Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2016 & 2015

San Diego County Water Authority
San Diego, CA 92123

Pioneering
Visionary
Agile
Driven

That’s who we are
That’s what we do
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November 8, 2016

The Honorable Board of Directors
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the San Diego County Water Authority (Water Authority) for the fiscal years ended June 30, 2016 and 2015 in accordance with Section 25253 of the California Government Code. The purpose of this report is to provide the Board of Directors (Board), member agencies, investors, the public, and other interested parties with reliable financial information about the Water Authority.

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

Water Authority policy requires that an independent certified public accounting firm, selected by the Board, audit the financial statements on an annual basis. Macias Gini & O’Connell, LLP has issued an unmodified (or clean) opinion on the Water Authority’s financial statements for the fiscal years ended June 30, 2016 and 2015. The independent auditor’s report is presented as the first component of the Financial Section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report in the Financial Section and provides an overview, summary, and analysis of the financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.
Water Authority Profile

The Water Authority was organized on June 9, 1944 under the County Water Authority Act for the primary purpose of providing a safe and reliable supply of imported water to its member agencies for domestic, municipal, and agricultural uses. The Water Authority’s service area encompasses roughly the western one-third of San Diego County or approximately 1,486 square miles. As a semi-arid region, local surface water and groundwater supplies linked to hydrology met only seven percent of regional demand in Fiscal Year 2016. Twelve percent of regional supply was generated from the use of recycled water, brackish groundwater, and desalinated water. The remaining 81 percent of water supply is from Water Authority sources outside of the region. As a wholesale entity, the Water Authority has no retail customers; it serves only its member agencies which deliver water to approximately 97 percent of San Diego County’s 3.3 million residents. These member agencies include six cities, five water districts, three irrigation districts, eight municipal water districts, one public utility district, and one federal agency. The Water Authority is a member agency of, and obtains water from, the Metropolitan Water District of Southern California (MWD), which derives its supply from the Colorado River and the California State Water Project. The Water Authority also obtains water under long-term agreements from the Imperial Irrigation District (IID), which derives its supply from the Colorado River.

Board of Directors

A 36-member board governs the Water Authority, with each of the 24 member agencies having at least one voting representative on the Board. Member agencies may also designate and appoint one additional representative for each full five percent of Water Authority assessed value within the member agency service area. Currently, the City of San Diego has ten directors; Carlsbad, Helix, and Otay Water District have two directors each; and the remaining member agencies have one director each. Directors are appointed to six-year terms by the chief executive officers of the respective member agencies, subject to approval by the member agencies’ governing bodies. The voting rights of member agencies are weighted and based upon each agency’s total historical financial contribution to the Water Authority. Currently, all Board actions require an affirmative vote constituting at least 55 percent of the total weighted vote of the member agencies. In addition to the 36 voting members, the County of San Diego has one representative who may participate in certain Board deliberations and committee actions, but has no voting rights on Board actions. Officers of the Board begin two-year terms on October 1st of each even-numbered year.
Committees and Organizational Structure

To facilitate matters, most business coming before the Water Authority’s Board is first considered by one of its five standing committees, described below, which then makes recommendations to the full Board for formal action:

The Administrative and Finance Committee is responsible for administrative and finance matters including: rates, fees, charges, and other sources of revenue; budget; investments; human resources; employer-employee relations; information technology; insurance; risk management; and other matters of general business operations.

The Engineering and Operations Committee is responsible for matters of design, construction, replacement, maintenance and operation of the Water Authority’s facilities, property and equipment, including: administration of the Capital Improvement Program; administration of the Aqueduct Protection Program; right of way acquisition and management; system and facility security; water quality; and other matters relating to facility operations.

The Imported Water Committee is responsible for imported water supply matters including: activities and issues as a member agency of MWD; administration of the Colorado River Quantification Settlement Agreement and related agreements; Colorado River Board; State Water Project; CalFed; and other matters relating to water supplies from sources outside San Diego County.

The Legislation, Conservation and Outreach Committee is responsible for community and governmental matters including: legislation, lobbying, and intergovernmental relations; community relations; media relations; water conservation programs; administration of shortage allocation programs and policies; and the Small Contractors Outreach and Opportunities Program (SCOOP).

The Water Planning Committee is responsible for water planning and local supply development including: water demand and supply planning; shortage allocation planning; water supply forecasting and reporting; seawater desalination; water reclamation; groundwater and conjunctive use; local surface water; environmental management; regulatory compliance and policy; Urban Water Management Plans; and other planning matters.

In addition, the Water Authority has two special purpose Board committees that are responsible for oversight of programs important to the Water Authority and its constituents as follows:

The Audit Committee is responsible for independent oversight of the annual financial reporting process, including the selection of, and communication with, the Water Authority’s outside audit firms. The Audit Committee was established in 2009 driven by the Board’s desire to separate oversight responsibilities for the audit function from the Administrative and Finance Committee.

The SCOOP Committee emphasizes its efforts on outreach to, and partnering with, small businesses to maximize small business participation in Water Authority contracts and procurements. The SCOOP Committee was formally established in 2002 to provide policy recommendations to, and oversight for, the Board on the efforts of the program (the SCOOP Committee sunsets in August 2016).
The Water Authority’s organizational structure can be found on page 16. The General Manager reports directly to the Board and manages the Water Authority’s day-to-day operations. The General Counsel also reports directly to the Board. Reporting directly to the General Manager is a Deputy General Manager, an Assistant General Manager, the Colorado River Program Director, a Chief Innovation Officer, the Energy Program Manager, and a Human Resources Manager. The remainder of the executive team consists of eight department and program directors, responsible for managing the Administrative Services, Engineering, Finance, Operations and Maintenance, Public Outreach and Conservation, and Water Resources Departments, and the MWD Program and Government Relations Programs.

Economic Conditions and Outlook

Although the San Diego region’s economic growth cooled slightly in Fiscal Year 2016, as reflected in the University of San Diego’s Index of Leading Economic Indicators, the San Diego labor force and job market climbed to new highs in 2016 - reaching an estimated 1.5 million jobs according to state employment data. Additionally, average household income for the San Diego area increased by about three percent based on Bureau of Labor Statistics figures. Median home prices also increased over the past year, up four percent to $495,000, and higher housing prices resulted in marked increases in regional building permit activity in 2015 and a return to historical ranges in 2016, according to the US Census Bureau.

In spite of these economic conditions and above average monthly temperatures throughout most of Fiscal Year 2016, the region experienced a second consecutive year of decreased water use. Water demand fell to levels not seen since the late-1970's due to Governor Brown’s Executive Order B-29-15 instituting mandatory water use restriction for California. Regional total water use in Fiscal Year 2016 decreased to just under 455,000 acre-feet, an over 15 percent decrease from Fiscal Year 2015 water use and more than a 23 percent drop over the last two years.

Statewide drought conditions improved marginally this year with above-average precipitation in the northern and central Sierras. This resulted in fair snowpack conditions in northern California and replenishment of major upstate reservoirs. However, the highly-anticipated wet El Niño conditions did not materialize in southern California, and the South Coast hydrologic region received just 62 percent of normal precipitation for Fiscal Year 2016. As a result, many local surface water reservoirs and groundwater basins are at levels well below average. Despite these conditions, the Water Authority’s significant investments in highly reliable supplies (such as local seawater desalination, Colorado River transfers and in-region carryover storage) provide our region with increased protection from supply shortages, as well as the capacity for our local economy to continue to grow and thrive.

Long-Range Planning

The Government Finance Officers Association (GFOA) recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. The Water Authority has developed a comprehensive Long-Range Financing Plan (LRFP) that is monitored and reviewed frequently to adapt to the ever-changing environment. The current LRFP was approved by the Board of Directors in January 2016.

The Water Authority’s Five-Year Business Plan (Business Plan) provides the foundation on which the departmental and programmatic budgets are based. This tight relationship between the Business Plan and the budget ensures that our capital and human resources are focused on Board priority work.
The Business Plan was originally developed for 2005-2010 to manage priorities, implement Board policies, and fulfill the organization’s mission. Every two years the Business Plan is updated. In August 2014, the Water Authority updated the 2014-2019 Business Plan to continue to support the Board’s strategic direction to increase water supply reliability by diversifying the region’s water supply sources. To ensure execution, the 2014-2019 Business Plan includes the following three focus areas:

**Focus Area 1: Water Supply Portfolio.** Programs in this area are designed to reach the Board’s adopted level of supply diversity.

- Bay-Delta
- Member Agency Local Supply
- Potable Reuse
- Water Resources Planning
- Water Use Efficiency
- Colorado River
- Metropolitan Water District
- Seawater Desalination
- Water Shortage and Drought Response Management

**Focus Area 2: Water Facilities.** Programs in this area implement the Board’s cost effective asset management strategy by building, operating, and maintaining water facilities essential to meeting regional water demand.

- Asset Management
- Facilities, Security and Emergency Preparedness
- Capital Improvement Program
- Operations and Maintenance

**Focus Area 3: Core Business.** Programs within this area include the majority of the Water Authority’s business operations which are essential to execution of the previous two focus areas.

- Energy Initiatives
- Financial Management
- Information Technology
- Workforce Management
- Regulatory Policy Support
- Environmental Management
- Government Relations Outreach
- Integrated Regional Water Management and Grant Administration
- Public Outreach
The Business Plan identifies management strategies necessary to achieve performance in each focus area. These strategies are directly tied to specific goals with estimated target completion dates. Achievement of these goals are tracked by management and updated biennially to adjust to the current environment, to establish new goals, and to incorporate other required changes as Board policy dictates.

The 2014-2019 Business Plan contains 185 goals. Based on the August 2016 final report, of the 185 goals, 110 have been completed, 48 are on-track, and 27 are not on-track or were deleted or delayed due to a decision by the Board. Some of the goals accomplished during Fiscal Year 2016 include:

- Carlsbad Desalination Project integration into the Water Authority aqueduct system
- Completion of shortage management actions under the Water Shortage and Drought Response Plan
- Completion of construction of San Vicente Bypass Pipeline
- Uptime of 97 percent, and $2.6 million in revenue for Fiscal Year 2016 at Lake Hodges Hydropower Facility
- Development of a five-year Condition Assessment and Data Management Plan
- Recognition of $78.3 million in present value savings in debt service
- Completion of the 2015 Long-Range Financing Plan

The Business Plan can be found at: [San Diego County Water Authority 2014 - 2019 Business Plan](#)

Through these and other efforts the Water Authority was awarded the Association of Metropolitan Water Agencies’ 2016 Sustainable Water Utility Management Award. Winners had to achieve a balance of innovative and successful efforts in areas of economic, social and environmental endeavors, such as responsible management of resources, protection of public health, meeting responsibilities to the community and providing cost effective services to ratepayers.

Financial Policies

**Debt.** The Water Authority has adopted a comprehensive set of financial policies. During the current year, three of these policies were of most significance. The Debt Management Policy sets forth comprehensive guidelines for the issuance and management of the Water Authority’s debt. Guided by this policy, in Fiscal Year 2016 the Board approved the selection of a new liquidity facility; $50 million in additional extendable commercial paper; $184,795,000 of Senior Lien Water Revenue Refunding Bonds Series 2015A; $87,685,000 of Subordinate Lien Water Revenue Refunding Bonds Series 2016S-1; and $296,340,000 of Water Revenue Refunding Bonds, Series 2016A and B.

**Investments.** Annually, the Board adopts an investment policy that is in compliance with California Government Code Section 53600 et seq. The investment of idle funds is delegated by the Board to the Water Authority’s Treasurer who assumes full responsibility for the transactions of the investment program, which includes the investment of bond proceeds and debt service reserves. The objectives of the investment policy are safety, liquidity, yield, and public trust. The Water Authority’s investments are in compliance with the adopted investment policy. Refer to Note 2 in the Notes to the Financial Statements for detailed investment information and the Continuing Disclosure Section for a more detailed overview of the policy.

**Funds.** The Board has an adopted policy that governs the Rate Stabilization Fund’s (RSF) balances. The policy established a minimum target balance and maximum target balance. The minimum RSF target balance is equal to the financial impact of 2.5 years of wet weather and the maximum target balance (cash reserve) is set equal to the
financial impact of 3.5 years of wet weather. As a general rule, the Water Authority will transfer portions of its net water revenues exceeding its debt service coverage requirement into the RSF. From time to time, as needed, the Water Authority will transfer amounts from the RSF into water revenues to meet debt service coverage requirements, or to help provide adequate working capital to the Operating Fund.

**Policies.** In addition to the financial statements, the Water Authority includes a schedule in the Other Supplementary Information Section that compares the final budget to the actual amounts for fiscal year ended June 30, 2016. The schedule includes a reconciliation of adjustments from the budgetary basis to the Generally Accepted Accounting Principles (GAAP) basis.

This report also contains a Statistical Section, which provides both financial and non-financial trend data about the Water Authority and its operations, and a Continuing Disclosure Section, which provides both financial and non-financial information in compliance with the Water Authority’s Continuing Disclosure requirements.

**Highlights of the Capital Improvement Program**

The major Capital Improvement Program (CIP) activities include the following:

**Emergency and Carryover Storage Project**

In December 2015 the State of California’s Department of Water Resources, Division of Safety of Dams, certified and approved the filling of San Vicente Dam and Reservoir to its newly raised height. As part of the Emergency and Carryover Storage Project, San Vicente Dam was raised by 117 feet using roller compacted concrete to expand San Vicente Reservoir’s storage capacity, more than doubling its current size. The expanded reservoir will provide an additional 152,000 acre-feet of emergency and carryover storage for the region in the event the county’s imported water supply is curtailed due to an earthquake and to supplement the supply in times of drought.

The Water Authority’s Emergency and Carryover Storage Project recently received awards from several local and national organizations:

- The United States Society on Dams presented the Award of Excellence in the Constructed Project Category
- The American Society of Civil Engineers, San Diego Chapter, awarded the Project of the Year Award for Dams and Reservoirs
- The Construction Management Association of America, San Diego Chapter, presented the Project Achievement Award for Public Works Greater than $15 million
- The American Public Works Association awarded the Project of the Year for Structures over $75 million

The $1.5 billion Emergency and Carryover Storage Project was recognized as one of the most important water infrastructure projects constructed in the region by three of these organizations, and in the country by the United States Society on Dams. Construction began in 2000 and consists of a number of large dams and reservoirs, pipelines, tunnels, and pump stations adding 196,000 acre-feet of locally available storage to improve reliability and sustainability of regional water supplies.
The new storage was innovatively developed at three separate sites in the county: Olivenhain (a 318-foot-high, roller-compacted concrete dam); Lake Hodges (a reconfigured reservoir operation made possible by a new pump station and tunnel connection to the Olivenhain Reservoir); and San Vicente.

With the completion of the San Vicente Dam raise, the Emergency and Carryover Storage Project facilities are fully operational to meet the region’s emergency and carryover storage water needs. Its innovative conceptual development, resourceful planning, thorough environmental study, advanced engineering and construction management approach are testaments to a project that will serve the people of the San Diego region for generations.

More information about the Emergency and Carryover Storage Project can be found at: [http://www.sdcwa.org/sites/default/files/esp_fs.pdf](http://www.sdcwa.org/sites/default/files/esp_fs.pdf)

**Asset Management Program**

The focus of this program is to prioritize the rehabilitation, repair, or replacement of assets based on consequence and probability of failure. Projects selected will extend or renew the service life of the assets and result in reduced long-term maintenance and operating costs.

Under the Asset Management Program a large component is for the relining of pipe or pipe replacement. The program serves to rehabilitate the Water Authority’s pre-stressed concrete cylinder pipe (PCCP) within the Water Authority’s Second Aqueduct. There are 82 miles of PCCP within the Second Aqueduct and the length of existing PCCP pipelines rehabilitated to date totals approximately 40 miles.

In June 2016 the Water Authority completed design and advertised for bids on a construction contract to reline a portion of Pipeline 4 adjacent to Lake Murray, serving the City of San Diego’s Alvarado Water Treatment Plant. Completion of this project is expected next summer and will extend the service life of the pipeline by 75 years.

More information about the Relining and Pipe Replacement Program can be found at the project web page at: [http://www.sdcwa.org/pipeline-relining](http://www.sdcwa.org/pipeline-relining)
Fiscal Years Ended June 30, 2016 & 2015

Carlsbad Desalination Plant

The Claude “Bud” Lewis Carlsbad Desalination Plant (CDP) came on-line in December 2015 and has produced more than 11 billion gallons of drinking water for the San Diego region from the Pacific Ocean, providing a major new drought-proof water supply that currently meets about ten percent of the county’s water demand. On average, the plant produces about 50 million gallons a day of purified and desalinated ocean water and accounts for about one-third to one-half of all the water generated in San Diego County. It is the largest, most technologically advanced and energy-efficient seawater desalination plant in North America. The CDP includes both a seawater desalination plant and a ten-mile, large-diameter pipeline.

On November 29, 2012, the Water Authority Board voted to approve a Water Purchase Agreement with Poseidon Water (a private investor-owned company that develops water and wastewater infrastructure), for the purchase of between 48,000 acre-feet to 56,000 acre-feet of desalinated seawater per year from the CDP for 30 years.

The Water Purchase Agreement transferred to Poseidon and its investors the risks associated with design, construction, and operation of the Claude "Bud" Lewis Carlsbad Desalination Plant project. Under the terms of the Water Purchase Agreement, the Water Authority pays for water that is produced according to pre-set quality and quantity standards. The Water Purchase Agreement documents how the water will be billed and paid for annually. The first 48,000 acre-feet of water purchased each year pays for the fixed costs of the project and the variable costs of water production. The Water Authority has the option to purchase an additional 8,000 acre-feet per year at a lower rate that reflects only the variable costs of incremental water production.

The plant has been honored with a Global Water Award as the Desalination Plant of the Year for 2016 by Global Water Intelligence, publisher of periodicals for the international water industry. The award, announced at the Global Water Summit in Abu Dhabi, United Arab Emirates, goes to “the desalination plant, commissioned during 2015, that represents the most impressive technical or ecologically sustainable achievement in the industry.”

The Water Authority also made a number of improvements to its pipeline distribution system and the Twin Oaks Valley Water Treatment Plant to integrate the desalinated water. These improvements included relining approximately five miles of Pipeline 3 between the new desalination pipeline connection in San Marcos and Twin Oaks Valley Water Treatment Facility and a new pipeline and appurtenant facilities at the Twin Oaks Valley Water Treatment Plant, where the desalinated water mixes with existing drinking water supplies for regional distribution. The Water Purchase Agreement and appendices are available at: http://www.sdcwa.org/seawater-desalination
Major Initiatives

Energy Program

The Energy Program oversees agency-wide planning, regulatory, legislative, and operational energy-related issues regarding energy usage and production. Energy is a significant cost in treating and delivering water to our member agencies. As such, the Energy Program pursues opportunities to reduce energy demands and costs, and, in turn, stabilize water rates and reduce greenhouse gas emissions. The Water Authority has pursued diversification of its water supply portfolio to reduce potential supply shortages. Similarly, it strives to diversify the Water Authority’s energy supply portfolio to address economic and electrical system reliability risks. The Energy Management policy, adopted by the Board, provides direction for how to implement and administer energy efficiency projects and programs where economies of scale, geographic considerations, or other member agency circumstances make a regional program more efficient or cost-effective. The Energy Program’s work falls into three main areas: existing energy facilities, new energy initiatives, and energy legislative and regulatory engagement.

The Water Authority owns energy generation facilities. These include the 4.5 megawatt Rancho Peñasquitos Hydroelectric Facility which both regulates the flow of water and produces clean, green energy from residual pressure. The 40 megawatt Lake Hodges Pumped Storage Facility regulates the water level in Lake Hodges, integrates renewables, and produces energy. A combined capacity of 1.5 megawatts of solar panels is installed at three facilities including the Kearny Mesa Headquarters, Escondido Operations Center, and Twins Oaks Valley Water Treatment Plant. The agency strives to maximize the value of these facilities through power purchase agreements and operations.

The Water Authority continues to assess ways to maximize opportunities to best position the agency in the power market and minimize the energy costs associated with water treatment and delivery, translating to savings for its member agencies. These initiatives include the partnership with the City of San Diego on a study of a potential 300-500 megawatt energy storage facility at San Vicente Reservoir. Other initiatives include evaluation of more than 1 megawatt of battery systems installed at key Water Authority facilities, 6 megawatts of floating solar installed on Olivenhain Reservoir, and hydroelectric generation at flow control facilities along the Water Authority’s aqueduct system. These potential projects provide additional revenue/cost savings to the agency and clean, green energy.
Finally, the Water Authority continues to engage in regulatory processes with agencies such as the California Energy Commission and California Public Utilities Commission to maintain a voice in rulemaking on how energy is priced and used locally. The Energy Program also coordinates with the Government Relation Program on legislative issues pertaining to energy.

**Long-Range Financing Plan**

The Water Authority maintains a comprehensive financial management plan that focuses on both the near-term and long-term horizons to provide smooth and predictable rates and charges. Central to long-term planning is the 2015 LRFP adopted in January 2016 to update the prior 2008 LRFP. The primary goal of the LRFP is to support the long-term fiscal sustainability of the Water Authority. It identifies the financial policies that guide the Water Authority’s prudent management of financial risk. The 2015 LRFP highlights the Water Authority’s transition to an operations and asset management focused agency from a construction oriented agency after completion of significant water reliability projects. The LRFP also addresses the near-term financial impacts of state-wide demand regulations and provides additional information regarding key assumptions, sensitivity analysis, and non-bonded liabilities. The components of the 2015 LRFP include:

- Financial Management Objectives and Policies
- Regional Water Sales Projections
- Capital Improvement Program
- Capital Financing Plan
- Water Authority Financial Forecast
- Funds and Reserves
- Risk Sensitivity and Analysis

**Metropolitan Water District Litigation**

The Water Authority has filed four lawsuits challenging certain of MWD’s rates for Calendar Years 2011 - 2018, inclusive, after MWD’s adoption of rates in 2010, 2012, 2014 and 2016. After trial in the first two cases (2010 and 2012), the San Francisco Superior Court entered final judgment and a writ of mandate against MWD, invalidating MWD’s rates for Calendar Years 2011-2014; the Court also found that MWD breached the Exchange Agreement it entered into with the Water Authority by its adoption of illegal rates. The trial court awarded the Water Authority $243.8 million, comprised of $188.3 million in damages on its breach of contract claim, $46.6 million in prejudgment interest, $8.9 million in attorneys’ fees and $320,000 in recovery of court costs. The judgment accrues post-judgment interest at seven percent per annum until paid, or $46,826 per day from November 18, 2015. The Court also ruled that MWD has illegally under-calculated the Water Authority’s right to MWD water supplies (preferential right). The decision, if upheld on appeal, will entitle the Water Authority to tens of thousands of acre-feet more each year, over MWD’s improper calculation.
MWD has appealed the decision so no amounts have been recorded in the Water Authority’s financial statements. The Water Authority Board has adopted a resolution requiring that litigation proceeds be used first to repay the Water Authority’s legal costs, if any, not recovered under the judgment, and that the remaining balance be paid to the Water Authority’s 24 member agencies in proportion to the respective payment by each of illegal overcharges imposed by MWD over the years in dispute. The 2014 case is also pending in the San Francisco Superior Court, and has been stayed by stipulation of the parties pending the appeal. A trial court judge in Los Angeles recently ordered that the 2016 case also be transferred to the San Francisco Superior Court. For detailed information on the Water Authority’s rate litigation, visit: http://www.sdcwa.org/mwdrate-challenge

Drought Response

The Water Authority works with its member agencies to coordinate the region’s drought response efforts. Those efforts include the development of drought-resilient supplies, water conservation programs, and outreach activities. In May 2015, with the state in its fourth consecutive year of drought, the State Water Resources Control Board (SWRCB) adopted an emergency regulation that required water suppliers to reduce their monthly water use beginning in June 2015. Mandated conservation standards varied among the Water Authority’s member agencies, from a low of 12 percent to a high of 36 percent. When calculated on a regional basis, the estimated water use reduction target was 20 percent. From June 2015 to February 2016, when the state-mandated water use reduction targets were in effect, the region exceeded the regional target with a water use reduction of 22 percent.

In February 2016, the SWRCB adopted an extended emergency water conservation regulation that factored in credits for the development of drought-resilient supplies and adjustments for climate and growth. As a result of the credits and adjustments, Water Authority member agencies’ reduction targets for March 2016 to May 2016 were reduced to between 8 percent and 28 percent, with an estimated regional water use reduction target of 13 percent. Despite the reduced targets, the region continued to achieve significant savings with a water use reduction of 22 percent. The lower targets were the result of the drought-resilient water supply produced by the Claude “Bud” Lewis Carlsbad Desalination Plant.

Due to improved supply conditions, the SWRCB amended the emergency water conservation regulation in May 2016 to change from a mandated conservation standard to a supply-based approach that recognizes the unique water supply conditions of each water supplier. The supply-based approach considered the necessity for a conservation standard for the period June 2016 through January 2017 based on each water agency’s specific circumstances and water supplies. The new regulation allowed the region as a whole to self-certify the sufficiency of available water supplies. The calculation showed that Water Authority supplies, when combined with member agency local supplies and supplemented by Water Authority stored water supplies, were sufficient to meet water demands for Fiscal Years 2017, 2018, and 2019. The Water Authority and others had sought the supply-based approach for more than a year to help support communities that invested in drought-resilient supplies.

Additional drought response activities included the Water Authority’s drought response outreach campaign, “When in Drought: Save Every Day, Every Way,” which was in effect from the summer of 2015 through May 2016 to help the region’s water agencies meet their state-mandated water-use reduction targets. Using additional funds approved by the Board of Directors in May 2015 to support enhanced communications and programs, staff used mass-media advertising, social media campaigns, online communications, speaking engagements and community partnerships to urge the region to reduce water use immediately.
also deployed new programs to encourage immediate and long-term savings, including a new “how to” water-efficient landscaping video series and a water-efficiency training program for professional landscapers. The Water Authority wound down the “When in Drought” campaign in June 2016 after the state ended mandatory water-use reductions for the region, and staff began to develop a new outreach campaign to promote long-term water-use efficiency regardless of supply conditions. The new campaign, “Live WaterSmart,” is scheduled to begin in July 2016. The Water Authority continues to coordinate outreach efforts with its member agencies, MWD, and the state Department of Water Resources to ensure the largest possible impact.

The American Planning Association’s San Diego section named the Water Authority’s “Citizens Water Academy” program as the winner of its 2016 Communications Initiative Award. The award celebrates forward-thinking, innovative, and impactful planning projects and individuals.

Awards and Acknowledgements

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its CAFR for the fiscal year ended June 30, 2015. This is the sixteenth consecutive year that the Water Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Water Authority had to publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

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

The GFOA also awarded a Distinguished Budget Presentation Award to the Water Authority’s Multi-Year Budget for Fiscal Years 2016 and 2017. This award recognizes the Water Authority’s conformance with the highest standards of governmental budgeting as well as compliance with nationally recognized guidelines for effective budget presentation. The Water Authority has received awards for Distinguished Budget Presentation since 1995.
The Association of Public Treasurers of the United States and Canada (APT) awarded a Certification of Excellence for the Water Authority’s Investment Policy in 2016. The award is in recognition of conformance to the specified standards of Investment Policy as established by the APT.

The Administrative Services department’s purchasing division was recognized with the Achievement of Excellence in Procurement Award for 2015 from the National Procurement Institute. The award is also sponsored by several leading purchasing associations such as the California Association of Public Procurement Officials and the National Institute of Governmental Purchasing. This annual award is earned by public and non-profit organizations that demonstrate organizational excellence in procurement in the areas of innovation, professionalism, e-procurement, productivity, and leadership.

We would like to thank the Board for its continued leadership in excellence in financial management. Additionally, this report could not have been accomplished without the hard work and dedication of the entire Finance Department with recognition to the Accounting Division. Special appreciation is extended to: Christopher Woidzik, Controller; Joy Kleber and Yollie Cerezo, Accounting Supervisors; Holly Judy and Jocelyn Matsuo, Senior Accountants; and Melody Parker, Management Analyst.

Respectfully submitted,

[Signature]
Maureen A. Stapleton
General Manager

[Signature]
Lisa Marie Harris
Director of Finance/Treasurer
San Diego County Water Authority Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>City/Location</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mark Weston, Chair</strong></td>
<td>City of Poway</td>
</tr>
<tr>
<td><strong>Mark Muir, Vice Chair</strong></td>
<td>San Dieguito Water District</td>
</tr>
<tr>
<td><strong>Jim Madaffer, Secretary</strong></td>
<td>City of San Diego</td>
</tr>
<tr>
<td>Gary Arant</td>
<td>Valley Center Municipal Water District</td>
</tr>
<tr>
<td>Jimmy Ayala</td>
<td>City of San Diego</td>
</tr>
<tr>
<td>David Barnum</td>
<td>Ramona Municipal Water District</td>
</tr>
<tr>
<td>Brian Boyle</td>
<td>City of Oceanside</td>
</tr>
<tr>
<td>Brian Brady</td>
<td>Fallbrook Public Utility District</td>
</tr>
<tr>
<td>David Cherashore</td>
<td>City of San Diego</td>
</tr>
<tr>
<td>Gary Croucher</td>
<td>Otay Water District</td>
</tr>
<tr>
<td>Betty Evans</td>
<td>Vallecitos Water District</td>
</tr>
<tr>
<td>Lois Fong-Sakai</td>
<td>City of San Diego</td>
</tr>
<tr>
<td>Ed Gallo</td>
<td>City of Escondido</td>
</tr>
<tr>
<td>Christy Guerin</td>
<td>Olivenhain Municipal Water District</td>
</tr>
<tr>
<td>Matt Hall</td>
<td>Carlsbad Municipal Water District</td>
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<td>Tony Heinrichs</td>
<td>City of San Diego</td>
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<td>Frank Hilliker</td>
<td>Lakeside Water District</td>
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<td>Michael Hogan</td>
<td>Santa Fe Irrigation District</td>
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<td>Tom Kennedy</td>
<td>Rainbow Municipal Water District</td>
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<td>Keith Lewinger</td>
<td>Carlsbad Municipal Water District</td>
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<td>John Linden</td>
<td>City of San Diego</td>
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<tr>
<td>Marty Miller</td>
<td>Vista Irrigation District</td>
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<tr>
<td>Ron Morrison</td>
<td>City of National City</td>
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<tr>
<td>Jim Murtland</td>
<td>Rincon del Diablo Municipal Water District</td>
</tr>
<tr>
<td>Ken Olson</td>
<td>City of Del Mar</td>
</tr>
<tr>
<td>Jose Preciado</td>
<td>South Bay Irrigation District</td>
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<td>Halla Razak</td>
<td>City of San Diego</td>
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<td>Elsa Saxod</td>
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<tr>
<td>John Simpson</td>
<td>Camp Pendleton Marine Corps Base</td>
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<tr>
<td>Fern Steiner</td>
<td>City of San Diego</td>
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<td>Yen Tu</td>
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<tr>
<td>DeAna Verbeke</td>
<td>Helix Water District</td>
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<td>Ron Watkins</td>
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<td>Mark Watton</td>
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<td>Kenneth Williams</td>
<td>City of San Diego</td>
</tr>
<tr>
<td>Doug Wilson</td>
<td>Padre Dam Municipal Water District</td>
</tr>
<tr>
<td>Dave Roberts, Representative</td>
<td>County of San Diego</td>
</tr>
</tbody>
</table>

Fiscal Years Ended June 30, 2016 & 2015
Independent Auditor’s Report

To the Board of Directors of the
San Diego County Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego County Water Authority (Water Authority) as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Water Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(s) and Note 2(g) to the basic financial statements, effective July 1, 2014 the Water Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. As a result of the implementation of GASB Statement No. 72, the Water Authority has disclosed its investments in accordance with the fair value hierarchy. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of contributions, and the schedule of funding progress for other post-employment benefits on pages 21-31 and 99–102 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Authority’s basic financial statements. The introductory section, other supplementary information – budgetary comparison schedule, statistical section, and continuing disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information – budgetary comparison schedule 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. Such information has been subjected to the auditing procedures applied in the audits 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 auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.
The introductory section, statistical section, and continuing disclosure have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2016, on our consideration of the Water Authority’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 for the fiscal year ended June 30, 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Water Authority’s internal control over financial reporting and compliance.

San Diego, California
November 8, 2016
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The following Management’s Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial performance of the San Diego County Water Authority (Water Authority) during the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the Letter of Transmittal located in the Introductory Section, and the Water Authority’s Basic Financial Statements and accompanying Notes to the Financial Statements (Notes), which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Overview of the Financial Statements

The basic financial statements report information about the Water Authority’s financial position and changes in financial position using the accrual basis of accounting, similar to methods used by private sector companies. They are designed to provide readers with a broad overview of the finances, and also present changes in cash balances and information about both short-term and long-term activities. There are three required components to these statements: the MD&A, the Financial Statements, and the Notes.

The Statements of Net Position present information on all of the Water Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Water Authority’s net position changed during the fiscal year. All changes in net position are reported on the accrual basis of accounting, recognizing all revenues when earned and all expenses when incurred.

The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities for the fiscal year.

The Notes provide additional information essential for a full understanding of the data provided in the Financial Statements. The Notes are located immediately following the Financial Statements.

Other Information

The Financial Statements include the accounts of the San Diego County Water Authority Financing Corporation, a separate legal entity established in December 1997, and the San Diego County Water Authority Financing Agency, a Joint Powers Authority (JPA), established in December 2009. The accounts of these entities are blended into the Water Authority’s Financial Statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 and GASB Statement No. 61. See Note 1(a) for further information regarding these entities.
Management's Discussion and Analysis, con't

Financial Analysis of the Water Authority

San Diego County Water Authority Condensed Statements of Net Position, in Millions ($)

June 30, 2016

<table>
<thead>
<tr>
<th>Assets:</th>
<th>2016</th>
<th>2015</th>
<th>2014 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets</td>
<td>$3,490.9</td>
<td>$3,257.3</td>
<td>$3,213.8</td>
</tr>
<tr>
<td>Other assets</td>
<td>682.9</td>
<td>656.9</td>
<td>737.8</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,173.8</td>
<td>3,914.2</td>
<td>3,951.6</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>89.7</td>
<td>57.0</td>
<td>56.5</td>
</tr>
</tbody>
</table>

Liabilities:

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term liabilities</td>
<td>2,228.3</td>
<td>2,010.2</td>
<td>2,059.3</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>492.9</td>
<td>454.6</td>
<td>477.2</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,721.2</td>
<td>2,464.8</td>
<td>2,536.5</td>
</tr>
<tr>
<td>Deferred inflows of resources</td>
<td>5.2</td>
<td>9.8</td>
<td>-</td>
</tr>
</tbody>
</table>

Net position:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>1,148.2</td>
<td>1,102.1</td>
<td>1,011.4</td>
</tr>
<tr>
<td>Restricted</td>
<td>156.9</td>
<td>143.5</td>
<td>202.2</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>232.0</td>
<td>251.0</td>
<td>258.0</td>
</tr>
<tr>
<td>Total net position</td>
<td>$1,537.1</td>
<td>$1,496.6</td>
<td>$1,471.6</td>
</tr>
</tbody>
</table>

(1) Pursuant to implementation of GASB 68 affecting pension liabilities, Fiscal Year 2015 beginning net position was restated with a $61.2 million decrease. Information was unavailable to restate Fiscal Year 2014.

Fiscal Year 2016 compared to Fiscal Year 2015

Over time net position may serve as a useful indicator of an entity’s financial position. Assets and deferred outflows of resources, exceeded liabilities and deferred inflows of resources by $1,537.1 million and $1,496.6 million as of June 30, 2016 and 2015, respectively. Of these amounts, $232.0 million and $251.0 million in unrestricted net position as of June 30, 2016 and June 30, 2015, respectively, were available for current approved services and construction projects, and for new programs for the regions’ citizenry. During Fiscal Year 2016, total net position increased by $40.5 million, or 2.7 percent. The largest portion of the Water Authority’s net position, 74.7 percent, reflected the investment in capital assets less any related outstanding debt and deferred outflows of resources used to acquire those assets.

Fiscal Year 2015 compared to Fiscal Year 2014

For the Water Authority, assets and deferred outflows of resources, exceeded liabilities and deferred inflows of resources by $1,496.6 million and $1,471.6 million as of June 30, 2015 and 2014, respectively. Of these amounts,
$251.0 million and $258.0 million in unrestricted net position as of June 30, 2015 and 2014, respectively, were available for current approved services and construction projects, and for new programs for the regions’ citizenry. During Fiscal Year 2015, total net position increased by $86.2 million, or 6.1 percent. The largest portion of the Water Authority’s net position, 73.6 percent, reflected the investment in capital assets less any related outstanding debt and deferred outflows of resources used to acquire those assets.

Capital Assets

San Diego County Water Authority Capital Assets
(Net of Accumulated Depreciation and Amortization), in Millions ($)

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Capital Assets - Non-depreciable</td>
<td>$ 627.2</td>
<td>$ 640.1</td>
</tr>
<tr>
<td>Capital Assets - Depreciable</td>
<td>2,863.7</td>
<td>2,617.2</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,490.9</td>
<td>$ 3,257.3</td>
</tr>
</tbody>
</table>

Capital assets are classified into two categories: non-depreciable and depreciable capital assets. Non-depreciable capital assets include land, easements, mitigation bank, storage rights, and construction in progress. Depreciable capital assets include pipelines and dams, facilities, equipment, computer systems software, and participation and capacity rights, net of accumulated depreciation and amortization. In accordance with the Water Authority’s capitalization policy, capital assets are capitalized when a project is substantially complete and has been issued a notice of operational acceptance. Additional information regarding capital assets can be found in the Notes (particularly notes 6 - 8 and note 16).

Fiscal Year 2016 Compared to Fiscal Year 2015

During Fiscal Years 2016 and 2015, capital asset additions were $293.2 million and $104.2 million, respectively. Of those amounts, $286.6 million and $99.1 million were additions to construction in progress for the fiscal years ended June 30, 2016 and 2015, respectively. Included in capital asset additions were $5.9 million and $14.8 million of capitalized interest for Fiscal Years 2016 and 2015, respectively.

The following projects accounted for the majority of capital expenditures incurred during Fiscal Year 2016:

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desalination Product Water Conveyance Pipeline</td>
<td>$194.7 million</td>
</tr>
<tr>
<td>San Vicente Bypass Pipeline</td>
<td>$11.4 million</td>
</tr>
<tr>
<td>Nob Hill Improvements</td>
<td>$6.5 million</td>
</tr>
<tr>
<td>Twin Oaks Valley Water Treatment Plant Expanded Services Area</td>
<td>$4.0 million</td>
</tr>
<tr>
<td>San Vicente Dam Raise</td>
<td>$3.0 million</td>
</tr>
</tbody>
</table>

Material commitments under construction contracts decreased to $7.5 million at the end of Fiscal Year 2016 from $12.4 million at the end of Fiscal Year 2015, as significant capital improvement projects continued to progress towards completion. At the end of Fiscal Year 2016, $4.6 million in new construction contract commitments were outstanding for Nob Hill Improvements and $2.9 million in commitments were outstanding for Miramar Pump Station Rehabilitation.
Fiscal Year 2015 Compared to Fiscal Year 2014

During Fiscal Years 2015 and 2014, capital asset additions were $104.2 million and $130.3 million, respectively. Of those amounts, $99.1 million and $122.1 million were additions to construction in progress for the years ended June 30, 2015 and 2014, respectively. Included in capital asset additions were $14.8 million and $20.6 million of capitalized interest for Fiscal Years 2015 and 2014, respectively.

The following projects accounted for the majority of capital expenditures incurred during Fiscal Year 2015:

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Marina Facilities</td>
<td>$18.8 million</td>
</tr>
<tr>
<td>Pipeline 3 Desalination Relining</td>
<td>$14.6 million</td>
</tr>
<tr>
<td>San Vicente Dam Raise</td>
<td>$7.9 million</td>
</tr>
<tr>
<td>Pipeline 4 Relining – San Luis Rey</td>
<td>$7.8 million</td>
</tr>
<tr>
<td>San Vicente By-Pass Pipeline</td>
<td>$7.4 million</td>
</tr>
</tbody>
</table>

Material commitments under construction contracts decreased to $12.4 million at the end of Fiscal Year 2015 from $26.9 million at the end of Fiscal Year 2014, as significant capital improvement projects continued to progress towards completion. At the end of Fiscal Year 2015, $9.2 million in new construction contract commitment was outstanding for San Vicente By-Pass Pipeline, and $3.1 million in commitments were outstanding for Twin Oaks Valley Water Treatment Plant Expanded Service Area.

