

Helix Water District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011



7811 University Avenue
La Mesa, California 91942

Helix Water District
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

Prepared by the Administrative Services Department

7811 University Avenue
La Mesa, California 91942

**Helix Water District
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011**

I.	Introductory Section	
	Directory of Officials	i
	Organization Chart	ii
	Letter of Transmittal	iii-vii
	Certificate of Achievement for Excellence in Financial Reporting	viii
II.	Financial Section	
	Independent Auditor's Report	1
	Management's Discussion & Analysis	2-7
	Basic Financial Statements	
	Statement of Net Assets	8-9
	Statement of Revenues, Expenses, and Changes in Net Assets	10
	Statements of Cash Flows	11-12
	Notes to Financial Statements	13-26
III.	Statistical Section	
	Net Assets – Last Ten Fiscal Years	27
	Changes in Net Assets – Last Ten Fiscal Years	28-29
	Water Sold by Type of Customer – Last Ten Fiscal Years	30
	District Water Rates – Last Ten Fiscal Years	31
	District Funds – Last Ten Fiscal Years	32
	Ten Largest Water Customers – Current and Five Years Prior	33
	Ratios of Outstanding Debt – Last Ten Fiscal Years	34
	Debt Coverage Ratio – Last Ten Fiscal Years	35
	Economic Statistics – Last Ten Fiscal Years	36
	Local Area Employment Profile for 2000 and 1990	37
	Operational Information: Employees – Last Ten Fiscal Years	38
	Active Meters by Size – Last Ten Fiscal Years	39
	Operational Information: Assets – Last Ten Fiscal Years	40
	Capital Assets – Last Ten Fiscal Years	41

Introductory Section

Helix Water District

Board of Directors (as of date of report)

DeAna R. Verbeke - President
John B. Linden - Vice President
Kathleen Coates Hedberg
Charles W. Muse
Richard K. Smith

Management

Mark S. Weston - General Manager
Mark D. Umphres - Director of Water Quality/System Operations
Tristan D. Hayman - Director of Field Operations/Distribution
Carlos V. Lugo - Director of Engineering
Lisa L. Irvine - Director of Administrative Services

Legal Counsel

Scott C. Smith – Best Best & Krieger LLP

Additional information can be found at
www.hwd.com

Helix Water District

As of 6/30/11

Board of Directors

General Manager
MARK WESTON

Director of
Water Quality/System Operations
MARK UMPHRES

Director of
Field Operations & Distribution
TRISTAN HAYMAN

Director of
Engineering
CARLOS LUGO

Director of
Administrative Services
LISA IRVINE

Treatment Plant Operation
Treatment Plant Maintenance
Cross-Connection Control
Instrumentation/SCADA
Water Quality Laboratories
Water Quality Customer Service
Hazardous Materials Response
System Operations/Water Ordering
Lake Jennings Recreation
Lake Jennings Campground
Maintenance of Dams/Reservoirs
Instrumentation/Electrical
Pump Maintenance
Communications
Energy Resources

Distribution System Maintenance
Street Improvement Coordination
Vehicle/Equipment Maint & Purchasing
Operations Center Building Maint
Inventory Warehousing & Storage
Meter/Lateral Maintenance
Emergency Services
Valve Maintenance & Operations
Landscape Program
Asphalt/Concrete Program
Specialized Crafts
Meter Repairing & Testing
Dispatch
Safety/Risk Management

Planning & Water Records
Private Development Projects
Capital Improvement
Environmental Studies
Plan Checking
Right of Way/Leases
Mapping
District Project Design
Contracts Administration
Survey
Inspection
Cathodic Protection
Construction Management
Underground Facilities Location

Information Services
Accounting/Payroll
Human Resources
Employee Benefits
Board Secretary
Secretarial Services
Education Programs
Media Relations
Legislation
Water Conservation
Special Events/Tours
Customer Service
GIS
Meter Reading
Admin Office Building Maintenance



Helix Water District

7811 University Avenue
La Mesa, CA 91942-0427

(619) 466-0585

FAX (619) 466-1823

www.hwd.com

Setting standards of excellence in public service

December 14, 2011

Board of Directors
Helix Water District
La Mesa, California

The Comprehensive Annual Financial Report (CAFR) of the Helix Water District (District) is submitted herewith. This report has been prepared in conformity with the reporting and accounting standards promulgated by the Governmental Accounting Standards Board and the Financial Accounting Standards Board and with the accounting and reporting standards for enterprise funds set out by the Government Finance Officers Association of the United States and Canada. The information in the report is believed by District management to be sufficient to fully represent the financial result of the District's operations for the fiscal year ended June 30, 2011, and to provide an accurate and useful picture of the District's status as of that date. All information included is the responsibility of the management of the District with respect to accuracy, completeness, and fairness. The Financial Section of this report includes the Management's Discussion and Analysis which provides information useful in understanding the District's financial statements.

The District maintains an internal control structure designed to ensure that assets of the District are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that the assets of the District will be safeguarded against loss from unauthorized use or disposition, and to ensure the reliability of financial records, accurate preparation of financial statements, and maintenance of accountability for assets.

The Organization

Helix Water District is a progressive industry leader, providing high-quality water, through an efficient and reliable system. The District's innovative and dedicated employees and Board Members maximize human and technological resources, providing superior service to its customers.

**Elected Board
of Directors:**

DeAna R. Verbeke
President

John B. Linden
Vice President
Kathleen Coates Hedberg
Charles W. Muse
Richard K. Smith

Staff:

Mark S. Weston
General Manager

Donna Bartlett-May
Board Secretary

Legal Counsel:

Scott C. Smith

The District covers an area of nearly 50 square miles, serving a population of approximately 268,000 within the cities of La Mesa, El Cajon, Lemon Grove, and parts of Spring Valley, Lakeside, Santee, and unincorporated San Diego County. The District's history dates back to 1885 when the San Diego Flume Company built Cuyamaca Dam, a diverting dam on the San Diego River, and thirty-three miles of wooden flume to bring water to the people of San Diego County. Subsequently, the Flume Company was sold to the Cuyamaca Water Company. In 1913, the La Mesa, Lemon Grove, and Spring Valley Irrigation District was organized. In 1926, the District purchased the Cuyamaca Water Company and became a publicly owned water agency operating today under the name Helix Water District.

The Operations

The District operates as a public agency under Irrigation District Laws of the State of California and is governed by a Board of five Directors elected to four-year terms by registered voters in the divisions in which they live. The District is managed by a General Manager directing four major departments: Water Quality and System Operations, Field Operations and Distribution, Engineering, and Administrative Services.

The District adopts a one-year budget annually. Each spring, District staff from all departments prepares a preliminary budget, which is presented to the Board of Directors for approval before the beginning of the fiscal year. On a monthly basis, the Board reviews a summary of the annual budget with the actual year-to-date revenues and expenditures. The District's primary operating revenue source is from the sale of water, which is expected to generate \$62.3 million during the current fiscal year.

The District remains in excellent financial health. The 2011/2012 Amended Budget of \$67.4 million includes an Operating Budget of \$58.4 million and a Capital Budget of \$9.0 million. The District prepares five-year projections of expenditures and revenues to ensure financial strength and adequate resources to operate and maintain the District. The District's reserves are adequate for the next five years with necessary rate increases anticipated to ensure the long-term financial health of the District with the current environment of escalating wholesale water costs. The Management's Discussion and Analysis in the following section will provide more details of the District's finances for the fiscal year ended June 30, 2011.

Future Outlook

Regional and statewide water supply issues threaten the long-term water supply reliability for the District. As a result, the District has some challenging times ahead due to the rising cost of the wholesale water purchased on behalf of its customers. Rapidly rising wholesale water costs drive up retail water costs and the District's customers are expressing concern over the District's water rate increases. Over the past four years, the District's cost to purchase wholesale water has increased 76 percent while the water retail rate has increased 43 percent. Unfortunately, based on projections provided by the San Diego County Water Authority (SDCWA), wholesale water costs are projected to continue to increase, resulting in additional water rate increases to its customers. To reduce the impact from rising wholesale water costs, the District has implemented a variety of cost-cutting measures within its operating budgets to minimize the retail water rate increases.

The District's customers have continued to respond positively to requests to conserve water. As the District's customers conserve water, revenues decline, which then reduces the financial resources available to support District operations and maintenance. Many of the District's costs are fixed, such as debt service on bonds, maintenance, system operations, labor, benefits, and administrative costs. Although the District's customers conserve water, these costs do not decrease. All of these costs must be recovered in the rates. The District has reduced staff by 11 percent to cut costs, but staff levels are approaching minimal levels required for operations and maintenance and achieving appropriate customer service. Little opportunity exists for further staff reductions, without affecting customer service or infrastructure maintenance.

In spring 2011, the District redesigned its Capital Improvement Program, modifying the approach, reprioritizing replacement programs and developing a more rational replacement schedule for the entire infrastructure. This effort produced the 2020 Capital Improvement Plan (2020 plan). The 2020 plan ensures the District continues to cost-effectively maintain the District's \$1.5 billion of infrastructure. The following highlight some of the improvement programs in the 2020 plan.

Computer Systems – The District has used the same financial and customer service computer system for more than 33 years. The program that supports these applications will not be readily supportable in the near future. The District will be planning to replace the current system with one that can be maintained and supported in the future. This will allow the District to continue to manage its finances as well as effectively manage customer accounts.

Water Treatment Plant – The R.M. Levy Water Treatment Plant was originally constructed in 1965. Most of the structures and many of the original mechanical systems are still in use today. The last major renovation of the treatment plant was completed approximately 11 years ago. In the next five to ten years, given the continuous and heavy-duty operation of the equipment, staff expects to see the need for replacement or upgrade of the equipment added in the last renovation. This past year, the District staff developed a replacement plan based on the remaining expected life of a number of key systems and equipment. The annual cost is estimated to be \$400,000.

Transmission and Distribution Pipelines – The District's transmission and distribution system comprises more than 717 miles of pipelines that distribute potable water to more than 55,600 service connections. Regulations governing the water industry have changed significantly during recent decades and have subsequently required changes to the transmission and distribution system infrastructure. Associated with the infrastructure are numerous appurtenances that, when installed, were state of the art but are now obsolete or are unable to effectively serve the designed purpose.

The District's distribution system pipelines range from 4 inches to 84 inches in diameter and consist of different types of materials – cast iron, steel, concrete, and PVC. Cast iron was the material of choice from 1920 through the mid-1950s. In the latter part of the 1960s, other less corrosive materials began to be used. Since then, the District has systematically replaced cast iron. At one point, the District had approximately 185 miles of cast iron

pipelines. As of February 2011, a little more than 43 miles remained. The District is replacing the remaining cast iron in the system and should be finished within 15 years.

Small Valves – The Small Valve Replacement Program was initiated in 2007 and is designed to identify and replace the 16,000-plus small isolation valves (4-inch to 14-inch) within the distribution system that leak, are unsafe to operate, are inoperable, or have exceeded their useful life. Valves installed in the District within the last decade are required to meet stringent specifications. While the expectation is that modern day valves will last longer than those installed several decades ago, the District still assumes that the useful life of a valve is approximately 50 to 60 years.

Large Valves – A sister to the Small Valve Replacement Program is the Large Valve Replacement Program. This program addresses all 16-inch and larger valves within the distribution system, which has 406 large valves up to 84 inches in diameter. The goal under this program is to replace all of these valves within the next 50 years and set a life cycle of 50 years.

Service Laterals – Copper is the preferred material for all service laterals two-inches and smaller and accounts for approximately 98 percent of all service laterals in the distribution system today. The remaining two percent of service laterals are plastic and were installed predominantly in conjunction with private development projects during the 1960's and 1970's. Since the mid-1980's, plastic laterals have contributed significantly to the District's emergency leak count, as they are prone to catastrophic failure. Plastic laterals are replaced with copper as they fail; however, in 2007, the District began budgeting funds to proactively replace plastic laterals. There are more than 1,000 plastic laterals that need to be replaced.

Emergency Interagency Interconnects – The emergency interagency interconnects are installed between two water agencies to connect distribution systems at the boundary of the water agencies. These interconnections can be used during critical shutdown periods for construction or inspection of facilities. These interconnects are designed to operate with flow in both directions at similar pressures, benefitting both agencies, or in one direction, benefitting a single agency. The District maintains 13 emergency interconnects, and has identified six more that should be implemented in future years.

Main Transmission Line Inspection – The Main Transmission Line Inspection Program is unique. The District visually inspects the interior condition of all pipelines 30 inches in diameter and larger. Minor repairs are implemented immediately during the inspection while more significant repairs are scheduled for a later date. Over the past decade, the District has inspected main transmission lines at a rate of approximately four miles per year. The first 10-year cycle has effectively been completed.

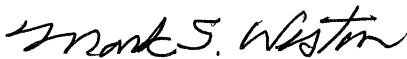
The Board of Directors and staff are committed to the long-term maintenance of the District. The 2020 plan will increase reinvestment in the District. This updated plan better focuses the financial resources of the District to provide timely and cost-effective replacements. This strategy is the right way to manage the public's investments and ensures customers receive the highest quality water at the lowest possible price without ignoring the District's maintenance and replacement responsibilities.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Helix Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

We would like to thank the Board of Directors for their continued support in achieving excellence in financial management. We would also like to thank all the departments of the District for their efforts in preparation of this report.



