

AGENDA
Borrego Water District Board of Directors
Regular Meeting
October 24, 2012, 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- A. Call to Order
- B. Pledge of Allegiance
- C. Roll Call
- D. Approval of Agenda
- E. Approval of Minutes
 - Special meeting of September 18, 2012 (3-5)
 - Regular meeting of September 26, 2012 (6-9)
- F. Comments from Directors and Requests for Future Agenda Items
- G. Comments from the Public and Requests for Future Agenda Items (comments will be limited to 3 minutes)
- H. Correspondence:
- I. Staff Reports:
 - A. Financial Reports – September 2012 (10-28)
 - B. Manager / Operations Report (29-30)
- J. Attorney's Report

II. CURRENT BUSINESS MATTERS

- A. Presentation of FYE 2012 audited financial results by Harvey Schroeder and Lee Parravano of White Nelson Diehl Evans LLP (31-71)
- B. Discussion of New Development fees (72-86)
- C. Reappointment of Lee Estep and Ray Delahay to the Board.
- D. Discussion and possible approval to update signers on the Borrego Springs Bank account.
- E. Discussion and possible approval of **Resolution 2012-10-01 revising the schedule of Regular Meetings** to meet on November 14th and December 12, 2012. (87-88)

III. COMMITTEE REPORTS & PROPOSALS

Ad Hoc Committees

- | | |
|--|------------------------|
| 1. Audit Committee | (M. Brecht, L. Brecht) |
| 2. Due-Diligence | (M. Brecht, L. Brecht) |
| 3. Strategic Planning Committee/IRWM | (Hart, L. Brecht) |
| 4. Executive Committee | (Estep, Hart) |
| 5. Operations & Management Committee | (M. Brecht, Delahay) |
| 6. Christmas Circle Committee | (Estep, Hart) |
| 7. Negotiating (Rams Hill & cable antenna) | (Estep, M. Brecht) |
| 8. New Development Committee | (Estep, L. Brecht) |

IV. STAFF REPORTS

- A. Water and Wastewater Operations Report – September 2012 (89)
- B. Water Production/Use Records – September 2012 (90-93)

V. INFORMATION ITEMS

VI. CLOSED SESSION

- A. Conference with Legal Counsel – Anticipated Litigation/Significant Exposure to Litigation
Government Code section 54956.9(b)
One case

- B. CONFERENCE WITH REAL PROPERTY NEGOTIATOR - Reference Government Code Section 54956.8:

Property: Parcel APN 200-210-14
District Negotiator: Jerry Rolwing
Negotiating Parties: County of San Diego
Under Negotiation: Price and terms of payment

VII. CLOSING PROCEDURE

The next Regular Meeting of the Board of Directors is scheduled for November 14, 2012 at the Borrego Water District.

**Borrego Water District
MINUTES
Special Meeting of the Board of Directors
Wednesday, September 18, 2012
9:00 AM
806 Palm Canyon Drive
Borrego Springs, CA 92004**

I. OPENING PROCEDURES

- A. Call to Order:** President Hart called the meeting to order at 9:00 a.m.
- B. Pledge of Allegiance:** Those present stood for the Pledge of Allegiance.
- C. Roll Call:** Directors: Present: President Hart, Vice-President Lyle Brecht, Secretary/Treasurer Marshal Brecht, Delahay, Estep
- Staff: Jerry Rolwing, General Manager
Lisa Foster, McDougal Love Eckis Boehmer & Foley
Wendy Quinn, Recording Secretary
- Public: Dick Walker H. G. Schuette
Casey Jones, *Borrego Sun* Kent Smith
Malcolm Dyos Jacquie Dyos
Genevieve Miller Kathy Johnston
Stuart Gilbertson, USA Rebecca Falk, Roadrunner
Communications Realty
Bill Berkley Rick Vesci
Jack McGrory Anna Aljabiry, DWR (via
teleconference, Item II.B)
- D. Approval of Agenda:** *MSC: L.Brecht/Estep approving the Agenda as written.*
- E. Comments from Directors and Requests for Future Agenda Items:** None
- F. Comments from the Public and Requests for Future Agenda Items:** Jerry

Rolwing invited anyone wishing to speak regarding Rams Hill and Well 12 to do so at this time, since the item will be considered in closed session. Kent Smith, a Rams Hill property owner, cited the benefits of the Rams Hill golf course to the community and the economy and urged the Board to assist Bill Berkley in his proposal.

II. CURRENT BUSINESS MATTERS

A. Discussion of providing a location for Cable USA antenna site at reclaim tank site at Rams Hill: Mr. Rolwing explained that after the County had suggested that Cable USA select an antenna site other than Rams Hill because of potential interference with the County's adjacent antenna, Cable USA had identified a site on Yaqui Pass behind a BWD tank. Stuart Gilbertson of USA Communications explained the parameters of the proposed antenna and suggested USA would pay rent or offer free cable service. Negotiations were referred to the Negotiating Committee, which will make a recommendation to the full Board at its next meeting. Lisa Foster requested a copy of the proposed agreement between BWD and USA, and Mr. Gilbertson agreed to e-mail some sample agreements to Mr. Rolwing.

B. Discussion of IRWM: Mr. Rolwing referred to the Integrated Regional Water Management planning grant application filed in 2010, which was unsuccessful. After revamping the IRWM program to include more input from stakeholders and hiring a

professional grant writer, this year's application nevertheless failed to make the Department of Water Resources' short list. The District had contacted DWR, pointing out that this amounts to an unfunded mandate since the State insists on an IRWM plan for grant eligibility. Mr. Rolwing, Diana Del Bono and the grant writer also visited the DWR office in Glendale to plead BWD's case, and DWR agreed to rescore our application. A decision is expected in October. Meanwhile, a consultant is preparing a proposal for a streamlined planning process should the grant application still fail. Director Lyle Brecht suggested putting DWR's comments on BWD's website. After discussion, it was the consensus to wait until the final decision but consider including a link to the DWR site.

Anna Aljabiry of DWR joined the meeting at 9:35 a.m. via teleconference. She explained that the final award recommendations for the second round of planning grants should be announced by the end of October. BWD's application is currently being reevaluated. Director Lyle Brecht asked whether letters of support from local legislators would be helpful, and Ms. Aljabiry felt that they would. Mr. Rolwing asked for a list of contacts at DWR, and she agreed to provide it. The conference call concluded.

C. Discussion of New Development Fees: Mr. Rolwing summarized proposed changes to the development (capacity) fees and meter installation charges. The suggested capacity fees were calculated by dividing the total value of the water system asset by the number of existing water meters, coming to \$2,500 per equivalent dwelling unit. A change in the water mitigation ration from 2:1 to 1:1 is contemplated. Changes to sewer fees have not yet been calculated. Mr. Rolwing hoped to present the final proposal at the October workshop and adopt it at the regular meeting, followed by a 60-day public comment period before taking effect. Ms. Foster noted that the fees must be advertised in a newspaper published at least weekly, such as the *Union Tribune* or the Ramona edition of the *North County Times*. Director Marshal Brecht inquired about meter size requirements for fire sprinklers, and Mr. Rolwing agreed to investigate.

D. Discussion of Resolution #2012-09-01 for continuing Brown Act procedures: Mr. Rolwing reported that the State has reduced the Brown Act's public notice requirements due to the cost, but many public agencies are reaffirming their commitment to continued voluntary compliance. Ms. Foster explained that this is really a cost saving measure for the State, because public agencies can apply for State reimbursement of meeting notice expenses. Director Estep expressed support for the resolution memorializing BWD's intention to continue full Brown Act compliance and asked that it be included in the next agenda for adoption.

E. Discussion of potential agenda items for September 26th board meeting: Suggested items for the next agenda included trash collection at Club Circle, location of Cable USA antenna, selection of an auditor, County groundwater mitigation ordinance, update on the sale of Clark Lake property and the Package Plant, and donation of the workers' compensation rebate to District employees. At the October workshop, items may include the impact of climate change on the water supply infrastructure and ways to disseminate water conservation information to customers and landscapers.

I. F. Comments from the Public and Requests for Future Agenda Items **(CONTINUED):** Bill Berkeley outlined a proposal to buy Well 12 and cited the possible impact of having the golf course open to enhance the sale of La Casa del Zorro. One of the investors, Jack McGrory, made a brief statement about the impact/benefits of reopening the

golf course. An ad hoc committee meeting was set for 1:30 p.m. for continued negotiation on the possible sale.

III. CLOSED SESSION

A. Conference with Legal Counsel - Anticipated Litigation/Significant Exposure to Litigation; Government Code section 54956.9(b), One case:

B. Conference with legal Counsel - Anticipated Litigation/Initiation of Litigation; Government Code section 54956.9(c), Two cases:

The Board adjourned to closed session at 10:15 a.m., and the public meeting was reconvened at 12:00 p.m. As to Item III.A, there was no reportable item. As to the first case under Item III.B, the Board made a decision that the District will not join in the following lawsuit as a party: County of San Diego v. Rams Hill LLC and Insurance Company of the West, San Diego Superior Court Case No. 37-2012-00055163-CU-BC-NC. As to the second case under Item III.B, there was no reportable action.

IV. CLOSING PROCEDURE

Adjournment: There being no further business, the meeting was adjourned at 12:00 p.m. The next Regular Meeting of the Board of Directors is scheduled for September 26, 2012 at the Borrego Water District.

**Borrego Water District
MINUTES
Regular Meeting of the Board of Directors
Wednesday, September 26, 2012
9:00 AM
806 Palm Canyon Drive
Borrego Springs, CA 92004**

I. OPENING PROCEDURES

- A. Call to Order: President Hart called the meeting to order at 9:00 a.m.
- B. Pledge of Allegiance: Those present stood for the Pledge of Allegiance.
- C. Roll Call: Directors: Present: President Hart, Vice-President Lyle Brecht,
Secretary/Treasurer Marshal Brecht, Delahay, Estep
- Staff: Jerry Rolwing, General Manager
 Kim Pitman, Administration Manager
 Greg Holloway, Operations Manager
 Diana Del Bono, Administrative Assistant
 Lisa Foster, McDougal Love Eckis Boehmer & Foley
 Wendy Quinn, Recording Secretary
- Public: Jim Engelke Kathy Johnston
 Ray Shindler Tony deDomenico
 Casey Jones, *Borrego Sun* Pam deDomenico
 Jim Snowden Dennis Davis
 Malcolm Dyos Tom Pantich
 Hank Schuette Bill Berkley, Rams Hill
 Judy Schuette Public Golf Course
 Genevieve Miller Russ Miller, B. Berkley
 Chuck Miller Nan Schwab, Rams Hill
 Jane Daniels, Rams Hill Joe Tatusko, Rams Hill
 Sue Salt Rick Sprouse, B. Berkley
 Omar Cecena, USA Communications

D. Approval of Agenda: *MSC: L.Brecht/Estep approving the Agenda as written.*

E. Approval of Minutes:

Special meeting of July 17, 2012

MSC: L.Brecht/Estep approving the Minutes of the Special Meeting of July 17, 2012 as corrected (change Item II.A in part to read, "A ~~ten-year~~ plan is underway to return the District to a credit-worthy condition by FY 2016 or FY 2017.")

Regular meeting of July 25, 2012

MSC: L.Brecht/M.Brecht approving the Minutes of the Regular Meeting of July 25, 2012 as written.

F. Comments from Directors and Requests for Future Agenda Items: Director Lyle Brecht announced that he would be absent from the October Regular Meeting.

G. Comments from the Public and Requests for Future Agenda Items: None

H. Correspondence:

a. 21 e-mails in support of Mr. Bill Berkley's proposal of ED1-12
Jerry Rolwing reported that three more messages in support of Bill Berkley's proposal had been received after the Agenda was prepared.

b. 1 letter in support of Mr. Bill Berkley's proposal

In addition to the e-mails, a letter of support had been sent.

I. Staff Reports:

A. Financial Reports - July 2012: Director Marshal Brecht reported that revenue was down in July because of low usage. Kim Pitman announced the receipt of \$94,000 for the sale of the Clark Lake property.

B. Financial Reports - August 2012: Ms. Pitman reported that revenue was also down in August.

C. Manager/Operations Report: Mr. Rolwing invited the Board's attention to his written report in the Board package. He summarized recent difficulties with Well 11. Videotaping and cleaning are in progress to identify and resolve the problems.

J. Attorney's Report: None

II. CURRENT BUSINESS MATTERS

A. Presentation by Mr. Bill Berkley in regards to purchase proposal of ID1-12: Mr. Berkley outlined his proposal to reopen Rams Hill as a public golf course. He had put the \$9.3 million worth of bonds under contract and now faced the choice whether to purchase them and if so, whether to reopen the course or wait for another buyer. In reopening the golf course, the biggest expense would be water. Mr. Berkley at one time had contemplated purchasing all or part of Well 12, but he had since determined it would be more cost effective to secure BWD's permission to drill his own well or import water from another source. The 2009 agreement between BWD and the previous owner, whereby BWD acquired Well 12, provided that all water for Rams Hill must be purchased from BWD.

Discussion followed regarding legal ramifications, including laws regulating the transfer of water from one property to another, the fact that there is a third party to the 2009 agreement, and permit requirements for well drilling. Mr. Berkley was reluctant to deposit funds to cover legal expenses, as suggested by the Negotiating Committee; and Ms. Foster pointed out that it would be a conflict of interest for her to accept payment directly from Mr. Berkley. Mr. Berkley agreed to have his own attorneys look into the issues and then refer their conclusions to Ms. Foster for comment.

Several residents of Rams Hill spoke in support of Mr. Berkley's proposal, citing the benefits to the community and the economy.

President Hart declared a recess at 10:20 a.m., and the Board reconvened at 10:30 a.m.

B. Board discussion and possible decision of providing a location for Cable USA antenna site at reclaim tank site at Rams Hill: Omar Cecena of USA Communications requested that the term of the proposed lease agreement be extended from six months to one year. Ms. Pitman pointed out that BWD would have to acquire liability and workers' compensation insurance, and she was awaiting a response from JPIA. *MSC: Estep/L.Brecht approving the lease agreement between BWD and USA Communications with the term extension to one year and subject to JPIA concurrence.*

C. Board discussion on the County GW Ordinance and MOU: This item will be included on the agendas for both October meetings.

D. Board discussion and possible decision of requesting White Nelson Diehl Evans, LLP to submit a proposal for auditing services for fiscal years 2013 through 2015: The Board decided to hold off on this decision until the current audit has been completed. Meanwhile, Mr. Rolwing will check with other similar sized public agencies to see what they pay their auditors.

E. Board to receive a synopsis of the Club Circle trash tribulation: Ms. Pitman explained the confusion as to whether a contract exists between Allied Waste and BWD. Allied had a contract with the Community Services District, which has merged with BWD, but BWD never signed anything. Allied contends there is a valid contract through July 2013, and 60 days notice is required to terminate. President Hart asked that the matter be calendared for consideration and public comment early next year. Abby King asked that the ID 5 customers be kept informed.

F. General Manager Jerry Rolwing to update the Board of Directors on the pending sales of Clark Lake property and the Wastewater Package Plant: Mr. Rolwing reported that the Clark Lake property sale is complete, and we have been paid. A Dominican Republic agency offered \$36,000 for the Wastewater Package Plant and is working on permits. Greg Holloway pointed out that BWD has not been paid, although the broker received his commission. President Hart asked Mr. Holloway and Ms. Foster to follow up.

G. Board to consider adoption of Resolution 2012-09-01 REAFFIRMING THE DISTRICT'S COMMITMENT TO OPEN GOVERNMENT AND INTENT TO COMPLY WITH SUSPENDED PROVISIONS OF THE RALPH M. BROWN ACT: *MSC: L.Brecht/Estep adopting Resolution 2012-09-01 Reaffirming the District's Commitment to Open Government and Intent to Comply with Suspended Provisions of the Ralph M. Brown Act.*

H. Board discussion and possible decision of allocating the JPIA insurance rebate check received on January 19, 2012 in the amount of \$12,843.19 to staff: Director Delahay pointed out that the rebate was due to employees' perfect safety record on the job. Since they haven't had a raise in four years, he recommended the money be divided equally among them. Ms. Foster recommended it be paid as a bonus instead of salary so it will only be subject to income tax, not other deductions. She will confirm this via e-mail to Mr. Rolwing and Ms. Pitman. *MSC: L.Brecht/Delahay allocating the JPIA insurance rebate check received on January 19, 2012 in the amount of \$12,843.19 to staff.*

III. COMMITTEE REPORTS & PROPOSALS

Ad Hoc Committees

1. Audit Committee

Discussed earlier in this meeting.

2. Due-Diligence

No report.

3. Strategic Planning Committee/IRWM

President Hart reported that the Committee had been working on options for the IRWM following the decision on our grant application denial appeal.

4. Executive Committee

No report.

5. Operations & Management Committee

Mr. Rolwing had covered this report in his Manager's Report.

6. Christmas Circle Committee

No report.

7. Negotiating (Rams Hill)

Discussed earlier in this meeting.

8. New Development Committee

Director Lyle Brecht announced the Committee would have a report at the next Special Board meeting.

IV. STAFF REPORTS

A. Water and Wastewater Operations Report - July and August 2012:

B. Water Production/Use Records - July and August 2012:

Mr. Holloway elaborated on the problems at Well 11, and noted the High School may be entitled to credit for damages sustained.

V. INFORMATION ITEMS

None

VI. CLOSED SESSION

A. Conference with Legal Counsel - Anticipated Litigation/Significant Exposure to Litigation; Government Code section 54956.9(b), One case: The Board adjourned to closed session at 11:25 a.m. The open session reconvened at 12:00 p.m. There was no reportable action.

VII. CLOSING PROCEDURE

There being no further business, the Board adjourned at 12:00 p.m. The next Special Meeting of the Board of Directors is scheduled for October 16, 2012 at the Borrego Water District. The next Regular Meeting of the Board of Directors is scheduled for October 24, 2012 at the Borrego Water District.

**BWD CASH FLOW
2012-2013**

	C	D	V	W	X	Y	Z
4	BWD CASH FLOW						
5	2012-2013						
6			ADOPTED	ACTUAL	PROJECTED	ACTUAL	YTD + PROJ MONTHS>>
7			BUDGET	SEPTEMBER	SEPT	YTD	PROJECTED
8	REVENUE		2012-2013	2012	2012	2012-2013	2012-2013
9	WATER REVENUE						
10	Residential Water Sales (Assume no water use on Montezoro GC)		797,310	66,618	67,028	196,582	734,874
11	Commercial Water Sales		112,548	11,604	9,961	29,350	104,488
12	Irrigation Water Sales		134,297	9,699	15,530	37,058	125,687
13	GWM Surcharge		103,204	8,410	9,833	25,513	92,683
14	Water Sales Power Portion		331,621	27,824	32,341	83,704	303,372
15	Readiness Water Charge		986,046	80,869	84,008	220,364	973,443
16	Meter Installation		0	0	0	-	-
17	Water hook-up charge		0	0	0	-	-
18	Reconnect Fees		11,000	680	1,700	2,040	9,460
19	Backflow Testing/installation		5,000	0		-	5,000
20	Bulk Water Sales		3,570	665	150	3,243	6,462
21	Penalty & Interest Water Collection		32,252	1,456	2,560	6,426	31,719
22	TOTAL WATER REVENUE:		2,516,848	207,825	223,112	604,280	2,387,189
23		Receivables					2,387,189
24	PROPERTY ASSESSMENTS/AVAILABILITY CHARGES	as of 10/09/12					
25	641500 1% Property Assessments	71,355	68,174	787	787	1,742	68,325
26	641502 Property Assess wtr/swr/flld (679 parcels \$66 ea(44,814))	44,814	24,985	74	74	147	25,292
27	641502/641503 Prop Assess.(Allowance for bad debt (\$458,909))	641,900	0		0	-	-
28	641501 Water avail Standby	106,400	78,918	654	654	654	80,025
29	641504 ID 3 Water Standby (361 parcels \$37.70 parcel (1,3609.7))	0	13,609	0	0	-	13,289
30	641504 ID 3 Water Standby-(La Casa-2 parcels= \$20,150)	36,873	19,495	0	0	366	20,375
31	641503 Pest standby	32,016	14,183	74	74	115	14,366
32	Penalty & Interest-Avail Charges		0	0	0	-	-
33	TOTAL PROPERTY ASSES/AVAIL CHARGES:	933,359	219,364	1,589	1,589	3,024	221,672
34							221,672
35	SEWER SERVICE CHARGES						
36	Town Center Sewer Holder's Fees		180,144	15,012	15,012	45,035	180,143
37	Sewer user Fees (budget increase figures excludes TCS)		309,790	25,195	26,400	70,679	314,279
38	Penalty Interest-Sewer		1,200	433	100	725	1,625
39	Sewer Inspection Fees		0	0	0	-	-
40	Sewer Capacity Fees		0	0	0	-	-
41	TOTAL SEWER SERVICE CHARGES:		491,134	40,640	41,512	116,440	496,048
42							496,048
43	OTHER INCOME						
44	Rent Income-San Diego County		7,715	643	643	1,886	7,672
45	Annexation Fees		0	0	0	-	-
46	Fire Hydrant Installation		0	0	0	-	-
47	Miscellaneous Income (net csd fee/JPIA rebate)		13,000	124	284	370	11,206
48	Administrative Fee-Water Credits		1,000	0	0	-	1,000
49	Gain on Asset Sold		0	0	0	-	-
50	Stag Grant		0	0	0	-	-
51	Interest Income		200	11	11	36	186
52	TOTAL OTHER INCOME:		21,915	778	938	2,291	20,064
53							20,064
54	TOTAL INCOME:		3,249,262	250,832	267,151	726,035	3,124,972
55							3,124,972
56	CASH BASIS ADJUSTMENTS						
57	Decrease (Increase) in Accounts Receivable		0	(25,909)		(29,294)	(29,294)
58	CC Golf Equipment receivable		2,268	189	189	568	2,269
59	Other Cash Basis Adjustments -Sale of Clark Lake Property			94,785		95,635	95,635
60	TOTAL CASH BASIS ADJUSTMENTS:		2,268	69,066	189	66,908	68,609
61							2,269
62	TOTAL INCOME RECEIVED:		3,251,530	319,898	267,340	792,943	3,193,581