Debt Administration

San Diego County Water Authority Outstanding Short-Term Debt, in Millions ($)

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Tax-Exempt Commercial Paper Program</td>
<td>$245.0</td>
</tr>
<tr>
<td>Extendable Commercial Paper Program</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>$345.0</td>
</tr>
</tbody>
</table>

Short-Term Debt

The Water Authority has a short-term Tax-Exempt Commercial Paper (TECP) program and an Extendable Commercial Paper (ECP) program to provide financing for the capital improvement programs. More detailed information on short-term debt is presented in Note 9 of the Notes.

Fiscal Year 2016 Compared to Fiscal Year 2015

During Fiscal Year 2016, the Water Authority terminated the $100 million Commercial Paper Notes, Series 5 and the $100 million Commercial Paper Notes, Series 7 in their entirety, and issued Commercial Paper Notes, Series 9 for $135 million and additional ECP, Series 1 for $50 million. The total short-term debt changed to $345 million in Fiscal Year 2016 compared to $360 million in Fiscal Year 2015.

Fiscal Year 2015 Compared to Fiscal Year 2014

The Water Authority’s total short-term debt remained unchanged at $360 million at the end of Fiscal Years 2015 and 2014.
Long-Term Debt

San Diego County Water Authority Outstanding Long-Term Debt, in Millions ($)

<table>
<thead>
<tr>
<th></th>
<th>June 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>$1,821.0</td>
<td>$1,219.9</td>
<td>$1,229.6</td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>104.1</td>
<td>581.7</td>
<td>662.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,925.1</strong></td>
<td><strong>$1,801.6</strong></td>
<td><strong>$1,892.2</strong></td>
</tr>
</tbody>
</table>

Long-term debt consists of revenue bonds and certificates of participation used to fund the capital improvement programs. The Water Authority continues to hold long-term senior lien credit ratings of AA+, and Aa2 from Fitch and Moody’s, and was upgraded from AA+ to AAA by Standard & Poor’s in May 2016. Long-term subordinate lien credit ratings are usually rated one level below the senior lien credit ratings of the same issuer. Accordingly, credit ratings of long-term Water Authority subordinate lien debt are inferred to be at AA+, AA, and Aa3 by Standard & Poors, Fitch, and Moody’s, respectively. More detailed information on long-term debt is presented in Note 10 of the Notes.

San Diego County Water Authority Bond Rating

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Senior Lien Ratings 2</th>
<th>Subordinate Lien Ratings</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s 3</td>
<td>AAA</td>
<td>AA+</td>
<td>Stable</td>
</tr>
<tr>
<td>Fitch</td>
<td>AA+</td>
<td>AA</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Aa2</td>
<td>Aa3</td>
<td>Stable</td>
</tr>
</tbody>
</table>

(1) This table accurate as of May 25, 2016.

(2) Senior Lien includes the Water Authority’s Revenue Bonds and Certificates of Participation.

(3) In May 2016, S&P Global Ratings assigned a rating of AAA to the Water Authority’s Senior Lien Bonds.

Fiscal Year 2016 Compared to Fiscal Year 2015

As of June 30, 2016 the Water Authority had $1.9 billion in long-term debt outstanding, a 6.9 percent increase compared to Fiscal Year 2015. During Fiscal Year 2016 reduction payments and defeasements totaled $648.5 million. As of June 30, 2016 and 2015, the total Revenue Bonds outstanding was $1.8 billion and $1.2 billion, respectively. The total Certificates of Participation outstanding as of June 30, 2016 and 2015 was $104.1 million and $581.7 million, respectively. During Fiscal Year 2016, $462.5 million of Certificates of Participation (COPs) along with $159.4 million of Revenue Bonds were defeased in addition to principal payments of $26.6 million.

Fiscal Year 2015 Compared to Fiscal Year 2014

As of June 30, 2015 the Water Authority had $1.8 billion in long-term debt outstanding, a decrease compared to Fiscal Year 2014. As of June 30, 2015 and 2014, the total Revenue Bonds outstanding was $1.2 billion. During Fiscal Year 2015, $43.9 million of the Certificates of Participation (COPs) were defeased and total payments were $46.7 million. The total COPs outstanding as of June 30, 2015 and 2014 was $581.7 million and $662.6 million, respectively.
San Diego County Water Authority

San Diego County Water Authority Statements of Revenues, Expenses and Changes in Net Position, in Millions ($)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>June 30, 2015</th>
<th>June 30, 2014 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water sales</td>
<td>$ 524.9</td>
<td>$ 584.2</td>
<td>$ 593.7</td>
</tr>
<tr>
<td>Other revenues</td>
<td>3.3</td>
<td>4.6</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>528.2</strong></td>
<td><strong>588.8</strong></td>
<td><strong>597.6</strong></td>
</tr>
<tr>
<td><strong>Nonoperating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes and in-lieu charges</td>
<td>12.1</td>
<td>11.5</td>
<td>11.1</td>
</tr>
<tr>
<td>Infrastructure access charges</td>
<td>30.4</td>
<td>29.9</td>
<td>29.2</td>
</tr>
<tr>
<td>Investment income</td>
<td>6.0</td>
<td>2.9</td>
<td>3.7</td>
</tr>
<tr>
<td>Other income</td>
<td>13.7</td>
<td>7.8</td>
<td>10.6</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>12.2</td>
<td>11.1</td>
<td>10.7</td>
</tr>
<tr>
<td><strong>Total nonoperating revenues</strong></td>
<td><strong>74.4</strong></td>
<td><strong>63.2</strong></td>
<td><strong>65.3</strong></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>602.6</strong></td>
<td><strong>652.0</strong></td>
<td><strong>662.9</strong></td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>387.1</td>
<td>411.0</td>
<td>422.7</td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>18.2</td>
<td>22.4</td>
<td>18.8</td>
</tr>
<tr>
<td>Planning</td>
<td>8.7</td>
<td>8.4</td>
<td>6.8</td>
</tr>
<tr>
<td>General and administrative</td>
<td>14.3</td>
<td>14.1</td>
<td>13.7</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>59.5</td>
<td>57.8</td>
<td>56.6</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>487.8</strong></td>
<td><strong>513.7</strong></td>
<td><strong>518.6</strong></td>
</tr>
<tr>
<td><strong>Nonoperating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>85.1</td>
<td>81.8</td>
<td>77.8</td>
</tr>
<tr>
<td>Debt issuance costs</td>
<td>6.4</td>
<td>-</td>
<td>0.3</td>
</tr>
<tr>
<td>Other expenses</td>
<td>10.5</td>
<td>10.9</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Total nonoperating expenses</strong></td>
<td><strong>102.0</strong></td>
<td><strong>92.7</strong></td>
<td><strong>88.5</strong></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>589.8</strong></td>
<td><strong>606.4</strong></td>
<td><strong>607.1</strong></td>
</tr>
<tr>
<td><strong>Income before capital contributions</strong></td>
<td><strong>12.8</strong></td>
<td><strong>45.6</strong></td>
<td><strong>55.8</strong></td>
</tr>
</tbody>
</table>

**Capital contributions:**

Capacity charges | 15.8 | 22.6 | 13.8 |
Water standby availability charges | 11.1 | 11.1 | 11.2 |
Contributions in aid of capital assets | 0.8 | 6.9 | 0.2 |

**Total capital contributions** | **27.7** | **40.6** | **25.2** |

**Changes in net position:**

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2016</th>
<th>June 30, 2015</th>
<th>June 30, 2014 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity charges</td>
<td>40.5</td>
<td>86.2</td>
<td>81.0</td>
</tr>
<tr>
<td>Net position, beginning of year</td>
<td>1,496.6</td>
<td>1,410.4</td>
<td>1,390.6</td>
</tr>
<tr>
<td>Net position, end of year</td>
<td><strong>$ 1,537.1</strong></td>
<td><strong>$ 1,496.6</strong></td>
<td><strong>$ 1,471.6</strong></td>
</tr>
</tbody>
</table>

(1) Pursuant to implementation of GASB 68, Fiscal Year 2015, beginning net position was restated with a $61.2 million decrease. Information was unavailable to restate Fiscal Year 2014.
Total revenues (operating and nonoperating) and capital contributions for the Fiscal Years 2016, 2015, and 2014 were $630.3 million, $692.6 million, and $688.1 million, respectively. Operating revenues consist primarily of water sales. Nonoperating revenues include property taxes and in-lieu charges, infrastructure access charges (IAC), investment income, intergovernmental revenue, gain on sale/retirement of capital assets, and other income. Capital contributions include capacity charges, water standby availability charges, and contributions in aid of capital assets. For Fiscal Year 2016, water sales and other operating revenues, nonoperating revenues, and capital contributions accounted for 83.8 percent, 11.8 percent and 4.4 percent, respectively, of the total revenues and capital contributions.

Operating Revenues

Fiscal Year 2016 compared to Fiscal Year 2015

Water sales revenue is the principal source of revenue and totaled $524.9 million for Fiscal Year 2016, a decrease of $59.3 million over the Fiscal Year 2015 total of $584.2 million. Similar to last year, this decrease in water sales revenue was attributed largely to the decrease in water deliveries. In Fiscal Year 2016, total water deliveries decreased to 402,065 acre-feet (AF) from 494,983 AF in Fiscal Year 2015. The 18.8 percent decrease in water deliveries resulted from decreased water consumption in the Water Authority’s service area from the increasingly severe drought conditions. Other revenues decreased by $1.3 million compared to Fiscal Year 2015 as a result of lower hydroelectric revenues due to zero revenues from Rancho Hydro in Fiscal Year 2016 and the large one-time annexation fee from a developer in Fiscal Year 2015.

Fiscal Year 2015 compared to Fiscal Year 2014

Water sales revenue is the principal source of revenue and totaled $584.2 million for Fiscal Year 2015, a decrease of $9.5 million from the Fiscal Year 2014 total of $593.7 million. The decrease in water sales revenue was mainly attributed to mandatory water use restrictions due to the extended drought. In Fiscal Year 2015, total water deliveries decreased to 494,983 acre-feet (AF) from 522,453 AF in Fiscal Year 2014. The 5.3 percent decrease in water deliveries resulted from decreased water consumption in the Water Authority’s service due to the mandatory restrictions. Other revenues increased by $0.7 million compared to Fiscal Year 2014.
Revenues by Source, (continued)

Nonoperating Revenues

**Fiscal Year 2016 compared to Fiscal Year 2015**

Nonoperating revenues were $11.2 million higher in Fiscal Year 2016 compared to Fiscal Year 2015. Integrated Resources Water Management pass-through grant revenue increased by $5.9 million due to higher activity levels. In addition, $3.1 million was received from higher investment returns and $1.1 million from the subsidy on the Build America Bonds.

**Fiscal Year 2015 compared to Fiscal Year 2014**

Nonoperating revenues were $2.1 million lower in Fiscal Year 2015 compared to Fiscal Year 2014. Integrated Resources Water Management pass-through grant revenue decreased by $1.4 million due to lower activity levels.

Capital Contributions

**Fiscal Year 2016 compared to Fiscal Year 2015**

Capital contributions decreased by $12.9 million in Fiscal Year 2016 compared to Fiscal Year 2015. The change was the result of $6.8 million decrease in capacity charges revenue resulting from a decrease in building permits being issued and a $6.1 million decrease in contributions in aid of capital assets due to reduced project donations that were recorded in the prior year.

**Fiscal Year 2015 compared to Fiscal Year 2014**

Capital contributions increased by $15.4 million in Fiscal Year 2015 compared to Fiscal Year 2014. The change was the result of increased building permits being issued during Fiscal Year 2015 resulting in an increase in capacity charges from $13.8 million in Fiscal Year 2014 to $22.6 million in Fiscal Year 2015, and the Fiscal Year 2015 donation of Olivenhain Flow Control Facilities 9 and 10 valued at $3.9 million.
Expenses by Function

**Operating Expenses**

**Fiscal Year 2016 compared to Fiscal Year 2015**

Total operating expenses decreased by $25.9 million in Fiscal Year 2016 compared to Fiscal Year 2015. The 5.0 percent decrease in operating expenses in Fiscal Year 2016 was primarily due to a $23.9 million decrease in the cost of water sales consistent with drought conservation. Total operating department expenses decreased by $3.7 million in Fiscal Year 2016 compared to Fiscal Year 2015. The decrease was primarily attributed to personnel-related cost savings from vacancies throughout the year.

**Fiscal Year 2015 compared to Fiscal Year 2014**

Total operating expenses decreased by $4.9 million in Fiscal Year 2015 compared to Fiscal Year 2014. The 0.9 percent decrease in operating expenses in Fiscal Year 2015 was primarily due to a $11.7 million decrease in the cost of water sales during drought conservation. Total operating department expenses increased by $5.6 million in Fiscal Year 2015 compared to Fiscal Year 2014. The increase was attributed to filling of vacancies and transition from a capital project focus to maintenance focused organization, as major projects are being completed and become operational.
Expenses by Function, (continued)

Nonoperating Expenses

**Fiscal Year 2016 compared to Fiscal Year 2015**

Total nonoperating expenses, consisting primarily of interest expense and related debt issuance costs, totaled $102.0 million and $92.7 million in Fiscal Years 2016 and 2015, respectively. In Fiscal Year 2016, total interest expense was $85.1 million, net of $5.9 million in capitalized interest. In Fiscal Year 2015, total interest expense was $81.8 million, net of $14.8 million in capitalized interest. The higher amount of interest expensed in Fiscal Year 2016 reflects interest costs that were not able to be capitalized because fewer projects were in the construction phase due to their completion. Overall interest costs are lower in Fiscal Year 2016 due to the replacement of higher interest rate debt with lower rate debt as rates continue to be favorable to refinance. Accordingly, debt issuance costs amounted to $6.4 million in Fiscal Year 2016 compared to zero in Fiscal Year 2015 as a result of the refinancing activities completed in Fiscal Year 2016. Other expenses decreased by $0.4 million in Fiscal Year 2016 compared to Fiscal Year 2015.

**Fiscal Year 2015 compared to Fiscal Year 2014**

Total nonoperating expenses, consisting primarily of interest expense, totaled $92.7 million and $88.5 million in Fiscal Years 2015 and 2014, respectively. In Fiscal Year 2015, total interest expense was $81.8 million, net of $14.8 million in capitalized interest. In Fiscal Year 2014, total interest expense was $77.8 million, net of $20.6 million in capitalized interest. Other expenses increased by $0.2 million in Fiscal Year 2015 compared to Fiscal Year 2014.
Currently Known Facts, Conditions, or Decisions

Current California Drought

Water supply conditions for the Water Authority’s two primary supply sources (Colorado River and State Water Project) have been mainly dry over the past several years. Average statewide runoff for water year 2016 was slightly below normal and runoff in the Colorado River Basin was below normal for 14 of the last 17 years. The persistence of drought conditions and recent state actions to develop long-term water use efficiency standards increases the challenge of projecting annual water sales for the San Diego region. Water Authority sales are linked to member agency local supply availability. During periods of low local supplies (e.g., dry conditions), member agencies rely more heavily on Water Authority supplies. However, when mandatory restrictions are imposed, member agencies are compelled to go beyond their existing long-range water use efficiency measures and implement short-term extraordinary conservation actions to further reduce demand and lower their purchases of Water Authority supplies. As a result, below normal member agency local supplies and extraordinary conservation have an opposite effect on Water Authority sales.

Projected water sales for fiscal year ending June 30, 2017 are based on assumptions of continued local dry conditions and a focus on sustained long-range water use efficiency programs like the region’s Live WaterSmart campaign.

Contacting the Water Authority’s Finance Department

This financial report is designed to provide the Board of Directors, the Water Authority’s member agencies, taxpayers, creditors, and investors with a general overview of the Water Authority’s accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Finance Department at the San Diego County Water Authority, 4677 Overland Avenue, San Diego, California 92123, via email at www.sdcwa.org/contact-us, or 858-522-6670.
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San Diego County Water Authority  
Statements of Net Position, June 30, 2016 and 2015

<table>
<thead>
<tr>
<th>Assets:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments (Note 2)</td>
<td>$75,806,910</td>
<td>$111,130,235</td>
</tr>
<tr>
<td>Restricted cash and investments (Note 2)</td>
<td>162,359,461</td>
<td>170,873,233</td>
</tr>
<tr>
<td>Water receivables</td>
<td>99,959,059</td>
<td>90,113,890</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,054,733</td>
<td>1,222,552</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>1,198,883</td>
<td>1,159,303</td>
</tr>
<tr>
<td>Other receivables</td>
<td>14,835,074</td>
<td>15,697,438</td>
</tr>
<tr>
<td>Inventories (Note 3)</td>
<td>100,630,252</td>
<td>52,428,622</td>
</tr>
<tr>
<td>Prepaid expenses (Note 4)</td>
<td>4,635,729</td>
<td>4,636,815</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>460,480,101</strong></td>
<td><strong>447,262,088</strong></td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments (Note 2)</td>
<td>125,312,636</td>
<td>115,405,373</td>
</tr>
<tr>
<td>Restricted cash and investments (Note 2)</td>
<td>72,185,172</td>
<td>70,039,820</td>
</tr>
<tr>
<td>Advances to other agencies</td>
<td>214,436</td>
<td>278,977</td>
</tr>
<tr>
<td>Retention receivable</td>
<td>2,313,364</td>
<td>1,724,761</td>
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<tr>
<td>Long-term loan receivables (Note 5)</td>
<td>20,000,000</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Net OPEB asset (Note 12)</td>
<td>2,264,891</td>
<td>2,157,000</td>
</tr>
<tr>
<td>Non-depreciable</td>
<td>627,237,709</td>
<td>640,109,515</td>
</tr>
<tr>
<td>Depreciable, net</td>
<td>2,863,737,737</td>
<td>2,617,179,700</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td><strong>3,713,265,945</strong></td>
<td><strong>3,466,895,146</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>4,173,746,046</strong></td>
<td><strong>3,914,157,234</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>128,024,234</td>
<td>75,697,190</td>
</tr>
<tr>
<td>Interest payable</td>
<td>19,462,367</td>
<td>18,448,486</td>
</tr>
<tr>
<td>Construction deposits</td>
<td>434,034</td>
<td>451,123</td>
</tr>
<tr>
<td>Short-term liabilities (Note 9)</td>
<td>345,000,000</td>
<td>360,000,000</td>
</tr>
<tr>
<td>Current portion of long-term liabilities (Note 10)</td>
<td>56,430,666</td>
<td>39,205,400</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>549,351,301</strong></td>
<td><strong>493,802,199</strong></td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term liabilities (Note 10)</td>
<td>2,109,274,211</td>
<td>1,913,161,795</td>
</tr>
<tr>
<td>Net pension liability (Note 11)</td>
<td>62,547,589</td>
<td>57,843,537</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td><strong>2,171,821,800</strong></td>
<td><strong>1,971,005,332</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>2,721,173,101</strong></td>
<td><strong>2,464,807,531</strong></td>
</tr>
</tbody>
</table>

| Deferred inflows of resources: | | |
| Deferred actuarial amounts related to pensions (Note 11) | 5,178,446 | 9,810,726 |

<table>
<thead>
<tr>
<th>Net position:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>1,148,155,974</td>
<td>1,102,128,289</td>
</tr>
<tr>
<td>Restricted for construction projects</td>
<td>156,718,296</td>
<td>143,366,311</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>158,377</td>
<td>113,537</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>232,035,734</td>
<td>250,964,563</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td><strong>$1,537,068,381</strong></td>
<td><strong>$1,496,572,700</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
San Diego County Water Authority  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years Ended June 30, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water sales</td>
<td>$524,934,642</td>
<td>$584,172,839</td>
</tr>
<tr>
<td>Other revenues</td>
<td>3,240,007</td>
<td>4,567,285</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>528,174,649</strong></td>
<td><strong>588,740,124</strong></td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>387,123,145</td>
<td>411,037,897</td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>18,212,388</td>
<td>22,365,531</td>
</tr>
<tr>
<td>Planning</td>
<td>8,651,233</td>
<td>8,416,134</td>
</tr>
<tr>
<td>General and administrative</td>
<td>14,259,469</td>
<td>14,115,738</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>59,493,116</td>
<td>57,751,284</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>487,739,351</strong></td>
<td><strong>513,686,584</strong></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>40,435,298</td>
<td>75,053,540</td>
</tr>
<tr>
<td><strong>Nonoperating revenues (expenses):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes and in-lieu charges</td>
<td>12,067,223</td>
<td>11,475,607</td>
</tr>
<tr>
<td>Infrastructure access charges</td>
<td>30,434,370</td>
<td>29,895,726</td>
</tr>
<tr>
<td>Investment income</td>
<td>5,985,490</td>
<td>2,905,952</td>
</tr>
<tr>
<td>Other income</td>
<td>13,664,392</td>
<td>7,786,392</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>12,213,866</td>
<td>11,148,139</td>
</tr>
<tr>
<td>Gain on sale/retirement of capital assets</td>
<td>27,580</td>
<td>32,557</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(85,112,986)</td>
<td>(81,792,704)</td>
</tr>
<tr>
<td>Debt issuance costs</td>
<td>(6,381,194)</td>
<td>(16,840)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(10,557,021)</td>
<td>(10,909,171)</td>
</tr>
<tr>
<td><strong>Total nonoperating revenues (expenses)</strong></td>
<td><strong>(27,658,280)</strong></td>
<td><strong>(29,474,342)</strong></td>
</tr>
<tr>
<td><strong>Income before capital contributions</strong></td>
<td><strong>12,777,018</strong></td>
<td><strong>45,579,198</strong></td>
</tr>
</tbody>
</table>

| **Capital contributions:** |            |            |
| Capacity charges        | 15,838,800 | 22,559,844 |
| Water standby availability charges | 11,088,377 | 11,106,743 |
| Contributions in aid of capital assets | 791,486 | 6,897,528 |
| **Total capital contributions** | **27,718,663** | **40,564,115** |
| **Changes in net position** | **40,495,681** | **86,143,313** |
| **Net position at beginning of year** | **1,496,572,700** | **1,410,429,387** |
| **Net position at end of year** | **$1,537,068,381** | **$1,496,572,700** |

See accompanying notes to the financial statements.
San Diego County Water Authority
Statements of Cash Flows For the Fiscal Years Ended June 30, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>$ 563,290,606</td>
<td>$ 646,163,715</td>
</tr>
<tr>
<td>Payments to suppliers for purchases of water</td>
<td>(423,461,734)</td>
<td>(450,380,188)</td>
</tr>
<tr>
<td>Payments to suppliers for goods and services</td>
<td>(13,185,395)</td>
<td>(9,972,384)</td>
</tr>
<tr>
<td>Payments to employees for services</td>
<td>(41,148,743)</td>
<td>(45,025,564)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>85,494,734</strong></td>
<td><strong>140,785,579</strong></td>
</tr>
<tr>
<td>Cash flows from noncapital financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes and in-lieu charges received</td>
<td>12,027,643</td>
<td>11,680,772</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>12,213,866</td>
<td>11,148,139</td>
</tr>
<tr>
<td><strong>Net cash provided by noncapital financing activities</strong></td>
<td><strong>24,241,509</strong></td>
<td><strong>22,828,911</strong></td>
</tr>
<tr>
<td>Cash flows from capital and related financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(54,351,530)</td>
<td>(92,886,727)</td>
</tr>
<tr>
<td>Contributions and capital related revenues received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from other governments</td>
<td>27,718,663</td>
<td>36,651,426</td>
</tr>
<tr>
<td>Proceeds from disposition of capital assets</td>
<td>27,580</td>
<td>85,063</td>
</tr>
<tr>
<td>Proceeds from long-term debt issuance</td>
<td>14,309,615</td>
<td>-</td>
</tr>
<tr>
<td>Cost of debt issuance</td>
<td>(303,296)</td>
<td>(16,840)</td>
</tr>
<tr>
<td>Principal paid on long-term debt</td>
<td>(35,155,713)</td>
<td>(92,190,433)</td>
</tr>
<tr>
<td>Interest paid on debt</td>
<td>(99,919,353)</td>
<td>(102,716,446)</td>
</tr>
<tr>
<td><strong>Net cash used for capital and related financing activities</strong></td>
<td><strong>(147,674,034)</strong></td>
<td><strong>(251,073,957)</strong></td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(144,878,002)</td>
<td>(172,314,647)</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>153,938,863</td>
<td>222,845,978</td>
</tr>
<tr>
<td>Interest received on investments</td>
<td>6,153,309</td>
<td>3,001,244</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td><strong>15,214,170</strong></td>
<td><strong>53,332,575</strong></td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(22,723,621)</td>
<td>(33,926,892)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>142,359,549</td>
<td>176,286,441</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td><strong>$ 119,635,928</strong></td>
<td><strong>$ 142,359,549</strong></td>
</tr>
</tbody>
</table>

Reconciliation of cash and cash equivalents at end of year to the Statements of Net Position:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$ 75,806,910</td>
<td>$ 111,130,235</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>162,359,461</td>
<td>170,873,233</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>125,312,636</td>
<td>115,405,373</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>72,185,172</td>
<td>70,039,820</td>
</tr>
<tr>
<td>Less investments not meeting the definition of cash equivalents</td>
<td>(316,028,251)</td>
<td>(325,089,112)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td><strong>$ 119,635,928</strong></td>
<td><strong>$ 142,359,549</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
### San Diego County Water Authority

#### Statements of Cash Flows For the Fiscal Years Ended June 30, 2016 and 2015, (continued)

Reconciliation of operating income to net cash provided by operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$40,435,298</td>
<td>$75,053,540</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile operating income to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>59,493,116</td>
<td>57,751,284</td>
</tr>
<tr>
<td>Infrastructure access charges</td>
<td>30,434,370</td>
<td>29,895,726</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(10,557,021)</td>
<td>(7,978,836)</td>
</tr>
<tr>
<td>Other income</td>
<td>13,664,392</td>
<td>7,786,392</td>
</tr>
<tr>
<td><strong>[Increase] Decrease in assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water receivables</td>
<td>(9,845,169)</td>
<td>25,676,930</td>
</tr>
<tr>
<td>Other receivables</td>
<td>862,364</td>
<td>5,935,457</td>
</tr>
<tr>
<td>Inventories</td>
<td>(48,201,630)</td>
<td>(24,838,718)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,086</td>
<td>778</td>
</tr>
<tr>
<td>Retention receivable</td>
<td>(588,603)</td>
<td>(703,593)</td>
</tr>
<tr>
<td><strong>Net OPEB asset</strong></td>
<td>(107,891)</td>
<td>(2,157,000)</td>
</tr>
<tr>
<td><strong>[Increase] Decrease in deferred outflows of resources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer contributions subsequent to measurement date (change in accounting principle)</td>
<td>-</td>
<td>5,273,604</td>
</tr>
<tr>
<td>Employer contributions subsequent to measurement date</td>
<td>(2,055,629)</td>
<td>(4,142,513)</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>12,052,092</td>
<td>(14,423,543)</td>
</tr>
<tr>
<td>Construction deposits</td>
<td>(17,089)</td>
<td>135,717</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>(1,467,724)</td>
<td>562</td>
</tr>
<tr>
<td>OPEB liability</td>
<td>-</td>
<td>(1,812,000)</td>
</tr>
<tr>
<td><strong>Net pension liability: California Public Employees' Retirement System</strong></td>
<td>4,704,052</td>
<td>(8,608,020)</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in deferred inflows of resources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred actuarial amounts related to pensions</td>
<td>(4,632,280)</td>
<td>9,810,726</td>
</tr>
<tr>
<td><strong>Total adjustments</strong></td>
<td>45,059,436</td>
<td>65,732,039</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$85,494,734</td>
<td>$140,785,579</td>
</tr>
</tbody>
</table>

**Noncash investing, capital and financing activities:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments associated with GASB 68</td>
<td>($6,687,909)</td>
<td>$10,941,817</td>
</tr>
<tr>
<td>Cancellation of projects from construction in progress</td>
<td>-</td>
<td>(2,930,335)</td>
</tr>
<tr>
<td>Net book value of capital assets disposition</td>
<td>-</td>
<td>(52,506)</td>
</tr>
<tr>
<td>Amortization of premiums and deferred loss on refundings</td>
<td>(9,898,248)</td>
<td>(5,264,472)</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>(5,922,000)</td>
<td>(14,795,000)</td>
</tr>
<tr>
<td>Contribution of capital assets</td>
<td>-</td>
<td>3,912,689</td>
</tr>
<tr>
<td>Capital asset acquisitions included in accounts payable</td>
<td>(45,050,334)</td>
<td>(4,775,382)</td>
</tr>
<tr>
<td>Capital asset acquisitions related to 2012 pipeline bonds</td>
<td>(192,566,324)</td>
<td>-</td>
</tr>
<tr>
<td>Debt issuance costs from issuance of refunding bonds</td>
<td>(2,431,870)</td>
<td>-</td>
</tr>
<tr>
<td>Interest paid from issuance of refunding bonds</td>
<td>(51,589,740)</td>
<td>-</td>
</tr>
<tr>
<td>Short-term debt retired from issuance of commercial paper and extendable commercial paper (Note 9a and 9b)</td>
<td>(98,370,000)</td>
<td>-</td>
</tr>
<tr>
<td>Short-term debt retired from issuance of refunding bonds (Note 9a and 9b)</td>
<td>(101,630,000)</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt retired from release of debt service reserve fund (Note 10b)</td>
<td>-</td>
<td>(4,052,362)</td>
</tr>
<tr>
<td>Long-term debt retired from issuance of refunding bonds (Note 10d and 10e)</td>
<td>(535,335,000)</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt retired from issuance of commercial paper (Note 10g)</td>
<td>(86,630,000)</td>
<td>-</td>
</tr>
<tr>
<td>Issuance of commercial paper and extendable commercial paper (Note 9d and 9e)</td>
<td>185,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Release of debt service reserve fund (Note 10b)</td>
<td>-</td>
<td>4,052,362</td>
</tr>
<tr>
<td>Issuance of refunding bonds paid to escrow agent (Note 10l, 10m, 10n and 10o</td>
<td>691,402,858</td>
<td>-</td>
</tr>
<tr>
<td>2012 Pipeline bonds paid to trustee agent (Note 10j)</td>
<td>210,105,719</td>
<td>-</td>
</tr>
<tr>
<td>Change in fair value of investments</td>
<td>349,870</td>
<td>(5,657,458)</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
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1. Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

The San Diego County Water Authority (Water Authority) was organized on June 9, 1944 under the County Water Authority Act (Act). The Water Authority’s primary purpose is providing wholesale water to its member agencies for domestic, municipal, and agricultural uses. The Water Authority consists of 24 member public agencies that are each represented by at least one person on the Water Authority’s Board of Directors (Board). The Water Authority is a member of the Metropolitan Water District of Southern California (MWD). Historically, the Water Authority purchased all the water it required from MWD to meet the demands of the member agencies.

The Water Authority has been in the process of diversifying its supply and adopted a Regional Water Facilities Master Plan in 2004 to identify capital facilities necessary to store, treat, and deliver a reliable water supply. Pursuant to the Colorado River Quantification Settlement Agreement (QSA), signed on October 10, 2003, and its related contracts, the Water Authority is obtaining conserved water from the Imperial Irrigation District (IID) and also receives water conserved by lining of the All-American and Coachella Canals. On December 20, 2012, the Water Authority entered into a 30-year Water Purchase Agreement to purchase potable water from the Claude "Bud" Lewis Carlsbad Desalination Plant. The plant became operational in December 2015 (see Note 16b).

The MWD Act provides a preferential right for the purchase of water by each of its constituent agencies. This preferential right is calculated using a formula. Based on the formula, the Water Authority has a statutory preferential right to approximately 18.42 percent of MWD's total supply as of June 30, 2016. MWD has represented that it will provide reliable water supplies notwithstanding preferential rights.

The San Diego County Water Authority Financing Corporation (SDCWAFC) was incorporated on December 29, 1997. The SDCWAFC is a California non-profit public benefit corporation formed to assist the Water Authority as a financing entity and is administered by a governing board, which consists of five members as follows: the Chair of the Board of Directors of the Water Authority, the Chair of the Administrative and Finance Committee of the Board, the General Manager of the Water Authority, the Director of Finance/Treasurer of the Water Authority, and the General Counsel of the Water Authority.

The San Diego County Water Authority Financing Agency (SDCWFA) was established on December 17, 2009 to facilitate financing and refinancing of capital improvement projects of the Water Authority. The SDCWFA is a Joint Powers Authority (JPA) with statutory authority to issue revenue bonds and was formed by an agreement between the Water Authority and the California Municipal Finance Authority (CMFA). The CMFA itself is a JPA that was created in 2004 by various local agencies to facilitate tax-exempt financing. The CMFA has entered into such JPA agreements. Under the JPA agreement, the Water Authority has control over all finance matters.

The SDCWFA's sole purpose is to be a financing entity for the Water Authority and is administered by a governing board, which consists of five members as follows: the Chair of the Board of Directors of the Water Authority, the Chair of the Administrative and Finance Committee of the Board, the General Manager of the Water Authority, the Director of Finance/Treasurer of the Water Authority, and the General Counsel of the Water Authority.
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

(b) Basis of Accounting

The Water Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and changes in financial position of a specific governmental activity. The activities of enterprise funds closely resemble those of private-sector businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The Water Authority utilizes the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as they are incurred. The Water Authority’s financial statements apply all effective pronouncements of the Governmental Accounting Standards Board (GASB).

(c) Cash and Investments

The Water Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, investments in money market mutual funds, pooled funds, and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents includes both restricted and unrestricted cash and investments.

The Water Authority has the following legally restricted funds: Construction, Debt Service Reserve, and Pay-As-You-Go (PAYGO). The Construction Fund includes the proceeds from long-term and short-term debt and is restricted for use on capital project expenses. The Debt Service Reserve Fund holds the required amount for Water Authority debt issues. The Debt Service Reserve Fund is held for the purpose of making an issue’s annual debt service payments in the event that the Water Authority should be unable to make such payments. The PAYGO Fund consists of Capacity Charges and Water Standby Availability Charges and is restricted per Board adopted ordinances for the Capital Improvement Program (CIP). The funds are dedicated for capital project outlays, as well as debt service.

Investments are reported at fair value, in accordance with GASB Statement No. 72, Fair Value Measurement and Application, except for certain guaranteed investment contracts that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. The State Treasurer’s investment pool operates in accordance with appropriate state laws and regulations.

Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. Note 2 contains additional information on permissible investments per the Water Authority’s Investment Policy.

(d) Inventories and Prepaid Expenses

The Water Authority’s inventories consist of water, valves, and materials in storage and are valued using the average cost method. Prepaid expenses represent benefits prepayments and purchases of prepaid water stored in Northern California outside the Water Authority’s service area, and in a long-term groundwater storage facility. Both inventory and prepaid items use the consumption method whereby they are reported as an asset and expensed as they are consumed.
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

(e) Reserves

The Water Authority established other designated funds in alignment with best practice guidance:

**Rate Stabilization Fund (RSF)** – The RSF was established for the purpose of collecting the excess amount of net revenues in years when operating revenues exceeded operating expenses. These monies are to be used to mitigate “rate shock” in years of weak water sales and/or to manage debt service coverage ensuring coverage ratios remain above the legally required minimum. During the fiscal years ended June 30, 2016 and 2015, the Water Authority transferred $10,300,000 and $28,500,000 to the RSF, respectively.

**Equipment Replacement Fund** - The Equipment Replacement Fund was established to ensure monies were available to replace equipment that has reached the end of its useful life including small capital equipment purchases such as computers, vehicles, the Supervisory Control and Data Acquisition (SCADA) system, etc. It is funded through scheduled draws from the Operating Fund per the Board approved budget.

**Stored Water Fund** - The Stored Water Fund was established to support the purchase of water to fill the various Water Authority reservoirs. The majority of the monies have been used to fill San Vicente Reservoir for the Emergency and Carryover Storage projects.

(f) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair value on the date received. The Water Authority capitalizes all assets with a historical cost of at least $5,000 and a useful life of at least three years as the Water Authority does not have any capital assets with less than a three-year useful life. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.


Depreciation and amortization is computed utilizing the straight-line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipelines and Dams</td>
<td>60 to 100 years</td>
</tr>
<tr>
<td>Facilities</td>
<td>5 to 50 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>3 to 8 years</td>
</tr>
<tr>
<td>Computer Systems Software</td>
<td>4 years</td>
</tr>
<tr>
<td>Participation and Capacity Rights</td>
<td>10 to 110 years</td>
</tr>
</tbody>
</table>

Intangible Assets

In addition to computer systems software intangible assets, the Water Authority also participates in various storage and water management programs, or builds capital assets that by agreement entitle it to certain participation or capacity rights that are included in capital assets as intangible assets. Some projects also require payments for ongoing maintenance, which are charged to expense as incurred. Amortization is computed utilizing the straight-line method over the estimated useful life for capacity rights, software, and permits. Amortization of participation rights is computed over the life of the agreement.
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

(f) Capital Assets, (continued)

Capitalized Interest

The Water Authority capitalizes interest based on the criteria outlined in GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which applies to taxable borrowings and tax-exempt non-project specific debt. The objective is to obtain a measure of the acquisition cost that more closely reflects the Water Authority’s total investment in the asset and to charge a cost that relates to the acquisition of a resource that will benefit future periods against revenues of the periods benefited. The amount to be capitalized is the amount of interest expense that would have been avoided during the asset’s acquisition period if the asset had not been acquired, whether or not the asset had been acquired through incurring debt. GASB Statement No. 62 requires a pooled calculation of average interest expense and a weighted average project allocation of interest expense with no offset for interest earnings.

(g) Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Water Authority has two items that qualify for reporting in this category, deferred loss on refunding, related to bond refundings in the current and prior fiscal years, and deferred employer contributions subsequent to measurement date, related to employer pension plan contributions made during the fiscal year, but after the plan’s actuarial measurement date.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Water Authority has only one item that qualified for reporting in this category. Accordingly, the item, deferred actuarial amounts related to pensions, relates to changes in assumptions, actual and expected experience differences, and investment returns, which are deferred, and recognized as an inflow of resources over the expected average remaining service lifetime and five years, respectively.
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

(h) Compensated Absences

It is the Water Authority’s policy to permit employees to accumulate earned but unused vacation benefits up to a maximum of 50 days (75 days for management). Sick leave hours accrue at the rate of one day per month. The sick leave policy restricts unused sick leave conversion to vacation at a 50 percent hourly conversion rate for employees with more than 1,000 hours of accrued sick leave. Employees that terminated employment prior to retirement or death are paid zero percent of the unused sick leave. Employees that attained the age of 55, were vested with five years of service, and terminated employment due to retirement, layoff, or death, are paid 100 percent of unused vacation and 100 percent of unused sick leave (up to 1,000 hours), and 50 percent of any amount over 1,000 hours. A Terminal Pay Plan (TPP) was established requiring retirees, or those separating due to death, to transfer 100 percent of all accrued but unused vacation leave and up to 1,000 hours of sick leave (50 percent of any amount over 1,000 hours) into the TPP after completing five years of service and reaching the age of 55. Those who voluntarily separate (or are discharged) with five years of service and have reached the age of 55, are able to use the TPP for payout of accrued vacation hours only.

All accumulated and unused vacation and sick leave pay is recorded as an expense and as compensated absences liability at the time the benefit is earned. At the end of each fiscal year, the Water Authority conducts an analysis of historical annual leave payouts. Based on this analysis in Fiscal Years 2016 and 2015, the Water Authority recognizes 66 percent of the accrued but unused leave balances at June 30 as a current liability with the remaining 34 percent of the balance recorded as a long-term liability.

(i) Arbitrage Rebate

Arbitrage is the difference between the yield paid on tax-exempt bonds and the yield earned by investing the proceeds in higher yielding securities. Under Internal Revenue Code 148(f), if gross proceeds are inverted at a yield higher than the bond yield, the excess earnings must be paid (rebated) to the United States Treasury in five-year installments. Federal income tax laws generally restrict the ability to earn arbitrage and such amounts are accumulated in order to make arbitrage rebate payments to the federal government under the Internal Revenue Code. At the end of each fifth year computation period, the amount to be paid to the United States Treasury is equal to 90 percent of the Cumulative Rebate Liability amount (reduced by applicable computation date credits and any previous rebate payments made in connection with previous installment computation periods) and will be due not later than 60 days after the end of each fifth year computation period. The long-term liability amount represents ten percent of the Cumulative Rebate Liability amount and will be due not later than 60 days after the final maturity date of the debt issuance. Should the debt be retired prior to the next five year rebate installment date, 100 percent of the Cumulative Rebate Liability amount (reduced by applicable computation date credits and any previous rebate payments made in connection with previous installment computation periods) as of such retirement date will become due and payable within 60 days.
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

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

**Net investment in capital assets**

This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding, net of unspent proceeds, related to the acquisition, construction, or improvement of those assets, and deferred outflows and inflows of resources related to debt.