Mark S. Weston
General Manager



Lisa L. Irvine
Director of Administrative Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Helix Water District California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director



CARLSBAD | ESCONDIDO | PORTLAND

CARLSBAD 5946 Priestly Dr., Ste. 200, Carlsbad, CA 92008-8848
phone 760.431.8440 fax 760.431.9052

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Helix Water District
La Mesa, California

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Helix Water District as of June 30, 2011 and 2010, and the respective 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 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 on pages 2 through 7 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.

AKT LLP

Carlsbad, California
September 21, 2011

HELIX WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Our discussion and analysis of the Helix Water District's (the District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2011. Please read this analysis in conjunction with the District's basic financial statements and notes to the basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements.

Overview of the Basic Financial Statements

The District operates under California Irrigation District Law as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Assets*
- *Statement of Revenues, Expenses, and Changes in Net Assets*
- *Statement of Cash Flows*
- *Notes to the Basic Financial Statements*

The *Statement of Net Assets* includes all of the District's assets and liabilities, with the difference between the two reported as net assets. Net assets are displayed in three categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The *Statement of Net Assets* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information which shows how the District's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The *Statement of Revenues, Expenses, and Changes in Net Assets* measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees, and other charges.

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses, and Changes in Net Assets* in that it accounts only for transactions that result in cash receipts and cash disbursements. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income.

The *Notes to the Basic Financial Statements* provides a description of the accounting policies used to prepare the financial statements and presents material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

**HELIX WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Financial Highlights

During the year ended June 30, 2011, the District is showing an income before contributions of \$10.2 million, which is \$5.2 million higher than the prior year's income before contributions. The increase in income before contributions is primarily the result of the increase in local water runoff and the value it provides to the District.

Due to the wet winter in fiscal year 2010-11, the District benefited from another year of above average local water runoff. The District collected 14,624 acre-feet of local water runoff, which is 3,325 acre-feet more than the previous fiscal year. The District records the value of local water runoff received during the year at replacement cost. The value of the net local water runoff reduces the cost of water purchases.

Financial Analysis of the District

Net Assets – The District's net assets grew between fiscal years 2009-10 and 2010-11, increasing from \$237.5 million to \$253.6 million, respectively. The change can be seen in the condensed *Statements of Net Assets* below as a \$16.1 million increase in net assets.

The increase in Net Assets is largely attributed to the \$11.5 million increase in the amount of unrestricted net assets, from \$34.0 million in fiscal year 2009-10 to \$45.5 million in fiscal year 2010-11. The Invested in Capital Assets, Net of Related Debt increased by \$4.6 million due to the addition of District water system replacement projects added to Capital Assets. The Net Assets also increased due to Contributions by Customers, Developers and Public Agencies. The District constructs pipeline projects that are funded by outside sources. Once the construction projects are complete, the resulting assets are considered contributed to the District. Contributions to capital projects of \$5.9 million were received in fiscal year 2010-11.

The District's Liabilities decreased by \$5.7 million. In fiscal year 2010-11, the District established an irrevocable trust fund to pre-fund the Other Post-Employment Benefits (OPEB). The decrease in Liabilities is mainly due to the transferring of \$2.7 million to the trust. For more detailed information on OPEB refer to Note 16 to the Basic Financial Statements following this analysis. Also, the decrease in Debt Outstanding is due to the annual payment of \$1.2 million on the 2009 Water Revenue Bonds

**Helix Water District
Condensed Statements of Net Assets
(In Millions of Dollars)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current & Other Assets	\$ 55.6	\$ 48.5	\$ 45.3
Capital Assets	225.6	222.3	219.2
Total Assets	<u>281.2</u>	<u>270.8</u>	<u>264.5</u>
Other Liabilities	8.2	12.6	11.9
Debt Outstanding	19.4	20.7	22.3
Total Liabilities	<u>27.6</u>	<u>33.3</u>	<u>34.2</u>
Invested in Capital Assets			
Net of Related Debt	206.2	201.6	196.9
Restricted	1.9	1.9	2.6
Unrestricted	45.5	34.0	30.8
Total Net Assets	<u>\$ 253.6</u>	<u>\$ 237.5</u>	<u>\$ 230.3</u>

**HELIX WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Changes in Net Assets – The District's net assets increased by \$16.1 million largely due to lower than expected water purchase cost due to the availability of local water runoff received from the winter rains. The District's water purchases from San Diego County Water Authority (SDCWA) represent the largest single expense for the District. Total water demands for the year ended June 30, 2011 decreased by 4% to 31,812 acre-feet. The use of local water runoff collected offsets the cost of water purchases by reducing expenditures and in turn increases the Net Assets. The volume of local water received by the District during fiscal year 2010-11 was 14,624 acre-feet, an increase of 3,325 or 29% from fiscal year 2009-10 of 11,299 acre-feet.

The second major factor in the increase in net assets is an increase in Contributions by Customers, Developers and Public Agencies for Capital Projects. The increase in net assets can be seen in the table below, which summarizes the Statements of Revenues, Expenses, and Changes in Net Assets.

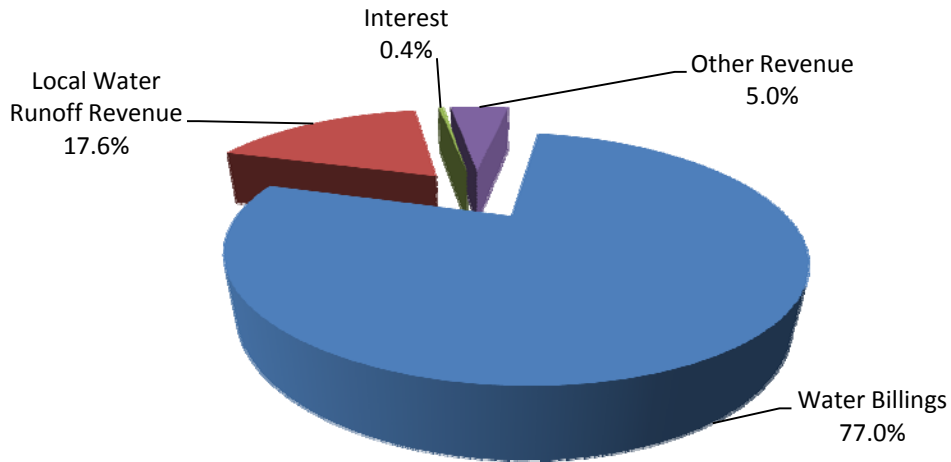
**Helix Water District
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In Millions of Dollars)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues			
Water	\$ 59.1	\$ 55.4	\$ 52.4
Local Water Runoff	13.5	8.6	3.3
Other	0.6	0.6	0.6
Non-operating Revenues			
Interest	0.3	0.3	0.6
Other	3.3	3.5	3.1
Total Revenues	<u>76.8</u>	<u>68.4</u>	<u>60.0</u>
Operating Expenses	65.4	61.6	60.6
Non-operating Expenses	1.2	1.8	1.7
Total Expenses	<u>66.6</u>	<u>63.4</u>	<u>62.3</u>
Income (Loss) Before Contributions	10.2	5.0	(2.3)
Contributions by Customers, Developers and Agencies	5.9	2.2	1.3
Changes in Net Assets	<u>\$ 16.1</u>	<u>\$ 7.2</u>	<u>\$ (1.0)</u>

**HELIX WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

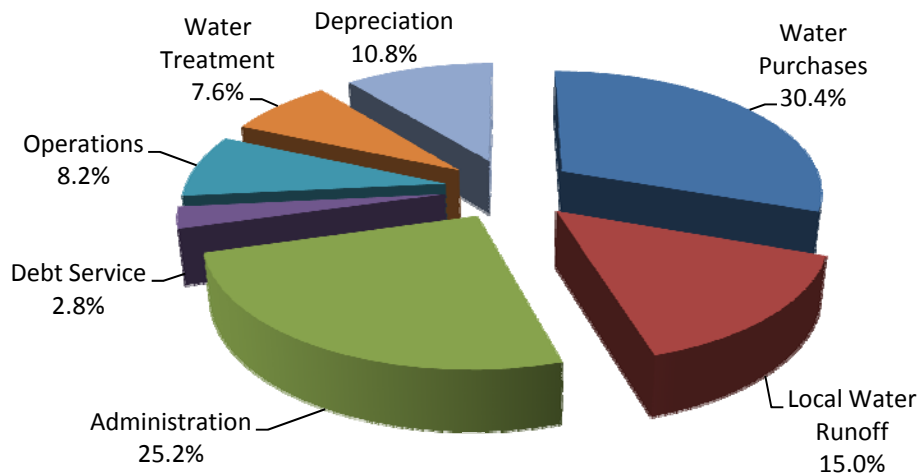
The District's revenue from water sales increased from \$55.4 million in fiscal year 2009-10 to \$59.1 million in fiscal year 2010-11. This is attributed to the District's increased retail water rates. The amount of collected local water runoff, which is recorded as revenue, increased to \$13.5 million in fiscal year 2010-11 from \$8.6 million in fiscal year 2009-10 and is above the historical average due to the continued higher than expected winter rains.

FY 2010-11 Revenues \$76,808,543



The cost-per-acre foot of water increased by 31.5% during fiscal year 2010-11. Overall, Water Purchases expense decreased by \$2.9 million or 12.6% to \$20.2 million in fiscal year 2010-11. Total volume of water purchases decreased due mainly to the above average local water runoff collected. Administrative and depreciation expenses decreased by \$0.6 million and maintenance expenses increased by \$0.3 million. During fiscal year 2010-11, total expenses increased by \$3.2 million or 5.1% to \$66.6 million.

FY 2010-11 Expenses \$66,582,475



**HELIX WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Capital Assets

As of June 30, 2011, the District had \$225.7 million in capital assets net of \$116.1 million of accumulated depreciation. This represents a net increase in capital assets of \$3.4 million over the prior year. The greatest increase in capital assets was the addition and replacement of the District's pipelines. The District recorded replacement of 26,764 feet of pipeline and an addition of 7,968 feet of new pipeline to capital assets for the year ending June 30, 2011. For more detailed information on capital assets please see Note 6 to the Basic Financial Statements following this analysis.

**Helix Water District
Capital Assets
(In Millions of Dollars)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 5.1	\$ 5.1	\$ 5.1
Reservoirs and Pipelines	294.1	286.0	278.1
Autos and Trucks	3.2	3.1	3.3
Building and Equipment	32.8	31.5	31.1
Construction in Progress	6.6	5.8	4.3
Total Capital Assets	<u>341.8</u>	<u>331.5</u>	<u>321.9</u>
Less: Accumulated Depreciation	<u>(116.1)</u>	<u>(109.2)</u>	<u>(102.7)</u>
Total Capital Assets Net of Depreciation	<u>\$ 225.7</u>	<u>\$ 222.3</u>	<u>\$ 219.2</u>

Debt Administration

On October 20, 2009, the District retired the 1999 Certificates of Participation with outstanding principle of \$22.3 million by issuing \$21.4 million in 2009 Water Revenue Bonds. The refinancing of the 1999 Certificates of Participation reduced the District's annual debt payment by 18%. No additional debt was issued during the year and the District has no immediate need to issue additional debt.

At June 30, 2011, the District had \$19.4 million in 2009 Water Revenue Bonds outstanding, including \$0.5 million of the deferred refunding balance. The District's financial activities have led to a debt coverage ratio of 8.38 for fiscal year 2010-11, exceeding the 1.20 debt coverage ratio required by the District's 2009 Water Revenue bond covenant. Standard & Poor's issued a rating of AA and Fitch Ratings issued a rating of AA+ for the 2009 Water Revenue Bonds with a stable rating outlook. More detailed information about the District's long-term debt is presented in Note 7 to the Basic Financial Statements.

**HELIX WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Economic Factors

The District experienced another year of above average rainfall after multiple years of drought conditions and the expectation of limited water supplies. In May 2011, the District's Board of Directors rescinded Drought Response Level 2 water conditions, eliminating mandatory watering restrictions for the District's residents. Through conservation, the District's customers have reduced the District's water use by over 14 percent since July 1, 2009, when Drought Response Level 2 restrictions were instituted. Although the water restrictions have been lifted, the District's customers have continued their water conservation practices, resulting in decreased water sales. In fiscal year 2010-11, the District produced 31,812 acre-feet of water for customer consumption, which is a decrease of 1,400 acre-feet from the prior year. A single-family residential customer with average consumption will see a water rate increase for fiscal year 2011-12 of 5.9%.

Local water runoff collection increased by 3,325 acre-feet in the fiscal year ending June 30, 2011. In fiscal year 2010-11, the District recorded local water runoff at 14,624 acre-feet, which is above the District's 30 year average of 8,043 acre-feet.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Helix Water District's Administrative Services Department at 7811 University Avenue, La Mesa, California, 91942 or (619) 466-0585.

**HELIX WATER DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 5)	\$ 18,993,831	\$ 13,994,766
Water Receivables		
Billed	2,726,346	2,435,423
Unbilled (Note 2G)	5,741,099	5,266,756
Other Receivables	223,209	232,816
Water Inventory (Note 2E)	20,834,311	17,286,960
Supplies Inventory and Prepaid Expenses	1,065,649	1,103,531
TOTAL CURRENT ASSETS	49,584,445	40,320,252
NON-CURRENT ASSETS		
Restricted:		
Cash and Cash Equivalents (Note 5)	1,906,419	1,924,537
Investments (Note 5 and Note 2D)	4,076,940	6,225,844
Capital assets (Note 6):		
Land	5,067,807	5,067,807
Reservoirs and Pipelines	294,064,280	286,009,421
Automobiles and Trucks	3,219,587	3,140,592
Buildings and Equipment	32,790,026	31,467,881
Less: Accumulated Depreciation	(116,110,235)	(109,206,319)
Construction in Progress	6,622,047	5,818,231
TOTAL NON-CURRENT ASSETS	231,636,871	230,447,994
TOTAL ASSETS \$	281,221,316	\$ 270,768,246

The notes to the basic financial statements are an integral part of these statements.