**BWD CASH FLOW
2012-2013**

	AG	AH	AI	AJ	AK	AL	AM	AN	AO
4									
5	PROJECTED								
6	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE
7	2012	2012	2012	2013	2013	2013	2013	2013	2013
8									
9									
10	76,529	66,064	44,074	45,868	48,173	46,794	52,614	71,198	86,978
11	9,635	8,453	8,058	7,759	7,818	7,866	7,736	9,292	8,521
12	21,008	15,178	5,400	5,489	7,279	5,597	5,844	9,803	13,032
13	10,454	8,786	5,629	5,783	6,193	5,845	6,448	8,830	9,202
14	34,249	28,679	18,443	18,905	20,263	19,135	21,140	28,802	30,053
15	83,797	83,902	83,791	82,906	83,857	83,892	82,982	84,269	83,683
16	0	-	0	0	0	0	0	0	0
17	0	-	0	0	0	0	0	0	0
18	680	1,000	2,000	1,700	0	0	1,360	680	0
19			725	4,200	25	50	0	0	
20	100	618	0	20	350	79	482	1,470	100
21	3,000	2,500	2,386	3,300	2,884	3,732	2,638	2,853	2,000
22	239,453	215,179	170,506	175,929	176,843	172,990	181,243	217,197	233,569
23									
24									
25	967	2,658	23,944	9,562	1,024	1,907	18,581	6,672	1,267
26	0	1,906	3,333	9,248	1,321	891	726	6,792	927
27						0	0		
28	420	9,684	14,833	27,185	2,109	3,316	2,733	14,935	4,156
29		1,415	2,752	9,122	0	0			0
30	193	0	0	5,141	343	516	415	12,910	490
31	59	798	1,953	5,681	303	431	356	4,148	523
32	0	0	0	0	0	0	0	0	0
33	1,639	16,461	46,815	65,940	5,100	7,062	22,811	45,459	7,362
34									
35									
36	15,012	15,012	15,012	15,012	15,012	15,012	15,012	15,012	15,012
37	26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400	32,400
38	100	100	100	100	100	100	100	100	100
39	0	0	0	0	0	0	0	0	0
40	0	0	0	0	0	0	0	0	0
41	41,512	47,512							
42									
43									
44	643	643	643	643	643	643	643	643	643
45	0	0	0	0	0	0	0	0	0
46	0	0	0	0	0	0	0	0	0
47	120	120	120	120	120	9,876	120	120	120
48	0	1,000	0	0	0	0	0	0	0
49	0	0	0	0	0	0	0	0	0
50	0	0	0	0	0	0	0	0	0
51	28	11	11	28	11	11	28	11	11
52	791	1,774	774	791	774	10,530	791	774	774
53									
54	283,395	274,926	259,607	284,171	224,229	232,094	246,357	304,942	289,217
55									
56									
57									
58	189	189	189	189	189	189	189	189	189
59									
60	189								
61									
62	283,584	275,115	259,796	284,360	224,418	232,283	246,546	305,131	289,406

BWD CASH FLOW
2012-2013

	C	D	V	W	X	Y	Z
4	BWD CASH FLOW						
5	2012-2013						
6			ADOPTED	ACTUAL	PROJECTED	ACTUAL	YTD + PROJ MONTHS>>
7			BUDGET	SEPTEMBER	SEPT	YTD	PROJECTED
63	EXPENSES		2012-2013	2012	2012	2012-2013	2012-2013
64							
65	MAINTENANCE EXPENSE						
66	R & M Buildings & Equipment		130,000	7,480	10,000	31,359	130,359
67	R & M - WWTP		60,000	0	7,000	1,410	43,310
68	Telemetry		15,000	1,328	0	1,328	12,828
69	Trash Removal		3,600	304	300	911	3,611
70	Vehicle Expense		12,000	4,229	200	9,895	15,565
71	Fuel & Oil		35,000	3,599	5,300	8,353	32,553
72	TOTAL MAINTENANCE EXPENSE:		255,600	16,940	22,800	53,256	238,226
73							238,226
74	PROFESSIONAL SERVICES EXPENSE						
75	Accounting		4,000	416	2,500	416	1,916
76	Administrative Services (ADP/Bank Fees)		5,000	553	420	1,361	5,095
77	Audit Fees		26,000	8,000	8,000	10,400	24,800
78	Computer billing		9,000	808	500	3,040	9,210
79	Consulting/Technical		1,500	0	0	-	1,000
80	Engineering		10,000	0	1,000	845	7,845
81	Legal Services		10,000	6,401	1,000	8,310	15,310
82	Testing/lab work		28,000	685	2,000	2,362	21,920
83	Regulatory Permit Fees		45,000	6	6,000	313	37,837
84	TOTAL PROFESSIONAL SERVICES EXPENSE:		138,500	16,869	21,420	27,047	124,933
85							124,933
86	INSURANCE/INTEREST EXPENSE						
87	ACWA Insurance		72,000	0	0	30,539	71,146
88	Workers Comp		19,200	4,573	4,800	4,573	18,973
89	Interest-COP 2008/Well 12 Purchase Agreement		225,072	62,438	62,438	162,634	225,072
90	TOTAL INSURANCE/INTEREST EXPENSE:		316,272	67,011	67,238	197,746	315,191
91							315,191
92	PERSONNEL EXPENSE						
93	Board Meeting Expense (board stipend/board secretary)		9,130	500	830	1,250	8,720
94	Salaries & Wages (gross)		825,000	64,000	68,750	203,449	822,199
95	Taxes on Payroll		19,251	1,048	1,141	3,095	19,079
96	Medical Insurance Benefits	+10% dec-july	223,000	17,627	17,670	52,880	222,868
97	Calpers Retirement Benefits		177,240	13,691	14,770	43,061	175,991
98	Salaries & Wages contra account		(24,000)	(884)	(2,000)	(3,760)	(21,760)
99	Conference/Conventions/Training/Seminars		7,500	2,359	190	4,911	9,669
100	TOTAL PERSONNEL EXPENSE:		1,237,121	98,340	101,351	304,886	1,236,766
101							1,236,766
102	OFFICE EXPENSE						
103	Office Supplies		18,000	2,346	1,000	8,517	20,767
104	Office Equipment/ Rental/Maintenance Agreements		26,000	5,570	261	12,150	29,571
105	Postage & Freight		11,000	1,000	0	3,137	10,585
106	Taxes on Property		2,300	0	0	-	2,300
107	Telephone/Answering Service		8,500	625	700	2,054	8,454
108	Bad Debt Collection		1,000	6	100	(20)	640
109	Dues & Subscriptions		5,000	0	275	695	4,725
110	Printing, Publications & Notices		1,500	0	96	404	1,404
111	Uniforms		6,500	521	540	1,718	6,598
112	Osha Requirements/Emergency preparedness		5,000	190	200	296	3,996
113	TOTAL OFFICE EXPENSE:		84,800	10,260	3,172	28,952	89,041
114							89,041
115	UTILITIES EXPENSE						
116	Pumping-Electricity		330,000	29,259	30,000	85,743	316,743
117	Office/Shop Utilities		16,000	1,879	1,800	5,531	16,027
118	Cellular Phone		9,000	80	725	1,485	8,310
119	TOTAL UTILITIES EXPENSE:		355,000	31,218	32,525	92,759	341,081
120							248,322
121	TOTAL EXPENSES:		2,387,292	240,637	248,506	704,644	2,345,237
122							2,345,237
123	CASH BASIS ADJUSTMENTS						
124	Decrease (Increase) in Accounts Payable		0	(6,144)		(15,703)	(15,703)
125	Increase (Decrease) in Inventory		0	2,069		13,320	13,320
126	TOTAL CASH BASIS ADJUSTMENTS:		0	(4,075)	0	(2,383)	(2,383)
127							
128	TOTAL EXPENSES PAID:		2,387,292	236,562	248,506	702,261	2,342,854
129							
130	NET CASH FLOW (O&M)		864,237	83,336	18,834	90,682	850,727

**BWD CASH FLOW
2012-2013**

	AG	AH	AI	AJ	AK	AL	AM	AN	AO
4									
5	PROJECTED								
6	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE
7	2012	2012	2012	2013	2013	2013	2013	2013	2013
63									
64									
65									
66	11,000	10,000	10,000	15,000	10,500	10,000	10,000	10,500	12,000
67	1,900	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
68	1,500	1,000	2,000	2,000	1,000	0	2,000	1,000	1,000
69	300	300	300	300	300	300	300	300	300
70	600	300	300	300	750	200	1,000	1,220	1,000
71	2,500	1,850	3,800	1,800	3,167	2,400	3,400	2,300	2,983
72	17,800	18,450	21,400	24,400	20,717	17,900	21,700	20,320	22,283
73									
74									
75	0	0	0	0	0	0	0	1,500	0
76	420	420	420	380	420	420	420	420	414
77	2,500	3,600	0	2,300	0	0	0	0	6,000
78	500	350	500	500	500	400	1,470	650	1,300
79	500	0	0	0	0	500	0	0	0
80	1,000	1,400	1,000	1,000	500	500	500	500	600
81	1,000	1,000	500	1,000	1,000	500	500	500	1,000
82	1,500	1,455	1,700	1,600	2,000	1,600	3,450	3,600	2,654
83	12,504	12,000	2,000	500	3,000	820	700	3,000	3,000
84	19,924	20,225	6,120	7,280	7,420	4,740	7,040	10,170	14,968
85									
86									
87	0	0	0	0	0	10,585	30,022	0	0
88	0	0	4,800	0	0	4,800	0	0	4,800
89	0	0	0	0	0	62,438	0	0	0
90	0	0	4,800	0	0	77,823	30,022	0	4,800
91									
92									
93	830	830	830	830	830	830	830	830	830
94	68,750	68,750	68,750	68,750	68,750	68,750	68,750	68,750	68,750
95	1,146	1,196	1,056	5,541	2,791	1,173	1,100	1,000	980
96	17,670	17,670	17,670	19,437	19,437	19,437	19,437	19,437	19,793
97	14,770	14,770	14,770	14,770	14,770	14,770	14,770	14,770	14,770
98	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
99	225	275	114	400	615	360	1,668	750	350
100	101,391	101,491	101,191	107,728	105,193	103,320	104,555	103,537	103,473
101									
102									
103	1,300	1,000	1,700	1,700	1,000	1,500	1,750	1,000	1,300
104	261	2,000	2,160	2,900	1,800	2,500	1,400	3,000	1,400
105	1,000	0	350	2,030	0	2,034	0	2,034	0
106	0	2,300	0	0	0	0	0	0	0
107	700	700	700	700	700	725	725	725	725
108	120	0	0	150	0	90	100	100	100
109	40	150	50	0	130	500	2,500	0	660
110	0	100	0	90	0	0	250	400	160
111	540	540	540	540	540	540	540	550	550
112	200	200	200	200	200	2,000	200	200	300
113	4,161	6,990	5,700	8,310	4,370	9,889	7,465	8,009	5,195
114									
115									
116	30,000	26,000	21,000	26,000	25,000	23,000	25,000	25,000	30,000
117	1,497	1,000	1,000	1,250	1,000	1,000	1,250	1,250	1,250
118	725	725	725	725	725	725	825	825	825
119	32,222	27,725	22,725	27,975	26,725	24,725	27,075	27,075	32,075
120									
121	175,498	174,881	161,936	175,693	164,425	238,397	197,857	169,111	182,794
122									
123									
124									
125									
126	0	0	0	0	0	0	0	0	0
127									
128	175,498	174,881	161,936	175,693	164,425	238,397	197,857	169,111	182,794
129									
130	108,086	100,233	97,860	108,667	59,993	(6,115)	48,689	136,020	106,612

**BWD CASH FLOW
2012-2013**

	C	D	V	W	X	Y	Z
4	BWD CASH FLOW						
5	2012-2013						
6			ADOPTED	ACTUAL	PROJECTED	ACTUAL	YTD + PROJ MONTHS>>
7			BUDGET	SEPTEMBER	SEPT	YTD	PROJECTED
131	NON O & M EXPENSES		2012-2013	2012	2012	2012-2013	2012-2013
132	USGS Basin study		131,035	1,182		1,182	132,217
133	GWM Planning Costs - unallocated		25,000	2,750	2,000	2,750	21,750
134	Integrated Regional Water Management Plan/Staff time		0	554		2,695	2,695
135	BOR S.E. California Regional Basin Study/Staff Time		0			-	-
136	STAG/LGA Grant/Staff time		0			923	923
137	Viking Ranch Purchase		0		69,000	-	69,000
138	Viking Ranch Purchase RESERVE		100,000			-	-
139	GWM/ABD-IRWM Legal Expenses		0	353		353	353
140	Water Credit Policy legal expenses		0			-	-
141	Contingency for possible well pump/motor failure		62,000			-	62,000
142	Rams Hill #1 1980 steel needs inside coating, 1.25mg		200,000			-	200,000
143	Twin Tanks, 1970's-inside coating (rescheduled into 2013-2014)		0			-	-
144	Pickup		15,000			15,500	15,500
145	ID4, Reducing Station design and installation		25,000			-	25,000
146	Circle J Drive pipeline (excludes BWD labor)		60,000			-	60,000
147	Montezuma Road pipeline project-final		0			-	-
148	Telemetry Radio & PLC Upgrades	FA	0			-	-
149	Splitter Box Concrete Repairs-VVWTP	R & M	0			-	-
150	Bending Elbow Pipeline Project (includes labor of \$8,700)		0			-	-
151	New Motor & Pump Kit for ID4-Booster Station 3	R & M	0			-	-
152	Concrete replacement-VVWTP		10,000			-	10,000
153	Rework drying bed material-VVWTP		43,000			-	43,000
154	Roof replacement for Lugo building		10,000			-	10,000
155	TOTAL NON O&M EXPENSES		681,035	4,839	71,000	23,403	652,438
156							652,438
157	CASH RECAP						
158	Cash beginning of period		899,435	888,217	888,217	899,435	899,435
159	Net Cash Flow (O&M)		864,237	83,336	18,834	90,682	850,727
160	Total Non O&M Expenses		(681,035)	(4,839)	(2,000)	(23,403)	(652,438)
161	Transfer To/From Reserves			0		-	0
162	CASH AT END OF PERIOD		1,082,637	966,714	905,051	966,714	1,097,724
163				966,713			
164	(Rounding)			1			
165	RESERVES		TARGET				
166	Working Capital (3 months)		600,000				
167	Contingency (3%)		72,000				
168	Asset replacement		115,000				
169	Emergency		2,500,000				
170	Viking Ranch Purchase		100,000				
171	TOTAL RESERVES		3,387,000				
172							
173	SIGNIFICANT ITEMS		ACTUAL	PROJECTED			
174							
175	Total Water Revenue	207,825	223,112				Irrigation sales down-normal this time of year
176	Vehicle Expense	4,229	200				Xtra \$1,200 DMV tax new vehicle-Tires for Jeep
177	Legal Expense	6,401	1,000				August/September bills
178	Maintenance Agreements	5,570	261				New agreement-plotter \$2,309
179							
180							
181							
182	Total Significant Items:	224,027	224,573				

**BWD CASH FLOW
2012-2013**

	AG	AH	AI	AJ	AK	AL	AM	AN	AO
4									
5	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
6	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE
7	2012	2012	2012	2013	2013	2013	2013	2013	2013
131									
132			131,035						
133	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,500	2,500
134									
135									
136									
137	0			69,000					
138									
139									
140									
141				30,000					32,000
142		100,000	100,000						
143									
144									
145			0		20,000		5,000		
146					60,000				
147									
148									
149									
150									
151									
152		10,000							
153				43,000					
154	10,000								
155	<u>12,000</u>	<u>112,000</u>	<u>233,035</u>	<u>144,000</u>	<u>82,000</u>	<u>2,000</u>	<u>7,000</u>	<u>2,500</u>	<u>34,500</u>
156									
157									
158	966,714	1,062,799	1,051,032	915,858	880,525	858,518	850,403	892,092	1,025,612
159	108,086	100,233	97,860	108,667	59,993	(6,115)	48,689	136,020	106,612
160	(12,000)	(112,000)	(233,035)	(144,000)	(82,000)	(2,000)	(7,000)	(2,500)	(34,500)
161									
162	1,062,799	1,051,032	915,858	880,525	858,518	850,403	892,092	1,025,612	1,097,724
163									
164									
165									
166									
167									
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182									



BORREGO WATER DISTRICT

	BALANCE SHEET		BALANCE SHEET		MONTHLY	
	September 30, 2012		August 31, 2012		CHANGE	
	<i>(unaudited)</i>		<i>(unaudited)</i>		<i>(unaudited)</i>	
ASSETS:						
CURRENT ASSETS						
Cash and cash equivalents	\$	966,712.66	\$	888,216.55	\$	78,496.11
Accounts receivable from water sales and sewer charges	\$	402,831.63	\$	376,923.10	\$	25,908.53
Interest receivable	\$	-	\$	-	\$	-
Inventory	\$	149,113.87	\$	147,044.94	\$	2,068.93
Availability charges receivable	\$	540,457.67	\$	542,743.65	\$	(2,285.98)
Allowance for uncollectable availability charges	\$	(458,909.85)	\$	(277,233.19)	\$	(181,676.66)
Grant Receivable	\$	-	\$	-	\$	-
Prepaid expenses	\$	41,217.72	\$	41,217.72	\$	-
Other Receivables	\$	6,243.80	\$	30,037.02	\$	(23,793.22)
TOTAL CURRENT ASSETS	\$	1,647,667.50	\$	1,748,949.79	\$	(101,282.29)
RESTRICTED ASSETS						
Debt Service:						
Deferred amount of COP Refunding	\$	152,562.81	\$	152,562.81	\$	-
Unamortized bond issue costs	\$	105,430.03	\$	105,430.03	\$	-
Total Debt service	\$	257,992.84	\$	257,992.84	\$	-
Trust fund:						
Investments with fiscal agent -CFD 2007-1	\$	70,754.89	\$	70,903.67	\$	(148.78)
Total Trust fund	\$	70,754.89	\$	70,903.67	\$	(148.78)
TOTAL RESTRICTED ASSETS	\$	328,747.73	\$	328,896.51		
UTILITY PLANT IN SERVICE						
Land	\$	1,951,084.94	\$	2,045,868.94	\$	(94,784.00)
Flood Control Facilities	\$	4,319,603.58	\$	4,319,603.58	\$	-
Capital Improvement Projects	\$	181,778.42	\$	181,778.42	\$	-
Sewer Facilities	\$	5,505,105.59	\$	5,505,105.59	\$	-
Water facilities	\$	11,021,382.48	\$	11,021,382.48	\$	-
Pipelines, wells and tanks	\$	151,699.02	\$	151,699.02	\$	-
General facilities	\$	1,009,059.92	\$	1,009,059.92	\$	-
Equipment and furniture	\$	323,754.18	\$	323,754.18	\$	-
Vehicles	\$	495,572.91	\$	495,572.91	\$	-
Accumulated depreciation	\$	(10,395,326.24)	\$	(10,399,272.50)	\$	3,946.26
NET UTILITY PLANT IN SERVICE	\$	14,563,714.80	\$	14,654,552.54	\$	(90,837.74)
OTHER ASSETS						
Water rights -ID4	\$	185,000.00	\$	185,000.00	\$	-
TOTAL OTHER ASSETS	\$	185,000.00	\$	185,000.00		
TOTAL ASSETS	\$	16,725,130.03	\$	16,917,398.84	\$	(192,268.81)

	BALANCE SHEET September 30, 2012 (unaudited)	BALANCE SHEET August 31, 2012 (unaudited)	MONTHLY CHANGE (unaudited)
LIABILITIES:			
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS			
Accounts Payable	\$ 92,022.20	\$ 85,878.29	\$ 6,143.91
Accrued expenses	\$ 168,546.07	\$ 129,674.80	\$ 38,871.27
Deferred Revenue	\$ -	\$ -	\$ -
Deposits	\$ 28,421.25	\$ 28,421.25	\$ -
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	\$ 288,989.52	\$ 243,974.34	\$ 45,015.18
CURRENT LIABILITIES PAYABLE FOM RESTRICTED ASSETS			
Debt Service:			
Accounts Payable to CFD 2007-1	\$ 70,754.89	\$ 70,903.67	\$ (148.78)
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 70,754.89	\$ 70,903.67	\$ (148.78)
LONG TERM LIABILITIES			
2008 Certificates of participation (payable from restricted assets)	\$ 2,775,000.00	\$ 2,775,000.00	\$ -
Montesoro Note Payable	\$ 695,726.52	\$ 628,507.32	\$ 67,219.20
TOTAL LONG TERM LIABILITIES	\$ 3,470,726.52	\$ 3,403,507.32	\$ 67,219.20
TOTAL LIABILITIES	\$ 3,830,470.93	\$ 3,718,385.33	\$ 112,085.60
FUND EQUITY			
Contributed equity	\$ 9,649,544.17	\$ 9,667,544.17	\$ (18,000.00)
Retained Earnings:			
Unrestricted Reserves/Retained Earnings	\$ 3,245,114.93	\$ 3,531,469.34	\$ (286,354.41)
Total retained earnings	\$ 3,245,114.93	\$ 3,531,469.34	\$ (286,354.41)
TOTAL FUND EQUITY	\$ 12,894,659.10	\$ 13,199,013.51	\$ (304,354.41)
TOTAL LIABILITIES AND FUND EQUITY	\$ 16,725,130.03	\$ 16,917,398.84	\$ (192,268.81)



BORREGO WATER DISTRICT

Treasurer's Report September, 2012

Bank Balance	Carrying Value	Fair Value	% of Portfolio				Valuation Source
			Current Actual	Rate of Interest	Maturity		

Cash and Cash Equivalents:

Demand Accounts at WFB/BSB/LAIF

General Account/Petty Cash	\$ 599,039	\$ 599,039	\$ 599,039	61.97%	0.00%	N/A	WFB/BSB
Payroll Account	\$ 97,191	\$ 96,486	\$ 96,486	9.98%	0.01%	N/A	WFB
LAIF	\$ 20,814	\$ 20,814	\$ 20,814	2.15%	0.36%	N/A	LAIF
MMA	\$ 250,373	\$ 250,373	\$ 250,373	25.90%	0.05%	N/A	WFB
Total Cash and Cash Equivalents	\$ 967,418	\$ 966,713	\$ 966,713	100.00%			

Facilities District No. 2007-1

First American Treas Obligation -US BANK	70,755	70,755	70,755
Total Cash,Cash Equivalents & Investments	\$ 1,038,173	\$ 1,037,468	\$ 1,037,468

Cash and investments conform to the District's Investment Policy statement filed with the Board of Directors on June 27, 2012.

