



*THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA*

Executive Financial Report For the Eight Months Ended February 28, 2011

Executive Financial Report
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For the Eight Months Ended February 28, 2011

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The Metropolitan Water District of Southern California

Statements of Operations - Accrual Basis (Dollars in millions)

| | For the Eight Months Ended February 28, | | <i>Favorable/ (Unfavorable) Variance</i> |
|---|--|----------------------|--|
| | 2011 | 2010 Restated (1) | |
| Operating Revenues: | | | |
| Water Sales | \$ 632.9 | \$ 632.7 | \$ 0.2 |
| Wheeling / Exchange | 34.3 | 41.1 | (6.8) |
| Readiness-to-Serve | 79.7 | 68.7 | 11.0 |
| Capacity Charge | 23.0 | 22.0 | 1.0 |
| Power Sales | 16.7 | 13.0 | 3.7 |
| | 786.4 | 777.3 | 9.1 |
| Operating Expenses: | | | |
| Cost of Water | 221.9 | 295.2 | 73.3 |
| Operations & Maintenance | 229.2 | 223.5 | (5.7) |
| Demand Management Programs | 29.0 | 37.0 | 8.0 |
| Depreciation & Amortization | 174.4 | 159.4 | (15.0) |
| | 654.6 | 715.2 | 60.6 |
| Total Operating Revenues | 786.4 | 777.3 | 9.1 |
| Net Operating Income | 131.8 | 62.1 | 69.7 |
| Other Income (Expense): | | | |
| Net Taxes/Annexations | 58.9 | 70.5 | (11.5) |
| Investment Income | 5.0 | 25.4 | (20.4) |
| Bond Interest Expense | (88.5) | (87.7) | (0.8) |
| Other | 5.4 | 2.0 | 3.4 |
| | (19.1) | 10.2 | (29.3) |
| Total Other Income/(Expense) - Net | (19.1) | 10.2 | (29.3) |
| Net Income | \$ 112.7 | \$ 72.3 | \$ 40.4 |

Notes:

- (1) Restatement relates to implementaton 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)

| | February 28, | | |
|--|--------------------|----------------------|---------------------------------|
| | 2011 | 2010 Restated (2) | <i>Increase/ (Decrease)</i> |
| Assets: | | | |
| Cash and investments at book value (1) | \$ 1,090.1 | \$ 1,157.0 | \$ (67.0) |
| Fair Value Adjustment | (1.5) | 1.0 | (2.5) |
| Accounts Receivable | 220.6 | 225.2 | (4.6) |
| Property, Plant and Equipment, net | 8,130.4 | 7,925.1 | 205.4 |
| Prepaid State Water Project Costs, net | 1,612.7 | 1,591.2 | 21.5 |
| Participation Rights, net | 376.9 | 353.9 | 23.1 |
| Deferred Charges and Water Rights | 395.7 | 370.0 | 25.6 |
| Deferred Outflow of Effective Swaps | 22.7 | 29.2 | (6.5) |
| Other | 218.0 | 196.3 | 21.8 |
| Total Assets | \$ 12,065.6 | \$ 11,848.8 | \$ 216.8 |
| Liabilities and Equity: | | | |
| Long-Term Debt | \$ 4,922.3 | \$ 4,818.2 | \$ 104.0 |
| Fair Value of Interest Rate Swaps | 110.8 | 102.9 | 7.9 |
| Off-Aqueduct Power Facilities | 49.8 | 56.0 | (6.2) |
| Accounts Payable and Accrued Bond Interest | 210.2 | 199.5 | 10.7 |
| Deferred Income | 86.9 | 86.0 | 0.9 |
| State Water Project Obligations | 331.7 | 375.5 | (43.8) |
| Trust Funds and Other | 94.2 | 91.2 | 3.0 |
| Total Liabilities | 5,805.8 | 5,729.4 | 76.4 |
| Equity | 6,259.8 | 6,119.5 | 140.3 |
| Total Liabilities and Equity | \$ 12,065.6 | \$ 11,848.8 | \$ 216.8 |

Notes:

- (1) Fair value of cash and investments was \$1,088.6 million and \$1,158.0 million at February 28, 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.

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Statistics and Ratios - Cash and Accrual Basis For the Eight Months Ended

| | February 28, | | |
|------------------------------------|------------------|-------------------------|---------------------------------|
| | 2011 | 2010 | <i>Increase/ (Decrease)</i> |
| | | Restated ⁽⁴⁾ | |
| Sales Statistics: | | | |
| Water Sales (TAF) | 1,002.9 | 1,076.2 | (73.3) |
| Wheeling/Exchange (TAF) | 104.1 | 132.8 | (28.6) |
| Power Sales (mWh) | 218.8 | 170.2 | 48.5 |
| | | | |
| Average Sales Price ⁽¹⁾ | | | |
| Water Sales | \$ 631.05 | \$ 587.88 | \$ 43.16 |
| Wheeling/Exchange | \$ 328.92 | \$ 309.20 | \$ 19.73 |
| Power Sales | \$ 0.08 | \$ 0.08 | \$ - |

Ratios:

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

| | | |
|-----------------------|-----------------|----------|
| Actual | 0.87 x | 1.20 x |
| Target ⁽²⁾ | ≥ 1.20 x | ≥ 1.20 x |

