



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*

# **Executive Financial Report For the Twelve Months Ended June 30, 2011**

**Executive Financial Report  
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For the Twelve Months Ended June 30, 2011**

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# The Metropolitan Water District of Southern California

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

	For the Twelve Months Ended		<i>Favorable/ (Unfavorable) Variance</i>
	June 30,		
	2011	2010	
<b>Operating Revenues:</b>			
Water Sales	\$ 947.2	\$ 954.3	\$ (7.1)
Wheeling / Exchange	53.8	56.5	(2.7)
Readiness-to-Serve	119.5	103.0	16.5
Capacity Charge	34.4	33.4	0.9
Power Sales	22.9	18.3	4.6
<b>Total Operating Revenues</b>	<b>1,177.8</b>	<b>1,165.6</b>	<b>12.3</b>
<b>Operating Expenses:</b>			
Cost of Water	361.0	430.4	69.4
Operations & Maintenance	350.6	342.9	(7.7)
Demand Management Programs	48.1	56.0	7.9
Depreciation & Amortization	286.4	246.4	(39.9)
<b>Total Operating Expenses</b>	<b>1,046.1</b>	<b>1,075.7</b>	<b>29.7</b>
<b>Net Operating Income</b>	<b>131.8</b>	<b>89.9</b>	<b>41.9</b>
<b>Other Income (Expense):</b>			
Net Taxes/Annexations	79.3	98.1	(18.8)
Investment Income	0.6	38.7	(38.1)
Bond Interest Expense	(132.4)	(133.3)	0.9
Other	20.4	4.9	15.5
<b>Total Other Income/(Expense) - Net</b>	<b>(32.1)</b>	<b>8.4</b>	<b>(40.6)</b>
<b>Net Income</b>	<b>\$ 99.7</b>	<b>\$ 98.3</b>	<b>\$ 1.4</b>

**Note:**

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

# The Metropolitan Water District of Southern California

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

	2011	June 30, 2010	<i>Increase/ (Decrease)</i>
<b>Assets:</b>			
Cash and investments at book value <sup>(1)</sup>	\$ 1,126.1	\$ 1,086.9	\$ 39.1
Fair Value Adjustment	3.1	8.5	(5.4)
Accounts Receivable	243.1	236.2	6.9
Property, Plant and Equipment, net	8,177.9	8,031.4	146.6
Prepaid State Water Project Costs, net	1,430.2	1,411.5	18.7
Participation Rights, net	348.3	386.7	(38.4)
Deferred Charges and Water Rights	157.3	99.1	58.3
Deferred Outflow of Effective Swaps	23.9	61.5	(37.7)
Other	231.7	192.4	39.3
<b>Total Assets</b>	<b>\$ 11,741.5</b>	<b>\$ 11,514.2</b>	<b>\$ 227.4</b>
<b>Liabilities and Equity:</b>			
Long-Term Debt	\$ 4,892.6	\$ 4,769.7	\$ 122.9
Fair Value of Interest Rate Swaps	126.4	148.2	(21.9)
Off-Aqueduct Power Facilities	47.2	53.8	(6.6)
Accounts Payable and Accrued Bond Interest	275.2	246.2	28.9
Deferred Income	12.8	5.8	7.0
State Water Project Obligations	30.6	53.2	(22.6)
Trust Funds and Other	93.0	90.8	2.3
<b>Total Liabilities</b>	<b>5,477.8</b>	<b>5,367.8</b>	<b>110.0</b>
<b>Equity</b>	<b>6,263.7</b>	<b>6,146.4</b>	<b>117.3</b>
<b>Total Liabilities and Equity</b>	<b>\$ 11,741.5</b>	<b>\$ 11,514.2</b>	<b>\$ 227.4</b>

**Notes:**

(1) Fair value of cash and investments was \$1,129.2 million and \$1,095.4 million at June 30, 2011 and 2010, respectively.

(2) 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 Twelve Months Ended

	2011	June 30, 2010	<i>Increase/ (Decrease)</i>
<b>Sales Statistics:</b>			
Water Sales (TAF)	<b>1,466.8</b>	1,599.4	(132.6)
Wheeling/Exchange (TAF)	<b>156.8</b>	182.0	(25.2)
Power Sales (MWh)	<b>309.2</b>	247.8	61.4

Average Sales Price <sup>(1)</sup>

Water Sales	\$	<b>645.77</b>	\$	596.70	\$	49.07
Wheeling/Exchange	\$	<b>343.44</b>	\$	310.49	\$	32.94
Power Sales	\$	<b>0.07</b>	\$	0.07	\$	-

**Ratios:**

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

Actual		<b>1.03 x</b>		1.08 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>1.47 x</b>		1.60 x
Target <sup>(2)</sup>		<b>&gt; 2.00 x</b>		> 2.00 x

Revenue Bond Debt as a Percent of Equity

Actual		<b>77.0 %</b>		76.0 %
Target <sup>(3)</sup>		<b>&lt; 100.0 %</b>		< 100.0 %

**Notes:**

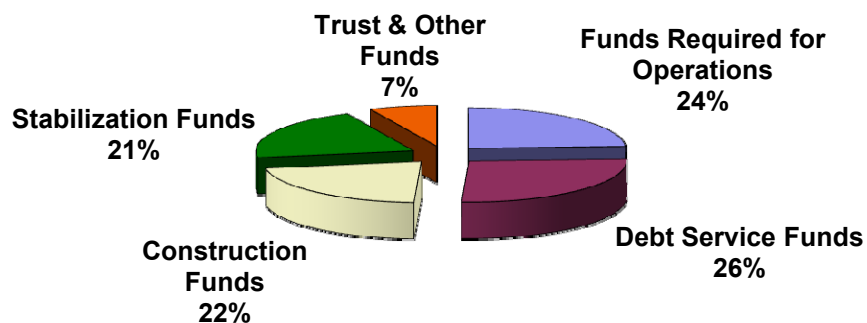
- (1) Average prices calculated using exact rather than rounded dollar amounts.
- (2) Board adopted guideline.
- (3) Per Metropolitan Water District Act - Part 5, Chapter 1.6, Section 239.2.

