



## ***Audit Committee***

12/8/2025 Committee Meeting

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### **Subject**

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Discussion on Independent Auditor Macias Gini & O'Connell, LLP's Report for Fiscal Year 2024/25

### **Executive Summary**

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This item will share information from the external auditor, which was hired to complete an independent audit of Metropolitan's financial statements.

### **Applicable Policy**

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Metropolitan Water District Administrative Code Section 6450(e): Powers and Duties

### **Details & Background**

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The Annual Comprehensive Financial Report (ACFR) comprises the financial statements prepared by the District in accordance with accounting standards established by the Governmental Accounting Standards Board. The ACFR provides a comprehensive overview of Metropolitan's financial health to stakeholders and is audited by independent auditors to ensure accuracy. (**Attachment 1**)

In coordination with the ACFR, the independent auditor also issues the GAGAS (Generally Accepted Governmental Auditing Standards) Internal Control Compliance Report and the Report to the Board of Directors.

The GAGAS Internal Control Compliance Report is the independent auditor's report on internal control over financial reporting and on compliance and other matters, prepared for government audits conducted in accordance with GAGAS. This report details the auditor's findings on the effectiveness of the District's internal controls and its compliance with relevant laws, regulations, and agreements. This report includes any significant deficiencies, material weaknesses, and any instances of non-compliance or fraud, if identified during the independent auditors' performance of the annual financial statement audit (**Attachment 2**).

The Report to the Board of Directors summarizes matters required by professional standards to be communicated to the Board as part of the Board's oversight responsibility for Metropolitan's financial reporting process (**Attachment 3**).

The Office of the General Auditor is the contract administrator for the four-year independent (external) auditor contract with Macias Gini & O'Connell, LLP, which is in place through fiscal year 2025/26.

Metropolitan Administrative Code 6450(e) requires the General Auditor to transmit all reports issued by the District's external auditors to the Audit Committee, including any comments on the external auditor's reports that the General Auditor deems necessary.

**Attachment 1** – Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2025

**Attachment 2** – GAGAS Internal Control Compliance Report – The Metropolitan Water District of Southern California

**Attachment 3** – Macias Gini & O'Connell LLP Report to the Board of Directors



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

**Annual Comprehensive Financial Report  
For the Fiscal Years Ended June 30, 2025 and 2024**

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**THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA**

**Annual Comprehensive Financial Report**

**For the Fiscal Years Ended June 30, 2025 and 2024**

Prepared by:

Office of the Assistant General Manager, Finance and Administration

# THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## Annual Comprehensive Financial Report For the Fiscal Years Ended June 30, 2025 and 2024

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**Introductory Section**

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THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

*Executive Office*

November 4, 2025

To the Board of Directors and the Citizens served by the Member Agencies of The Metropolitan Water District of Southern California,

We are pleased to present the Annual Comprehensive Financial Report for The Metropolitan Water District of Southern California (Metropolitan) for the fiscal years ended June 30, 2025 and 2024.

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

Macias Gini & O'Connell LLP, an independent public accounting firm, has issued an unmodified opinion on Metropolitan's basic financial statements for the fiscal years ended June 30, 2025 and 2024. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of Metropolitan**

Metropolitan is a public agency that was created by an act of the state Legislature in 1928. Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses and purposes at wholesale rates to its member agencies. Most member agencies have other sources of water. Metropolitan is comprised of 26 member agencies consisting of 14

cities, 11 municipal water districts, and one county water authority, which collectively provide services in more than 300 cities and unincorporated communities. Its service area spans some 5,200 square miles, and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura.

Metropolitan has historically provided between 40 and 60 percent of the water used by nearly 19 million Southern Californians who reside within its service area. Metropolitan imports water from two principal sources, Northern California, via the Edmund G. Brown California Aqueduct of the State Water Project owned by the State of California and the Colorado River, via the Colorado River Aqueduct (CRA) owned by Metropolitan.

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

Metropolitan's biennial budget for fiscal year 2025 included 1,965 regular full-time positions with approximately 1,808 positions filled at fiscal year ended June 30, 2025 with the remaining positions under recruitment or vacant. Employees are represented by the American Federation of State, County and Municipal Employees, Locals 1001 and 1902, the Association of Confidential Employees, and the Supervisors Association of Metropolitan. Metropolitan is an equal opportunity employer and encourages diversity in contracting and in the workforces of Metropolitan contractors.

### **Financial Policies and Highlights**

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

#### ***Financial Reserve Policy***

Metropolitan's reserve policy provides for a minimum reserve requirement and target amount of unrestricted reserves at June 30 of each year. The minimum reserve requirement at June 30 of each year is equal to the portion of fixed costs estimated to be recovered by water revenues for the 18 months beginning with the immediately succeeding July. Funds representing the minimum reserve requirement are held in the Revenue Remainder Fund. Any funds in excess

of the minimum reserve requirements are held in the Water Rate Stabilization Fund. The target amount of unrestricted reserves is equal to the portion of the fixed costs estimated to be recovered by water revenues during the two years immediately following the 18-month period used to calculate the minimum reserve requirement.

In July 2025, the Board adopted revisions to the reserve policy. Under the revised reserve policy, beginning in fiscal year 2026, the minimum reserve requirement and target amount of unrestricted reserves will be adjusted based on the budgeted water demand exceedance levels used for rate setting.

The Board also adopted revisions to the approved uses of funds in excess of the target reserve amount. Under the revised policy, such funds are to be utilized for capital expenditures in lieu of the issuance of additional debt; redemption, defeasance, or purchase of outstanding bonds or commercial paper; addressing pension or Other Postemployment Benefit liabilities, including the establishment or contributions to a pension trust fund; and payment of legal or other financial obligations, as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts in the Water Rate Stabilization Fund may be expended for any lawful purpose of Metropolitan, as determined by the Board.

***Investment***

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

***Ad Valorem Tax***

In addition to water revenues, Metropolitan is expressly empowered under the Metropolitan Water District Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations. As a result of legislation enacted in 1984, tax levies beginning in fiscal year 1991, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan’s general obligation bonds and Metropolitan’s proportionate share of state general obligation bond debt service under the State Water Contract. However, under the terms of the 1984 legislation, the Board may, following a public hearing, suspend this restriction 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. In March 2022, the Board extended its applicability to fiscal years ended/ending June 30, 2023 through 2026. On April 9, 2024, the Board approved a biennial budget for fiscal years 2025 and 2026 that assumed a higher property tax rate that is essential to Metropolitan's ability to meet its forecasted expenditures.

### ***Budget and Rates***

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

The adopted biennial budget for fiscal years 2025 and 2026 was adopted to meet the fixed charge coverage target, make progress towards meeting the revenue bond coverage target, provide increased funding from revenues for the Capital Investment Plan (CIP), and promote the long-term fiscal sustainability goals of Metropolitan. The total budgets for fiscal years 2025 and 2026 were \$2.39 billion and \$2.40 billion, respectively. The adopted biennial budget included an overall water rates and charges increase of 8.5% effective on January 1, 2025, and January 1, 2026.

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

Metropolitan's budget is prepared and monitored on a cash basis. Cash basis accounting recognizes revenues when received and expenses when paid. Under accrual accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

### **Metropolitan's Economic Condition**

#### ***Local Economy***

Metropolitan's service area has an economic base that is diversified and well-positioned to participate in U.S. and world economic growth over the next ten years. In 2024, the economy of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties (the "Six County Area") was larger than all but eleven nations of the world with an estimated gross domestic product ("GDP") of \$2.056 trillion. In 2024, the major sectors of the economy

providing employment in the Six County Area were education and health services, professional and business services, government, leisure and hospitality, retail trade and manufacturing. Education and health services, transportation, warehousing and utilities, government, construction, and professional and business services have shown the largest job growth since 2019. International trade has been a leading growth sector in the Six County Area with Los Angeles and Long Beach ports being the nation's leading port complex in terms of trade volumes reaching record levels in 2021 and matched that in 2024. Container volumes increased year-over-year in ten straight months ending with a 14.2% year-over-year increase in March 2025 and a 12.5% year-over-year gain in April 2025. This growth supports jobs and economic activity in the transportation, wholesale trade and warehousing industries as the Six County Area is a gateway for U.S. trade with Pacific Rim countries.

The Six County Area had an employed labor force of approximately 9.9 million in 2024, the most recent date that employment data is available. The Six County Area had 21.7 million residents in 2024, approximately 56 percent of the State's population. Population growth in California and the Six County Area has been slowing since 2000 compared with previous decades. Population growth averaged 177,600 per year between 2000 and 2010 compared to 219,300 between 1990 and 2000. Annual population growth slowed more to an average of 93,100 between 2010 and 2020 according to the revised Department of Finance estimates, and growth turned negative in 2021, 2022, and 2023 as birth and immigration levels fell, deaths increased from the COVID-19 pandemic, and out-migration increased.

### ***Long-term Financial Planning***

Metropolitan currently has several major construction projects underway. These projects primarily involve infrastructure and system reliability, either as upgrades to existing capital assets or replacements and refurbishments of existing facilities, to ensure reliability as well as enhance operational efficiency and flexibility, and comply with water quality regulations. Metropolitan's CIP for the fiscal years ended/ending June 30, 2025 through 2029 totals approximately \$5.9 billion with Pure Water Southern California (PWSC) program and \$1.7 billion without the PWSC program. The \$4.2 billion PWSC program has not been approved by the Board. In September 2025, Metropolitan staff presented an updated cost estimate for the potential Phase 1 of PWSC to the Metropolitan Board that estimated Metropolitan's capital cost for the facility, if approved, would be approximately \$9.4 billion, including contingencies. See major initiative section.

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

Funding of the CIP is accomplished with bond issuance, grant funding, and internal resources such as operating revenues and unrestricted reserves. The Board has adopted an internal funding objective to fund 56 percent of capital program expenditures. The amount of internal funding is determined by the Board as part of the biennial budget process. The remainder of capital program expenditures is funded primarily through the issuance of water revenue bonds payable from net operating revenues. Additional information on Metropolitan’s CIP can be found in Note 11(f) of the Notes to the Basic Financial Statements.

***Highlights of the Capital Investment Plan***

*Colorado River Aqueduct Facilities.* Deliveries through the CRA began in 1941. Through annual inspections and maintenance activities, the performance and reliability of the various components of the CRA are regularly evaluated. Projects under the CRA facilities program are designed to replace or refurbish facilities and components on the CRA system in order to reliably convey water from the Colorado River to Southern California.

*Distribution System - Prestressed Concrete Cylinder Pipe.* Metropolitan’s distribution system includes 163 miles of prestressed concrete cylinder pipe (PCCP). In response to PCCP failures experienced by other water utilities, Metropolitan initiated a long-term capital program to rehabilitate with welded steel liner approximately 100 miles of PCCP in five pipelines. Significant projects over the next several years include relining of portions of Second Lower and Sepulveda Feeders and Allen McColloch Pipeline.

*Distribution System - Refurbishments and Improvements.* In addition to the long-term program to rehabilitate Metropolitan’s PCCP lines, several other components of the distribution system, including dams and reservoirs, are being refurbished and/or improved. Significant projects over the next several years include retrofitting of the distribution system to improve resiliency against earthquake; rehabilitation of reservoirs; relining of pipelines; and refurbishment of pump stations, pressure control structures, hydroelectric plants, and service connections.

*Drought Response and System Flexibility.* In response to the recent historic statewide drought that ended in 2023, several drought response projects that address decreasing water supplies both in specific parts of Metropolitan's service area and across the entire district have been added to the CIP. This is in addition to the ongoing projects to increase the system flexibility of Metropolitan's water supply and delivery infrastructure to meet service demands. Significant projects in this category include Inland Feeder-Rialto Pipeline Intertie, Inland Feeder-Foothill Pump Station Intertie, Wadsworth Pumping Plant Bypass Pipeline, Badlands Tunnel Surge Protection Facility, Sepulveda Feeder Pump Stations, Sepulveda Feeder West Area Water Supply

Reliability Pipeline Improvements, Sepulveda Canyon PCS to Venice PCS Valve Replacements, and Perris Valley Pipeline Tunnels.

*Water Treatment Plant Improvements.* Metropolitan has five water treatment facilities, which were placed in service from 1941 to 1978. These plants treat water from the CRA and/or the State Water Project and have been subsequently expanded since their original construction. Significant projects will be undertaken over the next several years to maintain the plants' reliability and improve efficiency, these include refurbishment of settling basins and strengthening of inlet channels at the Weymouth plant, rehabilitation of filtration system at the Robert B. Diemer Water Treatment Plant, rehabilitation of finished water reservoirs at the Mills plant, construction of mechanical solids handling facility at the Joseph Jensen Water Treatment Plant, and chemical system rehabilitation at the Robert A. Skinner Plant.

### **Major Initiatives**

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

The Board-adopted IRP was developed by Metropolitan, its member agencies, sub-agencies, and groundwater basin managers with the purpose of developing a portfolio of preferred resources to meet the water supply reliability and water quality needs for the service area in a cost-effective and environmentally sound manner. On January 12, 2016, the IRP was updated enabling Metropolitan and its member agencies to manage future challenges and changes in California's water conditions and to balance investments with water reliability benefits. In February 2020 Metropolitan began the new process for the development of the 2020 IRP. The 2020 IRP is being undertaken in two phases, the first phase is Regional Needs Assessment, which was adopted by the Board in April 2022. This phase identified potential gaps between the expected supplies and the forecasted demands in Southern California across four planning scenarios. The second phase is Climate Adaptation Master Plan for Water (CAMP4W), which will translate the high-level portfolio analysis from Phase 1 into specific policies, programs, and projects to address the findings and mitigate potential shortages. Considering the acceleration of climate impacts and cascading effects of simultaneous and serial climate events, Metropolitan initiated the CAMP4W to more explicitly assess and incorporate climate vulnerabilities and risks into its resource plans.

In April 2025, Metropolitan's Board approved the CAMP4W Implementation Strategy, which establishes steps to implement and institutionalize climate adaptation. The Strategy includes (1) time-bound targets to guide investment decisions, (2) a Climate Adaptation Policy Framework supporting the Board's priorities of reliability, resilience, financial sustainability, affordability, and equity, (3) a Decision-Making Framework for assessing projects and programs, (4) an adaptive management approach with annual reporting and performance adjustments, and (5) implementation timelines outlining key milestones over the next five years. In parallel, Metropolitan is undertaking a comprehensive review of its business model through an Ad Hoc Working Group composed of representatives from its 26 member agencies, the Metropolitan General Manager, and key Metropolitan subgroups. These subgroups are focusing on core areas including Finance, Water Resource Management (WRM), and Engineering to develop financial policy recommendations for Board consideration. The recommendations will address (i) treated water cost recovery, (ii) rate structure design, (iii) reserve policies, and (iv) the basis for future water sales projections.

Future phases of the business model review are expected to focus on (a) water resource programs and (b) Metropolitan's level of service policy, including potential options to enhance system reliability and operational flexibility.

Since 2010, Metropolitan has been evaluating the potential and feasibility of implementing a regional recycled water program, now referred to as Pure Water Southern California (PWSC). Chronic drought conditions have resulted in significant reductions in local surface supplies and groundwater production and have increased the need for recharge supplies to groundwater and surface water reservoirs to improve their sustainable yields and operating integrity. In September 2019, the construction of a 0.5-mgd advanced water treatment demonstration plant was completed in partnership with the Los Angeles County Sanitation Districts (LACSD). The objective of which is to enable the potential reuse of up to 150 million gallons per day (mgd) of cleaned wastewater effluent from LACSD's A.K. Warren Facility. Testing and operation of the plant began in October 2019 to confirm treatment costs and provide the basis for regulatory approval of the proposed treatment process. If approved, design and construction of PWSC would be expected to take approximately eight years and occur in two phases. If implemented, PWSC as proposed would have the flexibility to produce purified water suitable for Direct Potable Reuse through raw water augmentation at two of Metropolitan's treatment plants.

On November 10, 2020, Metropolitan's Board voted to begin environmental planning work on PWSC. The draft EIR was released on May 14, 2025, and the public review period has closed. An action requesting Board approval of PWSC is anticipated to occur in early 2026, including recommendation for award of a construction contractor. In fiscal year 2023, Metropolitan received \$80.0 million in grant funding for PWSC from the State of California.

Work performed under this funding will continue into fiscal year ending 2026. In fiscal years 2025 and 2024, Metropolitan received \$125.5 million and \$5.0 million, respectively, in grant funding from U.S. Bureau of Reclamation (USBR) to support this program. In fiscal year 2025, Metropolitan received a total of \$20.9 million from these grants. Metropolitan continues to pursue additional grants to fund the PWSC program.

The Sites Reservoir is a proposed reservoir project of approximately 1.5 million acre-feet to be located in Colusa County, that is being developed by the Sites Project Authority, a joint exercise of powers authority. The water stored in the proposed project would be diverted from the Sacramento River. As currently proposed, the Sites Reservoir would have dedicated water storage and yield that would be used for fishery enhancement, water quality, and other environmental purposes. The proposed project could also provide an additional water supply that could be used for dry-year benefits. Metropolitan is a member of the Sites Reservoir Committee, a group of 22 agencies that are participating in certain planning activities in connection with the proposed development of the project, including project permitting and proposed reservoir operations. In April 2022, Metropolitan's Board approved \$20.0 million in funding for Metropolitan's continued participation in such planning activities. The Sites Project Authority Board, with a recommendation from the Sites Reservoir Committee, approved the Final Environmental Impact Report (EIR) and approved the Sites Reservoir project on November 17, 2023. The Sites Project Authority Board has extended the schedule for continuing planning activities through early 2026. No additional funding commitments from participating agencies will be required during this time, including recommendation for award of a construction contractor. Metropolitan's agreement to participate in the funding of the current phase of project development does not commit Metropolitan to participate in the Sites Reservoir project in the future.

On April 29, 2019, Governor Newsom issued an executive order directing identified State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, directing the State agencies to inventory and assess the current planning for modernizing conveyance through the Bay-Delta with a new single tunnel project. Consistent with the Governor's direction, in January 2020, the Department of Water Resources (DWR) commenced a formal environmental review process under CEQA for a proposed single tunnel Delta Conveyance Project. DWR certified its Final EIR and approved the Bethany Reservoir Alignment alternative on December 21, 2023. The approved conveyance facilities include intake structures on the Sacramento River, with a total capacity of 6,000 cfs, and a single tunnel to convey water to a new pumping facility in the south Delta that would lift water into the existing Bethany Reservoir, part of the California Aqueduct. On December 8, 2020, the Board voted to fund its share of the environmental planning and pre-construction costs of the Delta Conveyance Project which is estimated at 47.2 percent or \$160.8 million for calendar years 2021 through 2024.

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

### **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2024. This was the twenty-ninth consecutive year that Metropolitan has received this prestigious award. In order to be awarded a Certificate of Achievement, Metropolitan published an easily readable and efficiently organized ACFR. This report satisfies both Generally Accepted Accounting Principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Office of the Assistant General Manager, Finance and Administration, with recognition to the Controller Section. I would like to express my appreciation to all staff that assisted and contributed to the preparation of this report. Credit must also be given to the General Manager and the Board for their unfailing support for maintaining the highest standards of professionalism in the management of Metropolitan's finances. Any questions regarding the content of this report may be directed to the Controller, Joy Mayor, at (213) 217-5659.

Respectfully,



Katano Kasaine

Assistant General Manager/Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**The Metropolitan Water District  
of Southern California**

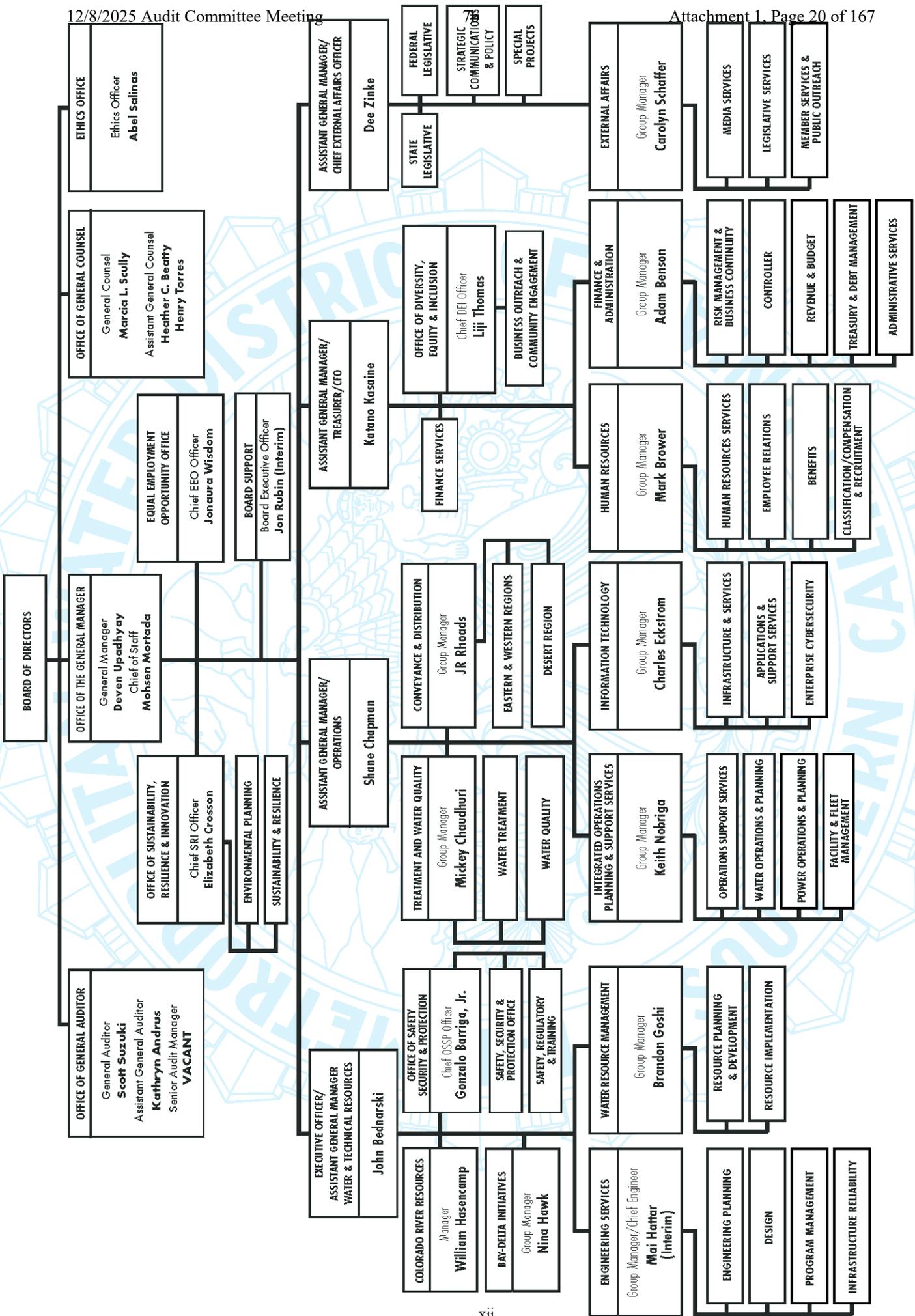
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

*Christopher P. Morill*

Executive Director/CEO

# METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**Officers of the Board of Directors  
(As of June 30, 2025)**

**Chair**

ADAN ORTEGA, JR.

<b>Vice Chair</b>	<b>Vice Chair</b>	<b>Vice Chair</b>	<b>Vice Chair</b>	<b>Secretary</b>
NANCY SUTLEY	MICHAEL CAMACHO	S. GAIL GOLDBERG	JUAN GARZA	LOIS FONG-SAKAI

**REPRESENTATIVES OF MEMBER PUBLIC AGENCIES**

<b>Anaheim</b> STEPHEN J. FAESSEL	<b>Inland Empire Utilities Agency</b> MICHAEL CAMACHO	<b>San Fernando</b> ADAN ORTEGA, JR.
<b>Beverly Hills</b> BARRY D. PRESSMAN	<b>Las Virgenes Municipal Water District</b> JAY M. LEWITT	<b>San Marino</b> GRETCHEN SHEPHERD ROMEY
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<b>Calleguas Municipal Water District</b> JACQUE MCMILLAN	<b>Los Angeles</b> CARL E. DOUGLAS MATT S. PETERSEN MIGUEL ANGEL LUNA NANCY SUTLEY TRACY QUINN	<b>Santa Monica</b> MARK GOLD
<b>Central Basin Municipal Water District</b> JUAN GARZA JIM J. CRAWFORD	<b>Municipal Water District of Orange County</b> DENNIS ERDMAN KARL W. SECKEL LARRY D. DICK LINDA ACKERMAN	<b>Three Valleys Municipal Water District</b> DAVID D. DE JESUS
<b>Compton</b> TANA L. MCCOY	<b>Pasadena</b> CYNTHIA KURTZ	<b>Torrance</b> RAYMOND JAY
<b>Eastern Municipal Water District</b> JEFFREY D. ARMSTRONG	<b>San Diego County Water Authority</b> C. MARTIN MILLER LOIS FONG-SAKAI S. GAIL GOLDBERG MEL IRA KATZ	<b>Upper San Gabriel Valley Municipal Water District</b> ANTHONY R. FELLOW
<b>Foothill Municipal Water District</b> GARRY E. BRYANT		<b>West Basin Municipal Water District</b> DESI ALVAREZ GLORIA GRAY
<b>Fullerton</b> FRED JUNG		<b>Western Municipal Water District of Riverside County</b> BRENDA DENNSTEDT
<b>Glendale</b> ARDY KASSAKHIAN		

**Financial Section**

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## **Independent Auditor's Report**

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

### **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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Metropolitan's basic financial statements 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 the fiduciary activities of Metropolitan, as of June 30, 2025, and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As discussed in Note 1(v) to the basic financial statements, effective July 1, 2024, Metropolitan adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The provisions of this statement were applied retroactively to July 1, 2023, resulting in the restatement of the fiscal year 2024 financial statements presented for comparative purposes. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefits related schedules, collectively identified as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metropolitan's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2025, on our consideration of Metropolitan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metropolitan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan's internal control over financial reporting and compliance.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
November 4, 2025

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
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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, 2025 and 2024. 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, investment income, grants, and other funding sources 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, 2025, Metropolitan implemented GASB Statement No. 101 (GASB 101), *Compensated Absences*, which requires Metropolitan to evaluate the recognition and measurement of all types of compensated absences, including vacation, sick, personal, and other leave categories. As a result, fiscal year 2024 balances were restated.

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## CONDENSED FINANCIAL INFORMATION

### Condensed Schedule of Net Position

	June 30,		
	2025	2024	2023
(Dollars in millions)	As Restated		
<b>Assets and deferred outflows of resources</b>			
Capital assets, net	\$ 10,974.3	\$ 10,790.6	\$ 10,537.2
Other assets	2,607.9	2,384.1	2,520.9
<b>Total assets</b>	<b>13,582.2</b>	13,174.7	13,058.1
Deferred outflows of resources	296.6	331.8	309.4
<b>Total assets and deferred outflows of resources</b>	<b>13,878.8</b>	13,506.5	13,367.5
<b>Liabilities and deferred inflows of resources</b>			
Long-term liabilities, net of current portion	5,003.4	4,913.9	4,585.3
Other liabilities	1,046.8	1,109.1	1,172.0
<b>Total liabilities</b>	<b>6,050.2</b>	6,023.0	5,757.3
Deferred inflows of resources	104.1	130.6	159.7
<b>Total liabilities and deferred inflows of resources</b>	<b>6,154.3</b>	6,153.6	5,917.0
<b>Net position</b>			
Net investment in capital assets, including State Water Project costs	6,447.2	6,422.4	6,359.2
Restricted	679.1	628.7	616.8
Unrestricted	598.2	301.8	474.5
<b>Total net position</b>	<b>\$ 7,724.5</b>	\$ 7,352.9	\$ 7,450.5

### Capital Assets, Net

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

**Fiscal Year 2025 Compared to 2024.** At June 30, 2025, net capital assets totaled \$11.0 billion, or 79.1 percent of total assets and deferred outflows of resources, and were \$183.7 million higher than the prior year. The increase included \$374.3 million of construction spending, \$144.0 million net increase in participation rights in SWP and other facilities, and a \$3.1 million net increase in subscription and lease assets, offset by \$337.3 million of depreciation and amortization and \$0.4 million retirements of capital assets. See the capital assets section on pages 16-17 for additional information.

**Fiscal Year 2024 Compared to 2023.** At June 30, 2024, net capital assets totaled \$10.8 billion, or 79.9 percent of total assets and deferred outflows of resources, and were \$253.4 million higher than the prior year. The increase included \$412.9 million of construction spending, \$217.0 million net increase in participation rights in SWP and other facilities, and a \$4.7 million net increase in subscription and lease assets, offset by \$373.2 million of depreciation and amortization and \$8.0 million retirements of capital assets. See the capital assets section on pages 16-17 for additional information.

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### **Other Assets**

Other assets include cash and investments, receivables, inventories, deposits and prepaid costs.

***Fiscal Year 2025 Compared to 2024.*** At June 30, 2025, other assets totaled \$2.6 billion and were \$223.8 million higher than the prior year. The increase was primarily due to \$230.9 million higher cash and investments which included increased water and property tax revenues of \$210.6 million and \$186.4 million, respectively, and \$125.6 million proceeds from the Reverse Cyclic Sales program, which allowed member agencies to pre-purchase a total of up to 100.0 thousand acre-feet (TAF) for calendar years 2024 and 2025 at the effective full service rate, with delivery scheduled for a future year. These inflows were partially offset by operating and capital expenditures during the year. In addition, water receivables increased \$70.4 million due to \$111.4 million or 94.8 TAF higher water sold in May and June 2025 as compared to the same period in prior year, offset by \$41.0 million lower price. These increases were offset by \$40.6 million lower other receivables primarily due to the receipt of prior year expected funds from the United States Bureau of Reclamation (USBR) for the implementation of the Lower Colorado Conservation and Efficiency program wherein water conserved from Metropolitan's fallowing program at the Palo Verde Irrigation District (PVID fallowing program) will be retained at Lake Mead. Deposits, prepaid costs, and other decreased \$24.6 million primarily due to a \$58.7 million write-off of advanced funding for the Bay Delta Conservation Plan, as the project was not approved, which was a contractual condition for reimbursement, partially offset by \$29.7 million increase in water supply programs and \$5.7 million additional funding for the Delta Conveyance Project planning and pre-construction costs. In addition, water inventory decreased \$7.9 million primarily due to lower per unit cost of water and leases receivable decreased by \$7.4 million due to lease term adjustments.

***Fiscal Year 2024 Compared to 2023.*** At June 30, 2024, other assets totaled \$2.4 billion and were \$136.8 million lower than the prior year. Cash and investments were \$206.4 million lower due to lower nonoperating revenues, see page 13, and higher operating costs. In addition, water inventory decreased \$43.2 million primarily due to lower per unit cost of water. These decreases were offset by \$49.8 million higher other receivables primarily due to expected funds from USBR for the implementation of the Lower Colorado Conservation and Efficiency program, wherein water conserved from Metropolitan's PVID fallowing program will be retained at Lake Mead. Deposits, prepaid costs, and other increased \$37.3 million primarily due to a \$58.9 million contribution for planning and pre-construction costs related to the Delta Conveyance Project, partially offset by an \$18.8 million net decrease in prepaid water costs, which included \$60.4 million capitalization of the Antelope Valley-East Kern High Desert Water Banking program (AVEK Water Banking program), reduced by \$41.6 million increase in prepaid water costs. In addition, water receivables increased \$27.0 million, due to \$22.3 million higher price and \$4.7 million or 4.5 TAF higher water sold in May and June 2024 as compared to the same period in prior year.

### **Deferred Outflows of Resources**

Deferred outflows of resources include deferred outflows related to loss on swap terminations, pension and OPEB related balances.

***Fiscal Year 2025 Compared to 2024.*** At June 30, 2025, deferred outflows totaled \$296.6 million and were \$35.2 million lower than the prior year primarily due to \$62.4 million lower deferred outflows related to pension, which included \$62.4 million lower net difference between projected and actual earnings on pension plan

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investments, \$17.8 million lower net effect of changes in actuarial assumptions, offset by \$11.0 million higher pension contributions subsequent to the measurement date and \$6.8 million higher differences between expected and actual experience. In addition, deferred loss on swap terminations decreased by \$2.0 million due to amortization. These decreases were offset by \$29.1 million higher deferred outflows related to OPEB, which included \$41.4 million effect of changes in actuarial assumptions and \$8.2 million higher OPEB contributions subsequent to the measurement date, offset by \$17.3 million lower net difference between projected and actual earnings on OPEB plan investment and \$3.2 million lower differences between expected and actual experience.

***Fiscal Year 2024 Compared to 2023.*** At June 30, 2024, deferred outflows totaled \$331.8 million and were \$22.4 million higher than the prior year primarily due to \$23.8 million lower deferred outflows related to OPEB, which included \$20.6 million higher effect of changes in actuarial assumptions and \$6.6 million higher differences between expected and actual experience, offset by \$4.0 million lower net difference between projected and actual earnings on OPEB plan investments. This increase was offset by \$1.9 million lower deferred loss on swap terminations due to amortization.

#### **Long-term Liabilities, Net of Current Portion**

Long-term liabilities, net of current portion includes long-term debt, customer deposits, leases, subscriptions, 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 liabilities.

***Fiscal Year 2025 Compared to 2024.*** At June 30, 2025, long-term liabilities, net of current portion totaled \$5.0 billion and were \$89.5 million higher than the prior year. The increase included \$60.5 million higher long-term debt, net of current portion, which included \$287.0 million of bond refundings, as the new debt issued was more than the amount of debt refunded and \$77.3 million in new debt issued, offset by \$160.7 million principal payments, \$122.3 million lower current portion of long-term debt as compared to prior year, and \$20.8 million decrease in premiums and discounts. See other liabilities section on page 8 and long-term debt section on page 18 for additional information. Net OPEB liability was also \$43.7 million higher, which included \$58.2 million changes of assumptions, \$33.3 million interest on the total OPEB liability, \$12.9 million of service costs, offset by \$38.9 million and \$22.0 million lower net investment income and employer contributions, respectively. In addition, customer deposits and trust funds, net of current portion, increased by \$11.2 million primarily due to advanced deposits for new service connections. These increases were offset by \$40.4 million lower net pension liability due to \$199.7 million net pension plan investment earnings and \$111.0 million employer and employee contributions to the pension plan, offset by \$199.5 million interest on total pension liability, \$46.2 million of service costs, and \$23.0 million of differences between expected and actual experience.