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

| | | |
|-----------------------|--------------------|----------|
| Actual | 1.26 x | 1.72 x |
| Target ⁽²⁾ | > 2.00 x | > 2.00 x |

Revenue Bond Debt as a Percent of Equity

| | | |
|-----------------------|---------------------|-----------|
| Actual | 77.1 % | 76.1 % |
| Target ⁽³⁾ | < 100.0 % | < 100.0 % |

Notes:

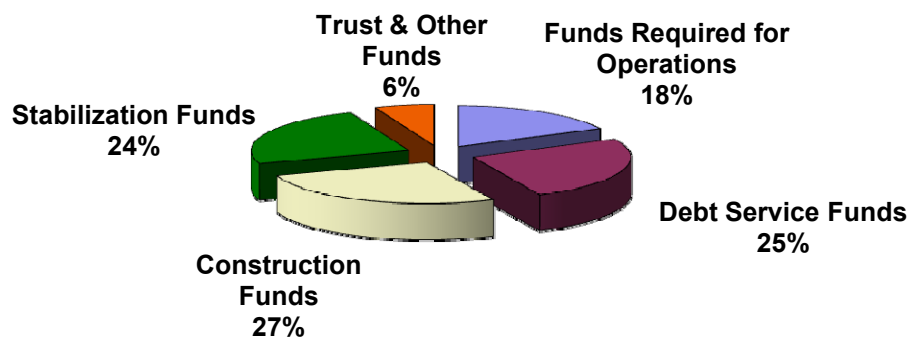
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.
- (4) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.

The Metropolitan Water District of Southern California

Cash and Investments at Book Value As of February 28, 2011 (Dollars in millions)

| | Restricted | | Unrestricted | Total |
|-------------------------------|--------------------|----------------|-----------------|-------------------|
| | Contractual | Board | | |
| Funds Required for Operations | \$ 128.6 | \$ 63.8 | \$ 0.4 | \$ 192.8 |
| Debt Service Funds | 276.7 | - | - | 276.7 |
| Construction Funds | 257.1 | - | 34.3 | 291.4 |
| Stabilization Funds | 2.3 ⁽¹⁾ | - | 260.8 | 263.1 |
| Trust & Other Funds | 46.4 | 19.7 | - | 66.1 |
| Total | \$ 711.1 | \$ 83.5 | \$ 295.5 | \$ 1,090.1 |

(1) Restricted investments of \$2.3 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 Eight Months Ended February 28, 2011 | | | | Fiscal Year Ending June 30, 2011 | | | | |
|---|--|-----------------|----------------------|-----------------------|----------------------------------|--------------------------|----------------------|------------|--|
| | Budget | Actual | Variance from Budget | | Budget | Projected ⁽²⁾ | Variance from Budget | | |
| | | | \$ | % | | | \$ | % | |
| Sources of Funds | | | | | | | | | |
| Bond Construction Funds | \$ 151.7 | \$ 125.8 | \$ 26.0 | 17% | \$ 164.9 | \$ 190.0 | \$ (25.1) | (15%) | |
| R & R/General Funds | 24.9 | 20.3 | 4.6 | 19% | 95.0 | 45.0 | 50.0 | 53% | |
| Total | \$ 176.7 | \$ 146.1 | \$ 30.6 | 17% | \$ 259.9 | \$ 235.0 | \$ 24.9 | 10% | |
| Program Expenditures | | | | | | | | | |
| Treatment Plant Improvement | \$ 58.4 | \$ 45.8 | \$ 12.7 | 22% | \$ 84.7 | \$ 76.2 | \$ 8.5 | 10% | |
| Oxidation Retrofit Programs | 54.6 | 54.6 | (0.0) | (0%) | 79.8 | 79.8 | (0.0) | (0%) | |
| Distribution System - Rehabilitation Program | 23.0 | 11.2 | 11.8 | 51% | 33.8 | 25.0 | 8.8 | 26% | |
| CRA - Reliability/Containment Programs | 13.5 | 7.7 | 5.8 | 43% | 22.3 | 18.0 | 4.3 | 19% | |
| Information Technology System | 4.6 | 1.8 | 2.9 | 62% | 6.3 | 3.0 | 3.3 | 52% | |
| Hydroelectric Power Plant Improvement Program | 2.6 | 0.1 | 2.5 | 97% | 4.7 | 3.0 | 1.7 | 37% | |
| Chlorine Containment and Handling Facilities | 2.4 | 1.1 | 1.3 | 54% | 4.2 | 2.0 | 2.2 | 53% | |
| Perris Valley Pipeline | 2.5 | 8.0 | (5.6) | (226%) ⁽¹⁾ | 3.6 | 7.5 | (3.9) | (106%) | |
| Inland Feeder | 2.5 | 2.3 | 0.2 | 9% | 3.5 | 3.5 | 0.0 | 1% | |
| Other | 12.6 | 13.5 | (1.0) | (8%) | 17.0 | 17.0 | (0.0) | (0%) | |
| Total | \$ 176.7 | \$ 146.1 | \$ 30.6 | 17% | \$ 259.9 | \$ 235.0 | \$ 24.9 | 10% | |

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: March 10, 2011
To: Board of Directors
From: General Counsel
Subject: Review as to Eligibility of Securities Invested in by the
Treasurer for the Month of February 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 February 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