



*THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA*

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

**Executive Financial Report
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For the Twelve Months Ended June 30, 2012**

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The Metropolitan Water District of Southern California

Statements of Operations - Accrual Basis (Dollars in millions)

	For the Twelve Months Ended		Favorable/(Unfavorable)		Explanation
	June 30,		Variance		
	2012	2011	\$	%	
Operating Revenues					
Water Sales	\$ 1,032.4	\$ 947.2	\$ 85.2		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		38% Increase due to higher State Water Project allocation.
Total Operating Revenues	1,323.4	1,177.8	145.5	12%	
Operating Expenses					
Cost of Water	379.3	361.0	(18.3)	(5%)	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)	390.5	350.6	(39.9)	(11%)	Increase includes \$9.2 million of costs related to a lump-sum payout, \$8.6 million of related fringe benefit costs, \$10.2 million of actuarial estimates for claims incurred but not reported for 3rd party liability, and \$9.2 million of additional OPEB costs due to change in discount rate.
Demand Management Programs	47.8	48.1	0.3	1%	
Depreciation & Amortization	290.1	286.4	(3.7)	(1%)	
Total Operating Expenses	1,107.7	1,046.1	(61.6)	(6%)	
Net Operating Income	215.7	131.8	83.9	64%	
Other Income (Expense)					
Net Taxes/Annexations	79.2	79.3	(0.1)	(0%)	
Investment Income	31.1	15.9	15.1		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	(132.6)	(132.4)	(0.2)	0%	
Swap Termination Cost	(28.2)	(15.4)	(12.9)		84% Swaps were terminated in FY 2011 and FY 2012.
Other	(0.7)	20.4	(21.2)	(104%)	FY 2011 included \$7.9 million gain on La Verne land sale, \$4.3 million from DWR related to the exchange water agreement, and \$2.3 million gain from the termination of the Los Posas Ground Water Program.
Total Other Income/(Expense) - Net	(51.3)	(32.1)	(19.2)	60%	
Net Income	\$ 164.4	\$ 99.7	\$ 64.7	65%	

Note:

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

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Balance Sheets - Accrual Basis (Dollars in millions)

	June 30, 2012	2011	Increase/(Decrease)		Explanation
			\$	%	
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	255.9	243.1	12.8	5%	
Property, Plant and Equipment, net	8,241.1	8,177.9	63.2	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	1,452.1	1,430.2	21.9	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	213.2	157.3	55.9	36%	Increase includes \$41.8 million (325.2 TAF) of intangible water rights related to Semitropic, Kern Delta, and Arvin-Edison storage programs and \$15.4 million PVID land following 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	215.9	231.7	(15.8)	(7%)	
Total Assets	\$ 11,973.7	\$ 11,741.5	\$ 232.1	2%	
Liabilities and Equity					
Long-Term Debt	\$ 4,834.5	\$ 4,892.6	\$ (58.1)	(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	313.2	275.2	38.0	14%	
Deferred Income	1.5	12.8	(11.3)	(88%)	
State Water Project Obligations	71.6	30.6	41.0	134%	Increase includes \$35.4 million less credits from DWR for adjustments to prior year costs.
Trust Funds and Other	104.8	93.0	11.7	13%	
Total Liabilities	5,532.0	5,477.8	54.1	1%	
Equity	6,441.7	6,263.7	178.0	3%	
Total Liabilities and Equity	\$ 11,973.7	\$ 11,741.5	\$ 232.1	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.

The Metropolitan Water District of Southern California

Statistics and Ratios

	For the Twelve Months Ended		Increase/(Decrease)	
	June 30, 2012	2011	TAF/\$	%
Sales Statistics - Accrual Basis				
Water Sales (TAF)	1,318.8	1,466.8	(148.0)	(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)	408.8	309.2	99.5	32%
Average Sales Price (1)				
Water Sales	\$ 705.12	\$ 645.76	\$ 59.35	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:

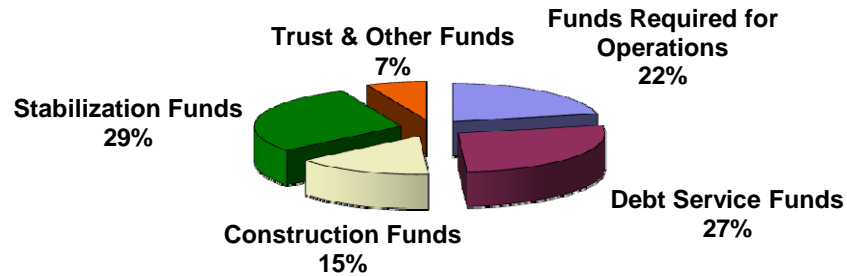
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.

