

SAN DIEGO COUNTY WATER
AUTHORITY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001**

*PREPARED BY THE FINANCE DEPARTMENT
KAREN P. BRUST
DIRECTOR OF FINANCE/TREASURER*

(This page intentionally left blank)



Item	Table No.	Page No.
<u>INTRODUCTORY SECTION</u>		
Letter of Transmittal		<i>iii</i>
List of Principal Officials.....		<i>xvi</i>
Awards		<i>xvii</i>
Organizational Chart.....		<i>xix</i>
<u>FINANCIAL SECTION</u>		
Independent Auditor’s Report		
Management’s Discussion and Analysis - Required Supplementary Information.....		1
Basic Financial Statements:		
Statements of Net AssetsF-004.....		8
Statements of Revenues, Expenses and Changes in Net Assets.....F-005.....		9
Statements of Cash FlowsF-006.....		10
Notes to Financial Statements.....		12
Supplementary Information:		
Budgetary Comparison Schedule.....U-001		36
<u>STATISTICAL SECTION</u>		
Revenues by Source	S-001	37
Water Sales Classification	S-002	38
Expenditures by Function	S-003	39
Operating Expenses By Major Expense Category	S-004	40
Capital Improvement Program Major Expenditure Categories	S-005	41
Property, Plant and Equipment	S-006	42
Debt Outstanding	S-007	43
Revenue Debt Coverage	S-008	44
Cash and Investments.....	S-009	45
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita.....	S-010.....	46

STATISTICAL SECTION (CONT.)

Property Tax and Assessment	
Levies and Collections	S-01147
Assessed Value of Taxable Property	S-012.....48
Computation of Direct and Overlapping Debt	S-013.....49
Schedule of Rates and Charge	S-014.....51
Principal Water Consumers	S-015.....52
Demographic Statistics53

INTRODUCTORY SECTION



San Diego County Water Authority

(This page intentionally left blank)





San Diego County Water Authority

4677 Overland Avenue, San Diego, CA 92123
(858) 522-6600 • Fax (858) 522-6568

October 4, 2001

The Honorable Board of Directors
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Honorable Board of Directors:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the San Diego County Water Authority (Authority) for the Fiscal Year ended June 30, 2001. The purpose of the report is to provide the Board of Directors, the member agencies, the Authority's investors and other interested parties with reliable financial information about the Authority. The Authority's Finance Department has prepared the CAFR in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Authority 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 Authority. The report is presented in three parts:

- 1. Introductory Section** - Includes the Transmittal Letter, a listing of the Authority's Principal Officers and the Authority's Organizational Chart, as well as other relevant information to assist the reader in understanding the Authority's management structure, operations and financial condition.
- 2. Financial Section** - Includes the Independent Auditor's Report, Management's Discussion and Analysis of the Financial Statements, the Authority's Financial Statements for the Fiscal Years ended June 30, 2001 and 2000 and explanatory footnotes.
- 3. Statistical Section** - Includes several tables of unaudited data representing the financial history of the Authority, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

REPORTING ENTITY

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. As an enterprise fund, the Authority uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. The Authority has no component units associated with its financial reporting entity.

The Authority applies all applicable GASB pronouncements in accounting and reporting for proprietary operations, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

Authority policy requires that its financial statements be audited on an annual basis by an independent certified public accounting firm selected by the Board of Directors. The independent auditor's report for the Fiscal Years ended June 30, 2001 and 2000 are presented in the Financial Section of this report.

DISTRICT FORMATION AND ORGANIZATION

The San Diego County Water Authority (the Authority) was organized on June 9, 1944 under the County Water Authority Act (the Act) for the primary purpose of providing a supplemental supply of imported water to its member agencies for domestic, municipal and agricultural uses. The boundaries extend from the border of Mexico to Orange and Riverside Counties, and from the Pacific Ocean to the foothills that terminate the coastal plain on the east. The Authority's service area encompasses approximately 909,000 acres. The Authority's service area is a semi-arid region where rainfall and groundwater typically meet only about 10 percent of the region's water needs. Thus, the Authority provides the remaining 90 percent, which it purchases from outside sources. As a wholesaling entity, the Authority has no retail customers; it services only its member water agencies. The Authority has 23 member agencies, which consist of six cities, four water districts, three irrigation districts, eight municipal water districts, one public utility district and one federal agency. The County of San Diego is an ex-officio member. The Authority obtains water from the Metropolitan Water District of Southern California (MWD), which derives its supply from the Colorado River and the State of California Water Project. The Authority delivers this water to its 23 member agencies through five large-diameter pipelines located in two right-of-way corridors known as the First and Second San Diego Aqueducts. The Authority is currently in the process of seeking additional assured sources of water in addition to the MWD. During 1999, the Authority executed the Imperial Irrigation District Water Transfer Agreement, which will provide an alternative source of water. The Authority is also investigating other local and reported supply options.

In addition, the Act authorizes the Authority to exercise the power of eminent domain; levy and collect taxes; and fix, revise, and collect rates or other charges for the delivery of water, use of facilities or property, and provisions for service. The Authority is empowered to fix, in each fiscal year, a water standby availability charge on land within the Authority's boundaries. The standby charge is \$10 per acre per year, or \$10 for a parcel less than an acre. The Authority is also authorized to utilize any part of its water – and any part of its facilities used for the development, storage, and transportation of water – to provide, generate, and deliver hydroelectric power. The Authority may acquire, construct, operate, and maintain any of its facilities for such utilization. Pursuant to contract, the Authority is authorized to provide, sell, and deliver hydroelectric power to the United States, the State of California, and any other entity engaged in the sale of retail electric power.

The Authority is governed by a 34-member Board of Directors representing the Authority's member agencies. Each of the 23 member agencies has at least one voting representative on the Board. Additionally, the County of San Diego sits as an ex-officio member. The City of San Diego is represented by 10 Directors, the Helix Water District by two Directors and all other agencies by one Director each. Except as otherwise provided in the County Water Authority Act with respect to certain specific matters, Board action requires the affirmative votes of member agencies representing more than 55 percent of the total number of votes of all the member agencies.

Officers of the Board of Directors begin service in January of odd-numbered years. To facilitate matters, most business coming before the Authority's Board is first considered by one of its committees. Each committee then reports to the full Board, which makes the necessary decisions. There are eight standing committees which include: Administrative & Legal, Engineering & Operations, Fiscal Policy, Planning & Environmental, Public Affairs, Water Policy, Special Budget and Executive. In addition, the Authority has four Directors who also serve on the Metropolitan Water District's Board. The Authority is also represented on the Colorado River Board. This State agency's purpose is to protect California interests in the water and power resources of the Colorado River System.

The Authority's day-to-day operations are managed by the General Manager, who reports directly to the Board of Directors. The General Counsel also reports directly to the Board. Reporting to the General Manager are the Deputy General Manager, Executive Assistant to the General Manager and nine departments: Administrative Services, Engineering, Finance, Human Resources, Imported Water, Operations and Maintenance, Public Affairs, Right of Way and Water Resources.

ECONOMIC CONDITIONS AND OUTLOOK

San Diego's economy has undergone a remarkable transformation during the decade of the 1990's. The severe recession in the first half of the decade was the longest and deepest of the past 60 years. From an economy largely dominated by defense and military expenditures, San Diego industries transformed into a diversified mix of high-technology commercial endeavors. Some of these sectors were by-products of the defense-related industries and knowledge, therein capitalizing on the highly educated and skilled labor force.

With the "true" commencement of the 21st century in 2001, the region may be in the strongest position ever. Combining the power and advantages of Tijuana, Baja California, on the Pacific Rim border of the U.S. and Mexico, San Diego's economy is in a unique and economically advantaged position for the new century. The greatly diversified economy shows nearly every local sector to be healthy and growing. High-tech "knowledge-based" industries of consumer electronics, wireless communications, computers, software, and biotechnology are thriving. Even local aerospace and defense industries are expanding. The visitor industry continues to thrive as one of the nation's most popular convention and tourist destinations.

World-class university research programs were also very instrumental in developing and feeding San Diego's technology industries. The University of California, San Diego (UCSD) campus in La Jolla is a world leader in biotechnology research and development. The world's

fastest computers are located at the San Diego Supercomputer Center on the UCSD campus, providing an enormously valuable facility for high performance scientific research. A number of software companies appeared, running the gamut of communications and information in business, manufacturing and data processing.

One of the clearest evidences of San Diego's strong economic expansion recently is the creation of new jobs within the region. San Diego's total adult civilian labor force, actively employed or pursuing employment, averaged 1.36 million during 2000, the highest number ever repeated. The number is projected to rise to 1.4 million in 2001. On the other side of the labor market, the number unemployed fell to an annual average of only 42,000 in 2000. This is less than one-half the number unemployed in 1993, which averaged 94,700. It is important to note the number has dropped in half despite the significant amount of population and labor force growth over the decade. San Diego's unemployment rate subsequently dropped from an annual rate of 3.6 percent in 1998 to only 3.0 percent in 2000, the lowest annual rate recorded in several decades. The low level of local unemployment remained lower than the rest of the nation in 2000; however, it is projected to rise to 47,000 in 2001. The unemployment rate is forecast to rise only slightly in 2001 to 3.3%, remaining near historically low levels. San Diego's unemployment rate remains considerably lower than the rest of California, which averaged 4.6% during 2000. Local unemployment was also lower than the rest of the United States, which averaged 3.7%.

San Diego's population continues the upward trend that started in 1997 and is forecasted to continue this trend well into the new millennium. At the end of 2000, San Diego County's population was reported to be 2,946,500, which was a 17.3% increase over the previous decade. It is estimated that at the end of 2001, the population will total 3,012,400. By 2025, it is forecast that approximately 1.0 million more will join this community. San Diego's population continues to rank as the nation's fourth most populous county and the 17th largest metropolitan area.

Following moderate construction in the 1990's, construction of both residential and nonresidential buildings increased sharply in 1999 and 2000. However, residential units lag housing that is necessary to accommodate the population growth. A housing shortage is looming, if not already vividly apparent for San Diego, as prices rise rapidly and the available inventory of existing housing diminishes. With the estimated increase in population of 52,000 at 2000 and another 50,000 projected for 2001, about 20,000 units per year are needed to accommodate these new residents. However, with only 15,670 units being built in 2000 and another 15,500 projected for 2001, the added supply falls short of demand.

The single-family component of housing construction shows significant gains over the past few years as well, achieving 8,200 units built in 2000 compared to 6,000-7,000/year between 1992 and 1996. Another 8,000 units are projected for 2001, hampered by high costs, affordability and lack of developable land. The median price advanced at a faster pace in 2000 jumping 26.1 percent to \$277,500. The pace is projected to rise 12.0 percent in 2001 rising to \$310,800. The gain in median price reflects housing appreciation reverberating within all levels of home prices in San Diego.

Following the anemic levels of multi-unit construction for most of the 1990s, the tightening rental market spurred investment activity for apartment units. New construction and sales transactions rose to decade-high levels of 7,550 units in 2000. The number projected in 2001 is about the same.

ACCOMPLISHMENTS IN FISCAL YEAR 2000-2001

The San Diego County Water Authority worked in many ways during the past year to fulfill its mission. In general, the Authority focused on the following areas: certainty of supply, excellent water quality, cost-effectiveness, dependable infrastructure and “paying for what we get and getting what we pay for” from suppliers.

The Water Authority is very proud to herald the new decade with a newly constructed headquarters facility. On February 26, 2001, the former downtown San Diego headquarters office was closed and the new Kearny Mesa headquarters office was opened for business. The downtown building is currently being marketed for sale.

The Water Authority is continuing to clear the final conditions regarding a long-term water conservation and transfer agreement with the Imperial Irrigation District (IID). Once these conditions are satisfied, the Authority will buy up to 200,000 acre-feet of Colorado River water annually from IID for up to 75 years. The water will result from extraordinary conservation by Imperial Valley farmers. IID has secured voluntary subscriptions of interest with Imperial Valley landowners to conserve at least 135,000 acre-feet of water for the program. The water will be conveyed to San Diego County via the Colorado River Aqueduct through a water exchange agreement with the Metropolitan Water District of Southern California (MWD).

The Authority is also working with IID and MWD to bring the transfer agreement and Colorado River Quantification Settlement into conformity. The Authority's investigation into water transfers beyond the agreement with IID is on hold pending the results of the water rate study, since it ultimately may chart a new strategic direction for the Authority.

The Water Authority has joined with Mexico to conduct a joint feasibility study of options for conveying Colorado River water to the Pacific coast. The Regional Colorado River Conveyance Feasibility Study is evaluating options for an aqueduct to deliver water to the San Diego-Tijuana region. The Authority will need transportation facilities to convey water resulting from the IID transfer through the latter part of this century. Mexico, which has treaty rights to at least 1.5 million acre-feet per year from the Colorado River, seeks a new conveyance facility because northern Baja California -- in particular, Tijuana -- needs additional Colorado River transportation capacity to meet the needs of its growing population and economy. In addition, a consortium of American and Mexican private firms is drawing up its own proposal for an aqueduct that it would construct and operate in Mexico. Final reports on both the public and private studies are expected to be complete by the end of 2001. Neither the Authority nor Mexican water officials are obligated to proceed beyond the feasibility study.

The major components of California's Colorado River Water Use Plan -- which was developed to reduce the State's dependence on the Colorado River -- are in the process of being

implemented. One of the major elements, approved by the federal government in January 2001, establishes criteria to allow the Metropolitan Water District of Southern California (MWD) to continue receiving surplus water from the River for the next 15 years. During this transition, the four California Colorado River water agencies will put into place programs outlined in the Colorado River Water Use Plan to help reduce California's take from the River to within its entitlement. The other two primary components of the Colorado River Water Use Plan are the Authority's water transfer agreement with the Imperial Irrigation District and a settlement that quantifies agricultural entitlements to water from the River. One of the most important features of the settlement is a provision that inextricably links the duration of the pact to the continuation of the Authority-IID water transfer. Under this provision, the settlement term is 75 years or such date that the water transfer is terminated for any reason other than voluntary agreement by IID and the Authority.

Additionally, the Water Authority is in the midst of a potentially major change in the way it meets the water supply and service requirements of its member agencies. This transition has led the Authority to adjust its rates and charges over time in a way that ensures its financial stability and the equitable apportionment of costs to its member agencies. The Authority is now considering further changes in how it recovers its expenses for the services it provides. At the same time, new providers - private as well as public - have offered to sell water to the Authority and its member agencies. In light of these factors, the Authority initiated a focused examination of its revenue and rate structure. Working closely with the member agencies, the Authority is considering a rate structure that would "unbundle" its service costs into four categories: supply, transportation, storage and associated service costs (customer service). The Authority now is determining how those costs should be allocated, under the principle that the rates paid by member agencies should reflect the services they receive from the Authority. The Board of Directors has approved the storage portion, which applies primarily to the Emergency Storage Project. The customer service category is largely resolved, as well. The focus now is on how the member agencies should pay for water transportation. The issue of water supply will be addressed in Fiscal Year 2001-2002. Within the context of these discussions, the Board is also considering the role of contracts for services provided by the Authority to the member agencies.

Most recently, the Water Authority has asked the courts to clarify the amount of water it can legally depend on from the Metropolitan Water District of Southern California. At issue is the antiquated "preferential rights" formula MWD uses to calculate the water entitlements of each of its member agencies. Under this formula, the Authority has rights to less than 15 percent of MWD's water while historically paying 22 percent of its capital and operating costs and buying 28 percent of its water today. This is because MWD bases preferential rights largely on property taxes paid by customers of each member agency. This formula was reasonable when it was put into place in 1926, because the bulk of MWD's revenues then came from property taxes. The vast majority of MWD's funds today derive from water sales to member agencies, but it has failed to consider this shift when calculating preferential rights. The Authority has worked unsuccessfully within MWD for more than a half-century to resolve this issue and ensure that there is a logical connection between a member agency's financial contributions and its legal rights to water. The Authority's Board of Directors voted in January 2001 to file a lawsuit in Superior Court to gain certainty about how much water San Diego County may rely on from MWD during a shortage. The Board needs this knowledge to plan responsibly to meet the water needs of its member agencies that serve almost 3 million people.

MAJOR INITIATIVE - EMERGENCY STORAGE PROJECT

The \$827 million Emergency Storage Project is an important investment for the future reliability of San Diego County's water supply. It is part of the Authority's on-going \$1.21 billion Capital Improvement Program (CIP). The CIP was initiated to enhance the pipeline delivery system and to increase operational flexibility in supplying water throughout the County.

The Emergency Storage Project (ESP) will increase the amount of water available during emergencies. The project consists of a system of reservoirs, interconnected pipelines and pump stations that will create additional water storage space and ensure water flows to all areas of the County even if a disaster disrupts the region's imported water supply. The additional 90,100 acre-feet of water storage capacity, combined with the storage space already dedicated to emergency use, is projected to meet the County's emergency water needs through at least the year 2030.

Once complete, the ESP will connect a new reservoir in the Olivenhain area with Lake Hodges and expand the San Vicente Reservoir. A pipeline will connect the Olivenhain Reservoir with the Water Authority's Second Aqueduct. Another pipeline will connect the reservoir with Lake Hodges, allowing the facilities to be operated as one unit for emergency storage purposes. Combined, the Olivenhain and Lake Hodges reservoirs will make available about 38,000 acre-feet of emergency storage capacity. The Authority will increase the height of the San Vicente Dam, north of the community of Lakeside, creating another 52,100 acre-feet of emergency water storage. A pipeline will be constructed to deliver water from the San Vicente Reservoir to the Authority's Second Aqueduct.

Olivenhain Dam

The construction of the Olivenhain Dam, with its accompanying pipelines and pump station, is a key component of the Emergency Storage Project. The dam will be over 300 feet high, 2,400 feet wide at the crest, and fed by underground pipelines carrying imported water from the Colorado River and Northern California. The new reservoir will hold 24,000 acre-feet of water. Approximately 4,000 acre-feet will be designated for Olivenhain Municipal Water District's operational use. The Olivenhain Dam project is financed through a cooperative effort between the San Diego County Water Authority and the Olivenhain Municipal Water District, a one-sixth partner.

When filled to maximum capacity, Olivenhain Reservoir will have a surface area of 200 acres and a depth of 300 feet. It will be surrounded by a spectacular 750-acre open-space park and recreational area in the Elfin Forest Recreational Reserve. This reserve will offer 17 miles of hiking, mountain biking, equestrian trails and viewing points. The wildlife and natural resources on this reserve are fully protected and will be preserved for generations to come.

The Olivenhain Dam will be the largest dam in the United States constructed of roller-compacted concrete. Granite quarried from the canyon itself will be the primary construction material used for the Olivenhain Dam. The rock will be crushed into various sizes and mixed with other materials to produce the concrete. Roller-compacted concrete is similar to traditional concrete, but is less expensive, requires less water and is much stiffer when it is placed. A roller-

compacted concrete dam is as strong as a conventional concrete dam and will remain operational even in the face of a natural disaster, such as an earthquake.

