

**SAN DIEGUITO WATER DISTRICT**  
**(A Component Unit of the City of Encinitas)**

**Financial Statements With**  
**Independent Auditor's Report**

**For the Year Ended June 30, 2009**

**SAN DIEGUITO WATER DISTRICT**  
**Financial Statements**  
**June 30, 2009**

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***FINANCIAL***

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***SECTION***



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To the Board of Directors  
San Dieguito Water District

### **Independent Auditor's Report**

We have audited the basic financial statements of the San Dieguito Water District (the District), a component unit of the City of Encinitas, California, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Dieguito Water District as of June 30, 2009, and the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, effective July 1, 2008, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009 on our consideration of the City of Encinitas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the San Dieguito Water District basic financial statements. The accompanying introductory section and selected statistical information section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and selected statistical information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Macias Fini & O'Connell LLP*

Certified Public Accountants  
Newport Beach, California

December 8, 2009

**SAN DIEGUITO WATER DISTRICT**  
Management's Discussion and Analysis

This section of the District's Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the District's *Financial Statements*, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Statement of Revenues, Expenses and Changes in Net Assets**  
(Millions of Dollars)

	2009	2008	Difference	%
Operating revenues	\$11.42	\$11.32	\$0.10	1%
Source of supply	3.58	3.37	0.21	6%
General operations & maintenance	3.12	2.84	0.28	10%
Facility operations & maintenance	1.94	1.80	0.14	8%
General and administrative	1.29	1.23	0.06	5%
Depreciation and amortization	2.22	1.78	0.44	25%
<b>Operating gain (loss)</b>	<b>(0.73)</b>	<b>0.30</b>	<b>(1.03)</b>	
Non-operating revenues	1.13	1.46	(0.33)	-23%
Non-operating (expenses)	(0.80)	(0.87)	0.07	-8%
<b>Income (loss) before capital contributions</b>	<b>(0.40)</b>	<b>0.89</b>	<b>(1.29)</b>	
Capital contributions	0.14	0.15	0.01	7%
<b>Net income (loss)</b>	<b>(\$0.26)</b>	<b>\$1.04</b>	<b>(\$1.28)</b>	

**Operating Revenues** increased a modest 1%. Water sales and service charges, which make up 87% of operating revenues, were down 1% despite an effective rate increase of 5.5% during the year. The District sold less water during the period due to voluntary conservation measures, causing the overall drop in water revenues. Other service charges increased, making up the difference in overall operating revenues.

**Source of Supply** expenses increased 6% this year, despite a 10% reduction in net purchases. The District experienced a significant increase in the cost of imported water from the San Diego County Water Authority, as well as smaller increases in the cost of local water. The District was able to mitigate some of the effects of the increased cost of wholesale supplies by using more local water than in the previous year. Some of those savings are offset by the increase of 8% in the cost of water treatment, shown as **Facility Operations & Maintenance** above. Taken together, the costs of water purchases and treatment increased approximately 18% year-over-year. **General Operations & Maintenance** expenses increased 10% this year, primarily due to certain personnel costs in the prior year that were charged to capital, related to the water meter replacement program. Certain reclassifications have been made to the prior year numbers, to make them comparable to the current year. These involve charges to depreciation expense for the R.E. Badger Joint Facilities, which were presented as "Change in Investment in Other Agency" in the prior year.

**SAN DIEGUITO WATER DISTRICT**  
Management's Discussion and Analysis

**CAPITAL ASSETS AND CAPITAL IMPROVEMENT PROGRAMS**

The District has an ongoing capital improvement program and publishes a capital budget every two years in conjunction with the City of Encinitas' budgeting process. The current budget has appropriated \$1,840,000 in fiscal year 2009-10, and designates an average of \$2 million per year in the following five years for various capital programs.

Capital expenditures appear in the accompanying financial statements either as: (1) additions to capital assets, shown in footnote 4, or (2) additions to the *Investment in Other Agencies* (the "Joint Facilities"), described in footnote 3. Total additions for the fiscal year were \$1,927,027 to capital assets and \$167,490 to the *Investment in Other Agencies*.

**DEBT ADMINISTRATION**

The District's total long-term debt outstanding at June 30, 2009 was \$18,440,000, consisting of:

Note Payable to R.E Badger Financing Authority	\$ 7,345,000
2004 Water Revenue Refunding Bonds	\$11,095,000

The Note Payable represents the District's obligation to pay principal and interest on the Financing Authority's 2007 Water Revenue Refunding Bonds. The 2004 Water Revenue Refunding Bonds were issued to refinance a previous 1993 bond issue. Debt service payments on these two obligations totals approximately \$1.7 million annually. The District has covenanted to maintain debt service coverage of at least 115% each fiscal year. Historical debt service coverage is detailed in the supplementary section of this report.

The District is also obligated to repay certain advances made to the District by the City of Encinitas in 2002. The remaining balance is \$355,000, which will be repaid in installments over the next five years.

**ECONOMIC FACTORS & NEXT YEAR'S BUDGETS AND RATES**

The District adopted its two-year operating budget and capital budget in May 2009. The operating budget assumed the implementation of a previously approved increase in service charges and commodity rates of 5.5% (average) on January 1, 2010. Operating expenditures are scheduled to increase approximately 10%, primarily due to substantial increases in the wholesale cost of imported water. Capital requirements are scheduled to increase by an even large percentage. Events that have occurred since the budget was adopted indicate that costs for fiscal year 2009-10 are likely to increase more than originally anticipated. As a result, the District has engaged its water rate consultant to provide an update to the 2008 Water Rate Study. Early indications are that an increase more in the range of 8-10% will be needed in this fiscal year and in the following year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional information, please contact San Dieguito Water District of the City of Encinitas Finance Department at (760) 633-2641.