**HELIX WATER DISTRICT
STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2011 AND 2010**

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,271,940	\$ 5,978,843
Accrued Expenses	896,417	3,507,008
Compensated Absences (Note 2F)	313,223	324,838
Current Portion of Bonds Payable (Note 7)	1,220,000	1,200,000
TOTAL CURRENT LIABILITIES	6,701,580	11,010,689
NON-CURRENT LIABILITIES		
Compensated Absences (Note 2F)	2,671,156	2,759,627
Bonds Payable After One Year (Note 7)	18,223,252	19,480,041
TOTAL NON-CURRENT LIABILITIES	20,894,408	22,239,668
TOTAL LIABILITIES	27,595,988	33,250,357
NET ASSETS		
Invested in Capital Assets, Net of Related Debt (Note 7)	206,210,260	201,617,572
Restricted: Debt Service (Note 7)	1,906,419	1,924,537
Unrestricted	45,508,649	33,975,780
TOTAL NET ASSETS	253,625,328	237,517,889
TOTAL LIABILITIES AND NET ASSETS \$	281,221,316	\$ 270,768,246

The notes to the basic financial statements are an integral part of these statements.

HELIX WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Water Sales	\$ 59,097,316	\$ 55,382,131
Local Water Runoff (Note 8)	13,527,135	8,598,547
Other	594,091	563,412
TOTAL OPERATING REVENUES	73,218,542	64,544,090
OPERATING EXPENSES		
Water Purchases	20,213,169	23,134,309
Local Water Runoff (Note 8)	9,979,784	3,010,359
Administrative and General	16,580,618	17,544,621
Depreciation (Note 2C)	7,213,870	6,810,218
Transmission and Distribution	3,313,074	3,158,553
Water Treatment	2,743,809	2,501,995
Pumping	2,333,039	2,105,453
Operations Center	2,153,565	2,143,819
Customer Service	871,364	1,188,681
TOTAL OPERATING EXPENSES	65,402,292	61,598,008
OPERATING INCOME	7,816,250	2,946,082
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	328,082	318,348
Other Income	3,261,919	3,558,924
Interest Expense	(663,651)	(1,256,390)
Other Expense	(516,532)	(504,723)
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,409,818	2,116,159
INCOME BEFORE CONTRIBUTIONS	10,226,068	5,062,241
CONTRIBUTIONS BY CUSTOMERS, DEVELOPERS AND PUBLIC AGENCIES	5,881,371	2,165,758
INCREASE IN NET ASSETS	16,107,439	7,227,999
NET ASSETS- Beginning	237,517,889	230,289,890
NET ASSETS- Ending	\$ 253,625,328	\$ 237,517,889

The notes to the basic financial statements are an integral part of these statements.

**HELIX WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 58,332,050	\$ 54,659,034
Payments from Others	4,151,049	6,272,102
Payments to Suppliers and Vendors	(43,512,890)	(44,044,820)
Payments to Employees	(12,609,733)	(12,645,754)
Non-Operating Revenue	3,261,919	3,558,924
Non-Operating Expense	(516,532)	(504,723)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,105,863	7,294,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and Construction of Capital Assets	(9,572,697)	(9,142,036)
Principal Payments on Bonds	(1,236,789)	(1,619,959)
Interest Paid	(663,651)	(1,256,390)
Cash Contributions by Public Agencies	4,871,235	1,379,121
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,601,902)	(10,639,264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Increase in Investments	2,148,904	(1,954,448)
Interest on Investments	328,082	318,348
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,476,986	(1,636,100)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,980,947	(4,980,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,919,303	20,899,904
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 20,900,250	\$ 15,919,303
RECONCILIATION TO THE STATEMENTS OF NET ASSETS		
Cash and Cash Equivalents - Current	\$ 18,993,831	\$ 13,994,766
Cash and Cash Equivalents - Non-Current	1,906,419	1,924,537
TOTAL CASH AND CASH EQUIVALENTS	\$ 20,900,250	\$ 15,919,303

The notes to the basic financial statements are an integral part of these statements.

**HELIX WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 7,816,250	\$ 2,946,082
Depreciation	7,213,870	6,810,218
Non-Operating Revenues and Expenses	2,745,387	3,054,201
Loss on Disposal of Capital Assets	13,064	38,009
Change in Operating Assets and Liabilities:		
Water and Other Receivables	(755,659)	(602,595)
Water Inventory	(3,547,351)	(5,588,188)
Supplies Inventory and Prepaid Expenses	37,882	(47,240)
Accounts Payable	(1,706,903)	(542,692)
Accrued Expenses	(2,710,677)	1,226,968
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,105,863	\$ 7,294,763

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

Contributions of Water System Assets by Customers and Developers	\$ 1,380,371	\$ 786,637
Deferred Amount on Refunding Debt	\$ -	\$ 515,041
Amortization of Deferred Amount on Refunding Debt	\$ 36,789	\$ -

The notes to the basic financial statements are an integral part of these statements.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 - ORGANIZATION

Helix Water District (the District) was organized in 1913 and operates under the provisions of the Irrigation District Law, now Division 11 of the California State Water Code. The District supplies water to the cities of La Mesa, El Cajon, Lemon Grove and surrounding unincorporated areas. It is governed by a Board consisting of five Directors, each of whom is elected by divisions of the District for a four-year term.

The District's operations are located as follows:

Administrative Office	-	7811 University Avenue, La Mesa, California
Operations Center	-	1233 Vernon Way, El Cajon, California
Treatment Plant	-	9550 Lake Jennings Park Road, Lakeside, California

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental enterprise funds.

As an enterprise fund, the District accounts for its operations in a manner similar to private business enterprises. The enterprise fund is accounted for using the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when the liability is incurred. The intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of enterprise fund measurement is based upon determination of operating income, changes in net assets, financial position, and cash flows. Under the provisions of Governmental Accounting Standards Board (GASB) Pronouncement No. 20, the District has elected to follow all GASB pronouncements and Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except for those that conflict with GASB pronouncements. The District's operating revenues are those that result from providing services and producing and delivering goods, and include all other revenues that do not result from transactions defined by GASB Statement No. 9 as capital and related financing, noncapital financing, or investing activities.

B. Water Systems

Water systems contributed to the District are recorded at cost if constructed by the District and reimbursed by the property owner, otherwise, engineers' estimates are used. The Board of Directors approves major contributions prior to recording them.

C. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$10,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Capital Assets (Continued)

Depreciation is charged to expense for all capital assets (including assets contributed to the District) and is computed using the straight-line method over the estimated useful asset lives as follows:

Reservoirs and Pipelines	10 – 75 years
Buildings and Equipment	10 – 75 years
Equipment	5 – 10 years
Automobiles and Trucks	6 years

D. Investments

Investments are carried at fair market value in accordance with GASB 31.

E. Inventories

The value of water inventory is determined based upon the quantity of water in storage at a 3-year average of purchase rates. Supplies inventory consists of materials primarily used in the construction and maintenance of the water system and is valued at average cost.

F. Compensated Absences

The District combines vacation and sick leave into "Paid Time Off". At June 30, 2011 and 2010, the District's policy is to record a liability equal to 100 percent of Paid Time Off available to all employees.

	Balance <u>June 30, 2010</u>	Earned	Used	Balance <u>June 30, 2011</u>
Current				
Compensated Absences	\$ 324,838	\$ 69,231	\$ 80,846	\$ 313,223
Non-Current				
Compensated Absences	<u>2,759,627</u>	<u>904,583</u>	<u>993,054</u>	<u>2,671,156</u>
Total				
Compensated Absences	<u>\$ 3,084,465</u>	<u>\$ 973,814</u>	<u>\$ 1,073,900</u>	<u>\$ 2,984,379</u>

G. Water Receivables

Water receivables consist of both billed and unbilled water sales provided to District customers. No allowance for doubtful accounts is provided because management believes all receivables are collectible. The unbilled receivable is an estimate of the water usage for each meter based upon the period from the last meter billing to year-end.

H. Tax Status

The Helix Water District is exempt from income taxes of the Internal Revenue Code and California Tax Law. The District pays state and local sales tax.

I. Net Assets Restricted

Restriction of the ending net assets indicates the portion of net assets not available for expenditures. This amount is legally segregated for a specific future use.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of short-term highly liquid investments with maturities of ninety days or less from the date of purchase. These include cash on hand, cash held in the restricted assets accounts, and the Local Agency Investment Fund.

K. Subsequent Events

The District has evaluated subsequent events through September 21, 2011, which is the date the basic financial statements were available to be issued.

NOTE 3 - USE OF ESTIMATES IN PREPARING BASIC FINANCIAL STATEMENTS

The District uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 4 - CLASSIFICATION OF ITEMS

Certain items may have been classified differently from one year to another. Any classification difference has no effect on previously reported changes in net assets.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The primary goals of the District's Investment Policy are to assure compliance with all Federal, State, and Local laws governing the investment of funds under the control of the organization, protect the principal of investments entrusted, and generate income under the parameters of such policies.

The District's investment policy and state statutes authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit with national and state-licensed or chartered banks or federal or state savings and loan associations, money market and mutual funds whose portfolios consist of one or more of the foregoing investments, and the Local Agency Investment Fund.

A summary of cash, cash equivalents and investments is as follows at June 30:

	<u>2011</u>	<u>2010</u>
Unrestricted Deposits		
Cash	\$ 1,286,175	\$ 1,417,857
Cash Equivalents	<u>17,707,656</u>	<u>12,576,909</u>
	18,993,831	13,994,766
Restricted Portion	<u>1,906,419</u>	<u>1,924,537</u>
Total Cash and Cash Equivalents	20,900,250	15,919,303
Investments	<u>4,076,940</u>	<u>6,225,844</u>
TOTAL CASH, CASH EQUIVALENTS, AND INVESTMENTS	<u>\$ 24,977,190</u>	<u>\$ 22,145,147</u>

Cash balance held in banks and in revolving funds are insured up to \$250,000 by federal agencies.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio⁽¹⁾</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	None
U.S. Treasury (bills, notes, and bonds)	36 months	None	None
Government National Mortgage Association (GNMA)	36 months	None	None
Small Business Administration (SBA)	36 months	None	None
Farmers Home Administration (FMHA)	36 months	None	None
General Services Administration (GSA)	36 months	None	None
Federal National Mortgage Association (FNMA)	36 months	None	None
Federal Home Loan Bank (FHLB)	36 months	None	None
Federal Home Loan Mortgage Corporation (FHLMC)	36 months	None	None
Bank Certificates of Deposit	36 months	20%	None
Money Market Mutual Funds	N/A	20%	None

(1) Excluding amounts held by the bond trustee that are not subject to California Government Code Restrictions

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will be to changes in market interest rates. One of the ways that the District manages its exposure to interest rates risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities, so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity (in months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 36 Months</u>
Local Agency Investment Fund	\$17,707,656	\$17,707,656	\$ -	\$ -
Federal Agency Securities	<u>5,983,359</u>	<u>1,906,419</u>	<u>2,039,240</u>	<u>2,037,700</u>
Total	<u>\$23,691,015</u>	<u>\$19,614,075</u>	<u>\$2,039,240</u>	<u>\$2,037,700</u>

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$17,707,656	N/A	\$ -	\$ -	\$17,707,656
Federal Agency Securities	<u>5,983,359</u>	N/A	<u>5,983,359</u>	-	-
Total	<u>\$23,691,015</u>		<u>\$ 5,983,359</u>	<u>\$ -</u>	<u>\$17,707,656</u>

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, Sections 53600 through 53692. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	Federal Agency Securities	\$2,037,700
Federal Home Loan Bank	Federal Agency Securities	\$2,039,240

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 government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, \$522,051 of the District's deposits with financial institutions in excess of federal depository insurance limits are held in collateralized accounts. As of June 30, 2011, District investments in the following investment types are held by the same broker-dealer (counter party) that was used by the District to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Agency Securities	\$4,076,940

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon District's prorated 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. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The District may invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended June 30, 2011 was 0.448%. The carrying value and estimated market value of the LAIF Pool at June 30, 2011 and 2010 was \$66,352,783,817 and \$69,385,966,558, respectively. The District's share of the Pool at June 30, 2011 was approximately 0.027%. Included in LAIF's investment portfolio are structured notes and asset-backed securities totaling \$3,321,706,000 and \$3,755,721,000, respectively. LAIF's and the District's exposure to risk (credit, market or legal) is not currently available. The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by statute.