**Restricted for construction projects**

This component of net position consists of external constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation, less outstanding debt associated with restricted assets.

**Restricted for debt service**

This component of net position consists of amounts required by bond covenants to be set aside in reserve to be used to pay debt service in the event pledged revenues are insufficient to cover the debt service requirements, less outstanding debt associated with restricted assets.

**Unrestricted**

This component of net position consists of net position that does not meet the definition of net investment in capital assets, restricted for construction projects, or restricted for debt service.

When both restricted and unrestricted resources are available, it is the Water Authority’s policy to use restricted resources first followed by unrestricted resources as they are needed.

(k) Infrastructure Access Charges

In June 1998, the Infrastructure Access Charge (IAC) was adopted by the Board as an additional source of fixed revenue to provide better coverage of the Water Authority’s projected fixed expenses. The IAC is levied on each Water Authority member agency based on the number and size of retail water meters within the agencies and the Water Authority’s service area. The fixed charge levied against each member agency together with the water standby charge and property tax revenue all combine for the purpose of maintaining a minimum ratio of projected fixed revenue to projected fixed expenses of at least 25 percent. The IAC is adjusted each calendar year as part of the regular rate-setting process and was $2.76 per meter equivalent per month for both Calendar Years 2016 and 2015.

(l) Property Taxes

The Water Authority is authorized under the Act to levy taxes on all taxable property within its boundaries for the purposes of carrying on its operations and paying its obligations subject to certain limitations in the Act, the Revenue and Taxation Code, and the California Constitution.

Property taxes are billed and collected by the County of San Diego and are remitted to the Water Authority throughout the year. The tax rate is based upon the San Diego County Assessor’s valuation of taxable property within the Water Authority’s service area. In addition, the Water Authority collects an in-lieu charge from the City of San Diego.
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

(m) In-Lieu Charges

Member agencies of the Water Authority may elect to pay in-lieu charges instead of the tax levy. Presently, only the City of San Diego pays the in-lieu charge directly to the Water Authority.

(n) Classification of Revenues

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with an enterprise fund’s principal operations. The principal operating revenues of the Water Authority consist of sales of water. Nonoperating revenues consist of property taxes, in-lieu charges, IAC, investment income, intergovernmental, and other miscellaneous income.

(o) Capital Contributions

Capital contributions include capacity charges, water standby availability charges, and contributions in aid of capital assets that are reflected in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenses by state law or by the Board action that established those charges.

The Water Authority has two separate revenue sources to fund the CIP. A water standby availability charge was put into effect in Fiscal Year 1990 and is intended to recover some of the capital costs associated with maintaining the system. In Fiscal Year 1991, a capacity charge on all new or larger retail water meters installed within the boundaries of the Water Authority was implemented. This charge, based on meter size, is designed to recover a proportionate share of the capital costs associated with providing services to new connections.

Federal, state, and private grants used for capital purposes are included in contributions in aid of capital assets. These grants are typically of a reimbursable nature, that is the Water Authority first pays for the project and then the granting agency reimburses the Water Authority for its eligible expenses.

(p) Classification of Expenses

Operating expenses for the Water Authority include the cost of sales, operations and maintenance, planning, general and administrative expenses, depreciation on capital assets, and amortization of intangible assets. Expenses not meeting this definition are reported as nonoperating expenses and include interest expense, debt issuance costs, amortization of bond premiums, amortization of deferred loss on refunding, and other miscellaneous expenses.

(q) Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates. Management believes that all estimates in the financial statements are reasonable.

(r) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Water Authority’s plan (Plan), which is administered by the California Public Employees’ Retirement System (CalPERS) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

(s) New Accounting Pronouncements

Implemented

The following GASB Statements were implemented for the fiscal year ended June 30, 2016, impacting the Water Authority’s financial reporting requirements:

**GASB Statement No. 72 – Fair Value Measurement and Application (Issued February 2015)**

The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. See Note 2 for more detail.

**GASB Statement No. 79 – Certain External Investment Pools and Pool Participants (Issued December 2015)**

This statement addresses accounting and financial reporting for certain investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. See Note 2 for more detail.

The following GASB Statements were implemented for the fiscal year ended June 30, 2016, but did not have an impact to the Water Authority at this time:

**GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued June 2015).**

**GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Issued June 2015).**

**Pending Accounting Standards**

The following GASB Statements have been issued which may impact the Water Authority’s financial reporting requirements in the future:

**GASB Statement No. 74 – Financial Reporting for Postemployment Benefits Other Than Pension, effective for fiscal years beginning after June 15, 2016.**

**GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal years beginning after June 15, 2017.**

**GASB Statement No. 77 – Tax Abatement Disclosures, effective for fiscal years beginning after December 15, 2015.**
1. Nature of Business and Summary of Significant Accounting Policies, (continued)

(s) New Accounting Pronouncements, (continued)

Pending Accounting Standards, (continued)


**GASB Statement No. 80** – Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14, effective for fiscal years beginning after June 15, 2016.

**GASB Statement No. 81** – Irrevocable Split-Interest Agreements, effective for fiscal years beginning after December 15, 2016.

**GASB Statement No. 82** – Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73, effective for fiscal years beginning after June 15, 2016.

2. Cash and Investments

Cash and investments are classified in the accompanying Statements of Net Position at June 30 as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$ 75,806,910</td>
<td>$ 111,130,235</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>$162,359,461</td>
<td>$170,873,233</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>238,166,371</strong></td>
<td><strong>282,003,468</strong></td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>125,312,636</td>
<td>115,405,373</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>72,185,172</td>
<td>70,039,820</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td><strong>197,497,808</strong></td>
<td><strong>185,445,193</strong></td>
</tr>
<tr>
<td><strong>Total current and noncurrent cash and investments</strong></td>
<td><strong>$ 435,664,179</strong></td>
<td><strong>$ 467,448,661</strong></td>
</tr>
</tbody>
</table>
2. Cash and Investments, (continued)

(a) Investments Authorized by the California Government Code and the Water Authority’s Investment Policy

The table below identifies the investment types that are authorized for the Water Authority by the California Government Code (Gov’t. Code) and the Water Authority’s Investment Policy (Inv. Policy). The table also identifies certain provisions of the California Government Code (or the Water Authority’s Investment Policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Water Authority rather than the general provisions of the California Government Code Sections 53600 et seq. or the Water Authority’s Investment Policy.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
<th>Minimum Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gov’t. Code</td>
<td>Inv. Policy</td>
<td>Gov’t. Code</td>
<td>Inv. Policy</td>
</tr>
<tr>
<td>Local agency bonds</td>
<td>5 years</td>
<td>5 years</td>
<td>None 20%</td>
<td>None A</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>5 years</td>
<td>5 years</td>
<td>None None</td>
<td>None None</td>
</tr>
<tr>
<td>Federal agency securities</td>
<td>5 years</td>
<td>5 years</td>
<td>None 85%</td>
<td>None None</td>
</tr>
<tr>
<td>Bankers’ acceptances</td>
<td>180 days</td>
<td>180 days</td>
<td>40% 20%</td>
<td>None A</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>270 days</td>
<td>270 days</td>
<td>25% 25%</td>
<td>None A1/F1</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>5 years</td>
<td>5 years</td>
<td>30% 15%</td>
<td>None None</td>
</tr>
<tr>
<td>Placement service deposits</td>
<td>5 years</td>
<td>5 years</td>
<td>30% (4) 15% (5)</td>
<td>None None</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>5 years</td>
<td>5 years</td>
<td>30% (4) 15% (5)</td>
<td>None None</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>1 year</td>
<td>1 year</td>
<td>None 20%</td>
<td>None A</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>92 days</td>
<td>92 days</td>
<td>20% of portfolio base value</td>
<td>None None</td>
</tr>
<tr>
<td>Medium-term notes</td>
<td>5 years</td>
<td>5 years</td>
<td>30% 30%</td>
<td>None A</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>n/a (8)</td>
<td>20% (8)</td>
<td>10% (8)</td>
<td>AAA (8)</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>n/a (8)</td>
<td>20% (8)</td>
<td>None (8)</td>
<td>AAA AAA</td>
</tr>
<tr>
<td>Mortgage pass-through securities</td>
<td>5 years (8)</td>
<td>n/a (8)</td>
<td>20% (8)</td>
<td>None (8)</td>
</tr>
<tr>
<td>County pooled investment funds</td>
<td>n/a (8)</td>
<td>None (8)</td>
<td>None (8)</td>
<td>None (8)</td>
</tr>
<tr>
<td>JPA pools (other investment pools)</td>
<td>n/a (8)</td>
<td>None (8)</td>
<td>None (8)</td>
<td>None (8)</td>
</tr>
<tr>
<td>Supranationals</td>
<td>5 years</td>
<td>n/a (8)</td>
<td>None (8)</td>
<td>None AAA</td>
</tr>
<tr>
<td>Local agency investment fund (LAIF)</td>
<td>n/a (8)</td>
<td>n/a (8)</td>
<td>None (8)</td>
<td>None AA</td>
</tr>
</tbody>
</table>

Notes:
(1) Authorized by Gov’t Code Section 53684 (a).
(2) Authorized by Gov’t Code section 53601 (a).
(3) Authorized by Gov’t. Code Section 16429.1.
(4) The combined Gov’t. Code maximum portfolio exposure to placement service certificates of deposit and negotiable certificates of deposit is 30 percent.
(5) The combined Inv. Policy maximum portfolio exposure to placement service certificates of deposit and negotiable certificates of deposit is 15 percent.
(6) The combined Inv. Policy maximum investment in one issuer for placement service certificates of deposit and negotiable certificates of deposit is five percent.
(7) Must have a minimum rating of “AA” by at least one of the three credit rating agencies and not rated lower than “A” by the other two.
(8) These investments are not authorized by the Investment Policy.
2. Cash and Investments, (continued)

(b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the Water Authority’s Investment Policy. In addition to the investments authorized in the previous table, debt proceeds held by bond trustees may be invested in guaranteed investment contracts with a maximum maturity that is limited to the final maturity of the bonds being issued.

(c) Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk where changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. One of the ways that the Water Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Water Authority’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following tables that show the distribution of the Water Authority’s investments by terms to maturity for Fiscal Years 2016 and 2015, respectively.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fiscal Year 2016 Remaining Term to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>$ 60,539,060</td>
</tr>
<tr>
<td>Federal agency securities</td>
<td>180,411,083</td>
</tr>
<tr>
<td>Medium-term notes</td>
<td>30,528,669</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>32,308,664</td>
</tr>
<tr>
<td>LAIF</td>
<td>86,465,625</td>
</tr>
<tr>
<td>JPA pools</td>
<td>7,417,504</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>501,029</td>
</tr>
<tr>
<td>Held by bond trustees:</td>
<td></td>
</tr>
<tr>
<td>Guaranteed investment contract</td>
<td>12,240,775</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>11,693,259</td>
</tr>
<tr>
<td>JPA pools</td>
<td>11,685,817</td>
</tr>
<tr>
<td>LAIF</td>
<td>2,336,794</td>
</tr>
<tr>
<td>Fiscal Year 2016 Total</td>
<td>$ 436,128,279</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fiscal Year 2015 Remaining Term to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2015</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>$ 61,061,452</td>
</tr>
<tr>
<td>Federal agency securities</td>
<td>196,874,914</td>
</tr>
<tr>
<td>Medium-term notes</td>
<td>20,008,033</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>34,903,938</td>
</tr>
<tr>
<td>LAIF</td>
<td>136,027,320</td>
</tr>
<tr>
<td>JPA pools</td>
<td>3,620,527</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>453,306</td>
</tr>
<tr>
<td>Held by bond trustees:</td>
<td></td>
</tr>
<tr>
<td>Guaranteed investment contract</td>
<td>12,240,775</td>
</tr>
<tr>
<td>Fiscal Year 2015 Total</td>
<td>$ 465,190,265</td>
</tr>
</tbody>
</table>
2. Cash and Investments, (continued)

(d) Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the tables on the following page for Fiscal Years 2016 and 2015, respectively, is the minimum rating required (where applicable) by the California Government Code, the Water Authority’s Investment Policy, or debt agreements, and the actual rating as of year-end for each investment type.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Value June 30, 2016</th>
<th>Minimum Legal Rating</th>
<th>Exempt From Disclosure</th>
<th>Rating as of Fiscal Year Ended June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>AAA/AA+</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>$ 60,539,060</td>
<td>n/a</td>
<td>$ 60,539,060</td>
<td>$</td>
</tr>
<tr>
<td>Federal agency securities</td>
<td>180,411,083</td>
<td>n/a</td>
<td>-</td>
<td>180,411,083</td>
</tr>
<tr>
<td>Medium-term notes</td>
<td>30,528,669</td>
<td>AA</td>
<td>-</td>
<td>30,528,669</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>32,308,664</td>
<td>A1</td>
<td>-</td>
<td>32,308,664</td>
</tr>
<tr>
<td>LAIF</td>
<td>86,465,625</td>
<td>n/a</td>
<td>-</td>
<td>86,465,625</td>
</tr>
<tr>
<td>JPA pools</td>
<td>7,417,504</td>
<td>AAA</td>
<td>-</td>
<td>7,417,504</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>501,029</td>
<td>AAA</td>
<td>-</td>
<td>501,029</td>
</tr>
</tbody>
</table>

*Held by bond trustees:*

- Guaranteed investment contract: 12,240,775 n/a - 12,240,775
- Money market mutual funds: 11,693,259 AAA - 11,693,259
- JPA pools: 11,685,817 AAA - 11,685,817
- LAIF: 2,336,794 n/a - 2,336,794

Fiscal Year 2016 Total: $ 436,128,279 $ 60,539,060 $ 242,237,361 $ 32,308,664 $ 101,043,194

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Value June 30, 2015</th>
<th>Minimum Legal Rating</th>
<th>Exempt From Disclosure</th>
<th>Rating as of Fiscal Year Ended June 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>AAA/AA+</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>$ 61,061,452</td>
<td>n/a</td>
<td>$ 61,061,452</td>
<td>$</td>
</tr>
<tr>
<td>Federal agency securities</td>
<td>196,874,914</td>
<td>n/a</td>
<td>-</td>
<td>196,874,914</td>
</tr>
<tr>
<td>Medium-term notes</td>
<td>20,008,033</td>
<td>AA</td>
<td>-</td>
<td>20,008,033</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>34,903,938</td>
<td>A1</td>
<td>-</td>
<td>34,903,938</td>
</tr>
<tr>
<td>LAIF</td>
<td>136,027,320</td>
<td>n/a</td>
<td>-</td>
<td>136,027,320</td>
</tr>
<tr>
<td>JPA pools</td>
<td>3,620,527</td>
<td>AAA</td>
<td>-</td>
<td>3,620,527</td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>453,306</td>
<td>AAA</td>
<td>-</td>
<td>453,306</td>
</tr>
</tbody>
</table>

*Held by bond trustees:*

- Guaranteed investment contract: 12,240,775 n/a - 12,240,775

Fiscal Year 2015 Total: $ 465,190,265 $ 61,061,452 $ 220,956,780 $ 34,903,938 $ 148,268,095
(e) Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represent five percent or more of total Water Authority investments are as follows for Fiscal Years 2016 and 2015, respectively.

**Fiscal Year 2016**

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Investment Type</th>
<th>Reported Amount</th>
<th>% of Total Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal National Mortgage Association</td>
<td>Federal agency securities</td>
<td>$58,475,276</td>
<td>13.4%</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation</td>
<td>Federal agency securities</td>
<td>37,886,005</td>
<td>8.7%</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>Federal agency securities</td>
<td>53,975,801</td>
<td>12.4%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>Federal agency securities</td>
<td>30,074,001</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

**Fiscal Year 2015**

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Investment Type</th>
<th>Reported Amount</th>
<th>% of Total Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal National Mortgage Association</td>
<td>Federal agency securities</td>
<td>$98,952,380</td>
<td>21.3%</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation</td>
<td>Federal agency securities</td>
<td>44,289,325</td>
<td>9.5%</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>Federal agency securities</td>
<td>26,981,808</td>
<td>5.8%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>Federal agency securities</td>
<td>26,651,401</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

(f) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (for example, broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Water Authority’s Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The Water Authority was not exposed to custodial credit risk as of June 30, 2016 and 2015.
2. Cash and Investments, (continued)

(g) Investment Value Measurement

The following is a summary of Water Authority investments based on the method for measuring value as of June 30, 2016 and 2015, respectively:

<table>
<thead>
<tr>
<th>Investments by fair value level</th>
<th>June 30, 2016</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>June 30, 2015</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal agency securities</td>
<td>$180,411,083</td>
<td>$180,411,083</td>
<td></td>
<td>$196,874,914</td>
<td>$196,874,914</td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td>32,308,664</td>
<td>-</td>
<td>32,308,664</td>
<td>34,903,938</td>
<td>-</td>
<td>34,903,938</td>
</tr>
<tr>
<td>Medium-term notes</td>
<td>30,528,669</td>
<td>-</td>
<td>30,528,669</td>
<td>20,008,033</td>
<td>-</td>
<td>20,008,033</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>60,539,060</td>
<td>-</td>
<td>60,539,060</td>
<td>61,061,452</td>
<td>-</td>
<td>61,061,452</td>
</tr>
<tr>
<td>Investments by fair value level</td>
<td>$303,787,476</td>
<td>$303,787,476</td>
<td></td>
<td>$312,848,337</td>
<td>$312,848,337</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments measured other than fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed investment contract (1)</td>
</tr>
<tr>
<td>Money market mutual funds (1)</td>
</tr>
<tr>
<td>LAIF (2)</td>
</tr>
<tr>
<td>JPA pools (3)</td>
</tr>
<tr>
<td>Investments measured other than fair value</td>
</tr>
<tr>
<td>Total investments</td>
</tr>
</tbody>
</table>

(1) Reported as a stable one dollar value per share.
(2) Reported based on the application of a fair value factor to each one dollar share.
(3) Measured at amortized cost.

The Water Authority categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*, implemented during fiscal year ended June 30, 2016. Statement No. 72 provides guidance for determining fair value for financial reporting purposes and expands disclosures related to fair value measurements and their impact on financial position. The statement is intended to enhance comparability between government financial statements and provide more detailed information to financial statement users about fair value and measurement techniques.
2. Cash and Investments, (continued)

(g) Investment Value Measurement, (continued)

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured as an exit price for financial investments.

Statement No. 72 allows governments to utilize valuation techniques consistent with market, cost, or income approaches to determine fair value. The most appropriate technique is utilized to maximize the use of observable inputs. Statement No. 72 establishes a hierarchy of inputs for valuation.

**LEVEL 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. As of June 30, 2016 and 2015 the Water Authority did not own Level 1 investments.

**LEVEL 2** inputs are other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Securities classified in Level 2 are valued by a recognized third-party utilizing matrix pricing.

**LEVEL 3** inputs are unobservable inputs for the asset or liability. As of June 30, 2016 or 2015 the Water Authority did not own Level 3 investments.

The Water Authority owns investments utilizing a stable one dollar per share value. These investment assets are exempt from reporting under the fair value measurement levels defined by GASB Statement No. 72. There are no redemption restrictions for the investments reported at a value of one dollar per share.

(h) Investment in State Investment Pool

The Water Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429.1 under the oversight of the Treasurer of the State of California. The value of the Water Authority’s investment in the pool is reported in the accompanying financial statements at amounts based upon a fair value factor applied to each one dollar share.

The total amount invested by all public agencies in LAIF as of June 30, 2016 and 2015 was $22.7 billion and $21.5 billion, respectively. LAIF is part of the California Pooled Money Investment Account (PMIA), which as of June 30, 2016 and 2015 had a balance of $75.4 billion and $69.6 billion, respectively, and of those amounts, 2.81 percent and 2.08 percent were invested in medium-term and short-term structured notes, and asset-backed securities as of June 30, 2016 and 2015, respectively. The average maturity of LAIF investments as of June 30, 2016 and 2015 was 167 days and 239 days, respectively.
2. Cash and Investments, (continued)

(i) JPA Pools

The Water Authority is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Government Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers. CAMP had a balance of $1.8 billion and $1.6 billion at June 30, 2016 and 2015, respectively, with a weighted average maturity of 45 days and 32 days, respectively. The value of the pool shares in CAMP, which may be withdrawn without restriction, is determined on an amortized cost basis, the same as the fair value of the Water Authority’s position in the pool.

CAMP, a local government investment pool, elected to follow GASB Statement No. 79, Certain External Investment Pools and Pool Participants during fiscal year ended June 30, 2016. This statement establishes a criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. Accordingly, the Water Authority has also adopted GASB No. 79 and now measures investments in CAMP at amortized cost. The Water Authority’s investment in CAMP, measured at amortized cost was $19,103,321 as of June 30, 2016 and $3,620,527 as of June 30, 2015.

3. Inventories

Components of inventories at June 30, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water in storage</td>
<td>$100,233,334</td>
<td>$52,013,650</td>
</tr>
<tr>
<td>Valves in storage</td>
<td>240,594</td>
<td>255,735</td>
</tr>
<tr>
<td>Materials in storage</td>
<td>156,324</td>
<td>159,237</td>
</tr>
<tr>
<td><strong>Total inventories</strong></td>
<td><strong>$100,630,252</strong></td>
<td><strong>$52,428,622</strong></td>
</tr>
</tbody>
</table>

4. Prepaid Expenses

In March 2008, the Water Authority purchased 10,006 and 13,071 acre-feet of transfer water from the Butte Water District and Sutter Extension Water District, respectively, for a total of 23,077 acre-feet. As part of the transfer, the Water Authority incurred a Delta carriage loss of 20 percent, a conveyance loss of three percent and evaporative and aquifer losses of ten percent. After the adjustments, the total acre-feet for Butte Water District and Sutter Extension Water District are 6,930 and 9,187, respectively, a total of 16,117 acre-feet. This water is currently stored outside the Water Authority’s service area pursuant to a long-term groundwater storage agreement as outlined in Note 8(d). As such, it is classified as prepaid expenses on the Statements of Net Position in the amount of $4,620,500 as of June 30, 2016 and 2015.

Also included in prepaid expenses are payments to the Water Authority’s benefits administrator for Fiscal Years 2016 and 2015 in the amount of $15,229 and $16,315, respectively. The total prepaid expenses balance as of June 30, 2016 and 2015 was $4,635,729 and $4,636,815, respectively.
5. Long-Term Loan Receivables

**Imperial Irrigation District**

In October 2003, the Water Authority amended its Transfer Agreement with IID. As part of this amendment, the Water Authority made initial socioeconomic impact payments totaling $10.0 million (the "Loan").

These funds will be used to pay for the initial administrative costs, and estimated and annual cumulative socioeconomic impact costs. Beginning in Calendar Year 2019, the Water Authority will begin receiving credits from IID to be applied against any payments due and shall continue until Calendar Year 2048 or until the agreement is terminated, whichever comes first. If the agreement terminates before Calendar Year 2048, IID is under no obligation to pay the Water Authority the remaining balance of the loan.

Under the terms of the amended agreement, in December 2007, the Water Authority paid IID $10.0 million for future deliveries of water. Interest on the prepayment shall begin to accrue on December 31, 2019 using the Water Authority’s weighted average cost of funds for its short-term and long-term debt outstanding as shown in the Water Authority’s annual financial report for each fiscal year ending June 30. If not repaid sooner, beginning on December 31, 2019 through December 31, 2033, IID shall credit the Water Authority’s monthly invoice for conserved water in 180 equal monthly installments of $55,556 plus accrued interest.

As of June 30, 2016 and 2015, the total long-term loan receivables balance was $20,000,000.
6. Capital Assets

Capital Asset activity for the fiscal years ended June 30, 2016 and 2015:

<table>
<thead>
<tr>
<th>Balance at June 30, 2014</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital assets not depreciated:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$23,244,672</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Easements</td>
<td>7,933,369</td>
<td>4,650</td>
<td>-</td>
</tr>
<tr>
<td>Mitigation Bank (Note 7)</td>
<td>5,017,023</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Storage rights</td>
<td>41,016,383</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>555,898,353</td>
<td>99,062,559</td>
<td>(1) (2,930,335)</td>
</tr>
<tr>
<td><strong>Total capital assets not depreciated</strong></td>
<td>$633,109,800</td>
<td>99,067,209</td>
<td>(2,930,335)</td>
</tr>
</tbody>
</table>

| **Capital assets being depreciated:** | | | |
| Pipelines and dams | 1,790,726,715 | - | - | 80,579,077 |
| Facilities | 731,162,857 | 369,803 | (161,862) | 8,406,441 |
| Equipment | 35,202,142 | 1,637,477 | (649,688) | 151,641 |
| Computer systems software | 7,917,720 | - | - | - |
| Participation and capacity rights (Note 8) | 508,782,992 | 3,149,478 | - | - |
| **Total capital assets being depreciated** | $3,073,792,426 | 5,156,758 | (811,550) | 89,137,159 |

| Accumulated depreciation and amortization (Note 1f): | | | |
| Pipelines and dams | (273,274,222) | (21,971,489) | - | - |
| Facilities | (128,673,647) | (21,284,446) | 109,356 | - |
| Equipment | (29,763,515) | (2,565,098) | 649,688 | - |
| Computer systems software | (5,471,151) | (1,000,584) | - | - |
| Participation and capacity rights (Note 8) | (55,920,318) | (10,929,667) | - | - |
| **Total accumulated depreciation and amortization** | (493,102,853) | (57,751,284) | 759,044 | - |

| **Capital assets, net of depreciation and amortization** | | | |
| Pipelines and dams | 2,580,689,573 | (52,594,526) | (52,506) | 89,137,159 |
| **Total capital assets** | $3,213,799,373 | $46,472,683 | $(2,982,841) | $ - |

Notes:

(1) Additions include capitalized interest of $5.9 million and $14.8 million for Fiscal Years 2016 and 2015, respectively.

(2) Construction in progress deletions are for write-off of Tijuana River Valley Mitigation and demolition of Otay 9 Flow Control Facility.
6. Capital Assets, (continued)

<table>
<thead>
<tr>
<th>Balance at June 30, 2015</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfers</th>
<th>Balance at June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 24,053,307</td>
<td>$ 405,097</td>
<td>-</td>
<td>-</td>
<td>$ 24,458,404</td>
</tr>
<tr>
<td>11,858,791</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,858,791</td>
</tr>
<tr>
<td>5,329,998</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,329,998</td>
</tr>
<tr>
<td>411,751,904</td>
<td>-</td>
<td>-</td>
<td>2,789,255</td>
<td>414,541,159</td>
</tr>
<tr>
<td>187,115,515</td>
<td>286,624,249 (^{1})</td>
<td>-</td>
<td>(302,690,407)</td>
<td>171,049,357</td>
</tr>
<tr>
<td><strong>640,109,515</strong></td>
<td><strong>287,029,346</strong></td>
<td>-</td>
<td><strong>(299,901,152)</strong></td>
<td><strong>627,237,709</strong></td>
</tr>
<tr>
<td>1,871,305,792</td>
<td>-</td>
<td>-</td>
<td>260,334,385</td>
<td>2,131,640,177</td>
</tr>
<tr>
<td>739,777,239</td>
<td>1,655,374</td>
<td>-</td>
<td>38,662,418</td>
<td>780,095,031</td>
</tr>
<tr>
<td>36,341,572</td>
<td>1,717,721</td>
<td>(320,204)</td>
<td>-</td>
<td>37,739,089</td>
</tr>
<tr>
<td>7,917,720</td>
<td>-</td>
<td>-</td>
<td>839,572</td>
<td>8,757,292</td>
</tr>
<tr>
<td>511,932,470</td>
<td>2,776,906</td>
<td>-</td>
<td>64,777</td>
<td>514,774,153</td>
</tr>
<tr>
<td><strong>3,167,274,793</strong></td>
<td><strong>6,150,001</strong></td>
<td>(320,204)</td>
<td><strong>299,901,152</strong></td>
<td><strong>3,473,005,742</strong></td>
</tr>
<tr>
<td>(295,245,711)</td>
<td>(23,696,212)</td>
<td>-</td>
<td>-</td>
<td>(318,941,923)</td>
</tr>
<tr>
<td>(149,848,737)</td>
<td>(21,509,202)</td>
<td>-</td>
<td>-</td>
<td>(171,357,939)</td>
</tr>
<tr>
<td>(31,678,925)</td>
<td>(2,530,057)</td>
<td>320,204</td>
<td>-</td>
<td>(33,888,778)</td>
</tr>
<tr>
<td>(6,471,735)</td>
<td>(777,326)</td>
<td>-</td>
<td>-</td>
<td>(7,249,061)</td>
</tr>
<tr>
<td>(66,849,985)</td>
<td>(10,980,319)</td>
<td>-</td>
<td>-</td>
<td>(77,830,304)</td>
</tr>
<tr>
<td><strong>(550,095,093)</strong></td>
<td><strong>(59,493,116)</strong></td>
<td><strong>320,204</strong></td>
<td>-</td>
<td><strong>(609,268,005)</strong></td>
</tr>
<tr>
<td><strong>2,617,179,700</strong></td>
<td><strong>(53,343,115)</strong></td>
<td>-</td>
<td><strong>299,901,152</strong></td>
<td><strong>2,863,373,737</strong></td>
</tr>
<tr>
<td><strong>$ 3,257,289,215</strong></td>
<td><strong>$ 233,686,231</strong></td>
<td>-</td>
<td><strong>$</strong></td>
<td><strong>$ 3,490,975,446</strong></td>
</tr>
</tbody>
</table>

(1) Additions include capitalized interest of $5.9 million and $14.8 million for Fiscal Years 2016 and 2015, respectively.

(2) Construction in progress deletions are for write-off of Tijuana River Valley Mitigation and demolition of Otay 9 Flow Control Facility.
7. Mitigation Bank

The Mitigation Bank contains purchased rights to designate the future use of land in which title is held by another entity. This acreage includes wetland, stream, or other open space areas that have been restored, established, enhanced, or preserved for the purpose of providing compensation to the public for unavoidable impacts to the environment permitted under Section 404 of the Federal Clean Water Act or other state or local regulation. The Water Authority transfers a proportionate share of the cost of the Mitigation Bank to the capital project at the time the acreage is identified to mitigate the impacts from a specific project. These costs are then amortized over the estimated useful life of the related asset. As of June 30, 2016 and 2015, the value of acreage remaining was $5,329,998 and $5,329,998, respectively.

<table>
<thead>
<tr>
<th>Mitigation Sites</th>
<th>Acres</th>
<th>Total</th>
<th>Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crestridge Habitat Management Area (HMA)</td>
<td>258.45</td>
<td>16.93</td>
<td></td>
</tr>
<tr>
<td>San Miguel Conservation</td>
<td>820.85</td>
<td>820.85</td>
<td></td>
</tr>
<tr>
<td><strong>Mitigation Bank Total</strong></td>
<td><strong>1,079.30</strong></td>
<td><strong>837.78</strong></td>
<td></td>
</tr>
</tbody>
</table>

8. Participation and Capacity Rights

The Water Authority builds capital assets that, by agreement, entitle it to certain participation and capacity rights. The total participation and capacity rights, net of amortization, were $436,943,849 and $445,082,485 as of June 30, 2016 and 2015, respectively.

(a) Quantification Settlement Agreement Joint Powers Authority Participation Rights

Pursuant to the Quantification Settlement Agreement Joint Powers Authority (QSA JPA) Creation and Funding Agreement (Agreement), the Water Authority agreed with IID, Coachella Valley Water District (CVWD), and the State of California, to accept responsibility for certain environmental mitigation requirements.

Under Article IX of the Agreement, the environmental mitigation contribution required by the Water Authority net of amortization was $48,774,606 and $49,180,048 as of June 30, 2016 and 2015, respectively. Amortization is computed using the acre-feet assigned per calendar year over the 75-year life of the Agreement.

In addition, the Agreement required the Water Authority to pay, net of amortization, $8,441,717 and $8,703,476 as of June 30, 2016 and 2015, respectively, as a contribution to the Salton Sea Restoration Fund. Amortization is computed utilizing the straight-line method over the 75-year life of the Agreement.

Legal expenses associated with the right to purchase water were capitalized in Fiscal Year 2011 due to litigation finalized in that fiscal year with MWD, in relation to the QSA JPA projects. These costs are being amortized utilizing the straight-line method over the life of the 75-year Agreement, and totaled, net of amortization, $17,462,235 and $14,927,934 for fiscal years ended June 30, 2016 and June 30, 2015, respectively. The QSA JPA is not a named party to separate ongoing Water Authority litigation challenging MWD’s rate structure, as discussed in Note 16.

(b) Imperial Irrigation District Socioeconomic Participation Rights

IID and the Water Authority resolved a dispute concerning the nature and extent of the obligations and covenants under Section 14.5 of the Revised Fourth Amendment to the Agreement between IID and the Water Authority for the Transfer of Conserved Water by agreeing to additional annual payments to be made to IID. Participation rights, net of amortization, totaled $2,952,000 and $5,904,000 as of June 30, 2016 and 2015, respectively, and are being amortized using the straight-line method over ten years.
8. Participation and Capacity Rights, (continued)

(c) Canal Lining Participation Rights

On October 10, 2003 the Water Authority assumed MWD’s rights and obligations for the All-American Canal and Coachella Canal Lining Projects under Article 4A of the Colorado River Water Delivery Settlement Allocation agreement between the United States, MWD, IID, CVWD, and the San Luis Rey Indian Water Authority (SLR). The agreement, net of amortization, required payment of $3,586,560 and $3,644,176 as of June 30, 2016 and 2015, respectively, to IID for MWD’s outstanding obligations.

The agreement specifically assigned the project of lining the Coachella Canal, which is a branch of the All-American Canal from the Colorado River and is owned by the U.S. Bureau of Reclamation (BOR), to the Water Authority. The lining of the canal prevents and conserves water seepage through the previous unlined canal. The Coachella Canal now provides a firm supply of 21,500 acre-feet per year to the Water Authority. The cost of the project was offset by a funding agreement with the Department of Water Resources for $79,447,974. Participation rights for this project, net of amortization, totaled $114,918,238 and $116,023,221 as of June 30, 2016 and 2015, respectively, and are amortized utilizing the straight-line method over the life of the agreement, which is 110 years.

The agreement executed January 13, 2006 between BOR, IID, and the Water Authority for the construction of the All-American Canal Lining Project provides for the construction of the canal by IID with oversight by the Water Authority and the BOR. The All-American Canal provides 56,200 acre-feet per year to the Water Authority annually for 110 years. The Department of Water Resources funded $135.7 million for construction of the All-American Canal Lining Project, and the Water Authority funded the amount over the state subsidy. Participation rights for this project, net of amortization, totaled $145,392,542 and $146,781,643 as of June 30, 2016 and 2015, respectively, and are amortized utilizing the straight-line method over the life of the agreement of 110 years.

(d) Vidler and Semitropic Participation Rights

In July 2008, the Water Authority entered into agreements with Vidler Water Company (Vidler) and Semitropic-Rosamond Water Bank (Semitropic) that entitles the Water Authority to storage, withdrawal, and exchange rights within the Semitropic Water Banking and Exchange Program, the Semitropic Water Bank Recovery Unit, and the Antelope Valley Water Bank.

The Water Authority bought Vidler’s 30,000 acre-feet of storage and recovery rights in the Semitropic Water Storage District’s underground basin in Kern County. The Water Authority also invested in Semitropic, which will provide a total of 40,000 acre-feet of storage rights, for a total amount of 70,000 acre-feet.

Storage and recovery rights for this program totaled, net of amortization, $8,331,747 and $8,759,016 for Vidler and $10,701,219 and $11,250,000 for Semitropic as of June 30, 2016 and 2015, respectively. These rights are amortized using the straight-line method over the life of the agreements, which end in 2035.
8. Participation and Capacity Rights, (continued)

(e) Levy Treatment Plant Capacity Rights

In April 1997, the Water Authority entered into a capacity agreement with Helix Water District (Helix) for installation of an untreated water transmission pipeline, a flow control facility, and expansion of the R.M. Levy Water Treatment Plant (Levy Plant). Helix owns, operates, and maintains the Levy Plant and agreed to its phased expansion to 106 million gallons per day (mgd). In accordance with the April 1997 agreement, the Water Authority has capacity rights of 26 mgd. In April 2006, a third amendment to the agreement with Helix transferred to the Water Authority an additional 10 mgd capacity in the Levy Plant, for total capacity rights of 36 mgd. The Water Authority paid $10.6 million to Helix for 10 mgd of additional capacity in the Levy Plant, $300,000 to Helix for 4 mgd of additional capacity in the 54-inch transmission main (for Lakeside Water District), $1.5 million to Helix for 8 mgd of additional capacity in Helix Flume Pipeline (for Otay Water District), and $600,000 to Helix for 12 mgd of additional capacity in Helix Flume Pipeline (for Padre Dam Municipal Water District). Capacity rights for Levy Plant Capacity Purchases, net of amortization, totaled $11,377,072 and $11,757,364 as of June 30, 2016 and 2015, respectively, and are being amortized using the straight-line method over 35 years.

(f) Los Coches Pump Station and Helix Flume Pipeline Capacity Rights

In April 2006, the Water Authority entered into an agreement with Helix regarding implementation of the East County Regional Treated Water Improvement Program (ECRTWIP). The purpose of the ECRTWIP is to significantly improve the regional water treatment capacity in East County by maximizing utilization of the Levy Plant to provide additional capacity to serve Otay Water District, Lakeside Water District, and Padre Dam Municipal Water District. The Los Coches Pump Station, which pumps into the Helix Flume Pipeline, was increased from 22 mgd to 64 mgd, with the Water Authority having capacity rights to 24 mgd. A section of the Helix Flume Pipeline had to be replaced with a new 48-inch steel pipe to withstand the increased pressure, with the Water Authority having capacity rights to 12 mgd. Capacity rights for Los Coches Pump Station, net of amortization, totaled $2,203,185 and $2,765,700 as of June 30, 2016 and 2015, respectively, and for Helix Flume Pipeline, net of amortization, totaled $1,971,053 and $2,474,301 as of June 30, 2016 and 2015, respectively, and are being amortized using the straight-line method over ten years.

(g) Moreno-Lakeside Pipeline Capacity Rights

In June 2001, the Water Authority and Helix executed the first amendment to the 1997 Capacity Agreement. Capacity rights for this project, net of amortization, totaled $1,353,580 and $2,031,311 as of June 30, 2016 and 2015, respectively, and are being amortized using the straight-line method over ten years, which began when the project was capitalized in Fiscal Year 2008. Otay Water District constructed a new pipeline from the Otay 14 Flow Control Facility location to the regulatory reservoirs in the Otay System. The Water Authority reimbursed Otay Water District for the new pipeline and Otay Water District agreed to purchase at least 10,000 acre-feet of water per calendar year from the Water Authority. The capacity rights added to the Moreno-Lakeside Pipeline, net of amortization, totaled $1,418,887 and $2,033,252 as of June 30, 2016 and 2015, respectively, and are being amortized using the straight-line method over ten years.

(h) Imperial Irrigation District Water Transfer – Base Contract Price Settlement Participation Rights

IID and the Water Authority executed an agreement that settled all disputes related to the Base Contract Price and the Water Authority/IID Conserved Water Transfer Agreement as stated in the Fifth Amendment to the agreement. Participation rights for this agreement, net of amortization, totaled $49,546,988 and $50,021,879 as of June 30, 2016 and 2015, respectively, and are being amortized utilizing the straight-line method over the 75-year life of the agreement.

Fiscal Years Ended June 30, 2016 & 2015
8. Participation and Capacity Rights, (continued)

(i) Rancho Canada Permit for Endangered Species

The Water Authority funded property in the amount of, net of amortization, $5,382,517 and $5,488,229 as of June 30, 2016 and 2015, respectively, owned by the Department of Fish and Game for permits for endangered species for 55 years. The Water Authority will be allowed to count the property as mitigation to satisfy any permit requirements issued for Emergency Storage Projects (ESP) and Carryover Storage Projects (CSP) pursuant to the Federal and State Endangered Species Acts, Federal Clean Water Act, California Porter-Cologne Act, and California Fish and Game Code Section 1602 to the extent the agency issuing the permit agrees the property provides suitable mitigation for impacts. Any acreage not applied as mitigation for ESP or CSP will be available to the Water Authority to be credited toward Water Authority mitigation and conservation obligations for future Water Authority CIP projects, maintenance and operation activities, urgent repairs, and emergency actions as described in the Water Authority Natural Communities Conservation Plan.