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**SAN DIEGUITO WATER DISTRICT**  
**Statement of Net Assets**  
**June 30, 2009**

<b>Assets:</b>	<u>2009</u>
Current assets:	
Cash and investments	\$ 12,275,079
Accounts and taxes receivable	1,833,663
Interest receivable	52,695
Inventory	<u>141,603</u>
Total current assets	<u>14,303,040</u>
Noncurrent assets:	
Restricted assets:	
Cash and investments with fiscal agents	<u>1,048,427</u>
Total restricted assets	<u>1,048,427</u>
Other noncurrent assets:	
Prepaid pension obligations, net of accumulated amortization of \$196,304	785,219
Public works facility right of use	3,378,700
Investment in R.E. Badger Filtration Plant	18,340,492
Investment in R.E. Badger Water Facilities Financing Authority	891,706
Capacity rights, net of accumulated amortizations of \$86,723	<u>236,467</u>
Total other noncurrent assets	<u>23,632,584</u>
Capital assets:	
Construction in progress	547,360
Utility, plant and equipment, net of accumulated depreciation	<u>12,647,208</u>
Total capital assets	<u>13,194,568</u>
Total noncurrent assets	<u>37,875,579</u>
Total assets	<u><u>\$ 52,178,619</u></u>

**SAN DIEGUITO WATER DISTRICT**  
**Statement of Net Assets (Continued)**  
**June 30, 2009**

<b>Liabilities:</b>	<u>2009</u>
Current liabilities:	
Accounts payable and accrued liabilities	574,807
Accrued interest payable	208,578
Deposits	507,763
Current portion of long-term liabilities	<u>1,085,905</u>
Total current liabilities	<u>2,377,053</u>
Noncurrent liabilities:	
Revenue bonds payable	10,535,000
Note payable to R.E. Badger Financing Authority	7,010,000
Advance from City of Encinitas	<u>270,000</u>
Total noncurrent liabilities	<u>17,815,000</u>
Total liabilities	<u>20,192,053</u>
 <b>Net assets:</b>	
Invested in capital assets, net of related debt	3,147,995
Unrestricted net assets	<u>28,838,571</u>
Total net assets	<u><u>\$ 31,986,566</u></u>

See accompanying notes to financial statements.

**SAN DIEGUITO WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2009**

	2009
<b>Operating revenues:</b>	
Charges for services	\$ 11,379,337
Other revenue	44,724
Total operating revenues	11,424,061
<b>Operating expenses:</b>	
Source of supply	3,577,768
General operations and maintenance	3,121,342
Facility operations and maintenance	1,941,850
General and administrative	1,293,103
Depreciation	1,074,003
Amortization	1,143,271
Total operating expenses	12,151,337
Operating loss	(727,276)
<b>Nonoperating revenues (expenses):</b>	
Use of money and property	407,966
Property taxes	721,628
Interest expense on revenue bonds and notes payable	(785,834)
Interest expense on advances from City of Encinitas	(12,919)
Other	(4,995)
Total nonoperating revenues (expenses)	325,846
Loss before capital contributions	(401,430)
Capital contributions	142,560
Change in net assets	(258,870)
Net assets, beginning	32,245,436
Net assets, ending	\$ 31,986,566

See accompanying notes to financial statements.

**SAN DIEGUITO WATER DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2009**

	2009
<b>Cash flows from operating activities:</b>	
Receipts from users	\$ 11,782,558
Payments to employees	(2,240,569)
Payments to suppliers for goods and services	(8,130,804)
Net cash provided by operating activities	1,411,185
<b>Cash flows from non-capital financing activities:</b>	
Proceeds from property taxes	721,628
Net cash provided by non-capital financing activities	721,628
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions	142,560
Payments on advance from City of Encinitas	(80,000)
Principal payments on long-term debt	(900,000)
Interest payments	(782,588)
Capital related payments to R.E. Badger Filtration Plant	(171,874)
Purchase of capital assets	(950,697)
Net cash (used) by capital and related financing activities	(2,742,599)
<b>Cash flows from investing activities:</b>	
Investment income received	440,958
Net cash provided by investing activities	440,958
Net decrease in cash and cash equivalents	(158,828)
Cash and cash equivalents, beginning	13,482,334
Cash and cash equivalents, ending	\$ 13,323,506

**SAN DIEGUITO WATER DISTRICT**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2009**

**Reconciliation of operating loss to net cash provided by operating activities:**

Operating loss	\$ (727,276)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,217,274
Change in net assets and liabilities:	
Decrease in receivables	358,497
Increase in inventory	(9,525)
Decrease in accounts payable	(257,817)
Increase in compensated absences	1,852
Decrease in deposits	<u>(171,820)</u>
Net cash provided by operating activities	<u><u>\$ 1,411,185</u></u>

**Schedule of cash and cash equivalents:**

Current assets:	
Cash and investments	\$ 12,275,079
Noncurrent Restricted assets:	
Cash and investments with fiscal agents	<u>1,048,427</u>
Total cash and cash equivalents	<u><u>\$ 13,323,506</u></u>

See accompanying notes to financial statements.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**(a) Reporting Entity:**

San Dieguito Irrigation District was formed in 1922 under the laws of the State of California to supply water services to the central western portion of San Diego County. The District was subsequently renamed the San Dieguito Water District (the District). The District became a subsidiary district of the City of Encinitas (the City) on October 1, 1986, pursuant to an election approving the San Dieguito Reorganization and the incorporation of the City of Encinitas, California. The District is a component unit of the City, and the accounts of the District are included in the City's Comprehensive Annual Financial Report.