Roller-compacted concrete is placed in layers. The layers are compacted with rollers similar to those used in road building. Interruption to the work must be minimized to facilitate bonding of the layers. Therefore, crews will usually work 24 hours a day, seven days a week during a 12-month period to construct the dam.

Olivenhain Pipelines Project

Pipelines are the crucial links that allow water to be moved throughout the County. The Olivenhain Pipelines Project consists of two separate underground pipelines. One pipeline will allow the Water Authority to move untreated water in either direction between the Water Authority's Second Aqueduct and the Olivenhain Reservoir. This pipeline will be used for both normal operating and emergency conditions and will consist of approximately 14,000 feet of 78-inch-diameter, welded-steel pipe. The Olivenhain Pumping Station will be used to pump water out of the Olivenhain Reservoir and through the untreated water pipeline to the Second Aqueduct. The other pipeline will deliver treated water from the Olivenhain Water Treatment Plant to the Olivenhain Municipal Water District's distribution system and will consist of approximately 13,000 feet of 48-inch-diameter, welded-steel pipe.

Lake Hodges

Lake Hodges, located five miles south of Escondido, is owned, operated and maintained by the City of San Diego. The lake covers a surface area of more than 1,000 acres. As part of the ESP, a pipeline and pumping station will be constructed to connect the Olivenhain Reservoir to Lake Hodges, allowing water to be moved in and pumped out of Lake Hodges as needed.

San Vicente Dam

The ESP will ultimately include raising the height of the existing San Vicente Dam by 54 feet to provide room to store another 52,100 acre-feet of water. The Water Authority will also construct a pump station, 11 miles of pipeline to connect to the Second Aqueduct, and enhancements to the current recreational facilities at the dam.

San Vicente Dam is owned and operated by the City of San Diego. In addition to storing raw water that is treated for use as drinking water, San Vicente Reservoir provides recreational opportunities for many residents in San Diego County. Through the ESP, San Vicente Reservoir will be enhanced with recreational improvements such as new shaded picnic areas and landscaping, improved and additional boat ramps, restored waterfront beach areas and road improvements leading to the area.

Public Participation

The ESP has involved more public participation, community involvement and public input than any other project since the San Diego County Water Authority's formation in 1944. Because of the project's size and importance, the Water Authority's public participation programs far exceeded any legal requirements. More than 250 public workshops, forums, and

presentations to community groups, government officials and the news media have been held to ensure the project reflected the input of interested citizens. Together with the Olivenhain Municipal Water District, the Water Authority has been meeting with residents and community groups to involve them in how to best minimize the construction impacts in their neighborhoods.

The ESP timelines have been broken down into four phases. Phase One began in 1998 and is expected to continue until 2003, and will include the Olivenhain Dam, Olivenhain Pipelines and Interconnections and the Olivenhain Pump Station. Phase Two, expected to be constructed from 2002 through 2006, includes the San Vicente Pump Station, San Vicente to Second Aqueduct Pipeline and Interconnection and the Operations Center Upgrade. Phase Three, scheduled for 2004 through 2008, will include the Lake Hodges Inlet/Outlet, Lake Hodges Pipeline, Lake Hodges Pump Station, Pipeline 3 Pump Station and Interconnection and Pipeline 4 Pump Station. The final phase, Phase Four, will include the construction of the San Vicente Recreational Facilities and the San Vicente Dam Raise. Phase Four construction is expected to take from 2008 to 2010.

THE AUTHORITY'S FUTURE

In order to meet San Diego County's needs for additional water resources by supplementing the existing imported water supply, the Authority's water reliability program and corresponding strategies have extended beyond the County's borders. The Authority is working on local, regional, statewide and national fronts to ensure that the Region's water supply remains reliable. Among the major issues that directly affect these efforts are water transfers, the Authority's relationship with MWD, Colorado River operations, the CALFED Bay-Delta Program, and emergency storage.

Guided by its 2000 Urban Water Management Plan, the Authority is working with its member agencies to reduce San Diego County's dependence on imported supplies by expanding water sources and storage within the Region. The Authority offers funding and technical support to its member agencies for projects that increase the amount of water resulting from recycling, groundwater development and desalination projects. The Authority provides similar assistance to programs that encourage water conservation. According to the Urban Water Management Plan, the Authority can count on 224,400 acre-feet per year in 2020 from local reservoirs, recycling, groundwater and seawater desalination; this total represents 28 percent of the projected regional water demand in that year. Focus is being placed on large-scale seawater desalination projects, which are becoming more cost effective, making desalting seawater increasingly more viable. As a result, the Authority is currently examining partnership opportunities with the City of Carlsbad regarding the seawater desalination facility at the Encina Power Plant in Carlsbad, as well as evaluating other potential siting opportunities along the San Diego County coastline, including a detailed feasibility study of a seawater desalination project at or near the South Bay Power Plant in Chula Vista.

During the first decade of the CIP program, the Water Authority expanded the aqueduct system to meet current water needs and to accommodate future needs through 2010. New pipelines were constructed to increase the amount of water available to member agencies, establish dual delivery options to keep water flowing to member agencies when one pipeline is shut down for maintenance, and provide greater flexibility in operating the aqueduct system.

Additionally, the Authority is developing a Regional Water Facilities Master Plan in order to identify both internal (within San Diego County) and external system facility needs in addition to the Authority's adopted \$1.21 billion Capital Improvement Program. The Regional Water Facilities Master Plan focuses on probabilistic future water demand forecasts to minimize the risk of overbuilding facilities and will establish facility options for meeting the region's water needs through 2030.

The Water Authority is exploring the extent of its new abilities to participate in energy markets and the County of San Diego's attempt to establish a municipal utility district. These abilities, granted by the State Legislature in 2000, give the Authority substantial new authority to enter the electric and natural gas wholesale markets. The Authority also was authorized to purchase federal power; construct, own and operate electric power generation facilities to meet its needs or those of its member agencies; and to purchase and transport natural gas. The legislation did not allow the Authority to become a retail electric utility; additional legislation would be required before the Authority could enter the retail electric market. In light of these authorizations, the Board of Directors has adopted an energy policy, authorized the development of a 5-megawatt in-line hydroelectric generator, and agreed to co-sponsor the Regional Energy Infrastructure Study. Other sponsors of the Infrastructure Study include the County of San Diego, City of San Diego, San Diego Port District, Utility Consumer Action Network, San Diego Association of Governments and the San Diego Regional Energy Office. Upon completion in February 2002, the study will provide the basis for a long-term regional energy plan and supply information necessary for the Authority to make appropriate energy decisions.

In Fiscal Year 2001-2002, the Authority will continue efforts to satisfy the remaining contingencies necessary to implement the Water Transfer and Water Exchange agreements. The Authority and IID must complete the environmental review process and gain approval for the Transfer Agreement from the California State Water Resources Control Board and Federal Department of the Interior. The Authority also is working with IID and MWD to bring the Transfer Agreement, the Exchange Agreement and the Colorado River Quantification Settlement into conformity. The Authority continues to play a key role in the process to finalize agreements needed to complete the California-Colorado River Water Use Plan for the Colorado River. A linchpin of the Plan is the IID-Authority transfer. Completion of the Plan will not only advance the water transfer, but will also lead to changes in reservoir operations to ensure that MWD can keep the Colorado River Aqueduct full for the next 15 years while the Plan is implemented.

In addition, the Authority will continue to actively participate in the activities of CALFED, a group of state and federal agencies that has developed a long-term, comprehensive plan to restore California's Bay-Delta as a reliable source of high-quality water and a healthy ecosystem. The Bay-Delta, located where the Sacramento and San Joaquin rivers meet and flow west into San Francisco Bay, provides drinking water to two-thirds of all Californians and irrigation water for land that produces almost half of the nation's fruits and vegetables. San Diego County gets about 17 percent of its water from the Bay-Delta. The CALFED plan focuses on improving the way water flows through the Bay-Delta to water project pumps; making water use more efficient through conservation, recycling, transfers and increased storage capacity; and managing the environment to improve fisheries. The Authority seeks a reliable, affordable supply of high-quality water from the Bay-Delta. CALFED now is concentrating on fleshing out the details of

individual elements of its plan and how implementation of the plan will be governed. The state and federal governments are considering funding for the CALFED program.

ACCOUNTING SYSTEM

The Finance Department is responsible for providing the financial services for the Authority, including financial accounting and reporting, payroll and accounts payable, custody and investment of funds, borrowing of funds, protection of credit ratings in the investment market, investor relations, long-range financial planning, budgeting, billing and collection of water charges, taxes, and other revenues and special financial analyses. The Authority's books and records are maintained on an enterprise basis, as it is the intent of the Board to manage the Authority's operations as a business, thus matching revenues against costs to provide water service. Revenues and expenses are recorded on the accrual basis in the period in which revenue is earned or expenses are incurred.

INTERNAL CONTROLS

The Authority's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the Authority's assets from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost vs. benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards the Authority's assets and provides reasonable assurance that accounting transactions are properly recorded.

BUDGETARY CONTROLS

The Authority is not legally required to adopt and adhere to a budget or to present budgetary comparison information; however, the Board chooses to approve an annual budget as a management tool. Because water demand cannot be accurately forecasted due to forces outside of the Authority's control, actual revenues and expenditures may vary significantly from the approved budget. As such, the budget is viewed as a tool for estimating and planning Authority revenues and expenditures and is used only for comparative purposes to identify unusual or unexpected trends.

CASH MANAGEMENT

The Authority is legally empowered by statute and ordinance to invest in obligations of the United States and certain of its agencies and instrumentalities, certain money market funds, the State of California Local Agency Investment Fund, commercial paper, medium-term notes, bankers acceptances, negotiable certificates of deposit, and deposit accounts of those financial institutions which are approved as depositories by the Authority's Board of Directors, as well as certain other types of investments which were not made during this Fiscal Year ended June 30, 2001. The Board of Directors further resolved that funds deposited with the State of California

Local Agency Investment Fund shall not exceed \$30,000,000 and \$175,000,000 for bond proceeds. Total interest earned, net of GASB 31 mark to market adjustment on all funds for the Fiscal Year ended June 30, 2001, was \$18,729,014 compared to \$19,822,838 from the last fiscal year. Average yield for the Fiscal Year ended June 30, 2001 was 6.28% up from 5.32% for the Fiscal Year ended June 30, 2000.

RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a participant in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) for the purpose of providing general liability insurance for the member agencies. The Authority had a self-insured retention level of \$50,000 per claim for auto and general liability for the years ended June 30, 2001 and 2000. The total coverage limit is \$50,000,000 at June 30, 2001 and 2000. The program provides for up to \$100,000,000 in coverage for property damage with a \$25,000 deductible.

The Authority is also a participant in the JPIA for the purpose of providing insurance coverage for Workers' Compensation. Liabilities under this program are accrued and charged to expense when the claims are reasonably determinable and when the existence of the Authority's liability is probable. There is no self-insurance retention required for the years ended June 30, 2001 and 2000. The total coverage under this policy is \$5,500,000.

In 1999, the Authority entered into an Owner Controlled Insurance Program to provide worker's compensation and general liability insurance to the contractors and professional liability, pollution liability, and builder's risk for the Emergency Storage Program. Premiums paid in fiscal year ended June 30, 2001 and 2000 were \$1,856,000 and \$1,846,000, respectively. Premiums are adjusted annually based on loss experience. The general liability deductible is \$250,000 per occurrence. The total coverage limit is \$2 million per occurrence and \$4 million aggregate. The workers compensation program provides full statutory coverage with a \$250,000 deductible for each occurrence.

PENSION PLANS

The San Diego County Water Authority contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. The Authority has elected to make contributions on behalf of its employees. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by PERS.

In addition, the Authority has adopted Deferred Compensation Plans in accordance with Sections 401(a) and 457 of the Internal Revenue Code. Generally, all eligible employees may

defer receipt of a portion of their salary until future years. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. All assets are held for the exclusive benefit of the participants and their beneficiaries. Therefore, the plan assets and corresponding liability to the participants are no longer recognized in the accompanying financial statements. At June 30, 2001 and 2000, assets of the Plan totaled \$11,673,000 and \$12,532,000, respectively.

ACKNOWLEDGEMENTS

I would like to thank the Board of Directors for their continued leadership in excellence in financial management. Additionally, this report could not have been accomplished without the hard work and dedication of the entire Finance Department.

Respectfully submitted,



Maureen A. Stapleton
General Manager



Karen P. Brust
Director of Finance/Treasurer

**San Diego County Water Authority
List of Principal Officials**

James F. Turner.....Chair of Board of Directors
Bernie Rhinerson..... Vice Chair of Board of Directors
James Bond Secretary of Board of Directors
Maureen A. Stapleton.....General Manager
Daniel S. Hentschke General Counsel
Christopher J. Guild Deputy General Manager
Karen P. Brust..... Director of Finance/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County
Water Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Thomas A. Drew
President

Jeffrey L. Esser
Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 1999-2000

Presented to the

San Diego County Water Authority



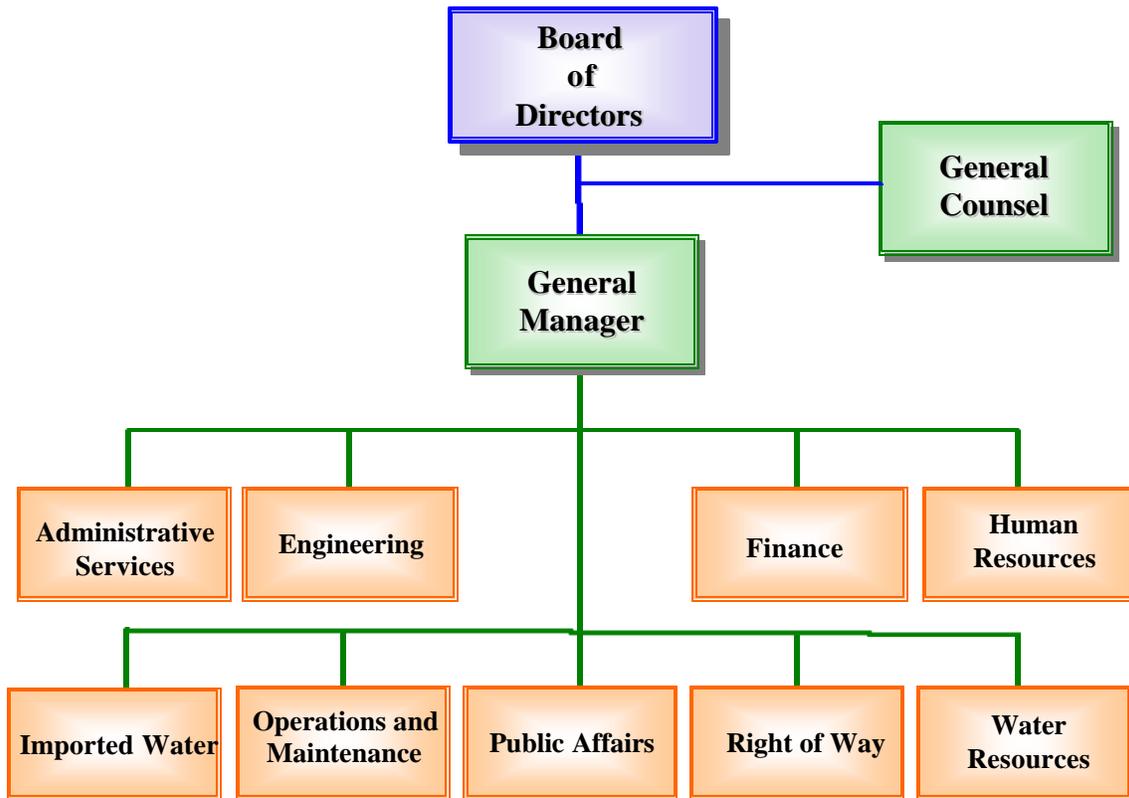
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 26, 2001

Genie Roberts
Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

San Diego County Water Authority Organizational Chart



(This page intentionally left blank)



FINANCIAL SECTION



San Diego County Water Authority

(This page intentionally left blank)



August 31, 2001

Board of Directors
San Diego County Water Authority
San Diego, California

Independent Auditor's Report

We have audited the accompanying basic financial statements of the San Diego County Water Authority (the Authority) as of and for the years ended June 30, 2001 and 2000, as listed in the table of contents. These basic financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the San Diego County Water Authority as of June 30, 2001 and 2000, and the result of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *managements discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis of the basic financial statements and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The scope of our audit did not include the statistical schedules listed in the table of contents and we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2001 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Comad and Associates, L.L.P.

August 31, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Governmental Accounting Standards Board has recently issued a new accounting standard referred to as GASB Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB No. 34 establishes financial reporting standards for state and local governments, including states, cities, villages and special purpose governments such as school districts and public utilities. This new standard has minor impacts upon the financial reporting and accounting performed by the San Diego County Water Authority. As a result, GASB No. 34 required changes to this year's Financial Statements and the June 30, 2000 Financial Statements as follows:

1. The format and the title of the basic Balance Sheet have been changed to Statements of Net Assets. The format of information has been changed from a listing of the Assets, Liabilities and Equity to a listing of the Total Assets less Total Liabilities arriving at the Total Net Assets. The category "Equity" has been changed to "Net Assets." However, it retains the same categorization of balances.

2. The other major change is the treatment of Contributed Capital from the member agencies for reimbursement of construction expenditures on specific assets for their use. Previously, these amounts were added directly to equity in accordance with accounting standards and they are now reported on the Statements of Revenues, Expenses and Changes in Net Assets in the line entitled "Capital Contributions."

This section of the San Diego County Water Authority's Comprehensive Annual Financial Report presents management's discussion and analysis of the Authority's financial performance during the Fiscal Year ended June 30, 2001. Please read it in conjunction with the Transmittal Letter at the front of this report and the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

In the Fiscal Year ended June 30, 2001, the Authority's total net assets increased by approximately \$83 million, which are directly related to the \$83 million increase in Net Assets as reported on the Statement of Revenues, Expenses and Changes in Net Assets. As reported on the Statement of Net Assets, the value of total current assets increased by approximately \$26 million, which is caused primarily by a \$20 million increase in cash and cash equivalents and a \$7 million increase in amounts due from member agencies offset by a net \$1 million reduction in interest receivable. The value of non-current assets increased by approximately \$57 million which is made up of the difference between an increase of \$99 million in Property, Plant and Equipment (which reports accomplishments in the Capital Improvement Program) and a \$42 million net decrease in Investments, Restricted Cash, Cash Equivalents and Restricted Investments. Accounts due from member agencies have increased \$7 million because of increased water sales in May and June 2001, and the accounts payable and accrued liabilities have increased by \$17 million primarily because of increased water purchases and accrued liabilities in the Capital Improvement Program.

