

**Comprehensive Annual Financial Report
of the San Juan Water District**

For the Fiscal Year Ended June 30, 2010

Prepared by

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**SAN JUAN WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010 AND 2009**

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INTRODUCTORY SECTION



August 26, 2010

Members of the Board of Directors
San Juan Water District

Directors:

The San Juan Water District is required by State statute to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to present the Comprehensive Annual Financial Report (CAFR) for the San Juan Water District (District) for the fiscal year ended June 30, 2010. The information presented in this CAFR is intended to provide financial information with all the disclosures necessary to enable the District's customers, investment community and general public to assess the District's financial condition.

This report contains management's representations concerning the finances of the District. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to both protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Marcia Fritz & Company, a firm of licensed certified public accountants with which the District contracts for these services. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2010, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and is intended to be read in conjunction with it. The District's MD&A can be located immediately following the independent auditors' report.

The CAFR is organized into Introduction, Financial, Supplementary Information and Statistical sections. The Introductory section includes this transmittal letter, a list of principal officials, District's organizational chart and Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA. The Financial section includes: Independent Auditor's Report on the District's financial statements; MD&A; June 30, 2010 basic financial statements, including the Statement of Net Assets, Statement of Activities, Statement of Cash Flows and Notes to the Basic Financial Statements. Supplementary information consists of Schedule of Administrative and General Expenses (Unaudited) and Schedule of Operations—Budget and Actual. The financial statements are prepared in accordance with GAAP. The Statistical section summarizes selected unaudited general financial and operational information of the District.

District Profile

History

The District was formed as a result of petitions being presented to the Board of Supervisors of Sacramento and Placer Counties by Citrus Heights Water District, Fair Oaks Water District, Orangevale Water Company and a group of homeowners in South Placer County. An election was held within the boundaries of the sponsoring districts on February 10, 1954. At this election, voters approved the formation of the San Juan Water District by nearly a two-thirds majority and elected five Directors. The District is a community services district formed under Section 60000 et seq., Title 5, Division 3 of the California Government Code.

The District provides water on a wholesale and retail basis to an area of approximately 17 square miles for retail and 46 square miles for wholesale (which includes the retail area) in Sacramento and Placer Counties. The District's wholesale operation consists of negotiating water contracts; operating a surface water treatment plant and storage, pumping and transmission facilities (which deliver water to five wholesale entities); and providing the administrative support related to those activities. Retail operations consists of storage, pumping, transmission and distribution facilities (which deliver water to approximately 10,370 retail service connections located in a portion of Northeast Sacramento County and the Granite Bay area of South Placer County) and providing the administrative, customer service, conservation and engineering support related to those activities.

Accounting System and Budgetary Controls

The District's accounting records are maintained using the accrual basis of accounting. The revenues of the District are recognized when they are earned and the expenses are recognized when they are incurred.

The District staff works with the Finance and Administrative Services Division to develop the annual budget. The process begins in January and managers develop their budget requests needed to fulfill the District's mission, goals and objectives for the next fiscal year. The Finance and Administrative Services Division prepares the proposed budget and provides a copy of the Wholesale and Retail budgets separately to the Finance Committee, making any necessary adjustments arising from that review. Then the Finance and Administrative Services Manager presents the separate proposed budgets to the Board of Directors in May and June for their review. The public hearing on each proposed budget is held at the next Board of Directors meeting, with anticipated finalization and adoption scheduled for the following meeting or at least no later than June 30th. The budget is used as a management tool for projecting and measuring revenues and expenses.

Mission Statement

The District's mission, and highest priority to our customers, is to take all necessary actions to ensure the delivery of a reliable water supply of the highest quality at reasonable and equitable costs. As part of accomplishing our mission, we commit to working cooperatively with others on projects of mutual public benefit to achieve the greatest possible efficiency and effectiveness. We further commit to communicate what we are doing, and why we are doing it. The District prides itself in providing excellent customer service to all its customers, external and internal.