(j) Lake Hodges Pumped Storage Inlet/Outlet Storage Rights

The Lake Hodges Projects are part of the Water Authority’s ESP, which consists of a system of reservoirs, interconnected pipelines, and pumping stations designed to make water available to the San Diego region in the event of an interruption in imported water deliveries. The Lake Hodges Projects connect the City of San Diego’s Hodges Reservoir, also called Lake Hodges, to the Water Authority’s Olivenhain Reservoir. The connection provides the ability to store 20,000 acre-feet of water in Hodges Reservoir for emergency use. Storage Rights for Lake Hodges Pumped Storage, net of amortization, totaled $3,129,703 and $3,336,935 as of June 30, 2016 and 2015, respectively. These storage rights are being amortized over 20 years.

9. Short-Term Liabilities

The Water Authority has a Tax-Exempt Commercial Paper (TECP) program, authorized in the amount of $460,000,000, through which it can borrow funds on a tax-exempt basis for periods up to 270 days to provide financing for the Water Authority’s CIP. The Water Authority has remarketing agreements with seven separate broker-dealers: Bank of America Securities LLC/Merrill Lynch, Citigroup Global Markets Inc., Goldman Sachs and Co., JPMorgan Chase & Co., Morgan Stanley and Co. LLC, LOOP Capital Markets, LLC, and RBC Capital Markets, LLC. The remarketing fees for the various dealer agreements range from 0.045 percent to 0.10 percent per annum on the par amount of TECP outstanding. No advances have been made under any of the revolving credit and term loan agreements during the fiscal years ended June 30, 2016 and 2015.

In Fiscal Year 2014, the Water Authority added an Extendable Commercial Paper (ECP) program to provide financing for the Water Authority’s CIP. ECP offers a lower cost of funds than TECP, but is only available to highly rated agencies like the Water Authority. The Water Authority has the ability to access the capital markets and redeem the notes before the end of the 150 day extension period. ECP maturities are limited to between 1 and 120 days to allow a 150 day extension period and maintain a maximum maturity of 270 days. There is no bank support associated with ECP, therefore, the dealers play a more central role. This moderately sized program provides the Water Authority significant cost savings and the opportunity to add a new debt instrument to enable the debt portfolio to be better optimized.

The TECP and ECP notes are secured and payable on a parity basis solely from net water revenues and are subordinate to the Water Revenue Certificates of Participation (COP), Water Revenue Bonds, and Water Revenue Refunding Bonds. At June 30, 2016 and 2015, the Water Authority had short-term debt outstanding of $345,000,000 and $360,000,000, respectively.
9. Short-Term Liabilities, (continued)

(a) Commercial Paper Notes, Series 5

On June 29, 2011, the Commercial Paper Notes, Series 5 (the Series 5 Notes) were issued for a total maximum authorized amount of $100,000,000. The Series 5 Notes have liquidity support in the form of a revolving credit and term loan agreement with Wells Fargo Bank, N.A. Effective March 3, 2014, the Water Authority paid annual commitment fees of 0.33 percent based on the par amount of the commitment. The Water Authority terminated this agreement on June 23, 2016. Proceeds from the Series 9 Notes and Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1, in the amounts of $48,370,000 and $51,630,000, respectively, were used to pay the outstanding balance. At June 30, 2016 and 2015, the balance outstanding was $0 and $100,000,000, respectively.

(b) Commercial Paper Notes, Series 7

On June 26, 2013, the Commercial Paper Notes, Series 7 (the Series 7 Notes) were issued for a total maximum authorized amount of $100,000,000. The Series 7 Notes have liquidity support in the form of a revolving credit and term loan agreement with JPMorgan Chase Bank, N.A. During the term of the agreement, the Water Authority paid annual commitment fees of 0.36 percent based on the par amount of the commitment. The Water Authority terminated this agreement on June 23, 2016. Proceeds from the Extendable Commercial Paper Notes, Series 1 and Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1, in the amounts of $50,000,000 each were used to pay the outstanding balance. At June 30, 2016 and 2015, the balance outstanding was $0 and $100,000,000 million respectively.

(c) Commercial Paper Notes, Series 8

On April 2, 2014, the Commercial Paper Notes, Series 8 (the Series 8 Notes) were issued for a total maximum authorized amount of $110,000,000. The Series 8 Notes have liquidity support in the form of a revolving credit and term loan agreement with Bank of Tokyo-Mitsubishi UFJ, Ltd. and, unless otherwise extended, will terminate on June 27, 2017. During the term of the agreement, the Water Authority pays annual commitment fees of 0.325 percent based on the par amount of the commitment. At June 30, 2016 and 2015, the balance outstanding was $110,000,000.

Short-term liabilities activity for the fiscal years ended June 30, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at June 30, 2014</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term debt:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Paper Notes, Series 5</td>
<td>$100,000,000</td>
<td>$</td>
<td>-$</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>Commercial Paper Notes, Series 7</td>
<td>100,000,000</td>
<td>-$</td>
<td>-$</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Commercial Paper Notes, Series 8</td>
<td>110,000,000</td>
<td>-</td>
<td>-</td>
<td>110,000,000</td>
</tr>
<tr>
<td>Commercial Paper Notes, Series 9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Extendable Commercial Paper Notes, Series 1</td>
<td>50,000,000</td>
<td>-</td>
<td>-</td>
<td>50,000,000</td>
</tr>
<tr>
<td><strong>Total short-term debt</strong></td>
<td><strong>$360,000,000</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
<td><strong>$360,000,000</strong></td>
</tr>
</tbody>
</table>
9. Short-Term Liabilities, (continued)

(d) Commercial Paper Notes, Series 9

On May 11, 2016, the Commercial Paper Notes, Series 9 (the Series 9 Notes) were issued for a total maximum authorized amount of $135,000,000. The Series 9 Notes have liquidity support in the form of a revolving credit and term loan agreement with Bank of America, N.A. and, unless otherwise extended, will terminate on July 16, 2018. During the term of the agreement, the Water Authority pays annual commitment fees of 0.40 percent based on the par amount of the commitment. At June 30, 2016, the balance outstanding was $135,000,000.

(e) Extendable Commercial Paper Notes, Series 1

On June 19, 2014, the Extendable Commercial Paper Notes, Series 1 (the Series 1 ECP Notes) were issued for a total maximum authorized amount of $50,000,000. On June 23, 2016, the authorized amount increased $50,000,000 for a total maximum authorized amount of $100,000,000. The Water Authority has appointed Merrill Lynch, Pierce, Fenner & Smith Inc., Morgan Stanley & Co. LLC, and JP Morgan Securities, LLC as co-dealers for the Series 1 ECP Notes. ECP does not have bank liquidity support. At June 30, 2016 and 2015, the balance outstanding was $100,000,000 and $50,000,000, respectively.

\[
\begin{array}{ccc}
\text{Additions} & \text{Deletions} & \text{Balance at June 30, 2016} \\
\hline
\$ & - & \$ \ (100,000,000) \\
\$ & (100,000,000) & - \\
135,000,000 & - & 135,000,000 \\
50,000,000 & - & 100,000,000 \\
\hline
\$ 185,000,000 & \$ (200,000,000) & \$ 345,000,000
\end{array}
\]
10. Long-Term Liabilities

Long-term liabilities activities for the fiscal years ended June 30, 2016 and 2015 are as follows:

### Long-term debt:

<table>
<thead>
<tr>
<th>Description</th>
<th>Balance at June 30, 2014</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Revenue COP, 1998A (Note 10a)</td>
<td>$11,685,000</td>
<td>$</td>
<td>$</td>
<td>$11,685,000</td>
</tr>
<tr>
<td>Water Revenue COP, Series 2004A (Note 10b)</td>
<td>43,925,000</td>
<td></td>
<td>(43,925,000)</td>
<td></td>
</tr>
<tr>
<td>Water Revenue Refunding COP, Series 2005A (Note 10c)</td>
<td>70,885,000</td>
<td></td>
<td>(13,510,000)</td>
<td>57,375,000</td>
</tr>
<tr>
<td>Water Revenue COP, Series 2008A (Note 10d)</td>
<td>536,110,000</td>
<td></td>
<td>(23,460,000)</td>
<td>512,650,000</td>
</tr>
<tr>
<td>Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) (Note 10e)</td>
<td>96,925,000</td>
<td></td>
<td>(2,560,000)</td>
<td>94,365,000</td>
</tr>
<tr>
<td>Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (Note 10f)</td>
<td>526,135,000</td>
<td></td>
<td></td>
<td>526,135,000</td>
</tr>
<tr>
<td>Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1 (Note 10g)</td>
<td>86,630,000</td>
<td></td>
<td></td>
<td>86,630,000</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2011A (Note 10h)</td>
<td>126,285,000</td>
<td></td>
<td>(7,185,000)</td>
<td>119,100,000</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2011B (Note 10i)</td>
<td>94,540,000</td>
<td></td>
<td></td>
<td>94,540,000</td>
</tr>
<tr>
<td>Water Furnishing Revenue Bonds, Series 2012 (Note 10j)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2013A (Note 10k)</td>
<td>299,105,000</td>
<td></td>
<td></td>
<td>299,105,000</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2015A (Note 10l)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1 (Note 10m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2016A (Note 10n)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2016B (Note 10o)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total long-term debt</strong></td>
<td>$1,892,225,000</td>
<td></td>
<td>(90,640,000)</td>
<td>$1,801,585,000</td>
</tr>
</tbody>
</table>

### Other long-term liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Balance at June 30, 2014</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions payable (Note 10p)</td>
<td>52,639,895</td>
<td></td>
<td>(5,602,795)</td>
<td>47,037,100</td>
</tr>
<tr>
<td>Compensated absences (Note 1h)</td>
<td>6,135,328</td>
<td>3,180,949</td>
<td>(3,180,387)</td>
<td>6,135,890</td>
</tr>
<tr>
<td>OPEB liability (Note 12)</td>
<td>1,812,000</td>
<td></td>
<td>(1,812,000)</td>
<td></td>
</tr>
<tr>
<td>Arbitrage rebate (Note 1i)</td>
<td>600,437</td>
<td></td>
<td></td>
<td>600,437</td>
</tr>
<tr>
<td>Unamortized bond premiums</td>
<td>105,862,800</td>
<td></td>
<td>(8,854,032)</td>
<td>97,008,768</td>
</tr>
<tr>
<td>Net Pension Liability-California Public Employees’ Retirement System (Note 11)</td>
<td>66,451,557</td>
<td></td>
<td>(8,608,020)</td>
<td>57,843,537</td>
</tr>
<tr>
<td><strong>Total long-term liabilities, net</strong></td>
<td>$2,125,727,017</td>
<td>$3,180,949</td>
<td>($118,697,234)</td>
<td>$2,010,210,732</td>
</tr>
</tbody>
</table>

**Notes:**

1. Total interest expense on long-term debt, including capitalized interest for Fiscal Years 2016 and 2015 was $90,492,103 and $96,342,241, respectively.
## 10. Long-Term Liabilities, (continued)

<table>
<thead>
<tr>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2016</th>
<th>Amounts Due Within One Year</th>
<th>Amounts Due After One Year</th>
<th>Amounts Due Within One Year</th>
<th>Amounts Due After One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ - $</td>
<td>- $</td>
<td>11,685,000</td>
<td>$ - $</td>
<td>$ 11,685,000</td>
<td>$ - $</td>
<td>$ 11,685,000</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>(13,880,000)</td>
<td>43,495,000</td>
<td>15,005,000</td>
<td>28,490,000</td>
<td>13,880,000</td>
</tr>
<tr>
<td>- (463,685,000)</td>
<td>48,965,000</td>
<td>14,505,000</td>
<td>34,460,000</td>
<td>1,150,000</td>
<td>511,500,000</td>
<td></td>
</tr>
<tr>
<td>- (76,775,000)</td>
<td>17,590,000</td>
<td>4,130,000</td>
<td>13,460,000</td>
<td>3,975,000</td>
<td>90,390,000</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>526,135,000</td>
<td>-</td>
<td>526,135,000</td>
<td>526,135,000</td>
<td>-</td>
<td>526,135,000</td>
</tr>
<tr>
<td>- (86,630,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>86,630,000</td>
<td></td>
</tr>
<tr>
<td>- (7,545,000)</td>
<td>111,555,000</td>
<td>7,920,000</td>
<td>103,635,000</td>
<td>7,545,000</td>
<td>111,555,000</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>94,540,000</td>
<td>-</td>
<td>94,540,000</td>
<td>94,540,000</td>
<td>-</td>
<td>94,540,000</td>
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<tr>
<td>203,215,000</td>
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<tr>
<td>-</td>
<td>299,105,000</td>
<td>-</td>
<td>299,105,000</td>
<td>299,105,000</td>
<td>-</td>
<td>299,105,000</td>
</tr>
<tr>
<td>184,795,000</td>
<td>-</td>
<td>184,795,000</td>
<td>-</td>
<td>184,795,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>87,685,000</td>
<td>-</td>
<td>87,685,000</td>
<td>-</td>
<td>87,685,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>98,945,000</td>
<td>-</td>
<td>98,945,000</td>
<td>-</td>
<td>98,945,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>197,395,000</td>
<td>-</td>
<td>197,395,000</td>
<td>-</td>
<td>197,395,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>772,035,000</td>
<td>(648,515,000)</td>
<td>1,925,105,000</td>
<td>41,560,000</td>
<td>1,883,545,000</td>
<td>26,550,000</td>
<td>1,775,035,000</td>
</tr>
<tr>
<td>- (8,605,713)</td>
<td>38,431,387</td>
<td>10,917,816</td>
<td>27,513,571</td>
<td>8,605,713</td>
<td>38,431,387</td>
<td></td>
</tr>
<tr>
<td>3,333,284</td>
<td>(3,480,008)</td>
<td>5,989,166</td>
<td>3,952,850</td>
<td>2,036,316</td>
<td>4,049,687</td>
<td>2,086,203</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>600,437</td>
<td>-</td>
<td>600,437</td>
<td>-</td>
<td>600,437</td>
<td></td>
</tr>
<tr>
<td>129,473,577</td>
<td>(30,903,458)</td>
<td>195,578,887</td>
<td>-</td>
<td>195,578,887</td>
<td>-</td>
<td>97,008,768</td>
</tr>
<tr>
<td>10,470,864</td>
<td>(5,766,812)</td>
<td>62,547,589</td>
<td>-</td>
<td>62,547,589</td>
<td>-</td>
<td>57,843,537</td>
</tr>
<tr>
<td>$ 915,312,725</td>
<td>$ (697,270,991)</td>
<td>$ 2,228,252,466</td>
<td>$ 56,430,666</td>
<td>$ 2,171,821,800</td>
<td>$ 39,205,400</td>
<td>$ 1,971,005,332</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

Long-term pledged liabilities for the fiscal year ended June 30, 2016 are comprised of the following:

<table>
<thead>
<tr>
<th>Type of Pledged Revenue</th>
<th>Fiscal Year Maturity Date</th>
<th>Pledged Revenue to Maturity</th>
<th>Debt Principal and Interest Paid</th>
<th>Pledged Revenue Recognized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pledged Net Water Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>COPs and Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Revenue COP, Series 1998A</td>
<td>2028</td>
<td>$18,345,450</td>
<td>$555,038</td>
<td>$555,038</td>
</tr>
<tr>
<td>Water Revenue Refunding COP, Series 2005A</td>
<td>2022</td>
<td>$49,819,150</td>
<td>$16,892,188</td>
<td>$16,892,188</td>
</tr>
<tr>
<td>Water Revenue COP, Series 2008A</td>
<td>2020</td>
<td>$54,434,500</td>
<td>$23,368,042</td>
<td>$23,368,042</td>
</tr>
<tr>
<td>Water Revenue Bonds, Series 2010B (Taxable Build America Bonds)</td>
<td>2049</td>
<td>$1,326,017,677</td>
<td>$32,294,166</td>
<td>$32,294,166</td>
</tr>
<tr>
<td>Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1</td>
<td>2016</td>
<td>-</td>
<td>$6,052,567</td>
<td>$6,052,567</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2011A</td>
<td>2027</td>
<td>$146,203,600</td>
<td>$13,292,400</td>
<td>$13,292,400</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2011B</td>
<td>2031</td>
<td>$144,274,250</td>
<td>$4,707,000</td>
<td>$4,707,000</td>
</tr>
<tr>
<td>Water Furnishing Revenue Bonds, Series 2012</td>
<td>2046</td>
<td>$432,254,028</td>
<td>$197,570</td>
<td>$197,570</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2013A</td>
<td>2034</td>
<td>$467,489,488</td>
<td>$13,981,519</td>
<td>$13,981,519</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2015A</td>
<td>2029</td>
<td>$261,948,250</td>
<td>$5,420,098</td>
<td>$5,420,098</td>
</tr>
<tr>
<td>Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1</td>
<td>2021</td>
<td>$107,516,303</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2016A</td>
<td>2033</td>
<td>$175,746,647</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2016B</td>
<td>2038</td>
<td>$385,764,369</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Pledged Net Water Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$3,589,334,212</strong></td>
<td><strong>$123,606,717</strong></td>
<td><strong>$123,606,717</strong></td>
<td></td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

Long-term pledged liabilities for the fiscal year ended June 30, 2015 are comprised of the following:

<table>
<thead>
<tr>
<th>Type of Pledged Revenue</th>
<th>Fiscal Year Maturity Date</th>
<th>Pledged Revenue to Maturity</th>
<th>Debt Principal and Interest Paid</th>
<th>Pledged Revenue Recognized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledged Net Water Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COPs and Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Revenue COP, Series 1998A</td>
<td>2028</td>
<td>$18,900,488</td>
<td>$555,038</td>
<td>$555,038</td>
</tr>
<tr>
<td>Water Revenue COP, Series 2004A</td>
<td>2015</td>
<td>-</td>
<td>1,622,373</td>
<td>1,622,373</td>
</tr>
<tr>
<td>Water Revenue Refunding COP, Series 2005A</td>
<td>2022</td>
<td>66,711,338</td>
<td>17,231,463</td>
<td>17,231,463</td>
</tr>
<tr>
<td>Water Revenue COP, Series 2008A</td>
<td>2038</td>
<td>903,674,000</td>
<td>38,014,250</td>
<td>38,014,250</td>
</tr>
<tr>
<td>Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt)</td>
<td>2027</td>
<td>131,249,700</td>
<td>7,219,625</td>
<td>7,219,625</td>
</tr>
<tr>
<td>Water Revenue Bonds, Series 2010B (Taxable Build America Bonds)</td>
<td>2049</td>
<td>1,358,311,843</td>
<td>32,294,166</td>
<td>32,294,166</td>
</tr>
<tr>
<td>Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1</td>
<td>2017</td>
<td>93,038,600</td>
<td>4,272,400</td>
<td>4,272,400</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2011A</td>
<td>2027</td>
<td>159,496,000</td>
<td>13,291,650</td>
<td>13,291,650</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2011B</td>
<td>2031</td>
<td>148,981,250</td>
<td>4,707,000</td>
<td>4,707,000</td>
</tr>
<tr>
<td>Water Revenue Refunding Bonds, Series 2013A</td>
<td>2034</td>
<td>481,471,006</td>
<td>13,981,519</td>
<td>13,981,519</td>
</tr>
<tr>
<td><strong>Total Pledged Net Water Revenue</strong></td>
<td></td>
<td><strong>$3,361,834,225</strong></td>
<td><strong>$133,189,484</strong></td>
<td><strong>$133,189,484</strong></td>
</tr>
</tbody>
</table>
## 10. Long-Term Liabilities, (continued)

(a) **Water Revenue Certificates of Participation, Series 1998A**

On November 17, 1998, the Water Authority issued $180,000,000 of Water Revenue Certificates of Participation, Series 1998A (the 1998A Certificates) for the design, acquisition, and construction of the Water Authority’s ESP and other water system improvements in furtherance of the Water Authority’s CIP.

On March 9, 2005, the Water Authority issued Water Revenue Refunding Certificates of Participation, Series 2005A (the 2005A Certificates) to advance refund a portion of the 1998A Certificates in the amount of $117,310,000. At June 30, 2016, the amount of defeased debt outstanding of the 1998A Certificates was $0.

On February 4, 2010, the San Diego County Water Authority Financing Agency issued Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) to refund a portion of the 1998A Certificates in the amount of $51,005,000.

The 1998A Certificates have stated interest rates ranging from 4.50 percent to 5.25 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2028.

The 1998A Certificates required that a reserve be maintained in an amount equal to the lesser of $15,391,555 or maximum annual debt service on the 1998A Certificates. After the refunding from the 2005A Certificates, the reserve requirement was reduced to $12,240,775. At June 30, 2016, the reserve was fully funded. The certificates are insured by Financial Guaranty Insurance Company (FGIC).

The principal balance of outstanding certificates at June 30, 2016 and 2015 was $11,685,000. The total debt service payment requirements with respect to the 1998A Certificates are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$555,038</td>
<td>$555,038</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>555,038</td>
<td>555,038</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>555,038</td>
<td>555,038</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>555,038</td>
<td>555,038</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>555,038</td>
<td>555,038</td>
</tr>
<tr>
<td>2022-2026</td>
<td>-</td>
<td>2,775,188</td>
<td>2,775,188</td>
</tr>
<tr>
<td>2027-2028</td>
<td>11,685,000</td>
<td>1,110,072</td>
<td>12,795,072</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,685,000</strong></td>
<td><strong>$6,660,450</strong></td>
<td><strong>$18,345,450</strong></td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(b) Water Revenue Certificates of Participation, Series 2004A

On September 29, 2004, the Water Authority issued $425,000,000 of Water Revenue Certificates of Participation, Series 2004A (the 2004A Certificates) for the design, acquisition, and construction of various capital projects in furtherance of the Water Authority’s CIP. A portion of the proceeds were used to refund the Water Revenue Certificates of Participation, Series 1991B in the amount of $56,700,000.

On September 28, 2011, the Water Authority issued Water Revenue Refunding Bonds, Series 2011B to advance refund a portion of the 2004A Certificates in the amount of $36,290,000. At June 30, 2016, the amount of defeased debt outstanding of the 2004A Certificates was $0.

On March 13, 2013, the Water Authority issued Water Revenue Refunding Bonds, Series 2013A to advance refund a portion of the 2004A Certificates in the amount of $344,785,000. In addition, the Water Authority liquidated a portion of the Debt Service Reserve Fund to legally defease a portion of the 2004A Certificates in the amount of $34,516,255. At June 30, 2016, the amount of defeased debt outstanding of the 2004A Certificates was $0.

The 2004A Certificates have stated interest rates ranging from 4.00 percent to 5.25 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2034.

The 2004A Certificates require that a reserve be maintained in an amount equal to the lesser of $38,568,617 or maximum annual debt service on the 2004A Certificates. After the refunding from the 2013A Bonds, the reserve requirement was reduced to $4,052,362. The certificates are insured by Financial Security Assurance, Inc, (FSA).

On February 3, 2015, the Water Authority legally defeased the 2004A Certificates outstanding balance of $43,925,000. The Water Authority fully liquidated the Debt Service Reserve Fund and applied towards the defeasance.

The principal balance of outstanding certificates was fully paid off during the fiscal year ended June 30, 2015.
10. Long-Term Liabilities, (continued)

(c) Water Revenue Refunding Certificates of Participation, Series 2005A

On March 9, 2005, the Water Authority issued $107,455,000 of Water Revenue Refunding Certificates of Participation, Series 2005A (the 2005A Certificates) to advance refund a portion of the 1998A Certificates in the amount of $117,310,000. At June 30, 2016 and 2015, the amount of defeased debt outstanding of the Water Revenue Certificates of Participation, Series 1998A was $0.

The 2005A Certificates have stated interest rates ranging from 5.00 percent to 5.25 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2022.

The 2005A Certificates require that a reserve be maintained in an amount equal to the lesser of $10,745,500 or maximum annual debt service on the 2005A Certificates. At June 30, 2016, the reserve requirement was fully satisfied by a Reserve Surety Policy issued by FGIC. The 2005A Certificates are also insured by FGIC.

The principal balance of outstanding certificates at June 30, 2016 was $43,495,000, or $48,368,888 net of unamortized premium of $4,873,888. The principal balance of outstanding certificates at June 30, 2015 was $57,375,000, or $63,084,412 net of unamortized premium of $5,709,412. The total debt service payment requirements with respect to the 2005A Certificates are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$15,005,000</td>
<td>$2,283,488</td>
<td>$17,288,488</td>
</tr>
<tr>
<td>2018</td>
<td>14,690,000</td>
<td>1,495,725</td>
<td>16,185,725</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>724,500</td>
<td>724,500</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>724,500</td>
<td>724,500</td>
</tr>
<tr>
<td>2021</td>
<td>6,725,000</td>
<td>724,500</td>
<td>7,449,500</td>
</tr>
<tr>
<td>2022</td>
<td>7,075,000</td>
<td>371,437</td>
<td>7,446,437</td>
</tr>
<tr>
<td>Total</td>
<td>$43,495,000</td>
<td>$6,324,150</td>
<td>$49,819,150</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(d) Water Revenue Certificates of Participation, Series 2008A

On May 21, 2008, the Water Authority issued $558,015,000 of Water Revenue Certificates of Participation, Series 2008A (the 2008A Certificates) for the design, acquisition, and construction of various capital projects in furtherance of the Water Authority’s CIP. In addition, proceeds were used to refund a portion of the 1997A Certificates in the amount of $63,165,000.

The 2008A Certificates have stated interest rates ranging from 4.00 percent to 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2038.

The 2008A Certificates require that a reserve be maintained in an amount equal to the lesser of $23,670,625 or one-half of maximum annual debt service on the 2008A Certificates. At June 30, 2016, the reserve requirement was fully satisfied by a Reserve Surety Policy issued by FSA. The 2008A Certificates are also insured by FSA.

On February 3, 2015, the Water Authority legally defeased a portion of the 2008A Certificates that matured on May 1, 2016 in the aggregate principal amount of $12,100,000.

On September 22, 2015, the Water Authority issued Water Revenue Refunding Bonds, Series 2015A to refund a portion of the 2008A Certificates in an advance refunding of $142,445,000. At June 30, 2016, the amount of defeased debt outstanding of the 2008A Certificates was $142,445,000.

On June 23, 2016, the Water Authority issued Water Revenue Refunding Bonds, Series 2016A and Series 2016B to refund a portion of the 2008A Certificates in an advance refunding of $114,895,000 and $205,195,000, respectively. At June 30, 2016, the amount of defeased debt outstanding of the 2008A Certificates was $320,090,000.

The principal balance of outstanding certificates at June 30, 2016 was $48,965,000. The principal balance of outstanding certificates at June 30, 2015 was $512,650,000, or $526,730,058 net of unamortized premium of $14,080,058. The total debt service payment requirements with respect to the 2008A Certificates are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$14,505,000</td>
<td>$2,448,250</td>
<td>$16,953,250</td>
</tr>
<tr>
<td>2018</td>
<td>17,320,000</td>
<td>1,723,000</td>
<td>19,043,000</td>
</tr>
<tr>
<td>2019</td>
<td>8,315,000</td>
<td>857,000</td>
<td>9,172,000</td>
</tr>
<tr>
<td>2020</td>
<td>8,825,000</td>
<td>441,250</td>
<td>9,266,250</td>
</tr>
<tr>
<td>Total</td>
<td>$48,965,000</td>
<td>$5,469,500</td>
<td>$54,434,500</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(e) Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt)

On February 4, 2010, the SDCWAFA issued $98,495,000 of Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) (the 2010A Bonds) for the design, acquisition, and construction of various capital projects in furtherance of the Water Authority’s CIP. In addition, proceeds were used to refund a portion of the 1998A Certificates in the amount of $51,005,000. The balances of proceeds were to be used to finance CIP projects, including interest incurred during construction.

The 2010A Bonds have stated interest rates ranging from 4.00 percent to 5.25 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2027. No debt service reserve fund was created to secure the 2010A Bonds.

On September 22, 2015, the Water Authority issued Water Revenue Refunding Bonds, Series 2015A to refund a portion of the 2010A Certificates in an advance refunding of $52,375,000. At June 30, 2016, the amount of defeased debt outstanding of the 2010A Certificates was $52,375,000.

On June 23, 2016, the Water Authority issued Water Revenue Refunding Bonds, Series 2016B to refund a portion of the 2010A Certificates in the amount of $20,425,000. At June 30, 2016, the amount of defeased debt outstanding of the 2010A Certificates was $20,425,000.

The principal balance of outstanding bonds at June 30, 2016 was $17,590,000. The principal balance of outstanding bonds at June 30, 2015 was $94,365,000, or $100,115,204 net of unamortized premium of $5,750,204. The total debt service payment requirements with respect to 2010A Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$4,130,000</td>
<td>$748,300</td>
<td>$4,878,300</td>
</tr>
<tr>
<td>2018</td>
<td>4,295,000</td>
<td>583,100</td>
<td>4,878,100</td>
</tr>
<tr>
<td>2019</td>
<td>4,470,000</td>
<td>411,300</td>
<td>4,881,300</td>
</tr>
<tr>
<td>2020</td>
<td>4,695,000</td>
<td>187,800</td>
<td>4,882,800</td>
</tr>
<tr>
<td>Total</td>
<td>$17,590,000</td>
<td>$1,930,500</td>
<td>$19,520,500</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(f) Water Revenue Bonds, Series 2010B (Taxable Build America Bonds)

On February 4, 2010, the SDCWIFA issued $526,135,000 of Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (the 2010B Bonds) for the design, acquisition, and construction of various capital projects in furtherance of the Water Authority’s CIP.

The 2010B Bonds have a stated interest rate of 6.138 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2049. No debt service reserve fund was created to secure the 2010B Bonds.

The 2010B Bonds were designated as Taxable Build America Bonds (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009, the interest with respect to which is not excluded from gross income for federal income tax purposes, but is exempt from State of California personal income taxes. The Water Authority receives semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the 2010B Bonds.

Subsidy payments were reduced by 6.8 percent and 7.3 percent in Fiscal Years 2016 and 2015, respectively, under Congressionally-mandated sequestration. Sequestration consists of across-the-board federal budget cuts that were implemented in March 2013, triggered by Congress’ failure to reach agreement over how to significantly cut the federal deficit. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequestration, at which time the sequestration reduction rate is subject to change. Although the sequestration was effective March 2013, the Water Authority received the full amount of the subsidy during Fiscal Year 2013.

The principal balance of outstanding bonds at June 30, 2016 and 2015 was $526,135,000. The total debt service payment requirements with respect to the 2010B Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$32,294,166</td>
<td>$32,294,166</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>32,294,166</td>
<td>32,294,166</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>32,294,166</td>
<td>32,294,166</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>32,294,166</td>
<td>32,294,166</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>32,294,166</td>
<td>32,294,166</td>
</tr>
<tr>
<td>2022-2026</td>
<td>7,960,000</td>
<td>161,364,337</td>
<td>169,324,337</td>
</tr>
<tr>
<td>2027-2031</td>
<td>35,060,000</td>
<td>154,891,816</td>
<td>189,951,816</td>
</tr>
<tr>
<td>2032-2036</td>
<td>88,635,000</td>
<td>139,457,508</td>
<td>228,092,508</td>
</tr>
<tr>
<td>2037-2041</td>
<td>128,560,000</td>
<td>105,900,755</td>
<td>234,460,755</td>
</tr>
<tr>
<td>2042-2046</td>
<td>156,335,000</td>
<td>63,169,534</td>
<td>219,504,534</td>
</tr>
<tr>
<td>2047-2049</td>
<td>109,585,000</td>
<td>13,627,897</td>
<td>123,212,897</td>
</tr>
<tr>
<td>Total</td>
<td>$526,135,000</td>
<td>$799,882,677</td>
<td>$1,326,017,677</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(g) Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1

On July 21, 2011, the Water Authority issued $86,630,000 of Subordinate Lien Water Revenue Refunding Bonds, Series 2011S-1 (the 2011S-1 Bonds) to refinance a portion of the design, acquisition, and construction of various capital projects of the Water Authority’s CIP by refunding the Water Authority Commercial Paper Notes, Series 2 in the amount of $100,000,000.

The 2011S-1 Bonds have stated interest rates ranging from 3.00 percent to 5.00 percent payable semi-annually on January 1 and July 1. Their maturities extend to July 1, 2016. No debt service reserve fund was created to secure the 2011S-1 Bonds.

On May 11, 2016, the Water Authority issued the Series 9 Notes to defease the 2011S-1 Bonds in the amount of $86,630,000 in a current refunding. At June 30, 2016, the amount of defeased debt outstanding of the 2011S-1 Bonds was $0.

The principal balance of outstanding bonds was fully paid off during the fiscal year ended June 30, 2016.

(h) Water Revenue Refunding Bonds, Series 2011A

On August 11, 2011, the Water Authority issued $139,945,000 of Water Revenue Refunding Bonds, Series 2011A (the 2011A Bonds) to refinance a portion of the design, acquisition, and construction of various capital projects of the Water Authority’s CIP by advance refunding a portion of the 2002A Certificates in the amount of $150,270,000.

The 2011A Bonds have stated interest rates ranging from 0.45 percent to 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2027. No debt service reserve fund was created to secure the 2011A Bonds.

The principal balance of outstanding bonds at June 30, 2016 was $111,555,000, or $122,879,989 net of unamortized premium of $11,324,989. The principal balance of outstanding bonds at June 30, 2015 was $119,100,000, or $131,462,389 net of unamortized premium of $12,362,389. The total debt service payment requirements with respect to the 2011A Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$7,920,000</td>
<td>$5,370,150</td>
<td>$13,290,150</td>
</tr>
<tr>
<td>2018</td>
<td>8,315,000</td>
<td>4,974,150</td>
<td>13,289,150</td>
</tr>
<tr>
<td>2019</td>
<td>8,650,000</td>
<td>4,641,550</td>
<td>13,291,550</td>
</tr>
<tr>
<td>2020</td>
<td>9,085,000</td>
<td>4,209,050</td>
<td>13,294,050</td>
</tr>
<tr>
<td>2021</td>
<td>9,535,000</td>
<td>3,754,800</td>
<td>13,289,800</td>
</tr>
<tr>
<td>2022-2026</td>
<td>55,330,000</td>
<td>11,126,500</td>
<td>66,456,500</td>
</tr>
<tr>
<td>2027</td>
<td>12,720,000</td>
<td>572,400</td>
<td>13,292,400</td>
</tr>
<tr>
<td>Total</td>
<td>$111,555,000</td>
<td>$34,648,600</td>
<td>$146,203,600</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(i) Water Revenue Refunding Bonds, Series 2011B

On September 28, 2011, the Water Authority issued $94,540,000 of Water Revenue Refunding Bonds, Series 2011B (the 2011B Bonds) to refinance a portion of the design, acquisition, and construction of various capital projects of the Water Authority’s CIP by advance refunding a portion of the 2002A and 2004A Certificates in the amount of $62,085,000 and $36,290,000, respectively.

The 2011B Bonds have stated interest rates ranging from 3.00 percent to 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2031. No debt service reserve fund was created to secure the 2011B Bonds.

The principal balance of outstanding bonds at June 30, 2016 was $94,540,000, or $103,826,863 net of unamortized premium of $9,286,863. The principal balance of outstanding bonds at June 30, 2015 was $94,540,000, or $104,449,447 net of unamortized premium of $9,909,447. The total debt service payment requirements with respect to the 2011B Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$4,707,000</td>
<td>$4,707,000</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>4,707,000</td>
<td>4,707,000</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>4,707,000</td>
<td>4,707,000</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>4,707,000</td>
<td>4,707,000</td>
</tr>
<tr>
<td>2021</td>
<td>17,275,000</td>
<td>4,707,000</td>
<td>21,982,000</td>
</tr>
<tr>
<td>2022-2026</td>
<td>18,130,000</td>
<td>15,670,250</td>
<td>33,800,250</td>
</tr>
<tr>
<td>2027-2031</td>
<td>59,135,000</td>
<td>10,529,000</td>
<td>69,664,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$94,540,000</td>
<td>$49,734,250</td>
<td>$144,274,250</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(j) Water Furnishing Revenue Bonds, Series 2012

On December 24, 2012, the California Pollution Control Financing Authority issued $203,215,000 of Water Furnishing Revenue Bonds, Series 2012 (the 2012 Bonds) to finance a pipeline (the Pipeline) to connect a reverse osmosis desalination plant in Carlsbad, California (the Plant) to the existing distribution system of the Water Authority. The Water Authority is the sole purchaser of the potable water produced by the Plant and owns the Pipeline constructed by Poseidon Resources (Channelside) LP (the Company).

The Water Authority is obligated to make installment sale payments upon the occurrence of the Commercial Operation Date, which was achieved on December 23, 2015. Following the Commercial Operation Date, the Water Authority’s obligation to make installment sale payments will be reduced by the amount of Contracted Shortfall Payments payable, if any, by the Company, whether or not paid. Because the Pipeline and Plant Bonds are secured by the desalination project revenues, the Pipeline and Plant bonds credit rating is unified. Both the Plant and Pipeline Bonds are rated BBB- by Moody’s and Fitch.

The 2012 Bonds have a stated interest rate of 5.00 percent payable semi-annually on July 1 and January 1. Their maturities extend to November 21, 2045. A portion of the proceeds of the 2012 Bonds were deposited into the Pipeline Debt Service Reserve Fund in the amount of $10,160,750. On and after the Commercial Operation Date, the Pipeline Debt Service Reserve Fund will be funded in amounts sufficient to cause the balance therein to equal the principal and interest payments due on the 2012 Bonds in the following 12 months.

The principal balance of outstanding bonds at June 30, 2016 was $203,215,000, or $209,373,029 net of unamortized premium of $6,158,029. The total debt service payment requirements with respect to the 2012 Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$ 10,160,750</td>
<td>$ 10,160,750</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>10,160,750</td>
<td>10,160,750</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>10,160,750</td>
<td>10,160,750</td>
</tr>
<tr>
<td>2021</td>
<td>635,000</td>
<td>10,144,875</td>
<td>10,779,875</td>
</tr>
<tr>
<td>2022-2026</td>
<td>8,150,000</td>
<td>49,806,000</td>
<td>57,956,000</td>
</tr>
<tr>
<td>2027-2031</td>
<td>18,820,000</td>
<td>46,505,000</td>
<td>65,325,000</td>
</tr>
<tr>
<td>2032-2036</td>
<td>33,555,000</td>
<td>40,051,125</td>
<td>73,606,125</td>
</tr>
<tr>
<td>2037-2041</td>
<td>53,610,000</td>
<td>29,276,500</td>
<td>82,886,500</td>
</tr>
<tr>
<td>2042-2046</td>
<td>88,445,000</td>
<td>12,612,528</td>
<td>101,057,528</td>
</tr>
<tr>
<td>Total</td>
<td>$ 203,215,000</td>
<td>$ 229,039,028</td>
<td>$ 432,254,028</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(k) Water Revenue Refunding Bonds, Series 2013A

On March 13, 2013, the Water Authority issued $299,105,000 of Water Revenue Refunding Bonds, Series 2013A (the 2013A Bonds) to refinance a portion of the design, acquisition, and construction of various capital projects of the Water Authority’s CIP by advance refunding a portion of the 2004A Certificates in the amount of $344,785,000.

The 2013A Bonds have stated interest rates ranging from 3.00 percent to 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2034. No debt service reserve fund was created to secure the 2013A Bonds.

The principal balance of outstanding bonds at June 30, 2016 was $299,105,000, or $343,054,565 net of unamortized premium of $43,949,565. The principal balance of outstanding bonds at June 30, 2015 was $299,105,000, or $345,507,557 net of unamortized premium of $46,402,557. The total debt service payment requirements with respect to the 2013A Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$13,981,519</td>
<td>$13,981,519</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>13,981,519</td>
<td>13,981,519</td>
</tr>
<tr>
<td>2019</td>
<td>14,005,000</td>
<td>13,981,519</td>
<td>27,986,519</td>
</tr>
<tr>
<td>2020</td>
<td>14,625,000</td>
<td>13,361,369</td>
<td>27,986,369</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>12,722,619</td>
<td>12,722,619</td>
</tr>
<tr>
<td>2022-2026</td>
<td>73,630,000</td>
<td>58,462,694</td>
<td>132,092,694</td>
</tr>
<tr>
<td>2027-2031</td>
<td>114,575,000</td>
<td>34,637,094</td>
<td>149,212,094</td>
</tr>
<tr>
<td>2032-2034</td>
<td>82,270,000</td>
<td>7,256,155</td>
<td>89,526,155</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$299,105,000</strong></td>
<td><strong>$168,384,488</strong></td>
<td><strong>$467,489,488</strong></td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

   (l) Water Revenue Refunding Bonds, Series 2015A

On September 22, 2015, the Water Authority issued $184,795,000 of Water Revenue Refunding Bonds, Series 2015A (the 2015A Bonds) to advance refund a portion of the 2008A Certificates and the 2010A Bonds in the amount of $142,445,000 and $52,375,000, respectively.

