METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Basic Financial Statements and
Required Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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KPMG LLP
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Independent Auditors' Report

The Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Metropolitan Water District of Southern California (Metropolitan), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Metropolitan's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Metropolitan, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Metropolitan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

KPMG

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-17 and the pension and other postemployment benefits required supplementary information on pages 106-110 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

KPMG LLP

Los Angeles, California
October 31, 2022

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, 2022 and 2021. 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 United States generally accepted accounting principles (U.S. GAAP) 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, statements of cash flows, statements of fiduciary net position and statements of changes in fiduciary net position. 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 (SWP) costs and principal and interest payments on borrowed money. The statements of fiduciary net position include the assets and liabilities of fiduciary funds with the difference reported as fiduciary net position and the statements of changes in fiduciary net position include additions and deductions of fiduciary funds. The fiduciary fund activity is excluded from Metropolitan's balances reported in the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows.

During the fiscal year ended June 30, 2022, Metropolitan implemented GASB Statement No. 87 (GASB 87), *Leases*, which requires Metropolitan to recognize leases receivable and deferred inflows of resources related to lease arrangements where Metropolitan is a lessor. Further, Metropolitan is required to recognize a lease liability and an intangible right-to-use leased asset for lease arrangements where Metropolitan is a lessee. Fiscal year 2021 balances were adjusted as detailed in Note 1(t) of the basic financial statements. Fiscal year 2020 balances within this Management's Discussion and Analysis were not adjusted for the implementation of this GASB statement.

On July 1, 2021, Metropolitan implemented GASB Statement No. 89 (GASB 89), *Accounting for Interest Incurred before the End of a Construction Period*. GASB 89 requires all interest incurred during the construction period to be expensed and no longer allows for capitalization of such interest costs. The requirements of GASB 89 are applied prospectively in the year of implementation. As such, the fiscal year 2021 and 2020 balances were not adjusted as a result of implementation.

CONDENSED FINANCIAL INFORMATION

Condensed Schedule of Net Position

	June 30,		
(Dollars in millions)	**2022**	2021 As Adjusted Note 1t	2020
Assets and deferred outflows of resources			
Capital assets, net	**$ 10,508.2**	$ 10,546.0	$ 10,508.4
Other assets	**2,409.6**	2,336.1	1,986.5
Total assets	**12,917.8**	12,882.1	12,494.9
Deferred outflows of resources	**149.6**	167.3	169.1
Total assets and deferred outflows of resources	**13,067.4**	13,049.4	12,664.0
Liabilities and deferred inflows of resources			
Long-term liabilities, net of current portion	**4,510.3**	5,291.5	4,366.9
Other liabilities	**723.0**	494.0	1,289.0
Total liabilities	**5,233.3**	5,785.5	5,655.9
Deferred inflows of resources	**377.7**	69.1	68.6
Total liabilities and deferred inflows of resources	**5,611.0**	5,854.6	5,724.5
Net position			
Net investment in capital assets, including State Water Project costs	**6,219.5**	6,141.4	6,121.6
Restricted	**573.5**	532.7	509.0
Unrestricted	**663.4**	520.7	308.9
Total net position	**$ 7,456.4**	$ 7,194.8	$ 6,939.5

Capital Assets, Net

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

Fiscal Year 2022 Compared to 2021. At June 30, 2022, net capital assets totaled $10.5 billion, or 80.4 percent of total assets and deferred outflows of resources, and were $37.8 million lower than the prior year. The decrease included depreciation and amortization of $373.5 million and $15.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred, offset by Metropolitan's continued expenditures on the capital investment plan of $209.0 million, a net increase of $141.4 million in participation rights in SWP, and an increase of $0.4 million in intangible right-to-use leased assets. See the capital assets section on pages 15-16 for additional information.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, net capital assets totaled $10.5 billion, or 80.8 percent of total assets and deferred outflows of resources, and were $37.6 million higher than the prior year. The increase included Metropolitan's continued expenditures on the capital investment plan of $277.5 million (including $7.3 million of capitalized interest), a net increase of $141.8 million in participation rights in SWP, and $10.4 million in intangible right-to-use leased assets, offset by depreciation and amortization of $355.0 million and $37.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred. See the capital assets section on pages 15-16 for additional information.

Other Assets

Other assets include accounts receivable, inventories, prepaid costs, and cash and investments.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, other assets totaled $2.4 billion and were $73.5 million higher than the prior year. Cash and investments were $61.5 million higher primarily due to higher water revenues. Inventories also increased $28.3 million primarily due to higher per unit cost of water. These increases were offset by $15.1 million lower deposits, prepaid costs, and other due to $21.5 million lower prepaid water costs resulting from 180.3 thousand acre feet (TAF) less water in storage and $10.8 million of lower prepaid expenses, partially offset by $25.0 million funding for the Delta Conveyance Project planning and pre-construction costs.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, other assets totaled $2.3 billion and were $349.6 million higher than the prior year. Cash and investments were $229.9 million higher primarily due to $188.9 million proceeds from the Water Revenue Bonds 2021 Series A. Deposits, prepaid costs, and other was $47.1 million higher than the prior year which included $25.0 million funding for the Delta Conveyance Project planning and pre-construction costs and $16.8 million more costs for the High Desert Bank Program, which was operational for twelve months in fiscal 2021 compared to three months in fiscal year 2020. Receivables also increased $45.3 million of which, $50.2 million related to higher water revenues receivable as fiscal year 2021 May and June water transactions were 56.9 TAF more than the prior year's comparable months.

Deferred Outflows of Resources

Deferred outflows of resources include deferred outflows related to loss on bond refundings and swap terminations, deferred outflows related to the net pension liability and net OPEB liability, and deferred outflows for effective interest rate swaps.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, deferred outflows totaled $149.6 million and were $17.7 million lower than the prior year. The decrease included $12.1 million lower deferred outflows related to pension, which included $13.1 million lower deferred outflows related to the net difference between projected and actual earnings on pension plan investments and $6.2 million lower difference between expected and actual experience, offset by $7.2 million higher deferred outflows related to pension contributions subsequent to the measurement date. Also contributing to the decrease was $6.2 million lower deferred loss on bond refundings and $1.9 million lower deferred loss on swap terminations, both of which were due to amortization. These decreases were offset by $2.5 million higher deferred outflows related to OPEB due to $4.8 million higher difference between expected and actual experience and $3.6 million higher deferred outflows related to OPEB contributions subsequent to the measurement date, offset by $5.9 million lower deferred outflows related to the net difference between projected and actual earnings on OPEB plan investments.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, deferred outflows totaled $167.3 million and were $1.8 million lower than the prior year. The decrease included $11.7 million lower deferred outflows on effective swaps due to higher interest rates, $6.3 million lower deferred loss on bond refundings, and $1.1 million lower deferred loss on swap terminations, both of which were due to amortization. These decreases were offset by $18.0 million higher deferred outflows related to pension, which included $13.1 million higher deferred outflows related to the net difference between projected and actual earnings on pension plan investments, $8.2 million higher deferred outflows related to pension contributions subsequent to the measurement date, and $4.5 million higher difference between expected and actual experience, partially offset by $7.8 million lower deferred outflows due to changes of actuarial assumption.

Long-term Liabilities, Net of Current Portion

Long-term liabilities, net of current portion includes long-term debt, long-term revolving notes, customer deposits and trust funds, leases, net pension liability, net OPEB liability, accrued compensated absences, workers' compensation and third party claims, fair value of interest rate swaps, and other long-term obligations.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, long-term liabilities, net of current portion totaled $4.5 billion and were $781.2 million lower than the prior year primarily due to a $351.1 million decrease in long-term debt, net of current portion. The decrease included $159.6 million higher current portion of long-term debt as compared to prior year, $123.1 million principal payments, $39.0 million decrease in premiums and discounts, and $35.6 million of principal paid by the Royal Bank of Canada Short-Term Credit Facility (RBC) note issued in June 2021, offset by $6.2 million of bond refundings, as the new debt issued was more than the amount of debt refunded. See other liabilities section on page 7 and long-term debt section on page 17 for additional information. In addition, net pension liability was $284.0 million lower due to $417.4 million of pension plan investment earnings and $91.9 million employer and employee contributions to the pension plan, offset by $181.2 million interest on the total pension liability and $38.6 million in service costs. Net OPEB liability was also $112.4 million lower due to $85.2 million of net investment income, $48.4 million change of assumptions, and $27.0 million of employer contributions, offset by $30.6 million interest on the total OPEB liability, $11.5 million of service costs, and $6.0 million difference between expected and actual experience. Also contributing to the decrease in long-term debt, net of current portion was a $29.8 million decrease in fair value of interest rate swaps due to higher interest rates as compared to prior year.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, long-term liabilities, net of current portion, totaled $5.3 billion and were $924.6 million higher than the prior year primarily due to an increase of $929.3 million in long-term debt, net of current portion. The increase included $816.4 million lower current portion of long-term debt as compared to prior year, $188.9 million in new revenue bonds, and $97.9 million increase in premiums and discounts, offset by $133.8 million principal payments, $35.6 million of principal paid by the short-term RBC note issued in June 2020, and $4.5 million of bond refundings, as the new debt issued was less than the amount of debt refunded. See other liabilities section on page 7 and long-term debt section on page 17 for additional information. In addition, net pension liability was $55.6 million higher due to $175.0 million interest on the total pension liability and $37.2 million in service costs, offset by $90.1 million of pension plan investment earnings and $66.1 million employer contributions to the pension plan. These increases in long-term liabilities, net of current portion were offset by $46.8 million lower long-term revolving notes as the Bank of America, N.A. notes (BANA notes) issued for the California WaterFix advance were repaid and $19.6 million decrease in fair value of interest rate swaps due to higher interest rates as compared to prior year.

Other Liabilities

Other liabilities represent current liabilities that are due within one year. Current liabilities include accounts payable, accrued liabilities, short-term revolving notes, current portion of leases, and the current portion of long-term liabilities.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, other liabilities totaled $723.0 million and were $229.0 million higher than the prior year. Current portion of long-term debt increased by $159.6 million primarily due to the addition of $78.9 million and $80.0 million of Water Revenue Bonds, 2000 Series B-3 and 2017 Series A, respectively, which have a Standby Bond Purchase Agreement (SBPA) expiration of March 2023. Also contributing to the increase in other liabilities was $62.4 million higher accounts payable and accrued expenses primarily due to $45.1 million higher SWP costs which included $20.9 million or 71.1 TAF withdrawal from DWR's Flexible Storage Program, $15.7 million more variable charges due to higher per unit cost of water plus 42.6 TAF more water purchased in April, May and June of 2022 compared to the same months in the prior year, and $8.5 million more OMP&R fixed charges. Also contributing to the increase in accounts payable and accrued expenses were $7.2 million and $4.1 million purchase of water for the YUBA Accord and State Water Contractors Dry-Year Transfer programs, respectively.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, other liabilities totaled $494.0 million, and were $795.0 million lower than the prior year. Current portion of long-term debt decreased by $816.4 million due to the extension of mandatory tender dates to fiscal year 2024 for the $271.8 million Special Variable Rate Water Revenue Refunding Bonds (SVRWRRB), 2020 Series B, $191.2 million Subordinate Water Revenue Refunding Bonds, 2017 Series D and E, and $80.0 million Subordinate Water Revenue Bonds, 2017 Series C. Also contributing to the decrease in current portion of long-term debt was the refunding of $175.0 million Subordinate Water Revenue Bonds, 2016 Series A which had a mandatory tender date of December 2020, and an extension of the SBPA from June 2021 to June 2024 for $90.1 million SVRWRRB, 2018 Series A-1 and A-2. The decrease in the current portion of long-term debt was offset by $27.4 million higher accounts payable and accrued expenses primarily due to the withdrawal of 115.9 TAF from DWR's Flexible Storage Program in fiscal year 2021.

Deferred Inflows of Resources

Deferred inflows of resources represent deferred inflows related to the net pension liability, net OPEB liability, deferred inflows for leases and deferred inflows for effective interest rate swaps.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, deferred inflows of resources totaled $377.7 million and were $308.6 million higher than the prior year primarily due to $206.3 million higher deferred inflows related to pension, which included $207.9 million higher net difference between projected and actual earnings on pension plan investments, offset by $1.0 million lower changes of assumptions. Additionally, deferred inflows related to OPEB increased $73.7 million, which included $45.6 million higher net difference between projected and actual earnings on OPEB plan investments and $37.9 million higher changes of assumptions, offset by $9.8 million lower differences between expected and actual experience. Deferred inflows on effective swaps were also higher by $29.8 million due to higher interest rates. These increases in deferred inflows of resources were offset by $1.2 million lower deferred inflows related to leases due to amortization.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, deferred inflows of resources totaled $69.1 million and were $0.5 million higher than the prior year primarily due to $26.6 million of higher deferred inflows related to leases as a result of the implementation of GASB 87 in fiscal year 2022 with adjustments to fiscal year 2021 balances and $7.9 million of higher deferred inflows on effective swaps due to higher interest rates. These increases in deferred inflows were offset by $19.7 million lower deferred inflows related to pension, which included $10.8 million lower net difference between projected and actual earnings on pension plan investments, $4.8 million lower changes of assumptions, and $4.1 million lower difference between expected and actual experience. Additionally, deferred inflows related to OPEB decreased $14.3 million, which included $9.8 million lower differences between expected and actual experience and $3.7 million net difference between projected and actual earnings on OPEB plan investments.

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, SWP and other intangible assets including participation rights in other facilities and right-to-use leased asset, offset by accumulated depreciation and outstanding debt issued for these purposes.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, net investment in capital assets, including State Water Project costs totaled $6.2 billion and was $78.1 million higher than the prior year. This increase included $115.9 million decrease in outstanding debt and related deferred outflows of resources, offset by $37.8 million net decrease in capital assets. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, net investment in capital assets, including State Water Project costs totaled $6.1 billion and was $19.8 million higher than the prior year. This increase included $37.6 million net increase in capital assets, offset by $17.8 million increase in outstanding debt and related deferred outflows of resources. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

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 2022 Compared to 2021. At June 30, 2022, restricted net position totaled $573.5 million which was $40.8 million higher than fiscal year 2021 due to $22.7 million increase in restricted for operating expenses due to higher anticipated power and water costs in fiscal year 2023 and $14.3 million of higher restricted for debt service due to higher principal and interest payment requirements in fiscal year 2023.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, restricted net position totaled $532.7 million which was $23.7 million higher than fiscal year 2020 primarily due to $34.9 million increase in restricted for operating expenses primarily due to higher pension and OPEB contribution requirements for fiscal year 2022 partially offset by $10.8 million of lower restricted for debt service due to savings from refunding transactions.

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 Metropolitan's Board of Directors (Board).

Fiscal Year 2022 Compared to 2021. Unrestricted net position of $663.4 million increased $142.7 million from the prior year, which included fiscal year 2022 changes in net position of $261.6 million offset by $78.1 million higher net investment in capital assets, including State Water Project costs and $40.8 million higher restricted for debt service and operating expenses.

Fiscal Year 2021 Compared to 2020. Unrestricted net position of $520.7 million increased $211.8 million from the prior year, which included fiscal year 2021 changes in net position of $255.3 million offset by $23.7 higher restricted for debt service and operating expense and $19.8 million of higher net investment in capital assets, including State Water Project costs.

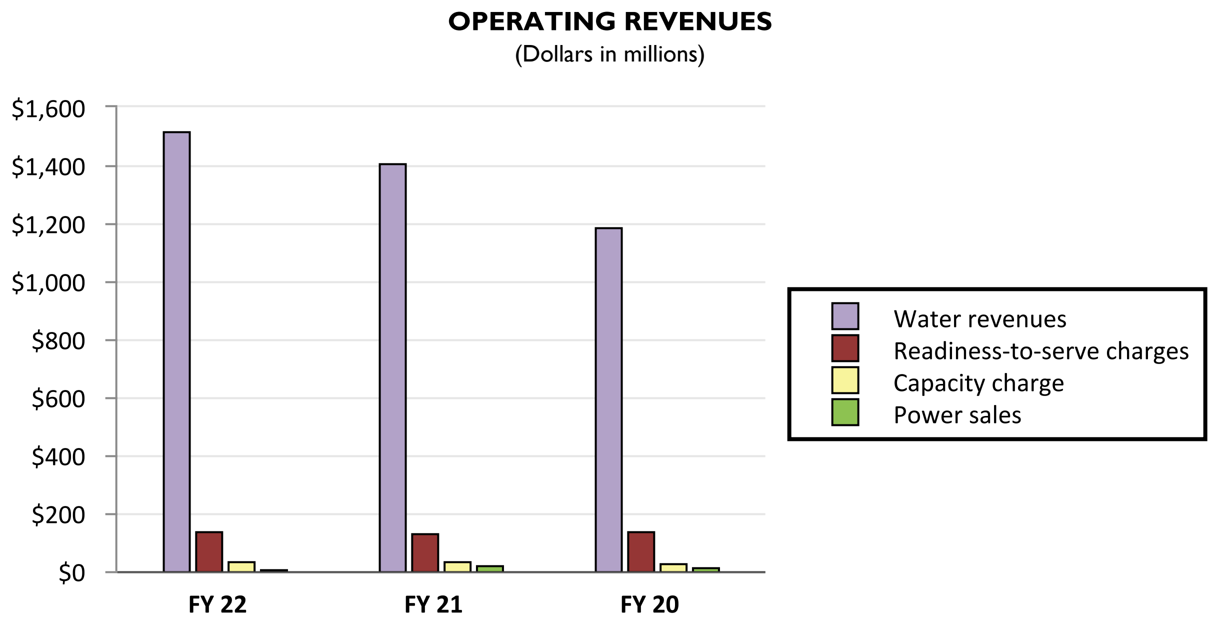
CHANGES IN NET POSITION

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

	Fiscal Year Ended June 30,		
(Dollars in millions)	**2022**	2021 As Adjusted Note 1t	2020
Water revenues	**$ 1,515.1**	$ 1,404.7	$ 1,188.0
Readiness-to-serve charges	**135.0**	133.0	134.5
Capacity charge	**37.0**	31.7	30.5
Power sales	**7.7**	19.0	15.9
Operating revenues	**1,694.8**	1,588.4	1,368.9
Taxes, net	**168.1**	160.6	146.9
Investment income, net	**—**	4.1	28.9
Gain on sale of plant assets	**9.2**	—	—
Other	**8.7**	10.9	24.5
Nonoperating revenues	**186.0**	175.6	200.3
Total revenues	**1,880.8**	1,764.0	1,569.2
Power and water costs	**(605.7)**	(480.9)	(438.7)
Operations and maintenance	**(475.3)**	(508.2)	(557.4)
Litigation payments	**(50.9)**	(44.4)	—
Depreciation and amortization	**(376.8)**	(364.5)	(353.0)
Operating expenses	**(1,508.7)**	(1,398.0)	(1,349.1)
Bond interest, net of amount capitalized	**(93.5)**	(91.6)	(100.7)
Investment expense, net	**(10.9)**	—	—
Loss on disposal of plant assets	**—**	(13.2)	(10.2)
Other	**(6.4)**	(6.2)	(5.9)
Nonoperating expenses	**(110.8)**	(111.0)	(116.8)
Total expenses	**(1,619.5)**	(1,509.0)	(1,465.9)
Changes in net position before contributions	**261.3**	255.0	103.3
Capital contributions	**0.3**	0.3	—
Changes in net position	**261.6**	255.3	103.3
Net position, beginning of year	**7,194.8**	6,939.5	6,836.2
Net position, end of year	**$ 7,456.4**	$ 7,194.8	$ 6,939.5

Operating Revenues

Metropolitan's principal source of revenue is derived from the sale and availability of water, including water rates and other exchange and wheeling transactions, which typically account for approximately 85 percent of operating revenues. Metropolitan's primary sources of water supply are the Colorado River and the SWP.



Analytical Review of Operating Revenues

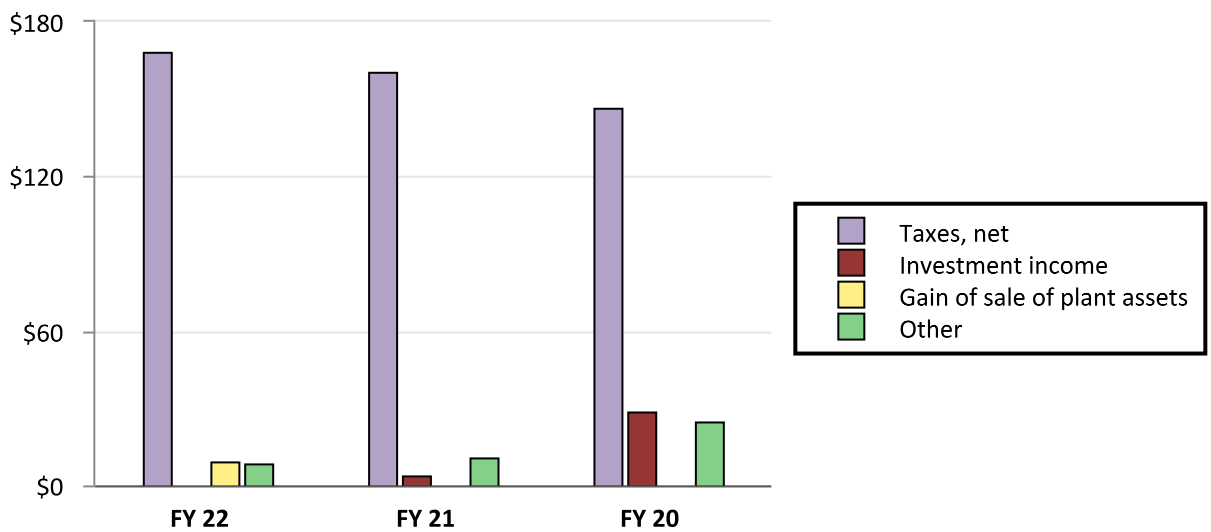
Fiscal Year 2022 Compared to 2021. Fiscal year 2022 operating revenues were $1.7 billion or $106.4 million more than the prior year. The increase was primarily due to $110.4 million of higher water revenues, which included $64.1 million or 71.8 TAF of higher volumes sold and $46.3 million of higher price. The increase in water revenues was partially offset by $11.3 million lower power sales primarily due to lower Colorado River Aqueduct deliveries as compared to prior year.

Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating revenues were $1.6 billion or $219.5 million more than the prior year. The increase was primarily due to $216.7 million of higher water revenues, which included $179.0 million or 206.1 TAF of higher volumes sold and $37.7 million of higher price.

Nonoperating Revenues

The primary source of nonoperating revenues is property taxes.

NONOPERATING REVENUES
(Dollars in millions)



Analytical Review of Nonoperating Revenues

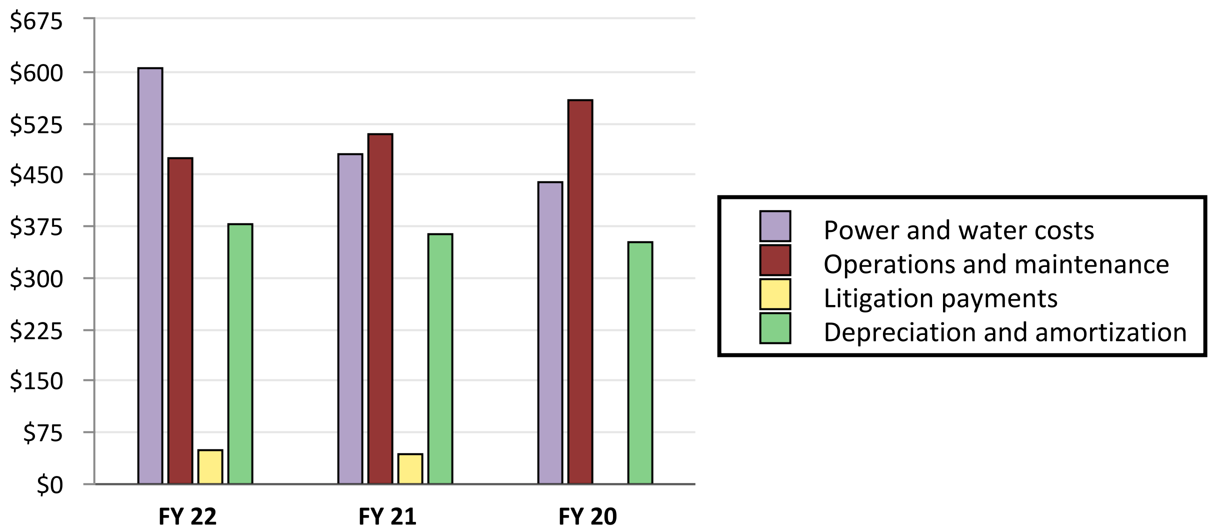
Fiscal Year 2022 Compared to 2021. Nonoperating revenues for fiscal year 2022 totaled $186.0 million and were $10.4 million higher than the prior year. The increase was primarily due to $9.2 million gain on sale of plant assets related to the sale of surplus land and $7.5 million higher property tax revenues due to higher assessed property values, offset by $4.1 million less of investment income, which included $11.5 million unfavorable change in fair value of investments and $2.1 million lower rate of return resulting in $10.9 million investment loss reported in non-operating expenses. In addition, other revenues were $2.2 million lower due to lower property rentals as various land leases expired.

Fiscal Year 2021 Compared to 2020. Nonoperating revenues for fiscal year 2020 totaled $175.6 million and were $24.7 million lower than the prior year. The decrease was primarily due to $24.8 million less of investment income, which included $14.5 million unfavorable change in fair value of investments and $10.8 million lower rate of return. In addition, other revenues were $13.1 million lower as there were no adjustment for depreciation overstatement in fiscal year 2021. These decreases were offset by $13.7 million higher property tax revenues due to higher assessed property values and the collection of prior year uncollectible amounts.

Operating Expenses

Operating expenses fall into four primary cost areas: power and water, operations and maintenance (O&M), depreciation and amortization, and litigation payments.

OPERATING EXPENSES
(Dollars in millions)



Analytical Review of Operating Expenses

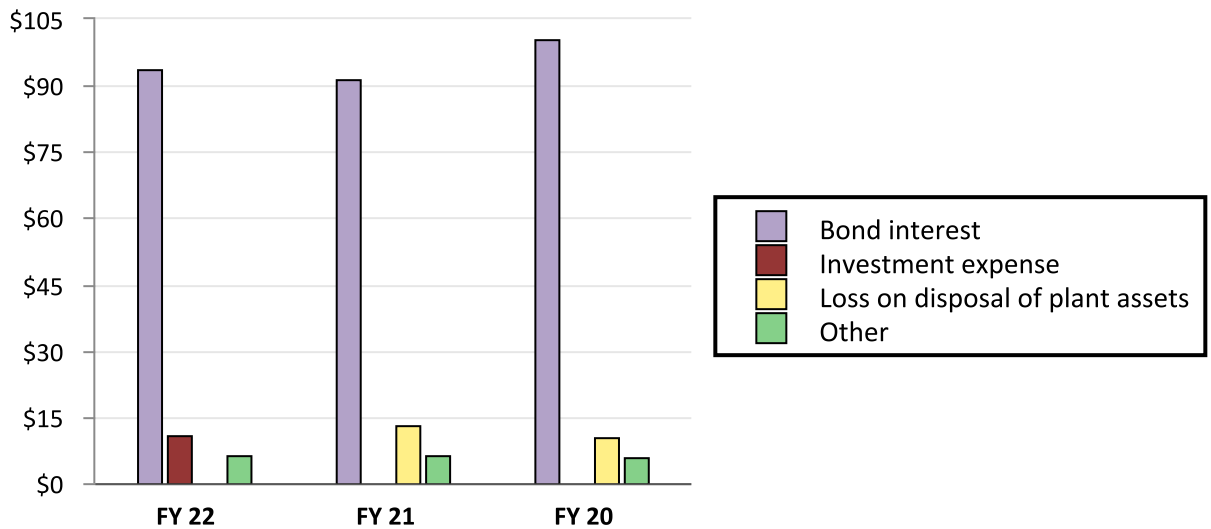
Fiscal Year 2022 Compared to 2021. Fiscal year 2022 operating expenses of $1.5 billion were $110.7 million higher than the prior year. The increase included $124.8 million higher power and water expenses primarily due to 71.8 TAF higher water transactions, $12.3 million increase in depreciation and amortization expense due to a $321.8 million increase in capital assets, and $6.5 million higher litigation payment to the San Diego County Water Authority, see Note 10(g) for additional information. These increases were offset by $32.9 million lower O&M costs, which included $67.1 million lower pension expense and $18.3 million lower OPEB expense, due to the recognition of investment gains, partially offset by higher labor, professional services, utilities and insurance expenses.

Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating expenses of $1.4 billion were $48.9 million higher than the prior year. The increase included $44.4 million litigation payment to the San Diego County Water Authority, see Note 10(g) for additional information and $42.2 higher power and water expenses primarily due to 206.1 TAF higher water transactions. Additionally, depreciation and amortization expense increased $11.5 million due to a net increase in capital assets, including intangibles, of $37.6 million. These increases were offset by $49.2 million lower O&M costs, which included $24.3 million lower pension expense resulting from lower recognized changes of assumptions in fiscal year 2021 and $13.3 million lower demand management costs primarily due to lower conservation credits resulting from the COVID-19 pandemic and Board approved costs containment measures to address COVID-19 financial impacts.

Nonoperating Expenses

The primary sources of nonoperating expenses are interest expense on bonds, loss on disposal of plant assets and other, net.

NONOPERATING EXPENSES
(Dollars in millions)



Analytical Review of Nonoperating Expenses

Fiscal Year 2022 Compared to 2021. Fiscal year 2022 nonoperating expenses of $110.8 million were $0.2 million lower than the prior year primarily due to $13.2 million lower loss on disposal of assets as the recalculation of previously capitalized interest on construction did not occur in fiscal year 2022. This decrease was offset by $10.9 million more of investment expense primarily due to an unfavorable change in fair value of investments and $1.9 million more bond interest due to the implementation of GASB 89 in fiscal year 2022.

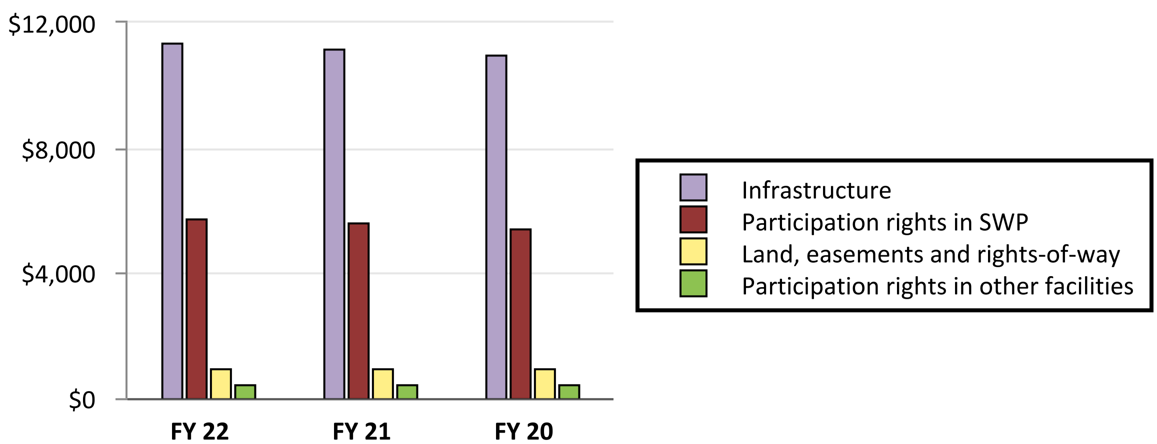
Fiscal Year 2021 Compared to 2020. Fiscal year 2021 nonoperating expenses of $111.0 million were $5.8 million lower than the prior year primarily due to $9.1 million lower bond interest, net of amount capitalized, as a result of bond refunding transactions to take advantage of lower interest rates, offset by $3.0 million higher loss on disposal of plant assets due to write-off of previously capitalized interest on construction.

CAPITAL ASSETS

Capital assets include Metropolitan's water infrastructure, land and buildings, participation rights in SWP and various other water programs, as well as the intangible right-to-use leased assets. More detailed information on capital assets and commitments for construction contracts are presented in Note 2 and Note 10(f) to the basic financial statements, respectively.

Metropolitan's fiscal year 2023 capital investment plan includes $300.0 million principally for the Colorado River Aqueduct (CRA) reliability programs, systems and information technology improvements, distribution system rehabilitation projects, water treatment plants reliability program, system flexibility and supply reliability projects, and the pre-stressed concrete cylinder pipe reliability (PCCP) rehabilitation program.

GROSS CAPITAL ASSETS
(Dollars in millions)



Schedule of Capital Assets

(Dollars in millions)	June 30, 2022	2021	2020
Land, easements and rights of way	**$ 988.5**	$ 986.7	$ 984.8
Construction in progress	**803.5**	811.9	636.2
Parker power plant and dam	**13.0**	13.0	13.0
Power recovery plants	**223.6**	220.7	220.2
Other dams and reservoirs	**1,847.5**	1,837.9	1,836.1
Water transportation facilities	**4,100.1**	4,003.1	3,993.4
Pumping plants and facilities	**378.1**	360.2	357.6
Treatment plants and facilities	**3,190.6**	3,139.5	3,126.3
Buildings	**180.7**	179.1	178.5
Other plant assets	**586.3**	579.6	573.2
Pre-operating expenses of original aqueduct	**44.6**	44.6	44.6
Participation rights in SWP	**5,729.1**	5,587.7	5,445.8
Participation rights in other facilities	**459.0**	459.0	459.0
Intangible right-to-use leased assets	**10.6**	10.4	—
Gross capital assets	**18,555.2**	18,233.4	17,868.7
Less accumulated depreciation and amortization	**(8,047.0)**	(7,687.4)	(7,360.3)
Total capital assets, net	**$ 10,508.2**	$ 10,546.0	$ 10,508.4
Net increase (decrease) from prior year	**$ (37.8)**	$ 37.6	$ 114.9
Percent change	**(0.4%)**	0.4%	1.1%

Fiscal Year 2022 Compared to 2021. Net capital assets totaled approximately $10.5 billion and decreased $37.8 million over the prior year. The decrease included depreciation and amortization of $373.5 million and $15.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred, offset by $209.0 million of construction spending, a net increase of $141.4 million in participation rights in SWP and an increase of $0.4 million in intangible right-to-use leased assets.

The major capital asset additions for fiscal year 2022 included:

- $40.6 million for the CRA reliability program; projects under this program will replace or refurbish components on the CRA system to reliably convey water from the Colorado River to Southern California.
- $39.4 million for the distribution system's rehabilitation program; this program will replace or refurbish existing facilities within Metropolitan's distribution system including reservoirs, pressure control structures, hydroelectric power plants, and pipelines in order to reliably meet water demands.
- $35.3 million for the system reliability program, which is designed to improve or modify facilities throughout Metropolitan's service area in order to utilize new processes and/or technologies, and to improve facility safety and overall reliability.
- $33.0 million for the improvements in infrastructure reliability at the treatment plants; this program will replace or refurbish facilities and components at Metropolitan's five water treatment plants in order to continue to reliably meet water demands.
- $22.8 million for the PCCP program; this program identifies pipelines whose age, location and condition warrant refurbishment/replacement to ensure long-term reliability of Metropolitan's PCCP lines water delivery.

Fiscal Year 2021 Compared to 2020. Net capital assets totaled approximately $10.5 billion and increased $37.6 million over the prior year. The increase included $277.5 million of construction spending, a net increase of $141.8 million in participation rights in SWP, and $10.4 million in intangible right-to-use leased assets, offset by depreciation and amortization of $355.0 million and $37.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred.

The major capital asset additions for fiscal year 2021, excluding capitalized interest, included:

- $55.3 million for the improvements in infrastructure reliability at the treatment plants.
- $53.2 million for the distribution system's rehabilitation program.
- $46.8 million for the system reliability program.
- $45.2 million for the CRA reliability program.
- $25.4 million for the PCCP program.

DEBT ADMINISTRATION – LONG-TERM DEBT

Schedule of Long-term Debt, Including Current Portion

	June 30,		
(Dollars in millions)	**2022**	2021	2020
General obligation bonds[(1)]	**$ 20.2**	$ 26.8	$ 37.3
Revenue bonds[(1)]	**3,848.4**	3,994.3	3,968.8
Revolving notes	**—**	—	46.8
Other, net[(2)]	**425.2**	464.2	366.3
	$ 4,293.8	$ 4,485.3	$ 4,419.2
Increase (decrease) from prior year	**$ (191.5)**	$ 66.1	$ 83.8
Percent change	**(4.3%)**	1.5%	1.9%

[(1)] *Includes refunding bonds.*
[(2)] *Consists of unamortized bond discounts and premiums.*

Fiscal Year 2022 Compared to 2021. At June 30, 2022, outstanding bonds and other long-term obligations totaled $4.3 billion, a net decrease of $191.5 million or 4.3 percent from the prior year. The decrease included $123.1 million of scheduled principal payments, $39.0 million lower premiums and discounts due to $52.3 million related to scheduled amortization, offset by $13.3 million related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded. Also contributing to the decrease was $35.6 million of principal payments funded by the short-term RBC note issued in June 2021. These decreases were offset by $6.2 million of bond refundings, as the new debt issued was more than the amount of debt refunded.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, outstanding bonds and other long-term obligations totaled $4.5 billion, a net increase of $66.1 million or 1.5 percent from the prior year. The increase included the issuance of $188.9 million Water Revenue Bonds, 2021 Series A and $97.9 million higher premiums and discounts due to $151.1 million increase related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded offset by $53.2 million related to scheduled amortization. These increases were offset by $133.8 million of scheduled principal payments, $46.8 million decrease in revolving notes due to repayment of the BANA note, $35.6 million of principal payments funded by the short-term RBC note issued in June 2020 and $4.5 million of bond refundings, as the new debt issued was less than the amount of debt refunded.

Additional information on Metropolitan's long-term debt can be found in Notes 5 and 6 to the basic financial statements.

CREDIT RATINGS

Metropolitan's credit ratings at June 30, 2022 are shown below.

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

STATEMENTS OF NET POSITION

(Dollars in thousands)		June 30, 2022		2021 As Adjusted Note 1t
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and investments, at fair value (Notes 1d and 3):				
Unrestricted (cost: $604,318 and $412,422 for 2022 and 2021, respectively)	**$**	**597,798**	$	413,073
Restricted (cost: $610,288 and $644,895 for 2022 and 2021, respectively)		**603,702**		645,913
Total cash and investments		**1,201,500**		1,058,986
Receivables:				
Water revenues		**266,894**		273,417
Interest on investments		**3,157**		2,311
Leases (Notes 1j and 7)		**958**		812
Other, net (Note 1f)		**38,736**		33,422
Total receivables		**309,745**		309,962
Inventories (Note 1g)		**147,951**		119,664
Deposits, prepaid costs, and other (Note 12)		**63,279**		49,550
Total current assets		**1,722,475**		1,538,162
Noncurrent Assets:				
Cash and investments, at fair value (Notes 1d and 3):				
Unrestricted (cost: $293,338 and $371,140 for 2022 and 2021, respectively)		**290,173**		371,727
Restricted (cost: $46,467 and $45,267 for 2022 and 2021, respectively)		**46,046**		45,483
Total cash and investments		**336,219**		417,210
Capital assets (Note 2):				
Plant and equipment - non depreciable (Notes 1h and 10f)		**1,792,066**		1,798,582
Plant and equipment - depreciable (Notes 1h and 10f)		**10,564,412**		10,377,748
Participation rights in State Water Project (Notes 1i and 11)		**5,729,122**		5,587,676
Participation rights in other facilities (Notes 1i and 4)		**459,049**		459,049
Intangible right-to-use leased assets (Notes 1j and 7)		**10,552**		10,360
Total capital assets		**18,555,201**		18,233,415
Less accumulated depreciation and amortization		**(8,047,006)**		(7,687,390)
Total capital assets, net		**10,508,195**		10,546,025
Leases receivable, net of current portion (Notes 1j and 7)		**25,140**		26,098
Deposits, prepaid costs, and other, net of current portion (Note 12)		**325,773**		354,619
Total noncurrent assets		**11,195,327**		11,343,952
Total assets		**12,917,802**		12,882,114
Deferred Outflows of Resources (Note 1o)**:**				
Loss on bond refundings		**7,146**		13,306
Loss on swap terminations		**15,975**		17,904
Pension related (Notes 1m and 8d)		**91,078**		103,220
OPEB related (Notes 1n and 9k)		**35,430**		32,897
Total deferred outflows of resources		**149,629**		167,327
Total Assets and Deferred Outflows of Resources	**$**	**13,067,431**	$	13,049,441

See accompanying notes to basic financial statements.

