

May 27, 1999

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

From: Auditor _____

Subject: Audited Cash Basis Financial Statements as of March 31, 1999

RECOMMENDATION

For information only.

DETAILED REPORT

Metropolitan's Statements of Cash and Investments and Cash Receipts and Disbursements, by Fund Category and in Total, as of and for the nine months ended March 31, 1999, together with the Independent Auditors' Report on those statements, are attached. The accompanying cash basis statements and Independent Auditors' Report are prepared pursuant to Metropolitan's audit services contract with KPMG Peat Marwick, LLP, and are consistent with those issued in previous periods.

MWH:lo

Attachment 10-5A

**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

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

March 31, 1999

(With Independent Auditors' Report Thereon)

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

March 31, 1999

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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 March 31, 1999 and the related statement of cash receipts and disbursements, by fund category and in total, for the nine 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, by fund category and in total, present a summary of the 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 financial 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 financial statements referred to above present fairly, in all material respects, the cash and investments of The Metropolitan Water District of Southern California as of March 31, 1999 and its cash receipts and disbursements, by fund category and in total, for the nine months then ended on the basis of accounting described in note 1.

May 21, 1999

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

Statement of Cash and Investments

March 31, 1999

	<u>Cost</u>		<u>Fair value</u>
Cash (notes 1 and 2):			
Demand, paying agent and other accounts:			
Bank of America – demand accounts (general, payroll, drafts)	(2,070,907)	⁽¹⁾	(2,070,907) ⁽¹⁾
Bank of New York – paying agent account	30,606		30,606
The Chase Manhattan Bank, N.A. – paying agent account	50,000		50,000
Treasurer’s office cash fund	10,000		10,000
Time deposits	<u>1,000,000</u>		<u>1,000,000</u>
Total cash, net of overdraft	<u>(980,301)</u>	⁽¹⁾	<u>(980,301)</u> ⁽¹⁾
Investments (notes 1, 2 and 3):			
U.S. Treasury securities	96,800,305		103,694,461
U.S. guarantees – Government National Mortgage Association Notes	6,871,865		7,084,293
Repurchase agreements	55,000,000		55,000,000
Federal agency securities	75,236,225		75,488,922
California State Water Project Bonds	331,565		517,791
Asset-backed securities	27,632,020		27,792,393
Prime commercial paper	271,655,185	⁽¹⁾	272,304,549 ⁽¹⁾
Bankers’ acceptances	5,620,607		5,620,607
Negotiable certificates of deposit	143,947,757		144,055,425
Corporate bonds	152,328,642		152,551,115
State Treasury – Local Agency Investment Fund	<u>79,254,542</u>		<u>79,291,118</u>
Total investments	<u>914,678,713</u>		<u>923,400,674</u>
Total cash and investments	\$ <u>913,698,412</u>		\$ <u>922,420,373</u>
Summary of cash and investments:			
Unrestricted cash and investments	\$ 325,817,647		326,884,194
Restricted cash and investments	558,891,941		560,658,533
Employee deferred compensation, net of accrued interest of \$5,768,602	31,059,731		36,948,553
Cash overdraft	<u>(2,070,907)</u>	⁽¹⁾	<u>(2,070,907)</u> ⁽¹⁾
Total cash and investments	\$ <u>913,698,412</u>		\$ <u>922,420,373</u>

⁽¹⁾ Credit balance in cash arises from the investment of available cash of \$3,408,000 in an overnight prime commercial paper investment at March 31, 1999.