Total revenues as reported on the Statements of Revenues, Expenses and Changes in Net Assets for Fiscal Year ended June 30, 2001 were \$356.3 million which included total operating revenues of \$266.5 million and non-operating revenues, including capacity charges, standby charges, taxes and interest income of \$89.8 million.

San Diego County Water Authority's Net Assets

(in millions)

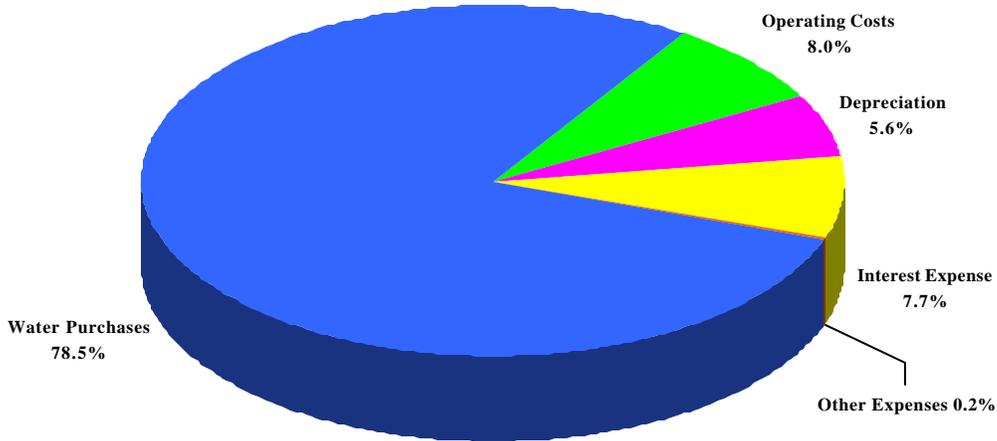
	June 30, 2001	June 30, 2000
Current and Other Assets	\$ 389.4	\$ 405.5
Capital Assets	948.0	848.8
Total Assets	\$ 1,337.4	\$ 1,254.3
Long-Term Debt Outstanding ⁽¹⁾	\$ 580.7	\$ 596.7
Other Liabilities	78.1	62.2
Total Liabilities	\$ 658.8	\$ 658.9
Invested in Capital Assets, Net of Related Debt	\$ 447.7	\$ 401.9
Restricted	193.8	149.0
Unrestricted	37.1	44.5
Total Net Assets	\$ 678.6	\$ 595.4

⁽¹⁾ *Includes additional minor long-term liabilities*

F-001

Non-operating revenues increased by approximately \$13.8 million dollars over the prior fiscal year, primarily caused by a \$4.3 million increase in Capacity Charge revenues, \$5.6 million increase in contributed capital from member agencies, \$.3 million increase in hydroelectric revenues, \$1.8 million increase in interest income, \$.5 million increase in taxes and a \$1.3 million increase in other miscellaneous revenues.

**Functional Expenses for
Fiscal Year Ended June 30, 2001**



F-002

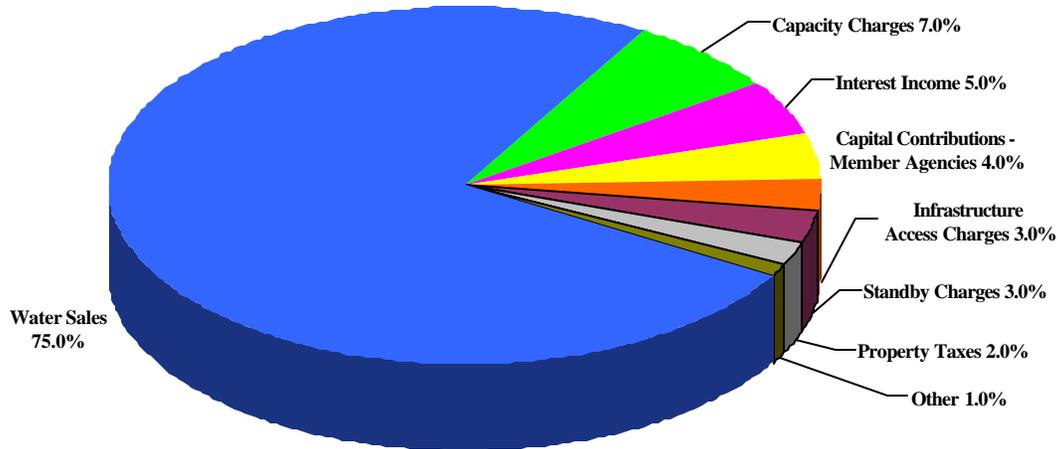
Total operating expenses for Fiscal Year ended June 30, 2001 were \$273.1 million. Water purchases were \$214.5 million or 78.5%, operating costs were \$21.8 million or 8.0%, other expenses were \$.4 million or less than 1%, depreciation and amortization expenses were \$15.3 million or 5.6% and the interest expense on the Authority's outstanding bonded debt was \$21.1 million or 7.7% of the Authority's total cost of expenditures.

BUDGET ANALYSIS AND VARIANCES

Water Revenues exceeded the original budget by \$16.7 million due to significantly increased water sales. The Fiscal Year 2000-2001 Adopted Budget anticipated 531,000 acre-feet of water to be sold in comparison to the 589,000 acre-feet of water sold during the year, for an increase of 58,000 acre-feet of water sold. This increase in water sales was caused by increased economic activity and homing starts, and three consecutive years in which the local rainfall was below normal averages. As a result, there was little or no run-off of water into local reservoirs; therefore the Authority's member agencies were required to purchase more water to meet local water demands.

The Authority's final revised Fiscal Year 2000-2001 revenue budget of \$347.3 million was exceeded by \$9.0 million, primarily because Capacity Charge Revenues exceeded the budget by \$4.2 million, standby charges exceeded the budget by \$.1 million, interest income was \$1.3 million greater than the budget, taxes exceeded the budget by \$.5 million and other income exceeded the budget by \$4.0 million. The increased revenues were partially offset by the fact that Capital Reimbursements were \$.1 million under budget.

**Sources of Revenue for
Fiscal Year Ended June 30, 2001**



F-003

The Authority's Fiscal Year 2000-2001 expenditures were \$393.6 million, which was \$3.2 million, or .8 percent under the final approved expenditure budget of \$396.8 million. The original budget for the Capital Improvement Program (CIP) was increased by \$11.8 million to a revised capital budget of \$103.1 million by the Board of Directors in June 2001. Total expenditures were \$102.5 million, which were \$.6 million under the revised capital budget. This budget increase reflects the efforts of the Engineering Department to accelerate the CIP primarily on the Emergency Storage Project. Debt service costs were \$.2 million under budget because of lower than forecasted short-term interest rates. Operating expenditures were \$21.4 million, with a favorable variance of \$2.3 million or 9.7% under budget. The favorable budget variance was caused by salary savings from vacant and unfilled positions and under-spending in outside services for professional and technical services.

CAPITAL ASSETS AND CAPITAL IMPROVEMENT PROGRAM

The Authority's total capitalized property, plant and equipment is \$836.5 million net of \$109.5 million accumulated depreciation or a net book value of \$727.0 million. Included in the total reported on the Statement of Net Assets is \$221.0 million of capital projects in various stages of completion in construction in process. The Authority has an approved \$1.2 billion Capital Improvement Program which includes \$827 million for the Emergency Storage Project (ESP). The ESP will create 90,100 acre-feet of storage and will provide supporting distribution facilities to supplement emergency water supplies available to the region in case of a prolonged interruption of the imported water supply into the County. The design and construction of the ESP is scheduled to take place between 1999 and 2011. The balances in construction in process are forecast to increase significantly in the future and the various projects will be capitalized, as they are placed into service. This major capital program is being financed by the issuance of long and short-term debt and current revenues of capacity charges and standby charges that are deposited into the Pay-As-You-Go Fund.

INFRASTRUCTURE

The Authority maintains and repairs over 274 miles of pipelines, ranging in size from 36 inches to 108 inches in diameter, rights-of-way, roads, mechanical equipment, buildings and grounds, including over 1,600 line structures and 117 metering and control buildings. A preventative maintenance program, which consists of performing inspections and maintenance tasks, is performed on a regularly scheduled basis. The Authority has an Aqueduct Protection Program as part of the Capital Improvement Program, which is designed to protect and ensure structural integrity, perform pipeline condition assessments, and extend the service life of the existing pipelines. This program includes internal inspection schedules and corrosion monitoring on the pipelines.

LONG-TERM DEBT

At fiscal year end, the Authority had approximately \$576 million, in bonds, notes and commercial paper outstanding, a decrease of \$21 million (or 3.5 percent) over last year. More detailed information about the Authority's long-term debt is presented in Note 4 to the Financial Statements. In February 2000, Moody's Investor's Service issued a report which confirmed the Authority's Aa3 rating with a stable outlook for the four outstanding issues of the Water Revenue Certificates of Participation. In August 2001, Standard and Poor's issued a report which stated the Authority has a positive outlook and is poised to receive an upgrade from its current AA- rating with its next bond issue. As noted in Note 4 to the Financial Statements, the Authority was in compliance with its bond covenants including meeting the debt service ratio requirement.

FISCAL YEAR 2001-2002 BUDGET

Continued strong local economy projections, increased water sales projection and other indicators were taken into account when adopting the Authority's Fiscal Year 2001-2002 Budget. Total revenues are estimated to be \$369 million, with Water Sales revenue of \$275 million accounting for 74.5% of this amount. Tax revenues, Water Standby Availability Charges and the Infrastructure Access Charges should increase slightly to \$8.8, \$10.8 and \$10.0 million, respectively. Capacity Charges are estimated to continue to increase after a very high three-year level to \$27 million based upon new housing and single-family unit starts for 2002. The Capacity Charge revenues collected from new development are used to pay for capital costs associated with the increased demand that new development places upon the water distribution system. They depend heavily on the strength of the local economy. The Authority will use these revenues to finance the long-term Capital Improvement Program. There will be a withdrawal of \$74 million from the Construction (CIP) Fund to pay for payments on the Capital Improvement Program.

The Fiscal Year 2001-2002 expenditures are budgeted at \$436.0 million, an increase of \$42.4 million or 10.8% above the revised Fiscal Year 2000-2001 expenditure budget. The Operating Budget increased from \$23.7 million to \$26.2 million primarily due to increased professional and technical services activities required to address the Board of Director's key focus areas of improving water supply reliability through new sources, completing the Emergency Storage Project, implementing water transfer agreements, developing regional cooperation and trust, and strategically linking significant Water Authority/MWD issues, as well as increases in the cost of living for all employees based upon existing labor agreements. Water

purchases are forecast to increase by approximately \$18 million based upon projected increases in water sales, while the authorized expenditures on the Capital Improvement Program will increase from \$103.1 million to \$131.3 million, an increase of \$28.2 million.

To finance the budget and the anticipated expenditures on the CIP, the Authority is anticipating withdrawing approximately \$58 million from the Pay-As-You-Go Fund and issuing approximately \$200 million of new bonds during Fiscal Year 2001-2002. If these budget projections and financial plans are realized and executed, the Authority's fund balances will increase from approximately \$318 million to \$450 million, an increase of \$23 million over the FY 2002 budget projection. The CIP Bond Construction Fund will increase by \$126 million after the anticipated \$216 million in bond proceeds, capital reimbursements and interest earnings is reduced by \$90 million in construction draws and the funding of the required debt service reserve. The Operating Fund will increase by \$18 million caused by the net increase in water revenues and increased taxes, interest income, Infrastructure Access Charges, and an anticipated transfer from the Rate Stabilization Fund. The Pay-As-You-Go Fund will have a net decrease of \$30 million - expenditures of \$16 million for debt service and \$58 million withdrawal to fund the capital budget will be partially offset by over \$38 million in deposits from Capacity Charge and Standby Charge collections and interest income of almost \$6 million.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board, the Authority's member agencies, taxpayers, creditors and investors with a general overview of the San Diego County Water Authority's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the San Diego County Water Authority's Finance Department at 4677 Overland Avenue, San Diego, California 92123.

(This page intentionally left blank)



SAN DIEGO COUNTY WATER AUTHORITY
Statements of Net Assets for
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets:		
Current assets:		
Cash and cash equivalents (note 2)	\$ 59,430,000	\$ 39,134,000
Due from member agencies	60,033,000	52,580,000
Interest receivable	4,114,000	5,206,000
Taxes receivable	544,000	1,710,000
Inventory	<u>1,654,000</u>	<u>1,225,000</u>
Total current assets	<u>125,775,000</u>	<u>99,855,000</u>
Noncurrent assets:		
Investments (note 2)	-	9,869,000
Restricted cash and cash equivalents (note 2)	86,130,000	126,026,000
Restricted investments (note 2)	172,793,000	164,569,000
Property, plant and equipment, net (note 3)	948,048,000	848,863,000
Unamortized bond issuance costs (note 4)	<u>4,656,000</u>	<u>5,111,000</u>
Total noncurrent assets	<u>1,211,627,000</u>	<u>1,154,438,000</u>
Total assets	<u>1,337,402,000</u>	<u>1,254,293,000</u>
Liabilities:		
Current liabilities:		
Accounts payable and other liabilities	69,600,000	52,895,000
Accrued salaries and benefits	222,000	188,000
Interest payable	3,637,000	3,749,000
Member deposits	3,506,000	2,902,000
Current portion of long term debt (note 4)	<u>95,072,000</u>	<u>93,321,000</u>
Total current liabilities	<u>172,037,000</u>	<u>153,055,000</u>
Noncurrent liabilities:		
Compensated absences (note 4)	1,036,000	719,000
Long-term debt (note 4)	<u>485,720,000</u>	<u>505,103,000</u>
Total noncurrent liabilities	<u>486,756,000</u>	<u>505,822,000</u>
Total liabilities	<u>658,793,000</u>	<u>658,877,000</u>
Net assets (note 7):		
Invested in capital assets, net of related debt	447,683,000	401,946,000
Restricted for construction projects	140,195,000	105,918,000
Restricted for rate stabilization	53,623,000	43,072,000
Unrestricted	<u>37,108,000</u>	<u>44,480,000</u>
Total net assets	<u>\$ 678,609,000</u>	<u>\$ 595,416,000</u>

See accompanying notes to financial statements.

F-004

SAN DIEGO COUNTY WATER AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Assets for
Fiscal Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Operating revenues:		
Water sales	266,467,000	\$ 261,208,000
Total operating revenues	<u>266,467,000</u>	<u>261,208,000</u>
Operating expenses:		
Cost of sales	214,480,000	217,000,000
Depreciation and amortization	15,260,000	14,870,000
Operations and maintenance	7,083,000	6,442,000
Planning	2,139,000	2,188,000
General and administrative	<u>12,573,000</u>	<u>10,075,000</u>
Total operating expenses	<u>251,535,000</u>	<u>250,575,000</u>
Operating income	<u>14,932,000</u>	<u>10,633,000</u>
Nonoperating revenues (expenses):		
Property taxes and in-lieu charges	7,120,000	6,665,000
Infrastructure access charges	9,788,000	9,626,000
Investment income	21,644,000	19,823,000
Other income	1,458,000	873,000
Interest expense	(21,055,000)	(24,492,000)
Other expenses	<u>(471,000)</u>	<u>(242,000)</u>
Total nonoperating revenues (expenses)	<u>18,484,000</u>	<u>12,253,000</u>
Net income before capital contributions	33,416,000	22,886,000
Capital contributions	<u>49,777,000</u>	<u>39,938,000</u>
Increase (decrease) in net assets	83,193,000	62,824,000
Net assets at beginning of year	<u>595,416,000</u>	<u>532,592,000</u>
Net assets at end of year	<u>\$ 678,609,000</u>	<u>\$ 595,416,000</u>

See accompanying notes to financial statements.

F-005

SAN DIEGO COUNTY WATER AUTHORITY
Statements of Cash Flows for
Fiscal Years Ended June 30, 2001 and 2000

	2001	2000
Cash flows from operating activities:		
Cash received from customers	\$ 270,864,000	\$ 263,111,000
Cash payments to employees for services	(18,468,000)	(16,099,000)
Cash payments to suppliers for goods and services	(201,691,000)	(207,685,000)
Net cash provided by (used for) operating activities	50,705,000	39,327,000
Cash flows from noncapital financing activities:		
Property taxes and in-lieu charges received	8,286,000	6,457,000
Net cash provided by (used for) noncapital financing activities	8,286,000	6,457,000
Cash flows from capital and related financing activities:		
Cash paid for acquisition and construction of capital assets	(103,355,000)	(52,190,000)
Contributions and capital related revenues received from other governments	49,777,000	39,938,000
Proceeds of debt issuance	70,000,000	70,000,000
Principal paid on debt	(91,555,000)	(88,100,000)
Interest paid on debt	(27,839,000)	(31,743,000)
Net cash provided by (used for) capital and related financing activities	(102,972,000)	(62,095,000)
Cash flows from investing activities:		
Purchase of investments	(363,259,000)	(394,373,000)
Proceeds from sale and maturities of investments	367,819,000	333,514,000
Interest received on investments	19,821,000	19,206,000
Net cash provided by (used for) investing activities	24,381,000	(41,653,000)
Net increase (decrease) in cash and cash equivalents	(19,600,000)	(57,964,000)
Cash and cash equivalents at beginning of year	165,160,000	223,124,000
Cash and cash equivalents at end of year	\$ 145,560,000	\$ 165,160,000

(Continued)

Please see accompanying notes to financial statements.

F-006

SAN DIEGO COUNTY WATER AUTHORITY
Statements of Cash Flows for
Fiscal Years Ended June 30, 2001 and 2000 (cont'd)

Reconciliation of operating income to net cash provided by (used for) operating activities:	2001	2000
Operating income (loss)	\$ 14,932,000	\$ 10,633,000
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization of bond issuance costs	15,260,000	14,870,000
Infrastructure access charges	9,788,000	9,626,000
Other income and expenses	987,000	631,000
(Increase) decrease in accounts receivable	(7,453,000)	(9,910,000)
(Increase) decrease in inventory	(429,000)	(653,000)
(Increase) decrease in other assets	(111,000)	(34,000)
Increase (decrease) in accounts payable and accrued liabilities	16,705,000	12,693,000
Increase (decrease) in salaries and benefits payable	34,000	-
Increase (decrease) in member deposits	604,000	1,314,000
Increase (decrease) in compensated absences	388,000	157,000
Net cash used in operating activities	\$ 50,705,000	\$ 39,327,000
Noncash capital financing and investing activities:		
Amortization of discounts, premiums, and deferred refunding charge	\$ 1,046,000	\$ 908,000

See accompanying notes to financial statements.