STATEMENTS OF NET POSITION

(Dollars in thousands)	June 30, 2022	2021 As Adjusted Note 1t
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses (Note 1k)	**$ 198,870**	$ 136,476
Short-term revolving notes (Note 5a)	**35,645**	35,645
Current portion of long-term debt (Notes 5 and 6)	**382,276**	222,692
Current portion of accrued compensated absences (Notes 1l and 6)	**26,900**	25,800
Current portion of customer deposits and trust funds (Note 6)	**2,954**	3,062
Current portion of leases (Notes 6 and 7)	**1,328**	1,469
Current portion of workers' compensation and third party claims (Notes 6 and 15)	**6,013**	4,792
Current portion of other long-term liabilities (Note 6)	**10,770**	5
Accrued bond interest	**57,056**	62,432
Matured bonds and coupons not presented for payment	**1,207**	1,665
Total current liabilities	**723,019**	494,038
Noncurrent Liabilities (Note 6):		
Long-term debt, net of current portion (Note 5)	**3,911,484**	4,262,587
Accrued compensated absences, net of current portion (Note 1l)	**31,653**	32,117
Customer deposits and trust funds, net of current portion	**39,858**	43,422
Leases, net of current portion (Note 7)	**6,352**	7,355
Net pension liability (Note 8c)	**440,600**	724,587
Net OPEB liability (Note 9f)	**52,282**	164,731
Workers' compensation and third party claims, net of current portion (Note 15)	**6,689**	5,497
Fair value of interest rate swaps (Note 5e)	**19,223**	48,986
Other long-term liabilities, net of current portion	**2,152**	2,181
Total noncurrent liabilities	**4,510,293**	5,291,463
Total liabilities	**5,233,312**	5,785,501
Commitments and Contingencies (Note 10)	**—**	—
Deferred Inflows of Resources (Note 1o):		
Effective swaps	**37,677**	7,914
Leases (Notes 1j and 7)	**25,352**	26,590
Pension related (Notes 1m and 8d)	**207,915**	1,589
OPEB related (Notes 1n and 9k)	**106,726**	33,025
Total deferred inflows of resources	**377,670**	69,118
Total Liabilities and Deferred Inflows of Resources	**5,610,982**	5,854,619
Net Position (Note 14):		
Net investment in capital assets, including State Water Project costs	**6,219,489**	6,141,351
Restricted for:		
Debt service	**235,933**	221,588
Other	**337,577**	311,166
Unrestricted	**663,450**	520,717
Total net position	**7,456,449**	7,194,822
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 13,067,431**	$ 13,049,441

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in thousands)	Fiscal Year Ended June 30, 2022	2021 As Adjusted Note 1t
Operating Revenues (Note 1c):		
Water revenues	**$ 1,515,070**	$ 1,404,735
Readiness-to-serve charges	**134,958**	133,000
Capacity charge	**37,090**	31,653
Power sales	**7,675**	18,967
Total operating revenues	**1,694,793**	1,588,355
Operating Expenses:		
Power and water costs	**605,685**	480,913
Operations and maintenance	**475,275**	508,162
Litigation payments (Note 10g)	**50,932**	44,374
Total operating expenses	**1,131,892**	1,033,449
Operating income before depreciation and amortization	**562,901**	554,906
Less depreciation and amortization (Note 2)	**(376,786)**	(364,514)
Operating income	**186,115**	190,392
Nonoperating Revenues (Expenses) (Note 1q):		
Taxes, net (Note 1e)	**168,143**	160,574
Bond interest, net of $—and $7,300 of interest capitalized in fiscal years 2022 and 2021, respectively (Note 1h)	**(93,488)**	(91,593)
Investment (expense) income, net	**(10,942)**	4,119
Gain (loss) on sale or disposal of plant assets	**9,215**	(13,175)
Other, net	**2,324**	4,717
Total nonoperating revenues, net	**75,252**	64,642
Changes in Net Position Before Contributions	**261,367**	255,034
Capital contributions (Note 1p)	**260**	283
Changes in net position	**261,627**	255,317
Net position, beginning of year	**7,194,822**	6,939,505
Net position, End of Year	**$ 7,456,449**	$ 7,194,822

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2022	2021
Cash Flows from Operating Activities:		
Cash received from water sales	**$ 1,358,072**	$ 1,180,207
Cash received from readiness-to-serve charges	**134,589**	133,361
Cash received from capacity charge	**36,067**	31,785
Cash received from power sales	**8,812**	18,959
Cash received from other exchange transactions	**164,521**	174,201
Cash paid for operations and maintenance expenses	**(260,129)**	(240,610)
Cash paid to employees for services	**(272,256)**	(262,228)
Cash paid for power and water costs	**(555,804)**	(457,390)
Cash paid for litigation	**(50,520)**	(44,374)
Other cash flows for operating activities	**2,847**	1,852
Net cash provided by operating activities	**566,199**	535,763
Cash Flows from Noncapital Financing Activities:		
Proceeds from other collections	**9,130**	6,949
Net cash provided by noncapital financing activities	**9,130**	6,949
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(227,585)**	(277,741)
Payments for State Water Project costs	**(141,446)**	(141,844)
Advance payments for Delta Conveyance Project costs	**(25,000)**	(25,000)
Proceeds from short and long-term debt	**—**	255,000
Payments for bond issuance costs	**(2,389)**	(2,196)
Principal paid on debt	**(123,065)**	(133,825)
Interest paid on debt	**(160,213)**	(148,970)
Proceeds from tax levy	**160,003**	161,107
Transfer from (to) escrow trust accounts	**3,591**	(3,791)
Proceeds from sale of capital assets	**14,612**	—
Net cash used by capital and related financing activities	**(501,492)**	(317,260)
Cash Flows from Investing Activities:		
Purchase of investment securities	**(3,308,262)**	(3,432,688)
Proceeds from sales and maturities of investment securities	**3,218,529**	3,199,385
Investment income	**11,269**	12,699
Net cash used by investing activities	**(78,464)**	(220,604)
Net change in cash	**(4,627)**	4,848
Cash at July 1, 2021 and 2020	**5,009**	161
Cash at June 30, 2022 and 2021 (Notes 1b and 3)	**$ 382**	$ 5,009

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	**$ 186,115**	$ 190,392
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization expense	**376,786**	364,514
Decrease (increase) in accounts receivable	**7,915**	(44,201)
(Increase) decrease in inventories	**(7,311)**	29,279
Decrease (increase) in deposits, prepaid costs, and other	**27,302**	(21,947)
Increase (decrease) in accounts payable, and accrued expenses	**48,187**	(2,697)
Increase in deferred deliveries of exchange water	**10,745**	—
(Decrease) increase in pension liabilities	**(249,909)**	48,921
Decrease in OPEB liabilities	**(98,955)**	(2,864)
Decrease (increase) in deferred outflows related to pension	**10,685**	(15,819)
Increase (decrease) in deferred inflows related to pension	**181,566**	(17,344)
(Increase) decrease in deferred outflows related to OPEB	**(2,230)**	536
Increase (decrease) in deferred inflows related to OPEB	**64,856**	(12,595)
Increase in other items	**10,447**	19,588
Total Adjustments	**380,084**	345,371
Net cash provided by operating activities	**$ 566,199**	$ 535,763
Significant Noncash Investing, Capital and Financing Activities		
Refunding bonds proceeds received in escrow trust fund	**$ 130,482**	$ 592,577
Debt defeased through escrow trust fund with refunding debt	**$ (92,195)**	$ (508,290)
Capital contributions	**$ 260**	$ 283
RECONCILIATION OF CASH AND INVESTMENTS TO CASH		
Unrestricted cash and investments (at June 30, 2022 and 2021 includes $382 and $5,009 of cash, respectively)	**$ 887,971**	$ 784,800
Restricted cash and investments	**649,748**	691,396
Total cash and investments, at fair value (Note 3)	**1,537,719**	1,476,196
Less: carrying value of investments	**(1,537,337)**	(1,471,187)
Total Cash (Notes 1b and 3)	**$ 382**	$ 5,009

STATEMENTS OF FIDUCIARY NET POSITION

	Private Purpose Trust Funds		Custodial Funds	
	June 30,			
(Dollars in thousands)	**2022**	2021	**2022**	2021
Assets				
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	**$ 2,672**	$ 3,177	**$ 2,440**	$ 2,535
Interest receivable	**—**	—	**2**	1
Total assets	**$ 2,672**	$ 3,177	**$ 2,442**	$ 2,536
Liabilities				
Accounts payable and accrued expenses	**$ 17**	$ 72	**$ 41**	$ 55
Due to other governments	**4**	—	**29**	27
Total liabilities	**21**	72	**70**	82
Net Position				
Restricted for organizations and other governments	**2,651**	3,105	**2,372**	2,454
Total Liabilities and Net Position	**$ 2,672**	$ 3,177	**$ 2,442**	$ 2,536

See accompanying notes to basic financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Private Purpose Trust Funds		Custodial Funds	
	Fiscal Year Ended June 30,			
(Dollars in thousands)	**2022**	2021	**2022**	2021
Additions				
Contributions from participating agencies	**$ 2,445**	$ 2,307	**$ 193**	$ 277
Return of unspent funds	**4**	189	**—**	—
Interest	**3**	7	**14**	29
Total additions	**2,452**	2,503	**207**	306
Deductions				
Support payments to the Colorado River Board	**2,400**	2,200	**—**	—
Expensed equipment	**10**	8	**—**	—
Computer systems and software	**9**	12	**—**	—
Administrative expenses	**9**	2	**—**	—
Support payments for Colorado River system augmentation and conservation	**268**	309	**—**	—
Payments to other governments for conservation	**—**	—	**92**	94
Professional services	**210**	132	**197**	161
Total deductions	**2,906**	2,663	**289**	255
Net Increase (Decrease) in Fiduciary Net Position	**(454)**	(160)	**(82)**	51
Net position, Beginning of Year	**3,105**	3,265	**2,454**	2,403
Net position, End of Year	**$ 2,651**	$ 3,105	**$ 2,372**	$ 2,454

See accompanying notes to basic financial statements.

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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 pursuant to Sections 52 and 55 of the Act. 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 or fewer than 38 directors. However, effective January 1, 2020, no member agency shall have fewer than the number of representatives the agency had as of January 1, 2019. 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 2022 or 2021. 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.

Fiduciary funds are displayed by fund type in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position, but are not included in Metropolitan's proprietary financial statements because the assets of these funds are not available to Metropolitan. Metropolitan reports the following fiduciary funds:

- Private-purpose trust funds: These funds are used to account for trust arrangements where the benefits are held for other governments.
- Custodial funds: These funds account for resources held by Metropolitan in a custodial capacity on behalf of other governmental organizations.

(b) Principles of Presentation

Metropolitan operates as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. 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.

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

Fiduciary funds are used to account for assets held in a trustee or custodial capacity and cannot be used to support Metropolitan's own purpose. Fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting.

(c) Revenue Policies

Water revenues, which include funds received from charges for the sale and availability of water, including water rates and other exchange and wheeling transactions, is the principal source of Metropolitan's revenues. 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 consists of unbundled rate elements (supply, treatment, conveyance and distribution, power, and demand management) designed to provide transparency regarding the cost of specific functions to member agencies. 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) Fair Value Measurements

Metropolitan categorizes the fair value measurements for assets and liabilities within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs of assets and liabilities as follows: 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—that are observable for identical assets or liabilities, 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 reports its investments and liabilities using valuation techniques consistent with market and cost approaches to determine the fair value.

(e) 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 effective as of July 1, using a lien date of January 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 and participation in the SWP (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, commencing with the fiscal year ended June 30, 1991, tax levies, 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 general obligation bond debt service of the state under the State Water Contract. However, under the terms of the 1984 legislation, the Board may conclude that this particular restriction is not applicable upon a finding that doing so is essential to Metropolitan's fiscal integrity. The Board made such a finding for fiscal years ended June 30, 2014 through 2022, and maintained the tax rate for those fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of State Water Contract costs other than general obligation debt service.

(f) Other Receivables

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

(g) 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, 2022 and 2021 were as follows:

	June 30,	
(Dollars in thousands)	**2022**	2021
Water in storage	**$ 128,415**	$ 102,935
Operating supplies	**19,536**	16,729
Total inventories	**$ 147,951**	$ 119,664

(h) Capital Assets

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 prior to July 1, 2021. Beginning July 1, 2021 and thereafter, interest incurred during construction is no longer capitalized in accordance with GASB 89. 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, distribution facilities, and miscellaneous assets and 10 to 50 years for treatment plants and hydroelectric power recovery facilities. 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.

(i) Participation Rights

Metropolitan participates in various storage and water management programs entitling it to certain water rights. Projects include the 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 11.)

(j) Leases

Metropolitan is a lessor for various noncancellable leases of land to an outside party and lessee for various noncancellable leases of buildings, equipment, and land from an outside party. (See Note 7).

Short-term leases: For leases that have a maximum possible term of 12 months or less at commencement, Metropolitan recognizes a revenue or an expense, respectively, when Metropolitan is a lessor or lessee. The revenue or expense is based on the provisions of the lease contract.

Long-term leases: For leases that have a maximum possible term of more than 12 months at commencement and an individual value of $250,000 or more, Metropolitan recognizes a lease receivable and deferred inflow of resources when Metropolitan is the lessor or a lease liability and an intangible right-to-use leased assets when Metropolitan is the lessee. For leases that have a maximum possible term of more than 12 months at commencement and an individual value of less than $250,000, Metropolitan recognizes a revenue or an expense when Metropolitan is a lessor or lessee, respectively.

Measurement of lease amounts - lessor

At lease commencement, Metropolitan initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, plus prepayments received, less lease incentives paid at or before the lease commencement date. Subsequently, Metropolitan recognizes lease revenue as a straight-line amortization of the deferred inflow over the shorter of the lease term or the useful life of the underlying asset.

Measurement of lease amounts - lessee

At lease commencement, Metropolitan initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the intangible lease asset is amortized into depreciation and amortization expenses on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgment related to leases include how Metropolitan determines 1) the discount rate, 2) the lease term and 3) the lease receipts or payments.

- *Discount rate:* Metropolitan uses its estimated incremental borrowing rate as the discount rate for leases, whether Metropolitan is the lessee or the lessor, unless the rate is stated in the lease agreement. The incremental borrowing rate for leases is based on the rate of interest Metropolitan would have to pay if it issued general obligation bonds to borrow an amount equal to the lease under similar terms at the commencement or remeasurement date. For Metropolitan, this is assumed to be equal to the treasury yield.
- *Lease term:* The lease term includes the noncancellable period of the lease plus any additional periods covered by an option to extend that is reasonably certain to be exercised. Periods in which both the lessor or lessee have an option to terminate, are excluded from the lease term.
- *Lease receipts or payments:* Metropolitan evaluates lease receipts and payments to determine if they should be included in the measurement of the lease, including those receipts or payments that require a determination of whether they are reasonably certain of being received or made. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. Lease payments included in the measurement of the lease liability are composed of fixed payments to the lessor and purchase options reasonably certain to be exercised, if applicable.

(k) Disaggregation of Payable Balances

Accounts payable and accrued expenses at June 30, 2022 and 2021 were as follows:

	June 30,	
(Dollars in thousands)	**2022**	2021[(1)]
Department of Water Resources (SWP):		
Capital, operating, maintenance, power, replacement, and variable power	**$ 109,370**	$ 64,320
Vendors	**63,735**	46,861
Accrued power costs	**1,838**	1,797
Accrued salaries	**13,958**	12,412
Readiness-to-serve overcollection	**1,628**	1,396
Conservation credits	**8,341**	9,690
Total accounts payable and accrued expenses	**$ 198,870**	$ 136,476

(1) Adjustments were made to fiscal year 2021 accounts payable and accrued expenses due to the implementation of GASB 87. See Note 1(t).

(l) 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.

(m) 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.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD): June 30, 2020
Measurement Date (MD): June 30, 2021
Measurement Period: July 1, 2020 to June 30, 2021

(n) OPEB Accounting

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Metropolitan's plan (OPEB Plan), the assets of which are held by the California Employer's Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD): June 30, 2021
Measurement Date (MD): June 30, 2021
Measurement Period: July 1, 2020 to June 30, 2021

(o) Deferred Outflows/Inflows of Resources

The net investment in capital assets, including State Water Project costs of $6.2 billion and $6.1 billion at June 30, 2022 and 2021, respectively, includes the effect of deferring the recognition of losses from bond refundings. The deferred outflows from losses on bond refundings at June 30, 2022 and 2021 were $7.1 million and $13.3 million, respectively. This is amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old or the new debt, whichever is shorter.

The unrestricted net position amount of $663.4 million and $520.7 million at June 30, 2022 and 2021, respectively, includes the effect of deferring the recognition of losses from swap terminations resulting in defeasance of debt, the increase or decrease in fair value of Metropolitan's effective interest rate swaps, and deferred amounts related to pension, OPEB and leases.

The deferred outflows from losses on swap terminations resulting in debt defeasance at June 30, 2022 and 2021, respectively, were $16.0 million and $17.9 million. These 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 related to pension at June 30, 2022 and 2021 were $91.1 million and $103.2 million, respectively. The deferred inflows related to pension at June 30, 2022 and 2021 were $207.9 million and $1.6 million, respectively. See note 8(d) for additional information.

The deferred outflows related to OPEB at June 30, 2022 and 2021 were $35.4 million and $32.9 million, respectively. The deferred inflows related to OPEB at June 30, 2022 and 2021 were $106.7 million and $33.0 million, respectively. See notes 9(j) and (k) for additional information.

The deferred inflow from the increase in fair value of interest rate swaps of $37.7 million and $7.9 million at June 30, 2022 and 2021, respectively, would be recognized as an investment gain 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 inflow also would be recognized as an investment gain if the swaps were determined no longer to be effective hedges.

The deferred inflow related to leases at June 30, 2022 and 2021 were $25.4 million and $26.6 million, respectively. These deferred inflows are amortized and recognized as lease revenue, a component of non-operating revenues, on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

(p) 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.

(q) 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 revenues derived from the sale and availability of water, including water rates and other exchange and wheeling transactions. It also includes 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.

(r) 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.

(s) Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP 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.

(t) New Accounting Pronouncements

Metropolitan implemented the following GASB Statements in fiscal year 2022:

GASB 87 was issued in June 2017. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. There was no impact to beginning net position for fiscal year 2021.

The statements of net position for fiscal year 2021 was adjusted as follows:

(Dollars in thousands)	2021 previously reported	GASB 87 adjustment	2021 as adjusted
Current Assets:			
Interest receivable	$ 2,106	$ 205	$ 2,311
Leases receivable	—	812	812
Noncurrent Assets:			
Intangible right-to-use leased assets	—	10,360	10,360
Accumulated depreciation and amortization	(7,685,720)	(1,670)	(7,687,390)
Leases receivable	—	26,098	26,098
Total change in assets		$ 35,805	
Current Liabilities:			
Accounts payable and accrued expenses	$ 136,472	$ 4	$ 136,476
Leases	—	1,469	1,469
Noncurrent Liabilities:			
Leases	—	7,355	7,355
Total change in liabilities		8,828	
Deferred inflows of resources:			
Leases	—	26,590	26,590
Net Position:			
Net investment in capital assets, including SWP	6,141,485	(134)	6,141,351
Unrestricted	520,196	521	520,717
Total change in net position		387	
Total change in liabilities, deferred inflows of resources and net position		$ 35,805	

The statements of revenues, expenses and changes in net position for fiscal year 2021 was adjusted as follows:

(Dollars in thousands)	2021 previously reported	GASB 87 adjustment	2021 as adjusted
Operating expenses:			
Operations and maintenance	$ 509,755	$ (1,593)	$ 508,162
Less Depreciation and amortization	(362,844)	(1,670)	(364,514)
Total change in operating income		(77)	
Nonoperating revenues (expenses)			
Other, net	4,253	464	4,717
Total change in net position		$ 387	

GASB 89 was issued in June 2018 and requires that interest cost incurred before the end of construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period are no longer included in the historical cost of a capital asset reported in a business-type activity or enterprise fund, like Metropolitan. Fiscal year 2021 was not restated and includes $7.3 million of construction interest incurred during fiscal year 2021 that was included in capitalized cost of the constructed assets.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (GASB 92) which addresses practice issues that were identified during implementation and application of certain GASB Statements. GASB 92 was considered for fiscal year 2022 but there was no impact on previously reported balances in the Statements of Net Position or the Statements of Revenues, Expenses and Changes in Net Position and there was no impact on note disclosures for the current year.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93), which removes London Interbank Offer Rates (LIBOR) as an appropriate benchmark interest. The requirements of GASB 93 were intended to be effective for fiscal year 2022. However, in March 2021, the Intercontinental Exchange Benchmark Administration (IBA), the administrator of LIBOR, made a formal announcement that the date of cessation for the one-week and two-month LIBOR would be December 31, 2021, while all other forms of LIBOR including the one-month and three-month LIBOR, would be June 30, 2023. As a result, in GASB Statement No. 99, *Omnibus 2022*, the GASB addressed the extension and allows LIBOR to be used as a benchmark until cessation. As of June 30, 2022, Metropolitan's instruments using LIBOR as the benchmark were based on one-month LIBOR which had not ceased as of fiscal year end. As a result, GASB 93 had no impact on Metropolitan's fiscal year 2022 financial statements.

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:

- GASB Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 96*, Subscription-Based Information Technology Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 99*, Omnibus 2022* (some components effective in fiscal year 2022, others effective for fiscal years 2024 and 2025).
- GASB Statement No. 100, *Accounting Changes and Error Corrections*-an amendment of GASB Statement No. 62 (effective for fiscal year 2024).
- GASB Statement No. 101, *Compensated Absences* (effective for fiscal year 2025).

The following pronouncement was issued by GASB but was determined to not be applicable to Metropolitan's financial statements:

- GASB Statement No. 91*, Conduit Debt Obligations.*
- GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, And A Supersession of GASB Statement No. 32.*

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2. CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2022 and 2021 was as follows:

(Dollars in thousands)	June 30, 2020	Additions
Capital assets not being depreciated:		
Land, easements and rights of way	$ 984,796	$ 2,691
Construction in progress	636,154	268,970
Total capital assets not being depreciated	1,620,950	271,661
Other capital assets:		
Parker power plant and dam	13,009	—
Power recovery plants	220,235	457
Other dams and reservoirs	1,836,051 (1)	1,914
Water transportation facilities	3,993,433	37,156
Pumping plants and facilities	357,587	2,813
Treatment plants and facilities	3,126,320	20,812
Power lines and communication facilities	40,061	—
Computer systems software	118,430	8,262
Buildings	178,506	757
Miscellaneous	306,525 (1)	3,881
Major equipment	108,097	5,515
Pre-operating expenses of original aqueduct	44,595	—
Participation rights in State Water Project (Note 10)	5,445,832	180,446
Participation rights in other facilities (Note 4)	459,049	—
Intangible right-to-use leased assets (Note 7) (2)	—	10,360
Total other capital assets at historical cost	16,247,730	272,373
Accumulated depreciation and amortization:		
Parker power plant and dam	(12,626)	(163)
Power recovery plants	(105,208)	(4,906)
Other dams and reservoirs	(482,807) (1)	(25,328) (1)
Water transportation facilities	(1,112,139)	(57,419)
Pumping plants and facilities	(116,463)	(6,939)
Treatment plants and facilities	(885,171)	(74,543)
Power lines and communication facilities	(11,796)	(493)
Computer systems software	(111,608)	(2,410)
Buildings	(37,934)	(3,446)
Miscellaneous	(115,541) (1)	(9,090) (1)
Major equipment	(90,169)	(5,775)
Pre-operating expenses of original aqueduct	(43,559)	(1,035)
Participation rights in State Water Project (Note 10)	(4,003,621)	(147,964)
Participation rights in other facilities (Note 4)	(231,653)	(13,780)
Intangible right-to-use leased assets (Note 7) (2)	—	(1,670)
Total accumulated depreciation and amortization	(7,360,295)	(354,961)
Other capital assets, net	8,887,435	(82,588)
Total capital assets, net	$ 10,508,385	$ 189,073
Depreciation and amortization was charged as follows:		
Depreciation of water related assets		
Amortization of State Water Project participation rights (Note 10)		
Amortization of other participation rights (Note 4)		
Amortization of intangible right-to-use leased assets (Note 7)		
Depreciation and amortization expense related to capital assets		
Plus: Net retirements adjusted to expense		
Total depreciation and amortization expense		

(1) For fiscal year 2022, $222.5 million and $52.6 million of assets and accumulated depreciation, respectively, was reclassified from 'Miscellaneous' to 'Other dams and reservoirs' in the ending fiscal year 2020 balances. Accumulated depreciation of $2.8 million was also reclassified from 'Miscellaneous' to 'Other dams and reservoirs' in the fiscal 2021 additions. The useful life of the reclassified assets did not change; thus, there was no impact on previously calculated depreciation.