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

Nine months ended March 31, 1999

	Operating Funds	Debt Service Funds	Construction Funds	Rate Stabilization Funds	State Contract Funds	Trust and Other Funds	Total
Cash and investments at July 1, 1998, at cost	\$ 318,193,363	160,007,957	730,249,627	111,157,049	68,987,557	173,347,808	1,561,943,361 *
Receipts:							
Tax collections, net	—	35,078,337	—	—	23,840,826	—	58,919,163
Water sales	459,980,650	—	—	—	—	—	459,980,650
Wheeling	410,313	—	—	—	—	—	410,313
Readiness-to-serve charge collections	49,949,210	—	—	—	—	—	49,949,210
Power recoveries	8,346,279	—	—	—	—	—	8,346,279
Interest on investments	13,096,565	3,874,088	32,493,538	4,805,373	1,647,078	9,336,304	65,252,946
Proceeds from debt issuances, net	—	741,035	48,526,000	—	—	210,114,861	259,381,896
Reimbursements	3,779,420	—	6,242,242	—	—	—	10,021,662
Other collections	3,219,057	—	—	—	—	—	3,219,057
Total receipts	538,781,494	39,693,460	87,261,780	4,805,373	25,487,904	219,451,165	915,481,176
Interfund transfers	(198,595,478)	121,476,212	(6,535)	—	74,700,000	2,425,801	—
Disbursements:							
Operations and maintenance	189,557,278	—	—	—	—	—	189,557,278
Operating equipment, net	6,038,237	64,810	—	—	—	—	6,103,047
Undistributed payroll, net	1,245,571	—	—	—	—	—	1,245,571
Construction	32,296,107	—	457,325,481	—	—	16,068	489,637,656
State Water Contract:							
Capital payments	16	—	—	—	145,398,671	—	145,398,687
Minimum operations and maintenance	90,218,148	—	—	—	—	—	90,218,148
Off-aqueduct power facilities	22,552,241	—	—	—	22,451,973	—	45,004,214
Power costs	16,103,273	—	—	—	—	—	16,103,273
Variable power costs	4,859,716	—	—	—	—	—	4,859,716
Credit	(1,802,454)	—	—	—	(15,365,702)	—	(17,168,156)
State Water Bank	7,087,585	—	—	—	—	—	7,087,585
Debt service on MWD bonds	—	224,486,577	—	—	—	146,123,240	370,609,817
Net book gain (loss) on investment	(16,081)	1,308	65,287	(375)	—	(12,207)	37,932
Total disbursements, net	368,139,637	224,552,695	457,390,768	(375)	152,484,942	146,127,101	1,348,694,768
Other trust and escrow bank account transactions, net	(567,701)	(360,393)	—	—	—	(214,103,263)	(215,031,357)
Cash and investments at March 31, 1999, at cost	\$ 289,672,041	96,264,541	360,114,104	115,962,797	16,690,519	34,994,410	913,698,412

* Total cash and investments at July 1, 1998 exclude \$246,088,827 held in the Water Revenue Refunding Bonds, 1993 Series A and in the Water Revenue Refunding Bonds, 1996 Series B escrow trust accounts (note 3). Similarly, total cash and investments at March 31, 1999 exclude \$145,268,669 held in the Water Revenue Refunding Bonds, 1996 Series B escrow trust account and also excludes \$144,964,481 held in the Water Revenue Refunding Bonds, 1998 Series A escrow account (note 3).

See accompanying notes to financial statements.

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA**

Notes to Financial Statements

March 31, 1999

(1) Significant Accounting Policies

The accompanying statements of cash and investments and cash receipts and disbursements, by fund category and in total have been prepared by management for the purpose of presenting the cash and investments of The Metropolitan Water District of Southern California (District) as of March 31, 1999, and disclosing the changes in total cash and investments, by fund category and in total, for the nine months then ended, on the cash basis of accounting in accordance with established District policy.

Financial statements prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), 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.

In accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB 31), the District's investments are reported at fair value in its accrual basis financial statements. To facilitate reconciliations between the cash basis financial statements and the District's accrual basis financial statements, cash and investments are presented in the accompanying statement of cash and investments at March 31, 1999 at both cost and fair value.

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) Deposits and Investments

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

The District's demand and time deposits are fully insured or collateralized. Such deposits are covered by Federal depository insurance up to a maximum of \$100,000 per financial institution; deposits in excess of this limit are collateralized by pooled securities held by the financial institution on behalf of the District and other public agencies, as required by state law. State law requires public agency deposits, including time deposits, in excess of insured levels to be collateralized by the depository institutions with pooled government securities having market values of at least 110% of the deposits. To ensure compliance with the 110% requirement, the collateral must be marked to market at least monthly by the bank. The District's investment policy does not permit real estate mortgages or mortgage-backed securities to qualify as acceptable collateral in these pools.

