



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Executive Financial Report
For the Twelve Months Ended June 30, 2007**

Executive Financial Report
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For the Twelve Months Ended June 30, 2007

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Executive Financial Report for the Twelve Months Ended June 30, 2007

A summary of the accrual basis statement of operations activity for the twelve months ended June 30, 2007 as well as the changes in the balance sheet for June 2007 is discussed below.

Statements of Operations (page 2)

Net Income of \$189.8 million was \$135.5 million more than the prior year's net income. Included in the variance were higher operating revenues of \$98.3 million and other income-net of \$12.4 million and lower operating expenses of \$24.8 million. These items are further described below.

Operating revenues for the twelve months ended June 30, 2007 totaled \$1,069.3 million, which was \$98.3 million more than prior year operating revenues of \$971.0 million. The increase was primarily due to \$93.3 million higher water sales, of which \$85.2 million was due to higher volumes and \$8.1 million related to higher prices.

Operating expenses for the twelve months ended June 30, 2007 totaled \$916.3 million, which were \$24.8 million less than prior year operating expenses of \$941.1 million. The decrease was due primarily to \$30.4 million of lower cost of water and \$9.8 million of lower O&M costs, partially offset by increases in water management programs and depreciation and amortization expense. The lower cost of water was due primarily to the prior year's write-off of \$56.4 million of previously capitalized minimum OMP&R costs. Current O&M costs were less than the prior year due primarily to lower insurance costs as there was a \$15.0 million expense related to the Cargill settlement recorded in fiscal year 2006.

Other income-net of \$36.8 million was \$12.4 million more than prior year other income-net of \$24.4 million. This increase was due primarily to \$22.9 million higher investment income, of which \$19.8 million resulted from the change in fair value adjustment, partially offset by \$8.9 million of higher bond interest expense resulting from new debt issued for the capital improvement program.

Balance Sheets (page 3)

At June 30, 2007, assets totaled \$10.9 billion, which were \$981.0 million higher than June 30, 2006. This variance included \$489.1 million of higher property, plant and equipment, net (PP&E) and \$446.7 million of higher cash and investments. The higher PP&E was primarily due to construction progress on the Oxidation Retrofit programs, Treatment Plant Improvement programs, Inland Feeder, Skinner Filtration Plant Expansion 4, Chlorine Containment and Handling facilities, and San Diego Pipeline No. 6. The \$446.7 million increase in cash and investments was due primarily to \$800.0 million of new debt issued during the year (\$500.0 million was issued in May and June 2007), partially offset by expenditures on the capital improvement program.

Liabilities totaled \$5.2 billion at June 30, 2007, which were \$779.3 million more than June 30, 2006. This increase was due primarily to a \$750.0 million of higher long-term debt. The net increase in long-term debt was due to \$800.0 million of revenue bonds issued during the fiscal year, partially offset by principal paydowns and refundings of debt.

The Metropolitan Water District of Southern California

Statements of Operations - Accrual Basis (Dollars in millions)

	For the Twelve Months Ended June 30,		Favorable/ (Unfavorable) Variance
	2007	2006	
Operating Revenues:			
Water Sales	\$ 916.5	\$ 823.3	\$ 93.3
Wheeling / Exchange	14.4	9.1	5.3
Readiness-to-Serve	80.0	80.0	(0.0)
Capacity Charge	32.3	31.8	0.4
Power Sales	26.1	26.8	(0.7)
Total Operating Revenues	1,069.3	971.0	98.3
Operating Expenses:			
Cost of Water	332.6	363.0	30.4
Operations & Maintenance	327.8	337.6	9.8
Water Management Programs, Net	42.1	35.2	(6.9)
Depreciation & Amortization	213.8	205.3	(8.5)
Total Operating Expenses	916.3	941.1	24.8
Net Operating Income	153.0	29.9	123.1
Other Income (Expense):			
Net Taxes/Annexations	96.4	102.7	(6.3)
Investment Income ⁽¹⁾	55.2	32.3	22.9
Bond Interest Expense	(118.9)	(110.0)	(8.9)
Other	4.0	(0.7)	4.8
Total Other Income - Net	36.8	24.4	12.4
Net Income	\$ 189.8	\$ 54.2	\$ 135.5

Sales Statistics (average prices calculated using exact rather than rounded dollar amounts):

Water Sales (TAF)	2,296.2	2,081.0	215.1
Wheeling/Exchange (TAF)	55.8	35.3	20.5
Power Sales (mWh)	509.9	493.0	16.9
Average Sales Price			
Water Sales	\$ 399.15	\$ 395.60	\$ 3.55
Wheeling/Exchange	\$ 258.03	\$ 258.28	\$ (0.25)
Power Sales	\$ 0.05	\$ 0.05	\$ (0.00)

Ratios:

Operating (Operating Expense* divided by Operating Revenue) 65.7 % 75.8 %

* Excludes depreciation and amortization expense.

