, 2016	2015 As Adjusted Note 1q
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses (Note 1i)	**$ 157,237**	$ 185,542
Revolving notes (Note 5a)	**250,000**	—
Current portion of long-term debt (Notes 5 and 6)	**313,093**	228,103
Current portion of obligations for off-aqueduct power facilities (Notes 6 and 9f)	**3,265**	3,276
Current portion of accrued compensated absences (Notes 1j and 6)	**19,600**	22,100
Current portion of customer deposits and trust funds (Note 6)	**10,387**	11,128
Current portion of workers' compensation and third party claims (Notes 6 and 14)	**9,500**	9,500
Current portion of other long-term obligations (Note 6)	**1,880**	1,883
Accrued bond interest	**75,363**	80,904
Matured bonds and coupons not presented for payment	**1,835**	1,858
Total current liabilities	**842,160**	544,294
Noncurrent Liabilities (Note 6):		
Long-term debt, net of current portion (Note 5)	**4,210,342**	4,250,134
Obligations for off-aqueduct power facilities, net of current portion (Note 9f)	**11,079**	14,717
Accrued compensated absences, net of current portion (Note 1j)	**27,297**	24,364
Customer deposits and trust funds, net of current portion	**83,371**	78,377
Net pension liability (Note 7)	**479,555**	406,794
Postemployment benefits other than pensions (Note 8)	**83,544**	83,514
Workers' compensation and third party claims, net of current portion (Note 14)	**10,547**	10,298
Fair value of interest rate swaps (Note 5f)	**103,307**	80,513
Other long-term obligations, net of current portion	**2,229**	2,226
Total noncurrent liabilities	**5,011,271**	4,950,937
Total liabilities	**5,853,431**	5,495,231
Commitments and Contingencies (Note 9)	**—**	—
Deferred Inflows of Resources:		
Pension related (Notes 1q and 7)	**40,121**	109,220
Net Position (Note 13)**:**		
Net investment in capital assets, including State Water Project costs	**5,772,364**	5,700,796
Restricted for:		
Debt service	**199,476**	263,137
Other	**183,340**	178,782
Unrestricted	**528,602**	738,905
Total net position	**6,683,782**	6,881,620
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 12,577,334**	$ 12,486,071

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in thousands)	Fiscal Year Ended June 30, **2016**	2015 As Adjusted Note 1q
Operating Revenues (Note 1c):		
Water sales	**$ 1,166,040**	$ 1,382,898
Readiness-to-serve charges	**155,493**	161,992
Capacity charge	**44,705**	37,473
Power sales	**7,477**	8,455
Total operating revenues	**1,373,715**	1,590,818
Operating Expenses:		
Power and water costs	**552,306**	473,569
Operations and maintenance	**650,127**	543,419
Total operating expenses	**1,202,433**	1,016,988
Operating income before depreciation and amortization	**171,282**	573,830
Less depreciation and amortization (Note 2)	**(376,522)**	(374,826)
Operating income (loss)	**(205,240)**	199,004
Nonoperating Revenues (Expenses) (Note 1m):		
Taxes, net (Note 1d)	**107,922**	102,305
Bond interest, net of $24,700 and $22,500 of interest capitalized in fiscal years 2016 and 2015, respectively (Note 1g)	**(126,945)**	(132,503)
Investment income (loss), net	**19,384**	(3,601)
Other, net	**4,863**	4,176
Total nonoperating revenues (expenses), net	**5,224**	(29,623)
Income (Loss) Before Contributions	**(200,016)**	169,381
Capital contributions (Note 1l)	**2,178**	2,305
Changes in net position	**(197,838)**	171,686
Net Position		
Beginning of year, as previously reported	**6,881,620**	7,200,964
Less: Cumulative effect of change in accounting principle (Note 1q)	—	(491,030)
Beginning of year, as restated	**6,881,620**	6,709,934
Net position, End of Year	**$ 6,683,782**	$ 6,881,620

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2016	2015
Cash Flows from Operating Activities:		
Cash received from water sales	**$ 1,087,566**	$ 1,369,800
Cash received from readiness-to-serve charges	**155,283**	163,271
Cash received from capacity charge	**44,662**	36,795
Cash received from power sales	**7,413**	8,321
Cash received from other exchange transactions	**77,323**	78,954
Cash paid for operations and maintenance expenses	**(503,627)**	(368,987)
Cash paid to employees for services	**(185,137)**	(228,820)
Cash paid for power and water costs	**(517,080)**	(418,302)
Other cash flows for operating activities	**(4,853)**	(4,156)
Net cash provided by operating activities	**161,550**	636,876
Cash Flows from Noncapital Financing Activities:		
Proceeds from other collections	**8,880**	6,899
SWAP termination payment	**—**	(16,954)
Net cash provided (used) by noncapital financing activities	**8,880**	(10,055)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(494,671)**	(210,903)
Payments for State Water Project costs	**(108,637)**	(127,434)
Payments for participation rights in other facilities	**—**	(5,800)
Proceeds from short and long-term debt	**500,000**	16,954
Payments for bond issuance costs	**(1,762)**	(2,663)
Proceeds from capital grants	**—**	546
Principal paid on long-term debt	**(144,025)**	(120,555)
Interest paid on long-term debt	**(174,801)**	(169,136)
Payments for other long-term obligations	**(5,486)**	(6,562)
Proceeds from tax levy	**110,654**	103,007
Transfer to/from escrow trust accounts	**909**	(8,912)
Collection of notes receivable - land sales	**139**	139
Net cash used by capital and related financing activities	**(317,680)**	(531,319)
Cash Flows from Investing Activities:		
Purchase of investment securities	**(13,178,652)**	(8,685,168)
Proceeds from sales and maturities of investment securities	**13,303,690**	8,573,934
Investment income	**16,079**	21,447
Net cash provided (used) by investing activities	**141,117**	(89,787)
Net change in cash	**(6,133)**	5,715
Cash at July 1, 2015 and 2014	**6,172**	457
Cash at June 30, 2016 and 2015 (Note 1b)	**$ 39**	$ 6,172

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)		Fiscal Year Ended June 30, 2016		2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	**$**	**(205,240)**	$	199,004
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization expense		**376,522**		374,826
Decrease in accounts receivable		**9,578**		39,209
(Increase) decrease in inventories		**(23,502)**		28,096
Decrease (increase) in deposits, prepaid costs, and other		**37,668**		(16,564)
(Decrease) increase in accounts payable and accrued expenses		**(36,151)**		40,079
Increase (decrease) in other items		**2,675**		(27,774)
Total Adjustments		**366,790**		437,872
Net cash provided by operating activities	**$**	**161,550**	$	636,876
Significant Noncash Investing, Capital and Financing Activities				
Refunding bonds proceeds received in escrow trust fund	**$**	**489,219**	$	220,170
Debt defeased through escrow trust fund with refunding debt	**$**	**(460,375)**	$	(217,140)

RECONCILIATION OF CASH AND INVESTMENTS TO CASH				
Unrestricted cash and investments (at June 30, 2016 and 2015 include $39 and $6,172 of cash, respectively)	**$**	**949,868**	$	1,072,838
Restricted cash and investments		**546,057**		552,307
Total cash and investments, at fair value		**1,495,925**		1,625,145
Less: carrying value of investments		**(1,495,886)**		(1,618,973)
Total Cash (Note 1b)	**$**	**39**	$	6,172

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1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Metropolitan Water District of Southern California (Metropolitan), a special district of the State of California, was organized in 1928 by vote of the electorates of several Southern California cities following adoption of the Metropolitan Water District Act (Act) by the California Legislature. Metropolitan's primary purposes under the Act are to develop, store and distribute water, at wholesale, to its member public agencies for domestic and municipal purposes. Surplus water is sold for other beneficial uses, including agricultural use. Metropolitan's service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. There are 26 independent member agencies of Metropolitan, consisting of 14 cities, 11 municipal water districts, and one county water authority. Metropolitan has no financial accountability for its member agencies. Metropolitan is governed by a 38-member Board of Directors (Board) comprised of representatives of the member agencies. Representation and voting rights are based on assessed valuations of property. Each member agency is entitled to have at least one representative on the Board plus an additional representative for each full five percent of the assessed valuation of real property within the jurisdictional boundary of each member agency. Changes in relative assessed valuation do not terminate any director's term. Accordingly, the Board may, from time to time, have more than 38 directors. No single member agency has a voting majority.

The Metropolitan Water District Asset Financing Corporation (MWDAFC) was incorporated on June 19, 1996. The MWDAFC is a California nonprofit public benefit corporation formed to assist Metropolitan by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by Metropolitan and leasing or selling such property to Metropolitan. The MWDAFC is governed by a board of five directors, each of whom must be a member of Metropolitan's Board. MWDAFC had no financial operations during fiscal years 2016 or 2015. MWDAFC is a component unit of Metropolitan and its activities will be blended with those of Metropolitan for financial reporting purposes should it commence operations.

(b) Principles of Presentation

Metropolitan operates as a utility enterprise and the accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under full accrual accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Metropolitan is accounted for as an enterprise fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting.

For purposes of the statements of cash flows, Metropolitan defines cash as demand account balances and cash on hand.

Certain amounts reported in fiscal years 2015 and 2014 have been reclassified to conform to the fiscal year 2016 presentation. Such reclassification had no effect on Metropolitan's net position or change in net position.

(c) Revenue Policies

Metropolitan’s principal source of revenue is from water sales, which include revenues received from charges for the sale and availability of water, including water rates and other exchange transactions. Other sources of operating revenue include readiness-to-serve charges, capacity charge, and hydroelectric power sales. Other revenues include ad valorem property taxes and investment income.

Water rates are established by the Board on a biennial basis. Water rates are supported by cost of service studies. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Water is delivered to the member agencies on demand and revenue is recognized at the time of sale.

Metropolitan's rate structure includes separate rates for supply, treatment, conveyance and distribution, power, and demand management. It is designed to improve regional water resources management and accommodate a water transfer market. The rate structure also includes tiered pricing for supply, a capacity charge, and a readiness-to-serve charge.

(d) Taxing Authority

Metropolitan is expressly empowered under the Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the California Revenue and Taxation Code, and the California Constitution. Property taxes are levied annually by the Board as of July 1, using a lien date of March 1, and are payable by property owners in two equal installments that are due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Property taxes levied by Metropolitan are billed and collected by the counties in its service area and are remitted to Metropolitan periodically throughout the year.

Property tax revenue is used to pay Metropolitan’s general obligation bond debt service and a portion of its obligations under its contract with the state for a water supply (the State Water Contract). In setting the annual levy, Metropolitan takes into account potential delinquencies, tax allocations to the successor agencies of former redevelopment agencies, and supplemental tax collections. Metropolitan recognizes property taxes receivable on July 1 of each fiscal year and recognizes revenue over the following 12-month period beginning July 1 through June 30 (the period for which the tax is levied).

As a result of legislation enacted in 1984, tax levies in fiscal years 1991 to 2013, other than annexation taxes, were limited to the amount needed to pay debt service on Metropolitan’s general obligation bonds and Metropolitan’s proportionate share of general obligation bond debt service of the state under the State Water Contract. However, under the terms of the 1984 legislation, the Board may suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. During fiscal years 2015 and 2016, the Board suspended the tax rate limitations and maintained the fiscal year 2013 tax rate for fiscal years 2015 and 2016 to pay a portion of State Water Contract costs other than debt service.

(e) Other Receivables

Other receivables include amounts for taxes, hydroelectric power sales, readiness-to-serve charges, and other billings.

(f) Inventories

Metropolitan's inventories are valued based on a moving-average cost. Expenses are recorded when inventories are used. Components of inventories at June 30, 2016 and 2015 were as follows:

	June 30,	
(Dollars in thousands)	**2016**	2015
Water in storage	**$ 81,593**	$ 58,783
Operating supplies	**10,952**	10,260
Total inventories	**$ 92,545**	$ 69,043

(g) Plant and Equipment

Metropolitan's capital assets include plant and equipment, which are recorded at cost. Construction costs are capitalized if they exceed $50,000 and the asset has a useful life of at least five years. The cost of constructed assets may include labor, materials, certain general and administrative expenses, and interest incurred during construction periods. Depreciation is calculated using the straight-line method based on the estimated average useful lives of the assets, which are 10 to 80 years for buildings, storage, and distribution facilities, 10 to 50 years for treatment plants and hydroelectric power recovery facilities, and 10 to 80 years for miscellaneous assets. Improvements or refurbishments with aggregated costs that meet capitalization thresholds and that extend the useful life of an existing asset by at least five years are capitalized.

Major computer systems software, whether purchased or internally developed, is capitalized if the cost exceeds $250,000 and the useful life is at least three years. Vehicles and operating equipment are capitalized if the cost equals or exceeds $5,000 and the useful life is at least four years. Depreciation is calculated using the straight-line method based on the estimated useful lives and ranges from 3 to 10 years for major computer systems software and 4 to 10 years for vehicles and operating equipment.

(h) Participation Rights

Metropolitan participates in various storage and water management programs entitling it to certain water rights. Projects include the State Water Project (SWP) and various storage and water management programs. Metropolitan's participation in these projects is through cash payments. The value of participation rights is equal to the amounts spent for the construction of capital assets, such as pipelines, pumping facilities, and storage facilities, and amortized over the life of the agreements. These assets are not owned by Metropolitan. Certain projects also require payments for ongoing maintenance; those payments are charged to expense as incurred. (See Notes 2, 4, and 10.)

(i) Disaggregation of Payable Balances

Accounts payable and accrued expenses at June 30, 2016 and 2015 were as follows:

	June 30,	
(Dollars in thousands)	**2016**	2015
Department of Water Resources (State Water Project):		
Capital, operating, maintenance, power, replacement, and variable power	**$ 101,665**	$ 99,538
Vendors	**38,524**	53,473
Accrued power costs	**2,160**	3,717
Accrued salaries	**7,232**	5,535
Readiness-to-serve overcollection	**1,182**	1,936
Conservation credits	**6,474**	21,343
Total accounts payable and accrued expenses	**$ 157,237**	$ 185,542

(j) Compensated Absences

Metropolitan's employees earn vacation, sick, and compensatory leave in varying amounts depending primarily on length of service. Upon termination from Metropolitan service, employees are entitled to full payment for accrued vacation and compensatory leave at their final pay rates, and are entitled to payment for approximately one-half of their accrued sick leave at such rates. Metropolitan records its obligations for vacation, sick, and compensatory leave earned by eligible employees based on current pay rates. The allocations to the current and long-term portions of these vested obligations were based on experience and projections of turnover.

(k) Pension Accounting

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

(l) Capital Contributions

Capital contributions are comprised of federal, state, and private grants. These grants are typically of a reimbursable nature: Metropolitan first pays for the project and then the granting agency reimburses Metropolitan for its eligible expenses. The portion of the grants restricted for capital purposes are reflected as capital contributions in the statements of revenues, expenses and changes in net position when they are earned, irrespective of the timing of the receipts. Examples of capital projects where grants are received include water treatment plant improvements, such as fluoridation, and water storage programs.

(m) Operating and Nonoperating Revenues and Expenses

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses. Accordingly, Metropolitan defines operating revenues as water sales, readiness-to-serve charges, capacity charge, and hydroelectric power sales. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets.

Revenues from property taxes and investment income, as well as interest expense on outstanding debt, are related to capital and financing activities and are defined as nonoperating revenues and expenses.

(n) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Metropolitan's practice to use restricted resources first, then unrestricted resources as they are needed.

(o) Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles 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 basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Deferred Outflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63) requires that the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources be reported as net position. In addition, the impact of a deferred outflow of resources on net position must be explained as is done in the following paragraph.

The unrestricted net position amount of $528.6 million and $738.9 million at June 30, 2016 and 2015, respectively, includes the effect of deferring the recognition of losses from bond refundings, swap terminations resulting in defeasance of debt, and the decline in fair value of Metropolitan's effective interest rate swaps. The deferred outflows from losses on bond refundings at June 30, 2016 and 2015, respectively, were $69.1 million and $89.7 million, respectively. The deferred outflows from losses on swap terminations resulting in debt defeasance at June 30, 2016 and 2015, respectively, were $35.4 million and $38.6 million. Both deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The deferred outflows from the decline in fair value of interest rate swaps of $38.5 million and $15.7 million at June 30, 2016 and 2015, respectively, would be recognized as an investment loss upon the early termination of the swaps. Metropolitan will only terminate its interest rate swap agreements in advance of the contractual termination dates if market conditions permit. The deferred outflow also would be recognized as an investment loss if the swaps were determined no longer to be effective hedges. Finally, if the bond associated with a swap is refunded, the deferred outflow would be reduced and the deferred loss on refunding increased by the same amount. The deferred loss on refunding would be amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter.

(q) Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, Pension Expense and Implementation of Accounting Principles

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB 68), provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71) requires that, at transition to the new accounting standards in accordance with GASB 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. As of July 1, 2014, Metropolitan restated beginning net position in the amount of $491.0 million to record the beginning deferred pension contributions and net pension liability.

(r) Fair Value Measurement and Implementation of Accounting Principle

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Metropolitan has been reporting its investments and liabilities at fair value using market approach and cost approach therefore, there are no significant changes to its reporting resulting from the implementation of GASB 72 in fiscal year 2016.

Additionally, GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels which are: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date; Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Metropolitan implemented the fair value hierarchy to its assets and liabilities, which are presented in Notes 3 and 5.

(s) New Accounting Pronouncements

The following pronouncements are effective beginning fiscal year ended June 30, 2016:

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). GASB 76 identifies the hierarchy of generally accepted accounting principles (GAAP) used to prepare financial statements of state and local governmental entities. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Metropolitan is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements that will be implemented in a future fiscal year:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which establishes new accounting and financial reporting requirements for OPEB improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and GASB 57- OPEB Measurements by Agent Multiple-Employer Plans*. GASB 75 is effective for Metropolitan's fiscal year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 requires the presentation of covered payroll, which is payroll on which contributions to a pension plan are based, and ratios that use that measure in required supplementary information instead of covered-employee payroll. In addition, GASB 82 clarifies that a deviation is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. GASB 82 further clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). GASB 82 is effective for Metropolitan's fiscal year ending June 30, 2017.

The following pronouncements were issued by GASB but were determined to not have an impact on Metropolitan's financial statements:

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for the purposes of providing those pensions. GASB 73 amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* and GASB 68 for pension plans and pensions that are within their respective scopes. GASB 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB 68.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as for certain non-employer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB 74 replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended* (GASB 43), and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* (GASB 57). It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, GASB 43, and GASB Statement No. 50, *Pension Disclosures*.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77), which requires governments that enter into tax abatement agreements to disclose information about (1) the government's own tax abatement agreements and (2) those that are entered into by other governments and reduce the reporting government's tax revenues. In addition, GASB 77 requires the disclosure of the nature and magnitude of tax abatements agreements to make these transactions more transparent to financial statement users.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for a cost-sharing multiple employer defined benefit pension plan that that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. GASB 79 also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and revenue when the resources become applicable to the reporting period. GASB 81 also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests.

2. CAPITAL ASSETS

Certain assets from the miscellaneous category of capital assets were reclassified in fiscal years 2015 and 2014 to more appropriate categories such as: other dams and reservoirs, water transportation facilities, treatment plants and facilities, and buildings.

Capital asset activity for the fiscal years ended June 30, 2016 and 2015 was as follows:

(Dollars in thousands)	June 30, 2014	Additions
Capital assets not being depreciated:		
Land, easements and rights of way	$ 554,543	$ 3,179
Construction in progress	1,631,942	221,749
Total capital assets not being depreciated	2,186,485	224,928
Other capital assets:		
Parker Power Plant and Dam	13,009	—
Power recovery plants	178,636	—
Other dams and reservoirs	1,537,468	4,252
Water transportation facilities	3,376,196	132,809
Pumping plants and facilities	240,507	180
Treatment plants and facilities	2,070,064	70,336
Power lines and communication facilities	33,517	300
Computer systems software	102,057	6,238
Buildings	136,096	—
Miscellaneous	443,931	1,787
Major equipment	91,322	6,866
Pre-operating interest and other expenses of original aqueduct	44,595	—
Participation rights in State Water Project (Note 10)	4,670,585	168,293
Participation rights in other facilities (Note 4)	456,109	5,800
Total other capital assets at historical cost	13,394,092	396,861
Accumulated depreciation and amortization:		
Parker Power Plant and Dam	(10,868)	(943)
Power recovery plants	(85,409)	(3,576)
Other dams and reservoirs	(302,743)	(19,809)
Water transportation facilities	(743,427)	(98,527)
Pumping plants and facilities	(75,163)	(3,764)
Treatment plants and facilities	(549,091)	(89,850)
Power lines and communication facilities	(9,641)	(517)
Computer systems software	(94,454)	(5,790)
Buildings	(25,138)	(1,862)
Miscellaneous	(99,927)	(18,100)
Major equipment	(75,609)	(4,845)
Pre-operating interest and other expenses of original aqueduct	(37,347)	(1,035)
Participation rights in State Water Project (Note 10)	(3,218,373)	(112,160)
Participation rights in other facilities (Note 4)	(148,784)	(13,766)
Total accumulated depreciation and amortization	(5,475,974)	(374,544)
Other capital assets, net	7,918,118	22,317
Total capital assets, net	$ 10,104,603	$ 247,245

Depreciation and amortization was charged as follows:
Depreciation of water related assets
Amortization of State Water Project entitlements (Note 10)
Amortization of participation rights (Note 4)
Depreciation and amortization expense related to capital assets
Plus: Net retirements adjusted to expense
Total depreciation and amortization expense

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

Reductions	June 30, 2015	**Additions**	**Reductions**	**June 30, 2016**
$ (139)	$ 557,583	$ 276,140	$ —	$ 833,723
(208,743)	1,644,948	229,419	(1,003,553)	870,814
(208,882)	2,202,531	505,559	(1,003,553)	1,704,537
—	13,009	—	—	13,009
—	178,636	1,665	—	180,301
(24)	1,541,696	484	—	1,542,180
(4,973)	3,504,032	205,118	(245)	3,708,905
(10)	240,677	52,834	—	293,511
(1,821)	2,138,579	729,770	(433)	2,867,916
(10)	33,807	—	—	33,807
(50)	108,245	9,505	(1,057)	116,693
—	136,096	—	—	136,096
—	445,718	7,323	—	453,041
(4,726)	93,462	6,170	(2,232)	97,400
—	44,595	—	—	44,595
(43,920)	4,794,958	186,737	(81,558)	4,900,137
—	461,909	—	(2,200)	459,709
(55,534)	13,735,419	1,199,606	(87,725)	14,847,300
—	(11,811)	(163)	—	(11,974)
—	(88,985)	(4,243)	—	(93,228)
24	(322,528)	(19,496)	—	(342,024)
4,288	(837,666)	(74,165)	194	(911,637)
10	(78,917)	(14,403)	—	(93,320)
1,594	(637,347)	(96,636)	188	(733,795)
9	(10,149)	(414)	—	(10,563)
50	(100,194)	(7,888)	643	(107,439)
—	(27,000)	(1,816)	—	(28,816)
—	(118,027)	(5,740)	—	(123,767)
4,715	(75,739)	(5,776)	2,223	(79,292)
—	(38,382)	(1,036)	—	(39,418)
—	(3,330,533)	(130,152)	—	(3,460,685)
—	(162,550)	(13,893)	—	(176,443)
10,690	(5,839,828)	(375,821)	3,248	(6,212,401)
(44,844)	7,895,591	823,785	(84,477)	8,634,899
$ (253,726)	$ 10,098,122	$ 1,329,344	(1,088,030)	$ 10,339,436
	$ 248,618			$ 231,776
	112,160			130,152
	13,766			13,893
	374,544			375,821
	282			701
	$ 374,826			$ 376,522

3. CASH AND INVESTMENTS

As a public agency, Metropolitan's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Metropolitan's statement of investment policy is approved annually by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Cash and investments may or may not be restricted as to use, depending on the specific purposes for which such assets are held (see Notes 3d and 13).