Cash, investments and future cash flows are sufficient to meet the needs of the District for the next six months.

Sources of valuations are Borrego Springs Bank (BSB), Wells Fargo Bank (WFB), LAIF and US Trust Bank.


 Kim Pitman, Administration Manager



BORREGO WATER DISTRICT

To: BWD Board of Directors
 From: Kim Pitman
 Subject: Consideration of the Disbursements and Claims Paid
 Month Ending September, 2012

A. Vendor disbursements paid during this period:		\$ 194,658.89
<u>Significant items:</u>		
Utilities		\$ 30,782.18
CalPERS Payments		\$ 16,095.35
Employee Health Benefits		\$ 18,967.61
COP-2008 Installment payment		\$ 62,437.50
Workers Compensation quarterly payment		\$ 4,573.00
 B. Capital Projects/Fixed Asset Outlays:		
<i>(included in vendor disbursements paid above)</i>		
 C. Total Professional Services for this Period:		
<i>(included in vendor disbursements paid above)</i>		
McDougal, Love, Eckis, Attorneys	legal-general	\$ 6,400.50
	IRWM	\$ 87.50
	GWM	
*August/Sept Invoices	Total Invoice:	\$ 6,488.00
 White Nelson Diehl Evans LLP	Audit FY 2012	\$ 8,000.00
	Total Invoice:	\$ 8,000.00
 D. Payroll for this Period:		
Gross Payroll		\$ 64,001.00
Employer Payroll Taxes and ADP Fee		\$ 1,047.52
Total		\$ 65,048.52

BORREGO WATER DISTRICT
 FOR BOARD CONSIDERATION AND APPROVAL
 SEPTEMBER 30, 2012

GENERAL ACCOUNT

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
17982	09/17/12	JERRY ROLWING DMV USE TAX	
		DODGE RAM 2500 LIC#1350976	1,201.00
17983	09/20/12	ACWA/JPIA HEALTH INSURANCE PE:10/01/12-11/01/12	
17984	09/20/12	AFLAC EMPLOYEE PAID SUPPLEMENTAL	18,967.61
17985	09/20/12	HEALTH INSURANCE CITIZENS BUSINESS BANK INSTALLMENT ON COP-2008 SALE	1,067.90
17986	09/20/12	AGREEMENT #08-043 DATASTREAM BUSINESS SOLUTIONS, VARIOUS PROGRAMMING ISSUES	62,437.50
17987	09/20/12	DAVID TAUSSIG & ASSOCIATES, INC PROFESSIONAL FEES PE:AUGUST 31,2012	807.50
17988	09/20/12	DEBBIE MORETTI PEST CONTROL BWD OFFICES	415.94
17989	09/20/12	DESERT TIRE CENTER 2006 GMC-SIERRA LIC#1133969CA BASIC SERVICE 1999 FORD-F800 WATER TRUCK BASIC SERVICE 2003 FORD F150 PICKUP-LIC#1129877CA NEW TIRES 2008 JEEP LIBERTY LIC#1319465CA NEW TIRES 1999 FORD F800 WATER TRUCK REPAIR CRANKCASE	1,735.97
17990	09/20/12	McCALLIS METERS, INC REPAIR MATERIALS FOR ID4-WELL 10	319.41
17991	09/20/12	McDOUGAL LOVE ECKIS PROFESSIONAL FEES PE:AUGUST 31,2012	2,896.22
17992	09/20/12	CASH TO REPLENISH PC SEE INVOICES FOR DETAILS	655.30

BORREGO WATER DISTRICT
 FOR BOARD CONSIDERATION AND APPROVAL
 SEPTEMBER 30, 2012

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
17993	09/20/12	QUILL CORPORATION OFFICE SUPPLIES	313.29
17994	09/20/12	SAN DIEGO MAILING SOLUTIONS MAINTENANCE CONTRACT PE: 10/07/12-10/06/13	1,270.00
17995	09/20/12	POSTAGE MACHINE & STUFFER SOUTH COAST PRINTERCARE 2-YEAR ON-SITE	2,309.08
17996	09/20/12	PRINTER CARE PACK WHITE NELSON DIEHL EVANS LLP AUDIT FISCAL YEAR	8,000.00
17997	09/28/12	ENDED JUNE 30, 2012 COLDWELL BANKER REFUND ACCT# 0100381	22.28
17998	09/28/12	FERBER, DOUGLAS REFUND ACCT# 0103111	3.60
17999	09/28/12	HUBBARD, DALE REFUND ACCT# 0406992	25.45
18000	09/28/12	MONTECRO PROPERTY MANAGEMENT REFUND ACCT# 0102312	21.24
18001	09/28/12	REMAX REFUND ACCT# 0102532	52.12
18002	09/28/12	VANDERHYDE, RICH & HOLLY REFUND ACCT# 0518511	2.28
18003	10/02/12	ABILITY ANSWERING/PAGING SER ANSWERING & PAGING SERVICE FOR SEPTEMBER	191.63
18004	10/02/12	ACWA/JPIA WORKER'S COMP PE:07/01/12-09/30/12	4,573.00
18005	10/02/12	AMERICAN BACKFLOW SPECIALTIES BACKFLOW REPAIR PARTS	127.89
18006	10/02/12	AMERICAN LINEN INC. UNIFORMS FOR CREW	521.40
18007	10/02/12	AT&T-CALNET 2 WWTP PHONE MAIN OFFICE PHONE	293.05
18008	10/02/12	MAINT SHOP PHONE D.G.HUNSINGER/ NEW PROJECTOR INSTALL-LABOR & MATERIALS	346.32
18009	10/02/12	CONTRON SCADA PROGRAM UPDATED-CHECKED	1,327.76
18010	10/02/12	TELEMETRY COMPUTER FOR COMMUNICATION STATUS	191.85
18011	10/02/12	JAMES G HORMUTH/DBA TRUE VALUE SEE INVOICES FOR DETAILS HIDDEN VALLEY PUMP SYSTEMS INC	

BORREGO WATER DISTRICT
FOR BOARD CONSIDERATION AND APPROVAL
SEPTEMBER 30, 2012

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
18012	10/02/12	ID4-10 ELECTRICAL PANEL REPAIR KENNY STRICKLAND, INC. FUEL FOR CREW TRUCKS & WELLS	493.44
18013	10/02/12	PACIFIC PIPELINE SUPPLY INC INVENTORY CONTROL INVENTORY	1,820.00
18014	10/02/12	PHONE SYSTEMS PLUS, INC. TECHNICAL ASSISTANCE CONFERENCE ROOM PHONE	2,068.93
18015	10/02/12	PUBLIC EMP'S RETIREMENT SYSTEM EMPLOYEE BENEFITS PE:09/01/12-09/15/12 EMPLOYEE BENEFITS PE:09/30/12 QUILL CORPORATION OFFICE SUPPLIES OFFICE SUPPLIES	714.88
18016	10/02/12	SAN DIEGO GAS & ELECTRIC 9525 627 944 5 2989 BORREGO VALLEY RD PACKAGE PLANT 6160 624 622 9 951 RANGO WAY ID1-16 4785 979 020 3 3003 LOFTER DR ID5-5 1614 489 405 4 5037 BORREGO SPRINGS RD ID1-8 2739 492 349 3 4861 BORREGO SPRINGS RD TREATMENT PLANT 4240 011 405 2 301 SLASH M RD COUNTRY CLUB TANK 5035 410 733 7 3528 COUNTRY CLUB RD ID4-10 8364 482 055 9 5073 BORREGO SPRINGS RD ID1-1 9489 482 054 6 5065 BORREGO SPRINGS RD ID1-12 3864 202 758 1 2510 RAMS HILL DR BOOSTER STATION 1 6160 427 632 7	16,095.35
18017	10/02/12		86.98

BORREGO WATER DISTRICT
 FOR BOARD CONSIDERATION AND APPROVAL
 SEPTEMBER 30, 2012

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
		COUNTRY CLUB RD	
		ID4-2	
		3607 425 233 9	
		2990 BORREGO VALLEY RD	
		TC LIFT STATION-IDS	
		2700 523 335 7	
		806 PALM CANYON DR	
		OFFICE/MAINT SHOP	
		6159 441 279 1	
		2473 STIRRUP RD	
		LUGO BLDG	
		2881 512 118 8	
		1111 INDIANHEAD RANCH RD	
		ID4-18	
		3909 503 745 7	
		1775 BORREGO SPRINGS RD	
		ID4-4	
		9534 569 937 1	
		2201 DIGUENO RD	
		ID4-11	
18018	10/17/12	U.S.BANK CORPORATE PAYMENT SYS	25,188.10
		SEE INVOICES	
		FOR DETAILS	
		SEE INVOICES	
		FOR DETAILS	
18019	10/17/12	ALLIED WASTE SERVICES #467	4,261.37
		3-0467-0701728	
		4861 BORREGO SPRINGS RD	
		2475 STIRRUP RD	
		BASIC SERVICE	
		3-0467-0007554	
		3155 HONOR COURT	
		BASIC SERVICE	
18020	10/17/12	BORREGO SPRINGS BOTTLED WATER	2,783.70
		BOTTLED WATER FOR	
		YARD & SHOP OFFICE	
18021	10/17/12	CORRPRO COMPANIES	86.86
		RAMS HILL #1	
		INSPECTION &	
		REPAIR	
18022	10/17/12	DESERT TIRE CENTER	940.00
		2008 JEEP LIBERTY	
		LIC#-CA	
		NEW TIRES	
		2001 FORD PICKUP	
		LIC#1104267 CA	
		BASIC SERVICE	
18023	10/17/12	E.S. BABCOCK & SONS, INC.	857.19
		WATER SAMPLES	
		TAKEN FROM ALL	
		WELLS	
18024	10/17/12	GREEN DESERT LANDSCAPE	655.00
		GOLF COURSE	
		MANAGEMENT FEE	

BORREGO WATER DISTRICT
 FOR BOARD CONSIDERATION AND APPROVAL
 SEPTEMBER 30, 2012

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
18025	10/17/12	SEPTEMBER 2012 HOME DEPOT CREDIT SERVICES SEE INVOICES FOR DETAILS	5,210.80
18026	10/17/12	HYDROTEX WELL OIL & MOTOR GREASE	977.91
18027	10/17/12	JAMES & JUDY LEWIS REFUND OF PRESERVATION FEE PAID, DID NOT USE TO BUILD ON PARCEL #140-060-65-00	2,038.27
18028	10/17/12	KENNY STRICKLAND, INC. FUEL FOR WELLS AND CREW TRUCKS	2,750.00
18029	10/17/12	KONICA MINOLTA INSTALLMENT ON BIZHUB COPIER	1,674.41
18030	10/17/12	09/25/12-10/24/12 LAYFIELD RAMS HILL R-TANK 2 INSPECTION	1,276.49
18031	10/17/12	MCDUGAL LOVE ECKIS PROFESSIONAL FEES RENDERED THROUGH 09/30/12	2,474.00
18032	10/17/12	NAPA AUTO PARTS INC GOLF CART BATTERY	3,592.66
18033	10/17/12	CASH TO REPLENISH PETTY CASH FOR SEPTEMBER 2012	57.87
18034	10/17/12	PITNEY BOWES/PURCHASE POWER POSTAGE FOR BILLING	300.00
18035	10/17/12	RECORDER/COUNTY CLERK'S OFFICE LIEN RELEASE: 07-4542-1 CALDWELL & CHASE	1,000.00
18036	10/17/12	SAN DIEGO GAS & ELECTRIC 7285 625 351 8 4201 BORREGO SPRINGS RD ID1-10 6114 522 472 7 3352 BORREGO VALLEY RD ID1-12 6954 509 423 8 STIRRUP RD OLD SHOP	13.00
18037	10/17/12	UNDERGROUND SERVICE ALERT DIG ALERT TICKETS FOR SEPTEMBER 2012	5,594.08
18038	10/17/12	UNITED STATES	6.00

BORRERO WATER DISTRICT
 FOR BOARD CONSIDERATION AND APPROVAL
 SEPTEMBER 30, 2012

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
18039	10/17/12	WORK PERFORMED PER AGREEMENT THROUGH QTR END:09/30/12 VERIZON WIRELESS CELL PHONES FOR EMERGENCY USE WENDY QUINN	1,182.01
18040	10/17/12	RECORDING SERVICE FOR SEPTEMBER 2012	80.00
		TOTAL	170.00
			194,658.89

DISTRIBUTION SUMMARY

G/L ACCOUNT#	DESCRIPTION	AMOUNT
01 1090	PETTY CASH	955.30
01 1487	BOB MOORE CC GOLF EQUIP REC	-189.20
01 1510	INVENTORY CONTROL	2,068.93
01 5100	ACCOUNTING	415.94
01 5160	AUDIT FEES	8,000.00
01 5190	BOARD MEETING EXPENSE	170.00
01 5200	COMPUTER BILLING	807.50
01 5240	CONFERENCE/TRAINING	2,238.98
01 5401	FEES	6.00
01 5420	EMPLOYEE MEDICAL BENEFITS	2,409.00
01 5421	EMPLOYEE RETIREMENT BENEFITS	2,404.03
01 5460	FUEL & OIL	454.44
01 5480	GROUNDWATER STUDY	4,019.51
01 5560	LEGAL SERVICES	6,401.38
01 5600	R & M BUILDINGS & EQUIPMENT	3,381.80
01 5662	OFFICE SUPPLIES	1,964.04
01 5663	OFFICE EQUIPMENT	1,991.37
01 5664	OFFICE UTILITIES	1,523.54
01 5665	MAINTENANCE AGREEMENTS	3,579.08
01 5681	SAFETY SUPPLIES	190.41
01 5690	POSTAGE & FREIGHT	75.00
01 5852	ANSWERING SERVICE	191.63
01 5854	CELLULAR PHONE	80.00
01 5858	TELEPHONE	396.73
01 5890	TRASH REMOVAL	303.70
01 5895	UNIFORMS	521.40
01 5896	VEHICLE EXPENSE	4,126.56
03 1330	AR WATER ENTERPRISE ACCOUNT	99.24
03 5420	EMPLOYEE MEDICAL BENEFITS	6,698.07
03 5421	RETIREMENT BENEFIT	5,202.70
03 5460	FUEL & OIL	1,223.04
03 5521	WORKERS COMPENSATION	1,737.74
03 5600	R & M BUILDINGS & EQUIPMENT	3,414.00
03 5690	POSTAGE & FREIGHT	400.00
03 5720	PUMPING-ELECTRICITY	11,731.51
03 5840	TELEMETRY SERVICES	11,726.13
03 5860	TESTING/LAB WORK	120.00
04 1340	AR ID4 WATER BILLS	27.73
04 5180	BAD DEBT EXPENSE	13.00
04 5420	EMPLOYEE MEDICAL BENEFITS	8,989.52
04 5421	RETIREMENT BENEFIT	6,982.57
04 5460	FUEL & OIL	1,397.76
04 5521	WORKERS COMPENSATION	2,332.23
04 5555	INTEREST EXPENSE COP 2008	62,437.50
04 5600	R & M BUILDINGS & EQUIPMENT	969.02
04 5690	POSTAGE & FREIGHT	500.00
04 5720	PUMPING - ELECTRICITY	14,530.09
04 5840	TELEMETRY SERVICES	601.63
04 5860	TESTING/LAB WORK	160.00
05 5420	EMPLOYEE MEDICAL BENEFITS	881.33
05 5421	RETIREMENT BENEFIT	684.57
05 5460	FUEL & OIL	262.09

DISTRIBUTION SUMMARY

G/L ACCOUNT#	DESCRIPTION	AMOUNT
05 5521	WORKERS COMPENSATION	228.65
05 5720	PUMPING - ELECTRICITY	2,517.49
05 5858	TELEPHONE	36.26
05 5860	TESTING/LAB WORK	187.50
06 5420	EMPLOYEE MEDICAL BENEFITS	881.33
06 5421	RETIREMENT BENEFIT	684.57
06 5460	FUEL & OIL	262.08
06 5521	WORKERS COMPENSATION	228.65
06 5690	POSTAGE	25.00
06 5720	PUMPING - ELECTRICITY	479.55
06 5860	TESTING/LAB WORK	187.50
07 5421	EMPLOYEE MEDICAL BENEFITS	109.28
07 5421	EMPLOYEE RETIREMENT BENEFITS	84.89
07 5521	WORKERS COMPENSATION	28.35
07 5896	VEHICLE EXPENSE	57.87
08 5420	EMPLOYEE MEDICAL BENEFITS	66.98
08 5421	EMPLOYEE RETIREMENT BENEFITS	52.02
08 5521	WORKERS COMPENSATION	17.38
14 4605	CSD FEES-GOLF/TRASH	7,880.00
14 5600	MAINTENANCE & REPAIRS	35.00
		194,658.89

GWM ACCOUNTING

01-5480

FY 2013

A	B	E	F	G	H	K	L	N	O
DATE	DESCRIPTION	LGA GRANT	LGA GRANT STAFF SUPPORT	IRWMP	IRWMP STAFF SUPPORT	GWM	GWM STAFF SUPPORT	TOTALS	MONTHLY TOTALS
11 07/15/12	Record Staff time-Rolwing LGA Grant		923.20					923.20	
12 07/25/12	Fed-X overnight-DWR-IRWM planning			48.55				48.55	JULY
13 07/31/12	EcoLayers - hosting DWR			800.00				800.00	\$ 1,771.75
14 08/15/12	Record Staff time-Rolwing IRWM				553.92			553.92	AUGUST
15 08/31/12	Record Staff time-Rolwing IRWM				738.56			738.56	\$ 1,292.48
16 09/20/12	McDougal, Love,Eckis-Attorney			87.50				87.50	
17 09/28/12	GWA Conference-Jerry					265.00		265.00	
18 09/30/12	Refund preservation fee-Lewis					2,750.00		2,750.00	
19 09/30/12	USGS-work performed per agreement					1,182.01		1,182.01	SEPT
20 09/30/12	Record Staff time-Rolwing IRWM				553.92			553.92	\$ 4,838.43
21									
22									
23									
24	TOTAL GWM EXPENSES FY 2013:	-	923.20	936.05	1,846.40	4,197.01	-	7,902.66	\$ 7,902.66

Borrego Water District Management Report – October 2012

By: Jerry Rolwing

FEDERAL LEVEL

U.S. Bureau of Reclamation: Working with Reclamation staff to schedule a workshop of their progress on the basin study. I spoke with the project manager and if they are to incorporate climate change data into the study, they need additional work from the USGS. This work was not part of the USGS program and will require additional funding.

U.S. Dept. of Agriculture: The El Centro office for Rural Development is still analyzing the finances as per an e-mail dated June 21st. No recent update. Once the FY 2012 audit is complete, we will provide this up-to-date data.

U.S. Geological Survey: Our contract with the USGS is set to expire on Dec. 31, 2012. They have suggested that we add a "no cost" extension to the contract that will carry us until June 30, 2013. USGS water quality staff involved in the GAMA (groundwater ambient monitoring and assessment) program performed a follow up sampling of well ID1-12 to record any degradation of the water quality since the first sampling three years ago.

STATE LEVEL

The Dept. of Water Resources (DWR) Integrated Regional Water Management Planning Grant Round #2 is presently being reviewed. As a result of the comment period, the DWR is reviewing the previously scored applications and will release a final award list in mid-November. As a follow up to our request for technical support last April, Laura Peters of the Sacramento DWR office and Tim Ross of the Southern District office are following up with more interviews of the pumpers in the Valley. Directors Beth Hart, Lyle Brecht and I met with the two on October 16th.

