

2011

Olivenhain Municipal Water District, Encinitas, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011



OLIVENHAIN

Municipal Water District

Comprehensive Annual Financial Report
Fiscal year ended: June 30, 2011

Prepared by:
Rainy K. Selamat, Finance Manager
Olivenhain Municipal Water District
Encinitas, California



Front Cover:
OMWD Take Your Kid to Work Day 2011

Our Mission

Olivenhain Municipal Water District is committed to serving present and future customers with safe, reliable, high quality water while exceeding all regulatory requirements in a cost effective and environmentally responsive manner.

The District is dedicated to providing recycled water, wastewater treatment and hydroelectricity in the most cost effective, environmentally responsive and service oriented manner.

The District is devoted to the safe operation of the Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.



Back row (L-R): Robert F. Topolovac, Gerald E. Varty, Mark A. Muir, Edmund K. Sprague. Front row (L-R): Kimberly A. Thorner, Christy Guerin.

Board of Directors

Edmund K. Sprague, *President*
Robert F. Topolovac, *Vice President*
Mark A. Muir, *Treasurer*
Gerald E. Varty, *Secretary*
Christy Guerin, *Director*

General Manager

Kimberly A. Thorner, ESQ

General Counsel

Wesley Peltzer



Olivenhain Municipal Water District is a public agency proudly serving portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley.

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Introductory Section



At the District's "Take Your Kid to Work Day," children learned the value of water in their everyday lives, whether at home, at school, or at play.



December 14, 2011

Members of the Board of Directors
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024-5699

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Olivenhain Municipal Water District (District) for the fiscal year ended June 30, 2011. The purpose of the report is to provide citizens, investors, and other interested parties with reliable financial information about the District.

This CAFR was prepared by the District's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the District, and that all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity have been included.

The District's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2011, are free of material misstatements. The independent audit involved 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 overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity

The District is a governmental corporation governed by a publicly elected five member Board of Directors. The District was incorporated in 1959 under the provisions of the *California Municipal Water District Act of 1911, section 71000 et.seq.* of the *California Water Code* as amended.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are subfunds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Ranch Sanitation District Fund, Rancho Cielo Sanitation District Fund, 4S Regional Recycled Water Fund, 2006 Water Revenue Refunding Bond Fund, and 2009 Water Revenue Bond Fund. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds at the end of each fiscal year for the consolidated financial statements of the District as presented in the financial section of this report. More detailed information on the District's accounting policies can be found in note 1 of the Notes to the Basic Financial Statements.

General District Operations

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

The District's service area is approximately 48 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley.

The District utilizes a Comprehensive Master Plan (CMP) as a long-term capital planning tool to address existing and future facility needs within the District's three enterprise areas: potable water, wastewater, and recycled water. The District's CMP is updated every 5 years.

Based upon the District's 2011 CMP, it is estimated that the District is currently at 87% of its ultimate build-out of approximately 33,442 equivalent dwelling units. For the fiscal year ended June 30, 2011, 70% of water delivered was for domestic use, 22% for irrigation use, 4% for agricultural user, 4% for industrial and construction use. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water. The District's primary treated water source is the David C. McCollom Water Treatment Plant.

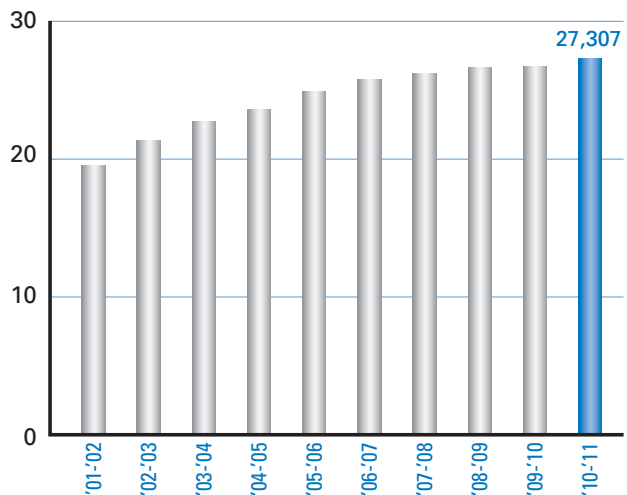
The District also provides sewer collection and treatment services to a portion of the District's service area and sells recycled water to golf courses and other customers for irrigation. The District's 4S Water Reclamation Facility (WRF) currently produces approximately 1 million gallons per day (mgd) of recycled water to meet the customer demand in the southeast service area. To meet the northwest service area recycled water demands, the District has entered into agreements with neighboring agencies through the utilization of interagency service connections.

The 4S WRF collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. Treated sewage is processed in the 4S WRF through various treatment stages to produce California Title 22 tertiary treated recycled water that can be used for unrestricted irrigation purposes. The 4S WRF's maximum production is 2.0 million gallon per day.

During the fiscal year ended June 30, 2011, the District billed 17,254.9 acre-feet (AF) of potable water through 27,058 potable water accounts and 2,006.1 AF of recycled water through 249 accounts. The District provided wastewater collection services to 6,778 sewer equivalent

dwelling units in 4S Ranch and Rancho Cielo. Historical information of the District's number of water and sewer accounts is shown in the graphs below.

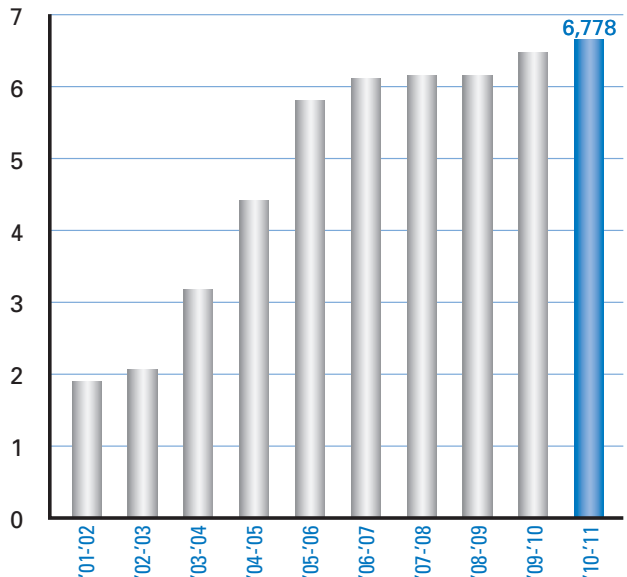
Water meters in thousands



Active Potable & Recycled Water Meters

Fiscal Year Ended 6/30/2011: 27,307 Water Meters

Sewer EDU's in thousands



Active Sewer EDU's

Fiscal Year Ended 6/30/2011: 6,778 Equivalent Dwelling Units

More detailed information on results of operations by operating segments can be found in the Management's Discussion and Analysis and in note 14 of the Notes to the Financial Statements in the financial section of this report.

Diversification of water supply sources reduces the District's operational risks and reliance on San Diego

County Water Authority (SDCWA) who is the single source of water supply in the region. It has been the long-term objective of the District to reduce reliance on imported water supplies from the SDCWA and the Metropolitan Water District of Southern California State Water Project by increasing its local water supply portfolio to 20% of the District's water demand by 2020. Currently the District's local water supply portfolio amounts to approximately 15% of total water demand.

Expansion of its recycled water system and potential treatment of brackish ground water via a desalination plant have been identified by the District's Board of Directors and Management as high priority projects for achieving the District's goal for water supply diversification. The District's Management has been successful in its initial planning efforts to achieve its goals and objectives.

The District is the recipient of a Proposition 84 grant to conduct planning and well testing for a proposed ground-water brackish water treatment plant. The preliminary study for the brackish plant indicated a positive result for this project to move forward. It is estimated the brackish plant will produce 1.5 million gallons per day of potable water when completed.

In expanding its existing recycled water system, the District has taken a cooperative, regional approach with eleven (11) other north San Diego county water agencies and cities called the North San Diego County Regional Recycled Water Project (NSCRRWP) to study greater interconnection and development of North County's recycled water infrastructure. The NSCRRWP received \$1.5 million in California Proposition 84 grant funding to provide financial assistance to expand the use of locally produced recycled water, and diversify the north San Diego county water supply of all partners in NCSRRWP.

Economic Conditions and Outlook

The State of California's budget crisis will remain a drag on the California economy. The Governor's Budget May Revision 2011-2012 shows that in the State deficit may reach as high as \$9.6 billion. In the past, the State has implemented one-time and temporary budget fixes, such as borrowing property taxes from local governments and cities, but now has limited borrowing capability due to the passage of Prop 1A.

San Diego's economy is expected to show signs of recovery mirroring the national and state recovery. San Diego County's unemployment rate is expected to move down slowly, with low job growth. Home building and the residential real estate market has been stagnant. The government's homebuyer credit program did boost the home sales for a short period, however, the sales trend was reversed downward when the program expired in 2010.

Fortunately, the District's revenue picture has not changed significantly even with foreclosures and delinquent accounts receivable being higher than usual over the last two years. Extreme weather conditions and a sustained reduction in water demand from conservation due to the recent drought have impacted the District's water sales more than the local economic conditions.

Status of Large Residential Development Projects

The number of new home starts within the District remained constant over the past year. The amount of activity within the District and new meters installed were some of the highest in the County although never approaching the levels seen 5 to 8 years ago. Development within 4S Ranch and Rancho Cielo continued to lead the new home starts. All of the remaining lots within the 4S Ranch development have been sold to a builder and work is proceeding. Additional high-end homes are being constructed within the Rancho Cielo development as custom homesites. Tract type housing is also being developed within the Crosby at Rancho Santa Fe and The Lakes Developments. Subdivision tract housing, ranging from the low \$400,000's to as high as \$2.6 million, is currently on the market within the District's service area. The final 5 to 10 percent of build-out housing is anticipated to be constructed as small unit fill in and custom development.

The following is a summary of activity which occurred in fiscal year 2011:

4S Ranch – Development of 2,500 acres of mixed residential and light commercial use is substantially complete with regards to water, reclaimed water and sewer improvements. Communities and backbone facilities within Neighborhoods 1, 2 and 3, consisting of approximately 3,200 single family and multi-family homes, two elementary schools, a middle school, and an extensive recycled water system, are all complete. While development of the final Neighborhood 4 has slowed considerably in the last 2 years, the final 50 units within the project are under construction and are expected to be completed by the end of 2012. A new high school to serve the 4S Ranch Development and surrounding area opened in August 2009 and is fully occupied. An adjacent middle school in the City of San Diego is also being considered for construction within the next 2 years and will be served temporarily from the District. When the 4S project is completed, the District will have added over 5,000 new water meter accounts to the District's service area. An extensive regional recycled water system is currently online and serving the majority of the common area irrigation needs in the area with recycled water from the District's own 4S WRF. The recycled system continues to expand as the last portions of the project are constructed.



48-inch pipes staged for lining - Unit AA project

Santa Fe Valley – Development within this specific plan area is estimated at 1,500 dwelling units at build-out and includes an 18-hole golf course and several large lakes. The golf course and lakes have been constructed and are being irrigated and filled with recycled water from the District’s Southeast Quadrant Regional Recycled Water system. Additional landscaping within the development is also being irrigated with recycled water, including parks, parkways, open spaces and other non-private greenbelt areas. Significant portions of two major developments within the Santa Fe Valley are under construction, The Crosby Estate at Rancho Santa Fe and the Lakes above Rancho Santa Fe (previous McCrink Ranch). Approximately 90% of the Crosby project has already been constructed and the remaining units are currently being redesigned by a new homebuilder. Development of the first four of five units within the 400 dwelling Lakes above Rancho Santa Fe project are under construction. Construction within the development has significantly slowed due to the economic downturn however new starts are being seen on the immediate horizon.

Progress on Significant Construction Projects

DCMWTP LT2 Improvement Project

In 2012, the District will be required to meet a more stringent set of water quality regulations that have been promulgated by the United States Environmental Protection Agency as part of the Long Term 2 Enhanced Surface Water Treatment Rule (LT2). In order to meet the LT2 regulations, numerous changes to the existing treatment plant with respect to how the water treatment membranes are operated and maintained need to be

constructed. These improvements include addressing issues with equalizing flow changes at both the front end and back end of the treatment train and improving the District’s ability to handle solids which are removed from the water during the treatment process. Construction of the improvements was started in July 2011 and is expected to be completed in mid 2012. Also under consideration as part of the project is the addition of facilities necessary to fluoridate the water produced by the WTP plant so that all water delivered to the District’s customers is uniformly fluoridated. The District is in negotiations with First 5 San Diego for funds to construct those improvements. If awarded the funds, construction would most likely be completed by the end of 2012 or early 2013.

DCMWTP Unit AA Pipeline

SDCWA is in the final stages of constructing a pipeline, pump station, and hydrogeneration station from the City of San Diego-owned Lake Hodges Reservoir to the Olivenhain Reservoir in order to capture local runoff during the winter season and to generate electricity during peak periods in the summer. In order to offset water quality impacts from the introduction of poor quality Lake Hodges water into the Olivenhain Reservoir, the District is constructing a new 17,000 foot, 48 inch diameter raw water pipeline from the San Diego County Water Authority’s Second Aqueduct to the DCMWTP. The new pipeline will provide a dedicated source of raw water from the Metropolitan Water District of Southern California for the treatment plant so that potential impacts from water transfers between Lake Hodges and the Olivenhain Reservoir can be avoided. Construction of the project began in September 2011 and will be completed in mid 2012.

Budget Process

The District utilizes a Board-approved annual operating and capital budget as a management tool for estimating and planning District revenues and expenditures and it is used only for comparative purposes to identify unusual or unexpected trends. The Finance Department prepares estimates for departmental review. Department Heads review and revise the estimates. All managers meet several times to discuss the budgets, after which there is a final review by the General Manager prior to submittal to the Board of Directors for their consideration.

The proposed operating and capital budget is submitted to the Board within 45 days prior to July 1st of each year. The budget does not go into effect until approved by the Board. Once approved, the budget becomes the basis for operating and capital expenditures for that fiscal year.

The District has been the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award and the California Society of Municipal Finance Officers (CSMFO) Excellence in Budgeting Award for its budget in previous fiscal years. These awards reflect the commitment of the District's Board of Directors and staff to apply the highest principles of governmental budgeting to satisfy nationally recognized guidelines for effective budget presentation.

In January of each fiscal year, the District conducts a review to analyze actual operating and capital expenditures and compares the numbers to the original budget amounts. The purpose of this review is to present the Board with amended budget amounts when required, due to changes in circumstances that were not anticipated at the time the original budget was developed. Threat analysis is also conducted at least once per year to identify and quantify any potential threats to the District's financial picture. Project managers may find after the first half of the year that some projects need to be accelerated or delayed due to changes in housing development conditions in the District. This mid-year review is also used to update the Board on completed capital projects.

Cash Management

The District's investment policy governs the cash management and investment of all District funds. The ultimate goal is to enhance the economic status of the District while protecting its funds. The investment policy identifies the investment types that are authorized for the District by the California Government Code that address all investment risks. The policy contains various limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investment in any one issuer (other than U.S. Treasury Securities, U.S. Government Sponsored Entities, money market mutual funds and external investment pools) that represents 5% or more of the District's investments.

The District has increased the maximum portfolio percentage of United States Government Sponsored Entities from 25% to 50%. This policy change resulted in an increase in the total interest earned on the District's investment for fiscal year ended 2011 as compared to prior fiscal year. The downgrade of the U.S. Government and all federally backed agencies from AAA to AA+ by Standard & Poor's in August 2011 has not impacted the District's cash and investments.

Total interest earned, net of capitalized investment income, on all funds for the fiscal year ended June 30, 2011 was \$ 490,879 in comparison with \$ 443,990 for the fiscal year ended June 30, 2010. The average yield for the fiscal year ended June 30, 2011 was 0.834%. This represents an increase of 12.4% compared to the average yield of 0.742% for the fiscal year ended June 30, 2010.

Designated Fund Balances

The District's Designated Fund Balances Policy was adopted by the District's Board of Directors. This policy represents public affirmation of the Board's commitment to financial prudence and careful stewardship of community assets. These funds are designated to carry out specific purposes to ensure prudent management of the District's financial resources. The policy specifies minimum and maximum target balances to be established in each Board-designated fund. All fund balances will be subject to review by the Board when the District's annual financial audit is completed to ensure fund balances meet the goals established in the policy.

To ensure adequate funding to meet the District's short-term and long-term planned capital expenditures and its commitment to the community, the maximum target balance of the District's designated fund balance for capital and equipment for water operations has been adjusted so as not to exceed five fiscal years of approved capital planned expenditures.

Post Employment Benefits

The District provides several retirement options for employees. The District's defined benefit pension plan is through the California Public Employees' Retirement System (CalPERS). All District employees will contribute 100% of employees' portion of CalPERS pension costs starting July 1, 2012. The District pays the employer's portion of the pension cost.

The District administers two single-employer defined post employment benefit health care plans. The District funds its obligation on a Pay-As-You-Go basis due to the minimal financial impact of the obligation. As of June 30, 2011 the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of covered payroll was 1.69%.

Detailed information on the District's Pension Plan and OPEB are more thoroughly discussed in notes 10 and 11 in the Notes to the Basic Financial Statements.

Contacting the District’s Finance Dept.