(2) For the implementation of GASB 87 in fiscal year 2022, Metropolitan restated fiscal 2021 balances, as required but fiscal 2020 balances were not restated as it was not practical to do so.

Reductions	June 30, 2021	**Additions**	**Reductions**	**June 30, 2022**
$ (813)	$ 986,674	**$ 7,709**	**$ (5,836)**	**$ 988,547**
(93,216)	811,908	**196,851**	**(205,240)**	**803,519**
(94,029)	1,798,582	**204,560**	**(211,076)**	**1,792,066**
—	13,009	**—**	**—**	**13,009**
—	220,692	**4,077**	**(1,149)**	**223,620**
(49)	1,837,916	**9,940**	**(415)**	**1,847,441**
(27,528)	4,003,061	**106,795**	**(9,739)**	**4,100,117**
(178)	360,222	**18,157**	**(243)**	**378,136**
(7,596)	3,139,536	**57,161**	**(6,157)**	**3,190,540**
—	40,061	**125**	**—**	**40,186**
(3,052)	123,640	**4,017**	**—**	**127,657**
(179)	179,084	**1,636**	**(14)**	**180,706**
(5,760)	304,646	**2,855**	**(209)**	**307,292**
(2,326)	111,286	**4,414**	**(4,587)**	**111,113**
—	44,595	**—**	**—**	**44,595**
(38,602)	5,587,676	**193,874**	**(52,428)**	**5,729,122**
—	459,049	**—**	**—**	**459,049**
—	10,360	**386**	**(194)**	**10,552**
(85,270)	16,434,833	**403,437**	**(75,135)**	**16,763,135**
—	(12,789)	**(80)**	**—**	**(12,869)**
—	(110,114)	**(5,080)**	**—**	**(115,194)**
46	(508,089)	**(26,803)**	**402**	**(534,490)**
14,660	(1,154,898)	**(61,200)**	**7,232**	**(1,208,866)**
178	(123,224)	**(10,124)**	**243**	**(133,105)**
4,794	(954,920)	**(76,365)**	**1,241**	**(1,030,044)**
—	(12,289)	**(468)**	**—**	**(12,757)**
3,052	(110,966)	**(5,997)**	**—**	**(116,963)**
169	(41,211)	**(3,969)**	**14**	**(45,166)**
2,650	(121,981)	**(11,531)**	**—**	**(133,512)**
2,317	(93,627)	**(5,928)**	**4,553**	**(95,002)**
—	(44,594)	**—**	**—**	**(44,594)**
—	(4,151,585)	**(150,486)**	**—**	**(4,302,071)**
—	(245,433)	**(13,780)**	**—**	**(259,213)**
—	(1,670)	**(1,684)**	**194**	**(3,160)**
27,866	(7,687,390)	**(373,495)**	**13,879**	**(8,047,006)**
(57,404)	8,747,443	**29,942**	**(61,256)**	**8,716,129**
$ (151,433)	$ 10,546,025	**$ 234,502**	**$ (272,332)**	**$ 10,508,195**
	$ 191,547			**$ 207,545**
	147,964			**150,486**
	13,780			**13,780**
	1,670			**1,684**
	354,961			**373,495**
	9,553			**3,291**
	$ 364,514			**$ 376,786**

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 14).

Metropolitan's total deposits and investments are reported at fair value in the following funds:

	June 30,	
(Dollars in thousands)	**2022**	2021
Proprietary Funds	**$ 1,537,719**	$ 1,476,196
Fiduciary Funds	**5,112**	5,712
Total deposits and investments	**$ 1,542,831**	$ 1,481,908
Deposits	**$ 382**	$ 5,009
Investments	**1,542,449**	1,476,899
Total deposits and investments	**$ 1,542,831**	$ 1,481,908

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, 2022 Metropolitan's cash balance included $377,000 and $5,000 of deposits with financial institutions and cash on hand, respectively. Cash balance as of June 30, 2021 included $5,004,000 and $5,000 of deposits with financial institutions and cash on hand, respectively.

(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, Supranationals, asset-backed, repurchase agreements, negotiable certificates of deposit, bankers' acceptances, prime commercial paper, Government-sponsored enterprise (GSE), California local agency securities, including securities issued by Metropolitan, medium-term corporate notes, time deposits, investment contracts, money market funds, California Asset Management Program (CAMP), and Local Agency Investment Fund (LAIF).

As of June 30, 2022 and 2021, Metropolitan had the following investments at fair value:

	June 30,	
(Dollars in thousands)	**2022**	2021
Asset-backed securities	**$ 93,055**	$ 50,465
CAMP	**324,888**	372,184
Federal agency securities	**50,226**	34,707
GSE	**14,750**	32,373
LAIF	**75,000**	75,000
Medium-term corporate notes	**208,477**	180,932
Money market funds	**1,732**	5,139
Municipal bonds	**3,139**	7,317
Negotiable certificates of deposit	**226,178**	266,953
Prime commercial paper	**212,293**	204,626
Supranationals	**73,738**	86,842
U.S. Treasury securities	**258,973**	160,361
Total investments	**$ 1,542,449**	$ 1,476,899

Metropolitan categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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.

The following is the summary of the fair value hierarchy of the fair value of investments of Metropolitan as of June 30, 2022 and 2021:

	Fair Value Measurement Using					
(Dollars in thousands)	**6/30/2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	6/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:						
Asset-backed securities	**$ 93,055**	**$ 93,055**	**$ —**	$ 50,465	$ 50,465	$ —
Federal agency securities	**50,226**	**50,226**	**—**	34,707	34,707	—
GSE	**14,750**	**14,750**	**—**	32,373	32,373	—
Medium-term corporate notes	**208,477**	**208,477**	**—**	180,932	180,932	—
Municipal bonds	**3,139**	**3,139**	**—**	7,317	7,317	—
Negotiable certificates of deposit	**226,178**	**—**	**226,178**	266,953	266,953	—
Prime commercial paper	**212,293**	**59,845**	**152,448**	204,626	39,979	164,647
Supranationals	**73,738**	**73,738**	**—**	86,842	86,842	—
U.S. Treasury securities	**258,973**	**258,973**	**—**	160,361	160,361	—
Total investments by fair value level	**$ 1,140,829**	**$ 762,203**	**$ 378,626**	$ 1,024,576	$ 859,929	$ 164,647
Investments not subject to fair value level:						
CAMP	**324,888**			372,184		
LAIF	**75,000**			75,000		
Money market funds [(1)]	**1,732**			5,139		
Total investments not subject to fair value level	**401,620**			452,323		
Total investments	**$ 1,542,449**			$ 1,476,899		

[(1)] As of June 30, 2022 and 2021, the balance was invested in Dreyfus Gov't Cash Management and Dreyfus AMT-Free Tax Exempt (DGCXX & DEIXX). A portion of the June 30, 2021 was also invested in BlackRock Treasury Trust (TTTXX).

Investments classified in Level 1 of the fair value hierarchy, valued at $762.2 million and $859.9 million as of June 30, 2022 and 2021, respectively, are valued using quoted prices in active markets.

Prime commercial paper totaling $152.4 million and $164.6 million as of June 30, 2022 and 2021, respectively, and negotiable certificates of deposit totaling $226.2 million as of June 30, 2022, are classified in Level 2 of the fair value hierarchy were valued using matrix pricing.

Metropolitan owns investments utilizing a stable one dollar per share value. These investment assets are exempt from reporting under the fair value measurement levels. There are no redemption restrictions for the investments reported at a value of one dollar per share. The total investments reported at a value of one dollar per share were $401.6 million and $452.3 million at June 30, 2022 and 2021, respectively.

CAMP and LAIF are carried at fair value, or the value of each participating dollar as provided by CAMP and LAIF, respectively. The fair value of Metropolitan's position in CAMP and LAIF is the same as the value of the pool shares. The pooled funds are not subject to level 1, 2 or 3 of the fair value hierarchy.

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).

Liquidity Segment

This segment of the portfolio was managed against the Intercontinental Exchange Bank of America Merrill Lynch (ICE BoAML) 3-Month Treasury Bill Index, approved by the Finance and Insurance Committee. The benchmark duration as of June 30, 2022 and 2021 were 0.24 and 0.23, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 0.50. As of June 30, 2022 and 2021, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2022		2021	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Asset-backed securities	**$ 86,037**	**0.49**	$ 47,870	0.64
CAMP	**324,888**	**—**	372,184	—
Federal agency securities	**48,909**	**0.67**	32,051	1.60
LAIF	**75,000**	**—**	75,000	—
Medium-term corporate notes	**163,888**	**0.55**	132,226	0.76
Money market funds	**1**	**—**	1	—
Municipal bonds	**—**	**—**	6,091	0.42
Negotiable certificates of deposit	**226,178**	**0.32**	266,953	0.56
Prime commercial paper	**212,293**	**0.12**	204,626	0.23
Supranationals	**63,110**	**0.53**	78,068	1.07
U.S. Treasury securities	**149,522**	**0.60**	60,145	1.32
Total portfolio segment	**$ 1,349,826**		$ 1,275,215	
Portfolio duration		**0.29**		0.43

Core Segment

This segment of the portfolio was managed against the ICE BoAML, U.S. Corporate and Government, one to five years, A-Rated and above index approved by the Finance and Insurance Committee. For fiscal years 2022 and 2021, the benchmark durations were 2.61 and 2.69, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 1.50. As of June 30, 2022 and 2021, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2022		2021	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Asset-backed securities	**$ 7,018**	**1.55**	$ 2,595	1.88
GSE	**14,750**	**1.29**	32,373	1.63
Medium-term corporate notes	**44,589**	**2.64**	48,706	2.72
Money market funds	**1,052**	**—**	4,662	—
Municipal bonds	**2,131**	**3.58**	—	—
Supranationals	**10,628**	**1.80**	8,774	2.70
U.S. Treasury securities	**107,231**	**2.12**	99,117	2.73
Total portfolio segment	**$ 187,399**		$ 196,227	
Portfolio duration		**2.14**		2.47

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, 2022 and 2021, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2022		2021	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Federal agency securities	**$ 1,317**	**0.93**	$ 2,656	1.28
Money market funds	**679**	**—**	476	—
Municipal bonds	**1,008**	**2.06**	1,226	2.68
U.S. Treasury securities	**2,220**	**3.08**	1,099	1.46
Total portfolio segment	**$ 5,224**		$ 5,457	
Weighted average duration		**1.94**		1.52

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 fair 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. Treasury Federal Agency Obligations GSE	Not applicable.
Bankers' acceptances	A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
Prime commercial paper	Highest ranking or highest letter and number rating as provided by a NRSRO.
Negotiable certificates of deposit	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.
Bank deposits	All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
Asset-backed securities	Rating category of at least 'AA' or equivalent or better by a NRSRO.
Supranationals	Rating category of at least 'AA' or equivalent or better by a NRSRO.
CAMP	Rating category of 'AAAm' or its equivalent or better by a NRSRO.
Repurchase agreements	Limited to primary dealers or financial institutions in a rating category of 'A' or its equivalent or better by a NRSRO.
Medium-term corporate notes	Rating category of 'A' or its equivalent or better by a NRSRO.
LAIF	Not applicable.
Money market funds	Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements.
Municipal bonds	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.

At June 30, 2022 and 2021, Metropolitan's portfolio was invested in the following securities by rating:

		June 30,	
		2022	2021
(Dollars in thousands)	Rating[(1)]	**Fair value**	Fair value
Asset-backed securities	AAA[(2)]	**$ 93,055**	$ 50,465
CAMP	AAAm[(3)]	**324,888**	372,184
Federal agency securities	N/A[(4)]	**50,226**	34,707
GSE	N/A[(4)]	**14,750**	32,373
LAIF	N/A[(5)]	**75,000**	75,000
Medium-term corporate notes	A-[(3)]	**208,477**	180,932
Money market funds	AAAmmf[(6)]	**1,732**	5,139
Municipal bonds	AA[(3)]	**3,139**	7,317
Negotiable certificates of deposit	A-1[(3)]	**226,178**	266,953
Prime commercial paper	A-1[(3)]	**212,293**	204,626
Supranationals	AAA	**73,738**	86,842
U.S. Treasury securities	N/A[(4)]	**258,973**	160,361
Total portfolio		**$ 1,542,449**	$ 1,476,899

[(1)] *Minimum actual rating by sector as of June 30, 2022.*
[(2)] *Standard & Poor's Global Ratings and Moody's Investor Services.*
[(3)] *Standard & Poor's Global Ratings.*
[(4)] *Credit ratings are not applicable to obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.*
[(5)] *LAIF is not rated.*
[(6)] *Fitch Ratings*

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-backed securities and money market funds, to 100 percent for federal agency securities, GSE, and U.S. Treasury securities. The percentages of investments that can be purchased by a single issuer is limited to 5 percent for asset-backed securities, banker's acceptances, medium-term corporate notes, municipal bonds, negotiable certificates of deposit, and prime commercial paper.

The following table identifies Metropolitan's limits and the percent invested by security type based on fair value, as of June 30, 2022 and 2021.

	Investment Policy Limits	Percent of Portfolio 2022	2021
Asset-backed securities	20%	**6 %**	4 %
CAMP	30%	**21 %**	25 %
Federal agency securities	100%	**3 %**	2 %
GSE	100%	**1 %**	2 %
LAIF	N/A	**5 %**	5 %
Medium-term corporate notes	30%	**13 %**	12 %
Money market funds	20%	**<1 %**	<1%
Municipal bonds	30%	**<1 %**	1 %
Negotiable certificates of deposit	30%	**15 %**	18 %
Prime commercial paper	25%	**14 %**	14 %
Supranationals	30%	**5 %**	6 %
U.S. Treasury securities	100%	**17 %**	11 %
Total portfolio		**100 %**	100 %

At June 30, 2022 and 2021, 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)	2022	
CAMP	**$ 324,888**	**21.06 %**

(Dollars in thousands)	2021	
CAMP	$ 372,184	25.20 %
LAIF	$ 75,000	5.08 %

Custodial credit risk. At June 30, 2022 and 2021, 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 $324.9 million and $372.2 million in the CAMP as of June 30, 2022 and 2021, respectively, and $75.0 million in deposits in LAIF as of June 30, 2022 and 2021.

CAMP is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies under California Government Code Section 53601(p). CAMP is governed by a seven member Board of Trustees comprised of finance directors and treasurers of California public agencies. The total amount invested by all public agencies in CAMP was $7.3 billion and $6.5 billion as of June 30, 2022 and 2021, respectively. Of the amount invested in CAMP, 36.9 percent and 33.7 percent were invested in medium-term and short-term notes and asset-backed securities at June 30, 2022 and 2021, respectively. The average maturity of CAMP investments was 28 days and 52 days as of such dates.

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 Chairwoman is the State Treasurer, or her designated representative.

The total amount invested by all public agencies in LAIF as of June 30, 2022 and 2021 was $35.8 billion and $37.1 billion, respectively. At June 30, 2022 and 2021, the PMIA had a balance of $234.5 billion and $193.3 billion, respectively, of which, 1.88 percent and 2.31 percent were invested in medium-term and short-term notes and asset-backed securities, respectively. The average maturity of the LAIF investments as of June 30, 2022 and 2021, was 311 days and 291 days, respectively.

(c) Reverse Repurchase Agreements

Metropolitan is 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, 2022 and 2021.

(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 are classified as "restricted." Most restricted accounts have the minimum cash and investment balance requirements and all are nondiscretionary in terms of the use of assets. Among other things, the restricted amounts provide 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, excluding participation rights in State Water Project, for the fiscal years ended June 30, 2022 and 2021 was as follows:

(Dollars in thousands)	June 30, 2020	Additions
Participation rights:		
Imperial Irrigation District	$ 112,313	$ —
Palo Verde Irrigation District	82,804	—
Kern Delta Water District	39,007	—
South County Pipeline	72,371	—
Semitropic Water Storage District	34,259	—
Arvin-Edison Water Storage District	47,187	—
Chino Basin	27,500	—
Orange County	23,000	—
Conjunctive Use Programs	20,608	—
Total	459,049	—
Accumulated amortization:		
Imperial Irrigation District	(63,503)	(2,270)
Palo Verde Irrigation District	(35,758)	(2,343)
Kern Delta Water District	(21,631)	(2,172)
South County Pipeline	(24,932)	(913)
Semitropic Water Storage District	(19,812)	(942)
Arvin-Edison Water Storage District	(24,689)	(1,468)
Chino Basin	(16,355)	(1,453)
Orange County	(13,442)	(1,194)
Conjunctive Use Programs	(11,531)	(1,025)
Total	(231,653)	(13,780)
Participations rights, net	$ 227,396	$ (13,780)

Reductions	June 30, 2021	**Additions**	**Reductions**	**June 30, 2022**
$ —	$ 112,313	**$ —**	**$ —**	**$ 112,313**
—	82,804	**—**	**—**	**82,804**
—	39,007	**—**	**—**	**39,007**
—	72,371	**—**	**—**	**72,371**
—	34,259	**—**	**—**	**34,259**
—	47,187	**—**	**—**	**47,187**
—	27,500	**—**	**—**	**27,500**
—	23,000	**—**	**—**	**23,000**
—	20,608	**—**	**—**	**20,608**
—	459,049	**—**	**—**	**459,049**
—	(65,773)	**(2,271)**	**—**	**(68,044)**
—	(38,101)	**(2,343)**	**—**	**(40,444)**
—	(23,803)	**(2,172)**	**—**	**(25,975)**
—	(25,845)	**(912)**	**—**	**(26,757)**
—	(20,754)	**(942)**	**—**	**(21,696)**
—	(26,157)	**(1,467)**	**—**	**(27,624)**
—	(17,808)	**(1,453)**	**—**	**(19,261)**
—	(14,636)	**(1,195)**	**—**	**(15,831)**
—	(12,556)	**(1,025)**	**—**	**(13,581)**
—	(245,433)	**(13,780)**	**—**	**(259,213)**
$ —	$ 213,616	**$ (13,780)**	**$ —**	**$ 199,836**

(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 104.9 TAF and 109.5 TAF annually. Under the October 2003 amendment to an agreement and at the request of the Coachella Valley Water District (CVWD), up to 20.0 TAF of the total conserved volume was made available to CVWD. Under the May 2007 amendment to the agreement and a December 2014 letter agreement, at least 85.0 TAF and 105.0 TAF will be/was available in calendar years 2022 and 2021, respectively (see Note 10c). 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 10e).

Participation rights for this project totaled $112.3 million as of June 30, 2022 and 2021, and are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.3 million in fiscal years 2022 and 2021.

(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 130.0 TAF 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, 2022 and 2021, and are being amortized using the straight-line method over 35 years. Amortization expense totaled $2.3 million in fiscal years 2022 and 2021.

(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 250.0 TAF of water and has 140.2 TAF in the program as of June 30, 2022. The program is intended to provide a minimum recharge and return capability of 50.0 TAF 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, 2022 and 2021, 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 2022 and 2021.

(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, 2022 and 2021. These participation rights are amortized using the straight-line method over 80 years, which is the life of the agreement. Amortization expense totaled $0.9 million in fiscal years 2022 and 2021.

(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 SWP 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 350.0 TAF and currently has 197.2 TAF in the program as of June 30, 2022. Metropolitan is entitled to a minimum of 31.5 TAF per year of pump back capacity. In addition, assuming a 100 percent SWP allocation, Metropolitan is entitled to a minimum of 46.6 TAF 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 248.8 TAF per year assuming a 100 percent SWP allocation and usage of the other banking partners' rights. In fiscal year 2015, Metropolitan spent $5.8 million to increase the return capacity by 13.2 TAF per year. Since then, the additional return capacity has been reduced to 6.7 TAF per year after Metropolitan received reimbursement of $2.9 million.

Participation rights for this program totaled $34.3 million as of June 30, 2022 and 2021. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $0.9 million in fiscal years 2022 and 2021.

(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 350.0 TAF of water and currently has 119.1 TAF in the program as of June 30, 2022. The minimum estimated return capability for the Arvin-Edison program varies from 40.0 TAF per year to 75.0 TAF 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, 2022 and 2021. 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 2022 and 2021.

(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 25.0 TAF per year to a maximum of 100.0 TAF and may withdraw up to 33.0 TAF per year for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 30, 2022, 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, 2022 and 2021. 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 2022 and 2021.

(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 66.0 TAF in the Orange County Basin. Metropolitan may store up to 16.5 TAF per year and withdraw up to 22.0 TAF for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 30, 2022, Metropolitan had no water 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, 2022 and 2021. 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 2022 and 2021.

(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 45.9 TAF with storage of 11.5 TAF per year and withdrawal of 15.3 TAF per year for overlying demand during dry, drought, or emergency conditions. As of June 30, 2022, Metropolitan had a total of 11.0 TAF 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 facilities became operational during fiscal year 2009.

Participation rights in these projects totaled $20.6 million at June 30, 2022 and 2021. 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 2022 and 2021.

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 $4.329 billion and $4.521 billion at June 30, 2022 and 2021, respectively, represents less than one percent of the June 30, 2022 and 2021 total taxable assessed valuation of $3,392 billion and $3,263 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) Commercial Paper and Revolving Notes

Metropolitan may issue up to $200.0 million in commercial paper to fund a portion of its capital investment plan, as approved by Metropolitan's Board. There was no commercial paper issued in fiscal years 2022 and 2021 and no commercial paper was outstanding at June 30, 2022 and 2021. Metropolitan may also issue other forms of short-term debt such as variable rate water revenue bonds and revolving notes.