The 2015A Bonds have stated interest rates ranging from 2.00 percent to 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2029. No debt service reserve fund was created to secure the 2015A Bonds.

The net proceeds from the bond issuance were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded debts. As a result, the refunded debts are considered defeased and the related liabilities have been removed from the financial statements.

The refunding resulted in a cash flow savings (difference between the cash flows required to service the old and new debt) of $17,750,660. In addition, the refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $15,089,314.

Refunding a portion of the 2008A Certificates resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,575,336. The difference is the deferred loss on refunding amortized through Fiscal Year 2029 using the life of the new debt, which was shorter than the remaining life of the old debt.

Refunding a portion of the 2010A Certificates resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,065,754. The difference is the deferred loss on refunding amortized through Fiscal Year 2027 using the life of the old debt, which was shorter than the life of the new debt.

The principal balance of outstanding bonds at June 30, 2016 was $184,795,000, or $216,505,287 net of unamortized premium of $31,710,287. The total debt service payment requirements with respect to the 2015A Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$ 8,909,750</td>
<td>$ 8,909,750</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>$ 8,909,750</td>
<td>$ 8,909,750</td>
</tr>
<tr>
<td>2019</td>
<td>6,950,000</td>
<td>$ 8,909,750</td>
<td>$ 15,859,750</td>
</tr>
<tr>
<td>2020</td>
<td>7,695,000</td>
<td>$ 8,562,250</td>
<td>$ 16,257,250</td>
</tr>
<tr>
<td>2021</td>
<td>15,505,000</td>
<td>$ 8,177,500</td>
<td>$ 23,682,500</td>
</tr>
<tr>
<td>2022-2026</td>
<td>100,095,000</td>
<td>$ 27,732,750</td>
<td>$ 127,827,750</td>
</tr>
<tr>
<td>2027-2029</td>
<td>54,550,000</td>
<td>$ 5,951,500</td>
<td>$ 60,501,500</td>
</tr>
<tr>
<td>Total</td>
<td>$ 184,795,000</td>
<td>$ 77,153,250</td>
<td>$ 261,948,250</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(m) Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1

On June 23, 2016, the Water Authority issued $87,685,000 of Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1 (the 2016S-1 Bonds) to refinance a portion of the design, acquisition, and construction of various capital projects of the Water Authority’s CIP by currently refunding a portion of the Water Authority Commercial Paper Notes, Series 5 and Series 7 in the amount of $51,630,000 and $50,000,000, respectively.

The 2016S-1 Bonds have stated interest rates ranging from 3.00 percent to 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2021. No debt service reserve fund was created to secure the 2016S-1 Bonds.

The principal balance of outstanding bonds at June 30, 2016 was $87,685,000, or $101,908,330 net of unamortized premium of $14,223,330. The total debt service payment requirements with respect to the 2016S-1 Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$3,494,303</td>
<td>$3,494,303</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>4,084,250</td>
<td>4,084,250</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>4,084,250</td>
<td>4,084,250</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>4,084,250</td>
<td>4,084,250</td>
</tr>
<tr>
<td>2021</td>
<td>87,685,000</td>
<td>4,084,250</td>
<td>91,769,250</td>
</tr>
<tr>
<td>Total</td>
<td>$87,685,000</td>
<td>$19,831,303</td>
<td>$107,516,303</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(n) Water Revenue Refunding Bonds, Series 2016A

On June 23, 2016, the Water Authority issued $98,945,000 of Water Revenue Refunding Bonds, Series 2016A (the 2016A Bonds) to advance refund a portion of the 2008A Certificates in the amount of $114,895,000.

The 2016A Bonds have a stated interest rate of 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2033. No debt service reserve fund was created to secure the 2016A Bonds.

The net proceeds from the bond issuance were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded debts. As a result, the refunded debts are considered defeased and the related liabilities have been removed from the financial statements.

The refunding resulted in a cash flow savings (difference between the cash flows required to service the old and new debt) of $28,588,124. In addition, the refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $22,203,721.

Refunding a portion of the 2008A Certificates resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $9,289,552. The difference is the deferred loss on refunding which will be amortized through Fiscal Year 2020 using the life of the old debt, which was shorter than the remaining life of the new debt.

The principal balance of outstanding bonds at June 30, 2016 was $98,945,000, or $124,603,572 net of unamortized premium of $25,658,572. The total debt service payment requirements with respect to the 2016A Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$4,232,647</td>
<td>$4,232,647</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>4,947,250</td>
<td>4,947,250</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>4,947,250</td>
<td>4,947,250</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>4,947,250</td>
<td>4,947,250</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>4,947,250</td>
<td>4,947,250</td>
</tr>
<tr>
<td>2022-2026</td>
<td>-</td>
<td>24,736,250</td>
<td>24,736,250</td>
</tr>
<tr>
<td>2027-2031</td>
<td>41,705,000</td>
<td>23,715,750</td>
<td>65,420,750</td>
</tr>
<tr>
<td>2032-2033</td>
<td>57,240,000</td>
<td>4,328,000</td>
<td>61,568,000</td>
</tr>
<tr>
<td>Total</td>
<td>$98,945,000</td>
<td>$76,801,647</td>
<td>$175,746,647</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(o) Water Revenue Refunding Bonds, Series 2016B

On June 23, 2016, the Water Authority issued $197,395,000 of Water Revenue Refunding Bonds, Series 2016B (the 2016B Bonds) to advance refund a portion of the 2008A Certificates and the 2010A Bonds in the amount of $205,195,000 and $20,425,000, respectively.

The 2016B Bonds have a stated interest rate of 5.00 percent payable semi-annually on May 1 and November 1. Their maturities extend to May 1, 2038. No debt service reserve fund was created to secure the 2016B Bonds.

The net proceeds from the bond issuance were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded debts. As a result, the refunded debts are considered defeased and the related liabilities have been removed from the financial statements.

The refunding resulted in a cash flow savings (difference between the cash flows required to service the old and new debt) of $55,536,381. In addition, the refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $41,072,780.

Refunding a portion of the 2008A Certificates resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $16,590,543. The difference is the deferred loss on refunding amortized through Fiscal Year 2020 using the life of the old debt, which was shorter than the remaining life of the new debt.

Refunding a portion of the 2010A Certificates resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,682,071. The difference is the deferred loss on refunding which will be amortized through Fiscal Year 2020 using the life of the old debt, which was shorter than the life of the new debt.

The principal balance of outstanding bonds at June 30, 2016 was $197,395,000, or $245,788,364 net of unamortized premium of $48,393,364. The total debt service payment requirements with respect to the 2016B Bonds are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$</td>
<td>$8,444,119</td>
<td>$8,444,119</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>9,869,750</td>
<td>9,869,750</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>9,869,750</td>
<td>9,869,750</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>9,869,750</td>
<td>9,869,750</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>9,869,750</td>
<td>9,869,750</td>
</tr>
<tr>
<td>2022-2026</td>
<td>8,715,000</td>
<td>49,348,750</td>
<td>58,063,750</td>
</tr>
<tr>
<td>2027-2031</td>
<td>9,150,000</td>
<td>45,340,000</td>
<td>54,490,000</td>
</tr>
<tr>
<td>2032-2036</td>
<td>102,425,000</td>
<td>39,927,750</td>
<td>142,352,750</td>
</tr>
<tr>
<td>2037-2038</td>
<td>77,105,000</td>
<td>5,829,750</td>
<td>82,934,750</td>
</tr>
<tr>
<td>Total</td>
<td>$197,395,000</td>
<td>$188,369,369</td>
<td>$385,764,369</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(p) Contributions Payable

Contributions Payable concern the Water Authority’s payment obligations for environmental and socioeconomic impacts related to the Quantification Settlement and other connected Agreements. These payments include contributions to the QSA JPA for environmental mitigation pursuant to the QSA JPA Creation and Funding Agreement, and payments to the IID on behalf of the Imperial Valley Socioeconomic Improvement Committee to mitigate third-party socioeconomic impacts of the Conserved Water Transfer Agreement.

(1) On April 25, 2007, the QSA JPA approved an agreement to modify the schedule of contributions payable pursuant to the QSA JPA Creation and Funding Agreement in order to more appropriately match environmental mitigation funding obligations. On May 20, 2015, the QSA JPA approved an agreement for a second modification of payment schedules pursuant to the QSA JPA Creation and Funding Agreement in order to conform to the long-term financing plan. The outstanding balance of the payment obligation at June 30, 2016 and 2015 was $35,491,387 and $41,157,100, respectively. The total contributions payable are as follows:

<table>
<thead>
<tr>
<th>QSA JPA Creation and Funding Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2019</td>
</tr>
<tr>
<td>2020</td>
</tr>
<tr>
<td>2021</td>
</tr>
<tr>
<td>2022-2026</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

(2) On May 14, 2007, the Water Authority and the IID executed the Settlement Agreement Resolving Present and Future Disputes under Sections 14.5 and 18.1 of the Revised Fourth Amendment to the IID/Water Authority Conserved Water Transfer Agreement pursuant to which the Water Authority will pay $40,000,000 according to a payment schedule in the Agreement for third-party socioeconomic impacts as a result of the Conserved Water Transfer Agreement by and between the two agencies. The outstanding balance of the payment obligation at June 30, 2016 and 2015 was $2,940,000 and $5,880,000, respectively. This obligation is non-interest bearing. The total contributions payable are as follows:

<table>
<thead>
<tr>
<th>IID Third-Party Socioeconomic Impacts Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
10. Long-Term Liabilities, (continued)

(q) Rate Covenants

Under the Water Authority Act, the Board sets water rates and charges that are sufficient to meet its operation expenses and payment obligations. The Board has established that, exclusive of the tax revenue and debt servicing costs associated with voter-approved general obligation bonds and other voter-approved debt, net water revenues will equal or exceed 120 percent of senior lien debt service costs (principal and interest). The Water Authority was in compliance with its rate obligations for Fiscal Years 2016 and 2015.

11. Defined Benefit Pension Plan

California Public Employees' Retirement System

Plan Description

All qualified full-time Water Authority employees are required to participate in the Water Authority’s Miscellaneous Plan with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. 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 Employees’ Retirement Law. The Water Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. Benefit provisions and all other requirements are established by state statute, Water Authority resolution, and contracts with employee bargaining groups.

Effective January 1, 2013, Water Authority new hires who meet the definition of “new employee” and “new member” accrue and receive defined benefit pension plan benefits in accordance with the California Public Employees’ Pension Reform Act (PEPRA) of 2013.

Financial statements for the Water Authority’s plan are not separately issued. Requests for detailed plan provisions and copies of CalPERS’ annual financial report can be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA, 94229-2703 or http://www.calpers.ca.gov
11. Defined Benefit Pension Plan, (continued)

California Public Employees’ Retirement System, (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after ten years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees’ Retirement Law.

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

<table>
<thead>
<tr>
<th>Miscellaneous Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hire date</strong></td>
</tr>
<tr>
<td>Benefit formula</td>
</tr>
<tr>
<td>Benefit vesting schedule</td>
</tr>
<tr>
<td>Benefit payments</td>
</tr>
<tr>
<td>Retirement age</td>
</tr>
<tr>
<td>Monthly benefits, as a % of eligible compensation</td>
</tr>
<tr>
<td>Required employee contribution rates</td>
</tr>
<tr>
<td>Required employer contribution rates</td>
</tr>
</tbody>
</table>

Employees Covered – As of the June 30, 2014 and 2013 actuarial valuation, the following employees were covered by the benefit terms under the Miscellaneous Plan:

<table>
<thead>
<tr>
<th>Miscellaneous Plan - Census Data</th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive employees or beneficiaries currently receiving benefits</td>
<td>182</td>
<td>166</td>
</tr>
<tr>
<td>Inactive employees entitled to but not yet receiving benefits</td>
<td>153</td>
<td>152</td>
</tr>
<tr>
<td>Active employees</td>
<td>238</td>
<td>243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>573</strong></td>
<td><strong>561</strong></td>
</tr>
</tbody>
</table>
11. Defined Benefit Pension Plan, (continued)

California Public Employees' Retirement System, (continued)

Contributions

Water Authority employees hired prior to January 1, 2013, and any employees hired on or after this date who are not considered "New Members" within the meaning of the Public Employees' Pension Reform Act of 2013 (PEPRA) are Tier 1 member or "Classic Members". Tier II members are employees hired on or after January 1, 2013, who are considered "New Members" as defined by PEPRA. Current Classic Members are required to contribute eight percent of their annual covered salary to fund the Plan. The Water Authority pays seven percent of the employees’ required contribution and the employee pays the remaining one percent required contribution. For the fiscal years ended June 30, 2016 and 2015, the amount contributed by the Water Authority on behalf of the employees (the seven percent contribution) was $1,604,108 and $1,732,011, respectively.

Pursuant to Government Code Section 20516 of the California Public Employees' Retirement Law, Tier 1 Members' cost-share of the Water Authority's employer contributions, will be seven percent by mandatory deduction from gross pay. For "classic" employees, effective July 1, 2013, the Technical/Support, Professional/Administrative, Managerial/Supervisory, and Confidential classified employees increased the amount they pay toward CalPERS by 1.25 percent for a total contribution of seven percent, increasing to eight percent by July 2014. Executive and Senior Management employees increased the amount they pay toward CalPERS by 1.75 percent for a total contribution of eight percent as of July 1, 2013.

The terms of PEPRA mandate that a “New Member” contribution rate be the greater of 50 percent of the total normal cost rate for their defined benefit plan or the current contribution rate of similarly situated employees. The current employee contribution rate of new members and similarly situated employees at the Water Authority is 6.5 percent.

The Water Authority is required to contribute the remaining amounts, as determined by calculating the required employer contribution rate multiplied by the covered salary, necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants, and adopted by the CalPERS Board of Administration.

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Water Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.
11. Defined Benefit Pension Plan, (continued)

California Public Employees’ Retirement System, (continued)

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

<table>
<thead>
<tr>
<th>Actuarial Cost Method:</th>
<th>Entry age normal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial Assumptions:</strong></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>7.65% (^{(2)})</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.75%</td>
</tr>
<tr>
<td>Salary increases</td>
<td>Varies by entry age and service</td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>7.65% net of pension plan investment expenses; includes inflation (^{(2)})</td>
</tr>
<tr>
<td>Mortality rate table (^{(1)})</td>
<td>Derived using CalPERS membership date for all funds</td>
</tr>
<tr>
<td>Post Retirement Benefit Increase</td>
<td>Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter</td>
</tr>
</tbody>
</table>

**Note:**

\(^{(1)}\) The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

\(^{(2)}\) For the measurement period ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2014 total pension liability was based on a discount rate of 7.5 percent and investment rate of return of 7.65 percent. The discount rate is net of 0.15 percent administrative expenses.

All other actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of an actuarial experience study from the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study Report can be obtained at CalPERS’ website under Forms and Publications.

**Change of Assumptions**

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
11. Defined Benefit Pension Plan, (continued)

California Public Employees’ Retirement System, (continued)

Discount Rate

The discount rate used to measure the total pension liability for the measurement period ended June 30, 2015 was 7.65 percent and 7.50 percent for the measurement period ended June 30, 2014. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The current target allocation shown was adopted by the CalPERS Board effective on July 1, 2014. Prior strategic allocation was utilized for the 2013 actuarial valuation.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Target Allocation</th>
<th>Prior Strategic Allocation</th>
<th>Real Return Years 1 - 10 (1)</th>
<th>Real Return Years 11 + (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>51.0%</td>
<td>47.0%</td>
<td>5.25%</td>
<td>5.71%</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>19.0%</td>
<td>19.0%</td>
<td>0.99%</td>
<td>2.43%</td>
</tr>
<tr>
<td>Inflation Sensitive</td>
<td>6.0%</td>
<td>6.0%</td>
<td>0.45%</td>
<td>3.36%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>10.0%</td>
<td>12.0%</td>
<td>6.83%</td>
<td>6.95%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10.0%</td>
<td>11.0%</td>
<td>4.50%</td>
<td>5.13%</td>
</tr>
<tr>
<td>Infrastructure and Forestland</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.50%</td>
<td>5.09%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>2.0%</td>
<td>2.0%</td>
<td>-0.55%</td>
<td>-1.05%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.
11. Defined Benefit Pension Plan, (continued)

California Public Employees’ Retirement System, (continued)

Net Pension Liability

The Water Authority’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures.

Changes in the Net Pension Liability

The following presents the net pension liability of the Water Authority using the measurement date of June 30, 2015, calculated using the discount rate of 7.65 percent:

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>Total Pension Liability (a)</th>
<th>Plan Fiduciary Net Position (b)</th>
<th>Net Pension Liability/(Asset) (c) = (a) - (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 30, 2014</td>
<td>$201,032,622</td>
<td>$143,189,085</td>
<td>$57,843,537</td>
</tr>
<tr>
<td>Changes in the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>4,706,004</td>
<td>-</td>
<td>4,706,004</td>
</tr>
<tr>
<td>Interest on the total pension liability</td>
<td>14,880,474</td>
<td>-</td>
<td>14,880,474</td>
</tr>
<tr>
<td>Actual and expected experience difference</td>
<td>(1,543,047)</td>
<td>-</td>
<td>(1,543,047)</td>
</tr>
<tr>
<td>Changes of assumptions (1)</td>
<td>(3,864,680)</td>
<td>-</td>
<td>(3,864,680)</td>
</tr>
<tr>
<td>Changes of benefit terms</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contribution-employer</td>
<td>-</td>
<td>5,766,812</td>
<td>(5,766,812)</td>
</tr>
<tr>
<td>Contribution-employee</td>
<td>-</td>
<td>475,394</td>
<td>(475,394)</td>
</tr>
<tr>
<td>Net investment income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected earnings on pension plan investments</td>
<td>-</td>
<td>11,105,687</td>
<td>(11,105,687)</td>
</tr>
<tr>
<td>Difference between projected and actual earnings on pension plan investments</td>
<td>-</td>
<td>(7,705,299)</td>
<td>7,705,299</td>
</tr>
<tr>
<td>Benefit payments including refunds of employee contributions</td>
<td>(6,923,794)</td>
<td>(6,923,794)</td>
<td>-</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>-</td>
<td>(167,895)</td>
<td>167,895</td>
</tr>
<tr>
<td>Net Changes</td>
<td>7,254,957</td>
<td>2,550,905</td>
<td>4,704,052</td>
</tr>
<tr>
<td>Balance at June 30, 2015</td>
<td>$208,287,579</td>
<td>$145,739,990</td>
<td>$62,547,589</td>
</tr>
</tbody>
</table>

Note:
(1) The discount rate was changed from 7.5 percent (net of administrative expense), to 7.65 percent.
11. Defined Benefit Pension Plan, (continued)

California Public Employees’ Retirement System, (continued)

**Changes in the Net Pension Liability, (continued)**

The following presents the net pension liability of the Water Authority using the measurement date of June 30, 2014, calculated using the discount rate of 7.5 percent:

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>Total Pension Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net Pension Liability/(Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a)</td>
<td>(b)</td>
<td>(c) = (a) - (b)</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2013</strong></td>
<td>$188,133,902</td>
<td>$121,682,345</td>
<td>$66,451,557</td>
</tr>
<tr>
<td><strong>Changes in the year:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>4,921,587</td>
<td>-</td>
<td>4,921,587</td>
</tr>
<tr>
<td>Interest on the total pension liability</td>
<td>14,066,260</td>
<td>-</td>
<td>14,066,260</td>
</tr>
<tr>
<td>Actual and expected experience difference</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes of benefit terms</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contribution-employer</td>
<td>-</td>
<td>5,273,604</td>
<td>(5,273,604)</td>
</tr>
<tr>
<td>Contribution-employee</td>
<td>-</td>
<td>878,031</td>
<td>(878,031)</td>
</tr>
<tr>
<td><strong>Net investment income: (1)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected earnings on pension plan investments</td>
<td>-</td>
<td>9,180,824</td>
<td>(9,180,824)</td>
</tr>
<tr>
<td>Difference between projected and actual earnings on pension plan investments</td>
<td>-</td>
<td>12,263,408</td>
<td>(12,263,408)</td>
</tr>
<tr>
<td>Benefit payments including refunds of employee contributions</td>
<td>(6,089,127)</td>
<td>(6,089,127)</td>
<td>-</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Changes</strong></td>
<td>12,898,720</td>
<td>21,506,740</td>
<td>(8,608,020)</td>
</tr>
<tr>
<td><strong>Balance at June 30, 2014</strong></td>
<td>$201,032,622</td>
<td>$143,189,085</td>
<td>$57,843,537</td>
</tr>
</tbody>
</table>

**Note:**

(1) Net of administrative expenses.
11. Defined Benefit Pension Plan, (continued)

California Public Employees’ Retirement System, (continued)

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

The following presents the net pension liability of the Water Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ending June 30, 2015 and 2014:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>6.65%</td>
<td>6.50%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$89,005,645</td>
<td>$79,872,627</td>
</tr>
<tr>
<td>Current Discount Rate</td>
<td>7.65%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$62,547,589</td>
<td>$58,843,537</td>
</tr>
<tr>
<td>1% Increase</td>
<td>8.65%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$34,505,133</td>
<td>$40,997,762</td>
</tr>
</tbody>
</table>

Pension Plan Fiduciary Net Position

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

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2016 and 2015, the Water Authority recognized pension income of $1,983,857 and pension expense of $2,333,797. As of fiscal year ended June 30, 2016 and 2015, the Water Authority has deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th></th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension contributions subsequent to measurement date</td>
<td>$4,142,513</td>
<td>$-</td>
</tr>
<tr>
<td>Actual and expected experience difference</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on plan investments</td>
<td>-</td>
<td>$(9,810,726)</td>
</tr>
<tr>
<td>Total June 30, 2015:</td>
<td>$4,142,513</td>
<td>$(9,810,726)</td>
</tr>
</tbody>
</table>

Pension contributions subsequent to measurement date $6,198,142 $-
Actual and expected experience difference - $(1,136,982)
Changes in assumptions - $(2,847,659)
Net difference between projected and actual earnings on plan investments - $(1,193,805)
Total June 30, 2016: $6,198,142 $(5,178,446)
11. Defined Benefit Pension Plan, (continued)

California Public Employees’ Retirement System, (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, (continued)

The $6,198,142 as deferred outflows of resources related to contributions subsequent to the June 30, 2015 measurement date will be recognized as a reduction of the net pension liability during the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<table>
<thead>
<tr>
<th>Measurement Year Ending June 30</th>
<th>Deferred Outflows/(Inflows) of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$(2,334,708)</td>
</tr>
<tr>
<td>2017</td>
<td>$(2,334,708)</td>
</tr>
<tr>
<td>2018</td>
<td>$(2,050,089)</td>
</tr>
<tr>
<td>2019</td>
<td>1,541,059</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
</tr>
</tbody>
</table>

12. Other Post-Employment Benefits (OPEB)

(a) Terminal Pay Plan

Plan Description

The Water Authority established a Terminal Pay Plan (TPP), effective December 10, 2007, which is administered by the Water Authority’s Controller, who serves as the administrator and trustee. The TPP was established and governed under the Internal Revenue Code Section 414(d), which provides benefits to participants. The benefit is the accumulated balance of the retiring employee’s (or a separated employee due to death) earned but unpaid vacation and sick leave on the date of retirement. Each employee of the Water Authority who is entitled to vacation-leave pay or sick-leave pay (under the applicable rules, regulations, and policies) is required to participate in the TPP if the participant retires, or separates employment due to death, from the Water Authority after reaching the age of 55 and completing five years of service.

Pursuant to GASB Statement No. 67, the definition of pensions does not include postemployment healthcare benefits and termination benefits. As such, the TPP is not subject to the requirements of GASB Statement No. 68, as the liability is related to earned, but unpaid sick and vacation benefits, and is recorded in the financial statements as compensated absences.

Employees may elect benefits be disbursed from the TPP in a lump sum or in monthly installments over a 60-month period (with no interest). As an alternative, an employee has the right to elect that all or a portion of benefits be immediately rolled over or transferred to an individual retirement account (IRA), a tax sheltered annuity, another tax-qualified retirement plan, or an eligible deferred compensation plan such as a Section 457 deferred compensation plan. A separate financial report is not prepared for the TPP.
12. Other Post-Employment Benefits (OPEB), (continued)

(a) Terminal Pay Plan, (continued)

Benefits Provided

Contributions equal to the accumulated balance in the employee’s earned but unpaid vacation and sick leave accounts are made by the Water Authority to the TPP for eligible employees who retire, or separate due to death, from the Water Authority after reaching the age of 55 and completing five years of service, and are made as soon as administratively practicable after termination of employment. Amounts held on behalf of participants are fully vested and held in trust at all times. TPP benefits for a participant who retires, or separates due to death, from Water Authority service are fully vested once they are accrued and the value of TPP benefits is the amount of an employee’s earned but unpaid vacation and sick leave on the date of retirement. No additional employee contributions are permitted. Benefits earned are accrued as compensated absences.

Distribution

If the value of benefits is over $5,000, a distribution will only be made if the employee consents before April 1st following the calendar year in which they reach age 70½. If the value of an employee’s vested benefit is $5,000 or less on the date of retirement, or separation due to death, benefits will be distributed in a single lump sum.

Changes or Termination of Plan

The Water Authority reserves the right to amend the TPP at any time and for any reason. In the event the TPP is terminated, no additional contributions will be made, but the persons affected will continue to be entitled to the entire benefits under the TPP. Benefits under the TPP are not insured by the Pension Benefit Guaranty Corporation or any other government agency.

(b) Retiree Health Benefit

Plan Description

The Water Authority has established a Retiree Healthcare Plan (HC Plan), a single-employer defined benefit retiree healthcare plan. The HC Plan, administered by the Water Authority, provides employees who retire directly from the Water Authority, at a minimum age of 55, with a minimum of five years of service, a cash subsidy for monthly medical insurance premiums up to a cap of $200 per employee or $320 for employee plus spouse. Payments cease at age 65 when the retiree or spouse is eligible for Medicare. If applicable, a cash subsidy for the monthly medical premium continues up to a cap of $160 for a spouse until age 65 is attained. Surviving spouses are also eligible for this benefit. The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Water Authority and the bargaining units.

Employees who retire directly from the Water Authority at a minimum age of 55 with a minimum of five years of CalPERS service are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare at age 65 as an implied subsidy. A separate financial report is not prepared for the HC Plan.
12. Other Post-Employment Benefits (OPEB), (continued)

(b) Retiree Health Benefit, (continued)

Funding Policy

The annual contribution is based on projected pay-as-you-go financing requirements. For the fiscal years ended June 30, 2016 and 2015, the Water Authority’s cash contributions were $150,075 and $127,116 in current premiums, which covered 76 and 65 retirees and their spouses, respectively. The estimated implied subsidy for the fiscal years ended June 30, 2016 and 2015 was $136,816 and $167,648, resulting in total payments of $286,891 and $294,764, respectively. In Fiscal Year 2015, the Water Authority made a contribution of $4,300,000 to fully fund California Employers’ Retiree Benefit Trust (CERBT), an OPEB trust administrator and affiliate program of CalPERS, for the purpose of prefunding obligations for past services.

Annual OPEB Cost and Net OPEB Obligation

The Water Authority’s annual OPEB cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation (asset) at June 30, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution (ARC)</td>
<td>$ 180,000</td>
<td>$ 627,000</td>
</tr>
<tr>
<td>Interest on net OPEB obligation</td>
<td>(157,000)</td>
<td>72,000</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>156,000</td>
<td>(73,000)</td>
</tr>
<tr>
<td><strong>Annual OPEB cost</strong></td>
<td><strong>179,000</strong></td>
<td><strong>626,000</strong></td>
</tr>
<tr>
<td>Contributions made</td>
<td>(287,000)</td>
<td>(4,595,000)</td>
</tr>
<tr>
<td>Increase in net OPEB (asset) obligation</td>
<td>(108,000)</td>
<td>(3,969,000)</td>
</tr>
<tr>
<td>Net OPEB (asset) obligation, beginning of year</td>
<td>(2,157,000)</td>
<td>1,812,000</td>
</tr>
<tr>
<td><strong>Net OPEB (asset), end of year</strong></td>
<td><strong>(2,265,000)</strong></td>
<td><strong>(2,157,000)</strong></td>
</tr>
</tbody>
</table>
12. Other Post-Employment Benefits (OPEB), (continued)

(b) Retiree Health Benefit

Funded Status and Funding Progress

The following table summarizes the HC Plan’s funding status as reported in the Water Authority’s most recent actuarial valuation. Because of the prefunding that occurred in Fiscal Year 2015, the Water Authority’s most recent actuarial valuation as of June 30, 2015, reflects an actuarial accrued surplus of $92,104, representing the difference between the actuarial value of plan assets and the actuarial accrued liability.

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Accrued Liability</th>
<th>Actuarial Value of Assets</th>
<th>Unfunded Actuarial Accrued Liability (Surplus)</th>
<th>Funded Status</th>
<th>Annual Covered Payroll</th>
<th>UAAL as a % of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/15</td>
<td>$4,275,266</td>
<td>$4,367,370</td>
<td>$92,104</td>
<td>102%</td>
<td>$24,720,000</td>
<td>N/A</td>
</tr>
<tr>
<td>6/30/13</td>
<td>5,532,080</td>
<td>-</td>
<td>5,532,080</td>
<td>0%</td>
<td>24,962,000</td>
<td>22%</td>
</tr>
</tbody>
</table>

The Water Authority’s annual OPEB cost, the annual OPEB cost contributed, the percentage of annual OPEB cost contributed and the net OPEB obligation (asset) as of and for the fiscal year ended June 30, 2016 and the two preceding fiscal years were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Annual OPEB Cost</th>
<th>Annual OPEB Cost Contributed</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation (Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/16</td>
<td>$179,000</td>
<td>$287,000</td>
<td>160%</td>
<td>$(2,266,000)</td>
</tr>
<tr>
<td>6/30/15</td>
<td>626,000</td>
<td>4,595,000</td>
<td>734%</td>
<td>$(2,157,000)</td>
</tr>
<tr>
<td>6/30/14</td>
<td>597,000</td>
<td>256,000</td>
<td>43%</td>
<td>1,812,000</td>
</tr>
</tbody>
</table>

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the HC Plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as Required Supplementary Information (RSI), immediately following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of HC Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.
12. Other Post-Employment Benefits (OPEB), (continued)

(b) Retiree Health Benefit, (continued)

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of principal assumptions and methods is shown below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Actuarial Valuation Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2015</td>
</tr>
<tr>
<td>Actuarial Cost Method</td>
<td>Entry Age Normal Cost</td>
</tr>
<tr>
<td></td>
<td>Level percent of payroll over 30 years on a closed basis effective June 30, 2007</td>
</tr>
<tr>
<td>Amortization Method</td>
<td></td>
</tr>
<tr>
<td>Average Remaining Period</td>
<td>22 years as of the valuation date</td>
</tr>
<tr>
<td>Method and Plan Changes</td>
<td>Amortized as level percentage of pay over fixed 20 years</td>
</tr>
<tr>
<td>Assumption Changes and Experience Gains/Losses</td>
<td>Amortized as a level percentage of pay over a fixed 15 years</td>
</tr>
<tr>
<td>Funding Policy</td>
<td>Pay-as-you-go benefit payments</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>7.28% per annum</td>
</tr>
<tr>
<td>Projected Salary Increases</td>
<td>3.00% per annum, in aggregate</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.75%</td>
</tr>
<tr>
<td>Number of Active Plan Participants</td>
<td>237</td>
</tr>
</tbody>
</table>

**Annual Healthcare Cost Trend Rates:**

- **HMO**: 7.0% reduced by increments to an ultimate rate of 4.5% per year at 2021 and later years
- **PPO**: 7.5% reduced by increments to an ultimate rate of 4.5% per year at 2022 and later years

---

Fiscal Years Ended June 30, 2016 & 2015
13. Deferred Compensation Plans and Defined Contribution Plans

The Water Authority Board of Directors has adopted deferred compensation plans and defined contribution plans (the Plans) in accordance with Sections 457(f) and 401(a), respectively, of the Internal Revenue Code. The Water Authority Board of Directors has discretion to amend the Plans. These plans permit all eligible employees to defer, either pre-tax or post-tax, a portion of their salary until future years. The plan administrators for the Water Authority at June 30, 2016 and June 30, 2015 were TIAA and ICMA.

Participation in the 457(f) plan is not required and employee contributions may be modified from time to time at the employee’s direction. Employees eligible for the 401(a) plan must contribute an irrevocable mandatory minimum of three percent up to a maximum of 20 percent of salary to the plan. The Water Authority makes an annual contribution to the 401(a) plan on behalf of Senior and Executive Managers as specified in the compensation plans. Contributions to the Plans and interest earnings are 100 percent vested immediately. Benefits depend solely on the amounts contributed to the Plans plus investment earnings.

Plan contributions and earnings are not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the Plans are held in trust for the exclusive benefit of plan participants and their beneficiaries. The Plans are not considered part of the Water Authority’s financial reporting entity. Employee contributions to the 457(f) plan were $1,415,216 and $1,331,278 for Fiscal Years 2016 and 2015, respectively. Employee contributions to the 401(a) plan were $398,756 and $410,143 for Fiscal Years 2016 and 2015, respectively. Employer 401(a) matching contributions were $47,800 and $45,300 for Fiscal Years 2016 and 2015, respectively.

14. Insurance

The Water Authority is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water Authority obtains coverage for general liability, errors and omissions, employment practices liability, and crime coverage from Alteris – Allied World Assurance Company, and coverage for auto, property, boiler and machinery from Travelers Property Casualty Company of America (Travelers). Liability coverage is $46 million per occurrence with a $75,000 deductible per occurrence. Property coverage is provided with a $400 million per occurrence and aggregate coverage limit and a sub-limit of $100 million per occurrence for boiler and machinery coverage. Property and boiler and machinery coverage have a $25,000 deductible per occurrence. The current property policy limit of $400 million exceeds the current $300 million valuation of scheduled property. The Water Authority is a participant in the Special District Risk Management Authority (SDRMA) pooled insurance program and obtains workers’ compensation coverage through the program. Workers’ compensation coverage is per California statutory limits with $5 million per occurrence for employer’s liability coverage. There is no deductible per occurrence.

The amount of claims settlements did not exceed insurance coverage for the past three fiscal years for all coverage types, individually and collectively.

15. Jointly Governed Organization

The Water Authority’s payment of specific environmental mitigation costs are being made to the QSA JPA, which reviews and approves actual expenses for required mitigation and environmental costs. The QSA JPA is administered by the Water Authority and is made up of the Water Authority, IID, CVWD, and the State of California’s Department of Fish and Game. The QSA JPA board is comprised of one member from each participating entity.
16. Commitments and Contingencies

(a) Construction Projects

The Water Authority had material commitments under construction contracts as of June 30, 2016 and 2015 as follows:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nob Hill Improvements</td>
<td>$4,603,037</td>
<td>$</td>
</tr>
<tr>
<td>Miramar Pump Station Rehabilitation</td>
<td>2,942,623</td>
<td>$</td>
</tr>
<tr>
<td>San Vicente By-Pass Pipeline</td>
<td>$</td>
<td>9,237,983</td>
</tr>
<tr>
<td>Twin Oaks Valley Water Treatment Plan Desalination Modifications</td>
<td>$</td>
<td>3,116,739</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,545,660</strong></td>
<td><strong>$12,354,722</strong></td>
</tr>
</tbody>
</table>

(b) Water Purchase Agreement

On December 20, 2012, the Water Authority entered into a 30-year Water Purchase Agreement with Poseidon Resources (Channelside) LP (Company) to purchase potable water from the Claude "Bud" Lewis Carlsbad Desalination Plant (Plant) upon commencement of commercial operations, which was achieved December 23, 2015. The Plant is a 54 million gallon per day (mgd) reverse osmosis desalination plant with an approximately ten-mile pipeline (Pipeline) that connects the Plant to the Water Authority’s existing distribution system.

The project was developed as a “public-private partnership” between the Water Authority and the Company. The Company owns, operates and maintains the Plant whereas the Water Authority owns, operates and maintains the Pipeline. Pursuant to the Water Purchase Agreement (WPA), the Company sells the potable water produced by the Plant (Product Water) to the Water Authority and the Water Authority is the sole purchaser of the Product Water.

The Water Authority has an annual obligation to purchase or pay (a take-or-pay contract) for 48,000 acre-feet, the minimum annual demand commitment by the Water Authority, of Product Water that meets the requirements of the WPA and may request up to 56,000 acre-feet each year, the maximum annual supply commitment, of Product Water produced by the Company. Prior to each contract year, the Water Authority and the Company schedules the monthly delivery of the Product Water such that the annual total will be between 48,000 acre-feet and 56,000 acre-feet, unless otherwise adjusted in accordance with the terms of the WPA. The monthly payments are based on actual units of Product Water delivered or deliverable according to the delivery schedule. The Water Authority pays a per-acre-foot charge for delivered or deliverable water calculated to be sufficient to pay debt service on the Series 2012 Plant Bonds, an equity return, and variable and fixed Project operating costs. The Water Authority is responsible for paying debt service costs on the Series 2012 Water Furnishing Revenue Pipeline Bonds. The Company is obligated to make shortfall payments to the Water Authority for the failure to deliver Product Water as required under the WPA (Operating Period Shortfall Payments). To secure its performance obligations under the WPA, the Company was required to post a $5.125 million letter of credit.
16. Commitments and Contingencies, (continued)

(b) Water Purchase Agreement, (continued)

The Water Authority has an option to purchase the Plant at any time following the tenth anniversary of the December 23, 2015 Commercial Operation Date for a price sufficient to redeem or defease the Series 2012 Plant Bonds and any additional plant senior debt incurred for the construction and modification of the Plant that constitutes permitted approved debt under the WPA plus a return on equity. The Water Authority will also have an option to purchase the Plant for the same price if financing is unavailable to pay for modifying or reinstating the Plant under the circumstances. The Water Authority may also purchase the Plant for the aggregate outstanding principal and accrued interest on the Series 2012 Plant Bonds and any additional plant senior debt under the Plant Loan Agreement (described in the Project Financing section) incurred for the construction and modification of the Plant and that constitutes permitted approved debt under the WPA upon a termination of the WPA for the Company’s default.

(c) MWD Litigation

The Water Authority has filed four lawsuits challenging certain of MWD’s rates for Calendar Years 2011 - 2018, inclusive, after MWD’s adoption of rates in 2010, 2012, 2014 and 2016. After trial in the first two cases (2010 and 2012), the San Francisco Superior Court entered final judgment and a writ of mandate against MWD, invalidating MWD’s rates for Calendar Years 2011-2014; the Court also found that MWD breached the Exchange Agreement it entered into with the Water Authority by its adoption of illegal rates. The trial court awarded the Water Authority $243.8 million, comprised of monies for prejudgment interest, attorneys’ fees and recovery of court costs. MWD has appealed the decision; therefore, no amounts have been recorded in the Water Authority’s financial statements as of June 30, 2016. The Court also ruled that MWD has illegally under-calculated the Water Authority’s right to MWD water supplies (preferential right). The decision, if upheld on appeal, will entitle the Water Authority to tens of thousands of acre-feet more each year, over MWD’s improper calculation.

(d) Litigation

The Water Authority is subject to lawsuits and claims, which arise out of the normal course of business. In the opinion of management, based upon the opinion of legal counsel, the disposition of such actions of which it is aware will not have a material effect on the change in financial position, or liquidity of the Water Authority.
A. Defined Benefit Pension Plan - California Public Employees' Retirement System

San Diego County Water Authority
Miscellaneous Plan

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
for the Measurement Periods Ended June 30

<table>
<thead>
<tr>
<th>Measurement Period</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Pension Liability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 4,706,004</td>
<td>$ 4,921,587</td>
</tr>
<tr>
<td>Interest on the total pension liability</td>
<td>14,880,474</td>
<td>14,066,260</td>
</tr>
<tr>
<td>Actual and expected experience difference</td>
<td>(1,543,047)</td>
<td>-</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>(3,864,680)</td>
<td>-</td>
</tr>
<tr>
<td>Benefits payments including refunds of employee contributions</td>
<td>(6,923,794)</td>
<td>(6,089,127)</td>
</tr>
<tr>
<td><strong>Net change in total pension liability</strong></td>
<td>7,254,957</td>
<td>12,898,720</td>
</tr>
<tr>
<td><strong>Total pension liability - beginning</strong></td>
<td>201,032,622</td>
<td>188,133,902</td>
</tr>
<tr>
<td><strong>Total pension liability - ending (a)</strong></td>
<td>$ 208,287,579</td>
<td>$ 201,032,622</td>
</tr>
</tbody>
</table>

| **Plan Fiduciary Net Position** |           |            |
| Contribution - employer | 5,766,812 | 5,273,604 |
| Contribution - employee | 475,394 | 878,031 |
| Net investment income | 3,400,388 | 21,444,232 |
| Benefit payments including refunds of employee contributions | (6,923,794) | (6,089,127) |
| Administrative expense | (167,895) | -           |
| **Net change in plan fiduciary net position** | 2,550,905 | 21,506,740 |
| **Plan fiduciary net position - beginning** | 143,189,085 | 121,682,345 |
| **Plan fiduciary net position - ending (b)** | $ 145,739,990 | $ 143,189,085 |
| **Net pension liability - ending (a)-(b)** | $ 62,547,589 | $ 57,843,537 |

Plan fiduciary net position as % of the total pension liability

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered-employee payroll</td>
<td>$ 26,977,782</td>
<td>$ 26,830,872</td>
</tr>
<tr>
<td>Net pension liability as % of covered-employee payroll</td>
<td>231.85%</td>
<td>215.59%</td>
</tr>
</tbody>
</table>

Notes to Schedule:

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

**Changes in assumptions.** The discount rate was changed from 7.5 percent (net of administrative expenses) for measurement period ended June 30, 2014 to 7.65 percent (inclusive of administrative expenses) for measurement period ended June 30, 2015.