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March 31, 1999

The District invests in a variety of instruments, including U.S. Treasury securities, Federal agency issues, repurchase agreements and other securities (including negotiable certificates of deposit, bankers' acceptances and prime commercial paper). The District is permitted to sell securities owned under written agreements to buy back the securities on or before a specified date for a specified amount (reverse repurchase agreements). All investments are subject to various limitations and restrictions. In the case of money market instruments issued by private entities, risk is controlled by strict eligibility requirements and duration limitations. All securities purchased are delivered against payment and are held in safekeeping on the District's behalf by the trust department of the bank used by the District.

At March 31, 1999, all of the District's investments, except deposits in the State Treasurer's Local Agency Investment Fund, consist of investments that are insured or registered, or for which the securities are held, in the District's name, in safekeeping at the District's bank, which is not a counterparty to the investment transactions. The District had no investments in reverse repurchase agreements during the nine months ended March 31, 1999.

(3) Investments Held in Escrow

At March 31, 1999, U.S. Treasury securities with a cost basis totaling \$290,233,150 are being held in escrow trust accounts and represent amounts sufficient to provide debt service for the advance refunding of portions of the Water Revenue Refunding Bonds, 1996 Series B and the Water Revenue Refunding Bonds, 1998 Series A. 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.

On March 1, 1999, the U.S. Treasury securities, purchased primarily from bond proceeds, with a cost of \$138,277,925 of Series A1 (Crossover Bonds) of the Waterworks General Obligation Refunding Bonds, Issue of 1993, were used to refund the principal, accrued interest and early redemption premiums on a portion of the District's Waterworks Bonds, Election 1966, Series G dated June 1, 1989.

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

(a) Operating Funds

- **General Fund (Fund No. 1001)**

This fund was established in 1929. This fund contains operating revenues and other 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 costs incurred under contracts with the Imperial Irrigation District (IID) and others for specified water conservation projects.

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March 31, 1999

- **Water Revenue Fund (Fund No. 1002)**

This fund was established in 1975. Receipts from water sales and standby charges are deposited in this fund and are transferred to various other funds in accordance with revenue bonds and other Board resolutions to pay in order of priority:

- Operation and maintenance expenditures
- Debt service on outstanding revenue bonds and commercial paper
- Water Standby Charge Fund
- Any other obligations which are charges, 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. 1003)**

This fund was 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 these funds, and such amounts represent the minimum fund balance requirements specified in Section 5201(f) of the Administrative Code.

- **Revenue Remainder Funds (Funds No. 1004 and No. 1006)**

These funds were 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 these funds and may be used for any lawful purpose by the District. As specified by Section 5202(a) of the Administrative Code, the minimum balance to be held in the Revenue Remainder Fund as of June 30 of each year shall be equal to the portion of fixed costs of the District estimated to be recovered by water sales revenues for the eighteen months beginning with the immediately succeeding July. Such funds are to be used in the event that revenues are insufficient to pay the costs of the District. Amounts remaining in the Revenue Remainder Fund and Pay-As-You-Go Fund collectively on June 30 of each year after meeting the requirements set forth in Section 5202(a) and (b) shall be transferred to the Water Rate Stabilization Fund and to the extent required under Section 5202(d), to the Water Treatment Surcharge Stabilization Fund.

- **Water Standby Charge Fund (Fund No. 1005)**

This fund was established in 1992. Revenues attributable to water standby charges are transferred to this fund, which is treated as an operating fund for financial reporting purposes. Monies in this fund are used exclusively for the purpose for which the water standby charge was imposed.

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DISTRICT OF SOUTHERN CALIFORNIA**

Notes to Financial Statements

March 31, 1999

- **Water Transfer Fund (Fund No. 1007)**

This fund was established in 1995. This fund is used for the purpose of purchasing water through transfers or similar arrangements and for the costs of filling the Eastside Reservoir Project. Any amounts remaining on July 1, 2004 shall be transferred to the Water Rate Stabilization Fund.

(b) Debt Service Funds

- **Waterworks Revenue Bond Interest and Principal Fund (Fund No. 2001)**

This fund was established in 1975. This fund is used to pay the debt service on Prior Lien Waterworks 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.

- **Optional Revenue Bond Redemption Fund (Fund No. 2006)**

This fund was established in 1985; amended in 1993. This fund is used for the purpose of redeeming untendered refunded revenue bonds. In accordance with the refunding revenue bond resolutions, the District maintains in this fund amounts sufficient to retire the called bonds.