A summary of Metropolitan's deposit and investment policies, information on interest and credit risks, and restricted cash and investments is provided below.

(a) Deposits

The California Government Code requires California banks and savings and loan associations to secure a local government agency's deposits by pledging government securities as collateral.

As of June 30, 2016 and 2015, Metropolitan's cash balances with financial institutions were $34,000 and $6,167,000 respectively, and cash on hand was $5,000 at each year-end.

(b) Investments

Metropolitan is permitted by State law and Board policy to invest in a variety of instruments including U.S. Treasury securities, federal agencies, repurchase agreements, negotiable certificates of deposit, bankers' acceptances, prime commercial paper, asset and mortgage-backed securities, California local agency securities, including securities issued by Metropolitan, medium-term corporate notes, time deposits, investment contracts, shares of beneficial interest, and Local Agency Investment Fund (LAIF). As of June 30, 2016 and 2015, Metropolitan had the following investments at fair value:

	June 30,	
(Dollars in thousands)	**2016**	2015
U.S. Treasury securities	**$ 389,382**	$ 261,091
U.S. Guarantees – GNMAs	**5**	7
Federal agency securities	**213,794**	204,001
Prime commercial paper	**309,112**	324,825
Medium-term corporate notes	**185,661**	219,601
Negotiable certificates of deposit	**221,050**	440,936
Shares of beneficial interest	**288**	532
Asset and mortgaged-backed securities	**67,288**	67,653
Municipal bonds	**44,306**	50,327
Local Agency Investment Fund	**65,000**	50,000
Total investments	**$ 1,495,886**	$ 1,618,973

Metropolitan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Metropolitan does not value any of its investments using level 3 inputs.

The following is the summary of the fair value hierarchy of the fair value of investments of Metropolitan as of June 30, 2016 and 2015:

	Fair Value Measurement Using							
(Dollars in thousands)	**6/30/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Obervable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	6/30/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Obervable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:								
U.S. Treasury securities	**$ 389,382**	**$ 389,382**	**$ —**	**$ —**	$ 261,091	$ 261,091	$ —	$ —
U.S. Guarantees – GNMAs	**5**	**5**	**—**	**—**	7	7	—	—
Federal agency securities	**165,805**	**165,805**	**—**	**—**	204,001	204,001	—	—
Prime commercial paper	**309,112**	**—**	**309,112**	**—**	324,825	—	324,825	—
Medium-term corporate notes	**185,661**	**185,661**	**—**	**—**	219,601	219,601	—	—
Negotiable certificates of deposit	**221,050**	**—**	**221,050**	**—**	440,936	—	440,936	—
Shares of beneficial interest [(1)]	**288**	**—**	**—**	**288**	532	—	—	532
Asset and mortgaged-backed securities	**67,288**	**67,288**	**—**	**—**	67,653	67,653	—	—
Municipal bonds	**44,306**	**44,306**	**—**	**—**	50,327	50,327	—	—
Total investments by fair value level	**$ 1,382,897**	**$ 852,447**	**$ 530,162**	**$ 288**	$ 1,568,973	$ 802,680	$ 765,761	$ 532
Investments not subject to fair value level:								
Federal agency securities	**47,989**				—			
Local Agency Investment Fund	**65,000**				50,000			
Total investments	**$ 1,495,886**				$ 1,618,973			

(1) Dreyfus Treasury & Agency Cash Management (DTVXX)

Investments classified in Level 1 of the fair value hierarchy, valued $852.5 million and $802.67 million as of June 30, 2016 and 2015, respectively, are valued using quoted prices in active markets.

Prime commercial paper totaling $309.1 million and $324.8 million and negotiable certificates of deposit totaling $221.1 million and $440.9 million, as of June 30, 2016 and 2015, respectively, classified in Level 2 of the fair value hierarchy were valued using matrix pricing.

Federal agency securities totaling $48.0 million as of June 30, 2016 was valued using cost.

Shares of beneficial interest totaling $0.3 million and $0.5 million as of June 30, 2016 and 2015, respectively, classified in Level 3 of the fair value hierarchy was valued at Fund's share price of $1.00.

Interest rate risk. In accordance with Metropolitan's investment policy, interest rate risk was managed by limiting the duration of the various portfolio segments. Each segment has limitations on the amount of duration exposure (see the following for specific durations).

Internally Managed Segment

This segment of the portfolio was managed against the Bank of America Merrill Lynch 3-Month Treasury Bill Index, approved by the Finance and Insurance Committee. For fiscal years 2016 and 2015, the benchmark durations were 0.25 and 0.23, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 0.20. As of June 30, 2016 and 2015, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2016		2015	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
U.S. Treasury securities	**$ 153,685**	**0.52**	$ 48,456	1.27
Federal agency securities	**203,416**	**0.19**	177,097	0.20
Prime commercial paper	**309,112**	**0.06**	324,825	0.07
Medium-term corporate notes	**125,158**	**0.15**	160,129	0.17
Negotiable certificates of deposit	**221,050**	**0.15**	440,756	0.09
Municipal bonds	**7,663**	**0.19**	2,000	7.47
Local Agency Investment Fund	**65,000**	**—**	50,000	—
Portfolio duration		**0.18**		0.17

Externally Managed Segment

This segment of the portfolio was managed against the Bank of America Merrill Lynch, U.S. Corporate and Government, one to five years, A-Rated and above index approved by the Finance and Insurance Committee. For fiscal years 2016 and 2015, the benchmark durations were 2.71 and 2.68, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 1.50. As of June 30, 2016 and 2015, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2016		2015	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
U.S. Treasury securities	**$ 213,453**	**2.83**	$ 191,861	2.74
U.S. Guarantees – GNMAs	**5**	**5.04**	7	5.67
Federal agency securities	**7,595**	**6.25**	18,890	2.48
Medium-term corporate notes	**57,530**	**2.22**	58,220	2.62
Shares of beneficial interest	**288**	**—**	532	—
Asset and mortgaged-backed securities	**67,288**	**1.82**	67,653	2.44
Portfolio duration		**2.61**		2.64

Bond Reserves and Lake Mathews Segment

Investments in the bond reserves were managed based on the requirements of each of the bond issues. The Lake Mathews trust funds were managed in a manner that preserved the principal and provided the necessary liquidity to pay its operating expenses. Per Board authorization, the Treasurer was authorized to invest these monies in excess of five years.

As of June 30, 2016 and 2015, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2016		2015	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
U.S. Treasury securities	**$ 22,244**	**5.35**	$ 20,774	6.32
Federal agency securities	**2,783**	**1.20**	8,014	1.56
Negotiable certificates of deposit	**—**	**—**	180	0.04
Medium-term corporate notes	**2,973**	**0.17**	1,252	0.23
Municipal bonds	**36,643**	**5.82**	48,327	7.32
Weighted average duration		**5.20**		6.34

Credit risk. Credit risk was managed by purchasing investments with the nationally recognized credit ratings specified in Metropolitan's investment policy. Additionally, the policy required monitoring the credit ratings of securities held in the portfolio, and if the securities' credit ratings were downgraded, evaluating for potential sale. For certain securities, additional requirements included consideration of net worth, length of time in business, and specified market values.

Presented in the following table is the minimum rating required, if applicable, by investment type pursuant to Metropolitan's investment policy and State law:

Investment Type	**Minimum Rating**
U.S. Government and agencies	Not applicable.
Bankers' acceptances Prime commercial paper Negotiable certificates of deposit Time deposits	Prime quality of the highest ranking or highest letter and numerical rating ('A1', 'P1', 'F1' or higher) as provided by Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch Ratings. Credit requirement may be waived for the maximum deposit that is insured by the Federal Deposit Insurance Corporation.
Repurchase agreements	Only with primary dealers in government securities or financial institutions with a Moody's Investors Service, Inc. or equivalent rating of 'A' or better.
Investment contracts	Not applicable. Limited to guaranteed investment contracts, or agreements collateralized with U.S. Treasury or agency securities.
Medium-term corporate notes	Rating category of at least 'A' or better, or the equivalent, by a nationally recognized rating agency.
Asset and mortgage-backed securities	Issuer's debt must be rated 'A' or higher as provided by a nationally recognized rating agency and the security must be rated in a category of 'AAA' by a nationally recognized rating agency.
Local Agency Investment Fund	Not applicable.
Shares of beneficial interest	Highest ranking of the highest letter and numerical rating provided by not less than two nationally recognized rating agencies.
California local agency securities Municipal bonds	Securities with a maturity in excess of five years must have a credit rating of at least 'AA' (may be insured) and an underlying credit rating of 'A' or better by a nationally recognized rating agency.

Metropolitan's minimum rating for assets and mortgage-backed securities of 'AAA' is more restrictive than the California Government Code requirement of 'AA'.

At June 30, 2016 and 2015, Metropolitan's portfolio was invested in the following securities by rating:

		June 30,	
		2016	2015
(Dollars in thousands)	Rating	**Fair value**	Fair value
U.S. Treasury securities	AAA[1]	**$ 389,382**	$ 261,091
U.S. Guarantees – GNMAs	AAA	**5**	7
Federal agency securities	AAA[1]	**213,794**	204,001
Shares of beneficial interest	AAA	**288**	532
Asset and mortgaged-backed securities	AAA	**67,288**	67,653
Medium-term corporate notes	A[2]	**185,661**	219,601
Prime commercial paper	A1/P1[2]	**309,112**	324,825
Negotiable certificates of deposit	F1[2]	**221,050**	440,936
Municipal bonds	A[2]	**44,306**	50,327
Local Agency Investment Fund	[3]	**65,000**	50,000
Total portfolio		**$ 1,495,886**	$ 1,618,973

(1) *United States Treasuries and Federal Agencies are rated "AAA" by two nationally recognized rating agencies and "AA" by one nationally recognized rating agency.*

(2) *A or better e.g. F1+, A1+, AA, or AAA.*

(3) *Local Agency Investment Fund is not rated.*

Concentration of credit risk. In accordance with Metropolitan's investment policy, the minimum requirements for limiting concentration of credit risk defined the maximum percent allowable for investment in each security type as well as the percent allowable for investment by issuer per type. Generally, the maximum allowable for investment by security type varied from 20 percent, for asset and mortgage-backed securities, to 100 percent for U.S. Treasury and agency securities. The percentages of investments that can be purchased by a single issuer, within each security type, ranged from 5 percent, for asset-backed securities, to 10 percent for bankers' acceptances.

The following table identifies Metropolitan's limits and the percent invested by security type based on fair value, as of June 30, 2016 and 2015.

	Investment Policy Limits	Percent of Portfolio 2016	Percent of Portfolio 2015
U.S. Treasury securities	100%	**26.03 %**	16.13 %
U.S. Guarantees – GNMAs	100%	—	—
Federal agency securities	100%	**14.29**	12.60
Shares of beneficial interest	20%	**0.02**	0.03
Asset and mortgaged-backed securities	20%	**4.50**	4.18
Medium-term corporate notes	30%	**12.41**	13.56
Prime commercial paper	25%	**20.66**	20.06
Negotiable certificates of deposit	30%	**14.78**	27.24
Municipal bonds	30%	**2.96**	3.11
Local Agency Investment Fund	N/A	**4.35**	3.09
Total portfolio		**100.00 %**	100.00 %

At June 30, 2016 and 2015, Metropolitan had the following investments (obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government not listed) representing five percent or more of its investments:

(Dollars in thousands)	June 30, 2016		June 30, 2015	
Federal National Mortgage Association	**$ 89,912**	**6.06 %**	$ 111,831	6.91 %
Federal Home Loan Mortgage Corporation	**$ —**	**— %**	$ 81,036	5.01 %

Custodial credit risk. At June 30, 2016 and 2015, Metropolitan's investments were insured, registered or held, in Metropolitan's name, in safekeeping at Metropolitan's bank, which was not a counterparty to the investment transactions. The exceptions were $65.0 million and $50.0 million in deposits in the California State managed LAIF as of June 30, 2016 and 2015, respectively.

The LAIF, created by California statute, is part of a pooled money investment account (PMIA). The LAIF has oversight by the Local Investment Advisory Board, which consists of five members designated by statute. The Chairman is the State Treasurer, or his designated representative.

The total amount invested by all public agencies in LAIF as of June 30, 2016 and 2015 was $22.7 billion and $21.5 billion, respectively. At June 30, 2016 and 2015, the PMIA had a balance of $75.4 billion and $64.8 billion, respectively, of which, 2.81 percent and 2.08 percent were invested in medium-term and short-term notes and asset-backed securities, respectively. The average maturity of LAIF investments as June 30, 2016 and 2015 was 167 days and 239 days, respectively.

(c) Reverse Repurchase Agreements

Metropolitan was permitted, subject to conditions imposed by State law, to sell securities owned under written agreements and to buy back the securities on or before a specified date for a specified amount. No such reverse repurchase agreements were entered into during the fiscal years ended June 30, 2016 and 2015.

(d) Restricted Cash and Investments

Metropolitan has established a number of separate accounts, also referred to as funds, to provide for specific activities in accordance with special regulations, bond covenants, and trust arrangements. The accounts were classified as "restricted." Most restricted accounts had the minimum cash and investment balance requirements and all were nondiscretionary in terms of the use of assets. Among other things, the restricted amounts provided for payments of debt service on Metropolitan's bonds; reserves for principal and interest on outstanding bonds; payments for arbitrage tax rebate; construction of capital assets; payment of Metropolitan's operations and maintenance expenses; and payment of the costs related to the closure and postclosure maintenance of Metropolitan's solid waste landfill facility.

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4. PARTICIPATION RIGHTS

Participation rights activity for the fiscal years ended June 30, 2016 and 2015 was as follows:

(Dollars in thousands)	June 30, 2014	Additions
Participation rights:		
Imperial Irrigation District	$ 112,313	$ —
Palo Verde Irrigation District	82,804	—
Kern Water District	39,007	—
South County Pipeline	72,371	—
Semitropic Water Storage District	31,319	5,800
Arvin-Edison Water Storage District	47,187	—
Chino Basin	27,500	—
Orange County	23,000	—
Conjunctive Use Programs	20,608	—
Total	456,109	5,800
Accumulated amortization:		
Imperial Irrigation District	(49,882)	(2,270)
Palo Verde Irrigation District	(21,703)	(2,343)
Kern Water District	(8,599)	(2,172)
South County Pipeline	(19,459)	(912)
Semitropic Water Storage District	(13,969)	(929)
Arvin-Edison Water Storage District	(15,886)	(1,467)
Chino Basin	(7,632)	(1,453)
Orange County	(6,273)	(1,195)
Conjunctive Use Programs	(5,381)	(1,025)
Total	(148,784)	(13,766)
Participations rights, net	$ 307,325	$ (7,966)

Reductions	June 30, 2015	**Additions**	**Reductions**	**June 30, 2016**
$ —	$ 112,313	**$ —**	**$ —**	**$ 112,313**
—	82,804	**—**	**—**	**82,804**
—	39,007	**—**	**—**	**39,007**
—	72,371	**—**	**—**	**72,371**
—	37,119	**—**	**(2,200)**	**34,919**
—	47,187	**—**	**—**	**47,187**
—	27,500	**—**	**—**	**27,500**
—	23,000	**—**	**—**	**23,000**
—	20,608	**—**	**—**	**20,608**
—	461,909	**—**	**(2,200)**	**459,709**
—	(52,152)	**(2,270)**	**—**	**(54,422)**
—	(24,046)	**(2,343)**	**—**	**(26,389)**
—	(10,771)	**(2,172)**	**—**	**(12,943)**
—	(20,371)	**(912)**	**—**	**(21,283)**
—	(14,898)	**(1,056)**	**—**	**(15,954)**
—	(17,353)	**(1,467)**	**—**	**(18,820)**
—	(9,085)	**(1,453)**	**—**	**(10,538)**
—	(7,468)	**(1,195)**	**—**	**(8,663)**
—	(6,406)	**(1,025)**	**—**	**(7,431)**
—	(162,550)	**(13,893)**	**—**	**(176,443)**
$ —	$ 299,359	**$ (13,893)**	**$ (2,200)**	**$ 283,266**

(a) Imperial Irrigation District

In December 1988, Metropolitan and the Imperial Irrigation District (IID) entered into a water conservation agreement that became effective in December 1989. Under the terms of the conservation agreement, Metropolitan paid for capital costs and continues to pay annual costs for specific conservation projects within IID. From 1998 to 2003, Metropolitan diverted from the Colorado River a quantity of water equal to the amount of water conserved by the conservation projects, which totaled between 104,940 and 109,460 acre-feet annually. Under the October 2003 amendment to an agreement and at the request of the Coachella Valley Water District (CVWD), up to 20,000 acre-feet of the total conserved volume was made available to CVWD. Under the May 2007 amendment to the agreement and a December 2015 letter agreement, at least 85,000 and 101,105 acre-feet will be/was available in calendar years 2016 and 2015, respectively (see Note 9c). The water must be used in the calendar year the water is conserved, unless stored in a Colorado River reservoir pursuant to a separate agreement.

As capital projects were completed, the costs contributed by Metropolitan were capitalized as participation rights in Metropolitan's accounting records. The construction phase of this program was completed as of September 30, 1998, and the operation and maintenance phase commenced on October 1, 1998. The October 2003 amendment to the agreement extended the term through December 31, 2041 or 270 days beyond the termination of the Quantification Settlement Agreement plus any extension applicable over the agreement (see Note 9e).

Participation rights for this project totaled $112.3 million as of June 30, 2016 and 2015, and are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.3 million in fiscal years 2016 and 2015.

(b) Palo Verde Irrigation District

In August 2004, Metropolitan entered into an agreement with Palo Verde Irrigation District (PVID) to implement a 35-year land management and crop rotation program. This fallowing program commenced in January 2005 and will extend through July 2040 and will make available up to 130,000 acre-feet of water in certain years for transfer to Metropolitan from PVID.

Under the terms of the agreement, Metropolitan paid for all program start-up costs that have been capitalized as participation rights. These costs included sign-up payments to individual landowners, funding for a community improvement program and program setup costs.

Participation rights for this program totaled $82.8 million as of June 30, 2016 and 2015, and are being amortized using the straight-line method over 35 years. Amortization expense totaled $2.3 million in fiscal years 2016 and 2015.

(c) Kern Delta Water District

Metropolitan entered into an agreement with the Kern Delta Water District for the development of a water management program. The agreement includes a Regulation Program and a Transportation Program. Under the terms of the Regulation Program, Kern Delta will regulate the storage and delivery for Metropolitan of up to 250,000 acre-feet of water and currently has 103,462 acre-feet in the program. The program is intended to provide a minimum recharge and return capability of 50,000 acre-feet annually. Construction of infrastructure is required in order to meet the program's dry year minimum return. The transportation program provides Metropolitan with priority rights to convey water acquired by Metropolitan from third parties through the Kern-Delta facilities to the California Aqueduct for ultimate delivery to Metropolitan. This program terminates on December 31, 2029. The facilities became operational in June 2010.

Participation rights for the Kern Delta totaled $39.0 million as of June 30, 2016 and 2015, and are being amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.2 million in fiscal years 2016 and 2015.

(d) South County Pipeline

In 1989, Metropolitan entered into an agreement with two member agencies and one of their subagencies to participate in the construction of an upsized version of a 26-mile long pipeline serving the south Orange County portion of its service area. Participation in this project provides Metropolitan capacity to transport its water in the central part of its service area.

Participation rights for this project totaled $72.4 million as of June 30, 2016 and 2015. These participation rights are amortized using the straight-line method over 80 years, which is the life of the agreement. Amortization expense totaled $912,000 in fiscal years 2016 and 2015.

(e) Semitropic Water Storage District

In December 1994, Metropolitan entered into a water banking and exchange program with Semitropic Water Storage District and its improvement districts that entitles it to storage, withdrawal, and exchange rights for its State Water Project supplies. The agreement terminates in November 2035.

