



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Executive Financial Report
For the Twelve Months Ended June 30, 2012
(Preliminary)

Executive Financial Report
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(Preliminary)

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The Metropolitan Water District of Southern California

Statements of Operations - Accrual Basis (Preliminary) (Dollars in millions)

	For the Twelve Months Ended		Favorable/(Unfavorable)		Explanation
	2012	June 30, 2011	\$	%	
Operating Revenues					
Water Sales	\$ 1,033.6	\$ 947.2	\$ 86.4	9%	Increase includes \$102.5 million from the sale of replenishment water offset by \$16.1 million of lower other water sales.
Wheeling / Exchange	90.9	53.8	37.1	69%	Favorable variance primarily due to sale of \$27.5 million, or 105 TAF, of exchange water to the Coachella Valley Water District.
Readiness-to-Serve	135.5	119.5	16.0	13%	Change due to Board approved increase.
Capacity Charge	33.0	34.4	(1.3)	(4%)	
Power Sales	31.5	22.9	8.6	37%	Increase due to higher State Water Project allocation.
Total Operating Revenues	1,324.5	1,177.8	146.7	12%	
Operating Expenses					
Cost of Water	381.3	361.0	(20.4)	(6%)	Change primarily due to \$35.4 million lower credits from the Department of Water Resources (DWR) for adjustments to prior year costs.
Operations & Maintenance (O&M)	371.0	350.6	(20.4)	(6%)	Increase due to MOU payout including related fringe benefit costs and a shift in labor from capital to O&M.
Demand Management Programs	42.0	48.1	6.1	13%	
Depreciation & Amortization	284.0	286.4	2.4	1%	
Total Operating Expenses	1,078.3	1,046.1	(32.3)	(3%)	
Net Operating Income	246.2	131.8	114.4	87%	
Other Income (Expense)					
Net Taxes/Annexations	79.2	79.3	(0.1)	(0%)	
Investment Income	31.1	15.9	15.2	95%	Variance primarily due to a \$21.1 million favorable change in the fair value of investments partially offset by \$5.9 million lower interest income due to lower interest rates.
Bond Interest Expense	(132.5)	(132.4)	(0.1)	0%	
Swap Termination Cost	(28.2)	(15.4)	(12.9)	84%	Swaps were terminated in FY 2011 and FY 2012.
Other	5.6	20.4	(14.8)	(73%)	FY 2011 included \$7.9 million gain on La Verne land sale and \$4.3 million from DWR related to the exchange water agreement.
Total Other Income/(Expense) - Net	(44.8)	(32.1)	(12.7)	39%	
Net Income	\$ 201.4	\$ 99.7	\$ 101.8	102%	

Note:

(1) Totals may not foot / cross foot due to rounding.

The Metropolitan Water District of Southern California

Balance Sheets - Accrual Basis *(Preliminary)* (Dollars in millions)

	2012	June 30, 2011	<i>Increase/(Decrease)</i>		<i>Explanation</i>
			\$	%	
Assets					
Cash and investments at book value ⁽¹⁾	\$ 1,131.3	\$ 1,126.1	\$ 5.3	0%	
Fair Value Adjustment ⁽¹⁾	19.6	3.1	16.5	(537%)	Due to change in fair market value of investment portfolio.
Accounts Receivable	253.0	243.1	9.9	4%	
Property, Plant and Equipment, net	8,246.0	8,177.9	68.0	1%	Increase primarily due to construction progress on the Oxidation Retrofit, Treatment Plant Improvement, Distribution System – Rehabilitation, and the CRA Reliability/Containment programs.
Prepaid State Water Project Costs, net	1,456.6	1,430.2	26.4	2%	Increase due to capital charges offset by amortization expense.
Participation Rights, net	334.6	348.3	(13.7)	(4%)	
Deferred Charges and Water Rights	210.8	157.3	53.5	34%	Increase includes \$36.3 million (268.2 TAF) of intangible water rights related to Semitropic, Kern Delta, and Arvin-Edison storage programs and \$15.3 million PVID land fallowing costs.
Deferred Outflow of Effective Swaps	109.9	23.9	86.0	361%	Variance due to an unfavorable change in the fair value of the swaps.
Other	213.9	231.7	(17.8)	(8%)	
Total Assets	\$ 11,975.7	\$ 11,741.5	\$ 234.2	2%	
Liabilities and Equity					
Long-Term Debt	\$ 4,831.7	\$ 4,892.6	\$ (60.9)	(1%)	Decrease due to principal pay downs and refundings.
Fair Value of Interest Rate Swaps	165.8	126.4	39.4	31%	Variance primarily due to a decrease in interest rates.
Off-Aqueduct Power Facilities	40.6	47.2	(6.5)	(14%)	
Accounts Payable and Accrued Bond Interest	289.1	275.2	13.9	5%	
Deferred Income	1.5	12.8	(11.3)	(88%)	
State Water Project Obligations	72.2	30.6	41.6	136%	Increase includes \$35.4 million less credits from DWR for adjustments to prior year costs.
Trust Funds and Other	98.9	93.0	5.9	6%	
Total Liabilities	5,499.9	5,477.8	22.1	0%	
Equity	6,475.9	6,263.7	212.1	3%	
Total Liabilities and Equity	\$ 11,975.6	\$ 11,741.5	\$ 234.2	2%	

Notes:

(1) Fair value of cash and investments was \$1,150.9 million and \$1,129.2 million at June 30, 2012 and 2011, respectively.