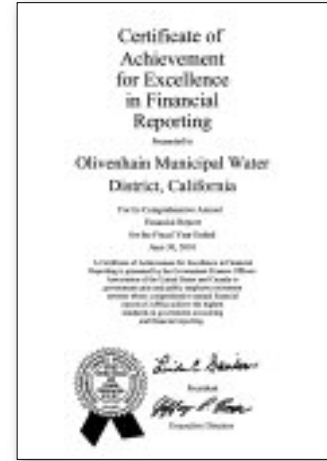
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District’s financial condition. Should you have any questions regarding the content of this report, please contact Rainy Selamat, OMWD Finance Manager, at (760) 753-6466.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Olivenhain Municipal Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the sixteenth consecutive year that the District has received this prestigious award.

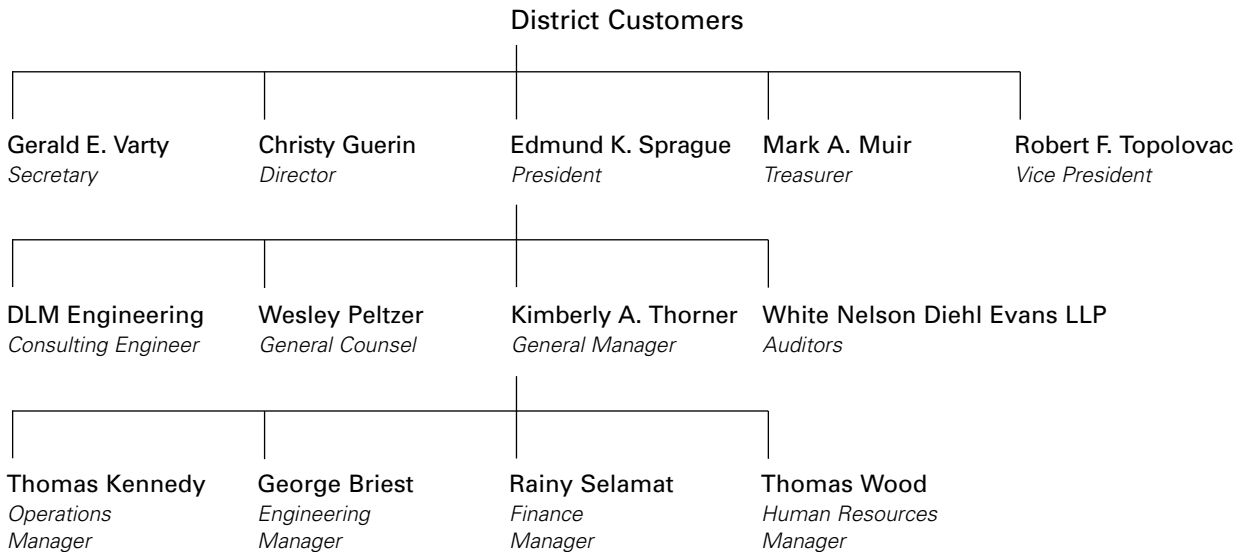
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Organization Chart

The elected five board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager, who in turn employs the District employees. The District is an “at will employer.” All the District’s employees serve at the pleasure of the General Manager.



Acknowledgements

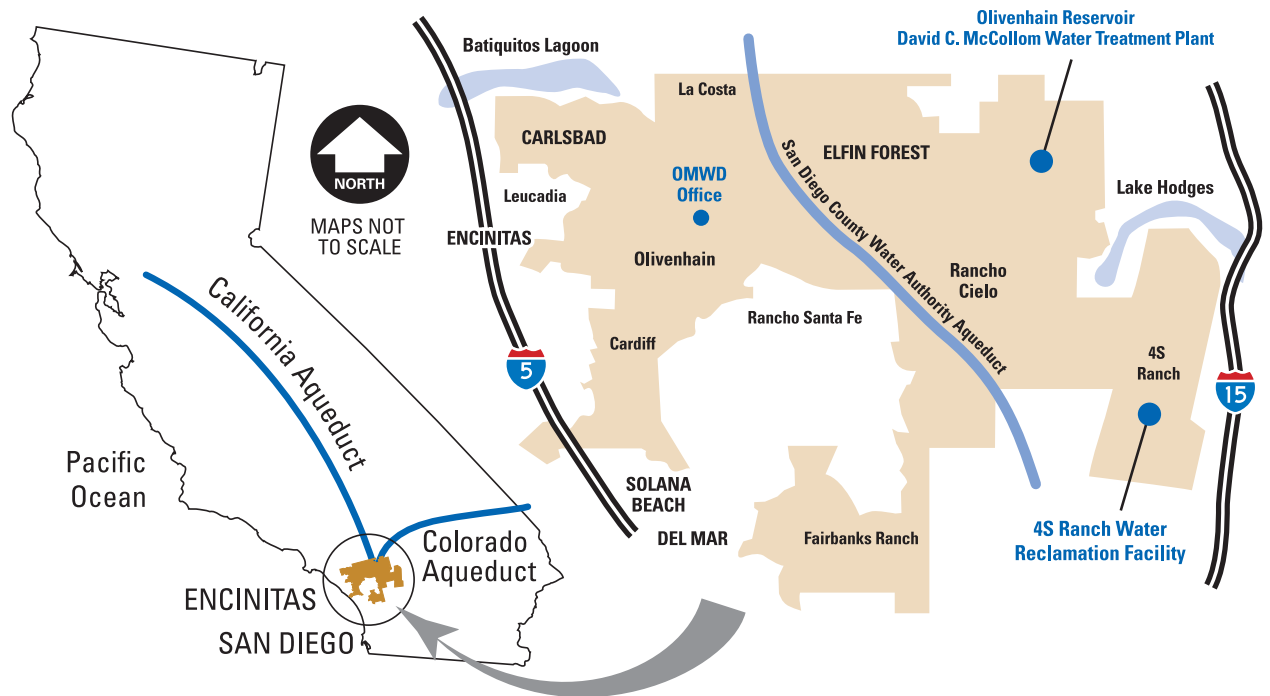
The preparation of this report could not have been accomplished without support and input from all departments and our independent auditor, White Nelson Diehl Evans LLP. We would also like to particularly thank the Board of Directors for their continued dedication to support of the highest level of prudent fiscal management.

Respectfully Submitted:

Kimberly A. Thorner, Esq.
General Manager

Rainy K. Selamat
Finance Manager

District Service Area



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Comprehensive Annual Financial Report

Financial Section



Children marveled at Olivenhain Reservoir, where water is stored for use throughout San Diego County.



December 5, 2011

INDEPENDENT AUDITORS' REPORT

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

We have audited the accompanying basic financial statements of Olivenhain Municipal Water District as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Olivenhain Municipal Water District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Olivenhain Municipal Water District as of June 30, 2011 and 2010, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Other Post Employment Benefits Plan – schedule of funding progress, and Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

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Offices located in Orange and San Diego Counties

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the accompanying basic financial statements of the Olivenhain Municipal Water District. The Introductory Section and the Statistical Section, as identified in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Diehl Evans LLP

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2011

Our discussion and analysis of the Olivenhain Municipal Water District's (the District) basic financial statements provides general readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2011. Included in this section are:

- financial highlights;
- overview of the accompanying basic financial statements;
- financial analysis of the District as a whole;
- a discussion of financial restrictions, commitments and limitations

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are located in the section following the MD&A.

Financial Highlights

During the fiscal year ended June 30, 2011, the following events impacted, or have the potential to impact, the finances of the District:

- On February 9, 2011 the Board of Directors approved an 8.84% increase rates and charges to pass through the 14.7% purchased water price increase from San Diego County Water Authority.
- On April 20, 2011 The Board approved a third amendment to the 4S Kelwood-Olivenhain Municipal Water District Wastewater and Recycled Water Agreement. 4S Kelwood prepaid the outstanding principal and accrued interest on the 2002 Taxable Variable Rate Subordinate Certificates of Participation. In return, the District paid 4S Kelwood \$2.5 million as a cash settlement. For this reason, the outstanding principal of the bonds and its related debt issuance costs have been removed from the District's Statement of Net Assets for June 30, 2011.
- On May 4, 2011 the Board approved Staff recommendation to pay off the District's CalPERS Side Fund in the amount of \$943,478. The District's future contribution rate will be reduced by 2.136% or approximately \$188,000 annually as a result of this pay-off.
- An update to the District's 2005 Comprehensive Master Plan for the water and recycled system was completed in March 2011. The District updates its master plan every five years.
- The District's Net OPEB obligation has decreased in the last three years because of a change in actuarial assumptions as a result of the deaths of two retired board members who were eligible to receive health care benefits in the Retired Board Member Health. The District's unfunded OPEB liability of \$91,166 has a very minimal impact on the District's financial position.
- The downgrading of the U.S. Government credit rating to AA + from AAA by Standard & Poor's has not affected the District's investment policy and the value of the District's investments.
- As part of this year's surveillance, Fitch affirmed the District's AA+ rating and stable outlook because of the District's excellent financial performance.
- Unrestricted net assets (cash and investments) were lower than last year due to the \$2.5 million cash settlement paid to 4S Kelwood.
- Total liabilities decreased by approximately \$11.5 million compared to last year because the 2002 Taxable Variable Rate Subordinate Certificates of Participation Payable were paid off.
- Total assets decreased primarily due to the reduction in restricted cash (2009 bond proceeds) to pay for the David McCollom LT-2 and Unit AA Parallel Raw Water Pipeline design and construction costs.
- Total Operating Revenues were slightly higher than the prior year because of the pass through of wholesale water cost increases combined with a very modest growth.
- Capacity Charge Revenue increased due to more capacity fees collected from the 4S Ranch area and an increase in the District's capacity fees to provide funds for the needed facilities included in the 2011 Comprehensive Water Master Plan.

- Total Operating Expenses were higher than the prior year as a result of the wholesale cost increase in purchased water and one full year of amortization expense being recorded for the first time for the District's storage rights (up to 3,449 acre-feet of water) in the SDCWA system for 17 years which was recorded in exchange for the District's storage rights in the Olivenhain Reservoir (50 years).
- Large construction projects such as the David C. McCollom Water Treatment Plant Improvements and Unit AA Parallel Raw Water Pipeline are in construction. These projects are expected to complete in mid 2012. The District issued \$19.175 million of 2009 Water Revenue Bonds to provide financing for its large construction projects.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

Overview of the Financial Statements

For financial statement purposes, the District combines several internally maintained funds into one enterprise fund. The financial statements present the financial position, results of operation, and changes in cash balances using the accrual basis of accounting. This methodology is used to account for operations that are financed and operated in a manner similar to business enterprises, where services provided are paid through user charges.

Required Basic Financial Statements

The required financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District. Each financial statement is identified, defined, and analyzed in the following sections.

The Statement of Net Assets includes the District's assets, liabilities, and net assets. This statement provides financial information about the nature of investments and ownership (assets) and the obligations of the District to its bond investors and creditors for all purchases made (liabilities). It also assesses the liquidity and financial position of the District.

The Statement of Revenue, Expenses, and Changes in Net Assets accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's profitability and ability to meet its financial commitments.

The Statement of Cash Flows accounts for the District's cash activities during the reporting period. The primary purpose of this report is to provide information to the general readers about cash inflows and outflows which occurred during the reporting fiscal year. This statement shows cash receipts, cash disbursements, and changes in cash balances based on operating, capital and related financing, noncapital and related financing and investing activities. The Cash Flow statement helps the readers to answer the following questions: "Where did cash come from; what was cash used for, and; what was the change in cash during the fiscal year?"

Financial Analysis of the District as a Whole

The following statements contain a summary of financial information that was extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these statements can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, other external factors such as changes in economic conditions, growth, and legislative mandates should also be considered as part of this assessment.

Net Assets

Net Assets is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with the Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' construction cost. Net Assets represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since formation. Net Assets help answer the following question: "Is the District, as a whole, better or worse off as a result of the year's activities?"

Condensed Statement of Net Assets

	Fiscal Year ended June 30		
	2011	2010	2009
Current assets - unrestricted	\$ 54,865,640	\$ 56,260,135	\$ 38,375,408
Current assets - restricted	32,584,703	36,996,350	20,212,727
Capital assets, net	347,599,657	346,901,997	340,040,278
Other noncurrent assets	2,689,781	2,193,673	1,940,892
Total Assets	\$ 437,739,781	\$ 442,352,155	\$ 400,569,305
Current liabilities - unrestricted	9,920,327	10,038,813	7,748,487
Current liabilities - restricted	561,886	1,911,224	995,134
Compensated absences, long-term	347,254	281,370	846,324
Other post employment benefit obligation	132,984	150,030	166,338
Deferred revenue	150,000	-	-
Long-term debt	64,503,530	74,786,273	58,309,238
Total Liabilities	75,615,981	87,167,710	68,065,521
Invested in capital assets, net of related debt	293,872,403	286,610,326	279,366,040
Restricted net assets	18,866,541	17,810,524	19,217,593
Unrestricted net assets	49,384,856	50,763,595	33,920,151
Total Net Assets	362,123,800	355,184,445	332,503,784

For a detailed discussion regarding the increase in total net assets, please see the section for the Statement of Revenues, Expenses and Changes in Net Assets below.

The decrease in total assets is mainly due to the reduction in cash for spent 2009 bond proceeds and the \$2.5 million cash settlement paid to 4S Kelwood under the third amendment to the OMWD-4S Kelwood Recycled and Wastewater agreement. The District and 4S Kelwood entered into an agreement under which the developer prepaid the 2002 Taxable Bonds outstanding plus interest. In return, the District paid \$2.5 million to the Developer in exchange for its obligation to pay the Developer up to \$4.235 million in certain costs related to the 4S regional recycled water system. More information about the 2002 Taxable Bonds can be found in note 7 of the Notes to the Basic Financial Statements.

The other noncurrent assets amount is slightly higher this year compared to prior years because of the recording of an unamortized payment to CalPERS for the District's Side Fund payoff.

The decrease in total liabilities is due to the prepayment of the outstanding principal of the 2002 Variable Rate Subordinate Certificates of Participation by 4S Kelwood mentioned above.

Statement of Revenues, Expenses and Changes in Net Assets

While the Statement of Net Assets focuses on the District's financial position at June 30 of each year, the Statement of Revenues, Expenses, and Changes in Net Assets summarizes the District's operations during the year. Revenues are recognized (recorded) when water or services are provided, and expenses are recorded when incurred. Operating revenues and expenses are primarily related to the District's core activities (potable water, recycled water, and wastewater service). Non-operating revenues and expenses (investment income, property tax, capacity/connection charges) are not directly related to the core activities of the District.

For fiscal year ended June 30, 2011 the District's results of operations were derived primarily from its water, wastewater treatment and collection, and recycled water services. Each of these activities is identified in more detail in note 14 of the Notes to Basic Financial Statements section.

Water Operations

During Fiscal Year 2010-2011, the District provided potable water and recycled water services to 27,307 accounts. Water services include reading and billing water meters on a monthly basis, a back-flow prevention program, meter mainte-

nance, water quality services, and other on-site services as requested by District customers, including: testing meters for accuracy and checking for water leaks.

The District's five board members have independent rate-setting authority. The District's rate structure for monthly water service fees is comprised of three components: commodity charge, monthly system access charge, and SDCWA Infrastructure Access Charge. The District's rates and charges are set to provide the cost of providing water services, such as system administration costs, operations and maintenance expenses, and capital improvement and replacement needs.

The District is mandated by SBX7-7 to reduce its per capita water use by 20% in 2020. Due to this mandate, the District adopted a temporary water supply shortage rate structure for its commodity charge. The water supply shortage rates are implemented in accordance with the District's Drought Management Plan. The temporary water supply shortage rates represent a progressive pricing scale for responding to water supply limitations and were developed to reinforce water conservation.

In September 2009 the District's Board of Directors adopted an ordinance that authorized the District to pass through to its water service customers, for the next five years: (1) increased purchased water wholesale costs from the SDCWA (not to exceed 12% per year); (2) an inflation-indexed rate increase for the next five years for increases to the District's cost of operations and maintenance and capital facilities (not to exceed the greater of (i) the annual percentage increase, if any, in San Diego Consumer Price Index for all urban customers, or (ii) 5%); and any revenue lost by the District, not to exceed 10% annually, in the event the State exercises its right under Proposition 1A to take property tax revenues.

About 75% of the District's water revenues are collected from commodity charges. The District's commodity charge is a tiered rate structure with higher rates per unit of water as the level of consumption increases, a water conservation based pricing. Commodity revenues vary from month to month depending on water consumption. Non-drought and drought commodity rates range from \$1.95 to \$4.18 per 748 gallons.

A fixed monthly system access charge is established on the basis of meter size of the property receiving water service. Customers pay a typical bill of \$25.85 per month for their monthly system access charge. The SDCWA Infrastructure Access Charge (IAC) is imposed by SDCWA on the District for the purpose of recovering certain SDCWA infrastructure costs. Customers pay a typical bill of \$2.49 per month for their monthly SDCWA IAC charge.

Wastewater (Sewer) Operations

The District's 4S Ranch Water Reclamation Facility (WRF) collects and treats sewage effluent from two areas within its boundaries, 4S Ranch and Rancho Cielo. These service areas, comprised of a wide variety of commercial, industrial, and residential uses, encompass a total of approximately 4,000 acres.

Sewer revenues consist of service and standby fees. The District's sewer fees and charges are in compliance with the California Urban Water Conservation Council's Best Management Practice No. 11 (BMP-11.) BMP-11 provides conservation-based pricing guidelines for water agencies that provide retail sewer service. The revised sewer rate consists of two components: a system access charge, which is a fixed charge; and a commodity charge, which reflects each customer's wintertime water use. The wintertime water use (December through May) for each single family residential customer is capped at 10 hundred cubic feet (HCF). The cap of 10 HCF was based on the 90th percentile of minimum wintertime water usage over the last three years. Other sewer customer types (multi-family and commercial) are billed commodity charges based on their monthly water usage, as these customers have separate irrigation meters. Revenue derived from the rates and charges is used for the recovery of operations and maintenance costs of the District's sewer operations, as well as capital improvement expenditures.