Collateral for Deposits

All cash and Certificates of Deposit are entirely insured or collateralized. Under the provisions of the California Government Code, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The District may waive the 110% collateral requirement for deposits, which are insured up to \$250,000 by the FDIC.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 6 - WATER SYSTEM - CAPITAL ASSETS

A schedule of changes in water system - capital assets and accumulated depreciation for the year ended June 30, 2011 is shown as follows:

SUMMARY OF CHANGES IN WATER SYSTEM - CAPITAL ASSETS

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 5,818,231	\$ 9,519,235	\$ 8,715,419	\$ 6,622,047
Land	5,067,807	-	-	5,067,807
Total Capital Assets, Not Being Depreciated	<u>10,886,038</u>	<u>9,519,235</u>	<u>8,715,419</u>	<u>11,689,854</u>
Capital Assets, Being Depreciated:				
Reservoirs and Pipelines	286,009,421	8,220,281	165,422	294,064,280
Automobiles and Trucks	3,140,592	223,528	144,533	3,219,587
Buildings and Equipment	31,467,881	1,322,145	-	32,790,026
Total Capital Assets, Being Depreciated	<u>320,617,894</u>	<u>9,765,954</u>	<u>309,955</u>	<u>330,073,893</u>
Less Accumulated Depreciation for:				
Reservoirs and Pipelines	92,737,449	5,488,322	165,422	98,060,349
Automobiles and Trucks	2,231,232	282,383	131,468	2,382,147
Buildings and Equipment	14,237,638	1,430,101	-	15,667,739
Total Accumulated Depreciation	<u>109,206,319</u>	<u>7,200,806</u>	<u>296,890</u>	<u>116,110,235</u>
Total Capital Assets, Being Depreciated, Net	<u>211,411,575</u>	<u>2,565,148</u>	<u>13,065</u>	<u>213,963,658</u>
Capital Assets, Net	<u>\$ 222,297,613</u>	<u>\$ 12,084,383</u>	<u>\$ 8,728,484</u>	<u>\$ 225,653,512</u>

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 6 - WATER SYSTEM - CAPITAL ASSETS (CONTINUED)

A schedule of changes in water system - capital assets and accumulated depreciation for the year ended June 30, 2010 is shown as follows:

SUMMARY OF CHANGES IN WATER SYSTEM - CAPITAL ASSETS

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 4,361,785	\$ 9,180,724	\$ 7,724,278	\$ 5,818,231
Land	<u>5,067,807</u>	<u>-</u>	<u>-</u>	<u>5,067,807</u>
Total Capital Assets, Not Being Depreciated	<u>9,429,592</u>	<u>9,180,724</u>	<u>7,724,278</u>	<u>10,886,038</u>
Capital Assets, Being Depreciated:				
Reservoirs and Pipelines	278,178,498	7,931,838	100,915	286,009,421
Automobiles and Trucks	3,265,021	107,286	231,715	3,140,592
Buildings and Equipment	<u>31,073,865</u>	<u>421,594</u>	<u>27,578</u>	<u>31,467,881</u>
Total Capital Assets, Being Depreciated	<u>312,517,384</u>	<u>8,460,718</u>	<u>360,208</u>	<u>320,617,894</u>
Less Accumulated Depreciation for:				
Reservoirs and Pipelines	87,591,412	5,242,306	96,269	92,737,449
Automobiles and Trucks	2,106,280	323,304	198,352	2,231,232
Buildings and Equipment	<u>13,032,117</u>	<u>1,233,098</u>	<u>27,577</u>	<u>14,237,638</u>
Total Accumulated Depreciation	<u>102,729,809</u>	<u>6,798,708</u>	<u>322,198</u>	<u>109,206,319</u>
Total Capital Assets, Being Depreciated, Net	<u>209,787,575</u>	<u>1,662,010</u>	<u>38,010</u>	<u>211,411,575</u>
Capital Assets, Net	<u>\$ 219,217,167</u>	<u>\$ 10,842,734</u>	<u>\$ 7,762,288</u>	<u>\$ 222,297,613</u>

HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

NOTE 7 - BONDS PAYABLE

The following is a summary of bonds payable for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Due within one year
2009 Water Revenue Bonds, 1.00%-4.25%, due 2024	\$ 20,165,000	\$ -	\$ (1,200,000)	\$ 18,965,000	\$ 1,220,000
Deferred amount on refunding	515,041	-	(36,789)	478,252	-
	<u>\$ 20,680,041</u>	<u>\$ -</u>	<u>\$ (1,236,789)</u>	<u>\$ 19,443,252</u>	<u>\$ 1,220,000</u>

The following is a summary of bonds payable for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Due within one year
1999 Certificates of Participation, 5.00% - 7.25%, due 2024	\$ 22,300,000	\$ -	\$ (22,300,000)	\$ -	\$ -
2009 Water Revenue Bonds, 1.00%-4.25%, due 2024	-	21,345,000	(1,180,000)	20,165,000	1,200,000
Deferred amount on refunding	-	515,041	-	515,041	-
	<u>\$ 22,300,000</u>	<u>\$ 21,860,041</u>	<u>\$ (23,480,000)</u>	<u>\$ 20,680,041</u>	<u>\$ 1,200,000</u>

The aggregate principal and interest payments of bonds payable, is summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,220,000	\$ 623,031	\$ 1,843,031
2013	1,255,000	592,531	1,847,531
2014	1,285,000	561,156	1,846,156
2015	1,315,000	529,031	1,844,031
2016	1,350,000	492,869	1,842,869
2017 - 2021	7,425,000	1,804,781	9,229,781
2022 - 2024	<u>5,115,000</u>	<u>419,313</u>	<u>5,534,313</u>
TOTAL	<u>\$ 18,965,000</u>	<u>\$ 5,022,712</u>	<u>\$ 23,987,712</u>

The proceeds of the 2009 Water Revenue Refunding Bonds were issued to: (1) refund outstanding certificates of participation, (2) pay certain costs incurred in connection with the issuance of the Bonds, and (3) fund a debt service reserve fund. The refunding resulted in a deferred amount of \$515,041, which is being amortized over the remaining life of the refunded debt. In addition, the refunding resulted in an estimated economic gain of \$2.97 million and an estimated cash flow savings (difference in cash flows between the refunded certificates and the new bonds) of \$4.26 million.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 7 - BONDS PAYABLE (CONTINUED)

The installment payments of the 2009 Water Revenue Bonds are secured by a first lien on net revenues of the water system. The District must also fix and collect rates, fees, and charges for water service which will produce gross revenue in each fiscal year sufficient to: (1) pay the operating and maintenance costs, the Bond installment payments and any other District obligations, (2) restore the required balance in the reserve fund, and (3) yield net revenues of at least 120 percent of annual installment payments. The District was in compliance with these requirements at June 30, 2011.

The 1999 Certificate of Participation reserve restricted assets were transferred to the 2009 Water Revenue Bond reserve restricted assets and had balances of \$1,906,419 and \$1,924,537 as of June 30, 2011 and 2010. In compliance with the bond provisions, the restricted assets consist of cash and investments with maturities of less than five years.

NOTE 8 - LOCAL WATER RUNOFF

The District records the value of local water runoff as operating revenue and a related operating expense. Revenue related to local water runoff was \$13,527,135 and \$8,598,547 for years ended June 30, 2011 and 2010, respectively. The District records the value of the local water runoff delivered to customers as an operating expense. The expense recorded was \$9,979,783 and \$3,010,359 for years ended June 30, 2011 and 2010, respectively.

NOTE 9 - JOINT POWERS INSURANCE AUTHORITY

The District is a participating member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA). ACWA/JPIA is a self-insured association of independent water agencies. Association members have pooled funds to be self-insured for liabilities up to \$1,000,000 per occurrence. The ACWA/JPIA also purchases excess insurance to cover each member for liabilities to \$60 million per occurrence. The accounts and records of ACWA/JPIA are audited by an independent certified public accounting firm.

NOTE 10 - RETIREMENT PLAN

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and state statute and District policies establish all other requirements. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the Plan are required to contribute 8% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2011 and 2010 were 11.401% and 11.115%, respectively. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 10 - RETIREMENT PLAN (CONTINUED)

Annual Pension Cost

For the years ended June 30, 2011 and 2010, the District's annual pension cost of \$2,282,781 and \$2,204,128, respectively, was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year payroll growth adjustments and (d) the amortization method of level percentage of pay. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value).

Three-year trend information for CalPERS showing the net pension obligation is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$2,059,936	100%	0
6/30/10	\$2,204,128	100%	0
6/30/11	\$2,282,781	100%	0

The following table, based on the actuarial valuation performed in October 2010, shows a brief history of the funding status of the plan. Actuarial information was not yet available for the years ended June 30, 2011 and 2010.

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (Excess Assets) (a)-(b)</u>	<u>Funded Status (b)/(a)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Actuarial Accrued Liability as a % of Payroll [(a)-(b)]/(c)</u>
6/30/07	\$72,376,462	\$66,266,268	\$6,110,194	91.6%	\$10,252,055	59.6%
6/30/08	\$76,391,319	\$69,493,442	\$6,897,877	91.0%	\$10,860,692	63.5%
6/30/09	\$85,195,227	\$71,700,973	\$13,494,254	84.2%	\$11,367,154	118.7%

NOTE 11 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan and a government money purchase plan created in accordance with Internal Revenue Code Section 457 and 401(a) respectively. The plans, available to all regular employees, permit deferment of a portion of current salary to future years. Benefits from the plans are not available to employees until termination, retirement, disability, death or unforeseeable emergencies.

All assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. The District does not meet the criteria for fiduciary fund reporting since it does not have either significant administrative involvement (e.g. custody) or perform the investment function. Therefore, the fair market value of the plans assets at June 30, 2011 and 2010, in the amount of \$12,595,709 and \$10,643,933, respectively, are not included in the District's basic financial statements.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 12 - CONCENTRATION OF SUPPLIERS

During the years ended June 30, 2011 and 2010, the District had one major supplier. Purchases from the SDCWA represent 60.32% and 87.09% of total water produced, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The District is periodically subject to litigation in the ordinary course of its operations. One case is currently pending.

The District is being sued for damages arising from an alleged failure by the District to provide water to a golf course project that was to be developed by a private party. The District has denied the allegations and filed a cross-complaint against the private party for breach of its obligation to construct the project. Although no assurances can be given as the outcome of such litigation, the District believes the likelihood of an unfavorable decision is minimal.

In the opinion of management of the District there is no pending litigation, which will have a material adverse effect upon the District's financial position.

NOTE 14 - WATER PRODUCTION AND CONSUMPTION

The District's annual water production and customer water consumption in acre-feet for the years ended June 30, 2011 and 2010 were:

	<u>2011</u>	<u>2010</u>
Total Water Delivered from SDCWA	34,839	35,577
Water Treated and Sent to other Agencies	<u>(15,649)</u>	<u>(6,655)</u>
Net Purchased Water Produced for Consumption	19,190	28,922
Treated Local Water Produced for Consumption	<u>12,622</u>	<u>4,289</u>
Total Produced for Consumption	<u><u>31,812</u></u>	<u><u>33,211</u></u>
Per Capita Consumption (Gallons Per Day)	<u><u>106.0</u></u>	<u><u>112.5</u></u>

NOTE 15 - EARLY RETIREMENT INCENTIVE

For the years ended June 30, 2011 and 2010, the District did not provide for early retirement incentives.

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

OPEB Description

The District provides single-employer post employment healthcare benefits to eligible employees who retire directly from the District. The District pays a percent of the premium for retiree and eligible dependent medical, dental, vision, and life insurance coverage. The percent varies from 50% to 100% depending on the age and service of the participant at retirement. The District also reimburses the Medicare Part B premiums for retirees (and their spouses) hired before July 1, 1989. The qualifications for receiving the post-retirement healthcare benefits are outlined in the District's Policies and Procedures Manual. The postretirement healthcare benefits are established by Memoranda of Understanding with the applicable employee associations and may be amended by agreement between the District and the employee associations. A separate financial report is not prepared for the District's post-retirement healthcare benefits.

Funding Policy

In 2011, the District established an irrevocable trust with the California Public Employees Retirement System (CalPERS), California Employers' Retiree Benefit Trust Fund Program (CERBT), to pre-fund OPEB costs. In March 2011, the District transferred \$3,473,000 into the trust to start funding the District's OPEB liability, using the \$2,850,000 that was previously set aside in an internally designated reserve fund to be used for future ARC and Net OPEB Obligations. The District will continue to pay the portion of the annual required contribution of the employer (ARC) related to the health insurance premiums for current retirees and their spouses/dependents on a pay-as-you-go basis. The balance of the ARC will be transferred to the trust. For the fiscal years ended June 30, 2011 and 2010, the District contributed \$1,314,463 in current premiums covering 125 retirees and their spouses/dependents and \$1,204,702 in current premiums covering 114 retirees and their spouses/dependents, respectively. The retiree premiums contain an implied rate subsidy for the pay-as-you-go costs since retiree premium rates are the same as active employee medical premium rates rather than the actual medical cost.

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 17.64% of the annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

For 2011 and 2010, the District's annual OPEB cost (expense) of \$2,026,000 and \$2,510,000, respectively, was equal to the ARC. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net obligation for the fiscal year ended June 30, 2011 and the two preceding fiscal years were as follows:

Fiscal Year	Three-Year Trend Information			
	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage Contributed	Net OPEB Obligation
06/30/09	\$2,222,000	\$ 976,000	44%	\$1,246,000
06/30/10	\$2,510,000	\$1,105,000	44%	\$2,651,000
06/30/11	\$2,026,000	\$4,787,463	236%	\$ (110,463)

**HELIX WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010**

NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$25,599,000
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$25,599,000</u>
Funded ratio (actuarial value of plan asset/AAL)	0%
Covered payroll (active plan members)	\$11,782,943
UAAL as a percentage of covered payroll	217%

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive post employment healthcare benefits (as understood by the employer and the covered employees) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and covered employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a general inflation rate of 3.00 percent, a 7.75 percent investment rate of return, based on the funded level of the plan at the valuation date, a payroll increase rate of 3.25 percent, no change in the post-retirement benefits, and an annual healthcare cost trend rate of 8.40 percent (HMO) and 9.00 percent (PPO), reduced by increments to an ultimate rate of 4.50 percent after seven years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period. The UAAL is being amortized as a level percent of payroll over 30 years. As of June 30, 2010 valuation, the remaining amortization is 28 years. The number of active plan participants was 160 and the number of retiree plan participants was 113 as of June 30, 2010.