**Pension liability.** Based on the June 30, 2015 and June 30, 2014 measurement date. Future years’ information will be displayed up to ten years as information becomes available.
A. Defined Benefit Pension Plan - California Public Employees' Retirement System, (continued)

San Diego County Water Authority,
Miscellaneous Plan

**SCHEDULE OF CONTRIBUTIONS**

for the Fiscal Years Ended June 30

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially Determined Contribution (ADC)</td>
<td>$6,198,142</td>
<td>$4,132,513</td>
</tr>
<tr>
<td>Contributions in Relation to the ADC</td>
<td>(6,198,142)</td>
<td>(4,142,513)</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Covered Employee Payroll</td>
<td>$28,464,872</td>
<td>$27,953,880</td>
</tr>
<tr>
<td>Contributions as a Percentage of Covered-Employee Payroll</td>
<td>21.77%</td>
<td>14.82%</td>
</tr>
</tbody>
</table>

**Notes to Schedule:**

(1) Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal years June 30, 2016 and 2015 were from the June 30, 2013 and 2012, respectively, Water Authority valuations.
A. Defined Benefit Pension Plan -
California Public Employees' Retirement System, (continued)

### Methods and Assumptions Used to Determine Contribution Rates:

**San Diego County Water Authority, an agent multiple-employer defined benefit plan**

*for the measurement periods ended June 30, 2015 and 2014*

<table>
<thead>
<tr>
<th>Actuarial Cost Method</th>
<th>Entry age normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization Method/Period</td>
<td>Level percent of payroll over a closed 20-year period</td>
</tr>
<tr>
<td>Asset Valuation Method</td>
<td>Fiscal Year 2015: Market Value</td>
</tr>
<tr>
<td></td>
<td>Fiscal Year 2014: 15-year smoothed market</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.75%</td>
</tr>
<tr>
<td>Salary Increases</td>
<td>3.30% to 14.20 percent, depending on age, service, and type of employment</td>
</tr>
<tr>
<td>Individual Salary Growth</td>
<td>A merit scale varying by duration of employment, coupled with an assumed annual inflation growth of 2.75%, and an annual production growth of 0.25%</td>
</tr>
<tr>
<td>Payroll Growth</td>
<td>3.00%</td>
</tr>
<tr>
<td>Investment Rate of Return</td>
<td>7.50% Net of Pension Plan Investment and administrative expenses; includes inflation for the measurement period ended June 30, 2014. For measurement period ended June 30, 2015, investment rate of return methodology was 7.65%, net of Plan investment expense</td>
</tr>
<tr>
<td>Retirement Age</td>
<td>The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007</td>
</tr>
<tr>
<td>Mortality</td>
<td>The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include five years of projected mortality improvement using Scale AA published by the Society of Actuaries</td>
</tr>
</tbody>
</table>
## B. Other Post-Employment Benefits

The required schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Schedule of Funding Progress for OPEB

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Actuarial Accrued Liability</th>
<th>Actuarial Value of Assets</th>
<th>Unfunded Actuarial Accrued Liability (UAAL)</th>
<th>Funded Ratio</th>
<th>Annual Covered Payroll</th>
<th>UAAL as a % of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2015</td>
<td>$4,275,266</td>
<td>$4,367,370</td>
<td>$(92,104)</td>
<td>102%</td>
<td>$24,270,000</td>
<td>N/A</td>
</tr>
<tr>
<td>6/30/2013</td>
<td>5,532,080</td>
<td>-</td>
<td>5,532,080</td>
<td>0%</td>
<td>24,962,000</td>
<td>22%</td>
</tr>
<tr>
<td>1/1/2011</td>
<td>3,933,126</td>
<td>-</td>
<td>3,933,126</td>
<td>0%</td>
<td>25,670,000</td>
<td>15%</td>
</tr>
</tbody>
</table>
### C. San Diego County Water Authority Budgetary Comparison Schedule

**For the Fiscal Year Ended June 30, 2016 - Budgetary Basis**

<table>
<thead>
<tr>
<th></th>
<th>Final Budget</th>
<th>Actual Amounts(1)</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Positive  Negative</td>
</tr>
<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$565,765,789</td>
<td>$524,934,642</td>
<td>$(40,831,147)</td>
</tr>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>(433,785,145)</td>
<td>(387,123,145)</td>
<td>46,662,000</td>
</tr>
<tr>
<td><strong>Total Net Water Sales Revenue</strong></td>
<td>131,980,644</td>
<td>137,811,497</td>
<td>5,830,853</td>
</tr>
<tr>
<td><strong>Revenues and Other Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Access Charges</td>
<td>30,434,000</td>
<td>30,434,370</td>
<td>370</td>
</tr>
<tr>
<td>Property Taxes and In-Lieu Charges</td>
<td>11,700,000</td>
<td>12,067,223</td>
<td>367,223</td>
</tr>
<tr>
<td>Investment Income</td>
<td>3,938,000</td>
<td>5,985,490</td>
<td>2,047,490</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>3,500,000</td>
<td>2,918,704</td>
<td>(581,296)</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>13,508,000</td>
<td>11,722,324</td>
<td>(1,785,676)</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>10,489,000</td>
<td>10,543,775</td>
<td>54,775</td>
</tr>
<tr>
<td>Other Income</td>
<td>174,000</td>
<td>3,961,042</td>
<td>3,787,042</td>
</tr>
<tr>
<td>Capital Contributions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>15,500,000</td>
<td>15,838,800</td>
<td>338,800</td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
<td>11,250,000</td>
<td>11,088,377</td>
<td>(161,623)</td>
</tr>
<tr>
<td>Contributions in Aid of Capital Improvement Program (CIP)</td>
<td>3,555,000</td>
<td>791,486</td>
<td>(2,763,514)</td>
</tr>
<tr>
<td><strong>Total Revenues and Other Income</strong></td>
<td>104,048,000</td>
<td>105,351,591</td>
<td>1,303,591</td>
</tr>
<tr>
<td><strong>Net Water Sales Revenue and Revenues and Other Income, net</strong></td>
<td>236,028,644</td>
<td>243,163,088</td>
<td>7,134,444</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stored Water Purchases</td>
<td>11,286,000</td>
<td>70,943,962</td>
<td>(59,657,962)</td>
</tr>
<tr>
<td>Debt Service</td>
<td>132,470,000</td>
<td>126,941,563</td>
<td>5,528,437</td>
</tr>
<tr>
<td>QSA Mitigation</td>
<td>11,016,000</td>
<td>11,016,346</td>
<td>(346)</td>
</tr>
<tr>
<td>Hodges Pumped Storage</td>
<td>2,058,000</td>
<td>1,946,265</td>
<td>111,735</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>2,852,000</td>
<td>2,415,091</td>
<td>436,909</td>
</tr>
<tr>
<td>Grant Expenses</td>
<td>14,208,000</td>
<td>8,679,419</td>
<td>5,528,581</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>500,000</td>
<td>28,967</td>
<td>471,033</td>
</tr>
<tr>
<td>Operating Departments/Programs (Note 4)</td>
<td>47,329,845</td>
<td>43,690,728</td>
<td>3,639,117</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>221,719,845</td>
<td>265,662,341</td>
<td>(43,942,496)</td>
</tr>
<tr>
<td><strong>Net Revenues Before CIP Expenses</strong></td>
<td>14,308,799</td>
<td>(22,499,253)</td>
<td>(36,808,052)</td>
</tr>
<tr>
<td><strong>CIP Expenses</strong></td>
<td>72,641,000</td>
<td>89,353,878</td>
<td>(16,712,878)</td>
</tr>
<tr>
<td><strong>Change in Net Position - Budgetary Basis</strong></td>
<td>(58,332,201)</td>
<td>(111,853,131)</td>
<td>(53,520,930)</td>
</tr>
<tr>
<td>Add Adjustments - Full Accrual (Note 5)</td>
<td>152,348,812</td>
<td>152,348,812</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in Net Position - GAAP Basis</strong></td>
<td>94,016,611</td>
<td>40,495,681</td>
<td>(53,520,930)</td>
</tr>
<tr>
<td><strong>Net Position at Beginning of Year</strong></td>
<td>1,496,572,700</td>
<td>1,496,572,700</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Position at End of Year</strong></td>
<td>$1,590,589,311</td>
<td>$1,537,068,381</td>
<td>($53,520,930)</td>
</tr>
</tbody>
</table>

**Notes:**

(1) Actual amounts have been adjusted to more accurately compare it to the adopted multi-year budget which is prepared on a modified accrual basis.
1. **General Manager’s Adopted Multi-Year Budget**

In June 2015, the Board of Directors (Board) adopted a $1.5 billion budget for the Fiscal Years 2016 and 2017. The Water Authority adheres to the budget policies and budgetary controls adopted by the Board for the Fiscal Years 2016 and 2017. The schedule on the previous page presents the final adopted multi-year budget amounts, as amended by the Board, and compares them to actual amounts as presented on a modified accrual basis, which are different from the amounts presented in the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2016.

2. **Budgetary Controls**

The Board, by resolution, has established budgetary controls and made a total appropriation for expenses consistent with the adopted budget. The total appropriation adopted by the Board establishes the legal spending limit for the Water Authority. The Board, by resolution, has delegated to the General Manager authority to make budget adjustments as necessary within a limit of $150,000 subject to the total appropriation limit. Budget adjustments in excess of $150,000 or increases in the total appropriation limit must be approved by the Board.

3. **Budget Process**

The Board adopts a multi-year operating and capital improvement program budget every other fiscal year. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the two-year period. The General Manager views the budget as an essential tool for proper financial management and holds a series of budget hearings through the Administrative and Finance Committee. The budget process includes presentations of key assumptions in the budget development and provides mechanisms for questions and comments from the Board to the Water Authority staff. The Finance Department leads the effort in developing the budget and is responsible for monitoring and reporting to the Board.

4. **Operating Departments/Programs**

<table>
<thead>
<tr>
<th>Operating Departments/Programs</th>
<th>Final Budget</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>$ 7,176,550</td>
<td>$ 6,676,041</td>
<td>$ 500,509</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>1,585,436</td>
<td>1,463,011</td>
<td>122,425</td>
</tr>
<tr>
<td>Engineering</td>
<td>3,521,066</td>
<td>3,253,134</td>
<td>267,932</td>
</tr>
<tr>
<td>Finance</td>
<td>2,324,918</td>
<td>2,288,517</td>
<td>36,401</td>
</tr>
<tr>
<td>General Counsel</td>
<td>3,732,627</td>
<td>3,342,568</td>
<td>390,059</td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td>2,895,116</td>
<td>2,572,380</td>
<td>322,736</td>
</tr>
<tr>
<td>MWD Program</td>
<td>2,034,211</td>
<td>1,715,882</td>
<td>318,329</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>15,710,094</td>
<td>15,204,707</td>
<td>505,387</td>
</tr>
<tr>
<td>Public Outreach &amp; Conservation</td>
<td>4,348,963</td>
<td>3,549,319</td>
<td>799,644</td>
</tr>
<tr>
<td>Water Resources</td>
<td>4,000,864</td>
<td>3,625,169</td>
<td>375,695</td>
</tr>
<tr>
<td><strong>Total Operating Departments/Programs</strong></td>
<td><strong>$ 47,329,845</strong></td>
<td><strong>$ 43,690,728</strong></td>
<td><strong>$ 3,639,117</strong></td>
</tr>
</tbody>
</table>
5. Reconciliation of Adjustments (1)

<table>
<thead>
<tr>
<th>Revenues and Other Income</th>
<th>Actual Budgetary Basis</th>
<th>Adjustments</th>
<th>Actual GAAP Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydroelectric Revenue</td>
<td>$2,918,704</td>
<td>$(2,918,704)</td>
<td>-</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>11,722,324</td>
<td>11,722,324</td>
<td>-</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>10,543,775</td>
<td>10,543,775</td>
<td>-</td>
</tr>
<tr>
<td>Other Operating and Non-operating Income (2)</td>
<td>3,961,042</td>
<td>25,184,803</td>
<td>29,145,845</td>
</tr>
<tr>
<td><strong>Total Revenues and Other Income</strong></td>
<td><strong>35,131,335</strong></td>
<td>-</td>
<td><strong>35,131,335</strong></td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Actual Budgetary Basis</th>
<th>Adjustments</th>
<th>Actual GAAP Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stored Water Purchases</td>
<td>70,943,962</td>
<td>(70,943,962)</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>126,941,563</td>
<td>(41,828,577)</td>
<td>85,112,986</td>
</tr>
<tr>
<td>QSA Mitigation</td>
<td>11,016,346</td>
<td>11,016,346</td>
<td>-</td>
</tr>
<tr>
<td>Hodges Pumped Storage</td>
<td>1,946,265</td>
<td>(1,946,265)</td>
<td>-</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>2,415,091</td>
<td>2,415,091</td>
<td>-</td>
</tr>
<tr>
<td>Grant Expenses</td>
<td>8,679,419</td>
<td>(8,679,419)</td>
<td>-</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>28,967</td>
<td>10,528,054</td>
<td>10,557,021</td>
</tr>
<tr>
<td>Operating Departments</td>
<td>43,690,728</td>
<td>2,567,638</td>
<td>41,123,090</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>-</td>
<td>59,493,116</td>
<td>59,493,116</td>
</tr>
<tr>
<td>Bond Issuance Costs</td>
<td>-</td>
<td>6,381,194</td>
<td>6,381,194</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>265,662,341</strong></td>
<td>(62,994,934)</td>
<td><strong>202,667,407</strong></td>
</tr>
</tbody>
</table>

**Net Revenues Before CIP Expenses**

<table>
<thead>
<tr>
<th></th>
<th><strong>(230,531,006)</strong></th>
<th><strong>62,994,934</strong></th>
<th><strong>(167,536,072)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CIP Expenses</strong></td>
<td><strong>89,353,878</strong></td>
<td><strong>(89,353,878)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td><strong>$ (319,884,884)</strong></td>
<td><strong>$ 152,348,812</strong></td>
<td><strong>$ (167,536,072)</strong></td>
</tr>
</tbody>
</table>

Notes:

(1) Only includes revenue and expenses with adjustment.

(2) Other operating and non-operating income includes other income and revenues, intergovernmental, and gain on sale of assets.


In accordance with best financial management practices, the Finance Department provides monthly financial reports to the Board that include the monitoring of Water Purchases and Water Sales in acre-feet and in dollars, and a narrative and variance analysis. In addition, a schedule prepared on a budgetary basis compares the final adopted budget, as amended by the Board, to actual expenses. These monthly financial reports are prepared to provide timely information on the financial progress of the Water Authority for the Board to consider in the decision making process.

7. Annual Financial Reporting

The Water Authority elects to present the budgetary schedule, optional for Enterprise Funds, in accordance with best practices recommended by professional accounting organizations and in keeping with the Water Authority’s commitment to transparency in financial reporting and disclosure. The schedule prepared on a budgetary basis compares the first-year of the two-year adopted budget, as amended by the Board, to actual expenses as presented on the initial schedule in Other Supplementary Information. In addition, a reconciliation of the budgetary schedule and the audited financial statements are presented in Note 5 Reconciliation of Adjustments.
CAFR     Statistical Section

Statistical Section

This section of the San Diego County Water Authority’s Comprehensive Annual Financial Report (CAFR) presents historical information as a context for understanding the Financial Statements and Notes to the Financial Statements.

Contents........................................................................................................................................................................Page

Financial Trends (Tables 1-5).....................................................................................................................................................108

These tables and charts contain trend information to help the reader understand how the Water Authority’s financial performance has changed over time.

Revenue Capacity (Tables 6-10)..............................................................................................................................................114

These tables and charts contain information to help the reader assess the Water Authority’s most significant revenue sources.

Debt Capacity (Tables 11-13)..................................................................................................................................................120

These tables and charts present information to help the reader assess the ability of the Water Authority to pay debt service on outstanding debt.

General Information (Tables 14-15)........................................................................................................................................124

These tables and charts contain service and infrastructure data to help the reader understand how information in its financial report relates to Water Authority provided services and activities.

Demographic and Economic Information (Tables 16-17).....................................................................................................125

These tables offer demographic and economic indicators to help the reader understand the environment in which the Water Authority’s financial activities take place.

Note:

Unless otherwise noted, the information in these schedules is derived from the Water Authority’s comprehensive annual financial report and detailed accounting records for the relevant year.
### TABLE 1, Net Position - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Investment in Capital Assets</th>
<th>Restricted for Construction Projects</th>
<th>Restricted for Debt Service</th>
<th>Unrestricted</th>
<th>Total Net Position</th>
<th>Changes in Net Position</th>
<th>% of Change in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1,148,155,974</td>
<td>$156,718,296</td>
<td>$158,377</td>
<td>$232,035,734</td>
<td>$1,537,068,381</td>
<td>$40,495,681</td>
<td>2.7%</td>
</tr>
<tr>
<td>2015</td>
<td>1,102,128,289</td>
<td>143,366,311</td>
<td>113,537</td>
<td>250,964,563</td>
<td>1,496,572,700</td>
<td>(1) 86,143,313</td>
<td>5.9%</td>
</tr>
<tr>
<td>2014</td>
<td>1,011,397,033</td>
<td>201,696,008</td>
<td>549,186</td>
<td>257,965,113</td>
<td>1,471,607,340</td>
<td>81,003,310</td>
<td>5.8%</td>
</tr>
<tr>
<td>2013</td>
<td>980,446,318</td>
<td>151,728,963</td>
<td>540,932</td>
<td>257,887,817</td>
<td>1,390,607,030</td>
<td>60,895,729</td>
<td>4.6%</td>
</tr>
<tr>
<td>2012</td>
<td>976,837,047</td>
<td>133,157,019</td>
<td>675,910</td>
<td>219,038,325</td>
<td>1,329,708,301</td>
<td>52,228,329</td>
<td>4.1%</td>
</tr>
<tr>
<td>2011</td>
<td>959,638,557</td>
<td>121,172,255</td>
<td>586,217</td>
<td>196,082,943</td>
<td>1,277,479,972</td>
<td>39,160,773</td>
<td>3.1%</td>
</tr>
<tr>
<td>2010</td>
<td>954,037,294</td>
<td>115,506,824</td>
<td>597,315</td>
<td>185,460,362</td>
<td>1,255,601,795</td>
<td>48,261,746</td>
<td>4.0%</td>
</tr>
<tr>
<td>2009</td>
<td>964,225,706</td>
<td>121,172,255</td>
<td>641,622</td>
<td>162,709,593</td>
<td>1,207,340,049</td>
<td>76,296,511</td>
<td>6.7%</td>
</tr>
<tr>
<td>2008</td>
<td>873,060,643</td>
<td>97,515,721</td>
<td>637,302</td>
<td>159,829,872</td>
<td>1,131,043,538</td>
<td>55,277,185</td>
<td>5.5%</td>
</tr>
<tr>
<td>2007</td>
<td>523,870,502</td>
<td>377,044,103</td>
<td>69,195,142</td>
<td>32,198,811</td>
<td>1,002,308,558</td>
<td>67,531,849</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Beginning net position was restated by a decrease of $61,177,953 pursuant to GASB Statement Nos. 68 and 71 implemented in Fiscal Year 2015.
(2) Net position at June 30, 2012 and 2011 was restated to reflect the bond issuance costs expensed in the period incurred.
(3) Net position at June 30, 2009 and 2008 was restated to reflect the capitalization of project costs. Net position at June 30, 2008 and 2006 was restated to reflect the cancellation of projects.

### TABLE 2, Revenues and Capital Contributions by Source - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Investment in Capital Assets</th>
<th>Restricted for Construction Projects</th>
<th>Restricted for Debt Service</th>
<th>Unrestricted</th>
<th>Total Net Position</th>
<th>Changes in Net Position</th>
<th>% of Change in Net Position</th>
</tr>
</thead>
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<td>113,537</td>
<td>250,964,563</td>
<td>1,496,572,700</td>
<td>(1) 86,143,313</td>
<td>5.9%</td>
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<td>549,186</td>
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<td>1,471,607,340</td>
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<td>540,932</td>
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<td>1,390,607,030</td>
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<td>4.6%</td>
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<td>133,157,019</td>
<td>675,910</td>
<td>219,038,325</td>
<td>1,329,708,301</td>
<td>52,228,329</td>
<td>4.1%</td>
</tr>
<tr>
<td>2011</td>
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<td>121,172,255</td>
<td>586,217</td>
<td>196,082,943</td>
<td>1,277,479,972</td>
<td>39,160,773</td>
<td>3.1%</td>
</tr>
<tr>
<td>2010</td>
<td>954,037,294</td>
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<td>597,315</td>
<td>185,460,362</td>
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<td>48,261,746</td>
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<tr>
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<td>121,172,255</td>
<td>641,622</td>
<td>162,709,593</td>
<td>1,207,340,049</td>
<td>76,296,511</td>
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</tr>
<tr>
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<td>637,302</td>
<td>159,829,872</td>
<td>1,131,043,538</td>
<td>55,277,185</td>
<td>5.5%</td>
</tr>
<tr>
<td>2007</td>
<td>523,870,502</td>
<td>377,044,103</td>
<td>69,195,142</td>
<td>32,198,811</td>
<td>1,002,308,558</td>
<td>67,531,849</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Beginning net position was restated by a decrease of $61,177,953 pursuant to GASB Statement Nos. 68 and 71 implemented in Fiscal Year 2015.
(2) Net position at June 30, 2012 and 2011 was restated to reflect the bond issuance costs expensed in the period incurred.
(3) Net position at June 30, 2009 and 2008 was restated to reflect the capitalization of project costs. Net position at June 30, 2008 and 2006 was restated to reflect the cancellation of projects.
Fiscal Years Ended June 30, 2016 & 2015

Table 1, Total Net Position, in Millions ($)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$1,002.3</td>
</tr>
<tr>
<td>2008</td>
<td>$1,131.0</td>
</tr>
<tr>
<td>2009</td>
<td>$1,203.6</td>
</tr>
<tr>
<td>2010</td>
<td>$1,277.5</td>
</tr>
<tr>
<td>2011</td>
<td>$1,329.7</td>
</tr>
<tr>
<td>2012</td>
<td>$1,390.6</td>
</tr>
<tr>
<td>2013</td>
<td>$1,471.6</td>
</tr>
<tr>
<td>2014</td>
<td>$1,486.6</td>
</tr>
<tr>
<td>2015</td>
<td>$1,537.1</td>
</tr>
<tr>
<td>2016</td>
<td>$1,537.1</td>
</tr>
</tbody>
</table>

Table 2, Revenues and Capital Contributions by Source - Last 10 Fiscal Years, (continued)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Revenues</th>
<th>Capital Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$5,985,490</td>
<td>$74,392,921</td>
</tr>
<tr>
<td>2008</td>
<td>2,905,952</td>
<td>63,244,373</td>
</tr>
<tr>
<td>2009</td>
<td>3,674,934</td>
<td>65,287,790</td>
</tr>
<tr>
<td>2010</td>
<td>2,936,474</td>
<td>55,955,158</td>
</tr>
<tr>
<td>2011</td>
<td>5,211,394</td>
<td>59,072,023</td>
</tr>
<tr>
<td>2012</td>
<td>6,960,755</td>
<td>60,373,303</td>
</tr>
<tr>
<td>2013</td>
<td>5,217,031</td>
<td>59,072,023</td>
</tr>
<tr>
<td>2014</td>
<td>5,211,394</td>
<td>59,072,023</td>
</tr>
<tr>
<td>2015</td>
<td>6,960,755</td>
<td>60,373,303</td>
</tr>
<tr>
<td>2016</td>
<td>5,217,031</td>
<td>59,072,023</td>
</tr>
</tbody>
</table>

Graphs showing trends in Total Net Position and Total Revenues and Capital Contributions over fiscal years 2007 to 2016.
### TABLE 3, Operating Expenses - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cost of Sales</th>
<th>Operations &amp; Maintenance</th>
<th>Planning</th>
<th>General &amp; Administrative</th>
<th>Depreciation &amp; Amortization</th>
<th>Total Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$387,123,145</td>
<td>$18,212,388</td>
<td>$8,651,233</td>
<td>$14,259,469</td>
<td>$59,493,116</td>
<td>$487,739,351</td>
</tr>
<tr>
<td>2015</td>
<td>411,037,897</td>
<td>22,365,531</td>
<td>8,416,134</td>
<td>14,115,738</td>
<td>57,751,284</td>
<td>513,666,584</td>
</tr>
<tr>
<td>2014</td>
<td>422,699,658</td>
<td>18,780,808</td>
<td>6,851,384</td>
<td>13,670,808</td>
<td>56,589,618</td>
<td>518,592,276</td>
</tr>
<tr>
<td>2013</td>
<td>371,258,531</td>
<td>19,252,138</td>
<td>9,009,004</td>
<td>13,314,635</td>
<td>52,259,977</td>
<td>465,094,285</td>
</tr>
<tr>
<td>2012</td>
<td>312,446,563</td>
<td>16,800,991</td>
<td>7,163,795</td>
<td>13,545,177</td>
<td>51,705,749</td>
<td>401,662,275</td>
</tr>
<tr>
<td>2011</td>
<td>275,099,372</td>
<td>16,576,465</td>
<td>9,754,403</td>
<td>13,238,175</td>
<td>37,364,821</td>
<td>352,033,776</td>
</tr>
<tr>
<td>2010</td>
<td>291,385,187</td>
<td>15,482,609</td>
<td>8,642,260</td>
<td>15,270,175</td>
<td>30,657,250</td>
<td>361,437,481</td>
</tr>
<tr>
<td>2009</td>
<td>269,835,859</td>
<td>17,409,496</td>
<td>10,004,616</td>
<td>15,309,407</td>
<td>30,038,388</td>
<td>342,597,766</td>
</tr>
<tr>
<td>2008</td>
<td>262,538,493</td>
<td>14,475,780</td>
<td>8,882,047</td>
<td>13,561,452</td>
<td>28,480,207</td>
<td>327,937,979</td>
</tr>
<tr>
<td>2007</td>
<td>266,349,351</td>
<td>13,935,397</td>
<td>7,796,355</td>
<td>12,791,751</td>
<td>23,778,986</td>
<td>324,651,840</td>
</tr>
</tbody>
</table>

Notes:

(1) Net of interest expense incurred during construction, “capitalized interest”.

(2) Fiscal Years 2012 and 2011 expenses were restated for GASB 65 implementation.

### TABLE 4, Operating Department/Program Expenses by Major Expense Category - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Labor &amp; Benefits</th>
<th>Outside Services</th>
<th>Supplies, Utilities, Insurance</th>
<th>Other Expenses</th>
<th>Capitalized Overhead</th>
<th>Total Operating Department/Program Expenses (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$30,157,924</td>
<td>$12,393,149</td>
<td>$3,264,804</td>
<td>$1,832,617</td>
<td>$(6,525,404)</td>
<td>$41,123,090</td>
</tr>
<tr>
<td>2015</td>
<td>33,547,387</td>
<td>13,244,296</td>
<td>3,324,270</td>
<td>1,713,115</td>
<td>$(6,931,665)</td>
<td>44,897,403</td>
</tr>
<tr>
<td>2014</td>
<td>29,882,613</td>
<td>13,981,175</td>
<td>3,127,000</td>
<td>1,640,283</td>
<td>$(9,328,071)</td>
<td>39,303,000</td>
</tr>
<tr>
<td>2013</td>
<td>30,592,860</td>
<td>13,555,169</td>
<td>3,151,622</td>
<td>1,576,776</td>
<td>$(7,300,650)</td>
<td>41,575,777</td>
</tr>
<tr>
<td>2012</td>
<td>30,342,606</td>
<td>8,759,265</td>
<td>2,584,696</td>
<td>2,270,811</td>
<td>$(4,447,145)</td>
<td>37,509,963</td>
</tr>
<tr>
<td>2011</td>
<td>30,972,738</td>
<td>9,928,970</td>
<td>3,078,911</td>
<td>1,491,077</td>
<td>$(5,902,113)</td>
<td>39,569,583</td>
</tr>
<tr>
<td>2010</td>
<td>30,934,843</td>
<td>8,588,898</td>
<td>2,614,997</td>
<td>1,622,306</td>
<td>$(4,366,000)</td>
<td>39,395,044</td>
</tr>
<tr>
<td>2009</td>
<td>30,579,263</td>
<td>11,880,022</td>
<td>3,491,169</td>
<td>3,733,747</td>
<td>$(6,960,682)</td>
<td>42,723,519</td>
</tr>
<tr>
<td>2008</td>
<td>27,488,581</td>
<td>9,908,019</td>
<td>2,807,336</td>
<td>1,937,361</td>
<td>$(5,222,018)</td>
<td>36,919,279</td>
</tr>
<tr>
<td>2007</td>
<td>26,002,349</td>
<td>8,789,610</td>
<td>3,282,717</td>
<td>1,925,411</td>
<td>$(5,476,584)</td>
<td>34,523,503</td>
</tr>
</tbody>
</table>

Notes:

(1) Excludes equipment purchases.
### TABLE 3, Operating Expenses - Last 10 Fiscal Years, (continued)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cost of Sales</th>
<th>Operations &amp; Maintenance Planning</th>
<th>General &amp; Administrative</th>
<th>Depreciation &amp; Amortization</th>
<th>Total Operating Expenses</th>
<th>Interest Expense (1)</th>
<th>Other, net</th>
<th>Total Nonoperating Expenses</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 387,123,145</td>
<td>$ 18,212,388</td>
<td>$ 8,651,233</td>
<td>$ 14,259,469</td>
<td>$ 59,493,116</td>
<td>$ 85,112,986</td>
<td>$ 16,938,215</td>
<td>$ 102,051,201</td>
<td>$ 589,790,552</td>
</tr>
<tr>
<td>2015</td>
<td>411,037,897</td>
<td>22,365,531</td>
<td>8,416,134</td>
<td>14,115,738</td>
<td>57,751,284</td>
<td>81,792,704</td>
<td>10,926,011</td>
<td>92,718,715</td>
<td>606,405,299</td>
</tr>
<tr>
<td>2014</td>
<td>422,699,658</td>
<td>18,780,808</td>
<td>6,851,384</td>
<td>13,670,808</td>
<td>56,589,618</td>
<td>77,791,397</td>
<td>10,714,796</td>
<td>76,921,897</td>
<td>518,592,276</td>
</tr>
<tr>
<td>2013</td>
<td>371,258,531</td>
<td>19,252,138</td>
<td>9,009,004</td>
<td>13,314,635</td>
<td>52,259,977</td>
<td>69,076,153</td>
<td>7,845,744</td>
<td>75,224,667</td>
<td>465,094,285</td>
</tr>
<tr>
<td>2012</td>
<td>312,446,563</td>
<td>16,800,991</td>
<td>7,163,795</td>
<td>13,545,177</td>
<td>51,705,749</td>
<td>67,209,780</td>
<td>8,014,887</td>
<td>75,224,667</td>
<td>401,662,275</td>
</tr>
<tr>
<td>2011</td>
<td>275,099,372</td>
<td>16,576,465</td>
<td>9,754,403</td>
<td>13,238,715</td>
<td>37,364,821</td>
<td>52,170,107</td>
<td>6,963,781</td>
<td>59,133,888</td>
<td>352,033,776</td>
</tr>
<tr>
<td>2008</td>
<td>262,538,493</td>
<td>14,475,780</td>
<td>8,882,047</td>
<td>13,561,452</td>
<td>28,480,207</td>
<td>49,278,087</td>
<td>6,759,910</td>
<td>56,037,997</td>
<td>327,937,979</td>
</tr>
</tbody>
</table>

**Chart 3, Total Expenses, in Millions ($)**

**Chart 4, Total Operating Department/Program Expenses, in Millions ($)**
TABLE 5, Capital Assets - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Non-Depreciable Capital Assets</th>
<th>Water Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land (1)</td>
<td>Construction in Progress</td>
</tr>
<tr>
<td>2009</td>
<td>$13,128,344</td>
<td>$1,302,928,098 (2)</td>
</tr>
<tr>
<td>2008</td>
<td>13,283,900</td>
<td>1,051,556,553 (2)</td>
</tr>
<tr>
<td>2007</td>
<td>13,283,900</td>
<td>720,889,855</td>
</tr>
</tbody>
</table>

Notes:
(1) Includes land used for environmental mitigation.
(2) Construction in Progress at June 30, 2009 and 2008 was restated to reflect the capitalization of project costs; at June 30, 2008 was restated to reflect the cancellation of projects.
(3) Includes vehicles, computers, office equipment, furniture, and fixtures.
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$24,458,404</td>
<td>$11,858,791</td>
<td>$5,329,998</td>
<td>$414,541,159</td>
<td>$171,049,357</td>
<td>$627,237,709</td>
<td></td>
<td>$3,490,975,446</td>
<td>$2,131,640,177</td>
</tr>
<tr>
<td>2012</td>
<td>19,291,657</td>
<td>7,301,686</td>
<td>2,644,029</td>
<td>637,434,621</td>
<td>666,671,993</td>
<td>1,645,493,121</td>
<td></td>
<td>2,835,085,097</td>
<td>2,137,289,215</td>
</tr>
<tr>
<td>2011</td>
<td>16,833,637</td>
<td>7,301,686</td>
<td>2,644,029</td>
<td>520,058,635</td>
<td>546,837,987</td>
<td>1,586,130,985</td>
<td></td>
<td>2,981,860,182</td>
<td>2,069,925,812</td>
</tr>
<tr>
<td>2010</td>
<td>16,421,418</td>
<td>1,023,887</td>
<td>2,644,029</td>
<td>1,200,331,306</td>
<td>1,220,420,640</td>
<td>1,188,379,660</td>
<td></td>
<td>2,835,085,097</td>
<td>1,970,030,502</td>
</tr>
</tbody>
</table>

**TABLE 5, Capital Assets - Last 10 Fiscal Years, (continued)**

**Chart 5, Net Capital Assets, in Millions ($)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.970.0</td>
<td>$2.315.4</td>
<td>$2.055.2</td>
<td>$2.035.1</td>
<td>$2.981.9</td>
<td>$3.050.7</td>
<td>$3.167.4</td>
<td>$3.213.6</td>
<td>$3.291.7</td>
<td>$3.491.0</td>
</tr>
</tbody>
</table>

Fiscal Years Ended June 30, 2016 & 2015
<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Full Service Tier 1</th>
<th>Full Service Tier 2</th>
<th>Interim Agricultural Water Program (2)</th>
<th>Surface Storage Operating Agreement (3)</th>
<th>Replenishment Water Rate (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UTR</td>
<td>TR</td>
<td>UTR</td>
<td>TR</td>
<td>UTR</td>
</tr>
<tr>
<td>2016</td>
<td>$594</td>
<td>$942</td>
<td>$728</td>
<td>$1,076</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>582</td>
<td>923</td>
<td>714</td>
<td>1,055</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>593</td>
<td>890</td>
<td>735</td>
<td>1,032</td>
<td>-</td>
</tr>
<tr>
<td>2013</td>
<td>593</td>
<td>847</td>
<td>743</td>
<td>997</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>560</td>
<td>794</td>
<td>686</td>
<td>920</td>
<td>537</td>
</tr>
<tr>
<td>2011</td>
<td>527</td>
<td>744</td>
<td>652</td>
<td>869</td>
<td>482</td>
</tr>
<tr>
<td>2010</td>
<td>484</td>
<td>701</td>
<td>594</td>
<td>811</td>
<td>416</td>
</tr>
<tr>
<td>2009 (12)</td>
<td>484</td>
<td>701</td>
<td>564</td>
<td>781</td>
<td>394</td>
</tr>
<tr>
<td>2009</td>
<td>412</td>
<td>579</td>
<td>528</td>
<td>695</td>
<td>322</td>
</tr>
<tr>
<td>2008</td>
<td>351</td>
<td>508</td>
<td>449</td>
<td>606</td>
<td>261</td>
</tr>
<tr>
<td>2007</td>
<td>331</td>
<td>478</td>
<td>427</td>
<td>574</td>
<td>241</td>
</tr>
</tbody>
</table>

Notes:
1. All rates are calendar year except for the water standby charge, which is fiscal year and Surface Storage Operating Agreement (SSOA) rates, which apply from October 1 through April 30.
2. Reflects MWD treated Interim Agricultural Water Program (IAWP) rate and Water Authority charges prior to January 1, 2003. The IAWP was discontinued after 2012.
3. This schedule represents the contractual seasonal storage rate. Noncontractual participants pay a higher rate. Effective January 1, 2003, MWD instituted a SSOA offering a discount of $70/acre-foot for “scheduled” water placed into reservoirs by member agencies. An increased discount rate of $105/acre-foot is offered for “call” water, which is withdrawn from reservoirs per MWD’s usage needs. SSOA was not renewed in 2009.
4. MWD’s Replenishment Rate is a discounted rate for surplus system supplies available for the purpose of replenishing local supplies.
5. The Water Authority’s Melded Supply Rate includes MWD’s Full Service Tier 1 charge, as well as other supply and treatment charges.
6. A new transitional rate was adopted on December 10, 2008 for customers opting out of MWD’s IAWP. Customers participating in the Special Agricultural Water Rate (SAWR) program are considered M&I customers by MWD.
7. Per acre-foot of water.
8. The Supply Reliability charge is a fixed charge that went into effect on January 1, 2016 and recovers costs associated with desalinated and transfer water.
9. Per parcel or acre, whichever is greater.
10. Per equivalent meter (less than one inch) and includes system and treatment capacity charges.
11. Per equivalent meter.
12. Reflects a mid-year rate increase effective September 1, 2009 to match MWD’s mid-year rate increase.