Short-term note issued during the fiscal year ended June 30, 2022 was as a follows:

- On June 29, 2022, Metropolitan issued certain notes evidencing a draw of $35.6 million from Wells Fargo Bank, N.A., under the Wells Fargo Revolving Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. The notes have maturity date of June 28, 2023. See Note 16 for additional information.

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Short-term note issued during the fiscal year ended June 30, 2021 and repaid during the fiscal year ended June 30, 2022 was as follows:

- On June 30, 2021, Metropolitan issued certain notes evidencing a draw of $35.6 million from the RBC Short Term Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. On July 8, 2021, the draw was refunded from proceeds of the Water Revenue Refunding Bonds, 2021 Series B.

A total of $35.6 million short-term revolving notes were outstanding at June 30, 2022 and 2021.

There were no long-term notes issued during the fiscal year ended June 30, 2022 and 2021. Long-term note repaid during the fiscal year ended June 30, 2021 was as follows:

- On June 16, 2021, Metropolitan prepaid it's $46.8 million, Short-Term Revenue Refunding Certificates, Series 2019 A from the proceeds of Metropolitan's Variable Rate Water Revenue Refunding Bonds, 2021 Series A (Federally Taxable), described further in Note 5(d).

There were no long-term revolving notes outstanding at June 30, 2022 or 2021.

(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 investment plan. The original amounts, issued as Series A through H under the 1966 authorization, totaled $850.0 million. Metropolitan has refunded a portion of these general obligation bond issues through the issuance of refunding bonds. A total of $20.2 million and $26.8 million in general obligation refunding bonds were outstanding at June 30, 2022 and 2021, respectively.

The general obligation refunding bond issues include both serial and term bonds that mature in varying amounts through March 2037 at interest rates ranging from 3.5 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.

There were no general obligation bonds issued during the fiscal year ended June 30, 2022. General obligation bond issued during the fiscal year ended June 30, 2021 was as follows:

- On September 1, 2020, Metropolitan issued $13.7 million, Waterworks General Obligation Refunding Bonds, 2020 Series A, which refunded $18.7 million of Waterworks General Obligation Refunding Bonds, 2010 Series A and the cost of issuance. This refunding resulted in projected present value savings of $7.6 million. The true interest cost is 1.64 percent with a final maturity of March 1, 2037. The bonds are subject to optional redemption provisions.

(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 $3.848 billion and $3.994 billion of revenue bonds and revenue refunding bonds were outstanding at June 30, 2022 and 2021, 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 2051 at interest rates ranging from 0.46 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 any interest payment dates, and subject to early redemption.

There were no revenue bonds issued during fiscal year ended June 30, 2022. Revenue bond issued during the fiscal year ended June 30, 2021 was as follows:

- On February 4, 2021, Metropolitan issued $188.9 million of Water Revenue Bonds, Series 2021 A, at a true interest cost of 2.77 percent, to fund a portion of Metropolitan's Capital Investment Plan and costs of issuance. The maturities extend to October 1, 2051 and are subject to mandatory and optional redemption provisions.

(d) Bond Refundings and Defeasances

Metropolitan has issued Waterworks General Obligation Refunding Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and short-term notes to refund various issues of Waterworks General Obligation Bonds, Waterworks General Obligation Refunding Bonds, Water Revenue Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and revolving notes 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 transaction during fiscal year 2022 was as follows:

- On July 8, 2021, Metropolitan issued $98.4 million of Water Revenue Refunding Bonds, Series 2021 B, which refunded $89.4 million, Water Revenue Refunding Bonds, 2011 Series C and $2.8 million, Water Revenue Refunding Bonds, 2014 Series C-3. In addition, a $35.6 million draw on the RBC Short-Term Credit Facility was prepaid from the proceeds. This refunding resulted in projected present value savings of $22.0 million. The true interest cost was 0.85 percent. The final maturity is October 1, 2036. The bonds are subject to optional redemption provisions.

Refunding and defeasance transactions during fiscal year 2021 were as follows:

- On July 1, 2020, Metropolitan issued $268.0 million of Water Revenue Refunding Bonds, Series 2020 C, which refunded $250.0 million, Water Revenue Bonds, 2010 Authorization, Series A; $44.3 million, Water Revenue Bonds, 2010 Series B; $14.0 million, Water Revenue Refunding Bonds, 2014 Series C-2; and, $6.2 million, Water Revenue Refunding Bonds, 2014 Series G-5. In addition, a $35.6 million draw on the RBC Short-Term Credit Facility was prepaid from the proceeds. This refunding resulted in projected present value savings of $80.2 million. The true interest cost was 2.70 percent. The final maturity is July 1, 2040. The bonds are subject to optional redemption provisions.

- On April 2, 2021, Metropolitan extended the terms of the $271.8 million SVRWRRB 2020 Series B. The SVRWRRB 2020 Series B remain in the Long Mode under the 2020B Paying Agent Agreement and bear interest at a Long Rate equal to 0.46 percent per annum for the Long Period ending on April 2, 2024. The 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on April 2, 2024 the last day of the Long Period. The SVRWRRB 2020 Series B were designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no SBPA or other liquidity facility is in effect for the purchase of such bonds.

- On June 16, 2021, Metropolitan issued $222.2 million of Variable Rate Subordinate Water Revenue Refunding Bonds, 2021 Series A (Federally Taxable), which refunded $175.0 million, Subordinate Water Revenue Bonds, 2016 Authorization Series A and prepaid $46.8 million, Short-Term Revenue Refunding Certificates, Series 2019 A. The 2021 Series A bonds mature on July 1, 2042, and are subject to optional and mandatory redemption provisions.

The refundings and defeasances were accomplished to take advantage of lower interest rates, to realize economic savings or to eliminate or mitigate certain risks associated with managing its variable rate debt. The transactions resulted in cash flow savings of $23.4 million and $100.7 million and economic gains (difference between the present values of the debt service payments on the old debt and new debt) of $22.0 million and $87.8 million for fiscal years 2022 and 2021, respectively. The net carrying amount of the old debt was equal to the reacquisition price in fiscal year 2022 and 2021. Deferred outflows of loss on bond refundings at June 30, 2022 and 2021 were $7.1 million and $13.3 million, respectively, and the deferred outflows on swap terminations for the same periods were $16.0 million and $17.9 million, respectively.

(e) Interest Rate Swaps

Metropolitan has eight outstanding interest rate swap agreements as of June 30, 2022. 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, 2022, 2021, and 2020 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	$	45,004	09/12/02	3.300 %	57.74% of 1MoLIBOR[4]	Aa3/A+/NR
2002 B Payor		16,836	09/12/02	3.300 %	57.74% of 1MoLIBOR	Aa2/A+/AA
2003 Payor C-1 C-3		141,150	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA-
2003 Payor C-1 C-3		141,150	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA
2004 C Payor		4,672	11/16/04	2.980 %	61.55% of 1MoLIBOR	Aa3/BBB+/A
2004 C Payor		3,822	11/16/04	2.980 %	61.55% of 1MoLIBOR	Aa3/A+/NR
2005 Payor		26,658	07/06/05	3.360 %	70.00% of 3MoLIBOR	Aa2/A+/AA
2005 Payor		26,658	07/06/05	3.360 %	70.00% of 3MoLIBOR	A3/BBB+/A
Total swaps	$	405,950				

[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 Global, Fitch Ratings, respectively.*

[3]*Excludes accrued interest.*

[4]*London Interbank Offered Rate.*

	Fair Value as of 6/30(3)			Change in Fair Value in FY	
Swap Termination	**2022**	2021	2020	**2022**	2021
07/01/25	**$ (1,042)**	$ (3,431)	$ (5,158)	**$ 2,389**	$ 1,727
07/01/25	**(389)**	(1,284)	(1,929)	**895**	645
07/01/30	**(6,959)**	(17,238)	(23,890)	**10,279**	6,652
07/01/30	**(6,959)**	(17,238)	(23,890)	**10,279**	6,652
10/01/29	**(354)**	(821)	(1,189)	**467**	368
10/01/29	**(290)**	(672)	(973)	**382**	301
07/01/30	**(1,615)**	(4,151)	(5,791)	**2,536**	1,640
07/01/30	**(1,615)**	(4,151)	(5,791)	**2,536**	1,640
	$ (19,223)	$ (48,986)	$ (68,611)	**$ 29,763**	$ 19,625

As with its investments, Metropolitan categorizes its liabilities using fair value measurements within the fair value hierarchy established by U.S. GAAP and are discussed in Note 3.

Metropolitan has the following recurring fair value measurements as of June 30, 2022 and 2021:

(Dollars in thousands)

		Fair Value Measurements Using		
Associated Bond Issue	**6/30/2022**	**Significant Other Observable Inputs (Level 2)**	6/30/2021	Significant Other Observable Inputs (Level 2)
2002 A Payor	**$ (1,042)**	**$ (1,042)**	$ (3,431)	$ (3,431)
2002 B Payor	**(389)**	**(389)**	(1,284)	(1,284)
2003 Payor C-1 C-3	**(6,959)**	**(6,959)**	(17,238)	(17,238)
2003 Payor C-1 C-3	**(6,959)**	**(6,959)**	(17,238)	(17,238)
2004 C Payor	**(354)**	**(354)**	(821)	(821)
2004 C Payor	**(290)**	**(290)**	(672)	(672)
2005 Payor	**(1,615)**	**(1,615)**	(4,151)	(4,151)
2005 Payor	**(1,615)**	**(1,615)**	(4,151)	(4,151)
Total swaps	**$ (19,223)**	**$ (19,223)**	$ (48,986)	$ (48,986)

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using an income 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 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. Currently, there are eight pay-fixed, receive-variable interest rate swaps outstanding.

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, 2022, 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, 2022, 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, 2022.

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, 2022, Metropolitan has pay-fixed, receive-variable swap transactions with one counterparty in the amount of $184.6 million or 45.5 percent of the notional amount of Metropolitan's outstanding pay-fixed, receive-variable swap transactions. This counterparty is rated Aa2/A+/AA by Moody's, Standard & Poor's Global, 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, 2022, the interest rates of the variable rate debt associated with these swap transactions range from 0.50 percent to 1.66 percent. Metropolitan's variable rate payments received from the counterparties of these swaps ranged from 1.03 percent to 1.60 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.

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.

(f) Swap Payments and Associated Debt

Using rates as of June 30, 2022, 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							
(Dollars in thousands)		Principal		Interest		Interest Rate Swaps, Net		Total
Year ending June 30:								
2023	$	33,260	$	3,788	$	8,064	$	45,112
2024		34,630		3,448		7,310		45,388
2025		65,190		2,828		5,948		73,966
2026		75,770		2,090		4,353		82,213
2027		61,170		1,400		2,876		65,446
2028-2031		135,930		1,699		3,411		141,040
Total	$	405,950	$	15,253	$	31,962	$	453,165

(g) Variable Rate Bonds

The variable rate bonds bear interest at daily and weekly rates ranging from 0.50 percent to 1.66 percent as of June 30, 2022 and 0.01 percent to 0.17 as of June 30, 2021. Metropolitan can elect to change the interest rate period of the bonds with certain limitations.

Metropolitan has entered into SBPAs with commercial banks to provide liquidity for seven separate variable rate bond issues listed in the table below. Bondholders have the right to tender such variable rate bonds to the paying agent on any business day with same day notice. In the event that tendered bonds are not remarketed, the paying agent will draw on the SBPA to pay such bondholders. The draw on the SBPA creates a new debt obligation between Metropolitan and the Bank, called a Bank Bond.

The Bank Bonds that would be issued under the SBPA would initially bear interest at a per annum interest rate equal to, depending on the applicable SBPA, a Base Rate of either: (a) the highest of the (i) Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent; or (b) the highest of the (i) Prime Rate, (ii) Federal Funds Rate plus one half of one percent, and (iii) seven and one half percent (with the Base Rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) after 90 days, by one percent). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the draw on the SBPA or the stated expiration date of the related SBPA, Metropolitan's obligation to repay the principal of the Bank Bonds would be payable in semi-annual installments over a period of approximately three or five years, depending on the applicable SBPA. Metropolitan has secured its obligation to repay principal and interest under the SBPAs as a senior lien obligation.

In addition, such bonds are subject to mandatory tender for purchase under certain circumstances, including upon the expiration of the SBPA. Metropolitan intends to either renew the facility or exercise its right to remarket the debt as a long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements was $51.0 million and $72.0 million at June 30, 2022 and 2021, respectively.

Metropolitan has the following seven variable rate bonds that are supported by a SBPA as of June 30, 2022 and 2021:

(Dollars in thousands)

	Amount		Expiration	Interest	Current Amount	
Bond Issue	**6/30/2022**	6/30/2021	**Date**	**Rate**	**2022**	2021
Water Revenue Bonds						
2000 Series B-3	**$ 78,900**	$ 78,900	3/20/23	Reset Daily	**$ 78,900**	$ —
2017 Series A	**80,000**	80,000	3/20/23	Reset Daily	**80,000**	—
Water Revenue Refunding Bonds						
2018 Series A-1, A-2	**90,070**	90,070	6/04/24	Reset Daily	**—**	—
2016 Series B-1, B-2	**82,905**	82,905	6/04/24	Reset Daily	**—**	—
Subordinate Water Revenue Refunding Bonds						
2021 Series A	**222,160**	222,160	6/13/25	Reset Daily	**—**	**—**
Total	**$ 554,035**	$ 554,035			**$ 158,900**	$ —

Metropolitan has the following three variable rate bonds that are not supported by a SBPA as of June 30, 2022 and 2021, respectively:

(Dollars in thousands)

Bond Issue	**6/30/22**	6/20/21	**Interest Rate**
Subordinate Water Revenue Bonds			
2017 Series C	**80,000**	80,000	SIFMA Index plus % spread
Subordinate Water Revenue Refunding Bonds			
2017 Series D	**95,630**	95,630	SIFMA Index plus % spread
2017 Series E	**95,625**	95,625	SIFMA Index plus % spread
Total	**$ 271,255**	$ 271,255	

The current terms of the Subordinate Water Revenue Refunding Bonds, 2017 Series D and Series E (SIFMA Index Mode), and the Subordinate Water Revenue Bonds, 2017 Series C (SIFMA Index Mode), require bondholders to tender their bonds for purchase on the scheduled mandatory tender date of May 21, 2024. A failure by Metropolitan to pay the purchase price from the proceeds of remarketing or other funds, for a period of five business days following written notice by any owner of such bonds, will constitute an event of default under Metropolitan's Subordinate Debt Resolutions. Upon the occurrence and continuance of such events of default, the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

(h) Long-term Debt Obligation Summary, Net of Long-term Revolving Notes

Interest rates at June 30, 2022 on all outstanding fixed-rate obligations range from 0.46 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, 2022 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2023	$ 175,565	$ 133,708	$ 309,273
2024	458,710	125,279	583,989
2025	184,745	116,181	300,926
2026	157,290	108,952	266,242
2027	165,075	102,115	267,190
2028-2032	801,425	390,521	1,191,946
2033-2037	767,835	254,828	1,022,663
2038-2042	738,740	125,717	864,457
2043-2047	271,080	46,467	317,547
2048-2052	148,135	11,317	159,452
	$ 3,868,600	$ 1,415,085	$ 5,283,685
Unamortized bond discount and premium, net	425,160		
Total debt	4,293,760		
Less current portion	(382,276)		
Long-term portion of debt	$ 3,911,484		

6. LONG-TERM LIABILITIES

Long-term liability activity for the fiscal years ended June 30, 2022 and 2021 is shown on the following table. Payments on the bonds are made from the restricted debt service funds; other long-term debt and the compensated absences liability will be liquidated primarily with water revenues.

(Dollars in thousands)	Maturity Dates	Range of Interest Rates	June 30, 2020	Additions
Waterworks general obligation refunding bonds (Note 5b):				
2010 Series A	3/1/29-3/1/37	3.50%-5.00%	$ 18,735	$ —
2014 Series A	3/1/21	5.00 %	4,540	—
2019 Series A	3/1/21-3/1/28	5.00 %	14,025	—
2020 Series A	3/1/29-3/1/37	5.00 %	—	13,665
Total general obligation and general obligation refunding bonds			37,300	13,665
Water revenue bonds (Note 5c):				
2000 Series B-3	7/1/29-7/1/35	Variable	78,900	—
2010 Series A	7/1/38-7/1/40	6.95 %	250,000	—
2015 Series A	7/1/20-7/1/45	5.00 %	204,120	—
2016 Subordinate Series A	12/21/20	Variable	175,000	—
2017 Series A	7/1/41-7/1/47	Variable	80,000	—
2017 Subordinate Series C	5/21/24	Variable	80,000	—
2018 Subordinate Series B	9/1/23-9/1/28	5.00 %	64,345	—
2020 Series A	10/1/30-10/1/49	5.00 %	207,355	—
2021 Series A	10/1/28-10/1/51	5.00 %	—	188,890
Water revenue refunding bonds (Note 5d):				
1993 Series A	7/1/20-7/1/21	5.75 %	12,225	—
2010 Series B	7/1/20-7/1/27	2.60%-5.00%	56,005	—
2011 Series B	7/1/20	4.00 %	1,345	—
2011 Series C	10/1/20-10/1/36	2.25%-5.00%	118,800	—
2012 Series A	10/1/23-10/1/36	3.25%-5.00%	181,180	—
2012 Series C	7/1/20-7/1/21	5.00 %	19,835	—
2012 Series F	7/1/20-7/1/28	4.00%-5.00%	48,885	—
2012 Series G	7/1/20-7/1/31	3.00%-5.00%	111,890	—
2014 Series A	7/1/20-7/1/21	4.00%-5.00%	37,870	—
2014 Series C-2-C-3	10/1/20-10/1/21	3.00 %	16,830	—
2014 Series E	7/1/21-7/1/24	3.50%-5.00%	86,060	—
2014 Series G-5	7/1/37	3.00%	6,205	—
2016 Series A	7/1/28-7/1/37	2.00%-5.00%	239,455	—
2016 Series B-1, B-2	7/1/25-7/1/37	Variable	82,905	—
2017 Subordinate Series A	7/1/20-7/1/27	2.00%-2.50%	238,015	—
2017 Subordinate Series B	8/1/20-8/1/24	3.00%-5.00%	178,220	—
2017 Subordinate Series D	5/21/24	Variable	95,630	—
2017 Subordinate Series E	5/21/24	Variable	95,625	—
2018 Series A1, A-2	7/1/20-7/1/37	Variable	90,070	—
2018 Subordinate Series A	7/1/20-7/1/23	5.00 %	94,675	—
2018 Series B	1/1/21-1/1/39	5.00 %	133,510	—
2019 Series A	7/1/30-7/1/39	5.00 %	218,090	—
2019 Subordinate Series A	7/1/20-7/1/29	5.00 %	241,530	—
2020 Subordinate Series A	7/1/23-7/1/29	3.00%-5.00%	152,455	—
2020 Series B	4/2/24	.46%-1.04 %	271,815	—
2020 Series C	7/1/21-7/1/40	5.00 %	—	267,995
2021 Subordinate Series A	7/1/37-7/1/42	Variable	—	222,160
2021 Series B	10/1/22-10/1/36	4.00%-5.00%	—	—
Total water revenue and water revenue refunding bonds			3,968,845	679,045
Other long-term debt (Notes 5a and 5h):				
Revolving notes			46,800	—
Unamortized bond discount and premiums, net			366,281	151,112
Total long-term debt			4,419,226	843,822
Other long-term liabilities (see table next page)			1,024,593	410,342
Total long-term liabilities			$ 5,443,819	$ 1,254,164

Reductions	June 30, 2021	**Additions**	**Reductions**	**June 30, 2022**	**Amounts Due Within One Year**
$ (18,735)	$ —	$ —	$ —	$ —	$ —
(4,540)	—	—	—	—	—
(860)	13,165	—	(6,655)	6,510	960
—	13,665	—	—	13,665	—
(24,135)	26,830	—	(6,655)	20,175	960
—	78,900	—	—	78,900	78,900
(250,000)	—	—	—	—	—
(2,585)	201,535	—	(2,535)	199,000	3,740
(175,000)	—	—	—	—	—
—	80,000	—	—	80,000	80,000
—	80,000	—	—	80,000	—
—	64,345	—	—	64,345	—
—	207,355	—	—	207,355	—
—	188,890	—	—	188,890	—
(10,185)	2,040	—	(2,040)	—	—
(56,005)	—	—	—	—	—
(1,345)	—	—	—	—	—
(100)	118,700	—	(89,385)	29,315	—
—	181,180	—	—	181,180	—
(14,200)	5,635	—	(5,635)	—	—
(11,150)	37,735	—	(11,195)	26,540	—
(22,070)	89,820	—	(1,590)	88,230	15,010
(33,000)	4,870	—	(4,870)	—	
(14,020)	2,810	—	(2,810)	—	—
—	86,060	—	(23,225)	62,835	28,925
(6,205)	—	—	—	—	—
—	239,455	—	—	239,455	—
—	82,905	—	—	82,905	—
(5,300)	232,715	—	(13,500)	219,215	14,455
(35,645)	142,575	—	(35,645)	106,930	35,645
—	95,630	—	—	95,630	—
—	95,625	—	—	95,625	—
—	90,070	—	—	90,070	—
(4,560)	90,115	—	(40,125)	49,990	39,125
(4,385)	129,125	—	(4,600)	124,525	4,835
—	218,090	—	—	218,090	—
(7,870)	233,660	—	(4,780)	228,880	19,820
—	152,455	—	—	152,455	—
—	271,815	—	—	271,815	—
—	267,995	—	(2,315)	265,680	2,450
—	222,160	—	—	222,160	—
—	—	98,410	—	98,410	10,600
(653,625)	3,994,265	98,410	(244,250)	3,848,425	333,505
(46,800)	—	—	—	—	—
(53,209)	464,184	13,312	(52,336)	425,160	47,811
(777,769)	4,485,279	111,722	(303,241)	4,293,760	382,276
(370,931)	1,064,004	429,938	(847,168)	646,774	47,965
$ (1,148,700)	$ 5,549,283	$ 541,660	$ (1,150,409)	$ 4,940,534	$ 430,241