Water Supply

The Districts' existing water supply consists of three separate raw water contracts. The first source of water is 33,000 acre-feet of pre-1914 water rights on the American River. The second source is a contract with the U.S. Bureau of Reclamation for 24,200 acre-feet of Central Valley Project water. The third water source is a contract with Placer County Water Agency for 25,000 acre-feet of water. The District has completed the process of long-term water contract negotiations with the U. S. Bureau of Reclamation for Central Valley Project water resulting in a 40 year long-term contract.

All sources of surface water are either stored or flow through Folsom Lake and delivery is taken at Folsom Dam outlets, either by gravity or pumped by the U. S. Bureau Folsom Pumping Plant. Total raw water delivery for the fiscal year was 48,250 acre-feet.

Water Efficiency

The District has long been a proponent and practitioner of cost effective water efficiency programs. The implementation of these programs has been highly successful and the District continually strives to meet the standards of the California Urban Water Conservation Council's (CUWCC) Best Management Practices (BMPs) that are required by the Sacramento Area Water Forum Agreement, California legislation SBx7x, the California Department of Water Resources, and the U.S. Bureau of Reclamation Central Valley Project Improvement Act.

Some of the District's more innovative water efficiency programs are:

Water Conservation Poster Contest and Calendar – For over 15 years San Juan Water District has collaborated with four of its retail water suppliers and local elementary schools to promote an annual water conservation poster contest.

Rebate Program – Provides residential customers High-Efficiency Washing Machine and Hot Water Demand System rebates; provides commercial and residential customers with High Efficiency Toilet and Irrigation Efficiency rebates.

Free Programs – Assist customers with Residential Meter Retrofit Program; Irrigation Support that includes Landscape Workshops; provide Landscape Water budgets; and maintain an on-site library for customers to check out books about soil aeration, mulches, drip irrigation, water efficient landscaping, fertilizers, water education information for children and more. Free pamphlets on these topics are also available.

Water Efficient Landscape (WEL) Garden – Located behind San Juan Water District's office are gardens to inspire visitors to create a landscape that looks beautiful every season. The garden demonstrates efficient irrigation and non-water using materials to create a beautiful landscape.

The benefits include more cost-effective and efficient water conservation programs for an expanding number of participating water providers, and increased customer awareness of the importance of water efficiency for future reliable water supplies.

Water Treatment Plant

The District's water treatment facilities, Sidney N. Peterson Water Treatment Plant, was constructed in three phases and completed between the years of 1975 to 1983. The facilities include two flocculation-sedimentation basins, two filter basins, operations building and storage reservoir. Major upgrades and improvements to the plant in 2005 and 2009 added a solids handling facility and a new chlorine storage and handling facility to the plant. These two projects along with other capital projects increased efficiency and productivity to meet the required demands of customers and improved operations to help meet Federal and State regulatory requirements.

With a capacity of approximately 120 million gallons per day, the plant receives delivery of raw water directly from Folsom Dam outlets. The raw water undergoes an extensive water treatment process to ensure the highest quality of water for all District customers. From the water treatment plant, the water flows into the 62 million gallon Hinkle Reservoir for storage and distribution. The District maintains approximately 214 miles of transmission and distribution pipelines, which transport the high quality treated water to wholesale and retail customers.

During the fiscal year, the District completed three additional capital improvement projects to meet the District's goal of water system reliability. The sedimentation basin improvements project was accomplished in coordination with the US Army Corps of Engineers. The project was funded by a combination of the proceeds of the 2003 Certificates of Participation, District reserves and federal funding. The new 54-inch Raw Water Pipeline Project and the Existing Raw Water Pipeline Rehabilitation Project were funded from proceeds of the 2003 and 2009 Certificates of Participation and District reserves. In addition, other projects are underway in the next fiscal year to improve and efficiently maintain water systems that in many cases are more than 30 years old, including pipelines and instrumentation and control systems.

