



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

# **Executive Financial Report For the Seven Months Ended January 31, 2011**

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# The Metropolitan Water District of Southern California

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

	For the Seven Months Ended		
	2011	January 31, 2010 Restated <sup>(1)</sup>	<i>Favorable/ (Unfavorable) Variance</i>
<b>Operating Revenues:</b>			
Water Sales	\$ 567.9	\$ 597.5	\$ (29.6)
Wheeling / Exchange	29.4	37.2	(7.8)
Readiness-to-Serve	69.7	60.1	9.6
Capacity Charge	20.1	19.1	1.0
Power Sales	15.5	12.3	3.2
Total Operating Revenues	702.6	726.1	(23.6)
<b>Operating Expenses:</b>			
Cost of Water	191.8	283.6	91.9
Operations & Maintenance	201.8	197.2	(4.6)
Demand Management Programs	26.8	33.5	6.8
Depreciation & Amortization	153.2	139.0	(14.2)
Total Operating Expenses	573.6	653.3	79.7
<b>Net Operating Income</b>	<b>129.0</b>	<b>72.8</b>	<b>56.2</b>
<b>Other Income (Expense):</b>			
Net Taxes/Annexations	51.5	61.6	(10.1)
Investment Income	2.9	22.0	(19.1)
Bond Interest Expense	(77.0)	(75.9)	(1.1)
Other	4.4	1.9	2.5
Total Other Income/(Expense) - Net	(18.2)	9.6	(27.8)
<b>Net Income</b>	<b>\$ 110.8</b>	<b>\$ 82.4</b>	<b>\$ 28.4</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)

	January 31,		
	2011	2010 Restated (2)	Increase/ (Decrease)
<b>Assets:</b>			
Cash and investments at book value (1)	\$ 1,068.7	\$ 1,216.4	\$ (147.8)
Fair Value Adjustment	(1.9)	(0.5)	(1.4)
Accounts Receivable	223.3	253.8	(30.4)
Property, Plant and Equipment, net	8,117.2	7,912.7	204.5
Prepaid State Water Project Costs, net	1,624.1	1,602.3	21.8
Participation Rights, net	378.1	354.9	23.2
Deferred Charges and Water Rights	417.7	396.6	21.2
Deferred Outflow of Effective Swaps	26.4	26.3	0.1
Other	225.7	207.0	18.7
<b>Total Assets</b>	<b>\$ 12,079.4</b>	<b>\$ 11,969.4</b>	<b>\$ 110.0</b>
<b>Liabilities and Equity:</b>			
Long-Term Debt	\$ 4,921.9	\$ 4,817.9	\$ 104.0
Fair Value of Interest Rate Swaps	114.4	99.7	14.8
Off-Aqueduct Power Facilities	50.3	56.6	(6.3)
Accounts Payable and Accrued Bond Interest	198.8	187.8	11.0
Deferred Income	107.2	106.9	0.3
State Water Project Obligations	335.5	480.4	(144.8)
Trust Funds and Other	93.4	90.6	2.8
<b>Total Liabilities</b>	<b>5,821.5</b>	<b>5,839.8</b>	<b>(18.3)</b>
<b>Equity</b>	<b>6,257.9</b>	<b>6,129.6</b>	<b>128.3</b>
<b>Total Liabilities and Equity</b>	<b>\$ 12,079.4</b>	<b>\$ 11,969.4</b>	<b>\$ 110.0</b>

**Notes:**

- (1) Fair value of cash and investments was \$1,066.8 million and \$1,215.9 million at January 31, 2011 and 2010, 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 Seven Months Ended

	January 31,		
	2011	2010 Restated <sup>(4)</sup>	<i>Increase/ (Decrease)</i>
<b>Sales Statistics:</b>			
Water Sales (TAF)	<b>901.9</b>	1,022.1	(120.2)
Wheeling/Exchange (TAF)	<b>91.0</b>	120.5	(29.5)
Power Sales (mWh)	<b>202.3</b>	146.7	55.6
Average Sales Price <sup>(1)</sup>			
Water Sales	<b>\$ 629.70</b>	\$ 584.56	\$ 45.14
Wheeling/Exchange	<b>\$ 322.70</b>	\$ 308.69	\$ 14.01
Power Sales	<b>\$ 0.08</b>	\$ 0.08	\$ -