In 1999, Metropolitan became fully vested for 35 percent of the one million acre-foot banking project. Metropolitan has a storage allocation of 350,000 acre-feet and currently has 124,783 acre-feet in the program. Metropolitan is entitled to a minimum of 31,500 acre-feet per year of pump back capacity. In addition, assuming a 100 percent State Water Project allocation, Metropolitan is entitled to a minimum of 46,550 acre-feet per year of entitlement exchange rights. Finally, Metropolitan has the ability to use other banking partners' rights when they are not being used. As a result, the potential maximum return capability for Metropolitan is estimated at 223,000 acre-feet per year assuming a 100 percent State Water Project allocation and usage of the other banking partners' rights. In fiscal year 2015, Metropolitan spent $5.8 million to increase the return capacity by 13,200 acre-feet per year. In fiscal year 2016, that return capacity was reduced by 5,000 acre-feet per year to 8,200 acre-feet per year when Metropolitan received reimbursement of $2.2 million.

Participation rights for this program totaled $34.9 million and $37.1 million as of June 30, 2016 and 2015, respectively. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.1 million and $929,000 in fiscal years 2016 and 2015, respectively.

(f) Arvin-Edison Water Storage District

In December 1997, Metropolitan entered into an agreement for a water management program with Arvin-Edison Water Storage District (Arvin-Edison). The agreement includes a regulation program, a transportation program, and a water quality exchange program. Under the terms of the regulation program, Arvin-Edison will regulate the storage and delivery for Metropolitan of up to 350,000 acre-feet of water and currently has 108,125 acre-feet in the program. The minimum estimated return capability for the Arvin-Edison program varies from 40,000 acre-feet per year to 75,000 acre-feet per year depending on hydrologic/groundwater conditions. Return water will be delivered to Metropolitan upon request through a new intertie pipeline to the California Aqueduct and by exchange of existing Arvin-Edison supplies in the California Aqueduct. In 2008, Metropolitan amended the agreement to construct the south canal improvement project that will improve the operational flexibility of the program as well as increase the ability to return high quality water to the California Aqueduct. The project was completed in early 2009. The agreement terminates on November 4, 2035 with provisions for automatic extension if all stored water has not been returned.

The agreement also provides a transportation program whereby Metropolitan is provided priority rights to convey water acquired by Metropolitan from third parties through the Arvin-Edison facilities to the California Aqueduct for ultimate delivery to Metropolitan.

Participation rights for the Arvin-Edison program totaled $47.2 million as of June 30, 2016 and 2015. These participation rights are amortized using the straight-line method over the longer life of the transportation program. Amortization expense totaled $1.5 million in fiscal years 2016 and 2015.

(g) Chino Basin

In June 2003, Metropolitan entered into a groundwater storage agreement with Inland Empire Utilities Agency, Three Valleys Municipal Water District, and the Chino Basin Watermaster. Under the terms of the agreement, Metropolitan may store up to 25,000 acre-feet per year to a maximum of 100,000 acre-feet and may withdraw up to 33,000 acre-feet per year for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 2016, Metropolitan had no water in storage. The agreement terminates on March 1, 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Chino basin groundwater storage program totaled $27.5 million as of June 30, 2016 and 2015. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.5 million in fiscal years 2016 and 2015.

(h) Orange County

In 2003, Metropolitan entered into a groundwater storage agreement with the Orange County Water District and the Municipal Water District of Orange County to allow Metropolitan to store 66,000 acre-feet in the Orange County Basin. Metropolitan may store up to 16,500 acre-feet per year and withdraw up to 22,000 acre-feet for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 2016, Metropolitan had 418 acre-feet in storage. The program included the construction of wells and barrier improvements for protection of groundwater supplies from seawater intrusion. The agreement terminates in June 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Orange County groundwater storage program totaled $23.0 million as of June 30, 2016 and 2015. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.2 million in fiscal years 2016 and 2015.

(i) Conjunctive Use Programs

Conjunctive use is the operation of a groundwater basin in coordination with a surface water system to increase total water supply availability, thus improving the overall reliability of supplies. Metropolitan has entered into seven agreements with its member agencies for conjunctive use programs whereby Metropolitan provides funding for construction of water storage and related facilities in exchange for water storage and withdrawal rights. The conjunctive use programs were funded with State Proposition 13 grant dollars. The seven projects are with Long Beach, Long Beach-Lakewood, Compton, Three Valleys, Three Valleys MWD-La Verne, Foothill MWD, and Western MWD-Elsinore Valley MWD. Collectively, these seven projects allow Metropolitan to store up to 45,889 acre-feet with storage of 11,472 acre-feet per year and withdrawal of 15,296 acre-feet per year for overlying demand during dry, drought, or emergency conditions. As of June 2016, Metropolitan had a total of 667 acre-feet in storage in these seven accounts. The term of each agreement is 25 years, unless the parties agree to extend for an additional maximum period of 25 years. Termination dates range from July 2027 to December 2031. The programs became operational during fiscal year 2009.

Participation rights in these projects totaled $20.6 million at June 30, 2016 and 2015. These participation rights are amortized using the straight-line method over the remaining lives of the agreements. Amortization expense totaled $1.0 million in fiscal years 2016 and 2015.

5. SHORT-TERM AND LONG-TERM DEBT

Metropolitan's enabling Act specifies that its indebtedness shall be limited to 15 percent of the assessed value of all taxable property within Metropolitan's service area. Existing outstanding debt of $4.773 billion and $4.478 billion at June 30, 2016 and 2015, respectively, represents less than one percent of the June 30, 2016 and 2015 total taxable assessed valuation of $2,583 billion and $2,451 billion, respectively.

Metropolitan's long-term debt consists of general obligation and revenue bond issues as well as other obligations. The general obligation bonds are secured by Metropolitan's authority to levy ad valorem property taxes. The revenue bond obligations are special limited obligations of Metropolitan and are secured by a pledge of Metropolitan's net operating revenues. Such obligations contain certain restrictive covenants, with which Metropolitan has complied. Substantially all of the bond issues contain call provisions. Substantially all of the debt proceeds have been, and are expected to continue to be, utilized to fund new facilities, improvements and betterments, and to refund outstanding bonds.

(a) Short-term Debt

Metropolitan may issue up to $400.0 million in commercial paper to fund a portion of its capital plan. During the fiscal years ended June 30, 2016 and 2015, there were no commercial paper notes issued or outstanding. Metropolitan may also issue other forms of short-term debt such as variable rate water revenue bonds (see Note 5c).

In April 2016, Metropolitan entered into a noteholder's agreement with RBC Municipal Products, LLC ("RBC") for the purchase by RBC and sale by Metropolitan of Metropolitan's Index Notes, Series 2016 ("RBC Facility"). Also in April 2016, Metropolitan entered into a note purchase and continuing covenant agreement with U.S. Bank National Association ("US Bank"), for the purchase by US Bank and sale by Metropolitan of Metropolitan's Flexible Rate Revolving Notes, Series 2016 ("US Bank Facility," and together with the RBC Facility, the "Short-Term Revolving Credit Facilities"). Metropolitan is permitted to sell up to $200.0 million of notes under each of the Short-Term Revolving Credit Facilities for an aggregate amount of available borrowings of $400.0 million. Metropolitan may borrow, pay down and re-borrow amounts under each of the Short-Term Revolving Credit Facilities. As of June 30, 2016, Metropolitan has sold $250.0 million of notes under the Short-Term Revolving Credit Facilities ($125.0 million under the RBC Facility and $125.0 million under the US Bank Facility).

Each of the Short-Term Revolving Credit Facilities bears interest at a variable rate of interest. The US Bank Facility bears interest at a basis point spread to one-month London interbank offering rate ("LIBOR") for taxable borrowings or to 70 percent of one-month LIBOR for tax-exempt borrowings, while the RBC Facility bears interest at a spread to one-month LIBOR for taxable borrowings or to the SIFMA Municipal Swap Index for tax-exempt borrowings. Under the Short-Term Revolving Credit Facilities, upon a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, or other specified events of default, each bank could terminate its commitments and declare all amounts then outstanding to be immediately due and payable. Metropolitan has secured its obligation to pay principal and interest under the Short-Term Credit Facilities as Senior Parity Obligations. Both Short-Term Credit Facilities will terminate on April 5, 2019.

(b) General Obligation Bonds

In 1966, voters authorized Metropolitan to incur up to $850.0 million of general obligation bond indebtedness to finance a portion of Metropolitan's capital plan. The original amounts, issued as Series A through H under the 1966 authorization, totaled $850.0 million at June 30, 2016 and 2015. Metropolitan has refunded a portion of these general obligation bond issues through the issuance of refunding bonds. A total of $92.9 million and $110.4 million in general obligation bonds and general obligation refunding bonds were outstanding at June 30, 2016 and 2015, respectively.

The general obligation and general obligation refunding bond issues include both serial and term bonds that mature in varying amounts through March 2037 at interest rates ranging from 2.0 percent to 5.0 percent. The term bonds are subject to mandatory redemption prior to maturity. All general obligation bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on interest payment dates, and subject to early redemption premiums.

No general obligation bonds were issued during the fiscal years ended June 30, 2016 and 2015.

(c) Revenue Bonds

Pursuant to a 1974 voter authorization, additional funds, primarily for funding the capital investment plan, are obtained through the sale of water revenue bonds. Revenue bonds may be issued subject to certain conditions, including a requirement that the total of revenue bonds outstanding does not exceed the equity (net position) of Metropolitan as of the fiscal year end prior to such issuance. Metropolitan has refunded some of these revenue bonds through the issuance of refunding bonds. A total of $4.189 billion and $4.157 billion of revenue bonds and revenue refunding bonds were outstanding at June 30, 2016 and 2015, respectively.

Each fixed rate revenue and revenue refunding bond issue consists of either serial or term bonds or both that mature in varying amounts through July 2045 at interest rates ranging from 0.62 percent to 6.95 percent. The term bonds are subject to mandatory redemption prior to maturity. Substantially all revenue bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on interest payment dates, and subject to early redemption premiums.

Revenue bond issued during the fiscal year ended June 30, 2016 was as follows:

- On December 19, 2015, Metropolitan issued $208.3 million of Water Revenue Bonds, 2015 Authorization Series A, at a true interest cost of 3.11 percent, to finance a portion of the capital investment plan. The maturities extend to July 1, 2045 and are subject to mandatory and optional redemption provisions.

No revenue bonds were issued during fiscal year ended June 30, 2015.

(d) Bond Refundings and Defeasances

Metropolitan has issued Waterworks General Obligation Refunding Bonds, Water Revenue Refunding Bonds, and Special Variable Rate Water Revenue Refunding Bonds to refund various issues of Waterworks General Obligation Bonds, Waterworks General Obligation Refunding Bonds, Water Revenue Bonds, Water Revenue Refunding Bonds, and Special Variable Rate Water Revenue Refunding Bonds previously issued. The net proceeds from these sales were used to redeem the refunded bonds and fund certain swap termination payments or to purchase U.S. Treasury securities that were deposited in irrevocable escrow trust accounts with a bank acting as an independent fiscal agent to provide for all future debt service on the bonds being refunded. As a result, those bonds are considered defeased and the related liabilities have been excluded from Metropolitan's basic financial statements.

Refunding and defeasance transactions during fiscal year 2016 were as follows:

- On July, 1, 2015, Metropolitan issued $188.9 million Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-1 and A-2, at variable rates, to refund $88.8 million of Water Revenue Bonds, 2000 Authorization, Series B-4, $75.6 million of Water Revenue Bonds, 2005 Authorization, Series A, and $29.8 million of Water Revenue Refunding Bonds, 2012 Series E-2 (Term Mode). The maturities of the 2015 Series A-1 and A-2 bonds extend to July 1, 2035 and are subject to optional and mandatory redemption provisions.

- On June 30, 2016, Metropolitan issued $239.5 million Water Revenue Refunding Bonds, 2016 Series A, to refund $175.0 million of Water Revenue Bonds, 2005 Authorization, Series C, $85.0 million of Water Revenue Bonds, 2006 Authorization, Series A, and $24.1 million of Water Revenue Refunding Bonds, 2006 Series B. The maturities of the 2016 Series A bonds extend to July 1, 2037 and are subject to optional and mandatory redemption provisions.

Refunding and defeasance transactions during fiscal year 2015 were as follows:

- On August 29, 2014, Metropolitan issued $86.1 million of Water Revenue Refunding Bonds, 2014 Series E, $7.9 million of Water Revenue Refunding Bonds, 2014 Series F (Federally Taxable) and $57.8 million of Water Revenue Refunding Bonds, 2014 Series G-1, G-2, G-3, G-4 and G-5 (Term Mode), at a combined true interest cost of 3.16 percent, and related original issue premium together with available resources on hand were used to refund $79.2 million of Water Revenue Refunding Bonds, 2004 Series A-1 and A-2, $83.5 million of Water Revenue Refunding Bonds, 2008 Series A-2, and to fund $17.0 million of swap termination payments. The maturities of the 2014 Series E, 2014 Series F and 2014 Series G-1, G-2, G-3, G-4 and G-5 bonds extend to July 1, 2024, January 1, 2015, and July 1, 2037, respectively.

  The 2014 Series E and 2014 Series F bonds are not subject to optional or mandatory redemption provisions. The 2014 Series G-1, G-2, G-3, G-4 and G-5 bonds are subject to an unscheduled mandatory tender, at Metropolitan's discretion, beginning July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019 and July 1, 2020, respectively, and are subject to mandatory and optional redemption provisions.

- On December 2, 2014, Metropolitan issued $49.6 million of Waterworks General Obligation Refunding Bonds, 2014 Series A, at a true interest cost 1.05 percent, and related original issue premium were used to refund $54.4 million of Waterworks General Obligation Refunding Bonds, 2005 Series A. The maturities of the 2014 Series A bonds extend to March 1, 2021. The 2014 Series A bonds are not subject to optional or mandatory redemption provisions.

These refundings and defeasances were accomplished to take advantage of lower interest rates. In addition to realizing economic savings, Metropolitan also issued certain refunding bonds to eliminate or mitigate certain risks associated with managing its variable rate debt and interest rate swap portfolios. The transactions resulted in cash flow savings of $48.2 million and $16.4 million and economic gains (difference between the present values of the debt service payments on the old debt and new debt) of $34.7 million and $6.6 million for fiscal years 2016 and 2015, respectively. The difference between the book value of the old debt and the amount required to retire the debt is deferred and amortized over the original remaining life of the old debt or the life of the new debt, whichever is less. Deferred outflows of loss on bond refundings at June 30, 2016 and 2015 were $69.1 million and $89.7 million, respectively, and the deferred outflows on swap terminations for the same periods were $35.4 million and $38.6 million, respectively.

(e) Other Long-term Debt

In November 2003, Metropolitan received $20.0 million through the state Department of Water Resources for oxidation retrofit facilities at the Mills Water Treatment Plant in Riverside County. This 20-year State Revolving Fund loan carries interest at 2.39 percent with the final payment due July 1, 2024. At June 30, 2016 and 2015, the outstanding balance was $9.1 million and $10.7 million, respectively.

(f) Interest Rate Swaps

Metropolitan has eight outstanding interest rate swap agreements as of June 30, 2016. These agreements require that Metropolitan pay fixed interest rates and receive interest at variable interest rates which are Metropolitan's hedging derivative instruments.

Metropolitan's interest rate swap portfolio as of June 30, 2016, 2015, and 2014 are summarized on the following table.

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(Dollars in thousands)

Associated Bond Issue [1]	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Counterparty Credit Rating[2]
2002 A Payor	$ 75,838	09/12/02	3.300%	57.74% of 1MoLIBOR[4]	A3/BBB+/A
2002 B Payor	28,372	09/12/02	3.300%	57.74% of 1MoLIBOR	Aa3/A+/AA-
2003 Payor C-1 C-3	158,597	12/18/03	3.257%	61.20% of 1MoLIBOR	Aa2/AA-/AA
2003 Payor C-1 C-3	158,597	12/18/03	3.257%	61.20% of 1MoLIBOR	Aa3/A+/AA-
2004 Payor A-1 A-2	—	02/19/04	2.917%	61.20% of 1MoLIBOR	N/A
2004 C Payor	7,760	11/16/04	2.980%	61.55% of 1MoLIBOR	A3/BBB+/A
2004 C Payor	6,350	11/16/04	2.980%	61.55% of 1MoLIBOR	Baa1/BBB+/A
2005 Payor	29,058	07/06/05	3.360%	70.00% of 1MoLIBOR	Aa3/A+/AA-
2005 Payor	29,058	07/06/05	3.360%	70.00% of 1MoLIBOR	Baa1/A-/A
Total swaps	$ 493,630				

1 These swaps lock in a fixed rate for an equivalent amount of variable rate debt.

2 Credit Ratings - Moody's Investors Service, Standard & Poor's, Fitch Ratings, respectively.

3 Excludes accrued interest.

4 London Interbank Offered Rate.

Swap	Fair Value as of 6/30[3]			Change in Fair Value in FY	
Termination	**2016**	2015	2014	**2016**	2015
07/01/25	**$ (12,421)**	$ (10,962)	$ (12,526)	**$ (1,459)**	$ 1,564
07/01/25	**(4,646)**	(4,097)	(4,677)	**(549)**	580
07/01/30	**(34,653)**	(26,897)	(26,218)	**(7,756)**	(679)
07/01/30	**(34,653)**	(26,897)	(26,218)	**(7,756)**	(679)
07/01/23	**—**	—	(9,239)	**—**	9,239
10/01/29	**(1,592)**	(1,156)	(1,068)	**(436)**	(88)
10/01/29	**(1,283)**	(938)	(867)	**(345)**	(71)
07/01/30	**(7,088)**	(4,805)	(7,369)	**(2,283)**	2,564
07/01/30	**(6,971)**	(4,761)	(7,323)	**(2,210)**	2,562
	$ (103,307)	$ (80,513)	$ (95,505)	**$ (22,794)**	$ 14,992

As with its investments, Metropolitan categorizes its liabilities using fair value measurements within the fair value hierarchy established by generally accepted accounting principles and are discussed in Note 3.

Metropolitan has the following recurring fair value measurements as of June 30, 2016 and 2015:

(Dollars in thousands)

			Fair Value Measurements Using					
Associated Bond Issue		**6/30/2016**		**Significant Other Observable Inputs (Level 2)**		6/30/2015		Significant Other Observable Inputs (Level 2)
2002 A Payor	**$**	**(12,421)**	**$**	**(12,421)**	$	(10,962)	$	(10,962)
2002 B Payor		**(4,646)**		**(4,646)**		(4,097)		(4,097)
2003 Payor C-1 C-3		**(34,653)**		**(34,653)**		(26,897)		(26,897)
2003 Payor C-1 C-3		**(34,653)**		**(34,653)**		(26,897)		(26,897)
2004 C Payor		**(1,592)**		**(1,592)**		(1,156)		(1,156)
2004 C Payor		**(1,283)**		**(1,283)**		(938)		(938)
2005 Payor		**(7,088)**		**(7,088)**		(4,805)		(4,805)
2005 Payor		**(6,971)**		**(6,971)**		(4,761)		(4,761)
Total swaps	**$**	**(103,307)**	**$**	**(103,307)**	$	(80,513)	$	(80,513)

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates, yield curves and credit spreads.

Pay-Fixed, Receive-Variable

Objective of the Swaps: In order to take advantage of low interest rates in the marketplace, Metropolitan entered into eight separate pay-fixed, receive-variable interest rate swaps at costs that were less than what Metropolitan otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market.

Terms: The notional amounts of the swaps match the principal amounts of the associated debt in total. Metropolitan's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated long-term debt.

Fair Values: At June 30, 2016, all pay-fixed, receive-variable swaps had a negative fair value. Because the coupons on Metropolitan's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes. The fair values of the swaps were estimated using the zero-coupon method and exclude accrued interest. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risks: As of June 30, 2016, Metropolitan was not exposed to credit risk on the outstanding pay-fixed, receive-variable swaps that had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Metropolitan would be exposed to credit risk to each swap counterparty in the amount of the derivatives' fair value. Should the counterparties to the transactions fail to perform according to the terms of the swap contract, Metropolitan would face a maximum possible loss equal to the fair value of these swaps.

All swap agreements contain specific collateral requirements that are in effect for Metropolitan and the counterparties. The swaps require different collateral levels based on credit ratings and the fair value of the swap. Generally, the fair value threshold levels are also reduced as the credit ratings are reduced. Collateral on all swaps is to be in the form of U.S. government securities that may be held by the party posting the collateral. Metropolitan had no posted collateral as of June 30, 2016.

Each swap contains cross-default provisions that allow the nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by, or owed to, the nondefaulting party.

As of June 30, 2016, Metropolitan has pay-fixed, receive-variable swap transactions with one counterparty in the amount of $216.0 million or 43.8 percent of the notional amount of Metropolitan's outstanding pay-fixed, receive-variable swap transactions. This counterparty is rated Aa3/A+/AA- by Moody's, Standard & Poor's, and Fitch Ratings, respectively.

Basis Risk: The interest rates on Metropolitan's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from counterparties on pay-fixed, receive-variable interest rate swaps. To the extent these variable payments differ, Metropolitan is exposed to basis risk. When the rates received from the counterparties are less than the rates on variable rate bonds associated with the respective swap transactions there is a basis loss. When the rates received from the counterparties are greater than the rates on variable rate bonds associated with the respective swap transactions there is a basis gain. As of June 30, 2016, the interest rates of the variable rate debt associated with these swap transactions range from 0.36 percent to 1.00 percent. Metropolitan's variable rate payments received from the counterparties of these swaps ranged from 0.27 percent to 0.46 percent.

Termination Risk: Metropolitan may terminate any of the swaps if the other party fails to perform under the terms of the swap agreements. If any of the swaps are terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, Metropolitan would be liable to the counterparty for a payment equal to the swap's fair value. On July 29, 2014, Metropolitan exercised its optional termination provisions and terminated one swap in its entirety and partially terminated six other swaps. The termination payment of $17.0 million was funded from a portion of the proceeds of the 2014 Series E, F, and G Water Revenue Refunding Bonds, and resulted in a loss on early termination of $18.7 million, which is included in interest expense.