Service and standby fees are billed via the property tax roll and collected by the County of San Diego Property Tax Services Division. Currently the District bills approximately 6,778 equivalent dwelling units for wastewater discharged from residential and commercial customers.

Recycled Water Operations

The 4S WRF is capable of treating wastewater effluent to California Administrative Code Title 22 levels so that treated water from this plant can be used for irrigation purposes in the south east portion of the District's service area through the 4S on-site recycled water facilities.

Recycled water revenues are collected from commodity rates. The District adopted a uniform rate structure for collecting recycled water user fees based on monthly water consumption. The recycled commodity rate is set at \$2.55 per 748 gallons or 85% of average commodity water rates.

Statement of Revenues, Expenses and Changes in Net Assets

	Fiscal Year ended June 30		
	2011	2010	2009
Revenues			
Operating Revenues:			
Water sales	\$ 33,184,036	\$ 32,982,238	\$ 31,225,792
Sewer charges	3,835,655	4,053,951	3,429,002
Other operating revenues	1,698,694	1,402,552	1,084,088
Total Operating Revenues	38,718,385	38,438,741	35,738,882
Non-operating Revenues:			
Capacity charges	1,536,719	811,782	1,978,289
Investment income	490,879	433,991	1,021,182
Benefit assessment revenues	1,598,284	1,593,028	1,608,792
Property tax revenues	2,747,001	2,866,424	2,913,362
Other non-operating revenues	38,401	428,793	284,972
Total Non-operating Revenues	6,411,284	6,134,018	7,806,597
Total Revenues	45,129,669	44,572,759	43,545,479
Expenses			
Operating Expenses:			
Cost of water sold	16,628,256	16,174,616	15,323,095
Depreciation	11,737,739	10,520,489	9,529,179
General and administrative	4,130,195	3,764,172	3,676,817
Pumping and water treatment	3,075,157	3,168,594	3,009,607
Transmission and distribution	3,005,713	3,297,681	2,917,128
Sewer collection and treatment	1,561,798	1,652,561	1,504,800
Customer services	1,061,198	1,207,371	1,098,765
Facilities maintenance	835,008	660,740	761,114
Elfin Forest recreation operations	142,843	44,260	52,196
Total Operating Expenses	42,177,907	40,490,484	37,872,701
Non-operating Expenses:			
Interest expense, net	2,154,079	2,234,478	2,510,433
Other non-operating, net	794,860	961,275	506,139
Total Non-operating Expenses	2,948,939	3,195,753	3,016,572
Total Expenses	45,126,846	43,686,237	40,889,273
Income before Capital Contributions	2,823	886,522	2,656,206
Capital Contributions	6,936,532	21,794,139	25,623,359
Changes in Net Assets	6,939,355	22,680,661	28,279,565
Beginning Net Assets	355,184,445	332,503,784	304,224,219
Ending Net Assets	\$ 362,123,800	\$ 355,184,445	\$ 332,503,784

Highlights of Statement of Revenues, Expenses, and Changes in Net Assets

Revenues

Total revenue as reported on the Statement of Revenues, Expenses and Changes in Net Assets for fiscal year ended June 30, 2011, was \$45.1 million. This total includes \$38.7 million in operating revenues and \$6.4 million of non-operating revenues.

Operating Revenues increases were primarily due to the pass through of purchased water wholesale cost increases in the District's water rates. Water sales were down by 9% compared to prior years due to water conservation efforts and wet weather conditions. Water revenue was slightly higher than previous year because of growth. The District collects sewer service charges through the San Diego County's property tax roll.

Non-operating Revenues were higher compared to previous years mainly due to fluctuations in capacity fee receipts and yields on the District's investment and lawsuit settlement income received in the prior year.

Expenses

Total expenses for fiscal year ended June 30, 2011 were \$45.1 million. Included in total expenses were \$42.2 million in operating expenses and \$2.9 million in non-operating expenses.

Operating Expenses increased compared to the previous year primarily due to the increase in purchased water wholesale costs, an increase in amortization expense on the District's water capacity rights, and a slight increase in overall operations and maintenance costs of District facilities. Increases in water operation cost were attributed to the increase in labor, supply, and facilities maintenance costs, including the Elfin Forest Recreational Reserve.

The District and the San Diego County Water Authority (SDCWA) entered into a settlement agreement in March 2010. The settlement agreement stipulated that the SDCWA pay the District \$13.5 million and provide storage rights for up to 3,449 acre-feet of water in the SDCWA system for 17 years. In exchange, the District will transfer all rights of storage in the Olivenhain Reservoir. The Olivenhain Reservoir is located in the Elfin Forest Recreational Reserve (EFRR). As part of the settlement, the SDCWA will lease to the District the EFRR for \$1 per year for 25 years. During the term of the lease the cost of operations of the EFRR will be shared by the SDCWA (75%) and the District (25%). A 25% cost sharing is an increase in District's portion of EFRR's cost of operations as compared to prior years share of approximately 14%.

Non-operating Expenses were lower than the prior year due to the removal of the 2002 Variable Rate Taxable Bonds issuance costs since the bonds were prepaid in full by the developer.

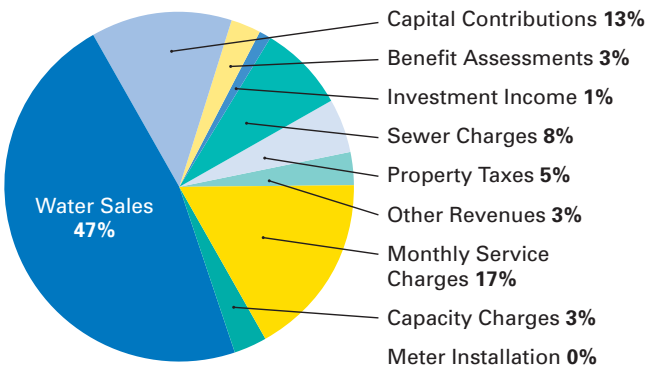
Income before Capital Contributions showed a significant reduction from prior years because of the increase in total operating expenses compared to prior years as the result of higher purchased water costs, increased depreciation and amortization expenses, and increased facilities maintenance costs mentioned above.

Capital Contributions was lower than the prior year because of less contributed cash and capital assets received in Fiscal Year 2010-2011. In Fiscal Year 2009-10, the District received \$13.5 million from the SDCWA as part of the settlement agreement mentioned above.

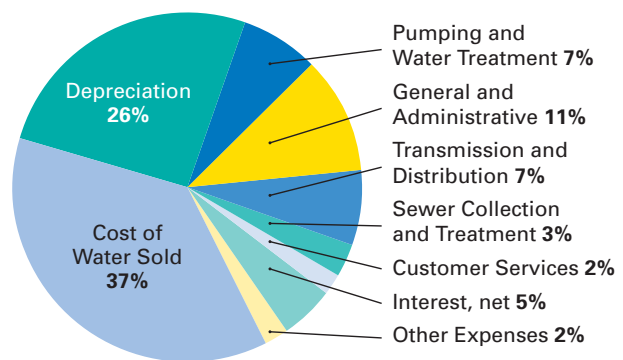
Changes in Net Assets

Changes in Net Assets for fiscal year ended June 30, 2011 were \$6.9 million. A significant reduction from prior years because of the reduction in capital contributions compared to prior years and increased depreciation and amortization expenses of District's assets.

Sources of Revenues Fiscal Year Ended June 30, 2011



Sources of Expenses Fiscal Year Ended June 30, 2011



The District's financial performance has been strong as evidenced by the Fitch affirmation of the District's credit rating of AA+ with stable outlook.

Restrictions, Commitments, and Limitations

Condensed Schedule of Capital Assets

Description	As of	As of	As of
	June 30, 2011	June 30, 2010	June 30, 2009
Capital Assets, net of depreciation	\$307,229,652	\$307,873,445	\$302,830,053
Land and Steel Tanks	28,037,498	27,807,828	27,610,280
Construction In Progress	12,332,507	11,220,724	9,599,945
Net Capital Assets	\$347,599,657	\$346,901,997	\$340,040,278

The District's capital assets were financed through a combination of current revenues, available reserves from the capital fund, capacity (connection) fee fund, and debt issuances. The Construction In Progress (CIP) is being funded mainly using the Pay-As-You-Go method from cash collected from unrestricted funds such as service revenues, reserves and restricted funds such as grants and developers' fees. The District's CIP is expected to fluctuate from year to year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages. The District's Comprehensive Master Plan (CMP) was updated and approved by the Board in February 2011. The District's CMP is updated every five years. The District's CMP combines all facilities planning efforts within the District's enterprise areas: potable water, wastewater, and recycled water, into one document which addresses existing and future facility needs.

The District's net capital assets in service as of June 30, 2011 were \$347.6 million net of \$97.2 million in accumulated depreciation. Included in the total net capital assets is \$12.3 million in construction in progress, representing water, wastewater, and recycled capital improvement projects in various stages of construction. The increase in the net capital assets over the last three fiscal years was due to the increase in the District's capital expenditures on large construction projects such as the David McCollom Water Treatment Plant Improvements and Unit AA (Raw Water) Pipeline as well as other recycled, potable, and wastewater construction projects.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System starting in September 2007. Under GASB Statement No. 34, eligible infrastructure capital is not required to be depreciated if all requirements are met.

The Tank Assessment Index (TAI) established by the District is 5.0. The current average TAI is well above the established index, increasing to 8.63 in 2011 from 8.54 in 2010. The current lowest TAI is 5.9, and the highest is 10.0. There is no significant difference between the estimated and actual amounts to maintain and preserve infrastructure assets at target condition during the current period.

Additional details regarding capital assets and the modified approach can be found in note 4 to the basic Financial Statements and in note 2 of the Required Supplementary Information.

Debt Administration

The District has three bond issues outstanding: the Reassessment District 96-1 Limited Obligation Improvement Bond, the 2006 Water Revenue Refunding Bonds, and the 2009 Water Revenue Bonds.

The District's outstanding bonded indebtedness as of June 30, 2011 is as follows:

Schedule of Bond Indebtedness

For Fiscal Year Ended 2011

Description	Year Issued	Total Bond Sold	Final Maturity Date	Interest Rate Range		Bonds Outstanding (Audited) As of June 30, 2011		
				From	To	Current	Long Term	Total
Special Assessment Debt with Government Commitment	2007	17,965,000	09/02/27	4.00%	5.000%	675,000	15,475,000	16,150,000
2006A Water Revenue Refunding Bonds	2006	38,940,000	06/01/28	3.00%	4.375%	1,345,000	30,650,000	31,995,000
2009 Water Revenue Bonds	2009	19,175,000	06/01/39	2.50%	5.000%	360,000	18,180,000	18,540,000

For the fiscal year ended June 30, 2011, the ratio of special assessment debt to total secured assessed value was 0.09% and the net Bonded Debt per Capita was \$227.67. The 2006A Water Revenue Refunding Bonds and the 2009 Water Revenue Bonds are rated "AA+" by Standard & Poor's and "AA+" by Fitch.

Additional details regarding long-term debt are located in note 7 to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The District is relatively mature at approximately 87% build-out. At an average growth of between 1-2% a year, the District anticipates slower but continued growth in the future.

The California drought had been declared over due to the increased water storage levels throughout the State and in the Colorado River basin as a result of an extremely wet winter and cool summer during the last twelve months. The long-term water supply shortage still persists.

The increased cost of imported water has prompted the District to begin significant investments to diversify its water supply by increasing its local supply through recycling and conducting planning and well testing for a future brackish water treatment plant. Diversification of the District's water supply is important in order to reduce its reliance on the imported water supply from the San Diego County Water Authority. This type of investment will provide more reliable supplies at more predictable prices. Keeping the District's financial position strong will be critical in the future as increased capital spending is to be expected.

The District has had large water rate increases in the past few years and has been successful in keeping its sewer rates the same in the same period. Large water rate increases have been necessary to maintain margins in the face of a double digit cost increase for its imported water supply by the San Diego County Water Authority and Metropolitan Water District of Southern California.

Several cost containment strategies have been implemented to mitigate pension and Other Post Employment Benefit (OPEB) burdens felt by government entities. By July 1, 2012, all OMWD employees will contribute 100% of the employee's portion (8%) of District's pension costs and the District will continue to offer minimum post retirement medical benefits.

In order to maintain its strong financial position and to provide significant funds available for the District's capital program in combination with continued large increases in water wholesale costs, planned rate increases in the next five years are expected to be between 7%-9% through 2014.

The Board's support for raising revenues by adopting the pass through ordinance (for a five year period until 2014), and its revenue and debt management policy, has helped reduce revenue and expense volatility and contributes to the District's strong financial condition.

The District continues to seek ways to improve business processes and employee productivity through investment in technology to achieve the lowest cost of service possible.

Contacting the District's Financial Management

This financial report is designed to provide the District's rate payers, bond investors and other interested parties with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Olivenhain Municipal Water District's Finance Department at 1966 Olivenhain Road, Encinitas, California 92024, call the District (760) 753-6466, or send inquires to our website at www.omwd.com.

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Statement of Net Assets

June 30, 2011 and 2010

Assets

	2011	2010
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 16,420,315	\$ 28,880,917
Investments	29,766,346	19,546,151
Accounts receivable - water and sewer, net	7,003,182	6,717,168
Interest receivable	125,229	79,967
Taxes and assessments receivable	1,472	30,142
Other receivables	342,330	115,675
Inventories	834,676	801,337
Prepaid expenses and deposits	372,090	88,778
Total unrestricted assets	54,865,640	56,260,135
Restricted assets:		
Cash and cash equivalents	20,938,210	28,071,119
Investments	11,340,936	8,371,656
Interest receivable	-	5,063
Taxes and assessments receivable	281,615	350,388
Grants receivable	12,892	196,211
Other receivables	10,000	-
Prepaid expenses	1,050	1,913
Total restricted assets	32,584,703	36,996,350
Total current assets	87,450,343	93,256,485
Noncurrent assets:		
Capital assets, nondepreciable	40,370,005	39,028,552
Capital assets, depreciable/amortizable, net	307,229,652	307,873,445
Capital assets, net	347,599,657	346,901,997
Prepaid PERS Contribution	849,130	-
Unamortized debt issuance costs	1,840,651	2,193,673
Total noncurrent assets	350,289,438	349,095,670
Total assets	437,739,781	442,352,155

See accompanying independent auditors' report and notes to basic financial statements..

Continued

Liabilities	2011	2010
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	\$ 5,303,926	\$ 5,482,186
Accrued payroll	337,863	304,993
Customer deposits	1,011,092	709,734
Payable related to work in progress	288,446	171,900
Compensated absences, current portion	599,000	590,000
Current portion of long-term debt:		
Water Revenue Bonds	360,000	345,000
Water Revenue Refunding Bonds	1,345,000	1,290,000
Certificates of Participation	-	500,000
Special Assessment Debt with Government Commitment	675,000	645,000
Total liabilities payable from unrestricted assets	9,920,327	10,038,813
Liabilities payable from restricted assets:		
Accounts payable	91,612	1,423,793
Interest payable	425,234	442,391
Construction deposits	45,040	45,040
Total liabilities payable from restricted assets	561,886	1,911,224
Total current liabilities	10,482,213	11,950,037
Noncurrent liabilities:		
Compensated absences	347,254	281,370
Deferred revenue	150,000	-
Other post employment benefit obligations	132,984	150,030
Long-term debt, excluding current portion:		
Water Revenue Bonds	18,562,760	18,936,269
Water Revenue Refunding Bonds	30,420,496	31,751,930
Certificates of Participation	-	7,900,000
Special Assessment Debt with Government Commitment	15,520,274	16,198,074
Total noncurrent liabilities	65,133,768	75,217,673
Total Liabilities	75,615,981	87,167,710
Net Assets		
Invested in capital assets, net of related debt	293,872,403	286,610,326
Restricted for:		
Debt service	4,294,251	4,393,352
Construction	14,572,290	13,417,172
Total restricted	18,866,541	17,810,524
Unrestricted	49,384,856	50,763,595
Total net assets	\$ 362,123,800	\$ 355,184,445

See accompanying independent auditors' report and notes to basic financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets

For the years ended June 30, 2011 and 2010

	2011	2010
Operating Revenues:		
Water sales	\$ 33,184,036	\$ 32,982,238
Sewer charges	3,835,655	4,053,951
Other water operating revenues	1,698,694	1,402,552
Total operating revenues	38,718,385	38,438,741
Operating Expenses		
Cost of purchased water sold	16,628,256	16,174,616
Pumping and water treatment	3,075,157	3,168,594
Transmission and distribution	3,005,713	3,297,681
Sewer collection and treatment	1,561,798	1,652,561
Elfin Forest recreation operations	142,843	44,260
Facilities maintenance	835,008	660,740
Customer services	1,061,198	1,207,371
General and administrative	4,130,195	3,764,172
Depreciation and amortization	11,737,739	10,520,489
Total operating expenses	42,177,907	40,490,484
Operating income (loss)	(3,459,522)	(2,051,743)
Nonoperating Revenues (Expenses)		
Investment income	490,879	433,991
Property taxes	2,747,001	2,866,424
Capacity charges	1,536,719	811,782
Benefit assessments	1,598,284	1,593,028
Other nonoperating revenues	38,401	428,793
Interest expense, net	(2,154,079)	(2,234,478)
Other nonoperating expenses	(794,860)	(961,275)
Total nonoperating revenues (expenses)	3,462,345	2,938,265
Income before capital contributions	2,823	886,522
Capital contributions	6,936,532	21,794,139
Change in net assets	6,939,355	22,680,661
Net Assets, Beginning of year	355,184,445	332,503,784
Net Assets, End of year	\$ 362,123,800	\$ 355,184,445

See accompanying independent auditors' report and notes to basic financial statements.

