



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

# **Executive Financial Report For the Eleven Months Ended May 31, 2011**

**Executive Financial Report**  
**Table of Contents**  
**For the Eleven Months Ended May 31, 2011**

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

# The Metropolitan Water District of Southern California

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

	For the Eleven Months Ended		
	2011	May 31, 2010 Restated <sup>(1)</sup>	<i>Favorable/ (Unfavorable) Variance</i>
<b>Operating Revenues:</b>			
Water Sales	\$ 819.0	\$ 864.8	\$ (45.7)
Wheeling / Exchange	49.0	52.7	(3.7)
Readiness-to-Serve	109.5	94.4	15.1
Capacity Charge	31.5	30.6	0.9
Power Sales	20.7	18.2	2.5
Total Operating Revenues	1,029.7	1,060.6	(30.8)
<b>Operating Expenses:</b>			
Cost of Water	319.9	390.4	70.5
Operations & Maintenance	320.7	304.8	(16.0)
Demand Management Programs	42.1	49.3	7.2
Depreciation & Amortization	243.9	220.9	(23.0)
Total Operating Expenses	926.6	965.3	38.7
<b>Net Operating Income</b>	<b>103.2</b>	95.3	7.9
<b>Other Income (Expense):</b>			
Net Taxes/Annexations	80.9	96.8	(15.8)
Investment Income	16.4	33.2	(16.8)
Bond Interest Expense	(121.8)	(121.9)	0.1
Other	10.0	4.4	5.6
Total Other Income/(Expense) - Net	(14.6)	12.4	(27.0)
<b>Net Income</b>	<b>\$ 88.6</b>	<b>\$ 107.7</b>	<b>\$ (19.1)</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)

	May 31,		
	2011	2010 Restated (2)	<i>Increase/ (Decrease)</i>
<b>Assets:</b>			
Cash and investments at book value (1)	\$ 1,019.3	\$ 1,071.3	\$ (52.0)
Fair Value Adjustment	4.8	2.6	2.2
Accounts Receivable	249.3	272.0	(22.7)
Property, Plant and Equipment, net	8,175.6	7,997.1	178.5
Prepaid State Water Project Costs, net	1,556.7	1,531.8	24.9
Participation Rights, net	375.3	350.7	24.6
Deferred Charges and Water Rights	292.6	275.4	17.2
Deferred Outflow of Effective Swaps	46.7	49.2	(2.5)
Other	217.7	187.5	30.2
<b>Total Assets</b>	<b>\$ 11,938.1</b>	<b>\$ 11,737.7</b>	<b>\$ 200.4</b>
<b>Liabilities and Equity:</b>			
Long-Term Debt	\$ 4,896.3	\$ 4,783.8	\$ 112.6
Fair Value of Interest Rate Swaps	134.0	123.5	10.5
Off-Aqueduct Power Facilities	48.3	54.2	(6.0)
Accounts Payable and Accrued Bond Interest	245.6	216.1	29.5
Deferred Income	29.5	26.1	3.3
State Water Project Obligations	245.2	291.0	(45.7)
Trust Funds and Other	88.8	88.2	0.6
<b>Total Liabilities</b>	<b>5,687.8</b>	<b>5,582.9</b>	<b>104.9</b>
<b>Equity</b>	<b>6,250.4</b>	<b>6,154.8</b>	<b>95.5</b>
<b>Total Liabilities and Equity</b>	<b>\$ 11,938.1</b>	<b>\$ 11,737.7</b>	<b>\$ 200.4</b>

**Notes:**

- (1) Fair value of cash and investments was \$1,024.1 million and \$1,073.9 million at May 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 Eleven Months Ended

	2011	May 31, 2010 Restated <sup>(4)</sup>	<i>Increase/ (Decrease)</i>
<b>Sales Statistics:</b>			
Water Sales (TAF)	1,272.0	1,457.7	(185.6)
Wheeling/Exchange (TAF)	143.6	169.7	(26.1)
Power Sales (MWh)	277.3	233.7	43.6
Average Sales Price <sup>(1)</sup>			
Water Sales	\$ 643.88	\$ 593.26	\$ 50.62
Wheeling/Exchange	\$ 340.82	\$ 310.24	\$ 30.58
Power Sales	\$ 0.07	\$ 0.08	-

