



# San Diego County Water Authority

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October 25, 2011

Jack Foley, Chairman  
Metropolitan Water District of Southern California  
PO Box 54153  
Los Angeles, CA 90054-0153

#### MEMBER AGENCIES

- Carlsbad Municipal Water District
- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
- Fallbrook Public Utility District
- Helix Water District
- Lakeside Water District
- Oliverheim Municipal Water District
- Otay Water District
- Padre Dam Municipal Water District
- Camp Pendleton Marine Corps Base
- Rainbow Municipal Water District
- Romona Municipal Water District
- Rincon del Diablo Municipal Water District
- San Dieguito Water District
- Santa Fe Irrigation District
- South Bay Irrigation District
- Vallecitos Water District
- Valley Center Municipal Water District
- Vista Irrigation District
- Yuma Municipal Water District

#### OTHER REPRESENTATIVE

- County of San Diego

Re: KPMG Audit Report of MWD's Basic Statements for Years ended June 30, 2011 and 2010

Dear Chairman Foley:

The Auditor's report states that it is prepared in accordance with Government Auditing Standards. Though these standards do not require the presentation of budgetary information for Enterprise funds, it would be extremely helpful for this information to be presented as supplemental information in the Comprehensive Annual Financial Report (CAFR) following the notes to the financial statements, so it could provide a context for evaluating evidence and understanding of findings, conclusions and recommendations in the report.

Referring to page 13, the information on future debt service is misleading as it does not include projected future debt issuance. It should be noted that it does not include projected future debt issuance.

In the CAFR transmittal letter it would be prudent to disclose the potential impacts of Proposition 26 on revenue policies, in particular, that the collection of revenues under the current policy for conservation and Local Resource Programs may not meet Proposition 26 or other legal requirements.

Referring to page 58, Bay Delta discussion mentions it is expected that the BDCP will be approved, and a permit decision will be made in 2012, but the report should disclose the potential cost impacts to MWD of the BDCP plan.

Referring to page 60, SDCWA litigation disclosure mentions that the Exchange Agreement requires MWD pays the disputed portion paid by SDCWA if the Water Authority prevails, but it should also disclose that in accordance with the Exchange Agreement MWD is required to escrow the disputed funds each year until the litigation is completed.

Referring to page 69, the discussion should disclose that there is an escrow account for the SDCWA litigation, identify where it is held and that as well as any implications for reserve fund Board policy minimums.

*A public agency providing a safe and reliable water supply to the San Diego region*

We request that management respond in writing to the issues identified in this letter.

Sincerely,



Jim Bowersox  
Director



Lynne Heidel  
Director



Keith Lewinger  
Director



Fern Steiner  
Director

cc: MWD Board of Directors