



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

# **Executive Financial Report For the Two Months Ended August 31, 2012**

**Executive Financial Report  
Table of Contents  
For the Two Months Ended August 31, 2012**

<b>Schedule</b>	<b>Page No.</b>
<b>Financial Statements Year-to-date Current vs. Prior Year – Accrual Basis</b>	
<b>Statements of Operations</b>	<b>1</b>
<b>Balance Sheets</b>	<b>2</b>
<b>Statistics and Ratios – Cash and Accrual Basis</b>	<b>3</b>
<b>Cash and Investments</b>	<b>4</b>
<b>Construction Activities Year-to-date Actual vs. Budget – Accrual Basis</b>	<b>5</b>
<b>Eligibility of Securities</b>	<b>6</b>

# The Metropolitan Water District of Southern California

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

	For the Two Months Ended		<i>Favorable/(Unfavorable)</i>	
	August 31,		<i>Variance</i>	
	2012	2011	\$	%
<b>Operating Revenues</b>				
Water Sales <sup>(2)</sup>	\$ 245.2	\$ 242.2	\$ 2.9	1%
Wheeling / Exchange <sup>(2)</sup>	4.8	9.8	(4.9)	(50%)
Readiness-to-Serve	24.3	20.8	3.5	17%
Capacity Charge	5.3	5.7	(0.4)	(7%)
Power Sales	6.3	10.5	(4.2)	(40%)
<b>Total Operating Revenues</b>	<b>285.9</b>	289.0	(3.1)	(1%)
<b>Operating Expenses</b>				
Cost of Water	65.9	68.7	2.8	4%
Operations & Maintenance	62.2	57.5	(4.8)	(8%)
Demand Management Programs	6.5	4.9	(1.6)	(32%)
Depreciation & Amortization	45.6	45.2	(0.5)	(1%)
<b>Total Operating Expenses</b>	<b>180.3</b>	176.3	(4.0)	(2%)
<b>Net Operating Income</b>	<b>105.7</b>	112.8	(7.1)	(6%)
<b>Other Income (Expense)</b>				
Net Taxes/Annexations	14.2	14.7	(0.4)	(3%)
Investment Income	5.3	11.4	(6.1)	(53%)
Bond Interest Expense	(14.5)	(22.5)	8.0	35%
Other	0.8	2.4	(1.7)	(68%)
<b>Total Other Income/(Expense) - Net</b>	<b>5.8</b>	6.0	(0.2)	(3%)
<b>Net Income</b>	<b>\$ 111.5</b>	\$ 118.8	\$ (7.3)	(6%)

**Notes:**

- (1) Totals may not foot / cross foot due to rounding.
- (2) 2012 includes adjustment for San Diego County Water Authority that reduced wheeling sales by \$6,221,000 and 16,722 acre feet and increased water sales by \$8,812,000 and 16,722 acre feet.

# The Metropolitan Water District of Southern California

## Balance Sheets - Accrual Basis (Dollars in millions)

	August 31,		Increase/(Decrease)	
	2012	2011	\$	%
<b>Assets</b>				
Cash and investments at book value <sup>(1)</sup>	\$ 977.5	\$ 924.1	\$ 53.3	6%
Fair Value Adjustment	22.4	10.9	11.4	104%
Accounts Receivable	397.6	417.9	(20.4)	(5%)
Property, Plant and Equipment, net	8,242.8	8,186.9	56.0	1%
Prepaid State Water Project Costs, net	1,467.2	1,470.2	(3.1)	(0%)
Participation Rights, net	332.4	345.8	(13.5)	(4%)
Deferred Charges and Water Rights	346.1	284.9	61.2	21%
Deferred Outflow of Effective Swaps	114.2	80.2	34.0	42%
Other	208.5	225.4	(16.9)	(7%)
<b>Total Assets</b>	<b>\$ 12,108.6</b>	<b>\$ 11,946.5</b>	<b>\$ 162.2</b>	<b>1%</b>
<b>Liabilities and Equity</b>				
Long-Term Debt	\$ 4,728.8	\$ 4,802.0	\$ (73.2)	(2%)
Fair Value of Interest Rate Swaps	170.2	182.7	(12.4)	(7%)
Off-Aqueduct Power Facilities	39.0	46.1	(7.2)	(16%)
Accounts Payable and Accrued Bond Interest	253.6	213.3	40.3	19%
Deferred Income	203.2	212.5	(9.4)	(4%)
State Water Project Obligations	57.6	10.8	46.8	433%
Trust Funds and Other	102.9	93.5	9.4	10%
<b>Total Liabilities</b>	<b>5,555.2</b>	<b>5,561.0</b>	<b>(5.7)</b>	<b>(0%)</b>
<b>Equity</b>	<b>6,553.4</b>	<b>6,385.5</b>	<b>167.9</b>	<b>3%</b>
<b>Total Liabilities and Equity</b>	<b>\$ 12,108.6</b>	<b>\$ 11,946.5</b>	<b>\$ 162.2</b>	<b>1%</b>