COUNTY LEVEL

The Dept. of Planning and Land Use has changed their name to the Dept. of Planning and Development Services. I spoke with Jim Bennett and was informed that the proposed amendment to the County Groundwater Ordinance has moved past his review to another division in the group. I have made contact with the new person in charge to move this process forward. Hopefully, I will have an update at the Board meeting.

DISTRICT LEVEL

Problems with well ID4-11 first arose on September 19th. The well pump broke and pumped a large amount of sand. Efforts to resolve the issue are very complicated and have been ongoing since that date. District staff has solicited the services of an outside hydrogeologic engineering firm to assist in finding the solution to the problem. Since this failure happened during the annual turf overseeding process, water from other District wells have been taking up the slack. Some areas of the village have been experiencing air entrapped in their water supply. The water appears white at first draw, but when allowed to rest the air dissipates and the water clears up. The air does not affect the water quality but

can be annoying as it gets trapped in the water pipes of the homes. To offset, District maintenance staff is rerouting water from ID -1 to assist in the production shortage presently being experienced in ID-4.

Semiannual water level survey has been completed on the District's production wells and the DWR is expected in the near future for their round of monitoring.

On October 9th, Kim Pitman, Greg Holloway and I attended a Cal WARN meeting in San Diego. The District has been involved in the WARN program for ten years which is designed to provide assistance to other agencies in times of emergency. The program has now incorporated the EPA and has mechanisms for funding both before and after disasters. Staff will investigate what documents are required to pursue preventative programs for earthquake and flooding.

BORREGO WATER DISTRICT
ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2012 AND 2011

For the Years Ended June 30, 2012 and 2011

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October 18, 2012

To the Honorable President and Members of the Board of Directors and Customers of the Borrego Water District:

State law requires that all general-purpose local governments and special districts publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Annual Financial Report of the Borrego Water District (District) for fiscal year ended June 30, 2012 is hereby submitted as required. White Nelson Diehl Evans, a firm of licensed certified public accountants, has audited the District's financial statements.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

Management assumes full responsibility for the completeness and reliability of the information contained in this letter, the MD&A and the accompanying financial statements, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2012 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

PROFILE OF THE DISTRICT

The Borrego Water District is a small public water and wastewater district serving approximately 2,000 customers in beautiful Borrego Springs, California, a retirement and resort community located about 70 miles NE of San Diego and surrounded by the Anza-Borrego Desert State Park, the largest state park in California. The District was established in 1962 as a California water district to provide water, sewer, flood control and gnat abatement for areas in the unincorporated community of Borrego Springs located in San Diego County. Additionally, the District adopted a groundwater management plan under Assembly Bill 3030 in 2002 and obtained the authority of a groundwater replenishment district. This designation allows the District to do planning for groundwater management and provides the authority, among others, to (a) buy and sell water, (b) exchange water (c) distribute water in exchange for ceasing or reducing groundwater extraction (d) recharge the basin and (e) build necessary works to achieve groundwater

replenishment. The District is not a member of the San Diego County Water Authority (SDCWA), the regional member of the Metropolitan Water District of Southern California (MWD) that imports supplemental water into San Diego County.

Governance

The affairs of the District are governed by a five-member Board of Directors. This Board is elected at large by the registered voters residing within the District's boundaries with vacant positions that occur between elections appointed by the existing Board. The directors, who are elected or appointed, are residents and have the same concerns as their constituents. The board members, who serve four-year staggered terms, are responsible for establishing policy and ordinances, adopting the annual budget, and hiring the District's General Manager and other advisors to the Board, such as the District's General Counsel, financial and other advisors. The General Manager is responsible for carrying out the policies and ordinances of the District board, for overseeing the day-to-day operations of the District and for meeting or exceeding the financial objectives set forth in the annual budget approved by the Board.

Groundwater Supply, Usage & Availability

The District is the only appropriator of groundwater from the unmanaged Borrego Valley Groundwater Basin (the Basin), which has been in overdraft since around 1945. Present overdraft is estimated at approximately 16,000 acre-feet/year (AFY). The natural annual recharge is around 4,800 AFY. The District accounts for about 3,000 AFY or less than 15% of annual withdrawals. Unmetered recreational use by overlyers (3 golf courses) annually account for about 15% of the annual withdrawals and unmetered agricultural use by overlyers accounts for about 70% of annual withdrawals. Preliminary results from current United States Geological Survey (USGS) *Evaluation of Groundwater Conditions and Land Subsidence in the Borrego Valley, California* (2009-2012) study projects a complete dewatering of the upper aquifer of the Basin within approximately 50-years. Presently, there is uncertainty concerning the amount and potential cost of economically extractable potable water that will be available from the middle and lower aquifers once the upper aquifer of the Basin is dewatered.

During FY 2012, the Board continued to work with the USGS study team and United States Bureau of Reclamation (Reclamation) study team conducting the *Southeast California Regional Basin Study* (2011-2013) to ensure that the physical parameters of the Basin are fully defined and that options for managing the Basin and for importing water for storage, recharge, and supplemental supply are fully evaluated on a timely basis. The USGS *Evaluation of Groundwater Conditions* report should be completed by the fourth quarter of calendar year 2012. Reclamation's *Southeast Basin Study* report will include economic analyses of the cost for importing water from viable regional sources. The Reclamation report should be completed by the second quarter calendar year 2013 with a preliminary discussion of finding occurring in November 2012.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The local economy and the income of retirees living in the Borrego community has been affected by the general downturn in the economy of California and the nation. In addition, uncertainty over long-term water supply availability and San Diego County's slowness to update its Groundwater Mitigation Ordinance and proposed Agreement with the District to accept water credits as a means to bank the fallowing of active agricultural land has slowed new development in the Borrego Valley.

Previous Fiscal Years Spending by the District

The District continues to work itself out of the financial situation that was inherited from the past Board and general manager who between FY 2008 – FY 2011 spent more than \$6 million of the District's reserves. This spending resulted in the District losing its good credit rating. It could no longer borrow in the public bond market. It could no longer obtain temporary bank financing. It was even facing running out of cash by the 3rd quarter of calendar year 2011.

Long-Term Financial Planning

The District's present Board of Directors is aware of the need to restore the District's financial stability and return to creditworthiness. Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future revenue needs. The principles the District has adopted for returning to revenue sufficiency include: (a) the active management and projection of monthly cash flow during the year; (b) holding expenditures below the annual budget; (c) no increases in salaries and benefits for employees; (d) deference of large capital expenditures until the District is able to borrow again in the public bond markets; and (e) implementing a thirty percent (30%) revenue increase in FY 2012 that took effect July 1, 2011 and another twenty percent (20%) revenue increase for FY 2013 that will take effect after August 18th, 2012 and be reflected initially in the September 2012 water and sewer bills. Additionally, the District has another Proposition 218-approved thirty-five percent (35%) of potential revenue increases available to it, if necessary to re-establish its creditworthiness for borrowing, which may be instituted between FY 2014 – FY 2016. These revenue increases were approved under the public Proposition 218 process the District underwent in June 2011.

The primary driver for the long-term financial viability of the District, as well as the economy of the Borrego Valley is the necessity of addressing the overdraft of the Borrego Valley Groundwater Basin (see section on Groundwater Supply, Usage & Availability above). Although almost every community in the U.S. today has water problems, it is somewhat unusual for water supply problems of the scale facing the Borrego Valley to go on for so long without resolution. The good news is that similar problems have been successfully solved for a reasonable cost in many other communities in California. A portion of the \$800,000 planning grant application to the California Department of Water Resources (DWR) by the Anza Borrego Desert (ABD) Integrated Regional Water Management (IRWM) region is to develop the analytical foundation for a managed basin plan necessary to resolve the overdraft of the Borrego Valley Groundwater Basin. Representatives of the District and its IRWM consultants, RMC Water and Environment, met with DWR in August 2012 to protest the preliminary scoring by DWR of the ABD planning grant proposal that recommended that the ABD region not receive this grant request. DWR's final decision concerning the ABD planning grant request is expected by the 4th quarter of calendar year 2012.

RELEVANT FINANCIAL POLICIES

Reserve Policy

The District has established a Reserve Fund Policy to anticipate and prepare for future funding requirements as well as for unforeseen events. The Reserve Fund Policy establishes restricted and unrestricted reserves and describes the flow of funds to and from the various reserves.

Risk Management

The District is a member of the California Joint Powers Insurance Authority (JPIA).

Pension and Other Post-Employment Benefits

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employees defined benefit pension plan for its personnel. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Additional information about the District's pension arrangements and post-employment benefits can be found in the notes to the financial statements. In FY 2012, the Board changed the pension program from its present three percent (3%) per year of active service at retirement that was instituted by the prior Board in 2009 back to its original two percent (2%) per year of active service at retirement. This new pension policy goes into effect for new employees of the District only. Legally, it is not possible to change current employees to this new pension policy.

Investment Policy

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives, in priority order, of the District's investment activities are the following: 1) safety, 2) liquidity, and 3) yield. The District's funds are invested in a variety of investments, in accordance with California government code, as described in the notes to the financial statements. The District minimizes interest rate risk by investing a greater portion of its funds in short term investments and minimizes credit risk by investing a majority of its funds in diversified investment pools.

Internal Controls

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that; 1) the cost of control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Respectfully submitted,

Jerry Rolwing

General Manager

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Borrego Water District
Borrego, California

We have audited the accompanying basic financial statements of Borrego Water District as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Borrego Water District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Borrego Water District as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State regulations governing Special Districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

White Nelson Dick Evans LLP

October 18, 2012
Carlsbad, California

BORREGO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal years ended June 30, 2012 and 2011

Our discussion and analysis of the Borrego Water District (the District) basic financial statements provide general readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2012. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are located in the section following the MD&A. This discussion and analysis, as well as the basic financial statements that it accompanies have been prepared by management of the District and are its responsibility.

FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2012, the following events impacted, or have the potential to impact, the finances of the District:

- The District's Board of Directors approved a revenue adjustment of thirty percent (30%) for its water and sewer services for all customers of the District starting July 1, 2011. This increased rates previously in effect in FY 2011 for all customers. It should be noted that revenue adjustments are not necessarily the same as rate increases. Some customers had bill impacts higher than the overall revenue adjustment while other customers had lower bill impacts.
- On July 8, 2011, the District approved a second Amendment to the Bargain Sale and Donation Agreement (the "Agreement") with Lundavid LLC, a Connecticut limited liability company (the "Seller"). The original Agreement was entered into October 22, 2010 to purchase 125 acres and 312.5 water credits associated with the property located at the north end of DiGeorgio road, Borrego Springs, California for \$1,500,000. The terms of the purchase called for a down payment of \$75,000 and issuance of a note for a principal amount of \$1,425,000. The terms of the note called for interest to be paid quarterly at the rate of four percent (4%) per annum. A principal payment of \$150,000 is due on the fifth anniversary and the remaining principal balance is to be repaid over 25 years. In conjunction with the Agreement the seller pledged to donate 86 acres to the District upon the earlier of the following (i) the three-year anniversary of the conveyance of the Water Credits and conveyance of Parcel 2 or (ii) the final approval by the County of San Diego of the seller's compliance with the water mitigation requirements. The Amendment modified the original Agreement in two material ways: (a) instead of quarterly interest only payments for the first four years of the Agreement, the interest shall accrue without an obligation of repayment prior to the fourth anniversary of the Agreement and (b) the Seller agreed to purchase water credits from the District for San Diego County water mitigation requirements applicable to the Seller's Yaqui Pass Development or any other development within the District's boundaries at no less than \$5,500 per credit.
- On August 18, 2011, The District entered into an agreement for development of a planning grant application proposal to the California Department of Water Resources (DWR) Integrated Regional Water Resources (IRWM) planning grants program with RMC Water & Environment, a California corporation located in San Diego. The total cost for this consulting work was \$53,462. A planning grant proposal for \$841,779 was submitted to DWR in March 2012.
- On November 1, 2011 the District entered into a lease agreement to maintain a golf course located at Club Circle, Borrego Springs, California. This lease terminated a prior 20-year lease and easement entered into November 23, 2010. The term of the new lease commenced on November 1, 2011 and will terminate June 30, 2015. The District has the option to extend the lease for an additional period of five (5) years from the original expiration date of the lease. The District will pay \$1 rent per year the lease is in effect.

BORREGO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

- On November 1, 2011 the District also entered into a maintenance agreement with Green Desert Landscape to maintain and operate a golf course located at Club Circle, Borrego Springs, California. The term of the maintenance agreement commenced on November 1, 2011 and will terminate June 30, 2015. The agreement may be renewed by mutual agreement of the parties for an additional period of five (5) years from the original expiration date of the agreement. The agreement calls for Green Desert Landscape to maintain and operate the golf course at Club Circle. The District pays a management fee to Green Desert Landscape of \$5,400 per month. Green Desert Landscape is entitled to all revenues produced by the operations of the golf course under the terms of the lease.
- In March 2012, the Operations & Management Committee of the Board completed a review of the potential cost savings from an Automated Meter Reading System (AMR). The conclusion of the review is that AMR is not a cost saving option for the District at this time.
- The loss from operating activities for the year ended June 30, 2012 was \$218,645 compared with a loss from operation activities of \$1,262,672 for FY 2011.
- Cash and cash equivalents were lower at the end of fiscal year ended June 30, 2012 by \$8,296 compared with \$1,695,187 less cash and cash equivalents at the end of FY 2011 than at the beginning of FY 2011.
- The change in net assets decreased at the end of fiscal year ended June 30, 2012 by \$258,207 compared to a decrease in net assets of \$2,813,340 at the end of FY 2011.

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

BORREGO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements accompanying the Management's Discussion and Analysis present the financial position, the results of operations, and cash flow using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities.

Statement of Net Assets

The Statement of Net Assets presents the District's financial position (assets and liabilities) as of June 30, 2012. Assets in excess of liabilities (Net Assets) were \$12,860,887 and \$13,119,094 as of June 30, 2012 and 2011, respectively. In accordance with generally accepted accounting principles (GAAP), capital assets are recorded at historical cost. Net assets are accumulated from revenues in excess of expenses, and contributed capital combined with the beginning balance of net assets as presented in the Statement of Revenues, Expenses and Changes in Net Assets.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the District's results of operations for the year ended June 30, 2012 and 2011. In accordance with GAAP, revenues are recognized (recorded) when water or services are provided, and expenses are recognized when incurred. Operating revenues and expenses are related to the District's core activities (providing water, sewer, pest control and flood control services). Nonoperating revenues and expenses are not directly related to the core activities, e.g. investment income, interest expense, etc. The operating loss for the year ended June 30, 2012 (\$218,645) is combined with net non operating revenues and expenses of (\$57,562) and capital contributions of \$18,000 to arrive at the change of net assets of (\$258,207). The decrease in net assets is subtracted from beginning net assets of \$13,119,094 to arrive at the ending net assets of \$12,860,887 as of June 30, 2012.

One of the most important questions asked about the District's finances is, "How has the District's position changed as the result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets present information about the District's activities that help answer this question. These two statements report the net assets of the District and the changes to them. The District's net assets, the difference between assets and liabilities, may be thought of as one way to measure its financial health or financial position. Over time, increases or decreases in net assets can be an indicator as to whether the financial health is improving or deteriorating. However, it is incumbent upon the observer to consider other non-financial factors such as the regulatory climate, economic conditions, population growth, zoning changes, environmental changes, etc.

BORREGO WATER DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Analysis of Net Assets

Our analysis will start with a summary of the District's Net Assets as presented in the following table:

Borrego Water District's Net Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011/2012</u> <u>Change</u>	
				\$	%
Cash and investments	\$ 1,017,355	\$ 1,025,651	\$ 2,720,838	\$ (8,296)	-0.81%
Capital assets	14,827,998	15,166,652	16,705,978	(338,654)	-2.23%
Other assets	<u>824,251</u>	<u>802,130</u>	<u>780,781</u>	<u>22,121</u>	<u>2.76%</u>
Total assets	<u>16,669,604</u>	<u>16,994,433</u>	<u>20,207,597</u>	<u>(324,829)</u>	<u>-1.91%</u>
Current liabilities	318,531	317,709	325,594	822	0.26%
Noncurrent liabilities	<u>3,490,186</u>	<u>3,557,630</u>	<u>3,949,569</u>	<u>(67,444)</u>	<u>-1.90%</u>
Total liabilities	<u>3,808,717</u>	<u>3,875,339</u>	<u>4,275,163</u>	<u>(66,622)</u>	<u>-1.72%</u>
Net assets					
Invested in capital assets net of related debt	11,442,616	11,864,985	13,563,426	(422,369)	-3.56%
Restricted	-	-	187,887	-	0.00%
Unrestricted	<u>1,418,271</u>	<u>1,254,109</u>	<u>2,181,121</u>	<u>164,162</u>	<u>13.09%</u>
Total net assets	<u>\$ 12,860,887</u>	<u>\$ 13,119,094</u>	<u>\$ 15,932,434</u>	<u>\$ (258,207)</u>	<u>-1.97%</u>

See accompanying independent auditors' report.

BORREGO WATER DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Analysis of Revenues and Expenses

Borrego Water District's Revenues, Expenses and Changes in Net Assets

	2012	2011	2010	2011/2012 Change	
				\$	%
OPERATING REVENUES:					
Water revenue	\$ 2,136,794	\$ 2,017,147	\$ 2,076,154	\$ 119,647	5.93%
Sewer service charges	457,568	408,889	400,897	48,679	11.91%
Availability charges	340,828	275,946	285,316	64,882	23.51%
Golf revenue	77,855	70,802	-	7,053	9.96%
Other income	22,981	20,551	160,629	2,430	11.82%
Total operating revenues	<u>3,036,026</u>	<u>2,793,335</u>	<u>2,922,996</u>	<u>242,691</u>	<u>8.69%</u>
NONOPERATING REVENUES:					
Property taxes	88,792	123,071	78,306	(34,279)	-27.85%
Investment income	255	2,503	6,186	(2,248)	-89.81%
Gain on sale of asset	-	-	1,500	-	0.00%
Grant income	31,881	234,869	-	(202,988)	-86.43%
Total nonoperating revenues	<u>120,928</u>	<u>360,443</u>	<u>85,992</u>	<u>(239,515)</u>	<u>-66.45%</u>
CAPITAL CONTRIBUTIONS	<u>18,000</u>	<u>-</u>	<u>43,302</u>	<u>18,000</u>	<u>100.00%</u>
TOTAL REVENUES:	<u>3,174,954</u>	<u>3,153,778</u>	<u>3,052,290</u>	<u>21,176</u>	<u>0.67%</u>
OPERATING EXPENSES:					
Water operations	1,031,970	1,104,916	1,327,177	(72,946)	-6.60%
Sewer operations	283,719	212,471	197,941	71,248	33.53%
Golf operations	95,229	111,737	-	(16,508)	-14.77%
Depreciation expense	584,166	637,474	605,092	(53,308)	-8.36%
General and administrative	1,259,587	1,989,409	1,585,275	(729,822)	-36.69%
Total operating expenses	<u>3,254,671</u>	<u>4,056,007</u>	<u>3,715,485</u>	<u>(801,336)</u>	<u>-19.76%</u>
NONOPERATING EXPENSES:					
Loss on disposal of assets	4,146	1,744,420	-	(1,740,274)	-99.76%
Interest expense	167,856	160,203	159,739	7,653	4.78%
Amortization expense	6,488	6,488	6,488	-	0.00%
Total nonoperating expenses	<u>178,490</u>	<u>1,911,111</u>	<u>166,227</u>	<u>(1,732,621)</u>	<u>-90.66%</u>
TOTAL EXPENSES:	<u>3,433,161</u>	<u>5,967,118</u>	<u>3,881,712</u>	<u>(2,533,957)</u>	<u>-42.47%</u>
Change in net assets	(258,207)	(2,813,340)	(829,422)	2,555,133	-90.82%
TOTAL NET ASSETS BEGINNING	<u>13,119,094</u>	<u>15,932,434</u>	<u>16,761,856</u>	<u>(2,813,340)</u>	<u>-17.66%</u>
TOTAL NET ASSETS ENDING	<u>\$ 12,860,887</u>	<u>\$ 13,119,094</u>	<u>\$ 15,932,434</u>	<u>\$ (258,207)</u>	<u>-1.97%</u>

See accompanying independent auditors' report.

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BORREGO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

A discussion of the significant variances of the Borrego Water District's Revenues and Expenses are presented below.

- Total operating revenue increased due to the increase in water rates for FY 2012 netted with a decrease in other income due to change in an agreement for maintaining the Club Circle Golf Course.
- Total nonoperating income decreased due to a decrease in grant income.
- The County of San Diego quitclaimed a piece of property to the District located at the lift station to increase capital contributions of \$18,000.
- Sewer operations expense increased due to various items including \$10,000 for cutting blades and \$9,100 to repair a splitter box at the waste water treatment plant.
- General and Administrative expense decreased primarily from cost-cutting measures – Decrease in salaries, contract labor, groundwater study, administrative services, insurance, employee benefits, office expenses, legal expenses and conference/travel expenses.

