



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

# **Executive Financial Report**

## **For the One Month Ended July 31, 2010**

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# The Metropolitan Water District of Southern California

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

	For the One Month Ended		
	2010	July 31, 2009	<i>Favorable/ (Unfavorable) Variance</i>
		Restated <sup>(1)</sup>	
<b>Operating Revenues:</b>			
Water Sales	\$ 99.5	\$ 102.2	\$ (2.7)
Wheeling / Exchange	3.9	2.3	1.5
Readiness-to-Serve	10.0	8.6	1.4
Capacity Charge	2.9	2.7	0.2
Power Sales	2.6	2.7	(0.1)
Total Operating Revenues	118.9	118.5	0.4
<b>Operating Expenses:</b>			
Cost of Water	(11.3)	38.0	49.3
Operations & Maintenance	25.0	25.8	0.8
Demand Management Programs	2.7	2.7	0.0
Depreciation & Amortization	21.0	18.8	(2.2)
Total Operating Expenses	37.3	85.3	47.9
<b>Net Operating Income</b>	<b>81.5</b>	<b>33.2</b>	<b>48.3</b>
<b>Other Income (Expense):</b>			
Net Taxes/Annexations	9.0	9.1	(0.1)
Investment Income	4.5	4.1	0.4
Bond Interest Expense	(10.8)	(8.8)	(2.0)
Other	1.3	0.3	1.0
Total Other Income/(Expense) - Net	3.9	4.6	(0.7)
<b>Net Income</b>	<b>\$ 85.5</b>	<b>\$ 37.9</b>	<b>\$ 47.6</b>

**Notes:**

- (1) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.
- (2) Certain reclassifications of prior year amounts have been made to conform to current year presentation.
- (3) Totals may not foot / cross foot due to rounding.

# The Metropolitan Water District of Southern California

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

	July 31,		
	2010	2009 Restated (2)	<i>Increase/ (Decrease)</i>
<b>Assets:</b>			
Cash and investments at book value (1)	\$ 952.7	\$ 913.7	\$ 39.0
Fair Value Adjustment	11.2	(2.6)	13.9
Accounts Receivable	391.3	411.8	(20.4)
Property, Plant and Equipment, net	8,032.9	7,805.2	227.7
Prepaid State Water Project Costs, net	1,642.7	1,705.8	(63.1)
Participation Rights, net	385.4	361.4	24.0
Deferred Charges and Water Rights	392.8	527.9	(135.2)
Deferred Outflow of Effective Swaps	70.0	42.9	27.1
Other	194.4	195.9	(1.5)
<b>Total Assets</b>	<b>\$ 12,073.4</b>	<b>\$ 11,962.0</b>	<b>\$ 111.4</b>
<b>Liabilities and Equity:</b>			
Long-Term Debt	\$ 4,681.0	\$ 4,594.7	\$ 86.4
Fair Value of Interest Rate Swaps	156.2	104.4	51.8
Off-Aqueduct Power Facilities	53.3	60.2	(6.9)
Accounts Payable and Accrued Bond Interest	183.3	185.2	(2.0)
Deferred Income	228.6	214.3	14.3
State Water Project Obligations	451.5	628.6	(177.1)
Trust Funds and Other	87.6	89.1	(1.5)
<b>Total Liabilities</b>	<b>5,841.5</b>	<b>5,876.5</b>	<b>(35.0)</b>
<b>Equity</b>	<b>6,231.9</b>	<b>6,085.5</b>	<b>146.4</b>
<b>Total Liabilities and Equity</b>	<b>\$ 12,073.4</b>	<b>\$ 11,962.0</b>	<b>\$ 111.4</b>

**Notes:**

(1) Fair value of cash and investments was \$963.9 million and \$911.1 million at July 31, 2010 and 2009, respectively.

(2) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.

This pronouncement requires derivative instruments to be reported at their fair value on the balance sheet along with a related deferred outflow to be recorded for effective hedges.

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

# The Metropolitan Water District of Southern California

## Statistics and Ratios - Cash and Accrual Basis For the One Month Ended

	2010	July 31, 2009 Restated	<i>Increase/ (Decrease)</i>
<b>Sales Statistics:</b>			
Water Sales (TAF)	157.0	204.4	(47.4)
Wheeling/Exchange (TAF)	12.3	8.4	3.9
Power Sales (mWh)	31.6	33.4	(1.8)
Average Sales Price <sup>(1)</sup>			
Water Sales	\$ 633.99	\$ 499.92	\$ 134.07
Wheeling/Exchange	\$ 314.02	\$ 278.01	\$ 36.01
Power Sales	\$ 0.08	\$ 0.08	\$ 0.00