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, Metropolitan is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swap agreement.

(g) Swap Payments and Associated Debt

Using rates as of June 30, 2016, debt service requirements on Metropolitan's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds		Interest Rate	
(Dollars in thousands)	Principal	Interest	Swaps, Net	Total
Year ending June 30:				
2017	$ —	$ 3,067	$ 14,564	$ 17,631
2018	—	3,067	14,564	17,631
2019	—	3,067	14,564	17,631
2020	—	3,067	14,564	17,631
2021	54,965	2,852	13,614	71,431
2022-2026	241,565	10,165	48,434	300,164
2027-2031	197,100	1,940	9,137	208,177
Total	$ 493,630	$ 27,225	$ 129,441	$ 650,296

(h) Variable Rate Bonds

The variable rate bonds bear interest at daily and weekly rates ranging from 0.36 percent to 1.00 percent as of June 30, 2016 and 0.01 percent to 0.41 percent as of June 30, 2015. Metropolitan can elect to change the interest rate period of the bonds with certain limitations. With the exception of the Water Revenue Refunding Bonds, 2009 SIFMA Index Bonds Series A-2, 2011 SIFMA Index Bonds Series A-1, A-2, A-3, and A-4, 2012 SIFMA Index Bonds Series B-1 and B-2, and the 2013 Flexible Index Bonds, Series E, the bondholders have the right to tender bonds to the paying agent on any business day with either same day or seven days' prior notice. The current terms of the 2009 SIFMA Index Bond Series A-2, the 2011 SIFMA Index Bonds Series A-1 and A-3, and the 2013 Flexible Index Bond Series E provide bondholders a right to tender bonds to the paying agent every 270 days and for the 2011 SIFMA Index Bonds Series A-2 and A-4, and the 2012 SIFMA Index Bonds Series 2012 B-1 and B-2, every three years. Metropolitan has entered into standby bond purchase agreements (SBPA) with several commercial banks to provide liquidity for two and three separate variable rate bond issues in the amount of $151.3 million and $240.1 million as of June 30, 2016 and 2015, respectively. In addition, Metropolitan has eleven and ten series of variable rate bonds in the amounts of $876.4 million and $703.6 million as of June 30, 2016 and 2015, respectively that are not supported by an SBPA.

The Bank Bonds that would be issued under the SBPA would bear interest that is payable at a rate, depending on the agreement, that is the higher of the "base rate", which is based on the prime rate or Federal Funds rate or LIBOR, plus a spread, as designated in each SBPA. The base rate is then adjusted upwards by between 2.0 percent and 8.0 percent. The principal of the Bank Bonds would be payable, depending on the agreement, in six equal semi-annual installments commencing between six months and 180 days after purchase by the bank.

The $62.5 million 2008 Series A-2, Water Revenue Refunding Bonds, and $88.8 million 2000 Series B-3, Water Revenue Bonds, have SBPAs that expire on September 23, 2016 and February 17, 2017, respectively. According to the provisions of the Paying Agent Agreement for the bonds, the Paying Agent will draw on the SBPA two business days prior to the SBPA expiration to redeem all outstanding bonds. Metropolitan is required to repay the bank in six semi-annual installments commencing six months or 180 days, respectively, after the draw on the facility. As a result, only $10.4 million of the 2008 Series A-2 bonds have been classified as current liabilities as of June 30, 2016.

For eight series of variable rate bonds not supported by SBPA in the amount of $536.5 million, if the purchase price is not paid from the proceeds of remarketing or other funds, such bonds then will bear interest at a rate equal to the lower of (i) 12.0 percent and (ii) the higher of 8.0 percent or Prime Rate plus 3.0 percent until purchased by Metropolitan or redeemed pursuant to a special mandatory redemption. The principal amount of these new bonds would be payable in three equal installments at 18 month increments from the conversion of the bonds to a fixed rate.

The three series of self-liquidity variable rate bonds that were not supported by a SBPA at June 30, 2016 were the $87.4 million, 2013 Series D, Special Variable Rate Water Revenue Refunding Bonds, the $63.6 million, 2014 Series D, Special Variable Rate Water Revenue Refunding Bonds, and the $188.9 million, 2015 Series A-1 and A-2, Special Variable Rate Water Revenue Refunding Bonds. At June 30, 2015, the outstanding self-liquidity variable rate bonds that were not supported by a SBPA were the $87.4 million, 2013 Series D, Special Variable Rate Water Revenue Refunding Bonds and the $79.8 million, 2014 Series D, Special Variable Rate Water Revenue Refunding Bonds. These variable rate bonds outstanding at June 30, 2016 and 2015 had no long-term take out provisions therefore, the entire principal amount of $339.9 million and $167.2 million, respectively, may be tendered for purchase upon one week's notice from bondholders. However, on March 21, 2013 and July 1, 2015, Metropolitan entered into separate Revolving Credit Agreements (RCAs), by which Metropolitan may borrow up to $96.5 million and $180.0 million, respectively, to pay the purchase price (principal and accrued interest) of any self-liquidity bonds tendered for purchase. The RCAs permits repayment of any borrowed funds over a term-out period beginning 90 days after the RCA's stated expiration date of March 31, 2016 and 120 days after the stated expiration date of June 24, 2018. As a result of the RCA, only $159.9 million and $70.7 million of these self-liquidity bonds have been classified as current liabilities as of June 30, 2016 and 2015, respectively.

Metropolitan has two series of variable rate parity obligations, at June 30, 2016, the $125.0 million Taxable Rate Revolving Notes, Series 2016 A-1 and the $125.0 million Taxable Series 2016 Series B-1 Notes, pursuant to two Short-Term Revolving Credit Facilities with US Bank, and RBC. Both Notes pay a variable rate at a basis point spread to One Month LIBOR. While both Notes have a maturity date of April 5, 2017, the Short-Term Revolving Credit Facilities require US Bank and RBC to purchase refunding notes, subject to certain terms and conditions, through the Facilities expiration date of April 5, 2019.

(i) Long-term Debt Obligation Summary

Interest rates at June 30, 2016 on all outstanding fixed-rate obligations range from 1.28 percent to 6.95 percent. Interest on the variable rate debt is reset either daily or weekly based upon market conditions. Future principal and interest payments in accordance with the debt agreements as of June 30, 2016 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2017	$ 147,252	$ 161,357	$ 308,610
2018	165,189	157,855	323,044
2019	162,524	149,876	312,400
2020	164,196	141,893	306,089
2021	157,827	133,689	291,516
2022-2026	837,215	562,014	1,399,229
2027-2031	900,710	402,952	1,303,662
2032-2036	1,003,025	246,254	1,303,662
2037-2041	731,525	93,336	824,861
2042-2046	21,505	2,312	23,817
	$ 4,290,968	$ 2,051,538	$ 6,396,890

Unamortized bond discount and premium, net	232,467
Total debt	4,523,435
Less current portion	(313,093)
Long-term portion of debt	$ 4,210,342

6. LONG-TERM LIABILITIES

Long-term liability activity for the fiscal years ended June 30, 2016 and 2015 is shown on the following table. Payments on the bonds are made from the restricted debt service funds; other long-term debt, the off-aqueduct power facilities obligation, and the compensated absences liability will be liquidated primarily with water revenues.

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NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2016 and 2015

(Dollars in thousands)	Maturity Dates	Range of Interest Rates	June 30, 2014	Additions
Waterworks general obligation refunding bonds (Note 5b):				
2004 Series A	3/1/15	5.00%	$ 7,090	$ —
2005 Series A	3/1/14-3/1/21	4.125%-5.000%	60,105	—
2009 Series A	3/1/14-3/1/28	3.50%-5.00%	33,650	—
2010 Series A	3/1/14-3/1/37	4.00%-5.00%	31,430	—
2014 Series A	3/1/16-3/1/21	2.00%-5.00%	—	49,645
Total general obligation and general obligation refunding bonds			132,275	49,645
Water revenue bonds (Note 5c):				
2000 Series B-1-B-4	7/1/29-7/1/35	Variable	177,600	—
2003 Series B-3-B-4	10/1/14	5.00%	8,540	—
2005 Series A	7/1/28-7/1/35	5.00%	75,620	—
2005 Series C	7/1/28-7/1/35	4.50%-5.00%	175,000	—
2006 Series A	7/1/14-7/1/37	4.00%-5.00%	393,160	—
2008 Series A	1/1/15-1/1/39	2.50%-5.00%	187,830	—
2008 Series B	7/1/14-7/1/20	2.50%-4.00%	17,275	—
2008 Series C	7/1/26-7/1/39	5.752%-6.250%	78,385	—
2008 Series D	7/1/21-7/1/39	5.906%-6.538%	250,000	—
2010 Series A	7/1/40	6.947%	250,000	—
2015 Series A	7/1/18-7/1/45	4.00%--5.00%	—	—
Water revenue refunding bonds (Note 5d):				
1993 Series A-B	7/1/14-7/1/21	5.75%	105,185	—
2003 Series A	7/1/14	5.00%	11,780	—
2004 Series A-1-A-2	7/1/19-7/1/23	Variable	79,185	—
2006 Series B	7/1/30-7/1/37	4.375%-5.00%	24,055	—
2008 Series A-1-A-2	7/1/17-7/1/37	Variable	145,985	—
2008 Series B	7/1/14-7/1/22	4.00%-5.00%	127,410	—
2008 Series C	7/1/14-7/1/23	3.75%-5.00%	48,580	—
2009 Series A-1-A-2	7/1/20-7/1/30	Variable	104,180	—
2009 Series B	7/1/20-7/1/30	4.00%-5.25%	106,690	—
2009 Series C	7/1/29-7/1/35	5.00%	91,165	—
2009 Series D	7/1/14-7/1/21	2.25%-5.00%	70,390	—
2009 Series E	7/1/14-7/1/20	3.75%-5.00%	21,020	—
2010 Series B	7/1/14-7/1/28	2.25%-5.00%	88,845	—
2011 Series A-1-A-4	7/1/16-7/1/36	Variable	228,875	—
2011 Series B	7/1/14-7/1/20	4.00%-5.00%	105,645	—
2011 Series C	10/1/14-10/1/36	2.25%-4.00%	156,600	—
2012 Series A	10/1/23-10/1/36	3.25%-5.00%	181,180	—
2012 Series B	7/1/23-7/1/27	Variable	98,585	—
2012 Series C	7/1/16-7/1/21	3.00%-5.00%	190,600	—
2012 Series D	7/1/14-7/1/16	0.616%-1.28%	30,330	—
2012 Series E	7/1/27-7/1/37	2.50%-3.50%	61,040	—
2012 Series F	7/1/15-7/1/28	3.00%-5.00%	60,035	—
2012 Series G	7/1/20-7/1/31	3.00%-5.00%	111,890	—
2013 Series D	7/1/29-7/1/35	Variable	87,445	—
2013 Series E	7/1/20-7/1/30	Variable	104,820	—
2014 Series A	7/1/18-7/1/21	4.00%-5.00%	95,935	—
2014 Series B	7/1/18	1.49%	10,575	—
2014 Series C	7/1/22-7/1/27	3.00%	30,335	—
2014 Series D	7/1/15-7/1/32	Variable	79,770	—
2014 Series E	7/1/21-7/1/24	3.50%-5.00%	—	86,060
2014 Series F	1/1/15		—	7,860
2014 Series G	7/1/37	2.00%-3.00%	—	57,840
2015 Series A-1, A-2	7/1/35	Variable	—	—
2016 Series A	7/1/28-7/1/37	2.00%-5.00%	—	—
Total water revenue and water revenue refunding bonds			4,271,540	151,760
Other long-term debt (Note 5e):				
State revolving fund loans	7/1/14-7/1/24	2.39%	11,675	—
Unamortized bond discount and premiums, net			200,896	28,619
Total long-term debt			4,616,386	230,024
Other long-term liabilities (see table next page)			278,077	46,880
Total long-term liabilities			$ 4,894,463	$ 276,904

NOTES TO BASIC FINANCIAL STATEMENTS

(CONTINUED)

June 30, 2016 and 2015

Reductions	June 30, 2015	Additions	Reductions	June 30, 2016	Amounts Due Within One Year
$ (7,090)	$ —	$ —	$ —	$ —	$ —
(60,105)	—	—	—	—	—
(165)	33,485	—	(2,740)	30,745	3,745
(4,140)	27,290	—	(4,225)	23,065	4,330
—	49,645	—	(10,590)	39,055	9,885
(71,500)	110,420	—	(17,555)	92,865	17,960
—	177,600	—	(88,800)	88,800	—
(8,540)	—	—	—	—	—
—	75,620	—	(75,620)	—	—
—	175,000	—	(175,000)	—	—
(1,805)	391,355	—	(87,120)	304,235	1,990
(4,305)	183,525	—	(4,410)	179,115	4,585
(2,240)	15,035	—	(2,300)	12,735	2,375
—	78,385	—	—	78,385	—
—	250,000	—	—	250,000	—
—	250,000	—	—	250,000	—
—	—	208,255	—	208,255	—
(3,345)	101,840	—	(15,300)	86,540	16,200
(11,780)	—	—	—	—	—
(79,185)	—	—	—	—	—
—	24,055	—	(24,055)	—	—
(83,520)	62,465	—	—	62,465	—
(210)	127,200	—	(220)	126,980	7,150
(6,780)	41,800	—	(7,100)	34,700	7,445
—	104,180	—	—	104,180	—
—	106,690	—	—	106,690	—
—	91,165	—	—	91,165	—
(5,650)	64,740	—	(5,880)	58,860	8,855
(2,665)	18,355	—	(2,765)	15,590	2,875
(4,670)	84,175	—	(4,845)	79,330	5,005
—	228,875	—	—	228,875	430
(32,415)	73,230	—	(37,470)	35,760	30,680
(500)	156,100	—	(8,165)	147,935	500
—	181,180	—	—	181,180	—
—	98,585	—	—	98,585	—
—	190,600	—	—	190,600	14,965
(10,725)	19,605	—	(19,000)	605	605
—	61,040	—	(29,820)	31,220	—
—	60,035	—	(700)	59,335	—
—	111,890	—	—	111,890	—
—	87,445	—	—	87,445	87,445
—	104,820	—	—	104,820	—
—	95,935	—	—	95,935	—
—	10,575	—	—	10,575	—
—	30,335	—	—	30,335	—
—	79,770	—	(16,195)	63,575	63,575
—	86,060	—	—	86,060	—
(7,860)	—	—	—	—	—
—	57,840	—	—	57,840	—
—	—	188,900	—	188,900	8,900
—	—	239,455	—	239,455	—
(266,195)	4,157,105	636,610	(604,765)	4,188,950	263,580
(991)	10,684	—	(1,531)	9,153	1,039
(29,487)	200,028	75,220	(42,781)	232,467	30,514
(368,173)	4,478,237	711,830	(666,632)	4,523,435	313,093
(66,575)	258,382	84,386	(60,306)	282,462	44,632
$ (434,748)	$ 4,736,619	$ 796,216	$ (726,938)	$ 4,805,897	$ 357,725

(Dollars in thousands)	June 30, 2014	Additions	Reductions	June 30, 2015	**Additions**	**Reductions**	**June 30, 2016**	**Amounts Due Within One Year**
Off-aqueduct power facilities (Note 9f)	$ 22,232	$ —	$ (4,239)	$ 17,993	**$ —**	**$ (3,649)**	**$ 14,344**	**$ 3,265**
Compensated absences	46,402	19,416	(19,354)	46,464	**20,060**	**(19,627)**	**46,897**	**19,600**
Customer deposits and trust funds	81,293	16,058	(7,846)	89,505	**36,211**	**(31,958)**	**93,758**	**10,387**
Workers' Compensation and third party claims (Note 14)	27,352	7,951	(15,505)	19,798	**5,321**	**(5,072)**	**20,047**	**9,500**
Fair value of interest rate swaps (Note 5f)	95,505	—	(14,992)	80,513	**22,794**	—	**103,307**	**—**
Other long-term obligations	5,293	3,455	(4,639)	4,109	**—**	**—**	**4,109**	**1,880**
Total other long-term liabilities	$ 278,077	$ 46,880	$ (66,575)	$ 258,382	**$ 84,386**	**$ (60,306)**	**$ 282,462**	**$ 44,632**

7. PENSION PLAN

(a) General Information about the Pension Plan

Plan Description

All full-time Metropolitan employees are required to participate in Metropolitan's Miscellaneous Plan with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Employees hired prior to January 1, 2013 (Classic members) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits; employees hired after January 1, 2013 (PEPRA members) with at least five years of credited service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for improved non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Metropolitan is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Metropolitan's total employer contributions were $34.3 million and $33.9 million for the fiscal years ended June 30, 2016 and 2015, respectively. The employee contribution rate was 7.0 percent of annual pay for Classic members and 6.75 percent for PEPRA members for the measurement periods ended June 30, 2015 and 2014. Metropolitan contributes the full 7.0 percent for Classic members while PEPRA members contribute the full 6.75 percent. At June 30, 2016 and 2015, Metropolitan's pickup of the employee's 7.0 percent share were $12.4 million and $12.7 million, respectively.

The Plans' provisions and benefits in effect at June 30, 2016 and 2015 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	36 months
Sick leave credit	Yes	Yes
Retirement age	50-67	52-67
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Cost of living adjustment	2.0%	2.0%
Required employee contribution rates		
2016	7.0%	6.75%
2015	7.0%	6.75%
Required employer contribution rates		
2016	19.738%	19.738%
2015	17.649%	17.649%

The following employees were covered by the benefit terms at June 30, 2016 and 2015:

	2016	2015
Inactive employees (or their beneficiaries) currently receiving benefits	**1,907**	1,876
Inactive employees entitled to but not yet receiving benefits	**1,020**	1,042
Active members	**1,756**	1,743
Total	**4,683**	4,661

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Metropolitan's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability at June 30, 2016 and 2015 was measured as of June 30, 2015 and 2014, respectively, using an annual actuarial valuation as of June 30, 2014 and 2013, respectively. The actuarial valuations as of June 30, 2014 and 2013 were rolled forward to June 30, 2015 and 2014, respectively, using standard update procedures.

The total pension liabilities for the measurement dates of June 30, 2015 and 2014 were based on the following actuarial methods and assumptions:

Actuarial cost method		Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions		
Discount rate	2015	7.65%
	2014	7.50%
Inflation		2.75%
Salary increases	2015	Varies by entry age and service
	2014	3.30% to 14.20% depending on age, service, and type of employment
Investment rate	2015	7.65% Net of pension plan investment expenses, includes inflation
of return	2014	7.50% Net of pension plan investment and administrative expenses; includes inflation
Mortality rate table[1]		Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase		Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

[1] *The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.*

All other actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

The long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2015 and 2014 measurement dates were 7.65 percent and 7.50 percent, respectively. 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 of the plans, the tests revealed the assets would not run out. Therefore, the discount rates used at June 30, 2015 and 2014 measurement dates were appropriate and the use of the municipal bond rate calculation was not deemed necessary. The long-term expected discount rates of 7.65 percent and 7.50 percent at June 30, 2015 and 2014 measurement dates, respectively, were applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present 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 long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

	New Strategic Allocation		**Real Return Years 1-10** [1]		**Real Return Years 11+** [2]	
Asset Class	**2015**	2014 [3]	**2015**	2014	**2015**	2014
Global Equity	**51.0 %**	47.0 %	**5.25 %**	5.25 %	**5.71 %**	5.71 %
Global Fixed Income	**19.0**	19.0	**0.99**	0.99	**2.43**	2.43
Inflation Sensitive	**6.0**	6.0	**0.45**	0.45	**3.36**	3.36
Private Equity	**10.0**	12.0	**6.83**	6.83	**6.95**	6.95
Real Estate	**10.0**	11.0	**4.50**	4.50	**5.13**	5.13
Infrastructure and Fores	**2.0**	3.0	**4.50**	4.50	**5.09**	5.09
Liquidity	**2.0**	2.0	**(0.55)**	(0.55)	**(1.05)**	(1.05)
Total	**100.0 %**	100.0 %				

[1] *An expected inflation of 2.5 percent used for this period*
[2] *An expected inflation of 3.0 percent used for this period*
[3] *Rates of return are net of administrative expenses*

(c) Changes in the Net Pension Liability

The following tables show the changes in net pension liability recognized over the measurement periods of June 30, 2015 and 2014:

	Increase (Decrease)		
(Dollars in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2014 (VD)[1]	**$ 1,969,332**	**$ 1,562,538**	**$ 406,794**
Changes recognized for the measurement period:			
Service cost	28,890	—	28,890
Interest on the total pension liability	146,852	—	146,852
Changes of benefit terms	—	—	—
Differences between expected and actual experience	14,665	—	14,665
Changes of assumptions	(35,008)	—	(35,008)
Contributions from the employer	—	34,306	(34,306)
Contributions from employees	—	14,787	(14,787)
Net investment income	—	35,301	(35,301)
Benefit payments, including refunds of employee contributions	(86,154)	(86,154)	—
Administrative expenses	—	(1,756)	1,756
Net Changes	**$ 69,245**	**$ (3,516)**	**$ 72,761**
Balance at June 30, 2015 (MD)[1]	**$ 2,038,577**	**$ 1,559,022**	**$ 479,555**

[1] *The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.*

(Dollars in thousands)	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2013 (VD)[1]	**$ 1,883,028**	**$ 1,358,145**	**$ 524,883**
Changes recognized for the measurement period:			
Service cost	28,505	—	28,505
Interest on the total pension liability	139,190	—	139,190
Changes of benefit terms	—	—	—
Differences between expected and actual experience	—	—	—
Changes of assumptions	—	—	—
Contributions from the employer	—	33,853	(33,853)
Contributions from employees	—	15,185	(15,185)
Net investment income[2]	—	236,746	(236,746)
Benefit payments, including refunds of employee contributions	(81,391)	(81,391)	—
Net Changes	**$ 86,304**	**$ 204,393**	**$ (118,089)**
Balance at June 30, 2014 (MD)[1]	**$ 1,969,332**	**$ 1,562,538**	**$ 406,794**

[1] *The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.*

[2] *Net of administrative expenses of $1,972.*

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

The following presents the net pension liability of the Plan as of the June 30, 2015 and 2014 measurement dates, calculated using the discount rate of 7.65 percent and 7.50 percent, respectively. The table also shows what 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:

(Dollars in thousands)	**2015**	2014
Discount Rate -1%	**6.65 %**	6.50 %
Net Pension Liability	**$ 743,272**	$ 654,299
Current Discount Rate	**7.65 %**	7.50 %
Net Pension Liability	**$ 479,555**	$ 406,794
Discount Rate +1%	**8.65 %**	8.50 %
Net Pension Liability	**$ 258,415**	$ 198,015

Pension Plan Fiduciary Net Position

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

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

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

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

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the Plan for the June 30, 2015 measurement date is 3.2 years, which was obtained by dividing the total service years of 14,924 (the sum of remaining service lifetimes of the active employees) by 4,683 (the total number of participants: active, inactive, and retired). The EARSL for the June 30, 2014 measurement date of 3.2 years was obtained by dividing the total service years of 14,990 by the total number of participants of 4,661. Inactive employees and retirees have remaining service lifetimes equal to zero and total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2016 and 2015, Metropolitan recognized pension expense of $23.7 million and $21.0 million, respectively. At June 30, 2016 and 2015, Metropolitan has deferred outflows and inflows of resources related to pensions as follows:

(Dollars in thousands)	Deferred Outflows of Resources 2016	Deferred Outflows of Resources 2015	Deferred Inflows of Resources 2016	Deferred Inflows of Resources 2015
Pension contributions subsequent to measurement date	**$ 38,393**	$ 34,306	**$ —**	$ —
Differences between expected and actual experience	**10,082**	—	**—**	—
Changes of assumptions	**—**	—	**(24,068)**	—
Net difference between projected and actual earnings on pension plan investments	**—**	—	**(16,053)**	(109,220)
Total	**$ 48,475**	$ 34,306	**$ (40,121)**	$ (109,220)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal year ended June 30, 2016 and 2015. At June 30, 2016 and 2015, the deferred outflows of resources related to contributions subsequent to the measurement date of $38.4 million and $34.3 million, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2017 and 2016, respectively.