Revenue Bond Debt Service Coverage (rolling 12 months) - Cash Basis

(Net receipts divided by annual revenue bond principal and interest requirements) 2.21 x 1.85 x

Notes:

(1) Includes fair value adjustment of \$7.3 million and (\$12.5) million at June 30, 2007 and 2006, respectively.

The Metropolitan Water District of Southern California

Balance Sheets - Accrual Basis (Dollars in millions)

	June 30, 2007	2006	<i>Increase/ (Decrease)</i>
Assets:			
Cash and investments at book value (1)	\$ 1,423.9	\$ 977.1	\$ 446.7
Fair Value Adjustment	(0.8)	(8.1)	7.3
Accounts Receivable	244.8	196.8	48.0
Property, Plant and Equipment, net	7,143.0	6,653.9	489.1
Prepaid State Water Project Entitlements, net	1,477.8	1,488.1	(10.3)
Participation Rights, net	260.8	265.8	(5.0)
Deferred Charges and Water Rights	211.4	219.5	(8.1)
Other	149.0	135.7	13.3
Total Assets	\$ 10,909.8	\$ 9,928.8	\$ 981.0
Liabilities and Equity:			
Long-Term Debt	\$ 4,616.4	\$ 3,866.3	\$ 750.0
Off-Aqueduct Power Facilities	72.5	79.7	(7.2)
Accounts Payable and Accrued Bond Interest	188.1	191.2	(3.1)
Deferred Income	6.3	6.3	(0.0)
State Water Project Obligations	260.0	224.4	35.6
Trust Funds and Other	84.8	80.9	3.9
Total Liabilities	5,228.2	4,448.9	779.3
Equity	5,681.7	5,479.9	201.8
Total Liabilities and Equity	\$ 10,909.8	\$ 9,928.8	\$ 981.0

Debt as a percent of equity (Long-Term Debt divided by Equity) 81.3 % 70.6 %

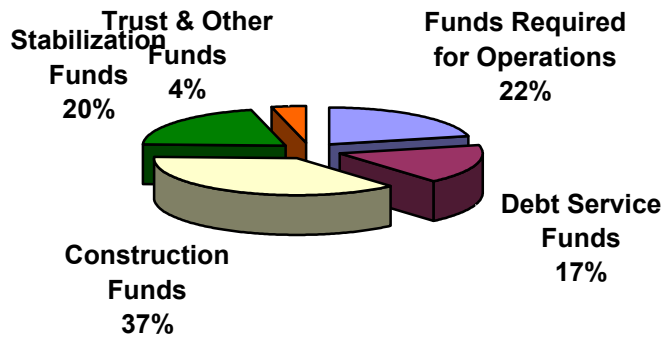
(1) Fair value of cash and investments was \$1,423.1 million and \$969.0 million at June 30, 2007 and 2006, respectively.

Certain reclassifications of prior year amounts have been made to conform to current year's presentation.
Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of June 30, 2007 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 218.1	\$ 88.1	\$ 0.2	\$ 306.4
Debt Service Funds	242.3	-	-	242.3
Construction Funds	463.8	-	62.9	526.7
Stabilization Funds	-	-	291.2	291.2
Trust & Other Funds	39.0	18.3	-	57.3
Total	\$ 963.2	\$ 106.4	\$ 354.3	\$ 1,423.9



Executive Financial Report for the Twelve Months Ended June 30, 2007 Actual to Estimate

A summary of accrual basis operations and construction activity for the twelve months ended June 30, 2007 compared to estimate for the same period is discussed below.

Actual vs. Estimate (page 6)

Net income of \$189.8 million was \$80.7 million higher than estimated net income of \$109.1 million. Included in the variance were higher operating revenues of \$60.6 million and other income-net of \$7.7 million and lower operating expenses of \$12.4 million. These items are further described below.

Operating revenues of \$1,069.3 million were \$60.6 million higher than the estimate of \$1,008.7 million, due primarily to \$58.0 million of higher than estimated water sales of which \$55.2 million related to higher volumes and \$2.8 million related to higher prices. Water sales volumes totaled 2,296.2 thousand acre-feet (TAF), or 138.8 TAF more than the estimate of 2,157.4 TAF.

Operating expenses of \$916.3 million were \$12.4 million less than the \$928.7 million estimate primarily due to lower O&M costs as water treatment costs and equipment expensed were less than estimate and the overhead credit on construction was greater than estimate.