**Notes:**

(1) Fair value of cash and investments was \$999.9 million and \$935.0 million at August 31, 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 Two Months Ended		Increase/(Decrease)	
	2012	2011	TAF/\$	%
<b>Sales Statistics - Accrual Basis</b>				
Water Sales (TAF) <sup>(2)</sup>	<b>335.4</b>	389.4	(54.0)	(14%)
Wheeling/Exchange (TAF) <sup>(2)</sup>	<b>28.0</b>	26.3	1.7	6%
Power Sales (MWh)	<b>65.3</b>	121.6	(56.3)	(46%)
Average Sales Price <sup>(1)</sup>				
Water Sales	<b>\$ 704.75</b>	\$ 622.07	\$ 82.68	13%
Wheeling/Exchange	<b>\$ 396.00</b>	\$ 372.00	\$ 24.00	6%
Power Sales	<b>\$ 0.10</b>	\$ 0.09	\$ -	0%

### Notes:

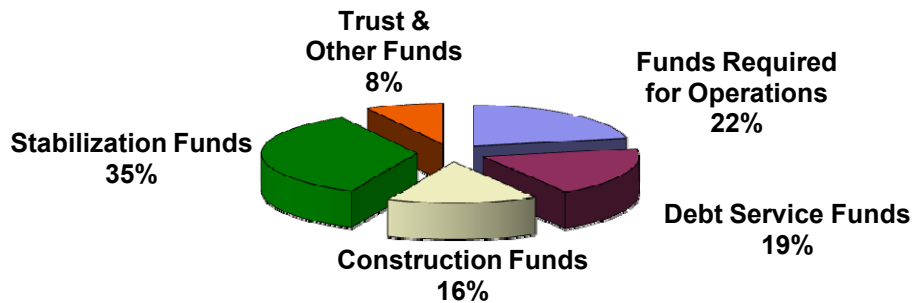
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) 2012 excludes adjustment for San Diego County Water Authority that reduced wheeling sales by \$6,221,000 and 16,722 acre feet and increased water sales by \$8,812,000 and 16,722 acre feet.
- (3) The fixed charge coverage ratio, bond debt service coverage ratio and revenue bond debt as a percent of equity are presented at quarter-end.

# The Metropolitan Water District of Southern California

## Cash and Investments at Book Value As of August 31, 2012 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 166.4	\$ 47.6	\$ 0.2	\$ 214.2
Debt Service Funds	188.4	-	-	188.4
Construction Funds	120.1	-	33.4	153.5
Stabilization Funds	25.4 <sup>(1)</sup>	-	317.3	342.7
Trust & Other Funds	58.8	19.9	-	78.7
<b>Total</b>	<b>\$ 559.1</b>	<b>\$ 67.5</b>	<b>\$ 350.9</b>	<b>\$ 977.5</b>

(1) Restricted investments of \$21.5 million and \$3.9 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

Actual vs. Budget: Construction Activity - Accrual Basis  
(Dollars in millions)

	For the Two Months Ended August 31, 2012				Fiscal Year Ending June 30, 2013				
	Budget	Actual	Variance from Budget		Budget	Projected <sup>(1)</sup>	Variance from Budget		
			\$	%			\$	%	
<b>Sources of Funds</b>									
Bond Construction Funds	\$ 26.0	\$ 19.0	\$ 7.1	27%	\$ 202.3	\$ 202.3	\$ (0.0)	(0%)	
R & R/General Funds	7.1	(2.2)	9.3	131%	55.0	55.0	-	0%	
<b>Total</b>	<b>\$ 33.1</b>	<b>\$ 16.8</b>	<b>\$ 16.3</b>	<b>49%</b>	<b>\$ 257.3</b>	<b>\$ 257.3</b>	<b>\$ (0.0)</b>	<b>(0%)</b>	
<b>Program Expenditures</b>									
Oxidation Retrofit Programs	\$ 6.1	\$ 4.0	\$ 2.0	33%	\$ 74.3	\$ 74.3	-	0%	
Treatment Plant Improvement	8.3	3.9	4.4	53%	55.3	55.3	-	0%	
CRA - Reliability/Containment Programs	5.0	2.0	3.0	60%	41.2	41.2	-	0%	
Distribution System - Rehabilitation Program	5.2	1.0	4.2	81%	33.4	33.4	-	0%	
La Verne Shop Facilities Upgrades	2.5	1.5	1.0	40%	13.7	13.7	-	0%	
Information Technology System	1.3	0.3	1.1	81%	8.4	8.4	-	0%	
Chlorine Containment and Handling Facilities	0.8	0.9	(0.1)	(13%)	5.1	5.1	-	0%	
Other	3.9	3.2	0.7	18%	25.9	25.9	-	0%	
<b>Total</b>	<b>\$ 33.1</b>	<b>\$ 16.8</b>	<b>\$ 16.3</b>	<b>49%</b>	<b>\$ 257.3</b>	<b>\$ 257.3</b>	<b>\$ (0.0)</b>	<b>(0%)</b>	

**Notes:**

(1) Year end estimate numbers are updated at quarter-end.

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



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** September 12, 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 August 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 August 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 "mscully". The signature is written in black ink and has a long, sweeping tail that extends to the right.

Marcia Scully

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



**Portfolio Summary Report**  
**Attachment 2a**  
**August 31, 2012**  
(\$ in Thousands)

Credit Ratings		Medium Term Notes	Maturity Date	Market Value	Book Value
Moody's	S&P				
Baa2	A-	Merrill Lynch Corporation 5.0%	1/15/2015	2,110	2,025
Baa1	A-	Morgan Stanley 4.10%	1/26/2015	2,502	2,437
				\$ 4,612	\$ 4,462