F-006- Continued

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2001

(1) Nature of Business and Significant Accounting Policies

Nature of Business

The San Diego County Water Authority (the "Authority") was organized on June 9, 1944 under the County Water Authority Act (The "Act") for the primary purpose of providing a supplemental supply of imported water to its member agencies for domestic, municipal and agricultural uses. The Authority consists of 23 member agencies that are each represented by at least one person on the Authority's Board of Directors. The Authority is a member of the Metropolitan Water District of Southern California (MWD) and historically, the Authority has obtained from MWD all the water it requires to meet the demands of the member agencies. The Authority is currently in the process of seeking additional assured sources of water in addition to MWD. During 1999, the Authority executed the Imperial Irrigation District Water Transfer Agreement that will provide an alternative source of water. The Authority is also investigating other local and supply options.

The Metropolitan Water District Act provides a preferential right for the purchase of water by each of its constituent agencies. This preferential right is calculated using a formula, and based upon such formula, as applied by MWD, the Authority has a statutory preferential right to purchase approximately 14.7% of MWD's total supply. MWD has represented that it will provide reliable water supplies notwithstanding preferential rights. The Authority has initiated litigation seeking declaratory relief and other remedies with respect to the application of preferential rights. The litigation is currently pending.

Basis of Accounting

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying financial statements.

The Authority applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(1) Nature of Business and Significant Accounting Policies, (Continued)

Property Taxes and In-Lieu Charges

The Authority is authorized under the Act to levy taxes on all taxable property within its boundaries for the purposes of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the Revenue and Taxation Code and the California Constitution. A portion of the taxes is levied to meet the Authority's debt service requirements on its general obligation bonds.

Property taxes are levied annually by the Authority's Board of Directors as of July 1, using a lien date of March 1, and are payable by property owners in two equal installments, which are due by December 10th and April 10th. The taxes levied are billed and collected by the County of San Diego and are remitted to the Authority throughout the year.

Member agencies of the Authority may elect to pay in-lieu charges instead of the tax levy. Included in the accompanying Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2001 and 2000 are in-lieu charges of \$950,000 and \$890,000, respectively.

Inventories

Inventories consist primarily of water in storage and are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment

Property, plant, and equipment is valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The Authority capitalizes all assets with a historical cost of at least \$1,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Water systems	10 to 75 years
Buildings	40 years
Other equipment	3 to 15 years
Automobiles/trucks	5 to 7 years

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(1) Nature of Business and Significant Accounting Policies, (Continued)

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation benefits up to certain limits. Employees are annually compensated in cash for accrued balances in excess of the accrual limit. Earned vacation pay to a maximum of 36 days (50 days for management) and 25% of accumulated sick leave may be paid upon termination of employment. Upon retirement, the Authority pays 100% of sick leave up to 125 days and all earned vacation. Sick leave hours accrue at the rate of one day per month and employees may elect to receive cash for accumulated sick leave at the rate of two for one after accumulating 480 hours.

All accumulated vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

Capitalized Interest

The Authority capitalizes interest on self-constructed assets during the period of construction. The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted to finance acquisition of specified assets is all interest cost of the borrowings less any interest earned on related interest-bearing investments acquired with such unexpended proceeds from the date of the borrowings until the assets are substantially complete and are ready for their intended use. Interest cost of tax-exempt borrowings is eligible for capitalization on other qualifying assets of the Authority when the specified qualifying assets are no longer eligible for interest capitalization. Interest cost capitalized during the years ended June 30, 2001 and 2000 was \$10,656,000 and \$8,000,000, respectively.

Revenue Policies

The principal portion of the Authority's revenues is provided by water rates and charges. Water is delivered to member agencies on demand and revenue is recognized at the time of delivery. The Authority also has two other separate revenue sources as part of its Capital Finance Plan to fund the Capital Improvement Program. A water availability standby charge was put into effect in fiscal year 1990 and generated revenue of \$10,708,000 for the year ended June 30, 2001 and \$10,830,000 in 2000. In fiscal year 1991, the Authority implemented a capacity charge on all new water meters purchased within the boundaries of the Authority, which generated revenue of \$25,836,000 for the year ended June 30, 2001 and \$21,500,000 for the year ended June 30, 2000.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(1) Nature of Business and Significant Accounting Policies, (Continued)

Revenue Policies, (Continued)

Included in restricted cash, cash equivalents and investments at June 30, 2001 and 2000 is \$129,710,000 and \$105,918,000, identified in the pay-as-you-go account. This account is used for future cash expenditures for capital improvement projects and consists of water availability standby and capacity charges.

On June 11, 1998, the Infrastructure Access Charge (IAC) was adopted by the Board of Directors as an additional source of fixed revenue to provide better coverage of the Authority's projected fixed expenditures. The IAC is levied on all retail water meters within the Authority's service area. Beginning on January 1, 1999, the IAC has been set at \$1.00 per equivalent meter per month. The fixed charge is levied against each member agency for the purpose of maintaining a minimum ratio of projected fixed revenue to projected fixed expenditures of 25% in any future fiscal year. The IAC generated revenues of \$9,788,000 for the year ended June 30, 2001 and \$9,626,000 for the year ended June 30, 2000. The IAC will be adjusted each year as part of the regular rate-setting process.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

Investments

Investments are reported in the accompanying Statement of Net Assets at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during the fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Classification of Revenues

Operating revenues consist of sales of water. *Nonoperating revenues* consist of property taxes, in-lieu charges, hydroelectric sales, investment income, and special charges that can be used for *either* operating or capital purposes.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges.

(1) Nature of Business and Significant Accounting Policies, (Continued)

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are needed. For capital expenditures, restricted bond proceeds are used first, then other restricted resources, then unrestricted resources are used if needed.

Budgets and budgetary accounting

Annual budgets adopted by the Board of Directors provide for operations, debt service and capital expenditures of the Authority. Budgetary controls are set by the Board of Directors. The Board of Directors adopts an operating budget prior to the beginning of the Authority's fiscal year. The legally adopted budget requires that expenditures not exceed appropriations in total for the Authority. The Board of Directors may make appropriation adjustments to the budget during the year as deemed necessary. The Authority adhered to the prescribed budget as discussed above for the fiscal years ended June 30, 2001 and 2000.

(2) Cash and Investments

Cash and investments held by the Authority consisted of the following:

	<u>2001</u>	<u>2000</u>
Petty cash	\$ 2,000	\$ 1,000
Deposits	23,545,000	33,862,000
Investments	<u>294,806,000</u>	<u>305,735,000</u>
	<u>\$318,353,000</u>	<u>\$339,598,000</u>

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Authorized Investments

Under provisions of the Authority's investment policy and Section 53601 of the California Government Code, the Authority may invest in the following types of investments:

<u>Permitted Investment</u>	<u>Restrictions</u>
Local Agency Investment Fund	A maximum of \$30 million and a maximum of \$175 million of bond proceeds.
Bankers Acceptances	Rated a minimum of "A", limited to 20% of portfolio, and a maximum maturity of 270 days.
Treasury Securities	A minimum of 20% of portfolio.
Repurchase Agreements	Rated a minimum of "A", maximum of 20% of portfolio, and a maximum maturity of one year.
Reverse Repurchase Agreements	Maximum maturity of 30 days.
Certificates of Deposit	Minimum rating of "A", maximum of \$100,000 in any FDIC insured institution, and maximum portfolio is limited to 15% with a maximum maturity of two years.
Negotiable Certificates of Deposit	Minimum rating of "AA".
Commercial Paper	Minimum rating of "A", maximum of 10% of total issue, maximum maturity of 180 days, maximum portfolio of 15% and single-issuer holding of no more than 5%.
Medium Term Notes	Minimum rating of "AA-", maximum of 30% of portfolio, maximum maturity of two years for "AA-" and "AA" and five years for "AAA" notes.
Agency Securities	Maximum maturity of five years and maximum of 70% of portfolio.
Money Market/Mutual Funds	Minimum total assets of \$500 million. Must have highest rating by two of three largest nationally recognized rating services. Maximum of 15% of portfolio.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. 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 a financial institution to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Deposits of governmental agencies are classified in three categories to give an indication of the level of custodial risk assumed by the entity. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized agent or depository and subject to certain regulatory requirements under state law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. Category 3 also includes any uncollateralized deposits.

At June 30, 2001, deposits are categorized as follows:

<u>Form of Deposit</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand deposits	\$ 106,000	\$ 2,282,000	\$ -	\$ 2,388,000	\$ 2,091,000
Bank investment agreement	<u>100,000</u>	<u>21,354,000</u>	<u>-</u>	<u>21,454,000</u>	<u>21,454,000</u>
	<u>\$206,000</u>	<u>\$23,636,000</u>	<u>\$ -</u>	<u>\$23,842,000</u>	<u>\$23,545,000</u>

At June 30, 2000, deposits are categorized as follows:

<u>Form of Deposit</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand deposits	\$ 106,000	\$13,143,000	\$ -	\$13,249,000	\$12,408,000
Bank investment agreement	<u>100,000</u>	<u>21,354,000</u>	<u>-</u>	<u>21,454,000</u>	<u>21,454,000</u>
	<u>\$ 206,000</u>	<u>\$34,497,000</u>	<u>\$ -</u>	<u>\$34,703,000</u>	<u>\$33,862,000</u>

Investments of governmental agencies are classified into three categories to give an indication of the custodial risk assumed by the entity. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or the Authority's custodial agent (which must be a different institution other than the party through which the Authority purchased the securities) in the Authority's name. Investments held "in the Authority's name" include securities held in a separate custodial or fiduciary account and identified as owned by the Authority in the custodian's internal accounting records. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer's agent in the Authority's name (or by the trust department of the dealer if the dealer was a financial institution and other department of

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

the institution that purchased the security of the Authority). Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer's agent, but not in the Authority's name. Category 3 also includes all securities held by the broker-dealer agent of the Authority (the party that purchased the security of the Authority) regardless of whether or not the securities are being held in the Authority's name.

Investments are categorized as follows at June 30, 2001:

<u>Form of Investment</u>	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Federal agency securities	\$ 82,982,000	\$ -	\$ -	\$ 82,982,000
U.S. treasury notes	60,074,000	-	-	60,074,000
Medium term notes	<u>59,557,000</u>	-	-	<u>59,557,000</u>
	<u>\$ 202,613,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,613,000</u>
Investments not subject to categorization:				
Local Agency Investment Fund				38,988,000
Guaranteed investment contract				15,392,000
Mutual funds				<u>37,813,000</u>
Total investments				<u>\$ 294,806,000</u>

Investments are categorized as follows at June 30, 2000:

<u>Form of Investment</u>	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Federal agency securities	\$ 75,178,000	\$ -	\$ -	\$ 75,178,000
U.S. treasury notes	61,272,000	-	-	61,272,000
Medium term notes	33,489,000	-	-	33,489,000
Negotiable CD's	<u>4,500,000</u>	-	-	<u>4,500,000</u>
	<u>\$ 174,439,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,439,000</u>
Investments not subject to categorization:				
Local Agency Investment Fund				115,520,000
Guaranteed investment contract				15,392,000
Mutual funds				<u>384,000</u>
Total investments				<u>\$ 305,735,000</u>

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority'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. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. An advisory board has been established to monitor the LAIF's compliance with regulations and investment alternatives established by the State.

(3) Property, Plant and Equipment

Capital asset activity for the year ended June 30, 2001 is as follows:

	<u>Balance at June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2001</u>
Water systems	\$ 733,807,000	\$ 34,736,000	\$ -	\$768,543,000
Buildings	31,573,000	16,660,000	(47,000)	48,186,000
Automobiles and equipment	<u>16,488,000</u>	<u>4,490,000</u>	<u>(1,189,000)</u>	<u>19,789,000</u>
Total cost of depreciable assets	<u>781,868,000</u>	<u>55,886,000</u>	<u>(1,236,000)</u>	<u>836,518,000</u>
Less accumulated depreciation:				
Water systems	(78,040,000)	(10,974,000)	-	(89,014,000)
Buildings	(8,189,000)	(947,000)	46,000	(9,090,000)
Automobiles and equipment	<u>(9,663,000)</u>	<u>(2,825,000)</u>	<u>1,110,000</u>	<u>(11,378,000)</u>
Total accumulated depreciation	<u>(95,892,000)</u>	<u>(14,746,000)</u>	<u>1,156,000</u>	<u>(109,482,000)</u>
Net depreciable assets	685,976,000	41,140,000	(80,000)	727,036,000
Capital assets not depreciated:				
Construction in progress	<u>162,887,000</u>	<u>113,109,000</u>	<u>(54,984,000)</u>	<u>221,012,000</u>
Capital assets, net	<u>\$848,863,000</u>	<u>\$154,249,000</u>	<u>\$(55,064,000)</u>	<u>\$948,048,000</u>

Depreciation expense for the year was \$14,743,000.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(3) Property, Plant and Equipment, (Continued)

Capital asset activity for the year ended June 30, 2000 is as follows:

	<u>Balance at June 30, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2000</u>
Water systems	\$ 718,631,000	\$15,279,000	\$(103,000)	\$733,807,000
Buildings	30,968,000	605,000	-	31,573,000
Automobiles and equipment	<u>13,951,000</u>	<u>2,572,000</u>	<u>(35,000)</u>	<u>16,488,000</u>
Total cost of depreciable assets	<u>763,550,000</u>	<u>18,456,000</u>	<u>(138,000)</u>	<u>781,868,000</u>
Less accumulated depreciation:				
Water systems	(67,283,000)	(10,797,000)	40,000	(78,040,000)
Buildings	(7,342,000)	(847,000)	-	(8,189,000)
Automobiles and equipment	<u>(6,978,000)</u>	<u>(2,718,000)</u>	<u>33,000</u>	<u>(9,663,000)</u>
Total accumulated depreciation	<u>(81,603,000)</u>	<u>(14,362,000)</u>	<u>73,000</u>	<u>(95,892,000)</u>
Net depreciable assets	681,947,000	4,094,000	(65,000)	685,976,000
Capital assets not depreciated:				
Construction in progress	<u>121,153,000</u>	<u>58,532,000</u>	<u>(16,798,000)</u>	<u>162,887,000</u>
Capital assets, net	<u>\$ 803,100,000</u>	<u>\$62,626,000</u>	<u>\$(16,863,000)</u>	<u>\$848,863,000</u>

Depreciation expense for the year was \$14,362,000.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt

Long-term liabilities for the year ended June 30, 2001 are as follows:

	<u>Balance at June 30, 2000</u>	<u>Additions/ Amortizations</u>	<u>Principal Repayments</u>	<u>Balance at June 30, 2001</u>	<u>Amounts Due Within One Year</u>
1998A Water Revenue COP's	\$178,901,000	\$62,000	\$ -	\$178,963,000	\$ -
1997A Water Revenue COP's	149,498,000	984,000	(175,000)	150,307,000	665,000
1993 Water Revenue COP's	100,345,000	-	(8,990,000)	91,355,000	9,460,000
1991 Water Revenue COP's	91,555,000	-	(10,950,000)	80,605,000	11,605,000
1966 Waterworks Bonds	6,165,000	-	(1,440,000)	4,725,000	1,505,000
Commercial Paper	<u>70,000,000</u>	<u>70,000,000</u>	<u>(70,000,000)</u>	<u>70,000,000</u>	<u>70,000,000</u>
Total long-term debt	596,464,000	71,046,000	(91,555,000)	575,955,000	93,235,000
Other liabilities:					
Compensated absences	2,485,000	388,000	-	2,873,000	1,837,000
Arbitrage rebate	<u>194,000</u>	<u>3,000,000</u>	<u>(194,000)</u>	<u>3,000,000</u>	<u>-</u>
Total long-term liabilities	<u>\$599,143,000</u>	<u>\$74,434,000</u>	<u>\$(91,749,000)</u>	<u>\$581,828,000</u>	<u>\$95,072,000</u>

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

Long-term liabilities for the year ended June 30, 2000 are as follows:

	<u>Balance at June 30, 1999</u>	<u>Additions/ Amortizations</u>	<u>Principal Repayments</u>	<u>Balance at June 30, 2000</u>	<u>Amounts Due Within One Year</u>
1998A Water Revenue COP's	\$178,839,000	\$ 62,000	\$ -	\$178,901,000	\$ -
1997A Water Revenue COP's	149,211,000	922,000	(635,000)	149,498,000	175,000
1993 Water Revenue COP's	106,090,000	-	(5,745,000)	100,345,000	8,990,000
1991 Water Revenue COP's	101,895,000	-	(10,340,000)	91,555,000	10,950,000
1966 Waterworks Bonds	7,545,000	-	(1,380,000)	6,165,000	1,440,000
Commercial Paper	<u>70,000,000</u>	<u>70,000,000</u>	<u>(70,000,000)</u>	<u>70,000,000</u>	<u>70,000,000</u>
Total long-term debt	613,580,000	70,984,000	(88,100,000)	596,464,000	91,555,000
Other liabilities:					
Compensated absences	2,132,000	353,000	-	2,485,000	1,766,000
Arbitrage rebate	<u>194,000</u>	<u>-</u>	<u>-</u>	<u>194,000</u>	<u>-</u>
Total long-term liabilities	<u>\$615,906,000</u>	<u>\$71,337,000</u>	<u>\$(88,100,000)</u>	<u>\$599,143,000</u>	<u>\$93,321,000</u>

1998A Water Revenue Certificates of Participation

To provide funds for the design and construction of the Authority's Emergency Storage Project and other water system improvements in furtherance of the Authority's Capital Improvement Program, the Authority issued 1998A Water Revenue Certificates of Participation on October 15, 1998, in the aggregate principal amount of \$180,000,000.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) **Long-Term Debt, (Continued)**

1998A Water Revenue Certificates of Participation, (Continued)

The 1998A Series Certificates with an aggregate principal amount of \$100,000,000 have stated interest rates ranging from 4.75% to 5.25% payable semi-annually on May 1 and November 1. The net interest cost to the Authority on the 1998A Certificates for the years ended June 30, 2001 and 2000 was approximately 4.89%. These Certificates mature serially through May 1, 2018, subject to optional prepayments beginning 2008.

The Term Certificates with an aggregate principal amount of \$80,000,000 have stated interest rates ranging from 4.75% to 5.00% payable semi-annually on May 1 and November 1. An amount of \$17,310,000 of these Term Certificates are due May 1, 2002 at a price of 99.750%, \$19,035,000 are due May 1, 2024 at a price of 93.114% and \$43,655,000 are due May 1, 2028.

The 1998A Water Revenue Certificates were issued at a discount of \$1,202,000 and issuance costs of \$965,000. The certificates require that a reserve be maintained in an amount equal to the lesser of \$15,392,000 or maximum annual debt service on the 1998A Certificates. At June 30, 2001 and 2000, the reserve was fully funded. Included in restricted cash and investments at June 30, 2001 and 2000, is unexpended bond proceeds in the amount of \$38,643,000 and \$112,634,000, respectively. The principal balance of outstanding certificates at June 30, 2001 is \$178,963,000, net of unamortized discount of \$1,037,000 and \$178,901,000, net of unamortized discount of \$1,099,000, at June 30, 2000.