BUDGET HIGHLIGHTS

Fiscal Year 2012 Actual vs. Fiscal Year 2012 Budget

	2012 <u>Actual</u>	2012 <u>Budget</u>	<u>Variance</u>	
			\$	%
Revenues:				
From operations	\$ 3,036,026	\$ 2,435,548	\$ 600,478	24.65%
Nonoperating	<u>120,928</u>	<u>82,673</u>	<u>38,255</u>	<u>46.27%</u>
Total revenue	<u>3,156,954</u>	<u>2,518,221</u>	<u>638,733</u>	<u>25.36%</u>
Expenses				
Water operations	1,031,970	835,012	196,958	23.59%
Sewer operations	283,719	208,752	74,967	35.91%
Depreciation expense	584,166	-	584,166	100.00%
General and administrative and golf operations	1,354,816	1,274,582	80,234	6.29%
Loss on disposal of assets	4,146	-	4,146	100.00%
Other nonoperating expenses	<u>174,344</u>	<u>199,875</u>	<u>(25,531)</u>	<u>-12.77%</u>
Total expenses	<u>3,433,161</u>	<u>2,518,221</u>	<u>914,940</u>	<u>36.33%</u>
Capital contributions	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>100.00%</u>
Change in net assets	<u>\$ (258,207)</u>	<u>\$ -</u>	<u>\$ (258,207)</u>	<u>100.00%</u>

- Borrego Water District does not budget for depreciation, but prefers to budget for actual capital assets using the internally generated 10 year Capital Improvement Budget.

BORREGO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of the fiscal year the District had a net investment in various categories of Capital Assets as shown in the following table.

	Borrego Water District's Capital Assets				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	2011/2012 Change	
				\$	%
Land and land improvements	\$ 949,829	\$ 949,829	\$ 967,829	\$ 18,000	1.90%
Flood control facilities	4,319,604	4,319,604	4,319,604	-	0.00%
Sewer facilities	5,836,290	5,776,212	5,780,431	4,219	0.07%
Water facilities	9,517,058	9,672,863	9,899,186	226,323	2.34%
Pipelines, wells and tanks	1,273,895	1,273,895	1,273,895	-	0.00%
General facilities	1,009,060	1,009,060	1,009,060	-	0.00%
Telemetry	67,530	67,530	29,081	(38,449)	-56.94%
Equipment and furniture	341,989	341,989	294,673	(47,316)	-13.84%
Vehicles	480,074	480,074	480,074	-	0.00%
Construction in progress	1,330,937	235,263	181,778	(53,485)	-22.73%
Fallowed water credits	798,214	792,714	802,714	10,000	1.26%
Water rights-ID #4	185,000	185,000	185,000	-	0.00%
Total assets	26,109,480	25,104,033	25,223,325	119,292	0.48%
Less accumulated depreciation	(9,403,502)	(9,937,381)	(10,395,327)	457,946	4.61%
Net capital assets	\$ 16,705,978	\$ 15,166,652	\$ 14,827,998	\$ (338,654)	-2.23%

- Increase in water facilities is due to the Well 12 agreement water rate increase escalator of \$118,387, pipeline replacements and well motor repairs.
- Decrease in Telemetry and Equipment /Furniture is due to assets no longer in service.
- Decrease in Construction in progress is due to pipeline project completion.

DEBT ADMINISTRATION

On October 1, 2008, the District issued \$2,775,000 of 2008 Bonds while concurrently redeeming all of its outstanding 1997 & 1998 Certificates of Participation.

The bonds are payable in annual principal installments of \$25,000 to \$245,000 on October 1 of each year beginning 2013 through 2028. Interest is payable semi-annually on April 1 and October 1 at an interest rate of 6.000% per annum. The bonds are payable solely from installment payments to be made by the District to the Borrego Water District Public Facilities Corporation. The installment payments are a special obligation of the District payable solely from revenues of Improvement District No. 4 and certain funds and accounts created by agreement.

See accompanying independent auditors' report.

BORREGO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The annual requirements to amortize the Installment Purchase Agreement are as follows:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 124,875	\$ 124,875
2014	25,000	124,313	149,313
2015	135,000	120,713	255,713
2016	140,000	114,525	254,525
2017	145,000	108,113	253,113
2018-2022	830,000	434,250	1,264,250
2023-2027	1,025,000	226,013	1,251,013
2028-2030	475,000	21,713	496,713
Totals	<u>\$ 2,775,000</u>	<u>\$ 1,274,515</u>	<u>\$ 4,049,515</u>

During the year ended 2012, the Montesoro note payable increased from \$689,234 to \$762,946 due to a clause in the note which states that in the event the District increases water rates the annual payments increase by the same percentage.

ECONOMIC FACTORS AND FUTURE YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2012/2013 budget, user fees and charges. The District attempts to balance revenues with operating expenses that have increased due to inflationary factors, such as cost of living, cost of water, and insurance coverage.

These indicators were taken into consideration when adopting the District's budget for the fiscal year 2012/2013. The budget has been structured to contain costs, but at the same time, continue the District's philosophy of providing the highest levels of service and continue efforts towards securing a sustainable water supply for the community.

BORREGO WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fiscal Year 2012 Actual vs. Fiscal Year 2013 Budget

	2012	2013	2012/2013	
	<u>Actual</u>	<u>Budget</u>	<u>\$</u>	<u>%</u>
Revenues:				
Operating Revenue	\$ 3,036,026	\$ 3,365,033	\$ 329,007	10.84%
Nonoperating	<u>120,928</u>	<u>68,174</u>	<u>(52,754)</u>	<u>-43.62%</u>
Total revenue	<u>3,156,954</u>	<u>3,433,207</u>	<u>276,253</u>	<u>8.75%</u>
Expenses				
Operating expenses excluding depreciation	2,670,505	2,552,932	(117,573)	-4.40%
Depreciation	584,166	-	(584,166)	-100.00%
Loss on disposal of assets	4,146	-	(4,146)	-100.00%
Other nonoperating expenses	<u>174,344</u>	<u>231,560</u>	<u>57,216</u>	<u>32.82%</u>
Total expenses	<u>3,433,161</u>	<u>2,784,492</u>	<u>(648,669)</u>	<u>-18.89%</u>
Capital contributions	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>	<u>-100.00%</u>
Change in net assets	<u>(258,207)</u>	<u>648,715</u>	<u>906,922</u>	<u>351.24%</u>

- Borrego Water District does not budget for depreciation, but prefers to budget for actual capital assets using the internally generated 10 year Capital Improvement Budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to give ratepayers, customers, investors, and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact Jerry Rolwing, General Manager or Kim Pitman, Fiscal Officer at the Borrego Water District.

BORREGO WATER DISTRICT**Statements of Net Assets
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets:		
Cash and cash equivalents (Notes 1 and 2)	\$ 871,863	\$ 751,785
Restricted cash and cash equivalents (Notes 1 and 2):		
Customer deposits	27,571	27,571
Accounts receivable, net of allowance (Note 1):		
Water and sewer charges	413,073	335,692
Property taxes	3,478	2,870
Availability charges	78,070	55,556
Grant receivable	-	99,869
Other	17,211	23,604
Inventory (Note 1)	132,739	124,942
Prepaid expenses	41,218	47,679
	<u>1,585,223</u>	<u>1,469,568</u>
Total Current Assets		
Noncurrent Assets:		
Water and sewer charges receivable	33,032	-
Deferred debt issuance costs, net of amortization	105,430	111,918
	<u>138,462</u>	<u>111,918</u>
Fiduciary fund:		
Restricted cash and cash equivalents (Notes 1, 2 and 5)	117,921	246,295
	<u>117,921</u>	<u>246,295</u>
Capital assets not being depreciated (Notes 1 and 3):		
Land	967,829	949,829
Construction in progress	181,778	235,263
Fallowed water credits	802,714	792,714
Water rights - ID4	185,000	185,000
Depreciable capital assets, net of accumulated depreciation (Notes 1 and 3)	12,690,677	13,003,846
	<u>14,827,998</u>	<u>15,166,652</u>
Total capital assets, net of accumulated depreciation		
Total Noncurrent Assets	<u>15,084,381</u>	<u>15,524,865</u>
Total Assets	<u>16,669,604</u>	<u>16,994,433</u>

(continued)

BORREGO WATER DISTRICT

(continued)

**Statements of Net Assets
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Liabilities		
Current Liabilities:		
Unrestricted:		
Accounts payable	\$ 76,320	\$ 102,220
Compensated absences (Notes 1 and 4)	83,226	86,699
Accrued interest payable	64,195	56,543
Current portion of note payable (Note 4)	67,219	44,676
Restricted:		
Customer deposits	<u>27,571</u>	<u>27,571</u>
Total Current Liabilities	<u>318,531</u>	<u>317,709</u>
Noncurrent Liabilities:		
Compensated absences (Notes 1 and 4)	54,102	54,344
Fiduciary fund:		
Amount payable to community facilities dist 2007-1 bondholders (Note 5)	117,921	246,295
Installment purchase agreement (Note 4)	2,622,437	2,612,433
Note payable (Note 4)	<u>695,726</u>	<u>644,558</u>
Total Noncurrent Liabilities	<u>3,490,186</u>	<u>3,557,630</u>
Total Liabilities	<u>3,808,717</u>	<u>3,875,339</u>
Net Assets		
Invested in capital assets, net of related debt	11,442,616	11,864,985
Unrestricted (Note 6)	<u>1,418,271</u>	<u>1,254,109</u>
Total Net Assets	<u>\$ 12,860,887</u>	<u>\$ 13,119,094</u>

BORREGO WATER DISTRICT**Statements of Revenues, Expenses & Changes in Net Assets
For the Years Ended June 30, 2012 and 2011**

	2012	2011
Operating Revenues		
Water revenue	\$ 2,136,794	\$ 2,017,147
Sewer service charges	457,568	408,889
Availability charges	340,828	275,946
Golf revenue	77,855	70,802
Other income	22,981	20,551
Total Operating Revenues	<u>3,036,026</u>	<u>2,793,335</u>
Operating Expenses		
Water operations	1,031,970	1,104,916
Sewer operations	283,719	212,471
Golf operations	95,229	111,737
Depreciation expense	584,166	637,474
General and administrative	1,259,587	1,989,409
Total Operating Expenses	<u>3,254,671</u>	<u>4,056,007</u>
Operating Income (Loss)	<u>(218,645)</u>	<u>(1,262,672)</u>
Nonoperating Revenues (Expenses)		
Property taxes	88,792	123,071
Investment income	255	2,503
Grant income	31,881	234,869
Loss on disposal of assets	(4,146)	(1,744,420)
Interest expense	(167,856)	(160,203)
Amortization expense	(6,488)	(6,488)
Total Nonoperating Revenues (Expenses)	<u>(57,562)</u>	<u>(1,550,668)</u>
Income before capital contributions	<u>(276,207)</u>	<u>(2,813,340)</u>
Capital contributions	<u>18,000</u>	<u>-</u>
Change in Net Assets	<u>(258,207)</u>	<u>(2,813,340)</u>
Net Assets, Beginning	<u>13,119,094</u>	<u>15,932,434</u>
Net Assets, Ending	<u>\$ 12,860,887</u>	<u>\$ 13,119,094</u>

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

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BORREGO WATER DISTRICT**Statements of Cash Flows
For The Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Receipts from water and sewer customers	\$ 2,483,949	\$ 2,398,911
Receipts from availability charges	136,624	101,432
Receipts from golf course	77,855	70,802
Payments to suppliers	(308,452)	(406,248)
Payments to employees	(1,298,886)	(1,444,335)
Payments for general and administration	(793,595)	(1,183,317)
Payments for golf course	(95,229)	(111,737)
Other receipts	5,770	20,551
Net Cash Provided (Used) by Operating Activities	<u>208,036</u>	<u>(553,941)</u>
Cash flows from Noncapital Financing Activities		
Taxes received	88,184	122,203
Proceeds from Grant	131,750	135,000
Deposits paid	-	(8,815)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>219,934</u>	<u>248,388</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(239,983)	(848,067)
Proceeds on sale of asset	8,325	5,500
Proceeds from debt issuance	118,387	194,251
Principal paid on long-term debt	(44,676)	(45,140)
Interest payments on long-term debt	(150,200)	(149,735)
Community facilities dist 2007-1 receipts and payments, net	(128,374)	(548,946)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(436,521)</u>	<u>(1,392,137)</u>
Cash Flows from Investing Activities		
Interest received	255	2,503
Net Cash Provided (Used) by Investing Activities	<u>255</u>	<u>2,503</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,296)	(1,695,187)
Cash and Cash Equivalents, Beginning of the Year	1,025,651	2,720,838
Cash and Cash Equivalents, End of the Year	<u>\$ 1,017,355</u>	<u>\$ 1,025,651</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:		
Operating income (Loss)	\$ (218,645)	\$ (1,262,672)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	584,166	637,474
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable, water and sewer charges	(110,413)	(27,125)
(Increase) Decrease in other receivable	6,393	-
(Increase) Decrease in availability charges receivable	(22,514)	102,720
(Increase) Decrease in inventories	(7,797)	5,807
(Increase) Decrease in prepaid expenses	6,461	(8,502)
Increase (Decrease) in accounts payable	(25,900)	(6,557)
Increase (Decrease) in compensated absences	(3,715)	4,914
Net Cash Provided (Used) by Operating Activities	<u>\$ 208,036</u>	<u>\$ (553,941)</u>
Noncash Capital, Investing and Financing Activities:		
Amortization related to long term debt	\$ 16,492	\$ 16,492
Contributed capital for water and sewer system	18,000	-

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

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JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

The reporting entity "Borrego Water District" (District) includes the accounts of the general District, the related improvement districts within the service area of the general District, and the Borrego Water District Public Facilities Corporation (Corporation).

The Borrego Water District was formed in 1962, under provisions of the California Water District Act Division 13 of the California Water Code. The District was inactive until December 31, 1979 when the San Diego County Local Agency Formation Commission reactivated the District to provide construction funding, and to operate and maintain water, sewer, and flood control facilities of the District.

The Borrego Water District Public Facilities Corporation (Corporation) is a California public benefit non-profit corporation formed May 31, 1996. The Corporation was formed for the purpose of facilitating the purchase of the Borrego Springs Water Company by the District.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The District is the primary government unit. Component units are those entities that are financially accountable to the primary governmental unit, either because the District appoints a voting majority of the component unit's Board, or because the component unit will provide financial benefit or impose a financial burden on the District. The District has accounted for the Corporation as a "blended" component unit. Despite being legally separate, this unit is so intertwined with the District that it is in substance, part of the District's operations. Accordingly, the balances and transactions of the Corporation are included in the District's financial statements.

The District is governed by an elected board of directors. At June 30, 2012, the board consisted of:

Beth Hart -- President	Lyle Brecht- Vice President
Marshal Brecht - Secretary/Treasurer	Ray Delahay - Director
Lee Estep - Director	

b. Measurement Focus and Basis of Accounting and Financial Statement Presentation:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**b. Measurement Focus and Basis of Accounting and Financial Statement Presentation (continued):**

Net assets of the District are classified into three components: (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District had no restricted net assets as of June 30, 2012 and 2011.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

The District distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District consist of charges for services and the cost for providing for these services, including depreciation and excluding interest costs. All other revenues and expenses are reported as nonoperating.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c. Capital Assets and Depreciation:

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

Flood control facilities	100 years
Sewer facilities	5 - 75 years
Water facilities	7 - 40 years
Pipelines, wells and tanks	5 - 50 years
Equipment and general facilities	5 - 20 years

d. Water and Sewer Service Fees:

The District assesses water revenue and sewer service charges on all of its customers billed and collected by the District. These fees are assessed in order to provide operating revenue to cover the District's current operating expenses.

e. Claims and Judgments:

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program. Liabilities include an amount for claims that have been incurred but not reported (IBNR). At June 30, 2012, in the opinion of District counsel and management, the District had no IBNR claims which would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenses when paid.

f. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. The District considers investment pool deposits held in the California Local Agency Fund (Note 2) and deposits held in money market funds at US Bank and Wells Fargo to be highly liquid.

g. Investments:

Investments are stated at fair value (quoted market price or best estimate thereof, see Note 2). There was no significant difference between the fair value of investments and the basis at June 30, 2012 or June 30, 2011.

h. Maintenance Costs:

All expenditures for maintenance and repair of property, including renewals of minor items, are charged to the appropriate maintenance expense accounts. A betterment or replacement of a unit of property is accounted for as an addition and retirement of property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

i. Property Taxes and Availability Charges:

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent of county-wide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. In addition, the District assesses property taxes for payments of bond principal and interest and assesses availability charges for operating revenue through the property tax rolls. Property tax revenue and availability charges are recognized in the fiscal year in which they have been levied.

The property tax calendar is as follows:

Lien Date:	January 1st
Levy Date:	July 1st
Due Date:	First Installment - November 1st Second Installment - February 1st
Delinquent Date:	First Installment - December 10th Second Installment - April 10th

j. Budgets and Budgetary Accounting:

An annual budget is adopted for the District. Monthly comparisons between actual and budgeted amounts are made by management. The budget is prepared on a cash basis and the financial statements are presented on the accrual basis of accounting. A comparison of the two has not been presented.

k. Restricted Assets:

Amounts shown as restricted assets have been restricted by either bond indentures, law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and expansion of the sewer system.

l. Allowance for Doubtful Accounts:

An allowance for doubtful accounts is provided based on anticipated collectability of the outstanding utility receivables and other receivables at year-end. At fiscal year ended June 30, 2012 and June 30, 2011 management has estimated an allowance for doubtful accounts for availability charges at \$458,910 and \$277,233, respectively. Management estimates all other receivables at June 30, 2012 to be collectible, as any receivables deemed uncollectible have been written off.

m. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts, and certain liabilities, among other accounts. Actual results could differ from those estimates.

n. Inventory:

Inventory is valued at average cost. It consists of meters, pipes and other parts required to provide water and sewer service to customers. Inventory uses the consumption method whereby it is reported as an asset and expensed when consumed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

o. Compensated Absences:

A liability is recorded for unused vacation and sick leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time-off or payment upon termination or retirement.

p. Reclassifications:

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS:

Cash, cash equivalents and investments are classified in the accompanying financial statements at June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Statement of Net Assets:		
Cash and cash equivalents	\$ 871,863	\$ 751,785
Restricted cash and cash equivalents:		
Customer deposits	<u>27,571</u>	<u>27,571</u>
Cash and cash equivalents before fiduciary funds	899,434	779,356
Fiduciary funds:		
Cash and cash equivalents	<u>117,921</u>	<u>246,295</u>
Total cash, cash equivalents and investments	<u>\$ 1,017,355</u>	<u>\$ 1,025,651</u>

Cash, cash equivalents and investments as of June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 182	\$ 49
Deposits with financial institutions	996,359	1,004,865
Investments	<u>20,814</u>	<u>20,737</u>
Total cash, cash equivalents and investments	<u>\$ 1,017,355</u>	<u>\$ 1,025,651</u>

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued):

Investments Authorized by the California Government Code and the Entity's Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	98%	\$ 50,000,000
Certificates of Deposit and Savings Accounts	N/A	95%	None
U.S. Government Bills, Notes, Bonds, and Money Market Mutual Funds which invest entirely in U.S. Government Bills, Notes, and Bonds	5 years	20%	None

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average duration of its portfolio. Duration measures the investments exposure to fair value arising from changing interest rates.

As of June 30, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Duration (in years)</u>
Local Agency Investment Fund	\$ 20,814	-

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued):

As of June 30, 2011, the District had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Duration (in years)</u>
Local Agency Investment Fund	\$ 20,737	-

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the Standard and Poor's credit ratings for the District's investments.

The District's investment policy, or debt agreements and the actual rating as of the year ended June 30, 2012 for each investment type are as follows:

<u>Investment</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Unrated</u>
Local Agency Investment Fund	\$ 20,814	N/A	\$ -	\$ 20,814

The District's investment policy, or debt agreements and the actual rating as of the year ended June 30, 2011 for each investment type are as follows:

<u>Investment</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Unrated</u>
Local Agency Investment Fund	\$ 20,737	N/A	\$ -	\$ 20,737

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued):Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2012, the District's deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$250,000 per institution and the remaining balance of the deposits of \$679,029 were collateralized under California Law. The difference between the bank balances and deposits represent deposits in transit and outstanding checks.

California Local Agency Investment Fund (LAIF):

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

3. CAPITAL ASSETS:

A summary of changes in Capital Assets in service is as follows for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	\$ 949,829	\$ 18,000	\$ -	\$ 967,829
Construction in progress	235,263	25,114	(78,599)	181,778
Fallowed water credits	792,714	10,000	-	802,714
Water rights - ID 4	185,000	-	-	185,000
Total capital assets not depreciated	<u>2,162,806</u>	<u>53,114</u>	<u>(78,599)</u>	<u>2,137,321</u>
Capital assets, being depreciated:				
Flood control facilities	4,319,604	-	-	4,319,604
Sewer facilities	5,776,212	13,685	(9,466)	5,780,431
Water facilities	9,672,863	240,702	(14,379)	9,899,186
Pipelines, wells and tanks	1,273,895	-	-	1,273,895
General facilities	1,009,060	-	-	1,009,060
Telemetry system	67,530	29,081	(67,530)	29,081
Equipment and furniture	341,989	-	(47,316)	294,673
Vehicles	480,074	-	-	480,074
Total capital assets, being depreciated	<u>22,941,227</u>	<u>283,468</u>	<u>(138,691)</u>	<u>23,086,004</u>
Less accumulated depreciation	<u>(9,937,381)</u>	<u>(584,166)</u>	<u>126,220</u>	<u>(10,395,327)</u>
Total capital assets being depreciated, net	<u>13,003,846</u>	<u>(300,698)</u>	<u>(12,471)</u>	<u>12,690,677</u>
Total capital assets, net	<u>\$15,166,652</u>	<u>\$ (247,584)</u>	<u>\$ (91,070)</u>	<u>\$14,827,998</u>

Depreciation expense for the year ended June 30, 2012 was \$584,166.