(2) Totals may not foot / cross foot due to rounding.

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Statistics and Ratios *(Preliminary)*

	For the Twelve Months Ended		Increase/(Decrease)	
	June 30, 2012	2011	TAF/\$	%
Sales Statistics - Accrual Basis				
Water Sales (TAF)	1,320.2	1,466.8	(146.6)	(10%)
Wheeling/Exchange (TAF)	165.0	156.8	8.2	5%
Replenishment Sales (TAF)	224.9	-	224.9	n/a
CVWD Exchange (TAF)	105.0	-	105.0	n/a
Power Sales (MWh)	408.1	309.2	98.9	32%
Average Sales Price ⁽¹⁾				
Water Sales	\$ 705.29	\$ 645.76	\$ 59.53	9%
Wheeling/Exchange	\$ 384.20	\$ 343.44	\$ 40.76	12%
Replenishment Sales	\$ 455.70	\$ -	\$ 455.70	n/a
CVWD Exchange	\$ 262.32	\$ -	\$ 262.32	n/a
Power Sales	\$ 0.08	\$ 0.07	\$ -	0%
	June 30, 2012	Target		
Ratios				
Revenue Bond Debt Service Coverage - Cash Basis ⁽²⁾	1.81 x	> 2.00 x		
Fixed Charge Coverage - Cash Basis ⁽²⁾	1.30 x	≥ 1.20 x		
Revenue Bond Debt as a Percent of Equity ⁽³⁾	73.6 %	< 100.0 %		

Notes:

- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.

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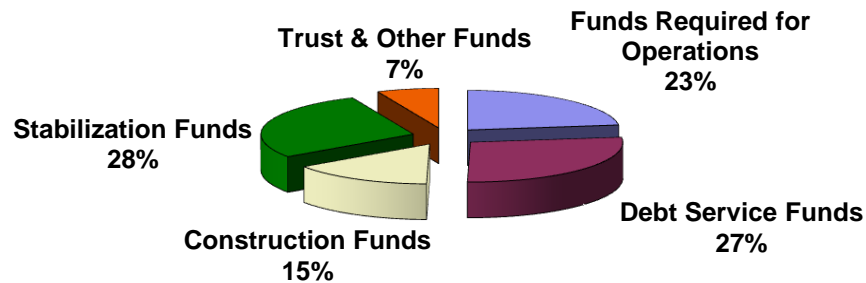
Cash and Investments at Book Value *(Preliminary)*

As of June 30, 2012

(Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 173.1	\$ 85.8	\$ 0.9	\$ 259.8
Debt Service Funds	309.4	-	-	309.4
Construction Funds	136.4	-	33.8	170.2
Stabilization Funds	36.9 ⁽¹⁾	-	280.9	317.8
Trust & Other Funds	54.2	19.9	-	74.1
Total	\$ 710.0	\$ 105.7	\$ 315.6	\$ 1,131.3

(1) Restricted investments of \$31.2 million and \$5.7 million were posted as collateral with Morgan Stanley and JP Morgan Chase, respectively, pursuant to Metropolitan's interest rate swap agreements.



The Metropolitan Water District of Southern California
Construction Activity - Accrual Basis (Preliminary)
For the Twelve Months Ended June 30, 2012
(Dollars in millions)

	1.8 MAF Projection	Actual	Variance		Explanation
			\$	%	
Sources of Funds					
Bond Construction Funds	\$ 236.9	\$ 100.6	\$ 136.3	58%	
R & R/General Funds	45.0	45.0	0.0	0%	
Total	\$ 281.9	\$ 145.6	\$ 136.3	48%	
Program Expenditures					
Oxidation Retrofit Programs	\$ 84.6	\$ 48.1	\$ 36.5	43%	Variance due to delays in construction and/or changes in the scope of work.
Treatment Plant Improvement	78.9	35.3	43.6	55%	Program costs under budget due to changes in the scope of work for the Diemer plant, deferral of construction in the Jensen plant to FY 2012/13, and delays in construction for the Weymouth Plant projects related to design changes.
Distribution System - Rehabilitation Program	36.0	15.9	20.1	56%	Expenditures lower than budget as follows: progress payments for final three contracts in the Cross Connection program were lower than expected; final design and construction of the Lake Skinner West Bypass Screening Structure was rescheduled; start of the Rialto Pipeline PCCP Repairs and the Etiwanda Lining Replacement projects were delayed.
CRA - Reliability/Containment Programs	23.1	16.4	6.7	29%	
La Verne Shop Facilities Upgrades	12.5	6.2	6.3	50%	
Information Technology System	10.2	2.5	7.7	76%	
Chlorine Containment and Handling Facilities	6.2	4.0	2.2	36%	
Inland Feeder	2.2	3.9	(1.8)	(82%)	
Other	28.3	13.3	15.0	53%	
Total	\$ 281.9	\$ 145.6	\$ 136.3	48%	

	Major Program Statistics			
	Current Budget	Project-to-Date	% Spent	% Complete
Inland Feeder	\$1,186.5	\$ 1,149.6	97%	99%
Oxidation Retrofit Program	1,197.6	828.5	69%	69%
Treatment Plant Improvement Projects	1,200.5	461.8	38%	38%
Chlorine Containment Handling Facilities	167.4	117.8	70%	70%
CRA - Reliability/Containment Programs	246.0	135.2	55%	55%
Diamond Valley Lake Recreation	92.8	67.2	72%	72%

Note:

(1) Totals may not foot / cross foot due to rounding.