Statements of Cash Flows

For the years ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Receipts from water and sewer customers	\$ 38,680,393	\$ 38,143,599
Payments for water	(16,422,249)	(15,581,214)
Payments for services and supplies	(9,152,616)	(5,671,945)
Payments for employee wages, benefits, and related costs	(7,211,078)	(6,866,700)
Net cash provided by operating activities	5,894,450	10,023,740
Cash Flows From Noncapital and Related Financing Activities		
Property taxes and benefit assessments received	4,442,728	4,447,382
Net cash provided by noncapital & related financing activities	4,442,728	4,447,382
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(10,757,916)	(9,372,742)
Proceeds from capital contributions	5,863,044	13,567,882
Construction deposits and reimbursements received	-	21,157
Proceeds from issuance of debt	-	19,207,750
Principal paid on bonds and certificates of participation	(10,680,000)	(2,690,000)
Interest paid on bonds and certificates of participation	(3,016,695)	(2,733,602)
Capacity charges received	1,536,719	811,782
Proceeds from sale of capital assets	7,850	30,200
Other capital financing receipts	30,550	412,482
Other capital financing expenses paid	(216,050)	(113,577)
Net cash provided (used) by capital and related financing activities	(17,232,498)	19,141,332
Cash Flows From Investing Activities		
Net change in investments	(13,208,541)	(3,893,285)
Investment income received	510,350	518,189
Net cash provided (used) by investing activities	(12,698,191)	(3,375,096)
Net increase (decrease) in cash and cash equivalents	(19,593,511)	30,237,358
Cash and cash equivalents, beginning of year	56,952,036	26,714,678
Cash and cash equivalents, end of year	\$ 37,358,525	\$ 56,952,036
Financial Statement Presentation		
Cash and cash equivalents	16,420,315	28,880,917
Cash and cash equivalents - restricted assets	20,938,210	28,071,119
Total cash and cash equivalents	\$ 37,358,525	\$ 56,952,036

See accompanying independent auditors' report and notes to basic financial statements.

Continued

	2011	2010
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (3,459,522)	\$ (2,051,743)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	11,737,739	10,520,489
Changes in operating assets and liabilities:		
Receivables	(339,350)	(775,640)
Inventories	(61,009)	127,728
Prepaid expenses and deposits	(1,131,579)	70,225
Accounts payable	(1,393,895)	1,582,650
Accrued payroll and compensated absences	107,754	85,841
Other post employment benefit obligations	(17,046)	(16,308)
Deferred Revenue	150,000	-
Customer deposits	301,358	480,498
Net cash provided by operating activities	<u>\$ 5,894,450</u>	<u>\$ 10,023,740</u>
Noncash Investing and Financing Activities:		
Customer contributions of capital assets	<u>\$ 1,073,488</u>	<u>\$ 8,226,257</u>
Amortization of debt issuance costs, deferred amount on refunding, and premiums	<u>\$ 350,279</u>	<u>\$ 121,504</u>
Unrealized gains (losses) on investments	<u>\$ (19,066)</u>	<u>\$ 23,702</u>

See accompanying independent auditors' report and notes to basic financial statements.

Concluded

Notes to the Basic Financial Statements

For the years ended June 30, 2011 and 2010

1. Summary of Significant Accounting Policies

a. Organization

The Olivenhain Municipal Water District (District) is a governmental corporation governed by an elected five member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911. The District's 48 square mile service area lies in northern San Diego County and the majority of its sales are to domestic and business users. The District's offices are located in Encinitas, California.

The basic financial statements of the District include the blended financial activities of the District and the Olivenhain Municipal Water District Financing Corporation (Corporation).

The Corporation was formed in 1997 under the California Nonprofit Public Benefit Corporation Law. Its sole purpose is to assist the District in acquiring and financing various public facilities.

The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 4S Regional Recycled Water Fund, 4S 2002 Taxable Bond Fund, 2006 Water Revenue Refunding Bond Fund and 2009 Water Revenue Bond Fund. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub funds for the basic financial statements of the District.

b. 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. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The basic financial statements of the Olivenhain Municipal Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net assets of the District are classified into three components: (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) 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, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.

Restricted Net Assets

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 “invested in capital assets, net of related debt” or “restricted net assets”

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District’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. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Assets.

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

The District has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities 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.

c. Cash, Cash Equivalents and Investments

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District’s proportionate share of the fair value of each pool’s underlying portfolio.

State Investment Pool

The District participates in the California Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

Investment Valuation

Investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

d. Water Sales

Water sales revenue is recorded when service is rendered, including an estimated amount for unbilled service.

e. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2011 and 2010, have been reduced by an allowance for doubtful accounts of \$100,000 and \$100,000, respectively.

f. Inventories

Materials inventory is stated at the lower of current average cost or market. Water inventory is stated at its purchase cost using the first-in, first-out method.

g. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

h. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

i. Capital Assets, Depreciation and Amortization

Capital assets are valued at cost when constructed or purchased. Donated assets are valued at their estimated fair market value on the date accepted. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Treatment and distribution system	10–75 years
Non-steel tanks	10–60 years
General plant	3–40 years
Capacity Rights	17 years

The District is amortizing Capacity Rights and is reviewing it annually for impairment, and any impairment losses are recognized in the period in which the impairment is determined.

In September 2007, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for reporting the steel water storage tanks subsystem of infrastructure capital assets.

The detail of the subsystems is not presented in these basic financial statements. However, the operating departments maintain information regarding the subsystems.

Per GASB Statement No. 34 a condition assessment will be performed every three years on the steel tanks. The condition of the District’s steel water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual steel water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good).

It is the District’s policy to keep all the steel water storage tanks at a condition level of not less than 5.0 (satisfactory). All steel water storage tanks are inspected every two years and washed out every other year. Repairs are done on an as needed basis.

j. Capitalized Interest

Interest costs, less interest earned, on related borrowings are capitalized during the construction period of major capital asset additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset. Capitalized interest amounted to \$802,112 and \$557,200 for the years ended June 30, 2011 and 2010, respectively.

k. Debt Issuance Costs

Debt issuance costs are deferred and amortized over the term of the related debt.

l. Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes in compensated absences for the year ended June 30, 2011, were as follows:

Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
\$871,370	\$631,291	\$(556,407)	\$946,254

The current portion of compensated absences payable is \$599,000 and \$590,000 at June 30, 2011 and 2010 respectively.

m. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Assets.

n. Property Taxes

The County of San Diego (the “County”) bills and collects property taxes on behalf of the District. The County’s tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

o. Capacity Charges

Capacity charges are paid by new customers prior to connecting to the District’s system. Such charges are periodically adjusted based upon changes in construction costs and other factors, and are intended to compensate the District for a new customer’s equitable share of current and future system capacity. Capacity charges are, except in rare circumstances, nonrefundable and are recorded as nonoperating revenues when collected.

p. Use of Estimates

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

q. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2011 and 2010 are classified in the accompanying financial statements as follows:

	2011	2010
Statement of Net Assets:		
Current Assets:		
Cash and cash equivalents	\$ 16,420,315	\$ 28,880,917
Restricted cash and cash equivalents	20,938,210	28,071,119
Investments	29,766,346	19,546,151
Restricted investments	11,340,936	8,371,656
Total cash and investments	<u>\$ 78,465,807</u>	<u>\$ 84,869,843</u>
Cash and investments consist of the following:		
Cash on hand	\$ 1,481	\$ 1,500
Deposits with financial institutions	13,179,643	19,905,759
Investments	65,284,683	64,962,584
Total cash and investments	<u>\$ 78,465,807</u>	<u>\$ 84,869,843</u>

Investments Authorized by the California Government Code and the District’s Investment policy:

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’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 bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	50%	None
Banker's Acceptances	180 days	20%	3%
Commercial Paper	270 days	20%	\$1,000,000
Certificates of Deposit	3 years	30%	None
Repurchase Agreements	90 days	20%	None
Reverse Repurchase Agreements	90 days	10%	None
Medium-Term Notes	5 years	15%	None
Money Market Mutual Funds	N/A	20%	5%
Local Government Investment Pool	N/A	30%	None
LAIF	N/A	20%	\$20,000,000

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Disclosures Relating 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 of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District 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 to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2011.

Investment Type		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	\$ 6,100,872	\$ 6,100,872	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	16,857,105	16,857,105	-	-	-
Money Market Mutual Funds	1,227,233	1,227,233	-	-	-
U.S. Government Sponsored Entities	20,995,800	1,000,720	-	19,995,080	-
U.S. Treasury Obligations	20,103,673	15,519,578	2,486,595	2,097,500	-
Total	\$ 65,284,683	\$ 40,705,508	\$ 2,486,595	\$ 22,092,580	\$ -

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2010.

Investment Type		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	\$ 90,957	\$ 90,957	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	30,387,768	30,387,768	-	-	-
Money Market Mutual Funds	3,171,868	3,171,868	-	-	-
Medium Term Notes	1,006,100	1,006,100	-	-	-
Commercial Paper	998,580	998,580	-	-	-
U.S. Government Sponsored Entities	4,904,616	-	3,904,218	1,000,398	-
U.S. Treasury Obligations	24,402,695	14,290,391	8,041,210	2,071,094	-
Total	\$ 64,962,584	\$ 49,945,664	\$ 11,945,428	\$ 3,071,492	\$ -

Disclosures Relating to Credit Risk:

Generally, credit risk is 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 rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2011.

Investment Type		Min. Legal Rating	Rating as of Year End				Not Rated
			Exempt from Disclosure	AAA	AA	A	
Local Agency Investment Fund (LAIF)	\$ 6,100,872	N/A	\$ -	\$ -	\$ -	\$ -	\$6,100,872
California Asset Management Program	16,857,105	AA	-	16,857,105	-	-	-
Money Market Mutual Funds	1,227,233	A	-	1,227,233	-	-	-
U.S. Government Sponsored Entities	20,995,800	N/A	-	20,995,800	-	-	-
U.S. Treasury Obligations	20,103,673	N/A	20,103,673	-	-	-	-
Total	<u>\$ 65,284,683</u>		<u>\$ 20,103,673</u>	<u>\$ 39,080,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,100,872</u>

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2010.

Investment Type		Min. Legal Rating	Rating as of Year End				Not Rated
			Exempt from Disclosure	AAA	AA	A	
Local Agency Investment Fund (LAIF)	\$ 90,957	N/A	\$ -	\$ -	\$ -	\$ -	\$ 90,957
California Asset Management Program	30,387,768	AA	-	30,387,768	-	-	-
Money Market Mutual Funds	3,171,868	AAA	-	3,171,868	-	-	-
Medium Term Notes	1,006,100	A	-	-	1,006,100	-	-
Commercial Paper	998,580	A	-	-	-	998,580	-
U.S. Government Sponsored Entities	4,904,616	N/A	-	4,904,616	-	-	-
U.S. Treasury Obligations	24,402,695	N/A	24,402,695	-	-	-	-
Total	<u>\$ 64,962,584</u>		<u>\$ 24,402,695</u>	<u>\$ 38,464,252</u>	<u>\$ 1,006,100</u>	<u>\$ 998,580</u>	<u>\$ 90,957</u>

Concentration of Credit Risk:

The investment policy of the District contains various limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investment in any one issuer (other than U.S. Treasury securities, U.S. Government Sponsored Entities, money market mutual funds, and external investment pools) that represents 5% or more of the District's investments.

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 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 District'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 provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, \$3,639,278 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Local Agency Investment Fund (LAIF):

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

California Asset Management Program (CAMP):

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The District reports its investment in CAMP at the fair value amounts provided by CAMP, which is the same value of the pool share. At June 30, 2011 and 2010 the fair value approximated is the District's cost.

3. Net Assets**a. Restricted Net Assets**

Restricted net assets at June 30 consisted of the following:

	2011	2010
Net assets restricted for debt service		
Restricted Assets		
Cash	\$ 2,627,394	\$ 2,122,302
Investments	1,988,803	2,581,135
Interest receivable	-	5,063
Prepaid expenses	1,050	1,913
Taxes/assessments receivable	102,238	129,812
Total restricted assets for debt service	4,719,485	4,840,225
Less liabilities payable from restricted assets	(425,234)	(446,873)
Net assets restricted for debt service	<u>\$ 4,294,251</u>	<u>\$ 4,393,352</u>
Net assets restricted for construction		
Restricted Assets		
Cash	\$ 18,310,816	\$ 25,948,817
Investments	9,352,133	5,790,520
Grants receivable	12,892	196,212
Taxes/assessments receivable	179,378	220,576
Other receivable	10,000	-
Total restricted assets for construction	27,865,219	32,156,125
Less liabilities from restricted assets	(136,654)	(1,464,351)
Less: long-term debt attributable to unspent proceeds of debt	(13,156,275)	(17,274,602)
Net assets restricted for construction	<u>\$ 14,572,290</u>	<u>\$ 13,417,172</u>
Total restricted net assets	<u>\$ 18,866,541</u>	<u>\$ 17,810,524</u>

b. Unrestricted Net Assets

In addition to the restricted net assets, a portion of the unrestricted net assets have been reserved by management for the following purposes as of June 30:

	2011	2010
Capital replacement reserve	\$ 29,153,802	\$ 30,215,922
Rate stabilization reserve	7,840,285	7,954,650
Unreserved	12,390,769	12,593,023
	<u>\$ 49,384,856</u>	<u>\$ 50,763,595</u>

4. Capital Assets

Changes in capital assets for the year ended June 30, 2011, were as follows:

	Balance June 30, 2010	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 11,207,054	\$ -	\$ (6,700)	\$ -	\$ 11,200,354
Steel water storage tanks	16,600,774	236,370	-	-	16,837,144
Construction in progress	11,220,724	11,368,813	(10,257,030)	-	12,332,507
Total capital assets, not being depreciated	39,028,552	11,605,183	(10,263,730)	-	40,370,005
Capital assets, being depreciated/amortized:					
Treatment & distribution system	208,917,814	2,216,355	(466,193)	1,705,277	212,373,253
Capacity Rights	27,685,052	-	-	53,956	27,739,008
Non-steel tanks	31,189,376	1,501,458	(4,585)	-	32,686,249
General plant	127,273,796	7,567,548	(358,548)	(2,865,343)	131,617,453
Total capital assets, being depreciated/amortized	395,066,038	11,285,361	(829,326)	(1,106,110)	404,415,963
Accumulated depreciation/amortization:					
Treatment & distribution system	(47,605,610)	(4,924,616)	282,896	(102,315)	(52,349,645)
Capacity Rights	(421,012)	(1,631,706)	-	(5,770)	(2,058,488)
Non-steel tanks	(4,946,744)	(629,744)	4,170	-	(5,572,318)
General plant	(34,219,227)	(4,551,673)	350,845	1,214,195	(37,205,860)
Total accumulated depreciation/amortization	(87,192,593)	(11,737,739)	637,911	1,106,110	(97,186,311)
Total capital assets, being depreciated/amortized, net	307,873,445	(452,378)	(191,415)	-	307,229,652
Total capital assets, net	\$ 346,901,997	\$11,152,805	\$(10,455,145)	\$ -	\$347,599,657

Depreciation expense for depreciable capital assets was \$10,099,993 and \$10,099,477 for the years ended June 30, 2011 and 2010, respectively. Amortization expense for amortizable capital assets was \$1,637,746 and \$421,012 for the years ending 2011 and 2010, respectively.

Construction in progress consisted of the following at June 30:

	2011	2010
Jacob J. Krauss Storage & Maintenance Facility	\$ -	\$ 2,397,484
4S Wastewater Firehouse Pump Station	-	795,143
Unit AA Pipeline	4,201,488	2,356,899
DCM WTP LT2 Improvements	3,915,411	3,458,554
Other capital projects	4,215,608	2,212,644
Total construction in progress	\$ 12,332,507	\$ 11,220,724

5. Prepaid PERS Contribution

During the fiscal year, the District prepaid the accumulated PERS side fund liability resulting from risk pooling as of June 30, 2003, valued at \$943,478. This value was determined based on a valuation as of June 30, 2009. The prepayment is amortizable over a ten year period and will result in a decrease to the District's 2011/2012 PERS employer contribution rate of 2.136%. The amount amortizable during fiscal year 2011/2012 (\$94,348) is reported as current prepaid asset on the Statement of Net Assets. The balance of \$849,130 which will be amortizable in years after fiscal year 2011/2012 is shown as the non-current asset Prepaid PERS Contribution on the Statement of Net Assets.