### Ratios:

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

Actual	<b>0.71 x</b>	1.22 x
Target <sup>(2)</sup>	<b>≥ 1.20 x</b>	≥ 1.20 x

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

Actual	<b>1.19 x</b>	1.67 x
Target <sup>(2)</sup>	<b>&gt; 2.00 x</b>	> 2.00 x

Revenue Bond Debt as a Percent of Equity

Actual	<b>77.1 %</b>	76.1 %
Target <sup>(3)</sup>	<b>&lt; 100.0 %</b>	< 100.0 %

### Notes:

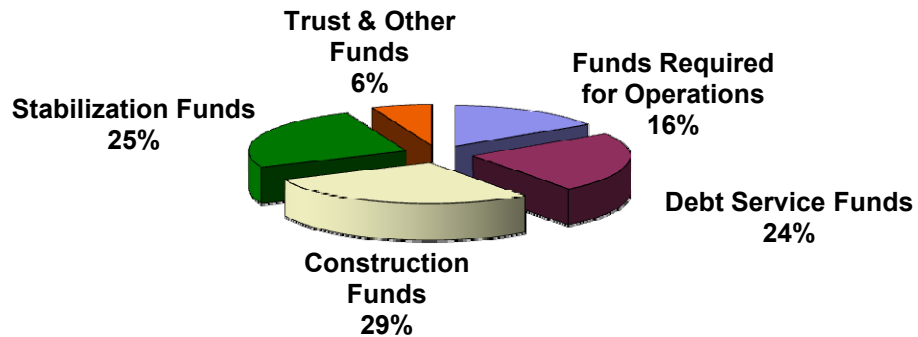
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.
- (4) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.

# The Metropolitan Water District of Southern California

## Cash and Investments at Book Value As of January 31, 2011 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 110.0	\$ 59.2	\$ 1.1	\$ 170.3
Debt Service Funds	253.6	-	-	253.6
Construction Funds	270.8	-	36.4	307.2
Stabilization Funds	3.7 <sup>(1)</sup>	-	268.0	271.7
Trust & Other Funds	46.2	19.7	-	65.9
<b>Total</b>	<b>\$ 684.3</b>	<b>\$ 78.9</b>	<b>\$ 305.5</b>	<b>\$ 1,068.7</b>

(1) Restricted investments of \$3.7 million are posted as collateral with Morgan Stanley 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 Seven Months Ended January 31, 2011				Fiscal Year Ending June 30, 2011				
	Budget	Actual	Variance from Budget		Budget	Projected <sup>(2)</sup>	Variance from Budget		
			\$	%			\$	%	
<b>Sources of Funds</b>									
Bond Construction Funds	\$ 134.1	\$ 111.8	\$ 22.3	17%	\$ 164.9	\$ 190.0	\$ (25.1)	(15%)	
R & R/General Funds	22.0	17.0	5.0	23%	95.0	45.0	50.0	53%	
<b>Total</b>	<b>\$ 156.1</b>	<b>\$ 128.8</b>	<b>\$ 27.3</b>	<b>17%</b>	<b>\$ 259.9</b>	<b>\$ 235.0</b>	<b>\$ 24.9</b>	<b>10%</b>	
<b>Program Expenditures</b>									
Treatment Plant Improvement	\$ 51.4	\$ 40.2	\$ 11.2	22%	\$ 84.7	\$ 76.2	\$ 8.5	10%	
Oxidation Retrofit Programs	48.2	49.6	(1.4)	(3%)	79.8	79.8	(0.0)	(0%)	
Distribution System - Rehabilitation Program	20.6	8.5	12.0	59%	33.8	25.0	8.8	26%	
CRA - Reliability/Containment Programs	11.5	6.2	5.3	46%	22.3	18.0	4.3	19%	
Information Technology System	4.3	1.5	2.7	64%	6.3	3.0	3.3	52%	
Hydroelectric Power Plant Improvement Program	2.1	0.1	2.0	97%	4.7	3.0	1.7	37%	
Chlorine Containment and Handling Facilities	2.1	1.0	1.2	55%	4.2	2.0	2.2	53%	
Perris Valley Pipeline	1.3	7.8	(6.6)	(509%) <sup>(1)</sup>	3.6	7.5	(3.9)	(106%)	
Inland Feeder	2.3	2.1	0.2	9%	3.5	3.5	0.0	1%	
Other	12.6	11.9	0.7	6%	17.0	17.0	(0.0)	(0%)	
<b>Total</b>	<b>\$ 156.1</b>	<b>\$ 128.8</b>	<b>\$ 27.3</b>	<b>17%</b>	<b>\$ 259.9</b>	<b>\$ 235.0</b>	<b>\$ 24.9</b>	<b>10%</b>	

**Notes:**

(1) Includes a \$4 million settlement to contractor.

(2) Projected numbers are updated at quarter-end.


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



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** February 9, 2011  
**To:** Board of Directors  
**From:** General Counsel  
**Subject:** Review as to Eligibility of Securities Invested in by the  
Treasurer for the Month of January 2011

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 January 2011 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.

  
Karen L. Tachiki

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