Statistical Section

This part of the Helix Water District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, water sales.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

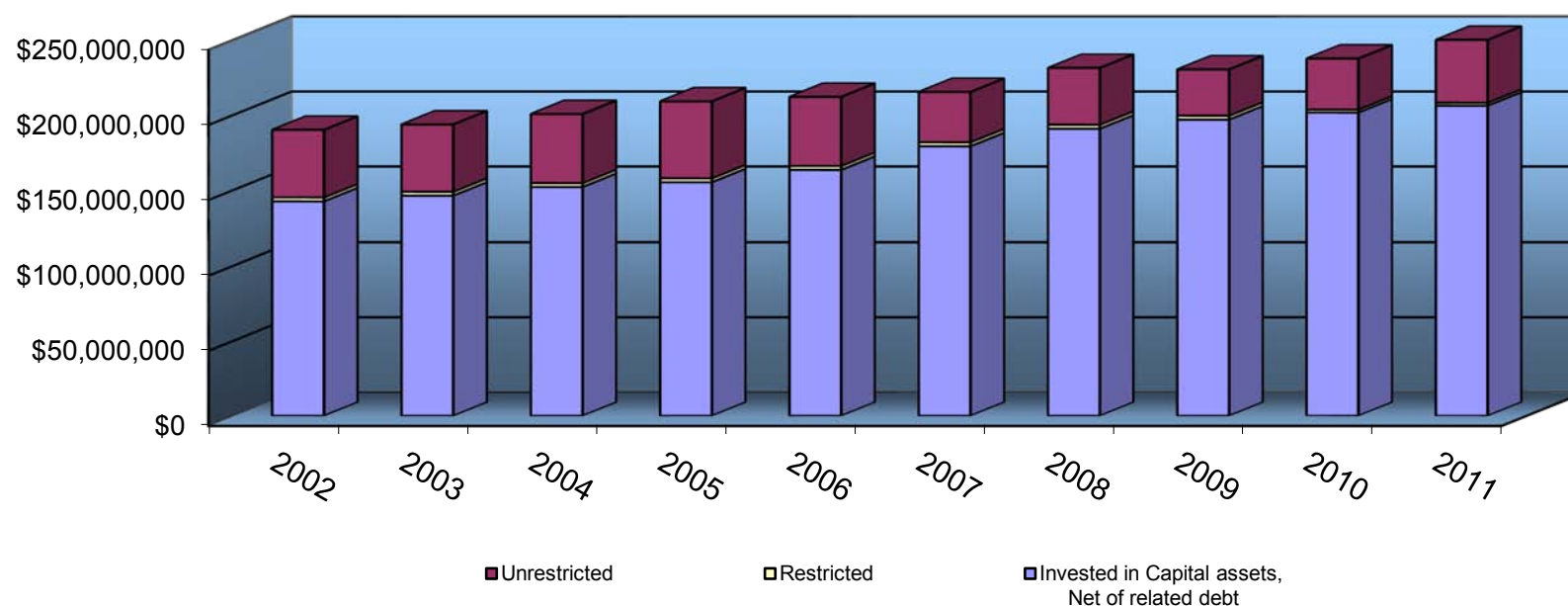
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.



Net Assets

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Invested in Capital assets, Net of related debt	\$142,481,445	\$146,265,580	\$152,038,969	\$155,208,567	\$163,417,281	\$179,145,389	\$190,826,508	\$196,917,167	\$201,617,572	\$206,210,260
Restricted	2,577,742	2,577,884	2,577,130	2,578,396	2,579,323	2,629,930	2,629,388	2,577,428	1,924,537	1,906,419
Unrestricted	45,002,757	44,805,708	45,989,937	51,251,259	46,000,908	33,495,943	37,802,808	30,795,295	33,975,782	45,508,649
Total Net Assets	\$190,061,944	\$193,649,172	\$200,606,036	\$209,038,222	\$211,997,512	\$215,271,262	\$231,258,704	\$230,289,890	\$237,517,891	\$253,625,328



► The restricted assets for the District are comprised of legally required fund balances per debt covenants. In 1999 a Certificate of Participation (COP) was issued to upgrade and expand the District's existing water treatment plant. In 2009, the District issued Water Revenue Refunding Bonds to refund the balance of the District's 1999 Certificates of Participation.

► The District's assets consist primarily of water treatment and distribution facilities.

► The District started to report under GASB 34 in 2002.



Changes in Net Assets

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenues										
Water Sales	\$41,917,411	\$40,812,226	\$44,131,314	\$42,290,647	\$45,092,052	\$49,663,644	\$50,741,061	\$52,364,658	\$55,382,131	\$59,097,316
Local Water	393,526	1,549,314	1,379,420	10,375,320	6,126,144	1,081,224	4,145,044	3,344,890	8,598,547	13,527,135
Other	320,419	324,566	352,377	361,280	399,257	459,014	512,993	551,928	563,412	594,091
Total Op. Revenues	<u>42,631,356</u>	<u>42,686,106</u>	<u>45,863,111</u>	<u>53,027,247</u>	<u>51,617,453</u>	<u>51,203,882</u>	<u>55,399,098</u>	<u>56,261,476</u>	<u>64,544,090</u>	<u>73,218,542</u>
Non-Op. Revenues										
Interest	1,272,166	899,498	554,910	906,539	1,434,484	1,638,999	1,266,494	634,517	318,348	328,082
Other	1,948,866	2,512,462	2,630,692	2,012,715	2,729,163	2,253,117	2,442,185	3,085,526	3,558,924	3,261,919
Total Non-Op. Revenues	<u>3,221,032</u>	<u>3,411,960</u>	<u>3,185,602</u>	<u>2,919,254</u>	<u>4,163,647</u>	<u>3,892,116</u>	<u>3,708,679</u>	<u>3,720,043</u>	<u>3,877,272</u>	<u>3,590,001</u>
Total Revenues	<u>\$45,852,388</u>	<u>\$46,098,066</u>	<u>\$49,048,713</u>	<u>\$55,946,501</u>	<u>\$55,781,100</u>	<u>\$55,095,998</u>	<u>\$59,107,777</u>	<u>\$59,981,519</u>	<u>\$68,421,362</u>	<u>\$76,808,543</u>
Operating Expenses										
Water Purchases	\$19,970,897	\$17,750,991	\$16,729,844	\$15,447,335	\$17,477,456	\$21,378,733	\$21,563,836	\$22,246,089	\$23,134,309	\$20,213,169
Local Water	393,526	1,549,314	1,379,420	5,109,830	6,026,449	3,728,804	3,003,565	3,140,350	3,010,359	9,979,784
Administrative & Gen.	9,342,205	10,124,933	10,894,059	12,578,979	14,194,932	14,735,838	15,411,015	17,148,585	17,544,621	16,580,618
Depreciation	4,499,508	4,122,742	5,157,429	5,616,413	5,796,634	5,907,853	6,199,009	6,441,198	6,810,218	7,213,870
Transmission & Dist.	1,587,091	1,474,545	1,954,941	1,951,820	2,090,567	2,572,540	2,638,187	3,407,316	3,158,553	3,313,074
Pumping	1,921,279	1,774,511	1,854,923	1,910,141	2,101,007	2,284,811	2,283,210	2,196,842	2,105,453	2,333,039
Water Treatment	1,824,936	1,905,068	2,009,057	2,146,338	2,354,159	2,142,369	2,400,814	2,431,528	2,501,995	2,743,809
Operations Center	1,422,804	1,373,844	1,584,729	1,667,469	1,803,585	2,000,256	2,089,389	2,381,657	2,143,819	2,153,565
Customer Service	880,310	877,001	981,976	960,956	1,019,219	942,683	1,223,310	1,213,612	1,188,681	871,364
Total Op. Expenses	<u>41,842,556</u>	<u>40,952,949</u>	<u>42,546,378</u>	<u>47,389,281</u>	<u>52,864,008</u>	<u>55,693,887</u>	<u>56,812,335</u>	<u>60,607,177</u>	<u>61,598,008</u>	<u>65,402,292</u>
Non-Operating Expenses										
Interest	1,653,887	1,590,273	1,537,483	1,482,961	1,426,631	1,407,750	1,306,632	1,242,882	1,256,390	663,651
Other	159,224	151,098	220,016	211,858	253,193	262,476	278,517	409,384	504,723	516,532
Total Non-Op. Expenses	<u>1,813,111</u>	<u>1,741,371</u>	<u>1,757,499</u>	<u>1,694,819</u>	<u>1,679,824</u>	<u>1,670,226</u>	<u>1,585,149</u>	<u>1,652,266</u>	<u>1,761,113</u>	<u>1,180,183</u>
Total Expenses	<u>\$43,655,667</u>	<u>\$42,694,320</u>	<u>\$44,303,877</u>	<u>\$49,084,100</u>	<u>\$54,543,832</u>	<u>\$57,364,113</u>	<u>\$58,397,484</u>	<u>\$62,259,443</u>	<u>\$63,359,121</u>	<u>\$66,582,475</u>



Changes in Net Assets (continued)

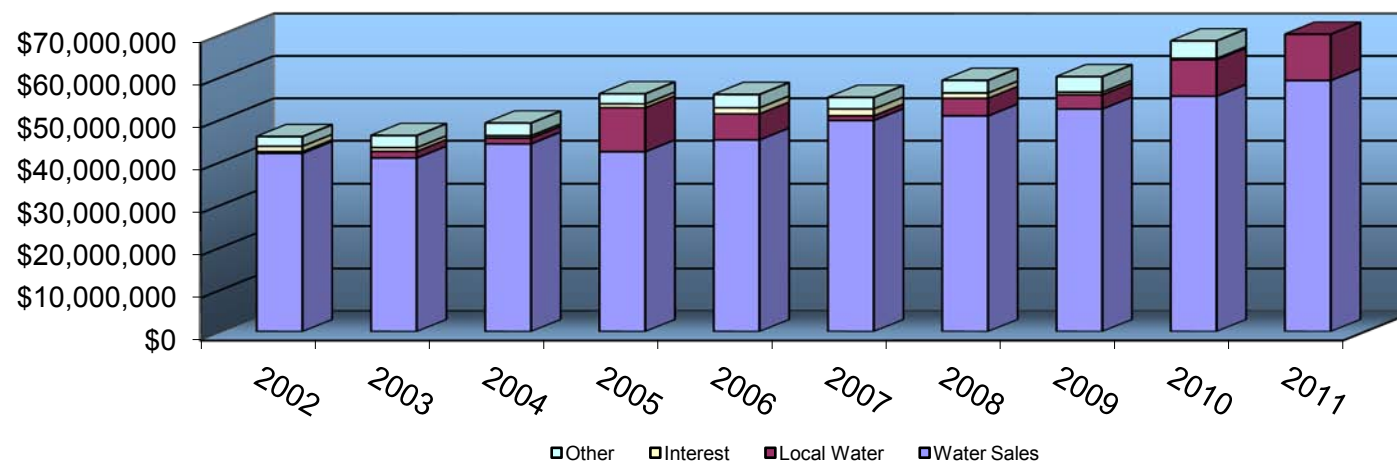
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in Net Assets										
Net Revenues/(Expenses)	\$2,196,721	\$3,403,746	\$4,744,836	\$6,862,401	\$1,237,268	(\$2,268,115)	\$710,293	(\$2,277,924)	\$5,062,241	\$10,226,068
Contributions	7,513,411	183,182	2,212,328	1,569,785	1,722,022	5,541,865	15,277,149	1,309,110	2,165,758	5,881,371
Total Changes in Net Assets	\$9,710,132	\$3,586,928	\$6,957,164	\$8,432,186	\$2,959,290	\$3,273,750	\$15,987,442	(\$968,814)	\$7,227,999	\$16,107,439

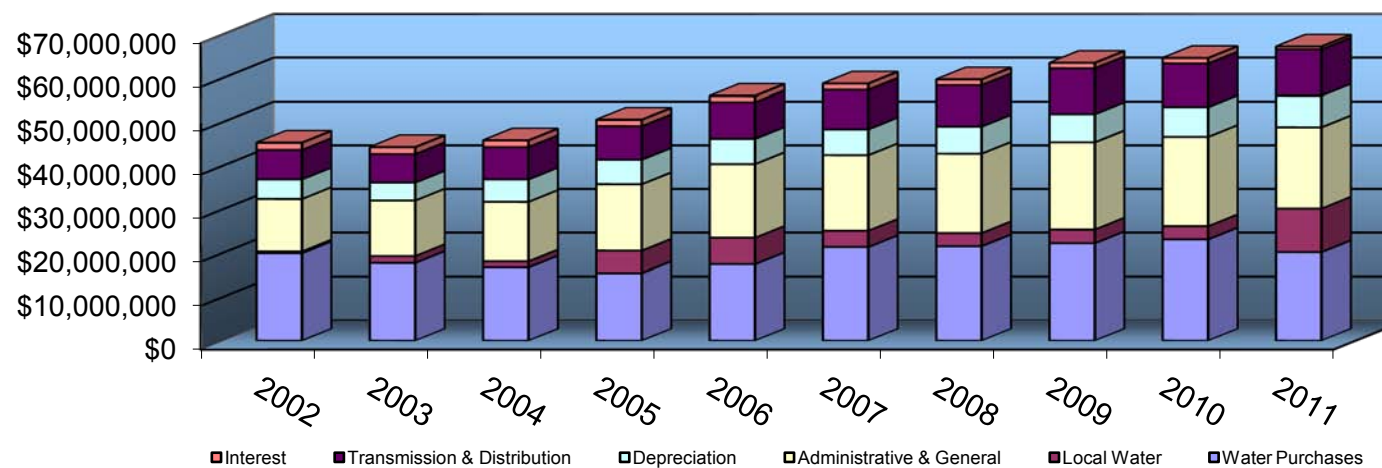
► Water Sales are the District's largest source of revenues. Since local water runoff plays a major factor in the District's operations, the value of local water runoff received for each year is valued and recorded as a revenue. This value is also offset as an expense on the financial statement. This treatment of local water runoff on the financial statement has no net effect but highlights the importance that local rain has on the District's financial resources.