UTR=untreated
TR=treated
### San Diego County Water Authority

<table>
<thead>
<tr>
<th>Melded Supply Rate (5)</th>
<th>Special Agricultural Water Rate (6)</th>
<th>Transportation Rate (7)</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply Reliability Charge (8)</th>
<th>Standby Charge (9)</th>
<th>Capacity Charge (10)</th>
<th>Infrastructure Access Charge (11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTR TR</td>
<td>UTR TR</td>
<td>UTR TR</td>
<td>UTR TR</td>
<td>UTR TR</td>
<td>UTR TR</td>
<td>UTR TR</td>
<td>UTR TR</td>
<td>UTR TR</td>
</tr>
<tr>
<td>$780 $1,060</td>
<td>$594 $874</td>
<td>$105 $26,400,000</td>
<td>$63,200,000</td>
<td>$24,800,000</td>
<td>$10 $4,963</td>
<td>$10 $4,963</td>
<td>$10 $4,963</td>
<td>$10 $4,963</td>
</tr>
<tr>
<td>764 1,042</td>
<td>582 860</td>
<td>101 $26,400,000</td>
<td>63,200,000</td>
<td>-</td>
<td>10 $4,800</td>
<td>10 $4,800</td>
<td>10 $4,800</td>
<td>10 $4,800</td>
</tr>
<tr>
<td>732 1,006</td>
<td>593 867</td>
<td>97 $26,400,000</td>
<td>63,200,000</td>
<td>-</td>
<td>10 $4,800</td>
<td>10 $4,800</td>
<td>10 $4,800</td>
<td>10 $4,800</td>
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<tr>
<td>714 970</td>
<td>593 849</td>
<td>93 $26,400,000</td>
<td>60,200,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
<tr>
<td>638 872</td>
<td>560 794</td>
<td>85 $26,400,000</td>
<td>54,200,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
<tr>
<td>597 812</td>
<td>527 742</td>
<td>75 $23,200,000</td>
<td>44,300,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
<tr>
<td>532 747</td>
<td>484 699</td>
<td>67 $18,000,000</td>
<td>34,000,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
<tr>
<td>532 747</td>
<td>484 699</td>
<td>67 $16,000,000</td>
<td>23,000,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
<tr>
<td>463 631</td>
<td>412 580</td>
<td>64 $16,000,000</td>
<td>23,000,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
<tr>
<td>390 554</td>
<td>- -</td>
<td>60 $15,200,000</td>
<td>22,200,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
<tr>
<td>365 512</td>
<td>- -</td>
<td>60 $14,200,000</td>
<td>17,700,000</td>
<td>-</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
<td>10 $4,492</td>
</tr>
</tbody>
</table>
### Table 7, Water Sales by Customer - Fiscal Years Ended June 30, 2016 and 2007 (1)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales (acre-feet)</td>
<td>% of Water Sold</td>
<td>Sales (acre-feet)</td>
<td>% of Water Sold</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>155,329</td>
<td>38.6%</td>
<td>City of San Diego</td>
<td>229,672</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>25,501</td>
<td>6.3%</td>
<td>Valley Center M.W.D.</td>
<td>50,511</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,154</td>
<td>6.3%</td>
<td>Otay W.D.</td>
<td>41,946</td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>19,681</td>
<td>4.9%</td>
<td>Helix W.D.</td>
<td>40,063</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>19,657</td>
<td>4.9%</td>
<td>City of Oceanside</td>
<td>34,021</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>17,430</td>
<td>4.3%</td>
<td>Rainbow M.W.D.</td>
<td>33,186</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>17,099</td>
<td>4.3%</td>
<td>City of Escondido</td>
<td>28,429</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>16,010</td>
<td>4.0%</td>
<td>Olivenhain MWD</td>
<td>25,437</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>14,230</td>
<td>3.5%</td>
<td>City of Carlsbad</td>
<td>22,099</td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>13,578</td>
<td>3.4%</td>
<td>Vallecitos W.D.</td>
<td>21,836</td>
</tr>
<tr>
<td><strong>Total Top Ten Customers</strong></td>
<td><strong>323,669</strong></td>
<td><strong>80.5%</strong></td>
<td><strong>Total Top Ten Customers</strong></td>
<td><strong>527,200</strong></td>
</tr>
</tbody>
</table>

|                                | Sales (acre-feet) | % of Water Sold | Sales (acre-feet) | % of Water Sold |
| Fallbrook P.U.D.               | 12,979             | 3.2%        | Fallbrook P.U.D.               | 20,427             | 3.1%        |
| Sweetwater Authority (2)       | 12,533             | 3.1%        | Padre Dam MWD                  | 19,222             | 2.9%        |
| Fallbrook P.U.D.               | 9,184              | 2.3%        | Vista I.D.                     | 18,967             | 2.9%        |
| Padre Dam M.W.D.               | 8,613              | 2.2%        | City of Poway                  | 16,079             | 2.4%        |
| City of Poway                  | 8,488              | 2.1%        | Ramona M.W.D.                  | 12,724             | 1.9%        |
| Santa Fe I.D.                  | 6,092              | 1.5%        | Sweetwater Authority (2)       | 12,510             | 1.9%        |
| Ramona M.W.D.                  | 4,989              | 1.2%        | Santa Fe ID                    | 11,562             | 1.8%        |
| Rincon Del Diablo              | 4,727              | 1.2%        | Rincon Del Diablo              | 8,610              | 1.3%        |
| San Dieguito W.D               | 3,839              | 1.0%        | San Dieguito W.D               | 5,995              | 0.9%        |
| Yuma M.W.D.                    | 3,625              | 0.9%        | Yuma M.W.D.                    | 3,625              | 0.5%        |
| Lakeside W.D.                  | 2,369              | 0.6%        | Lakeside W.D.                  | 1,995              | 0.3%        |
| City of Del Mar                | 899                | 0.2%        | City of Del Mar                | 1,466              | 0.2%        |
| Camp Pendleton Marine Corps Base| 59                 | 0.0%        | Camp Pendleton Marine Corps Base| 72                 | 0.0%        |
| **Other Customers**            | **78,396**         | **19.5%**   | **Other Customers**            | **133,254**        | **20.1%**   |
| **Total Water Sales**          | **402,065**        | **100.0%**  | **Total Water Sales**          | **660,454**        | **100.0%**  |

Notes:

(1) Represents gross water delivery net of water exchanges.

(2) Sweetwater Authority includes National City and South Bay I.D.

*Chart 6, Water Sales by Customer for Fiscal Year Ended June 30, 2016*
### Table 8, Total Treated and Untreated Water Sales - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Treated Water</th>
<th>Untreated Water</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acre-Feet</td>
<td>Sales</td>
<td>Acre-Feet</td>
</tr>
<tr>
<td>2016</td>
<td>146,112</td>
<td>$159,173,709</td>
<td>255,953</td>
</tr>
<tr>
<td>2015</td>
<td>173,204</td>
<td>181,907,967</td>
<td>321,779</td>
</tr>
<tr>
<td>2014</td>
<td>198,397</td>
<td>199,785,961</td>
<td>324,056</td>
</tr>
<tr>
<td>2013</td>
<td>199,257</td>
<td>186,241,667</td>
<td>282,756</td>
</tr>
<tr>
<td>2012</td>
<td>181,445</td>
<td>150,884,055</td>
<td>261,198</td>
</tr>
<tr>
<td>2011</td>
<td>177,098</td>
<td>138,798,942</td>
<td>242,413</td>
</tr>
<tr>
<td>2010</td>
<td>195,937</td>
<td>147,719,098</td>
<td>294,892</td>
</tr>
<tr>
<td>2009</td>
<td>240,808</td>
<td>145,040,752</td>
<td>316,954</td>
</tr>
<tr>
<td>2008</td>
<td>265,421</td>
<td>142,182,057</td>
<td>347,674</td>
</tr>
<tr>
<td>2007</td>
<td>273,989</td>
<td>135,190,065</td>
<td>386,466</td>
</tr>
</tbody>
</table>

### Notes:
(1) Total water sales do not include MWD’s readiness-to-serve and capacity charges; and are net of surface storage, seasonal storage, agriculture, and reclamation credits passed on to member agencies.

### Chart 7, Total Treated and Untreated Water Sales, Total Acre-Feet (in Thousands)
### TABLE 9, Assessed Valuation of Taxable Property - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Local Secured Property</th>
<th>State Secured Property</th>
<th>Redevelopment &amp; Homeowners Exemptions</th>
<th>Net Secured Assessed Value</th>
<th>Net Unsecured Assessed Value</th>
<th>Total Assessed Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$427,427,915,780</td>
<td>$798,410,621</td>
<td>$45,982,840,513</td>
<td>$382,243,485,888</td>
<td>$13,084,323,381</td>
<td>$395,327,809,269</td>
</tr>
<tr>
<td>2015</td>
<td>404,011,617,061</td>
<td>730,338,926</td>
<td>43,257,822,190</td>
<td>361,484,133,797</td>
<td>12,871,635,577</td>
<td>374,355,769,374</td>
</tr>
<tr>
<td>2014</td>
<td>380,636,482,118</td>
<td>808,778,971</td>
<td>40,786,610,505</td>
<td>340,658,650,584</td>
<td>12,314,446,187</td>
<td>352,973,096,771</td>
</tr>
<tr>
<td>2013</td>
<td>367,697,518,087</td>
<td>934,170,553</td>
<td>39,467,366,837</td>
<td>329,164,321,803</td>
<td>11,813,249,531</td>
<td>340,977,571,334</td>
</tr>
<tr>
<td>2012</td>
<td>368,513,444,797</td>
<td>948,639,459</td>
<td>39,371,348,044</td>
<td>330,090,736,212</td>
<td>11,762,281,838</td>
<td>341,853,018,050</td>
</tr>
<tr>
<td>2010</td>
<td>371,808,214,146</td>
<td>747,943,167</td>
<td>40,999,711,071</td>
<td>331,556,446,242</td>
<td>12,538,322,810</td>
<td>344,094,769,052</td>
</tr>
<tr>
<td>2009</td>
<td>381,979,733,503</td>
<td>589,927,644</td>
<td>42,074,337,530</td>
<td>340,495,323,617</td>
<td>11,869,245,103</td>
<td>352,364,568,720</td>
</tr>
<tr>
<td>2007</td>
<td>332,684,762,248</td>
<td>764,249,126</td>
<td>34,464,826,993</td>
<td>298,984,184,381</td>
<td>11,704,409,707</td>
<td>310,688,594,088</td>
</tr>
</tbody>
</table>

Source: County of San Diego’s Office of the Auditor & Controller
### TABLE 10, Levies and Collections - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Property Taxes</th>
<th>Special Assessments (1)</th>
<th>Total Levy</th>
<th>Total Collections</th>
<th>Net Delinquent</th>
<th>% of Delinquent/Total Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$10,057,779</td>
<td>$11,913,896</td>
<td>$21,971,675</td>
<td>$20,939,584</td>
<td>$1,032,091</td>
<td>4.7%</td>
</tr>
<tr>
<td>2015</td>
<td>9,642,868</td>
<td>12,045,616</td>
<td>21,688,484</td>
<td>20,644,160</td>
<td>1,044,324</td>
<td>4.8%</td>
</tr>
<tr>
<td>2014</td>
<td>9,175,527</td>
<td>12,260,070</td>
<td>21,435,597</td>
<td>20,236,442</td>
<td>1,199,155</td>
<td>5.6%</td>
</tr>
<tr>
<td>2013</td>
<td>8,831,152</td>
<td>12,319,533</td>
<td>21,150,685</td>
<td>19,747,352</td>
<td>1,403,333</td>
<td>6.6%</td>
</tr>
<tr>
<td>2012</td>
<td>8,769,573</td>
<td>12,331,193</td>
<td>21,100,766</td>
<td>19,603,936</td>
<td>1,496,830</td>
<td>7.1%</td>
</tr>
<tr>
<td>2011</td>
<td>8,885,757</td>
<td>12,443,203</td>
<td>21,328,960</td>
<td>19,878,227</td>
<td>1,450,733</td>
<td>6.8%</td>
</tr>
<tr>
<td>2010</td>
<td>9,103,831</td>
<td>12,370,600</td>
<td>21,474,431</td>
<td>19,788,939</td>
<td>1,685,492</td>
<td>7.9%</td>
</tr>
<tr>
<td>2009</td>
<td>9,445,331</td>
<td>12,261,787</td>
<td>21,707,118</td>
<td>20,046,360</td>
<td>1,660,758</td>
<td>7.7%</td>
</tr>
<tr>
<td>2008</td>
<td>9,186,799</td>
<td>12,014,079</td>
<td>21,200,878</td>
<td>19,674,672</td>
<td>1,526,206</td>
<td>7.2%</td>
</tr>
<tr>
<td>2007</td>
<td>8,491,306</td>
<td>11,767,140</td>
<td>20,258,446</td>
<td>19,108,822</td>
<td>1,149,624</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Notes:

(1) Represents the tax levy for the Water Authority’s Water Standby Availability Charge.

Source:

County of San Diego’s Office of the Auditor & Controller and the San Diego County Water Authority

### Chart 9, Total Levy and Collections, in Millions ($)

![Chart showing total levy and collections for fiscal years 2007 to 2016]
TABLE 11, Long-term Debt Outstanding - Last 10 Fiscal Years (in Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$</td>
<td>-</td>
<td>$11,685</td>
<td>$</td>
<td>-</td>
<td>$43,925</td>
<td>$48,965 (6)</td>
<td>$104,145</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>11,685</td>
<td>-</td>
<td>-</td>
<td>57,375</td>
<td>512,650 (7)</td>
<td>581,710</td>
</tr>
<tr>
<td>2014</td>
<td>-</td>
<td>-</td>
<td>11,685</td>
<td>-</td>
<td>43,925</td>
<td>70,885</td>
<td>536,110</td>
<td>662,605</td>
</tr>
<tr>
<td>2013</td>
<td>-</td>
<td>-</td>
<td>11,685</td>
<td>-</td>
<td>43,925 (2)</td>
<td>83,490</td>
<td>547,030</td>
<td>686,130</td>
</tr>
<tr>
<td>2012</td>
<td>-</td>
<td>6,110</td>
<td>11,685</td>
<td>17,510</td>
<td>388,710</td>
<td>95,730</td>
<td>556,150</td>
<td>1,069,785</td>
</tr>
<tr>
<td>2011</td>
<td>-</td>
<td>23,610</td>
<td>11,685</td>
<td>236,750</td>
<td>425,000</td>
<td>107,455</td>
<td>558,015</td>
<td>1,345,015</td>
</tr>
<tr>
<td>2010</td>
<td>-</td>
<td>23,610</td>
<td>62,690</td>
<td>243,770</td>
<td>425,000</td>
<td>107,455</td>
<td>558,015</td>
<td>1,369,135</td>
</tr>
<tr>
<td>2009</td>
<td>-</td>
<td>23,610</td>
<td>62,690</td>
<td>243,770</td>
<td>425,000</td>
<td>107,455</td>
<td>558,015</td>
<td>1,426,505</td>
</tr>
<tr>
<td>2008</td>
<td>13,700</td>
<td>23,610</td>
<td>62,690</td>
<td>255,855</td>
<td>425,000</td>
<td>107,455</td>
<td>558,015 (8)</td>
<td>1,446,325</td>
</tr>
<tr>
<td>2007</td>
<td>26,700</td>
<td>102,575</td>
<td>62,690</td>
<td>261,740</td>
<td>425,000</td>
<td>107,455</td>
<td>-</td>
<td>986,160</td>
</tr>
</tbody>
</table>

Original Par Amount: $135,650 $162,315 $180,000 $300,000 $425,000 $107,455 $558,015

Debt Service Reserve Funds: $ - $ - $12,241 $ - (1) $ - (4) $10,746 (5) $23,671 (5)


Notes:
(1) $18,385,750 of proceeds were released from the debt service reserve fund to defease the balance of $17,510,000 on the 2002A COPs in February 2013.
(2) $43,925,000 was defeased on the 2004A COPs in February 2015.
(3) $344,785,000 of the 2004A COPs was refunded by the 2013A Bonds in March 2013.
(4) $4,052,362 of proceeds were released from the debt service reserve fund to defease part of the 2004A COPs in February 2015.
(5) Balance satisfied with surety bond.
(6) $142,445,000 of the 2008A COPs was refunded by the 2015A Bonds in September 2015; $114,895,000 and $205,195,000 of the 2008A COPs was refunded by the 2016A and 2016B Bonds, respectively, in June 2016.
(7) $12,100,000 was defeased on the 2008A COPs in February 2015.
(8) $64,238,181 of proceeds were used to make an early payment on the 1997A COPs in June 2008.
(9) $52,375,000 of the 2010A Bonds was refunded by the 2015A Bonds in September 2015; $20,425,000 of the 2010A Bonds was refunded by the 2016B Bonds in June 2016.
(10) $86,630,000 of the 2011S-1 Bonds was refunded by the Series 9 Notes in May 2016.
(11) See Table 16 for personal income and population data.
### TABLE 11, Long-term Debt Outstanding - Last 10 Fiscal Years (in Thousands), (continued)

#### Revenue Bonds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$17,590</td>
<td>$526,135</td>
<td>$111,555</td>
<td>$94,540</td>
<td>$203,215</td>
<td>$299,105</td>
<td>$184,795</td>
<td>$87,685</td>
<td>$98,945</td>
<td>$197,395</td>
<td>$1,820,960</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>94,365</td>
<td>526,135</td>
<td>86,630</td>
<td>119,100</td>
<td>94,540</td>
<td>-</td>
<td>299,105</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,219,875</td>
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</tr>
<tr>
<td>2014</td>
<td>96,925</td>
<td>526,135</td>
<td>86,630</td>
<td>126,285</td>
<td>94,540</td>
<td>-</td>
<td>299,105</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,229,620</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>98,495</td>
<td>526,135</td>
<td>86,630</td>
<td>133,130</td>
<td>94,540</td>
<td>-</td>
<td>299,105</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,238,035</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>98,495</td>
<td>526,135</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>624,630</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>98,495</td>
<td>526,135</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>624,630</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>98,495</td>
<td>526,135</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>624,630</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>98,495</td>
<td>526,135</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>624,630</td>
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</tr>
<tr>
<td>2008</td>
<td>98,495</td>
<td>526,135</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>624,630</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>98,495</td>
<td>526,135</td>
<td>$139,945</td>
<td>94,540</td>
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<td>-</td>
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<td>945,745</td>
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<tr>
<td>2006</td>
<td>98,495</td>
<td>526,135</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>945,745</td>
<td></td>
</tr>
</tbody>
</table>

#### Chart 10, Total Debt Outstanding, in Millions ($)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$104</td>
<td>$146</td>
<td>$1,427</td>
<td>$1,994</td>
<td>$1,970</td>
<td>$2,016</td>
<td>$1,924</td>
<td>$1,902</td>
<td>$1,802</td>
<td>$1,925</td>
</tr>
</tbody>
</table>

#### Chart 11, Total Debt Outstanding, in Millions ($)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1,925,105</td>
<td>1%</td>
<td>$580</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$1,801,585</td>
<td>1%</td>
<td>558</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$1,892,225</td>
<td>1%</td>
<td>580</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$1,924,165</td>
<td>1%</td>
<td>597</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$2,015,530</td>
<td>1%</td>
<td>633</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$1,969,645</td>
<td>1%</td>
<td>627</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$1,993,765</td>
<td>1%</td>
<td>642</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$1,426,505</td>
<td>1%</td>
<td>466</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$1,446,325</td>
<td>1%</td>
<td>479</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$986,160</td>
<td>1%</td>
<td>331</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### TABLE 12, Revenue Debt Service Coverage - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenues for Purpose of Calculation (1)</th>
<th>Operating Expenses (2)</th>
<th>Net Revenue Available for Debt Service</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
<th>Coverage Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$589,264,060</td>
<td>$416,179,012</td>
<td>$173,085,048</td>
<td>$26,550,000</td>
<td>$88,662,002</td>
<td>$115,212,002</td>
<td>150%</td>
</tr>
<tr>
<td>2015</td>
<td>636,915,844</td>
<td>444,459,693</td>
<td>192,456,151</td>
<td>34,615,000</td>
<td>93,550,901</td>
<td>128,165,901</td>
<td>150%</td>
</tr>
<tr>
<td>2014</td>
<td>643,791,434</td>
<td>450,860,556</td>
<td>192,930,878</td>
<td>31,940,000</td>
<td>96,311,875</td>
<td>128,251,875</td>
<td>150%</td>
</tr>
<tr>
<td>2013</td>
<td>584,848,831</td>
<td>402,037,827</td>
<td>182,811,004</td>
<td>28,175,000</td>
<td>93,543,288</td>
<td>121,718,288</td>
<td>150%</td>
</tr>
<tr>
<td>2012</td>
<td>502,859,753</td>
<td>340,074,164</td>
<td>162,785,589</td>
<td>26,585,000</td>
<td>84,026,291</td>
<td>110,611,291</td>
<td>147%</td>
</tr>
<tr>
<td>2011</td>
<td>446,399,335</td>
<td>305,014,447</td>
<td>141,384,888</td>
<td>24,120,000</td>
<td>79,942,971</td>
<td>104,062,971</td>
<td>136%</td>
</tr>
<tr>
<td>2010</td>
<td>439,639,107</td>
<td>320,808,607</td>
<td>118,830,500</td>
<td>6,365,000</td>
<td>73,067,368</td>
<td>79,432,368</td>
<td>150%</td>
</tr>
<tr>
<td>2009</td>
<td>412,709,321</td>
<td>302,091,894</td>
<td>110,617,427</td>
<td>19,820,000</td>
<td>53,242,022</td>
<td>73,062,022</td>
<td>151%</td>
</tr>
<tr>
<td>2008</td>
<td>414,004,382</td>
<td>289,154,436</td>
<td>124,849,946</td>
<td>34,685,000</td>
<td>48,359,992</td>
<td>83,044,992</td>
<td>150%</td>
</tr>
<tr>
<td>2007</td>
<td>410,112,152</td>
<td>292,283,252</td>
<td>117,828,900</td>
<td>33,685,000</td>
<td>50,184,173</td>
<td>83,869,173</td>
<td>140%</td>
</tr>
</tbody>
</table>

Notes:

1. Includes amounts transferred to and from the Rate Stabilization Fund, and excludes interest on debt proceeds, property tax receipts, contributions in aid of capital assets, and Capital Improvement Program (CIP) grant reimbursements.

2. Excludes depreciation and amortization expenses; net of applicable property tax receipts.

3. Excludes commercial paper.

4. Excludes $51,005,000 principal payment on the 1998A COPs which was paid from debt proceeds.

5. Excludes $1,500,000 interest payment on the 2008A COPs and $9,530,000 interest payment on the 2010A & B Bonds, which was paid from debt proceeds.

6. Excludes $18,023,409 interest payment on the 2008A COPs which was paid from debt proceeds.

7. Excludes $64,238,181 principal payment on the 1997A COPs which was paid from debt proceeds.

### Chart 11, Senior Lien Debt Service Coverage, in Percentages (%)

[Chart showing the coverage factor from 2007 to 2016]
TABLE 13, Direct and Overlapping Debt - June 30, 2016

<table>
<thead>
<tr>
<th>Direct and Overlapping Tax and Assessment Debt</th>
<th>Total Debt Outstanding as of June 30, 2016</th>
<th>% Applicable (1)</th>
<th>Estimated Share of Overlapping Debt as of June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Water District</td>
<td>$92,865,000</td>
<td>17.458%</td>
<td>$16,212,372</td>
</tr>
<tr>
<td>Community College Districts</td>
<td>2,352,365,984</td>
<td>79.866-99.955%</td>
<td>2,258,379,874</td>
</tr>
<tr>
<td>San Diego Unified School District</td>
<td>2,986,296,724</td>
<td>99.955%</td>
<td>2,984,952,890</td>
</tr>
<tr>
<td>Other Unified School Districts</td>
<td>1,143,048,389</td>
<td>various</td>
<td>1,139,176,519</td>
</tr>
<tr>
<td>High School Districts</td>
<td>1,253,563,675</td>
<td>various</td>
<td>1,220,735,205</td>
</tr>
<tr>
<td>School Districts</td>
<td>835,808,192</td>
<td>various</td>
<td>811,180,606</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>61,520,000</td>
<td>99.483%</td>
<td>61,201,942</td>
</tr>
<tr>
<td>City of La Mesa</td>
<td>22,690,000</td>
<td>99.982%</td>
<td>22,685,916</td>
</tr>
<tr>
<td>City of National City</td>
<td>4,155,000</td>
<td>99.877%</td>
<td>4,149,889</td>
</tr>
<tr>
<td>Grossmont Healthcare District</td>
<td>266,188,330</td>
<td>95.789%</td>
<td>254,979,139</td>
</tr>
<tr>
<td>Palomar Pomerado Hospital District</td>
<td>467,510,127</td>
<td>98.049%</td>
<td>458,389,004</td>
</tr>
<tr>
<td>Otay Water District I.D. No. 27</td>
<td>4,580,000</td>
<td>100.000%</td>
<td>4,580,000</td>
</tr>
<tr>
<td>Community Facilities Districts</td>
<td>1,415,821,397</td>
<td>97.626-100%</td>
<td>1,415,738,250</td>
</tr>
<tr>
<td>1915 Act Bonds (Estimated)</td>
<td>84,240,343</td>
<td>100.000%</td>
<td>84,240,343</td>
</tr>
<tr>
<td><strong>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</strong></td>
<td></td>
<td></td>
<td><strong>$10,736,601,949</strong></td>
</tr>
<tr>
<td>OVERLAPPING GENERAL FUND DEBT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Diego County General Fund Obligations</td>
<td>$307,830,000</td>
<td>96.687%</td>
<td>$297,631,592</td>
</tr>
<tr>
<td>San Diego County Pension Obligation Bonds</td>
<td>649,860,000</td>
<td>96.687%</td>
<td>628,330,138</td>
</tr>
<tr>
<td>San Diego Superintendent of Schools Certificates of Participation</td>
<td>13,295,000</td>
<td>96.687%</td>
<td>12,854,537</td>
</tr>
<tr>
<td>Community College District Certificates of Participation</td>
<td>7,100,000</td>
<td>79.866-99.921%</td>
<td>6,752,253</td>
</tr>
<tr>
<td>Unified School District General Fund Obligations</td>
<td>199,682,196</td>
<td>90.078-99.773%</td>
<td>199,645,139</td>
</tr>
<tr>
<td>High School and School District General Fund Obligations</td>
<td>387,529,654</td>
<td>89.449-99.987%</td>
<td>383,624,502</td>
</tr>
<tr>
<td>City of San Diego General Fund Obligations</td>
<td>594,045,000</td>
<td>99.948%</td>
<td>593,736,097</td>
</tr>
<tr>
<td>Other City General Fund Obligations</td>
<td>329,794,960</td>
<td>99.071-99.997%</td>
<td>328,961,999</td>
</tr>
<tr>
<td>San Miguel Consolidated Fire Protection District General Fund Obligations</td>
<td>3,180,000</td>
<td>99.512%</td>
<td>3,164,482</td>
</tr>
<tr>
<td>Lakeside Fire General Fund Obligations</td>
<td>5,675,000</td>
<td>95.751%</td>
<td>5,433,869</td>
</tr>
<tr>
<td><strong>TOTAL OVERLAPPING GENERAL FUND DEBT</strong></td>
<td></td>
<td></td>
<td><strong>$2,457,134,608</strong></td>
</tr>
<tr>
<td>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</td>
<td>$1,367,433,014</td>
<td>1.214-100.0%</td>
<td>$1,326,848,037</td>
</tr>
<tr>
<td><strong>TOTAL DIRECT DEBT</strong></td>
<td></td>
<td></td>
<td><strong>$14,520,584,594</strong></td>
</tr>
<tr>
<td><strong>COMBINED TOTAL DEBT</strong></td>
<td></td>
<td></td>
<td><strong>$14,520,584,594</strong></td>
</tr>
</tbody>
</table>

Ratios to 2015-2016 Assessed Valuations:

- Direct Debt: 0.00%
- Total Direct and Overlapping Tax and Assessment Debt: 2.51%
- Combined Total Debt: 3.39%

Ratios to Redevelopment Incremental Valuation ($43,402; 214,369)

- Total Overlapping Tax Increment Debt: 3.06%

Notes:
1. The percentage of overlapping debt applicable to the Water Authority is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district’s assessed value that is within the boundaries of the Water Authority divided by the district’s total taxable assessed value.
2. Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics

Fiscal Years Ended June 30, 2016 & 2015
### TABLE 14, General Information as of June 30, 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Member Agencies</td>
<td>24</td>
</tr>
<tr>
<td>Cities</td>
<td>6</td>
</tr>
<tr>
<td>Water Districts</td>
<td>5</td>
</tr>
<tr>
<td>Irrigation Districts</td>
<td>3</td>
</tr>
<tr>
<td>Municipal Water Districts</td>
<td>8</td>
</tr>
<tr>
<td>Public Utility Districts</td>
<td>1</td>
</tr>
<tr>
<td>Federal Agency (military base)</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes:
The County of San Diego is a non-voting representative.

### TABLE 15, Operating Indicators - Last 10 Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Water System Service Area (1)</th>
<th>Number of Primary Pipelines</th>
<th>Miles of Pipeline</th>
<th>Miles of Patrol Road Maintained</th>
<th>Number of Service Connections</th>
<th>Treated Water Pipeline Capacity (2)</th>
<th>Untreated Water Pipeline Capacity (2)</th>
<th>Average Daily Deliveries (2)</th>
<th>Total Regular Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>951,000</td>
<td>5</td>
<td>310</td>
<td>168</td>
<td>96</td>
<td>420</td>
<td>504</td>
<td>349</td>
<td>247.40</td>
</tr>
<tr>
<td>2015</td>
<td>951,000</td>
<td>5</td>
<td>300</td>
<td>168</td>
<td>96</td>
<td>420</td>
<td>504</td>
<td>442</td>
<td>253.65</td>
</tr>
<tr>
<td>2014</td>
<td>951,000</td>
<td>5</td>
<td>300</td>
<td>150</td>
<td>96</td>
<td>420</td>
<td>504</td>
<td>467</td>
<td>252.50</td>
</tr>
<tr>
<td>2013</td>
<td>951,000</td>
<td>5</td>
<td>300</td>
<td>150</td>
<td>96</td>
<td>420</td>
<td>504</td>
<td>430</td>
<td>253.00</td>
</tr>
<tr>
<td>2012</td>
<td>947,288</td>
<td>5</td>
<td>300</td>
<td>150</td>
<td>106</td>
<td>420</td>
<td>504</td>
<td>395</td>
<td>254.50</td>
</tr>
<tr>
<td>2011</td>
<td>951,000</td>
<td>5</td>
<td>300</td>
<td>150</td>
<td>106</td>
<td>420</td>
<td>504</td>
<td>375</td>
<td>267.50</td>
</tr>
<tr>
<td>2010</td>
<td>951,000</td>
<td>5</td>
<td>300</td>
<td>150</td>
<td>131</td>
<td>420</td>
<td>504</td>
<td>440</td>
<td>267.50</td>
</tr>
<tr>
<td>2009</td>
<td>951,000</td>
<td>5</td>
<td>300</td>
<td>168</td>
<td>121</td>
<td>420</td>
<td>504</td>
<td>496</td>
<td>267.50</td>
</tr>
<tr>
<td>2008</td>
<td>943,425</td>
<td>5</td>
<td>279</td>
<td>135</td>
<td>119</td>
<td>420</td>
<td>504</td>
<td>590</td>
<td>268.50</td>
</tr>
<tr>
<td>2007</td>
<td>939,672</td>
<td>5</td>
<td>279</td>
<td>135</td>
<td>119</td>
<td>420</td>
<td>504</td>
<td>588</td>
<td>265.25</td>
</tr>
</tbody>
</table>

Notes:
(1) Acres.
(2) Millions of gallons per day.
TABLE 16, Demographic and Economic Statistics - Last 10 Calendar Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (1)</th>
<th>Personal Income (in thousands) (1)</th>
<th>Per Capita Personal Income (in dollars) (1)</th>
<th>Unemployment Rate (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,316,915</td>
<td>$209,700,000</td>
<td>$54,246</td>
<td>5.2% (3)</td>
</tr>
<tr>
<td>2015</td>
<td>3,230,669</td>
<td>196,500,000</td>
<td>52,885</td>
<td>5.7% (3)</td>
</tr>
<tr>
<td>2014</td>
<td>3,263,431</td>
<td>167,931,419</td>
<td>51,459</td>
<td>6.4%</td>
</tr>
<tr>
<td>2013</td>
<td>3,222,558</td>
<td>160,828,662</td>
<td>49,907</td>
<td>7.8%</td>
</tr>
<tr>
<td>2012</td>
<td>3,183,413</td>
<td>155,954,440</td>
<td>48,990</td>
<td>9.1%</td>
</tr>
<tr>
<td>2011</td>
<td>3,141,768</td>
<td>147,960,807</td>
<td>47,095</td>
<td>10.3%</td>
</tr>
<tr>
<td>2010</td>
<td>3,104,182</td>
<td>138,346,589</td>
<td>44,568</td>
<td>10.8%</td>
</tr>
<tr>
<td>2009</td>
<td>3,061,203</td>
<td>134,139,980</td>
<td>43,819</td>
<td>9.4%</td>
</tr>
<tr>
<td>2008</td>
<td>3,022,116</td>
<td>138,673,021</td>
<td>45,886</td>
<td>6.0%</td>
</tr>
<tr>
<td>2007</td>
<td>2,975,742</td>
<td>132,954,811</td>
<td>44,680</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

Source:
(1) U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data
(2) CALMIS, Employment Development Department (EDD)
(3) California Department of Transportation (estimates)

TABLE 17, Largest Employers in San Diego County - Fiscal Year 2016 and 2007

<table>
<thead>
<tr>
<th>Employer</th>
<th>2016 (1)</th>
<th>% of Total Employment (1)</th>
<th>Employer</th>
<th>2007 (2)</th>
<th>% of Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of California, San Diego</td>
<td>1</td>
<td>26,000</td>
<td>1.72%</td>
<td>United State Navy</td>
<td>1</td>
</tr>
<tr>
<td>County of San Diego</td>
<td>2</td>
<td>20,500</td>
<td>1.36%</td>
<td>Federal Government</td>
<td>2</td>
</tr>
<tr>
<td>United States Navy, San Diego</td>
<td>3</td>
<td>20,000</td>
<td>1.32%</td>
<td>State of California</td>
<td>3</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>4</td>
<td>19,500</td>
<td>1.29%</td>
<td>University of California, San Diego</td>
<td>4</td>
</tr>
<tr>
<td>San Diego Unified School District</td>
<td>5</td>
<td>15,881</td>
<td>1.05%</td>
<td>San Diego Unified School District</td>
<td>5</td>
</tr>
<tr>
<td>Sharp Healthcare</td>
<td>6</td>
<td>14,390</td>
<td>0.95%</td>
<td>City of San Diego</td>
<td>6</td>
</tr>
<tr>
<td>Scripps Healthcare</td>
<td>7</td>
<td>12,700</td>
<td>0.84%</td>
<td>County of San Diego</td>
<td>7</td>
</tr>
<tr>
<td>Qualcomm</td>
<td>8</td>
<td>9,444</td>
<td>0.62%</td>
<td>Sharp Healthcare</td>
<td>8</td>
</tr>
<tr>
<td>Kaiser Foundation Hospital</td>
<td>9</td>
<td>7,608</td>
<td>0.50%</td>
<td>United States Postal Service</td>
<td>9</td>
</tr>
<tr>
<td>San Diego State University</td>
<td>10</td>
<td>6,939</td>
<td>0.46%</td>
<td>Scripps Health</td>
<td>10</td>
</tr>
</tbody>
</table>

Total Top Ten                          | 152,962  | 10.12%                    | Total Top Ten                          | 239,459  | 16.36%                |

2016 Total Number employed in San Diego County (3) | 1,511,800 |

2007 Total Number employed in San Diego County (3) | 1,463,900 |

Source:
(1) San Diego's Top Ten
(2) San Diego Business Journal
(3) California Employment Development Department
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November 8, 2016

Dear friends and interested parties:

We are pleased to present the Continuing Disclosure Report (Report) for fiscal year ended June 30, 2016 for the San Diego County Water Authority (Water Authority).

The information provided in this Report speaks only as of its date, November 8, 2016 and the financial and operating data included therein is accurate only as of the dates specified therein. The delivery of this Report may not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement of the Water Authority. Other than as set forth in its Continuing Disclosure Agreements, the Water Authority has not undertaken to disclose financial or operating data or to provide notice of changes to the information in this Report.

This Report is provided solely pursuant to the Water Authority’s Continuing Disclosure Agreements. The filing of this Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Water Authority or the referenced securities, or (iii) that no changes, circumstances, or events have occurred since the end of the fiscal year to which this Report relates (other than as contained in this Report), or any other date specified with respect to any of the information contained in this Report, or that no other information exists, which may have a bearing on the security for the referenced securities, or an investor’s decision to buy, sell, or hold the referenced securities. The information contained in this Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Report should be construed as a prediction or representation about future financial performance of the Water Authority. Any statements regarding the referenced securities, other than a statement made by the Water Authority in an official release or subsequent notice published in a financial newspaper of general circulation and/or filed with the Municipal Securities Rulemaking Board are not authorized by the Water Authority. The Water Authority shall not be responsible for the accuracy, completeness, or fairness of any such unauthorized statement.

If you have any questions regarding this Report, please contact David Shank, Financial Planning Manager at (858) 522-6676, or by email at dshank@sdcwa.org.

Sincerely,

Lisa Marie Harris, Director of Finance/Treasurer

A public agency providing a safe and reliable water supply to the San Diego region
General Information

San Diego County Water Authority Management

Maureen A. Stapleton General Manager
Sandra L. Kerl Deputy General Manager
Dennis A. Cushman Assistant General Manager
Lisa Marie Harris Director of Finance/Treasurer
Mark Hattam General Counsel

A Guide to the Continuing Disclosure

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The Water Authority was organized by nine member agencies in 1944 for the
primary purpose of supplying water to San Diego County for distribution to the
Water Authority’s member agencies. The Water Authority currently has 24 member agencies. A member
of the San Diego County Board of Supervisors serves as a non-voting
representative to the Water Authority Board of Directors. As a wholesale
entity, the Water Authority serves only its member agencies and has no retail
customers. The Water Authority has broad powers related to acquiring,
developing, storing, transporting, selling, and delivering water both
inside and outside its boundaries. The Water Authority is authorized to fix
and collect rates or other charges for the purchase and delivery of water
or the use of facilities for service. The Water Authority may borrow money,
incurred indebtedness, and issue bonds and other evidences of indebtedness.

The Water Authority currently receives a minor amount of revenue from
hydroelectric power sales. Legislation
enacted in September 2000 expands
the Water Authority’s power generation
authority to include the purchase, sale,
and transmission of energy.
Selected Financial Highlights

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position are located in the Financial Section, under the Financial Statements tab, pages 33 and 34, respectively.

The Water Authority’s restricted and unrestricted cash and investments balances at June 30, 2016 were $234.5 million and $201.1 million respectively. Approximately 46.2 percent of total cash is unrestricted.

TABLE 1, Cash and Investments, June 30, 2016 and 2015

<table>
<thead>
<tr>
<th>Note:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of June 30, 2016 and 2015, restricted cash and investments balances were as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>$ 55,448,642</td>
<td>$ 85,370,403</td>
</tr>
<tr>
<td>Debt Service Reserve</td>
<td>22,448,531 (1)</td>
<td>12,240,775</td>
</tr>
<tr>
<td>Pay-As-You-Go</td>
<td>156,647,460</td>
<td>143,301,875</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 234,544,633</strong></td>
<td><strong>$ 240,913,053</strong></td>
</tr>
</tbody>
</table>

As of June 30, 2016 and 2015, unrestricted cash and investments balances were as follows:

<table>
<thead>
<tr>
<th>Note:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>$ 49,282,921</td>
<td>$ 8,150,206</td>
</tr>
<tr>
<td>Designated for Rate Stabilization</td>
<td>125,312,636</td>
<td>115,405,373</td>
</tr>
<tr>
<td>Designated for Equipment Replacement</td>
<td>2,893,890</td>
<td>5,116,513</td>
</tr>
<tr>
<td>Designated for Stored Water</td>
<td>23,630,099</td>
<td>97,863,516</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 201,119,546</strong></td>
<td><strong>$ 226,535,608</strong></td>
</tr>
</tbody>
</table>

(1) The 2016 Debt Service Reserve balance includes the California Pollution Control Financing Authority (CPCFA) issued 2012 Pipeline Bond reserves.
Summary of Outstanding Debt

The Water Authority continues to hold long-term senior lien credit ratings of AA+, and Aa2 from Fitch and Moody’s, and was upgraded from AA+ to AAA by Standard & Poor’s in May 2016. Long-term subordinate lien credit ratings are usually rated one level below the senior lien credit ratings of the same issuer. Accordingly, credit ratings of long-term Water Authority subordinate lien debt are inferred to be at AA+, AA, and Aa3 by Standard & Poors, Fitch, and Moody’s, respectively.

Long-Term Senior Lien Fixed-Rate Debt

The table below summarizes the Water Authority’s outstanding long-term, fixed-rate debt as of June 30, 2016, which includes final maturities, original par amounts, amounts outstanding, and applicable debt service reserve fund requirements. All reserve requirements are fully funded by either reserves or surety bonds.

<table>
<thead>
<tr>
<th>Issue Name</th>
<th>Final Maturity</th>
<th>Original Par Amount</th>
<th>Amount Outstanding</th>
<th>Debt Service Reserve Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Revenue Certificates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of Participation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 1998A</td>
<td>2028</td>
<td>180,000,000</td>
<td>11,685,000</td>
<td>12,240,775</td>
</tr>
<tr>
<td>Series 2005A</td>
<td>2022</td>
<td>107,455,000</td>
<td>43,495,000</td>
<td>10,745,500</td>
</tr>
<tr>
<td>Series 2008A</td>
<td>2020</td>
<td>558,015,000</td>
<td>48,965,000</td>
<td>23,670,625</td>
</tr>
</tbody>
</table>

| Water Revenue Bonds:       |                |                     |                    |                            |
|                            |                |                     |                    |                            |
| Series 2010A               | 2020           | 98,495,000          | 17,590,000         | n/a                       |
| Series 2010B (Taxable Build America Bonds) | 2049 | 526,135,000         | 526,135,000         | n/a                       |
| Series 2011A               | 2027           | 139,945,000         | 111,555,000        | n/a                       |
| Series 2011B               | 2031           | 94,540,000          | 94,540,000         | n/a                       |
| Series 2013A               | 2034           | 299,105,000         | 299,105,000        | n/a                       |
| Series 2015A               | 2029           | 184,795,000         | 184,795,000        | n/a                       |
| Series 2016A               | 2033           | 98,945,000          | 98,945,000         | n/a                       |
| Series 2016B               | 2038           | 197,395,000         | 197,395,000        | n/a                       |
| Total                      |                | $ 2,484,825,000     | $ 1,634,205,000    | $ 46,656,900               |

Notes:

* Series 2012B Pipeline Bonds are not shown as they are super-subordinate bonds and therefore not included in debt service coverage calculations.