- **Water Revenue Bond Service Fund (Fund No. 2009)**

This fund was established in 1991. This fund is 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 Refunding Bonds, 1993 Series A Interest and Principal Fund (Fund No. 2010)**

This fund was established in 1993. This fund is used to pay debt service on the subordinate water revenue refunding bonds after the payment of debt service on Prior Lien Waterworks Revenue Bonds.

- **Water Revenue Refunding Bonds, 1993 Series B Interest and Principal Fund (Fund No. 2011)**

This fund was established in 1993. This fund is used to pay debt service on the subordinate water revenue refunding bonds after payment of Prior Lien Revenue Bonds.

- **Water Revenue Bonds, 1995 Series A Interest and Principal Fund (Fund No. 2012)**

This fund was established in 1995. This fund is used to pay the debt service on the subordinate water revenue bonds after the payment of debt service on Prior Lien Revenue Bonds.

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Notes to Financial Statements

March 31, 1999

- **Water Revenue Refunding Bonds, 1996 Series B Interest and Principal Fund (Fund No. 2013)**

This fund was established in 1996. This fund is used to pay the debt service on the subordinate water revenue refunding bonds after the payment of debt service on Prior Lien Revenue Bonds.
- **Water Revenue Refunding Bonds, 1996 Series A Interest and Principal Fund (Fund No. 2014)**

This fund was established in 1996. This fund is used to pay the debt service on the subordinate water revenue refunding bonds after the payment of debt service on Prior Lien Revenue Bonds.
- **Water Revenue Bonds, 1996 Series C Interest and Principal Fund (Fund No. 2015)**

This fund was established in 1996. This fund is used to pay the debt service on the subordinate water revenue bonds after the payment of debt service on Prior Lien Revenue Bonds.
- **Water Revenue Bonds, 1997 Authorization, Series A Interest and Principal Fund (Fund No. 2016)**

This fund was established in 1997. This fund is used to pay the debt service on the subordinate water revenue bonds after the payment of debt service on Prior Lien Revenue Bonds.
- **Water Revenue Bonds, 1997 Authorization, Series B Interest and Principal Fund (Fund No. 2017)**

This fund was established in 1998. This fund is used to pay the debt service on the subordinate water revenue bonds after the payment of debt service on Prior Lien Revenue Bonds.
- **Water Revenue Bonds, 1997 Authorization, Series C Interest and Principal Fund (Fund No. 2018)**

This fund was established in 1998. This fund is used to pay the debt service on the subordinate water revenue bonds after the payment of debt service on Prior Lien Revenue Bonds.
- **Water Revenue Refunding Bonds, 1998 Series A Interest and Principal Fund (Fund No. 2019)**

This fund was established in 1998. The fund is used to pay debt service on these water revenue bonds.
- **Waterworks Revenue Bond Reserve Fund (Fund No. 2501)**

This fund was 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.

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Notes to Financial Statements

March 31, 1999

- **Water Revenue Refunding Bonds, 1996 Series B Reserve Fund (Fund No. 2505)**

This fund was established in 1996. Proceeds from the sale of these subordinate bonds, in an amount necessary to maintain the Bond Reserve Requirement of fifty percent (50%) of the maximum annual debt service, were deposited into this fund.
- **Water Revenue Bonds, 1997 Authorization, Series B Reserve Fund (Fund No. 2507)**

This fund was established in 1998. The revenue bond resolutions require the District to maintain a fund balance equal to \$1 million.
- **Water Revenue Bonds, 1997 Authorization, Series C Reserve Fund (Fund No. 2508)**

This fund was established in 1998. The revenue bond resolutions require the District to maintain a fund balance equal to \$1 million.
- **Water Revenue Refunding Bonds, 1998 Series A Reserve Fund (Fund No. 2509)**

This fund was established in 1998. Proceeds from the sale of these revenue bonds in an amount equal to the Bond Reserve Requirement of \$15,000,000 were deposited and are required to be maintained in this fund.
- **1931 General Obligation Bond Interest and Redemption Fund (Fund No. 3001)**

This fund was 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 September 30 equal to 18 months' debt service, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.
- **1966 General Obligation Bond Interest and Principal Fund (Fund No. 3002)**

This fund was 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 September 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 General Obligation Bond Redemption Fund (Fund No. 3006)**

This fund was established in 1980; amended in 1993. This fund is used for the purpose of redeeming untendered refunded general obligation bonds. The District, in accordance with its refunding bond resolutions, must maintain in this fund amounts sufficient to retire the called bonds.