***Fiscal Year 2024 Compared to 2023.*** At June 30, 2024, long-term liabilities, net of current portion totaled \$4.9 billion and were \$328.6 million higher than the prior year. The increase included \$237.7 million higher long-term debt, net of current portion, which included \$318.7 million lower current portion of long-term debt as compared to prior year, \$45.1 million of bond refundings, as the new debt issued was more than the amount of debt refunded, \$29.6 million increase in premiums and discounts, offset by \$155.7 million principal payments. See other liabilities section on page 8 and long-term debt section on page 18 for additional information. In addition, net pension liability was \$43.3 million higher due to \$192.4 million interest on total pension liability, \$44.5 million of

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service costs, and \$34.8 million of differences between expected and actual experience, offset by \$124.8 million net pension plan investment earnings and \$106.6 million employer and employee contributions to the pension plan. Net OPEB liability was also \$33.7 million higher, which included \$29.8 million interest on the total OPEB liability, \$25.8 million changes of assumptions, \$10.8 million of service costs, and \$9.7 million of differences between expected and actual experience, offset by \$21.4 million and \$21.2 million employer contributions and lower net investment income, respectively.

### **Other Liabilities**

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

***Fiscal Year 2025 Compared to 2024.*** At June 30, 2025, other liabilities totaled \$1.0 billion and were \$62.3 million lower than the prior year. Revolving notes decreased by \$285.0 million due to the prepayments of \$348.4 million tax-exempt notes and \$36.0 million taxable notes partially offset by the issuance of \$99.4 million tax-exempt notes to fund certain capital costs of the AVEK High Desert Water Banking Program and prepayments of certain notes. Also contributing to the decrease in other liabilities was \$33.3 million lower accounts payable and accrued expenses, primarily due to higher year-end accruals recorded in the previous fiscal year, reflecting the timing of accruals. These decreases were partially offset by \$126.1 million higher current portion of other long-term liabilities due to \$122.4 million higher deferred water sales resulting from the Reverse Cyclic Sales Program. Additionally, current portion of long-term debt increased by \$122.2 million primarily due to the addition of \$282.3 million Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C-1 and C-2, \$25.3 million Water Revenue Refunding Bonds, 2016 Series B-2, and \$24.3 million Water Revenue Bonds, 2017 Series A, which have a Standby Bond Purchase Agreement (SBPA) expiration of January 2026 offset by \$222.2 million Variable Rate Subordinate Water Revenue Refunding Bonds, 2021 Series A, which had an SBPA expiration date of June 13, 2025 in prior year, which was extended to June 11, 2027 in the current year.

***Fiscal Year 2024 Compared to 2023.*** At June 30, 2024, other liabilities totaled \$1.1 billion and were \$62.9 million lower than the prior year. Current portion of long-term debt decreased by \$318.7 million primarily due to the refunding of \$271.8 million Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B. Also contributing to the decrease in other liabilities was \$57.7 million lower accounts payable and accrued expenses, which included \$77.5 million decrease in SWP variable charges resulting from lower water allocation and Metropolitan did not participate in the Department of Water Resources (DWR) Flex Storage program in fiscal year 2024. The decrease in accounts payable and accrued expenses was offset by \$27.0 million higher vendor costs primarily due to an increase in construction activities at year-end. In addition, current portion of other long-term liabilities decreased by \$19.0 million due to \$11.1 million lower deferred water sales resulting from the delivery of 17.3 TAF Reverse-Cyclic Program water and \$7.9 million or 25.0 TAF delivery of water prepaid by Coachella Valley Water District. These decreases were reduced by \$328.0 million higher revolving notes due to the issuance of \$348.4 million and \$36.0 million tax-exempt and taxable notes, respectively, to fund a portion of Metropolitan's Capital Investment plan, certain capital costs of the AVEK Water Banking program, and conservation programs, offset by the \$56.4 million prepayment of fiscal year 2023 outstanding revolving notes from Wells Fargo Revolving Credit Facility.

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### **Deferred Inflows of Resources**

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

***Fiscal Year 2025 Compared to 2024.*** At June 30, 2025, deferred inflows of resources totaled \$104.1 million and were \$26.5 million lower than the prior year. The decrease included \$10.8 million of lower deferred inflows related to OPEB primarily due to \$9.8 million effect of changes in actuarial assumptions and \$1.0 million lower differences between expected and actual experience. Also contributing to this decrease was \$6.8 million lower deferred inflows of resources related to leases due to lease term adjustments, \$4.2 million lower deferred inflows of resources related to gain on bond refundings due to amortization, and \$3.8 million of lower deferred inflows related to pension due to lower differences between expected and actual experience.

***Fiscal Year 2024 Compared to 2023.*** At June 30, 2024, deferred inflows of resources totaled \$130.6 million and were \$29.1 million lower than the prior year. The decrease included \$20.3 million of lower deferred inflows related to OPEB primarily due to \$10.5 million effect of changes in actuarial assumptions and \$9.8 million lower differences between expected and actual experience. Also contributing to this decrease was \$6.9 million lower deferred inflows of resources related to gain on bond refundings due to amortization and \$3.8 million of lower deferred inflows related to pension due to differences between expected and actual experience. These decreases in deferred inflows of resources were offset by \$2.5 million higher effective swaps due to higher interest rates.

### **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, lease assets, and subscription assets offset by accumulated depreciation and amortization, outstanding debt issued for these purposes as well as lease and subscription payables.

***Fiscal Year 2025 Compared to 2024.*** At June 30, 2025, net investment in capital assets, including State Water Project costs totaled \$6.4 billion and was \$24.8 million higher than the prior year. This increase included \$183.7 million net increase in capital assets, offset by \$158.9 million increase in net outstanding debt and related deferred inflows of resources. See discussions of these items in the capital assets and long-term debt sections on pages 16-17 and 18, respectively.

***Fiscal Year 2024 Compared to 2023.*** At June 30, 2024, net investment in capital assets, including State Water Project costs totaled \$6.4 billion and was \$63.2 million higher than the prior year. This increase included \$253.4 million net increase in capital assets, offset by \$190.2 million decrease in outstanding debt and related deferred inflows of resources. See discussions of these items in the capital assets and long-term debt sections on pages 16-17 and 18, 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, as well as program funding with outside restrictions.

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***Fiscal Year 2025 Compared to 2024.*** At June 30, 2025, restricted net position totaled \$679.1 million which was \$50.4 million higher than fiscal year 2024 due to \$36.8 million higher restricted for conservation credits financed by debt issuance, \$24.2 million higher restricted for debt service due to higher principal and interest payment requirements in fiscal year 2026, \$11.5 million higher in restricted for operating expenses due to higher anticipated power and water costs in fiscal year 2026, and \$0.8 million higher restricted for trust funds. These increases were offset by \$21.5 million lower restricted funds for the Pure Water Southern California (PWSC) program and \$1.4 million lower restricted for State Water Contract (SWC) expenses to be collected through tax levy.

***Fiscal Year 2024 Compared to 2023.*** At June 30, 2024, restricted net position totaled \$628.7 million which was \$11.9 million higher than fiscal year 2023 due to \$28.3 million higher restricted for operating expenses due to higher anticipated power and water costs in fiscal year 2025, \$1.4 million higher restricted for SWC expenses to be collected through tax levy, and \$0.1 million higher restricted for trust funds. These increases were offset by \$13.7 million lower restricted funds for the PWSC program and \$4.2 million of lower restricted for debt service due to lower principal and interest payment requirements in fiscal year 2025.

### **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 2025 Compared to 2024.*** Unrestricted net position of \$598.2 million increased \$296.4 million from the prior year, which included fiscal year 2025 positive changes in net position of \$371.6 million, offset by \$24.8 million higher net investment in capital assets, including SWP costs, and \$50.4 million higher restricted debt service, operating expenses, SWC expenses to be collected through tax levy, the PWSC program, and trust funds.

***Fiscal Year 2024 Compared to 2023.*** Unrestricted net position of \$301.8 million decreased \$172.7 million from the prior year, which included fiscal year 2024 negative changes in net position of \$83.1 million, \$63.2 million higher net investment in capital assets, including SWP costs, \$14.5 million negative restatement to reflect implementation of GASB 101, and \$11.9 million higher restricted for debt service, operating expenses, SWC expenses to be collected through tax levy, the PWSC program, and trust funds.

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## CHANGES IN NET POSITION

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

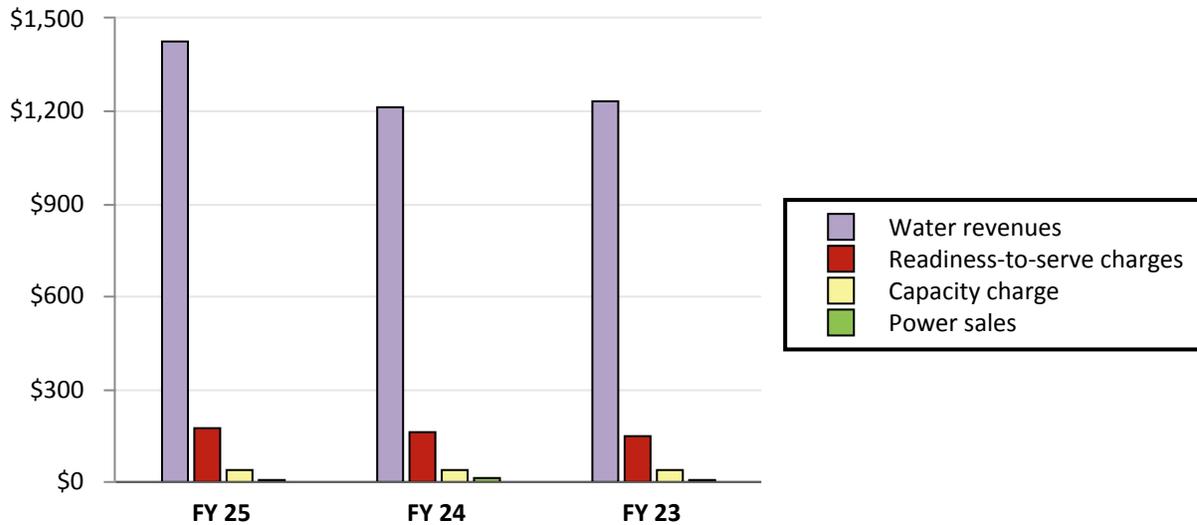
	Fiscal Year Ended June 30,		
	2025	2024	2023
(Dollars in millions)		As Restated	
Water revenues	\$ 1,426.7	\$ 1,216.1	\$ 1,236.4
Readiness-to-serve charges	174.0	160.5	147.0
Capacity charge	40.7	36.2	37.2
Power sales	6.8	13.0	5.7
<b>Operating revenues</b>	<b>1,648.2</b>	<b>1,425.8</b>	<b>1,426.3</b>
Taxes, net	389.3	202.9	189.5
State funding for Pure Water Southern California program	—	—	80.0
Investment income, net	64.2	54.2	35.0
Intergovernmental revenue	36.1	15.7	—
Gain on sale of plant assets	0.6	—	6.2
Other	15.2	11.6	17.0
<b>Nonoperating revenues</b>	<b>505.4</b>	<b>284.4</b>	<b>327.7</b>
<b>Total revenues</b>	<b>2,153.6</b>	<b>1,710.2</b>	<b>1,754.0</b>
Power and water costs	(547.4)	(596.8)	(688.3)
Operations and maintenance	(721.7)	(706.1)	(579.8)
Depreciation and amortization	(339.0)	(378.2)	(386.5)
<b>Operating expenses</b>	<b>(1,608.1)</b>	<b>(1,681.1)</b>	<b>(1,654.6)</b>
Bond interest	(131.8)	(117.2)	(97.4)
Funding agreement write-off	(58.7)	—	—
Loss on sale/disposal of plant assets	—	(0.3)	—
Other	(7.1)	(7.5)	(8.8)
<b>Nonoperating expenses</b>	<b>(197.6)</b>	<b>(125.0)</b>	<b>(106.2)</b>
<b>Total expenses</b>	<b>(1,805.7)</b>	<b>(1,806.1)</b>	<b>(1,760.8)</b>
<b>Changes in net position before contributions</b>	<b>347.9</b>	<b>(95.9)</b>	<b>(6.8)</b>
Capital contributions	23.7	12.8	0.1
<b>Changes in net position</b>	<b>371.6</b>	<b>(83.1)</b>	<b>(6.7)</b>
Net position, beginning of year, as previously presented	7,352.9	7,450.5	7,457.2
Restatement to reflect implementation of GASB 101 (Note 1v)	—	(14.5)	—
Net position, beginning of year, as restated	7,352.9	7,436.0	7,457.2
<b>Net position, end of year</b>	<b>\$ 7,724.5</b>	<b>\$ 7,352.9</b>	<b>\$ 7,450.5</b>

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**MANAGEMENT’S DISCUSSION AND ANALYSIS—UNAUDITED**  
 (CONTINUED)  
 June 30, 2025 and 2024

**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 86 percent of operating revenues. Metropolitan’s primary sources of water supply are the Colorado River and the SWP.

**OPERATING REVENUES**  
 (Dollars in millions)



**Analytical Review of Operating Revenues**

**Fiscal Year 2025 Compared to 2024.** Fiscal year 2025 operating revenues were \$1.6 billion or \$222.4 million more than the prior year. The increase was primarily due to \$210.6 million of higher water revenues, which included \$140.5 million of higher price and \$70.1 million or 68.7 TAF of higher volumes sold and \$13.5 million higher Readiness-to-Serve charges adopted by the Board. These increases were offset by \$6.2 million lower power sales due to lower power generation and prices.

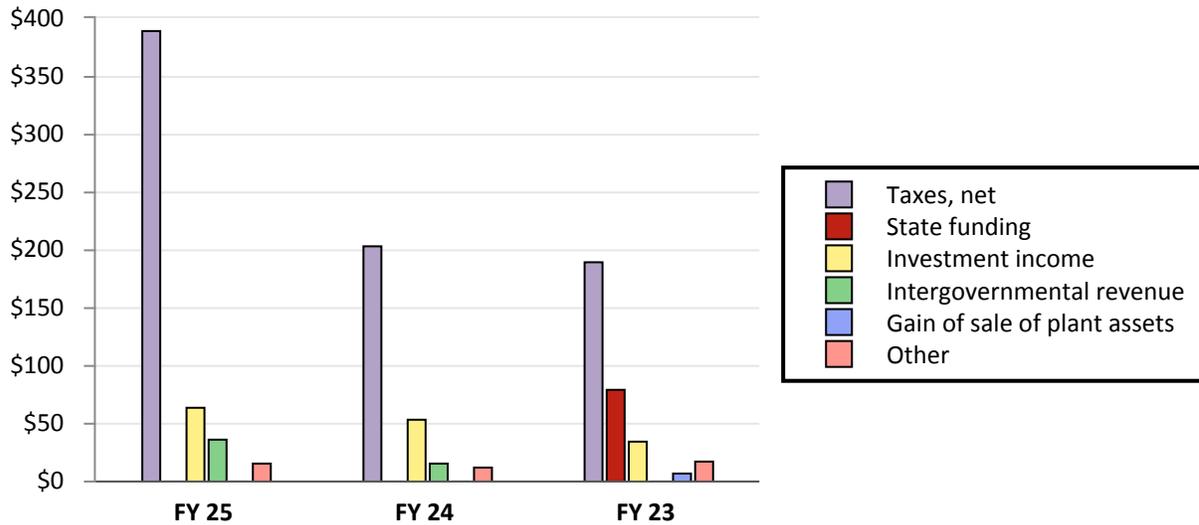
**Fiscal Year 2024 Compared to 2023.** Fiscal year 2024 operating revenues were \$1.4 billion or \$0.5 million less than the prior year. The decrease was primarily due to \$20.3 million of lower water revenues, which included \$98.0 million or 102.6 TAF of lower volumes sold offset by \$77.7 million of higher price. The decrease in water revenues was offset by \$13.5 million higher Readiness-to-Serve charges adopted by the Board and \$7.3 million higher power sales due to higher water flows through Metropolitan's small hydro-electric plants.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**MANAGEMENT’S DISCUSSION AND ANALYSIS—UNAUDITED**  
 (CONTINUED)  
 June 30, 2025 and 2024

**Nonoperating Revenues**

The primary source of nonoperating revenues is property taxes.

**NONOPERATING REVENUES**  
 (Dollars in millions)



**Analytical Review of Nonoperating Revenues**

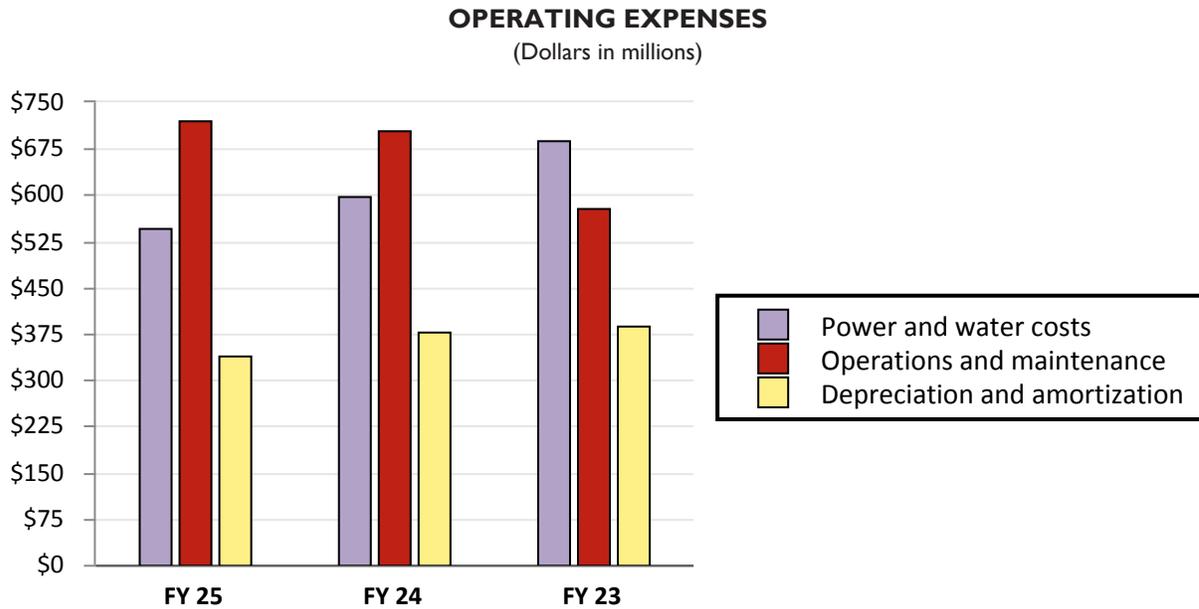
**Fiscal Year 2025 Compared to 2024.** Nonoperating revenues for fiscal year 2025 totaled \$505.4 million and were \$221.0 million higher than the prior year. The increase included \$186.4 million higher property tax revenues resulting from an increase in the property tax rate approved by the Board and higher assessed property value. In addition, intergovernmental increased by \$20.4 million primarily due to funding from USBR for Metropolitan's PVID following program. Also contributing to the increase was \$10.0 million more in investment income, which included \$6.5 million due to a favorable change in the fair value of investments and \$3.1 million increase in interest income resulting from higher interest rates.

**Fiscal Year 2024 Compared to 2023.** Nonoperating revenues for fiscal year 2024 totaled \$284.4 million and were \$43.3 million lower than the prior year. The decrease was primarily due to the receipt of \$80.0 million State Water Resource Control Board funding in prior year, which did not occur in fiscal year 2024. The decrease was partially offset by \$19.2 million more of investment income, which included \$12.0 million increase in interest income resulting from higher interest rates and \$6.9 million favorable change in the fair value of investments. In addition, intergovernmental revenue increased \$15.7 million due to funding from USBR for Metropolitan's PVID following program.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**MANAGEMENT’S DISCUSSION AND ANALYSIS—UNAUDITED**  
 (CONTINUED)  
 June 30, 2025 and 2024

**Operating Expenses**

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



**Analytical Review of Operating Expenses**

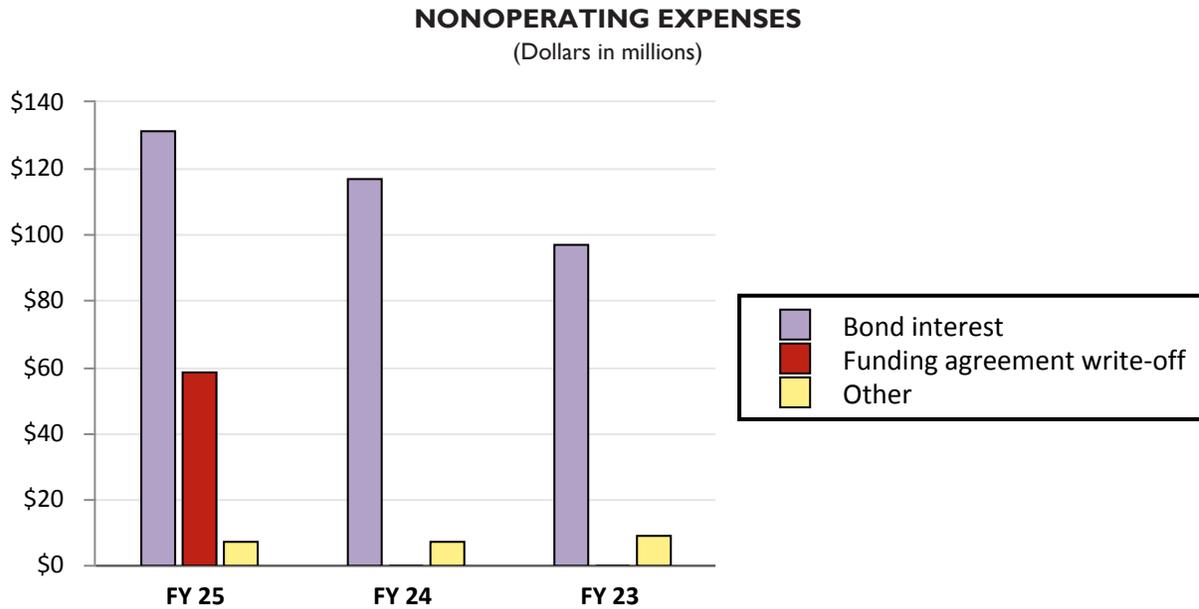
**Fiscal Year 2025 Compared to 2024.** Fiscal year 2025 operating expenses of \$1.6 billion were \$73.0 million lower than the prior year. The decrease was primarily due to \$49.4 million lower power and water costs, which included \$25.6 million lower cost of water driven by lower unit costs and \$23.6 million less SWP fixed scheduled charges and credits. In addition, depreciation and amortization decreased by \$39.2 million primarily due to the extension of the SWP contract through 2085, which reduced the annual amortization expense by spreading the remaining cost over a longer period. These decreases were offset by \$15.6 million higher O&M costs, which included \$30.4 million higher labor costs, \$14.2 million higher net OPEB expenses primarily related to changes in actuarial assumptions, partially offset by higher employer contributions during the year, and \$9.0 million higher material and supplies costs, offset by \$20.7 million lower net pension expenses primarily due to a greater difference between projected and actual investment earnings, along with higher employer contributions during the year, and \$20.1 million lower conservation credits.

**Fiscal Year 2024 Compared to 2023.** Fiscal year 2024 operating expenses of \$1.7 billion were \$26.5 million higher than the prior year. The increase was primarily due to \$126.3 million higher O&M costs, which included \$42.3 million higher labor costs and increased expenses for compensated absences associated with the implementation of GASB 101, \$37.0 million and \$13.5 million higher pension and OPEB expenses, respectively, both of which were related to changes of assumptions and difference between projected and actual investment earnings, plus \$22.1 million higher outside services costs. The increase was offset by \$91.5 million lower power and water costs primarily due to decline in water transactions.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**MANAGEMENT’S DISCUSSION AND ANALYSIS—UNAUDITED**  
 (CONTINUED)  
 June 30, 2025 and 2024

**Nonoperating Expenses**

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



**Analytical Review of Nonoperating Expenses**

*Fiscal Year 2025 Compared to 2024.* Fiscal year 2025 nonoperating expenses of \$197.6 million were \$72.6 million higher than the prior year primarily due to a \$58.7 million write-off of advanced funding for the Bay Delta Conservation Plan and \$14.6 million higher bond interest expense due to the longer duration of outstanding debt during fiscal year 2025 compared to fiscal year 2024.

*Fiscal Year 2024 Compared to 2023.* Fiscal year 2024 nonoperating expenses of \$125.0 million were \$18.8 million higher than the prior year primarily due to \$19.8 million higher bond interest expense due to higher variable interest rates offset by \$1.3 million lower other expenses due to lower bond issuance costs.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS—UNAUDITED**

(CONTINUED)

June 30, 2025 and 2024

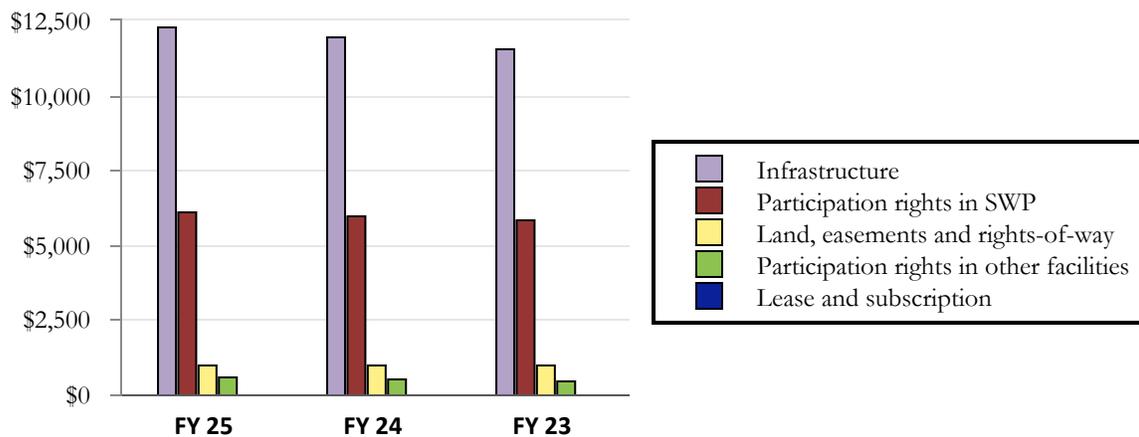
**CAPITAL ASSETS**

Capital assets include Metropolitan's water infrastructure, land and buildings, participation rights in SWP and various other water programs, as well as lease and subscription assets. More detailed information on capital assets and commitments for construction contracts are presented in Notes 2 and 11(f) to the basic financial statements, respectively.

Metropolitan's fiscal year 2025 capital investment plan includes \$312.0 million principally for the Colorado River Aqueduct (CRA) reliability programs, dams and reservoirs, distribution system reliability projects, treatment plant reliability program, system flexibility and supply reliability projects, and the prestressed concrete cylinder pipe reliability (PCCP) rehabilitation program.

**TOTAL CAPITAL ASSETS**

(Dollars in millions)

*Schedule of Capital Assets*

(Dollars in millions)	June 30,		
	2025	2024	2023
Land, easements and rights of way	\$ 990.9	\$ 990.0	\$ 989.8
Construction in progress	1,138.8	925.6	743.1
Parker power plant and dam	13.0	13.0	13.0
Power recovery plants	232.6	225.5	225.5
Other dams and reservoirs	1,876.6	1,875.7	1,868.9
Water transportation facilities	4,381.8	4,323.5	4,208.3
Pumping plants and facilities	436.7	416.8	384.6
Treatment plants and facilities	3,256.0	3,243.7	3,227.5
Buildings	264.7	243.1	237.0
Miscellaneous	651.7	641.4	617.8
Pre-operating expenses of original aqueduct	44.6	44.6	44.6
Participation rights in SWP	6,116.9	5,987.4	5,865.4
Participation rights in other facilities	568.7	554.0	459.0
Lease assets			
Buildings	4.5	3.5	2.9
Equipment	0.6	0.9	0.9
Land	10.7	8.1	7.4
Subscription assets	11.6	11.8	8.5
Total capital assets	20,000.4	19,508.6	18,904.2
Less accumulated depreciation and amortization	(9,026.1)	(8,718.0)	(8,367.0)
Total capital assets, net	\$ 10,974.3	\$ 10,790.6	\$ 10,537.2
Net increase from prior year	\$ 183.7	\$ 253.4	\$ 24.8
Percent change	1.7%	2.4%	0.2%

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**MANAGEMENT'S DISCUSSION AND ANALYSIS—UNAUDITED**  
(CONTINUED)  
June 30, 2025 and 2024

***Fiscal Year 2025 Compared to 2024.*** Net capital assets totaled approximately \$11.0 billion and increased \$183.7 million over the prior year. The increase included \$374.3 million of construction spending, \$129.4 million net increase in participation rights in SWP, \$14.6 million net capitalization of the AVEK Water Banking program, and a \$3.1 million net increase in subscription and lease assets, offset by \$337.3 million of depreciation and amortization and \$0.4 million retirements of capital assets.

The major capital asset additions for fiscal year 2025 included:

- \$86.4 million for the PCCP program; projects under this program will refurbish or upgrade Metropolitan's PCCP feeders to maintain reliable water deliveries without unplanned shutdowns.
- \$52.5 million for the treatment plant reliability program; 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.
- \$52.0 million for the system flexibility/supply reliability program; projects under this program will enhance the flexibility and/or increase the capacity of Metropolitan's water supply and delivery infrastructure to meet current and projected service demands. Further, these projects address climate change affecting water supply, regional drought, and alternative water sources for areas dependent on the State Water Project.
- \$45.4 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.
- \$40.0 million for the distribution system reliability program; this program will replace or refurbish existing facilities within Metropolitan's distribution system including pressure control structures, hydroelectric power plants, and pipelines in order to reliably meet water demands.
- \$35.7 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.

***Fiscal Year 2024 Compared to 2023.*** Net capital assets totaled approximately \$10.8 billion and increased \$253.4 million over the prior year. The increase included \$412.9 million of construction spending, \$122.0 million net increase in participation rights in SWP, \$95.0 million net capitalization of the AVEK Water Banking program, and a \$4.7 million net increase in subscription and lease assets, offset by \$373.2 million of depreciation and amortization and \$8.0 million retirements of capital assets.

The major capital asset additions for fiscal year 2024 included:

- \$81.1 million for the PCCP program.
- \$68.7 million for the treatment plant reliability program.
- \$56.3 million for the system flexibility/supply reliability program.
- \$55.3 million for the CRA reliability program.
- \$49.8 million for the system reliability program.
- \$45.0 million for the distribution system reliability program.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**MANAGEMENT'S DISCUSSION AND ANALYSIS—UNAUDITED**  
 (CONTINUED)  
 June 30, 2025 and 2024

## DEBT ADMINISTRATION – LONG-TERM DEBT

### Schedule of Long-term Debt, Including Current Portion

(Dollars in millions)	June 30,		
	2025	2024	2023
General obligation bonds <sup>(1)</sup>	\$ 17.2	\$ 18.2	\$ 19.2
Revenue bonds <sup>(1)</sup>	3,976.2	3,771.6	3,881.2
Other, net <sup>(2)</sup>	429.7	450.5	421.0
	\$ 4,423.1	\$ 4,240.3	\$ 4,321.4
Increase (decrease) from prior year	\$ 182.8	\$ (81.1)	\$ 27.6
Percent change	4.3%	(1.9%)	0.6%

<sup>(1)</sup>Includes refunding bonds.

<sup>(2)</sup>Consists of unamortized bond discounts and premiums.

**Fiscal Year 2025 Compared to 2024.** At June 30, 2025, outstanding bonds and other long-term liabilities totaled \$4.4 billion, a net increase of \$182.8 million or 4.3 percent from the prior year. The increase included \$287.0 million of bond refundings, as the new debt issued was more than the amount of debt refunded, and \$77.3 million in new debt issuance. These increases were offset by \$160.7 million of scheduled principal payments and \$20.8 million lower premiums and discounts due to \$51.3 million related to scheduled amortization offset by \$30.4 million increase related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded.

**Fiscal Year 2024 Compared to 2023.** At June 30, 2024, outstanding bonds and other long-term liabilities totaled \$4.2 billion, a net decrease of \$81.1 million or 1.9 percent from the prior year. The decrease was due to \$155.7 million of scheduled principal payments. The decrease was offset by \$45.1 million of bond refundings, as the new debt issued was more than the amount of debt refunded, and \$29.6 million higher premiums and discounts due to \$77.2 million related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on debt refunded, offset by \$47.6 million related to scheduled amortization.

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, 2025 are shown below.

