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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

December 8, 1992

To: Board of Directors (Special Audit Committee--Information)
 (Finance and Insurance Committee--Information)

From: General Counsel

Subject: **Quarterly Statements of Cash and Investments and
 Cash Receipts and Disbursements as of September 30, 1992**

Report

Enclosed is a copy of the Statements of Cash and Investments and Cash Receipts and Disbursements as of September 30, 1992, and the Independent Auditors Report on those statements.

Board Committee Assignments

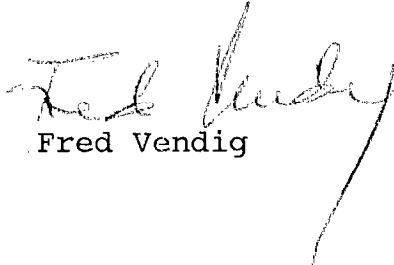
This letter is referred for information to:

The Special Audit Committee because of its responsibility regarding auditors' periodic and annual reports, pursuant to Administrative Code Section 2571(a)(1); and

The Finance and Insurance Committee because of its interest in the form and content of financial statements and reports, pursuant to Administrative Code Section 2441(k).

Recommendation

For information only.



Fred Vendig

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Encls.

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Statements of Cash and Investments and
Cash Receipts and Disbursements,
by Fund Category and in Total

As of and for the three months
ended September 30, 1992

(With Independent Auditors' Report Thereon)

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

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Certified Public Accountants

725 South Figueroa Street
Los Angeles, CA 90017

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of cash and investments of The Metropolitan Water District of Southern California (the District) as of September 30, 1992 and the related statement of cash receipts and disbursements, by fund category and in total, for the three months then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the accompanying statements of cash and investments and cash receipts and disbursements present a summary of cash activity of the District prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Such statements are not intended to present fairly the financial position or results of operations of the District in conformity with generally accepted accounting principles.

In our opinion, the statements referred to above present fairly, in all material respects, the cash and investments of The Metropolitan Water District of Southern California as of September 30, 1992 and its cash receipts and disbursements, by fund category and in total, for the three months then ended on the basis of accounting described in note 1.

KPMG Peat Marwick

December 2, 1992



**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

Statement of Cash and Investments

September 30, 1992

Cash (note 1):

Demand, paying agent and other accounts:

Bank of America:

 General account \$ 439,717

 Paying agent accounts 265,113

First Interstate Bank:

 Paying agent account 227,754

Morgan Guaranty Trust Company:

 Paying agent account 7,250

Treasurer's office cash fund 4,000

Time deposits with MWD Federal Credit Union 100,025

Total cash 1,043,859

Investments, at cost (notes 1, 2 and 3):

U.S. Treasury securities 177,308,269

U.S. guarantees – Government National Mortgage Association Notes 8,558,319

Federal agencies 122,421,382

California State Water Project Bonds 34,595

Repurchase agreements 531,976,000

Prime commercial paper 181,217,332

Negotiable certificates of deposit 33,731,000

Bankers' acceptances 186,598,448

State Treasury – Local Agency Investment Fund 15,000,000

Total investments 1,256,845,345

Total cash and investments \$ 1,257,889,204

See accompanying notes to financial statements.

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

Statement of Cash Receipts and Disbursements, by Fund Category and in Total
Three months ended September 30, 1992