3. CAPITAL ASSETS (Continued):

A summary of changes in Capital Assets in service is as follows for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not depreciated:				
Land	\$ 949,829	\$ -	\$ -	\$ 949,829
Construction in progress	1,330,937	650,039	(1,745,713)	235,263
Fallowed water credits	798,214		(5,500)	792,714
Water rights - ID 4	185,000	-	-	185,000
Total capital assets not depreciated	<u>3,263,980</u>	<u>650,039</u>	<u>(1,751,213)</u>	<u>2,162,806</u>
Capital assets, being depreciated:				
Flood control facilities	4,319,604	-	-	4,319,604
Sewer facilities	5,836,290	681,177	(741,255)	5,776,212
Water facilities	9,517,058	216,568	(60,763)	9,672,863
Pipelines, wells and tanks	1,273,895	-	-	1,273,895
General facilities	1,009,060	-	-	1,009,060
Telemetry system	67,530	-	-	67,530
Equipment and furniture	341,989	-	-	341,989
Vehicles	480,074	-	-	480,074
Total capital assets, being depreciated	<u>22,845,500</u>	<u>897,745</u>	<u>(802,018)</u>	<u>22,941,227</u>
Less accumulated depreciation	<u>(9,403,502)</u>	<u>(637,474)</u>	<u>103,595</u>	<u>(9,937,381)</u>
Total capital assets being depreciated, net	<u>13,441,998</u>	<u>260,271</u>	<u>(698,423)</u>	<u>13,003,846</u>
Total capital assets, net	<u>\$16,705,978</u>	<u>\$ 910,310</u>	<u>\$(2,449,636)</u>	<u>\$15,166,652</u>

Depreciation expense for the year ended June 30, 2011 was \$637,474.

4. LONG-TERM DEBT:

A summary of changes in long-term debt for the year ending June 30, 2012 consist of following:

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Due Within One Year
2008 Installment Purchase Agreement	\$ 2,775,000	\$ -	\$ -	\$ 2,775,000	\$ -
Less deferred amounts: On refunding	(162,567)	-	10,004	(152,563)	-
Total Installment Purchase Agreement	2,612,433	-	10,004	2,622,437	-
Montesoro Note Payable	689,234	118,387	(44,676)	762,945	67,219
Compensated Absences	141,043	76,810	(80,525)	137,328	83,226
Total Long-Term Debt	<u>\$ 3,442,710</u>	<u>\$ 195,197</u>	<u>\$ (115,197)</u>	<u>\$ 3,522,710</u>	<u>\$ 150,445</u>

A summary of changes in long-term debt for the year ending June 30, 2011 consist of following:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011	Due Within One Year
2008 Installment Purchase Agreement	\$ 2,775,000	\$ -	\$ -	\$ 2,775,000	\$ -
Less deferred amounts: On refunding	(172,571)	-	10,004	(162,567)	-
Total Installment Purchase Agreement	2,602,429	-	10,004	2,612,433	-
Montesoro Note Payable	540,123	194,251	(45,140)	689,234	44,676
Compensated Absences	136,129	76,810	(71,896)	141,043	86,699
Total Long-Term Debt	<u>\$ 3,278,681</u>	<u>\$ 271,061</u>	<u>\$ (107,032)</u>	<u>\$ 3,442,710</u>	<u>\$ 131,375</u>

4. LONG-TERM DEBT (Continued):

a. 2008 Installment Purchase Agreement:

On October 1, 2008, the District issued \$2,775,000 of 2008 Bonds while concurrently redeeming all of its outstanding 1997 Certificates of Participation and 1998 Certificates of Participation. The transaction was a current refunding intended to save the District future interest costs due to lower market interest rates. No new funds were raised by the District. New Installment Purchase Agreements were executed, which will save the District approximately \$36,000 per year on debt service. The District reduced its aggregate debt service payments by \$312,755 over the next twenty (20) years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$259,110.

The bonds are payable in annual principal installments of \$25,000 to \$245,000 on October 1 of each year beginning 2013 through 2028. Interest is payable semi-annually on April 1 and October 1 at an interest rate of 6.000% per annum. The installment payments are a special obligation of the District payable solely from revenues of Improvement District No. 4.

The future debt service for the Installment Purchase Agreement are as follows:

For the Year Ending June 30	Principal	Interest	Total
2013	\$ -	\$ 124,875	\$ 124,875
2014	25,000	124,313	149,313
2015	135,000	120,713	255,713
2016	140,000	114,525	254,525
2017	145,000	108,113	253,113
2018-2022	830,000	434,250	1,264,250
2023-2027	1,025,000	226,013	1,251,013
2028-2030	475,000	21,713	496,713
Totals	<u>\$ 2,775,000</u>	<u>\$ 1,274,515</u>	<u>\$ 4,049,515</u>

b. Debt Covenants:

The District debt issue described above contains various covenants and restrictions, principally that the District shall fix, prescribe and collect revenues sufficient enough to yield net revenues of Improvement District No. 4 equal to at least 1.15 times the loan installments coming due and payable during any fiscal year. The District was in compliance with this covenant for the fiscal years ended June 30, 2012 and 2011.

c. Compensated absences

Compensated absences represent the estimated liability for employees' accrued vacation and sick leave for which employees are entitled to be paid upon termination.

4. LONG-TERM DEBT (Continued):

d. Note Payable:

In July 2009 the District entered into an agreement to purchase a well and land from Montesorro. For consideration the District paid an initial amount of \$400,000 and issued a note that calls for ten (10) annual payments of \$70,000 commencing on July 1, 2010. In the event the District increases the water rate charged for water service the annual payments increase by the percentage amount equal to the difference between water rate for water service on August 1, 2009 and the new water rate. For the fiscal year ended June 30, 2011 the present value of these payments at five percent (5%) was \$689,234. During the fiscal year ended June 30, 2012 there was an additional rate increase of 20% increasing the annual payments to \$120,196 commencing July 1, 2012. At fiscal year ended June 30, 2012 the present value of these payments at five percent (5%) was \$762,945.

The future debt service for the Montesorro note payable is as follows:

For the Year Ending June 30	Principal	Interest	Total
2013	\$ 67,219	\$ 32,977	\$ 100,196
2014	85,449	34,786	120,235
2015	89,721	30,514	120,235
2016	94,208	26,027	120,235
2017	98,918	21,317	120,235
2018-2020	327,430	33,274	360,704
Totals	<u>\$ 762,945</u>	<u>\$ 178,895</u>	<u>\$ 941,840</u>

5. FIDUCIARY FUNDS:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Fiduciary fund includes the Community Facilities District 2007-1 Mello-Roos Bond Fund. The assets and related liabilities of this Fiduciary fund is included in the accompanying Statement of Net Assets under the captions "Fiduciary fund: restricted cash and cash equivalents," and "Fiduciary fund: amount payable to Community Facilities Dist 2007-1 bondholders" respectively.

6. JOINT POWERS AUTHORITY:

Since 1983, the District has participated in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), a risk-pooling self-insurance authority. JPIA is a consortium of public agencies in Southern California established under the provisions of California Government Code. The purpose of the authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Deposits to JPIA are expensed by the District over the policy term and are subject to retroactive adjustment.

At June 30, 2012, the District participated in the self-insurance programs of the Authority as follows:

Property Loss – Insured up to \$8,675,281 replacement value with varying deductibles; the Authority is self-insured up to \$50,000 and excess insurance coverage has been purchased from \$50,000 to \$100,050,000.

General Liability – Insured up to \$60,000,000 per occurrence with no deductible; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased from \$2,000,000 to \$60,000,000.

Auto Liability – Insured up to \$60,000,000 per occurrence with a \$1,000 deductible; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased from \$2,000,000 to \$6,000,000.

Public Officials' and Errors and Omissions – Insured up to \$60,000,000 per occurrence; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased from \$2,000,000 to \$60,000,000.

Fidelity – Insured up to \$400,000 per occurrence with a \$1,000 deductible; the Authority is self-insured up to \$100,000 and excess insurance coverage has been purchased up to \$400,000.

Earthquake and Flood – Insured up to \$8,998,820 replacement values with varying deductibles. Insurance coverage has been purchased up to \$10,000,000.

Workers' Compensation – Insured up to the statutory limit per occurrence; the Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased from \$2,000,000 to the statutory limit.

The District has not settled any claims that have exceeded insurance coverage in any of the past three years. There have been no significant reductions in pooled or insured liability coverage in the prior year.

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PLAN):

Plan Description:

The District's employees participate in the Miscellaneous 3% at 60 Risk Pool (Plan) of the California Public Employees' Retirement System (PERS). This plan is a cost-sharing, multiple-employer defined benefit pension plan administered by PERS. On March 28, 2012, the Board adopted a second tier of retirement benefits which provides for all new hires to participate in the Miscellaneous 2% at 60 Risk Pool (Plan) of the California Public Employees' Retirement System (PERS). This plan is also a cost-sharing, multiple-employer defined benefit pension plan administered by PERS. As of June 30, 2012, there were no employees participating in the second tier plan.

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PLAN) (Continued):

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. Copies of PERS' annual financial report may be obtained from the PERS Executive Office: 400 P Street, Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 8% of their annual covered salary. The District makes some of the contributions required of District employees on their behalf and for their account. Currently the District is paying the first 4% leaving the remaining 4% to be paid by the employees. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution for the years ended June 30, 2011 and 2012 were 17.898% and 18.534% respectively of their annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost:

For the years ended June 30, 2011 and June 30, 2012, the District's annual pension cost of \$158,348 and \$142,009 were funded. The required contribution for the fiscal year ended June 30, 2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45%, and (c) 3.25% payroll growth. Both (a) and (b) include an inflation component of 3.00%. Asset valuation methods are amortized on a 15 year smoothed market basis. Gains and losses that occur in the operation of the risk pool are amortized over a rolling 30 year period. The remaining amortization period at June 30, 2009 was 18 years for the District.

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

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$180,914	100%	\$ -
6/30/11	\$158,348	100%	\$ -
6/30/12	\$142,009	100%	\$ -

Funding Status:

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

8. NET WORKING CAPITAL:

Net working capital at June 30, 2012 and 2011 was as follows:

	2012	2011
Current Assets	\$ 1,585,223	\$ 1,469,568
Current Liabilities Payable from Current Assets	(318,531)	(317,709)
Net Working Capital	<u>\$ 1,266,692</u>	<u>\$ 1,151,859</u>

9. INTEREST EXPENSE:

Interest expense for the year ended June 30, 2012 and 2011 was as follows:

June 30, 2012	\$167,856
June 30, 2011	\$160,203

No interest was capitalized for the fiscal year ended June 30, 2012 and 2011.

10. LEASE AGREEMENTS:

On November 1, 2011 the District entered into a lease agreement to maintain a golf course located at Club Circle, Borrego Springs, California. This lease terminated a prior lease and easement entered into November 23, 2010. The term of the lease commenced on November 1, 2011 and will terminate June 30, 2015. The District has the option to extend the lease for an additional period of five (5) years from the original expiration date of the lease. The District pays \$1 rent per year the lease is in effect.

On November 1, 2011 the District also entered into a maintenance agreement with Green Desert Landscape to maintain and operate a golf course located at Club Circle, Borrego Springs, California. The term of the maintenance agreement commenced on November 1, 2011 and will terminate June 30, 2015. The agreement may be renewed by mutual agreement of the parties for an additional period of five (5) years from the original expiration date of the agreement. The agreement calls for Green Desert Landscape to maintain and operate the golf course at Club Circle. The District pays a management fee to Green Desert Landscape of \$5,400 per month. Green Desert Landscape is entitled to all revenues produced by the operations of the golf course under the term of the lease.

11. SEGMENT INFORMATION:

The 2008 Installment Purchase Agreement as described in Note 4 was issued to finance certain capital improvements in Improvement District Number 4. While water and wastewater services are accounted for in a single fund in these financial statements, the investors in the Installment Purchase agreement rely solely on the revenues of Improvement District Number 4 for repayment.

Summary financial information for Improvement District Number 4 is presented for June 30, 2012, and June 30, 2011.

11. SEGMENT INFORMATION (Continued):

Condensed Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets	\$ 1,161,606	\$ 1,084,102
Capital Assets	3,235,017	3,303,263
Other Assets	105,430	111,918
	<u>4,502,053</u>	<u>4,499,283</u>
Total Assets	<u>4,502,053</u>	<u>4,499,283</u>
Liabilities		
Current Liabilities	131,458	145,858
Long-Term Liabilities	2,622,437	2,612,433
	<u>2,753,895</u>	<u>2,758,291</u>
Total Liabilities	<u>2,753,895</u>	<u>2,758,291</u>
Net Assets		
Invested in capital assets, net of related debt	612,580	690,830
Unrestricted	1,135,578	1,050,162
	<u>1,748,158</u>	<u>1,740,992</u>
Total Net Assets	<u>\$ 1,748,158</u>	<u>\$ 1,740,992</u>

See accompanying independent auditors' report.

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11. SEGMENT INFORMATION (Continued):

Condensed Statements of Revenues, Expenses & Changes in Net Assets
For the Year Ended June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Water Revenue	\$ 1,526,066	\$ 1,243,149
Other Income	7,422	217
Total Operating Revenues	1,533,488	1,243,366
Operating Expenses		
Water Operations	626,077	485,530
Depreciation Expense	154,976	174,402
General and Administrative	654,723	424,914
Total Operating Expenses	1,435,776	1,084,846
Operating Income	97,712	158,520
Nonoperating Revenues (Expenses)		
Property Taxes	34,752	-
Grant Income	15,941	-
Investment Income	128	41
Interest Expense	(134,879)	(134,879)
Amortization Expense	(6,488)	(6,488)
Total Nonoperating Revenues (Expenses)	(90,546)	(141,326)
Change in Net Assets	7,166	17,194
Net Assets, Beginning	1,740,992	1,723,798
Net Assets, Ending	\$ 1,748,158	\$ 1,740,992

See accompanying independent auditors' report.

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11. SEGMENT INFORMATION (Continued):

Condensed Statements of Cash Flows
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Net Cash Provided by Operating Activities	\$ 252,688	\$ 352,224
Net Cash Provided by Noncapital Financing Activities	50,693	-
Net Cash Used by Capital and Related Financing	(211,605)	(124,875)
Net Cash Provided by Investing Activities	<u>128</u>	<u>41</u>
Net Increase in Cash and Cash Equivalents	91,904	227,390
Cash and Cash Equivalents, Beginning	<u>776,662</u>	<u>549,272</u>
Cash and Cash Equivalents, Ending	<u>\$ 868,566</u>	<u>\$ 776,662</u>

12. SUBSEQUENT EVENTS:

On July 8, 2011 the District entered into an agreement to purchase 125 acres and 312.5 water credits associated with the property located at the north end of DiGeorgio road, Borrego Springs, California for \$1,500,000. The terms of the purchase call for a down payment of \$75,000 and issuance of a note for a principal amount of \$1,425,000. The terms of the note call for interest to accrue at the rate of four percent (4%) per annum. The interest shall accrue without an obligation of repayment prior to the fourth anniversary of this agreement. Interest thereafter will be paid in quarterly installments. A principal payment of \$150,000 is due on the fifth anniversary and the remaining principal balance is to be repaid over 25 years.

In conjunction with the agreement above the seller pledged to donate 86 acres to the District upon the earlier of the following (i) the three-year anniversary of the conveyance of the Water Credits and conveyance of Parcel 2 or (ii) the final approval by the County of San Diego of the sellers compliance with the water mitigation requirements. As of June 30, 2012, title to the land and the water credits has not been transferred to the District.

On July 25, 2012 the District entered into an agreement to sell 236.96 acres of vacant land located in an unincorporated area of San Diego County for \$94,784. The District purchased the land September 10, 1997 at a cost of \$110,000. The transaction closed escrow September 25, 2012.

On October 2, 2012, the District received \$36,000 for the CSD Waste Water Treatment Plant. This plant was abandoned during the fiscal year ended June 30, 2011.

13. NONCOMMITMENT DEBT:Community Facilities District No. 2007-1 2007 Special Tax Bonds

On March 14, 2007 the Board of Directors adopted a resolution stating its intention to establish Community Facilities District No. 2007-1 and to authorize bonded indebtedness within the Community Facilities District. On April 25, 2007, the Community Facilities District 2007-1 was formed and an election was held to authorize the Community Facilities District 2007-1 to incur bonded indebtedness of up to \$11,000,000 to refinance outstanding balances of the Community Facilities District 95-1 1996 Special Tax Bonds. On June 14, 2007 the Community Facilities District No. 2007-1 issued the 2007 Special Tax Bonds in the amount of \$9,530,000. The balance of the outstanding 2007-1 bonds at June 30, 2011 and 2012 was \$9,320,000.

The bonds consisted of \$5,270,000 of 5.75% term bonds due August 1, 2025 with principal payments beginning on August 1, 2010 and \$4,260,000 of 5.75% term bonds due August 1, 2032 with principal payments beginning August 1, 2026.

The 2007 Special Tax Bonds do not constitute an indebtedness of the District and are only secured by a pledge of Net Taxes (which consist of the Special Taxes collected minus certain administrative expenses) and amounts on deposit in the Special Tax Fund. In the opinion of the District management and counsel the full faith and credit of the Borrego Water District and the Community Facilities District are not pledged to the payment of the Bonds, nor is the payment of the Bonds secured by any encumbrance, mortgage or other pledge of property of the Borrego Water District or the Community Facilities District.

The Special Tax is to be levied and collected by the county at the same time and in the same manner as general ad valorem property taxes. The Community Facilities District is to receive all Special Taxes in trust and immediately deposit all amounts with the Trustee.

For the fiscal year ending June 30, 2012 there was a special tax delinquency rate of approximately 95.42% in the Community Facilities District. Due to the high delinquency rate, the Community Facilities District made a partial interest payment of \$15,725 for the interest payment due August 1, 2011 (\$267,950). The Community Facilities District was not able to make the interest payment due February 1, 2012 (\$261,625), the principal payment due August 1, 2011 (\$220,000), and the principal payment due August 1, 2012 (\$235,000). At June 30, 2012 the balance in the reserve fund is \$0. The Community Facilities District commenced foreclosure proceedings in the prior year and is continuing proceedings against certain property owners that are delinquent.

PROCESS TO APPROVE DEVELOPER'S CHARGES

The following is the procedure for approving developer's fees. They are governed by a completely different legal scheme than other fees, called the Mitigation Fee Act. Based on this act, to approve new or increased developer fees, you must:

- 1) Hold a public hearing
- 2) Publish notice of the public hearing twice at least 10 days before the hearing

Note: Publication on the website doesn't meet these statutory requirements. To meet this requirement, you will need to publish notice in a different newspaper, such as the San Diego Union which is published at least weekly. Notice of the hearing for approving developer's fees must be in a newspaper that is published once a week or more frequently (Gov't Code section 66018/ 6062a). Gov't Code section 6042 provides that when there is no "newspaper of general circulation" in an agency's jurisdiction (a newspaper of general circulation must be published weekly or more frequently) the agency can publish notice in the newspaper of general circulation that is published nearest to the jurisdiction.

- 3) Send notice of the public hearing at least 14 days in advance to any interested person who has filed a written request to receive such notices
- 4) Make available to the public at least 10 days before the hearing the data that you are relying on to determine the cost of providing the service for which the fee is being levied

Gov't Code section 66016.

- 5) An action adopting or increasing a developer fee cannot take effect for at least 60 days following the hearing. Gov't Code section 66017.

DISCUSSION OF PROPOSED CHARGES AND FEES FOR WATER AND SEWER SERVICE TO DEVELOPMENT FOR FY 2013 & FY 2014

Revised October 18, 2012

Existing "New Water and Sewer Charges" in BWD Service Areas

Presently there are approximately 2,100 undeveloped lots that could be served with water service from existing infrastructure. Presently, certain areas of the District have been charged different amounts due to historical agreements as follows:

ID-1 (Rams Hill): The capacity fee has been paid and service laterals installed for new meters on the existing lots. Currently we charge \$640 for a 3/4" and \$735 for a 1" meter service. This covers a \$340 "turn-on" fee, the meter, meter box, customer shut off valve and the labor to install the new meter. One customer was granted a 2" residential meter by the Board in 1999 all other residential meters are either 3/4" or 1". New sewer connections are charged \$200 plus a \$50/EDU inspection fee. Monthly sewer fees are \$26.75.

ID-2: The Town Center Sewer serves the downtown area along Palm Canyon Drive from Palm Canyon Resort to the Elementary School. Also included is the La Casa del Zorro (aka Borrego Ranch) Resort. There are 1000 EDU's assigned to this system of which 316 are being used (user) and 773 are being held for future use (holder). The District has 226 EDU's available for sale at a price set by the Board of \$3,040. Holders may sell their EDU's at negotiated prices with willing buyers. The District occasionally surveys the holders to see if EDU's are available for private sales. "Holder" monthly fees \$19.42 and once they become also a "user", the fee increases by \$10. New connections are charged a \$712.80/EDU capacity fee and a \$50/EDU inspection fee. All sewer connections are performed at customer's expense by a District approved contractor. These fees are set by contract but can be adjusted to operating costs by a vote by all holders of EDU's.