### Ratios:

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

Actual	0.83 x	1.14 x
Target <sup>(2)</sup>	≥ 1.20 x	≥ 1.20 x

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

Actual	1.22 x	1.65 x
Target <sup>(2)</sup>	> 2.00 x	> 2.00 x

Revenue Bond Debt as a Percent of Equity

Actual	77.1 %	76.1 %
Target <sup>(3)</sup>	< 100.0 %	< 100.0 %

### Notes:

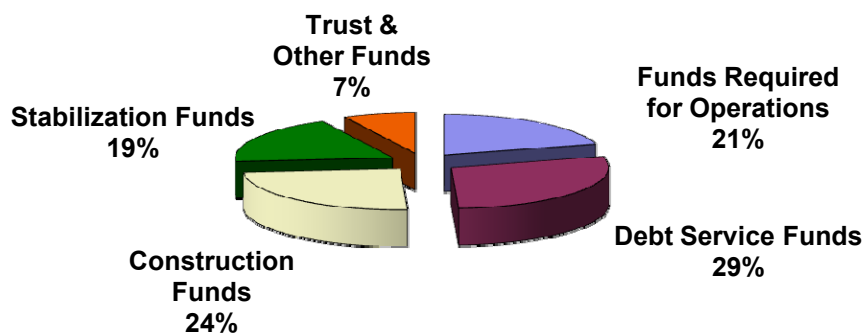
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.
- (4) Restatement relates to implementation of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*.
- (5) Totals may not cross foot due to rounding.

# The Metropolitan Water District of Southern California

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

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 127.4	\$ 82.9	\$ 0.5	\$ 210.8
Debt Service Funds	291.7	-	-	291.7
Construction Funds	205.6	-	41.8	247.4
Stabilization Funds	10.3 <sup>(1)</sup>	-	183.9	194.2
Trust & Other Funds	55.4	19.8	-	75.2
<b>Total</b>	<b>\$ 690.4</b>	<b>\$ 102.7</b>	<b>\$ 226.2</b>	<b>\$ 1,019.3</b>

(1) Restricted investments of \$10.3 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 Eleven Months Ended May 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	\$ 206.5	\$ 179.4	\$ 27.1	13%	\$ 164.9	\$ 180.0	\$ (15.1)	(9%)	
R & R/General Funds	34.0	28.8	5.1	15%	95.0	45.0	50.0	53%	
<b>Total</b>	<b>\$ 240.5</b>	<b>\$ 208.3</b>	<b>\$ 32.2</b>	<b>13%</b>	<b>\$ 259.9</b>	<b>\$ 225.0</b>	<b>\$ 34.9</b>	<b>13%</b>	
<b>Program Expenditures</b>									
Treatment Plant Improvement	\$ 78.3	\$ 65.7	\$ 12.6	16%	\$ 84.7	\$ 76.2	\$ 8.5	10%	
Oxidation Retrofit Programs	73.5	79.1	(5.6)	(8%)	79.8	79.8	(0.0)	(0%)	
Distribution System - Rehabilitation Program	31.0	18.5	12.5	40%	33.8	20.0	13.8	41%	
CRA - Reliability/Containment Programs	20.0	12.0	8.0	40%	22.3	15.0	7.3	33%	
Information Technology System	5.9	2.1	3.8	64%	6.3	3.0	3.3	52%	
Hydroelectric Power Plant Improvement Program	4.2	0.1	4.1	98%	4.7	0.2	4.5	96%	
Chlorine Containment and Handling Facilities	3.7	1.6	2.1	57%	4.2	2.0	2.2	53%	
Perris Valley Pipeline	3.6	9.3	(5.6)	(154%) <sup>(1)</sup>	3.6	8.3	(4.7)	(128%)	
Inland Feeder	3.3	2.9	0.4	11%	3.5	3.5	0.0	1%	
Other	17.0	17.0	(0.0)	(0%)	17.0	17.0	(0.0)	(0%)	
<b>Total</b>	<b>\$ 240.5</b>	<b>\$ 208.3</b>	<b>\$ 32.2</b>	<b>13%</b>	<b>\$ 259.9</b>	<b>\$ 225.0</b>	<b>\$ 34.9</b>	<b>13%</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:** June 14, 2011  
**To:** Board of Directors  
**From:** Interim General Counsel Marcia Scully  
**Subject:** Review as to Eligibility of Securities Invested in by the  
Treasurer for the Month of May 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 May 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.

A handwritten signature in black ink, appearing to read "Marcia Scully".

Marcia Scully

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