6. Accounts Payable

Accounts payable to be paid from unrestricted current assets was as follows at June 30:

	2011	2010
Water purchases	\$3,384,774	\$3,178,767
Capital asset additions	556,105	1,312,901
Other	1,363,047	990,518
Total	<u>\$5,303,926</u>	<u>\$5,482,186</u>

Accounts payable, to be paid from restricted current assets was as follows at June 30:

	2011	2010
Capital asset additions	\$69,819	\$1,372,242
Other	21,793	51,551
	<u>\$91,612</u>	<u>\$1,423,793</u>

7. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2011 were as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
2002 Certificates of Participation	\$ 8,400,000	\$ -	\$(8,400,000)	\$ -	\$ -
Revenue Bonds:					
2009 Water Revenue Bonds Payable	18,885,000	-	(345,000)	18,540,000	360,000
Plus unamortized bond premiums	396,269	-	(13,509)	382,760	-
2006 Water Revenue Refunding Bonds Payable	33,285,000	-	(1,290,000)	31,995,000	1,345,000
Less unamortized deferred amount on refunding	(415,871)	-	23,212	(392,659)	-
Plus unamortized bond premiums	172,801	-	(9,646)	163,155	-
Revenue Bonds, net	<u>52,323,199</u>	-	<u>(1,634,943)</u>	<u>50,688,256</u>	<u>1,705,000</u>
2007 Reassessment 96-1 Limited Obligation Improvement Bonds	16,795,000	-	(645,000)	16,150,000	675,000
Plus original issue premium	48,074	-	(2,800)	45,274	-
2007 Reassessment 96-1 Limited Obligation Improvement Bonds, net	<u>16,843,074</u>	-	<u>(647,800)</u>	<u>16,195,274</u>	<u>675,000</u>
Total	<u>\$ 77,566,273</u>	<u>\$ -</u>	<u>\$(10,682,743)</u>	<u>\$ 66,883,530</u>	<u>\$ 2,380,000</u>

a. Variable Rate Subordinate Certificates of Participation Payable

On July 2, 2002, the Corporation issued Variable Rate Subordinate Water Revenue Certificates of Participation (taxable) Series 2002 (regional recycled water system) in the principal amount of \$13,950,000 under the terms of a trust agreement between the District, the Corporation, and the bond trustee (Trustee), a commercial trust company. The proceeds are to be used for the construction of a recycled water system, the establishment of reserve funds, and the payment of bond issuance costs.

The certificate holders will be paid principal and interest by the Trustee from funds received by the Corporation from the District under an installment agreement. The District has entered into ancillary agreements with the real estate developer (Developer) who owns the property within the District's service area that will be served by the recycled water facilities. Under the trust agreement and these ancillary agreements, the District will pay the Corporation the required installment payments from funds provided under a letter of credit or other credit facilities established by the Developer to fund the installment payments. Under the agreement with the Developer, the Developer will continue making the debt service payments until the recycled system's net operating revenues equal or exceed 120% of the actual operating costs plus the annual projected debt service on the certificates of participation for two consecutive years.

The District accounts for the Developer's debt service payments as capital contributions when they are paid to the Trustee. The certificates are subject to mandatory annual redemption beginning June 1, 2003 and ending at maturity on June 1, 2022. Interest is calculated weekly at a variable rate and paid monthly. The weekly interest rate is determined by the remarketer of the certificates based upon market rates. Interest expense on the certificates of participation for the years ended June 30, 2011 and 2010, amounted to \$35,329 and \$32,559, respectively.

A summary of the certificates follows:

Fiscal year maturities (varying amounts)	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
2010-2011	\$ 8,400,000	\$ -	\$(8,400,000)	\$ -

During the fiscal year ending June 30, 2011, the District and the Developer entered into an agreement whereby the Developer would prepay the outstanding principal of \$8,400,000, plus interest on the bonds, and the District would pay \$2,500,000 to the Developer in exchange for its obligation to pay the Developer up to \$4,235,000 in certain costs related to the recycled water system. Accordingly, the principal amount of the bonds and its related debt issuance costs have been removed from the statement of net assets.

b. 2006 Water Revenue Refunding Bonds Payable

On February 14, 2006, the Corporation issued Water Revenue Refunding Bonds Series 2006A in the principal amount of \$38,940,000 under the terms of a trust agreement between the District, the Corporation, and the bond trustee (Trustee), a commercial trust company. The proceeds were used to refund a portion of the District Water Revenue Certificates of Participation (Series 1997), to provide for a Reserve Fund surety, and to pay the costs of issuance incurred in connection therewith.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees.

The District has pledged a portion of the future net service revenue for the debt service payment of the bonds. The total principal and interest remaining to be paid on the bonds is \$45,362,758. For the current year, principal and interest paid on the bonds were \$2,672,301. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water Service which will be at least sufficient to yield, during each fiscal year net revenues equal to one hundred fifteen percent (115%) of the debt service on senior obligations for such fiscal year, and one hundred percent 100% of debt service on all obligations for such fiscal year. The District was in compliance with these rate covenants for the fiscal year ended June 30, 2011.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
4.000%	2011-2020	\$ 15,515,000	\$ -	\$ 1,290,000	\$ 14,225,000
4.100-4.375%	2021-2026	12,755,000	-	-	12,755,000
4.375%	2028	5,015,000	-	-	5,015,000
		<u>\$ 33,285,000</u>	<u>\$ -</u>	<u>\$ 1,290,000</u>	<u>\$ 31,995,000</u>

The Water Revenue Refunding Bonds outstanding at June 30, 2011, consisted of serial certificates which mature, annually from June 1, 2005 to June 1, 2026, and term certificates which mature on June 1, 2028. The serial bonds are callable by the Corporation at par plus a premium on or after June 1, 2006. The term bonds are subject to mandatory sinking fund redemption without premium.

Total certificates outstanding as of June 30, 2011, net of unamortized deferred amount on refunding and unamortized bond premiums were as follows:

Principal outstanding at June 30, 2011	\$ 31,995,000
Less unamortized deferred amount on refunding	(392,659)
Plus unamortized bond premium	163,155
Net bonds outstanding at June 30, 2011	<u>\$ 31,765,496</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,345,000	\$ 1,326,218	\$ 2,671,218
2013	1,395,000	1,272,251	2,667,251
2014	1,455,000	1,216,251	2,671,251
2015	1,510,000	1,157,868	2,667,868
2016	1,570,000	1,097,268	2,667,268
2017-2021	8,860,000	4,487,214	13,347,214
2022-2026	10,845,000	2,497,566	13,342,566
2027-2028	5,015,000	313,122	5,328,122
Total	<u>\$31,995,000</u>	<u>\$13,367,758</u>	<u>\$45,362,758</u>

c. 2009 Water Revenue Bonds Payable

On October 21, 2009, the District issued \$19,175,000 of 2009 Water Revenue Bonds which consisted of serial bonds and term bonds. The serial bonds mature annually from June 1, 2010 to June 1, 2028 and bear varying interest rates between 2.5% and 5.0%. The term bonds mature on June 1, 2031 to June 1, 2039 and bear varying interest rates between 4.5% and 5.00%. The Bonds maturing on or before June 2019 are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after June 2020 are subject to optional redemption on any date on or after June 2019 in whole or in part from redemption of the Installment Payments made at the option of the District pursuant to the Installment Purchase Contract at redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date without premium.

The District has pledged a portion of the future net service revenue for the debt service payment of the bonds. The total principal and interest remaining to be paid on the bonds is \$33,699,725. For the current year, principal and interest paid on the bonds were \$1,202,375. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water Service which will be at least sufficient to yield, during each fiscal year net revenues equal to one hundred fifteen percent (115%) of the debt service on senior obligations for such fiscal year, and one hundred percent 100% of debt service on all obligations for such fiscal year.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
3.00-4.00%	2011-2019	\$ 3,615,000	\$ -	\$345,000	\$ 3,270,000
4.00-5.00%	2020-2039	15,270,000	-	-	15,270,000
		<u>\$18,885,000</u>	<u>\$ -</u>	<u>\$345,000</u>	<u>\$18,540,000</u>

Total certificates outstanding as of June 30, 2011, net of unamortized bond premiums were as follows:

Principal outstanding at June 30, 2011	\$ 18,540,000
Plus unamortized bond premium	382,760
Net bonds outstanding at June 30, 2011	<u>\$ 18,922,760</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 360,000	\$ 843,575	\$ 1,203,575
2013	370,000	832,775	1,202,775
2014	385,000	817,975	1,202,975
2015	400,000	802,575	1,202,575
2016	415,000	789,575	1,204,575
2017-2021	2,325,000	3,691,850	6,016,850
2022-2026	2,890,000	3,132,000	6,022,000
2027-2031	3,605,000	2,412,500	6,017,500
2032-2036	4,515,000	1,504,150	6,019,150
2037-2039	3,275,000	332,750	3,607,750
Total	<u>\$18,540,000</u>	<u>\$15,159,725</u>	<u>\$33,699,725</u>

d. 2007 Reassessment District 96-1 Limited Obligation Improvement Bonds

In September 2007, the District issued Reassessment District 96-1 Limited Obligation Improvement Bonds, Series 2007 in the principal amount of \$17,965,000 pursuant to the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds. The Bonds were issued upon and secured by unpaid reassessments levied against certain property within the District's Reassessment District 96-1. The proceeds were used to refund the outstanding principal amount of the District's Assessment District 96-1, Limited Obligation Improvement Bonds, to fund a reserve fund for the Bonds, and to pay the costs of issuance incurred in connection therewith.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees. Installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills sent to owners of property against which there are unpaid reassessments.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
4-4.5%	2011-2022	\$10,730,000	\$ -	\$645,000	\$10,085,000
5.000%	2023-2027	6,065,000	-	-	6,065,000
		<u>\$16,795,000</u>	<u>\$ -</u>	<u>\$645,000</u>	<u>\$16,150,000</u>

The Limited Obligation Improvement Bonds outstanding at June 30, 2011, consist of serial certificates which mature annually from September 2, 2008, to September 2, 2022, and term certificates which mature on September 2, 2027.

Total certificates outstanding as of June 30, 2011, plus original issuance premium were as follows:

Principal outstanding at June 30, 2011	\$16,150,000
Plus unamortized bond premium	45,274
Net bonds outstanding at June 30, 2011	<u>\$16,195,274</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 675,000	\$ 709,634	\$ 1,384,634
2013	695,000	681,967	1,376,967
2014	725,000	653,167	1,378,167
2015	750,000	620,990	1,370,990
2016	785,000	589,355	1,374,355
2017-2021	4,435,000	2,404,864	6,839,864
2022-2026	5,490,000	1,262,071	6,752,071
2027-2028	2,595,000	88,125	2,683,125
Total	<u>\$ 16,150,000</u>	<u>\$ 7,010,173</u>	<u>\$ 23,160,173</u>

8. Capital Contributions

Capital contributions for the years ended June 30 were as follows:

	2011	2010
Contributions of capital assets	\$1,073,488	\$ 8,226,357
Contributions of cash	-	13,033,777
Federal grants	897	-
Contributions of debt service	5,862,147	534,005
Total	<u>\$6,936,532</u>	<u>\$21,794,139</u>

9. Inventories

Inventories at June 30 consisted of the following:

	2011	2010
Water inventory	\$ 156,683	\$ 173,418
Materials inventory	677,993	627,919
	<u>\$ 834,676</u>	<u>\$ 801,337</u>

10. Defined Benefit Pension Plan

a. Plan Description

The District's defined benefit pension plan, Miscellaneous Plan for Olivenhain Municipal Water District (District's Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The District's Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions, as well as other requirements, are established by State statutes within the Public Employees' Retirement Law. The District's Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

b. Funding Policy

District employees are required to contribute 8% of their annual covered salary of which the District pays 5% on behalf of the employees. During Fiscal Year 2011, District managers and supervisors paid 5.5% of the employee contribution. 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 the years ended June 30, 2011 and 2010 was 11.680% and 11.118%, respectively. 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.

c. Annual Pension Cost

For the year ended June 30, 2011, the District's annual pension cost was \$849,336 and was funded. The required contribution for fiscal year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age actuarial cost method with the contributions determined as a level percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, and (c) 3.25% payroll growth. Both (a) and (b) include an inflation component of 3.00%.

The District's Plan unfunded actuarial accrued liability (or excess assets) is amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-year trend information for the District Plan is as follows:

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
6/30/2009	\$816,352	100%	\$ -
6/30/2010	798,080	100%	\$ -
6/30/2011	849,336	100%	\$ -

d. Funding Status

As of June 30, 2004, the District's miscellaneous plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

11. Other Post Employment Benefits**a. Plan Description**

The District administers two single-employer defined benefit healthcare plans: the Retired Employee Health Plan (REHP) and the Retired Board Member Health Plan (RBMHP). As of the June 30, 2011 actuarial valuation, there are 78 members in REHP and 1 retired board member in RBMHP. Separately issued audited financial statements are not available for either plan.

The REHP defined benefit plan is based on the District's Administrative and Ethics Code Article 5 which states that the District will contribute a flat fee of \$1.00/month/calendar year of service toward the monthly health insurance premiums exclusively between ages 55 to 65. Retiring employees must have completed a minimum of 5 years of District service to qualify for this program. The retiree is responsible for the balance of the monthly premium to the District. This program benefit must be coordinated with COBRA rights.

The RBMHP provides a lifetime health and dental insurance coverage plan to eligible former Directors and their dependents as permitted under California Government Code Section 53200 et. seq., which provides that the District may continue to pay medical benefits for retired Board members with at least 12 years of service, provided their term of office began before January 1, 1995. If a retired Board Director chooses to discontinue health benefits, the District shall not reinstate the benefit at a later date. Retired Board members whose term of office commenced on or after January 1, 1995, must pay for their own medical benefits regardless of their years of service.

b. Funding Policy**REHP:**

The District will contribute \$1.00/month/calendar year of service for retired employee between ages 55 to 65 if the retired employee is under either the COBRA plan or Kaiser Health Insurance Plan (“Kaiser”). The Retired employee will be responsible to pay for the remaining balance of the COBRA or Kaiser. The District does not make any contribution for eligible retired employees that use other health insurance plans. Thus if the employee retires at least at age 53 1/2 and stays with COBRA for 18 months then the employee is still eligible to participate in the REHP.

REHP Benefit provisions are established and amended through negotiations between the District and the employee associations, known as the Bargaining Unit Members Association (BUMA) and the Olivenhain Municipal Water District Employees Association (OMWDEA). The next negotiation will take place in the second half of 2013 and will be effective as of January 1, 2014.

RBMHP:

The District will provide former Board of Directors and their eligible dependents with full coverage of medical and vision benefits if the Directors have at least 12 years of service and their term of office began before January 1, 1995. As of the June 30, 2011 actuarial valuation, the District had 1 (one) retired Director who is eligible for this plan. All types of health insurance plans that are currently offered through ACWA, a community rated plan, as well as the Kaiser Health Insurance Plan are available for their choice. RBMHP benefits cease upon the death of the retiree and are not extendable to living dependents.

RBMHP Benefit provisions are established based on California Government Code Section 53200. RBMHP can be amended from time to time by the Board of Directors of the District.

c. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The RBMHP is closed to new entrants. Therefore, there is no minimum amortization period.

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

	REHP	RBMHP	Total
Annual Required Contribution (ARC)	\$ 7,576	\$ 6,651	\$ 14,227
Interest on net OPEB obligation	996	4,255	5,251
Adjustment to Annual Required Contribution (ARC)	(1,813)	(22,021)	(23,834)
Annual OPEB cost	6,759	(11,115)	(4,356)
Contributions made	-	(12,690)	(12,690)
Increase (decrease) in net OPEB obligation	6,759	(23,805)	(17,046)
Net OPEB obligation - beginning of year	28,471	121,559	150,030
Net OPEB obligation - end of year	<u>\$ 35,230</u>	<u>\$ 97,754</u>	<u>\$ 132,984</u>

Three-year trend information for the District Plan is as follows:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Years 2011, 2010 and 2009 were as follows:

	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2011			
The Retired Employee Health Plan	\$ 6,759	0.00%	\$35,230
The Retired Board Member Health Plan	(11,115)	100.00%	97,754
	<u>\$ (4,356)</u>		<u>\$ 132,984</u>
2010			
The Retired Employee Health Plan	\$6,908	0.00%	\$28,470
The Retired Board Member Health Plan	(168)	100.00%	121,560
	<u>\$ 6,740</u>		<u>\$ 150,030</u>
2009			
The Retired Employee Health Plan	\$8,271	0.00%	\$21,563
The Retired Board Member Health Plan	51,144	34.66%	144,775
	<u>\$ 59,415</u>		<u>\$ 166,338</u>

d. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The District plans to fund this obligation on a Pay-As-You-Go basis due to minimal financial impact of the obligation. The total actuarial liability for benefits was \$91,166, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$91,166. The covered payroll (annual payroll of active employees covered by the plan) was \$5,396,238, and the ratio of the UAAL to the covered payroll was 2 percent.

	The Retiree Health Plan	The Retired Board Member Health Plan	Total
Actuarial Accrued Liability (AAL)	\$ 55,723	\$ 35,443	\$ 91,166
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 55,723</u>	<u>\$ 35,443</u>	<u>\$ 91,166</u>
Funded ratio (actuarial value of plan assets or AAL)	0%	0%	0%
Covered payroll (active plan members)	\$ 5,396,238	-	\$ 5,396,238
UAAL as a percentage of covered payroll	1%	0%	2%

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 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.

e. Actuarial Methods and Assumptions

An alternative measurement method allowed under GASB 45 for employers with fewer than 100 plan members was used in this actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include 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 reflect a long-term perspective, and are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

REHP:

Cost Method - in the June 30, 2011, actuarial valuation, the Entry Age actuarial Cost Method Level Dollar was used.