Enterprise Operations

The District is comprised of two separate enterprise operations with distinct functions:

1. The Wholesale Operation's primary responsibilities are: acquire and maintain source of supply water contracts; treatment of surface drinking water; and storage and delivery of water to contracting wholesale water agencies.
2. The Retail Operation's primary responsibilities are: maintain source of water supply received from the Wholesale Agency; storage, transmission and distribution of water to retail customers at a reasonable cost; construct and maintain transmission and distribution pipeline systems as recommended by the Retail Master Plan; provide engineering oversight to District projects and new connections to the system; provide customer service; develop and monitor conservation programs.

The financial management and accounting for the two enterprise operations is recorded separately; however, for financial reporting purposes they are presented in a consolidated report. As additional information, the accounting for the two operations on a budget versus actual basis is provided.

Factors Affecting Financial Condition

Economic Outlook

The District is located in Northern California approximately 20 miles Northeast of Sacramento and between the Cities of Folsom and Roseville. While over the years the region as a whole has been successful in attracting new high-tech companies and expansion of existing companies, the statewide and national economic conditions have caused a slowing in development. The housing downturn as well as financial market deterioration has created more caution related to expansion and the economy. The District's Retail Service Area (RSA) has again experienced a very moderate, low growth rate in recent years as reflected in the number of new service connections. There were approximately 14 new service connections for the current fiscal year, which represents a growth rate of approximately .135% for the year. The national housing turmoil and resulting foreclosures in the RSA has caused the District to implement solutions for ensuring that water bills due on vacant and foreclosed properties are collected prior to closing of sale and escrow on these properties. This number has remained manageable and the District has been able to collect these monies through communication with realtor, banks, escrow companies and new property owners.

Overall, the current and future financial stability of the District is positive with the existing revenue sources remaining stable. Retail revenues are currently received entirely through a metered rate system. As the result of a Federal Mandate, the entire District became 100% metered effective January 1, 2005 and began billing all customers on a metered rate. Until that time, customers had been voluntarily switching to metered billing based upon rate comparisons provided on water bills for metered versus flat rate billing. There are new conservation related billing structures that will work toward having 70% of revenues received from the volumetric portion of the water rates. This will be incorporated into the District's water rates and does not pose a concern for the collection of total revenues as rates will remain based on cost of service.

Long-term Financial Planning

In order to ensure funds are available to meet both operating and capital needs, the District (for both Wholesale and Retail Operations) established a financial planning process with development of a Master Plan that contains a review of current infrastructure, and that recommends projects for a twenty to thirty year period. The District next estimates current and future operating needs then works with a rate consultant to develop a water rate study and financial plan.

Both the Wholesale and Retail Financial Plans were updated in 2008 by the Reed Group, Inc. Water rates from those plans were implemented on January 1, 2009 and 2010. The prior plans were developed in 2007, but required an update due to increased capital needs for water shortage planning, water reliability planning and loss of federal funds for capital projects. With the adoption of the FY 2010-2011 budgets, the Board approved a Wholesale Water Rate increase of 5% and a Retail Water Rate increase of 2%, effective January 1, 2011. Wholesale Water Rate increases are due to the significant nature of capital projects and debt issuance required (minimal operational increase required). Retail Water Rate increases are due to capital projects (minimal operational increase required).

Cash Management

The District's cash consists of funds for operating, non-operating and reserves designated for capital improvement and other District programs. These funds are invested following the guidelines of the Investment Policy adopted by the Board of Directors and in accordance with the California Government Code. The Investment Policy is aimed toward obtaining the highest yield feasible, provided that all investments first meet the criteria established for safety and liquidity.

During the year funds were invested primarily in the State of California Local Agency Investment Fund ("LAIF"), Certificates of Deposit, Medium Term Corporate Notes and U.S. Agency Securities held in a third party custodial account on behalf of the District. Maturities of these securities range from liquid to five (5) years.

The average yield on investments was 1.48%, with rates of return ranging from .0% on demand deposit accounts to .56% on liquid LAIF funds. With financial markets experiencing significant turmoil, interest rates are expected to hold or slip slightly in the coming fiscal year resulting in lower interest earnings for the District.

