



*THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA*

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

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

Schedule	Page No.
Financial Statements Year-to-date Current vs. Prior Year – Accrual Basis	
Statements of Operations	1
Balance Sheets	2
Statistics and Ratios – Cash and Accrual Basis	3
Cash and Investments	4
Construction Activities Year-to-date Actual vs. Budget – Accrual Basis	5
Eligibility of Securities	6

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.

The Metropolitan Water District of Southern California

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

	February 28,		
	2011	2010 Restated ⁽⁴⁾	<i>Increase/ (Decrease)</i>
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:

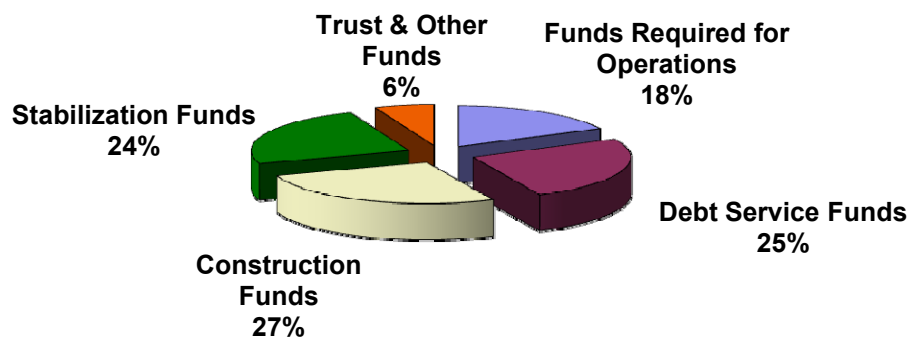
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.
- (4) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.

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