ID-3 and 4 (Deep Well Trail and old Borrego Springs Water Company service area): Water mains in these areas are normally located in the shoulder of the road, in the right-of-way, yet off of the pavement. The new meter charge in these areas depends on the location of the new service to the existing water main. New meters located on the same side of the street as the water main require a "short lateral" and those across the street a "long lateral". Certain areas of the District where the water main is located in the paved street classify as a "long lateral". The maintenance crew utilizes a boring device called a "Grundomat" to feed the new service lateral under the pavement on long laterals which is more labor intensive but does not require re-paving after an installation. The current fees are \$4,040 for a 3/4" short lateral, \$4,165 for a 1" short lateral, \$5,440 for a 3/4" long lateral and \$5,565 for a 1" long lateral. The breakdown of these fees are \$2,530 connection fee, \$340 turn-on fee, either \$500 for short lateral or \$1,900 for a long lateral and either \$70 for a 3/4" customer shut-off valve or \$95 for a 1" customer shut-off valve. Customer shut-off valves are an important feature and we also provide them to existing customers for the cost of the part, no labor charge. The customer shut-off saves us money, and possibly

the customer, in the long run. When not installed, the customer is tempted to turn-off the District angle meter stop (forbidden by the administration code) or contact the "duty operator" to turn off and turn back on after plumbing/irrigation repairs are complete. If the angle meter stop is compromised, the water main has to be excavated and the customer can be charged for the repairs. After hours duty operator "call outs" are costly to the District in overtime expense. Many water Districts found cost savings by installing the customer shut-off valve free of charge but we found it more prudent to only charge for the part and install the valve free of charge.

ID-5: This area is the old Borrego Springs Park Community Services District area of Club Circle and the Borrego Springs Resort. As part of the consolidation agreement, we are required to charge \$3,500 each, for new service (water and sewer combined). One half of this money is returned to the developer, Cameron Brothers Construction Co. as per the agreement. The service laterals on Foresome Drive were installed with poly vinyl pipe which have proven to be substandard in our desert conditions. New service requires the removal of this pipe and replaced with copper service laterals which are charged on a "time and material" basis. All sewer connections are performed at customer's expense by a District approved contractor. Only one connection has been made since the consolidation of the two districts.

The monthly rates are listed as follows:

ID-1; \$26.75/mo. plus portion of \$66/parcel availability fee collected through the annual property taxes
Connection fee of \$200 plus \$50/EDU inspection fee

ID-2; \$19.42 (holder) plus \$10 (user) totaling \$29.42/mo.
Connection fee is \$712.80 per EDU plus \$50/EDU inspection fee

ID-5; \$49.92/mo.
Connection/capacity fee collected is \$3500, 1/2 is directed to the developer, Cameron Bros.
Construction Co. and 1/2 to BWD per EDU. Meter installation is charged on "time and materials" only.

Both ID-2 and ID-5 require lifting the effluent from the newly built Lift Station (capital improvement of \$680K in 2011) on Borrego Valley Rd to the RMWWTP.

All of these sewer charges were developed based on developer "buy-in" or other such arrangement. For this reason, existing platted lots will continue with the above fee structure. The total number of existing platted lots involved should not require any further improvements to the existing infrastructure; however, this can be reviewed in subsequent years if needed. Any new development will be required to pay the new calculated sewer capacity fee of \$8,000 per EDU plus any additional new infrastructure required specifically for the new development which will be determined by the District Engineer.

A study is also eventually needed to evaluate at what point the RHWTP can generate reclaimed water supply and where the reclaimed water could be utilized if the Rams Hill Golf course is not in operation.

Historically, we have utilized the following calculations for EDU breakdowns.

Single Family Residence (SFR) =	1.0 EDU
Casitas/Guest House with SFR=	0.5 EDU
Mobile Home (in a park) =	0.5 EDU
Recreational Vehicle (in a park) =	0.25 EDU

These ratios were based on overall housing footprint (property size, human capacity, etc). A mobile (manufactured or modular) installed on a lot designed for a single family residence is considered a single family residence due to the lot size and potential of developing extensive landscaping. Units installed in a designated mobile home park are situated on small lots where the landscaping potential is significantly less. A "casitas" is a small single family residence less than 800 square feet, is a small development with common landscaping.

New commercial projects will need to be reviewed in a case-by-case basis. There are too many factors to apply a general fee schedule to these types of installation. Historically, an engineering deposit is required to recoup District funds expended. The amount of deposit will vary depending on the scope of the project but a minimum fee of \$2,500 would be appropriate.

Water Credit Policy

The Water Credit Policy was first established as a 3:1 groundwater mitigation in 2005. In 2007 the 3:1 was reduced to a 2:1 with the premise that one would satisfy the County of San Diego requirements and one for the Borrego Water District. As we move closer to combining the two programs (County and District) the concept of reducing the program once again to a 1:1 would simplify the confusion between the programs. Recent Board presentations reveal customer concerns for the 2:1 water credit ratio. The County of San Diego has assured the District that the proposed amendment to the County Groundwater Ordinance and associated MOU (memorandum of understanding) will be returned to the District shortly.

The Proposed Structure for New Development

Proposed New Water and Sewer Connection Fees for New Subdivisions:

The proposed "capacity fee" has been calculated by dividing the total water system asset \$11,041,479.26 (as of June 30, 2012), minus \$2,775,000 (existing infrastructure debt from the ID4 2008 Certificates of Participation) by the total existing water meters utilizing the American Water Works Association (AWWA) meter sizing factors (see Attachment A). This equates to \$1,841.17 but for simplicity, it would be appropriate to round that number to \$1,850/EDU.

Applying the same metering factor to new installations would result as follows:

3/4" meter	x 1.5 meter factor	= \$2,775
1" meter	x 2.5 meter factor	= \$4,625
1-1/2" meter	x 3.3 meter factor	= \$6,105
2" meter	x 5 meter factor	= \$9,250
3" meter	x 15 meter factor	= \$27,750
4" meter	x 32 meter factor	= \$59,200
6" meter	x 85 meter factor	= \$157,250

Using the same formula as water, dividing sewer assets (\$5,505,105.59) by existing EDU's (689) equates to \$7,989.99 or for our purposes, \$8,000/EDU. Any proposed development will have to complete an analysis of increased flow to the Ram Hill Wastewater Treatment Plant (RHWWTP) except the remaining undeveloped lots in the Rams Hill community who built the facility. Town Center Sewer EDU "holders"

have also been worked into the RHWWTWP expansion calculations through the costs outlined in the Town Center Sewer Agreement. Sewer customers in ID-5 are required to pay \$3,500 (combined water and sewer) 1/2 of this amount is for reimbursement to the Cameron Bros. Construction Co. per prior agreement. Unplatted lots (not a County approved buildable lot) in ID-5 will have to go through the permit process and associated engineering study for RMWWTP capacity issues.

Due to the number of historical agreements in the various service areas, it is proposed that new connections for existing platted lots in ID-1 be exempted from the new capacity fee. Existing lots in ID-1 have already been assessed capacity fees and the infrastructure for the new meter installations are in place. Existing lots in ID-5 will be required to pay the historical capacity fee of \$3,500(water and sewer combined) of which 1/2 will be paid to the Cameron Bros. as per the consolidation agreement. The existing infrastructure for the new meter installations that was installed by the developer does not meet the requirements of the District and therefore the will be charged the "actual installment costs" and in ID-3 and ID-4.

Subdivisions:

"Will Serve" Letter - first step in County permitting process	\$50/Letter
"Will Serve" Conditions Letter - outlining system requirements	\$2,500 engineering deposit
Engineering Plan Review	\$5,000 engineering deposit
Final Map:	Water Credit & Capacity Fees
One water credit per EDU	
Capacity fee of \$1,850/EDU plus metering factor	

Commercial:

Case-by-case basis on fixture unit count and approved landscaping plan

Water Credits:

The reduction from a 2:1 to a 1:1 will be more palatable for encouraging new development for the community. The 1:1 groundwater mitigation will achieve the County's goal of "no net gain" on the overdraft. This new ratio is being proposed in order to redirect funds presently spent for new development on a second water credit to an increase of the capacity fee. This increase will enable the District to address the more immediate infrastructure and water quality costs associated with the continued decline of the aquifer without requiring that existing ratepayers subsidize new development in the Valley. The Committee will further propose that the Board consider that existing water credit holders be given the option to either utilize their second water credit to satisfy the capacity fee increase or to pay the new capacity fee and 1 water credit for new connections to the District's infrastructure. Eligible water credits are those issued on file with the Borrego Water District, yet not retired as of the date of adoption of this proposed policy. A list of approved water credits at time of policy adoption is included in attachment C.

Schedule of Proposed New Water and Sewer Installation Charges for a Single Family Residence for FY 2013 & FY 2014

New Water and Sewer Service on Existing Platted Lot in ID-1:

(Note: Sewer Fees not applicable to lots in the "Estates" Community where lots are on septic systems)

- One Water Credit
- Capacity fee and lateral installation pre-paid by developer
- Sewer Connection Fee \$200
- Sewer Inspection Fee \$50
- All sewer connections are performed at customer's expense by District approved contractor
- Connection Fee (actual installation costs from Attachment B)
 - 3/4" meter = \$205
 - 1" meter = \$340
- \$340 Administrative Fee

Total 3/4" Charge = \$795.00

Total 1" Charge= \$930.00

Larger meters will be reviewed on a case-by-case basis

New Sewer Service for "holders" of Town Center Sewer EDU's in ID-2:

- New service must be holder in good standing of ID-2 EDU's (contact District office for Town Center Sewer EDU information)
- Capacity Fee of \$712.80 per EDU
- Inspection Fee of \$50/EDU
- All sewer connections are performed at customer's expense by District approved contractor

Total Fees due District \$762.80/EDU

New Water Service on Existing Platted Lot in ID 3 or ID-4:

- One Water Credit
- Capacity fee (\$1,850) with metering factor:
 - 3/4" meter x 1.5 meter factor = \$2,775
 - 1" meter x 2.5 meter factor = \$4,625
- Connection Fee (actual installation costs from Attachment B)
 - Short lateral charge (parcel located on same side of street as the water main)
 - 3/4" meter service = \$2,401.05 or 1" meter service = \$2,495.10
 - Long lateral charge (parcel located on opposite side of street from water main)
 - 3/4" meter service = \$3,760.82 or 1" meter service = \$3,854.87

- Administrative Fee of \$340

Total 3/4" charge with short lateral: $2,775 + 2,401.05 + 340 = \$5,516.05$

Total 3/4" charge with long lateral: $2,775 + 3,760.82 + 340 = \$6,875.82$

Total 1" charge with short lateral: $4,625 + 2,495.10 + 340 = \$7,460.10$

Total 1" charge with long lateral: $4,625 + 3,854.87 + 340 = \$8,819.87$

Larger meters will be reviewed on a case-by-case basis

New Water and Sewer Service on Existing Platted Lot in ID-5:

- One Water Credit
- Capacity Fee of \$3,500 (water and sewer combined, existing agreement where 1/2 is paid to the developer)
- Sewer Inspection Fee of \$50
- Connection Fee (actual installation costs from Attachment B)
 - Long lateral charge (water mains in street)
 - 3/4" meter service = \$3,760.82 or 1" meter service = \$3,854.87
- \$340 Administrative Fee

Total 3/4" charge: $3,500 + 50 + 3,760.82 + 340 = \$7,650.82$

Total 1" charge: $3,500 + 50 + 3,854.87 + 340 = \$7,744.87$

Larger meters will be reviewed on a case-by-case basis

POLICY FOR WATER AND SEWER SERVICE TO DEVELOPMENTS

(revised October 18, 2012)

This Policy outlines the procedures and obligations for developers, contractors, and owners (hereinafter “developers”) to obtain water and sewer service from the Borrego Water District (hereinafter “District”) to serve a development and establish the fees, exactions, and charges for the development. The term "development" is defined as any residential or commercial development that increases the demand on the District's water supply and/or distribution system and/or its sewer collection and treatment system whether by increasing the intensity of use or by altering the use of land.

1. Application of Policy

This Policy governs the procedures for the District to handle requests for a commitment for water and sewer service for new developments and sets forth the obligations of the developer to obtain a commitment for water and sewer service. When a developer requests a commitment for water and sewer service for a large development, herein defined as any development when built-out that will comprise more than twenty-five (25) Equivalent Dwelling Units (EDUs), that will substantially impact the District’s existing water supply capacity and/or sewer treatment capacity or which will require major improvements to the District’s water distribution system and/or to the District’s sewer treatment plant or collection system, such requests will be considered on a case-by-case basis. This Policy shall serve as a guideline for the consideration of the request for water and sewer service for a large development, but the District may modify or add to the provisions of this Policy in making its commitment for water and sewer service for a large development.

2. Application for Water and Sewer Service

(a) The developer must obtain an Application for Water and Sewer Service from the District. With the Application the developer shall submit a preliminary plat of the development which shall include the number of lots to be served, the type of units to be built within the development, the size of the lots in the development, the estimated build-out of the development and any other information which will assist the District in determining the water and sewer needs of the development. In the event the development includes a fire protection system, the Developer shall submit total fire protection plans for the development.

(b) The developer must return the completed Application to the District with the information requested in subsection (a). The developer shall provide any other information requested by the District that the District deems necessary to determine the availability of water and sewer service for the development.

(c) When the Application requests water and sewer service for more than 25 EDUs, the developer shall pay an application fee as set by the District’s Manager at the time the Application is submitted. For the purposes of this Policy, a Water EDU is equivalent to one single family residence water use. A Sewer EDU is based on 250 gallons per day for effluent. The application fee shall cover the anticipated cost to the District of reviewing the project,

obtaining any engineering report on the feasibility of the water and sewer service requested for the project and making a preliminary determination of the on-site and off-site system improvements necessary to provide the water and sewer service requested. The application fee is non-refundable 45 days after the submission of the Application. The application fee shall be credited against the administrative fee set forth in Section 6(a) of this Policy.

(d) The developer must timely notify the District of any changes in the information submitted with the Application.

(e) When the Application is complete and the application fee, if applicable, is paid, the District will determine, with the assistance of the District's engineer if necessary, whether the water and sewer service requested is available and whether any off-site water and sewer system improvements must be made to the District's water and sewer system to properly serve the development and maintain the current level of water and sewer service to the District's existing customers.

(f) When the District has completed its review, the developer will be notified of the preliminary conclusions of the District as to the feasibility of the water and sewer service requested. The District may then issue a "water and sewer availability letter" to the developer. The "water and sewer availability letter" may be revoked unless the developer enters into a contract with the District and pays all fees assessed within one hundred twenty (120) days of the date of the "water and sewer availability letter."

3. Conditions on Availability of Water and Sewer Service

(a) In determining whether water and sewer service is available, the District may require that the developer provide an accurate projection of the water demand and sewer treatment needs, by a registered engineer, for the entire development upon the application for the first section or phase of the development.

(b) The District may issue its water and sewer availability letter with limitations on the maximum amount of water that can be provided to the development and the maximum amount of wastewater that can be collected and treated for the development. Any maximum limits on water and sewer service for the development shall be included in the water service contract with the developer under Section 4.

4. Water and Sewer Service Contract

(a) Before water and sewer system improvements are installed for the development, the District, with the assistance of the District's attorney if necessary, will then prepare a contract under which water and sewer service will be provided to the development.

(b) The District may incorporate in the water and sewer service contract the maximum amount of water that can be furnished and the maximum amount of wastewater that can be collected and treated by the District. In the event the developer's demand for water and

sewer service exceeds the developer's projection of demand during the build out of the development, the District shall have no obligation to furnish water or provide wastewater collection and treatment in excess of the amounts set forth in the water and sewer service contract. Any request for water and sewer service in excess of the amounts projected by the developer and included in the Water and Sewer Service Contract shall be treated as a new request for water and sewer service under this Policy.

(c) A Water and Sewer Service Contract cannot be assigned to any successor in interest of the developer without the express written consent of the District.

5. Installation of Improvements

(a) **Cost of Installation.** At its own expense and at no cost and expense to the District, the Developer shall furnish, install, lay and construct all on-site and off-site water and sewer system improvements, including all labor and material, as required by the District to be installed to serve the development, to maintain the current level of water and sewer service to existing customers and to meet the District's plan for the level of service to be made available in the general area of the development. The construction and installation of the water and sewer system improvements shall be in strict accordance with the plans, specifications and requirements approved by the District, its engineer, and the State of California. In addition, the developer shall indemnify the District from any loss or damage that may directly or indirectly result from the installation of water and sewer system improvements by the developer.

(b) **Notification of Construction.** The District shall be notified at least forty-eight (48) hours before construction is to begin. Thereafter, the developer shall notify the District of every day during which construction will be in progress in order for the District's inspector to be on the job site during construction.

(c) **Inspections.** All water and sewer system improvement projects shall be subject to inspection during construction and upon completion of the construction by an authorized representative of the District. Inspection may consist of full-time resident inspection or part-time inspection at the sole discretion of the District. The presence or absence of an inspector during construction does not relieve the developer from adherence to approved plans and specifications. Materials and workmanship found not meeting the requirements of approved plans and specifications shall be immediately brought into conformity with said plans and specifications at the developer's expense.

(d) **Final Inspection.** An authorized representative of the District shall make a final inspection of the water and sewer system improvements for the development after completion to determine acceptability of the work. Before this final inspection can be made, the owner, developer or engineer responsible for the project shall notify the District's Manager in writing that the work has been completed in accordance with approved plans and specifications.

(e) **Final Acceptance.** When the water and sewer system improvements pass the District's final inspection, the District will accept ownership of the completed improvements.

The developer shall be responsible for seeing that the person paying the cost of constructing such improvements shall furnish "as-built" drawings to the District at the end of each phase of water and sewer system construction and prior to final acceptance of water and sewer system improvements by the District. The date of final acceptance shall be that date on which the developer has fulfilled all conditions necessary for final acceptance, including passing a final inspection, submitting "as-built" drawings, payment of all fees due, and the placing of all water and sewer system improvements into service by the District. The District will notify the developer in writing of the date of its acceptance of the completed facilities.

(f) "As-Built" Plans. The developer shall provide the District "as-built" plans, by a registered engineer, which shall be drawn at a scale of one inch equals 50 feet and which shall indicate the location and size of all water and sewer system improvements installed for the development. The location of all water and sewer system improvements must be referenced off of two (2) permanent points such as power poles, right-of-way markers, concrete monuments, iron pins at property corners, drainage culverts, and building corners. The water and sewer system improvements shall also be shown in relationship to the edge of all paved surfaces and all other utilities located with 15 feet of either side of the improvements. All utility easements shall be shown in relationship to the improvements. In the event the actual construction differs from the recorded plat of the development, the developer will prepare and record in the Register's Office of San Diego County a revised plat showing the actual construction with the design features stated above clearly shown. The District may delay water and sewer service until this requirement has been met.

(g) Warranty. The developer shall guarantee all work on the water and sewer system improvements it installs for a period of one (1) year from the date of final acceptance and shall immediately correct any deficiencies in the work due to material or workmanship that occurs during the one-year period. The warranty shall be insured by a maintenance bond in the amount specified by the District secured by an irrevocable bank letter of credit or such similar collateral as is approved by the District. When a defect is discovered in any water or sewer system improvement under warranty by the developer, the cost of repairing the defect when performed by the District and the damages caused by the defect will be billed to the developer.

(h) Conveyance of Water and Sewer System Improvements. Upon completion of the construction of the water and sewer improvements, upon final approval by the District, and upon the water and sewer system improvements being placed into service, the water and sewer system improvements shall immediately become the property of the District regardless of whether or not a formal written conveyance has been made. The developer and any other persons paying the cost of constructing such improvements shall execute all written instruments requested by the District necessary to provide evidence of the District's title to such improvements, including obtaining any lien releases from the material suppliers and subcontractors of the developer and/or its contractor. The water and sewer system improvements shall become the property of the District free and clear of the claims of any persons, firms, or corporations

6. Assessments and Collection of Fees and Charges:

(a) Administrative Fee. The developer shall pay the District an administrative fee to cover the administrative, inspection, engineering, legal and other expenses incurred by the District related to making water and sewer service available to the development. The administrative fee shall be paid on or before the execution of the Water Service Agreement and Sewer Service Agreement. For developments which request water and sewer service for more than 25 EDUs, the application fee paid under Section 2(c) shall be credited against the administrative fee.

(b) Water Capacity Fee (Developer Impact Fees for Water Infrastructure). System Development Charges for Water Infrastructure shall be paid for every new connection to the District's water system and also by customers who change their meter size to a larger meter, which shall be considered a new connection. System development charges are one-time charges assessed for new water customers to recover a proportional share of the capital costs already incurred to provide service capacity to the new utility customers. These charges shall be imposed to fund water system improvement costs reasonably related to new development. The system development charges shall be paid on or before the execution of the Water Service Agreement.

(c) Water Credit Requirement (Developer Impacts Fees for Water Supply). Because all water supply available for development is finite, the Source Water Charge effectively transfers one water credit of existing water use in exchange for the proposed new water use.

(d) County-Approved Groundwater Mitigation Water Credit. For any newly subdivided land, the developer must provide evidence that they have obtained credit for groundwater mitigation approved by San Diego County for the number of EDUs requesting connections to the District's water system.

(e) Sewer Capacity Fee (Developer Impact Fees for Sewer and Wastewater Treatment Infrastructure). A System Development Charge for Sewer Connections shall be paid on all new connections to the District's sewer system. System development charges are one-time charges assessed for new sewer customers to recover a proportional share of the capital costs incurred to provide service capacity to the new utility customers. These charges shall be imposed to fund sewer system improvement costs reasonably related to new development. The system development charges shall be paid on or before the execution of the Sewer Service Agreement.