Risk Management

The District has its property, general liability, errors and omission, and automobile insurance with the Association of California Water Agency/Joint Powers Insurance Authority (ACWA/JPIA), a pooled self-insurance group. As of June 30, 2010 the District was insured with the ACWA/JPIA workers' compensation insurance program with a modification rate of 73%.

All contractors doing work for the District are required to furnish certificates of insurance for general liability, automobile liability, professional liability, workers' compensation and indemnification clauses.

The District has a defined safety program for employees which provides guidelines, regular safety meetings and training sessions conducted by staff for reinforcement of safety conduct in the work place. In addition, the District provides staff safety incentive days off, up to a maximum of three, when there are no lost-time accidents. There have been no lost-time accidents since October 12, 2006, and District employees are currently eligible for the maximum safety days per year.

Pension and other post employment benefits

The District sponsors a multi-employer defined benefit pension plan for all full-time, permanent employees through the California State Public Employees Retirement System (CalPERS). Both employer costs and tax-deferred member contributions are currently paid by the District to the system on a monthly basis. An Actuarial Report is prepared by CalPERS actuaries annually to calculate the annual required contribution rates for the next two years which are used by the District to fund the plan. Due to the fact that the District had less than 100 employees, in 2005 CalPERS required the District to become a member of the risk pool associated with the plan's benefit formula. According to CalPERS, risk sharing pools dramatically reduce or eliminate the large fluctuations in an employer's retirement contribution rate caused by unexpected demographic events.

In addition to the pension plan, the District offers two voluntary IRS Section 457 Deferred Compensation Plans to which all full-time regular employees are eligible to contribute. These plans are held with Variable Annuity Life Insurance Company and Annuity Investors Life Insurance Company. All funds contributed to these plans come from the individual employees enrolled in the plan with no District match.

The District provides post-employment healthcare benefits to retirees and their dependents. As of the end of the current fiscal year, there were eighteen retired employees receiving these benefits which are currently financed on a pay-as-you-go basis. Beginning with Fiscal Year 2009, the District was required by Governmental Accounting Standards Board (GASB) Statement No. 45 to report the actuarially determined liability for the post employment healthcare benefits. The District worked with EFI Actuaries to fulfill this requirement. The Board decided to fund the full Annually Required Contribution resulting in an expenditure of \$525,011 with the specific trust yet to be determined.

Awards and Acknowledgements

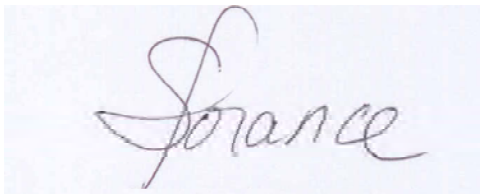
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Juan Water District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports. This is the fourth recent consecutive year that the District has received this award.

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

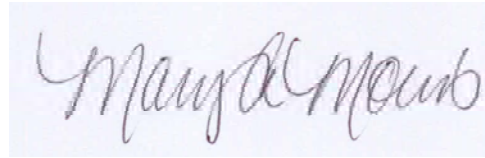
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services of the entire staff of Finance and Administrative Services, Retail Operations (Conservation, Customer Service, Engineering Services, and Field Services), and Wholesale Operations. This specifically includes the continuing support of the Board of Directors of the District in the planning and implementation of the financial affairs of the District.

Sincerely,

A handwritten signature in cursive script that reads "Shauna Lorance". The signature is written in black ink on a light blue background.

Shauna Lorance
General Manager

A handwritten signature in cursive script that reads "Mary Morris". The signature is written in black ink on a light blue background.

