

Tutorial on Financial Statements

Finance and Insurance Committee
Item 6a
September 9, 2019

Metropolitan Water District of Southern California Tutorial on Financial Statements

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Metropolitan Water District of Southern California Tutorial on Financial Statements

- Basic Financial Statements:
 - Management's Discussion and Analysis (MD&A)
 - *Statements of Net Position*
 - *Statements of Revenues, Expenses and Changes in Net Position*
 - Statements of Cash Flows
 - *Notes to Basic Financial Statements*

Statement of Net Position

- Include all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position
 - Classified format- distinguishes between current and non-current
 - Identifies assets whose use is restricted
 - Equity is reported as net position and categorized as:
 - Net Investment in capital assets (including State Water Project costs)
 - Restricted (External)
 - Unrestricted

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Statement of Net Position, cont'd.

(Dollars in thousands)	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and investments, at fair value (Notes 1b and 3):	
Unrestricted (cost: \$282,354 and \$613,633 for 2018 and 2017, respectively)	\$ 281,000
Restricted (cost: \$492,097 and \$437,092 for 2018 and 2017, respectively)	489,737
Total cash and investments	<u>770,737</u>
Receivables:	
Water sales	221,301
Interest on investments	4,402
Other, net (Note 1e)	34,629
Total receivables	<u>260,332</u>
Inventories (Note 1f)	97,727
Deposits, prepaid costs, and other (Note 11)	1,611
Total current assets	<u>1,130,407</u>

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Statement of Net Position, cont'd.

➔ Noncurrent Assets:

Cash and investments, at fair value (Notes 1b and 3):

Unrestricted (cost: \$354,448 and \$230,081 for 2018 and 2017, respectively)	352,748
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Restricted (cost: \$66,214 and \$90,545 for 2018 and 2017, respectively)	67,985
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Total cash and investments	<u>420,733</u>
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Capital assets (Note 2):

Plant and equipment - non depreciable (Notes 1g and 9g)	1,686,602
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Plant and equipment - depreciable (Notes 1g and 9g)	9,834,905
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Participation rights in State Water Project (Notes 1h and 10)	5,160,746
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Participation rights in other facilities (Notes 1h and 4)	459,489
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Total capital assets	<u>17,141,742</u>
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Less accumulated depreciation and amortization	(6,731,791)
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Total capital assets, net	<u>10,409,951</u>
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Other assets, net of current portion:

Deposits, prepaid costs, and other (Note 11)	267,103
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Total other assets	<u>267,103</u>
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Total noncurrent assets	<u>11,097,787</u>
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Statement of Net Position, cont'd.

(Dollars in thousands) 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

→ Current Liabilities:

Accounts payable and accrued expenses (Note 1i)	\$ 103,192
Revolving notes (Note 5a)	—
Current portion of long-term debt (Notes 5 and 6)	297,422
Current portion of obligations for off-aqueduct power facilities (Notes 6 and 9f)	—
Current portion of accrued compensated absences (Notes 1j and 6)	19,700
Current portion of customer deposits and trust funds (Note 6)	6,312
Current portion of workers' compensation and third party claims (Notes 6 and 14)	4,083
Current portion of other long-term liabilities (Note 6)	2,871
Accrued bond interest	67,577
Matured bonds and coupons not presented for payment	1,760
Total current liabilities	502,917

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Statement of Net Position, cont'd.

→ Noncurrent Liabilities:	
Long-term debt, net of current portion (Note 5 and 6)	4,209,537
Obligations for off-aqueduct power facilities, net of current portion (Notes 6 and 9f)	—
Accrued compensated absences, net of current portion (Notes 1j and 6)	27,945
Customer deposits and trust funds, net of current portion	39,860
Net pension liability (Note 7)	660,917
Net OPEB liability (Note 8)	240,569
Postemployment benefits other than pensions (Note 8)	—
Workers' compensation and third party claims, net of current portion (Notes 6 and 14)	9,496
Fair value of interest rate swaps (Notes 5f and 6)	44,411
Other long-term liabilities, net of current portion (Note 6)	2,219
Total noncurrent liabilities	5,234,954

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Statement of Net Position, cont'd.

Deferred Outflows of Resources:	
Loss on bond refundings (Note 1q)	39,050
Loss on swap terminations (Note 1q)	27,446
Pension related (Notes 1k, 1q and 7)	138,405
OPEB related (Notes 1l, 1q and 8)	34,674
Effective swaps (Note 1q)	—
Total deferred outflows of resources	239,575
Total Assets and Deferred Outflows of Resources	\$ 12,467,769
Deferred Inflows of Resources:	
Effective swaps (Note 1q)	18,649
Pension related (Notes 1k, 1q and 7)	17,836
OPEB related (Notes 1l, 1q, and 8)	6,928
Total deferred inflows of resources	43,413

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Statement of Net Position, cont'd.

Net Position (Note 13):

Net investment in capital assets, including State Water Project costs	5,890,685
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Restricted for:

Debt service	201,361
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Other	205,639
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Unrestricted	388,800
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Total net position	6,686,485
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Statements of Revenues, Expenses and Changes in Net Position

- Report all revenues and expenses
- Classified format- distinguish between operating and non-operating.
- Major elements:
 - Water revenues
 - Operating expenses
 - Power and water costs
 - Operations and maintenance
 - Nonoperating revenues (expenses)

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Statements of Revenues, Expenses and Changes in Net Position, cont'd.

Operating Revenues (Note 1c):

Water revenues	\$ 1,285,164
Readiness-to-serve charges	137,500
Capacity charge	34,653
Power sales	23,694
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Total operating revenues	1,481,011

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Statements of Revenues, Expenses and Changes in Net Position, cont'd.

Operating Expenses:

Power and water costs	446,486
Operations and maintenance	507,450
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Total operating expenses	953,936
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Statements of Revenues, Expenses and Changes in Net Position, cont'd.

Nonoperating Revenues (Expenses) (Note 1n):

Taxes, net (Note 1d)	127,367
Bond interest, net of \$15,600 and \$13,800 of interest capitalized in fiscal years 2018 and 2017, respectively (Note 1g)	(124,523)
Investment income, net	10,577
Loss on disposal of plant assets	(88,690)
Other, net	(55,357)
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Total nonoperating expenses, net	<u>(130,626)</u>

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Questions?