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

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## STATEMENTS OF NET POSITION

	June 30,	
	2025	2024
(Dollars in thousands)		As Restated
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and investments, at fair value (Notes 1d and 3):		
Unrestricted (cost: \$217,828 and \$22,165 for 2025 and 2024, respectively)	\$ 218,443	\$ 22,019
Restricted (cost: \$776,649 and \$863,973 for 2025 and 2024, respectively)	778,838	858,285
Total cash and investments	<u>997,281</u>	<u>880,304</u>
Receivables:		
Water revenues	294,664	224,267
Interest on investments	10,487	7,899
Leases (Notes 1j and 7)	1,192	772
Other, net (Note 1f)	44,345	84,895
Total receivables	<u>350,688</u>	<u>317,833</u>
Inventories (Note 1g)	146,325	154,206
Deposits, prepaid costs, and other (Note 13)	56,282	59,510
Total current assets	<u>1,550,576</u>	<u>1,411,853</u>
<b>Noncurrent Assets:</b>		
Cash and investments, at fair value (Notes 1d and 3):		
Unrestricted (cost: \$530,811 and \$430,434 for 2025 and 2024, respectively)	532,309	427,601
Restricted (cost: \$84,687 and \$76,252 for 2025 and 2024, respectively)	84,926	75,749
Total cash and investments	<u>617,235</u>	<u>503,350</u>
Capital assets (Note 2):		
Plant and equipment - non depreciable (Notes 1h and 11f)	2,129,614	1,915,655
Plant and equipment - depreciable (Notes 1h and 11f)	11,157,843	11,027,066
Participation rights in State Water Project (Notes 1i and 12)	6,116,869	5,987,420
Participation rights in other facilities (Notes 1i and 4)	568,653	554,030
Lease assets (Notes 1j and 7)	15,864	12,551
Subscription assets (Notes 1k and 8)	11,615	11,805
Total capital assets	<u>20,000,458</u>	<u>19,508,527</u>
Less accumulated depreciation and amortization	<u>(9,026,134)</u>	<u>(8,717,977)</u>
Total capital assets, net	<u>10,974,324</u>	<u>10,790,550</u>
Leases receivable, net of current portion (Notes 1j and 7)	20,227	27,629
Deposits, prepaid costs, and other, net of current portion (Note 13)	419,891	441,309
Total noncurrent assets	<u>12,031,677</u>	<u>11,762,838</u>
Total assets	<u>13,582,253</u>	<u>13,174,691</u>
<b>Deferred Outflows of Resources (Note 1p):</b>		
Loss on swap terminations	10,158	12,116
Pension related (Notes 1n, 9h and 9i)	178,286	240,680
OPEB related (Notes 1o, 10j and 10k)	108,125	78,978
Total deferred outflows of resources	<u>296,569</u>	<u>331,774</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 13,878,822</b>	<b>\$ 13,506,465</b>

See accompanying notes to basic financial statements.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## STATEMENTS OF NET POSITION

	June 30,	
	2025	2024
(Dollars in thousands)		As Restated
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses (Note 1l)	\$ 151,651	\$ 184,913
Short-term revolving notes (Note 5a)	99,400	384,400
Accrued bond interest	57,609	52,431
Current portion of long-term debt (Notes 5 and 6)	548,763	426,544
Current portion of accrued compensated absences (Notes 1m, 1v, and 6)	42,032	38,229
Current portion of customer deposits (Note 6)	5,591	2,880
Current portion of leases payable (Notes 1j, 6 and 7)	1,026	1,175
Current portion of subscriptions payable (Notes 1k, 6 and 8)	2,690	2,085
Current portion of workers' compensation and third party claims (Notes 6 and 16)	4,234	8,468
Current portion of other long-term liabilities (Note 6)	132,333	6,230
Matured bonds and coupons not presented for payment	1,606	1,702
Total current liabilities	<u>1,046,935</u>	<u>1,109,057</u>
<b>Noncurrent Liabilities (Note 6):</b>		
Long-term debt, net of current portion (Note 5)	3,874,241	3,813,751
Net pension liability (Notes 1n and 9e)	793,510	833,903
Net OPEB liability (Notes 1o and 10f)	191,991	148,305
Accrued compensated absences, net of current portion (Notes 1m and 1v)	48,722	45,898
Customer deposits, net of current portion	56,436	45,247
Due to other governments	9,436	7,701
Leases payable, net of current portion (Notes 1j and 7)	9,837	6,695
Subscriptions payable, net of current portion (Notes 1k and 8)	1,671	1,272
Workers' compensation and third party claims, net of current portion (Note 16)	10,832	5,404
Fair value of interest rate swaps (Note 5f)	4,567	3,583
Other long-term liabilities, net of current portion	2,126	2,139
Total noncurrent liabilities	<u>5,003,369</u>	<u>4,913,898</u>
Total liabilities	<u>6,050,304</u>	<u>6,022,955</u>
<b>Deferred Inflows of Resources (Note 1p):</b>		
Effective swaps	52,333	53,316
Leases (Notes 1j and 7)	20,131	26,922
Gain on bond refundings (Note 5d)	19,244	23,463
Pension related (Notes 1n, 9h and 9i)	2,670	6,485
OPEB related (Notes 1o, 10j and 10k)	9,691	20,443
Total deferred inflows of resources	<u>104,069</u>	<u>130,629</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>6,154,373</u>	<u>6,153,584</u>
<b>Net Position (Note 15):</b>		
Net investment in capital assets, including State Water Project costs	6,447,152	6,422,381
Restricted for (Note 1u):		
Debt service	212,208	188,046
Operating expenses	384,026	372,521
Other	82,898	68,195
Unrestricted	598,165	301,738
Total net position	<u>7,724,449</u>	<u>7,352,881</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 13,878,822</u>	<u>\$ 13,506,465</u>

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

	Fiscal Year Ended June 30,	
	2025	2024
(Dollars in thousands)		As Restated
<b>Operating Revenues</b> (Notes 1c and 1r):		
Water revenues	\$ 1,426,692	\$ 1,216,102
Readiness-to-serve charges	174,002	160,500
Capacity charge	40,690	36,171
Power sales	6,762	13,001
Total operating revenues	1,648,146	1,425,774
<b>Operating Expenses:</b>		
Power and water costs	547,379	596,805
Operations and maintenance	721,699	706,107
Total operating expenses	1,269,078	1,302,912
Operating income before depreciation and amortization	379,068	122,862
Less depreciation and amortization (Note 2)	(338,983)	(378,190)
Operating income (loss)	40,085	(255,328)
<b>Nonoperating Revenues (Expenses)</b> (Note 1r):		
Taxes, net (Note 1e)	389,326	202,940
Bond interest	(131,765)	(117,161)
Investment income, net	64,179	54,229
Funding agreement write-off (Note 13b)	(58,654)	—
Intergovernmental revenue	36,081	15,661
Gain (loss) on disposal of plant assets	580	(311)
Other, net	8,050	4,103
Total nonoperating revenues, net	307,797	159,461
<b>Changes in Net Position Before Capital Contributions</b>	347,882	(95,867)
Capital contributions (Note 1q)	23,686	12,788
Changes in net position	371,568	(83,079)
Net position, beginning of year, as previously presented	7,352,881	7,450,527
Restatement to reflect implementation of GASB 101 (Note 1v)	—	(14,567)
Net position, beginning of year, as restated	7,352,881	7,435,960
<b>Net Position, End of Year</b>	\$ 7,724,449	\$ 7,352,881

See accompanying notes to basic financial statements.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30,	
	2025	2024
<b>Cash Flows from Operating Activities:</b>		
Cash received from water sales	\$ 1,328,377	\$ 994,148
Cash received from other exchange transactions	150,726	173,245
Cash received from readiness-to-serve charges	172,264	160,370
Cash received from land fallowing program	66,422	—
Cash received from capacity charge	40,304	36,066
Cash received from power sales	6,737	13,051
Cash paid for operations and maintenance expenses	(400,594)	(368,281)
Cash paid to employees for services	(296,994)	(299,237)
Cash paid for power and water costs	(550,472)	(709,021)
Cash paid for land fallowing program	(44,480)	(21,942)
Other cash flows from operating activities	10,433	12,852
Net cash provided (used) by operating activities	482,723	(8,749)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from short term notes for conservation credits	48,200	18,000
Proceeds from other collections	34,233	7,838
Net cash provided by noncapital financing activities	82,433	25,838
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(410,736)	(408,515)
Interest paid on debt	(180,277)	(168,424)
Principal paid on debt	(160,765)	(155,680)
Payments for State Water Project costs	(129,449)	(122,063)
Advance payments for Delta Conveyance Project costs	(11,597)	(64,500)
Payments for bond issuance costs	(3,939)	(2,221)
Payments of rebatable arbitrage	—	(75)
Proceeds from short and long-term debt	60,100	430,000
Proceeds from tax levy	390,690	201,532
Proceeds from capital grants	45,223	10,241
Transfer from escrow trust accounts	7,220	1,519
Proceeds from land sales	44	—
Net cash used in capital and related financing activities	(393,486)	(278,186)
<b>Cash Flows from Investing Activities:</b>		
Purchase of investment securities	(2,735,852)	(3,031,924)
Proceeds from sales and maturities of investment securities	2,522,693	3,247,951
Investment income	41,484	45,023
Net cash (used) provided by investing activities	(171,675)	261,050
Net change in cash	(5)	(47)
Cash at July 1, 2024 and 2023	11	58
<b>Cash at June 30, 2025 and 2024 (Notes 1b and 3)</b>	<b>\$ 6</b>	<b>\$ 11</b>

See accompanying notes to basic financial statements.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## STATEMENTS OF CASH FLOWS

	Fiscal Year Ended June 30,	
	2025	2024
(Dollars in thousands)		As Restated
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>Operating Income (Loss)</b>	<b>\$ 40,085</b>	<b>\$ (255,328)</b>
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>		
Depreciation and amortization expense	338,983	378,190
Increase in accounts receivable	(31,308)	(76,258)
Decrease in inventories	7,881	42,609
Decrease (increase) in deposits, prepaid costs, and other	30,339	(38,825)
Decrease in accounts payable and accrued expenses	(14,697)	(58,535)
(Decrease) increase in leases and subscriptions payable	(3,996)	215
Increase (decrease) in deferred deliveries of exchange water	126,104	(18,974)
(Decrease) increase in pension liabilities	(40,393)	43,277
Increase in OPEB liabilities	43,686	33,652
Decrease (increase) in deferred outflows related to pension	62,395	(543)
Decrease in deferred inflows related to pension	(3,815)	(3,815)
Increase in deferred outflows related to OPEB	(29,147)	(23,755)
Decrease in deferred inflows related to OPEB	(10,752)	(20,343)
Decrease in other items	(32,642)	(10,316)
Total Adjustments	<u>442,638</u>	<u>246,579</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 482,723</b>	<b>\$ (8,749)</b>
<b>Significant Noncash Investing, Capital and Financing Activities</b>		
Bonds defeased through escrow trust fund with refunding debt	\$ —	\$ (578,710)
Notes defeased through escrow trust fund with refunding debt	\$ (384,400)	\$ (603,220)
Refunding bonds proceeds received in escrow trust fund	\$ 316,000	\$ 698,635
Redemption notes proceeds received in escrow trust fund	\$ 68,400	\$ 483,220
Capital contributions	\$ 23,686	\$ 12,788
<b>RECONCILIATION OF CASH AND INVESTMENTS TO CASH</b>		
Unrestricted cash and investments (at June 30, 2025 and 2024 includes \$6 and \$11 of cash, respectively)	\$ 750,752	\$ 449,620
Restricted cash and investments	863,764	934,034
Total cash and investments, at fair value (Note 3)	<u>1,614,516</u>	<u>1,383,654</u>
Less: carrying value of investments	<u>(1,614,510)</u>	<u>(1,383,643)</u>
<b>Total Cash (Notes 1b and 3)</b>	<b>\$ 6</b>	<b>\$ 11</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**STATEMENTS OF FIDUCIARY NET POSITION**

(Dollars in thousands)	Private Purpose Trust Funds		Custodial Funds	
	2025	June 30, 2024	2025	2024
<b>Assets</b>				
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	\$ 2,054	\$ 2,005	\$ 2,725	\$ 2,544
Interest receivable	1	1	—	—
<b>Total assets</b>	<b>2,055</b>	<b>2,006</b>	<b>2,725</b>	<b>2,544</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	46	1	36	57
Due to other governments	—	—	9	25
<b>Total liabilities</b>	<b>46</b>	<b>1</b>	<b>45</b>	<b>82</b>
<b>Net Position</b>				
Restricted for organizations and other governments	2,009	2,005	2,680	2,462
<b>Total Liabilities and Net Position</b>	<b>\$ 2,055</b>	<b>\$ 2,006</b>	<b>\$ 2,725</b>	<b>\$ 2,544</b>

See accompanying notes to basic financial statements.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

(Dollars in thousands)	Private Purpose Trust Funds		Custodial Funds	
	Fiscal Year Ended June 30,			
	2025	2024	2025	2024
<b>Additions</b>				
Contributions from participating agencies	\$ 3,489	\$ 3,050	\$ 374	\$ 333
Interest	9	13	115	99
Other income	—	—	1	—
Total additions	3,498	3,063	490	432
<b>Deductions</b>				
Support payments to the Colorado River Board	2,803	2,602	—	—
Expensed equipment	—	1	—	—
Computer systems and software	463	2	—	—
Administrative expenses	18	1	—	—
Support payments for Colorado River system augmentation and conservation	1	410	—	—
Payments to other governments for conservation	—	—	101	75
Professional services	209	293	171	75
Total deductions	3,494	3,309	272	150
<b>Changes in Fiduciary Net Position</b>	<b>4</b>	<b>(246)</b>	<b>218</b>	<b>282</b>
Net position, Beginning of Year	2,005	2,251	2,462	2,180
<b>Net position, End of Year</b>	<b>\$ 2,009</b>	<b>\$ 2,005</b>	<b>\$ 2,680</b>	<b>\$ 2,462</b>

See accompanying notes to basic financial statements.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2025 and 2024

## **I. 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. The MWDAFC had no financial operations during fiscal years 2025 or 2024. The 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 fund 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 Governmental Accounting Standards Board (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.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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, are 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, investment income, and grant funding.

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, system access, system power, and treatment) 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.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(CONTINUED)**  
 June 30, 2025 and 2024

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 State Water Project (SWP) as part of the State Water Contract (SWC). 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 SWC. 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 in March 2022 extended its applicability to fiscal years ended/ending June 30, 2023 through 2026, and maintained the tax rate for these fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of SWC costs other than general obligation debt service. On April 9, 2024, the Board approved a biennial budget for fiscal years 2025 and 2026 that assumed a higher property tax rate that is essential to Metropolitan's ability to meet its forecasted expenditures.

**(f) Other Receivables**

Other receivables include amounts for 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, 2025 and 2024 were as follows:

(Dollars in thousands)	June 30,	
	2025	2024
Water in storage	\$ 122,711	\$ 130,291
Operating supplies	23,614	23,915
<b>Total inventories</b>	<b>\$ 146,325</b>	<b>\$ 154,206</b>

**(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, and certain general and administrative expenses. 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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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 12.

**(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 a lease asset 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.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

Key estimates and judgments 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 a unilateral 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) Subscription-Based Information Technology Arrangements**

Metropolitan has several noncancellable subscription assets for the right-to-use information technology, see Note 8.

Short-term subscription assets: For arrangements that have a maximum possible term of 12 months or less at commencement, Metropolitan recognizes an expense, based on the provisions of the subscription asset contract.

Long-term subscription assets: For arrangements 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 subscription liability and subscription asset. For subscription assets that have a maximum possible term of more than 12 months at commencement and an individual value of less than \$250,000, Metropolitan recognizes an expense.

*Measurement of subscription assets*

At subscription commencement, Metropolitan initially measures the subscription asset at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. The subscription-based IT arrangement asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying software.

Similar to leases, Metropolitan has key estimates and judgments related to 1) discount rate, 2) the subscription assets term and 3) subscription asset payments.

- *Discount rate:* Metropolitan uses its estimated incremental borrowing rate as the discount rate for subscription assets, unless the rate is stated in the subscription agreement. The incremental borrowing rate

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

for subscription assets 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 subscription asset under similar terms at the commencement or remeasurement date. For Metropolitan, this is assumed to be equal to the treasury yield.

- *Subscription asset term:* This includes the noncancellable period of the subscription asset plus any additional periods covered by an option to extend that is reasonably certain to be exercised. Periods in which both Metropolitan and the vendor have a unilateral option to terminate, are excluded from the subscription term.
- *Subscription asset payments:* Metropolitan evaluates payments to determine if they should be included in the measurement of the subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made. Metropolitan monitors subscription assets for possible changes that may require remeasurement if they could materially affect the amount of the liability and the related asset that should be recognized.

**(l) Disaggregation of Payable Balances**

Accounts payable and accrued expenses at June 30, 2025 and 2024 were as follows:

(Dollars in thousands)	June 30,	
	2025	2024
Department of Water Resources -SWP:		
Capital, operating, maintenance, power, replacement, and variable power	\$ 67,220	\$ 55,793
Vendors	65,737	95,761
Accrued power costs	1,824	1,795
Accrued salaries	7,636	17,705
Readiness-to-serve overcollection	—	210
Conservation credits	9,234	13,649
Total accounts payable and accrued expenses	\$ 151,651	\$ 184,913

**(m) Compensated Absences**

Metropolitan's employees earn vacation, sick, personal, disability, compensatory, and other types of 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 to payment for approximately one-half of their accrued sick leave at such rates. Metropolitan records a liability for compensated absences that are more likely than not to be either used or paid to employees, based on historical usage and payout patterns. Liabilities are measured at current pay rates and include salary-related payments associated with such leave. The allocation between current and long-term portions of these vested obligations is based on experience and projections of turnover.

**(n) 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,

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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:

	<u>2025</u>	<u>2024</u>
Valuation Date (VD):	June 30, 2023	June 30, 2022
Measurement Date (MD):	June 30, 2024	June 30, 2023
Measurement Period:	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

**(o) 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:

	<u>2025</u>	<u>2024</u>
Valuation Date (VD):	June 30, 2023	June 30, 2023
Measurement Date (MD):	June 30, 2024	June 30, 2023
Measurement Period:	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

**(p) Deferred Outflows/Inflows of Resources**

The net investment in capital assets including SWP costs of \$6.4 billion at June 30, 2025 and 2024 included the effect of deferring the recognition of gains from bond refundings. The deferred inflow from gains on bond refundings at June 30, 2025 and 2024 were \$19.2 million and \$23.5 million, respectively. These are 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 \$598.2 million at June 30, 2025 and \$301.8 million (as restated) at June 30, 2024, included 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, 2025 and 2024, respectively, were \$10.2 million and \$12.1 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 METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

The deferred outflows related to pension at June 30, 2025 and 2024 were \$178.3 million and \$240.7 million, respectively. The deferred inflows related to pension at June 30, 2025 and 2024 were \$2.7 million and \$6.5 million, respectively. See Notes 9(h) and (i) for additional information.

The deferred outflows related to OPEB at June 30, 2025 and 2024 were \$108.1 million and \$79.0 million, respectively. The deferred inflows related to OPEB at June 30, 2025 and 2024 were \$9.7 million and \$20.4 million, respectively. See Notes 10(j) and (k) for additional information.

The deferred inflows from the increase in fair value of interest rate swaps of \$52.3 million and \$53.3 million at June 30 2025 and 2024, 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 inflows related to leases at June 30, 2025 and 2024 were \$20.1 million and \$26.9 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.

**(q) 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. These 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.

**(r) 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, investment income, and grant funding, as well as interest expense on outstanding debt, are related to capital and financing activities and are defined as nonoperating revenues and expenses.

In fiscal year 2023, Metropolitan received \$80.0 million from the State Water Resources Control Board (State Board) to fund the Pure Water Southern California program. This contribution was recorded as restricted net position and must be spent by the end of fiscal year 2026. The balances as of June 30, 2025 and 2024 were \$44.2 million and \$65.7 million, respectively.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(s) 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.

**(t) 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.

**(u) Reclassification**

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation. Specifically, the restricted portion of the net position previously included within the Other category in 2024 has been reclassified and is now presented as a separate category, Restricted for Operating Expenses, in 2025. This presentation provides additional information considered relevant to stakeholders. The reclassification had no impact on the total restricted net position.

**(v) New Accounting Pronouncements**

Metropolitan implemented the following GASB Statements in fiscal year 2025:

- GASB Statement No. 101, *Compensated Absences*, establishes recognition and measurement criteria for all types of compensated absences, including vacation, sick, personal, and other leave categories. Prior to implementation, Metropolitan recognized liabilities for accrued vacation, compensatory leave, and 52.2 percent of unused sick leave. Upon adoption, Metropolitan recorded additional liabilities for leave types not previously recognized, primarily related to personal leave, disability leave, and salary related payments. In addition, sick leave was updated to reflect historical usage patterns.

Metropolitan restated its beginning net position as of July 1, 2023. The restatement decreased the beginning net position from \$7.5 billion to \$7.4 billion to reflect the impact of the increase in the accrued compensated absences liability. This adjustment conforms with the recognition and measurement criteria under GASB Statement No. 101. The cumulative effect of the restatement is summarized below:

(Dollars in thousands)	2024 previously reported	GASB 101 adjustment	2024 as restated
<b>Current Liabilities:</b>			
Current portion of accrued compensated absences	\$ 27,800	\$ 10,429	\$ 38,229
<b>Noncurrent Liabilities:</b>			
Accrued compensated absences, net of current portion	\$ 39,603	\$ 6,295	\$ 45,898
<b>Net Position:</b>			
Total net position, beginning of year	\$ 7,450,527	\$ (14,567)	\$ 7,435,960
<b>Operating expenses:</b>			
Operations and maintenance	\$ 703,950	\$ 2,157	\$ 706,107

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

- GASB Statement No. 102, *Certain Risk Disclosures*, establishes disclosure requirements for certain risks that could affect a government's ability to provide services or meet its obligations, including risks related to concentrations and constraints. Metropolitan evaluated its operations, funding sources, and service delivery, and based on this analysis did not identify any risks that warrant disclosure. Implementation of this statement did not have a material impact on Metropolitan's financial position or results of operations.

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. 103, *Financial Reporting Model Improvements* (effective for fiscal year 2026)
- GASB Statement No. 104, *Disclosure of Certain Capital Assets* (effective for fiscal year 2026)

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS**

***(CONTINUED)***

June 30, 2025 and 2024

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## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## NOTES TO BASIC FINANCIAL STATEMENTS

(CONTINUED)

June 30, 2025 and 2024

**2. CAPITAL ASSETS**

Capital asset activity for the fiscal years ended June 30, 2025 and 2024 was as follows:

(Dollars in thousands)	June 30, 2023		Additions
Capital assets not being depreciated:			
Land, easements and rights of way	\$	989,815	\$ 278
Construction in progress		743,097	402,766
Total capital assets not being depreciated		<u>1,732,912</u>	<u>403,044</u>
Other capital assets:			
Parker power plant and dam		13,009	—
Power recovery plants		225,451	43
Other dams and reservoirs		1,868,876	7,012
Water transportation facilities		4,208,298	132,350
Pumping plants and facilities		384,580	32,591
Treatment plants and facilities		3,227,465	19,183
Power lines and communication facilities		40,196	13
Computer systems software		152,176	18,332
Buildings		236,978	8,056
Miscellaneous		308,110	1,763
Major equipment		117,575	8,677
Pre-operating expenses of original aqueduct		44,595	—
Participation rights in State Water Project (Note 12)		5,865,357	185,528
Participation rights in other facilities (Note 4)		459,049	94,981
Lease assets (Note 7)			
Buildings		2,929	853
Equipment		931	—
Land		7,295	2,049
Subscription assets (Note 8)		8,472	3,333
Total other capital assets at historical cost		<u>17,171,342</u>	<u>514,764</u>
Accumulated depreciation and amortization:			
Parker power plant and dam		(12,161)	(72)
Power recovery plants		(121,396)	(5,404)
Other dams and reservoirs		(557,391)	(26,230)
Water transportation facilities		(1,264,480)	(63,854)
Pumping plants and facilities		(141,320)	(8,335)
Treatment plants and facilities		(1,100,756)	(76,990)
Power lines and communication facilities		(13,216)	(460)
Computer systems software		(122,101)	(6,584)
Buildings		(24,124)	(5,275)
Miscellaneous		(143,028)	(10,161)
Major equipment		(99,609)	(6,784)
Pre-operating expenses of original aqueduct		(44,595)	—
Participation rights in State Water Project (Note 12)		(4,442,215)	(139,369)
Participation rights in other facilities (Note 4)		(272,992)	(18,906)
Lease assets (Note 7)			
Buildings		(1,284)	(385)
Equipment		(552)	(198)
Land		(2,747)	(693)
Subscription assets (Note 8)		(3,077)	(3,545)
Total accumulated depreciation and amortization		<u>(8,367,044)</u>	<u>(373,245)</u>
Other capital assets, net		8,804,298	141,519
Total capital assets, net	\$	<u>10,537,210</u>	\$ 544,563

Depreciation and amortization was charged as follows:

Depreciation of water related assets
Amortization of State Water Project participation rights (Note 12)
Amortization of other participation rights (Note 4)
Amortization of lease assets and subscription assets (Notes 7 and 8)
Depreciation and amortization expense related to capital assets
Plus: Net retirements adjusted to expense
Total depreciation and amortization expense

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS**

*(CONTINUED)*

June 30, 2025 and 2024

Reductions		June 30, 2024		Additions		Reductions		June 30, 2025	
\$	(60)	\$	990,033	\$	1,300	\$	(480)	\$	990,853
	(220,241)		925,622		360,148		(147,009)		1,138,761
	(220,301)		1,915,655		361,448		(147,489)		2,129,614
	—		13,009		—		—		13,009
	—		225,494		9,586		(2,456)		232,624
	(148)		1,875,740		1,019		(156)		1,876,603
	(17,169)		4,323,479		59,368		(1,069)		4,381,778
	(420)		416,751		20,316		(356)		436,711
	(2,957)		3,243,691		19,023		(6,677)		3,256,037
	—		40,209		3		—		40,212
	(2,371)		168,137		460		(107)		168,490
	(1,947)		243,087		30,747		(9,103)		264,731
	—		309,873		3,040		(74)		312,839
	(3,251)		123,001		12,578		(5,365)		130,214
	—		44,595		—		—		44,595
	(63,465)		5,987,420		197,105		(67,656)		6,116,869
	—		554,030		14,623		—		568,653
	(280)		3,502		1,032		—		4,534
	—		931		131		(437)		625
	(1,226)		8,118		3,470		(883)		10,705
	—		11,805		4,595		(4,785)		11,615
	(93,234)		17,592,872		377,096		(99,124)		17,870,844
	—		(12,233)		(72)		—		(12,305)
	—		(126,800)		(5,463)		2,456		(129,807)
	148		(583,473)		(26,087)		156		(609,404)
	11,282		(1,317,052)		(65,197)		905		(1,381,344)
	421		(149,234)		(9,594)		356		(158,472)
	2,323		(1,175,423)		(76,647)		5,095		(1,246,975)
	—		(13,676)		(459)		—		(14,135)
	2,208		(126,477)		(6,782)		107		(133,152)
	1,925		(27,474)		(6,145)		9,099		(24,520)
	—		(153,189)		(10,169)		53		(163,305)
	3,251		(103,142)		(7,088)		5,325		(104,905)
	—		(44,595)		—		—		(44,595)
	—		(4,581,584)		(97,195)		—		(4,678,779)
	—		(291,898)		(21,015)		—		(312,913)
	280		(1,389)		(458)		—		(1,847)
	—		(750)		(201)		437		(514)
	474		(2,966)		(932)		393		(3,505)
	—		(6,622)		(3,820)		4,785		(5,657)
	22,312		(8,717,977)		(337,324)		29,167		(9,026,134)
	(70,922)		8,874,895		39,772		(69,957)		8,844,710
\$	(291,223)	\$	10,790,550	\$	401,220	\$	(217,446)	\$	10,974,324
		\$	210,149					\$	213,703
			139,369						97,195
			18,906						21,015
			4,821						5,411
			373,245						337,324
			4,945						1,659
		\$	378,190					\$	338,983

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**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 3(d) and 15. As of June 30, 2025, total current restricted cash of \$778.8 million included \$384.0 million held for operating and maintenance cost for July and August 2025. As of June 30, 2024, total current restricted cash of \$858.3 million included \$372.5 million held for operating and maintenance cost for July and August 2024.

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

(Dollars in thousands)	June 30,	
	2025	2024
Proprietary Funds	\$ 1,614,516	\$ 1,383,654
Fiduciary Funds	4,779	4,549
Total deposits and investments	\$ 1,619,295	\$ 1,388,203
Deposits	\$ 6	\$ 11
Investments	1,619,289	1,388,192
Total deposits and investments	\$ 1,619,295	\$ 1,388,203

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, 2025 Metropolitan's cash balance included \$1,000 and \$5,000 of deposits with financial institutions and cash on hand, respectively. Cash balance as of June 30, 2024 included \$6,000 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, bank deposits (certificates of deposit), Government-sponsored enterprise (GSE), California local agency securities, including securities issued by Metropolitan, medium-term corporate notes, investment contracts, money market funds, California Asset Management Program (CAMP), and Local Agency Investment Fund (LAIF).

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

As of June 30, 2025 and 2024, Metropolitan had the following investments at fair value:

(Dollars in thousands)	June 30,	
	2025	2024
Asset-backed securities	\$ 83,869	\$ 51,453
Bank deposits (certificates of deposit)	948	900
CAMP	592,995	500,367
Federal agency securities	23,177	97,575
GSE	63,221	53,251
LAIF	25,000	25,000
Medium-term corporate notes	282,623	210,087
Money market funds	950	2,404
Municipal bonds	2,261	2,171
Negotiable certificates of deposit	131,564	34,553
Prime commercial paper	83,740	44,881
Supranationals	806	7,777
U.S. Treasury securities	328,135	357,773
Total investments	\$ 1,619,289	\$ 1,388,192

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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, 2025 and 2024:

(Dollars in thousands)	Fair Value Measurement Using					
	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	6/30/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:						
Asset-backed securities	\$ 83,869	\$ 83,869	\$ —	\$ 51,453	\$ 51,453	\$ —
Federal agency securities	23,177	23,177	—	97,575	97,575	—
GSE	63,221	63,221	—	53,251	53,251	—
Medium-term corporate notes	282,623	282,623	—	210,087	210,087	—
Municipal bonds	2,261	2,261	—	2,171	2,171	—
Negotiable certificates of deposit	131,564	—	131,564	34,553	—	34,553
Prime commercial paper	83,740	4,000	79,740	44,881	—	44,881
Supranationals	806	806	—	7,777	7,777	—
U.S. Treasury securities	328,135	328,135	—	357,773	357,773	—
Total investments by fair value level	\$ 999,396	\$ 788,092	\$ 211,304	\$ 859,521	\$ 780,087	\$ 79,434
Investments not subject to fair value level:						
Bank deposits (certificates of deposit)	\$ 948			\$ 900		
CAMP	592,995			500,367		
LAIF	25,000			25,000		
Money market funds <sup>(1)</sup>	950			2,404		
Total investments not subject to fair value level	619,893			528,671		
Total investments	\$ 1,619,289			\$ 1,388,192		

<sup>(1)</sup> As of June 30, 2025 and 2024, the balances were invested in Dreyfus Government Cash Management (DGCXX).

Investments classified in Level 1 of the fair value hierarchy, valued at \$788.1 million and \$780.1 million as of June 30, 2025 and 2024, respectively, were valued using quoted prices in active markets.

Investments classified in level 2 of the fair value hierarchy, valued at \$211.3 million and \$79.4 million as of June 30, 2025 and 2024, respectively, were valued using Matrix and Generalized Second-Price Manual International Data Corporation.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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 \$619.9 million and \$528.7 million at June 30, 2025 and 2024, 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. The benchmark duration as of June 30, 2025 and 2024 was 0.23 and the portfolio duration was permitted to vary from the benchmark by plus or minus 0.50.

As of June 30, 2025 and 2024, Metropolitan's investments and portfolio durations for this segment were as follows:

(Dollars in thousands)	June 30,			
	2025		2024	
	Fair value	Duration	Fair value	Duration
Asset-backed securities	\$ 17,255	0.63	\$ 4,800	0.54
Bank deposits (certificates of deposit)	948	0.02	900	0.20
CAMP	580,121	—	483,929	—
Federal agency securities	—	—	49,952	0.05
LAIF	25,000	—	25,000	—
Medium-term corporate notes	107,749	0.71	37,044	0.50
Money market funds	1	—	1	—
Negotiable certificates of deposit	119,503	0.33	22,960	0.37
Prime commercial paper	83,740	0.21	37,659	0.19
U.S. Treasury securities	—	—	80,537	0.06
Total portfolio segment	\$ 934,317		\$ 742,782	
Portfolio duration		0.15		0.06

**Core Segment**

This segment of the portfolio was managed against the Benchmark comprised of 20% of the ICE BoAML 0-1 Year, U.S. Treasury Index, and 80% of the ICE BofAML 1-5 Years AAA-A U.S. Corporate and Government Index. The benchmark durations as of June 30, 2025 and 2024 were 2.16 and 2.15, respectively, and the portfolio duration was permitted to vary from the benchmark by plus or minus 1.50.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

As of June 30, 2025 and 2024, Metropolitan's investments and portfolio durations for this segment were as follows:

(Dollars in thousands)	June 30,			
	2025		2024	
	Fair value	Duration	Fair value	Duration
Asset-backed securities	\$ 64,935	1.43	\$ 45,501	1.54
Federal agency securities	23,177	1.35	47,623	1.14
GSE	61,076	2.38	51,387	2.72
Medium-term corporate notes	168,830	1.86	167,269	1.99
Money market funds	898	—	1,242	—
Municipal bonds	2,261	0.73	2,171	1.68
Negotiable certificates of deposit	11,759	1.00	11,296	1.38
Prime commercial paper	—	—	6,429	0.19
Supranationals	—	—	6,983	0.52
U.S. Treasury securities	307,261	2.17	263,480	2.15
Total portfolio segment	\$ 640,197		\$ 603,381	
Portfolio duration		1.97		1.97

***Bond Reserves and The Endowment Segment***

Investments in the bond reserves are managed based on the requirements of each of the bond issues. Since September 2022, Metropolitan has not had a bond reserve associated with any of its outstanding bond issues. The Endowment segment was managed in a manner to preserve the principal deposits for as long as possible while meeting the necessary liquidity needs to pay related operating expenses. Per Board authorization, the Treasurer was authorized to invest these monies in excess of five years.