Mary Morris
Finance & Administrative Services Manager

**SAN JUAN WATER DISTRICT
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2010**

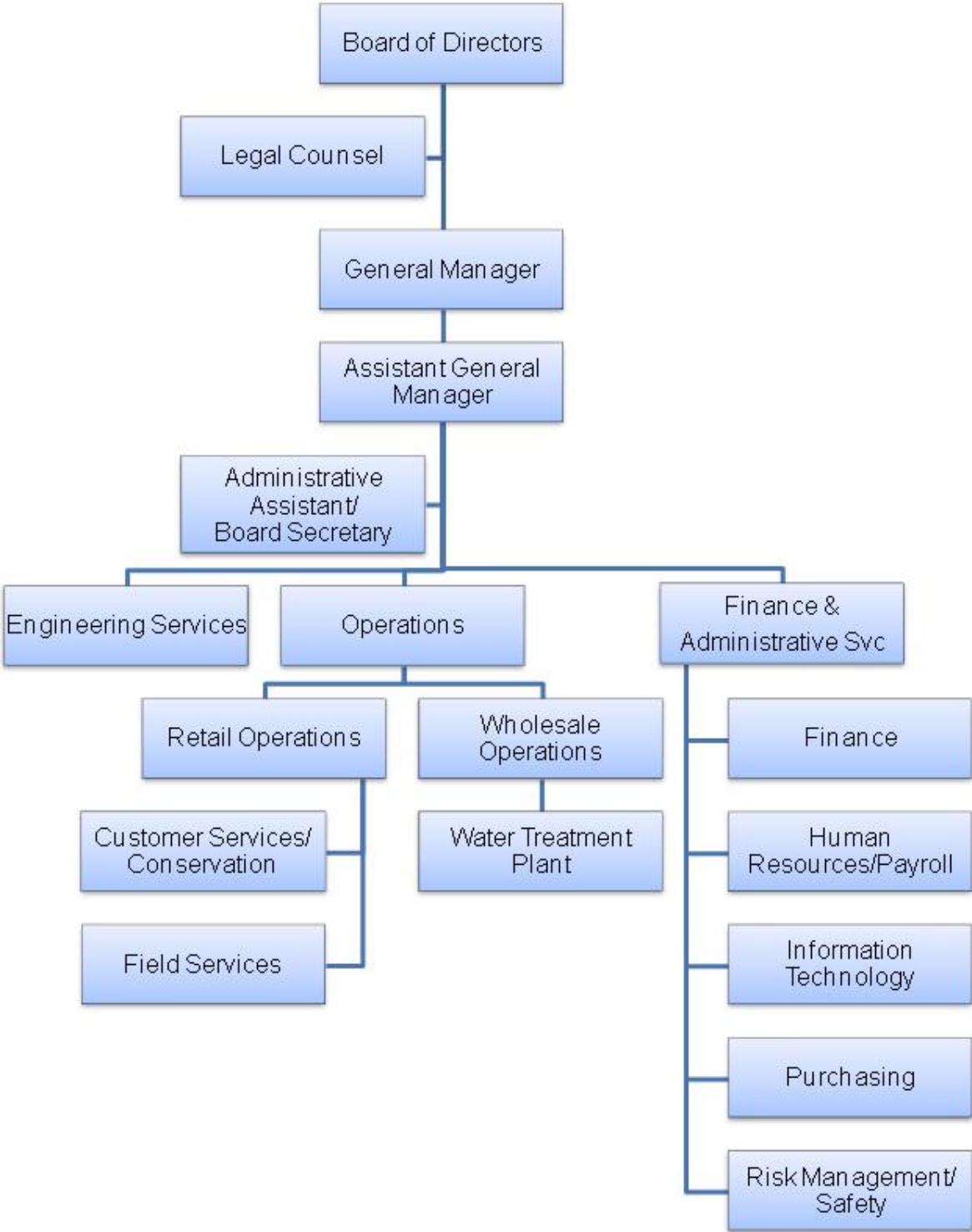
BOARD OF DIRECTORS - ELECTED OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Current Term</u>
President	Dave Peterson	12/2006 - 12/2010
Vice President	Edward J. "Ted" Costa	12/2006 - 12/2010
Director	Bob Walters	12/2006 - 12/2010
Director	Kenneth H. Miller	12/2008 - 12/2012
Director	Pamela Tobin	12/2008 - 12/2012