**(b) Basis of Presentation:**

The District is accounted for as an enterprise fund. An enterprise fund is a proprietary type fund used to report an activity for which a fee is charged to external users for goods or services. The District has elected under Governmental Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements. The District has elected not to follow subsequent private-sector guidance.

**(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

"Measurement Focus" is a term used to describe *which* transactions are recorded within the various financial statements. "Basis of Accounting" refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "*economic resources measurement focus*," and the "*accrual basis of accounting*." Revenues are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

GASB Statement No. 34, “*Basic Financial Statements - and Management’s Discussion and Analysis - For State and Local Governments,*” established standards for external financial reporting for all state and local governmental entities which includes: (1) a statement of net assets, (2) a statement of revenues, expenses and changes in net assets, and (3) a statement of cash flows. It requires the classification of net assets into three components - *invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets*. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**(d) Cash and Investments:**

Investments held by fiscal agents are owned separately by the District, and consist of the Reserve Funds for the 2004 Water Revenue Refunding Bonds. The balance of the District’s cash and investments are invested in the City of Encinitas’ pooled investment fund (the “Pool”). The District does not own specifically identifiable securities or investments in the Pool, including a separate LAIF account in the name of the District.

Cash and Investments are stated at fair value. All investment income is reported as nonoperating revenue in the *statement of revenues, expenses and changes in net assets*. For purposes of the *statement of cash flows*, the District considers all investments with a maturity of 90 days or less to be cash equivalents, including the investment in the Pool.

**(e) Customer Receivables:**

No allowance for doubtful accounts has been established, since management estimates all receivables at June 30, 2009 to be collectible.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

**(f) Inventories:**

Inventory is stated at cost, which is not in excess of market. Cost has been determined on an average-cost basis. Inventory consists primarily of materials used in the construction and repair of the District's plant and equipment.

**(g) Investment in R.E. Badger Water Facilities Financing Authority (the "Financing Authority"):**

The District's investment in the Financing Authority is accounted for using the equity method of accounting. The equity interest is comprised primarily of bond reserve funds held by a fiscal agent and unamortized bond discounts and issuance costs. Changes in the investment account result primarily from interest revenues on reserve funds and amortization expense on the bond discounts and issuance costs. These items are classified as nonoperating revenues and expenses in the accompanying *statement of revenues, expenses and changes in net assets*.

**(h) Investment in R.E. Badger Filtration Plant (the "Joint Facilities"):**

The District's investment in the Joint Facilities is accounted for using the equity method of accounting. The District makes periodic contributions to cover its share of capital and operating costs. Contributions for capital are accounted for as an increase in the District's investment account. Contributions for operations are accounted for as operating expenses under the classification: *facility operations and maintenance*. Depreciation expense on Plant operations that is charged to the District is accounted for as an operating expense under the classification: *depreciation expense*.

**(i) Capital Assets and Depreciation:**

Property, plant and equipment are stated at cost. Contributed assets, which are principally transmission lines, are included at cost or estimated fair market value on date donated, if cost is not known. Cost includes materials, direct labor and such indirect items as engineering and supervision, employee fringe benefits and interest during construction on borrowed funds related to plant under construction. Depreciation is provided using the straight-line method over the estimated service lives of the related assets (5 to 50 years).

**(j) Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

**2. CASH AND INVESTMENTS:**

**Summary of Cash and Investments:**

Cash and investments as of June 30, 2009 are reported in the accompanying *statement of net assets* as follows:

Current Assets:	
Cash and investments	\$ 12,275,079
Noncurrent restricted assets:	
Cash and investments with fiscal agents	1,048,427
Total cash and investments	<u>\$ 13,323,506</u>

Cash and investments as of June 30, 2009 consisted of the following:

Cash on hand	\$ 200
City of Encinitas pooled investment fund	12,274,879
Money market mutual funds	1,048,427
Total cash and investments	<u>\$ 13,323,506</u>

**Investments Authorized by the District's Investment Policy:**

The District's investments are managed by the City of Encinitas. All District funds, except investments held by fiscal agents, are invested in the City's Pooled Investment Fund (the "City Pool"). The District has an equity interest in the City Pool equal to its proportionate share of invested cash. The District does not have a separate investment policy; its funds are invested according to the City of Encinitas' adopted investment policy.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the District.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum per State Law</u>	<u>Maximum Investment in One Issuer</u>
Repurchase Agreements-Overnight "Sweep"	1 year	No Limit	No Limit
Local Agency Inv. Fund (LAIF)	N/A	No Limit	No Limit
Other Governmental Managed Inv. Pools	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	20%	10%
Certificates of Deposit	5 years	No Limit	No Limit
Negotiable Certificates of Deposit	5 years	30%	No Limit
Bankers Acceptances	180 days	40%	30%
U.S. Treasury Bills, Notes and Bonds	5 years	No Limit	No Limit
U.S. Gov't Sponsored Enterprises	5 years	No Limit	No Limit
Commercial Paper	270 days	25%	10%
Commercial Medium-Term Notes	5 years	30%	No Limit

**Investments Authorized by Debt Agreements:**

Investment of debt proceeds held by fiscal agents is governed by provisions of the debt agreements. The proceeds held are for debt reserve funds for the 2004 Water Revenue Refunding Bonds. During the fiscal year, the District elected to terminate a forward purchase agreement with a commercial provider before its maturity date, due to the risk of a default by the Issuer. The District paid an early termination fee of \$35,000, and was fully released from all requirements under the contract. Upon the maturity of the underlying security on September 30, 2008, the proceeds, together with a deposit of the \$35,000 to restore the reserve requirement amount, were invested in a money market mutual fund.