	Operating funds	Debt service funds	State contract funds	Construction funds	Rate stabilization funds	Trust and other funds	Total
Cash and investments at July 1, 1992	\$ 221,042,245	\$ 79,853,212	\$ 58,717,347	\$ 257,991,295	\$ 146,765,371	\$ 33,747,568	\$ 798,117,038 *
Receipts:							
Net tax collections	—	3,871,311	2,813,837	—	—	—	6,685,148
Water sales	132,888,378	—	—	—	—	—	132,888,378
Power recoveries	5,574,891	—	—	—	—	—	5,574,891
Interest on investments	3,250,045	1,197,353	390,771	2,768,306	3,068,756	668,309	11,343,540
Net proceeds from issuance of revenue bonds	—	—	—	527,736,050	—	—	527,736,050
Other collections	135,193	—	—	—	—	—	135,193
Total receipts	<u>141,848,507</u>	<u>5,068,664</u>	<u>3,204,608</u>	<u>530,504,356</u>	<u>3,068,756</u>	<u>668,309</u>	<u>684,363,200</u>
Interfund transfers	<u>4,423,054</u>	<u>31,168,707</u>	<u>42,829,650</u>	<u>(33,421,411)</u>	<u>(45,000,000)</u>	<u>—</u>	<u>—</u>
Reimbursements:							
Operations and maintenance	172,290	—	—	—	—	—	172,290
Construction	2,123,951	—	—	1,263,243	—	—	3,387,194
Interest and premium on bonds	—	1,222,877	—	—	—	—	1,222,877
Total reimbursements	<u>2,296,241</u>	<u>1,222,877</u>	<u>—</u>	<u>1,263,243</u>	<u>—</u>	<u>—</u>	<u>4,782,361</u>
Disbursements:							
Operations and maintenance	57,370,529	—	—	—	—	—	57,370,529
Operating equipment, net	(565,471)	—	—	—	—	—	(565,471)
Inventories and other, net	(2,023,119)	—	—	—	—	—	(2,023,119)
Construction	9,948,926	—	—	36,759,825	—	—	46,708,751
State Water Contract:							
Capital payments	—	—	53,676,342	—	—	—	53,676,342
Minimum operations and maintenance	22,540,750	—	—	—	—	—	22,540,750
Off-aqueduct power facilities	9,445,240	—	15,370,288	—	—	—	24,815,528
Variable power costs	7,651,869	—	—	—	—	—	7,651,869
Power credits	(16,118,945)	—	(9,705,170)	—	—	—	(25,824,115)
State Water Bank	393,900	—	—	—	—	—	393,900
Colorado River aqueduct power costs	6,442,534	—	—	—	—	—	6,442,534
San Diego County Water Authority, purchase of portion of first aqueduct	52,863	—	—	—	—	—	52,863
Debt service on District bonds	—	38,773,032	—	—	—	—	38,773,032
Net book losses on investment transactions	—	(3,450)	—	—	—	—	(3,450)
Total disbursements	<u>95,139,076</u>	<u>38,769,582</u>	<u>59,341,460</u>	<u>36,759,825</u>	<u>—</u>	<u>—</u>	<u>230,009,943</u>
Trust account transactions, net	<u>173,562</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>462,986</u>	<u>636,548</u>
Cash and investments at September 30, 1992	\$ <u>274,644,533</u>	\$ <u>78,543,878</u>	\$ <u>45,410,145</u>	\$ <u>719,577,658</u>	\$ <u>104,834,127</u>	\$ <u>34,878,863</u>	\$ <u>1,257,889,204 *</u>

* Excludes \$148,134,436 and \$86,448,733 at July 1, 1992 and \$148,134,436 and \$85,671,833 at September 30, 1992 held in Waterworks Refunding Revenue Bond and Waterworks Refunding General Obligation Bond Escrow Trust Funds, respectively (note 2).

See accompanying notes to financial statements.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Notes to Financial Statements

September 30, 1992

(1) Significant Accounting Policies

The accompanying financial statements have been prepared by management for the purpose of presenting the District's cash and investments as of September 30, 1992 and disclosing the changes in total cash and investments, by fund and in total, for the three months then ended, on the basis of cash receipts and disbursements in accordance with established District policy.

Financial statements prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles, may differ from presentations under generally accepted accounting principles since certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present the District's financial position and results of operations in conformity with generally accepted accounting principles.

Cash receipts and disbursements are allocated to the various funds and may not necessarily reflect actual cash transfers. Certain of the funds are also legally restricted to use for a specific purpose. See note 4 for a description of the currently active funds of the District.

(2) Investments Held in Escrow

At September 30, 1992, U.S. Treasury securities with a cost basis totaling \$233,806,269 are being held in escrow trust accounts at Security Pacific National Bank and represent amounts sufficient to provide debt service for the refunded Waterworks Revenue Bonds, Issue of 1983 and the Waterworks General Obligations Bonds, Issue of 1985, which were refunded in advance of their respective first call dates. Such refundings resulted in the defeasance of these bond issues; accordingly, the bond obligations and the related investments are excluded from the District's financial statements.

(3) Market Value of Investments

At September 30, 1992, the market value of U.S. Treasury securities totaled approximately \$180 million. The market values of the District's other investments approximated their respective costs. Repurchase agreements were collateralized with marketable government securities having a total value of approximately \$537 million.