► In fiscal years of lower rainfall a corresponding dip in Net Revenues/(Expenses) can also be seen.

Changes in Net Assets - REVENUES



Changes in Net Assets - EXPENSES

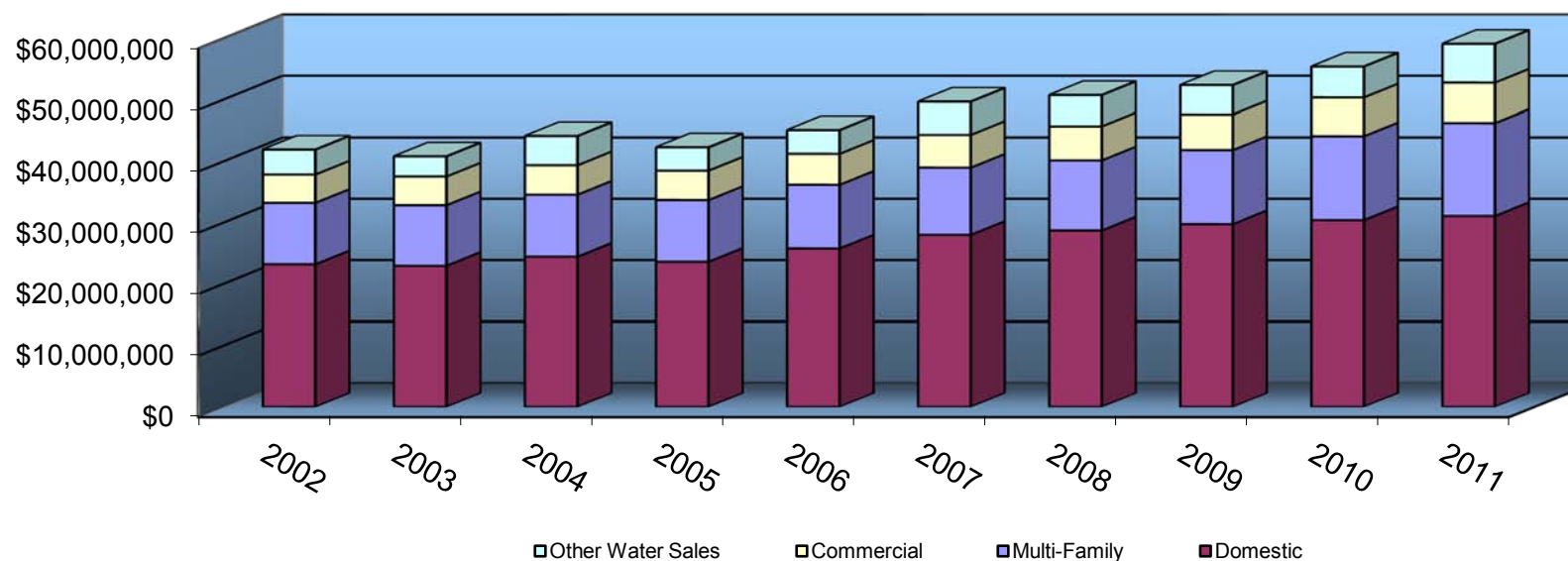




Water Sold by Type of Customer

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic	\$23,190,854	\$22,949,796	\$24,437,662	\$23,606,302	\$25,777,808	\$27,996,543	\$28,714,213	\$29,746,537	\$30,401,691	\$31,072,554
Multi-Family	10,033,860	9,884,251	10,120,224	10,078,474	10,398,470	10,976,028	11,444,761	12,086,466	13,680,129	15,146,308
Commercial	4,627,181	4,692,742	4,812,159	4,802,682	5,055,685	5,330,435	5,523,424	5,772,201	6,270,839	6,548,089
Other Water Sales	4,065,516	3,285,436	4,761,270	3,803,188	3,860,089	5,360,639	5,058,663	4,759,453	5,029,472	6,330,365
Total Water Sales	\$41,917,411	\$40,812,226	\$44,131,314	\$42,290,647	\$45,092,052	\$49,663,644	\$50,741,061	\$52,364,658	\$55,382,131	\$59,097,316
Water Sold Hundred Cubic Feet (HCF)	17,514,169	16,778,441	17,404,834	16,151,612	16,955,294	17,386,103	16,776,698	15,836,238	14,031,112	13,857,307
Direct Rate Per HCF	\$2.39	\$2.43	\$2.54	\$2.62	\$2.66	\$2.86	\$3.02	\$3.31	\$3.95	\$4.26



► Helix's primary and only significant revenue source is retail water sales. The proportion of customer type that makes up the revenue base has remained relatively unchanged for the time frame presented. Domestic water customers make up the largest section of the revenue base.

► Although revenue by customer type is not presented separately on the face of the financial statement, these revenues are recorded separately in the District's general ledger for tracking purposes.



District Water Rates

Last Ten Fiscal Years

Fiscal Year	Commodity Charges				Average Increase	Local Inflation Rate
	Domestic			Multi-Family / Gov't		
	0-10 Units	11-30 Units	31+ Units			
2011	\$ 2.36	\$ 3.28	\$ 4.36	\$ 3.28	12.3%	3.5%
2010	2.10	2.92	3.88	2.92	24.3%	0.8%
2009	1.70	2.35	3.12	2.35	8.3%	-2.2%
2008	1.62	2.17	2.17	2.17	5.9%	5.4%
2007	1.58	2.05	2.54	2.05	5.1%	2.9%
2006	1.54	1.95	2.38	1.95	3.2%	5.2%
2005	1.52	1.89	2.28	1.89	3.3%	3.6%
2004	1.48	1.83	2.19	1.83	1.7%	4.0%
2003	1.48	1.80	2.13	1.80	1.7%	2.4%
2002	1.47	1.77	2.05	1.77	1.1%	1.7%

Fiscal Year	Base Charge							
	5/8" & 3/4"	1"	1.5"	2"	2.5"	4"	6"	8"
2011	\$ 40.10	\$ 78.44	\$149.42	\$234.60	\$433.36	\$ 717.30	\$1,427.15	\$2,278.96
2010	40.10	78.44	149.42	234.60	433.36	717.30	1,427.15	2,278.96
2009	34.80	71.06	135.61	213.07	419.63	652.01	1,297.52	1,297.52
2008	32.00	65.46	124.86	196.14	386.22	600.06	1,194.07	1,194.07
2007	29.65	61.50	117.21	183.27	360.75	561.91	1,115.03	1,115.03
2006	27.80	58.40	110.80	173.80	341.95	531.15	1,056.70	1,056.70
2005	26.65	56.20	107.00	167.95	330.40	513.20	1,020.95	1,020.95
2004	25.65	53.80	102.55	161.00	316.90	492.30	979.55	979.55
2003	24.65	52.30	99.85	156.85	308.95	480.00	955.20	955.20
2002	23.65	51.05	97.20	152.60	300.30	466.50	928.15	928.15

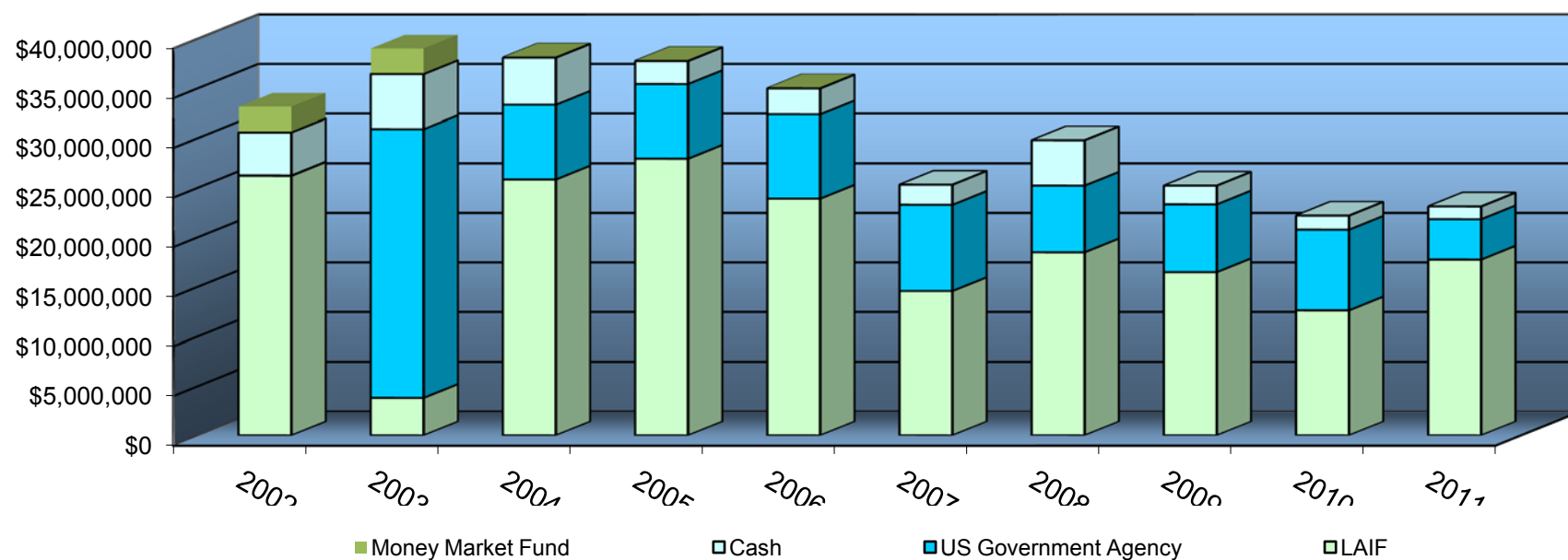
► The District annually performs a Water Rate Study to determine the new water rates for the following fiscal year. The new rates are based on the amount of revenue needed and derived by a balance between a base charge for each meter and a commodity charge for the volume of water used by each customer. The allocation of revenue to the base charge and commodity charge is determined by the proportion of fixed cost and variable costs needed to produce the water supply. Typically 70-75% of revenue is derived from commodity charges (variable costs) and the remainder from base charges (fixed costs).

District Funds

Last Ten Fiscal Years



Fiscal Year	Cash	Local Agency Investment Fund	US Government Agency	Money Market Fund	Total Funds
2011	\$ 1,286,175	\$ 17,707,656	\$ 4,076,940	\$ -	\$ 23,070,771
2010	1,417,857	12,576,909	8,150,381	-	22,145,147
2009	1,884,550	16,437,926	6,848,824	-	25,171,300
2008	4,573,310	18,440,519	6,737,111	-	29,750,940
2007	2,024,137	14,531,379	8,709,370	-	25,264,886
2006	2,604,335	23,861,432	8,473,825	79,145	35,018,737
2005	2,314,022	27,891,615	7,494,815	79,364	37,779,816
2004	4,744,142	25,796,650	7,501,955	77,044	38,119,791
2003	5,530,197	3,792,420	27,068,306	2,577,884	38,968,807
2002	4,323,784	26,165,670	39,435	2,577,742	33,106,631



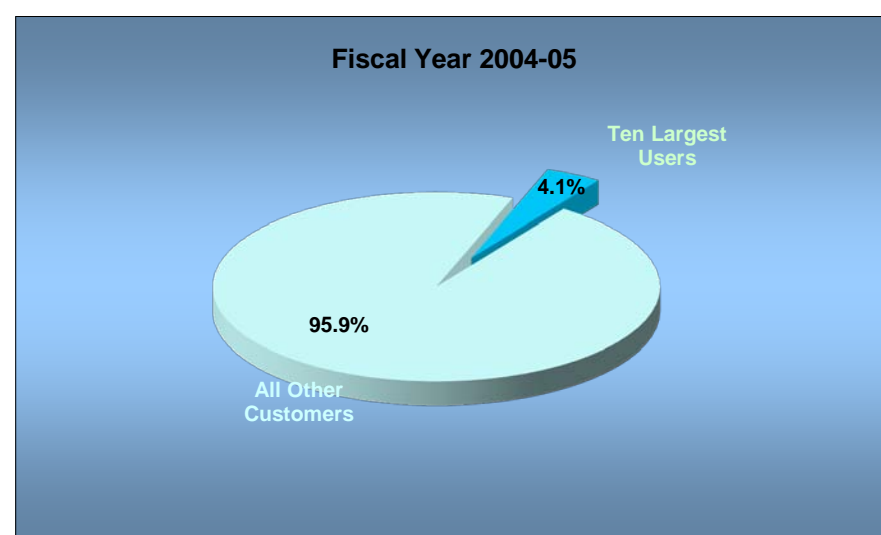
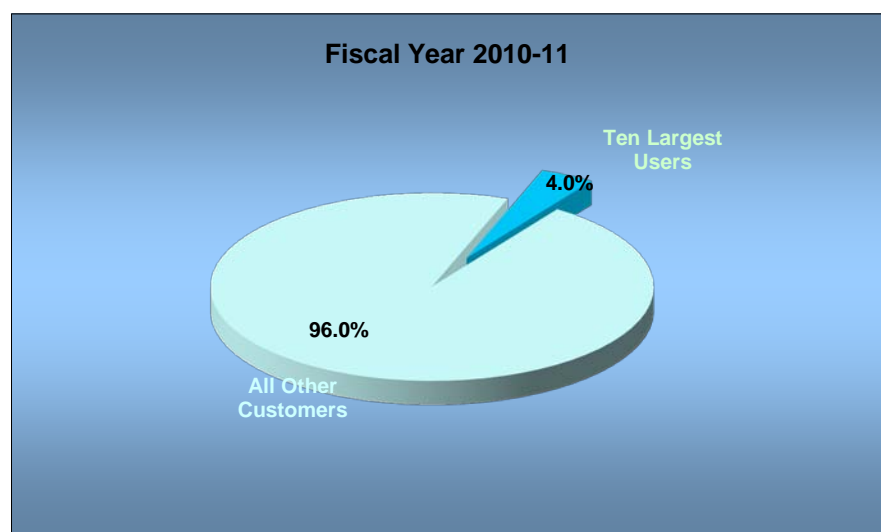
► In 2007, funds decreased due to spending on capital projects that will be reimbursed in the following years.