**Disclosures Related to Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

Information about the sensitivity of the fair values of the District's investments is provided in the following table that shows the distribution by maturity.

Investment Type	Remaining Maturity 12 Months or Less
Held by fiscal agent:	
Money Market Mutual Funds	1,048,427
Total General Investments	\$ 1,048,427

The weighted average maturity of the investment in the City Pool is 142 days. The District does not have any investments as of June 30, 2009, whose fair values are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk:

Credit risk is defined as the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical organization. Presented below is the minimum rating required by (where applicable) the Code, the Policy, or the debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Totals	Minimum Legal Rating	Not Rated
Investment in City Pool	\$ 12,275,079	Not Rated	\$ 12,275,079
Held by fiscal agent:			
Money Market Mutual Funds	1,048,427	N/A	1,048,427
Total General Investments	\$ 13,323,506	\$ -	\$ 13,323,506

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

*Disclosures Relating to Concentration of Credit Risk:*

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. Governmental Accounting Standards Board (GASB) Statement 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of plan net assets. At June 30, 2009, the District had no investments in any one issuer (other than mutual funds, and external investment pools) that represent 5% or more of total District investments.

*Disclosures Relating to Custodial Credit Risk:*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2009 the District had no deposits.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

**3. INVESTMENTS IN OTHER AGENCIES:**

**R.E. Badger Filtration Plant and related facilities (the “Joint Facilities”):**

The District jointly owns, with the Santa Fe Irrigation District (Santa Fe), various facilities for the delivery and treatment of potable water, including the R.E. Badger Filtration Plant, the San Dieguito Reservoir, several pump stations, the flume system that delivers local water to the Plant from Lake Hodges, several transmission lines, and an electrical cogeneration facility at the Lake Hodges Dam. The District’s formal relationship with Santa Fe began in 1967 when, in conjunction with the redesign and expansion of its water distribution system, the District entered into a contract with Santa Fe for the joint construction, operation and maintenance of a filtration plant and reservoir, together with the pipeline related thereto for filtered water. During the ensuing years, the Districts have added various facilities and improvements, which are owned in different percentages depending on the type of facility and needs of each District. The ownership percentages of these Joint Facilities is described below:

San Dieguito Water District	Santa Fe Irrigation District	Facilities
45%	55%	Filtration Plant
31%	69%	Filtered Water Reservoir (13 million gallons)
39%	61%	Joint Pipeline
42%	58%	San Dieguito Reservoir

Santa Fe is responsible for the operations and maintenance of the Joint Facilities as well as the related administration. The operations and maintenance costs are allocated monthly on the basis of the water used by each District, and administrative costs are allocated based on an agreed-upon cost allocation plan and are billed periodically.

At June 30, 2009, the District’s equity interest in the Joint Facilities was \$18,340,492, and is accounted for as an other noncurrent asset on the *statement of net assets*.

**R.E. Badger Water Facilities Financing Authority (the Financing Authority):**

Under a joint exercise of powers agreement dated September 22, 1999, the San Dieguito Water District and the Santa Fe Irrigation District formed the Financing Authority to provide financing for the acquisition and construction of capital improvements related to the joint facilities. The Financing Authority has issued water revenue bonds for the purpose of providing the working capital required for the improvements. The Districts are obligated under Installment Purchase Agreements to repay their proportionate shares of the long-term financing.

At June 30, 2009, the District’s equity interest in the Financing Authority was \$891,706, and is accounted for as an other noncurrent asset on the *statement of net assets*. This investment consists primarily of the District’s share of reserve funds held by a fiscal agent for the 2007 Water Revenue Refunding Bonds and the related unamortized bond discounts and issuance costs.

Refer to note 5 for more information on the financing of the Financing Authority.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

**4. CAPITAL ASSETS:**

A summary of the changes in District-owned capital assets for the year ended June 30, 2009 were as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Capital assets, not being depreciated:				
Construction in progress	\$ 577,433	\$ 946,257	\$ (976,330)	\$ 547,360
Total capital assets, not being depreciated	<u>577,433</u>	<u>946,257</u>	<u>(976,330)</u>	<u>547,360</u>
Capital assets, being depreciated:				
Machinery and equipment	1,341,897	4,440	-	1,346,337
Water meter and sensors	991,316	13,532	-	1,004,848
Distribution system	31,826,945	962,798	-	32,789,743
Total capital assets, being depreciated	<u>34,160,158</u>	<u>980,770</u>	<u>-</u>	<u>35,140,928</u>
Less: accumulated depreciation				
Machinery and equipment	(306,006)	(88,428)	-	(394,434)
Water meter and sensors	(62,205)	(66,163)	-	(128,368)
Distribution system	(21,051,506)	(919,412)	-	(21,970,918)
Total accumulated depreciation	<u>(21,419,717)</u>	<u>(1,074,003)</u>	<u>-</u>	<u>(22,493,720)</u>
Total capital assets, being depreciated, net	<u>12,740,441</u>	<u>(93,233)</u>	<u>-</u>	<u>12,647,208</u>
Total capital assets, net	<u>\$ 13,317,874</u>	<u>\$ 853,024</u>	<u>\$ (976,330)</u>	<u>\$ 13,194,568</u>