Other income-net totaling \$36.8 million was \$7.7 million more than the \$29.1 million estimate. This favorable variance included \$19.6 million of higher than anticipated investment income partially offset by \$15.4 million of higher bond interest expense. The investment income variance was due to higher than anticipated yields and higher than expected portfolio balances and \$7.3 million of fair value adjustment, which was not part of the estimated amount. Bond interest expense was higher than estimate as capitalized interest on construction expenditures was lower than expected.

Construction Activity (page 9)

Construction costs for the twelve months ended June 30, 2007 totaled \$537.2 million, which was \$24.1 million, or four percent, under estimate. The Oxidation Retrofit Programs (ORP) were \$37.9 million less than estimate due primarily to timing of work performed. Perris Valley pipeline was \$35.8 million less than estimate due to a change in the project delivery approach. Partially offsetting these favorable variances was the Inland Feeder, which was \$22.9 million over estimate, reflecting progress on the tunnel work and the change in contractual costs. Treatment plant improvements are \$7.8 million over estimate due primarily to accelerated work at the Skinner plant.

The Metropolitan Water District of Southern California

Statement of Operations Estimate vs. Actual - Accrual Basis For the Twelve Months Ended June 30, 2007 (Dollars in millions)

	Estimate	Actual	Favorable/ (Unfavorable) Variance	
			\$	%
Operating Revenues				
Water Sales	\$ 858.5	\$ 916.5	\$ 58.0	7%
Wheeling/Exchange	15.0	14.4	(0.6)	(4%)
RTS	80.0	80.0	0.0	0%
Capacity Charge	32.6	32.3	(0.3)	(1%)
Power Sales	22.7	26.1	3.4	15%
Total Operating Revenues	1,008.7	1,069.3	60.6	6%
Operating Expenses				
Operations & Maintenance	344.2	327.8	16.4	5%
Cost of Water	338.9	332.6	6.3	2%
Water Mgt. Programs	37.8	42.1	(4.3)	(11%)
Depreciation & Amortization	207.8	213.8	(6.0)	(3%)
Total Operating Expenses	928.7	916.3	12.4	1%
Operating Income	80.0	153.0	73.0	91%
Other Income/(Expense)				
Net Taxes/Annexations	98.5	96.4	(2.1)	(2%)
Investment Income	35.6	55.2 ⁽¹⁾	19.6	55%
Bond Interest Expense	(103.5)	(118.9)	(15.4)	(15%)
Other	(1.5)	4.0	5.5	(370%)
Total Other Income(Expense)	29.1	36.8	7.7	26%
Net Income	\$ 109.1	\$ 189.8	\$ 80.7	74%
Sales Statistics:				
Water Sales (TAF)	2,157.4	2,296.2	138.8	6%
Wheeling Sales (TAF)	58.0	55.8	(2.2)	(4%)

Notes:

- (1) Includes fair value adjustment of \$7.3 million not included in estimate.

The Metropolitan Water District of Southern California

Operations & Maintenance, Cost of Water, and Capital Investment Plan Estimate vs. Actual - Accrual Basis (Dollars in millions) For the Twelve Months Ended June 30, 2007

	Estimate	Actual	Favorable/ (Unfavorable) Variance	
			\$	%
<u>Operations & Maintenance</u>				
Fixed:				
Personnel	\$ 229.7	\$ 224.0	\$ 5.7	3%
Materials & Supplies	14.7	20.3	(5.7)	(39%)
Professional Services	18.8	20.1	(1.4)	(7%)
Outside Non-Professional Services	19.3	17.5	1.8	9%
Other	17.4	6.7	10.7	61%
Total Fixed	299.8	288.6	11.2	4%
Variable:				
Water Treatment Chemicals	28.5	23.8	4.6	16%
Utility Costs	15.9	15.3	0.6	4%
Total Variable	44.4	39.2	5.2	12%
Total Operations & Maintenance	\$ 344.2	\$ 327.8	\$ 16.4	5%
<u>Cost of Water</u>				
Cost of Water	\$ 344.9	\$ 333.0	11.9	3%
SWP Prior Year Adjustments	(6.0)	(0.4)	(5.6)	93%
Total Cost of Water	\$ 338.9	\$ 332.6	\$ 6.3	2%
Capital Investment Plan	\$ 561.3	\$ 537.2	\$ 24.1	4%

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Operations and Maintenance Fixed and Variable Components Estimate vs. Actual - Accrual Basis For the Twelve Months Ended June 30, 2007 (Dollars in millions)