(4) Description of Currently Active Funds of the District by Fund Category

Operating Funds

- General Fund (Fund No. 01)

Established in 1929. This fund contains operating revenues and other miscellaneous monies not specifically allocable to other funds and which may be used for general purposes of the District. In practice, this fund is used to finance reimbursable works and, since 1990, to pay for capital and indirect costs incurred by the Imperial Irrigation

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Notes to Financial Statements, Continued

District (IID) for specified water conservation projects. The monies in this fund that are not utilized for payments to IID or for reimbursable works are designated working capital funds as part of the minimum working capital balance required by Section 5202(a) of the Administrative Code.

- Water Revenue Fund (Fund No. 21)

Established in 1975. Receipts from water sales are deposited in this fund and are transferred to various other funds in accordance with senior revenue bond resolutions to pay in order of priority:

- Operation and maintenance expenditures
- Principal of and interest on outstanding parity revenue bonds
- Deposits into the Revenue Bond Reserve Fund
- Any other obligations which are liens or encumbrances upon operating revenues.

Monies remaining at the end of each month, after the foregoing transfers, are transferred to the Revenue Remainder Fund.

- Operations and Maintenance Fund (Fund No. 22)

Established in 1975. This fund is used to pay all operation and maintenance expenditures, including State Water Contract operation, maintenance, power and replacement charges. The revenue bond resolutions require that, at the beginning of each month, monies equal to estimated operation and maintenance expenditures for that month and the succeeding month be set aside in this fund, and such amounts represent the minimum fund balance requirements specified in Section 5201(f) of the Administrative Code.

- Revenue Remainder Fund (Fund No. 25)

Established in 1975. Monies remaining in the Water Revenue Fund at month-end, after meeting the priority expenditures set forth in the bond resolutions, are transferred to this fund and may be used for any lawful purpose by the District. As specified by Section 5202(a) of the Administrative Code, the required total minimum balance to be held collectively in the General Fund and the Revenue Remainder Fund as of June 30 of each year shall be equal to the sum of \$25 million for emergency repairs and claims, and \$105 million for general purposes in the event that revenues are insufficient to pay the costs of the District. Monies in excess of \$130 million are transferred to the Pay-As-You-Go, Water Rate Stabilization and Water Treatment Surcharge Stabilization funds in accordance with the priority outlined in Sections 5202(b)-5202(d) of the Administrative Code.

Debt Service Funds

- 1931 General Obligation Bond Interest and Redemption Fund (Fund No. 04)

Established in 1932. This fund is used for the payment of principal and interest on the 1931 general obligation bonds of the District from ad valorem property tax revenues. Section 5201(a) of the Administrative Code requires maintenance of monies at each June 30 equal to 18 months' debt service, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

Notes to Financial Statements, Continued

- 1966 General Obligation Bond Interest and Principal Fund (Fund No. 11)
Established in 1967. This fund is used to pay the debt service on the District's 1966 Authorization general obligation bonds from ad valorem property taxes. Section 5201(a) of the Administrative Code requires maintenance of monies at each June 30 equal to 18 months' debt service, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.
- Optional Redemption Fund (Fund No. 15)
Established in 1980. This fund is used for the purpose of redeeming the untendered refunded Series C general obligation bonds which were called in 1980. The District, in accordance with its refunding bond resolution, must maintain in this fund amounts sufficient to retire the called bonds.
- Waterworks Revenue Bond Interest and Principal Fund (Fund No. 23)
Established in 1975. This fund is used to pay the debt service on revenue bonds of the District. The revenue bond resolutions require setting aside in this fund each month 1/6 of the semiannual interest payments and 1/12 of the annual principal payment next coming due. Such amounts represent the minimum fund balance requirements specified in Section 5201(b) of the Administrative Code.
- Waterworks Revenue Bond Reserve Fund (Fund No. 24)
Established in 1975. The revenue bond resolutions require the District to maintain a fund balance at least equal to 100% of the combined maximum annual debt service on all outstanding revenue bonds to the extent that such debt service does not exceed \$10 million and 50% of the excess of such debt service over \$10 million. This amount represents the minimum fund balance requirement specified in Section 5201(b) of the Administrative Code.
- Optional Revenue Bond Redemption Fund 1975 (Fund No. 30)
Established in 1985. This fund is used for the purpose of redeeming the untendered 1975 revenue bonds which were called in 1985. In accordance with the refunding revenue bond resolutions, the District maintains in this fund amounts sufficient to retire the called bonds.
- Optional Revenue Bond Redemption Fund 1976 (Fund No. 31)
Established in 1986. This fund is used for the purpose of redeeming the untendered 1976 revenue bonds which were called in 1986. In accordance with the refunding revenue bond resolutions, the District maintains in this fund amounts sufficient to retire the called bonds.
- Series G 1966 General Obligation Bond Interest and Principal Fund (Fund No. 37)
Established in 1989. This fund is used to pay debt service on the District's 1966 general obligation bonds, Series G, from ad valorem property taxes. Section 5201(a) of the Administrative Code requires maintenance of monies at each June 30 equal to 18 months' debt service, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Notes to Financial Statements, Continued