(1) Amounts stated reflect the minimum balance required.

(2) Balance satisfied with surety bond.
Short-Term and Subordinate Lien Fixed-Rate Debt

The Water Authority currently has three forms of short-term debt: five-year fixed-rate bonds, Tax-Exempt Commercial Paper (TECP) and Extendable Commercial Paper (ECP).


The Water Authority established its TECP Program in 1995. Commercial paper is a form of variable-rate debt, and is issued with maturities of 1 to 270 days. When the commercial paper matures, it is rolled over to new investors by the Water Authority’s commercial paper dealers. The Water Authority has authorized the issuance of up to $460,000,000 of TECP, with $245,000,000 issued and outstanding. The The TECP has been issued in two series – Series 8 ($110,000,000), and Series 9 ($135,000,000). Series 8 was issued in 2014 and series 9 was issued in 2016. Each of these series is supported with a bank “revolving credit and term loan agreement”. As of June 30, 2016, no advances have been made under any of the revolving credit and term loan agreements.


The Water Authority established an ECP Program in June 2014. ECP is considered a market access product. A market access product such as ECP does not require bank liquidity to back stop the notes. This allows the Water Authority to save on bank costs for revolving credit and term loan agreements which support the TECP program. ECP is issued with a final maturity between 1 and 120 days. If the notes cannot be remarkeeted at their maturity date, the notes will be automatically extended to 270 days from the initial issuance and bear interest at a penalty rate until the notes can be remarkeeted or redeemed. The product’s final maturity of 270 days assures that ECP complies with SEC Rule 2a7, making the notes eligible investments for money market funds. The ECP has been issued as Series 1, for $100,000,000 par amount.

The Water Authority has remarketing agreements with Bank of America Merrill Lynch, Morgan Stanley & Co. LLC, and JP Morgan Securities, LLC who serve as the dealers for ECP.

TABLE 3, Subordinate Lien Fixed-Rate Debt, Fiscal Year June 30, 2016

<table>
<thead>
<tr>
<th>Issue Name</th>
<th>Final Maturity</th>
<th>Original Par Amount</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Revenue Refunding Bonds, Series 2016S-1</td>
<td>2021</td>
<td>$87,685,000</td>
<td>$87,685,000</td>
</tr>
</tbody>
</table>

TABLE 4, TECP & ECP Program Summary, Fiscal Year June 30, 2016

<table>
<thead>
<tr>
<th>Short-Term Active Debt Instruments</th>
<th>Size</th>
<th>Liquidity Provider</th>
<th>Liquidity Provider Agreement Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1 (ECP)</td>
<td>$100,000,000</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 8</td>
<td>110,000,000</td>
<td>Bank of Tokyo Mitsubshi, UFJ</td>
<td>June 27, 2017</td>
</tr>
<tr>
<td>Series 9</td>
<td>135,000,000</td>
<td>Bank of America, N.A.</td>
<td>July 16, 2018</td>
</tr>
<tr>
<td>Total</td>
<td>$345,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CAFR     Continuing Disclosure, con’t

Member Agency Voting Entitlements

The 24 voting member agencies currently served by the Water Authority consist of six cities, 17 special districts, and one federal agency. Under the County Water Authority Act (Act), California Statutes 1943, Chapter 545, a member agency’s vote is based on its “total financial contribution” to the Water Authority since the Water Authority was organized in 1944. Total financial contribution includes all amounts paid in taxes, assessments, fees, and charges to or on behalf of the Water Authority or the Metropolitan Water District of Southern California (MWD) excluding charges for water treatment. The Act authorizes each member agency to cast one vote for each $5 million, or major fractional part thereof, of the total financial contribution paid by the member agency.

TABLE 5, Member Agency Voting Entitlements, Effective as of January 1, 2016

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Total Financial Contribution (1)</th>
<th>Vote Entitlement (2)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad Municipal Water District</td>
<td>$410,204,358</td>
<td>82.041</td>
<td>3.53%</td>
</tr>
<tr>
<td>City of Del Mar</td>
<td>34,443,800</td>
<td>6.889</td>
<td>0.30%</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>414,334,476</td>
<td>82.867</td>
<td>3.57%</td>
</tr>
<tr>
<td>Fallbrook Public Utility District</td>
<td>275,160,167</td>
<td>55.032</td>
<td>2.37%</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>797,102,184</td>
<td>159.420</td>
<td>6.88%</td>
</tr>
<tr>
<td>Lakeside Water District</td>
<td>87,408,213</td>
<td>17.482</td>
<td>0.75%</td>
</tr>
<tr>
<td>City of National City</td>
<td>80,623,003</td>
<td>16.125</td>
<td>0.69%</td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>593,822,194</td>
<td>118.764</td>
<td>5.12%</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>361,056,601</td>
<td>72.211</td>
<td>3.11%</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>652,665,941</td>
<td>130.533</td>
<td>5.62%</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>315,421,732</td>
<td>63.084</td>
<td>2.72%</td>
</tr>
<tr>
<td>Camp Pendleton Marine Corps Base</td>
<td>12,025,086</td>
<td>2.405</td>
<td>0.10%</td>
</tr>
<tr>
<td>City of Poway</td>
<td>245,423,554</td>
<td>49.085</td>
<td>2.11%</td>
</tr>
<tr>
<td>Rainbow Municipal Water District</td>
<td>472,429,607</td>
<td>94.486</td>
<td>4.07%</td>
</tr>
<tr>
<td>Ramona Municipal Water District</td>
<td>178,094,664</td>
<td>35.619</td>
<td>1.53%</td>
</tr>
<tr>
<td>Rincon Del Diablo Municipal Water District</td>
<td>170,990,897</td>
<td>34.198</td>
<td>1.47%</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>4,624,031,451</td>
<td>924.805</td>
<td>39.85%</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>124,828,082</td>
<td>24.966</td>
<td>1.08%</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>182,663,622</td>
<td>36.533</td>
<td>1.57%</td>
</tr>
<tr>
<td>South Bay Irrigation District</td>
<td>243,822,908</td>
<td>48.765</td>
<td>2.10%</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>304,240,506</td>
<td>60.848</td>
<td>2.62%</td>
</tr>
<tr>
<td>Valley Center Municipal Water District</td>
<td>629,382,753</td>
<td>125.877</td>
<td>5.42%</td>
</tr>
<tr>
<td>Vista Irrigation District</td>
<td>352,950,775</td>
<td>70.590</td>
<td>3.04%</td>
</tr>
<tr>
<td>Yuima Municipal Water District</td>
<td>44,665,067</td>
<td>8.933</td>
<td>0.38%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,607,791,641</strong></td>
<td><strong>2321.558</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Notes:
(1) Total financial contribution equals base revenues plus fiscal year ended June 30, 2015 revenues.
(2) Numbers may not total due to rounding.
## Water Source and Use

### TABLE 6, Member Agency Gross Water Sales by Fiscal Year, Thousands of Dollars *(1)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad Municipal Water District</td>
<td>$18,771</td>
<td>$21,736</td>
<td>$23,942</td>
<td>$23,192</td>
<td>$20,903</td>
</tr>
<tr>
<td>City of Del Mar</td>
<td>1,008</td>
<td>1,157</td>
<td>1,198</td>
<td>1,140</td>
<td>1,215</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>16,451</td>
<td>21,630</td>
<td>23,524</td>
<td>22,427</td>
<td>20,592</td>
</tr>
<tr>
<td>Fallbrook Public Utility District</td>
<td>12,323</td>
<td>13,981</td>
<td>15,971</td>
<td>15,480</td>
<td>12,341</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>23,684</td>
<td>29,583</td>
<td>35,291</td>
<td>33,721</td>
<td>30,769</td>
</tr>
<tr>
<td>Lakeside Water District</td>
<td>3,843</td>
<td>4,493</td>
<td>4,948</td>
<td>4,124</td>
<td>4,024</td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>23,718</td>
<td>26,392</td>
<td>29,460</td>
<td>28,676</td>
<td>28,998</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>17,089</td>
<td>22,539</td>
<td>22,755</td>
<td>22,376</td>
<td>21,236</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>35,212</td>
<td>39,944</td>
<td>44,691</td>
<td>42,890</td>
<td>39,786</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>13,236</td>
<td>14,863</td>
<td>16,156</td>
<td>14,944</td>
<td>13,947</td>
</tr>
<tr>
<td>Camp Pendleton Marine Corps Base</td>
<td>67</td>
<td>64</td>
<td>72</td>
<td>76</td>
<td>86</td>
</tr>
<tr>
<td>City of Poway</td>
<td>10,378</td>
<td>12,112</td>
<td>13,851</td>
<td>12,295</td>
<td>11,535</td>
</tr>
<tr>
<td>Rainbow Municipal Water District</td>
<td>21,335</td>
<td>24,723</td>
<td>28,093</td>
<td>25,622</td>
<td>22,412</td>
</tr>
<tr>
<td>Ramona Municipal Water District</td>
<td>6,932</td>
<td>7,866</td>
<td>8,391</td>
<td>7,672</td>
<td>6,945</td>
</tr>
<tr>
<td>Rincon del Diablo Municipal Water District</td>
<td>6,793</td>
<td>8,477</td>
<td>9,132</td>
<td>8,046</td>
<td>7,563</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>162,874</td>
<td>189,884</td>
<td>205,769</td>
<td>217,734</td>
<td>205,970</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>2,803</td>
<td>2,642</td>
<td>5,308</td>
<td>5,628</td>
<td>4,806</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>5,937</td>
<td>6,436</td>
<td>10,691</td>
<td>10,173</td>
<td>7,869</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>6,085</td>
<td>4,308</td>
<td>13,400</td>
<td>14,117</td>
<td>14,498</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>18,391</td>
<td>21,435</td>
<td>23,598</td>
<td>21,639</td>
<td>21,635</td>
</tr>
<tr>
<td>Valley Center Municipal Water District</td>
<td>28,700</td>
<td>32,765</td>
<td>35,839</td>
<td>32,816</td>
<td>25,360</td>
</tr>
<tr>
<td>Vista Irrigation District</td>
<td>13,705</td>
<td>18,344</td>
<td>20,244</td>
<td>18,100</td>
<td>18,721</td>
</tr>
<tr>
<td>Yuima Municipal Water District</td>
<td>1,186</td>
<td>2,273</td>
<td>4,964</td>
<td>5,075</td>
<td>3,792</td>
</tr>
<tr>
<td><strong>TOTAL (2)</strong></td>
<td><strong>$450,523</strong></td>
<td><strong>$527,647</strong></td>
<td><strong>$597,289</strong></td>
<td><strong>$587,964</strong></td>
<td><strong>$545,003</strong></td>
</tr>
</tbody>
</table>

**Notes:**

* Numbers may not total due to rounding.

(1) Gross water sales represent total water sales invoiced less adjustments for certain items such as agricultural and reclaimed water, treatment credits, and infrastructure access charges.

(2) In addition to gross water sales revenues, in some years the Water Authority has also received a minor amount of revenues from adjacent water districts that provide water to customers within the Water Authority’s service area under operating agreements. These revenues are not included in this chart.
In Fiscal Year 2016, the Water Authority member agencies’ combined imported and local water use totaled 454,963 acre-feet. Imported supplies accounted for 392,003 acre-feet or 86 percent of the total water used, excluding estimated water savings from conservation programs. Approximately 360,307 acre-feet or 92 percent of imported water supplies was used for municipal and industrial (M&I) needs, with the balance going to meet agricultural demands.

### TABLE 7, Water Source and Use (in Acre-Feet), Fiscal Years 2012-2016

<table>
<thead>
<tr>
<th>Water Use by Member Agency</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>% of change from previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad Municipal Water District</td>
<td>19,970</td>
<td>21,273</td>
<td>22,829</td>
<td>20,609</td>
<td>17,391</td>
<td>-15.6%</td>
</tr>
<tr>
<td>City of Del Mar</td>
<td>1,169</td>
<td>1,231</td>
<td>1,197</td>
<td>1,097</td>
<td>1,016</td>
<td>-7.4%</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>23,363</td>
<td>24,573</td>
<td>25,523</td>
<td>22,265</td>
<td>18,518</td>
<td>-16.8%</td>
</tr>
<tr>
<td>Fallbrook Public Utility District</td>
<td>12,820</td>
<td>13,820</td>
<td>14,125</td>
<td>12,331</td>
<td>10,175</td>
<td>-17.5%</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>32,794</td>
<td>34,373</td>
<td>35,067</td>
<td>31,145</td>
<td>27,118</td>
<td>-12.9%</td>
</tr>
<tr>
<td>Lakeside Water District</td>
<td>4,039</td>
<td>4,249</td>
<td>4,311</td>
<td>3,739</td>
<td>3,185</td>
<td>-14.8%</td>
</tr>
<tr>
<td>City of National City</td>
<td>6,404</td>
<td>6,722</td>
<td>6,692</td>
<td>5,676</td>
<td>5,014</td>
<td>-11.7%</td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>27,269</td>
<td>28,843</td>
<td>29,638</td>
<td>26,449</td>
<td>22,789</td>
<td>-13.8%</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>21,740</td>
<td>23,672</td>
<td>25,020</td>
<td>22,222</td>
<td>18,167</td>
<td>-18.2%</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>34,214</td>
<td>36,197</td>
<td>38,158</td>
<td>34,485</td>
<td>29,128</td>
<td>-15.5%</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>12,172</td>
<td>12,776</td>
<td>12,982</td>
<td>11,322</td>
<td>9,371</td>
<td>-17.2%</td>
</tr>
<tr>
<td>Campo Pendleton Marine Corps Base (1)</td>
<td>8,521</td>
<td>9,086</td>
<td>9,308</td>
<td>8,026</td>
<td>6,277</td>
<td>-21.8%</td>
</tr>
<tr>
<td>City of Poway</td>
<td>11,605</td>
<td>12,579</td>
<td>13,038</td>
<td>11,127</td>
<td>8,806</td>
<td>-20.9%</td>
</tr>
<tr>
<td>Rainbow Municipal Water District</td>
<td>20,465</td>
<td>22,514</td>
<td>22,980</td>
<td>20,173</td>
<td>17,050</td>
<td>-15.5%</td>
</tr>
<tr>
<td>Ramona Municipal Water District</td>
<td>6,770</td>
<td>6,961</td>
<td>6,827</td>
<td>6,142</td>
<td>4,867</td>
<td>-20.8%</td>
</tr>
<tr>
<td>Rincon Del Diablo Municipal Water District</td>
<td>8,128</td>
<td>10,071</td>
<td>9,873</td>
<td>8,882</td>
<td>7,488</td>
<td>-15.7%</td>
</tr>
<tr>
<td>City of San Diego (2)</td>
<td>193,245</td>
<td>202,447</td>
<td>209,876</td>
<td>191,674</td>
<td>164,228</td>
<td>-14.3%</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>6,957</td>
<td>7,285</td>
<td>7,443</td>
<td>7,110</td>
<td>5,895</td>
<td>-17.1%</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>10,694</td>
<td>10,758</td>
<td>12,172</td>
<td>11,199</td>
<td>8,482</td>
<td>-24.3%</td>
</tr>
<tr>
<td>South Bay Irrigation District</td>
<td>14,059</td>
<td>14,370</td>
<td>14,584</td>
<td>13,555</td>
<td>11,987</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>16,083</td>
<td>17,402</td>
<td>17,889</td>
<td>15,297</td>
<td>12,985</td>
<td>-15.1%</td>
</tr>
<tr>
<td>Valley Center Municipal Water District</td>
<td>28,111</td>
<td>29,620</td>
<td>29,997</td>
<td>25,985</td>
<td>20,025</td>
<td>-22.9%</td>
</tr>
<tr>
<td>Vista Irrigation District (3)</td>
<td>18,900</td>
<td>19,490</td>
<td>20,134</td>
<td>17,833</td>
<td>15,812</td>
<td>-11.3%</td>
</tr>
<tr>
<td>Yuima Municipal Water District (4)</td>
<td>2,946</td>
<td>3,589</td>
<td>5,143</td>
<td>11,017</td>
<td>9,191</td>
<td>-16.6%</td>
</tr>
<tr>
<td>Total</td>
<td>542,438</td>
<td>573,901</td>
<td>594,536</td>
<td>539,361</td>
<td>454,963</td>
<td>-15.6%</td>
</tr>
</tbody>
</table>

### Allocation of Water Use

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>356,302</td>
<td>382,128</td>
<td>385,559</td>
<td>338,162</td>
<td>296,379</td>
</tr>
<tr>
<td>Commercial &amp; Industrial</td>
<td>73,895</td>
<td>72,545</td>
<td>83,482</td>
<td>80,311</td>
<td>74,049</td>
</tr>
<tr>
<td>Agricultural (5)</td>
<td>47,196</td>
<td>50,226</td>
<td>51,851</td>
<td>55,360</td>
<td>44,675</td>
</tr>
<tr>
<td>Public &amp; Other</td>
<td>65,045</td>
<td>69,002</td>
<td>73,644</td>
<td>65,528</td>
<td>39,860</td>
</tr>
<tr>
<td>Total</td>
<td>542,438</td>
<td>573,901</td>
<td>594,536</td>
<td>539,361</td>
<td>454,963</td>
</tr>
</tbody>
</table>

Notes:

1. Includes Water Authority deliveries via South Coast Water District System.
2. Excludes City of San Diego local surface water use outside of Water Authority service area.
3. Excludes land outside of Water Authority service area.
4. Includes local supplies and demands developed beyond Yuima’s master meters beginning in Fiscal Year 2015.
5. Agricultural use based on member agencies’ estimated sector weightings.
### TABLE 8, Water Source and Use - Current Year Breakout, Fiscal Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Source of Water (Supply)</th>
<th>Type of Water Authority Supply</th>
<th>Gross Area (Acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Acre-feet)</td>
<td>Agricultural Use (Acre-feet)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M &amp; I Use</td>
<td></td>
</tr>
<tr>
<td>Local (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Authority Supply (Imported) (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>-</td>
<td>20,682</td>
</tr>
<tr>
<td>Del Mar, City Of</td>
<td>13,669</td>
<td></td>
</tr>
<tr>
<td>Escondido, City Of</td>
<td>1,016</td>
<td></td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>17,518</td>
<td></td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>27,118</td>
<td></td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>3,185</td>
<td></td>
</tr>
<tr>
<td>National City, City Of</td>
<td>5,014</td>
<td></td>
</tr>
<tr>
<td>Oceanside, City Of</td>
<td>22,789</td>
<td></td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>18,167</td>
<td></td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>29,128</td>
<td></td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,371</td>
<td></td>
</tr>
<tr>
<td>Poway, City Of</td>
<td>-</td>
<td>134,625</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>17,050</td>
<td>47,670</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>4,867</td>
<td>45,888</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>7,488</td>
<td>10,596</td>
</tr>
<tr>
<td>San Diego, City Of (5)</td>
<td>164,228</td>
<td>213,121</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>5,895</td>
<td>5,660</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>8,482</td>
<td>10,359</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>11,987</td>
<td>13,837</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>12,985</td>
<td>28,334</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>20,025</td>
<td>64,540</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>15,812</td>
<td>21,158</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>9,191</td>
<td>13,460</td>
</tr>
<tr>
<td><strong>TOTALS (6)</strong></td>
<td><strong>454,963</strong></td>
<td><strong>946,253</strong></td>
</tr>
</tbody>
</table>

Notes:
(1) Includes surface, recycled, seawater desalination, and groundwater supplies; does not reflect conserved water.
(2) Water use in a given year may differ from Water Authority sales due to utilization of storage.
(3) Includes only amounts certified through the Transitional Special Agricultural Water Program (TSAWR).
(4) Includes Water Authority deliveries via South Coast Water District System.
(5) Excludes City of San Diego local surface water use outside of Water Authority service area.
(6) Numbers may not total due to rounding.
### Operating Results

**TABLE 9, Historical Operating Results by Fiscal Year, Thousands of Dollars * **

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales (1)</td>
<td>$443,348</td>
<td>$523,456</td>
<td>$593,695</td>
<td>$584,173</td>
<td>$524,935</td>
</tr>
<tr>
<td>Standby Charges</td>
<td>11,241</td>
<td>11,147</td>
<td>11,137</td>
<td>11,107</td>
<td>11,088</td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>11,099</td>
<td>17,710</td>
<td>13,815</td>
<td>22,560</td>
<td>15,839</td>
</tr>
<tr>
<td>Infrastructure Access Charges (2)</td>
<td>27,700</td>
<td>28,675</td>
<td>29,206</td>
<td>29,896</td>
<td>30,434</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUE</strong></td>
<td>$493,388</td>
<td>$580,988</td>
<td>$647,853</td>
<td>$647,736</td>
<td>$582,296</td>
</tr>
</tbody>
</table>

Plus Withdrawals from or Minus Deposits to the Rate Stabilization Fund

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(7,250)</td>
<td>(12,500)</td>
<td>(22,000)</td>
<td>(28,500)</td>
<td>(10,300)</td>
<td></td>
</tr>
<tr>
<td>BABs Interest Rate Subsidy (3)</td>
<td>11,303</td>
<td>11,303</td>
<td>10,269</td>
<td>10,476</td>
<td>10,544</td>
</tr>
<tr>
<td>Nonoperating Revenue (4)</td>
<td>5,419</td>
<td>5,058</td>
<td>7,670</td>
<td>7,204</td>
<td>6,724</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE (5)</strong></td>
<td>$502,860</td>
<td>$584,849</td>
<td>$643,792</td>
<td>$636,916</td>
<td>$589,264</td>
</tr>
</tbody>
</table>

**Operating Expenses (6)**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Sales</td>
<td>312,447</td>
<td>371,259</td>
<td>422,700</td>
<td>411,038</td>
<td>387,123</td>
</tr>
<tr>
<td>Other Maintenance and Operations Costs (7)</td>
<td>37,510</td>
<td>41,576</td>
<td>39,303</td>
<td>44,898</td>
<td>41,123</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>$349,957</td>
<td>$412,834</td>
<td>$462,003</td>
<td>$455,936</td>
<td>$428,246</td>
</tr>
<tr>
<td>Application of Net Tax Receipts</td>
<td>9,882</td>
<td>10,796</td>
<td>11,142</td>
<td>11,476</td>
<td>12,067</td>
</tr>
<tr>
<td><strong>NET OPERATING EXPENSES</strong></td>
<td>$340,075</td>
<td>$402,038</td>
<td>$450,861</td>
<td>$444,460</td>
<td>$416,179</td>
</tr>
</tbody>
</table>

Net Water Revenue Available for Debt Service

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$162,785</td>
<td>$182,811</td>
<td>$192,931</td>
<td>$192,456</td>
<td>$173,085</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

* Some amounts are prepared on a basis other than generally accepted accounting principles.

1. Water sales represent accrued sales to member agencies, as well as revenues from treatment of raw water and certain miscellaneous income items.
2. Infrastructure access charge was implemented January 1999 and is levied on retail water meters within the service area.
3. Taxable Build America Bonds (BABs) receive a 35 percent subsidy of interest payable from the United States Treasury. In Fiscal Year 2014, due to Congressionally-mandated sequestration, the IRS reduced the subsidy payments to issuers of BABs. The first semi-annual payment was reduced by 8.7 percent and the second semi-annual payment was reduced by 7.2 percent. In Fiscal Year 2015 and 2016 both semi-annual payments were reduced by 6.8 percent.
4. Nonoperating revenue consists of interest earnings on Water Authority funds (excluding interest earnings on bond proceeds and the Rate Stabilization Fund) and other revenues (hydroelectric sales, penalties, etc.).
5. Total revenue includes amounts transferred to and from the Rate Stabilization Fund, and excludes property taxes, contributions in aid of capital assets, and CIP grant reimbursements.
6. Operating expenses exclude depreciation and amortization expenses.
7. Includes operations, maintenance, planning, and general and administrative costs; excludes capital equipment purchases.
8. Includes only debt service on Water Authority indebtedness payable from net water revenues and excludes debt service paid from tax revenues. Senior lien debt service does not include trust fees.
9. Excludes $18,447,032 interest payment on the 2010A&B Bonds, which was paid with bond proceeds.
10. Total debt service excludes the CPCFA issued 2012 Pipeline Bonds.
11. Commercial paper (CP) costs include interest and related program fees.
12. Coverage ratios do not include program fees.
### Operating Results

**TABLE 9, Historical Operating Results by Fiscal Year, Thousands of Dollars*, (continued)**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
</table>
| **Revenue Supported Debt Service**
| 1997 Certificates | $6,403 | $ - | $ - | $ - | $ - |
| 1998 Certificates | 555 | 555 | 555 | 555 | 555 |
| 2002 Certificates | 9,370 | 292 | - | - | - |
| 2004 Certificates | 19,534 | 7,798 | 2,163 | 1,262 | - |
| 2005 Certificates | 17,208 | 17,127 | 16,852 | 17,113 | 16,771 |
| 2008 Certificates | 29,643 | 36,776 | 38,181 | 37,819 | 19,504 |
| 2010A&B Bond | 18,570 | 37,017 | 38,576 | 39,497 | 38,505 |
| 2011A Bond | 5,760 | 13,271 | 13,237 | 13,232 | 13,230 |
| 2011B Bond | 3,569 | 4,688 | 4,707 | 4,707 | 4,707 |
| 2013A Bond | - | 4,194 | 13,982 | 13,982 | 13,982 |
| 2015A Bond | - | - | - | - | 6,905 |
| 2016A&B Bond | - | - | - | - | 1,054 |
| **TOTAL DEBT SERVICE** | $110,612 | $121,718 | $128,253 | $128,167 | $115,213 |

**Subordinate Obligation Payments**

| Commercial Paper | 3,068 | 3,080 | 2,480 | 1,708 | 1,925 |
| 2011S-1 Bond | 4,272 | 4,272 | 4,272 | 4,272 | 3,916 |
| 2016S-1 Bond | - | - | - | - | 290 |
| **TOTAL SUBORDINATE OBLIGATION PAYMENTS** | $7,340 | $7,352 | $6,752 | $5,980 | $6,131 |

**Balance Available after Debt Service and Subordinate Obligation Payments**

| Revenue Supported Debt Service | $44,833 | $53,741 | $57,926 | $58,311 | $51,741 |

**Coverage Ratio**

- **Revenue Supported Debt Service**: 1.47x, 1.50x, 1.50x, 1.50x, 1.50x
- **Debt Service & Subordinate Obligation**: 1.41x, 1.44x, 1.45x, 1.45x, 1.44x

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**Chart 1, Water Authority Debt Service Coverage Ratio by Fiscal Year**

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Fiscal Years Ended June 30, 2016 & 2015
Summary of Water Rates

Water rates are established by the Board of Directors and are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Under the General Resolution, the Water Authority is required to fix rates that are reasonably fair and nondiscriminatory. The Water Authority assesses five different charges for the supply and delivery of water; the fixed Customer Service, Storage, and Supply Reliability Charges and the variable Transportation Rate and the Supply and Treatment Rates. The Customer Service Charge recovers operating and capital costs associated with the overall functioning of the Water Authority, the Storage Charge recovers costs associated with the Emergency and Carryover Storage Program, the Supply Reliability Charge, which was established in 2016, recovers a portion of costs associated with desalinated water and IID transfer water, and the Transportation Rate recovers costs associated with the conveyance of water through the Water Authority’s aqueducts.

TABLE 10, Summary of Water Rates, Effective January 1 - December 31

<table>
<thead>
<tr>
<th>San Diego County Water Authority</th>
<th>Metropolitan Water District (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Melded Supply</td>
</tr>
<tr>
<td></td>
<td>TSAWR (3)</td>
</tr>
<tr>
<td>2010</td>
<td>$532 $747 $484 $699</td>
</tr>
<tr>
<td>2011</td>
<td>597 812 527 742</td>
</tr>
<tr>
<td>2012</td>
<td>638 872 560 794</td>
</tr>
<tr>
<td>2013</td>
<td>714 970 593 849</td>
</tr>
<tr>
<td>2014</td>
<td>732 1,006 593 867</td>
</tr>
<tr>
<td>2015</td>
<td>764 1,042 582 860</td>
</tr>
<tr>
<td>2016</td>
<td>780 1,060 594 874</td>
</tr>
</tbody>
</table>

Notes:
(1) MWD rates are shown as the rates adopted by MWD.
(2) TSAWR was adopted on December 10, 2008 for customers opting out of MWD’s IAWP. Customers that are participating in TSAWR program are considered M&I customers by MWD.
(3) The IAWP was discontinued in 2013.
(4) Discussion on MWD’s Replenishment Rate Program are continuing with its member agencies.

UTR=Untreated Water
TR=Treated Water
IAWP=Interim Agricultural Water Program
TSAWR=Transitional Special Agricultural Water Rate
### Summary of Investments

**TABLE 11, Summary of Investments, Fiscal Year Ended June 30, 2016**

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted by Board Policy</th>
<th>Maximum Maturity</th>
<th>Maximum Financial Institution Concentration</th>
<th>Actual Percentage</th>
<th>Actual Amount Book Value (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$50 Million</td>
<td>n/a</td>
<td>n/a</td>
<td>10.89%</td>
<td>$37,953,297</td>
</tr>
<tr>
<td>Treasury Securities</td>
<td>15% - Minimum</td>
<td>5 years</td>
<td>n/a</td>
<td>17.31%</td>
<td>60,320,820</td>
</tr>
<tr>
<td>Agency Securities</td>
<td>85%</td>
<td>5 years</td>
<td>no limit</td>
<td>51.84%</td>
<td>180,651,424</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>270 days</td>
<td>5%</td>
<td>9.27%</td>
<td>32,308,661</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>5 years</td>
<td>5%</td>
<td>8.66%</td>
<td>30,156,703</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>n/a</td>
<td>n/a</td>
<td>1.89%</td>
<td>6,579,347</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>n/a</td>
<td>n/a</td>
<td>0.14%</td>
<td>501,029</td>
</tr>
</tbody>
</table>

Accrued Interest (unavailable for investing) 29,229
Checking/Petty Cash/Available Funds (unavailable for investing) 1,687,189

**Subtotal for Pooled Funds:**

$350,187,699

**Bond/CP Fund Excluded from Portfolio Percentages:**

Local Agency Investment Fund (LAIF) 48,458,646
JPA Pools (CAMP) 838,157
Money Market Funds and Cash 8,851

$49,305,654

Accrued Interest (unavailable for investing)

**Subtotal for Bond/CP Fund (available for CIP expenditures):**

$49,305,654

**Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages (3):**

Trinity Plus - Reserve (GIC) - Series 1998A COPs 12,240,775

**Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):**

$12,240,775

**Total Cash and Investments**

$411,734,128

**Notes:**

1. Includes only investment types with balances at June 30, 2016.
2. Book value of investments differ from fair values contained in financial statements. Book value of investments represents cost.
3. Debt Service Reserve does not include the 2012 Pipeline Bonds.
Investment Policy

The Water Authority’s investment policy is defined and approved annually. The purpose of this policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The Water Authority’s Board of Directors has delegated investment responsibility to the Water Authority’s Treasurer, who is primarily responsible for implementing the investment policy. The Board and the Treasurer adhere to the guidance provided by the “prudent investor rule.” The Treasurer presents an investment report to the Board monthly. The objectives of the investment policy are as follows:

A. Safety: Each investment transaction shall seek to avoid capital losses. Diversification of the portfolio will be used to reduce exposure to principal loss.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid, short-term securities that can be converted to cash to meet disbursement requirements. Investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Portfolio diversification is employed as a way to control risk.

The Water Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is consistent with the two-year U.S. Treasury constant maturity.

The Water Authority is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, investments are authorized for the Water Authority’s operating and reserve funds as indicated in the Summary of Investments table.

It is the Water Authority’s goal to maintain a minimum of 50 percent of the Water Authority’s portfolio in U.S. Treasury securities; however, based on market conditions, a combination of 50 percent agency securities and Treasury bills or notes will satisfy this requirement. At no time will less than 15 percent of the portfolio be in Treasury bills or notes.

The Water Authority does not invest in derivative instruments. Securities such as yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited. Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity. Investments such as common stocks, futures, and the writing of options are prohibited from use in the Water Authority’s portfolio. The use of short positions is also prohibited.
Litigation

All state and federal court challenges to the validity of the Quantification Settlement Agreement (QSA) have been resolved and the validity of the QSA has been judicially confirmed. See In re Quantification Settlement Agreement Cases (2011) 201 Cal. App. 4th 758; Quantification Settlement Agreement Cases (2015) 237 Cal. App. 4th 472; and California ex rel. Imperial County Air Pollution Control Dist. v. United States, 767 F. 3d 781 (9th Cir. 2014).

For more information on the QSA agreement, visit: http://www.sdcwa.org/quantification-settlement-agreement

In May 2014, the Water Authority filed a third legal challenge against MWD’s rates following a decision by the MWD Board to adopt rates for 2015 and 2016 using the same methodology and cost allocation the Court had already ruled illegal. In April 2016, the Water Authority filed a fourth legal challenge against MWD’s rates following a decision by the MWD Board to adopt rates for 2017 and 2018 using the same methodology and cost allocation the Court had already ruled illegal.

For detailed information on the Water Authority’s rate litigation, visit: http://www.sdcwa.org/mwdrate-challenge

For further information, contact the General Counsel’s office, 4677 Overland Ave., San Diego, CA 92123, (858) 522-6790.

Economy of San Diego County

Two of the San Diego region’s greatest assets are its geography and climate. The average annual rainfall is only ten inches, so the county is highly reliant on imported water. For these reasons, the health of the regional economy is inextricably linked to the long-term success of the San Diego County Water Authority.

San Diego County has an estimated population of approximately 3.3 million people; the estimated average growth between 2016 and 2040 is approximately 0.91 percent; the 2015 median household income was $68,167, a 3.2 percent increase from 2015 estimates; and the median household income for 2016 is estimated at $70,300. (1) Estimated unemployment for San Diego County in June 2016 is averaging 5.0 percent according to the CALMIS.

San Diego initially lagged behind the U.S. and California, coming out of the recession, then outpaced growth over both sectors and then stalled again in 2014. According to the U.S. Bureau of Economic Analysis, the San Diego economy grew only 1.4 percent in 2014. Manufacturing, and professional and business services, as well as wholesale and retail trade have been the strongest sectors. Industries that have been underperforming have been transportation and utilities, finance and real estate as well as a substandard contribution from construction. Government and military continue to be San Diego’s largest economic contributors as San Diego receives far more in military spending than any other metro area in the nation. (2)

Blue collar and/or mid-level work continues to be an issue as San Diego’s employment landscape remains hour-glassed shaped and economic mobility continues to become one of the region’s biggest challenges. (3)

While housing prices rebounded after the recession, San Diego continues to remain one of the least affordable housing markets in the nation. Building units authorized for construction have risen with an expectation of continued improvement. Home building has shifted from single family to more multi-unit, less expensive housing. (4)

_________

(1) California Department of Finance; U.S. Bureau of Census, American Fact Finder
### TABLE 12, San Diego County Annual Building Permit Activity, Calendar Year

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>2,197</td>
<td>2,565</td>
<td>2,487</td>
<td>3,222</td>
<td>2,463</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>293</td>
<td>252</td>
<td>261</td>
<td>328</td>
<td>365</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,490</td>
<td>2,817</td>
<td>2,748</td>
<td>3,550</td>
<td>2,828</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>116</td>
<td>238</td>
<td>193</td>
<td>154</td>
<td>254</td>
<td>274</td>
<td>182</td>
<td>197</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>22</td>
<td>41</td>
<td>32</td>
<td>25</td>
<td>22</td>
<td>38</td>
<td>30</td>
<td>33</td>
</tr>
</tbody>
</table>

### Chart 2, Building Permit Activity, 2012-2016 (est.), Calendar Year

Source: U.S. Census Bureau (based on building estimates).
### TABLE 13, Labor Force Rate Trends, Calendar Year

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AREA</th>
<th>CIVILIAN LABOR FORCE</th>
<th>EMPLOYMENT</th>
<th>UNEMPLOYMENT</th>
<th>PERCENTAGE of UNEMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>San Diego County</td>
<td>1,542,800</td>
<td>1,402,800</td>
<td>140,000</td>
<td>9.1%</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>18,554,800</td>
<td>16,630,100</td>
<td>1,924,700</td>
<td>10.4%</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>155,553,000</td>
<td>143,280,000</td>
<td>12,273,000</td>
<td>7.9%</td>
</tr>
<tr>
<td>2013</td>
<td>San Diego County</td>
<td>1,547,000</td>
<td>1,425,900</td>
<td>121,100</td>
<td>7.8%</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>18,671,600</td>
<td>17,002,900</td>
<td>1,668,700</td>
<td>8.9%</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>155,047,000</td>
<td>144,671,000</td>
<td>10,376,000</td>
<td>6.7%</td>
</tr>
<tr>
<td>2014</td>
<td>San Diego County</td>
<td>1,549,800</td>
<td>1,450,300</td>
<td>99,500</td>
<td>6.4%</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>18,811,400</td>
<td>17,397,100</td>
<td>1,414,299</td>
<td>7.5%</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>156,129,000</td>
<td>147,442,000</td>
<td>8,687,000</td>
<td>5.6%</td>
</tr>
<tr>
<td>2015</td>
<td>San Diego County</td>
<td>1,563,800</td>
<td>1,482,500</td>
<td>81,300</td>
<td>5.2%</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>19,035,200</td>
<td>17,872,100</td>
<td>1,163,099</td>
<td>6.1%</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>157,065,000</td>
<td>147,442,000</td>
<td>9,623,000</td>
<td>6.1%</td>
</tr>
<tr>
<td>2016</td>
<td>Estimated</td>
<td>San Diego County</td>
<td>1,591,400</td>
<td>1,511,300</td>
<td>80,100</td>
</tr>
<tr>
<td></td>
<td>California</td>
<td>19,357,000</td>
<td>18,281,600</td>
<td>1,076,300</td>
<td>5.6%</td>
</tr>
<tr>
<td></td>
<td>United States</td>
<td>159,907,000</td>
<td>151,968,000</td>
<td>7,939,000</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Source: CALMIS

### TABLE 14, San Diego County Employment by Industry, Calendar Year (1)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Production</td>
<td>9,800</td>
<td>9,800</td>
<td>9,700</td>
<td>9,300</td>
<td>9,200</td>
</tr>
<tr>
<td>Mining and Logging</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Construction</td>
<td>56,300</td>
<td>61,200</td>
<td>68,800</td>
<td>72,500</td>
<td>72,300</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>93,400</td>
<td>94,600</td>
<td>96,800</td>
<td>106,500</td>
<td>106,600</td>
</tr>
<tr>
<td>Trade, Transportation, and Utilities</td>
<td>206,800</td>
<td>212,300</td>
<td>216,000</td>
<td>219,800</td>
<td>220,300</td>
</tr>
<tr>
<td>Information</td>
<td>24,600</td>
<td>24,100</td>
<td>24,300</td>
<td>24,100</td>
<td>24,100</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>69,500</td>
<td>71,400</td>
<td>71,100</td>
<td>72,000</td>
<td>74,000</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>215,500</td>
<td>222,600</td>
<td>230,700</td>
<td>234,500</td>
<td>237,900</td>
</tr>
<tr>
<td>Educational and Health Services</td>
<td>154,500</td>
<td>179,300</td>
<td>182,700</td>
<td>191,700</td>
<td>197,700</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>161,000</td>
<td>167,500</td>
<td>180,100</td>
<td>191,700</td>
<td>197,800</td>
</tr>
<tr>
<td>Other Services</td>
<td>49,300</td>
<td>49,200</td>
<td>50,500</td>
<td>54,400</td>
<td>55,400</td>
</tr>
<tr>
<td>Federal Government</td>
<td>46,700</td>
<td>46,500</td>
<td>45,800</td>
<td>46,000</td>
<td>46,800</td>
</tr>
<tr>
<td>State and Local Government</td>
<td>180,900</td>
<td>183,000</td>
<td>177,300</td>
<td>181,400</td>
<td>186,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,268,700</td>
<td>1,321,900</td>
<td>1,354,200</td>
<td>1,404,300</td>
<td>1,429,300</td>
</tr>
</tbody>
</table>

Notes:

(1) Table uses the North American Industry Classification System (NAICS).

(2) Current year is based on August statistics.

Source: CALMIS

Fiscal Years Ended June 30, 2016 & 2015