1997A Water Revenue Refunding Certificates of Participation

On December 1, 1997, the Authority issued Water Revenue Refunding Certificates of Participation in the amount of \$162,315,000 with stated interest rates between 4.00% and 5.75% to refund, in advance, \$74,035,000 of the 1991A Certificates with stated interest rates between 6.25% and 6.40% and \$80,000,000 of the 1991B Certificates with interest payable at rates determined by auction every fifth week, not to exceed a blended rate of 6.3%.

The Serial Certificates with an aggregate principal amount of \$144,285,000, have stated interest rates ranging from 4.00% to 5.75% payable semi-annually on May 1 and November 1. The net interest cost to the Authority on the 1997A certificates for the years ended June 30, 2001 and 2000 was approximately 4.90% and 4.92%, respectively. These certificates mature serially through May 1, 2018, subject to optional prepayments beginning in 2008. The Series 1997A Term Certificates, with an aggregate principal amount of \$18,030,000, have an interest rate of 4.75%, are due May 1, 2020, and are subject to optional prepayments beginning in 2008.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

1997A Water Revenue Refunding Certificates of Participation, (Continued)

The Certificates require that a reserve be maintained in an amount equal to the lesser of 10% of the principal amount, 100% of the maximum annual debt service, or 125% of the average annual debt service. A surety bond in the amount of \$15,197,000 has been obtained by the Authority and issued in satisfaction of the requirement.

The 1997A Water Revenue Refunding Certificates were issued at a premium of \$2,958,000 with issuance costs of \$1,342,000. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$17,184,000. This difference, reported in the accompanying financial statements as a decrease in bonds payable, is being charged to operations through the year 2020 using the effective interest method. Included in interest expense for the years ended June 30, 2001 and 2000 is amortization of \$1,189,000 and \$1,113,000, respectively, of net deferred amounts. The Authority completed the advance refunding to reduce its total debt service payments over the next twenty-two years by \$20,896,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,530,000. The principal balance of outstanding certificates at June 30, 2001 is \$150,307,000, net of unamortized premium of \$2,298,000 and unamortized loss from refunding of \$13,351,000. The principal balance of outstanding certificates at June 30, 2000 is \$149,498,000, net of unamortized premium of \$2,503,000 and unamortized loss from refunding of \$14,540,000.

1993 Water Revenue Refunding Certificates of Participation

To provide funds for the refunding of the 1989A Water Revenue Certificates of Participation, the Authority issued the 1993A Certificates in February 1993 in the aggregate principal amount of \$135,650,000.

The Series 1993A Current Interest Certificates, with an aggregate principal amount of \$85,050,000, have stated interest rates ranging from 3.50% to 5.50% payable semi-annually on May 1 and November 1. The net interest cost to the Authority on the 1993A Certificates for the years ended 2001 and 2000 was approximately 6.39% and 5.87%, respectively. These certificates mature serially through May 1, 2005 and are not subject to prepayment. The Series 1993A Floating Auction Tax Exempts (the "FLOATS"), with an aggregate principal amount of \$25,300,000, carry an interest rate determined by auction every 28 days. The FLOATS are due April 22, 2009, subject to mandatory prepayments beginning in 2006. The Series 1993A Residual Interest Tax Exempt Securities (the "RITES") with an aggregate principal amount of \$25,300,000 carry interest rates determined by a fixed component and an auction rate component payable every 28 days, not to exceed 5.75% in aggregate. The RITES mature serially between April 26, 2006 and April 22, 2009 and are not subject to mandatory prepayment. Interest rates are subject to minimum and maximum limits and may be fixed by the holder.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

1993 Water Revenue Refunding Certificates of Participation, (Continued)

The Certificates require that a reserve be maintained in an amount equal to the lesser of \$13,565,000, 100% of the maximum annual installment payments, or 125% of average annual installment payments. A surety bond has been obtained by the Authority and issued in satisfaction of this requirement.

1991 Water Revenue Certificates of Participation

To provide funds for the acquisition and construction of water system improvements, the Authority issued Series 1991A and 1991B Water Revenue Certificates of Participation in November 1991 in the aggregate principal amount of \$300,000,000.

The Series 1991A Certificates, with an aggregate principal amount of \$89,265,000 carry stated interest rates ranging from 5.20% to 6.125% payable semi-annually on May 1 and November 1. The net interest cost to the Authority on the Series 1991A and 1991B Water Revenue Certificates of Participation for the years ended June 30, 2001 and 2000 was approximately 6.73% and 6.97%, respectively. These Certificates mature serially through May 1, 2003 and may be redeemed, at the option of the Authority, at premiums decreasing from 2% in 2001 to 1% in 2003.

The Series 1991B Certificates consist of Short-Term Auction Rate and Complementary Auction Rate Certificates in the aggregate principal amount of \$56,700,000 with interest payable at rates determined by auction every fifth week, not to exceed an aggregate net cost to the Authority of 6.3%. These Certificates mature April 21, 2011.

The Certificates require that a reserve be maintained in an amount of \$21,329,000, representing the lesser of 100% of the maximum annual payments, or 125% of the average annual payments. At June 30, 2001 and 2000, the reserve was fully funded.

1966 Waterworks General Obligation Bonds

During 1968, the Authority issued General Obligation Bonds in the aggregate principal amount of \$30,000,000 with stated interest rates ranging from 4.50% to 5.50% payable semi-annually on April 1, and October 1, for the construction of a second pipeline to the second aqueduct. The bonds mature serially through October 1, 2003 and may be redeemed on or after October 1, 1980 at premiums decreasing from 3.50% in 1980 to .50% in 2002.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

Commercial Paper

The Authority has a commercial paper program through which it can borrow up to \$250,000,000 for periods of up to 270 days. Currently, the amount that can be borrowed is limited to \$110,000,000, the amount of the revolving credit and term loan agreement that supports a portion of the program. The revolving credit and term loan agreement, unless otherwise extended, will terminate in November 2005. During the term of the agreement, the Authority is obligated to pay a usage fee of .16% on the utilized commitment. Currently, no advances have been made under the revolving credit and term loan agreement. The Authority maintains remarketing arrangements with two dealers at a total cost of .05% on the outstanding commercial paper. The commercial paper notes are secured and payable solely from net water revenues and are subordinate to the water revenue certificates of participation. At June 30, 2001 and 2000, \$70,000,000 of commercial paper was outstanding.

Revenue Covenants

Certain outstanding debt agreements require the Authority to maintain a minimum level of operational earnings. Exclusive of the tax revenue and debt servicing costs associated with voter-approved general obligation bonds and other voter-approved debt, net water revenues, as defined by the agreement, must equal or exceed 120% of all other debt servicing costs (principal and interest). The Authority was in compliance with all of its covenants, including meeting its debt service ratio requirement.

In fiscal year 1990, the Authority established a water rate stabilization fund for the purpose of identifying amounts available to mitigate future water rate increases. The Authority will transfer portions of its net water revenues (as defined) which exceed its debt service ratio requirement, into the rate stabilization fund and from time to time transfer amounts from its rate stabilization fund into net water revenues to meet its debt service ratio requirements. During the year ended June 30, 2001, the Authority transferred \$6,762,000 to the rate stabilization fund. There were no transfers during the year ended June 30, 2000. As of June 30, 2001 and 2000, the balance in this fund, which is included in restricted cash, cash equivalents and investments, totaled \$53,623,000 and \$43,072,000, respectively.

Unamortized Bond Issuance Costs

Included in non-current assets at June 30, 2001 and 2000 are deferred financing costs of \$4,656,000 and \$5,111,000, respectively. The deferred financing costs are being amortized over the life of the related obligations.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Debt, (Continued)

Prior Year Defeasance of Debt

In prior years, the Authority defeased \$74,035,000 of the 1991A Certificates and \$80,000,000 of the 1991B Certificates, by placing the net proceeds of \$163,931,000 from the 1997A Water Revenue Refunding Certificates of Participation plus an additional amount of \$5,099,000 of the 1991A and 1991B Certificates reserve funds and other monies, in an irrevocable trust to provide for all future debt service payments on the \$74,035,000 1991A Certificates of Participation and the \$80,000,000 1991B Certificates of Participation. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. At June 30, 2001 and 2000, \$154,035,000 of certificates outstanding are considered defeased.

Debt to Maturity

The annual requirements to amortize outstanding long-term debt of the Authority excluding amortizations of discounts, premiums, losses, and commercial paper at June 30, 2001 are as follows:

<u>June 30</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Debt Service</u>
2002	\$ 23,235,000	\$ 27,379,000	\$ 50,614,000
2003	24,040,000	25,736,000	49,776,000
2004	25,195,000	24,579,000	49,774,000
2005	25,430,000	23,495,000	48,925,000
2006	26,140,000	21,874,000	48,014,000
Thereafter	<u>394,005,000</u>	<u>177,915,000</u>	<u>571,920,000</u>
	<u>\$518,045,000</u>	<u>\$300,978,000</u>	<u>\$819,023,000</u>

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(5) Net Assets

Net assets at June 30, 2001 and 2000 consisted of the following:

	<u>2001</u>	<u>2000</u>
Invested in capital assets, net of related debt:		
Property, plant and equipment, net	\$948,048,000	\$848,863,000
Less:		
Outstanding debt issued to construct capital assets	(575,955,000)	(596,464,000)
Add back the unspent portion of bond proceeds	<u>75,590,000</u>	<u>149,547,000</u>
Total invested in capital assets, net of related debt	<u>447,683,000</u>	<u>401,946,000</u>
Restricted net assets:		
Restricted by bond documents and enabling legislation for capital projects	140,195,000	105,918,000
Restricted for rate stabilization	<u>53,623,000</u>	<u>43,072,000</u>
Total restricted net assets	<u>193,818,000</u>	<u>148,990,000</u>
Unrestricted net assets	<u>37,108,000</u>	<u>44,480,000</u>
Total net assets	<u><u>\$678,609,000</u></u>	<u><u>\$595,416,000</u></u>

(6) Defined Benefit Pension Plan

Plan Description

The San Diego County Water Authority contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(6) Defined Benefit Pension Plan, (Continued)

Funding Policy

The Authority has elected to make contributions on behalf of its employees at the required amount of 7% of their annual covered salary. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. For the years ended June 30, 2001 and 2000, the amount contributed by the Authority on behalf of the employees was \$901,000 and \$796,000, respectively. The required employer contribution rate for the year ended June 30, 2001 was 1.15%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal years ended June 30, 2001 and 2000, the Authority's annual pension cost of \$1,054,000 and \$1,192,000, respectively, was equal to the Authority's required and actual contributions. The required contributions were determined as part of the June 30, 1998 and 1997 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members; and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the PERS assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed twenty year period. PERS has combined the prior service unfounded liability and the current service unfunded liability into a single unfunded liability.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/99	\$1,620,000	100%	-
6/30/00	1,192,000	100%	-
6/30/01	1,054,000	100%	-

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(6) Defined Benefit Pension Plan, (Continued)

Required Supplementary Information

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/97	\$20,675,551	\$24,027,237	\$(3,351,686)	116.2%	\$8,969,774	(37.366%)
6/30/98	23,161,310	29,520,782	(6,359,472)	127.5%	10,131,347	(62.770%)
6/30/99	25,640,481	34,475,867	(8,835,386)	134.5%	11,324,534	(78.020%)

(7) Deferred Compensation Plan

The Authority has adopted deferred compensation plans in accordance with Section 401(A) and 457 of the Internal Revenue Code. Generally, all eligible employees may defer receipt of a portion of their salary until future years. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. At June 30, 2001 and 2000, assets of the plans totaled \$11,673,000 and \$12,532,000, respectively.

In certain prior years, all of the plan assets, until paid or made available to the employees or their beneficiaries, were the sole property of the Authority, subject to the claims of the Authority's general creditors. The plan was amended during the year ended June 30, 1998, in accordance with recent changes in the Internal Revenue Code, so that all assets are now held in trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the plan assets and corresponding liability to the participants are no longer recognized in the accompanying financial statements.

(8) Other Post-Employment Benefits

The Authority provides 100% of the monthly medical insurance premiums for retired employees and their spouses for the basic medical plan until they reach age 65 and are eligible for Medicare. To be eligible for these benefits, the employee must be 55 years of age upon retirement with five years of service. For fiscal years ended June 30, 2001 and 2000, the Authority's retiree medical insurance costs were \$29,000 and \$22,000, respectively.

(9) Insurance

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a participant in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) for the purpose of providing general liability insurance for the member agencies. The Authority had a self-insured retention level of

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(9) **Insurance, (Continued)**

\$50,000 per claim for auto and general liability for the years ended June 30, 2001 and 2000. The total coverage limit is \$50,000,000 at June 30, 2001 and 2000. The program provides for up to \$100,000,000 in coverage for property damage with a \$25,000 deductible.

The Authority is also a participant in the JPIA for the purpose of providing insurance coverage for workers compensation. Liabilities under this program are accrued and charged to expense when the claims are reasonably determinable and when the existence of the Authority's liability is probable. There is no self-insurance retention required for the years ended June 30, 2001 and 2000. The total coverage under this policy is \$5,500,000.

The amount of settlements did not exceed insurance coverage for the past three years for either JPIA coverages.

In 1999, the Authority entered into an Owner Controlled Insurance Program to provide worker's compensation and general liability insurance to the contractors and professional liability, pollution liability, and builder's risk for the Emergency Storage Program. Premiums paid in fiscal year ended June 30, 2001 and 2000 were \$1,856,000 and \$1,846,000, respectively. Premiums are adjusted annually based on loss experience. The general liability deductible is \$250,000 per occurrence. The total coverage limit is \$2 million per occurrence and \$4 million aggregate. The workers compensation program provides full statutory coverage with a \$250,000 deductible for each occurrence.

(10) **Commitments and Contingencies**

Litigation

The Authority is subject to lawsuits and claims which arise out of the normal course of business. In the opinion of management, based upon the opinion of legal counsel, the disposition of such actions of which it is aware will not have a material effect on the financial position, results of operations or liquidity of the Authority.

Construction Projects

The Authority is committed to a long-range effort to increase the present aqueduct capacity, obtain additional water from a variety of sources, including water marketing, provide additional storage within the County and maximize the use of existing storage reservoirs. The Authority's current Capital Improvement Program (the Program) is budgeted at approximately \$1.2 billion, to be expended over the next ten years.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(10) Commitments and Contingencies, (Continued)

The following material construction commitments existed at June 30, 2001:

<u>Project Name</u>	<u>Cumulative Expenditures as of June 30, 2001</u>	<u>Remaining Commitments</u>
Pipeline 5 Diversion Structure	\$ 17,324,000	1,810,000
Pipeline 6	3,026,000	4,085,000
Emergency Storage Project	130,016,000	158,409,000
Moreno-Lakeside Pipeline	4,956,000	637,000
Replacement/Relining of Existing PCCP	5,556,000	1,127,000

Emergency Storage Project

On June 4, 1998, the Board of Directors approved the Emergency Storage Project (ESP) that develops approximately 90,100 acre-feet of reservoir storage and supporting distribution facilities to supplement emergency water supplies available to the region in case of prolonged interruption of the imported water supply. The project is estimated to cost \$827 million on an inflated basis. A combination of debt and funding from operations will be used to finance these requirements. The ratio of debt to cash used will be that which provides the smoothest water rate increase pattern over the planning horizon.

The design and construction phase of the ESP is scheduled to take place in phases between 1999 and 2011 in order to minimize water rate increases, comply with air quality protection conditions of the permit and preserve the flexibility in sizing of critical project components. The project includes the following major components:

- Design and construction of a reservoir and related infrastructure with the Olivenhain Municipal Water District. The project includes pipelines and pump stations to connect the reservoir to the Second Aqueduct and Lake Hodges. The Olivenhain and Lake Hodges facilities are scheduled for completion in 2008.
- Modifications to the existing City of San Diego's San Vicente Dam, which would raise the dam by 54 feet, and construction of a related pipeline and pump stations which will connect the reservoir to the Second Aqueduct. The completion of the expansion of the San Vicente facilities is scheduled for 2010.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(10) Commitments and Contingencies, (Continued)

Imperial Irrigation District Water Transfer Agreement

On April 29, 1998, the Board of Directors approved the “Agreement for the Transfer of Conserved Water by and between the Imperial Irrigation District (IID) and San Diego County Water Authority” (the agreement). The terms of the agreement provide for the transfer of conserved agricultural water, as defined by the agreement, from the IID to the Authority, subject to certain terms and conditions. The duration of the agreement is for forty-five years with renewal provisions for an additional thirty years. The quantity of conserved water to be transferred during year 1 of the agreement will be 20,000 acre feet per year (AFY) beginning in 2003. This amount will increase by 20,000 AFY until a stabilized quantity of between 130,000 AFY and 200,000 AFY is reached. The determination of the quantity to be transferred within this range is solely at the discretion of the IID. The proposed agreement is conditioned upon, among other things, the availability of a minimum of 130,000 AFY.

The agreement includes a formula to determine the water’s price that includes a discount from the price of MWD water (starting at 25% in the first year of the agreement and declining over the next seventeen years to 5%) after an adjustment for the Authority’s cost to convey the water to MWD’s Colorado River Aqueduct. Under the current MWD pricing structure and Authority conveyance cost estimates, the price of the transferred water would normally be less to the Authority than the cost of MWD supplied water and would compare favorably to other sources of supply.

On July 22, 1998, the Authority and IID filed a joint petition with the State Water Resources Control Board’s (SWRCB) Division of Water Rights for approval of a Long-Term Conserved Water Transfer Agreement and Change in Point of Diversion and Place of Use. The water transfer is subject to SWRCB review and approval pursuant to the continuing retained jurisdiction of the SWRCB over IID’s conservation activities under both SWRCB Decision 1600, SWRCB Water Rights Order 88-20, Article X, Section 2 of the California Constitution and certain provisions of the Water Code.

On November 10, 1998, the Authority and MWD agreed to an exchange contract which will facilitate the IID transfer. Under the terms of the contract, the Authority will deliver water it acquires from IID to MWD, in exchange for the same amount of MWD water. The agreement would terminate thirty years after the start of deliveries from IID to the Authority. Based on the exchange price structure established by the contract, the total cost of the transferred water to the Authority during the initial 10 years of deliveries would be less than MWD supplied water.

SAN DIEGO COUNTY WATER AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(10) Commitments and Contingencies, (Continued)

The agreement cannot be implemented until the environmental review and assessment required by the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) has been completed. The agreement designates IID as the lead agency and the Authority as a responsible agency for the purposes of CEQA. IID as lead agency under California law, and the Bureau of Reclamation, as lead agency under federal law are processing a joint environmental impact report (EIR) under CEQA and environmental impact statement (EIS) under NEPA. It is currently expected that the EIR/EIS will be completed and approved during calendar year 2002.