As of June 30, 2025 and 2024, Metropolitan's investments and portfolio durations for this segment were as follows:

(Dollars in thousands)	June 30,			
	2025		2024	
	Fair value	Duration	Fair value	Duration
Asset-backed securities	\$ 1,679	1.66	\$ 1,152	2.04
CAMP	12,874	—	16,438	—
GSE	2,145	2.98	1,864	3.74
Medium-term corporate notes	6,044	2.30	5,774	2.99
Money market funds	51	—	1,161	—
Negotiable certificates of deposit	302	1.48	297	2.33
Prime commercial paper	—	—	793	0.16
Supranationals	806	1.45	794	2.33
U.S. Treasury securities	20,874	4.33	13,756	3.43
Total portfolio segment	\$ 44,775		\$ 42,029	
Weighted average duration		2.57		1.82

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**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:

<b>Investment Type</b>	<b>Minimum Rating</b>
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 an NRSRO.
Negotiable certificates of deposit	'A' (long-term) or 'A-1' (short-term) or their equivalent or better by an 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 an NRSRO.
Supranationals	Rating category of at least 'AA' or equivalent or better by an NRSRO.
CAMP	Rating category of 'AAAm' or its equivalent or better by an NRSRO.
Repurchase agreements	Limited to primary dealers or financial institutions in a rating category of 'A' or its equivalent or better by an NRSRO.
Medium-term corporate notes	Rating category of 'A' or its equivalent or better by an 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 an NRSRO.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

At June 30, 2025 and 2024, Metropolitan's portfolio was invested in the following securities by rating:

(Dollars in thousands)	Rating <sup>(1)</sup>	June 30,	
		2025	2024
		Fair value	Fair value
Asset-backed securities	AAA <sup>(2)</sup>	\$ 83,869	\$ 51,453
Bank deposits (certificates of deposit)	N/A <sup>(3)</sup>	948	900
CAMP	AAAm <sup>(4)</sup>	592,995	500,367
Federal agency securities	N/A <sup>(6)</sup>	23,177	97,575
GSE	N/A <sup>(6)</sup>	63,221	53,251
LAIF	N/A <sup>(7)</sup>	25,000	25,000
Medium-term corporate notes	BBB <sup>(5)</sup>	282,623	210,087
Money market funds	AAAm <sup>(4)</sup>	950	2,404
Municipal bonds	AA+ <sup>(4)</sup>	2,261	2,171
Negotiable certificates of deposit	A-1 <sup>(4)</sup>	131,564	34,553
Prime commercial paper	A-1 <sup>(4)</sup>	83,740	44,881
Supranationals	AAA <sup>(4)</sup>	806	7,777
U.S. Treasury securities	N/A <sup>(6)</sup>	328,135	357,773
<b>Total portfolio</b>		<b>\$ 1,619,289</b>	<b>\$ 1,388,192</b>

<sup>(1)</sup>Minimum actual rating by sector as of June 30, 2025.

<sup>(2)</sup>Standard & Poor's Global Ratings and Moody's Investor Services.

<sup>(3)</sup>Collateralized/FDIC insured in accordance with California Government Code.

<sup>(4)</sup>Standard & Poor's Global Ratings.

<sup>(5)</sup>Standard & Poor's Global Ratings. Intel Corporation @ 3.75% Cusip #458140BY5 with Market Value \$3.0 million was rated BBB.

<sup>(6)</sup>Credit ratings are not applicable to obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.

<sup>(7)</sup>LAIF is not rated.

**Concentration of credit risk.** In accordance with Metropolitan's investment policy, the minimum requirements for limiting concentration of credit risk defined the maximum percent allowable for investment in each security type as well as the percent allowable for investment by issuer per type. Generally, the maximum allowable for investment by security type varied from 20 percent for asset-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 METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

The following table identifies Metropolitan's limits and the percent invested by security type based on fair value, as of June 30, 2025 and 2024.

	Investment Policy Limits	Percent of Portfolio	
		2025	2024
Asset-backed securities	20%	5 %	4 %
Bank deposits (certificates of deposit)	30%	<1%	<1%
CAMP	40%	37 %	36 %
Federal agency securities	100%	1 %	7 %
GSE	100%	4 %	4 %
LAIF	N/A	2 %	2 %
Medium-term corporate notes	30%	18 %	15 %
Money market funds	20%	<1 %	<1%
Municipal bonds	30%	<1 %	<1%
Negotiable certificates of deposit	30%	8 %	2 %
Prime commercial paper	40%	5 %	3 %
Supranationals	30%	<1%	1 %
U.S. Treasury securities	100%	20 %	26 %
<b>Total portfolio</b>		<b>100 %</b>	<b>100 %</b>

At June 30, 2025 and 2024, 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)	2025	
CAMP	\$ 592,995	36.6 %

(Dollars in thousands)	2024	
CAMP	\$ 500,367	36.0 %
Federal Home Loan Mortgage Corp	\$ 80,377	5.8 %

**Custodial credit risk.** At June 30, 2025 and 2024, 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 \$593.0 million and \$500.4 million in the CAMP as of June 30, 2025 and 2024, respectively, and \$25.0 million in deposits in LAIF as of June 30, 2025 and 2024.

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 nine-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 \$22.2 billion and \$20.5 billion as of June 30, 2025 and 2024, respectively. Of the amount invested in CAMP, 36.7 percent and 37.5 percent were invested in medium-term

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

and short-term notes and asset-backed securities on June 30, 2025 and 2024, respectively. The average maturity of CAMP investments was 41 days and 38 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, 2025 and 2024 was \$24.5 billion and \$22.0 billion, respectively. At June 30, 2025 and 2024, the PMIA had a balance of \$178.1 billion and \$178.0 billion, respectively, of which, 3.81 percent and 3.00 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, 2025 and 2024, was 248 days and 217 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, 2025 and 2024.

**(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; expenses for Pure Water Southern California (PWSC) program; payment of Metropolitan's operations and maintenance expenses; and payment of the costs related to the closure and post closure maintenance of Metropolitan's solid waste landfill facility.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS**

***(CONTINUED)***

June 30, 2025 and 2024

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## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**4. PARTICIPATION RIGHTS**

Participation rights activity, excluding participation rights in SWP, for the fiscal years ended June 30, 2025 and 2024 was as follows:

(Dollars in thousands)	June 30, 2023	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	—
AVEK High Desert Water Bank Program	—	94,981
Total	459,049	94,981
Accumulated amortization:		
Imperial Irrigation District	(70,314)	(2,270)
Palo Verde Irrigation District	(42,786)	(2,342)
Kern Delta Water District	(28,147)	(2,172)
South County Pipeline	(27,669)	(912)
Semitropic Water Storage District	(22,638)	(942)
Arvin-Edison Water Storage District	(29,091)	(1,467)
Chino Basin	(20,716)	(1,455)
Orange County	(17,026)	(1,195)
Conjunctive Use Programs	(14,605)	(1,026)
AVEK High Desert Water Bank Program	—	(5,125)
Total	(272,992)	(18,906)
Participation rights, net	\$ 186,057	\$ 76,075

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS***(CONTINUED)*

June 30, 2025 and 2024

Reductions		June 30, 2024	Additions	Reductions		June 30, 2025
\$	—	\$ 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
	—	94,981	14,623		—	109,604
	—	554,030	14,623		—	568,653
	—	(72,584)	(2,270)		—	(74,854)
	—	(45,128)	(2,342)		—	(47,470)
	—	(30,319)	(2,172)		—	(32,491)
	—	(28,581)	(912)		—	(29,493)
	—	(23,580)	(942)		—	(24,522)
	—	(30,558)	(1,467)		—	(32,025)
	—	(22,171)	(1,455)		—	(23,626)
	—	(18,221)	(1,195)		—	(19,416)
	—	(15,631)	(1,026)		—	(16,657)
	—	(5,125)	(7,234)		—	(12,359)
	—	(291,898)	(21,015)		—	(312,913)
\$	—	\$ 262,132	\$ (6,392)	\$	—	\$ 255,740

**(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 thousand acre-feet (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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

calendar years 2025 and 2024, respectively, see Note 11(c). 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 11(e).

Participation rights for this project totaled \$112.3 million as of June 30, 2025 and 2024, and are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled \$2.3 million in fiscal years 2025 and 2024.

**(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 extends 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.

During the period from August 1, 2023 through July 31, 2026, the U.S. Bureau of Reclamation, under the Inflation Reduction Act of 2022 that provides funding specifically for water management and conservation efforts in the Colorado River Basin experiencing long-term drought, is funding the payments to individual landowners during this period. The water conserved by the fallowing during this period is saved as System Conservation Water to increase the storage level in Lake Mead.

Participation rights for this program totaled \$82.8 million as of June 30, 2025 and 2024, and are being amortized using the straight-line method over 35 years. Amortization expense totaled \$2.3 million in fiscal years 2025 and 2024.

**(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 142.3 TAF in the program as of June 30, 2025. 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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

California Aqueduct for ultimate delivery to Metropolitan. This program terminates in December 2029. The facilities became operational in June 2010.

Participation rights for the Kern Delta totaled \$39.0 million as of June 30, 2025 and 2024, 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 2025 and 2024.

**(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, 2025 and 2024. 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 2025 and 2024.

**(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 original water bank project. Metropolitan has a storage allocation of 350.0 TAF and currently has 227.5 TAF in the program as of June 30, 2025. 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, 2025 and 2024. 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 2025 and 2024.

**(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 100.2 TAF in the program as of June 30, 2025. The minimum estimated return capability for the Arvin-Edison program varies from 40.0 TAF per

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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 unless extended upon mutual agreement.

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.

Due to the detection of trichloropropane in Arvin-Edison wells, Metropolitan has temporarily suspended direct storage and groundwater recoveries from the program because Department of Water Resources (DWR) prohibits the introduction of water into the California Aqueduct that exceeds the maximum contamination level. Metropolitan has requested that Arvin-Edison provide only surface water meeting DWR standards for direct pump-back into the California Aqueduct, or alternative methods acceptable to Metropolitan, to satisfy both DWR pump-in requirements and Metropolitan's request for water. In fiscal year 2025, Metropolitan did not recover any water stored with Arvin-Edison under the program.

Participation rights for the Arvin-Edison program totaled \$47.2 million as of June 30, 2025 and 2024. 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 2025 and 2024.

**(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, 2025, Metropolitan had 63.8 TAF 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, 2025 and 2024. 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 2025 and 2024.

**(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, 2025, Metropolitan had no water in storage. The program included the construction of wells and barrier improvements for

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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, 2025 and 2024. 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 2025 and 2024.

**(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, 2025, Metropolitan had a total of 19.8 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, 2025 and 2024. 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 2025 and 2024.

**(j) AVEK High Desert Water Bank Program**

Metropolitan entered into an agreement with AVEK for the High Desert Water Bank (HDWB) Program in December 2019 to store SWP supplies in the Antelope Valley groundwater basin. The agreement provides for Metropolitan to pay the capital costs for construction of the HDWB, which AVEK will construct and own. The agreement also provides for operation of the water bank, under which Metropolitan will be able to store and recover up to 70 TAF per year with a total storage capacity of 280 TAF. Metropolitan began recharging water into the groundwater basin in September 2023. Metropolitan is funding the construction project currently projected at \$211.0 million. Full operation and maximum capacity are expected in 2027. As of June 30, 2025, Metropolitan had 45.0 TAF in storage. Through the agreement term, starting on the date of the initial deposit and every year thereafter, Metropolitan will pay AVEK estimated HDWB operation, maintenance and repair, and management costs for the following 12 month period until its expiration. See Subsequent Events, Note 17(a) ii for additional information.

Participation rights for this program totaled \$109.6 million and \$95.0 million as of June 30, 2025 and 2024, respectively. These participation rights are amortized using the straight-line method over the remaining life of the

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

agreement term. Amortization expense totaled \$7.2 million and \$5.1 million in fiscal years 2025 and 2024, respectively.

**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 \$4.522 billion and \$4.625 billion at June 30, 2025 and 2024, respectively, represents less than one percent of the June 30, 2025 and 2024 total taxable net assessed valuation of \$4,063 billion and \$3,861 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 \$400.0 million each in commercial paper and revolving notes, respectively, to fund a portion of its capital investment plan, as approved by Metropolitan's Board. There was no commercial paper issued in fiscal years 2025 and 2024 and no commercial paper was outstanding at June 30, 2025 and 2024. Metropolitan may also issue other forms of short-term debt such as variable rate water revenue bonds and revolving notes.

Short-term notes issued during the fiscal year ended June 30, 2025 were as follows:

- On March 19, 2025, Metropolitan issued certain notes evidencing draws of \$99.4 million (Tax-Exempt), from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The tax-exempt draw funded a portion of the costs of the AVEK High Desert Water Banking Program, and prepaid two series of notes, issued under the Bank of America Revolving Credit Facility, totaling \$68.4 million; \$38.4 million, issued on March 21, 2024, and \$30.0 million, issued on June 28, 2024. The tax-exempt notes have a maturity date of March 18, 2026.

Short-term notes issued during the fiscal year ended June 30, 2024 were as follows:

- On December 18, 2023, Metropolitan issued \$120.0 million of the Wells Fargo Tax Exempt Revolving Notes, Series 2023 A-4, representing a draw, of a like amount, from the Wells Fargo Revolving Credit Facility. The notes had a maturity date of May 31, 2024, unless otherwise amended, in which case the notes' maturity can be extended to December 17, 2024. Proceeds were used to fund a portion of Metropolitan's Capital Investment Program. The Wells Fargo Notes were fully paid and redeemed from available funds on March 21, 2024.
- On March 21, 2024, Metropolitan issued certain notes evidencing draws of \$120.0 million (Tax-Exempt) from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The tax-exempt draw prepaid a like amount of notes drawn from Wells Fargo Bank, N.A., under the Wells Fargo Revolving Credit Facility. The tax-exempt draw financed a portion of the Metropolitan's Capital Investment Plan. The tax-exempt notes had a maturity date of March 20, 2025. The notes were fully prepaid on May 8, 2024, from a portion of the proceeds

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

of the \$367.0 million Water Revenue Refunding Bonds (WRRB), 2024 Series A.

- On March 21, 2024, Metropolitan issued certain notes evidencing draws of \$18.0 million (Taxable) from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The taxable draw prepaid a like amount of notes drawn from Wells Fargo Bank, N.A., under the Wells Fargo Revolving Credit Facility, which funded a portion of Metropolitan's conservation program expenses for turf replacement costs. The taxable notes had a maturity date of March 20, 2025, but were prepaid from proceeds of the WRRB 2024 Series C issued on September 19, 2024.
- On March 21, 2024, Metropolitan issued certain notes evidencing draws of \$38.4 million (Tax-Exempt) from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The tax-exempt draw prepaid a like amount of notes drawn from Wells Fargo Bank, N.A., under the Wells Fargo Revolving Credit Facility, which funded a portion of the costs of the AVEK High Desert Water Bank Program. The tax-exempt notes had a maturity date of March 20, 2025, but were prepaid from proceeds of notes drawn under the Bank of America Revolving Credit Facility issued on March 19, 2025.
- On April 30, 2024, Metropolitan issued certain notes evidencing draws of \$35.6 million (Tax-Exempt) from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The tax-exempt draw funded the costs of the defeasance escrow for \$35.6 million of the Subordinate Water Revenue Refunding Bonds (SWRRB), Series 2017 B. The tax-exempt notes had a maturity date of April 29, 2025, but were prepaid on May 8, 2024, from a portion of the proceeds of the WRRB, 2024 Series A.
- On May 15, 2024, Metropolitan issued certain notes evidencing draws of \$271.3 million (Tax-Exempt) from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The tax-exempt draw refunded the \$80.0 million of the Subordinate Water Revenue Bonds (SWRB), 2017 Series C, the \$95.6 million of the SWRRB, 2017 Series D, and the \$95.6 million of the SWRRB, 2017 Series E. The tax-exempt notes had a maturity date of May 14, 2025, but were prepaid on June 13, 2024, from a portion of the proceeds of the SWRRB, 2024 Series B-1, 2024 Series B-2, and 2024 Series B-3.
- On June 28, 2024, Metropolitan issued certain notes evidencing draws of \$280.0 million, (Tax-Exempt) from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The tax-exempt draw will fund a portion of Metropolitan's Capital Investment Plan. The tax-exempt notes had a maturity date of June 27, 2025, but were redeemed from the proceeds of the WRRB 2024 Series C and the Variable Rate Subordinate Water Revenue Refundings Bonds (VRSWRRB), 2024 Series D issued on September 19, 2024.
- On June 28, 2024, Metropolitan issued certain notes evidencing draws of \$30.0 million (Tax-Exempt), from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The tax-exempt draw will fund a portion of the costs of the AVEK High Desert Water Bank Program. The tax-exempt notes had a maturity date of June 27, 2025, but were prepaid from proceeds of notes drawn under the Bank of America Revolving Credit Facility issued on March 19, 2025.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

- On June 28, 2024, Metropolitan issued certain notes evidencing draws of \$18.0 million (Taxable), from Bank of America, N.A., under the Bank of America Revolving Credit Facility. The taxable draw funded a portion of Metropolitan's conservation program expenses for turf replacement costs. The taxable notes had a maturity date of June 27, 2025, but were prepaid from the proceeds of the WRRB 2024 Series C issued on September 19, 2024.

A total of \$99.4 million and \$384.4 million short-term revolving notes were outstanding at June 30, 2025 and 2024, respectively.

**(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 \$17.2 million and \$18.2 million in general obligation refunding bonds were outstanding at June 30, 2025 and 2024, respectively.

The general obligation refunding bond issues include both serial and term bonds that mature in varying amounts through March 2037 at an interest rate of 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 years ended June 30, 2025 and 2024.

**(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 \$3.976 billion and \$3.772 billion of revenue bonds and revenue refunding bonds were outstanding at June 30, 2025 and 2024, 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 April 2054 at interest rates ranging from 2.00 percent to 5.00 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 the fiscal years ended June 30, 2025 and 2024.

**(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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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, redeem outstanding Short-Term Revolving Notes, and fund certain swap termination payments or to purchase U.S. Treasury securities that were deposited in irrevocable escrow trust accounts with a bank acting as an independent fiscal agent to provide for all future debt service on the bonds being refunded. As a result, those bonds are considered defeased and the related liabilities have been excluded from Metropolitan's basic financial statements.

Refunding and defeasance transactions during fiscal year 2025 were as follows:

- On September 19, 2024, Metropolitan issued \$150.0 million of VRSWRRB, 2024 Series D, which prepaid \$148.4 million of short-term notes, issued on June 28, 2024, and funded the costs of issuance.

Refunding and defeasance transactions during fiscal year 2024 were as follows:

- On May 8, 2024, Metropolitan issued \$367.0 million of WRRB, 2024 Series A, which refunded \$271.8 million of WRRB, 2020 Series B; prepaid \$35.6 million of certain notes evidencing a tax-exempt draw from Bank of America, N.A., under the Bank of America Revolving Credit Facility; prepaid \$120.0 million of certain short-term notes evidencing a tax-exempt draw from Bank of America, N.A., under the Bank of America Revolving Credit Facility; and funded costs of issuance.
- On June 13, 2024, Metropolitan issued three series of bonds related to the VRSWRRB, 2024 Series B. The first series was \$80.4 million of VRSWRRB, 2024 Series B-1, which prepaid short-term notes issued on May 15, 2024, that refunded the \$80.0 million of the SWRB, 2017 Series C and funded a portion of issuance costs. The second series issued was \$89.5 million of the SWRRB, 2024 Series B-2 (Term Mode Bonds) which prepaid short-term notes issued on May 14, 2024, that refunded the \$95.6 million of the SWRRB, 2017 Series D and funded a portion of issuance costs. The third series issued was \$89.9 million of the SWRRB, 2024 Series B-3 (Term Mode Bonds) which prepaid short-term notes issued on May 15, 2024 that refunded the \$95.6 million of the SWRRB, 2017 Series E and funded a portion of issuance costs.

Fiscal years 2025 and 2024 transactions were primarily undertaken for debt restructuring and short-term note refunding purposes and did not result in any cash flow savings or economic gains (difference between the present values of the debt service payments). The net carrying amount of the old debt was equal to the reacquisition price in fiscal year 2025 and 2024. Deferred inflows of gain on bond refundings were \$19.2 million and \$23.5 million at June 30, 2025 and 2024, respectively.

**(e) Revenue and Refunding Bonds**

Metropolitan has issued water revenue and refunding bonds to provide funds to pay for or reimburse itself for certain acquisitions, constructions, and improvements to the water system. Together with other available funds, this bond issuance is also used to refund certain parity obligation and to cover issuance costs.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

Revenue and refunding bonds issued during the fiscal year ended June 30, 2025 were as follows:

- On September 19, 2024, Metropolitan issued \$214.3 million of Water Revenue and Refunding Bonds, 2024 Series C, which funded \$29.1 million for the Capital Investment Plan and \$48.2 million for conservation program expenses; and prepaid \$18.0 million of short-term notes issued on March 21, 2024, and \$148.6 million of short-term notes issued on June 28, 2024, that funded, on an interim basis, a portion of Metropolitan's conservation program expenses for turf replacement costs, and a portion of Metropolitan's Capital Investment Plan, and funded the costs of issuance.

There were no revenue and refunding bonds issued during the fiscal year ended June 30, 2024.

**(f) Interest Rate Swaps**

Metropolitan has eight outstanding interest rate swap agreements as of June 30, 2025 and 2024. These agreements require that Metropolitan pay fixed interest rates and receive interest at variable interest rates which are Metropolitan's hedging derivative instruments.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS**

*(CONTINUED)*

June 30, 2025 and 2024

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## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

Metropolitan's interest rate swap portfolio as of June 30, 2025, 2024, and 2023 is summarized in the following table.

(Dollars in thousands)

Associated Bond Issue <sup>(1)</sup>	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Counterparty Credit Rating <sup>(2)</sup>
2002 A Payor	\$ 12,270	09/12/02	3.300 %	57.74% of 1MoSOFR <sup>(4)</sup>	A1/A-/A+
2002 B Payor	4,590	09/12/02	3.300 %	57.74% of 1MoSOFR	Aa2/AA-/AA
2003 Payor C-1 C-3	97,778	12/18/03	3.257 %	61.20% of 1MoSOFR	Aa2/AA-/AA
2003 Payor C-1 C-3	97,777	12/18/03	3.257 %	61.20% of 1MoSOFR	Aa2/A+/AA-
2004 C Payor	4,672	11/16/04	2.980 %	61.55% of 1MoSOFR	A1/A-/A+
2004 C Payor	3,823	11/16/04	2.980 %	61.55% of 1MoSOFR	A3/BBB+/A
2005 Payor	25,980	07/06/05	3.360 %	70.00% of 3MoSOFR	Aa2/AA-/AA
2005 Payor	25,980	07/06/05	3.360 %	70.00% of 3MoSOFR	A3/BBB+/A
<b>Total swaps</b>	<b>\$ 272,870</b>				

<sup>(1)</sup>These swaps lock in a fixed rate for an equivalent amount of variable rate debt.

<sup>(2)</sup>Credit Ratings - Moody's Investors Service, Standard & Poor's Global, Fitch Ratings, respectively.

<sup>(3)</sup>Excludes accrued interest.

<sup>(4)</sup>Adjusted Secured Overnight Financing Rate

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

Swap Termination	Fair Value as of 6/30 <sup>(2)</sup>			Change in Fair Value in FY	
	2025	2024	2023	2025	2024
07/01/25	\$ —	\$ (44)	\$ (147)	\$ 44	103
07/01/25	—	(17)	(55)	17	38
07/01/30	<b>(1,634)</b>	(1,402)	(2,273)	<b>(232)</b>	871
07/01/30	<b>(1,633)</b>	(1,401)	(2,269)	<b>(232)</b>	868
10/01/29	<b>(149)</b>	(97)	(159)	<b>(52)</b>	62
10/01/29	<b>(122)</b>	(80)	(130)	<b>(42)</b>	50
07/01/30	<b>(515)</b>	(271)	(510)	<b>(244)</b>	239
07/01/30	<b>(514)</b>	(271)	(510)	<b>(243)</b>	239
	<b>\$ (4,567)</b>	<b>\$ (3,583)</b>	<b>\$ (6,053)</b>	<b>\$ (984)</b>	<b>2,470</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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, 2025 and 2024:

(Dollars in thousands)

Associated Bond Issue	Fair Value Measurements Using			
	6/30/2025	Significant Other Observable Inputs (Level 2)	6/30/2024	Significant Other Observable Inputs (Level 2)
2002 A Payor	\$ —	\$ —	\$ (44)	\$ (44)
2002 B Payor	—	—	(17)	(17)
2003 Payor C-1 C-3	(1,634)	(1,634)	(1,402)	(1,402)
2003 Payor C-1 C-3	(1,633)	(1,633)	(1,401)	(1,401)
2004 C Payor	(149)	(149)	(97)	(97)
2004 C Payor	(122)	(122)	(80)	(80)
2005 Payor	(515)	(515)	(271)	(271)
2005 Payor	(514)	(514)	(271)	(271)
Total swaps	\$ (4,567)	\$ (4,567)	\$ (3,583)	\$ (3,583)

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, 2025, 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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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, 2025, 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, 2025.

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, 2025, Metropolitan has pay-fixed, receive-variable swap transactions with one counterparty in the amount of \$128.3 million or 47.04 percent of the notional amount of Metropolitan's outstanding pay-fixed, receive-variable swap transactions. This counterparty is rated Aa2/AA-/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, 2025, the interest rates of the variable rate debt associated with these swap transactions range from 0.60 percent to 4.45 percent. Metropolitan's variable rate payments received from the counterparties of these swaps ranged from 2.64 percent to 3.30 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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swap agreement.

**(g) Swap Payments and Associated Debt**

Using rates as of June 30, 2025, 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.

(Dollars in thousands)	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest <sup>(1)</sup>		
Year ending June 30:				
2026	\$ 75,770	\$ 6,681	\$ 788	\$ 83,239
2027	61,170	4,477	482	66,129
2028	63,540	2,466	222	66,228
2029	17,970	1,789	162	19,921
2030	23,585	1,095	112	24,792
2031	30,835	82	9	30,926
Total	\$ 272,870	\$ 16,590	\$ 1,775	\$ 291,235

<sup>(1)</sup> The weighted average of Metropolitan's variable rate bonds as of June 30, 2025 was 3.175%.

**(h) Variable Rate Bonds**

The variable rate bonds bear interest at daily and weekly rates ranging from 0.60 percent to 4.45 percent as of June 30, 2025 and 3.45 percent to 5.36 percent as of June 30, 2024. Metropolitan can elect to change the interest rate period of the bonds with certain limitations.

Metropolitan has entered into Standby Bond Purchase Agreements (SBPA) 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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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 SBPA was \$90.5 million and \$126.7 million at June 30, 2025 and 2024, respectively.

Metropolitan has the following variable rate bonds that are supported by a SBPA as of June 30, 2025 and 2024:

(Dollars in thousands)

Bond Issue	Amount		Expiration Date	Interest Rate	Current Amount	
	6/30/2025	6/30/2024			2025	2024
<b>Water Revenue Bonds</b>						
2017 Series A	\$ 24,275	\$ 24,275	1/26/26	Reset Daily	\$ 24,275	\$ —
<b>Water Revenue Refunding Bonds</b>						
2016 Series B-2	25,325	25,325	1/26/26	Reset Daily	25,325	—
2022 Series C-1, C-2	282,275	282,275	1/26/26	Reset Weekly	282,275	—
<b>Subordinate Water Revenue Refunding Bonds</b>						
2021 Series A <sup>(1)</sup>	222,160	222,160	6/11/27	Reset Weekly	—	222,160
2024 Series B-1	80,390	80,390	6/11/27	Reset Weekly	—	—
2024 Series D	150,000	—	9/17/27	Reset Weekly	—	—
<b>Total</b>	<b>\$ 784,425</b>	<b>\$ 634,425</b>			<b>\$ 331,875</b>	<b>\$ 222,160</b>

<sup>(1)</sup> At June 30, 2024, the SBPA associated with the 2021 Series A Subordinate Water Revenue Refunding Bond was set to expire on 6/13/25. On May 20, 2025, the SBPA associated with 2021 Series A Subordinate Water Revenue Refunding Bond was extended to an expiration date of 6/11/27.

As of June 30, 2025 and 2024, there were no variable rate bonds outstanding that were not supported by an SBPA.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(i) Long-term Debt Obligation Summary**

Interest rates at June 30, 2025 on all outstanding fixed-rate obligations range from 2.00 percent to 5.00 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, 2025 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2026	\$ 167,310	\$ 172,138	\$ 339,448
2027	176,985	164,903	341,888
2028	187,565	157,342	344,907
2029	242,580	148,403	390,983
2030	277,770	134,541	412,311
2031-2035	965,280	531,778	1,497,058
2036-2040	895,320	328,735	1,224,055
2041-2045	495,425	164,434	659,859
2046-2050	393,925	77,978	471,903
2051-2054	191,175	14,027	205,202
	<u>3,993,335</u>	<u>\$ 1,894,279</u>	<u>\$ 5,887,614</u>
Unamortized bond discount and premium, net	<u>429,669</u>		
Total debt	4,423,004		
Less current portion	<u>(548,763)</u>		
Long-term portion of debt	<u>\$ 3,874,241</u>		

**6. LONG-TERM LIABILITIES**

Long-term liability activity for the fiscal years ended June 30, 2025 and 2024 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.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS**

*(CONTINUED)*

June 30, 2025 and 2024

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## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

(Dollars in thousands)	Maturity Dates	Range of Interest Rates	June 30, 2023	Additions
<b>Waterworks general obligation refunding bonds (Note 5b and 5d):</b>				
2019 Series A	3/1/24-3/1/28	5.00 %	\$ 5,550	\$ —
2020 Series A	3/1/29-3/1/37	5.00 %	13,665	—
Total general obligation and general obligation refunding bonds			19,215	—
<b>Water revenue bonds (Note 5c):</b>				
2015 Series A	7/1/23-7/1/45	4.00%-5.00%	54,880	—
2017 Series A	7/1/41-7/1/47	Variable	24,275	—
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	—
<b>Water revenue refunding bonds (Note 5d):</b>				
2011 Series C	10/1/27	5.00 %	29,315	—
2014 Series E	7/1/23-7/1/24	5.00 %	33,910	—
2016 Series A	7/1/28-7/1/37	2.00%-5.00%	112,415	—
2016 Series B-1, B-2	7/1/25-7/1/37	Variable	25,325	—
2017 Subordinate Series A	7/1/23-7/1/27	2.00%-2.50%	204,760	—
2017 Subordinate Series B	8/1/23-8/1/24	4.00%-5.00%	35,640	—
2017 Subordinate Series D	5/21/24	Variable	95,630	—
2017 Subordinate Series E	5/21/24	Variable	95,625	—
2018 Subordinate Series A	7/1/23	5.00 %	10,865	—
2018 Series B	1/1/24-1/1/39	5.00 %	119,690	—
2019 Series A	7/1/30-7/1/39	5.00 %	218,090	—
2019 Subordinate Series A	7/1/23-7/1/29	5.00 %	209,060	—
2020 Subordinate Series A	7/1/23-7/1/29	3.00%-5.00%	152,455	—
2020 Series B	7/1/24	Variable	271,815	—
2020 Series C	7/1/23-7/1/40	5.00 %	263,230	—
2021 Subordinate Series A	7/1/37-7/1/42	Variable	222,160	—
2021 Series B	10/1/23-10/1/36	4.00%-5.00%	87,810	—
2022 Series A	10/1/23-10/1/36	4.00%-5.00%	279,570	—
2022 Series B	7/1/26-7/1/40	3.00%-5.00%	253,365	—
2022 Series C-1, C-2	7/1/30-7/1/46	Variable	282,275	—
2024 Series A	4/1/25-4/1/54	5.00 %	—	367,005
2024 Subordinate Series B-1	7/1/45-7/1/47	Variable	—	80,390
2024 Subordinate Series B-2	7/1/29	5.00 %	—	89,445
2024 Subordinate Series B-3	7/1/31	5.00 %	—	86,940
2024 Subordinate Series D	4/1/50-4/1/54	Variable	—	—
<b>Water revenue and refunding bonds (Note 5e):</b>				
2023 Series A	4/1/24-4/1/53	5.00 %	258,410	—
2024 Series C	4/1/25-4/1/46	5.00 %	—	—
Total water revenue and water revenue refunding bonds			3,881,160	623,780
<b>Other long-term debt (Notes 5a and 5i):</b>				
Unamortized bond discount and premiums, net			420,924	77,224
Total long-term debt			4,321,299	701,004
<b>Other long-term liabilities</b> (see table next page)			1,084,116	507,056
<b>Total long-term liabilities</b>			\$ 5,405,415	\$ 1,208,060

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

## NOTES TO BASIC FINANCIAL STATEMENTS

(CONTINUED)

June 30, 2025 and 2024

Reductions		June 30, 2024 As Restated	Additions	Reductions		June 30, 2025	Amounts Due Within One Year
\$	(1,005)	\$ 4,545	\$ —	\$	(1,055)	\$ 3,490	\$ 1,110
	—	13,665	—		—	13,665	—
	(1,005)	18,210	—		(1,055)	17,155	1,110
	(4,020)	50,860	—		(15,740)	35,120	13,615
	—	24,275	—		—	24,275	24,275
	(80,000)	—	—		—	—	—
	(6,605)	57,740	—		—	57,740	—
	—	207,355	—		—	207,355	—
	—	188,890	—		—	188,890	—
	—	29,315	—		—	29,315	—
	(30,350)	3,560	—		(3,560)	—	—
	—	112,415	—		—	112,415	—
	—	25,325	—		—	25,325	25,325
	(22,015)	182,745	—		(42,085)	140,660	45,230
	(35,640)	—	—		—	—	—
	(95,630)	—	—		—	—	—
	(95,625)	—	—		—	—	—
	(10,865)	—	—		—	—	—
	(5,075)	114,615	—		(5,330)	109,285	5,595
	—	218,090	—		—	218,090	—
	(24,780)	184,280	—		(33,940)	150,340	43,895
	(13,265)	139,190	—		(13,620)	125,570	23,115
	(271,815)	—	—		—	—	—
	(7,330)	255,900	—		(9,930)	245,970	5,160
	—	222,160	—		—	222,160	—
	(13,345)	74,465	—		(12,360)	62,105	7,575
	(11,210)	268,360	—		(10,080)	258,280	10,525
	—	253,365	—		—	253,365	—
	—	282,275	—		—	282,275	282,275
	—	367,005	—		(3,430)	363,575	3,065
	—	80,390	—		—	80,390	—
	—	89,445	—		—	89,445	—
	—	86,940	—		—	86,940	—
	—	—	150,000		—	150,000	—
	(5,815)	252,595	—		(3,570)	249,025	3,745
	—	—	214,335		(6,065)	208,270	4,680
	(733,385)	3,771,555	364,335		(159,710)	3,976,180	498,075
	(47,618)	450,530	30,407		(51,268)	429,669	49,578
	(782,008)	4,240,295	394,742		(212,033)	4,423,004	548,763
	(431,958)	1,159,214	622,524		(464,704)	1,317,034	187,906
\$	(1,213,966)	\$ 5,399,509	\$ 1,017,266	\$	(676,737)	\$ 5,740,038	\$ 736,669

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

(Dollars in thousands)	June 30, 2023	Additions	Reductions	June 30, 2024 As Restated	Additions	Reductions	June 30, 2025	Amounts Due Within One Year
Accrued compensated absences (Note 1m and 1v)	\$ 60,300	\$ 49,401	\$ (25,574)	\$ 84,127	\$ 38,254	\$ (31,627)	\$ 90,754	\$ 42,032
Customer deposits	58,991	5,839	(16,703)	48,127	25,648	(11,748)	62,027	5,591
Due to other governments	—	7,701	—	7,701	1,735	—	9,436	—
Leases payable (Note 7)	6,940	3,070	(2,140)	7,870	4,636	(1,643)	10,863	1,026
Subscriptions payable (Note 8)	4,501	3,334	(4,478)	3,357	4,595	(3,591)	4,361	2,690
Net pension liability (Note 9e)	790,626	335,419	(292,142)	833,903	286,532	(326,925)	793,510	—
Net OPEB liability (Note 10f)	114,653	98,530	(64,878)	148,305	124,570	(80,884)	191,991	—
Workers' compensation and third party claims (Note 16)	14,706	3,755	(4,589)	13,872	6,289	(5,095)	15,066	4,234
Fair value of interest rate swaps (Note 5f)	6,053	—	(2,470)	3,583	984	—	4,567	—
Other long-term liabilities	27,346	7	(18,984)	8,369	129,281	(3,191)	134,459	132,333
<b>Total other long-term liabilities</b>	<b>\$ 1,084,116</b>	<b>\$ 507,056</b>	<b>\$ (431,958)</b>	<b>\$ 1,159,214</b>	<b>\$ 622,524</b>	<b>\$ (464,704)</b>	<b>\$ 1,317,034</b>	<b>\$ 187,906</b>

**7. LEASES****(a) Lessor**

Metropolitan holds a diverse portfolio of land lease agreements with another party primarily for the purposes of communication facilities, access for utility operations, parking lots or storage. These leases expire at various dates through 2122 and provide renewal options that are reasonably certain to be exercised for some and others having no renewal options. The leases also exhibit a wide range of terms and financial arrangements such as initial payments ranging from \$1,500 to \$138,000 with rate hike provisions at different time periods. Metropolitan recognizes lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using explicit rate or Metropolitan's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Metropolitan recognized revenues related to lease agreements totaling \$1.8 million and \$1.4 million for the fiscal years ended June 30, 2025 and 2024, respectively, reported in other nonoperating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

A summary of lease receivable activity during the fiscal years ended June 30, 2025 and 2024 are as follows:

(Dollars in thousands)	June 30, 2023	Additions	Reductions	June 30, 2024	Additions	Reductions	June 30, 2025
Leases of land	\$ 28,221	\$ 1,175	\$ (995)	\$ 28,401	\$ 5,942	\$ (12,924)	\$ 21,419
<b>Total leases receivable</b>	<b>\$ 28,221</b>	<b>\$ 1,175</b>	<b>\$ (995)</b>	<b>\$ 28,401</b>	<b>\$ 5,942</b>	<b>\$ (12,924)</b>	<b>\$ 21,419</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

A summary of the deferred inflow of resources activity during the year ended June 30, 2025 and 2024 are as follows:

(Dollars in thousands)	June 30, 2023	Additions	Reductions	June 30, 2024	Additions	Reductions	June 30, 2025
Deferred inflows of resources related to leases	\$ 27,354	\$ 1,009	\$ (1,441)	\$ 26,922	\$ 5,722	\$ (12,513)	\$ 20,131
Total deferred inflows of resources related to leases	\$ 27,354	\$ 1,009	\$ (1,441)	\$ 26,922	\$ 5,722	\$ (12,513)	\$ 20,131

For fiscal years 2025 and 2024, \$2.2 million and \$0.4 million were added to both the deferred inflow of resources and lease receivable related to modifications or renewals, respectively. For fiscal years 2025 and 2024, \$11.1 million and \$0.2 million were reduced from deferred inflow of resources and lease receivable due to terminations or adjustments, respectively.