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- **Series G 1966 General Obligation Bond Interest and Principal Fund (Fund No. 3008)**

This fund was 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 September 30 equal to 18 months' debt service, less revenues anticipated to be derived from the next succeeding tax levy specifically for such debt service.
- **Waterworks General Obligation Refunding Bonds, 1993 Series A3 Interest and Principal Fund (Fund No. 3010)**

This fund was established in 1993. This fund is used to pay debt service on the District's 1993 Series A3 general obligation refunding bonds.
- **Waterworks General Obligation Refunding Bonds, 1993 Series B Interest and Principal Fund (Fund No. 3011)**

This fund was established in 1993. This fund is used to pay debt service on the District's 1993 Series B general obligation refunding bonds.
- **Waterworks General Obligation Refunding Bonds, 1993 Series A2 Interest and Principal Fund (Fund No. 3012)**

This fund was established in 1993. This fund is used to pay debt service on the District's 1993 Series A2 General Obligation Refunding Bonds.
- **Waterworks General Obligation Refunding Bonds, 1998 Series A Interest and Principal Fund (Fund No. 3013)**

This fund was established in 1998. This fund is used to pay debt service on these general obligation refunding bonds.
- **Series H 1966 General Obligation Bond Interest and Principal Fund (Fund No. 3014)**

This fund was established in 1998. This fund is used to pay debt service on these general obligation bonds.
- **Series A1 1993 General Obligation Bond Interest and Principal Fund (Fund No. 3015)**

This fund was established in 1998. This fund is used to pay debt service on these general obligation bonds.
- **Commercial Paper Note Payment Funds (Funds No. 3501 and No. 3502)**

These funds were established in 1991 and 1995, respectively. These funds are 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 these funds sufficient to pay principal of, and interest on, the commercial paper notes as they become due.

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(c) Construction Funds

- **Water Revenue Bonds, Issue of 1992 Construction Fund (Fund No. 4003)**

This fund was 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.

- **Water Revenue Bonds, 1995 Series A (Fund No. 4005)**

This fund was established in 1995. Net proceeds from the sale of these subordinate revenue bonds were deposited in this fund and are used to finance the District's capital improvement program.

- **Water Revenue Bonds, 1996 Series C (Fund No. 4006)**

This fund was established in 1996. Net proceeds from the sale of these subordinate revenue bonds were deposited in this fund and are used to finance the District's capital improvement program.

- **Water Revenue Bonds, 1997 Authorization, Series A Construction Fund (Fund No. 4007)**

This fund was established in 1997. Net proceeds from the sale of the subordinate revenue bonds were deposited in this fund and are used to pay costs of construction of the District's capital improvement program and certain costs of issuance of these bonds.

- **Water Revenue Bonds, 1997 Authorization, Series B Construction Fund (Fund No. 4008)**

This fund was established in 1998. Net proceeds from the sale of the subordinate revenue bonds were deposited in this fund and are used to pay costs of construction of the District's capital improvement program and certain costs of issuance of these bonds.

- **Water Revenue Bonds, 1997 Authorization, Series C Construction Fund (Fund No. 4009)**

This fund was established in 1998. Net proceeds from the sale of the subordinate revenue bonds were deposited in this fund and are used to pay costs of construction of the District's capital improvement program and certain costs of issuance of these bonds.

- **Series G 1966 General Obligation Bond Construction Fund (Fund No. 4504)**

This fund was 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.