Component	Estimate	Actual	Favorable/ (Unfavorable) Variance	
			\$	%
Fixed:				
Personnel	\$229.7	\$224.0	\$5.7	3%
Professional Services	18.8	20.1	(1.4)	(7%)
Outside Non-Professional Services	19.3	17.5	1.8	9%
Materials & Supplies	14.7	20.3	(5.7)	(39%)
Communications Expense	3.6	3.2	0.4	11%
Travel Expense	2.2	2.3	(0.1)	(6%)
Training	1.0	0.7	0.3	30%
Memberships & Subscriptions	2.2	2.0	0.2	11%
Equipment Expensed	9.5	5.7	3.7	40%
Equipment Rents/Leases	1.1	1.2	(0.1)	(11%)
Insurance	5.8	7.0	(1.2)	(21%)
Agency Dues	2.2	1.8	0.4	19%
Rents/Leases	0.4	0.4	0.1	14%
Overhead Credit from Construction	(18.1)	(22.3)	4.2	(23%)
Other	7.6	4.8	2.8	37%
Total Fixed Costs	299.8	288.6	11.2	4%
Variable:				
Water Treatment Chemicals	28.5	23.8	4.6	16%
Utility Costs:				
Utilities	10.5	11.0	(0.5)	(5%)
Sludge Removal	4.0	2.9	1.1	28%
Permits	1.4	1.4	0.0	1%
Total Variable Costs	44.4	39.2	5.2	12%
Total O&M	\$344.2	\$327.8	\$16.4	5%
Water Sales - Thousand Acre-Feet	2,157.4	2,296.2	138.8	6%

Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

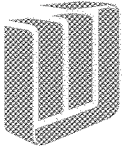
**Estimate vs. Actual: Construction Activities - Accrual Basis
For the Twelve Months Ended June 30, 2007
(Dollars in millions)**

	Estimate	Actual	Variance from Estimate	
			\$	%
Sources of Funds				
Bond Construction Funds	\$ 396.2	\$ 413.1	\$ (16.9)	(4%)
R & R/General Funds	165.1	124.1	41.0	25%
Total	\$ 561.3	\$ 537.2	\$ 24.1	4%
Program Expenditures				
Oxidation Retrofit Programs	\$ 171.0	\$ 133.2	\$ 37.9	22%
Treatment Plant Improvement	90.6	98.4	(7.8)	(9%)
Perris Valley Pipeline	51.8	16.1	35.8	69%
Inland Feeder	51.8	74.7	(22.9)	(44%)
Skinner Filtration Plant Expansion No. 4	31.7	45.7	(14.0)	(44%)
Chlorine Containment and Handling Facilities	31.0	46.7	(15.7)	(51%)
Diemer - Solids Handling/Water Reclamation	15.1	11.5	3.6	24%
Distribution System - Rehabilitation Program	13.6	16.2	(2.6)	(19%)
Diamond Valley Lake Recreation	13.4	10.7	2.7	20%
CRA - Reliability/Containment Programs	9.8	17.5	(7.7)	(79%)
Other	81.4	66.5	14.9	18%
Total	\$ 561.3	\$ 537.2	\$ 24.1	4%

Major Program Statistics

	Current Program Estimate	Project-to-Date Jun. 07	% Spent	% Complete
Inland Feeder	\$ 1,186.5	\$ 943.7	80%	83%
Oxidation Retrofit Program	901.0	481.4	53%	53%
Treatment Plant Improvement Projects	505.4	188.5	37%	41%
Chlorine Containment and Handling Facilities	163.8	76.2	47%	45%
CRA - Reliability/Containment Programs	161.2	78.7	49%	55%
Skinner Expansion No. 4	147.0	140.8	96%	98%
Diamond Valley Lake Recreation	97.5	62.1	64%	67%

Totals may not foot / cross foot due to rounding.



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: July 10, 2007
To: Board of Directors
From: General Counsel
Subject: Review as to Eligibility of Securities Invested in by the
Treasurer for the Month of June 2007

Pursuant to Sections 2741(a) and 5101(b)(5) of the Administrative Code, this office has examined the Treasurer's Monthly Report to the Board for the month of June 2007 covering the investment of securities for that period. The reported forms of investment are within the eligible group of securities authorized by Section 5101(b)(2) of the Administrative Code, and as of the end of the month are within the percentage constraints specified in that section. For purposes of this letter, we have not undertaken to independently verify the accuracy of the information submitted by the Treasurer to this office.

A handwritten signature in cursive script, appearing to read 'Karen L. Tachiki'.

Karen L. Tachiki

cc: T. E. DeBacker
J. Kightlinger
R. N. Marumoto
B. G. Thomas