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

(Dollars in thousands)	Lease revenue
Fiscal year ending June 30,	
2026	\$ 1,192
2027	887
2028	698
2029	544
2030	519
2031-2035	2,476
2036-2040	2,216
2041-2045	2,420
2046-2050	2,057
2051-2055	2,282
2056-2060	2,482
2061-2065	1,170
2066-2070	637
2071-2075	750
2076-2080	289
2081-2085	—
2086-2090	—
2091-2095	—
2096-2100	—
2101-2105	—
2106-2110	—
2111-2115	—
2116-2120	73
2121-2125	727
Total	\$ 21,419

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(b) Lessee**

Metropolitan leases building space, equipment and land for various terms under long-term noncancellable lease agreements. These leases expire at various dates through 2062 and provide renewal options that are reasonably certain to be exercised for some and others having no renewal options. The leases also exhibit a wide range of terms and financial arrangements such as initial payments ranging from \$2,500 to \$30,000 with rate hike provisions or fixed payment at different time periods. Metropolitan records lease assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the explicit rate or Metropolitan's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance.

A summary of the lease asset activity during the fiscal years ended June 30, 2025 and 2024 are as follows:

(Dollars in thousands)	June 30, 2023	Additions	Deductions	June 30, 2024	Additions	Deductions	June 30, 2025
Lease assets:							
Buildings	\$ 2,929	\$ 853	\$ (280)	\$ 3,502	\$ 1,032	\$ —	\$ 4,534
Equipment	931	—	—	931	131	(437)	625
Land	7,295	2,049	(1,226)	8,118	3,470	(883)	10,705
Total lease assets	11,155	2,902	(1,506)	12,551	4,633	(1,320)	15,864
Accumulated amortization on lease assets:							
Buildings	(1,284)	(385)	280	(1,389)	(458)	—	(1,847)
Equipment	(552)	(198)	—	(750)	(201)	437	(514)
Land	(2,747)	(693)	474	(2,966)	(932)	393	(3,505)
Total accumulated amortization lease assets	(4,583)	(1,276)	754	(5,105)	(1,591)	830	(5,866)
Lease assets, net	\$ 6,572	\$ 1,626	\$ (752)	\$ 7,446	\$ 3,042	\$ (490)	\$ 9,998

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

Future annual lease payments are as follows:

(Dollars in thousands)	<b>Principal</b>		<b>Interest</b>	
Fiscal year ending June 30,				
2026	\$	1,026	\$	355
2027		666		351
2028		568		343
2029		252		339
2030		278		337
2031-2035		1,287		1,548
2036-2040		1,085		1,356
2041-2045		1,516		1,176
2046-2050		1,648		738
2051-2055		1,358		337
2056-2060		722		165
2061-2065		457		22
Total	<u>\$</u>	<u>10,863</u>	<u>\$</u>	<u>7,067</u>

**8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

Metropolitan has several software-based information technology agreements encompassing a range of services. These include enterprise software licensing and subscription agreements, cloud data warehousing, e-procurement system services as well as various technology security and maintenance support services. These agreements expire at various dates through 2028 and provide renewal options that are reasonably certain to be exercised for some and others having no renewal options. The expected payments are discounted using the implicit rate or Metropolitan's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Metropolitan has no future subscription commitments at this time.

The total amount of subscription assets and the related accumulated amortization for the fiscal years ended June 30, 2025 and 2024 are as follows:

(Dollars in thousands)	June 30, 2023	Additions	June 30, 2024	Additions	Deductions	June 30, 2025
Subscription assets:						
Security & Enterprise Solutions	\$ 7,258	\$ 2,635	\$ 9,893	\$ 3,837	\$ (4,365)	\$ 9,365
Workflow & Productivity Solution	1,214	698	1,912	758	(420)	2,250
Total subscription assets	<u>8,472</u>	<u>3,333</u>	<u>11,805</u>	<u>4,595</u>	<u>(4,785)</u>	<u>11,615</u>
Accumulated amortization on subscription assets:						
Security & Enterprise Solutions	(2,764)	(3,137)	(5,901)	(3,195)	4,365	(4,731)
Workflow & Productivity Solution	(313)	(408)	(721)	(625)	420	(926)
Total accumulated amortization on subscription assets	<u>(3,077)</u>	<u>(3,545)</u>	<u>(6,622)</u>	<u>(3,820)</u>	<u>4,785</u>	<u>(5,657)</u>
Subscription assets, net	<u>\$ 5,395</u>	<u>\$ (212)</u>	<u>\$ 5,183</u>	<u>\$ 775</u>	<u>\$ —</u>	<u>\$ 5,958</u>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

Future principal and interest payment are as follows:

(Dollars in thousands)	Security & Enterprise Solutions		Workflow & Productivity Solutions	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30,				
2026	\$ 2,127	\$ 142	\$ 563	\$ 38
2027	1,325	53	346	14
Total	\$ 3,452	\$ 195	\$ 909	\$ 52

**9. 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 annual comprehensive financial 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 \$100.7 million and \$89.7 million for the fiscal years ended June 30, 2025 and 2024, respectively. The employee contribution rates were 8.0 percent of annual pay for PEPRA members and 7.0 percent of annual pay for Classic members for the years ended June 30, 2025 and 2024. Metropolitan contributes the full 7.0 percent for Classic members while PEPRA members contribute the full 8.0 percent for the years ended June 30, 2025 and 2024. At June 30, 2025 and 2024, Metropolitan's pickup of the

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

employee's 7.0 percent share were \$10.8 million and \$10.9 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, 2025 and 2024 are summarized as follows:

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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		
2025	7.0 %	8.00 %
2024	7.0 %	8.00 %
Required employer contribution rates		
2025	37.52 %	37.52 %
2024	33.98 %	33.98 %

At June 30, 2023 and 2022, the valuation dates for fiscal years 2025 and 2024, respectively, the following current and former employees were covered by the benefit terms:

	<b>2025</b>	2024
Valuation date	<b>6/30/2023</b>	6/30/2022
Inactive employees (or their beneficiaries) currently receiving benefits	<b>2,477</b>	2,436
Inactive employees entitled to but not yet receiving benefits	<b>891</b>	889
Active members	<b>1,813</b>	1,809
<b>Total</b>	<b>5,181</b>	5,134

**(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, 2025 and 2024 was measured as of June 30, 2024 and 2023, respectively, using an annual actuarial valuation as of June 30, 2023 and 2022, respectively. The actuarial valuations as of June 30, 2023 and 2022 were rolled forward to June 30, 2024 and 2023, respectively, using standard update procedures.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

The total pension liabilities for the measurement dates of June 30, 2024 and 2023 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	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality rate table <sup>(1)</sup>	Derived using CalPERS' Membership Data for all funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

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<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

**(c) Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments of 6.9 percent for measurement dates of June 30, 2024 and 2023 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 for the measurement date of June 30, 2024, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

The table below reflects long-term expected real rates of return by asset class for the measurement dates of June 30, 2024 and 2023.

<b>Asset Class</b>	<b>Current Target Allocation</b>	<b>Real Return Years <sup>(1),(2)</sup></b>
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non -Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	100.00 %	

<sup>(1)</sup>An expected inflation of 2.30 percent used for this period.

<sup>(2)</sup>Figures are based on the 2021 Asset Liability Management study.

**(d) Discount Rate**

The discount rate used to measure the total pension liability at June 30, 2024 and 2023 measurement dates was 6.9 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 6.9 percent was applied to all periods of projected benefit payments to determine the total pension liability.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(e) Changes in the Net Pension Liability**

The following tables show the changes in net pension liability recognized over the measurement periods of June 30, 2024 and 2023:

(Dollars in thousands)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at June 30, 2023 (MD)</b>	<b>\$ 2,926,787</b>	<b>\$ 2,092,884</b>	<b>\$ 833,903</b>
<b>Changes recognized for the measurement period:</b>			
Service cost	46,152	—	46,152
Interest on total pension liability	199,492	—	199,492
Differences between expected and actual experience	23,003	—	23,003
Contribution - Employer	—	89,655	(89,655)
Contribution - Employee	—	21,375	(21,375)
Net investment income	—	199,712	(199,712)
Benefit payments, including refunds of employee contributions	(161,906)	(161,906)	—
Administrative expenses	—	(1,702)	1,702
<b>Net Changes</b>	<b>106,741</b>	<b>147,134</b>	<b>(40,393)</b>
<b>Balance at June 30, 2024 (MD)</b>	<b>\$ 3,033,528</b>	<b>\$ 2,240,018</b>	<b>\$ 793,510</b>

(Dollars in thousands)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
<b>Balance at June 30, 2022 (MD)</b>	<b>\$ 2,807,458</b>	<b>\$ 2,016,832</b>	<b>\$ 790,626</b>
<b>Changes recognized for the measurement period:</b>			
Service cost	44,518	—	44,518
Interest on total pension liability	192,397	—	192,397
Changes of benefit terms	1,507	—	1,507
Differences between expected and actual experience	34,799	—	34,799
Contribution - Employer	—	88,219	(88,219)
Contribution - Employee	—	18,372	(18,372)
Net investment income	—	124,835	(124,835)
Benefit payments, including refunds of employee contributions	(153,892)	(153,892)	—
Administrative expenses	—	(1,482)	1,482
<b>Net Changes</b>	<b>119,329</b>	<b>76,052</b>	<b>43,277</b>
<b>Balance at June 30, 2023 (MD)</b>	<b>\$ 2,926,787</b>	<b>\$ 2,092,884</b>	<b>\$ 833,903</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(f) 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, 2024 and 2023 measurement dates, calculated using the discount rate of 6.9 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)	2025	2024
Discount Rate -1%	5.9 %	5.9 %
Net Pension Liability	\$ 1,164,021	\$ 1,193,417
Current Discount Rate	6.9 %	6.9 %
Net Pension Liability	\$ 793,510	\$ 833,903
Discount Rate +1%	7.9 %	7.9 %
Net Pension Liability	\$ 484,723	\$ 534,053

**(g) 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.

**(h) 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 ended June 30, 2024 measurement date is 3.7 years, which was obtained by dividing the total service years of 19,345 (the sum of remaining service lifetimes of the active employees) by 5,181 (the total number of participants: active, inactive, and retired). The EARSL for the Plan for the June 30, 2023 measurement date is 3.7 years, which was calculated by dividing the total service years of 18,937 by the total number of participants of 5,134. Inactive employees and retirees have remaining service lifetimes equal to zero and total

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the years ended June 30, 2025 and 2024, Metropolitan recognized pension expense of \$118.9 million and \$128.6 million, respectively. At June 30, 2025 and 2024, Metropolitan has deferred outflows and inflows of resources related to pensions as follows:

(Dollars in thousands)	Deferred Outflows of Resources Outflows		Deferred Inflows of Resources Inflows	
	2025	2024	2025	2024
Pension contributions subsequent to measurement date	\$ 100,687	\$ 89,655	\$ —	\$ —
Differences between expected and actual experience	32,775	25,913	(2,670)	(6,485)
Changes of assumptions	12,489	30,331	—	—
Net difference between projected and actual earnings on pension plan investments	32,335	94,781	—	—
<b>Total</b>	<b>\$ 178,286</b>	<b>\$ 240,680</b>	<b>\$ (2,670)</b>	<b>\$ (6,485)</b>

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal years ended June 30, 2025 and 2024. At June 30, 2025 and 2024, the deferred outflows of resources related to contributions subsequent to the measurement date of \$100.7 million and \$89.7 million, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ending/ended June 30, 2026 and 2025, 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,	
2026	\$ 23,153
2027	67,819
2028	(4,594)
2029	(11,449)
<b>Total</b>	<b>\$ 74,929</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**10. 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 ten HMO plans through Anthem Blue Cross, Blue Shield, Health Net, Kaiser, Sharp, 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 postemployment 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 available to 2,111 and 2,076 retired Metropolitan employees at June 30, 2025 and 2024, respectively. CalPERS issues a separate annual comprehensive financial 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 2025 and 2024, Metropolitan contributed up to 100 percent of Anthem HMO Traditional Region 2 basic plan rate for all employees and retirees. During fiscal years 2025 and 2024, Metropolitan contributed the full actuarially determined contribution rates of 8.9 percent and 6.1 percent or \$23.0 million and \$15.3 million, respectively. Employees are not required to contribute to the plan.

**(c) Employees Covered**

For fiscal years 2025 and 2024, respectively, the following current and former employees were covered by the benefit terms:

	2025	2024
Inactive employees (or their beneficiaries) currently receiving benefits	1,938	1,902
Inactive employees entitled to but not yet receiving benefits	173	174
Active members	1,883	1,885
Total	<u>3,994</u>	<u>3,961</u>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(d) Actuarial Assumptions Used to Determine Total OPEB Liability**

The total OPEB liability used to calculate the net OPEB liability as of June 30, 2025 and 2024 was measured as of June 30, 2024 and 2023, respectively using an actuarial valuation as of June 30, 2023. The actuarial valuation as of June 30, 2023 was rolled forward to the June 30, 2024 measurement date, using standard update procedures. The June 30, 2023 actuarial valuation was 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	2.7% per annum
Salary increases	3.0% per annum
Mortality, disability, termination, retirement <sup>(1)</sup>	Derived using CalPERS Membership Data
Mortality improvement	Mortality projected fully generational with Society of Actuaries mortality improvement Scale MP-2021
Healthcare cost trend rate	Pre-Medicare: 12.72% for 2023, decreasing to 4.14% for 2078 and later Medicare: 8.45% for 2023, decreasing to 4.14% for 2078 and later
Healthcare participation for future retirees	Currently covered: 100%; Currently waived: 90%

<sup>(1)</sup>Derived from the CalPERS Experience Study dated November 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return are developed for each major asset class. The arithmetic returns are combined to produce the long-term expected arithmetic rate of return by weighting the expected future rates of return by the target asset allocation percentage.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

The target allocation, projected arithmetic rates of return for each major asset class, and the expected total plan geometric return used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2025 and 2024 are summarized in the following table:

<b>Asset class</b>	<b>Target Allocation</b>	<b>Long-term expected real rate of return</b>
Global equity	49.0 %	7.4 %
Fixed income	23.0	5.0
REITs	20.0	6.2
TIPS	5.0	4.1
Commodities	3.0	5.1
<b>Total</b>	<b>100.0 %</b>	

**(e) Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2024 and 2023 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, 2024 and 2023:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
(Dollars in thousands)			
<b>Balance at June 30, 2023 (MD)</b>	<b>\$ 493,593</b>	<b>\$ 345,288</b>	<b>\$ 148,305</b>
<b>Changes recognized for the measurement period:</b>			
Service cost	12,907	—	12,907
Interest	33,280	—	33,280
Changes of assumptions	58,245	—	58,245
Contribution - employer	—	21,985	(21,985)
Net investment income	—	38,944	(38,944)
Benefit payments	(27,371)	(27,371)	—
Administrative expense	—	(183)	183
<b>Net changes</b>	<b>77,061</b>	<b>33,375</b>	<b>43,686</b>
<b>Balance at June 30, 2024 (MD)</b>	<b>\$ 570,654</b>	<b>\$ 378,663</b>	<b>\$ 191,991</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

(Dollars in thousands)	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
<b>Balance at June 30, 2022 (MD)</b>	<b>\$ 443,189</b>	<b>\$ 328,536</b>	<b>\$ 114,653</b>
<b>Changes recognized for the measurement period:</b>			
Service cost	10,807	—	10,807
Interest	29,792	—	29,792
Difference between expected and actual experience	9,735	—	9,735
Changes of assumptions	25,760	—	25,760
Contribution - employer	—	21,419	(21,419)
Contribution - employee	—	—	—
Net investment income	—	21,194	(21,194)
Benefit payments	(25,690)	(25,690)	—
Administrative expense	—	(171)	171
<b>Net changes</b>	<b>50,404</b>	<b>16,752</b>	<b>33,652</b>
<b>Balance at June 30, 2023 (MD)</b>	<b>\$ 493,593</b>	<b>\$ 345,288</b>	<b>\$ 148,305</b>

**(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, 2024 and 2023 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)	2025	2024
Discount Rate -1%	5.75 %	5.75 %
Net OPEB Liability	\$ 261,853	\$ 207,548
Current Discount Rate	6.75 %	6.75 %
Net OPEB Liability	\$ 191,991	\$ 148,305
Discount Rate +1%	7.75 %	7.75 %
Net OPEB Liability	\$ 133,794	\$ 98,827

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(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, 2024 and 2023:

(Dollars in thousands)	2025	2024
	11.72%/7.45 %	11.72%/7.45 %
Healthcare Trend Rate -1%	<b>decreasing to 3.14 %</b>	decreasing to 3.14 %
Net OPEB Liability	\$ 121,236	\$ 91,559
	12.72%/8.45 %	12.72%/8.45 %
Current Healthcare Trend Rate	<b>decreasing to 4.14 %</b>	decreasing to 4.14 %
Net OPEB Liability	\$ 191,991	\$ 148,305
	13.72%/9.45 %	13.72%/9.45 %
Healthcare Trend Rate +1%	<b>decreasing to 5.14 %</b>	decreasing to 5.14 %
Net OPEB Liability	\$ 278,736	\$ 217,525

**(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

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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

For the years ended June 30, 2025 and 2024, Metropolitan recognized OPEB expense of \$33.9 million and \$11.5 million, respectively. At June 30, 2025 and 2024, Metropolitan has deferred outflows and inflows of resources related to OPEB as follows:

(Dollars in thousands)	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2025	2024	2025	2024
OPEB contributions subsequent to measurement date	\$ 30,155	\$ 21,985	\$ —	\$ —
Differences between expected and actual experience	7,047	10,201	—	(981)
Changes of assumptions	62,052	20,608	(9,691)	(19,462)
Net difference between projected and actual earnings on OPEB plan investments	8,871	26,184	—	—
<b>Total</b>	<b>\$ 108,125</b>	<b>\$ 78,978</b>	<b>\$ (9,691)</b>	<b>\$ (20,443)</b>

The \$30.2 million and \$22.0 million reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 and 2023 measurement dates, respectively, will be/was recognized as a reduction of the net OPEB liability during the fiscal years ending/ended June 30, 2026 and 2025, 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 Outflows of Resources
Fiscal year ending June 30,	
2026	\$ 11,004
2027	32,359
2028	16,200
2029	8,716
<b>Total</b>	<b>\$ 68,279</b>

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**II. COMMITMENTS AND CONTINGENCIES****(a) State Water Contract (see Note 12)**

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 SWC, exclusive of variable power costs, are currently estimated by the State to be as follows:

(Dollars in thousands)	State Water Contract Payments
<hr/>	
Year ending June 30:	
2026	\$ 548,345
2027	587,575
2028	603,419
2029	604,763
2030	604,338
<hr/>	

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 2085, are as follows:

(Dollars in thousands)	State Water Long Term Commitments
<hr/>	
Transportation facilities	\$ 4,676,258
Conservation facilities	3,071,801
Off-aqueduct power facilities <sup>(1)</sup>	1,038
East Branch enlargement	172,540
Revenue bond surcharge	671,681
Total long-term SWP contract commitments	<hr/> \$ 8,593,318

<sup>(1)</sup>These commitments represent operations and maintenance costs. Metropolitan was relieved of its obligation for capital costs in 2018.

In December 2018, Metropolitan extended its agreement with the State through 2085, resulting in ongoing annual minimum operations and maintenance costs through that year. The State has not provided a schedule of costs for the additional years. Further, 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 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 State Board is currently in the process of updating the Sacramento-San Joaquin River Delta Water Quality Control Plan (Bay-Delta Plan). The Bay-Delta Plan affects water supply management statewide by designating beneficial uses of water, setting water quality

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

objectives for the reasonable protection of those uses, and establishing a program of implementation for meeting those objectives.

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 and Suisun Marsh. On June 26, 2025, the Council adopted a climate change adaptation 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 obtain "take" authorization under the California Endangered Species Act (CESA) for the long-term operation of the SWP, the DWR consults with the California Department of Fish and Wildlife (CDFW) and requests an incidental take permit (ITP) of state listed species. To obtain "take" authorization under the Federal Endangered Species Act, DWR and the United States Bureau of Reclamation consult with the National Marine Fisheries Service (NMFS) and the United States Fish and Wildlife Service (FWS) and requests biological opinions (BiOps) authorizing incidental take of federally listed species from the coordinated operations of the SWP and Central Valley Project (CVP). BiOps for the long-term operation of the SWP and CVP were updated in October 2019 and Reclamation adopted its long-term operations plan for the CVP in February 2020. CDFW issued its ITP and DWR approved its long-term operations plan in March 2020. The 2019 BiOps and the 2020 State ITP have been challenged in court by multiple parties including water agencies and non-governmental organization groups.

Metropolitan was involved in the 2019 BiOps litigation in federal court as part of the State Water Contractors, and in the 2020 State ITP litigation in state court as Metropolitan and as a member of the State Water Contractors, in order to protect our interest in SWP supplies, specifically that the SWP's permits are based on the best available science and are granted pursuant to correct legal standards. The litigation on the 2020 State ITP included eight cases that were coordinated in Sacramento County Superior Court. Reclamation and DWR reinitiated consultation under the federal Endangered Species Act in September 2021; and in consideration of the reinitiated federal consultation, the 2019 BiOps litigation was stayed and several Interim Operation Plans adopted.

As it relates to the 2020 State ITP cases, Metropolitan and other SWC parties who also filed legal challenges to the permit have reached a settlement through a Memorandum of Understanding with DWR and the CDFW. All parties challenging the 2020 State ITP, including all non-SWC parties, have moved to dismiss their cases. The parties are waiting for a final dismissal order from the Court. In 2024 DWR revised its operations plan and received a 2024 ITP from the California DWR. Lawsuits have been filed challenging this permit.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

As it relates to legal challenges to the 2019 BiOps, the parties are currently briefing issues related to whether the cases are now moot since the 2019 BiOps have been rescinded and replaced by 2024 BiOps. In 2024, Reclamation approved a new operations plan and received biological opinions and new incidental take authorizations. No litigation has been filed challenging the 2024 BiOps.

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 CVP 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: California WaterFix (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 instead of an ITP based on an HCP. State and Federal ESA permits were issued in June and July 2017, and 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, DWR rescinded its approval of CWF and decertified the Environmental Impact Report (EIR) and withdrew its permit applications. In January 2020, DWR announced the preparation of an EIR for a new, single-tunnel project called the Delta Conveyance Project (DCP).

Eighteen SWP contractors approved their participation in November and December 2020 in the 2020-2024 planning and preconstruction costs for the DCP and authorized the execution of a funding agreement with DWR. On December 8, 2020, the 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 preconstruction activities to assist in the environmental process for the proposed DCP. Funding agreement costs are approximately \$160.8 million for calendar years 2021 through 2024. On July 27, 2022, DWR released a public Draft Environmental Impact Report (Draft EIR) under the California Environmental Quality Act (CEQA) for the DCP. On December 8, 2023, DWR released the Final EIR to the public and responsible trustee agencies. DWR certified the Final EIR on December 21, 2023, and approved the proposed project, the Bethany Alternative.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

On December 10, 2024, the Metropolitan's Board authorized the General Manager to enter into an amended agreement for preconstruction work planned for 2026-2027. Metropolitan's commitment level for this tranche of funding totals \$141.6 million dollars, equivalent to a participation level of 47.2%. Metropolitan's action to approve an amendment to the 2020 funding agreement to fund planning and preconstruction costs for 2026-2027 does not commit Metropolitan to participate in the Delta Conveyance Project. Any final decision to commit to the Delta Conveyance Project and incur final design and construction costs would require further Board approval, which is currently anticipated in 2027, following the receipt of key permits expected by the end of 2026.

As of May 2024, ten lawsuits were filed challenging DWR's CEQA compliance and challenging its DCP approval on multiple grounds, including the Delta Reform Act, public trust doctrine, Delta Protection Act, Watershed Protect Act, the fully protected species statute, the 1982 California Proposition 9, and the Central Valley Project Act. The cases have been consolidated before the same judge in Sacramento County Superior Court and are at the earliest stage of case management while DWR prepares the administrative record. On June 20, 2024, the trial court granted five motions for preliminary injunction, ordering DWR to cease any preconstruction geotechnical soil investigations until it certifies consistency with the Delta Plan. DWR filed notices of appeal on August 29, 2024 and requested a stay of the injunction from the court of appeal until it could hear and decide the merits of the appeal. On August 19, 2024, and again on August 29, 2024, DWR filed requests for a stay of the preconstruction geotechnical soil investigations injunction in the Court of Appeal. On October 18, 2024, the Court of Appeal denied the stay request. Briefing on the merits of the appeal was completed in May 2025 and oral argument is scheduled for September 16, 2025.

In the fall of 2024, DWR submitted a certification of consistency with the Delta Plan for preconstruction geotechnical work planned for 2024-2026. The Delta Stewardship Council heard four appeals of the certification in December 2024, and dismissed the appeals in January 2025 because it determined that the 2024-2025 geotechnical work is not a covered action, so no certification of consistency was required, which meant it lacked jurisdiction to hear the appeals. DWR filed a motion in the trial court asking that it stay enforcement of the preliminary injunction with respect to the 2024-2026 geotechnical work in light of its certification of consistency and the dismissal of the certification appeals.

On April 9, 2025, the trial court denied DWR's motion, clarifying that DWR may not begin geotechnical work until it has certified consistency for the entire DCP as described in the Final EIR, which includes all preconstruction geotechnical work. DWR is preparing the DCP certification of consistency and plans to submit it to the Delta Stewardship Council this year.

**(c) Imperial Irrigation District**

As of June 30, 2025, Metropolitan had advanced a total of \$404.6 million to the 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 2025 and annually thereafter, depending upon the amount used by the CVWD. A total of at least 85.0 TAF to 105.0 TAF will be/was available in calendar years 2025 and 2024, respectively, for diversion by Metropolitan, see Note 4(a).

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(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 11(e). 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 Board 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 1(c). SDCWA has challenged the validity of Metropolitan's charges for conveyance of water that became effective on 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 11(g).

**(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.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(f) Construction Programs and Contracts**

The estimated cost of Metropolitan's Capital Investment Plan (CIP) for fiscal years 2025 through 2029 totals approximately \$5.9 billion with the PWSC program and \$1.7 billion without the PWSC program. Capital spending for each of the five years without the PWSC program is planned at approximately \$312.0 million, \$324.5 million, \$337.5 million, \$351.0 million, and \$365.0 million, respectively. With the PWSC program, planned capital spending for each of the five years is estimated at approximately \$312.0 million, \$324.5 million, \$1.4 billion, \$1.7 billion, and \$2.2 billion, respectively.

Over the next three years, the CIP planned expenditures without the PWSC program total approximately \$973.9 million with \$36.9 million on projects to mitigate climate impacts to Metropolitan's operations, \$155.9 million on refurbishment and replacement (R&R) work throughout the distribution system; \$97.5 million to continue relining of the Prestressed Concrete Cylinder Pipe; \$123.7 million targeted for R&R projects for the Colorado River Aqueduct; over \$207.7 million for R&R work at Metropolitan's water treatment plants; \$85.0 million on projects to mitigate drought impacts; and \$84.8 million on a variety of information technology projects such as the Supervisory Control and Data Acquisition system. When including the PWSC program, the planned total CIP expenditures increase to approximately \$2.0 billion. The PWSC program is yet to be approved as a CIP project and will require specific Board decisions prior to funding and authorization to proceed.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

Metropolitan had commitments under construction contracts in force as follows:

(Dollars in thousands)	June 30,	
	2025	2024
Furnishing 69kV and 230kV power transformers for the CRA pumping plants	\$ 130,837	\$ —
CRA pumping plants domestic water treatment system replacement	17,027	19,378
Furnishing steel liner for Lakeview pipeline	15,607	13,775
Weymouth water treatment plant basins nos. 5-8 & filter building no. 2 rehabilitation	3,649	26,434
Hinds, Eagle Mountain, and Iron Mountain pumping plants storage buildings	3,529	10,134
Desert microwave communication tower site upgrades	2,556	—
DVL floating wave attenuator replacement	2,161	7,467
Furnishing sleeve valves for the Hollywood tunnel pressure control structure - schedule 2	2,152	—
CRA employee housing fencing and shade structure improvements	1,883	—
Furnishing a 132" butterfly valve for Foothill pump station intertie	1,779	1,779
Inland feeder/Rialto pipeline intertie	1,474	13,241
Inland feeder Badlands tunnel surge protection facility	1,408	16,120
Furnishing butterfly valves for the Weymouth water treatment plant - schedule 1 <sup>(1)</sup>	1,297	—
Furnishing two butterfly valves for the Lake Skinner outlet tower valve replacement	1,256	—
Jensen and Skinner water treatment plants battery energy storage systems	773	5,181
Wadsworth pumping plant bypass pipeline	468	1,866
La Verne shops building completion - stage 5	429	1,460
Second lower feeder PCCP rehabilitation – reach 3b	289	21,656
Furnishing large-diameter conical plug valves	277	4,165
Weymouth water treatment plant hazardous waste staging and containment	98	2,160
Furnishing butterfly valves for the Inland feeder/SBVMWD Foothill pump station intertie - schedule 1	37	2,601
Allen-McColloch pipeline PCCP 2024 urgent relining	—	24,912
Perris Valley pipeline Interstate 215 tunnel crossing	—	15,718
Furnishing butterfly valves for the Wadsworth Bypass pipeline, Inland feeder-Rialto pipeline intertie, and Badlands tunnel surge tanks	—	5,647
Mills water treatment plant electrical upgrades - stage 2	—	3,083
Freda Siphon barrel no.1 internal seals	—	2,031
Foothill hydroelectric power plant seismic upgrade	—	1,998
Weymouth water treatment plant battery energy storage system	—	1,499
CRA conveyance system solar level sensor installation	—	1,479
Weymouth water treatment plant asphalt refurbishment	—	1,285
Metropolitan headquarters building fire alarm & smoke control improvements	—	1,196
Gene communication system upgrade	—	1,160
OC-88 pump station chiller replacement	—	868
Colorado River Aqueduct conduit structural protection	—	326
Metropolitan headquarters building exterior physical security improvements	—	218
Jensen water treatment plant ozone power supply units replacement	—	69
Lake Mathews PCCP rehabilitation valve storage building	—	8
Other	5,980	5,010
<b>Total</b>	<b>\$ 194,966</b>	<b>\$ 213,924</b>

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

*<sup>(1)</sup>This commitment started in 2024.*

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(g) Claims and Litigation**

Through several lawsuits filed by SDCWA since 2010, SDCWA challenged the rates adopted by Metropolitan's Board in 2010, 2012, 2014, 2016 and 2018. In June 2025, Metropolitan and SDCWA entered into a comprehensive settlement agreement resolving the pending litigation between the parties. Each of these lawsuits, the judgments rendered in the cases (all of which remain effective), and certain terms of the settlement agreement are briefly described below.