(Dollars in thousands)	June 30, 2020	Additions	Reductions	June 30, 2021 As Adjusted Note 1t	**Additions**	**Reductions**	**June 30, 2022**	**Amounts Due Within One Year**
Accrued compensated absences	$ 52,281	$ 30,756	$ (25,120)	$ 57,917	**$ 27,856**	**$ (27,220)**	**$ 58,553**	**$ 26,900**
Customer deposits and trust funds	50,909	7,166	(11,591)	46,484	**3,445**	**(7,117)**	**42,812**	**2,954**
Leases (Note 7)	—	8,824	—	8,824	**311**	**(1,455)**	**7,680**	**1,328**
Net pension liability (Note 8c)	668,995	295,779	(240,187)	724,587	**301,650**	**(585,637)**	**440,600**	**—**
Net OPEB liability (Note 9f)	167,986	60,711	(63,966)	164,731	**81,462**	**(193,911)**	**52,282**	**—**
Workers' Compensation and third party claims (Note 15)	13,602	7,106	(10,419)	10,289	**4,469**	**(2,056)**	**12,702**	**6,013**
Fair value of interest rate swaps (Note 5e)	68,611	—	(19,625)	48,986	**—**	**(29,763)**	**19,223**	**—**
Other long-term liabilities	2,209	—	(23)	2,186	**10,745**	**(9)**	**12,922**	**10,770**
Total other long-term liabilities	$ 1,024,593	$ 410,342	$ (370,931)	$ 1,064,004	**$ 429,938**	**$ (847,168)**	**$ 646,774**	**$ 47,965**

7. LEASES

(a) Lessor

As of June 30, 2022, Metropolitan had thirty six active lease arrangements in which Metropolitan is the lessor with a maximum possible term of more than twelve months at commencement and an individual value of $250,000 or more. The thirty six leases include leases of Metropolitan owned land to another party primarily for the purposes of communication facilities, access for utility operations, parking lots or storage. The payment terms vary and are summarized as follows:

- Eleven of the leases are for the purpose of constructing and or maintaining communication facilities and require monthly payments which ranged between $2,137 and $5,064 during fiscal year 2022, and have annual increases between 3.0 to 5.0 percent. Two leases include an additional $1,500 annually for site access or road maintenance. Expiration dates on these leases are between November 2024 and April 2046, which include renewals that are reasonably certain to be exercised. Ten of these leases were entered into prior to the transition date of July 1, 2020 and the interest rate assumed is equal to the treasury yield rate at the transition date for the treasury bond closest to the term of the lease which was between 0.31 percent and 1.43 percent for these leases. One of these leases was entered into after the transition date and the interest rate assumed is equal to the treasury yield rate at commencement of lease for the treasury bond closest to the term of the leases which was 2.30 percent.
- Two of the leases are for the purpose of constructing and or maintaining communication facilities and require monthly payments of $2,624 with 15.0 percent increases every five years. These two leases are reasonably certain to be renewed through December 2031 and January 2032. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.20 percent.
- Two of the leases are for the purpose of storage and require monthly payments which ranged between $2,472 and $3,474 during fiscal year 2022, with annual increases of 3.0 percent. These two leases expire between July 2029 with options to renew that are not reasonably certain and August 2029 with no renewal options. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 0.69 percent.

- One lease, which started February 2018 and expires April 2031 with no option to renew, allows the use of Metropolitan land for a parking lot. The lease requires monthly payments which were $6,183 in fiscal year 2022 and increase annually based on producer price index. The variable increase is excluded from the calculation of the lease receivable. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.20 percent.
- One lease, which started January 2015 and is reasonably certain to be renewed through December 2034, allows access to Metropolitan land for utilities. The lease requires monthly payments that increase 3.0 percent annually and were $2,139 in fiscal year 2022 with a fixed annual road maintenance fee of $1,500. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.20 percent.
- Three of the leases for the purpose of secondary parking sites at Inland Feeder, began in January 2005, and are reasonably certain to be renewed through December 2059. These leases require annual payments which ranged between $5,294 and $9,993 in fiscal year 2022, and increase every two years based on a consumer price index (CPI) factor but in no case will be less than 3.0 percent or more than 5.0 percent each year or 6.0 percent and 10.0 percent in each two year increment, respectively. The minimum CPI of 3.0 percent per year was assumed in the calculation of the lease receivable. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.43 percent.
- Five leases are between Metropolitan and Southern California Edison (SCE) and were entered into because Metropolitan's transmission facilities that provide power to Metropolitan's pumping plants are interconnected with SCE's electrical system. The lease allows SCE access to Metropolitan owned land to continue operation and maintenance of the interconnected facilities. These leases commenced in October 2017 and continue through January and October 2099, with no optional renewals. Annual payments under these leases ranged between $6,036 and $16,118 in fiscal year 2022, with 3.0 percent annual increases. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.43 percent.
- Four of the leases that allow Metropolitan's land to be used for parking and landscaping, include three leases which require annual payments that increase between 3.0 to 4.0 percent annually and one that requires annual CPI increases. The variable CPI increase is excluded from the projection of the lease receivable. Three of the leases began February 1991, November 2008, April 2012 and are reasonably certain to be renewed through February 2036, October 2028, and March 2062, respectively. The fourth lease began May 2014 and expires in April 2044, with optional renewals beyond this date that are not reasonably certain and are excluded from the projection of the lease receivable. Payments on these leases ranged between $17,763 and $50,975 in fiscal year 2022. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was between 0.69 percent and 1.43 percent.
- Three leases allow Metropolitan land to be used for communication facilities and require annual payments that ranged between $40,636 and $43,604 in fiscal year 2022. For two of the leases, the annual payments increase between 3.0 percent and 5.0 percent each year. The other lease allows Metropolitan to review the payment every five years and adjust the rent at Metropolitan's discretion, typically by a CPI factor. The variable increase in rent based on CPI is excluded from the projection of the lease receivable. These three

leases began September 1996, August 2009 and April 2018 and are reasonably certain to be renewed through August 2046, July 2034 and March 2033, respectively. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was between 1.20 percent and 1.43 percent.

- One lease, which began January 2018 and expires December 2048 with no optional renewals, is for the purpose of providing access to a road on the CRA and requires an annual land use fee of $25,000 plus annual road maintenance fee of $7,000. Beginning in fiscal year 2022 the annual land use fee and road maintenance fee were subject to CPI increases. The variable CPI increase is excluded from the projection of the lease receivable. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.43 percent.
- One lease, which began October 2006 and expires December 2076 with no optional renewals, allows use of Metropolitan land for parking. The lease requires annual payments of $39,400 adjusted every two years by a CPI increase. The variable CPI increase is excluded from the projection of the lease receivable. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.43 percent.
- One lease, which began September 2011 and is reasonably certain to be renewed through August 2076, allows Western Municipal Water District to use Metropolitan land for water operation purposes in accordance with the Municipal Water District Law. This lease requires annual payments of $21,844 adjusted every two years by a CPI increase. The variable CPI increase is excluded from the projection of the lease receivable. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.43 percent.
- One lease began in September 2007 and is reasonably certain to be renewed through August 2057. The initial base rent in 2007 was $137,930 payable every 5 years with no less than 10 percent increase in payment at each 5 year increment. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 1.43 percent.

A summary of lease receivable activity during the year ended June 30, 2022 and 2021 are as follows:

(Dollars in thousands)	June 30, 2020	Additions	Reductions	June 30, 2021 As Adjusted Note 1t	**Additions**	**Reductions**	June 30, 2022
Leases of land	$ —	$ 27,788	$ (878)	$ 26,910	$ —	$ (812)	$ 26,098
Total leases receivable	$ —	$ 27,788	$ (878)	$ 26,910	$ —	$ (812)	$ 26,098

A summary of the deferred inflow of resources activity during the year ended June 30, 2022 and 2021 are as follows:

(Dollars in thousands)	June 30, 2020	Additions	Reductions	June 30, 2021 As Adjusted Note 1t	**Additions**	**Reductions**	June 30, 2022
Deferred inflows of resources related to leases	$ —	$ 27,788	$ (1,198)	$ 26,590	$ —	$ (1,238)	$ 25,352
Total deferred inflows of resources related to leases	$ —	$ 27,788	$ (1,198)	$ 26,590	$ —	$ (1,238)	$ 25,352

For fiscal years 2022 and 2021, there were no additions or reductions of the deferred inflow of resources or the lease receivable related to modifications or renewals and there were no reductions of the deferred inflow of resources or the lease receivable due to terminations.

Remaining amounts to be received over the term of the leases are as follows:

(Dollars in thousands)	**Lease revenue**
Fiscal year ending June 30,	
2023	$ 958
2024	854
2025	870
2026	768
2027	789
2028-2032	3,641
2033-2037	2,159
2038-2042	2,021
2043-2047	1,680
2048-2052	913
2053-2057	1,084
2058-2062	662
2063-2067	256
2068-2072	494
2073-2077	1,045
2078-2082	1,054
2083-2087	1,392
2088-2092	1,797
2093-2097	2,279
2098-2100	1,382
Total	$ 26,098

(b) Lessee

As of June 30, 2022, Metropolitan had sixteen active lease arrangements in which Metropolitan is the lessee with a maximum possible term of more than twelve months at commencement and an individual value of $250,000 or more. The leases are summarized as follows:

- Buildings: There were two active leases of buildings as of June 30, 2022 in which Metropolitan is leasing office space in Sacramento, CA and Washington, DC. The lease of space in Washington, DC began June 2016 and expires May 2023, with no optional extensions and a monthly rent of $8,312 at fiscal year ended June 30, 2022. The lease of office space in Sacramento, CA began December 2018 and expires May 2028 with two optional extensions of 5 years each, which Metropolitan is not reasonably certain to renew and required a monthly payment of $27,568 in fiscal year 2022. The annual payment due on both leases is increased by 2.5 percent each year. The interest rate assumed on these two leases is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which ranged between 0.19 percent and 0.69 percent.
- Equipment: There were two active leases of equipment as of June 30, 2022 in which Metropolitan is leasing various xerox copiers and printers used throughout Metropolitan facilities. These leases began in January and November 2018 and expire in January 2023 and November 2022, respectively, with fixed monthly payments of $14,597 and $9,691, respectively. There is no option to renew these leases beyond the expiration dates. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which was 0.19 percent.
- Land: There were twelve active leases of land as of June 30, 2022 summarized as follows:
    - Ten leases of land allow Metropolitan to construct and/or maintain communication facilities and equipment and commenced between March 2007 and July 2018. Optional renewals of these leases are reasonably certain resulting in expiration between April 2026 and October 2042. These require monthly payments between $1,385 and $25,088 with annual increases between 4.0 percent to 6.0 percent. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which ranged between 0.52 percent and 1.43 percent.
    - Two leases of land allow Metropolitan to store construction related equipment. These leases were entered into in October 2018 and February 2020 and are reasonably certain to be renewed through October 2025 and January 2025, respectively. One lease requires a monthly payment of $10,000 increased annually by a CPI factor which is excluded from the projection of the intangible right-to-use leased assets and the lease liability as it is variable in nature. The other lease requires a monthly payment of $8,500 which remains constant over the term of the lease. The interest rate assumed is equal to the treasury yield rate at July 1, 2020, the transition date, for the treasury bond closest to the term of the lease which ranged between 0.19 percent and 0.31 percent.

A summary of the lease asset activity during the year ended June 30, 2022 and 2021 are as follows:

(Dollars in thousands)	June 30, 2020	Additions	Remeasure	Deductions	June 30, 2021	**Additions**	**Remeasure**	**Deductions**	**June 30, 2022**
Intangible right-to-use leased assets:									
Buildings	$ —	$ 3,087	$ —	$ —	$ 3,087	**$ 36**	**$ —**	**$ (194)**	**$ 2,929**
Equipment	—	676	—	—	676	**—**	**—**	**—**	**676**
Land	—	6,597	—	—	6,597	**350**	**—**	**—**	**6,947**
Total intangible right-to-use leased assets	—	10,360	—	—	10,360	**386**	**—**	**(194)**	**10,552**
Accumulated amortization on intangible right-to-use leased assets:									
Buildings	$ —	(521)	$ —	$ —	$ (521)	**$ (534)**	**$ —**	**$ 194**	**$ (861)**
Equipment	—	(272)	—	—	(272)	**(273)**	**—**	**—**	**(545)**
Land	—	(877)	—	—	(877)	**(877)**	**—**	**—**	**(1,754)**
Total accumulated amortization on intangible right-to-use leased assets	—	(1,670)	—	—	(1,670)	**(1,684)**	**—**	**194**	**(3,160)**
Intangible right-to-use leased assets, net	$ —	$ 8,690	$ —	$ —	$ 8,690	$ (1,298)	$ —	$ —	$ 7,392

Future annual lease payments are as follows:

(Dollars in thousands)	**Principal**	**Interest**
Fiscal year ending June 30,		
2023	$ 1,328	$ 61
2024	1,172	52
2025	1,164	43
2026	1,082	34
2027	828	27
2028-2032	1,198	87
2033-2037	624	36
2038-2042	270	9
2043	14	—
Total	$ 7,680	$ 349

8. 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 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 $81.5 million and $74.3 million for the fiscal years ended June 30, 2022 and 2021, respectively. The employee contribution rate was 7.25 percent of annual pay for PEPRA members for the fiscal years ended June 30, 2022 and 2021 and 7.0 percent of annual pay for Classic members in both years. Metropolitan contributes the full 7.0 percent for Classic members while PEPRA members contribute the full 7.25 percent. At June 30, 2022 and 2021, Metropolitan's pickup of the employee's 7.0 percent share were $11.0 million and $11.4 million, respectively. Payments made by Metropolitan to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The Plans' provisions and benefits in effect at June 30, 2022 and 2021 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		
2022	7.0 %	7.25 %
2021	7.0 %	7.25 %
Required employer contribution rates		
2022	34.390 %	34.390 %
2021	32.426 %	32.426 %

At June 30, 2020 and 2019, the valuation dates for fiscal years 2022 and 2021, respectively, the following current and former employees were covered by the benefit terms:

	2022	2021
Valuation date	**6/30/2020**	6/30/2019
Inactive employees (or their beneficiaries) currently receiving benefits	**2,338**	2,268
Inactive employees entitled to but not yet receiving benefits	**898**	905
Active members	**1,850**	1,818
Total	**5,086**	4,991

(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, 2022 and 2021 was measured as of June 30, 2021 and 2020, respectively, using an annual actuarial valuation as of June 30, 2020 and 2019, respectively. The actuarial valuations as of June 30, 2020 and 2019 were rolled forward to June 30, 2021 and 2020, respectively, using standard update procedures.

The total pension liabilities for the measurement dates of June 30, 2021 and 2020 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	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table[(1)]	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

[(1)] *The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.*

All other actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments of 7.15 percent was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

The table below reflects long-term expected real rates of return by asset class for the measurement dates of June 30, 2021 and 2020.

Asset Class[(1)]	Assumed Asset Allocation	Real Return Years 1-10[(2)]	Real Return Years 11+[(3)]
Public Equity	**50.00 %**	**4.80 %**	**5.98 %**
Fixed Income	**28.00**	**1.00**	**2.62**
Inflation Assets	**—**	**0.77**	**1.81**
Private Equity	**8.00**	**6.30**	**7.23**
Real Assets	**13.00**	**3.75**	**4.93**
Liquidity	**1.00**	**—**	**(0.92)**
Total	**100.00 %**		

[(1)]*In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.*
[(2)]*An expected inflation of 2.00 percent used for this period*
[(3)]*An expected inflation of 2.92 percent used for this period*

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2021 and 2020 measurement dates was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at a statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.15 percent was applied to all periods of projected benefit payments to determine the total pension liability.

(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, 2021 and 2020:

	Increase (Decrease)		
(Dollars in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2020 (VD)	**$ 2,578,818**	**$ 1,854,231**	**$ 724,587**
Changes recognized for the measurement period:			
Service cost	38,574	—	38,574
Interest on total pension liability	181,233	—	181,233
Differences between expected and actual experience	3,634	—	3,634
Contribution - Employer	—	74,339	(74,339)
Contribution - Employee	—	17,521	(17,521)
Net investment income	—	417,420	(417,420)
Benefit payments, including refunds of employee contributions	(132,584)	(132,584)	—
Administrative expenses	—	(1,852)	1,852
Net Changes	**$ 90,857**	**$ 374,844**	**$ (283,987)**
Balance at June 30, 2021 (MD)	**$ 2,669,675**	**$ 2,229,075**	**$ 440,600**

	Increase (Decrease)		
(Dollars in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2019 (VD)	**$ 2,479,307**	**$ 1,810,312**	**$ 668,995**
Changes recognized for the measurement period:			
Service cost	37,178	—	37,178
Interest on total pension liability	174,996	—	174,996
Differences between expected and actual experience	13,319	—	13,319
Contribution - Employer	—	66,091	(66,091)
Contribution - Employee	—	16,230	(16,230)
Net investment income	—	90,131	(90,131)
Benefit payments, including refunds of employee contributions	(125,982)	(125,982)	—
Administrative expenses	—	(2,551)	2,551
Net Changes	**$ 99,511**	**$ 43,919**	**$ 55,592**
Balance at June 30, 2020 (MD)	**$ 2,578,818**	**$ 1,854,231**	**$ 724,587**

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, 2021 and 2020 measurement dates, calculated using the discount rate of 7.15 percent for both years. The table also shows what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

(Dollars in thousands)	**2022**	2021
Discount Rate -1%	**6.15 %**	6.15 %
Net Pension Liability	**$ 763,933**	$ 1,039,946
Current Discount Rate	**7.15 %**	7.15 %
Net Pension Liability	**$ 440,600**	$ 724,587
Discount Rate +1%	**8.15 %**	8.15 %
Net Pension Liability	**$ 170,085**	$ 460,599

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS GASB 68 Accounting Report for Metropolitan.

Events Subsequent to Measurement Date

On July 12, 2021, CalPERS reported a preliminary 21.3 percent net return on investments for fiscal year 2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3 percent prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20 percent, from 7.00 percent to 6.80 percent. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS board elected to defer any changes to the asset allocation until the ALM process concluded, and the CalPERS board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the CalPERS board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90 percent (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50 percent to 2.30 percent as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Amortization of Deferred Outflows and Deferred Inflows of Resources

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:

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

The EARSL for the Plan for the period ending June 30, 2021 measurement date is 3.5 years, which was obtained by dividing the total service years of 17,798 (the sum of remaining service lifetimes of the active employees) by 5,086 (the total number of participants: active, inactive, and retired). The EARSL for the Plan for the June 30, 2020 measurement date is 3.4 years, which was calculated by dividing the total service years of 16,995 by the total number of participants of 4,991. 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 years ended June 30, 2022 and 2021, Metropolitan recognized pension expense of $16.0 million and $92.2 million, respectively. At June 30, 2022 and 2021, Metropolitan has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources Outflows		**Deferred Inflows of Resources Inflows**	
(Dollars in thousands)	**2022**	2021	**2022**	2021
Pension contributions subsequent to measurement date	**$ 81,525**	$ 74,339	**$ —**	$ —
Differences between expected and actual experience	**9,553**	15,785	**—**	(627)
Changes of assumptions	**—**	—	**—**	(962)
Net difference between projected and actual earnings on pension plan investments	**—**	13,096	**(207,915)**	—
Total	**$ 91,078**	$ 103,220	**$ (207,915)**	$ (1,589)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal years ended June 30, 2022 and 2021. At June 30, 2022 and 2021, the deferred outflows of resources related to contributions subsequent to the measurement date of $81.5 million and $74.3 million, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ending/ended June 30, 2023 and 2022, respectively.

The net difference between projected and actual earnings on pension plan investments, differences 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,		
2023	$	(46,246)
2024		(45,510)
2025		(49,297)
2026		(57,309)
Total	$	(198,362)

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(a) Plan Description and Benefits Provided

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 two PPO plans: PERS Gold and PERS Platinum; and eleven HMO plans through Anthem Blue Cross, Blue Shield, Health Net, Kaiser, Sharp, SmartCare, United Healthcare and Western Health. Metropolitan participates in the 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. For employees hired on or after January 1, 2012, retirees must have a minimum of 10 years of PERS service and no less than five years of Metropolitan service in order to receive post-employment health benefits in accordance with PERS as per Government Code Section 22893. For employees hired prior to January 1, 2012, retirees are not required to meet the eligibility criteria. This benefit was provided to 2,022 and 1,954 retired Metropolitan employees at June 30, 2022 and 2021, 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 and Contributions

Contribution requirements are established by Memorandum of Understandings negotiated between Metropolitan and its various bargaining units. During fiscal years 2022 and 2021, Metropolitan contributed up to 100 percent of Anthem HMO Traditional Region 2 basic plan rate for all employees and retirees. During fiscal years 2022 and 2021, Metropolitan contributed the full actuarially determined contribution rate of 10.3 percent or $23.9 million and $23.2 million, respectively. Employees are not required to contribute to the plan.