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- **Series H 1966 General Obligation Bond Construction Fund (Fund No. 4505)**

This fund was established in 1998. Net proceeds from the sale of the Series H 1966 general obligation bonds were deposited in this fund and are applied exclusively to the purposes for which such bonds were authorized, as provided in Ordinance No. 105.
 - **Pay-As-You-Go Fund (Fund No. 5001)**

This fund was 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.
 - **Revolving Construction Fund (Fund No. 5003)**

This fund was 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.
 - **Commercial Paper Note Construction Funds (Funds No. 5004 and No. 5005)**

These funds were established in 1991 and 1995, respectively. Proceeds from the sale of commercial paper are deposited in these funds and are applied exclusively to the purposes for which the notes were authorized.
- (d) Rate Stabilization Funds*
- **Water Rate Stabilization Fund (Fund No. 5501)**

This fund was 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 Revenue Remainder and Pay-As-You-Go Funds 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. 5502)**

This fund was 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

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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.

(e) State Contract Funds

- **State Contract Fund (Fund No. 5701)**

This fund was 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.

- **Special Tax Fund (Fund No. 5702)**

This fund was 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.

(f) Trust and Other Funds

- **Series G 1966 General Obligation Bond Excess Earnings Fund (Fund No. 6001)**

This fund was 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. 6003)**

This fund was 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.

- **San Joaquin Reservoir Trust Fund (Fund No. 6004)**

This fund was 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.

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- **Iron Mountain Landfill Closure/Postclosure Maintenance Trust Fund (Fund No. 6005)**

This fund was 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.
- **Water Revenue Bonds, 1995 Series A Excess Earnings Fund (Fund No. 6018)**

This fund was established in 1995. This fund is used to separately hold rebatable arbitrage interest earnings computed on an annual basis in accordance with Federal regulations.
- **Commercial Paper Note, Series B Excess Earnings Fund (Fund No. 6019)**

This fund was established in 1995. This fund is used to separately hold rebatable arbitrage interest earnings computed on an annual basis in accordance with Federal regulations.
- **Water Revenue Refunding Bonds, 1996 Series A and B Excess Earnings Funds (Funds No. 6023 and No. 6021)**

These funds were established in 1996. These funds are used to separately hold rebatable arbitrage interest earnings computed on an annual basis in accordance with Federal regulations.
- **Water Revenue Bonds, 1996 Series C Excess Earnings Fund (Fund No. 6025)**

This fund was established in 1996. This fund is used to separately hold rebatable arbitrage interest earnings computed on an annual basis in accordance with Federal regulations.
- **Water Revenue Bonds, 1997 Authorization, Series A Excess Earnings Fund (Fund No. 6026)**

This fund was established in 1997. This fund is used to separately hold rebatable arbitrage interest earnings computed on an annual basis in accordance with Federal regulations.
- **Water Revenue Bonds, 1997 Authorization, Series B Excess Earnings Fund (Fund No. 6027)**

This fund was established in 1998. This fund is used to separately hold rebatable arbitrage interest earnings computed on an annual basis in accordance with Federal regulations.
- **Water Revenue Bonds, 1997 Authorization, Series C Excess Earnings Fund (Fund No. 6028)**

This fund was established in 1998. This fund is used to separately hold rebatable arbitrage interest earnings computed on an annual basis in accordance with Federal regulations.

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- **Water Revenue Refunding Bonds, 1998 Series A Excess Earnings Fund (Fund No. 6034)**
This fund was established in 1998. This fund was used to separately hold in trust for payment to the Federal Government amounts deposited in accordance with the provisions of the Tax and Nonarbitrage Certificate and the Fourth Supplemental Resolution for these bonds.
- **Costs of Issuance Fund (Fund No. 6035)**
This fund was established in 1998. Net proceeds from the sale of the Water Revenue Refunding Bonds, 1998 Series A, Waterworks General Obligation Refunding Bonds, 1998 Series A and Waterworks General Obligation Bonds, Election 1966, Series H were separately deposited in this fund and are used to pay certain costs of issuance of the particular bond issue with respect to which they were deposited.
- **Waterworks General Obligation Refunding Bonds, 1998 Series A Excess Earnings Fund (Fund No. 6032)**
This fund was established in 1998. This fund is used to separately hold in trust for payment to the Federal Government amounts deposited in accordance with the provisions of the Tax and Nonarbitrage Certificate and the Resolution for these bonds.
- **Series H 1966 General Obligation Bond Excess Earnings Fund (Fund No. 6033)**
This fund was established in 1998. This fund is used to separately hold in trust for payment to the Federal Government amounts deposited in accordance with the provisions of the Tax and Nonarbitrage Certificate and the Resolution for these bonds.