### Ratios:

Fixed Charge Coverage (rolling 12 months) - Cash Basis:

Actual	1.27 x	1.22 x
Target <sup>(2)</sup>	≥ 1.20 x	≥ 1.20 x

Revenue Bond Debt Service Coverage (rolling 12 months) - Cash Basis:

Actual	1.49 x	1.72 x
Target <sup>(2)</sup>	> 2.00 x	> 2.00 x

Revenue Bond Debt as a Percent of Equity

Actual	73.1 %	72.3 %
Target <sup>(3)</sup>	< 100.0 %	< 100.0 %

### Notes:

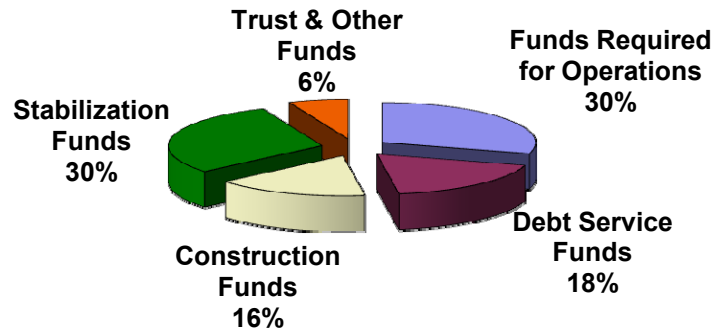
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.
- (4) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.

# The Metropolitan Water District of Southern California

## Cash and Investments at Book Value As of July 31, 2010 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 179.0	\$ 101.5	\$ 0.5	\$ 281.0
Debt Service Funds	173.6	-	-	173.6
Construction Funds	120.8	-	32.0	152.8
Stabilization Funds	12.0	-	273.5	285.5 <sup>(1)</sup>
Trust & Other Funds	40.2	19.6	-	59.8
<b>Total</b>	<b>\$ 525.6</b>	<b>\$ 121.1</b>	<b>\$ 306.0</b>	<b>\$ 952.7</b>

(1) Restricted investments of \$12 million are posted as collateral with Morgan Stanley.



The Metropolitan Water District of Southern California

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

	For the One Month Ended July 31, 2010				Fiscal Year Ending June 30, 2011			
	Budget	Actual	Variance from Budget		Budget	Projected <sup>(1)</sup>	Variance from Budget	
			\$	%			\$	%
<b>Sources of Funds</b>								
Bond Construction Funds	\$ 22.1	\$ 10.7	\$ 11.4	52%	\$ 164.9	\$ 164.9	\$ -	0%
R & R/General Funds	3.6	2.0	1.6	44%	95.0	95.0	-	0%
<b>Total</b>	<b>\$ 25.7</b>	<b>\$ 12.8</b>	<b>\$ 13.0</b>	<b>50%</b>	<b>\$ 259.9</b>	<b>\$ 259.9</b>	<b>\$ -</b>	<b>0%</b>
<b>Program Expenditures</b>								
Treatment Plant Improvement	\$ 7.5	\$ 2.4	\$ 5.1	69%	\$ 84.7	\$ 84.7	\$ -	0%
Oxidation Retrofit Programs	7.3	6.6	0.7	10%	79.8	79.8	-	0%
Distribution System - Rehabilitation Program	2.9	0.9	2.0	70%	33.8	33.8	-	0%
CRA - Reliability/Containment Programs	1.9	0.6	1.4	71%	22.3	22.3	-	0%
Information Technology System	0.8	0.4	0.4	54%	6.3	6.3	-	0%
Hydroelectric Power Plant Improvement Program	0.2	0.0	0.2	88%	4.7	4.7	-	0%
Chlorine Containment and Handling Facilities	0.3	0.1	0.2	61%	4.2	4.2	-	0%
Perris Valley Pipeline	0.0	0.5	(0.5)	N/A	3.6	3.6	-	0%
Inland Feeder	0.4	0.3	0.1	35%	3.5	3.5	-	0%
Other	4.3	1.1	3.3	75%	17.0	17.0	-	0%
<b>Total</b>	<b>\$ 25.7</b>	<b>\$ 12.8</b>	<b>\$ 13.0</b>	<b>50%</b>	<b>\$ 259.9</b>	<b>\$ 259.9</b>	<b>\$ -</b>	<b>0%</b>

Notes:

- (1) Projected numbers are updated at quarter-end.
- (2) Totals may not foot / cross foot due to rounding.



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** August 30, 2010  
**To:** Board of Directors  
**From:** General Counsel  
**Subject:** Review as to Eligibility of Securities Invested in by the  
Treasurer for the Month of July 2010

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 July 2010 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, appearing to read "Karen L. Tachiki".

Karen L. Tachiki

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