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

**5. LONG-TERM LIABILITIES:**

Changes in long-term liabilities for the year ended June 30, 2009 were as follows:

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009	Due Within One Year
2004 Water Revenue Refunding Bonds	\$ 11,635,000	\$ -	\$ (540,000)	\$ 11,095,000	\$ 560,000
2007 Note payable to R.E. Badger Water Facilities financing authority	7,705,000	-	(360,000)	7,345,000	335,000
Total Long-Term Debt	19,340,000	-	(900,000)	18,440,000	895,000
Advance payable to City of Encinitas	435,000	-	(80,000)	355,000	85,000
Compensated absences	94,053	105,905	(94,053)	105,905	105,905
Long-term liabilities	<u>\$ 19,869,053</u>	<u>\$ 105,905</u>	<u>\$ (1,074,053)</u>	<u>\$ 18,900,905</u>	<u>\$ 1,085,905</u>

**LONG-TERM DEBT:**

2004 Water Revenue Refunding Bonds:

On January 22, 2004, the District issued \$13,845,000 of Water Revenue Refunding Bonds, Series 2004, to redeem all of the outstanding 1993 Water Revenue Refunding Bonds. The bonds consist of \$10,170,000 of serial bonds maturing from 2004 through 2019 in annual installments of \$505,000 to \$820,000 and one term bond of \$3,675,000 maturing on October 1, 2023. The term bond is subject to sinking fund requirements. Interest is payable semi-annually at rates ranging from 2.5% to 5.0%. The bonds maturing on or after October 1, 2015 are subject to optional redemption at a redemption price equal to the principal amount of the bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

2007 Note Payable to the Financing Authority:

On November 20, 2007, the Financing Authority issued \$20,685,000 of 2007 Water Revenue Refunding Bonds while concurrently redeeming all of its outstanding 1999 Water Revenue Bonds, on behalf of its member agencies, the Santa Fe Irrigation District and the San Dieguito Water District. The transaction was a current refunding intended to save the member agencies future interest costs due to lower market interest rates. New Installment Purchase Agreements were executed. The overall bond issue consists of \$20,685,000 of serial bonds maturing from 2008 through 2024. The District's portion of the refinancing totaled \$7,705,000. Principal is due and payable annually in amounts ranging from \$360,000 to \$620,000. Interest is due and payable semi-annually at rates ranging from 3.5% to 4.5%. The District accounts for its share of the bonds as a Note Payable to the Financing Authority.

The District has pledged net revenues of the District to pay the outstanding debt for the above mentioned outstanding debts. Net revenues are computed as gross revenues less operations and maintenance costs. The District has covenanted to have net revenues to at least equal 115% of the annual debt service of the bonds. Total principal and interest remaining on bonds is \$25,405,494 through 2024. During the year, principal and interest was \$1,672,588 and net revenue was \$2,717,428.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

Future principal and interest payments on long-term debt (excluding advances and compensated absences) are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 895,000	\$ 766,363	\$ 1,661,363
2011	925,000	733,738	1,658,738
2012	960,000	703,369	1,663,369
2013	990,000	665,650	1,655,650
2014	1,025,000	622,075	1,647,075
2015-2019	5,805,000	2,438,611	8,243,611
2020-2024	7,220,000	1,021,738	8,241,738
2025	620,000	13,950	633,950
Totals	<u>\$ 18,440,000</u>	<u>\$ 6,965,494</u>	<u>\$ 25,405,494</u>

**OTHER LONG-TERM LIABILITIES:**

**Advances from the City of Encinitas:**

In fiscal year 2002-03, the City advanced the District \$741,123 to fund the water meter exchange and automation program. The advance is repayable over ten years together with interest at the underlying rate of the City's 2002 ABAG financing. Refer to the City of Encinitas' Comprehensive Annual Financial Report for disclosures related to the ABAG financing. The balance outstanding is \$355,000.

**Compensated Absences:**

Compensated absences represent the dollar value of employee vacation leave earned (up to the specified maximum amount of hours) but unused as of June 30, 2009. The District participates in the City of Encinitas Income Protection Plan, which provides employees with protection against loss of income due to illness or disability. That Plan does not provide any earned hours for sick leave, and thus, no provision has been made for sick leave under compensated absences. For purposes of disclosure, all accrued compensated absences are considered to be due within one year.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

**6. OTHER NONCURRENT ASSETS:**

**(a) *Prepayment of Pension Side Fund to the California Public Retirement System (CalPERS):***

The San Dieguito Water District pension plan, which has less than 100 active members, was required to enroll in a CalPERS risk-sharing pool in 2003. As part of that enrollment process, CalPERS calculated the funded status of the Plan and compared that amount to the funded status of the risk pool at inception and a side fund was created. The difference was being financed by CalPERS over a 17 year period at the assumed rate of return of the CalPERS pooled investment fund (7.75%). The District elected to prepay the full amount of \$981,523, and has capitalized this amount as an other noncurrent asset in the statement of net assets. The asset is being amortized over ten (10) years on a straight-line basis. For the fiscal year ended June 30, 2009, the District recorded amortization expense of \$98,152, and the unamortized portion of the prepaid pension obligation is \$785,219.