(c) Employees Covered

At June 30, 2021 and 2020, the measurement dates for fiscal years 2022 and 2021, respectively, the following current and former employees were covered by the benefit terms:

	2022	2021
Measurement Date	**6/30/2021**	6/30/2020
Inactives employees (or their beneficiaries) currently receiving benefits	**1,812**	1,803
Inactive employees entitled to but not yet receiving benefits	**142**	143
Active members	**1,864**	1,867
Total	**3,818**	3,813

(d) Actuarial Assumptions Used to Determine Total OPEB Liability

The total OPEB liability used to calculate the net OPEB liability as of June 30, 2022 and 2021 was measured as of June 30, 2021 and 2020, respectively using an actuarial valuation as of June 30, 2021 and 2019, respectively. The actuarial valuation as of June 30, 2019 was rolled forward to the June 30, 2020 measurement date, using standard updated procedures. The June 30, 2021 and 2019 actuarial valuations were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal cost	
Actuarial assumptions		
Funding policy	Metropolitan pre-funds full ADC	
Discount rate	6.75%	
Long-term expected rate of return on assets	6.75%	
General inflation	2.3% and 2.75% per annum in the 2021 and 2019 valuations, respectively.	
Salary increases	3.0% per annum	
Mortality, disability, termination, retirement[(1)]	Derived using CalPERS Membership Data	
Mortality improvement	Mortality projected fully generational with Society of Actuaries mortality improvement Scale MP-2021 and MP-2019 in the 2021 and 2019 valuations, respectively.	
Healthcare cost trend rate	2021 valuation:	2019 valuation:
	Pre-Medicare: 7.0% for 2022, decreasing to 3.83% for 2076 and later	Pre-Medicare: 7.25% for 2021, decreasing to 4.0% for 2076 and later
	Medicare: 5.5% for 2022, decreasing to 3.83% for 2076 and later	Medicare: 6.3% for 2021, decreasing to 4.0% for 2076 and later
Healthcare participation for future retirees	Currently covered: 100%; Currently waived: 90%	

[(1)]Derived from the CalPERS Experience Study dated November 2021 and December 2015 for the June 30, 2021 and June 30, 2019 actuarial valuations, respectively.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 and 2021 are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
Global equity	**59.0 %**	**4.8 %**
Fixed income	**25.0**	**1.5**
TIPS	**5.0**	**1.3**
Commodities	**3.0**	**0.8**
REITs	**8.0**	**3.8**
Total	**100.0 %**	

(e) Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 measurement dates was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Metropolitan contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(f) Changes in the OPEB Liability

The following tables shows the changes in the net OPEB liability recognized over the measurement periods of June 30, 2021 and 2020:

	Increase (Decrease)		
(Dollars in thousands)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2020 (MD)	**$ 452,293**	**$ 287,562**	**$ 164,731**
Changes recognized for the measurement period:			
Service cost	11,473	—	11,473
Interest	30,563	—	30,563
Difference between expected and actual experience	6,034	—	6,034
Changes of assumptions	(48,447)	—	(48,447)
Contribution - employer	—	27,025	(27,025)
Net investment income	—	85,221	(85,221)
Benefit payments	(22,313)	(22,313)	—
Administrative expense	—	(174)	174
Net changes	**$ (22,690)**	**$ 89,759**	**$ (112,449)**
Balance at June 30, 2021 (MD)	**$ 429,603**	**$ 377,321**	**$ 52,282**

	Increase (Decrease)		
(Dollars in thousands)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2019 (MD)	**$ 434,759**	**$ 266,773**	**$ 167,986**
Changes recognized for the measurement period:			
Service cost	11,061	—	11,061
Interest	29,322	—	29,322
Contribution - employer	—	33,506	(33,506)
Net investment income	—	10,276	(10,276)
Benefit payments	(22,849)	(22,849)	—
Administrative expense	—	(144)	144
Net changes	**$ 17,534**	**$ 20,789**	**$ (3,255)**
Balance at June 30, 2020 (MD)	**$ 452,293**	**$ 287,562**	**$ 164,731**

(g) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the OPEB Plan as of the June 30, 2021 and 2020 measurement dates if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

(Dollars in thousands)		**2022**		2021
Discount Rate -1%		**5.75 %**		5.75 %
Net OPEB Liability	**$**	**103,236**	$	222,863
Current Discount Rate		**6.75 %**		6.75 %
Net OPEB Liability	**$**	**52,282**	$	164,731
Discount Rate +1%		**7.75 %**		7.75 %
Net OPEB Liability	**$**	**9,669**	$	116,650

(h) Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the OPEB Plan if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2021 and 2020:

(Dollars in thousands)		**2022**		2021
Healthcare Trend Rate -1%		**6.0%/4.5 % decreasing to 3.0 %**		6.25%/5.3 % decreasing to 3.0 %
Net OPEB Liability	**$**	**3,096**	$	108,441
Current Healthcare Trend Rate		**7.0%/5.5 % decreasing to 4.0 %**		7.25%/6.3 % decreasing to 4.0 %
Net OPEB Liability	**$**	**52,282**	$	164,731
Healthcare Trend Rate +1%		**8.0%/6.5 % decreasing to 5.0 %**		8.25%/7.3 % decreasing to 5.0 %
Net OPEB Liability	**$**	**112,091**	$	233,820

(i) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT Fund financial reports.

(j) Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

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

(k) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the years ended June 30, 2022 and 2021, Metropolitan recognized OPEB expense of $10.7 million and $10.1 million, respectively. At June 30, 2022 and 2021, Metropolitan has deferred outflows and inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
(Dollars in thousands)	**2022**	2021	**2022**	2021
OPEB contributions subsequent to measurement date	**$ 30,603**	$ 27,025	**$ —**	$ —
Differences between expected and actual experience	**4,827**	—	**(20,635)**	(30,462)
Changes of assumptions	**—**	—	**(40,494)**	(2,563)
Net difference between projected and actual earnings on OPEB plan investments	**—**	5,872	**(45,597)**	—
Total	**$ 35,430**	$ 32,897	**$ (106,726)**	$ (33,025)

The $30.6 million and $27.0 million reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 and 2020 measurement dates, respectively, will be/was recognized as a reduction of the net OPEB liability during the fiscal years ending/ended June 30, 2023 and 2022, respectively.

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

(Dollars in thousands)		Deferred Inflows of Resources
Fiscal year ending June 30,		
2023	$	(30,279)
2024		(29,757)
2025		(20,510)
2026		(21,353)
Total	$	(101,899)

10. COMMITMENTS AND CONTINGENCIES

(a) State Water Contract (see Note 11)

Estimates of Metropolitan's share of the projected fixed costs of the 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:

(Dollars in thousands)		State Water Contract Payments
Year ending June 30:		
2023	$	564,324
2024		541,635
2025		508,811
2026		510,079
2027		501,137

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:

(Dollars in thousands)		State Water Long Term Commitments
Transportation facilities	$	3,310,242
Conservation facilities		2,299,328
Off-aqueduct power facilities[1]		12,301
East Branch enlargement		249,212
Revenue bond surcharge		631,668
Total long-term SWP contract commitments	$	6,502,751

[1] *These commitments represent operations and maintenance costs. Metropolitan was relieved of its obligation for capital costs in 2018.*

Metropolitan intends to exercise its option to extend its agreement with the State through 2085, which will result in annual minimum operations and maintenance costs through 2085. 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 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.

The Delta Stewardship Council (Council) is the California State agency tasked with creating and implementing a comprehensive management plan for the Delta. The Council, created by the 2009 Sacramento-San Joaquin Delta Reform Act, serves as an independent voice for science and policy in the Delta to achieve the state mandated coequal goals for the Delta of ecosystem restoration and water supply reliability. To accomplish its mission, the Council adopted and implements the Delta Plan, which is the state's long-term management plan for the Delta to further the coequal goals, including facilitating, coordinating, and integrating the activities of hundreds of local, state, and federal agencies that have responsibilities directly related to water, ecosystems, land use, recreation, flood control and other functions in the legally defined Delta. The Council is conducting updates to its Delta Plan, including a strategic levee investment policy. In addition, the Council is developing a draft climate change adaption plan for the Delta and Suisun Marsh as part of their Delta Adapts: Creating a Climate Resilient Future initiative. The Delta Adapts plan is intended to help inform and assess specific climate risks and vulnerabilities in the Delta and, in coordination with other agencies and stakeholders, develop adaptation strategies to address those vulnerabilities.

To avoid endangering State or federally listed species or adversely modifying their critical habitat, the Department of Water Resources (DWR) consults with the California Department of Fish and Wildlife (CDFW) and its federal agency counterparts under the California Endangered Species Act (ESA) and federal ESA, respectively, regarding the operation of the SWP. If a project may adversely affect a listed species, a formal consultation is held with the state and federal regulatory agencies. The regulatory agency(ies) then issue operating permits under the state and federal ESA jurisdiction, being a federal biological opinion and a state permit that is either a consistency determination or an Incidental Take Permit (ITP). Updated federal biological opinions were approved in February 2020 and CDFW issued a State ITP in March 2020. Both the federal and state permits have been challenged in court by multiple parties including water agencies and non-governmental organization groups. Metropolitan is involved in the federal permit litigation as part of the State Water Contractors, and in the State ITP litigation as Metropolitan, in order to protect its interests that the permits be based on the best available science and granted pursuant to correct legal standards. The litigation on the State ITP includes eight cases and has been ordered to be coordinated in Sacramento County Superior Court. The administrative records were certified in March 2022. Metropolitan and the other parties of the State Water Contractors are challenging the completeness of the administrative record. No date has been set for the hearing merits.

The Bay Delta Conservation Plan (BDCP) planning process, which began in 2007, was 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, including new Delta conveyance infrastructure as one of the conservation measures consisting of multiple new intakes on the Sacramento River connected to existing SWP and Central Valley Project water facilities in the south Delta by two main tunnels. In addition, the BDCP would have provided the basis for long-term 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, and it would have been incorporated into the Delta Plan if it met the requirements of the federal and state ESAs for a Habitat Conservation Plan/Natural Communities Conservation Plan (HCP/NCCP).

On April 30, 2015, the State announced its intent to study three new conveyance-only alternatives that would not be part of an HCP/NCCP, separating the conveyance facilities and habitat restoration measures into two separate efforts namely: CWF and California EcoRestore. Under the CWF, the new water conveyance facilities with proposed design changes would be constructed and operated, with federal ESA compliance achieved through section 7 consultation. State and Federal ESA permits were issued in June and July 2017, and the DWR approved CWF on July 21, 2017. Metropolitan and other State Water Contractors approved their respective participation in CWF in 2017 and 2018. On February 12, 2019, Governor Newsom announced that he did not support a two-tunnel Delta Conveyance project, but supports a single tunnel project. On April 29, 2019, Governor Newsom issued Executive Order N-10-19, directing several agencies to, among other things, "inventory and assess current planning to modernize conveyance through the Bay Delta with a new single tunnel project." On May 2, 2019, the DWR rescinded its approval of CWF and decertified the Environmental Impact Report (EIR). As of June 30, 2022, the DWR is continuing to develop a public Draft Environmental Impact Report (Draft EIR) under the California Environmental Quality Act for the Delta Conveyance Project. See Note 16 for subsequent events.

Eighteen SWP contractors have taken action in November and December 2020 and approved their participation in the planning and pre-construction costs for the Delta Conveyance Project and authorized the execution of a funding agreement with the DWR for such purpose. At its December 8, 2020, Board meeting, Metropolitan's Board authorized the General Manager to execute a funding agreement and committed funding for a Metropolitan participation level of 47.2 percent of the costs of preliminary design, environmental planning and other pre-construction activities to assist in the environmental process for the proposed Delta Conveyance Project. At a 47.2 percent participation level for Metropolitan, its forecasted funding agreement costs will be $160.8 million for calendar years 2021 through 2024. A range of reasonable alternatives to consider and analyze in the EIR has been identified and current efforts are focused on analyzing the alternatives' potential impacts on environmental resources. DWR also conducted interviews with stakeholders in February and early March of 2021 on the concept of incorporating a Community Benefits Program as part of the Delta Conveyance Project to help protect and enhance the cultural, recreational, natural resource and agricultural values of the Delta. DWR is also conducting a tribal consultation process as part of its environmental planning, consistent with State statutes and policies.

(c) Imperial Irrigation District

As of June 30, 2022, Metropolitan had advanced a total of $370.1 million to IID 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 between 85.0 TAF to 105.0 TAF in 2022 and annually thereafter depending upon the amount used by the CVWD. A total of at least 85.0 TAF and up to 105.0 TAF will be/was available in calendar years 2022 and 2021, 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 (see Note 10e). The amended Transfer Agreement sets the maximum transfer amount at 205.0 TAF in 2021, with the transfer gradually ramping up to that amount over an approximately twenty-year period, stabilizing at 200.0 TAF per year beginning in 2023.

No facilities exist to provide for delivery of water from IID to SDCWA. In 1998, Metropolitan and SDCWA entered into an agreement for the exchange of the IID water to be acquired by SDCWA under the Transfer Agreement, with water to be delivered by Metropolitan. In 2003, the boards of directors of Metropolitan and SDCWA agreed to an increase in the price that SDCWA would pay to Metropolitan for this exchange of water, in return for Metropolitan's assignment to SDCWA of Metropolitan's rights to water conserved as a result of the lining of the All-American and Coachella Canals and $235.0 million, as set forth in an amended exchange agreement (Exchange Agreement) and an Allocation Agreement. Under the Exchange Agreement, 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 the conserved canal lining water allocated to SDCWA. In exchange, Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The deliveries to both Metropolitan and SDCWA are deemed to be made in equal monthly increments. SDCWA pays Metropolitan a volumetric price for each delivery 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 separate lawsuit challenging the rates adopted by Metropolitan's Board on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. On May 30, 2014, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 8, 2014 and effective on January 1, 2015 and January 1, 2016. On April 13, 2016, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 12, 2016 and effective on January 1, 2017 and January 1, 2018. On June 8, 2018, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 10, 2018 and effective on January 1, 2019 and January 1, 2020. 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. See Claims and Litigation, Note 10g.

(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 and the CVWD. It also provides for specific acquisitions of conserved water and water supply arrangements and restores the opportunity for Metropolitan to receive any special surplus water.

(f) Construction Programs and Contracts

The estimated cost, excluding contingencies, of Metropolitan's capital program for fiscal years 2023 through 2027 totals approximately $1.8 billion. Capital spending for fiscal year 2023 and 2024 is planned at $300.0 million each year. Planned capital spending for fiscal years 2025 through 2027 includes spending for Pure Water Southern California and is $372.0 million, $381.0 million and $475.0 million, respectively.

Over the next three years, Capital Investment Plan budget totals approximately $972.0 million with $213.0 million on refurbishment and replacement (R&R) work at pressure control facilities and pipelines throughout the distribution system; $173.3 million to continue relining of the Prestressed Concrete Cylinder Pipe portions of the Second Lower and Sepulveda feeders; $128.4 million targeted for R&R projects for the Colorado River Aqueduct; over $86.2 million for R&R work at Metropolitan's water treatment plants; $77.8 million on projects to mitigate drought impacts; and $55.9 million on a variety of information technology projects such as the Supervisory Control and Data Acquisition system.

Metropolitan had commitments under construction contracts in force as follows:

(Dollars in thousands)	June 30, 2022	June 30, 2021
Weymouth water treatment plant basins nos. 5-8 & filter building no. 2 rehabilitation	**$ 90,025**	$ —
CRA pumping plants domestic water treatment system replacement	**30,937**	—
La Verne shops building completion - stage 5	**18,530**	—
Orange County Feeder relining - reach 3	**16,798**	—
CRA pumping plants sump rehabilitation	**15,792**	21,533
CRA pumping plants overhead cranes replacement	**12,460**	13,072
Second Lower Feeder PCCP rehabilitation - reach 3A	**11,645**	—
Jensen and Skinner water treatment plants battery energy storage systems	**9,093**	—
Henry J. Mills water treatment plant electrical upgrades, stage 2	**7,941**	—
Furnishing large-diameter conical plug valves	**6,592**	19,221
MWD headquarters building fire alarm and smoke control improvements	**6,546**	11,980
Replacement of Casa Loma siphon barrel no. 1	**6,444**	—
Weymouth plant battery energy storage system	**6,177**	—
Lake Mathews PCCP rehabilitation valve storage building	**4,154**	—
Sepulveda, West Valley, and East Valley feeders interconnection upgrades	**3,144**	—
OC-88 pump station chiller replacement	**2,584**	—
Furnishing butterfly valves for the F.E. Weymouth water treatment plant - schedule 1	**2,465**	4,815
Lake Mathews reservoir wastewater system replacement	**2,412**	—
Jensen water treatment plant ozone power supply units (PSU) replacement	**2,258**	—
Furnishing equipment for the Jensen ozone PSU upgrades	**2,116**	3,746
Upper Feeder Santa Ana River crossing expansion joint replacement(1)	**1,200**	—
Refurbish filter valve actuators for Diemer water treatment plant	**1,173**	2,086
Furnishing steel pipe for Etiwanda pipeline north relining, stage 3	**1,021**	—
Furnishing membrane filtration systems for the CRA domestic water treatment system	**715**	1,206
CRA mile 12 flow monitoring station upgrades	**455**	2,022
Furnishing steel pipe for Casa Loma siphon barrel no. 1	**273**	768
MWD headquarters building physical security upgrades and improvements	**81**	3,566
Garvey reservoir drainage and erosion improvements - areas 6, 7, 8, 10 and 11	**54**	520
Garvey reservoir sodium hypochlorite feed system	**51**	2,357
Gene wash reservoir discharge valve replacement	**—**	3,016
Jensen water treatment plant electrical upgrade - stage 2	**—**	2,604
F.E. Weymouth chlorination system upgrades	**—**	546
Other	**1,303**	2,185
Total	**$ 264,439**	$ 95,243

These commitments are being financed with operating revenues and debt financing.
(1) Upper Feeder Santa Ana River Crossing expansion joint teplacement project is a time and material contract. The amount in 2022 is a not-to-exceed contract amount.

(g) Claims and Litigation

Through several lawsuits filed by SDCWA since 2010, SDCWA has challenged the rates adopted by Metropolitan's Board in 2010, 2012, 2014, 2016 and 2018. Each of these lawsuits and the status thereof are briefly described below.

The 2010 and 2012 Cases. SDCWA filed San Diego County Water Authority v. Metropolitan Water District of Southern California, et al. on June 11, 2010 challenging the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012 (the "2010 Case"). The complaint requested a court order invalidating the rates adopted April 13, 2010, and that Metropolitan be mandated to allocate certain costs associated with the State Water Contract and the Water Stewardship Rate to water supply rates and not to transportation rates.

The contract price payable by SDCWA under the Exchange Agreement between Metropolitan and SDCWA is Metropolitan's transportation rates. Therefore, SDCWA also alleged that Metropolitan breached the Exchange Agreement by allocating certain costs related to the State Water Contract and the Water Stewardship Rate to its transportation rates because it resulted in an overcharge to SDCWA for water delivered pursuant to the Exchange Agreement.

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 "2012 Case") based on similar claims, and further alleging that Metropolitan's rates adopted in 2012 violated Proposition 26.

Following a trial of both lawsuits in two phases and subsequent trial court ruling, the parties appealed. On June 21, 2017, the California Court of Appeal ruled that Metropolitan may lawfully include its State Water Project transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The court held Metropolitan's allocation of the State Water Project transportation costs as its own transportation costs is proper and does not violate the wheeling statutes (Water Code, § 1810, et seq.), Proposition 26 (Cal. Const., Article XIIIC, §1, subd.(e)), whether or not that Proposition applies to Metropolitan's rates, California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the record did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and the wheeling statutes. The court noted that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's full-service rate.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014 and remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal also found that the Exchange Agreement may entitle the prevailing party to attorneys' fees for both phases of the case, and directed the trial court on remand to make a new determination of the prevailing party, if any.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

After tendering payment in 2019 which SDCWA rejected, in February 2021 Metropolitan paid to SDCWA the same amount previously tendered of $44.4 million for contract damages for SDCWA's Water Stewardship Rate payments from 2011 to 2014 and pre-judgment and post-judgment interest. In September 2021, following a 2021 Court of Appeal opinion clarifying that its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA the amount of $35.9 million for SDCWA's Water Stewardship Rate payments from 2015 to 2017 and pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018. The payment included $58.1 million withdrawn from the Exchange Agreement Set-Aside Fund and $22.1 million withdrawn from reserves (the remainder of the statutory interest).

The Superior Court also issued an order finding SDCWA is the prevailing party on the contract in the 2010 and 2012 cases and is therefore entitled to its attorneys' fees and costs under the contract, and to statutory costs. On February 25, 2021, Metropolitan appealed both prevailing party determinations. The parties stipulated to $13,397,575.66 as the amount of SDCWA's attorneys' fees that may be awarded under the Exchange Agreement, in the event Metropolitan's appeal is unsuccessful. On March 17, 2022, the Court of Appeal held that SDCWA is the prevailing party in the 2010 and 2012 cases and is therefore entitled to attorney's fees under the parties' Exchange Agreement and litigation costs. On March 21, 2022, Metropolitan paid to SDCWA $14,296,864.99 ($13,397,575.66 fees award, plus statutory interest) and $352,247.79 for costs ($326,918.34 costs award, plus statutory interest).

The 2014, 2016 and 2018 Cases. SDCWA has also filed lawsuits challenging the rates adopted in 2014, 2016 and 2018 and asserting breach of the Exchange Agreement. Metropolitan filed cross-complaints in the three cases, asserting claims relating to rates and the Exchange Agreement, including reformation.

The operative Petitions for Writ of Mandate and Complaints allege the same Water Stewardship Rate claim and breach of the Exchange Agreement as in the 2010 and 2012 cases, but because Metropolitan paid the amounts sought to SDCWA, and the writ in the 2010 and 2012 cases encompasses these claims, these claims and cross-claims are moot. They also claim Metropolitan's wheeling rate fails to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, et seq., and that Metropolitan has breached the Exchange Agreement by failing to reduce the price for an "offsetting benefits" credit. The cases also alleged that in 2019 and 2020, Metropolitan misallocated its California WaterFix (CWF) costs as transportation costs and breached the Exchange Agreement by including those costs in the transportation rates charged. In April 2022, the parties requested the court's dismissal with prejudice of the claims and cross-claims relating to CWF. The cases also request a judicial declaration that Proposition 26 applies to Metropolitan's rates and charges, and a judicial declaration that SDCWA is not required to pay any portion of a judgment in the litigation. Metropolitan filed cross-complaints in each of these cases, asserting claims against relating to rates and the Exchange Agreement.