***The 2010 and 2012 Cases.*** On June 11, 2010, SDCWA filed San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., challenging the rates adopted by the Board on April 13, 2010, which became effective on January 1, 2011 and January 1, 2012 (the "2010 Case"). The complaint requested a court order invalidating the rates adopted on April 13, 2010, and that Metropolitan be mandated to allocate certain costs associated with the SWC and the Water Stewardship Rate to water supply rates and not to transportation rates. Under the 2003 Exchange Agreement, the contract price payable by SDCWA was Metropolitan's transportation rates. Therefore, SDCWA also alleged that Metropolitan breached the 2003 Exchange Agreement by allocating certain costs related to the SWC 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 another 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 and subsequent appeals, on June 21, 2017, the California Court of Appeal ruled that Metropolitan could lawfully include its SWP transportation costs in the System Access Rate and System Power Rate that were part of the 2003 Exchange Agreement's price term, and that Metropolitan could also lawfully include the System Access Rate in its wheeling rate. The court held Metropolitan's allocation of the SWP transportation costs as its own transportation costs was proper and did not violate the Wheeling Statutes (Water Code, § 1810, et seq.), Proposition 26 (Cal. Const., Article XIII C, §1, subd.(e)), whether or not Proposition 26 applies to Metropolitan's rates, California Government Code Section 54999.7, the common law, or the terms of the parties' 2003 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 2003 Exchange Agreement price or the wheeling rate, under the common law and the Wheeling Statutes. The Court of Appeal held that because the Water Stewardship Rate was included in the 2003 Exchange Agreement price, there was a breach by Metropolitan of the 2003 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.

In February 2021, Metropolitan paid to SDCWA \$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 applied 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 included all amounts sought related to breach of the 2003 Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for 2003

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Exchange Agreement transactions occurring from 2010 until Metropolitan's Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018.

***The 2014, 2016 and 2018 Cases.*** SDCWA also filed lawsuits challenging Metropolitan's rates adopted in 2014, 2016 and 2018 and asserting breach of the 2003 Exchange Agreement. Metropolitan filed cross-complaints in the three cases, asserting claims relating to rates and the 2003 Exchange Agreement. The operative Petitions for Writ of Mandate and Complaints alleged the same Water Stewardship Rate claim and breach of the 2003 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, Metropolitan contended that those claims and cross-claims were moot. The cases also claimed Metropolitan's wheeling rate failed to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, et seq., and that Metropolitan breached the 2003 Exchange Agreement by failing to reduce the price for an "offsetting benefits" credit. The cases additionally requested a judicial declaration that Proposition 26 applies to Metropolitan's rates and charges, and a judicial declaration that SDCWA would not be required to pay any portion of a judgment in the litigation. Metropolitan filed cross-complaints in each of these cases, asserting claims relating to rates and the 2003 Exchange Agreement. Metropolitan and SDCWA each filed motions for summary adjudication of certain issues in the 2014, 2016 and 2018 cases with the court, which were granted in part and denied in part. 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 December 27, 2022, the court entered the parties' stipulation memorializing the earlier resolution of the Water Stewardship Rate claims in SDCWA's favor based on the 2021 Court of Appeal decision in the 2001 and 2012 cases. Following a trial of the 2014, 2016 and 2018 cases, on April 25, 2023, the court issued its final statement of decision concerning the trial in the 2014, 2016, and 2018 cases. For each claim litigated at trial, the court ruled in favor of Metropolitan or found the claim to be moot based on the rulings in Metropolitan's favor. In particular, the court concluded: (1) the duty to include a reasonable credit for any offsetting benefits pursuant to the Wheeling Statutes did not arise and Metropolitan did not breach the 2003 Exchange Agreement by failing to calculate a reasonable credit for any offsetting benefits; (2) because Metropolitan did not breach the 2003 Exchange Agreement, the court need not address damages; (3) Metropolitan's conditional claims to reform the 2003 Exchange Agreement, if SDCWA prevailed, were moot; (4) Metropolitan's conditional claim for a declaration of its rights and duties under the Wheeling Statutes, if SDCWA prevailed on its claim that the Wheeling Statutes apply to the 2003 Exchange Agreement was moot (the court stated that while it finds offsetting benefits under the Wheeling Statutes do not apply to the 2003 Exchange Agreement's price term, the court "has made no express finding whether the Wheeling Statutes apply"); (5) SDCWA's rate challenges were rejected; and (6) SDCWA's request for a declaration that it could not be required to contribute to a damages, fees, or costs award in the cases was moot.

On April 3, 2024, the court issued a final judgment memorializing the pre-trial and post-trial decisions and stipulations described above. The judgment included entry of judgment in favor of SDCWA on breach of contract in the 2014 and 2016 cases, due to the inclusion of Water Stewardship Rate claims and the parties' stipulation; and entry of judgment in favor of Metropolitan on breach of contract in the 2018 case, which concerned only the offsetting benefits claim. The court also issued a writ of mandate commanding Metropolitan to exclude demand management costs (previously collected through the Water Stewardship Rate) from its pre-set wheeling rate and

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**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

transportation rates, a practice Metropolitan earlier ceased. Also on April 3, 2024, SDCWA filed its notice of appeal from the final judgment. Metropolitan filed a notice of cross-appeal on April 17, 2024.

**Settlement Agreement.** On June 2, 2025, the parties executed a comprehensive settlement agreement (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the parties agreed to dismiss all pending appeals. Therefore, all final decisions described above will remain in place and effective on all parties. The parties further agreed to release and waive all claims related to the cases, known and unknown, through the date of the Settlement Agreement. In addition, as part of the Settlement Agreement, the parties agreed to amend and restate the 2003 Exchange Agreement. The parties filed joint requests to dismiss the pending cases in the Court of Appeal and the Superior Court. On June 25, 2025, the Court of Appeal dismissed the appeals and remitted the cases to the Superior Court for any further proceedings. See Subsequent Events, Note 17(b), for additional information.

**(h) 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.

**(i) 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 \$13,000 and \$10,000 were expended for post closure maintenance and monitoring activities in fiscal years 2025 and 2024, 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, 2025 and 2024, approximately \$600,000, net of interest receipts and disbursements, was available in this account.

**(j) Mining Obligation**

State laws and regulations require that mined lands are reclaimed to a usable condition to prevent environmental effects and ensure public health and safety. They further require that Metropolitan, as a user of borrow pits, demonstrate its financial ability to ensure reclamation activities occur in accordance with a reclamation plan through the approval of a financial assurance mechanism. In November 2023, Metropolitan's Board approved the creation of

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June 30, 2025 and 2024

a trust account in the initial amount of \$900,000 to comply with reclamation requirements. No amounts were expended for reclamation activities during fiscal years 2025 and 2024.

The actual cost of reclamation may change due to increase or decrease of mining operations, inflation, changes in labor rates, or changes in applicable laws or regulations. Metropolitan's Board approved the funding of up to \$2.5 million, as needed, to meet the reclamation requirements. Funding of these costs will be derived from a separate trust account that will be established for reclamation costs.

**12. 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 SWC, 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 2085, regardless of the quantities of water available from the project, see Note 11(a). 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 28 percent of Metropolitan's total expenditures during fiscal years ended June 30, 2025 and 2024 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.

In December 2018, Metropolitan signed Amendment 29 to the SWC extending the contractual period to 2085, under similar terms and 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 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 1(i), 2, and 13(a). 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 \$97.2 million and \$139.4 million in fiscal years 2025 and 2024, respectively.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**13. DEPOSITS, PREPAID COSTS, AND OTHER**

Balances at June 30, 2025 and 2024 were as follows:

(Dollars in thousands)	June 30,	
	2025	2024
Prepaid water costs	\$ 237,878	\$ 208,204
Delta Habitat conservation and conveyance	—	58,654
Delta Conveyance Project	160,597	154,900
California WaterFix	7,494	7,494
Prepaid expenses	16,082	18,500
Preliminary design/reimbursable projects	39,070	40,139
Other	15,052	12,928
Total deposits, prepaid costs, and other	476,173	500,819
Less current portion	(56,282)	(59,510)
Noncurrent portion	\$ 419,891	\$ 441,309

**(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, 2025 and 2024, prepaid water costs totaled approximately \$237.9 million and \$208.2 million, respectively.

**(b) Delta Habitat Conservation and Conveyance**

In March 2009, Metropolitan, other SWP contractors, federal CVP 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 supported development of the BDCP, see Note 11(b), through environmental analysis, planning and design of Delta conservation measures including Delta water conveyance options. The BDCP was never approved. Instead, in 2017, DWR approved the California WaterFix. In 2019, as a result of then newly-elected Governor Newsom's change in policy direction, DWR rescinded the CWF project approval, de-certified the Final EIR and revoked several permit applications and a revenue bond resolution it had adopted in 2017 to finance CWF. Consistent with Governor Newsom's policy direction, DWR prepared an EIR studying a range of single-tunnel Delta conveyance options.

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**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

On November 19, 2024, DWR issued a notice to all SWP contractors regarding the reimbursement of planning and preconstruction funds for Delta Conveyance and related projects. DWR determined that should a Delta Conveyance project be approved and constructed, and dependent upon the satisfaction of additional legal and contractual conditions, DWR would reimburse funds in accordance with the explicit terms of the agreements under which funds were contributed. Metropolitan has determined that funds contributed pursuant to contribution agreements executed in the latter half of 2018 and subsequent contribution agreements executed since that time, including any additional future contributions made pursuant to such agreements, will be eligible for reimbursement. However, aforementioned funding contributions related to BDCP are not eligible for reimbursement under the guidelines issued by DWR. Hence, as of June 30, 2025 the total advanced funding for BDCP of \$58.7 million was written-off.

**(c) 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. On December 10, 2024, the Board approved entering an amendment to the DCP funding agreement to pay Metropolitan's share of the \$300.0 million estimated costs to conduct further design, engineering, pre-construction geotechnical soil explorations and permitting in calendar years 2026-2027. Total prepaid costs for the Delta Conveyance Project as of June 30, 2025 and 2024 were \$160.6 million and \$154.9 million, respectively.

**(d) 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 11(b), Metropolitan requested, on June 27, 2019, that DWR return its contributions that have not been spent as of May 2, 2019. DWR returned \$34.0 million of unspent funds and \$0.5 million of interest to Metropolitan in fiscal year 2020. Total advanced funds at June 30, 2025 and 2024 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.

**14. DEFERRED COMPENSATION AND SAVINGS PLANS**

For the benefit of its employees, Metropolitan offers a range of retirement savings options, including both traditional and Roth plans under 401(k) and 457 of the Internal Revenue Code (IRC).

Metropolitan provides a compensation plan in accordance with Section 457 of the IRC (457 Plan), allowing eligible employees to defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable

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(CONTINUED)
June 30, 2025 and 2024

emergency. Within this plan, employees can choose between a traditional 457 plan, which is tax-deferred, and a 457 Roth, where contributions are made after-tax. For the traditional 457 plan, 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 does not match the employee's contribution to the 457 Plan.

Additionally, Metropolitan has established a defined contribution plan under Section 401(k) of the IRC (401(k) Plan). The 401(k) Plan is available to substantially all employees. Employees have the option to contribute to a traditional 401(k), which is tax-deferred, or a 401(k) Roth, which involves after-tax contributions. Metropolitan matches employee contributions to the 401(k) Plan up to a maximum of 4.5 percent of the employee's total cash compensation. Any Metropolitan matching contributions will be made as pre-tax contribution regardless of the employee's contribution type. Amounts deferred by participants, Metropolitan matching contributions, and accumulated earnings thereon are fully vested. At June 30, 2025 and 2024, 1,669 and 1,663 employees, respectively, participated in the savings plan.

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

Table with 3 columns: (Dollars in thousands), June 30, 2025, and June 30, 2024. Rows include Employees, Metropolitan, Total Contributions, Eligible payroll, and Employee contributions as percent of eligible payroll.

Deferred amounts, Roth contributions, and matching contributions, if any, for all 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 plan were included in the accompanying basic financial statements at June 30, 2025 and 2024. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in the plans.

15. NET POSITION

Net position is classified as either restricted, unrestricted, or net investment in capital assets, including SWP costs.

Net investment in capital assets, including SWP 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, see Notes 1(h) and 2, participation rights in SWP, see Notes 1(i), 2, and 12, participation rights in other facilities, see Notes 1(i), 2 and 4, lease assets, see Notes 1(j), 2, and 7, and subscription assets, see Notes 1(k), 2, and 8. Net investment in capital assets, including SWP costs were approximately \$6.4 billion at June 30, 2025 and 2024.

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

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 \$679.1 million and \$628.7 million at June 30, 2025 and 2024, respectively. These amounts included \$212.2 million and \$188.0 million, respectively, set-aside for principal and interest payments on outstanding debt; \$384.0 million and \$372.5 million, respectively, of operating and maintenance expense for July and August 2025 and 2024, as required by bond covenants; \$44.2 million and \$65.7 million, respectively, of state funding for the PWSC program; \$1.9 million and \$1.1 million, respectively, for trust funds; \$36.8 million debt financing to fund the conservation program at June 30, 2025; and \$1.4 million of SWP expenses to be collected through tax levy at June 30, 2024.

The unrestricted component of net position are those items that do not meet the definition of "restricted" or "net investment in capital assets, including SWP 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 \$598.2 million and \$301.8 million at June 30, 2025 and 2024, respectively.

**16. 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, cyber liability, a limited property damage policy, crime insurance, specialty crime coverage, and travel accident coverage. Coverage types and limits for fiscal year 2025 were slightly changed from fiscal year 2024. Settlement amounts did not exceed the self-insurance or insurance coverage limits in any of the past two 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 3.1 percent annual interest rate over the life of the claims. Changes in the balances of claims liabilities during the past two fiscal years were included in accounts payable as follows:

(Dollars in thousands)	June 30,	
	2025	2024
Unpaid claims, beginning of fiscal year	\$ 13,872	\$ 14,706
Incurred claims (including IBNR)	6,289	3,755
Claim payments and adjustments	(5,095)	(4,589)
Unpaid claims, end of fiscal year	15,066	13,872
Less current portion	(4,234)	(8,468)
Noncurrent portion	\$ 10,832	\$ 5,404

## THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**17. SUBSEQUENT EVENT****(a) Long-Term Debt**

- i. On July 1, 2025, Metropolitan issued \$131.9 million of WRRB, 2025 Series A, to refund \$147.7 million of the Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C-1 (Federally Taxable), and fund costs of issuance.
- ii. On July 10, 2025, Metropolitan entered into an amended and restated agreement (the "AVEK Water Banking Agreement") with AVEK to provide for the financing (and re-financing) of certain costs of construction of facilities to be funded by Metropolitan to implement a groundwater banking program referred to as the High Desert Water Bank Program. Under the AVEK Water Banking Agreement, in exchange for its rights to use the program facilities, Metropolitan agreed to pay the costs of the High Desert Water Bank Program, including certain installment payments in amounts sufficient to pay the principal of and interest on bonds issued by the Antelope Valley-East Kern Water Agency Financing Authority ("AVEKFA"), a joint exercise of powers authority. Metropolitan's obligations to pay such installment payments under the AVEK Water Banking Agreement constitute Subordinate Obligations payable from Net Operating Revenues on parity with Metropolitan's Subordinate Revenue Bonds. Metropolitan is obligated to make installment payments under the AVEK Water Banking Agreement in the aggregate principal amount of \$170.0 million, consisting of \$52.4 million of fixed rate bonds and \$117.6 million term mode bonds, plus interest, with respect to the AVEKFA bonds.

**(b) Claims and Litigation**

Subsequent to the June 25, 2025, dismissal of the appeals by the Court of Appeal, on July 28, 2025, the Superior Court dismissed the 2014, 2016, and 2018 cases related to SDCWA with prejudice. These cases are permanently dismissed and cannot be re-filed by the parties.

**(c) Other Obligations**

On October 2, 2025, The Metropolitan Water District Asset Financing Corporation ("MWDAFC"), a blended component unit of Metropolitan, entered into a Master Equipment Lease Agreement with Banc of America Public Capital Corp ("BAPCC") in an aggregate principal amount not to exceed \$35.0 million. Pursuant to a related sublease agreement, between Metropolitan and The MWDAFC, Metropolitan will lease vehicles and equipment from The MWDAFC and make rental payments to The MWDAFC from legally available, budgeted funds. The lease term extends to November 1, 2035, with a blended interest rate of 3.47%. Metropolitan's payment obligations under the sublease are general and unconditional but are not secured by a pledge of or lien upon Net Operating Revenues. BAPCC's remedies for nonpayment of scheduled rental payment or other default under the BAPCC Master Equipment Lease Agreement include: (i) an acceleration of all rental payments payable by the Metropolitan for the then current fiscal year to be immediately due and payable, (ii) the return and repossession by BAPCC of the leased vehicles and equipment, and/or (iii) the sale or lease thereof by BAPCC for the account of the Metropolitan, continuing to hold the Metropolitan liable for the rental payments payable by the Metropolitan with respect thereto for the then current fiscal year, but solely from legally available funds.

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**NOTES TO BASIC FINANCIAL STATEMENTS****(CONTINUED)**

June 30, 2025 and 2024

**(d) Termination of Six Conjunctive Use Programs**

On April 8, 2025, the Board authorized the General Manager to enter into agreements to terminate six inactive Conjunctive Use Programs (CUPs): Compton, Foothill Area, Live Oak Basin, Long Beach, Long Beach-Lakewood, and Orange County. As of June 30, 2025, no termination agreements had been executed, and Metropolitan continued to recognize amortization expense related to the Participation Rights in accordance with existing accounting policy. Metropolitan is in the process of finalizing the termination agreements.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**REQUIRED SUPPLEMENTARY INFORMATION—UNAUDITED**  
 June 30, 2025 and 2024

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

(Dollars in thousands)	2025	2024	2023
Measurement date: June 30,	2024	2023	2022
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 46,152	\$ 44,518	\$ 44,093
Interest on total pension liability	199,492	192,397	184,342
Changes in benefit terms	—	1,507	—
Changes of assumptions	—	—	66,014
Difference between expected and actual experience	23,003	34,799	(14,115)
Benefit payments, including refunds of employee contributions	(161,906)	(153,892)	(142,551)
Net change in total pension liability	106,741	119,329	137,783
Total pension liability - beginning	2,926,787	2,807,458	2,669,675
<b>Total pension liability - ending (a)</b>	<b>\$ 3,033,528</b>	<b>\$ 2,926,787</b>	<b>\$ 2,807,458</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contribution - Employer	\$ 89,655	\$ 88,219	\$ 81,525
Contribution - Employee	21,375	18,372	17,876
Net investment income	199,712	124,835	(167,705)
Benefit payments, including refunds of employee contributions	(161,906)	(153,892)	(142,551)
Net plan to plan resource management	—	—	—
Administrative expense	(1,702)	(1,482)	(1,388)
Other miscellaneous income/(expense) <sup>(1)</sup>	—	—	—
Net change in fiduciary net position	147,134	76,052	(212,243)
Plan fiduciary net position - beginning <sup>(2)</sup>	2,092,884	2,016,832	2,229,075
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,240,018</b>	<b>\$ 2,092,884</b>	<b>\$ 2,016,832</b>
<b>Plan net pension liability - ending (a) - (b)</b>	<b>\$ 793,510</b>	<b>\$ 833,903</b>	<b>\$ 790,626</b>
Plan fiduciary net position as a percentage of the total pension liability	73.84 %	71.51 %	71.84 %
Covered payroll	\$ 279,846	\$ 249,812	\$ 241,288
Plan net pension liability as a percentage of covered payroll	283.55 %	333.81 %	327.67 %

<sup>(1)</sup>During Fiscal Year 2017-18, as a result of GASB 75, CalPERS reported its proportionate share of activity related to postemployment 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.

<sup>(2)</sup>Includes any beginning of year adjustment.

See accompanying Independent Auditor's Report

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**REQUIRED SUPPLEMENTARY INFORMATION—UNAUDITED**  
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June 30, 2025 and 2024

2022	2021	2020	2019	2018	2017	2016
2021	2020	2019	2018	2017	2016	2015
\$ 38,574	\$ 37,178	\$ 35,739	\$ 33,583	\$ 33,685	\$ 29,142	\$ 28,890
181,233	174,996	168,122	161,023	156,661	152,500	146,852
—	—	—	—	—	—	—
—	—	—	(15,391)	125,734	—	(35,008)
3,634	13,319	16,205	(10,039)	(15,804)	(12,754)	14,665
(132,584)	(125,982)	(117,537)	(107,646)	(100,092)	(92,401)	(86,154)
90,857	99,511	102,529	61,530	200,184	76,487	69,245
2,578,818	2,479,307	2,376,778	2,315,248	2,115,064	2,038,577	1,969,332
<u>\$ 2,669,675</u>	<u>\$ 2,578,818</u>	<u>\$ 2,479,307</u>	<u>\$ 2,376,778</u>	<u>\$ 2,315,248</u>	<u>\$ 2,115,064</u>	<u>\$ 2,038,577</u>
\$ 74,339	\$ 66,091	\$ 56,497	\$ 48,780	\$ 42,819	\$ 38,393	\$ 34,306
17,521	16,230	15,631	15,749	14,895	15,034	14,787
417,420	90,131	114,220	139,003	171,562	8,304	35,301
(132,584)	(125,982)	(117,537)	(107,646)	(100,092)	(92,401)	(86,154)
—	—	—	(4)	—	—	—
(1,852)	(2,551)	(1,244)	(2,577)	(2,255)	(950)	(1,756)
—	—	4	(4,895)	—	—	—
374,844	43,919	67,571	88,410	126,929	(31,620)	(3,516)
1,854,231	1,810,312	1,742,741	1,654,331	1,527,402	1,559,022	1,562,538
<u>\$ 2,229,075</u>	<u>\$ 1,854,231</u>	<u>\$ 1,810,312</u>	<u>\$ 1,742,741</u>	<u>\$ 1,654,331</u>	<u>\$ 1,527,402</u>	<u>\$ 1,559,022</u>
<u>\$ 440,600</u>	<u>\$ 724,587</u>	<u>\$ 668,995</u>	<u>\$ 634,037</u>	<u>\$ 660,917</u>	<u>\$ 587,662</u>	<u>\$ 479,555</u>
83.50 %	71.90 %	73.02 %	73.32 %	71.45 %	72.22 %	76.48 %
\$ 235,294	\$ 225,707	\$ 212,558	\$ 204,635	\$ 199,186	\$ 195,878	\$ 190,423
187.26 %	321.03 %	314.74 %	309.84 %	331.81 %	300.01 %	251.84 %

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
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**(CONTINUED)**  
June 30, 2025 and 2024

### 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, 2024 measurement date. However, offers of Two Years Additional Service Credit that occurred after the June 30, 2023 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 assumption changes in 2024 or 2023. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016.

### SCHEDULE OF PENSION CONTRIBUTIONS

(Dollars in thousands)	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$100,687	\$ 89,655	\$ 88,219	\$ 81,525	\$ 74,339	\$ 66,091	\$ 56,497	\$ 48,780	\$ 42,819	\$ 38,393
Contributions in relation to the actuarially determined contribution	<b>(100,687)</b>	<b>(89,655)</b>	<b>(88,219)</b>	<b>(81,525)</b>	<b>(74,339)</b>	<b>(66,091)</b>	<b>(56,497)</b>	<b>(48,780)</b>	<b>(42,819)</b>	<b>(38,393)</b>
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$292,295	\$279,846	\$249,812	\$241,288	\$235,294	\$225,707	\$212,558	\$204,635	\$199,186	\$195,878
<b>Contributions as a percentage of covered payroll</b>	<b>34.45 %</b>	<b>32.04 %</b>	<b>35.31 %</b>	<b>33.79 %</b>	<b>31.59 %</b>	<b>29.28 %</b>	<b>26.58 %</b>	<b>23.84 %</b>	<b>21.50 %</b>	<b>19.60 %</b>

*See accompanying Independent Auditor's Report*

### NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2025:

Valuation date: June 30, 2022

Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB 68
Amortization Method/Period	Level dollar amount over a 20-year period with no ramps.
Asset Valuation Method	The Actuarial Value of Assets is set equal to the market value of assets.
Discount rate	6.80%
Inflation	2.30%
Mortality, disability, termination, retirement	CalPERS Assumptions set in 2021
Mortality improvement	Base 2017 rates are projected generationally for future years using 80% of the Society of Actuaries' Scale MP-2020.

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**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

(Dollars in thousands)	2025	2024
Measurement Date: June 30,	2024	2023
<b>TOTAL OPEB LIABILITY</b>		
Service cost	\$ 12,907	\$ 10,807
Interest	33,280	29,792
Changes of assumptions	58,245	25,760
Difference between expected and actual experience	—	9,735
Benefit payments	<u>(27,371)</u>	<u>(25,690)</u>
Net change in total OPEB liability	77,061	50,404
Total OPEB liability - beginning	<u>493,593</u>	<u>443,189</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 570,654</u></u>	<u><u>\$ 493,593</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contribution - employer	\$ 21,985	\$ 21,419
Net investment income	38,944	21,194
Benefit payments	(27,371)	(25,690)
Administrative expense	<u>(183)</u>	<u>(171)</u>
Net change in fiduciary net position	33,375	16,752
Plan fiduciary net position - beginning	<u>345,288</u>	<u>328,536</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 378,663</u></u>	<u><u>\$ 345,288</u></u>
<b>Plan net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 191,991</u></u>	<u><u>\$ 148,305</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	66.36 %	69.95 %
Covered payroll	\$ 279,846	\$ 249,812
Plan net OPEB liability as a percentage of covered payroll	<u>68.61 %</u>	<u>59.37 %</u>

<sup>(1)</sup>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 Auditor's Report*

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
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	2023	2022	2021	2020	2019	2018 <sup>(1)</sup>
	2022	2021	2020	2019	2018	2017
\$	10,124	\$ 11,473	\$ 11,061	\$ 10,635	\$ 10,325	\$ 10,024
	28,839	30,563	29,322	31,600	30,252	28,951
	—	(48,447)	—	(4,217)	—	—
	—	6,034	—	(50,116)	—	—
	(25,377)	(22,313)	(22,849)	(21,328)	(20,487)	(19,525)
	13,586	(22,690)	17,534	(33,426)	20,090	19,450
	429,603	452,293	434,759	468,185	448,095	428,645
\$	443,189	\$ 429,603	\$ 452,293	\$ 434,759	\$ 468,185	\$ 448,095
\$	30,603	\$ 27,025	\$ 33,506	\$ 32,067	\$ 34,674	\$ 33,646
	(53,817)	85,221	10,276	16,240	18,538	20,792
	(25,377)	(22,313)	(22,849)	(21,328)	(20,487)	(19,525)
	(194)	(174)	(144)	(57)	(400)	(107)
	(48,785)	89,759	20,789	26,922	32,325	34,806
	377,321	287,562	266,773	239,851	207,526	172,720
\$	328,536	\$ 377,321	\$ 287,562	\$ 266,773	\$ 239,851	\$ 207,526
\$	114,653	\$ 52,282	\$ 164,731	\$ 167,986	\$ 228,334	\$ 240,569
	74.13 %	87.83 %	63.58 %	61.36 %	51.23 %	46.31 %
\$	241,288	\$ 235,294	\$ 225,707	\$ 212,558	\$ 204,635	\$ 199,186
	47.52 %	22.22 %	72.98 %	79.03 %	111.58 %	120.78 %

#### 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 2024 measurement dates.

Changes of Assumptions: Demographic assumptions were derived from the 2021 CalPERS Experience Study for the June 30, 2024 through 2021 measurement dates, from the CalPERS 1997–2015 Experience Study for the June 30, 2020 and 2019 measurement dates, and from the CalPERS 1997–2011 Experience Study for the June 30, 2018 and 2017 measurement dates. Mortality assumptions were updated using Scale MP-2021 for the June 30, 2023 through 2021 measurement dates, Scale MP 2019 for June 30, 2020 and 2019 measurement dates, and Scale MP 2017 for June 30, 2018 and 2017 measurement dates. For the June 30, 2024 measurement date, healthcare cost trend assumptions were updated to reflect the 2025 CalPERS premium rate increases.

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### SCHEDULE OF OPEB CONTRIBUTIONS

(Dollars in thousands)	2025	2024	2023	2022	2021	2020	2019	2018 <sup>(1)</sup>
Actuarially determined contribution	\$ 23,000	\$ 15,349	\$ 14,903	\$ 23,922	\$ 23,217	\$ 28,148	\$ 27,328	\$ 30,086
Contributions in relation to the actuarially determined contribution	(30,155)	(21,985)	(21,419)	(30,603)	(27,025)	(33,506)	(32,067)	(34,674)
Contribution excess	\$ (7,155)	\$ (6,636)	\$ (6,516)	\$ (6,681)	\$ (3,808)	\$ (5,358)	\$ (4,739)	\$ (4,588)
Covered payroll	\$292,295	\$279,846	\$249,812	\$241,288	\$235,294	\$225,707	\$212,558	\$204,635
<b>Contributions as a percentage of covered payroll</b>	<b>10.32 %</b>	<b>7.86 %</b>	<b>8.57 %</b>	<b>12.68 %</b>	<b>11.49 %</b>	<b>14.84 %</b>	<b>15.09 %</b>	<b>16.94 %</b>

<sup>(1)</sup> 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 auditor's report

### NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2024 were from the June 30, 2023 actuarial valuation:

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 23-year closed period from 6/30/2014 plus 15-year closed layers of future gains/losses/assumption changes/plan changes
Asset Valuation Method	Gains/losses on the Actuarial Value of Assets spread over five-year rolling periods with corridor of 80% and 120% of market value
Discount rate	6.75%
Inflation	2.80%
Mortality, disability, termination, retirement	CalPERS Assumptions set in 2021
Medical trend	Pre-Medicare - 12.72% in 2023, grading to 4.14% in 2076 Medicare - 8.45% in 2023, grading to 4.14% in 2076
Mortality improvement	Mortality projected fully generational Scale MP-2021.

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## FIDUCIARY FUND DESCRIPTIONS

### PRIVATE PURPOSE TRUST FUNDS

#### **Colorado River Joint Powers Authority**

The Colorado River Joint Powers Authority (the Authority) is a separate governmental entity composed of Southern California public agencies formed in 2007. The Authority's purpose is to engage in study, research, and information dissemination among the people of California and representatives of Congress and the State Legislature relative to California's rights to water and other resources from the Colorado River. By means of a Joint Powers Agreement (the Agreement) signed September 1, 2007, the six major California public agencies with Colorado River water rights and interests agree to jointly sponsor and support the Authority. The six major California public agencies are the Coachella Valley Water District, Imperial Irrigation District, City of Los Angeles Department of Water and Power, Palo Verde Irrigation District, San Diego County Water Authority, and the Metropolitan Water District of Southern California (Metropolitan) (collectively known as the Agencies). Pursuant to the Agreement, Metropolitan acts as the trustee for the funds furnished by the Agencies in support of the Authority. The Agreement specifies that such moneys will be placed in a special account designated as the "Colorado River Joint Powers Authority Account" (the Account). Disbursements from the Account are made by Metropolitan in accordance with the Agreement.

#### **Delta Conveyance Finance Authority**

The Delta Conveyance Finance Authority (Finance Authority) was created on July 3, 2018 through the Joint Powers Authority Act. The Finance Authority's members consist of water agencies (member agencies) that have Water Supply Contracts with the Department of Water Resources (DWR) for water and conveyance services from the State Water Project. The Finance Authority's original purpose was to assist DWR, the Finance Authority's member agencies and other State Water Contractors finance all or a portion of the two-tunnel California WaterFix (CWF) project. At the direction of Governor Newsom, the CWF project was modified to a single tunnel called the Delta Conveyance Project (Project). The Finance Authority may still assist in the financing of the Project or other needed facilities should the Department of Water Resources or the State Water Project Contractors request such support. Any financing activity would occur after the completion of required environmental reviews under the California Environmental Quality Act and National Environmental Policy Act and other permitting activities, all of which are still in progress as of June 30, 2025. The Finance Authority's operations are supported by the collection of contributions from its member agencies. The Finance Authority deposits these funds into Metropolitan's cash and investment pool, and are disbursed in accordance with the Treasury and Accounting agreement between the Finance Authority and Metropolitan. Metropolitan also provides accounting and reporting services for the Finance Authority.