Amortization Method - The REHP's Unfunded Actuarial Accrued Liability is being amortized as a Level Normal Dollar on an open basis. As of the June 30, 2011 actuarial valuation, the amortization period for the plan was 22 years.

Rate - the actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), a 4.0% annual inflation rate and a 4% projected payroll growth rate.

Healthcare Cost Trend Rate - A healthcare cost trend rate is not applicable to this plan since the District will contribute a set dollar amount rather than an estimate of future costs.

Retirement age for active employees - active plan members were assumed to be at age 55 which is the age used in CalPERS pension calculations for the District (2.5% at 55). Active employees age 55 or older are assumed to retire in the first projected year. For active employees who start their service with the District at age 55 or older, they are assumed to retire in five years after their date of entry.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Eligibility - a plan member is eligible for REHP if they have a minimum 5 years of service AND at least age 55 (with or without COBRA) OR at least age 53 1/2 with 18 months continuous COBRA coverage when they reach their actual or assumed retirement age.

RBMHP:

Cost Method - in the June 30, 2011 actuarial valuation, the Entry Age Actuarial Cost Method Level Dollar was used.

Rate - the actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses) and a 4% annual inflation rate.

Amortization Method - The RBMHP's Unfunded Actuarial Accrued Liability is being amortized as a Level Normal Dollar on a closed basis. Since the RBMHP is only offered to Directors who started their term at the District prior to January 1, 1995, this plan is not open to new entrants. As of the June 30, 2011 actuarial valuation, the amortization period for the plan is six years.

Healthcare Cost Trend Rate - the District assumed that healthcare costs will increase at 10 percent in the first three years and then decreasing to 5.5 percent in year 4 and remaining at that level.

Health Insurance Premium - the health insurance premium for medical and vision as of June 30, 2011 was used as the basis for calculation of the present value of total benefits to be paid. The District assumed that the plan members will have the same health insurance coverage throughout their retirement. The retired Board members participate in ACWA and Kaiser plans.

Each participating employer in the same geographic region pays the same premium rates and is covered by the same plans. The premium rates reflect the projected health claims experience of all participating employers rather than

that of any single participating employer and the insurer or provider organization charges the same unadjusted premium for both active employees and retirees.

Life Expectancy - plan members' life expectancy is derived from Life Table for Male (Table 2) and Female (Table 3) available on the Center for Disease Control Website http://www.cdc.gov/nchs/data/nvsr/nvsr58/nvsr58_21.pdf based on the 2006 US Population. The spouse of a plan member will no longer be covered under the plan when the plan member reaches his/her life expectancy.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws. Commercial insurance expense amounted to \$194,466 and \$227,552 for the years ended June 30, 2011 and 2010, respectively.

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a riskpooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to \$114,512 and \$100,516 for the years ended June 30, 2011 and 2010, respectively.

There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

Real and Personal Property and Mobile Equipment: For Real and Personal Property maximum replacement no more than 125% of value shown in Statement of Value. For Mobile Equipment with a value greater than \$25,000, maximum replacement 125% of value shown in Statement of Value. Limits of insurance vary from \$1,000 per occurrence to \$3,000,000 per occurrence, with deductibles between \$500 to \$1,000 per occurrence. Limit of insurance for equipment breakdown is \$25,000,000.

Employee Dishonesty Coverage: \$250,000 limit with \$250 deductible per occurrence.

Forgery or Alteration Coverage: \$250,000 limit with \$250 deductible per occurrence.

Theft, Disappearance and Destruction Coverage: \$250,000 limit with \$250 deductible per occurrence for both inside and outside.

Computer Fraud Coverage: \$250,000 limit with \$250 deductible per occurrence.

Bodily Injury and Property Damage, Personal Injury and Advertising Injury, Professional Liability, Wrongful Acts, Employee Benefits Liability, and Employee Practices Liability Coverage: \$1,000,000 limit with \$3,000,000 aggregate coverage for each. Professional Liability and Wrongful Acts Liability are subject to a \$2,500 deductible per claim. Additionally, the District carries a \$10,000,000 Excess Liability Policy that is in full effect.

Damage to Premises Rented to the District: \$1,000,000 limit for any one premise.

Auto Coverage: \$1,000,000 liability limit, \$5,000 auto medical payment limit and \$1,000,000 uninsured motorist limit per accident with deductibles ranging from \$25 to \$500. Comprehensive and Collision limits are the actual cash value or cost of repair with deductibles of \$2,000 for comprehensive and \$2,000 for collision.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage, effective July 1, 2010.

13. Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District continues to offset its potable water consumption used for irrigation with recycled water through expansion of its recycled water system. The imported water supply shortage drives the need to diversify water supplies by developing alternative water sources locally to reduce reliance on potable water from SDCWA.

14. Segment Information

a. Identification

The District's identifiable activities are generally distinguished as water, sewer and recycled activities. The District's 4S recycling activity, which would otherwise be considered as water activities, is reported as a segment because of the pledge of the revenues of the 4S regional recycled water system as described in note 7a.

The District's water activities include its water and recycled water operations except for 4S recycling operations described in the next paragraph. The District accounts for water activities in the various self balancing groups of accounts as described in note 1a.

The District's sewer activities include sewer collection and treatment costs from the 4S Ranch Sanitation District and Rancho Cielo Sanitation District operations. The sewer activities are part of the 4S water reclamation facility. The District accounts for its sewer activities in its sewer sub funds.

The District accounts for its 4S recycling operations in its 4S Regional Recycled Water and 4S 2002 Taxable Bond sub funds to comply with the 4S Kelwood-Olivenhain Municipal Water District Wastewater and Recycled Water Agreement.

b. Condensed Statement of Net Assets

	2011			
	Water	Sewer	4S Recycling	Total
Current assets	\$ 45,103,588	\$10,129,985	\$ 481,194	\$ 55,714,767
Restricted assets (current)	32,451,003	133,703	-	32,584,706
Capital assets, net	278,856,816	52,145,699	16,597,142	347,599,657
Other noncurrent assets	1,840,651	-	-	1,840,651
Total assets	358,252,058	62,409,387	17,078,336	437,739,781
Current liabilities	(9,553,362)	(334,864)	(32,101)	(9,920,327)
Current liabilities payable				
from restricted assets	(561,886)	-	-	(561,886)
Compensated absences, long-term	(347,254)	-	-	(347,254)
Deferred revenue	(150,000)	-	-	(150,000)
Other post employment benefit obligations	(132,984)	-	-	(132,984)
Long-term debt	(64,503,530)	-	-	(64,503,530)
Total liabilities	(75,249,016)	(334,864)	(32,101)	(75,615,981)
Invested in capital assets, net of related debt	225,129,562	52,145,699	16,597,142	293,872,403
Restricted	18,732,838	133,703	-	18,866,541
Unrestricted	39,140,641	9,795,121	449,094	49,384,856
Net assets	\$283,003,041	\$62,074,523	\$17,046,236	\$362,123,800

c. Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	2011			
	Water	Sewer	4S Recycling	Total
Water sales and sewer charges	\$ 32,481,865	\$ 3,835,656	\$ 702,170	\$ 37,019,691
Other operating revenues	1,694,226	-	4,468	1,698,694
Total operating revenues	34,176,091	3,835,656	706,638	38,718,385
Depreciation	(9,938,837)	(1,439,417)	(359,485)	(11,737,739)
Other operating expenses	(27,676,555)	(2,221,352)	(542,261)	(30,440,168)
Total operating expenses	(37,615,392)	(3,660,769)	(901,746)	(42,177,907)
Operating income (loss)	(3,439,301)	174,887	(195,108)	(3,459,522)
Nonoperating revenues (expenses):				
Investment income	413,878	69,204	7,797	490,879
Property taxes & benefit assessments	4,271,466	73,819	-	4,345,285
Capacity charges	1,536,719	-	-	1,536,719
Interest expense, net	(2,125,201)	-	(28,878)	(2,154,079)
Other nonoperating revenues (expenses), net	(476,175)	-	(280,284)	(756,459)
Nonoperating revenues	3,620,687	143,023	(301,365)	3,462,345
Income before contributions & transfers	181,386	317,910	(496,473)	2,823
Capital Contributions	1,067,146	-	5,869,386	6,936,532
Transfers in (out)	(22,634)	(500,000)	522,634	-
Change in net assets	1,225,898	(182,090)	5,895,547	6,939,355
Net assets, beginning of year	281,777,143	62,256,613	11,150,689	355,184,445
Net assets, end of year	\$283,003,041	\$ 62,074,523	\$ 17,046,236	\$ 362,123,800

d. Condensed Statements of Cash Flows

	2011			
	Water	Sewer	4S Recycling	Total
Net cash and cash equivalents provided (used) by:				
Operating activities	\$ 4,218,255	\$ 1,554,698	\$ 121,497	\$ 5,894,450
Noncapital & related financing activities	4,340,238	102,490	-	4,442,728
Capital & related financing activities	(13,387,997)	(1,454,835)	(2,389,666)	(17,232,498)
Investing activities	(10,956,549)	(2,471,961)	730,319	(12,698,191)
Net change in cash and cash equivalents	(15,786,053)	(2,269,608)	(1,537,850)	(19,593,511)
Cash and cash equivalents, beginning of year	49,484,291	5,850,280	1,617,465	56,952,036
Cash and cash equivalents, end of year	\$ 33,698,238	\$ 3,580,672	\$ 79,615	\$ 37,358,525

15. Commitments and Contingencies

a. Contracts

The District has entered into contracts for the engineering and construction of additions to capital assets. Unfulfilled commitments under open contracts as of June 30, 2011, are summarized as follows:

Total open contracts	\$35,577,758
Less costs incurred as of June 30, 2011	(9,669,956)
Remaining contractual commitments	<u>\$25,907,802</u>

b. Litigation

Management is of the opinion that there are no legal litigations that would have a material effect on the basic financial statements.

16. Subsequent Events

In August 2011, Standard & Poor's downgraded the AAA rating of the United States government and all federally backed agencies to AA+. Moody's Investor Service continues to hold its rating of AAA. All securities held by the District are affected by the downgrade, however the underlying value of the securities has not been affected and interest payments continue to be received as scheduled.

Required Supplementary Information

For the years ended June 30, 2011, 2010, and 2009

1. Schedule of Funding Progress

Other Post Employment Benefits (OPEB)

The Retired Employee Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2009	-	\$56,768	\$56,768	-	\$5,112,260	1.11%
6/30/2010	-	52,286	52,286	-	5,190,532	1.01%
6/30/2011	-	55,723	55,723	-	5,396,238	1.03%

The Retired Board Member Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2009	-	\$554,227	\$554,227	-	-	0.00%
6/30/2010	-	116,336	116,336	-	-	0.00%
6/30/2011	-	35,443	35,443	-	-	0.00%

2. Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2007, the District commissioned a study of the physical condition assessment of the steel water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned the physical characteristics of a new tank. During fiscal year 2010/2011 inspections on the various tanks occurred between July 2010 and June 2011. During fiscal year 2009/2010 inspections on the various tanks occurred between August 2009 and June 2010.

The following conditions were defined:

Condition	TAI Range
Very Good	9.0–10.0
Good	7.0–8.9
Satisfactory	5.0–6.9
Sub Standard	3.0–4.9
Unacceptable	1.0–2.9

The District policy is to achieve a minimum average rating of 5.0 for all tanks which is a satisfactory rating. As of June 30, 2011, 2010 and 2009, the District’s steel water storage tanks were rated as follows:

Tank #	Name	Size (Gallons)	Type	TAI		
				FY 10/11	FY 09/10	FY 08/09
1	Palms #2 Tank	1,200,000	Ground Storage	6	6.3	6.5
2	Zorro Tank	1,200,000	Ground Storage	8.8	9.1	9.3
3	Wiegand Tank	1,000,000	Ground Storage	8.8	9	9.2
4	Peay Tank	10,000,000	Ground Storage	5.9	6.3	6.5
5	Denk Tank	10,000,000	Ground Storage	10	9.3	10
6	4S Tank	10,000,000	Ground Storage	10	10	6.6
7	Cielo Tank	1,000,000	Ground Storage	10	10	8.6
8	Roger Miller Tank	8,000,000	Ground Storage	9.4	7.9	8.6
9	Thelma Miller Tank	1,000,000	Ground Storage	8.8	9	9.1

The District expensed \$1,427,699 and \$456,864 on the steel water storage tanks maintenance for the fiscal year ended June 30, 2011 and 2010, respectively. These expenses delayed deterioration, however the overall condition of the steel water storage tanks was not improved through these maintenance expenses. The District has estimated that the amount of annual expenses required to maintain the District’s steel water storage tanks at the average TAI rating of 5.0 through the year 2011 is a minimum of \$1,427,699. A schedule of actual expenses to maintain and preserve the steel water storage tanks at the current level is presented below:

Tank #	Name	Maintenance Expenses					
		2011		2010		2009	
		Budget	Actual	Budget	Actual	Budget	Actual
1	Palms #2 Tank	\$ 69,896	\$69,896	\$ 18,395	\$18,395	\$ 18,395	\$18,395
2	Zorro Tank	23,569	23,569	23,570	23,570	23,570	23,570
3	Wiegand Tank	18,605	18,605	17,705	17,705	17,705	17,705
4	Peay Tank	321,796	321,796	93,755	93,755	93,755	93,755
5	Denk Tank	332,008	332,008	99,400	99,400	99,400	99,400
6	4S Tank	313,035	313,035	94,200	94,200	94,200	94,200
7	Cielo Tank	46,921	46,921	7,955	7,955	7,955	7,955
8	Roger Miller Tank	282,593	282,593	83,210	83,210	83,210	83,210
9	Thelma Miller Tank	19,276	19,276	18,674	18,674	18,674	18,674
	Total	\$1,427,699	\$1,427,699	\$456,864	\$456,864	\$456,864	\$456,864

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Statistical Section



Kids were intrigued by the science of generating a clean, reliable water supply at the David C. McCollom Water Treatment Plant.

Statistical Section

Government Accounting Standards Board (GASB) Statement No. 44 “Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)” requires that statistical information be presented as part of the Comprehensive Annual Financial Report.

Contents

Table No.

Financial Trends

I-II

These tables show the current and historical financial trends regarding the nature of investments and ownership during the reporting period to assess the liquidity and financial strength of the District.

Net Assets is the accumulated value of the District’s assets less liabilities. Changes in Net Assets (Total Revenue less Total Expenses) measures the success of the District’s operations during the reporting period and its ability to meet its financial commitments.

Revenue Capacity

III-IX

These tables provide more detailed information about the District’s revenues and expenses. Tables presented in this section show the District’s activities during the reporting year broken down by sources to provide the reader with more information in assessing the District’s financial health over the reporting period. These tables can also be used to assess whether or not the District has successfully recovered all of its costs through its users fees and other charges.

The District’s user rates and charges are established by the Board of Directors and are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. The District is in compliance with Article XIII D of the California State Constitution and Proposition 218 Omnibus Implementation Act.

While the District does not assess a special tax rate, it receives a proportionate amount of ad-valorem tax as established by Proposition 13. The District levies and collects a special assessment through the San Diego County Tax Assessor office for Reassessment District 96-1 bonds.

Debt Capacity

X-XIII

These tables provide information on the District’s ability to issue additional debts in the future.

Demographic and Economic Information

XIV-XV

Tables presented in this section will help the reader assess the District’s community profile. Since the District’s service area overlaps between several major cities and include an unincorporated area, statistical information included in these tables represent the San Diego County economic data as a whole. Demographic and Economic data presented have been collected from reasonably accurate sources, however, they should not be relied on in connection with any issuance of bonds.

Operating Information

XVI-XVII

Tables presented contain internal information about the District’s water, recycled water, and sewer operations to measure operational efficiency.

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Table I - Net Assets by Component Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Primary government										
Invested in capital assets, net of related debt	293,872,403	286,610,326	279,366,040	254,257,148	238,629,147	209,012,566	176,730,901	156,064,397	131,775,179	107,226,831
Restricted	18,866,541	17,810,524	19,217,593	20,789,011	16,762,040	17,750,420	12,295,961	15,184,737	22,789,912	37,099,088
Unrestricted	49,384,856	50,763,595	33,920,151	29,178,060	28,477,162	18,938,554	17,742,042	18,621,010	22,518,908	13,074,578
Total Net Assets	\$362,123,800	\$355,184,445	\$332,503,784	\$304,224,219	\$283,868,349	\$245,701,540	\$206,768,904	\$189,870,144	\$177,083,999	\$157,400,497

Source: Olivenhain Municipal Water District.