The net differences between projected and actual earnings on pension plan investments, difference between expected and actual experience, and changes of assumptions will be recognized in future pension expense as follows:

(Dollars in thousands)	Deferred Outflows/(Inflows) of Resources
Fiscal year ending June 30,	
2017	$ (17,197)
2018	(17,197)
2019	(12,111)
2020	16,466
2021	—

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(a) Plan Description

Through CalPERS, Metropolitan offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. Current plans offered are PERS Care PPO, PERS Choice PPO, PERS Select PPO, Blue Shield HMO, and Kaiser HMO. Metropolitan participates in the CalPERS California Employers' Retiree Trust (CERBT) Fund, which is an agent multiple-employer plan available to employers to pre-fund OPEB benefits. Benefit provisions are established through negotiations between Metropolitan and its various bargaining units, which also apply to retirees. This benefit was provided to 1,572 and 1,528 retired Metropolitan employees at June 30, 2016 and 2015, respectively. CalPERS issues a separate comprehensive annual report that includes financial statements for its CERBT Fund. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

(b) Funding Policy

Contribution requirements are negotiated between Metropolitan and its various bargaining units. During fiscal year 2014, Metropolitan contributed up to 100 percent of Blue Shield Access + HMO Bay area regional basic plan rate for represented retirees and up to 90 percent of the PERS Care PPO Los Angeles regional basic plan rate for unrepresented retirees. During fiscal years 2016 and 2015, Metropolitan contributed, net of participant contributions as determined by CalPERS, $23.1 million and $79.5 million, respectively.

The fiscal year 2016 contribution included a single payment of $23.1 million for the fiscal year annual required contribution (ARC). The fiscal year 2015 contribution included $50.0 million of the remaining $100.0 million board-approved funding from April 2014. In addition, Metropolitan made a single payment of $29.5 million for the fiscal year ARC. It is Metropolitan's intent to fund the full ARC for all future years.

(c) Annual OPEB Cost and Net OPEB Obligation

Metropolitan's annual other postemployment benefit (OPEB) cost is calculated based on the ARC of the employer, 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 cost each year and amortize any unfunded actuarial liabilities over a defined period. In fiscal year 2008, a 30-year fresh start amortization replaced the previous fiscal year's 20-year amortization period. Gains and losses were amortized over an open 15-year period.

The annual OPEB cost and net OPEB obligation at June 30, 2016, and the two preceding fiscal years, were as follows:

	June 30,		
(Dollars in Thousands)	**2016**	2015	2014
Annual required contribution	**$ 23,096**	$ 29,457	$ 39,910
Interest on net OPEB obligation	**6,098**	13,317	14,235
Adjustment to annual required contribution	**(6,068)**	(15,126)	(11,320)
Annual OPEB cost	**23,126**	27,648	42,825
Contributions made	**(23,096)**	(79,457)	(103,851)
(Decrease) increase in net OPEB obligation	**30**	(51,809)	(61,026)
Net OPEB obligation, beginning of year	**83,514**	135,323	196,349
Net OPEB obligation, end of year	**$ 83,544**	$ 83,514	$ 135,323

For fiscal years 2016 and 2015, Metropolitan's annual OPEB cost was $23.1 million and $27.6 million, respectively. In fiscal years 2016 and 2015, Metropolitan contributed $23.1 million and $79.5 million to the OPEB trust, which included the pay-as-you-go amounts of $13.9 million and $13.0 million, respectively. In fiscal year 2014, Metropolitan contributed $90.8 million to the OPEB trust in addition to the pay-as-you-go amount of $13.1 million. These contributions represented 99.9, 287.4, and 242.5 percent of the annual OPEB cost in fiscal years 2016, 2015, and 2014, respectively. Adjustments to the ARC include amortization of the unfunded UAAL and actuarial gains and losses. The amortization period for the unfunded UAAL is 23 years closed and the amortization period of actuarial gains and losses is 15 years closed. The required contribution for fiscal years 2016 and 2015 was based on the June 30, 2013 actuarial valuation using the entry-age-normal actuarial cost method with contributions determined as a level percent of pay. The actuarial assumptions included (a) a 7.25 percent investment rate of return, (b) a 3.0 percent inflation component, and (c) healthcare cost trend rates as follows: (i) Medicare – starting at 7.80 percent, grading down to 5.0 percent over six years, (ii) Non-Medicare – starting at 7.50 percent, grading down to 5.0 percent over six years. The assumptions used in the actuarial valuations are subject to future revisions as actual results are compared to past expectations and new assumptions are made about the future.

(d) Funded Status and Funding Progress

The funded status of the plan at June 30, 2015, was as follows:

(Dollars in thousands)	
Actuarial accrued liability (AAL)	$ 423,420
Actuarial value of plan assets	164,669
Unfunded actuarial accrued liability (UAAL)	$ 258,751
Funded ratio (actuarial value of plan assets/AAL)	38.9%
Covered payroll (active plan members)	$ 207,512
UAAL as a percentage of covered payroll	124.7%

Actuarial valuations of the ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The schedule of funding progress, presented as RSI following the notes to basic financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

9. COMMITMENTS AND CONTINGENCIES

(a) State Water Contract (see Note 10)

Estimates of Metropolitan's share of the projected fixed costs of the State Water Project (SWP) are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates, and inflation. During the next five years, payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

	State Water Contract Payments
Year ending June 30:	
2017	$ 449,842,301
2018	443,092,297
2019	452,968,871
2020	448,787,174
2021	442,790,708

According to the State's latest estimates, Metropolitan's long-term commitments under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

	State Water Long-Term Commitments
Transportation facilities	$ 4,193,347,994
Conservation facilities	2,501,493,526
Off-aqueduct power facilities (see Note 9f)	7,271,062
East Branch enlargement	454,313,393
Revenue bond surcharge	778,400,013
Total long-term SWP contract commitments	$ 7,934,825,988

Metropolitan intends to exercise its option to extend its agreement with the State through 2052, which will result in annual minimum operations and maintenance costs through 2052. In addition, the amounts shown above do not contain any escalation for inflation, are subject to significant variation over time because the amounts are based on a number of assumptions, and are contingent on future events. None of the estimated long-term commitments, other than the $14.3 million obligation related to loss accruals on certain-off aqueduct power facilities (see Note 9f), are recorded as liabilities in the accompanying basic financial statements.

(b) Bay/Delta Regulatory and Planning Activities

The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to Metropolitan and other water users throughout California. The State Board exercises its regulatory authority over Bay/Delta watershed supplies by means of public proceedings leading to regulations and decisions.

In September 2006, then Governor Schwarzenegger established a Delta Vision Process to identify a strategy for managing the Delta as a sustainable resource. The process was tied to legislation that created a Blue Ribbon Task Force (BRTF) and cabinet-level committee (Delta Vision Committee) tasked with developing a durable vision for sustainable management of the Delta over the long-term. The Delta Vision is anticipated to broaden the focus of past efforts and recommend actions that will address the full array of natural resource, infrastructure, land use, and governance issues necessary to achieve a sustainable Delta. The BRTF released its final Delta Vision Strategic Plan in October 2008. The Delta Vision Committee considered the BRTF's final strategic plan and submitted its final implementation report to the Governor in January 2009. Subsequently, the Delta Reform Act of 2009 was enacted, which created the Delta Stewardship Council (DSC), a seven member appointed body charged with developing a Delta Plan to support carrying out the Delta Vision, which the DSC completed on September 1, 2013. The DSC formed an Implementation Committee of agency representatives in 2014 to coordinate activities and actions with the goal of achieving successful implementation of the Delta Plan. In 2016, priorities include implementation of the Delta Plan, development of a Delta levee improvement prioritization plan, and implementation of Delta Science Program recommendations. In addition, the DSC has adapted the 19 Principles for Water Conveyance in the Delta, Storage Systems, and for the Operation of Both to Achieve the Coequal Goals.

The Bay Delta Conservation Plan (BDCP), which began in 2007, is a voluntary collaboration of state, federal, and local water agencies, state and federal fish agencies, environmental organizations, and other interested parties to provide a comprehensive habitat conservation and restoration program for the Delta. In addition, the BDCP would provide the basis for permits under federal and state endangered species laws for activities covered by the plan based on the best available science, identified sources of funding, and an adaptive management and monitoring program. A public draft Environmental Impact Report/Environmental Impact Statement was released in December 2013 for comment through July 2014. Comments were received on this public draft, and on April 30, 2015, intent to include new alternatives separating the conveyance facilities and habitat restoration measures into two separate permitting efforts namely: California WaterFix and California EcoRestore were announced. Under the California WaterFix, the new water conveyance facilities with proposed design changes would be constructed and operated. With the California EcoRestore, the focus would be on environmental restoration programs. The environmental impact analysis for the proposed conveyance facilities in the California WaterFix, along with alternatives, was released for public review and comment from July 10, 2015 through October 30, 2015 in the partially Recirculated Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS). Final decisions have not been made yet with regard to going forward with the BDCP/CA WaterFix proposed alternative. These decisions are expected to be made once the final Environmental Impact Report and Environmental Impact Statement are finalized and adopted by the lead state and federal agencies under the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) processes, scheduled for the latter part of 2016. The permits to comply with the State and federal Endangered Species Acts are also anticipated to be finalized in the same time period.

(c) Imperial Irrigation District

As of June 30, 2016, Metropolitan had advanced to the Imperial Irrigation District (IID) a total of $310.0 million for construction costs, operations and maintenance costs, and indirect costs of the conservation projects. Metropolitan remains obligated to pay IID for actual operation and maintenance costs for the remainder of this agreement through at least 2041. In return, Metropolitan will receive 85,000-105,000 acre-feet in 2016 and annually thereafter depending upon the amount used by the Coachella Valley Water District. A total of at least 85,000 and 101,105 acre-feet will be/was available in calendar years 2016 and 2015, respectively, for diversion by Metropolitan (see Note 4a).

(d) Sale of Water by the Imperial Irrigation District to San Diego County Water Authority

In April 1998, the San Diego County Water Authority (SDCWA) and IID executed an agreement (Transfer Agreement) for SDCWA's purchase from IID of Colorado River water that is conserved within IID. SDCWA is a Metropolitan member agency and one of the largest water purchasers from Metropolitan. In October 2003 the Transfer Agreement was revised as part of the Quantification Settlement Agreement (QSA) (see Note 9e). The amended Transfer Agreement sets the maximum transfer amount at 205,000 acre-feet in 2021, with the transfer gradually ramping up to that amount over an approximately twenty-year period, stabilizing at 200,000 acre-feet per year beginning in 2023.

No facilities exist to provide for delivery of water directly from IID to SDCWA. The Transfer Agreement provides that IID water be delivered to SDCWA through existing facilities owned by Metropolitan. On November 10, 1998, the boards of directors of Metropolitan and SDCWA authorized execution of an exchange contract, pursuant to which SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water acquired by SDCWA from IID and water allocated to SDCWA that has been conserved as a result of the lining of the All-American and Coachella Canals. Metropolitan delivers an equal volume of water from its own sources of supply through portions of its delivery system to SDCWA. The deliveries to both Metropolitan and SDCWA are deemed to be made in equal monthly increments. In consideration for the conserved water made available to Metropolitan by SDCWA, a lower rate is paid by SDCWA for the exchange water delivered by Metropolitan. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities (see Note 1c). SDCWA has challenged the validity of Metropolitan's charges for conveyance of water that became effective January 1, 2011 and January 1, 2012, in San Diego County Water Authority v. Metropolitan Water District of Southern California; et al. On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014 (see Note 9h). On May 30, 2014, SDCWA filed a lawsuit challenging the rates adopted by Metropolitan on April 8, 2014 and effective on January 1, 2015 and January 1, 2016. On April 13, 2016, SDCWA filed a new lawsuit challenging the rates and charges adopted by Metropolitan on April 12, 2016 and effective on January 1, 2017 and January 1, 2018. The Exchange Agreement requires Metropolitan to pay the disputed portion of the amount paid by SDCWA under the Exchange Agreement and interest thereon to SDCWA, if SDCWA prevails in a dispute over the price payable by SDCWA under the Exchange Agreement.

(e) Quantification Settlement Agreement

The Quantification Settlement Agreement (QSA) is part of the California Plan, which is a plan to reduce California's use of Colorado River water to its basic apportionment of 4.4 million acre-feet per year when necessary through water conservation, transfers from higher priority agricultural users to Metropolitan's service area, and storage programs. The QSA was executed in October 2003 and establishes Colorado River water use limits for IID, the Coachella Valley Water District (CVWD), and Metropolitan. It also provides for specific acquisitions of conserved water and water supply arrangements for up to 75 years and restores the opportunity for Metropolitan to receive any special surplus water.

(f) Abandoned Off-Aqueduct Power Facilities

The California Department of Water Resources (DWR) has financed the construction of certain off- aqueduct power facilities in order to provide power for water transportation purposes for the State Water Project system. Two geothermal facilities have been abandoned by DWR due to insufficient steam supply to operate the plants at their planned capacities. As a result of these actions by DWR, Metropolitan recorded losses of $204.1 million in prior fiscal years. Metropolitan's estimated remaining long-term contractual obligations for these facilities as of June 30, 2016, which are based on the State's latest estimates, including average interest of 5.2 percent through the year 2027, are shown in the following table (see Note 6):

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2017	$ 3,265	$ 634	$ 3,899
2018	1,240	482	1,722
2019	1,279	438	1,717
2020	1,496	391	1,887
2021	2,007	332	2,339
2022-2026	4,852	509	5,361
2027	205	7	212
Total obligations	14,344	$ 2,793	$ 17,137
Less current portion	(3,265)		
Long-term portion of obligations	$ 11,079		

(g) Construction Programs and Contracts

The estimated cost, excluding contingencies, of Metropolitan's capital program for fiscal years 2017 through 2021 totals approximately $1.46 billion. However, due to various uncertainties such as lower than anticipated construction bids, permitting delays, and facility shutdown constraints, anticipated spending is forecasted at $200.0 million per year for the next 5 years.

Over the next three years, approximately $735.0 million is budgeted in the capital program, with over $400.0 million planned for major efforts such as seismic retrofits, mechanical and electrical improvements to components of the Colorado River Aqueduct, seismic retrofits and process component replacements at the Diemer and Weymouth treatment plants, completion of construction and startup of the Weymouth Oxidation Retrofit Program (ORP), Lakeview Pipeline Refurbishment, Palos Verdes Reservoir Floating Cover Replacement, Second Lower Feeder PCCP Refurbishment.

The capital program over the next 3 years also includes $40.0 million of estimated costs for facilities that may be required to meet current water quality standards (see Note 9i).

Metropolitan had commitments under construction contracts in force as follows:

	June 30,	
(Dollars in thousands)	**2016**	2015
Weymouth Oxidation retrofit project	**$ 2,116**	$ 13,514
Weymouth solar power facilities	**21**	10,535
Yorba Linda power plant turbine-generator	**—**	317
Diemer butterfly valve replacement	**—**	41
Diemer electrical improvements	**1,357**	3,353
Jensen washwater tanks seismic upgrades	**—**	507
Chemical unloading facility chlorine containment and handling facilities	**3,370**	15,407
Inland feeder and Lakeview pipeline intertie	**—**	446
Weymouth filter rehabilitation	**15,271**	30,758
Diemer east filter upgrades	**1,032**	8,541
Jensen module 1 filter valve replacement	**598**	3,078
LADWP lagoon replacement	**884**	2,881
Mills industrial wastewater handling improvement	**1,124**	2,385
Hinds and Eagle mountain pumping plants washwater system replacement	**12**	1,915
Emergency radio communication system replacement	**—**	1,011
Weymouth east washwater tank seismic upgrades	**—**	1,465
Diemer south slope revegetation and mitigation	**20**	858
Jensen solids transfer system	**12**	309
Diemer east basin rehabilitation	**12,244**	—
Weymouth chemical upgrades	**8,146**	—
Colorado River Aqueduct sand trap equipment replacement	**7,996**	—
Colorado River Aqueduct erosion protection curbing	**1,732**	—
Palos Verdes reservoir cover and liner replacement	**26,026**	—
Jensen electrical upgrades - stage 1A	**10,669**	—
Etiwanda pipeline north, liner repair phase 2	**9,365**	—
Diamond Valley Lake inlet/outlet tower fish screen replacement	**1,885**	—
Other	**2,982**	3,479
Total	**$ 106,862**	$ 100,800

These commitments are being financed with operating revenues and debt financing.

(h) Claims and Litigation

SDCWA filed San Diego County Water Authority v. Metropolitan Water District of Southern California; et al. on June 11, 2010. The complaint alleges that the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012, misallocate State Water Contract costs to the System Access Rate and the System Power Rate, and thus affect charges for transportation of water, resulting in an alleged overcharge to SDCWA by at least $24.5 million per year. The complaint alleges that all State Water Project costs should be allocated instead to Metropolitan's Supply Rate, even though under the State Water Contract Metropolitan is billed separately for transportation, power and supply costs. It states additionally that Metropolitan will overcharge SDCWA by another $5.4 million per year by including the Water Stewardship Rate in transportation charges.

The complaint requested a court order invalidating the rates adopted April 13, 2010, and that Metropolitan be mandated to allocate costs associated with State Water Project supplies and the Water Stewardship Rate to water supply charges. Rates in effect in prior years are not challenged in this lawsuit. Metropolitan contends that its rates are reasonable, equitably apportioned among its member agencies and lawful. Nevertheless, to the extent that a court invalidates Metropolitan's adopted rates, Metropolitan will be obligated to reconsider and modify rates to comply with any court rulings related to Metropolitan's rates. While components of the rate structure and costs may change as a result of any such rulings, Metropolitan expects that aggregate rates and charges would still recover Metropolitan's cost of service. As such, revenues would not be affected. If Metropolitan's rates are revised in the manner proposed by SDCWA in the complaint, other member agencies may pay higher rates unless other actions are taken by the Board.

SDCWA filed its First Amended Petition for Writ of Mandate and Complaint on October 27, 2011, adding five new claims to this litigation, two of which were eliminated from the case on January 4, 2012. The three remaining new claims are for breach of the water exchange agreement between Metropolitan and SDCWA (see Note 9d) based on allegedly illegal calculation of rates; improper exclusion of SDCWA's payments under this exchange agreement from calculation of SDCWA's preferential rights to purchase Metropolitan supplies and illegality of a "rate structure integrity" provision in conservation and local resources incentive agreements between Metropolitan and SDCWA. SDCWA filed a Second Amended Petition for Writ of Mandate and Complaint on April 17, 2012, which contains additional allegations but no new causes of action.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. The complaint contains allegations similar to those in the Second Amended Petition for Writ of Mandate and Complaint and new allegations asserting Metropolitan's rates, adopted in April 2012, violate Proposition 26. Metropolitan contends that its rates adopted on April 10, 2012 are reasonable, equitably apportioned among its member agencies and lawful and were adopted under a valid rate structure and cost of service approach.

SDCWA filed a Third Amended Petition for Writ of Mandate and Complaint on January 23, 2013, to add new allegations that Metropolitan's rates adopted in April 2010 did not meet the requirements of Proposition 26. The court granted Metropolitan's motion to strike allegations relating to Proposition 26 on March 29, 2013. This ruling does not affect SDCWA's separate challenge to Metropolitan's rates adopted in April 2012, which also includes Proposition 26 allegations. On December 4, 2013, the court granted Metropolitan's motion for summary adjudication of the cause of action alleging illegality of the "rate structure integrity" provision in conservation and local resources incentive agreements, dismissing this claim in the first lawsuit.