(This page intentionally left blank)



SUPPLEMENTARY INFORMATION



(This page intentionally left blank)



**SAN DIEGO COUNTY WATER AUTHORITY
Budget Comparison Schedule
Fiscal Year Ended June 30, 2001**

<u>Revenues</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance (Negative) with Final Budget</u>
Water Sales	\$ 249,811,000	\$ 266,466,611	\$ 266,466,611	\$ -
Taxes	6,640,000	6,640,000	7,120,360	480,360
Interest Income ⁽²⁾	18,393,000	18,393,000	18,729,014	336,014
Standby Charges	10,600,000	10,600,000	10,707,554	107,554
Capacity Charges	21,654,000	21,654,000	25,835,939	4,181,939
Infrastructure Access Charges	9,786,000	9,786,000	9,788,028	2,028
Other Income	400,000	400,000	4,373,023	3,973,023
Capital Reimbursements	13,341,000	13,341,000	13,233,096	(107,904)
Total Revenues	\$ 330,625,000	\$ 347,280,611	\$ 356,253,625	\$ 8,973,014
Operating Budget ⁽¹⁾				
Administrative Services	\$ 3,052,605	\$ 2,974,606	\$ 2,786,662	\$ 187,944
Engineering	1,063,797	1,063,797	820,091	243,706
Finance	1,618,907	1,618,907	1,376,520	242,387
General Counsel	2,356,051	2,356,051	2,349,369	6,682
General Manager	3,050,206	3,050,206	2,944,734	105,472
Human Resources	516,237	516,237	493,120	23,117
Imported Water	1,259,677	1,259,677	1,038,729	220,948
Operations & Maintenance	5,666,700	5,866,700	5,693,652	173,048
Public Affairs	1,836,945	1,736,945	1,626,506	110,439
Right of Way	1,000,269	1,000,269	936,899	63,370
Water Resources	2,240,939	2,218,938	2,146,795	72,143
Total Operating Budget	\$ 23,662,333	\$ 23,662,333	\$ 22,213,077	\$ 1,449,256
Expenditures				
Water Purchases	\$ 204,983,000	\$ 214,480,281	\$ 214,480,281	\$ -
Capital Purchases	91,415,000	103,120,000	102,453,387	666,613
Debt Service	53,675,000	53,675,000	53,471,385	203,615
Equipment Replacement	1,725,000	1,725,000	1,725,000	-
Operating Budget	\$ 23,662,333	\$ 23,662,333	\$ 22,213,077	\$ 1,449,256
Total Expenditures	\$ 375,460,333	\$ 396,662,614	\$ 394,343,130	\$ 2,319,484

⁽¹⁾ Operating Budget and expenditures include equipment purchases

⁽²⁾ Does not include unrealized gains/losses

(This page intentionally left blank)



STATISTICAL SECTION



San Diego County Water Authority

(This page intentionally left blank)



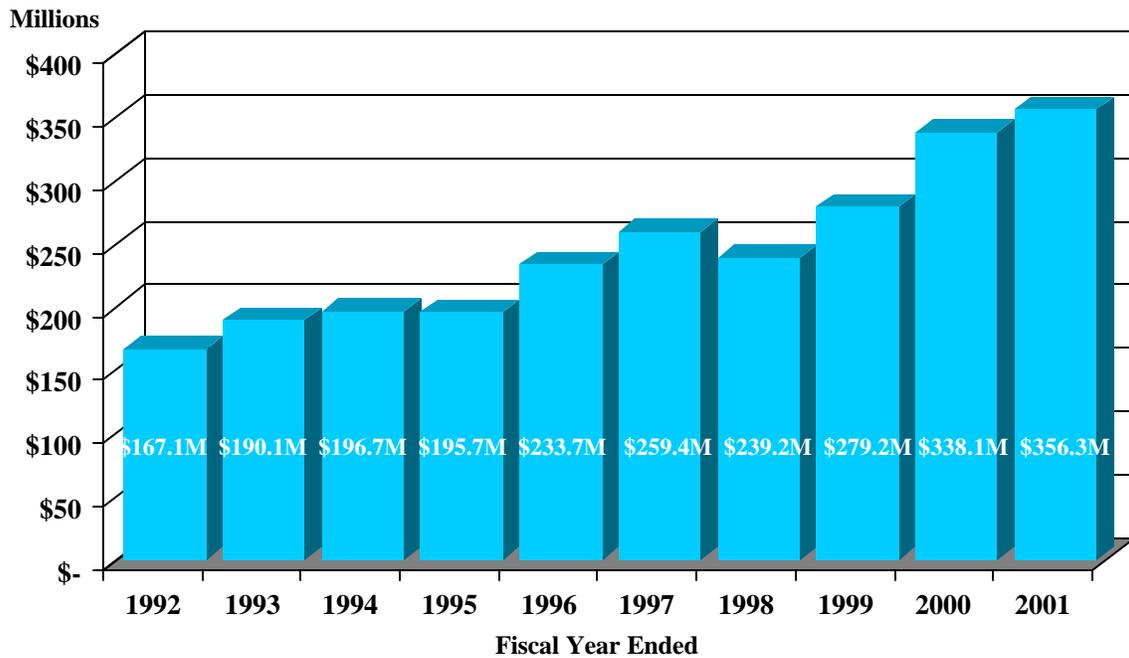
**Table I
Revenues By Source
Last Ten Fiscal Years**

Fiscal Year	Water Sales (1)	Other (2)	Total Operating Revenues	Property (3) Taxes	Standby Charges	Capacity Charges	Infrastructure		Other (5)	Total Revenues
							Access Charges	Interest (4) Income		
2001	\$ 266,466,611	\$ 583,281	\$ 267,049,892	\$ 7,120,360	\$ 10,707,554	\$ 25,835,939	\$ 9,788,088	\$18,729,014	\$17,022,838	\$ 356,253,685
2000	261,207,548 (6)	301,704	261,509,252	6,664,964	10,829,579	21,499,736	9,626,382	19,822,838	8,169,034	338,121,785
1999	217,532,233	80,521	217,612,754	6,125,169	10,522,621	21,259,485	4,789,374	15,533,516	3,308,579	279,151,498
1998	194,789,707	180,237	194,969,944	5,771,939	10,659,841	16,351,377	-	11,301,300	116,555	239,170,956
1997	218,260,727	147,248	218,407,975	5,525,276	10,797,459	11,350,619	-	12,628,972	672,936	259,383,237
1996	194,452,323	25,369	194,477,692	5,464,748	10,489,980	9,869,304	-	13,282,013	120,768	233,704,505
1995	158,984,450	91,153	159,075,603	5,473,030	10,754,203	7,498,972	-	12,765,296	101,507	195,668,611
1994	161,362,127	50,526	161,412,653	5,940,161	10,895,674	7,158,147	-	10,734,246	555,064	196,695,945
1993	149,563,647	149,680	149,713,327	8,261,798	10,905,172	4,917,362	-	15,390,460	872,703	190,060,822
1992	123,526,843	118,594	123,645,437	8,822,219	10,514,793	4,665,048	-	17,794,777	1,636,858	167,079,132

Source: San Diego County Water Authority

S-001

**Total Revenues
(Millions)**



S-001A

- (1) Includes "Readiness-to-Serve" charge assessed by the Metropolitan Water District
- (2) Hydroelectric sales
- (3) Includes all taxes including "In-Lieu Taxes"
- (4) Net of unrealized gain/loss on investments
- (5) Includes contributed capital from member agencies
- (6) Net of one time refund to member agencies of \$6,268,000

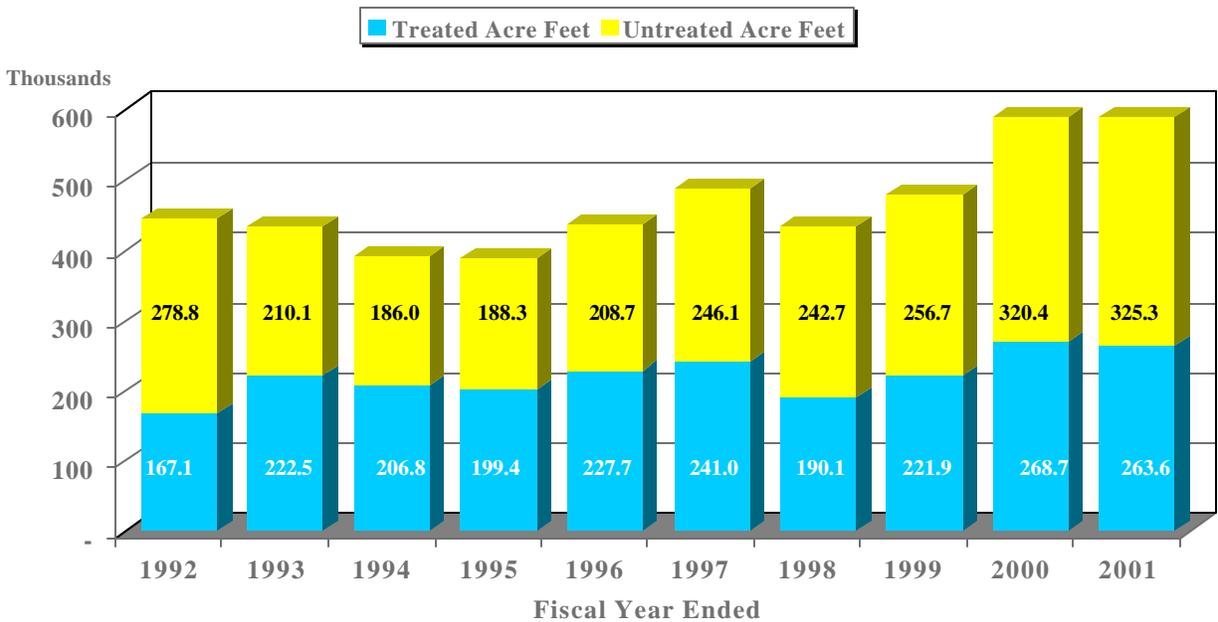
Table II
Water Sales Classification
Last Ten Fiscal Years

Fiscal Year Ended	Treated Water		Untreated Water		Total	
	Acre Feet	Value (1)	Acre Feet	Value (1)	Acre Feet	Sales (1)
2001	263,613.1	\$ 125,276,486	325,286.3	\$ 131,689,611	588,899.4	\$ 256,966,097
2000	268,665.2	120,230,449	320,368.9	131,411,720	589,034.1	251,642,169
1999	221,919.9	104,280,865	256,665.0	103,728,822	478,584.9	208,009,687
1998	190,092.6	87,498,126	242,665.9	100,838,497	432,758.5	188,336,623
1997	241,002.4	112,062,222	246,034.7	101,037,466	487,037.1	213,099,688
1996	227,668.7	106,038,091	208,676.8	84,730,426	436,345.5	190,768,517
1995	199,431.6	71,441,173	188,336.9	87,543,277	387,768.5	158,984,450
1994	206,758.2	78,670,440	185,975.1	82,691,687	392,733.3	161,362,127
1993	222,525.0	71,873,426	210,100.5	77,504,576	432,625.5	149,378,002
1992	167,092.9	42,351,236	278,776.0	81,175,606	445,868.9	123,526,842

Source: San Diego County Water Authority

S-002

Water Sales by Acre Feet
 (Thousands)



S-002A

(1) Net of seasonal storage, agriculture and reclamation credits passed on to member agencies

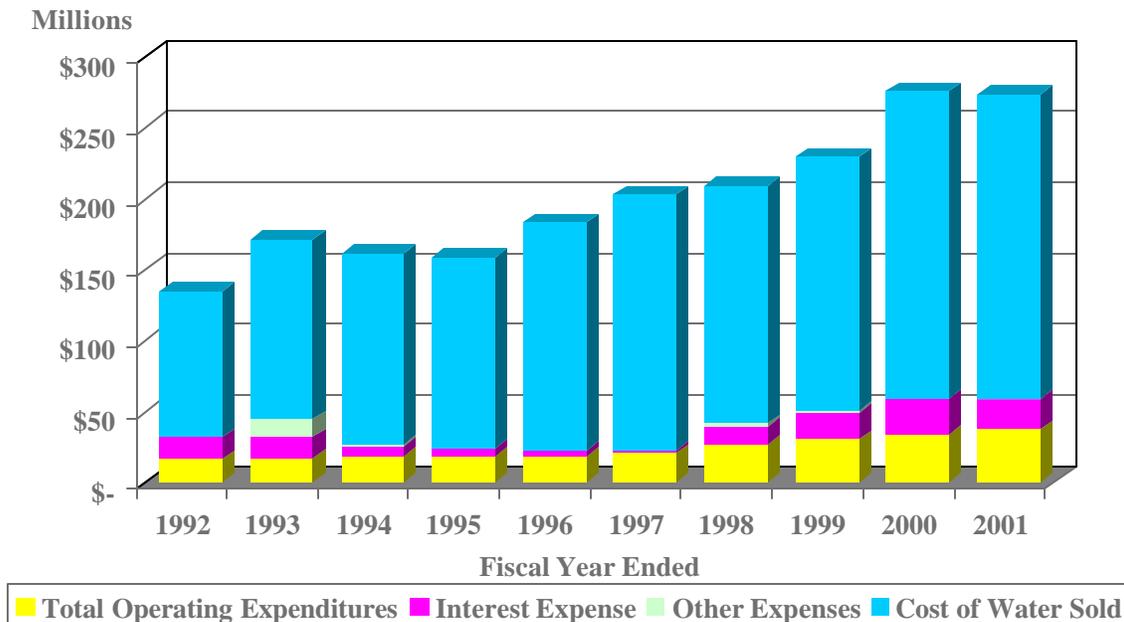
**Table III
Expenditures by Function
Last Ten Fiscal Years**

Fiscal Year Ended	Cost of Water Sold	Operations and Maintenance	Planning	General and Administration	Depreciation and Amortization	Total Operating Expenditures	Interest Expense (1)	Other	Total Expenditures
2001	\$ 214,480,281	\$ 7,083,079	\$ 2,138,805	\$ 12,572,810	\$ 15,259,863	\$ 37,054,557	\$ 21,055,038	\$ 471,306 (2)	\$ 273,061,182
2000	217,000,150	6,441,763	2,188,429	10,073,996	14,870,367	33,574,555	24,492,003	242,875	275,309,583
1999	179,332,463	6,499,328	2,267,007	8,359,277	12,784,802	29,910,414	19,664,511	524,783	229,432,171
1998	167,002,808	6,305,758	1,912,598	8,742,776	9,753,786	26,714,918	12,262,040	2,480,000 (2)	208,459,766
1997	180,032,196	5,695,396	1,761,629	6,557,442	6,115,132	20,129,599	2,613,886	-	202,775,681
1996	160,132,480	4,726,096	2,442,588	6,235,335	4,984,609	18,388,628	4,197,456	-	182,718,564
1995	134,347,725	3,842,111	3,929,107	5,587,773	4,711,556	18,070,547	5,774,855	-	158,193,127
1994	134,381,146	3,289,862	4,014,820	5,848,987	4,928,777	18,082,446	6,972,245	2,158,000 (2)	161,593,837
1993	126,641,750	3,821,000	2,423,000	5,666,000	4,896,309	16,806,309	14,306,103	12,978,000 (2,3)	170,732,162
1992	102,516,623	3,424,000	3,398,000	4,904,000	4,203,502	15,929,502	15,752,773	-	134,198,898

Source: San Diego County Water Authority

S-003

**Expenditures by Function
(Millions)**



S-003A

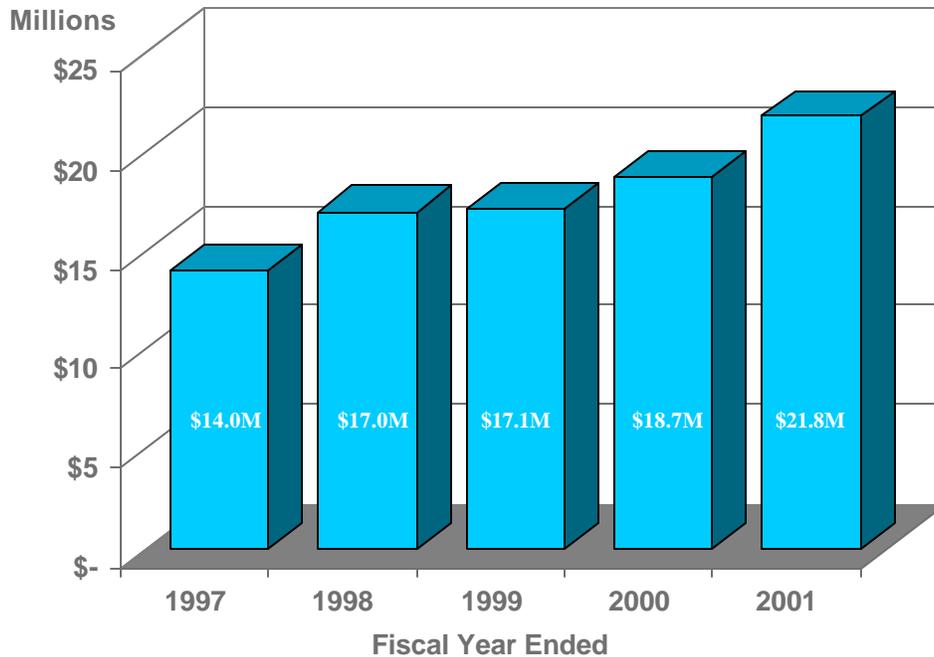
- (1) Net of capitalized interest
- (2) Includes write down to expense on certain capital projects related to feasibility costs, which were not viable
- (3) Includes extraordinary loss of \$10,978,000 from Bond Defeasance

Table IV
Operating Expenses By Major Expense Category
Last Five Fiscal Years

<u>Fiscal Year Ended</u>	<u>Labor and Benefits</u>	<u>Outside Services</u>	<u>Supplies, Utilities, Insurance</u>	<u>Other Expenses</u>	<u>Capitalized Overhead</u>	<u>Total Operating Expenses</u>
2001	\$ 13,737,329	\$ 6,897,096	\$ 2,097,192	\$ 1,371,077	\$ (2,308,000)	\$ 21,794,694
2000	12,583,039	4,699,717	1,751,703	1,594,729	(1,925,000)	18,704,188
1999	12,203,318	3,779,157	1,849,780	1,309,359	(2,016,000)	17,125,614
1998	10,958,234	4,085,836	1,708,573	1,243,689	(1,035,000)	16,961,332
1997	10,169,648	2,120,120	1,599,735	1,159,964	(1,035,000)	14,014,467

S-004

Total Operating Expenses
(Millions)