Table II - Changes in Net Assets Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Revenues										
Water sales	\$ 33,184,036	\$ 32,982,238	\$ 31,225,792	\$ 29,998,376	\$ 28,917,367	\$ 25,441,872	\$ 21,941,887	\$ 21,673,202	\$ 20,991,527	\$ 21,063,893
Sewer charges	3,835,655	4,053,951	3,429,002	2,889,643	2,937,363	2,274,325	1,692,483	1,492,686	1,164,738	886,236
Other water operating revenues	1,698,694	1,402,552	1,084,088	711,067	1,524,153	1,441,483	1,462,634	1,132,823	1,106,585	391,056
Total operating revenues	38,718,385	38,438,741	35,738,882	33,599,086	33,378,883	29,157,680	25,097,004	24,298,711	23,262,850	22,341,185
Operating Expenses										
Cost of purchased water sold	\$ 16,628,256	\$ 16,174,616	\$ 15,323,095	\$ 15,867,843	\$ 13,099,000	\$ 12,343,206	\$ 10,201,737	\$ 10,503,177	\$ 10,189,663	\$ 10,714,679
Pumping and water treatment	3,075,157	3,168,594	3,009,607	2,469,936	2,865,126	2,310,893	2,091,029	1,575,170	1,369,605	544,888
Transmission and distribution	3,005,713	3,297,681	2,917,128	3,335,832	1,999,934	2,026,759	1,511,098	1,952,477	1,610,208	1,570,368
Sewer collection and treatment	1,561,798	1,652,561	1,504,800	1,481,740	1,234,635	1,167,039	1,080,854	909,566	690,091	359,238
Elfin Forest recreation operations	142,843	44,260	52,196	57,233	57,469	54,666	79,285	37,966	261,991	307,775
Facilities maintenance	835,008	660,740	761,114	796,041	611,202	567,131	548,656	503,257	365,644	416,645
Customer services	1,061,198	1,207,371	1,098,765	1,021,502	994,594	978,405	998,589	892,262	771,091	692,237
General and administrative	4,130,195	3,764,172	3,676,817	3,682,529	3,790,112	3,398,196	3,284,526	2,588,174	1,941,088	1,555,260
Depreciation	11,737,739	10,520,489	9,529,179	9,235,015	8,799,907	7,596,444	6,147,824	5,606,901	5,214,051	2,952,108
Total operating expenses	42,177,907	40,490,484	37,872,701	37,947,671	33,451,979	30,442,739	25,943,598	24,568,949	22,413,432	19,113,198
Operating income (loss)	(3,459,522)	(2,051,743)	(2,133,819)	(4,348,585)	(73,096)	(1,285,059)	(846,594)	(270,238)	849,418	3,227,987
Nonoperating Revenues (expenses)										
Investment income	\$ 490,879	\$ 433,991	\$ 1,021,182	\$ 2,093,089	\$ 2,223,159	\$ 2,093,231	\$ 648,555	\$ 428,422	\$ 1,122,279	\$ 1,346,516
Property taxes	2,747,001	2,866,424	2,913,362	2,847,329	2,597,223	934,359	707,846	1,882,686	1,658,202	1,468,946
Capacity charges	1,536,719	811,782	1,978,289	4,520,998	5,399,591	7,068,163	3,896,353	4,140,252	4,619,472	3,653,913
Benefit assessments	1,598,284	1,593,028	1,608,792	1,650,563	1,854,294	1,897,860	1,997,735	2,009,455	2,132,670	2,169,193
Other nonoperating revenues	38,401	428,793	284,972	3,902	79,988	39,406	54,551	330,750	28,042	31,828
Interest expense, net	(2,154,079)	(2,234,478)	(2,510,433)	(2,917,352)	(3,209,821)	(3,501,549)	(2,215,555)	(2,197,379)	(1,903,284)	(28,619)
Other nonoperating expenses	(794,860)	(961,275)	(506,139)	(869,673)	(504,866)	(678,879)	(290,072)	(386,470)	(416,055)	(196,230)
Total nonoperating revenues (expenses)	3,462,345	2,938,265	4,790,025	7,328,856	8,439,568	7,852,591	4,799,413	6,207,716	7,241,326	8,445,547
Capital contributions	6,936,532	21,794,139	25,623,359	17,375,599	29,800,337	32,365,104	12,945,941	6,848,667	11,592,758	5,038,181
Change in net assets	6,939,355	22,680,661	28,279,565	20,355,870	38,166,809	38,932,636	16,898,760	12,786,145	19,683,502	16,711,715
NET ASSETS										
Beginning of year	355,184,445	332,503,784	304,224,219	283,868,349	245,701,540	206,768,904	189,870,144	177,083,999	157,400,497	140,688,782
End of year	362,123,800	355,184,445	332,503,784	304,224,219	283,868,349	245,701,540	206,768,904	189,870,144	177,083,999	157,400,497

Source: Olivenhain Municipal Water District.

Table III - Revenues by Source

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING REVENUES						NON-OPERATING REVENUES					TOTAL REVENUE
	Water Sales ¹	Service Charges	Meter Installs	Sewer Charges	Other ²	Total Operating Revenues	Investment Income	Prop. Taxes & Benefit Assessment	Capacity Charges ³	Capital Contributions ⁴	Other ²	
2011	\$24,205,582	\$8,978,454	\$152,010	\$3,835,655	\$1,546,684	\$38,718,385	\$490,879	\$4,345,285	\$1,536,719	\$6,936,532	\$38,401	\$52,066,201
2010	24,703,143	8,279,095	139,750	4,053,951	1,262,802	38,438,741	433,991	4,459,452	811,782	21,794,139	428,793	66,366,898
2009	23,925,551	7,300,241	33,925	3,429,002	1,050,163	35,738,882	1,021,182	4,522,154	1,978,289	25,623,359	284,972	69,168,838
2008	23,258,813	6,739,563	249,545	2,889,643	461,522	33,599,086	2,093,089	4,497,892	4,520,998	17,375,599	3,902	62,090,566
2007	22,675,627	6,241,740	325,910	2,937,363	1,198,243	33,378,883	2,223,159	4,451,517	5,399,591	29,800,337	79,988	75,333,475
2006	19,654,450	5,787,421	495,685	2,274,325	945,799	29,157,680	2,093,231	2,832,219	7,068,163	32,365,104	39,406	73,555,803
2005	16,707,240	5,234,647	238,950	1,692,483	1,223,684	25,097,004	648,555	2,705,581	3,896,353	12,945,941	54,551	45,347,985
2004	16,712,859	4,960,343	515,100	1,492,686	617,723	24,298,711	428,422	3,892,141	4,140,252	6,848,667	330,750	39,938,943
2003	16,272,319	4,719,208	624,450	1,164,738	482,135	23,262,850	1,122,279	3,790,872	4,619,472	11,592,758	28,042	44,416,273
2002	16,060,744	4,445,774	557,375	886,236	391,056	22,341,185	1,346,516	3,638,139	3,653,913	5,038,181	31,828	36,049,762

Source: Olivenhain Municipal Water District.

NOTES:

- (1) Includes potable, raw and recycled water sales. A detailed schedule of water sales is presented in Table V.
- (2) Other revenues includes excess treated water capacity revenues, rental income, settlement, and demand offset fees.
- (3) Capacity charge - charges paid by new customers prior to connecting to the District's system.
- (4) Cash contributions or contributions of capital assets in kind or when governmental constructions are earned.

Table IV - Expenses by Function

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING EXPENSES							NON-OPERATING EXPENSES			TOTAL EXPENSES	
	Cost of Water Sold	Pumping & Water Treatment	Transmission and Distribution	Sewer Collection & Treatment	Customer Services	Other Operating Expenses ²	Total Operating Expenses	Interest Expense	Other Nonoperating Expenses	Total Nonoperating Expenses		
2011	\$16,628,256	\$3,075,157	\$3,005,713	\$1,561,798	\$1,061,198	\$11,737,739	\$5,108,046	\$42,177,907	\$2,154,079	\$794,860	\$2,948,939	\$45,126,846
2010	16,174,616	3,168,594	3,297,681	1,652,561	1,207,371	10,520,489	4,469,172	40,490,484	2,234,478	961,275	3,195,753	43,686,237
2009	15,323,095	3,009,607	2,917,128	1,504,800	1,098,765	9,529,179	4,490,127	37,872,701	2,510,433	506,139	3,016,572	40,889,273
2008	15,867,843	2,469,936	3,335,832	1,481,740	1,021,502	9,235,015	4,535,803	37,947,671	2,917,352	869,673	3,787,025	41,734,696
2007	13,099,000	2,865,126	1,999,934	1,234,635	994,594	8,799,907	4,458,783	33,451,979	3,209,821	504,866	3,714,687	37,166,666
2006	12,343,206	2,310,893	2,026,759	1,167,039	978,405	7,596,444	4,019,993	30,442,739	3,501,549	678,879	4,180,428	34,623,167
2005	10,201,737	2,091,029	1,511,098	1,080,854	998,589	6,147,824	3,912,467	25,943,598	2,215,555	290,072	2,505,627	28,449,225
2004	10,503,177 ¹	1,575,170	1,952,477	909,566	892,262	5,606,901	3,129,396	24,568,949	2,197,379	386,470	2,583,849	27,152,798
2003	10,189,663 ¹	1,369,605	1,610,208	690,091	771,091	5,214,051	2,568,723	22,413,432	1,903,284	416,055	2,319,339	24,732,771
2002	10,714,679 ¹	544,888	1,570,368	359,238	692,237	2,952,108	2,279,680	19,113,198	28,619	196,230	224,849	19,338,047

Source: Olivenhain Municipal Water District.

NOTES:

- (1) Shown as net of refunds received from MWD and SDCWA.
- (2) Includes general and administrative, facility maintenance cost and other.

Table V - Water Sales by Source¹ Last Ten Fiscal Years

Fiscal Year Ended	Domestic/Commercial		Agricultural		Untreated Water		Recycled Water		Total		Combined Direct Rate ²
	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	\$/Acre Feet
2011	\$21,068,730	16,592.8	\$836,623	657.3	\$ -	-	\$2,101,128	2,006.1	\$24,006,481	19,256.2	\$1,247
2010	20,801,219	17,532.8	1,081,946	921.7	-	-	2,380,764	2,498.3	24,263,929	20,952.8	1,158
2009	21,088,732	20,685.6	1,346,013	1,278.2	-	-	1,736,962	2,122.9	24,171,707	24,086.7	1,004
2008	20,314,572	21,786.0	1,390,749	1,487.1	-	-	1,478,086	1,919.5	23,183,407	25,192.6	920
2007	19,626,782	22,116.1	1,515,199	1,728.5	273,012	345.5	971,035	1,289.1	22,386,029	25,479.2	879
2006	16,501,254	19,530.0	1,598,822	1,898.2	223,356	293.8	546,071	730.1	18,869,503	22,452.1	840
2005	14,434,073	18,476.5	1,552,624	1,982.5	210,347	304.9	344,602	475.3	16,541,646	21,239.2	779
2004	14,502,142	18,975.0	1,839,073	2,389.4	267,922	407.1	268,968	376.3	16,878,105	22,147.8	762
2003	14,561,974	18,545.3	1,527,927	2,223.4	285,515	419.9	-	-	16,375,416	21,188.6	773
2002	14,159,445	17,334.8	1,516,148	2,108.7	385,151	592.8	-	-	16,060,744	20,036.3	802

Source: Olivenhain Municipal Water District.

NOTES:

(1) Exclude estimates unbilled water sales, and water sales to other agencies and district project.

(2) Calculated based on total water sales divided by total volume. 1 acre-foot = 43,600 cubic feet = 325,900 gallons.

Table VI - Rate by Activity Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2011 ⁷	2010 ⁷	2009 ⁷	2008 ⁸	2007 ⁵	2006	2005 ⁴	2004	2003 ³	2002
Potable Water¹										
Monthly System Access Charge	\$25.85	\$23.75	\$21.06	\$19.32	\$18.06	\$17.37	\$16.70	\$15.85	\$15.85	\$15.85
Monthly Commodity Charge										
Domestic Rate										
1st Tier	1.95	1.79	1.58	1.45	1.42	1.37	1.32	1.29	1.29	1.30
2nd Tier	3.13	2.88	2.55	2.23	2.11	2.03	1.95	1.63	1.63	1.82
3rd Tier	4.00	3.68	3.25	2.60	2.45	2.43	2.34	1.79	1.79	2.36
4th Tier	-	-	-	-	-	-	-	2.01	2.01	-
5th Tier	-	-	-	-	-	-	-	2.34	2.34	-
Commercial Rate ²										
1st Tier	3.28	3.03	2.67	2.33	2.19	2.11	2.03	1.82	1.82	1.82
2nd Tier	4.18	3.84	3.39	2.71	2.55	2.45	2.36	2.36	2.36	2.36
Agricultural Rate	3.12	2.87	2.54	2.22	2.09	2.01	1.93	1.79	1.79	1.82
Credit	(0.26)	(0.27)	(0.33)	(0.30)	(0.27)	(0.27)	(0.27)	(0.35)	(0.35)	(0.33)
Untreated Water¹										
Monthly System Access Charge	n/a	n/a	\$21.06	\$19.32	\$18.06	\$17.37	\$16.70	\$15.85	\$15.85	\$15.85
Untreated Water	n/a	n/a	2.50	1.99	1.87	1.80	1.73	1.55	1.55	1.55
Recycled¹										
Monthly System Access Charge	\$25.85	\$23.75	\$21.06	\$19.32	\$18.06	\$17.37	\$16.70	\$15.85	\$15.85	-
Monthly Commodity Charge	2.55	2.34	1.97	1.84	1.73	1.73	1.73	1.64	1.64	-
Sewer⁸										
Annual System Access Charge per EDU										
4S Ranch	\$147.00	\$147.00	\$146.00	\$147.00	\$142.00	\$138.00	\$138.00	\$138.00	\$138.00	\$138.00
Rancho Cielo	\$147.00	\$147.00	\$146.00	183.00	177.00	172.00	172.00	172.00	172.00	172.00
Multi-Family and Commercial	\$147.00	\$147.00	\$146.00	146.00	142.00	138.00	138.00	138.00	138.00	138.00
Commodity Charge per unit ⁹										
Domestic Rate	6.00	6.00	-	-	-	-	-	-	-	-
Multi-Family Rate	6.00	6.00	6.00	6.00	4.58	4.45	4.45	4.45	4.45	4.45
Commercial Rate										
Group I	6.00	6.00	6.00	6.00	4.58	4.45	4.45	4.45	4.45	4.45
Group II	9.29	9.29	7.00	7.00	6.23	6.05	6.05	6.05	6.05	6.05
Group III	15.86	15.86	14.00	14.00	12.75	12.38	12.38	12.38	12.38	12.38
Annual Commodity Flat Charge per EDU										
Domestic Rate										
4S Ranch	-	-	389.00	364.00	352.00	342.00	342.00	342.00	342.00	342.00
Rancho Cielo	-	-	538.00	457.00	441.00	428.00	428.00	428.00	428.00	428.00

Source: Olivenhain Municipal Water District.

NOTES:

(1) Commodity rates shown are monthly charges per unit (1 unit = 748 gallons.) Rates are based on 3/4" size meter (the most common meter size.)

(2) Commodity charges by rate tier are calculated using seasonal allotments based on meter size. Summer tier rate allocations used are: 1st Tier (0-47 units), 2nd Tier (greater than 47 units.)

(3) In FY 2003, domestic tiered rate allocation for Water changed to: 1st Tier (0-8 units), 2nd Tier (9-23 units), 3rd Tier (24-50 units), 4th Tier (50-140 units), and 5th Tier (greater than 140 units.)

(4) In FY 2005, domestic tiered rate allocation for Water changed to 1st Tier (0-8 units), 2nd Tier (9-70 units), and 3rd Tier (greater than 70 units.)

(5) In FY 2007, domestic tiered rate allocation for Water was: 1st Tier (0-8 units), 2nd Tier (9-43 units), 3rd Tier (greater than 43 units.)

(6) In FY 2008, domestic tiered rate allocation for Water was: 1st Tier (0-6 units), 2nd Tier (7-43 units), 3rd Tier (greater than 43 units.)

(7) Temporary water supply shortage level 1.

(8) Based on previous years water usage (1 unit = 748 gallons).

(9) An Equivalent Dwelling Unit (EDU) means the standard measurement of sewage discharged into the sewer system equal to the average discharge from a detached single family unit.

Table VII - Principal Water Consumers¹

Current Year and Nine Years Ago

Fiscal Year Ended 2011			Fiscal Year Ended 2002		
Customer Name	Usage (AF)	% of Water Sold	Customer Name	Usage (AF)	% of Water Sold
4S Ranch Master HOA	386.4	2.01%	HCC Investors	428.2	2.02%
Fairbanks Ranch Country Club	297.5	1.54%	Starwood Development	382.9	1.81%
Crosby National Golf	257.5	1.34%	Brammer, W.	370.9	1.75%
Del Mar Country Club	222.9	1.16%	Del Mar Country Club	271.3	1.28%
HCC Investors	210.2	1.09%	4S Kelwood GP	243.8	1.15%
Rancho Santa Fe Farms Golf	180.9	0.94%	Rancho Santa Fe Farms Golf	225.0	1.06%
Cielo Homeowners Association	166.3	0.86%	M.K. Ranch	142.3	0.67%
La Costa Valley Master Assn.	142.9	0.74%	Morgan Run Resort and Club	75.6	0.36%
La Costa Oaks Assn.	142.4	0.74%	Huerta, Angel and Maria	65.7	0.31%
Continuing Life Communities	142.2	0.74%	Chino Nojo	60.1	0.28%
Total top ten consumers	2,149.2	11.16%	Total top ten consumers	2,265.8	10.69%
Other consumers	17,107.0	88.84%	Other consumers	17,770.5	89.31%
Total water billed	19,256.2	100.00%	Total water billed	20,036.3	100.00%

Source: Olivenhain Municipal Water District.

NOTES:

(1) Includes potable, untreated and recycled water.