Trial of the first phase of both lawsuits concluded January 23, 2014. This phase concerned the challenges to Metropolitan's rates. On April 24, 2014, the court issued its "Statement of Decision on Rate Setting Challenges," determining that SDCWA prevailed on two of its claims and that Metropolitan prevailed on the third claim. The court found that there was not sufficient evidence to support Metropolitan's inclusion in its transportation rates, and hence in its wheeling rate, of 100 percent of (1) payments it makes to the California Department of Water Resources for the State Water Project, or (2) the costs incurred by Metropolitan for conservation and local water supply development programs recovered through the Water Stewardship Rate. The court found that SDCWA failed to prove its "dry-year peaking" claim that Metropolitan's rates do not adequately account for variations in member agency purchases.

SDCWA's claims asserting breach of the exchange agreement and miscalculation of preferential rights were tried in a second phase of the case which concluded April 30, 2015. On August 28, 2015, the trial court issued a final statement of decision for the second phase. The decision finds in favor of SDCWA on both claims and that SDCWA is entitled to damages in the amount of $188.3 million. On October 9 and 30, 2015, the trial court granted SDCWA's motion for prejudgment interest at the statutory rate of 10 percent on these damages. The prejudgment interest award through entry of judgment is $46.6 million. After entry of judgment, post-judgment interest began accruing at the rate of 7 percent. On November 18, 2015, the court issued the Final Judgment and a Peremptory Writ of Mandate in the 2010 and 2012 SDCWA v. Metropolitan cases. On November 19, 2015, Metropolitan filed a Notice of Appeal of the Judgment and Writ in each case. On December 7, 2015, SDCWA filed a Notice of Cross-Appeal concerning the rate structure integrity cause of action. On November 16, 2015, Metropolitan filed a motion for new trial in the two cases. The motion asked the court to vacate the judgment and preceding decision due to certain errors. On December 23, 2015, the trial court denied the motion. On January 21, 2016, the court awarded $320,084 in costs to SDCWA, after deducting amounts based on Metropolitan's motion. On March 24, 2016, the court awarded $8.9 million in attorneys' fees to SDCWA, rejecting its demand for over $17.0 million. On April 11, 2016, Metropolitan filed a Notice of Appeal of the attorneys' fees order and on April 19, 2016, SDCWA filed a Notice of Cross-Appeal of the order. On May 5, 2016, Metropolitan and the nine member agency parties filed their Appellants' Opening Brief. Metropolitan is unable to assess at this time the likelihood of success of this litigation, the appeal or any future claims. Further, as the estimated liability is indeterminable at this time, no amounts have been presently recorded in the financial statements.

In May 2014, SDCWA filed a new lawsuit asserting essentially the same rate claims and breach of contract claim in connection with the Board's April 2014 rate adoption. Metropolitan filed its answer on June 30, 2014. On February 9, 2015, pursuant to stipulation by the parties, the court ordered that the case be stayed. The stay may be lifted upon motion by any party. On November 20, 2015, SDCWA filed a motion to partially lift the stay. On December 21, 2015, the trial court denied that motion and the case remains stayed. Metropolitan is unable to assess at this time the likelihood of success of this case, any possible appeal or any future claims.

On April 13, 2016, SDCWA filed a new lawsuit that alleges all rates and charges for 2017 and 2018 adopted by Metropolitan's Board on April 12, 2016 violate the California Constitution, statutes, and common law. The Petition for Writ of Mandate and Complaint asserts misallocation of costs as alleged in the previous cases listed above and additional claims of over-collection and misallocation of costs and procedural violations, and states SDCWA intends to amend to allege further claims including breach of contract. In a claim letter dated May 2, 2016, SDCWA asserted three breaches of the exchange agreement: the same breach alleged in the previous cases listed above, breach of a provision that requires Metropolitan to set aside disputed amounts, and breach of a provision concerning characterizing exchange water for certain purposes in the same manner as local water of other member agencies. On May 9, 2016, Metropolitan filed a motion to transfer venue from Los Angeles County. On June 30, 2016, the nine member agencies that are interested parties to the 2010, 2012, 2014 cases filed answers to also join the 2016 case as interested parties in support of Metropolitan. Metropolitan is unable to assess at this time the likelihood of success of this case, any possible appeal or any future claims.

A number of other suits and claims arising in the normal course of business are pending against Metropolitan. In the opinion of Metropolitan's General Counsel, the adverse results, if any, of such legal actions on these suits and claims will not have a material effect on Metropolitan's financial position, changes in net position, or liquidity.

(i) Drinking Water Quality Standards

Under the Safe Drinking Water Act Amendments of 1996, Congress required the United States Environmental Protection Agency to set new drinking water quality standards. New standards to control microbial pathogens and disinfection byproducts (DBPs) became effective in 2002. These rules are known as the Interim Enhanced Surface Water Treatment Rule and the Stage 1 Disinfectants/Disinfection By-Product Rule. These standards became more stringent in a second set of regulations effective 2006. The second set of regulations (the Stage 2 Disinfectants/Disinfection Byproducts Rule and the Long-Term 2 Enhanced Surface Water Treatment Rule) did not require additional capital investment by Metropolitan.

Metropolitan identified ozone disinfection as the most cost-effective option to minimize the production of DBPs and achieve other water quality objectives. Ozone is now used as the primary disinfectant at the Diemer, Jensen, Mills, and Skinner plants. Construction of ozonation facilities at the Weymouth plant is on-going and should be completed in 2017. The estimated cost of implementing ozone treatment at all five plants is approximately $1.1 billion.

(j) Reid Gardner Generating Station

Reid Gardner Generating Station (Plant) is a 557 megawatt coal-fired plant located near Moapa, Nevada. The Plant is owned and operated by Nevada Energy (NE). In 1983, the California Department of Water Resources (DWR) entered in to a Participation Agreement to import power from the Plant to serve the State Water Project energy needs. DWR's interest in the Plant terminated on July 25, 2013. DWR and NE negotiated the terms of the divestiture including DWR's obligations to mitigate any environmental impacts associated with the electricity generated for DWR over the past thirty years. Metropolitan paid approximately 75.0 percent of DWR's costs associated with the generation of electricity at the Plant and will pay this proportion of DWR's assigned mitigation costs.

(k) Landfill Obligation

Federal and State laws and regulations require that Metropolitan perform certain maintenance and monitoring functions at its sole landfill site for 30 years after closure. They further require that a separate funding mechanism be established to ensure that sufficient funds are available for closure and postclosure costs. In October 1995, the landfill was closed and management's estimate of closure and postclosure costs for this site totaled approximately $2.0 million. The required thirty-year postclosure maintenance and monitoring of the landfill officially started in January 1998; after the installation of the landfill's final cover was completed. During fiscal years 2016 and 2015, $0 and $6,000 were expended for postclosure maintenance and monitoring activities, respectively.

The actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws or regulations. Funding of these costs has been derived from a separate trust account that has been established for closure and postclosure costs. The balance of the trust account is sufficient to cover the landfill liability. At June 30, 2016 and 2015, approximately $811,000 and $812,000 net of interest receipts and disbursements were available, respectively, in this account.

10. PARTICIPATION RIGHTS IN STATE WATER PROJECT

Metropolitan is one of 29 water suppliers contracting with the State of California for a system to provide water throughout much of California. Under the terms of the State Water Contract, as amended, Metropolitan is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project (see Note 9a). Metropolitan and the other contractors may also be responsible to the State for certain obligations of any contractor who defaults on its payments to the State.

Approximately 20 percent and 25 percent of Metropolitan's total expenditures during fiscal years ended June 30, 2016 and 2015, respectively, pertained to its net payment obligations for the State Water Project. These payments were primarily based on the contractual water delivery request, the annually requested and actual deliveries received, and the cost of power required for such deliveries, offset by credits received from the project.

Management's present intention is to exercise Metropolitan's option to extend the contractual period to at least 2052, under substantially comparable terms. This corresponds to an estimated 80-year service life for the original facilities. The State is obligated to provide specified quantities of water throughout the life of the contract, subject to certain conditions.

The State has power generation facilities associated with its reservoirs and aqueducts. The power generated is utilized by the system for water transportation purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The revenues resulting from sales of excess power reduce the costs of pumping. Metropolitan and the other water contractors are responsible for repaying the capital and operating costs of the power facilities regardless of the amount of power generated (see Note 9f).

Metropolitan capitalizes its share of system construction costs as participation rights when such costs are billed by the State (see Notes 1h, 2, and 9a). Metropolitan's share of system operations and maintenance costs is charged to expense.

Metropolitan amortizes a portion of capitalized participation rights each month using a formula that considers the total estimated cost of the project, the estimated useful life, and estimated production capacity of the assets based upon information provided by the State of California. In fiscal year 2006, the formula was modified to use maximum annual contracted deliveries as the production capacity estimate. Amortization expense totaled $130.2 million and $112.2 million in fiscal years 2016 and 2015, respectively.

11. DEPOSITS, PREPAID COSTS, AND OTHER

Balances at June 30, 2016 and 2015 were as follows:

	June 30,	
(Dollars in thousands)	**2016**	2015
Prepaid water costs	**$ 111,143**	$ 153,765
Prepaid costs-Delta Habitat conservation and conveyance	**58,940**	58,954
Prepaid costs-Bay/Delta	**2,252**	2,252
Prepaid expenses	**12,875**	10,150
Preliminary design/reimbursable projects	**8,705**	13,148
Other	**4,738**	6,112
Total deposits, prepaid costs, and other	**198,653**	244,381
Less current portion	**(1,726)**	(2,839)
Noncurrent portion	**$ 196,927**	$ 241,542

(a) Prepaid Water Costs

Metropolitan has entered into several water exchange and storage agreements with other agencies. These agreements provide Metropolitan with additional reliable water supplies to supplement deliveries of Colorado River and State Water Project water. Metropolitan is also actively pursuing other agreements, both within and outside its service area, to provide additional water supplies. The exchange and storage agreements generally provide for advance delivery of water during periods when water is available. At a later time when water is needed, these programs can then return water to improve Metropolitan's reliability. Expenditures associated with these agreements have been recorded as prepaid costs and are charged to cost of water as the water is withdrawn. At June 30, 2016 and 2015, deferred water costs totaled approximately $111.1 million and $153.8 million, respectively, based on volumes of 547,000 acre-feet and 775,000 acre-feet, as of such dates.

(b) Prepaid Costs—Delta Habitat Conservation and Conveyance

In March 2009, Metropolitan, other State Water Project contractors, federal Central Valley Project contractors, and the U.S. Department of Interior's Bureau of Reclamation entered into funding agreements with the California Department of Water Resources (DWR). The agreements are known collectively as the Delta Habitat Conservation and Conveyance Program (DHCCP) Funding Agreement and the Bay Delta Conservation Plan and Delta Habitat Conservation and Conveyance Plan (BDCP - DHCCP) Supplemental Funding Agreement. Metropolitan's three-year DHCCP agreement provides funding of approximately $35.0 million for Metropolitan's share (24 percent). Metropolitan's two-year BDCP-DHCCP agreement provides funding of approximately $25.0 million (25 percent). The funding provided by both agreements supports development of the BDCP through environmental analysis, planning and design of Delta conservation measures including Delta water conveyance options. If the BDCP is approved, including construction of new Delta water conveyance facilities, DWR intends to issue revenue bonds in an amount sufficient to reimburse Metropolitan for funds advanced through these agreements for planning and environmental studies. If the BDCP is not approved to proceed with construction, no reimbursement will occur.

(c) Prepaid Costs—Bay/Delta

In December 1994, representatives from state and federal resource agencies, and urban, agricultural, and environmental agencies agreed to a set of principles to implement a protection plan for the San Francisco Bay/Delta Estuary. Among the principles was a commitment by agricultural and urban water agencies to fund $60.0 million to help initiate a comprehensive program to address nonoutflow-related impacts to the Bay/Delta environment. The Secretary of the Interior requested Metropolitan to guarantee $10.0 million annually for three years, for a total of

$30.0 million, to be made available for the restoration fund created by the principles. Metropolitan's final payment of its $30.0 million commitment was made in June 1998. Metropolitan's contributions are accounted for as prepaid costs that are charged to expense based on expenses by the restoration fund. The amount charged to expense totaled $0 and $105,000 for fiscal years ended June 30, 2016 and 2015, respectively. During fiscal year 2001, Metropolitan became trustee for the unspent funds, which totaled $2.3 million at June 30, 2016 and 2015.

(d) Preliminary Design/Reimbursable Projects

Metropolitan engages in preliminary design activities prior to obtaining Board approval of capital projects. The costs of these designs are recorded as prepaid costs. Once Board approval is obtained, these costs are added to the cost of the relevant construction project.

Reimbursable projects include work Metropolitan is contracted to perform for outside, non-related parties, and is subsequently billed for reimbursement.

12. DEFERRED COMPENSATION AND SAVINGS PLANS

For the benefit of its employees, Metropolitan has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. 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.

Investment of the funds is managed by a third-party administrator, accordingly, at June 30, 2016 and 2015, neither the plan assets nor the related liability were included in the accompanying basic financial statements.

The third-party administrator coordinates the investment of the deferred amounts in available investment vehicles per the instructions of each participant. Metropolitan's Treasurer serves as Trustee for the deferred compensation plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established another compensation deferral arrangement in accordance with Section 401(k) of the Internal Revenue Code. The 401(k) Consolidated Savings Plan is available to substantially all employees. At June 30, 2016 and 2015, 1,667 and 1,547 employees participated in the consolidated 401(k) plan. Amounts deferred by participants, Metropolitan matching contributions, and accumulated earnings thereon are fully vested. Deferred amounts and matching contributions are transferred by Metropolitan each pay period to a third-party administrator who coordinates the investment of such proceeds in a variety of investment vehicles in accordance with the instructions of each participant. The Treasurer serves as Trustee for the savings plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established a matching contribution program on behalf of each participating employee in the savings plan. Metropolitan's contribution is subject to a maximum of 4.5 percent of the employee's total cash compensation.

Contributions to the savings plan were as follows:

	June 30,	
(Dollars in thousands)	**2016**	2015
Employees	**$ 21,203**	$ 19,829
Metropolitan	**8,669**	8,120
	$ 29,872	$ 27,949
Eligible payroll	**$ 214,639**	$ 207,512
Employee contributions as percent of eligible payroll	**9.9%**	9.6%

13. NET POSITION

Net position is classified as either restricted, unrestricted, or net investment in capital assets, including State Water Project Costs.

Net investment in capital assets, including State Water Project costs consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition or construction of those assets and related deferred outflows and inflows of resources related to debt. Metropolitan's capital assets, including State Water Project costs include plant and equipment (Notes 1g and 2), participation rights in State Water Project (Notes 1h, 2, and 10), and participation rights in other facilities (Notes 2 and 4). Net investment in capital assets, including State Water Project costs were approximately $5.8 billion and $5.7 billion at June 30, 2016 and 2015, respectively.

The restricted component of net position are those items that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation. Restricted net position totaled $382.8 million and $442.0 million at June 30, 2016 and 2015, respectively, of which $199.5 million and $263.2 million, respectively, represents principal and interest set aside for the next bond payment. The remaining $183.3 million and $178.8 million, respectively, relates to estimated operating and maintenance expense for July and August of the subsequent fiscal year. Each of these requirements is related to bond covenants.

The unrestricted component of net position are those items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Unlike the restricted net position, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The Board may at any time change or eliminate amounts established for these purposes. Unrestricted net position totaled $528.6 million and $738.9 million at June 30, 2016 and 2015, respectively.

14. RISK MANAGEMENT

Metropolitan is exposed to various risks of loss related to the design, construction, treatment, and delivery of water resources. Metropolitan self-insures most of its property losses, the first $25.0 million for general liability and $5.0 million for workers' compensation. Metropolitan supplements its self-insurance program with $75.0 million excess general liability coverage and $50.0 million excess workers' compensation insurance. Metropolitan also carries coverage limits of $60.0 million for fiduciary liability and $65.0 million for directors' and officers' liability. Special insurance policies purchased include aircraft hull and liability, a limited property damage policy, crime insurance, specialty crime coverage, and travel accident coverage. Coverage types and limits for fiscal year 2016 were unchanged from fiscal year 2015. Settlement amounts did not exceed the self-insurance or insurance coverage limits in any of the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The present value of liabilities for unpaid claims is based on a 1.5 percent annual interest rate over the life of the claims. Changes in the balances of claims liabilities during the past three fiscal years were as follows:

	June 30,		
(Dollars in Thousands)	**2016**	2015	2014
Unpaid claims, beginning of fiscal year	**$ 19,798**	$ 27,352	$ 27,239
Incurred claims (including IBNR)	**5,321**	7,951	9,184
Claim payments and adjustments	**(5,072)**	(15,505)	(9,071)
Unpaid claims, end of fiscal year	**20,047**	19,798	27,352
Less current portion	**(9,500)**	(9,500)	(15,500)
Noncurrent portion	**$ 10,547**	$ 10,298	$ 11,852

15. SUBSEQUENT EVENT

On July 1, 2016, Metropolitan issued $45.8 million Tax Exempt Flexible Rate Revolving Notes, 2016 Series B-1, at variable rates, to refund $31.2 million of Water Revenue Refunding Bonds, 2012 Series E-3 and $14.6 million of Water Revenue Refunding Bonds, 2014 Series G-1. The maturity extends to June 30, 2017 and is subject to optional redemption provisions.

On September 20, 2016, Metropolitan issued $103.7 million Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-1 and B-2, at variable rates, to refund $62.5 million Water Revenue Refunding Bonds, 2008 Series A-2 and $45.8 million Tax Exempt Flexible Rate Revolving Notes, 2016 Series B-1. Their maturities extend to July 1, 2037 and are subject to optional and mandatory redemption provisions.

On September 20, 2016, Metropolitan entered into Standby Bond Purchase Agreement (SBPA) in which Metropolitan may borrow up to $104.8 million to pay the purchase price (principal and accrued interest) of the Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-1 and B-2 bonds tendered for purchase. The SBPA permits repayment of any borrowed funds over a five year term-out period beginning 180 days after the date that the funds were borrowed.

Schedule of Changes in Net Pension Liability and Related Ratios

(Dollars in thousands)		2016		2015
TOTAL PENSION LIABILITY				
Service cost	$	28,890	$	28,505
Interest on total pension liability		146,852		139,190
Changes in benefit terms		—		—
Difference between expected and actual experience		14,665		—
Changes of assumptions		(35,008)		—
Benefit payments, including refunds of employee contributions		(86,154)		(81,391)
Net change in total pension liability		69,245		86,304
Total pension liability - beginning		1,969,332		1,883,028
Total pension liability - ending (a)	$	2,038,577	$	1,969,332
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	$	34,306	$	33,853
Contribution - Employee		14,787		15,185
Net investment income[1]		35,301		236,746
Benefit payments, including refunds of employee contributions		(86,154)		(81,391)
Administrative expense		(1,756)		—
Net change in fiduciary net position		(3,516)		204,393
Plan fiduciary net position - beginning		1,562,538		1,358,145
Plan fiduciary net position - ending (b)	$	1,559,022	$	1,562,538
Plan net pension liability - ending (a) - (b)	$	479,555	$	406,794
Plan fiduciary net position as a percentage of the total pension liability		76.48%		79.34%
Covered-employee payroll	$	207,512	$	202,861
Plan net pension liability as a percentage of covered-employee payroll		231.10%		200.53%

[1] *2015 amount was net of administrative expenses of $1,972.*

[2] *GASB 68 requires ten years of information be presented but only two years are available at this time. Additional years' information will be displayed as it becomes available.*

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

Schedule of Plan Contributions[1]

(Dollars in thousands)		2016		2015
Actuarially determined contribution[2]	$	**38,393**	$	34,306
Contributions in relation to the actuarially determined contribution[2]		**(38,393)**		(34,306)
Contribution deficiency (excess)	$	**—**	$	—
Covered-employee payroll	$	**214,639**	$	207,512
Contributions as a percentage of covered-employee payroll		**17.89%**		16.53%

[1] *As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.*

[2] *Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.*

[3] *GASB 68 requires ten years of information be presented but only two years are available at this time. Additional years' information will be displayed as it becomes available.*

Notes to Schedule:

Methods and assumptions used to actuarially determine contributions rates for fiscal year 2016:

Valuation date: June 30, 2013

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level of percent of payroll/21 years as of the Valuation Date
Asset Valuation Method	Market value
Inflation	2.75%
Salary Increases	Varies by Entry age and service
Payroll Growth	3.00%
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; include inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Funding Progress of Other Postemployment Benefits

The table below provides a history of the funded status of Metropolitan's OPEB obligation. The information reflects the most recent biennial actuarial valuation and the preceding biennial valuations.

(Dollars in thousands)

Actuarial Valuation Date	Accrued Liability	Actuarial Asset Value	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/11	$ 367,719	$ —	$ 367,719	0.00%	$ 179,242	205.2%
6/30/13	$ 315,326	$ —	$ 315,326	0.00%	$ 182,937	172.4%
6/30/15*	$ 423,420	$ 164,669	$ 258,751	38.89%	$ 207,512	124.7%

* Most recent actuarial valuation date.

STATISTICAL SECTION

This part of Metropolitan'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 Metropolitan's overall financial health.

Contents **Page**

Financial Trends 89

These schedules contain trend information to help the reader understand how Metropolitan's financial performance and well-being have changed over time.

Revenue Capacity 91

These schedules contain information to help the reader assess Metropolitan's most significant own-source revenue, water sales. Schedules with information about Metropolitan's property taxes are presented as well.

Debt Capacity 97

These schedules present information to help the reader assess the affordability of Metropolitan's current levels of outstanding debt and Metropolitan's ability to issue additional debt in the future.

Demographic Information 101

These schedules offer demographic indicators to help the reader understand the environment within which Metropolitan's financial activities take place.

Operating Information 103

These schedules contain service and infrastructure data to help the reader understand how the information in Metropolitan's financial report relates to the service Metropolitan provides.