# The Metropolitan Water District of Southern California

## Cash and Investments at Book Value As of June 30, 2011 (Dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
Funds Required for Operations	\$ 165.9	\$ 107.0	\$ 0.0	\$ 272.9
Debt Service Funds	298.2	-	-	298.2
Construction Funds	209.7	-	33.8	243.5
Stabilization Funds	10.4 <sup>(1)</sup>	-	223.1	233.5
Trust & Other Funds	58.6	19.4	-	78.0
<b>Total</b>	<b>\$ 742.8</b>	<b>\$ 126.4</b>	<b>\$ 256.9</b>	<b>\$ 1,126.1</b>

(1) Restricted investments of \$10.4 million are posted as collateral with Morgan Stanley pursuant to Metropolitan's interest rate swap agreements.



# The Metropolitan Water District of Southern California

## Statement of Operations Actual vs. Budget - Accrual Basis Fiscal Year Ended June 30, 2011 (Dollars in millions)

	Actual	Budget	<i>Favorable/ (Unfavorable) Variance</i>
<b>Operating Revenues</b>			
Water Sales	\$ 947.2	\$ 1,172.9	\$ (225.7)
Wheeling/Exchange	53.8	53.4	0.4
Readiness-to-Serve	119.5	119.5	-
Capacity Charge	34.4	34.4	(0.0)
Power Sales	22.9	22.4	0.6
<b>Total Operating Revenues</b>	<b>1,177.8</b>	<b>1,402.5</b>	<b>(224.6)</b>
<b>Operating Expenses</b>			
Operations & Maintenance	350.6	382.7	(32.1)
Cost of Water	361.0	456.0	(95.0)
Demand Management Programs	48.1	58.2	(10.2)
Depreciation & Amortization	286.4	253.4	33.0
<b>Total Operating Expenses</b>	<b>1,046.1</b>	<b>1,150.4</b>	<b>(104.3)</b>
<b>Operating Income</b>	<b>131.8</b>	<b>252.1</b>	<b>(120.3)</b>
<b>Other Income/(Expense)</b>			
Net Taxes/Annexations	79.3	81.8	(2.5)
Investment Income	0.6	30.2	(29.6)
Bond Interest Expense	(132.4)	(129.9)	(2.5)
Other	20.4	3.5	16.8
<b>Total Other Income(Expense)</b>	<b>(32.1)</b>	<b>(14.4)</b>	<b>(17.8)</b>
<b>Net Income</b>	<b>\$ 99.7</b>	<b>\$ 237.8</b>	<b>\$ (138.1)</b>

### Sales Statistics:

Water Sales (TAF)	1,466.8	1,785.2	(318.4)
Wheeling Sales (TAF)	156.8	160.7	(3.9)

### Note:

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

**The Metropolitan Water District of Southern California**

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

	<b>For the Twelve Months Ended June 30, 2011</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance from Budget</b>	
			<b>\$</b>	<b>%</b>
<b>Sources of Funds</b>				
Bond Construction Funds	\$ 164.9	\$ 202.6	\$ (37.7)	(23%)
R & R/General Funds	95.0	21.8	73.2	77%
<b>Total</b>	<b>\$ 259.9</b>	<b>\$ 224.4</b>	<b>\$ 35.5</b>	<b>14%</b>

<b>Program Expenditures</b>				
Treatment Plant Improvement Projects	\$ 84.7	\$ 70.8	\$ 13.9	16%
Oxidation Retrofit Programs	79.8	85.4	(5.7)	(7%)
Distribution System - Rehabilitation Program	33.8	19.6	14.3	42%
CRA - Reliability/Containment Programs	22.3	13.2	9.0	41%
Information Technology System	6.3	2.3	4.0	63%
Hydroelectric Power Plant Improvement Program	4.7	0.1	4.6	98%
Chlorine Containment and Handling Facilities	4.2	1.8	2.5	58%
Perris Valley Pipeline	3.6	9.5	(5.8)	(160%)
Inland Feeder	3.5	3.3	0.2	6%
Other	17.0	18.5	(1.5)	(9%)
<b>Total</b>	<b>\$ 259.9</b>	<b>\$ 224.4</b>	<b>\$ 35.5</b>	<b>14%</b>

	<b>Major Program Statistics</b>			
	<b>Current Budget</b>	<b>Project-to-Date</b>	<b>% Spent</b>	<b>% Complete</b>
Inland Feeder	\$ 1,186.5	\$ 1,145.7	97%	99%
Oxidation Retrofit Programs	1,030.0	821.3	80%	79%
Treatment Plant Improvement Projects	1,114.9	426.6	38%	37%
Chlorine Containment and Handling Facilities	163.5	113.8	70%	69%
CRA - Reliability/Containment Programs	227.5	118.8	52%	51%
Diamond Valley Lake Recreation	92.8	66.9	72%	72%

**Note:**

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





THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

**Date:** July 28, 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 June 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 June 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 cursive script, appearing to read "M. Scully".

Marcia Scully

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