- Series G 1966 General Obligation Bond Reserve for Interest and Principal Fund (Fund No. 39)

Established in 1990. This fund is used to satisfy debt service requirements on the District's 1966 general obligation bonds, Series G, if there are insufficient monies available in the Series G 1966 General Obligation Bond Interest and Principal Fund. There is no minimum balance requirement for this fund.

- Commercial Paper Note Payment Fund (Fund No. 54)

Established in 1991. This fund is used to pay debt service on the commercial paper notes of the District. Section 5201(h) of the Administrative Code requires the District to deposit amounts in this fund sufficient to pay principal of, and interest on, the Commercial Paper Notes as they become due.

- Water Revenue Bond Service Fund (Fund No. 57)

Established in 1991. Used to pay debt service on subordinate water revenue bonds after payment of Prior Lien Waterworks Revenue Bonds, including reimbursement of any payments made by providers of credit as liquidity enhancement for the bonds.

- Water Revenue Bonds, Issue of 1991 Reserve Fund (Fund No. 58)

Established in 1991. Proceeds from the sale of these subordinate bonds, in an amount equal to the 1991 Bond Reserve Requirement, were deposited into this fund. Used to satisfy debt service requirements if there are insufficient funds available in the Water Revenue Bond Service Fund.

- Water Revenue Bonds, Issue of 1992 Reserve Fund (Fund No. 62)

Established in 1992. Proceeds from the sale of these subordinate bonds, in an amount equal to the 1992 Bond Reserve Requirement, were deposited into this fund. The fund is used to satisfy debt service requirements if there are insufficient funds available in the Water Revenue Bond Service Fund.

State Contract Funds

- State Contract Fund (Fund No. 05)

Established in 1960. Items billed the District as capital charges under the State Water Contract, including the capital costs of off-aqueduct power facilities, are paid from this fund. Revenues from sales of water are transferred to this fund to meet most costs, with the residual met from ad valorem property tax revenues and annexation fees, as determined by the formula in Chapter 3 of Division IV of the Administrative Code, or Board action. As specified by Section 5201(d) of the Administrative Code, the required minimum balance to be held as of June 30 and December 31 of each year shall equal the capital payments due on July 1 of the same calendar year and January 1 of the following calendar year, respectively.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Notes to Financial Statements, Continued

- Special Tax Fund (Fund No. 06)

Established in 1951. Annexation fees (cash payments and special tax collections) are deposited in this fund and are transferred to the State Contract Fund to pay a portion of the District's State Water Contract capital charges. As specified by Section 5201(e) of the Administrative Code, there is no minimum balance requirement for this fund.

Construction Funds

- Pay-As-You-Go Fund (Fund No. 02)

Established in 1988. This fund is used to internally finance a portion of the District's capital improvement program in accordance with Section 5109 of the Administrative Code. As specified by Section 5202(b) of the Administrative Code, the required minimum balance to be held as of June 30 of each year shall be at least equal to the amount needed to fund Board-authorized pay-as-you-go expenditures estimated for the ensuing fiscal year. Notwithstanding the principal purpose of this fund, amounts assigned may be used by the Board for any lawful purposes.

- 1966 General Obligation Bond Construction Fund (Fund No. 08)

Established in 1967. Proceeds from the sale of District general obligation bonds are deposited in this trust fund and must, by bond resolution, be applied exclusively to the purposes for which the bonds were authorized. As specified by Section 5201(c) of the Administrative Code, there is no minimum balance requirement for this fund.