Ten Largest Water Customers

Current and Six Years Prior



Fiscal Year 2010-11				Fiscal Year 2004-05			
Customer	Water Billings	% of Total	HCF Delivered	Customer	Water Billings	% of Total	HCF Delivered
Cajon Valley Union School	\$ 376,000	0.64%	101,351	CALTRANS	\$ 297,996	0.80%	158,363
Sharp Healthcare	304,759	0.52%	83,112	City of La Mesa	194,487	0.52%	102,889
CALTRANS	342,857	0.58%	79,867	Cajon Valley Union School	183,638	0.49%	97,882
Grossmont Union High School	254,886	0.43%	65,491	Grossmont Hospital	179,174	0.48%	95,148
City of La Mesa	293,986	0.50%	59,806	Grossmont Union High School	172,573	0.46%	91,915
City of El Cajon	194,979	0.33%	61,183	City of El Cajon	128,731	0.35%	68,523
L.M.-Spring Valley Sch. Dist.	198,317	0.34%	60,198	L.M.-Spring Valley Sch. Dist.	117,356	0.32%	62,379
San Diego Family Housing	159,009	0.27%	38,781	San Diego Family Housing	82,063	0.22%	43,650
Lake Park Condo Assn., Inc.	121,387	0.21%	38,617	Lake Park Condo Assn., Inc.	80,197	0.22%	42,660
County of San Diego	119,769	0.20%	35,986	Villages of La Mesa Aprt.	79,689	0.21%	42,373
Total Ten Largest Customers	2,365,948	4.00%	624,392	Total Ten Largest Customers	1,515,904	4.08%	805,782
All Other Customers	56,731,368	96.00%	13,232,915	All Other Customers	35,625,273	95.92%	15,621,565
Total Water Revenue for District	59,097,316	100.00%	13,857,307	Total Water Revenue for District	37,141,177	100.00%	16,427,347



► Tenth prior year not available, earliest fiscal year available for comparison is 2004-05.

► The District's service area has been established for many years and with a relatively stable local economy has seen few changes to the customer base. This stability is reflected in the similarities between the current list of the largest water customers and the list from six years prior.

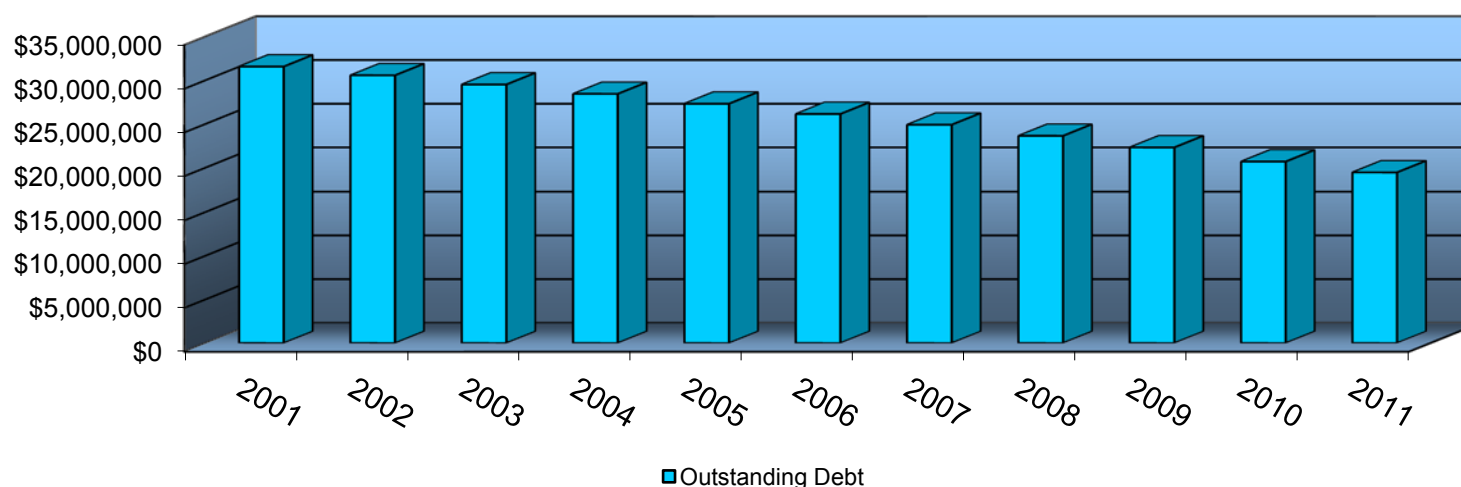


Ratios of Outstanding Debt

Last Ten Fiscal Years

Fiscal Year	Outstanding Debt	Number of Meters	Debt Per Meter	Population	Debt per Capita
2011	\$ 19,443,252	55,554	\$ 350	267,922	\$ 72.57
2010	20,680,041	55,563	372	267,922	77.19
2009	22,300,000	55,626	401	263,642	84.58
2008	23,625,000	55,458	426	263,642	89.61
2007	24,900,000	55,402	449	261,058	95.38
2006	26,125,000	55,287	473	260,158	100.42
2005	27,300,000	55,012	496	251,879	108.39
2004	28,425,000	54,889	518	251,879	112.85
2003	29,500,000	54,642	540	251,879	117.12
2002	30,550,000	54,257	563	251,879	121.29

Outstanding Debt



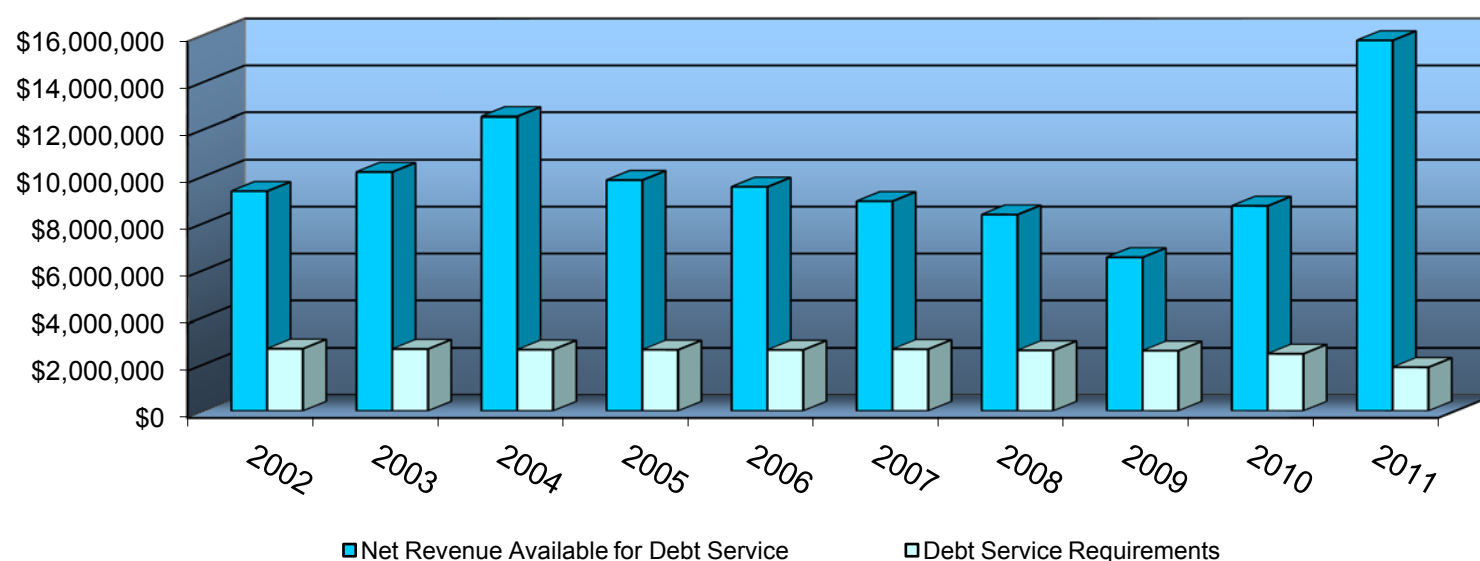
- ▶ Helix Water District only has Business-type activities and only one debt issue outstanding.
- ▶ In 2009, \$21,345,000 Water Revenue Bonds were issued to refund the 1999 Certificates of Participation.
- ▶ The District does not currently have any General Obligation Bonds.
- ▶ The District does not currently have any overlapping debt-only direct debt as displayed above.
- ▶ Population figures are estimated by SANDAG for all local governments and special districts in San Diego County.

Debt Coverage Ratio

Last Ten Fiscal Years



Fiscal Year	Total Revenues	Expenses (adj. for Debt Service)	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Coverage Ratio
				Principal	Interest	Total	
2011	\$ 63,281,408	\$ 47,525,170	\$ 15,756,238	\$ 1,200,000	\$ 663,651	\$ 1,863,651	8.4
2010	59,822,815	51,102,154	8,720,661	1,180,000	1,256,390	2,436,390	3.6
2009	56,636,629	50,110,013	6,526,616	1,325,000	1,242,882	2,567,882	2.5
2008	54,962,733	46,613,278	8,349,455	1,275,000	1,306,632	2,581,632	3.2
2007	54,014,774	45,094,706	8,920,068	1,225,000	1,407,750	2,632,750	3.4
2006	49,654,956	40,119,118	9,535,838	1,175,000	1,426,631	2,601,631	3.7
2005	45,571,181	35,749,896	9,821,285	1,125,000	1,482,961	2,607,961	3.8
2004	47,669,293	35,154,545	12,514,748	1,075,000	1,537,483	2,612,483	4.8
2003	44,548,752	34,381,991	10,166,761	1,050,000	1,590,273	2,640,273	3.9
2002	45,458,862	36,108,746	9,350,116	1,000,000	1,653,887	2,653,887	3.5



► The Water Revenue Bonds covenant requires a debt coverage ratio greater than 1.2.

► Only cash basis revenues are included in the Total Revenue for the debt service ratio calculation. Accruals to record the value of local water runoff as a revenue are not included in the total.

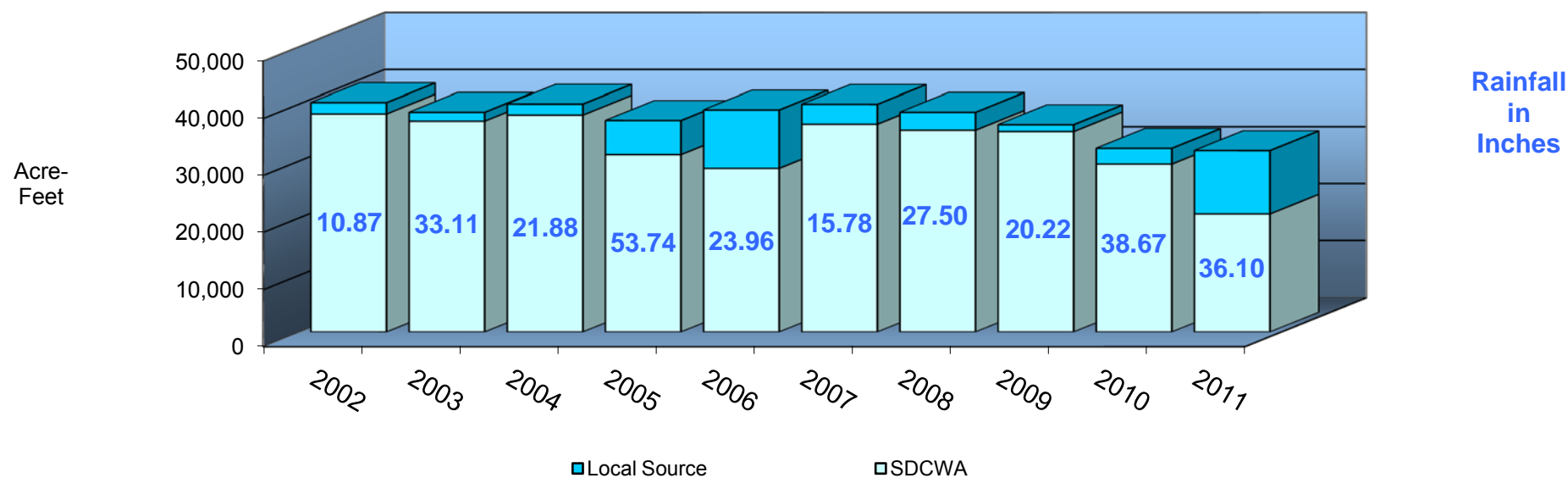
► Only cash basis expenses are included in the Total Expenses for the debt service ratio calculation. Accruals to record the value of local water runoff and the change in local water storage as an expense are not included in the total. The transactions to record depreciation expense are also not included in the total.