#### **Six Agency Committee**

The Six Agency Committee (the Committee) is a member group composed of a member and an alternate member appointed by each of the governing bodies of the six major California public agencies with Colorado River rights and interests, which are represented on the Colorado River Board of California (the Board). The Board, created by legislation in 1937, is an agency of the State of California, charged with safeguarding and protecting the rights and interests of the State, its agencies, and citizens in the water and power resources of the Colorado River system. The Committee's appointees include representatives from the Coachella Valley Water District, Imperial Irrigation District, City of Los Angeles Department of Water and Power, Palo Verde Irrigation District, San Diego County Water Authority, and the Metropolitan Water District of Southern California (Metropolitan) (collectively known as the Agencies). The Committee was created by a Joint Powers Agreement, executed on January 5, 1950, and subsequently

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**FIDUCIARY FUND DESCRIPTIONS (CONTINUED)**

amended, to administer funds contributed by the Agencies for purposes that tend to secure their rights in and to the waters of the Colorado River system. In accordance with the purposes of the Joint Powers Agreement, the Committee provides monetary support to the Board in furtherance of its work in safeguarding the Agencies' rights and promoting their interests in and to the water of the Colorado River. Terms and conditions for support of the Board are set forth in an annual agreement between the Committee and the Board. Funds advanced by the Agencies in accordance with the annual agreement are deposited with Metropolitan, who holds the responsibility to serve as trustee over such funds. Upon completion of the Committee, any funds remaining with the Committee will be ratably refunded to the contributing Agencies.

**CUSTODIAL FUNDS**

**Diamond Valley Lake Multi Species Reserve Fund**

The Diamond Valley Lake Multi Species Reserve Fund was created under a Cooperative Management Agreement executed by Metropolitan, the California Department of Fish & Wildlife, the United States Fish & Wildlife Service, the Riverside County Habitat Conservation Agency, the Riverside County Regional Park and Open Space District, the County of Riverside, and the Riverside County Park Facilities Corporation for impacts related to Metropolitan's construction of the Diamond Valley Lake reservoir. The Cooperative Management Agreement provides for the acquisition, management, operation and maintenance of certain lands located in the southwestern portion of Riverside County in conformance with and to fulfill the requirements of the Southwestern Riverside Multi-Species Habitat Conservation Plan. The Southwestern Riverside Multi-Species Reserve initially comprised land owned by Metropolitan and the Riverside County Park Facilities Corporation, and now includes Riverside County Habitat Conservation Agency and United States Bureau of Land Management property. In accordance with the Cooperative Management Agreement, funds are deposited in Metropolitan's cash and investment pool and disbursements of funds are made by Metropolitan in accordance with the agreement. The balances reported in the Diamond Valley Lake Multi Species Reserve Fund in Metropolitan's fiduciary fund statements exclude Metropolitan's share based on the percentage of Metropolitan owned land in the Multi Species Reserve and do not reflect the balance of funds available for its management.

**Water Utility Climate Alliance Membership**

The Water Utility Climate Alliance (WUCA) is an association of water utility agencies formed with a mission to provide leadership and collaboration on climate change issues affecting water agencies across the United States. The organization comprises 12 of the nation's largest water providers, including Metropolitan, who agreed to contribute funds to finance WUCA approved expenditures through a Fiscal Agent Agreement. In accordance with the Fiscal Agent Agreement, Metropolitan was designated as the Fiscal Agent for the contributions made by member agencies and the funds are deposited in Metropolitan's interest-bearing cash and investment accounts. Disbursement of funds from the available WUCA resources are made by Metropolitan in accordance with the Fiscal Agent Agreement. The balances reported in the WUCA fund in Metropolitan's fiduciary fund statements exclude Metropolitan's share of contributions and do not reflect the balance of funds available for WUCA.

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**COMBINING STATEMENTS OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS**

	June 30, 2025			
(Dollars in thousands)	<b>Colorado River Joint Power Authority</b>	<b>Delta Conveyance Finance Authority</b>	<b>Six Agency Committee</b>	<b>Total Private Purpose Trust Funds</b>
<b>Assets</b>				
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	\$ 498	\$ 190	\$ 1,366	\$ 2,054
Interest receivable	—	1	—	1
Total assets	498	191	1,366	2,055
 <b>Liabilities</b>				
Accounts payable and accrued expenses	—	2	44	46
Total liabilities	—	2	44	46
 <b>Net Position</b>				
Restricted for organizations and other governments	498	189	1,322	2,009
Total Liabilities and Net Position	\$ 498	\$ 191	\$ 1,366	\$ 2,055

See accompanying Independent Auditor's Report.

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**COMBINING STATEMENTS OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS (CONTINUED)**

	June 30, 2024			
(Dollars in thousands)	<b>Colorado River Joint Power Authority</b>	<b>Delta Conveyance Finance Authority</b>	<b>Six Agency Committee</b>	<b>Total Private Purpose Trust Funds</b>
<b>Assets</b>				
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	\$ 436	\$ 255	\$ 1,314	\$ 2,005
Interest receivable	—	1	—	1
Total assets	436	256	1,314	2,006
 <b>Liabilities</b>				
Accounts payable and accrued expenses	—	1	—	1
Total liabilities	—	1	—	1
 <b>Net Position</b>				
Restricted for organizations and other governments	436	255	1,314	2,005
Total Liabilities and Net Position	\$ 436	\$ 256	\$ 1,314	\$ 2,006

See accompanying Independent Auditor's Report.

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**COMBINING STATEMENTS OF CHANGES IN  
FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS**

(Dollars in thousands)	Fiscal Year Ended June 30, 2025			
	Colorado River Joint Power Authority	Delta Conveyance Finance Authority	Six Agency Committee	Total Private Purpose Trust Funds
<b>Additions</b>				
Contributions from participating agencies	\$ 80	\$ —	\$ 3,409	\$ 3,489
Interest	—	9	—	9
Total additions	80	9	3,409	3,498
<b>Deductions</b>				
Support payments to the Colorado River Board	—	—	2,803	2,803
Expensed equipment	—	—	—	—
Computer systems and software	—	—	463	463
Administrative expenses	18	—	—	18
Support payments for Colorado River system augmentation and conservation	—	—	1	1
Professional services	—	75	134	209
Total deductions	18	75	3,401	3,494
<b>Changes in Fiduciary Net Position</b>	62	(66)	8	4
Net position, Beginning of Year	436	255	1,314	2,005
<b>Net position, End of Year</b>	<b>\$ 498</b>	<b>\$ 189</b>	<b>\$ 1,322</b>	<b>\$ 2,009</b>

See accompanying Independent Auditor's Report.

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**COMBINING STATEMENTS OF CHANGES IN  
FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS (CONTINUED)**

Fiscal Year Ended June 30, 2024

(Dollars in thousands)	Colorado River Joint Power Authority	Delta Conveyance Finance Authority	Six Agency Committee	Total Private Purpose Trust Funds
<b>Additions</b>				
Contributions from participating agencies	\$ —	\$ —	\$ 3,050	\$ 3,050
Interest	—	13	—	13
Total additions	—	13	3,050	3,063
<b>Deductions</b>				
Support payments to the Colorado River Board	—	—	2,602	2,602
Expensed equipment	—	—	1	1
Computer systems and software	—	—	2	2
Administrative expenses	1	—	—	1
Support payments for Colorado River system augmentation and conservation	—	—	410	410
Professional services	—	95	198	293
Total deductions	1	95	3,213	3,309
<b>Changes in Fiduciary Net Position</b>	(1)	(82)	(163)	(246)
Net position, Beginning of Year	437	337	1,477	2,251
<b>Net position, End of Year</b>	\$ 436	\$ 255	\$ 1,314	\$ 2,005

See accompanying Independent Auditor's Report.

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**COMBINING STATEMENTS OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS**

(Dollars in thousands)	June 30, 2025		
	Diamond Valley Lake Multi Species Reserve Fund	Water Utility Climate Alliance Membership	Total Custodial Funds
<b>Assets</b>			
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	\$ 2,136	\$ 589	\$ 2,725
Total assets	2,136	589	2,725
<b>Liabilities</b>			
Accounts payable and accrued expenses	—	36	36
Due to other governments	9	—	9
Total liabilities	9	36	45
<b>Net Position</b>			
Restricted for organizations and other governments	2,127	553	2,680
Total Liabilities and Net Position	\$ 2,136	\$ 589	\$ 2,725

See accompanying Independent Auditor's Report.

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**COMBINING STATEMENTS OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS (CONTINUED)**

(Dollars in thousands)	June 30, 2024		
	Diamond Valley Lake Multi Species Reserve Fund	Water Utility Climate Alliance Membership	Total Custodial Funds
<b>Assets</b>			
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	\$ 2,112	\$ 432	\$ 2,544
Total assets	2,112	432	2,544
<b>Liabilities</b>			
Accounts payable and accrued expenses	—	57	57
Due to other governments	25	—	25
Total liabilities	25	57	82
<b>Net Position</b>			
Restricted for organizations and other governments	2,087	375	2,462
Total Liabilities and Net Position	\$ 2,112	\$ 432	\$ 2,544

See accompanying Independent Auditor's Report.

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**COMBINING STATEMENTS OF CHANGES IN  
FIDUCIARY NET POSITION  
CUSTODIAL FUNDS**

(Dollars in thousands)	Fiscal Year Ended June 30, 2025		
	Diamond Valley Lake Multi Species Reserve Fund	Water Utility Climate Alliance Membership	Total Custodial Funds
<b>Additions</b>			
Contributions from participating agencies	\$ 44	\$ 330	\$ 374
Interest	96	19	115
Other income	1	—	1
Total additions	141	349	490
<b>Deductions</b>			
Payments to other governments for conservation	101	—	101
Professional services	—	171	171
Total deductions	101	171	272
<b>Changes in Fiduciary Net Position</b>	40	178	218
Net position, Beginning of Year	2,087	375	2,462
<b>Net position, End of Year</b>	\$ 2,127	\$ 553	\$ 2,680

See accompanying Independent Auditor's Report.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
**SUPPLEMENTAL INFORMATION**  
**(CONTINUED)**  
June 30, 2025 and 2024

**COMBINING STATEMENTS OF CHANGES IN  
FIDUCIARY NET POSITION  
CUSTODIAL FUNDS (CONTINUED)**

	Fiscal Year Ended June 30, 2024		
	Diamond Valley Lake Multi Species Reserve Fund	Water Utility Climate Alliance Membership	Total Custodial Funds
(Dollars in thousands)			
<b>Additions</b>			
Contributions from participating agencies	\$ 44	\$ 289	\$ 333
Interest	87	12	99
Total additions	131	301	432
<b>Deductions</b>			
Payments to other governments for conservation	75	—	75
Professional services	—	75	75
Total deductions	75	75	150
<b>Changes in Fiduciary Net Position</b>	56	226	282
Net position, Beginning of Year	2,031	149	2,180
<b>Net position, End of Year</b>	\$ 2,087	\$ 375	\$ 2,462

See accompanying Independent Auditor's Report.

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## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	128
<i>These schedules contain trend information to help the reader understand how Metropolitan’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	130
<i>These schedules contain information to help the reader assess Metropolitan’s most significant own-source revenue, water sales. Schedules with information about Metropolitan’s property taxes are presented as well.</i>	
Debt Capacity	136
<i>These schedules present information to help the reader assess the affordability of Metropolitan’s current levels of outstanding debt and Metropolitan’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	140
<i>These schedules offer demographic indicators to help the reader understand the environment within which Metropolitan’s financial activities take place.</i>	
Operating Information	142
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Metropolitan’s financial report relates to the service Metropolitan provides.</i>	

Statistical Section

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

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

	Fiscal Year Ended June 30,									
	2025	2024 <sup>(6)</sup>	2023	2022 <sup>(4)</sup>	2021 <sup>(2)</sup>	2020 <sup>(3)</sup>	2019	2018 <sup>(4),(5)</sup>	2017 <sup>(5)</sup>	2016
		As Restated		As Adjusted	As Adjusted	As Adjusted		As Adjusted	As Adjusted	
Net investment in capital assets, including State Water Project costs	\$ 6,447.2	\$ 6,422.4	\$ 6,359.2	\$ 6,220.3	\$ 6,141.4	\$ 6,121.6	\$ 6,131.6	\$ 5,968.8	\$ 6,067.0	\$ 5,772.4
Restricted for:										
Debt service	212.2	188.0	192.3	235.9	221.6	232.4	180.7	201.4	224.6	199.5
Operating expenses	384.0	372.5	424.5	337.6	311.1	276.6	237.9	206.2	182.4	183.3
Other	82.9	68.2	—	—	—	—	—	—	—	—
Unrestricted	598.2	301.8	474.5	663.4	520.7	308.9	286.0	310.1	283.7	528.6
<b>Total Net Position</b>	<b>\$ 7,724.5</b>	<b>\$ 7,352.9</b>	<b>\$ 7,450.5</b>	<b>\$ 7,457.2</b>	<b>\$ 7,194.8</b>	<b>\$ 6,939.5</b>	<b>\$ 6,836.2</b>	<b>\$ 6,686.5</b>	<b>\$ 6,757.7</b>	<b>\$ 6,683.8</b>

<sup>(1)</sup> Adjustment relates to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023 with a restatement of fiscal year 2022 balances. Fiscal years 2016 through 2021 were not adjusted.

<sup>(2)</sup> Adjustment relates to the implementation of GASB Statement No. 87, *Leases*, in fiscal year 2022 with a restatement of fiscal year 2021 balances. Fiscal years 2016 through 2020 were not adjusted.

<sup>(3)</sup> Adjustment relates to the adoption of GASB Statement No. 84, *Fiduciary Activities*, in fiscal year 2021 with a restatement of fiscal year 2020 balances. Fiscal years 2016 through 2019 were not adjusted.

<sup>(4)</sup> Adjustment relates to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Fiscal years 2016 through 2017 were not adjusted.

<sup>(5)</sup> Net investment in capital assets, including State Water Project costs, restricted for other expenses and unrestricted net position in fiscal years 2018 and 2017 were adjusted to conform to fiscal year 2019 presentation. Fiscal year 2016 was not adjusted.

<sup>(6)</sup> Adjustment relates to the implementation of GASB Statement No. 101, *Compensated Absences*, in fiscal year 2025 with restatement of fiscal year 2024 balances. Fiscal years 2016 through 2023 were not adjusted.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

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

	Fiscal Year Ended June 30,									
	2025	2024 <sup>(7)</sup>	2023	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	2020	2019	2018 <sup>(3)</sup>	2017	2016
		As Restated		As Adjusted	As Adjusted			As Adjusted		
Water revenues <sup>(4)</sup>	\$ 1,426.7	\$ 1,216.1	\$ 1,236.4	\$ 1,515.1	\$ 1,404.7	\$ 1,188.0	\$ 1,148.7	\$ 1,285.2	\$ 1,150.5	\$ 1,166.0
Readiness-to-serve charges	174.0	160.5	147.0	135.0	133.0	134.5	136.5	137.5	144.0	155.5
Capacity charge	40.7	36.2	37.2	37.0	31.7	30.5	33.0	34.6	39.7	44.7
Power sales	6.8	13.0	5.7	7.7	19.0	15.9	18.3	23.7	20.9	7.5
<b>Operating revenues</b>	<b>1,648.2</b>	<b>1,425.8</b>	<b>1,426.3</b>	<b>1,694.8</b>	<b>1,588.4</b>	<b>1,368.9</b>	<b>1,336.5</b>	<b>1,481.0</b>	<b>1,355.1</b>	<b>1,373.7</b>
Taxes, net	389.3	202.9	189.5	168.1	160.6	146.9	142.7	127.3	115.4	107.9
State funding for Pure Water Southern California program	—	—	80.0	—	—	—	—	—	—	—
Investment income, net	64.2	54.2	35.0	—	4.1	28.9	36.0	10.6	6.2	19.4
Intergovernmental revenue	36.1	15.7	—	—	—	—	—	—	—	—
Gain on sale of plant assets	0.6	—	6.2	9.2	—	—	—	—	—	—
Other	15.2	11.6	17.0	8.7	10.9	24.5	10.4	12.9	7.3	10.2
<b>Nonoperating revenues</b>	<b>505.4</b>	<b>284.4</b>	<b>327.7</b>	<b>186.0</b>	<b>175.6</b>	<b>200.3</b>	<b>189.1</b>	<b>150.8</b>	<b>128.9</b>	<b>137.5</b>
<b>Total revenues</b>	<b>2,153.6</b>	<b>1,710.2</b>	<b>1,754.0</b>	<b>1,880.8</b>	<b>1,764.0</b>	<b>1,569.2</b>	<b>1,525.6</b>	<b>1,631.8</b>	<b>1,484.0</b>	<b>1,511.2</b>
Power and water costs	(547.4)	(596.8)	(688.3)	(605.7)	(480.9)	(438.7)	(375.8)	(446.5)	(455.4)	(552.3)
Operations and maintenance	(721.7)	(706.1)	(579.8)	(473.9)	(508.2)	(557.4)	(493.9)	(507.4)	(487.5)	(650.1)
Litigation payments	—	—	—	(50.9)	(44.4)	—	—	—	—	—
Depreciation and amortization	(339.0)	(378.2)	(386.5)	(377.4)	(364.5)	(353.0)	(361.1)	(330.3)	(301.7)	(376.5)
<b>Operating expenses</b>	<b>(1,608.1)</b>	<b>(1,681.1)</b>	<b>(1,654.6)</b>	<b>(1,507.9)</b>	<b>(1,398.0)</b>	<b>(1,349.1)</b>	<b>(1,230.8)</b>	<b>(1,284.2)</b>	<b>(1,244.6)</b>	<b>(1,578.9)</b>
Bond interest, net of amount capitalized <sup>(5)</sup>	(131.8)	(117.2)	(97.4)	(93.5)	(91.6)	(100.7)	(126.9)	(124.5)	(134.6)	(126.9)
Interest and adjustments on OAPF <sup>(6)</sup>	—	—	—	—	—	—	—	—	(0.6)	(0.8)
Investment loss, net	—	—	—	(10.9)	—	—	—	—	—	—
Loss on sale/disposal of plant assets	—	(0.3)	—	—	(13.2)	(10.2)	(13.7)	(88.7)	(20.9)	—
Funding agreement write-off (Note 13b)	(58.7)	—	—	—	—	—	—	—	—	—
Other	(7.1)	(7.5)	(8.8)	(6.4)	(6.2)	(5.9)	(5.3)	(68.2)	(9.4)	(4.6)
<b>Nonoperating expenses</b>	<b>(197.6)</b>	<b>(125.0)</b>	<b>(106.2)</b>	<b>(110.8)</b>	<b>(111.0)</b>	<b>(116.8)</b>	<b>(145.9)</b>	<b>(281.4)</b>	<b>(165.5)</b>	<b>(132.3)</b>
<b>Total expenses</b>	<b>(1,805.7)</b>	<b>(1,806.1)</b>	<b>(1,760.8)</b>	<b>(1,618.7)</b>	<b>(1,509.0)</b>	<b>(1,465.9)</b>	<b>(1,376.7)</b>	<b>(1,565.6)</b>	<b>(1,410.1)</b>	<b>(1,711.2)</b>
Capital contributions	23.7	12.8	0.1	0.3	0.3	—	0.8	1.5	—	2.1
<b>Changes in net position</b>	<b>\$ 371.6</b>	<b>\$ (83.1)</b>	<b>\$ (6.7)</b>	<b>\$ 262.4</b>	<b>\$ 255.3</b>	<b>\$ 103.3</b>	<b>\$ 149.7</b>	<b>\$ 67.7</b>	<b>\$ 73.9</b>	<b>\$ (197.9)</b>

<sup>(1)</sup> Adjustment relates to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023 with a restatement of fiscal year 2022 balances. Fiscal years 2016 through 2021 were not adjusted.

<sup>(2)</sup> Adjustment relates to the implementation of GASB Statement No. 87, *Leases*, in fiscal year 2022 with a restatement of fiscal year 2021 balances. Fiscal years 2016 through 2020 were not adjusted.

<sup>(3)</sup> Adjustment relates to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Fiscal years 2016 through 2017 were not adjusted.

<sup>(4)</sup> Water revenues includes revenues from water sales, exchanges, and wheeling.

<sup>(5)</sup> Beginning fiscal year 2022, construction interest costs were no longer capitalized in accordance with GASB Statement 89, *Accounting for Interest Incurred before the End of a Construction Period*.

<sup>(6)</sup> Off-Aqueduct Power Facilities (OAPF). The State relieved Metropolitan of its obligation during the year ended June 30, 2018.

<sup>(7)</sup> Adjustment relates to the implementation of GASB Statement No. 101, *Compensated Absences*, in fiscal year 2025 with a restatement of fiscal year 2024 balances. Fiscal years 2016 through 2023 were not adjusted.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

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

Fiscal Year Ended June 30,	Water Sales <sup>(1)</sup>			Exchange	Other Water Sales	Total
	Treated	Untreated	Tier 2 <sup>(2) (3)</sup>			
2025	\$ 913,144.3	\$ 327,039.4	\$ 118.5	\$ 172,562.6	\$ 13,827.2	\$ 1,426,692.0
2024	728,310.0	295,006.9	766.7	192,018.2	—	1,216,101.8
2023	744,018.3	318,161.5	143.2	174,080.3	—	1,236,403.3
2022	925,817.5	423,797.5	—	165,454.8	—	1,515,069.8
2021	840,130.7	397,566.6	—	167,038.1	—	1,404,735.4
2020	754,496.5	293,438.7	—	140,062.6	—	1,187,997.8
2019	727,511.1	318,940.9	—	102,221.8	—	1,148,673.8
2018	805,392.6	383,632.6	—	96,139.0	—	1,285,164.2
2017	704,254.2	358,841.4	—	87,437.0	—	1,150,532.6
2016	681,045.9	401,837.7	(1,180.3)	84,337.0	—	1,166,040.3

(1) Water sales rates vary based on the program. See Table 4 for rates.

(2) Tier 2 dollars reflect the premium paid by the member agency for water taken in excess of their maximum purchase commitment. Either treated/untreated or both could have caused the agency to exceed their maximum.

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

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 4

**Ten-Year Summary of Water Revenues Rate Structure (Unaudited)**  
**(Dollars per acre-foot unless otherwise specified)**

	Calendar Year <sup>(1)</sup>									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Supply Rate <sup>(3)</sup>	\$ 290	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Tier 1 Supply Rate	—	332	321	243	243	208	209	209	201	156
Tier 2 Supply Rate	—	531	530	285	285	295	295	295	295	290
System Access Rate	463	389	368	389	373	346	326	299	289	259
Water Stewardship Rate <sup>(2)</sup>	—	—	—	—	—	65	69	55	52	41
System Power Rate	159	182	166	167	161	136	127	132	124	138
Full Service Untreated <sup>(3)</sup>	912	—	—	—	—	—	—	—	—	—
Tier 1	—	903	855	799	777	755	731	695	666	594
Tier 2	—	1,102	1,064	841	819	842	817	781	760	728
Treatment Surcharge	483	353	354	344	327	323	319	320	313	348
Full Service Treated <sup>(3)</sup>	1,395	—	—	—	—	—	—	—	—	—
Tier 1	—	1,256	1,209	1,143	1,104	1,078	1,050	1,015	979	942
Tier 2	—	1,455	1,418	1,185	1,146	1,165	1,136	1,101	1,073	1,076
Readiness-to-Serve Charge (\$ millions)	181	167	154	140	130	136	133	140	135	153
Capacity Charge (\$ per cubic foot per second)	13,000	11,200	10,600	12,200	10,700	8,800	8,600	8,700	8,000	10,900

<sup>(1)</sup> Rates are set on a calendar year basis.

<sup>(2)</sup> This rate was not incorporated into Metropolitan's rates and charges beginning calendar year 2021.

<sup>(3)</sup> On November 14, 2023, at the Finance, Affordability, Asset Management, and Efficiency (FAAME) committee meeting, staff presented to the Board the status of the 2014 Purchase Order agreements, which expired on December 31, 2024. The adopted fiscal year 2024/25 and fiscal year 2025/26 Biennial Budget does not assume that the purchase order contracts will be renewed. As a result, the Tier 1 and Tier 2 supply rates are not included in the proposed rates and charges for calendar years 2025 and 2026; there is only a single supply rate. Metropolitan will revisit the purchase order commitments and similar structures as needed during the business model review through the Climate Adaptation Master Plan for Water (CAMP4W) process.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 5

**Principal Water Revenue Customers (Unaudited) - Accrual Basis**  
**(Dollars in thousands)**

	Fiscal Year Ended			Fiscal Year Ended		
	June 30, 2025			June 30, 2016		
	Amount	%	Rank	Amount	%	Rank
<b>Treated Water Sales</b>						
<i>Member Agency</i>						
City of Los Angeles	\$ 134,360.9	14.7 %	1	\$ 78,369.2	11.5 %	3
West Basin MWD	126,608.0	13.9	2	100,037.9	14.7	2
MWD of Orange County	125,299.1	13.7	3	106,662.0	15.7	1
Calleguas MWD	102,593.1	11.3	4	77,655.5	11.4	4
Eastern MWD	90,656.9	9.9	5	45,314.8	6.7	6
Subtotal	<u>\$ 579,518.0</u>	<u>63.5 %</u>		<u>\$ 408,039.4</u>	<u>60.0 %</u>	
Total Treated Water Sales	<u>\$ 913,144.3</u>	<u>100.0 %</u>		<u>\$ 681,045.9</u>	<u>100.0 %</u>	
<b>Untreated Water Sales</b>						
<i>Member Agency</i>						
City of Los Angeles	\$ 112,136.2	34.3 %	1	\$ 145,902.3	36.3 %	1
Eastern MWD	40,275.9	12.3	2	8,957.9	2.2	9
Inland Empire Utilities Agency	31,764.2	9.7	3	18,653.9	4.6	4
Three Valleys MWD	30,509.2	9.3	4	13,957.6	3.5	6
Western MWD	29,518.7	9.0	5	17,738.4	4.4	5
Subtotal	<u>\$ 244,204.2</u>	<u>74.6 %</u>		<u>\$ 205,210.1</u>	<u>51.0 %</u>	
Total Untreated Water Sales	<u>\$ 327,039.4</u>	<u>100.0 %</u>		<u>\$ 401,837.7</u>	<u>100.0 %</u>	
<b>Tier 2 Sales</b>						
<i>Member Agency</i>						
City of Santa Monica	\$ 118.5	100.0 %	1	\$ —	— %	
Eastern MWD <sup>(1)</sup>	—	—		(1,180.3)	100.0	1
Subtotal	<u>\$ 118.5</u>	<u>100.0 %</u>		<u>\$ (1,180.3)</u>	<u>100.0 %</u>	
Total Tier 2 Sales	<u>\$ 118.5</u>	<u>100.0 %</u>		<u>\$ (1,180.3)</u>	<u>100.0 %</u>	
<b>Exchange</b>						
<i>Member Agency</i>						
San Diego County Water Authority	\$ 136,988.1	79.4 %	1	\$ 77,287.0	91.6 %	1
Subtotal	<u>\$ 136,988.1</u>	<u>79.4 %</u>		<u>\$ 77,287.0</u>	<u>91.6 %</u>	
Total Exchange	<u>\$ 172,562.6</u>	<u>100.0 %</u>		<u>\$ 84,337.0</u>	<u>100.0 %</u>	
<b>State Water Project Supply Sales</b>						
<i>Member Agency</i>						
Westside Water Authority	\$ 13,827.2	100.0 %	1	\$ —	0.0 %	
Subtotal	<u>\$ 13,827.2</u>	<u>100.0 %</u>		<u>\$ —</u>	<u>0.0 %</u>	
Total SWP Supply Sales	<u>\$ 13,827.2</u>	<u>100.0 %</u>		<u>\$ —</u>	<u>0.0 %</u>	
<b>Total Water Revenue</b>	<b><u>\$ 1,426,692.0</u></b>			<b><u>\$ 1,166,040.3</u></b>		

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

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 6

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

Fiscal Year Ended June 30,	Total Tax Levy	Tax Collections			Percent of Current Taxes Collected to Total Tax Levy	Percent of Total Tax Collections to Total Tax Levy
		Current	Delinquent	Total <sup>(1)</sup>		
2025	\$ 350,053	\$ 385,804	\$ 4,886	\$ 390,690	110.2 %	111.6 %
2024	196,001	196,712 <sup>(2)</sup>	4,820 <sup>(2)</sup>	201,532	100.4 <sup>(2)</sup>	102.8
2023	176,719	184,770 <sup>(2)</sup>	13,058 <sup>(2)</sup>	197,828	104.6 <sup>(2)</sup>	111.9
2022	164,714	156,653 <sup>(2)</sup>	3,350	160,003	95.1 <sup>(2)</sup>	97.1
2021	153,026	158,580 <sup>(2)</sup>	2,527 <sup>(2)</sup>	161,107	103.6 <sup>(2)</sup>	105.3
2020	143,646	144,951 <sup>(2)</sup>	2,151 <sup>(2)</sup>	147,102	100.9 <sup>(2)</sup>	102.4
2019	130,566	138,427 <sup>(2)</sup>	6,727 <sup>(2)</sup>	145,154	106.0 <sup>(2)</sup>	111.2
2018	121,647	124,628 <sup>(2)</sup>	5,038 <sup>(2)</sup>	129,666	102.5 <sup>(2)</sup>	106.6
2017	112,727	112,886 <sup>(2)</sup>	2,251 <sup>(2)</sup>	115,137	100.1 <sup>(2)</sup>	102.1
2016	104,829	108,825 <sup>(2)</sup>	1,829 <sup>(2)</sup>	110,654	103.8 <sup>(2)</sup>	105.6

<sup>(1)</sup> Total tax collections includes cash receipts on new annexations, but excludes commission expense.

<sup>(2)</sup> In fiscal year 2025, current and delinquent tax collections were revised for fiscal years 2016 through 2024 but total tax collections was not affected by the changes.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 7

#### Ten-Year Summary of Assessed Valuations and Property Tax Rates (Unaudited) (Dollars in billions)

Fiscal Year Ended June 30,	Gross Assessed Valuation <sup>(1)</sup>	Homeowner's Exemption	Net Assessed Valuation	Secured Property Percentage Tax Rate
2025	\$ 4,077.5	\$ 14.4	\$ 4,063.1	0.0070
2024	3,875.9	14.5	3,861.4	0.0035
2023	3,639.4	14.6	3,624.8	0.0035
2022	3,392.1	14.8	3,377.3	0.0035
2021	3,263.3	15.1	3,248.3	0.0035
2020	3,092.4	15.3	3,077.1	0.0035
2019	2,916.6	15.4	2,901.2	0.0035
2018	2,740.6	15.6	2,725.0	0.0035
2017	2,583.4	15.8	2,567.6	0.0035
2016	2,451.0	15.9	2,435.1	0.0035

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

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 8

#### Ten-Year Summary of Assessed Valuations Within Metropolitan's Service Area - By Counties (Unaudited) (Dollars in billions)

Fiscal Year Ended June 30,	Los Angeles		Orange		San Diego		Riverside		San Bernardino		Ventura		Total	
	AV <sup>(1)</sup>	% <sup>(2)</sup>	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%
2025	\$ 1,959.6	48.1	\$ 810.1	19.9	\$ 711.7	17.4	\$ 287.5	7.1	\$ 171.7	4.2	\$ 136.9	3.3	\$ 4,077.5	100.0
2024	1,869.4	48.2	769.4	19.9	680.1	17.5	264.7	6.8	160.9	4.2	131.4	3.4	3,875.9	100.0
2023	1,766.2	48.6	724.3	19.9	635.5	17.5	241.8	6.6	147.2	4.0	124.4	3.4	3,639.4	100.0
2022	1,652.7	48.7	681.0	20.1	586.2	17.3	221.0	6.5	135.0	4.0	116.2	3.4	3,392.1	100.0
2021	1,593.5	48.8	655.0	20.1	566.4	17.4	209.0	6.4	127.1	3.9	112.3	3.4	3,263.3	100.0
2020	1,504.9	48.7	625.2	20.2	537.7	17.4	196.2	6.3	120.2	3.9	108.2	3.5	3,092.4	100.0
2019	1,415.3	48.5	591.4	20.3	508.6	17.4	184.6	6.3	113.0	3.9	103.7	3.6	2,916.6	100.0
2018	1,327.5	48.5	557.1	20.3	479.7	17.5	172.9	6.3	104.2	3.8	99.2	3.6	2,740.6	100.0
2017	1,251.3	48.4	524.5	20.3	452.0	17.5	163.1	6.3	97.8	3.8	94.7	3.7	2,583.4	100.0
2016	1,185.4	48.4	498.3	20.3	427.9	17.5	154.7	6.3	93.9	3.8	90.8	3.7	2,451.0	100.0

<sup>(1)</sup> Gross Assessed Valuation.