Sources: Unless otherwise noted, the information in these schedules was derived from the comprehensive annual financial report for the relevant year.

The Metropolitan Water District of Southern California
Table 1
Ten-Year Summary of Net Position by Component (Unaudited)-Accrual Basis (1)
(Dollars in millions)

	Fiscal Year Ended June 30,									
	2016	2015 (2) As Adjusted	2014	2013 (3) As Adjusted	2012 (3) As Adjusted	2011	2010	2009 (4) As Adjusted	2008 (5)	2007 (6)
Net investment in capital assets, including State Water Project costs	$ 5,772.4	$ 5,700.8	$ 5,593.0	$ 5,399.5	$ 5,293.3	$ 5,309.8	$ 5,243.8	$ 5,079.1	$ 4,839.7	$ 4,692.3
Restricted for:										
Debt service	199.5	263.2	171.6	205.2	195.5	308.4	315.2	294.9	277.6	313.8
Other expenses	183.3	178.8	147.7	170.1	174.9	167.3	170.3	166.3	166.9	157.7
Unrestricted	528.6	738.9	1,288.7	1,025.4	763.4	466.7	417.1	503.2	592.6	541.7
Total Net Position	$ 6,683.8	$ 6,881.7	$ 7,201.0	$ 6,800.2	$ 6,427.1	$ 6,252.2	$ 6,146.4	$ 6,043.5	$ 5,876.8	$ 5,705.5

(1) Metropolitan implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, in fiscal 2012. This pronouncement requires that the difference between assets and liabilities be reported as net position, therefore, net assets are now referred to as net position.

(2) Adjustment relates to Metropolitan's implementation of GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71. (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* GASB 68 requires the reporting of net pension liability in the basic financial statements when an organization's pension liability exceeds the net position available for paying benefits while GASB 71 requires the recognition of beginning deferred outflow of resources for pension contributions made after the measurement date. Fiscal years 2007 through 2014 have not been adjusted.

(3) Adjustment relates to the adoption of GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This pronouncement requires debt issuance costs (except prepaid insurance costs) to be recognized as expense in the period incurred. Fiscal years 2007 through 2010 have not been adjusted.

(4) Adjustment relates to implementation of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This pronouncement requires derivative instruments to be reported at their fair value on the statements of net position along with a related deferred outflow to be recorded for effective hedges.

(5) Certain reclassifications have been made to the 2008 financial information to conform to the current year's presentation .

(6) For fiscal years 2007 through 2011, amounts previously and currently classified as participation rights within capital assets were reclassified to Prepaid State Water Project costs, net of related debt. In addition, certain funds previously classified as restricted trust funds were reclassified to unrestricted net assets.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 2
Ten-Year Summary of Changes in Net Position (Unaudited)-Accrual Basis (1)
(Dollars in millions)

	Fiscal Year Ended June 30,									
	2016	2015 (2) As Adjusted	2014	2013	2012 (3) As Adjusted	2011 (3)	2010	2009 (4) As Adjusted	2008	2007
Water sales	$ 1,166.0	$ 1,382.9	$ 1,484.7	$ 1,282.5	$ 1,123.3	$ 1,001.0	$ 1,010.9	$ 999.5	$ 958.7	$ 930.9
Readiness-to-serve charges	155.5	162.0	154.0	144.0	135.5	119.5	103.0	87.0	82.1	80.0
Capacity charge (5)	44.7	37.5	28.4	28.7	33.0	34.4	33.4	32.6	32.6	32.3
Power sales	7.5	8.4	14.6	24.5	31.5	22.9	18.3	17.4	23.1	26.1
Operating revenues	1,373.7	1,590.8	1,681.7	1,479.7	1,323.3	1,177.8	1,165.6	1,136.5	1,096.5	1,069.3
Taxes, net	107.9	102.3	94.5	94.8	79.2	79.3	98.1	105.6	98.7	96.4
Investment income (loss)	19.4	(3.6)	5.7	(0.4)	4.1	2.0	40.6	27.3	65.9	55.3
Other	10.2	5.4	-	6.1	0.6	22.0	6.4	6.0	2.9	10.1
Nonoperating revenues	137.5	104.1	100.2	100.5	83.9	103.3	145.1	138.9	167.5	161.8
Total revenues	1,511.2	1,694.9	1,781.9	1,580.2	1,407.2	1,281.1	1,310.7	1,275.4	1,264.0	1,231.1
Power and water costs	(552.3)	(473.6)	(510.1)	(371.3)	(384.0)	(364.8)	(433.7)	(402.1)	(350.3)	(335.4)
Operations and maintenance	(650.1)	(543.4)	(439.7)	(419.8)	(433.5)	(394.9)	(395.6)	(440.0)	(405.0)	(368.4)
Depreciation and amortization	(376.5)	(374.8)	(261.5)	(265.4)	(290.1)	(286.4)	(246.4)	(226.1)	(228.9)	(214.4)
Operating expenses	(1,578.9)	(1,391.8)	(1,211.3)	(1,056.5)	(1,107.6)	(1,046.1)	(1,075.7)	(1,068.2)	(984.2)	(918.2)
Bond interest, net of amount capitalized	(126.9)	(132.5)	(146.7)	(150.2)	(135.8)	(135.7)	(133.3)	(103.4)	(120.0)	(118.9)
Interest and adjustments on OAPF (6)	(5.4)	(1.2)	(1.6)	(2.1)	(2.6)	(3.0)	(3.4)	(3.8)	(4.1)	(4.5)
Other	-	-	(23.7)	-	-	-	-	-	-	-
Nonoperating expenses	(132.3)	(133.7)	(172.0)	(152.3)	(138.4)	(138.7)	(136.7)	(107.2)	(124.1)	(123.4)
Total expenses	(1,711.2)	(1,525.5)	(1,383.3)	(1,208.8)	(1,246.0)	(1,184.8)	(1,212.4)	(1,175.4)	(1,108.3)	(1,041.6)
Capital contributions	2.1	2.3	2.2	1.7	13.6	17.7	4.6	66.1	15.6	14.5
Cumulative effect of change in accounting principle	-	(491.0)	-	-	-	(8.2)	-	0.5	-	-
Changes in net position	$ (197.9)	$ (319.3)	$ 400.8	$ 373.1	$ 174.8	$ 105.8	$ 102.9	$ 166.6	$ 171.3	$ 204.0

(1) Metropolitan implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* , in fiscal 2012. This pronouncement requires that the difference between assets and liabilities be reported as net position, therefore, net assets are now referred to as net position.

(2) Adjustment relates to Metropolitan's implementation of GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71. (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. GASB 68 requires the reporting of net pension liability in the basic financial statements when an organization's pension liability exceeds the net position available for paying benefits while GASB 71 requires the recognition of beginning deferred outflow of resources for pension contributions made after the measurement date. Fiscal years 2007 through 2014 have not been adjusted.

(3) Adjustment relates to the adoption of GASB No. 65, *Items Previously Reported as Assets and Liabilities* . This pronouncement requires debt issuance costs (except prepaid insurance costs) to be recognized as expense in the period incurred. Fiscal years 2007 through 2010 have not been adjusted.

(4) Adjustment relates to implementation of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* . This pronouncement requires derivative instruments to be reported at their fair value on the statements of net position along with a related deferred outflow to be recorded for effective hedges.

(5) Capacity charge revenue has been segregated from Water sales revenue starting with fiscal year 2014.

(6) Off-Aqueduct Power Facilities.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 3
Ten-Year Summary of Water Sales Revenues by Component (Unaudited)-Accrual Basis
(Dollars in thousands)

Fiscal Year Ended June 30,	Water Sales (1)				
	Treated	Untreated	Tier 2 (2) (3)	Exchange	Total
2016	$ 681,045.9	$ 401,837.7	$ (1,180.3)	$ 84,337.0	$ 1,166,040.3
2015	805,798.0	489,016.4	9,252.8	78,830.9	1,382,898.1
2014	884,280.0	501,778.9	17,210.8	81,346.5	1,484,616.2
2013	805,277.9	399,865.2	2,914.9	74,469.7	1,282,527.7
2012	743,721.2	288,545.4	-	90,923.2	1,123,189.8
2011	712,766.0	230,404.8	4,026.8	53,848.0	1,001,045.6
2010	669,016.3	278,443.4	6,881.6	56,515.8	1,010,857.1
2009	619,490.9	328,083.3	23,922.5	28,026.0	999,522.7
2008	627,896.6	282,722.9	27,144.7	20,925.9	958,690.1
2007	652,572.8	257,249.6	6,693.5	14,395.1	930,911.0

(1) Water sales rates vary based on the program. See Table 4 for rates.
(2) Tier 2 dollars reflect the premium paid by the member agency for water taken in excess of their maximum purchase commitment. Either treated/untreated or both could have caused the agency to exceed their maximum.
(3) The 2016 credit resulted from a correction of water sales between member agencies.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 4
Ten-Year Summary of Water Sales Rate Structure (Unaudited)
(Dollars per acre-foot-unless otherwise specified)

	Calendar Year (1)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tier 1 Supply Rate	$ 156	$ 158	$ 148	$ 140	$ 106	$ 104	$ 101	$ 109	$ 73	$ 73
Tier 2 Supply Rate	290	290	290	290	290	280	280	250	171	169
Water Supply Surcharge	-	-	-	-	-	-	-	25	-	-
System Access Rate	259	257	243	223	217	204	154	143	143	143
Water Stewardship Rate	41	41	41	41	43	41	41	25	25	25
System Power Rate	138	126	161	189	136	127	119	110	110	90
Full Service Untreated:										
Tier 1	594	582	593	593	560	527	484	412	351	331
Tier 2	728	714	735	743	686	652	594	528	449	427
Replenishment Water Rate: (2)										
Untreated	n/a	n/a	n/a	n/a	442	409	366	294	258	238
Treated	n/a	n/a	n/a	n/a	651	601	558	436	390	360
Interim Agricultural Water Program (3)										
Untreated	n/a	n/a	n/a	n/a	537	482	416	322	261	241
Treated	n/a	n/a	n/a	n/a	765	687	615	465	394	364
Treatment Surcharge	348	341	297	254	234	217	217	167	157	147
Full Service Treated:										
Tier 1	942	923	890	847	794	744	701	579	508	478
Tier 2	1,076	1,055	1,032	997	920	869	811	695	606	574
Delta Supply Surcharge (4)	n/a	n/a	n/a	n/a	58	51	69	-	-	-
Capacity Charge ($ per cubic foot second)	10,900	11,100	8,600	6,400	7,400	7,200	7,200	6,800	6,800	6,800

(1) Rates are set on a calendar year basis.
(2) The Replenishment program was discontinued after 2012.
(3) The Interim Agricultural Water Program was discontinued after 2012.
(4) The Delta Supply Surcharge was suspended after 2012.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 5
Principal Water Sales Customers (Unaudited) - Accrual Basis
(Dollars in thousands)

	Fiscal Year Ended June 30, 2016			Fiscal Year Ended June 30, 2007		
	Amount	%	Rank	Amount	%	Rank
Treated Water Sales						
Member Agency						
MWD of Orange County	$ 106,662.0	15.7 %	1	$ 114,292.7	17.5 %	1
West Basin MWD	100,037.9	14.7	2	69,019.2	10.6	3
City of Los Angeles	78,369.2	11.5	3	38,361.6	5.9	7
Calleguas MWD	77,655.5	11.4	4	59,836.4	9.2	4
San Diego County Water Authority	69,313.9	10.2	5	113,900.8	17.5	2
Subtotal	$ 432,038.5	63.5 %		$ 395,410.7	60.7 %	
Total Treated Water Sales	$ 681,045.9	100.0 %		$ 652,572.8	100.0 %	
Untreated Water Sales						
Member Agency						
City of Los Angeles	$ 145,902.3	36.3 %	1	$ 66,855.4	26.0 %	2
San Diego County Water Authority	124,306.2	30.9	2	109,161.1	42.4	1
Subtotal	$ 270,208.5	67.2 %		$ 176,016.5	68.4 %	
Total Untreated Water Sales	$ 401,837.7	100.0 %		$ 257,249.6	100.0 %	
Tier 2 Sales						
Member Agency						
Eastern MWD (1)	$ (1,180.3)	100.0 %	1	$ 2,505.0	37.4 %	1
Western MWD	-	-		2,186.4	32.7	2
Subtotal	$ (1,180.3)	100.0 %		$ 4,691.4	70.1 %	
Total Tier 2 Sales	$ (1,180.3)	100.0 %		$ 6,693.5	100.0 %	
Exchange						
Member Agency						
San Diego County Water Authority	$ 77,287.0	91.6 %	1	$ 14,395.1	100.0 %	1
Subtotal	$ 77,287.0	91.6 %		$ 14,395.1	100.0 %	
Total Exchange	$ 84,337.0	100.0 %		$ 14,395.1	100.0 %	
Total Water Sales	**$ 1,166,040.3**			**$ 930,911.0**		

(1) The 2016 credit resulted from a correction of water sales between member agencies.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 6

Ten-Year Summary of Property Tax Levies and Collections (Unaudited)-Cash Basis
(Dollars in thousands)

Fiscal Year Ended June 30,	Total Tax Levy	Tax Collections			Outstanding Delinquent Taxes (2)	Percent of Current Taxes Collected to Total Tax Levy	Percent of Total Tax Collections to Total Tax Levy	Percent of Delinquent Taxes to Total Tax Levy
		Current	Delinquent	Total (1)				
2016	$ 104,829	$ 104,829	$ 5,825	$ 110,654	$ -	100.0 %	105.6 %	0.0 %
2015	100,066	97,687	5,320	103,007	2,379	97.6	102.9	2.4
2014	94,963	94,963	3,744	98,707	-	100.0	103.9	0.0
2013	92,247	89,576	7,078	96,654	2,671	97.1	104.8	2.9
2012	94,810	80,775	9,478	90,253	4,076	85.2	95.2	4.3
2011	95,385	71,069	16,987	88,056	9,478	74.5	92.3	9.9
2010	107,867	82,164	15,083	97,247	16,987	76.2	90.2	15.7
2009	109,755	91,632	12,951	104,583	15,083	83.5	95.3	13.7
2008	107,059	87,670	11,224	98,894	12,951	81.9	92.4	12.1
2007	103,904	81,315	13,647	94,962	11,224	78.3	91.4	10.8

(1) Total tax collections exclude cash payments on new annexations.

(2) Delinquent taxes shown are net of the "Allowance for Uncollectibles" determined by historical trends of collections and payments.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 7

Ten-Year Summary of Assessed Valuations and Property Tax Rates (Unaudited)

(Dollars in billions)

Fiscal Year Ended June 30,	Gross Assessed Valuation (1)	Homeowner's Exemption	Net Assessed Valuation	Secured Property Percentage Tax Rate
2016	$ 2,451.0	$ 15.9	$ 2,435.1	0.0035 %
2015	2,315.0	16.2	2,298.8	0.0035
2014	2,183.4	16.4	2,167.0	0.0035
2013	2,097.4	16.7	2,080.7	0.0035
2012	2,067.5	16.9	2,050.6	0.0037
2011	2,049.1	17.1	2,032.0	0.0037
2010	2,081.9	17.2	2,064.7	0.0043
2009	2,120.9	17.2	2,103.7	0.0043
2008	2,015.4	17.1	1,998.3	0.0045
2007	1,839.5	16.9	1,822.6	0.0047

(1) Gross assessed valuations (before deduction of Homeowner's and Business Inventory Exemptions), as of August each year, of all secured and unsecured property within Metropolitan's service area, as certified by the County Auditor-Controllers for the respective counties.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 8
Ten-Year Summary of Assessed Valuation Within Metropolitan's Service Area - By Counties (Unaudited)
(Dollars in billions)

Fiscal Year Ended June 30,

	2016		2015		2014		2013		2012	
County	AV (1)	% (2)	AV	%	AV	%	AV	%	AV	%
Los Angeles	$ 1,185.4	48.4	$ 1,117.4	48.3	$ 1,060.8	48.6	$ 1,012.5	48.3	$ 989.1	47.9
Orange	498.3	20.3	470.7	20.3	441.9	20.2	426.6	20.3	419.2	20.3
San Diego	427.9	17.5	405.0	17.5	381.7	17.5	369.0	17.6	370.4	17.9
Riverside	154.7	6.3	146.3	6.3	133.7	6.1	129.0	6.2	129.2	6.2
San Bernardino	93.9	3.8	89.1	3.8	83.5	3.8	80.9	3.8	80.4	3.9
Ventura	90.8	3.7	86.5	3.8	81.8	3.8	79.4	3.8	79.2	3.8
Total	$ 2,451.0	100.0	$ 2,315.0	100.0	$ 2,183.4	100.0	$ 2,097.4	100.0	$ 2,067.5	100.0

	2011		2010		2009		2008		2007	
County	AV	%	AV	%	AV	%	AV	%	AV	%
Los Angeles	$ 975.3	47.6	$ 991.4	47.6	$ 990.9	46.7	$ 924.2	45.9	$ 848.7	46.1
Orange	415.6	20.3	417.8	20.1	423.4	20.0	407.7	20.2	376.4	20.5
San Diego	369.1	18.0	375.4	18.0	385.7	18.2	369.6	18.3	338.3	18.4
Riverside	129.1	6.3	134.8	6.5	153.4	7.2	153.1	7.6	130.9	7.1
San Bernardino	80.6	3.9	82.2	3.9	85.1	4.0	80.5	4.0	71.0	3.9
Ventura	79.4	3.9	80.3	3.9	82.4	3.9	80.3	4.0	74.2	4.0
Total	$ 2,049.1	100.0	$ 2,081.9	100.0	$ 2,120.9	100.0	$ 2,015.4	100.0	$ 1,839.5	100.0

(1) Assessed Valuation.
(2) Percent of Total Assessed Valuation within Metropolitan.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 9

Ten-Year Summary of Ratios of General Obligation Debt to Net Assessed Valuations, Total Outstanding Debt to Total Household Income, and Amounts of Total and Net Outstanding Debt per Capita (Unaudited)

(Amounts in thousands)

Fiscal Year Ended June 30,	Population (1)	Net Assessed Valuations (NAV)	General Obligation (G.O.) Debt	Revenue Bond Debt	Notes and Loans	Unamortized Bond Discounts and Premiums, net (2)	Total Outstanding Debt	Accumulated Resources Restricted for Repayment of Principal	Net Total Outstanding Debt	Ratio of G.O. Debt to NAV	Net Outstanding Debt per Capita
2016	18,873	$ 2,435,059,261	$ 92,865	$ 4,188,950	$ 259,153	$ 232,467	$ 4,773,435	$ (153,270)	$ 4,620,165	0.00 %	$ 244.8
2015	18,740	2,298,791,445	110,420	4,157,105	10,684	200,028	4,478,237	(98,595)	4,379,642	0.00	233.7
2014	18,615	2,167,044,473	132,275	4,271,540	11,675	200,896	4,616,386	(82,285)	4,534,101	0.01	243.6
2013	18,478	2,080,710,578	165,085	4,450,650	12,161	210,283	4,838,179	(110,535)	4,727,644	0.01	255.9
2012	18,350	2,050,548,909	196,545	4,607,125	13,117	194,282	5,011,069	(104,230)	4,906,839	0.01	267.4
2011	18,190	2,031,941,577	225,335	4,731,145	14,051	(77,914)	4,892,617	(90,900)	4,801,717	0.01	264.0
2010	18,047	2,064,661,095	255,075	4,591,910	27,676	(104,989)	4,769,672	(87,075)	4,682,597	0.01	259.5
2009	17,937	2,103,706,081	293,425	4,444,705	29,497	(37,684)	4,729,943	(73,660)	4,656,283	0.01	259.6
2008	17,863	1,998,307,349	327,215	4,227,840	31,271	(51,481)	4,534,845	(63,057)	4,471,788	0.02	250.3
2007	17,758	1,822,572,924	359,115	4,279,130	33,000	(54,877)	4,616,368	(45,450)	4,570,918	0.02	257.4

Fiscal Year Ended June 30,	Population (1)	Total Household Income (THI)	General Obligation (G.O.) Debt	Revenue Bond Debt	Notes and Loans	Unamortized Bond Discounts and Premiums, net (2)	Total Outstanding Debt	Ratio of Total Outstanding Debt to THI	Total Outstanding Debt per Capita
2016	18,873	$ n/a	$ 92,865	$ 4,188,950	$ 259,153	$ 232,467	$ 4,773,435	n/a %	$ 252.9
2015	18,740	n/a	110,420	4,157,105	10,684	200,028	4,478,237	n/a	239.0
2014	18,615	1,025,884,337	132,275	4,271,540	11,675	200,896	4,616,386	0.45	248.0
2013	18,478	984,899,139	165,085	4,450,650	12,161	210,283	4,838,179	0.49	261.8
2012	18,350	936,274,391	196,545	4,607,125	13,117	194,282	5,011,069	0.54	273.1
2011	18,190	886,485,607	225,335	4,731,145	14,051	(77,914)	4,892,617	0.55	269.0
2010	18,047	862,607,147	255,075	4,591,910	27,676	(104,989)	4,769,672	0.55	264.3
2009	17,937	889,692,899	293,425	4,444,705	29,497	(37,684)	4,729,943	0.53	263.7
2008	17,863	872,177,560	327,215	4,227,840	31,271	(51,481)	4,534,845	0.52	253.9
2007	17,758	859,640,165	359,115	4,279,130	33,000	(54,877)	4,616,368	0.54	260.0

See accompanying Independent Auditors' Report.