Table VIII - Property Tax and Special Assessment

Last Ten Fiscal Years

Fiscal Year Ended	CURRENT YEAR LEVY ¹			Total Collections Thru 6/30	Net Uncollected at 6/30	Percent Uncollected at 6/30
	Property Taxes	Special Assessments ²	Total Levy			
2011	\$2,872,014	\$1,460,434	\$4,332,448	\$4,147,387	\$185,062	4.27%
2010	2,945,076	1,460,946	4,406,022	4,160,144	245,878	5.58%
2009	2,983,573	1,457,804	4,441,378	4,176,946	264,432	5.95%
2008	2,906,895	1,454,458	4,361,353	4,151,862	209,491	4.80%
2007	2,671,513	1,569,210	4,240,723	4,100,272	140,450	3.31%
2006	2,442,698	1,554,951	3,997,649	3,874,092	123,557	3.09%
2005	2,198,694	1,569,008	3,767,702	3,638,139	129,562	3.44%
2004	1,918,300	1,579,668	3,497,968	3,422,184	75,784	2.17%
2003	1,688,570	1,633,747	3,322,317	3,216,929	105,388	3.17%
2002	1,499,343	1,605,271	3,104,614	2,995,626	108,988	3.51%

Source: County of San Diego Office of the Auditor Controller and NBS.

NOTES:

(1) Excludes Sewer Service and Stand-by Charges.

(2) Special Assessment includes special assessment debt with government commitment (RAD 96-1).

Table IX - Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	SECURED			Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value	Tax Rate ¹
	Real Property	Personal Property	Exemptions				
2011	\$17,714,129,158	\$68,362,083	\$(151,920,800)	\$17,630,570,441	\$229,971,246	\$17,860,541,687	-
2010	18,054,329,367	76,019,011	(165,626,556)	17,964,721,822	238,432,869	18,203,154,691	-
2009	18,217,797,984	50,690,988	(141,552,505)	18,126,936,467	226,579,931	18,353,516,398	-
2008	17,269,455,060	46,139,854	(118,398,187)	17,197,196,727	198,808,714	17,396,005,441	-
2007	15,376,035,184	40,031,782	(104,998,296)	15,311,068,670	183,788,737	15,494,857,407	-
2006	13,429,361,640	43,725,958	(90,145,599)	13,382,941,999	168,480,079	13,551,422,078	-
2005	11,928,227,651	3,002,103	(74,509,703)	11,856,720,051	201,688,600	12,058,408,651	-
2004	10,405,039,418	3,202,819	(55,644,804)	10,352,597,433	138,584,279	10,491,181,712	-
2003	9,141,974,147	3,003,892	(48,356,532)	9,096,621,507	98,309,908	9,194,931,415	-
2002	8,043,012,276	3,192,700	(45,005,159)	8,001,199,817	152,266,754	8,153,466,571	-

Source: Office of the Auditor Controller, County of San Diego.

NOTES:

(1) The District neither set its own tax rate nor assess a tax rate. The District receives its proportionate share of property taxes levied by the County of San Diego in accordance with Proposition 13. The County of San Diego bills and collects the District's sewer service and sewer stand-by charges on behalf of the District.

Table X - Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended	Gross Bonded Debt ¹	Less: Reserve Funds	Net Bonded Debt	Total Secured Real Property ²	Debt to Total Secured Real Property	Population Estimate	Net Bonded Debt Per Capita	Personal Income	As a Share of Personal Income
2011	\$16,150,000	\$815,793	\$15,334,207	\$17,714,129,158	0.09%	67,353	\$227.67	\$3,018,845,450 ³	0.51%
2010	16,795,000	1,260,508	15,534,492	18,054,329,367	0.09%	66,872	232.30	3,075,401,632	0.51%
2009	17,450,000	1,202,382	16,247,618	18,217,797,984	0.09%	65,889	246.59	3,011,522,634	0.54%
2008	17,965,000	2,482,064	15,482,936	17,269,455,060	0.09%	65,277	237.19	3,069,389,817	0.50%
2007	18,300,000	3,398,077	14,901,923	15,376,035,184	0.10%	62,250	239.39	2,849,120,250	0.52%
2006	18,860,000	3,248,321	15,611,679	13,429,361,640	0.12%	58,622	266.31	2,577,492,096	0.61%
2005	19,355,000	2,196,282	17,158,718	11,928,227,651	0.14%	57,068	300.67	2,367,294,776	0.72%
2004	20,000,000	3,236,340	16,763,660	10,405,039,418	0.16%	56,776	295.26	2,255,937,584	0.74%
2003	20,435,000	1,731,026	18,703,974	9,141,974,147	0.20%	54,477	343.34	2,015,757,954	0.93%
2002	21,065,000	1,926,388	19,138,612	8,043,012,276	0.24%	51,993	368.10	1,860,465,519	1.03%

Source: Olivenhain Municipal Water District, the Office of the Auditor Controller, County of San Diego, SANDAG and Bureau of Economic Analysis.

NOTES:

(1) Gross Bonded Debt is a special assessment debt with government commitment. It is the outstanding balance of Re-Assessment District 96-1 Bond at the end of Fiscal Year. The District has no direct debt.
 (2) Total Secured Assessed Valuation is the Total Secured Value of Land and Improvements as stated on County of San Diego Assessed Valuation report for each fiscal year, exclusive of personal property, exemptions and unsecured property.
 (3) Per Capita Personal Income information for FY 2011 represents preliminary numbers calculated from the percentage change in Personal per Capita Income from California Department of Finance. Changes to the preliminary numbers will be updated in the next CAFR.

Table XI - Direct and Overlapping Debt June 30, 2011

2010-11 Assessed Valuation:	\$ 17,860,541,687
Redevelopment Incremental Valuation:	<u>\$ 12,982,090</u>
Adjusted Assessed Valuation:	\$17,847,559,597

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 06/30/11	% Applicable ¹	District's Share of Debt 06/30/11
Metropolitan Water District	\$ 227,670,000	0.010	\$ 2,278,977
Palomar Community College District	322,528,901	5.215	16,819,882
Poway Unified School District School Facilities Improvement District No. 2002-1	175,999,320	5.968	10,503,639
Poway Unified School District School Facilities Improvement District No. 2007-1	98,996,943	4.530	4,484,562
San Marcos Unified School District School Facilities I.D. No. 1	11,998,019	0.076	9,118
Escondido Union High School District	85,751,275	1.276	1,094,186
Cardiff School District	7,835,198	3.801	297,816
Encinitas Union School District	27,041,273	62.009	16,768,023
Escondido Union School District	49,439,622	1.330	657,547
Rancho Santa Fe School District	38,855,818	29.452	11,443,816
City of San Diego	2,240,000	0.186	4,166
Palomar Pomerado Hospital District	481,514,998	7.832	37,712,255
Poway Unified School District Community Facilities Districts	166,197,000	100.000	166,197,000
San Dieguito Union High School District Community Facilities Districts	84,850,000	10.579-100.000	40,650,539
Solana Beach School District Community Facilities District No. 2000-1	3,520,000	100.000	3,520,000
City of Encinitas Community Facilities District No. 1	36,605,000	23.760	8,697,348
Rancho Santa Fe Community Services District Community Facilities District No. 1	46,860,000	100.000	46,860,000
Olivenhain Municipal Water District	-	100.000	-
Olivenhain Municipal Water District Assessment District No. 96-1	16,150,000	100.000	16,150,000
San Diego County Reassessment District No. 97-1	3,885,000	100.000	3,885,000
Rancho Santa Fe Community Services District Assessment District No. 92-1	2,160,000	100.000	2,160,000
Whispering Palms Community Services District Assessment District	1,635,000	100.000	1,635,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 391,828,874</u>

Ratios to 2010-11 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.19%

OVERLAPPING GENERAL FUND DEBT:

San Diego County General Fund Obligations	\$ 385,650,000	0.052%	\$ 20,073,083
San Diego County Pension Obligations	820,288,160	5.205	42,695,999
San Diego County Superintendent of Schools General Fund Obligations	19,992,500	5.205	1,040,610
Mira Costa Community College District Certificates of Participation	3,065,000	18.148	556,236
Palomar Community College District General Fund Obligations	6,275,000	5.215	327,241
Poway Unified School District Certificates of Participation	127,465,490	13.346	17,011,544
Rancho Santa Fe School District Certificates of Participation	6,750,000	29.452	1,988,010
Other School District General Fund Obligations	157,788,327	Various	5,079,752
City of Encinitas Certificates of Participation	42,705,000	40.221	17,176,378
City of San Diego General Fund Obligations	506,155,000	0.186	941,448
Other Cities' General Fund Obligations	51,565,000	Various	54,037
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$106,944,338</u>

TOTAL DIRECT DEBT	\$0
TOTAL OVERLAPPING DEBT	\$498,773,212
COMBINED TOTAL DEBT	\$498,773,212²

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the district.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	2.79%
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STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11:	\$0
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Source: California Municipal Statistic, Inc.

Table XII - Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended	Gross Water System Revenue ¹	Water System Operating Expense ³	Net Water System Revenue Available for Debt Services	Debt Service Requirements ⁴			Coverage Factor	Pledged Revenue Debt Limit ³
				Principal	Interest	Total		
2011 ²	\$39,598,224	\$28,913,118	\$10,685,106	\$1,635,000	\$2,234,284	\$3,869,284	276%	115%
2010	37,766,914	28,027,481	9,739,433	1,535,000	1,998,718	3,533,718	276%	115%
2009	37,252,328	26,184,985	11,067,343	1,885,000	1,501,218	3,386,218	327%	115%
2008	39,745,808	26,915,212	12,830,596	1,810,000	1,573,868	3,383,868	379%	115%
2007	39,355,478	22,928,164	16,427,314	1,820,000	1,658,065	3,478,065	472%	115%
2006	35,488,775	21,601,736	13,887,039	2,075,000	1,945,185	4,020,185	345%	115%
2005	28,172,428	18,466,358	9,706,070	1,485,000	2,101,273	3,586,273	271%	115%
2004	28,873,795	18,159,664	10,714,131	1,415,000	2,168,763	3,583,763	299%	115%
2003	29,329,770	16,689,052	12,640,718	1,350,000	2,233,145	3,583,145	353%	115%
2002	27,636,463	15,864,305	11,772,158	1,290,000	2,294,658	3,584,658	328%	115%

Source: Olivenhain Municipal Water District.

NOTES:

- (1) Prior to fiscal year 2011, the above numbers exclude capital contributions, benefit assessment revenues, 4S recycled and wastewater revenues.
- (2) Starting fiscal year 2011, to also includes 4S Recycled revenue and expenses not paid by 4S Kelwood due to 2002 Var Bond paid off.
- (3) Exclusive of depreciation and amortization expenses.
- (4) Water Revenue Refunding Bonds Series 2006A and Water Revenue Bonds Series 2009.

Table XIII - Reassessment District 96-1 Billings and Collections

Last Ten Fiscal Years

Fiscal Year Ended ³	AMOUNT LEVIED				Amount Collected ²	Percent Collected
	Principal	Interest	Other ¹	Total		
2011	\$673,615	\$732,367	\$54,452	\$1,460,434	\$1,372,933	94.0%
2010	643,837	758,340	58,769	1,460,946	1,346,951	92.2%
2009	619,971	784,377	53,456	1,457,804	1,352,270	92.8%
2008	514,985	887,738	51,735	1,454,458	1,377,951	94.7%
2007	509,950	997,589	61,671	1,569,210	1,547,449	98.6%
2006	491,427	1,022,768	40,756	1,554,951	1,523,146	98.0%
2005	466,655	1,043,882	58,470	1,569,008	1,516,052	96.6%
2004	448,594	1,066,574	64,500	1,579,668	1,552,299	98.3%
2003	433,701	1,085,948	114,098	1,633,747	1,566,418	95.9%
2002	413,794	1,103,712	87,765	1,605,271	1,528,074	95.2%

Source: Olivenhain Municipal Water District.

NOTES:

- (1) Includes administration and delinquency management fees as well as fund credits.
- (2) As of June 30 of the fiscal year listed.
- (3) Prior to fiscal year 2008, the levied amounts applied to Assessment District 96-1.

Table XIV - Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population Estimate ¹	Personal Income	Per Capita Personal Income ¹	Unemployment Rate ¹
2011	67,353	3,018,845,450 ²	44,821 ²	10.3%
2010	66,872	3,075,401,632	45,989	10.5%
2009	65,889	3,011,522,634	45,706	9.4%
2008	65,277	3,069,389,817	47,021	6.0%
2007	62,250	2,849,120,250	45,769	4.8%
2006	58,622	2,577,492,096	43,968	4.0%
2005	57,068	2,367,294,776	41,482	4.3%
2004	56,776	2,255,937,584	39,734	4.7%
2003	54,477	2,015,757,954	37,002	5.2%
2002	51,993	1,860,465,519	35,783	5.1%

Source: SANDAG, California Department of Finance, Bureau of Economic Analysis and Employment Development Department

NOTES:

(1) Population Estimate is based on SANDAG estimate. Per Capita Personal Income and Unemployment Rate represent information for San Diego County.

(2) FY 2011 income information are estimates provided by the State of California Department of Finance (DOF). Prior years' data represent actual numbers calculated from percentage of change in personal per capita income provided by DOF.

Table XV - Principal Employers

2010¹ and Nine Years Prior

Calendar Year 2010			Calendar Year 2001		
Employer Name	Employee	Percentage of Total County Employment ²	Employer Name	Employee	Percentage of Total County Employment ³
Federal Government	44,000	3.13%	Federal Government	41,200	3.06%
State of California	42,300	3.00%	State of California	37,300	2.77%
University of California San Diego	26,823	1.91%	University of California San Diego	21,929	1.63%
County of San Diego	16,415	1.17%	County of San Diego	16,627	1.23%
Sharp HealthCare	14,832	1.05%	San Diego Unified School District	13,000	0.96%
Scripps Health	13,823	0.98%	Sharp HealthCare	11,184	0.83%
Qualcomm Inc.	11,847	0.84%	City of San Diego	10,361	0.77%
City of San Diego	10,470	0.74%	Scripps Health	9,950	0.74%
Kaiser Permanente	7,404	0.53%	Pacific Bell	7,174	0.53%
U.S. Postal Service, San Diego District	6,050	0.43%	U.S. Postal Service, San Diego District	7,018	0.52%
Total	193,964	13.78%	Total	175,743	13.04%

Source: County of San Diego

NOTES:

(1) 2011 data is not available from the County of San Diego

(2) Based on Total County Employment of 1,407,800

(3) Based on Total County Employment of 1,348,500

Table XVI - Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Potable Water	38.00	38.00	37.00	40.45	39.90	37.90	32.00	29.50	27.50	27.00
Wastewater and Recycled Water¹	8.00	8.00	7.00	8.55	7.60	6.60	5.00	1.50	1.00	-
Elfin Forest Recreation Operations	3.00	3.00	4.00	4.00	3.60	3.60	3.60	3.00	3.00	3.00
General and Administration										
General Manager and Public Affairs	5.50	5.50	4.50	6.50	7.00	5.50	5.50	4.00	3.50	3.25
Engineering	6.50	6.50	7.50	7.50	7.50	7.50	7.00	7.00	7.00	7.00
Finance and Customer Service	14.00	14.00	15.00	15.00	15.00	15.00	14.00	13.75	12.75	12.75
Human Resources	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.35	3.50	3.50
Capital Projects ²	-	-	-	-	-	1.50	2.50	3.00	3.00	3.75
Total	79.00	79.00	79.00	85.00	83.60	80.60	72.60	65.10	61.25	60.25

Source: Olivenhain Municipal Water District

NOTES:

(1) Includes 4S Wastewater, 4S Water Reclamation Facilities, and non 4S Recycled system personnel.

(2) Limited term positions

Table XVII - Capital and Operating Indicators by Activity

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Water										
Service area (acres)	31,123	31,123	31,123	31,123	31,123	31,123	30,947	30,947	30,947	30,947
Miles of water main	406	406	413	412	392	404	404	404	390	370
Number of treated reservoirs	16	17	17	17	17	17	16	16	16	16
Total treated reservoirs capacity (million gallons)	83.8	80.0	80.0	80.0	80.0	80.0	70.0	70.0	70.0	70.0
Number of service connections	27,226	26,885	26,836	26,419	25,946	25,122	23,737	23,011	21,548	19,770
Number of meters in service	27,058	26,706	26,646	26,228	25,749	24,935	23,482	22,788	21,310	19,519
Potable water peak demand (million gallons)	28.1	27.6	33.6	36.1	35.4	34.0	38.2	34.2	32.0	34.0
Average treated water demand (MGD)	15.9	17.2	20.5	21.9	22.3	20.5	19.3	20.6	19.0	19.0
David McCollom treatment plant maximum capacity (MGD)	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	25.0	25.0
Average treatment plant production (MGD)	19.8	19.2	15.9	8.8	21.8	20.3	18.9	20.6	18.5	-
Sewer										
Service area (acres)	5,338	5,338	5,338	5,338	5,338	5,338	5,338	5,338	5,338	5,338
Maximum system capacity (MGD)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Number of in-service equivalent dwelling units ¹	6,778	6,602	6,279	6,145	6,092	5,812	4,410	3,172	2,521	1,956
Recycled										
Service area (acres)	10,567	10,567	10,567	3,547	3,547	3,547	3,547	3,547	-	-
Miles of recycled water main	47	47	46	11	11	5	5	5	-	-
Total recycled storage capacity (million gallons)	4	4	4	4	4	4	1	1	-	-
4S WRF maximum capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-	-
Average treatment daily plant flow (MGD)	1.0	1.1	1.1	1.1	1.1	0.9	0.9	n/a	-	-
Number of meters in service	249	250	236	86	77	63	56	44	-	-
General Information										
Average years of service of employees	9.5	8.9	8.6	8.0	8.3	7.8	8.6	8.7	9.0	7.9

Source: Olivenhain Municipal Water District

NOTES:

(1) An equivalent dwelling unit means the standard measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit.





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