The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of June 30, 2012 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 173.1	\$ 71.7	\$ 0.7	\$ 245.5
Debt Service Funds	309.4	-	-	309.4
Construction Funds	136.4	-	33.8	170.2
Stabilization Funds	36.9 ⁽¹⁾	-	295.0	331.9
Trust & Other Funds	54.4	19.9	-	74.3
Total	\$ 710.2	\$ 91.6	\$ 329.5	\$ 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
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	\$ 99.8	\$ 137.2	58%	
R & R/General Funds	45.0	45.0	0.0	0%	
Total	\$ 281.9	\$ 144.8	\$ 137.2	49%	
Program Expenditures					
Oxidation Retrofit Programs	\$ 84.6	\$ 48.0	\$ 36.6	43%	Variance primarily due to rescheduling of construction to allow implementation of the staged capacity approach.
Treatment Plant Improvement	78.9	35.0	43.9	56%	Program costs under budget due to rescheduling of projects to 1) optimize resources by combining multiple projects work under a single contract, 2) staging work to minimize shutdown durations, and 3) extending the design phase on projects to incorporate value engineering recommendations and/or modified scopes resulting from preliminary design analyses.
Distribution System - Rehabilitation Program	36.0	15.8	20.2	56%	Expenditures lower than budget as follows: progress payments for final three contracts in the Cross Connection program were lower than expected; the Lake Skinner West Bypass Screening Structure and Etiwanda Lining Replacement projects were rescheduled to evaluate alternative methodologies to minimize costs and/or shutdown durations; the Rialto Pipeline PCCP Repairs was rescheduled to evaluate hydraulic capacity impacts of alternative designs.
CRA - Reliability/Containment Programs	23.1	16.2	6.8	30%	
La Verne Shop Facilities Upgrades	12.5	6.2	6.3	51%	
Information Technology System	10.2	2.5	7.7	76%	
Chlorine Containment and Handling Facilities	6.2	3.9	2.3	37%	
Inland Feeder	2.2	3.9	(1.7)	(81%)	
Other	28.3	13.3	15.0	53%	
Total	\$ 281.9	\$ 144.8	\$ 137.2	49%	

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	828.4	69%	69%
Treatment Plant Improvement Projects	1,200.5	461.5	38%	38%
Chlorine Containment Handling Facilities	167.4	117.7	70%	70%
CRA - Reliability/Containment Programs	246.0	135.1	55%	55%
Diamond Valley Lake Recreation	92.8	67.2	72%	72%

Note:

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



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: July 11, 2012
To: Board of Directors
From: General Counsel Marcia Scully
Subject: Review as to Eligibility of Securities Invested in by the
Treasurer for the Month of June 2012

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 2012 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. We note that the Investment Policy authorizes continued holding of the investments listed on Attachment 2a for orderly and systematic liquidation. 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 that reads "M. Scully".

Marcia Scully

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

Portfolio Summary Report

Attachment 2a

June 30, 2012

(\$ in Thousands)

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
Baa1	A-	Bank of America 6.5%	8/1/2016	\$ 1,093	\$ 1,055
Baa2	A-	Citigroup Inc. 5.85%	8/2/2016	1,086	1,078
Baa2	A-	Citigroup Inc. 6.01%	1/15/2015	2,374	2,262
Baa2	A-	Citigroup Inc. 4.45%	1/10/2017	1,287	1,252
Baa2	A-	Merrill Lynch Corporation 5.0%	1/15/2015	2,070	2,027
Baa1	A-	Morgan Stanley 5.75%	8/31/2012	101	101
Baa1	A-	Morgan Stanley 4.10%	1/26/2015	2,431	2,437
Baa1	A-	Morgan Stanley 3.80%	4/29/2016	2,299	2,269
WR	A-	ALLTEL 7.0%	7/1/2012	435	435
				\$ 13,176	\$ 12,916