(f) Connection Fees. A connection fee is based on the "actual cost" of the materials required for a new meter service. The connection fee shall be paid prior to the time actual water and sewer service is established to each new connection. Residential connections using 3/4" or 1" meters shall pay a standard fee that includes allocated, per connection, direct labor costs, materials, supplies, and equipment expenses and an allowance for indirect costs. All other connections using larger size meters will pay a custom connection fee based on the direct and indirect costs and expenses particular to that connection.

(g) No refunds. The developer shall have no right to recover any fees or charges paid to the District or any right to recover any part of the costs and expenses incurred in installing water system improvements or sewer system improvements for the development.

(h) Schedule of Fees and Charges. A current published schedule of fees and charges, as amended from time-to-time by the District, shall be used to determine the fee amounts assessed for each development.

7. Approval of Final Plat

The District will not sign a "Final Plat" of the development for submission to the appropriate Planning Commission until the water and sewer system improvements for the development have been constructed, inspected and accepted for use by the District or until a performance bond secured by an irrevocable bank letter of credit issued by a bank with offices in San Diego County, California, or secured by other security specifically approved by the Board of Directors has been posted equal to the estimated cost of all necessary improvements and in favor of the District, the Water and Sewer Service Contract has been fully executed, and all applicable fees have been paid. If the development is not a subdivision, the applicable fees must be paid at the time the contract for water and sewer service is signed.

8. Easements

(a) A minimum exclusive easement twenty (20) feet in width must be conveyed to the District for water and sewer main construction and exclusive easements for other water and sewer system improvements must be conveyed to the District as required by the District. All water and sewer lines that are to become the property of the District are to be located off the public right-of-way and within these exclusive easements on private property. All exceptions are to be specifically approved by the Board of Directors or its delegatee. In all such cases where the Board of Directors or its delegatee approves water or sewer line construction within public rights-of-way, the developer shall obtain consent from the political entity having authority over such rights-of-way for such construction.

(b) The expenses of obtaining, preparing and recording easements needed for water and sewer system improvements for the development will be paid by the developer, including, but without limitation, the consideration paid to the landowner. In the event the District must exercise its power of eminent domain to acquire any such easement, the developer will pay all costs, expenses, appraisal fees, expert fees and damage awards for which the District becomes liable, on demand, including its attorney's fees.

(c) The easement grant must be on such terms and in such form and content as approved by the District.

(d) The developer is responsible for acquiring all such easements for both on-site and off-site water and sewer system improvement construction prior to the commencement of water and sewer system improvement construction.

9. Real Property Acquisition

In the event real property must be acquired for the installation of a water storage tank, a sewer treatment system, a pumping station or other water or sewer system improvement for the development, the expenses of obtaining, preparing and recording the real property will be paid by the developer, including, but without limitation, the consideration paid to the land owner. In the event the District must exercise its power of eminent domain to acquire any such real property, the developer will pay all costs, expenses, appraisal fees, expert fees and damage awards for which the District becomes liable, on demand, including its attorney's fees.

10. Meters

(a) The developer shall pay for all water meters in the development, and the District shall install all residential water meters. The developer or lot owner at their expense shall install commercial water meters, defined herein as any meter greater than ¾ inches.

(b) Each family residence or each duplex or other property shall be served with a separate water meter not smaller than ¾ inch in size, except where prior arrangements have been made with the District for apartment complexes, other types of multi-family dwellings, or businesses. In the event an existing water meter serves an apartment complex and/or other business property with units owned and/or occupied by more than one individual, firm, or corporation, the same shall be separated so as to have a meter for each ownership or occupant.

11. Permits

Before beginning construction, the developer or its contractor shall obtain all necessary permits as required by law. Such permits include, but are not limited to, those from State of California and county highway departments and any city in which the development is located.

12. Monthly Charges where Taps have been Installed

(a) After the date of the acceptance of the water and sewer system improvements for a development or for a phase or section of a development, the developer will immediately begin paying the District's monthly dry tap charge for water and/or sewer service or the District's monthly minimum bill for water and/or sewer service set forth in the District's Schedule for Rates and Charges for each EDU for all lots in the development or phase or section of the development until the lot has been sold and the new lot owner begins purchasing water and/or sewer service from the District or begins paying a monthly minimum bill for water and/or sewer service. This monthly dry tap charge or minimum bill shall be paid until more than 50% of the EDUs in the development or phase or section of the development begin purchasing water and/or

sewer service from the District or begin paying a monthly minimum bill for water and/or sewer service.

(b) The developer shall include in the restrictive covenants adopted for the development the obligation to pay the District's monthly dry tap charge or minimum bill for water and/or sewer service as set forth in this section and to create a lien in favor of the District against any individual lot or lots for default in the payment of such charges. The developer agrees to include in the restrictive covenants of the development a provision that allows the District to enforce the lien created by the nonpayment of the dry tap charges or minimum bills. The District shall have the opportunity to review the restrictive covenants and approve the language used in the restrictive covenants for the development before they are submitted to the appropriate Planning Commission, if applicable, for approval and before they are filed with the Franklin or Marion County Register of Deeds.

13. Resolution of Disputes

Any controversy or claim arising out of or relating to this Policy or the Water and Sewer Service Contract, or the breach thereof, shall be submitted to the Board of Directors, which may appoint a subcommittee of the Board to negotiate the controversy or claim. If the Board is unable to resolve the dispute by negotiation, the dispute shall be submitted to a mutually acceptable mediator. Mediation shall be required before either party may proceed to any other method of dispute resolution. Costs for mediation shall be shared equally between the parties. The decision of the mediator shall not be final or binding unless agreed to in writing by the parties. All mediation proceedings, results and documentation, shall be non-binding and inadmissible for any purpose in any legal proceeding (pursuant to California Evidence Code sections 1115 through 1128) unless such admission is otherwise agreed to in writing by both parties. If the parties are unable to resolve the dispute by mediation, the dispute shall next be submitted to arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. All water and sewer service contracts shall contain a dispute resolution clause which requires that any controversy or claim arising out of or relating to the Water and Sewer Service Contract, or the breach thereof, shall be settled using the process set forth in this Section 13.

RESOLUTION NO. 2012-10-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT REVISING THE SCHEDULE
OF REGULAR MEETINGS**

WHEREAS, on June 14, 1983, this Board of Directors adopted Ordinance No. 83-1 establishing the Administrative Code of the Borrego Water District (“Administrative Code”) pursuant to the specific and implied grants of authority in Division 13, commencing with Section 34000, of the Water Code of the State of California to serve in part as the Bylaws of the Borrego Water District as required by Section 35300 et seq. of the Water Code; and

WHEREAS, Section 4.1.1 of the Administrative Code as adopted by Ordinance No. 83-1 established a schedule of the regular meetings of the Board of Directors; and

WHEREAS, on February 28, 2007 the Board of Directors adopted Ordinance No. 07-1 amending Section 4.1.1 of the Administrative Code governing the date and time of regular meetings of the Board of Directors to read: “4.1.1 Regular Meetings. Regular meetings of the Board shall be held pursuant to such schedule as the Board may adopt by Resolution from time to time. In the event the regular meeting date falls on a holiday designated in Section 6700 of the Government Code, a regular meeting of the Board of the cancellation of a regular meeting or meetings may be made by a majority vote of the members of the Board at least fifteen (15) days prior to the change or cancellation. A determination to change or cancel a regular meeting must be made at a regular or special meeting of the Board;” and

WHEREAS, the Board of Directors adopted Resolution 2007-2-1 on February 28, 2007 setting its regular board meetings at 9:00 a.m. on the second and fourth Wednesday of each month.

WHEREAS, the Board of Directors Adopted Resolution 2008-9-03 on September 24, 2008 setting its regular board meetings at 9:15 a.m. on the fourth Wednesday of every month.

WHEREAS, the Board of Directors adopted Resolution 2009-09-03 on September 16, 2009 setting its regular meetings for the months of October, November and December 2009 on the third Wednesday of such months.

WHEREAS, the Board of Directors adopted Resolution 2011-02-01 on February 15, 2011 setting its regular meetings at 9:00 a.m. on the fourth Wednesday of the month.

WHEREAS, the Board of Directors adopted Resolution 2011-11-01 on October 26, 2011 setting its regular meetings on November 16th and December 14, 2011.

WHEREAS, pursuant to Ordinance 07-1, the Board of Directors desires to revise the schedule for its regular meetings.

NOW, THEREFORE, the Board of Directors of the Borrego Water District does hereby resolve, determine and order as follows:

Section 1. The Board of Directors of the Borrego Water District shall hold its regular meetings on November 14, 2012 and December 12, 2012.

ADOPTED, SIGNED AND APPROVED this 24th day of October, 2012.

President of the Board of Directors of Borrego Water District

ATTEST:

Secretary of the Board of Directors of Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a regular meeting held on the 24th day of October, 2012, and that it was so adopted by the following vote:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

Secretary of the Board of Directors of Borrego Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Marshal Brecht, Secretary of the Board of Directors of the Borrego Water District, do hereby certify that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2012-10-01, of said Board, and that the same has not been amended or repealed.

Dated:

Secretary of the Board of Directors of Borrego Water District



BORREGO WATER DISTRICT

September 2012

WATER OPERATIONS REPORT

<u>WELL</u>	<u>TYPE</u>	<u>FLOW RATE</u>	<u>STATUS</u>	<u>COMMENT</u>
ID1-1	Irrigation	150	Standby	Backup well for Rams Hill Golf Course
ID1-2	Irrigation	150	Standby	Backup well for Rams Hill Golf Course
ID1-8	Production	350	In Use	
ID1-10	Production	300	In Use	
ID1-12	Production	950	In Use	
ID1-16	Production	950	In Use	
Wilcox	Production	150	In Use	Diesel backup well for ID-4
ID4-4	Production	350	In Use	
ID4-10	Production	80	In Use	
ID4-11	Production	1000	In Use	Diesel engine drive exercised monthly
ID4-18	Production	250	In Use	
ID5-5	Production	900	In Use	Diesel engine drive exercised monthly

System Problems: ID4-WELL 11 has intermittent sand in to well casing. The cause is still under investigation.

WASTEWATER OPERATIONS REPORT

Rams Hill Water Reclamation Plant serving ID-1, ID-2 and ID-5 Total Cap. 0.25 MGD (million gallons per day):

Average flow: 60040 (gallons per day)
Peak flow: 73136 gpd Sunday September, 7th

All restaurant grease traps were clean.

System Problems: None.



BORREGO WATER DISTRICT

WATER PRODUCTION SUMMARY

September 2012

DATE	ID-1	ID-3	ID-4	ID-5	DISTRICT-WIDE TOTALS
Jan-11	39.57	8.20	73.97	5.16	126.90
Feb-11	74.20	9.32	109.79	8.68	201.99
Mar-11	58.59	7.84	93.55	8.57	168.55
Apr-11	109.04	11.86	111.39	16.08	248.37
May-11	107.04	13.94	137.00	21.15	279.13
Jun-11	70.10	14.25	123.58	17.21	225.14
Jul-11	70.47	15.98	136.64	17.81	240.90
Aug-11	56.10	16.67	165.82	22.17	260.76
Sep-11	39.01	15.88	131.35	14.81	201.05
Oct-11	34.11	13.61	143.26	20.58	211.56
Nov-11	30.48	11.67	130.27	11.60	184.02
Dec-11	14.63	11.22	83.50	3.12	112.47
Jan-12	14.14	9.99	93.09	3.60	120.82
Feb-12	15.96	9.75	99.64	4.60	129.95
Mar-12	17.01	9.36	87.22	4.73	118.32
Apr-12	13.47	10.86	101.43	6.86	132.62
May-12	20.98	13.34	131.79	8.31	174.42
Jun-12	31.57	13.84	133.24	5.36	184.01
Jul-12	33.18	14.27	135.30	6.36	189.11
Aug-12	42.43	17.76	157.68	6.35	224.22
Sep-12	27.60	12.72	117.15	3.14	160.61
Oct-12					
Nov-12					
Dec-12					
12 Mo. TOTAL	295.56	148.39	1413.57	84.61	1942.13

Totals reflect individual improvement district usage. Interties from ID-3 and ID-5 have been subtracted from well pumpage totals and applied to respective ID's. All figures in Acre Feet of water pumped or recorded on intertie meters.

WATER LOSS SUMMARY (%)

DATE	ID-1	ID-3	ID-4	ID-5	DISTRICT-WIDE AVERAGE
Sep-12	7.70	-4.17	2.45	N/A	1.99
12 Mo. Average	5.23	1.21	12.50	N/A	6.31

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 1
 Month of September 2012

----- Water Production (Acre Feet) -----								
Date	Well 1	Well 2	Well 8	Well 10	Well 12	Well 16	Total	LessID3&4
=====	=====	=====	=====	=====	=====	=====	=====	=====
SEP'11	0.00	0.00	0.00	0.00	38.01	16.88	54.89	39.01
OCT'11	0.00	0.00	0.00	4.52	33.18	10.02	47.72	34.11
NOV'11	0.00	0.00	0.00	11.98	30.17	0.00	42.15	30.48
DEC'11	0.00	0.00	0.00	11.21	14.27	0.37	25.85	14.63
JAN'12	0.00	0.00	0.00	10.81	13.22	0.10	24.13	14.14
FEB'12	0.00	0.00	0.00	10.06	15.31	0.34	25.71	15.96
MAR'12	0.00	0.00	0.00	9.63	15.90	0.84	26.37	17.01
APR'12	0.00	0.00	3.62	10.87	9.73	0.11	24.33	13.47
MAY'12	0.00	0.00	0.13	14.08	20.06	0.05	34.32	20.98
JUN'12	0.00	0.00	2.87	14.49	28.02	0.03	45.41	31.57
JUL'12	0.00	0.00	6.08	11.61	26.17	3.59	47.45	33.18
AUG'12	0.00	0.00	18.07	10.85	24.02	7.25	60.19	42.43
SEP'12	0.00	0.00	3.42	13.39	23.42	0.09	40.32	27.60
TOTALS	0.00	0.00	34.19	133.50	253.47	22.79	443.95	295.56
=====	=====	=====	=====	=====	=====	=====	=====	=====

----- Water Use (Acre Feet) -----									
Date	Domestic	Irrigat'n	Constrt'n	Golf Course	ID 3	ID 4	Total	Water Loss	% Loss
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SEP'11	12.93	22.49	0.00	0.00	15.88	0.00	51.30	3.59	6.54%
OCT'11	10.56	21.97	0.00	0.00	13.61	0.00	46.14	1.58	3.28%
NOV'11	10.61	17.13	0.00	0.00	11.67	0.00	39.41	2.74	6.52%
DEC'11	8.88	4.81	0.00	0.00	11.22	0.00	24.91	0.94	3.59%
JAN'12	7.35	4.79	0.00	0.00	9.99	0.00	22.13	2.00	8.36%
FEB'12	6.74	6.61	0.00	0.00	9.75	0.00	23.10	2.61	10.15%
MAR'12	7.61	7.03	0.00	0.00	9.36	0.00	24.00	2.37	8.98%
APR'12	8.22	5.28	0.00	0.00	10.86	0.00	24.36	-.03	-.11%
MAY'12	9.39	9.97	0.00	0.00	13.34	0.00	32.70	1.62	4.70%
JUN'12	10.58	17.56	0.00	0.00	13.84	0.00	41.98	3.43	7.58%
JUL'12	10.79	21.21	0.00	0.00	14.27	0.00	46.27	1.18	2.47%
AUG'12	13.63	27.13	0.00	0.00	17.76	0.00	58.52	1.67	2.77%
SEP'12	10.87	13.61	0.00	0.00	12.72	0.00	37.20	3.12	7.70%
TOTALS	115.23	157.10	0.00	0.00	148.39	0.00	420.72	23.23	5.23%
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BORRGO WATER DISTRICT
Water Production / Use Records
ID # 3
Month of September 2012

Date	La Casa del Zorro Total Acre Feet		Deep Well Trail / Others Acre Feet			Total Irrigat'n	Total Domestic	Total Acre Feet
	Irrigat'n	Domestic	Irrigat'n	Domestic	Total			
SEP'11	0.00	0.69	1.44	13.48	14.92	1.44	14.17	15.61
OCT'11	0.00	0.72	1.35	11.36	12.71	1.35	12.08	13.43
NOV'11	0.00	0.67	1.09	9.17	10.26	1.09	9.84	10.93
DEC'11	0.00	0.68	0.69	10.51	11.20	0.69	11.19	11.88
JAN'12	0.00	0.65	0.78	8.55	9.33	0.78	9.20	9.98
FEB'12	0.00	0.64	1.65	7.94	9.59	1.65	8.58	10.23
MAR'12	0.00	0.65	- .20	9.08	8.88	- .20	9.73	9.53
APR'12	0.00	0.64	0.46	8.81	9.27	0.46	9.45	9.91
MAY'12	0.00	0.62	0.59	12.08	12.67	0.59	12.70	13.29
JUN'12	0.00	0.70	1.21	11.67	12.88	1.21	12.37	13.58
JUL'12	0.00	0.63	0.90	12.47	13.37	0.90	13.10	14.00
AUG'12	0.00	0.55	0.86	15.17	16.03	0.86	15.72	16.58
SEP'12	0.00	0.18	0.83	12.24	13.07	0.83	12.42	13.25
TOTALS	0.00	7.33	10.21	129.05	139.26	10.21	136.38	146.59

Date	Water Produced Acre Feet	Water Delivered Acre Feet	Wtr Loss	% Loss
SEP'11	15.88	15.61	0.27	1.70%
OCT'11	13.61	13.43	0.18	1.32%
NOV'11	11.67	10.93	0.74	6.34%
DEC'11	11.22	11.88	- .66	-5.88%
JAN'12	9.99	9.98	0.01	0.10%
FEB'12	9.75	10.23	- .48	-4.92%
MAR'12	9.36	9.53	- .17	-1.82%
APR'12	10.86	9.91	0.95	8.75%
MAY'12	13.34	13.29	0.05	0.37%
JUN'12	13.84	13.58	0.26	1.88%
JUL'12	14.27	14.00	0.27	1.89%
AUG'12	17.76	16.58	1.18	6.64%
SEP'12	12.72	13.25	- .53	-4.17%
TOTALS	148.39	146.59	1.80	1.21%

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 4
 Month of September 2012

----- Water Production (Acre Feet) -----											
Date	Well 2	Well 3	Well 4	Well 5	Well 10	Well 11	Well 18	Wilcox	Well 85	Total	Less ID5
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SEP'11	0.00	0.00	50.27	23.27	9.38	58.06	4.92	0.26	0.00	146.16	131.35
OCT'11	0.00	0.00	55.29	25.88	10.53	67.11	5.03	0.00	0.00	163.84	143.26
NOV'11	0.00	0.00	40.36	16.18	11.47	69.54	4.30	0.02	0.00	141.87	130.27
DEC'11	0.00	0.00	12.46	5.25	9.83	56.02	3.06	0.00	0.00	86.62	83.50
JAN'12	0.00	0.00	5.30	5.59	10.57	71.03	4.20	0.00	0.00	96.69	93.09
FEB'12	0.00	0.00	17.01	6.63	11.49	65.00	4.01	0.10	0.00	104.24	99.64
MAR'12	0.00	0.00	46.33	6.57	9.54	26.24	3.27	0.00	0.00	91.95	87.22
APR'12	0.00	0.00	53.20	10.21	10.05	31.54	3.29	0.00	0.00	108.29	101.43
MAY'12	0.00	0.00	59.32	57.53	11.01	1.79	10.45	0.00	0.00	140.10	131.79
JUN'12	0.00	0.00	51.41	44.43	9.67	24.96	8.13	0.00	0.00	138.60	133.24
JUL'12	0.00	0.00	50.47	17.73	8.96	59.32	5.18	0.00	0.00	141.66	135.30
AUG'12	0.00	0.00	56.62	16.64	10.48	75.26	5.03	0.00	0.00	164.03	157.68
SEP'12	0.00	0.00	49.77	22.79	8.64	32.32	6.77	0.00	0.00	120.29	117.15
TOTALS	0.00	0.00	497.54	235.43	122.24	580.13	62.72	0.12	0.00	1498.18	1413.57
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Date	Water Produced Acre Feet	Water Use Acre Feet	Wtr Loss	% Loss	ID 5 Acre Feet
=====	=====	=====	=====	=====	=====
SEP'11	146.16	131.85	14.31	9.79%	14.81
OCT'11	163.84	146.78	17.06	10.41%	20.58
NOV'11	141.87	121.13	20.74	14.62%	11.60
DEC'11	86.62	75.33	11.29	13.03%	3.12
JAN'12	96.69	80.34	16.35	16.91%	3.60
FEB'12	104.24	88.08	16.16	15.50%	4.60
MAR'12	91.95	78.91	13.04	14.18%	4.73
APR'12	108.29	92.49	15.80	14.59%	6.86
MAY'12	140.10	123.13	16.97	12.11%	8.31
JUN'12	138.60	121.98	16.62	11.99%	5.36
JUL'12	141.66	126.38	15.28	10.79%	6.36
AUG'12	164.03	139.07	24.96	15.22%	6.35
SEP'12	120.29	117.34	2.95	2.45%	3.14
TOTALS	1498.18	1310.96	187.22	12.50%	84.61
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