**(b) *Public Works Facility Right of Use:***

In September 2006, the City of Encinitas purchased a 4.4 acre commercial site and related improvements for use as a joint Public Works facility with the San Dieguito Water District. The facility was purchased for a total of \$9.6 million, of which \$8.5 million is land value, \$1.0 million is the value of the improvements, and \$100,000 represents the purchase of various equipment and fixtures. The San Dieguito Water District was granted a perpetual right-of-use of the joint facility in exchange for a one-time payment to the City. The City contracted with an independent third-party consultant to determine the value of the perpetual right-of-use. The consultant report dated September 27, 2006, determined that that value was \$3,378,700. This amount has been capitalized as a *noncurrent asset*. Since the right is perpetual in nature, this asset will not be amortized.

**(c) *Capacity Rights:***

On September 21, 1992, the District and the Santa Fe Irrigation District entered into an agreement with the San Diego County Water Authority (SDCWA) to increase the delivery capacity to R.E. Badger Filtration Plant. SDCWA planned, designed and constructed the system with funds provided 45% by the District and 55% by Santa Fe. The District has capitalized its share of the costs totaling \$323,190, which is included as a noncurrent asset and is being amortized over fifty (50) years on a straight-line basis. For the fiscal year ended June 30, 2009, the District recorded amortization expense of \$6,464, and the unamortized portion of the capacity rights is \$236,467.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

**7. CATEGORIZATION OF NET ASSETS:**

Net assets at June 30, 2009 have been categorized for the following purposes:

Investment in capital assets	\$ 13,194,568
Related debts (2004 Water Revenue Refunding Bonds)	<u>(11,095,000)</u>
Invested in capital assets, net of related debt	\$ 3,147,995
Unrestricted	<u>28,838,571</u>
 Total Net Assets	 <u><u>\$ 31,986,566</u></u>

The amounts shown for restricted net assets include cash and investments held by fiscal agents that are restricted by bond indentures.

Unrestricted net assets include certain noncurrent assets which are not available to fund either the operations, capital or debt service of the District. These include equity interests in the R.E. Badger Filtration Plant and R.E. Badger Financing Authority and the other noncurrent assets described in note 6.

**8. RISK MANAGEMENT:**

*Claims and judgments* - when it is probable that a claim has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage. At June 30, 2009 in the opinion of the District's management, there were no material claims which would require accrual in the accompanying financial statements.

*Insurance coverages* - The District is a member of the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA). Coverage includes general liability, property, and workers' compensation, with self-insured retention levels of \$10,000 to \$25,000.

**9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:**

***Public Employees Retirement System: CalPERS***

***Plan Description***

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. A separate report for the District's plan is not prepared. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board action. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

***Funding Policy***

Active plan members in CalPERS are required to contribute 8% of their covered salary. The District makes the contributions required of District employees on their behalf for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2008/2009 was 10.22%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

***Annual Pension Cost***

For the fiscal year 2008-2009, the District's annual pension cost was \$108,899, and the District contributed \$108,899. The District also contributed the required employee contribution of 8.0%, and the employees reimbursed the District for an agreed-upon share of 4.2%. The required employer contribution rate for fiscal year 2008-2009 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

**Three-Year Trend Information for CalPERS**

Fiscal Year Ending	Annual Pension	APC Contributed	Net Pension Obligation
6/30/2007	\$ 141,225	100%	\$ -
6/30/2008	\$ 97,085	100%	\$ -
6/30/2009	\$ 108,899	100%	\$ -

**10. OTHER POST-RETIREMENT BENEFITS:**

During the year ended June 30, 2009, the District implemented GASB Statement No. 45 which changed the accounting and financial reporting used by local government employers for other post-employment benefits (OPEB). Previously, the costs of such benefits were generally recognized on a “pay-as-you-go” basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

***Plan Description:***

The District provides post-retirement health care benefits through the CalPERS healthcare program (PEMHCA) to eligible employees who retire directly from the District. The District pays the cost for the PEMHCA minimum medical benefit. The District does not provide a retiree contribution for dental, vision, or life insurance benefits.

The District has elected to join the *California Employers' Retiree Benefit Trust* (the “Trust”), which provides a means to prefund OPEB obligations. The District makes an annual contribution to the Trust, pays benefits through PEMHCA during the year, and then seeks reimbursement for these pay-as-you-go expenses from the Trust. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

***Eligibility***

Employees are eligible for retiree health benefits if they retire from the District.

***Funding Policy and Actuarial Methods and Assumptions***

The contributions of the District to the Trust are established by Board of Director action. The contribution requirements are established via an actuarial valuation of the District's Retiree Healthcare Plan as of June 30, 2007, performed in conformance with GASB Statements No.43 and 45 requirements. The required contribution is measured on an accrual basis rather than on a pay-as-you-go. The District contributed \$25,000 at June 30, 2009. The actuarial cost method used for determine the benefit obligations is the entry age cost method. The valuation is determined using a discount rate of 7.75%. The actuary used the following assumptions: medical premiums would increase by 10% to 11% depending on type of plan; assumed the average retirement for District employees to be 60 years of age. The unfunded actuarial accrued liability is being amortized over a closed thirty year period. The District will fund the full annual required contribution during each fiscal year and will deposit the funds with the California Employer's Retiree Benefit Trust Fund.

***Annual OPEB Cost***

The annual OPEB cost is referred to as the Annual Required Contribution (ARC). The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability not to exceed thirty years. For June 30, 2009 the District's ARC was \$25,000. The ARC equaled District contributions which resulted in a zero OPEB obligation at the end of the year.