- Water Revenue Bond Construction Fund (Fund No. 20)

Established in 1975. Proceeds from the sale of water revenue bonds are deposited in this trust fund and must, by bond resolution, be applied exclusively to the purposes for which the bonds were authorized. As specified by Section 5201(c) of the Administrative Code, there is no minimum balance requirement for this fund.

- Revolving Construction Fund (Fund No. 35)

Established in 1988. Capital expenditures made from this fund are to be reimbursed with proceeds from security sales to the extent such expenditures are authorized uses of debt proceeds under the Metropolitan Water District Act. As specified in Section 5201(g) of the Administrative Code, there is no minimum balance requirement for this fund.

- Series G 1966 General Obligation Bond Construction Fund (Fund No. 36)

Established in 1989. Proceeds from the sale of the District's 1966 general obligation bonds, Series G, are allocated to this trust fund and must, by bond resolution, be applied exclusively to the purposes for which the bonds were authorized. As specified in Section 5201(c) of the Administrative Code, there is no minimum balance requirement for this fund.

- Commercial Paper Note Construction Fund (Fund No. 53)

Established in 1991. Proceeds from the sale of commercial paper are deposited in this fund and are applied exclusively to the purposes for which the notes were authorized.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Notes to Financial Statements, Continued

- Water Revenue Bonds, Issue of 1991 Construction Fund (Fund No. 56)
Established in 1991. Net proceeds from the sale of these subordinate revenue bonds were deposited into this fund and are used exclusively for the purposes for which the bonds were authorized.
- Water Revenue Bonds, Issue of 1992 Construction Fund (Fund No. 61)
Established in 1992. Net proceeds from the sale of these subordinate revenue bonds were deposited in this fund and are used exclusively for the purposes for which the bonds were authorized.

Rate Stabilization Funds

- Water Rate Stabilization Fund (Fund No. 33)
Established in 1987. This fund is for the principal purpose of reducing water revenue requirements in order to smooth water rate adjustments over time. As specified in Section 5202(c) of the Administrative Code, amounts that exceed the Board's working capital and internal capital improvement funding requirements on June 30 of each year are transferred to this fund, except as required under Section 5202(d). Notwithstanding the principal purpose of this fund, amounts assigned may be used by the Board for any lawful purpose.
- Water Treatment Surcharge Stabilization Fund (Fund No. 34)
Established in 1988. This fund is used for the principal purpose of mitigating required increases in the surcharge for water treatment. Notwithstanding the principal purpose of this fund, amounts assigned to this fund may be used by the Board for any lawful purpose of the District. After making the required year-end transfer to the Water Rate Stabilization Fund required by Section 5202(c) of the Administrative Code, a determination is made to identify the portion, if any, of such transferred monies attributable to collections of treatment surcharge revenue in excess of water treatment cost. Such monies are then transferred to the Water Treatment Surcharge Stabilization Fund. If the calculation determines a deficiency in treatment surcharge revenue, a transfer of monies will be made for this fund as needed to reimburse amounts used for the deficiency.

Trust and Other Funds

- Series G 1966 General Obligation Bond Excess Earnings Fund (Fund No. 38)
Established in 1990. This fund is used to separately hold rebatable arbitrage interest earnings transferred from the Series G 1966 General Obligation Bond Construction Fund, computed on an annual basis in accordance with Federal regulations.
- Employee Deferred Compensation Fund (Fund No. 50)
Established in 1976. Compensation deferred by employees under Section 457 of the Internal Revenue Code of 1986, as amended, is held in this fund and is withdrawn in accordance with the Plan's provisions as set forth in Chapter 7 of Division VI of the Administrative Code. Monies in this fund are solely the property of the District until paid or made available to employees or their beneficiaries.

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

Notes to Financial Statements, Continued

- San Joaquin Reservoir Fund (Fund No. 51)

Established in 1980. This fund is used solely for the purposes contained in the San Joaquin Reservoir Trust Agreement between the District and the other entities who share joint ownership of the facility. Annual receipts from each part owner for its proportionate share of the approved reservoir expenditures are allocated to this fund for payment of operation and maintenance expenses and improvement projects.

- Iron Mountain Landfill Closure/Postclosure Maintenance Fund (Fund No. 52)

Established in 1990. This fund is used as a trust fund to maintain monies to be used for the costs of closure and postclosure maintenance of the District's solid waste landfill facility at Iron Mountain, in accordance with regulations of the California Integrated Waste Management Board.