<sup>(2)</sup> Percent of Total Assessed Valuation within Metropolitan.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 9

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

Fiscal Year Ended June 30,	Population <sup>(1)</sup>	Net Assessed Valuations (NAV)	General Obligation (G.O.) Debt	Revenue Bond Debt	Unamortized Bond Discounts and Premiums, net	Leases and Subscriptions Payables	Total Outstanding Debt	Accumulated Resources Restricted for Repayment of Principal	Net Total Outstanding Debt	Ratio of G.O. Debt to NAV	Net Outstanding Debt per Capita
2025	18,665	\$4,063,145,045	\$ 17,155	\$ 3,976,180	\$ 429,669	\$ 15,224	\$ 4,438,228	\$ (131,015)	\$ 4,307,213	0.00 %	\$ 230.8
2024	18,689	3,861,420,079	18,210	3,771,555	450,530	11,227	4,251,522	(118,875)	4,132,647	0.00	221.1
2023	18,641	3,624,835,574	19,215	3,881,160	420,924	11,441	4,332,740	(112,625)	4,220,115	0.00	226.4
2022	18,702	3,377,339,505	20,175	3,848,425	425,160	11,092	4,304,852 <sup>(4)(5)</sup>	(123,525)	4,181,327 <sup>(4)(5)</sup>	0.00	223.6
2021	18,795	3,248,320,002	26,830	3,994,265	464,184	8,824	4,494,103 <sup>(4)</sup>	(111,810)	4,382,293 <sup>(4)</sup>	0.00	233.2
2020	18,918	3,077,116,471	37,300	3,968,845	366,281	—	4,372,426	(123,940)	4,248,486	0.00	224.6
2019	19,000	2,901,199,673	48,050	3,933,245	307,310	—	4,288,605	(116,825)	4,218,580	0.00	222.0
2018	18,965	2,725,018,457	60,600	4,233,860	212,499	—	4,506,959	(96,725)	4,410,234 <sup>(3)</sup>	0.00	232.5
2017	18,883	2,567,616,063	74,905	4,301,985	202,848	—	4,579,738	(114,730)	4,465,008	0.00	236.5
2016	18,788	2,435,059,261	92,865	4,188,950	232,467	—	4,514,282	(153,270)	4,370,165	0.00	232.6

Fiscal Year Ended June 30,	Population <sup>(1)</sup>	Total Household Income (THI) <sup>(2)</sup>	General Obligation (G.O.) Debt	Revenue Bond Debt	Unamortized Bond Discounts and Premiums, net	Leases and Subscriptions Payables	Total Outstanding Debt	Ratio of Total Outstanding Debt to THI	Total Outstanding Debt per Capita
2025	18,665	\$ n/a	\$ 17,155	\$ 3,976,180	\$ 429,669	\$ 15,224	\$ 4,438,228	n/a %	\$ 237.8
2024	18,689	n/a	18,210	3,771,555	450,530	11,227	4,251,522	n/a	227.5
2023	18,641	1,616,541,961	19,215	3,881,160	420,924	11,441	4,332,740	n/a	232.4
2022	18,702	1,533,779,288	20,175	3,848,425	425,160	11,092	4,304,852 <sup>(4)(5)</sup>	0.28	230.2
2021	18,795	1,523,519,485	26,830	3,994,265	464,184	8,824	4,494,103 <sup>(4)</sup>	0.29	239.1
2020	18,918	n/a	37,300	3,968,845	366,281	—	4,372,426	n/a	231.1
2019	19,000	1,341,790,418	48,050	3,933,245	307,310	—	4,288,605	0.32	225.7
2018	18,965	1,288,257,814	60,600	4,233,860	212,499	—	4,506,959	0.35	237.6
2017	18,883	1,224,898,669	74,905	4,301,985	202,848	—	4,579,738	0.37	242.5
2016	18,788	1,155,679,001	92,865	4,188,950	232,467	—	4,514,282	0.39	240.3

- (1) Population data is reported for Metropolitan's service area based on information from the State of California Department of Finance estimates. Fiscal year 2025 population was extrapolated and amounts from prior years reflect revisions based on current data and/or revision to service area boundaries.
- (2) THI is based on population data and per capita income for Metropolitan's six county service area. Population data is from the State of California Department of Finance and per capita income data is from the U.S. Department of Commerce. Amounts reflect revisions based on current data available.
- (3) Accumulated Resources Restricted for Repayment of Principal for fiscal year 2018 were corrected in fiscal year 2020 resulting in revisions to previously reported amounts for Net Total Outstanding Debt.
- (4) Lease liabilities for fiscal years 2021 and 2022 were added in fiscal year 2023 resulting in revisions to previously reported amounts for Total Outstanding Debt and Net Total Outstanding Debt.
- (5) Subscription liabilities for fiscal year 2022 were added in fiscal year 2023 resulting in revisions to previously reported amounts for Total Outstanding Debt and Net Total Outstanding Debt.

n/a: not available

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration, State of California Department of Finance, and U.S. Department of Commerce

**The Metropolitan Water District of Southern California**  
**Table 10**  
**Direct and Overlapping Bonded Debt (Unaudited)**  
**As of June 30, 2025**

2024-25 Net Assessed Valuation \$ 4,063,145,045,157

	Percentage Applicable	Debt June 30, 2025
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>		
Community College Districts	Various	\$ 15,801,907,600
Los Angeles Unified School District	99.326	11,666,240,970
San Diego Unified School District	99.961	5,898,050,048
Other Unified School Districts	Various	18,736,102,068
High School and School Districts	Various	9,486,385,685
City of Los Angeles	99.993	1,024,693,266
Other Cities	Various	318,551,770
Irvine Ranch Water District Improvement Districts	100	466,390,000
Santa Margarita Water District Improvement Districts	100	27,860,000
Other Water Districts	Various	16,102,637
Healthcare Districts	Various	564,885,569
Community Facilities Districts	Various	8,056,630,845
1915 Act Bonds and Other Special Assessment District Bonds	Various	831,274,649
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 72,895,075,107
Less: Obligations supported from other revenue sources		458,121,548
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 72,436,953,559
 <b>METROPOLITAN WATER DISTRICT TOTAL DIRECT DEBT</b>		
		<b>\$ 17,155,000</b>
 TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
		\$ 72,912,230,107
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
		\$ 72,454,108,559
 <b>OVERLAPPING GENERAL FUND DEBT:</b>		
	Percentage Applicable	Debt June 30, 2025
Los Angeles County Obligations	93.071	\$ 2,828,398,991
Orange County Obligations	99.930	437,878,271
Riverside County Obligations	66.197	1,150,017,168
San Bernardino County Obligations	49.662	68,563,357
San Diego County Obligations	96.64	479,875,584
Ventura County Obligations	76.019	201,289,146
City of Anaheim General Fund Obligations	99.9	568,804,565
City of Long Beach General Fund Obligations and Pension Obligation Bonds	100	123,485,000
City of Los Angeles General Fund Obligations	99.993	1,212,276,836
City of Pasadena General Fund and Pension Obligation Bonds	100	467,320,242
City of San Diego General Fund Obligations	99.952	745,659,885
Other City General Fund Obligations	Various	8,531,567,703
Water District General Fund Obligations	Various	119,167,566
Los Angeles Unified School District Certificates of Participation	99.326	223,493,433
Other School District General Fund Obligations	Various	1,820,189,830
Other Special District General Fund Obligations	Various	78,940,214
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ 19,056,927,791
Less: Obligations supported from other revenue sources		795,905,390
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ 18,261,022,401
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		\$ 3,660,909,531
GROSS COMBINED TOTAL DEBT		\$ 95,630,067,429 <sup>(1)</sup>
NET COMBINED TOTAL DEBT		\$ 94,376,040,491

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

Ratios to 2024-25 Net Assessed Valuation:

<b>Direct Debt (\$17,155,000)</b>	<b>0.004%</b>
Total Gross Direct and Overlapping Tax and Assessment Debt	1.79 %
Total Net Direct and Overlapping Tax and Assessment Debt	1.77 %
Gross Combined Total Debt	2.35 %
Net Combined Total Debt	2.32 %

Ratios to Redevelopment Incremental Valuation:

	\$ 597,020,043,061
Total Overlapping Tax Increment Debt	0.61 %

See accompanying Independent Auditor's Report.

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

**The Metropolitan Water District of Southern California**  
**Table 11**  
**Ten-Year Summary of Legal Debt Margin Information (Unaudited)**  
**(Dollars in millions)**

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>15 Percent of Assessed Value <sup>(1a)</sup></b>										
Debt limit	\$ 611,625	\$ 581,383	\$ 545,916	\$ 508,810	\$ 489,492	\$ 463,864	\$ 437,493	\$ 411,095	\$ 387,508	\$ 367,651
Debt applicable to the limit <sup>(2)</sup>	4,522	4,625	4,378	4,329	4,521	4,455	4,335	4,507	4,842	4,773
Legal debt margin	\$ 607,103	\$ 576,758	\$ 541,538	\$ 504,481	\$ 484,971	\$ 459,409	\$ 433,158	\$ 406,588	\$ 382,666	\$ 362,878
Total debt applicable to the limit as a percentage of debt limit	0.74 %	0.80 %	0.81 %	0.85 %	0.92 %	0.96 %	0.99 %	1.10 %	1.25 %	1.30 %
<b>100 Percent of Equity <sup>(1b)</sup></b>										
Debt limit	\$ 7,725	\$ 7,353	\$ 7,451	\$ 7,457	\$ 7,194	\$ 6,940	\$ 6,836	\$ 6,686	\$ 6,758	\$ 6,684
Debt applicable to the limit <sup>(2)</sup>	3,976	3,772	3,881	3,848	3,994	3,969	3,933	4,234	4,302	4,189
Legal debt margin	\$ 3,749	\$ 3,581	\$ 3,570	\$ 3,609	\$ 3,200	\$ 2,971	\$ 2,903	\$ 2,452	\$ 2,456	\$ 2,495
Total debt applicable to the limit as a percentage of debt limit	51.47 %	51.30 %	52.09 %	51.60 %	55.52 %	57.19 %	57.53 %	63.33 %	63.66 %	62.67 %

**Legal Debt Margin Calculations for Fiscal Year Ended June 30, 2025**

**15 Percent of Assessed Value**

2024-25 taxable gross assessed valuation	<u>\$ 4,077,502</u>
Debt limit (15% of total assessed value)	\$ 611,625
Applicable debt outstanding as of June 30, 2025	<u>\$ 4,522</u>
Legal debt margin	<u>\$ 607,103</u>

**100 Percent of Equity (Net Position)**

Net position of Metropolitan as of June 30, 2025	<u>\$ 7,725</u>
Debt limit (100% of equity/net position)	\$ 7,725
Revenue bonds outstanding as of June 30, 2025	\$ 3,976
Legal debt margin	<u>\$ 3,749</u>

<sup>(1)</sup> The Metropolitan Water District Act (Act) provides for two limitations on indebtedness, which may be incurred by Metropolitan:

<sup>(a)</sup> Indebtedness is limited to 15 percent of the assessed value of all taxable property within Metropolitan.

<sup>(b)</sup> Revenue bonds limited to 100 percent of equity (net position) as of the end of the last fiscal year prior to the issuance of such bonds.

<sup>(2)</sup> The Act defines the calculations for debt limits based on gross debt outstanding. Accordingly, debt applicable to the limit is not netted for applicable reserves.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

**The Metropolitan Water District of Southern California**  
**Table 12**  
**Ten-Year Summary of Revenue Bond Debt Service Coverage <sup>(1)</sup> (Unaudited)**  
**(Dollars in millions)**

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Water Revenues <sup>(2)</sup>	\$ 1,479	\$ 1,167	\$ 1,323	\$ 1,515	\$ 1,405	\$ 1,188	\$ 1,149	\$ 1,285	\$ 1,151	\$ 1,166
Additional Revenues <sup>(3)</sup>	213	197	182	172	165	165	170	172	184	200
Total Revenues	1,692	1,364	1,505	1,687	1,570	1,353	1,319	1,457	1,335	1,366
Operating Expenses <sup>(4)</sup>	(1,021)	(1,303)	(1,275)	(1,255)	(1,029)	(1,026)	(916)	(963)	(927)	(1,201)
Net Operating Revenues	671	61	230	432	541	327	403	494	408	165
Power Sales & Other <sup>(5)</sup>	122	263	183	47	32	30	40	52	72	252
Interest on Investments <sup>(6)</sup>	38	42	21	7	10	20	34	8	4	18
Adjusted Net Operating Revenues	831	366	434	486	583	377	477	554	484	435
Senior and Subordinate Bonds Debt Service <sup>(7)</sup>	(339)	(322)	(293)	(275)	(279)	(272)	(333)	(340)	(306)	(309)
Subordinate Revenue Obligations	—	—	—	—	—	—	—	—	(2)	(1)
Funds Available from Operations	<u>\$ 492</u>	<u>\$ 44</u>	<u>\$ 141</u>	<u>\$ 211</u>	<u>\$ 304</u>	<u>\$ 105</u>	<u>\$ 144</u>	<u>\$ 214</u>	<u>\$ 176</u>	<u>\$ 125</u>

**Ratios**

Debt Service Coverage on all Senior and Subordinate Bonds <sup>(8)</sup>	2.45	1.14	1.48	1.77	2.09	1.39	1.43	1.63	1.58	1.41
Bonds and Additional Bonds Debt Service Coverage <sup>(9)</sup>	—	—	—	—	—	—	—	—	1.57	1.41

<sup>(1)</sup> Prepared on a cash basis in fiscal years 2023-2025 and modified accrual basis for fiscal years 2016-2022.

<sup>(2)</sup> Water Revenues include revenues from water sales, exchanges, and wheeling.

<sup>(3)</sup> Additional Revenues include readiness-to-serve and capacity charges.

<sup>(4)</sup> Operating expenses include only the expenses applicable to the debt service coverage calculation. Therefore, operating expenses in this table do not tie to total operating expenses per the Statement of Revenues, Expenses and Changes in Net Position.

<sup>(5)</sup> Fiscal years 2024 and 2023, include \$231 million and \$93 million transfers from revenue reserves to fund overall O&M expenses, respectively.

<sup>(6)</sup> Excludes interest applicable to Bond Construction accounts, Excess Earning account(s), and Other Trust accounts.

<sup>(7)</sup> Previously reported as Bonds and Additional Bonds Debt Service for fiscal years 2016-2017.

<sup>(8)</sup> Previously reported as Bonds and Additional Bonds Debt Service Coverage for fiscal years 2016-2017.

<sup>(9)</sup> Previously reported as Debt Service Coverage on all Obligations for fiscal years 2016-2017. The State Revolving Fund Loan was paid off at the end of fiscal year 2017, therefore the ratio is the same as Debt Service Coverage on all Senior and Subordinate Bonds and is not presented beginning with fiscal year 2018.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 13

#### Ten-Year Summary of Demographic Statistics (Unaudited)

	Calendar Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Population (in thousands) <sup>(1)</sup></b>										
Los Angeles County	9,823	9,811	9,841	9,905	10,019	10,064	10,101	10,223	10,215	10,192
Orange County	3,151	3,149	3,154	3,164	3,187	3,191	3,193	3,189	3,182	3,165
Riverside County	2,456	2,451	2,432	2,431	2,422	2,401	2,384	2,383	2,362	2,331
San Bernardino County	2,184	2,182	2,179	2,187	2,185	2,174	2,160	2,147	2,145	2,128
San Diego County	3,298	3,290	3,294	3,284	3,304	3,294	3,293	3,315	3,297	3,276
Ventura County	824	828	830	839	844	845	850	849	854	853
<b>Per Capita Income <sup>(2)</sup></b>										
Los Angeles County	n/a	\$ 78,302	\$ 74,142	\$ 74,141	n/a	\$ 65,094	\$ 62,224	\$ 58,419	\$ 55,624	\$ 53,521
Orange County	n/a	88,897	83,553	81,034	n/a	71,711	69,268	65,400	60,360	57,749
Riverside County	n/a	53,750	51,415	51,180	n/a	42,418	40,637	39,261	36,782	35,589
San Bernardino County	n/a	51,194	49,270	49,493	n/a	42,043	40,316	38,816	36,835	35,431
San Diego County	n/a	79,112	74,326	72,637	n/a	63,729	61,386	57,913	55,168	53,298
Ventura County	n/a	78,091	76,375	73,375	n/a	64,715	61,712	59,178	55,779	54,155
<b>Median Household Income <sup>(3)</sup></b>										
Los Angeles County	n/a	\$ 86,587	\$ 82,516	\$ 77,456	n/a	\$ 72,797	\$ 68,093	\$ 65,006	\$ 61,338	\$ 59,134
Orange County	n/a	110,042	106,209	100,559	n/a	95,934	89,759	86,217	81,827	78,428
Riverside County	n/a	90,527	86,748	79,024	n/a	73,260	66,964	63,944	60,134	58,292
San Bernardino County	n/a	85,069	79,091	74,845	n/a	67,903	63,857	60,420	56,337	53,803
San Diego County	n/a	103,674	98,928	91,003	n/a	83,985	79,079	76,207	70,824	67,320
Ventura County	n/a	107,667	102,569	96,454	n/a	92,236	84,566	82,857	80,135	80,032
<b>Unemployment Rate <sup>(4)</sup></b>										
Los Angeles County	5.8 %	5.0 %	5.0 %	8.9 %	12.3 %	4.4 %	4.7 %	4.8 %	5.3 %	6.6 %
Orange County	3.9	3.6	3.2	6.0	8.9	2.8	3.0	3.5	4.0	4.4
Riverside County	5.3	4.8	4.2	7.3	10.2	4.3	4.5	5.3	6.1	6.7
San Bernardino County	5.1	4.7	4.1	7.4	9.7	3.9	4.1	5.0	5.8	6.4
San Diego County	4.3	3.9	3.4	6.5	9.4	3.3	3.4	4.0	4.7	5.2
Ventura County	4.6	4.3	3.7	6.2	8.7	3.7	3.8	4.5	5.2	5.6

n/a: not available

Sources:

- (1) Data from State of California Department of Finance. The most recent calendar year for which information is available is 2024. Includes population for the entire county. Amounts from prior years reflect revisions based on current data.
- (2) Data from U.S. Department of Commerce. The most recent calendar year for which information is available is 2023.
- (3) Data from U.S. Census Bureau (American Community Survey). The most recent calendar year for which information is available is 2023. Calendar year 2020 data is not included due to a change in methodology for surveying and calculating the data in that year, which was not comparative to the prior years presented. Calendar year 2021 returned to the prior methodology for surveying and calculating data.
- (4) Data from U.S. Bureau of Labor Statistics and State of California Employment Development Department. The most recent calendar year for which information is available is 2024. Rates from prior years reflect revisions based on current data.

See accompanying Independent Auditor's Report.

## The Metropolitan Water District of Southern California

### Table 14

#### Principal Employers within Service Area (Unaudited)

Company or Organization	Calendar Year					
	2024			2015		
	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
Allied Universal	800,000	1	27.52 %	n/a	n/a	n/a %
Walt Disney Co	233,000	2	8.02	185,000	1	8.73
Taco Bell Corp	210,000	3	7.23	166,000	2	7.83
Chipotle Mexican Grill Inc	130,504	4	4.49	n/a	n/a	n/a
Alorica Inc	100,000	5	3.44	n/a	n/a	n/a
Gores Group	84,000	6	2.89	84,000	5	3.96
Kaiser Permanente Southern CA	75,740	7	2.61	n/a	n/a	n/a
Dole Food Co Inc	74,800	8	2.57	74,800	6	3.53
Board of Trustees California State University	47,000	9	1.62	n/a	n/a	n/a
Los Angeles Intl Airport-LAX	45,000	10	1.55	n/a	n/a	n/a
	<u>1,800,044</u>		<u>61.94 %</u>	<u>509,800</u>		<u>24.05 %</u>
Total Employment	2,906,508			2,119,400		

n/a: not available

Note: The most recent year for which information is available is 2024. Population includes companies with employees of 10,000 or more.

See accompanying Independent Auditor's Report.

Source: Data Axle (formerly Infogroup)

## The Metropolitan Water District of Southern California

### Table 15

#### Ten-Year Summary of Operating Information (Unaudited)

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

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Acre-feet <sup>(1)</sup> water sold:</b>										
Treated	693	590	636	825	771	705	707	788	736	731
Untreated	400	345	394	540	520	381	449	553	573	683
Exchange	311	272	274	298	304	277	221	219	178	179
	<u>1,404</u>	<u>1,207</u>	<u>1,304</u>	<u>1,663</u>	<u>1,595</u>	<u>1,363</u>	<u>1,377</u>	<u>1,560</u>	<u>1,487</u>	<u>1,593</u>
<b>Acre-feet <sup>(1)</sup> water sold by usage:</b>										
Domestic and municipal uses	1,244	1,137	1,273	1,612	1,522	1,255	1,352	1,481	1,454	1,569
Replenishment and other	160	70	31	51	73	108	25	79	33	24
	<u>1,404</u>	<u>1,207</u>	<u>1,304</u>	<u>1,663</u>	<u>1,595</u>	<u>1,363</u>	<u>1,377</u>	<u>1,560</u>	<u>1,487</u>	<u>1,593</u>
<b>Source of Water Supplies-Acre-feet <sup>(1), (2), (3)</sup>:</b>										
Local Supplies	1,724.6	1,626.7	1,577.9	1,729.8	1,847.3	1,704.6	1,667.1	1,742.9	1,717.2	1,679.9
L.A. Aqueduct	225.9	291.1	184.3	69.2	128.3	292.1	312.5	307.7	224.7	57.9
Colorado River Aqueduct	682.5	479.2	839.6	1,082.8	891.1	410.0	601.8	494.6	594.6	1,086.5
State Water Project (California Aqueduct)	845.8	925.0	627.8	516.2	633.2	1,036.4	921.8	1,222.5	1,242.7	691.7
	<u>3,478.8</u>	<u>3,322.0</u>	<u>3,229.6</u>	<u>3,398.0</u>	<u>3,499.9</u>	<u>3,443.1</u>	<u>3,503.2</u>	<u>3,767.7</u>	<u>3,779.2</u>	<u>3,516.0</u>
Number of employees	1,893	1,906	1,847	1,838	1,879	1,876	1,877	1,832	1,794	1,772
Colorado River Aqueduct (miles)	242	242	242	242	242	242	242	242	242	242
Distribution System Pipeline (miles)	830	830	830	830	830	830	830	830	830	830
Storage Capacity (thousand acre-feet)	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072
Pumping Plants	6	6	6	6	6	6	6	6	6	6
Water Filtration Plants	5	5	5	5	5	5	5	5	5	5
Hydroelectric Plants <sup>(4)</sup>	15	15	15	16	16	16	16	16	16	16

<sup>(1)</sup> Water volumes are reported in thousand acre-feet. Includes water transactions from non-member agencies.

<sup>(2)</sup> Reflects regional sources of water supply within Metropolitan's service area.

<sup>(3)</sup> Actual production data from prior years are updated based on the most current available information.

<sup>(4)</sup> Greg Avenue plant was converted into a Pressure Control Structure.

See accompanying Independent Auditor's Report.

Source: Office of the Assistant General Manager, Finance and Administration

## The Metropolitan Water District of Southern California

### Table 16

**Construction Contracts Completed as of June 30, 2025 (Unaudited)**

Completion Date	Contract/ Spec. No.	Contract	Bid Amount <sup>(1)</sup>	Final Amount
7/2/24	2001/2001A	Jensen water treatment plant ozone power supply units (PSU) replacement	\$ 2,257,897	\$ 2,257,897
7/2/24	2013/2013	Lake Mathews PCCP rehabilitation valve storage building	4,759,000	4,982,022
7/30/24	1895/1878	Colorado River Aqueduct (CRA) conduit structural protection	8,656,568	8,707,804
8/20/24	1898/M-3064	Metropolitan headquarters courtyard improvements	250,974	279,598
9/17/24	1989/1989A	Metropolitan headquarters building first floor video suite renovation	637,520	787,473
10/15/24	2018/2018	Weymouth water treatment plant asphalt pavement rehabilitation	1,754,000	1,902,653
11/15/24	2003/2003	Metropolitan headquarters building exterior physical security improvements	2,165,000	2,348,436
12/5/24	1976/1976	Gene communication system upgrade	1,244,935	1,244,935
1/16/25	1909/M-3073	Gene pumping plant pilot security improvements	295,561	295,561
1/31/25	2014/2014	Weymouth plant battery energy storage system	6,176,521	6,336,521
2/13/25	2042/2042	CRA conveyance system solar level sensor installation	5,266,000	5,220,257
3/25/25	2108/2108	Allen-McColloch pipeline PCCP 2024 urgent relining	24,912,000	25,078,826
3/27/25	1999/1999	Foothill hydroelectric power plant seismic upgrade	6,174,000	6,357,522
4/1/25	2058/2058	Rialto pipeline rehabilitation at station 2986+30	2,197,460	2,243,395
4/7/25	1962/1962	MWD headquarters building fire alarm and smoke control improvements	13,999,000	13,208,731
4/9/25	2057/2057	CRA Freda Siphon barrel no.1 internal seals installation	3,895,000	3,895,000
4/22/25	2119/2119	San Diego canal rehabilitation – site 236	1,833,650	1,838,571
5/14/25	2024/2024	OC-88 pump station chiller replacement	2,654,000	2,892,041
6/23/25	1963/1963A	Santa Monica feeder cathodic protection	897,469	941,000
6/26/25	1990/1990	Mills water treatment plant electrical upgrades, stage 2	9,200,000	9,532,082
6/26/25	1896/M-3061	Jensen admin. bldg. entrance glass fiber reinforced concrete panels replacement	281,900	322,792
6/26/25	1928/1928	Perris Valley pipeline interstate 215 tunnel crossing	59,489,720	60,933,487

<sup>(1)</sup> Bid amount represents the original approved contract amount and does not include approved change orders.

See accompanying Independent Auditor's Report.

Source: Engineering Services Group

## The Metropolitan Water District of Southern California

### Table 17

#### Major Construction Contracts in Progress as of June 30, 2025 (Unaudited)-Accrual Basis

Contract No.	Contract	Percentage Contract Complete through 6/30/2025 <sup>(1)</sup>	Estimated Contract Completion Date	Contract Earnings through 6/30/2025 <sup>(2)</sup>	Bid Amount <sup>(3)</sup>
1885	La Verne shops building completion - stage 5	101%	December-25	\$ 19,210,144	\$ 18,930,000
1949	CRA pumping plants domestic water treatment system replacement	50%	April-26	16,431,869	32,824,000
1982	Weymouth water treatment plant basins nos. 5-8 & filter building no. 2 rehabilitation	99%	October-25	92,658,721	93,840,000
1992	Weymouth water treatment plant hazardous waste staging and containment	100%	August-25	2,372,690	2,375,700
1998	Jensen and Skinner water treatment plants battery energy storage systems	93%	September-25	10,831,654	11,604,521
2000	Hinds, Eagle Mountain, and Iron Mountain pumping plants storage buildings	79%	May-26	12,961,038	16,490,000
2004	DVL floating wave attenuator replacement	72%	October-25	5,681,368	7,842,856
2020	Wadsworth pumping plant bypass pipeline	102%	February-26	15,063,665	14,820,500
2021	Inland feeder/Rialto pipeline intertie	91%	October-25	14,244,485	15,681,000
2026	Second lower feeder PCCP rehabilitation - reach 3B	114%	September-25	78,239,806	68,847,000
2040	Inland feeder Badlands tunnel surge protection facility	93%	October-25	17,455,472	18,840,000
2054	Jensen plant control room wildfire smoke control	—%	June-26	—	457,498
2062	Desert microwave communication tower site upgrades	—%	February-26	—	2,556,478
2064	CRA employee housing demolition and roof replacement	100%	July -25	1,285,000	1,285,000
2078	Lake Skinner Dam perimeter drainage improvements	97%	September-25	572,000	588,000
2081	CRA employee housing fencing and shade structure improvements	3%	December-25	48,620	1,931,217

<sup>(1)</sup> Calculated as a percentage of contract earnings relative to the bid amount.

<sup>(2)</sup> Earnings reflected represent the value of work performed by the contractor as of the date indicated and include contract retention and other similar deductions from amounts earned by the contractor but otherwise required to be withheld by Metropolitan by law or contract.

<sup>(3)</sup> Bid amount represents the original approved contract amount and does not include approved change orders.

See accompanying Independent Auditor's Report.

Source: Engineering Services Group



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors of  
The Metropolitan Water District of Southern California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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 fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Metropolitan's basic financial statements, and have issued our report thereon dated November 4, 2025. Our report includes emphasis of matter paragraph for Metropolitan's adoption of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

***Report on Internal Control over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Metropolitan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Macias Gini & O'Connell LLP*

Los Angeles, California  
November 4, 2025

**METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA**

Report to the Board of Directors

June 30, 2025



Board of Directors  
Metropolitan Water District of Southern California  
Los Angeles California

We are pleased to present this report related to our audit of the Metropolitan Water District of Southern California (Metropolitan) financial statements, as of and for the years ended June 30, 2025 and 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Metropolitan's financial reporting process.

In addition to Metropolitan's basic financial statements, we audit and separately report on the following financial statements as of and for the year ended June 30, 2025.

- Colorado River Joint Powers Authority (a private-purpose trust fund of Metropolitan)
- Six Agency Committee (a private-purpose trust fund of Metropolitan)
- Delta Conveyance Design and Construction Authority

This report is intended solely for the information and use of the Board of Directors and management of the Metropolitan and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Metropolitan.

*Macias Gini & O'Connell LLP*

Los Angeles, California  
November 4, 2025

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## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our engagement letter dated May 9, 2025. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have communicated to you the planned scope and timing of our audit in our engagement letter dated May 9, 2025, and in our Audit Plan presented to the Audit Committee on June 9, 2025.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by Metropolitan.

A summary of the significant accounting policies adopted by Metropolitan is included in Note 1 to the financial statements. As described in Note 1(v), Metropolitan implemented the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. The implementation of GASB Statement No. 101 resulted in the restatements of the beginning net position of Metropolitan's financial statements of \$14.6 million for the fiscal year ended June 30, 2024. Implementation of GASB Statement No. 102 had no material impact on Metropolitan's financial statements for the years ended June 30, 2025 and 2024.

#### **Significant Accounting Policies**

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Significant Unusual Transactions**

We did not identify any significant unusual transactions.

**Management’s Judgments and Accounting Estimates**

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in Metropolitan’s June 30, 2025 and 2024 basic financial statements.

<b>Significant Accounting Estimates</b>	
<b>Measurement of investments at fair value</b>	<p>Metropolitan’s investments are accounted for in accordance with the provisions of GASB Statement No. 72, <i>Fair Value Measurement and Application</i>, and accordingly, its fair value measurements are categorized within the fair value hierarchy established by the standard. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:</p> <ul style="list-style-type: none"> <li>○ Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.</li> <li>○ Level 2 – Investments whose values are based on inputs – other than quoted prices including prices included within level 1 – that are observable for an asset, either directly or indirectly.</li> <li>○ Level 3 – Investments whose values are based on unobservable inputs for an asset and may require a degree of professional judgment.</li> </ul> <p>MGO compared investment values to market prices and shares reported by the custodian bank and determined that they were reasonable.</p>
<b>Depreciation for capital assets, including depreciation methods and useful lives assigned to depreciable property</b>	<p>Useful lives for depreciable property were determined by management based on the nature of the capital asset. Depreciation was calculated based on the straight-line method.</p> <p>MGO assessed the reasonableness of the useful lives based on the nature of the capital asses and performed substantive analytical procedures on depreciation expenses and determined the estimates were reasonable.</p>
<b>Measurement of the pension contributions, net pension liability, pension expense, and pension-</b>	<p>Pension plans’ employer and employee contributions requirements, net pension liability, and related deferred outflows and inflows of resources were based on actuarial valuations prepared by CalPERS.</p>

<b>Significant Accounting Estimates</b>	
<b>related deferred outflows and inflows of resources</b>	MGO agreed the calculations to actuarial valuations prepared by the CalPERS and tested for reasonableness.
<b>Measurement of the other postemployment benefits (OPEB) contributions, net OPEB liability, OPEB expense and OPEB-related deferred outflows and inflows of resources</b>	OPEB plans' employer contributions requirements, net OPEB liability, and related deferred outflows and inflows of resources were based on actuarial valuations prepared by Cheiron, Inc.  MGO agreed the calculations to actuarial valuations prepared by Cheiron, Inc., and tested for reasonableness.
<b>Water inventory calculation</b>	Water inventory is calculated by taking beginning water inventory plus water receipts minus cost of water. Cost of water is calculated by using the moving-average unit cost multiplied by water sold/loss in acre feet.  MGO observed water levels at significant water storage sites and performed audit procedures over water purchases throughout the year to substantiate the reasonableness of ending water inventory balances.
<b>Compensated absences</b>	The liability for compensated absences is recognized in accordance with GASB Statement No. 101 for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The estimate is calculated using current pay rates and the government's leave policies.  MGO reviewed compensated absences policies, tested the underlying employee leave records and pay rates, and evaluated the reasonableness of the estimate and assumptions and concluded that the liability is properly stated in accordance with GASB Statement No. 101.

### **Audit Adjustments and Uncorrected Misstatements**

There were no audit adjustments made to the original trial balance presented to us to begin our audit. We are unaware of any uncorrected misstatements.

### **Observations About the Audit Process**

#### **Disagreements With Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

#### **Consultations With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Difficult or Contentious Matters That Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

### **Shared Responsibilities for Independence**

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office (GAO)* independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors and MGO each play an important role.

### **Our Responsibilities**

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

### **The Metropolitan's Responsibilities**

- Timely inform MGO, before the effective date of transactions or other business changes, of the following:
  - New affiliates, Board members, or officers.
  - Changes in the organizational structure or the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to Metropolitan and its affiliates, officers, Board members, or persons in a decision-making capacity, engaging in business relationships with MGO.
- Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of Metropolitan.
- Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at Metropolitan.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter dated November 4, 2025.

## Departure From the Auditor's Standard Report

Our auditor's report includes an emphasis of matter paragraph describing Metropolitan's adoption of the provisions of GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

## Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Metropolitan's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards:

### *Required Supplementary Information*

We applied certain limited procedures to the management's discussion and analysis and the pension and other postemployment benefits related schedules, which is required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### *Supplementary Information*

We were engaged to report on the following supplementary information, which accompany the financial statements but are not RSI:

- Fiduciary Fund Descriptions
- Combining Statements of Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statements of Changes in Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statements of Fiduciary Net Position – Custodial Funds
- Combining Statements of Changes in Fiduciary Net Position – Custodial Funds

### *Other Information*

The other information in the Annual Comprehensive Financial Report (ACFR) comprises the introductory and statistical sections. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Our responsibility for other information included in the ACFR is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read Metropolitan's introductory and statistical sections, and did not identify material inconsistencies with the audited basic financial statements.

## Internal Control and Compliance Matters

We have separately communicated on internal control and compliance over financial reporting identified during our audit of the basic financial statements as required by *Government Auditing Standards*. The financial and compliance audit of Metropolitan's major federal awards in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200* (Uniform Guidance) is in progress and will be issued no later than March 31, 2026.

**EXHIBIT A**

**Recent Accounting Pronouncements**



## RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of November 4, 2025, but are not yet effective and may affect the future financial reporting by Metropolitan.

Pronouncement	Summary
<p><b>GASB Statement No. 103, <i>Financial Reporting Model Improvements</i></b></p>	<p>The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues:</p> <ul style="list-style-type: none"> <li>(1) Management's Discussion and Analysis,</li> <li>(2) Unusual or Infrequent Items,</li> <li>(3) Presentation of the Proprietary Fund Statement of Revenues,</li> <li>(4) Expenses, and Changes in Fund Net Position,</li> <li>(5) Major Component Unit Information, and</li> <li>(6) Budgetary Comparison Information.</li> </ul> <p>The requirements of this Statement are effective for fiscal years beginning after June 15, 2025</p>
<p><b>GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i></b></p>	<p>The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.</p>