***Funded Status and Funding Progress:***

The Funded Status of the District's Plan as of June 30, 2007, the most recent actuarial valuation was as follows (000's):

Actuarial accrued liability (AAL)	\$	344
Actuarial value of Plan assets		-
Unfunded actuarial accrued liability (UAAL)		344
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active Plan members)		1,016
UAAL as a percentage of covered payroll		33.86%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents

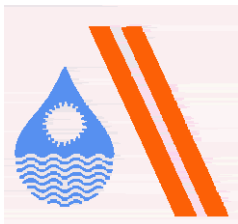
**SAN DIEGUITO WATER DISTRICT**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2009**

multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

***REQUIRED  
SUPPLEMENTARY***

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***SECTION***



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**Required Supplementary Information**  
**OPEB Schedule of Funding Progress**  
**June 30, 2009**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Payroll
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2009	\$ -	\$ 344,000	\$ 344,000	0.00%	\$ 1,016,000	33.86%

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***STATISTICAL***

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***SECTION***



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**San Dieguito Water District**  
**Historic Debt Service Coverage**  
For Fiscal Years Ended June 30

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual
<b>Revenues:</b>					
Operating Revenues - Including Connection Fees	\$ 8,219,596	\$ 9,621,188	\$ 11,078,077	\$ 11,468,569	\$ 11,521,897
Non-Operating Revenues	1,026,897	1,124,269	1,378,686	1,464,949	1,129,594
<b>Gross Revenues</b>	9,246,493	10,745,457	12,456,763	12,933,518	12,651,491
<b>Total Operating &amp; Non-Operating Expenses</b>	9,335,523	10,695,021	11,712,887	12,366,526	12,955,085
<b>Net Income</b>	(89,030)	50,436	743,876	566,992	(303,594)
<b>Add back.....</b>					
Interest Expense and Other	1,154,483	969,098	941,703	830,953	803,748
Depreciation & Amortization	1,152,749	1,502,044	978,492	1,166,274	2,217,274
Change in Investment in Other Agencies	-	-	701,070	1,084,645	-
<b>Net Revenues Available for Debt Service</b>	2,218,202	2,521,578	3,365,141	3,648,864	2,717,428
<b>Less: Debt Service</b>					
1999 Badger Bonds - Interest Charges	452,655	441,405	429,705	148,992	-
Principal Repayment	245,000	255,000	265,000	280,000	-
2004 Water Refunding Bonds-Interest Charges	545,094	527,693	513,619	500,494	485,769
Principal Repayment	655,000	505,000	520,000	530,000	540,000
2007 Water Refunding Bonds-Interest Charges	-	-	-	167,780	290,748
Principal Repayment	-	-	-	-	360,000
<b>Total Debt Service</b>	1,897,749	1,729,098	1,728,324	1,627,266	1,676,517
<b>Coverage by Net Revenues Available for Debt Service</b>	<b>116.89%</b>	<b>145.83%</b>	<b>194.71%</b>	<b>224.23%</b>	<b>162.09%</b>

Debt service coverage requirement is minimum 115% incl connection fees, 100% w/o connection fees

**TABLE 1**  
**SAN DIEGUITO WATER DISTRICT**  
**SCHEDULE OF WATER RATES (1)**  
**(As of June 30, 2009)**

<u>Customer Class</u>	<u>Residential rate tier</u>	<u>Rate</u>	
		<u>Potable</u>	<u>Recycled</u>
Single-family residential	0-12 units	\$1.79	
	13-20 units	\$2.45	
	21-40 units	\$3.07	
	41+ units	\$3.72	
Multi-family residential	0-8 units	\$1.79	
	9-12 units	\$2.45	
	13-16 units	\$3.07	
	17+ units	\$3.72	
Agriculture		\$2.26	\$1.92
Commercial		\$2.49	\$2.12
Landscaping		\$3.04	\$2.58
Construction		\$3.04	\$2.58

*Source: San Dieguito Water District*

(1) Per Unit (one hundred cubic feet or 748 gallons)

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**SAN DIEGUITO WATER DISTRICT**  
**BI-MONTHLY METER SERVICE AVAILABILITY CHARGES**  
**(As of June 30, 2009)**

<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Infrastructure Access Charge</u>
5/8" & 3/4"	\$27.52	\$3.81
1"	\$44.00	\$6.10
1-1/2"	\$85.21	\$11.42
2"	\$134.67	\$19.80
3"	\$250.07	\$36.57
4"	\$423.80	\$62.45
8"	\$1,343.74	\$198.03

*Source: San Dieguito Water District*

San Dieguito charges a bi-monthly service availability charge, which is intended to cover the costs for maintenance of meters, water lines, and storage facilities to ensure that water is available upon demand. The service availability charge also includes customer service costs for meter reading and billing. The infrastructure access charge is a charge levied by the San Diego County Water Authority and collected by SDWD.