Economic Statistics

Last Ten Fiscal Years



Fiscal Year	Source of Water		Population	Lake Cuyamaca Rainfall (inches)	Local Runoff Collected (acre-feet)	
	Imported	Local			El Capitan	Lake Cuyamaca
2011	65.0%	35.0%	267,922	36.10	7,995	5,351
2010	91.4%	8.6%	267,922	38.67	6,257	4,111
2009	96.7%	3.3%	263,642	20.22	2,454	1,590
2008	91.9%	8.1%	263,642	27.50	3,931	2,252
2007	91.3%	8.7%	261,058	15.78	887	196
2006	73.7%	26.3%	260,158	23.96	5,504	2,179
2005	83.9%	16.1%	251,879	53.74	9,006	6,739
2004	95.2%	4.8%	251,879	21.88	1,161	356
2003	96.0%	4.0%	251,879	33.11	1,461	645
2002	95.1%	4.9%	251,879	10.87	46	45



► Demographics on Personal Income, Per Capita Personal Income and Unemployment Rates:

The District is unable to obtain these demographic statistics so they are not being included in the CAFR statistical section. The District's boundaries include parts of several different cities and unincorporated areas of San Diego County, California. It would be difficult to collect any meaningful data for these demographics from existing data sources.

► Alternatively, rainfall and water runoff data for our geographical area is being included in the statistics. Rain and the resulting water runoff play a large part in the operations of the District. Fiscal years in which the District experiences lower levels of rainfall lead to larger amounts of water that need to be purchased from outside sources, increasing District expense. The reverse is also true when the District receives higher levels of rainfall.

► Population figures are estimated by SANDAG for all local governments and special districts in San Diego County.

Local Area Employment Profile

For the Years 2000 and 1990



Industry	Local Area Profile - 2010 (est.)		Local Area Profile - 2000	
	Employees	% of Total	Employees	% of Total
Total employed civilians age 16+	79,969	100%	77,829	100%
Agriculture, forestry, mining	208	0%	126	0%
Construction	6,956	9%	6,419	8%
Manufacturing	5,321	7%	6,602	8%
Wholesale trade	2,082	3%	2,407	3%
Retail trade	9,961	12%	10,607	14%
Transportation, warehousing and utilities	2,951	4%	3,190	3%
Finance, insurance, and real estate related	5,311	7%	5,806	7%
Educational, social, and health services	17,097	21%	15,606	20%
Art, entertainment, rec., accommodations, food	9,041	11%	7,249	9%
Other services *	15,928	20%	15,207	20%
Public administration	5,113	6%	4,610	6%

* Includes information, professional, scientific, management and administrative services

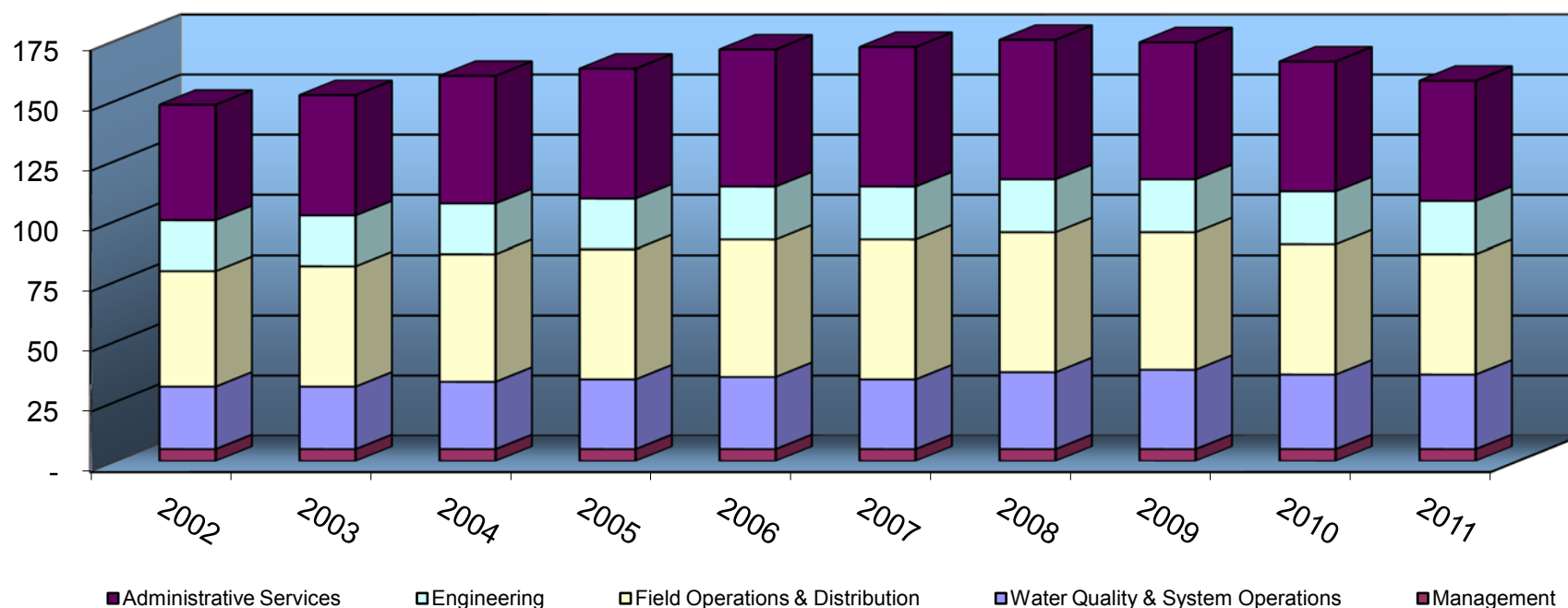
► The District's boundary includes, but is not limited to, the following three major cities; El Cajon, La Mesa and Lemon Grove. This Local Area, while not an exact representation of the District, is used to obtain the employment profile data shown above. The employment data available for evaluation for this Local Area comes from the 2000 Census as provided by the San Diego Association of Governments (SANDAG). The data available for 2010 comes from the American Community Survey in the U.S. Census Bureau website.



Operational Information - Employees

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Management	5	5	5	5	5	5	5	5	5	5
Water Quality & System Operations	26	26	28	29	30	29	32	33	31	31
Field Operations & Distribution	48	50	53	54	57	58	58	57	54	50
Engineering	21	21	21	21	22	22	22	22	22	22
Administrative Services	45	44	45	47	45	45	47	47	43	41
Total Employees	145	146	152	156	159	159	164	164	155	149



► As mentioned in previous comments, Helix is an established, mostly built-out water district which is reflected in the relatively small increases in employees over this ten year period.

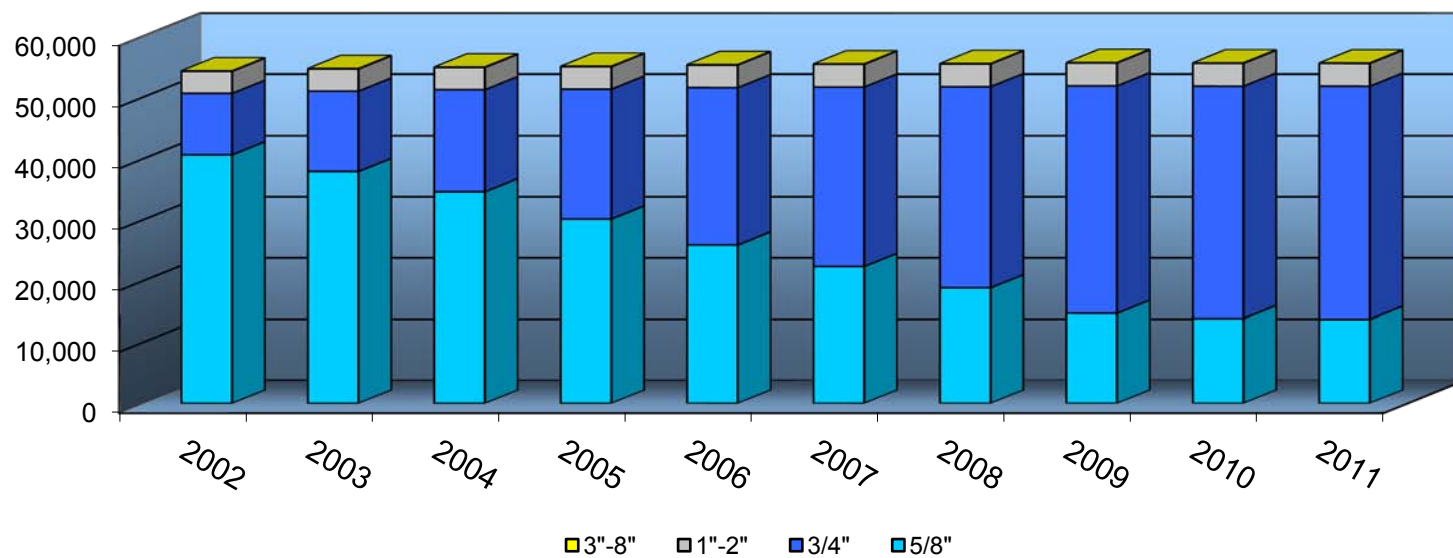
► The employee counts represent the head count for the full time employees in each department.



Active Meters by Size

Last Ten Fiscal Years

Fiscal Year	5/8"	3/4"	1"-2"	3"-8"	Total	Total Change
2011	13,712	38,061	3,741	40	55,554	0.0%
2010	13,841	37,929	3,752	41	55,563	(0.1%)
2009	14,692	37,144	3,748	42	55,626	0.3%
2008	18,845	32,839	3,735	39	55,458	0.1%
2007	22,333	29,303	3,725	41	55,402	0.2%
2006	25,855	25,679	3,713	40	55,287	0.5%
2005	30,111	21,169	3,691	41	55,012	0.2%
2004	34,574	16,623	3,650	42	54,889	0.5%
2003	37,907	13,061	3,633	41	54,642	0.7%
2002	40,635	9,960	3,621	41	54,257	0.1%



► The District is in the process of discontinuing the use of 5/8" meters and moving toward 3/4" meters as its smallest standard size meter.

Operational Information - Assets

Last Ten Fiscal Years



Key Operating Indicators

<u>Fiscal Year</u>	<u>Number of Services Added (Removed)</u>	<u>Net Increase (Decreased) in Pipeline in Feet</u>	<u>Water Main Breaks</u>	<u>Month of Peak Consumption</u>	<u>Peak Monthly Consumption in Gallons</u>	<u>Average Daily Consumption in Gallons per Day</u>
2011	(9)	(518)	40	September	1,161,409,876	106.0
2010	(63)	2043	35	September	1,199,422,488	112.5
2009	168	4929	40	September	1,332,002,496	127.5
2008	56	8335	36	September	1,332,566,488	136.9
2007	115	8379	59	September	1,509,594,900	143.9
2006	275	15167	46	September	1,468,595,524	137.9
2005	123	18059	40	September	1,499,429,580	137.5
2004	247	11267	39	September	1,460,487,952	149.6
2003	385	8154	24	September	1,476,641,012	140.7
2002	57	8659	19	September	1,503,406,696	149.7

Capital Assets Statistics

<u>Fiscal Year</u>	<u>Miles of Pipeline</u>	<u>Treatment Plants</u>	<u>Booster Pumps</u>	<u>Hydropneumatic Stations</u>
2011	719	1	21	4
2010	719	1	21	4
2009	719	1	21	4
2008	720	1	21	4
2007	719	1	21	4
2006	717	1	21	4
2005	718	1	21	4
2004	715	1	21	4
2003	713	1	21	4
2002	712	1	21	4

Capital Assets

Last Ten Fiscal Years



Fiscal Year	Land	Reservoirs and Pipelines	Autos and Trucks	Buildings and Equipment	Accumulated Depreciation	Net Capital Assets	Construction in Progress
2011	\$ 5,067,807	\$ 294,064,280	\$ 3,219,587	\$ 32,790,026	\$ (116,110,235)	\$ 219,031,465	\$ 6,622,047
2010	5,067,807	286,009,421	3,140,592	31,467,881	(109,206,319)	216,479,382	5,818,231
2009	5,067,807	278,178,498	5,067,807	31,073,865	(102,729,809)	216,658,168	4,361,785
2008	5,067,807	256,330,622	3,168,658	29,453,108	(97,077,513)	196,942,682	17,508,826
2007	5,067,807	244,436,552	3,079,837	28,682,392	(91,363,742)	189,902,846	14,142,543
2006	5,067,807	231,807,700	2,859,152	26,881,396	(85,817,741)	180,798,314	8,743,967
2005	5,067,807	222,622,998	2,683,120	25,624,985	(80,309,758)	175,689,152	6,819,415
2004	5,067,807	215,048,679	2,591,046	25,126,076	(75,026,951)	172,806,657	7,657,313
2003	5,067,807	161,816,719	2,320,696	25,035,116	(70,052,142)	124,188,196	51,577,084
2002	5,012,870	157,489,181	2,086,482	24,703,583	(66,830,927)	122,461,189	50,570,156