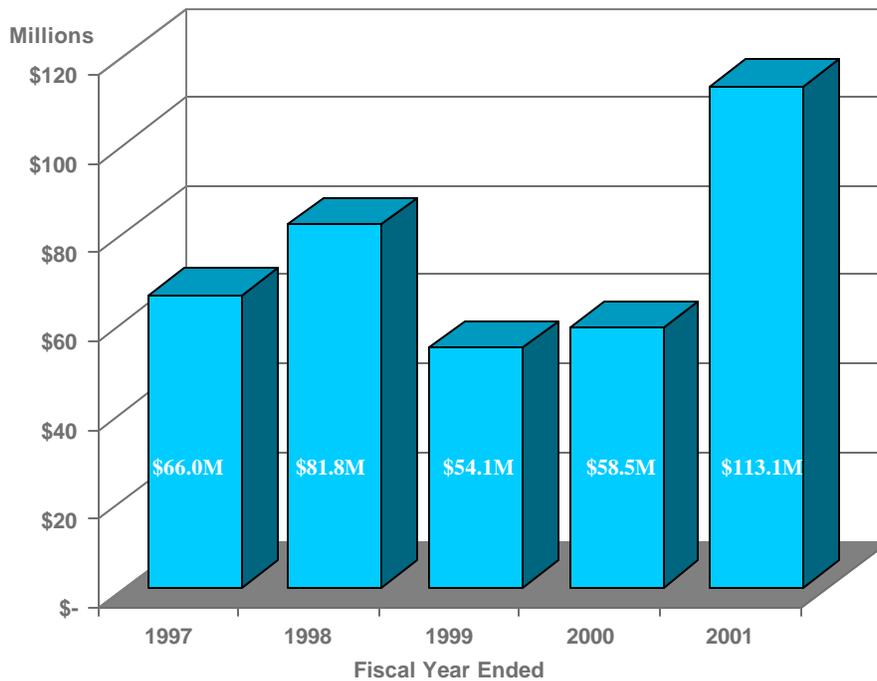
S-004A

Table V
Capital Improvement Program
Major Expenditure Categories
Last Five Fiscal Years

<u>Fiscal Year Ended</u>	<u>Labor and Benefits</u>	<u>Outside Services</u>	<u>Supplies, Utilities, Exemptions</u>	<u>Other Expenses</u>	<u>Capital Equipment</u>	<u>Capitalized Overhead</u>	<u>Capitalized Interest</u>	<u>Total Fiscal Year Expenditures</u>
2001	\$5,109,815	\$83,410,716	\$2,736,815	\$436,356	\$8,451,686	\$2,308,000	\$10,656,000	\$113,109,388
2000	4,464,505	40,055,796	2,624,202 (1)	386,877	1,075,305	1,925,000	8,000,000	58,531,685
1999	3,895,378	27,754,838	607,970	(185,525)	9,630,568	2,016,000	10,400,000	54,119,229
1998	3,533,497	63,081,506	521,750	491,165	465,888	1,035,000	12,700,000	81,828,806
1997	3,373,994	36,658,726	483,928	605,700	701,427	1,035,000	23,150,000	66,008,775

S-005

Total Fiscal Year Expenditures
(Millions)



S-005A

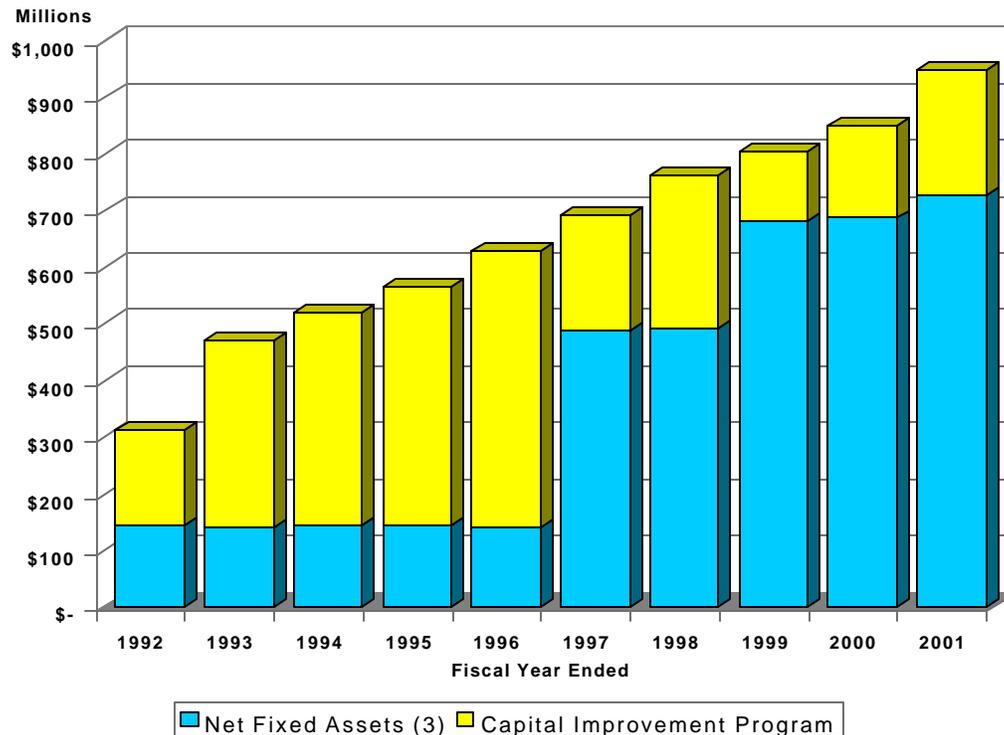
⁽¹⁾ The Authority implemented an "Owner Controlled Insurance Program" on the Emergency Storage Program

**Table VI
Property, Plant and Equipment
Last Ten Fiscal Years**

Fiscal Year Ended	Land	Buildings	Pipelines	Valves Telemetering(1)	Miscellaneous Equipment (2)	Total Fixed Assets	Accumulated Depreciation	Capital Improvement Program	Net Capital Assets
2001	\$ 9,074,965	\$ 48,185,680	\$ 736,145,299	\$ 23,383,160	\$ 19,788,615	\$ 836,517,719	\$ 109,482,152	\$ 221,012,392	\$ 948,047,959
2000	5,699,065	31,573,020	704,969,163	23,138,872	16,488,404	781,868,524	95,892,304	162,886,957	848,863,177
1999	5,699,065	30,968,264	691,756,293	21,175,776	13,950,700	763,550,098	81,603,244	121,153,163	803,100,017
1998	5,175,965	30,349,638	491,726,569	20,106,168	13,354,945	560,713,285	70,923,833	271,318,892	761,108,344
1997	3,915,360	25,750,552	505,884,351	6,241,042	8,843,592	550,634,897	62,136,829	201,643,838	690,141,906
1996	3,915,360	8,991,474	162,801,366	13,711,210	7,430,347	196,849,757	56,535,904	488,938,587	629,253,440
1995	3,860,368	9,029,233	161,493,921	13,665,998	6,099,041	194,148,561	52,069,890	423,360,412	565,439,083
1994	4,070,768	6,133,048	167,289,091	7,186,571	5,108,892	189,788,370	47,846,042	376,784,410	518,726,738
1993	249,590	6,432,122	166,380,040	5,291,626	4,648,653	183,002,031	43,563,761	330,993,470	470,431,740
1992	90,000	4,531,991	168,295,699	4,805,390	3,853,740	181,576,820	39,201,184	170,510,856	312,886,492

S-006

**Net Capital Assets
(Millions)**



S-006A

(1) Includes valves, pumps and telemetering equipment

(2) Includes vehicles, computers, office equipment, furniture and fixtures

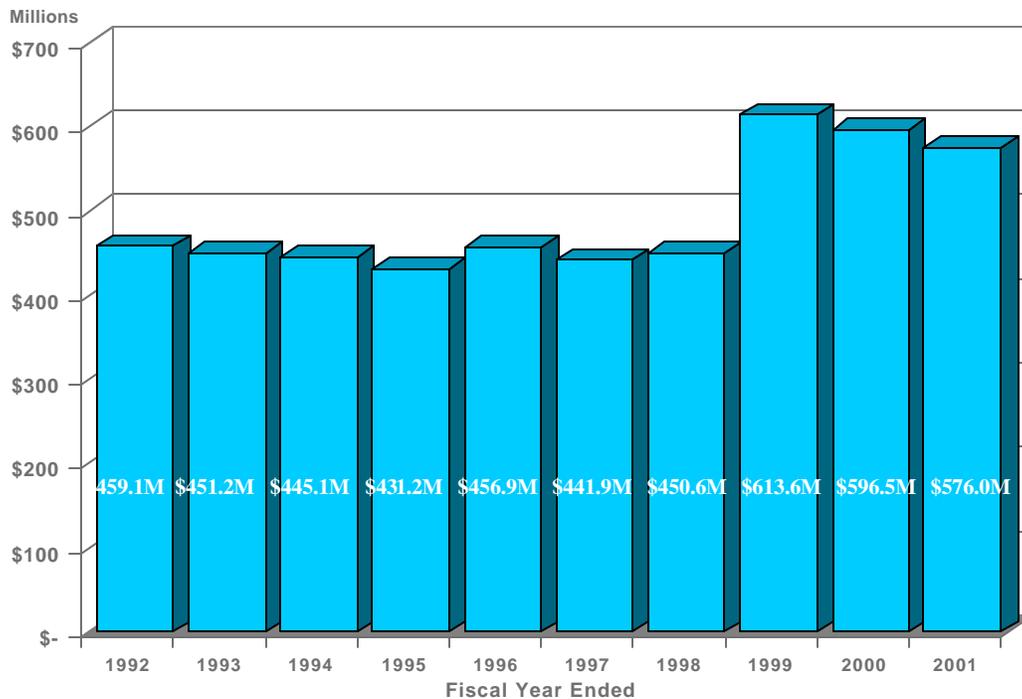
(3) Fixed Assets less Accumulated Depreciation

**Table VII
Debt Outstanding
Last Ten Years**

Year Ended	Government Obligations	Commercial Paper	Certificates of Participation					Total Debt Outstanding
			1989	1991 (1)	1993	1997 (2)	1998 (3)	
2001	\$ 4,725,000	\$ 70,000,000		\$ 80,605,000	\$ 91,355,000	\$ 150,307,000	\$ 178,963,000	\$ 575,955,000
2000	6,165,000	70,000,000		91,555,000	100,345,000	149,498,000	178,901,000	596,464,000
1999	7,545,000	70,000,000		101,895,000	106,090,000	149,211,000	178,839,000	613,580,000
1998	8,865,000	70,000,000		111,670,000	111,570,000	148,489,000 (4)		450,594,000
1997	10,130,000	40,000,000		274,965,000	116,800,000			441,895,000
1996	11,340,000	40,000,000		283,740,000	121,805,000			456,885,000
1995	12,495,000			292,075,000	126,600,000			431,170,000
1994	13,877,000 (6)			300,000,000	131,200,000			445,077,000
1993	15,567,000 (6)			300,000,000	135,650,000 (5)			451,217,000
1992	19,117,000 (6)		\$ 140,000,000	300,000,000				459,117,000

S-007

**Debt Outstanding
(Millions)**



S-007A

- (1) Includes 1991 Refunding Deferred Amounts
- (2) Includes Premium On Issuance of 1997 Costs
- (3) Net of Discount on 1998 COPS
- (4) Issued to Advance Refund \$154,035,000 of 1991 Certificates in December, 1997
- (5) Issued to Defeas the 1989 Certificates in February, 1993
- (6) Includes Minor Amounts Due to United States Bureau of Reclamation

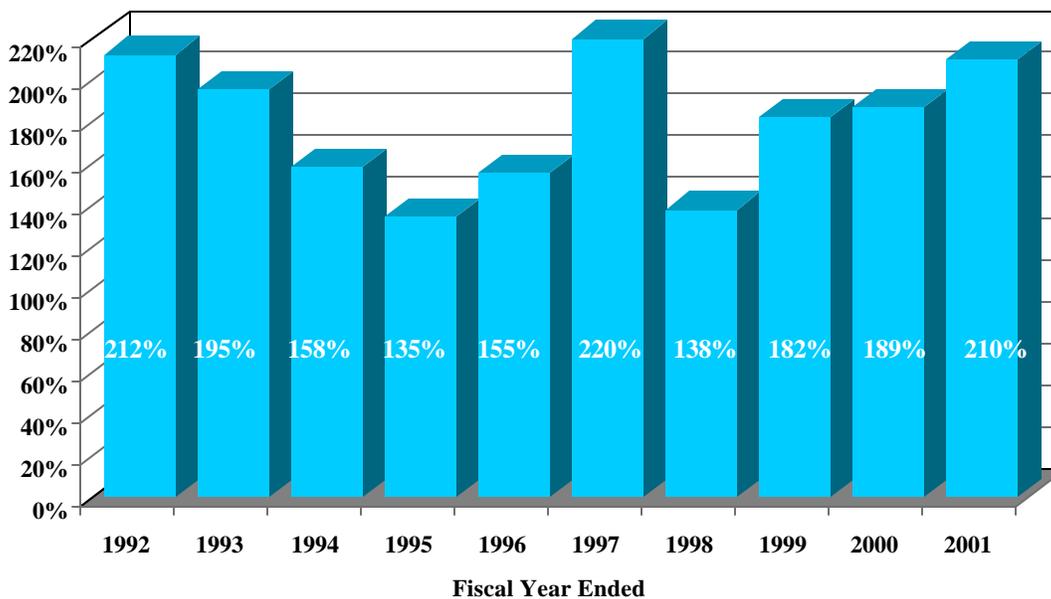
Table VIII
Senior Lien
Revenue Debt Service Coverage
Last Ten Fiscal Years

Fiscal Year Ended	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Senior Lien Debt Service Coverage			Coverage Factor
				Principal	Interest	Total	
2001	\$ 330,895,949	\$ 230,837,198	\$ 100,058,751	\$ 20,115,000	\$ 27,586,194	\$ 47,701,194	210%
2000	317,141,719 (2)	230,760,376	86,381,343	16,720,000	28,897,158	45,617,158	189%
1999	269,900,928	191,999,772	77,901,156	15,400,000	27,354,957	42,754,957	182%
1998	233,396,012	182,395,713	51,000,299	14,490,000	22,536,808	37,026,808	138%
1997	272,848,083	190,250,869	82,597,214	13,780,000	23,792,815	37,572,815	220%
1996	228,229,112	169,804,789	58,424,323	13,130,000	24,445,550	37,575,550	155%
1995	196,004,931	143,971,528	52,033,403	12,802,181	25,880,670	38,682,851	135%
1994	190,765,784	143,610,139	47,155,645	4,819,575	25,011,213	29,830,788	158%
1993	181,799,025	134,275,252	47,523,773	369,575	23,970,839	24,340,414	195%
1992	151,256,914	109,472,617	41,784,297	369,575	19,329,145	19,698,720	212%

Source: San Diego County Water Authority

S-008

Senior Lien
Debt Service Coverage Percentage



S-008A

(1) Excludes depreciation and amortization expenses and net of applicable net tax receipts
(2) Computation changed as of Fiscal Year 2000 to exclude interest earned on debt proceeds

**Table IX
Cash and Investments
Last Ten Years**

Year Ended	Operating Fund (1)	CIP/Bond Construction Fund (2)	Debt Service Reserve (3)	Pay-Go Fund (4)	Rate Stabilization Fund (5)	Equipment Replacement Fund (6)	Total Funds
2001	\$ 53,942,815	\$ 38,643,711	\$ 36,845,546	\$ 129,710,383	\$ 53,623,363	(7) \$ 5,587,437	\$ 318,353,255
2000	44,726,861	105,410,067	36,845,546	105,273,353	43,072,185	4,270,226	339,598,238
1999	40,665,308	141,423,350	36,837,216	73,495,541	41,075,260	3,206,738	336,703,413
1998	24,914,087	16,333,448	21,453,991	60,080,343	39,008,772	2,158,061	163,948,702
1997	19,539,108	9,108,319	25,643,998	103,799,000	36,453,000	1,900,000	196,443,425
1996	18,441,421	34,164,000	25,643,998	77,388,000	55,453,000	(8)	211,090,419
1995	22,467,625	41,522,345	25,643,998	61,660,000	55,453,000		206,746,968
1994	8,985,511	69,187,345	25,643,998	57,737,000	61,153,000	(9)	222,706,854
1993	17,882,997	120,092,345	25,643,998	38,693,000	61,153,000		263,465,340
1992	9,527,628	267,879,893	39,643,998	31,870,000	61,153,000		410,074,519

S-009

- (1) *To be maintained at 60 Days average annual operating expenditures*
- (2) *Holds capital funds from debt issues for funding expenditures on capital improvement program (CIP)*
- (3) *Restricted funds from bond issues for debt service payments*
- (4) *Holds capacity charge and standby charge revenues that are restricted to being spent on the CIP*
- (5) *Funds reserved per bond covenants to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage*
- (6) *Used to fund the replacement of computer equipment and vehicles*
- (7) *\$6,762,000 was transferred from Operating Fund to Rate Stabilization Fund*
- (8) *\$19,000,000 was transferred from Rate Stabilization Fund to Operating Fund*
- (9) *\$5,700,000 was transferred from Rate Stabilization Fund to Operating Fund*

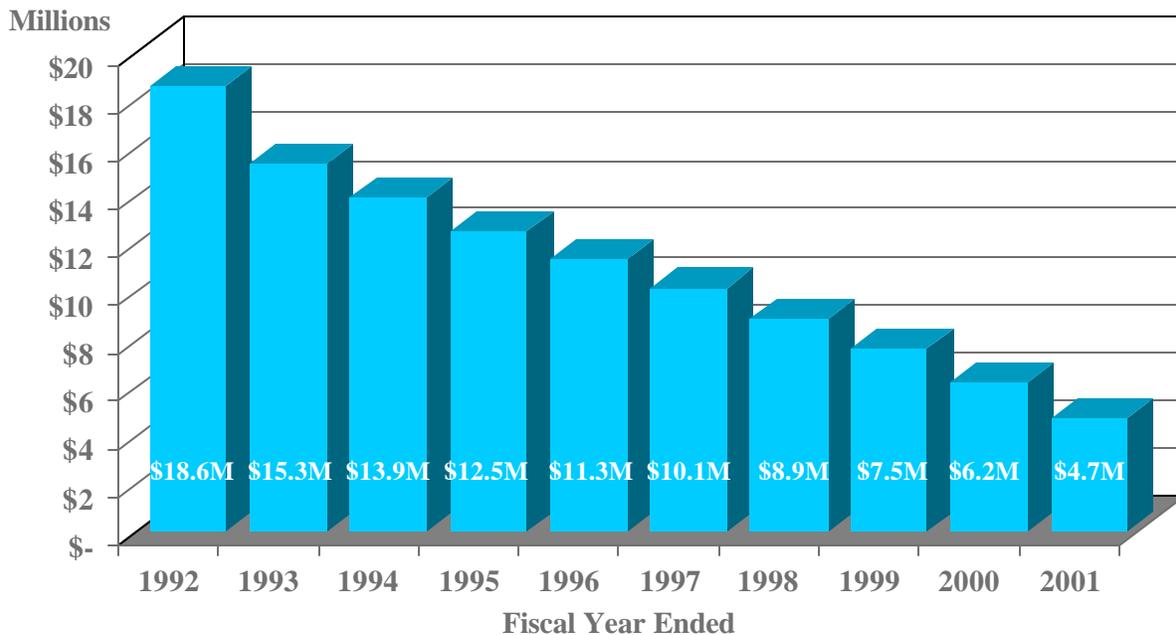
Table X
Ratio of Net General Bonded Debt to Assessed Value and
Net General Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year Ended	Population Estimate	Assessed Valuation	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
2001	2,946,500	\$ 173,844,176,011	\$ 4,725,000	-	\$ 4,725,000	0.0000272	1.60360
2000	2,783,000	160,185,249,735	6,165,000	-	6,165,000	0.0000385	2.21524
1999	2,733,035	144,223,599,401	7,545,000	-	7,545,000	0.0000523	2.76067
1998	2,689,493	134,446,561,297	8,865,000	-	8,865,000	0.0000659	3.29616
1997	2,640,861	130,543,417,043	10,130,000	-	10,130,000	0.0000776	3.83587
1996	2,629,879	130,076,061,125	11,340,000	-	11,340,000	0.0000872	4.31199
1995	2,622,948	125,364,280,791	12,495,000	-	12,495,000	0.0000997	4.76372
1994	2,604,483	124,090,168,742	13,877,000	-	13,877,000	0.0001118	5.32812
1993	2,527,002	122,176,917,149	15,289,000	-	15,289,000	0.0001251	6.05025
1992	2,520,763	117,276,824,790	18,561,000	-	18,561,000	0.0001583	7.36325