The cases were stayed pending resolution of the 2010 and 2012 cases, but the stays have been lifted and the cases have been consolidated in the San Francisco Superior Court.

Metropolitan and SDCWA each filed motions for summary adjudication of certain issues in the 2014, 2016 and 2018 cases with the court. Summary adjudication is a procedure by which a court may determine the merits of a particular claim or affirmative defense, a claim for damages, and/or an issue of duty before trial.

On May 4, 2022, the San Francisco Superior Court issued an order granting Metropolitan's motion for summary adjudication on its cross-claim for declaratory relief that the conveyance facility owner, Metropolitan, determines fair compensation, including any offsetting benefits; and denying its motion on certain other cross-claims and an affirmative defense.

On May 11, 2022, the San Francisco Superior Court issued an order granting SDCWA's motion for summary adjudication on: Metropolitan's cross-claim in the 2018 case for a declaration with respect to the lawfulness of the Water Stewardship Rate's inclusion in the wheeling rate and transportation rates in 2019 and 2020; certain Metropolitan cross-claims and affirmative defenses on the ground that Metropolitan has a duty to charge no more than fair compensation, which includes reasonable credit for any offsetting benefits pursuant to Water Code section 1811(c), with the court also stating that whether that duty arose and whether Metropolitan breached that duty are issues to be resolved at trial; Metropolitan's affirmative defenses that SDCWA's claims are untimely and SDCWA has not satisfied claims presentation requirements; Metropolitan's affirmative defense in the 2018 case that SDCWA has not satisfied dispute resolution requirements under the Exchange Agreement; SDCWA's claim, Metropolitan's cross-claims, and Metropolitan's affirmative defenses regarding the applicability of Proposition 26, finding that Proposition 26 applies to Metropolitan's rates and charges, with the court also stating that whether Metropolitan violated Proposition 26 is a separate issue; and Metropolitan's cross-claims and affirmative defenses regarding the applicability of Government Code section 54999.7, finding that section 54999.7 applies to Metropolitan's rates. The court denied SDCWA's motion on certain other Metropolitan cross-claims and affirmative defenses.

Damages sought by SDCWA in connection with its claims for offsetting benefits credit under the Exchange Agreement exceed $334.0 million for the six years (2015 through 2020) at issue in these cases. In the event that SDCWA were to prevail in final adjudication of this issue, a determination of offsetting benefits credit due to SDCWA, if any could impact the Exchange Agreement price in future years.

Trial of the 2014, 2016 and 2018 cases occurred May 16 to July 1, 2022. See Note 16 Subsequent events.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals, settlements or any future claims.

(h) 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, Skinner and Weymouth plants. The estimated cost of implementing ozone treatment at all five plants is over $1.1 billion.

(i) 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, DWR entered into a Participation Agreement to import power from the Plant to serve the SWP 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.

(j) 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. Approximately $9,000 and $24,000 were expended for post closure maintenance and monitoring activities in fiscal years 2022 and 2021, 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, 2022 and 2021, approximately $800,000, net of interest receipts and disbursements, was available in this account.

11. 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 10a). 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 31 percent and 33 percent of Metropolitan's total expenditures during fiscal years ended June 30, 2022 and 2021, respectively, pertained to its net payment obligations for the SWP. 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.

The State Water Contract provides Metropolitan rights to water through 2052 but Management's present intention is to exercise Metropolitan's option to extend the contractual period to at least 2085, under similar terms, based on the Agreement in Principle reached in 2014. This corresponds to an estimated 125-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 operating costs of the power facilities regardless of the amount of power generated.

Metropolitan capitalizes its share of system construction costs as participation rights when such costs are billed by the State (see Notes 1i, 2, and 10a). 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 maximum annual contracted deliveries provided by the State of California. Amortization expense totaled $150.5 million and $148.0 million in fiscal years 2022 and 2021, respectively.

12. DEPOSITS, PREPAID COSTS, AND OTHER

Balances at June 30, 2022 and 2021 were as follows:

	June 30,	
(Dollars in thousands)	**2022**	2021
Prepaid water costs	**$ 228,309**	$ 246,801
Prepaid costs-Delta Habitat conservation and conveyance	**58,627**	58,627
Prepaid costs-Delta Conveyance Project	**50,000**	25,000
Prepaid costs-California WaterFix	**7,494**	7,494
Prepaid expenses	**16,989**	27,418
Preliminary design/reimbursable projects	**20,407**	20,215
Other	**7,226**	18,614
Total deposits, prepaid costs, and other	**389,052**	404,169
Less current portion	**(63,279)**	(49,550)
Noncurrent portion	**$ 325,773**	$ 354,619

(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 SWP 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, 2022 and 2021, prepaid water costs totaled approximately $228.3 million and $246.8 million, respectively, based on volumes of 864.5 TAF and 1,044.8 TAF, as of such dates.

(b) Prepaid Costs—Delta Habitat Conservation and Conveyance

In March 2009, Metropolitan, other SWP contractors, federal Central Valley Project contractors, and the U.S. Department of Interior's Bureau of Reclamation entered into funding agreements with 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 which was later on adapted as CWF (see Note 10b) through environmental analysis, planning and design of Delta conservation measures including Delta water conveyance options. The two-tunnel CWF project shifted to a single tunnel project referred to as the Delta Conveyance Project with the announcement of Governor Newsom on February 12, 2019. Total prepaid costs at June 30, 2022 and 2021 were $58.6 million.

(c) Prepaid Costs—Delta Conveyance Project

The Board approved a 47.2 percent funding commitment for planning and pre-construction costs for the Delta Conveyance Project on December 18, 2020. As a result, Metropolitan remitted $25.0 million to DWR in January 2021 and an additional $25.0 million in fiscal year 2022. Total prepaid costs for the Delta Conveyance Project as of June 30, 2022 and 2021 was $50.0 million and $25.0 million, respectively.

(d) Prepaid Costs—California WaterFix

In fiscal year 2019, Metropolitan disbursed a total of $41.5 million to DWR for preconstruction planning costs of the CWF in accordance with the advance funding agreement entered into in August 2018. The $41.5 million was Metropolitan's share (31 percent) of the funding and DWR intends to refund Metropolitan for funds advanced through this agreement through bond financing actions. However, as a result of the shift to a single tunnel project and DWR's withdrawal of approval of the CWF Project as well as the rescission of other permitting applications (see Note 10b), Metropolitan requested, on June 27, 2019, that DWR return its contributions that have not been spent as of May 2, 2019. As of June 30, 2022 and 2021, DWR has remitted $34.0 million of unspent funds and $0.5 million of interest. Total advanced funds at June 30, 2022 and 2021 were $7.5 million.

(e) 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.

13. 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.

Metropolitan has established another compensation deferral arrangement in accordance with Section 401(k) of the Internal Revenue Code. The 401(k) Savings Plan (savings plan) is available to substantially all employees. Metropolitan matches a maximum of 4.5 percent of the employee's total cash compensation in the savings plan. Amounts deferred by participants, Metropolitan matching contributions, and accumulated earnings thereon are fully vested. At June 30, 2022 and 2021, 1,631 and 1,670 employees, respectively, participated in the savings plan.

Metropolitan's contributions to the savings plan were as follows:

	June 30,	
(Dollars in thousands)	**2022**	2021
Employees	**$ 23,718**	$ 22,892
Metropolitan	**10,562**	10,271
	$ 34,280	$ 33,163
Eligible payroll	**$ 264,366**	$ 256,585
Employee contributions as percent of eligible payroll	**9.0 %**	8.9 %

Deferred amounts and matching contributions, if any, for both plans 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. Accordingly, neither the assets nor the related liability of each plans were included in the accompanying basic financial statements. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in the plans.

14. 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 deferred outflows and inflows of resources related to debt. Metropolitan's capital assets, including SWP costs include plant and equipment (Notes 1h and 2), participation rights in State Water Project (Notes 1i, 2, and 11), participation rights in other facilities (Notes 1i, 2 and 4), and intangible right-to use leased assets (Notes 1j and 7). Net investment in capital assets, including State Water Project costs were approximately $6.2 billion and $6.1 billion at June 30, 2022 and 2021, 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 $573.5 million and $532.7 million at June 30, 2022 and 2021, respectively, of which $235.9 million and $221.6 million, respectively, were set-aside for principal and interest payments on outstanding debt. The remaining $337.6 million and $311.1 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 $663.4 million and $520.7 million at June 30, 2022 and 2021, respectively.

15. 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, fiduciary liability and directors' and officers' liability, and $5.0 million for workers' compensation. Metropolitan supplements its self-insurance program with $75.0 million excess general liability coverage, $60.0 million excess fiduciary liability coverage, $65.0 million excess for directors' and officers' liability coverage, and statutory limits excess workers' compensation coverage. Special insurance policies carried 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 2022 were unchanged from fiscal year 2021. 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 included in accounts payable as follows:

	June 30,		
(Dollars in thousands)	**2022**	2021	2020
Unpaid claims, beginning of fiscal year	**$ 10,289**	$ 13,602	$ 12,958
Incurred claims (including IBNR)	**4,469**	7,106	5,545
Claim payments and adjustments	**(2,056)**	(10,419)	(4,901)
Unpaid claims, end of fiscal year	**12,702**	10,289	13,602
Less current portion	**(6,013)**	(4,792)	(4,122)
Noncurrent portion	**$ 6,689**	$ 5,497	$ 9,480

16. SUBSEQUENT EVENT

SDCWA v. Metropolitan Cases

Subsequent to the July 1, 2022 trial closing date of the 2014, 2016 and 2018 cases, the parties filed post-trial briefs on August 19, 2022. On September 14, 2022, the court granted in part and denied in part SDCWA's motion for partial judgement; the rulings did not resolve any claims or cross-claims. Trial closing arguments were held on September 27, 2022. The court directed the parties to file proposed statements of decision by December 16, 2022.

In connection with the 2010 and 2012 cases, on July 27, 2022, Metropolitan paid SDCWA $411,888.36 for attorneys' fees on appeals of post-remand orders.

Short-term and Long-term Debt

On July 7, 2022, Metropolitan issued $279.6 million of Water Revenue Refunding Bonds (WRRB), 2022 Series A, which refunded $181.2 million of WRRB, 2012 Series A; $26.5 million of WRRB, 2012 Series F; and $73.2 million of WRRB, 2012 Series G. In addition, a $35.6 million draw on the Wells Fargo Revolving Credit Facility was prepaid from the proceeds. This refunding resulted in projected present value savings of $40.1 million. The true interest cost was 2.91%. The final maturity is October 1, 2036. The bonds are subject to optional redemption provisions.

On July 27, 2022, Metropolitan issued $253.4 million of WRRB, 2022 Series B, which refunded $78.9 million of Water Revenue Bonds, 2000 Series B-3; $41.5 million of Special Variable Rate Water Revenue Refunding Bonds (SVRWRRB), 2016 Series B-1; $16.1 million of SVRWRRB, 2016 Series B-2; $55.7 million of Water Revenue Bonds, 2017 Series A ;$45.0 million of SVRWRRB, 2018 Series A-1; and $45.0 million of SVRWRRB, 2018 Series A-2. The true interest cost was 2.88%. The final maturity is July 1, 2040. The bonds are subject to optional redemption provisions.

On July 27, 2022, Metropolitan issued $147.7 million of SVRWRRB, 2022 Series C-1 (Taxable) and $134.6 million of SVRWRRB, 2022 Series C-2 (Taxable), which refunded, $140.4 million of WRRB, 2015 Series A, and $127.0 million of WRRB, 2016 Series A. The 2022 Series C-1 and C-2 bonds are variable rate bonds. The final maturity of the 2022 Series C-1 bonds is July 1, 2037 and the final maturity for the 2022 Series C-2 bonds is July 1, 2046. Both series of bonds are subject to optional and mandatory redemption provisions.

The 2022 Series B, 2022 Series C-1 and 2022 Series C-2 refunding bonds were issued as a common plan of finance. The combined refundings resulted in projected present value savings of $24.6 million.

Bay/Delta Regulatory and Planning Activities

The DWR released the Draft EIR for the Delta Conveyance Project on July 27, 2022 for public review and comments. The Draft EIR is based on the preliminary design of the proposed project including alternatives as provided by the Delta Conveyance Design and Construction Authority. The Draft EIR complies with the California Environmental Quality Act requirements that evaluates a range of alternatives to the proposed project and discloses the potential environmental effects of the proposed project and alternatives, and associated mitigation measures for potentially significant impacts.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Dollars in thousands)	**2022**	2021
Measurement date: June 30,	**2021**	2020
TOTAL PENSION LIABILITY		
Service cost	**$ 38,574**	$ 37,178
Interest on total pension liability	**181,233**	174,996
Changes of assumptions	**—**	—
Difference between expected and actual experience	**3,634**	13,319
Benefit payments, including refunds of employee contributions	**(132,584)**	(125,982)
Net change in total pension liability	**90,857**	99,511
Total pension liability - beginning	**2,578,818**	2,479,307
Total pension liability - ending (a)	**$ 2,669,675**	$ 2,578,818
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	**$ 74,339**	$ 66,091
Contribution - Employee	**17,521**	16,230
Net investment income[1]	**417,420**	90,131
Benefit payments, including refunds of employee contributions	**(132,584)**	(125,982)
Net plan to plan resource management	**—**	—
Administrative expense	**(1,852)**	(2,551)
Other miscellaneous income/(expense)[2]	**—**	—
Net change in fiduciary net position	**374,844**	43,919
Plan fiduciary net position - beginning[3]	**1,854,231**	1,810,312
Plan fiduciary net position - ending (b)	**$ 2,229,075**	$ 1,854,231
Plan net pension liability - ending (a) - (b)	**$ 440,600**	$ 724,587
Plan fiduciary net position as a percentage of the total pension liability	**83.50 %**	71.90 %
Covered payroll	**$ 235,294**	$ 225,707
Plan net pension liability as a percentage of covered payroll	**187.26 %**	321.03 %

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

[2] *During Fiscal Year 2017-18, as a result of GASB 75, CalPERS reported its proportionate share of activity related to post-employment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68.*

[3] *Includes any beginning of year adjustment.*

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

See accompanying independent auditors' report

REQUIRED SUPPLEMENTARY INFORMATION—UNAUDITED

(CONTINUED)

June 30, 2022 and 2021

2020	2019	2018	2017	2016	2015[4]
2019	2018	2017	2016	2015	2014
$ 35,739	$ 33,583	$ 33,685	$ 29,142	$ 28,890	$ 28,505
168,122	161,023	156,661	152,500	146,852	139,190
—	(15,391)	125,734	—	(35,008)	—
16,205	(10,039)	(15,804)	(12,754)	14,665	—
(117,537)	(107,646)	(100,092)	(92,401)	(86,154)	(81,391)
102,529	61,530	200,184	76,487	69,245	86,304
2,376,778	2,315,248	2,115,064	2,038,577	1,969,332	1,883,028
$ 2,479,307	$ 2,376,778	$ 2,315,248	$ 2,115,064	$ 2,038,577	$ 1,969,332
$ 56,497	$ 48,780	$ 42,819	$ 38,393	$ 34,306	$ 33,853
15,631	15,749	14,895	15,034	14,787	15,185
114,220	139,003	171,562	8,304	35,301	236,746
(117,537)	(107,646)	(100,092)	(92,401)	(86,154)	(81,391)
—	(4)	—	—	—	—
(1,244)	(2,577)	(2,255)	(950)	(1,756)	—
4	(4,895)	—	—	—	—
67,571	88,410	126,929	(31,620)	(3,516)	204,393
1,742,741	1,654,331	1,527,402	1,559,022	1,562,538	1,358,145
$ 1,810,312	$ 1,742,741	$ 1,654,331	$ 1,527,402	$ 1,559,022	$ 1,562,538
$ 668,995	$ 634,037	$ 660,917	$ 587,662	$ 479,555	$ 406,794
73.02 %	73.32 %	71.45 %	72.22 %	76.48 %	79.34 %
$ 212,558	$ 204,635	$ 199,186	$ 195,878	$ 190,423	$ 186,850
314.74 %	309.84 %	331.81 %	300.01 %	251.84 %	217.71 %

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the June 30, 2021 measurement date. However, offers of Two Years Additional Service Credit that occurred after the June 30, 2020 valuation date are not included in the figure above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: There were no changes of assumptions for the 2016, 2019 through 2021 measurement dates. For the 2018 measurement date, demographic assumptions and inflation rate were changed in accordance with CalPERS experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. For the 2017 measurement date, the discount rate was reduced from 7.65 percent to 7.15 percent. For the 2015 measurement date, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). For the 2014 measurement date, amounts reported were based on the 7.5 percent discount rate.

SCHEDULE OF PENSION CONTRIBUTIONS

(Dollars in thousands)	**2022**	2021	2020	2019	2018	2017	2016	2015[1]
Actuarially determined contribution	**$ 81,525**	$ 74,339	$ 66,091	$ 56,497	$ 48,780	$ 42,819	$ 38,393	$ 34,306
Contributions in relation to the actuarially determined contribution	**(81,525)**	(74,339)	(66,091)	(56,497)	(48,780)	(42,819)	(38,393)	(34,306)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	**$ 241,288**	$ 235,294	$ 225,707	$ 212,558	$ 204,635	$ 199,186	$ 195,878	$ 190,423
Contributions as a percentage of covered payroll	33.8 %	31.6 %	29.3 %	26.6 %	15.4 %	21.5 %	19.6 %	18.02 %

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

See accompanying independent auditors' report

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2022:

Valuation date: June 30, 2019

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 20 year period
Asset Valuation Method	Investment gains/losses amortized over a fixed 30-year period spread directly over 5 years.
Discount rate	7.00%
Inflation	2.50%
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	15 years of mortality projection using 90% of Scale MP 2016 from the Society of Actuaries

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(Dollars in thousands)	**2022**	2021	2020	2019	2018[1]
Measurement Date: June 30,	**2021**	2020	2019	2018	2017
TOTAL OPEB LIABILITY					
Service cost	**$ 11,473**	$ 11,061	$ 10,635	$ 10,325	$ 10,024
Interest	**30,563**	29,322	31,600	30,252	28,951
Changes of assumptions	**(48,447)**	—	(4,217)	—	—
Difference between expected and actual experience	**6,034**	—	(50,116)	—	—
Benefit payments	**(22,313)**	(22,849)	(21,328)	(20,487)	(19,525)
Net change in total OPEB liability	**(22,690)**	17,534	(33,426)	20,090	19,450
Total OPEB liability - beginning	**452,293**	434,759	468,185	448,095	428,645
Total OPEB liability - ending (a)	**$ 429,603**	$ 452,293	$ 434,759	$ 468,185	$ 448,095
PLAN FIDUCIARY NET POSITION					
Contribution - employer	**$ 27,025**	$ 33,506	$ 32,067	$ 34,674	$ 33,646
Net investment income	**85,221**	10,276	16,240	18,538	20,792
Benefit payments	**(22,313)**	(22,849)	(21,328)	(20,487)	(19,525)
Administrative expense	**(174)**	(144)	(57)	(400)	(107)
Net change in fiduciary net position	**89,759**	20,789	26,922	32,325	34,806
Plan fiduciary net position - beginning	**287,562**	266,773	239,851	207,526	172,720
Plan fiduciary net position - ending (b)	**$ 377,321**	$ 287,562	$ 266,773	$ 239,851	$ 207,526
Plan net OPEB liability - ending (a) - (b)	**$ 52,282**	$ 164,731	$ 167,986	$ 228,334	$ 240,569
Plan fiduciary net position as a percentage of the total OPEB liability	**87.83 %**	63.58 %	61.36 %	51.23 %	46.31 %
Covered payroll	**$ 235,294**	$ 225,707	$ 212,558	$ 204,635	$ 199,186
Plan net OPEB liability as a percentage of covered payroll	**22.22 %**	72.98 %	79.03 %	111.58 %	120.78 %

[1] *Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

See accompanying independent auditors' report

NOTES TO SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Benefit Changes: There were no benefit changes for the June 30, 2017 through 2021 measurement dates.

Changes of Assumptions: For the June 30, 2021 and 2019 measurement dates, demographic assumptions were updated to CalPERS 2000-2019 experience study and 1997-2015 experience study, respectively, and mortality improvements were updated to Scale MP-2021 and Scale MP-2019, respectively. There were no changes of assumptions for the June 30, 2020, 2018 or 2017 measurement dates.

SCHEDULE OF OPEB CONTRIBUTIONS

(Dollars in thousands)	**2022**	2021	2020	2019	2018[1]
Actuarially determined contribution	**$ 23,922**	$ 23,217	$ 28,148	$ 27,328	$ 30,086
Contributions in relation to the actuarially determined contribution	**(30,603)**	(27,025)	(33,506)	(32,067)	(34,674)
Contribution deficiency (excess)	**$ (6,681)**	$ (3,808)	$ (5,358)	$ (4,739)	$ (4,588)
Covered payroll	**$ 241,288**	$ 235,294	$ 225,707	$ 212,558	$ 204,635
Contributions as a percentage of covered payroll	**12.68 %**	11.49 %	14.84 %	15.09 %	16.94 %

[1] Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

See accompanying independent auditors' report

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2022 were from the June 30, 2019 actuarial valuation:

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 23 year closed period (17 years remaining on measurement date 6/30/20).
Asset Valuation Method	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of fair value
Discount rate	6.75%
Inflation	2.75%
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Medical trend	Pre-Medicare - 7.0% for 2022, decreasing to 4.0% for 2076 and later Medicare - 6.1% for 2022, decreasing to 4.0% for 2076 and later
Mortality improvement	Mortality projected fully generational with Scale MP-2019.