(1) Population data is reported for Metropolitan's service area. Amounts reflect revisions based on current data from the State of California Department of Finance and/or revisions to the service area boundaries

(2) Deferred amount on bond refundings were reclassified as deferred outflow of resources beginning fiscal year 2012 as a result of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, implement

n/a: not available

Source: Office of the Chief Financial Officer and State of California Department of Finance

The Metropolitan Water District of Southern California
Table10
Direct and Overlapping Bonded Debt (Unaudited)
As of June 30, 2016

2015-16 Assessed Valuation 2,451,003,605,785

OVERLAPPING TAX AND ASSESSMENT DEBT:	Percentage Applicable	Debt June 30, 2016
Los Angeles County Flood Control District	94.830%	$ 11,977,029
Community College Districts	Various	9,980,121,698
Los Angeles Unified School District	99.569	10,412,542,679
San Diego Unified School District	99.955	2,984,952,890
Other Unified School Districts	Various	10,693,388,988
High School and School Districts	Various	4,888,843,818
City of Los Angeles	99.997	790,361,288
Other Cities	Various	291,471,953
Irvine Ranch Water District Improvement Districts	100	491,200,000
Santa Margarita Water District Improvement Districts	100	106,070,000
Other Water Districts	Various	41,979,485
Healthcare Districts	Various	713,371,567
Other Special Districts	Various	22,177,236
Community Facilities Districts	Various	7,032,935,004
1915 Act Bonds and Other Special Assessment District Bonds	Various	1,233,686,529
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$ 49,695,080,164
METROPOLITAN WATER DISTRICT TOTAL DIRECT DEBT		**$ 92,865,000**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 49,787,945,164

OVERLAPPING GENERAL FUND DEBT:	Percentage Applicable	Debt June 30, 2016
Los Angeles County Obligations	92.989%	$ 1,902,908,348
Orange County Obligations	99.902	492,388,843
Riverside County Obligations	64.967	776,541,939
San Bernardino County Obligations	50.078	428,127,250
San Diego County Obligations	96.687	938,816,267
Other Counties Obligations	Various	292,360,091
City of Anaheim General Fund Obligations	99.849	661,117,668
City of Long Beach General Fund Obligations and Pension Obligation Bonds	100	215,055,000
City of Los Angeles General Fund and Judgment Obligations	99.997	1,641,867,537
City of Pasadena General Fund and Pension Obligation Bonds	100	575,701,949
City of San Diego General Fund Obligations	99.948	594,045,000
Other City General Fund Obligations	Various	2,783,877,576
Water District General Fund Obligations	Various	78,797,510
Los Angeles Unified School District Certificates of Participation	99.569	272,624,900
Other School District General Fund Obligations	Various	1,863,173,137
Other Special District General Fund Obligations	Various	222,437,475
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$ 13,739,840,490
Less: Obligations supported from other revenue sources		1,168,085,513
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 12,571,754,977
OVERLAPPING TAX INCREMENT DEBT		$ 8,527,729,246
GROSS COMBINED TOTAL DEBT		$ 72,055,514,900 [1]
NET COMBINED TOTAL DEBT		$ 70,887,429,387

[1] Debt instruments included are general obligation bonds, lease revenue bonds and certificates of participation (when supported by the general fund), pension obligation bonds, 1915 Act special assessment bonds and Mello-Roos Act special assessment bonds. Excluded are enterprise revenue bonds, mortgage revenue bonds, tax and revenue anticipation notes and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2015-16 Assessed Valuation:		
Direct Debt ($92,865,000)		**0.004%**
Total Direct and Overlapping Tax and Assessment Debt		2.03%
Gross Combined Total Debt		2.94%
Net Combined Total Debt		2.89%
Ratios to Redevelopment Incremental Valuation:	$ 320,750,688,172	
Total Overlapping Tax Increment Debt		2.66%

Source: California Municipal Statistics, Inc. San Francisco, California

The Metropolitan Water District of Southern California

Table 11

Ten-Year Summary of Legal Debt Margin Information (Unaudited)

(Dollars in millions)

	Fiscal Year Ended June 30,									
15 Percent of Assessed Value (1a)	2016	2015	2014	2013 (4)	2012 (4) As Adjusted	2011 (4)	2010	2009 (5) Restated	2008	2007
Debt limit	$ 367,651	$ 347,242	$ 327,508	$ 314,606	$ 310,122	$ 307,359	$ 312,280	$ 318,129	$ 302,307	$ 275,927
Debt applicable to the limit (2)	4,773	4,478	4,616	4,838	5,011	4,971	4,875	4,730	4,535	4,616
Legal debt margin	$ 362,878	$ 342,764	$ 322,892	$ 309,768	$ 305,111	$ 302,388	$ 307,405	$ 313,399	$ 297,772	$ 271,311
Total debt applicable to the limit as a percentage of debt limit	1.30%	1.29%	1.41%	1.54%	1.62%	1.62%	1.56%	1.49%	1.50%	1.67%
100 Percent of Equity (1b)										
Debt limit (3)	$ 6,684	$ 6,882	$ 7,201	$ 6,800	$ 6,427	$ 6,252	$ 6,146	$ 6,043	$ 5,877	$ 5,705
Debt applicable to the limit (2)	4,189	4,157	4,272	4,451	4,607	4,731	4,592	4,445	4,228	4,279
Legal debt margin	$ 2,495	$ 2,725	$ 2,929	$ 2,349	$ 1,820	$ 1,521	$ 1,554	$ 1,598	$ 1,649	$ 1,426
Total debt applicable to the limit as a percentage of debt limit	62.67%	60.40%	59.32%	65.46%	71.68%	75.67%	74.71%	73.55%	71.94%	75.00%

Legal Debt Margin Calculations for Fiscal Year Ended June 30, 2016

15 Percent of Assessed Value	
2015-16 taxable assessed valuation	$ 2,451,004
Debt limit (15% of total assessed value)	$ 367,651
Applicable long-term debt outstanding as of June 30, 2016	4,773
Legal debt margin	$ 362,878
100 Percent of Equity (Net Position)	
Net position of Metropolitan as of June 30, 2016	$ 6,684
Debt limit (100% of equity/net position)	$ 6,684
Revenue bonds outstanding as of June 30, 2016	4,189
Legal debt margin	$ 2,495

(1) The Metropolitan Water District Act (Act) provides for two limitations on indebtedness, which may be incurred by Metropolitan:
(a) Indebtedness is limited to 15 percent of the assessed value of all taxable property within Metropolitan.
(b) Revenue bonds limited to 100% of equity (net position) as of the end of the last fiscal year prior to the issuance of such bonds.
(2) The Act defines the calculations for debt limits based on gross debt outstanding. Accordingly, debt applicable to the limit is not netted for applicable reserves.
(3) Adjustment relates to reclassification of outstanding debt from net investment in capital assets to restricted for debt service beginning fiscal year 2012.
(4) Adjustment relates to implementation of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.*
(5) Restatement relates to implementation of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 12

Ten-Year Summary of Revenue Bond Debt Service Coverage (1) (Unaudited)

(Dollars in millions)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
						As Adjusted				
Water Sales (2)	$ 1,166	$ 1,383	$ 1,485	$ 1,283	$ 1,062	$ 996	$ 1,011	$ 988	$ 968	$ 892
Additional Revenues (2)	200	199	182	173	168	153	135	120	114	113
Total Revenues	1,366	1,582	1,667	1,456	1,230	1,149	1,146	1,108	1,082	1,005
Operating Expenses	(1,201)	(1,005)	(854)	(793)	(792)	(853)	(825)	(782)	(792)	(648)
Net Operating Revenues	165	577	813	663	438	296	321	326	290	357
Hydroelectric Power Revenues & Other (3)	252	171	34	48	87	96	52	43	48	51
Interest on Investments (4)	18	13	19	(2)	11	17	19	32	46	33
Adjusted Net Operating Revenues	435	761	866	709	536	409	392	401	384	441
Bonds and Additional Bonds Debt Service	(309)	(280)	(343)	(298)	(297)	(277)	(244)	(223)	(219)	(200)
Subordinate Revenue Obligations	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Funds Available from Operations	$ 125	$ 480	$ 522	$ 410	$ 238	$ 131	$ 147	$ 177	$ 164	$ 240
Ratios										
Bonds and Additional Bonds Debt Service Coverage	1.41	2.72	2.52	2.38	1.81	1.48	1.61	1.80	1.76	2.21
Debt Service Coverage on all Obligations	1.41	2.71	2.51	2.37	1.80	1.47	1.60	1.79	1.75	2.19

(1) Prepared on a modified accrual basis for fiscal years 2013-2016 and on a cash basis for fiscal years 2007-2012.
(2) Fiscal years 2007-2011 restated to include exchange sales in Water Sales. They were previously reported under Additional Revenues.
(3) Fiscal years 2016 and 2015 include $222 million and $142 million transfer from revenue reserves to fund conservation credit expenses, respectively.
(4) Excludes interest applicable to Bond Construction accounts, Excess Earning account(s), Other Trust accounts, and the Deferred Compensation Trust account.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 13
Ten-Year Summary of Demographic Statistics (Unaudited)

	Calendar Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Population (in thousands) (1)										
Los Angeles County	10,192	10,069	10,020	9,912	9,858	9,818	10,409	10,347	10,273	10,232
Orange County	3,165	3,133	3,105	3,072	3,044	3,010	3,155	3,126	3,095	3,071
Riverside County	2,331	2,295	2,268	2,244	2,227	2,190	2,128	2,106	2,062	2,002
San Bernardino County	2,128	2,092	2,076	2,065	2,060	2,035	2,064	2,061	2,038	2,010
San Diego County	3,276	3,212	3,182	3,147	3,131	3,095	3,208	3,162	3,115	3,076
Ventura County	853	844	840	834	830	823	841	830	824	818
Per Capita Income (2)										
Los Angeles County	n/a	$ 49,366	$ 46,530	$ 44,474	$ 42,564	$ 41,791	$ 40,867	$ 39,967	$ 39,794	$ 36,205
Orange County	n/a	55,200	54,519	52,342	50,544	49,863	49,020	49,650	50,643	46,807
Riverside County	n/a	33,945	33,278	31,742	29,927	29,222	29,748	30,754	29,550	28,773
San Bernardino County	n/a	32,932	32,747	32,072	29,998	29,609	29,609	29,631	28,024	26,811
San Diego County	n/a	51,711	51,384	49,719	46,800	45,627	45,706	44,438	44,430	41,000
Ventura County	n/a	50,928	50,507	48,837	45,855	44,653	45,908	44,678	45,694	41,451
Median Household Income (3)										
Los Angeles County	n/a	$ 55,746	$ 54,529	$ 53,001	$ 52,280	$ 52,684	$ 54,467	$ 55,499	$ 53,575	$ 51,315
Orange County	n/a	76,306	74,163	71,983	72,293	70,880	71,865	75,078	73,263	70,232
Riverside County	n/a	57,006	54,095	52,651	52,883	54,296	55,352	57,792	58,145	53,508
San Bernardino County	n/a	52,041	52,323	50,770	51,247	52,607	52,320	55,021	56,428	52,941
San Diego County	n/a	66,192	61,426	60,330	59,477	59,923	60,231	63,026	61,794	59,591
Ventura County	n/a	75,449	77,363	71,517	74,263	71,864	71,723	76,860	73,250	72,107
Unemployment Rate (4)										
Los Angeles County	6.7 %	8.2 %	9.8 %	10.9 %	12.3 %	12.5 %	11.5 %	7.5 %	5.1 %	4.8 %
Orange County	4.5	5.5	6.5	7.6	8.8	9.7	8.9	5.3	3.9	3.4
Riverside County	6.7	8.2	10.3	12.1	13.7	13.8	13.4	8.5	6.0	5.0
San Bernardino County	6.5	8.0	10.3	11.9	13.4	13.5	13.0	7.9	5.6	4.8
San Diego County	5.2	6.4	7.8	8.9	10.0	10.8	9.6	6.0	4.6	4.0
Ventura County	5.7	6.6	7.9	9.1	10.1	10.8	9.9	6.2	4.9	4.3

n/a: not available

Sources:

(1) Data from State of California Department of Finance. The most recent calendar year for which information is available is 2015. Includes population for the entire county.

(2) Data from U.S. Department of Commerce and Center for Continuing Study of the California Economy. The most recent calendar year for which information is available is 2014.

(3) Data from U.S. Census Bureau (American Community Survey). The most recent calendar year for which information is available is 2014.

(4) Data from U.S. Bureau of Labor Statistics and State of California Employment Development Department (EDD). The most recent calendar year for which information is available is 2015. Rates from prior years reflect revisions based on current data from U.S. Bureau of Labor Statistics and EDD.

The Metropolitan Water District of Southern California
Table 14
Principal Employers within Service Area (Unaudited)

	Calendar Year					
	2015			2006		
Company or Organization	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
Walt Disney Co	185,000	1	8.73 %	n/a	n/a	n/a
Taco Bell Corp	166,000	2	7.83	n/a	n/a	n/a
CLARK Security Products Inc	115,000	3	5.43	n/a	n/a	n/a
AECOM	92,000	4	4.34	n/a	n/a	n/a
Gores Group LLC	84,000	5	3.96	n/a	n/a	n/a
Dole Food Co Inc	74,800	6	3.53	n/a	n/a	n/a
Western Digital Corp	72,878	7	3.44	n/a	n/a	n/a
CBRE Group Inc	70,000	8	3.30	n/a	n/a	n/a
Jacobs Engineering Group Inc	64,000	9	3.02	n/a	n/a	n/a
Advantage Solutions	50,000	10	2.36	n/a	n/a	n/a
	973,678		45.94 %	-		-
Total Employment	2,119,400					

n/a: not available

Note: The most recent year for which information is available is 2015. Population includes companies with employees of 10,000 or more.

Source: Infogroup

The Metropolitan Water District of Southern California
Table 15
Ten-Year Summary of Operating Information (Unaudited)

Mission Statement: The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Acre-feet (1) water sold:										
Treated	731	892	1,029	984	981	992	1,001	1,156	1,308	1,461
Untreated	683	829	846	685	561	475	598	888	868	835
Exchange	179	180	180	183	157	157	160	114	73	56
Total	1,593	1,901	2,055	1,852	1,699	1,624	1,759	2,158	2,249	2,352
Acre-feet (1) water sold by usage:										
Domestic and municipal uses	1,569	1,858	2,039	1,829	1,488	1,461	1,656	1,981	1,995	1,929
Agricultural uses	-	-	-	23	28	25	33	81	119	135
Replenishment and other	24	43	16	-	183	138	70	96	135	288
Total	1,593	1,901	2,055	1,852	1,699	1,624	1,759	2,158	2,249	2,352
Source of Water Supplies-Acre-feet (1), (2):										
Local Supplies (3)	1,670.1	1,757.7	1,960.0	1,931.1	1,815.7	1,734.5	1,783.5	1,854.5	1,836.7	1,844.3
L.A. Aqueduct	50.1	53.5	61.1	113.4	281.8	305.1	199.5	108.1	152.6	277.9
Colorado River Aqueduct (3)	1,086.5	1,184.3	1,103.0	637.5	437.8	656.9	901.4	1,009.2	783.9	631.7
State Water Project (California Aqueduct) (3)	692.7	592.4	805.8	1,214.9	1,338.0	1,363.4	953.4	857.4	1,312.4	1,788.6
Total	3,499.4	3,587.9	3,929.9	3,896.9	3,873.3	4,059.9	3,837.8	3,829.2	4,085.6	4,542.5
Number of employees	1,772	1,770	1,765	1,746	1,767	1,806	1,877	1,938	2,021	1,889
Colorado River Aqueduct (miles)	242	242	242	242	242	242	242	242	242	242
Distribution System Pipeline (miles) (4)	830	830	830	819	819	819	819	775	775	775
Storage Capacity (thousand acre-feet)	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072
Pumping Plants	6	6	6	6	6	6	6	6	6	6
Water Filtration Plants	5	5	5	5	5	5	5	5	5	5
Hydroelectric Plants	16	16	16	16	16	16	16	16	16	16

(1) Water volumes are reported in thousand acre-feet.
(2) Reflects regional sources of water supply within Metropolitan's service area.
(3) Actual production data from prior years are updated based on the most current available information.
(4) The increase in distribution system pipeline is due to the Inland Feeder becoming operational.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 16
Projects Completed as of June 30, 2016 (Unaudited)

Completion Date	Contract/ Spec. No.	Project	Bid Amount	Final Amount
8/3/15	1799/1681	Gene Pumping Plant Storage Building Replacement	$ 783,333	$ 783,333
8/21/15	1790/1728	Skinner Water Treatment Plant Solids Handling Area Improvements	428,280	428,280
11/10/15	1776/1721	Yorba Linda Power Plant Turbine and Generator Replacement	4,901,567	5,107,292
12/9/15	1781/1731	Jensen Water Treatment Plant Washwater Tank Seismic Upgrades	3,053,634	3,163,469
12/10/15	1805/1763	Iron Mountain Pumping Plant Vehicle Service Center Upgrades	374,867	377,731
12/14/15	1815/1854	Corona and Temescal Hydro Electric Plants Roof Replacement	38,282	38,282
12/17/15	1806/1790A	Upper Feeder Railroad Crossing Encasement from Sta. 869+09 to Sta. 869+26.74	418,600	421,878
1/6/16	1801/1730	Weymouth Water Treatment Plant East Washwater Tank Seismic Upgrades	1,465,000	1,559,500
1/29/16	1824/1846	Garvey Reservoir Erosion Control Mitigation	117,672	97,672
2/5/16	1810/1835	Emergency Radio Communication System Replacement	1,120,810	1,120,810
2/23/16	1821/1847	Carbon Creek Pressure Control Structure Roof Replacement	117,265	117,265
3/25/16	1833/1877	Second Lower Feeder PCCP Repairs	634,425	622,425
3/28/16	1787/1787	Inland Feeder and Lakeview Pipeline Intertie	20,365,430	21,012,433
4/8/16	1813/1784	Weymouth Water Treatment Plant Finished Water Reservoir Gate Replacement	1,292,000	1,492,000
4/28/16	1820/1838	Skinner Administration Building HVAC System Replacement	345,305	345,305
5/6/16	1788/1758	Jensen Water Treatment Plant Solids Transfer System	1,977,700	2,129,573
5/26/16	1819/1801	Headquarters Building Telecommunication Room Upgrade	930,483	930,483
6/2/16	1807/1773	Hinds and Eagle Mountain Pumping Plants Wastewater System Replacement	2,090,000	2,090,000
6/24/16	1816/1733	Upper Feeder Santa Ana River Crossing Seismic Upgrades	2,998,000	3,363,000

Source: Engineering Services Group

The Metropolitan Water District of Southern California

Table 17

Major Construction Contracts in Progress as of June 30, 2016 (Unaudited)-Accrual Basis

Contract No.	Project	Percentage Contract Complete through 6/30/2016	Estimated Contract Completion Date	Contract Earnings through 6/30/2016 (1)	Bid Amount
1741	Weymouth Oxidation Retrofit Program, Main Ozonation Facilities	98%	Dec 2016	$ 113,520,220	$ 95,497,513
1773	Diemer Water Treatment Plant Electrical Upgrades, Stage 2	89%	Sep 2016	9,889,690	11,110,000
1785	Chemical Unloading Facility Chlorine Containment and Handling Facilities	86%	Feb 2017	19,949,276	22,888,888
1800	Mills Water Treatment Plant Industrial Wastewater Handling Improvements	56%	Sep 2016	1,441,153	2,565,063
1802	Jensen Water Treatment Plant Module 1 Filter Valve Replacement	84%	Nov 2016	3,175,197	3,637,083
1803	LADWP Aqueduct Filtration Plant Lagoon Refurbishment	71%	Aug 2016	2,183,675	3,067,900
1804	Diemer Water Treatment Plant East Filter Upgrades	89%	Sep 2016	8,277,960	9,310,000
1808	Diemer Water Treatment Plant South Slope Revegetation	98%	Mar 2017	998,261	996,600
1809	Weymouth Water Treatment Plant Filter Rehabilitation	53%	Dec 2017	16,838,250	31,762,914
1811	La Verne Water Quality Lab HVAC Chiller Replacement	89%	Aug 2016	876,324	989,215
1812	La Verne Solar Power Plant	97%	Aug 2016	10,044,638	10,534,920
1814	Diemer Water Treatment Plant East Basin Rehabilitation	43%	Jul 2017	9,280,029	21,524,084
1817	Weymouth Water Treatment Plant Chlorine Scrubber Platform	90%	Jul 2017	335,800	371,800
1818	Weymouth Water Treatment Plant Chemical Upgrades	21%	May 2018	2,168,421	10,267,000
1822	Colorado River Aqueduct Sand Trap Rehabilitation	18%	Aug 2017	1,781,289	9,777,000
1823	Colorado River Aqueduct Erosion Protection Curbing	90%	Jan 2017	14,907,827	16,640,000
1825	Palos Verdes Reservoir Rehabilitation	12%	Aug 2017	3,569,392	29,560,000
1826	Diamond Valley Lake Fuel System Upgrades	26%	Sep 2016	51,153	195,771
1827	Jensen Water Treatment Plant Electrical Upgrades, Stage 1	32%	Feb 2019	5,130,626	15,800,000
1828	Weymouth Water Treatment Plant Filter Building No. 1 Window Replacement	4%	Dec 2016	5,792	130,000
1829	Diamond Valley Lake Visitor Center Building Improvements	25%	Sep 2016	40,687	161,525
1830	Etiwanda Pipeline Lining Repairs, Stage 2	19%	Mar 2017	2,190,000	11,555,000
1832	Sepulveda Feeder PCCP Repairs	98%	Jul 2017	8,985,799	9,150,000
1834	Diamond Valley Lake East Dam Electrical Upgrades	0%	Jul 2017	-	708,000
1836	Diamond Valley Lake East Marina Restroom Facility	5%	Sep 2016	10,000	204,000
1837	Diamond Valley Lake Inlet/Outlet Tower Fish Screen Replacement	0%	Jan 2018	-	1,885,150
1838	Middle Feeder Blowoff Valve Replacement	0%	Nov 2016	-	343,625

(1) Earnings reflected represent the value of work performed by the contractor as of the date indicated and include contract retention and other similar deductions from amounts earned by the contractor but otherwise required to be withheld by Metropolitan by law or contract.

Source: Engineering Services Group

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