Source: San Diego County Water Authority and the Office of Auditor & Controller, County of San Diego

S-010

Net General Bonded Debt Outstanding
(Millions)



S-010A

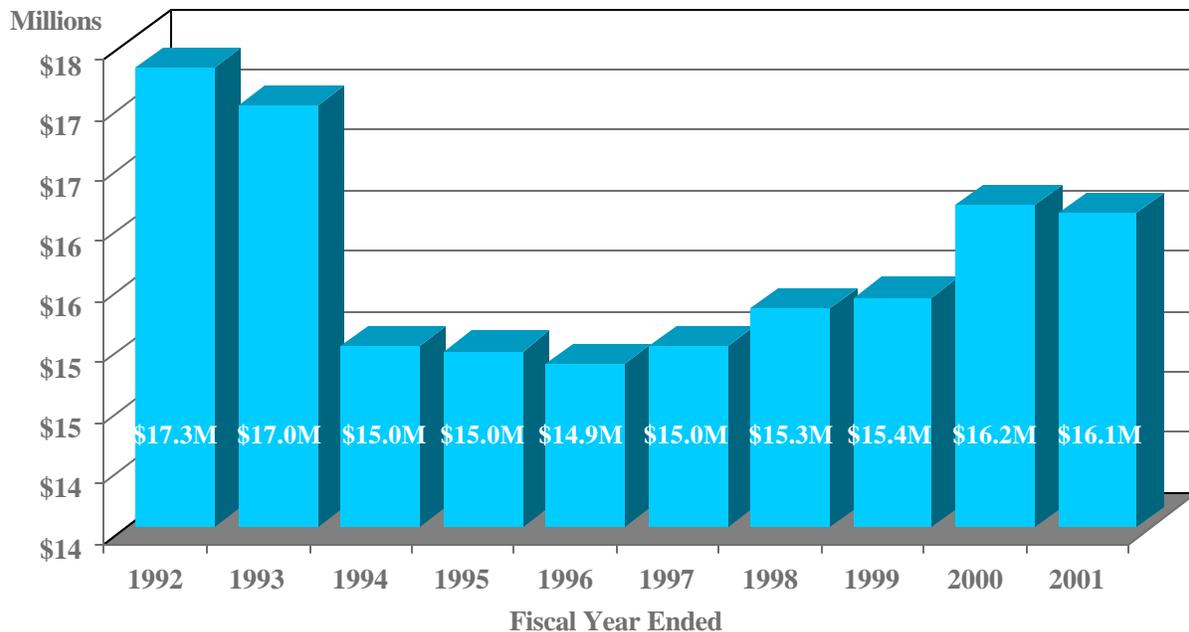
Table XI
Property Tax and Assessment Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Total Levy</u>	<u>Total ⁽¹⁾ Collections</u>	<u>Net Delinquent</u>	<u>Percent Delinquent</u>
2001	\$ 5,871,670	\$ 10,635,125	\$ 16,506,795	\$ 16,110,003	\$ 396,792	2.63%
2000	5,806,670	10,782,862	16,589,532	16,166,744	422,788	2.55%
1999	5,469,653	10,370,103	15,839,756	15,402,265	437,491	2.76%
1998	5,207,949	10,582,737	15,790,686	15,312,439	478,247	3.03%
1997	5,036,723	10,593,952	15,630,675	15,008,933	621,742	3.98%
1996	4,949,117	10,624,075	15,573,192	14,859,610	713,582	4.58%
1995	5,090,956	10,669,634	15,760,590	14,964,983	795,607	5.05%
1994	5,402,697	10,659,007	16,061,704	15,010,045	1,051,659	6.57%
1993	7,535,955	10,767,379	18,303,334	16,998,547	1,304,787	7.13%
1992	7,611,309	10,677,985	18,289,294	17,308,977	980,317	5.36%

Source: San Diego County Water Authority and the Office of the Auditor & Controller, County of San Diego

S-011

Total Tax Collections
(Millions)



S-011A

⁽¹⁾ Collections on current year tax levy

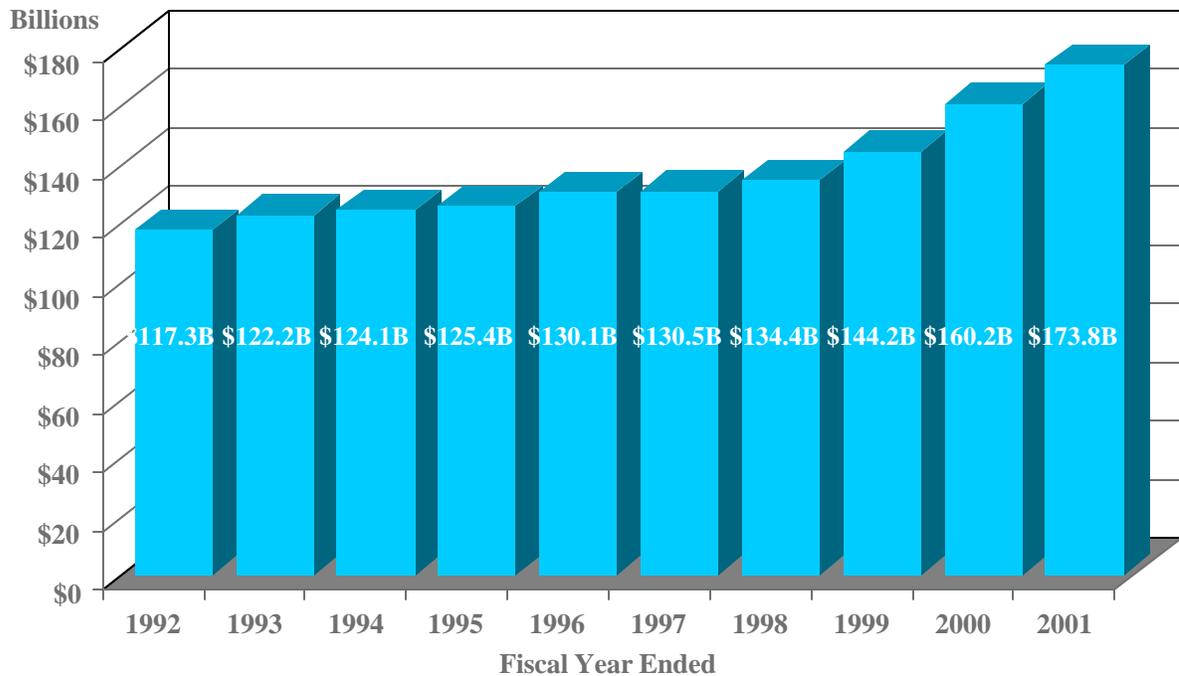
Table XII
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended	Local Secured Property	State Secured Property	Exemptions	Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value	Secured Tax ⁽¹⁾ Rate (\$)	Unsecured Tax ⁽¹⁾ Rate (\$)
2001	\$ 178,578,243,860	\$ 114,853,595	\$ 13,455,522,267	\$ 165,237,575,188	\$ 8,606,600,823	\$ 173,844,176,011	0.00091	0.00100
2000	162,942,179,765	138,847,508	11,248,397,609	151,832,629,664	8,352,620,071	160,185,249,735	0.00100	0.00107
1999	147,073,219,918	146,980,971	10,246,920,653	136,973,280,236	7,250,319,165	144,223,599,401	0.00107	0.00117
1998	136,867,874,675	162,593,978	9,348,839,801	127,681,628,852	6,764,932,445	134,446,561,297	0.00117	0.00126
1997	133,651,172,709	132,636,879	9,352,208,450	124,431,601,138	6,111,815,905	130,543,417,043	0.00126	0.00120
1996	133,392,520,848	107,848,402	9,469,000,576	124,031,368,674	6,044,692,451	130,076,061,125	0.00120	0.00135
1995	128,691,255,799	109,636,405	9,164,161,171	119,636,731,033	5,727,549,758	125,364,280,791	0.00135	0.00151
1994	127,958,013,175	128,934,024	9,473,158,558	118,613,788,641	5,476,380,101	124,090,168,742	0.00151	0.00332
1993	125,954,623,975	66,258,740	9,247,821,775	116,773,060,940	5,403,856,209	122,176,917,149	0.00332	0.00320
1992	120,622,046,693	144,065,193	8,756,907,192	112,009,204,694	5,267,620,096	117,276,824,790	0.00320	0.00395

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

S-012

Total Assessed Value
(Billions)



S-012A

⁽¹⁾ Per \$100 of Assessed Valuation

Table XIII
Computation of Direct and Overlapping Debt
June 30, 2001

SAN DIEGO COUNTY WATER AUTHORITY

2000-01 Assessed Valuation	\$ 178,693,097,455 (1)
Redevelopment Incremental Valuation	<u>13,455,522,267</u>
Adjusted Assessed Valuation	<u>\$ 165,237,575,188</u>

S-013

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

	<u>% Applicable</u>	<u>Debt 6/30/01</u>
San Diego County Water Authority	100.000 %	\$ 4,725,000
Metropolitan Water District	17.522	92,425,046
Southwestern Community College District	77.475	30,990,000
San Diego Unitified School District	99.967	289,898,471
San Diego Unified School District Lease Tax Obligations	99.967	184,309,158
Other Unified School Districts	Various	76,610,390
High School Districts	Various	103,530,205
School Districts	Various	164,167,562
City of San Diego	99.962	18,068,132
City of San Diego Open Space Park District	99.962	45,502,702
Other Cities	99.059-100.000	4,904,175
Municipal Water District	99.999-100.000	15,184,983
Alpine Sanitation District	99.830	24,958
Other Special Districts	100.000	1,380,000
Community Facilities Districts	100.000	679,985,451
1915 Act Bonds (Estimated)	100.000	<u>224,826,890</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>1,936,533,123</u>
<i>Less: City of San Diego Open Space Park District (100% self-supporting)</i>		<u>(45,502,702)</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 1,891,030,421</u>

S-013A

(1) Includes local secured and state secured assessed valuations

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

Table XIII
Computation of Direct and Overlapping Debt
June 30, 2001 (cont'd)

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

	% Applicable		Debt 6/30/01
San Diego County General Fund Obligations	99.332 %	\$	511,823,355
San Diego County Pension Obligations	99.332		305,704,785
San Diego Superintendent of Schools Certificates of Participation	96.332		2,095,221
Community College District Certificates of Participation	94.401-99.9967		71,773,067
Unified School District Certificates of Participation	91.729-99.967		138,581,831
Other School District General Fund Obligations	60.756-100		157,056,999
City of San Diego General Fund Obligations	99.962		388,327,380
Other City General Fund Obligations	99.059-100		403,676,812
Fallbrook Sanitary District General Fund Obligations	99.556		11,304,584
Municipal Water District Certificates of Participation	99.710-99.954		30,694,269
San Miguel Consolidated Fire Protection District General Fund Obligations	99.828		10,821,355
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$	2,031,859,658
<i>Less:</i>			
<i>Grossmont Union High School District (100% self-supporting from tax increment revenues)</i>			<i>(7,169,547)</i>
<i>City self-supporting obligations</i>			<i>(2,958,388)</i>
<i>Otay Municipal Water District Certificates of Participation</i>			<i>(27,205,874)</i>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$	1,994,525,849
GROSS COMBINED TOTAL DEBT		\$	3,968,392,781 ⁽²⁾
NET COMBINED TOTAL DEBT		\$	3,885,556,270

S-013B

Ratios to 2000-01 Assessed Valuation:

Direct Debt (\$4,725,000)	0.003%
Total Gross Direct and Overlapping Tax and Assessment Debt	1.08%
Total Net Direct and Overlapping Tax and Assessment Debt	1.03%

S-013C

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	2.40%
Net Combined Total Debt	2.35%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/01: \$4,307,118

S-013D

Source: California Municipal Statistics, Inc. and San Diego County Water Authority

⁽¹⁾ Includes local secured and state secured assessed valuations

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

Table XIV
Schedule of Rates and Charges ⁽⁷⁾
Last Ten Fiscal Years

<u>Year Ended</u>	<u>Water Rates (1)</u>			<u>Standby (2)</u> <u>Charge</u>	<u>Capacity (3)</u> <u>Charge</u>	<u>Secured (4)</u> <u>Tax Rate</u>	<u>Unsecured (4)</u> <u>Tax Rate</u>	<u>Infrastructure (3)</u> <u>Access Charge</u>
	<u>Treated</u>	<u>Untreated</u>	<u>Agriculture</u>					
2001	\$ 521	\$ 439	\$ 429	\$ 10	\$ 2,004	0.00083	0.00091	\$ 1
2000	521	439	429	10	1,871	0.00091	0.00100	1
1999	516	434	429 (6)	10	1,585	0.00100	0.00107	1
1998	511	429		10	1,585	0.00107	0.00117	
1997	511 (5)	429 (5)		10	1,516	0.00117	0.00126	
1996	506	424		10	1,461	0.00126	0.00120	
1995	482	405		10	1,413	0.00120	0.00135	
1994	455	388		10	1,413	0.00135	0.00151	
1993	384	324		10	1,094	0.00151	0.00332	
1992	323	277		10	996	0.00332	0.00320	

S-014

(1) Per acre foot of water before agriculture and seasonal storage credits given by MWD

(2) Per parcel or acre, whichever is less

(3) Per equivalent meter

(4) Per \$100 of assessed valuation

(5) Effective dates changed from July 1 to January 1 of each year

(6) Special agriculture rate implemented 1/1/99

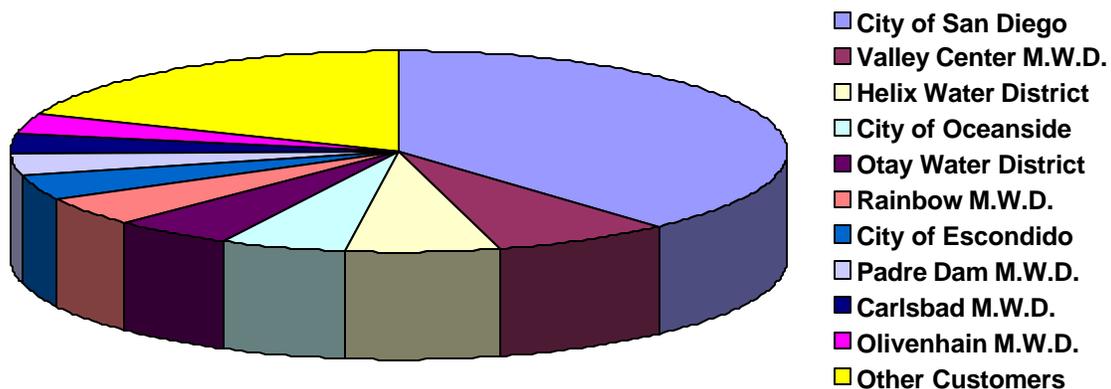
(7) Water rates, capacity charge and infrastructure access charge are calendar year, rest of rates are fiscal year

Table XV
Principal Water Consumers for
Fiscal Years Ended June 30, 2001 and 2000

Member Agency	Fiscal Year Ended June 30, 2001		Fiscal Year Ended June 30, 2000	
	Sales (acre feet)	Percent of Water Sold	Sales (acre feet)	Percent of Water Sold
City of San Diego	225,881	38.35%	208,181	35.34%
Valley Center M.W.D.	44,598	7.57%	48,550	8.24%
Helix Water District	37,321	6.34%	42,175	7.16%
City of Oceanside	30,062	5.10%	32,073	5.44%
Otay Water District	30,002	5.09%	29,911	5.08%
Rainbow M.W.D.	27,329	4.64%	29,859	5.07%
City of Escondido	24,233	4.11%	27,144	4.61%
Padre Dam M.W.D.	20,063	3.41%	21,801	3.70%
Carlsbad M.W.D.	19,016	3.23%	19,951	3.39%
Olivenhain M.W.D.	<u>18,586</u>	<u>3.16%</u>	<u>19,433</u>	<u>3.30%</u>
Total Top Ten Customers	477,091	81.00%	479,078	81.33%
Other Customers	111,808	19.00%	109,956	18.67%
Total Water Sales	<u>588,899</u>	<u>100.00%</u>	<u>589,034</u>	<u>100.00%</u>

S-0015

Water Sales By Customer



Source: San Diego County Water Authority

S-015A

Table XVI
Demographic Statistics
As of June 30, 2001

Number of Member Agencies.....	23
Cities	6
Water Districts	4
Irrigation Districts	3
Municipal Water Districts	8
Public Utility District.....	1
Federal Agency (Military Base).....	1
The County of San Diego is an Ex-officio Member	
Water System	
Service Area.....	908,968 acres
Population of Service Area	2,946,500
Number of Primary Pipelines.....	5
Miles of Pipeline (36 inches and larger)	274 miles
Miles of Patrol Road Maintained	174 miles
Number of Flow Control Facilities	98
Treated Water Pipeline Capacity	420 MGD
Untreated Water Pipeline Capacity.....	504 MGD
Average Daily Production (Fiscal Year 2000-2001)	525 MGD
General Information	
Number of Permanent Employees	206
Average Years of Service of Permanent Employees	7.3 years

MGD: million gallons per day

Source: San Diego County Water Authority