**TABLE 2**  
**SAN DIEGUITO WATER DISTRICT**  
**HISTORIC DOMESTIC WATER SYSTEM REVENUES**  
**Fiscal year ending June 30, 2009**

<u>Year</u>	<u>Domestic Water Sales</u>	<u>Percent Change (2)</u>	<u>Meter Availability Charges</u>	<u>Percent Change (2)</u>
2000	\$5,865,259	7.4%	\$1,036,688	3.0%
2001	\$5,482,633	-6.5%	\$1,046,109	0.9%
2002	\$5,310,461	-3.1%	\$1,190,724	13.8%
2003	\$5,335,677	0.5%	\$1,654,335	38.9%
2004	\$5,762,184	8.0%	\$1,828,729	10.5%
2005	\$5,252,235	-8.8%	\$1,877,863	2.7%
2006	\$6,465,975	23.1%	\$2,061,454	9.8%
2007	\$7,579,205	17.2%	\$2,251,011	9.2%
2008	\$7,717,818	1.8%	\$2,404,547	6.8%
2009	\$7,525,927	-2.5%	\$2,453,075	2.0%

Source: San Dieguito Water District

- (2) Because of the varying number of billing cycles in a fiscal year, changes from one year  
(1) Per Unit (one hundred cubic feet or 748 gallons)

**TABLE 3**  
**SAN DIEGUITO WATER DISTRICT**  
**HISTORIC RECYCLED WATER SYSTEM SALES**  
**Fiscal year ending June 30, 2009**

<u>Year</u>	<u>Recycled Water Sales</u>	<u>Percent Change</u>	<u>Meter Availability Charges (3)</u>	<u>Percent Change</u>
2000	(not available)	N/A	\$0	N/A
2001	\$98,740	N/A	\$0	N/A
2002	\$251,337	154.5%	\$0	N/A
2003	\$255,014	1.5%	\$0	N/A
2004	\$421,245	65.2%	\$0	N/A
2005	\$387,607	-8.0%	\$0	N/A
2006	\$454,145	17.2%	\$0	N/A
2007	\$596,299	31.3%	\$0	N/A
2008	\$600,401	0.7%	\$0	N/A
2009	\$663,036	10.4%	\$0	N/A

Source: San Dieguito Water District

- (3) the District does not currently levy a meter availability charge for recycled customers

**TABLE 4**

**SAN DIEGUITO WATER DISTRICT  
SUMMARY OF WATER PRODUCTION BY SOURCE (4)**

<b><u>Fiscal Year</u></b>	<b><u>Local Water</u></b>	<b><u>Imported</u></b>	<b><u>Total Domestic</u></b>	<b><u>Recycled</u></b>	<b><u>Total Production</u></b>
2000	3,602	5,080	8,682	200	8,882
2001	3,460	4,777	8,237	214	8,451
2002	2,778	5,620	8,398	405	8,803
2003	1,734	5,543	7,277	427	7,704
2004	454	6,867	7,321	711	8,032
2005	1,705	5,602	7,307	595	7,902
2006	2,765	5,093	7,858	600	8,458
2007	2,706	5,692	8,398	708	9,106
2008	3,539	3,753	7,292	676	7,968
2009	3,869	3,369	7,237	694	7,931

*Source: San Dieguito Water District*

(4) Water Production is defined as water either produced locally or purchased (expressed in acre-feet)

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(1) Per Unit (one hundred cubic feet or 748 gallons)

**TABLE 5**

**SAN DIEGUITO WATER DISTRICT  
HISTORIC WATER DELIVERIES (5)**

<b><u>Fiscal Year</u></b>	<b><u>Domestic</u></b>	<b><u>Percent Increase</u></b>	<b><u>Recycled</u></b>	<b><u>Percent Increase</u></b>
2000	8,254	1.0%	200	1.0%
2001	7,566	-8.3%	214	7.0%
2002	7,339	-3.0%	405	89.3%
2003	7,207	-1.8%	427	5.4%
2004	7,213	0.1%	711	66.5%
2005	6,719	-6.8%	595	-16.3%
2006	7,281	8.4%	600	0.8%
2007	7,592	4.3%	708	18.0%
2008	6,753	-11.1%	675	-4.7%
2009	6,463	-4.3%	694	2.8%

*Source: San Dieguito Water District*

(5) Water deliveries represent actual sales to customers (expressed in acre-feet)

**TABLE 6**

**SAN DIEGUITO WATER DISTRICT  
TEN LARGEST CUSTOMERS  
(For the fiscal year ended June 30, 2009)**

<b><u>Customer Description</u></b>	<b><u>Acre-Feet Sold</u></b>	<b><u>Percent of Water Sold</u></b>
City of Encinitas	126	1.8%
Park Place Bluffs	86	1.2%
Scripps Memorial Hospital	85	1.2%
Cardiff by the Sea Apartments	60	0.9%
Seacrest Village	52	0.7%
Leucadia Seabluff Village	46	0.7%
Skyloft HOA	40	0.6%
Encinitas Ranch Community Assoc.	40	0.6%
Encinitas Union School District	38	0.5%
Foxpoint Farms	38	0.5%
	<b>609</b>	<b>8.7%</b>

*Source: San Dieguito Water District*

*(1) Per Unit (one hundred cubic feet or 748 gallons)*

**TABLE 7**

**SAN DIEGUITO WATER DISTRICT  
HISTORIC SERVICE CONNECTIONS  
(As of June 30, 2009)**

<b><u>Fiscal Year</u></b>	<b><u>Potable</u></b>	<b><u>Percent Increase</u></b>	<b><u>Recycled</u></b>	<b><u>Percent Increase</u></b>
<b>2000</b>	10,560	1.0%	4	1.0%
<b>2001</b>	10,661	1.0%	10	150.0%
<b>2002</b>	10,983	3.0%	22	120.0%
<b>2003</b>	11,144	1.5%	39	77.3%
<b>2004</b>	11,167	0.2%	44	12.8%
<b>2005</b>	11,268	0.9%	49	11.4%
<b>2006</b>	11,275	0.1%	55	12.2%
<b>2007</b>	11,338	0.6%	56	1.8%
<b>2008</b>	11,364	0.2%	59	5.4%
<b>2009</b>	11,370	0.1%	68	15.3%

*Source: San Dieguito Water District*

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