STAFF - APPOINTED OFFICIALS

General Manager	Shauna L. Lorance
Assistant General Manager	Keith B. Durkin
Administrative Assistant/Board Secretary	Teri Hart
Finance and Administrative Services Manager	Mary A. Morris
Operations Manager	Rick Hydrick
Customer Services/Conservation Manager	Judy A. Johnson
Engineering Services Manager	Rob Watson
Field Services Manager	George Machado
Water Treatment Plant Manager	Bill Sadler

**SAN JUAN WATER DISTRICT
ORGANIZATION CHART
JUNE 30, 2010**



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

San Juan Water District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



President

Executive Director

FINANCIAL SECTION



MARCIA FRITZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
5530 Birdcage St., Suite 105
Citrus Heights, CA 95610-7698
(916) 966-9366 • Fax (916) 966-8743

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Juan Water District
Granite Bay, California

We have audited the accompanying basic financial statements of the San Juan Water District (the District) as of June 30, 2010 and 2009 for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2010 and 2009 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2010, on our consideration of San Juan Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 14 - 21 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the required information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information listed in the table of contents is presented for the purposes of additional analysis and are not a required part of the basic financial statements of the San Juan Water District. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the table of contents were not audited by us, accordingly, we express no opinion on this information.

Marcia Fritz & Company
August 26, 2010

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

In order to enhance the information provided in the letter of transmittal, management offers this narrative overview and analysis of the financial activities of the San Juan Water District (the District) for the fiscal years ended June 30, 2010 and 2009. We encourage readers to consider the information here in conjunction with the transmittal letter, which can be found on pages 1 - 8 of this report. The information is intended to provide a better understanding of the District's financial operations and performance.

Financial Highlights

Several key points are important when reading the District's CAFR:

- ☞ At the end of the fiscal year, assets exceeded liabilities by \$69,889,962 (net assets) as compared with \$68,136,106 in the prior year. This amount is comprised of investments in capital assets, restricted and unrestricted net assets. Of the total amount, \$21,465,443 is considered unrestricted and available to meet the District's ongoing obligations. This amount was \$20,659,128 in the prior year. However, the majority of these funds have been designated for specific projects which will be required for replacement of capital facilities.
- ☞ Total net assets decreased by \$1,753,856, compared to an decrease of \$1,782,942 in the prior fiscal year. The significant reason for the prior year decrease was the one-time payoff of the CalPERS retirement side-fund. This was an extraordinary event that is expected to occur once and save the District an estimated \$1.6M over the next twelve years. In the current year, the decrease is due to lower connection fees as development and new connections had slowed down and continue to do so.
- ☞ Operating revenues increased by \$197,026, which is due to a 8% rate increase in wholesale water rates, a 5% rate increase in retail water rates (for capital improvement program funding), a reduction in revenue due to the low lake level and continued conservation efforts. In the prior year, operating revenues increased by \$1,495,664 which was due to an 16% rate increase in wholesale water rates and a 9% rate increase in retail water rates.
- ☞ Non-operating revenues decreased by \$237,585, due to lower investment earnings as the direct result of the recessionary economy. In the prior year, non-operating revenues decreased by \$803,019 as a result of: 1) lower number of connections and corresponding revenue as develop has slowed, and 2) increased interest revenues and property taxes.

Overview of the Financial Statements

The four sections of the District's financial statements are: 1) introductory section, 2) financial section, 3) supplementary information section, and 4) statistical section.

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

Introductory Section - This includes the letter of transmittal, List of Elected and Appointed Officials, organization chart, and the Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA.

Financial Section - This section includes the independent auditor's report, management's discussion and analysis and basic financial statements. The District's basic financial statements are comprised of the Statements of Net Assets, Statements of Activities, and Statements of Cash Flows. The Statements of Net Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. When evaluated over a period of time, increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating. The Statements of Activities reflect the revenues and expenses for the fiscal year ended. The Statements of Cash Flows shows the sources and uses of cash in the operating, non-capital, capital and related financing, and investing activities. The notes to the basic financial statements provide in depth information that is vital to gaining a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 27.

Supplementary Information Section - In addition to the basic financial statements and accompanying notes, this report also provides additional information on administrative and general expenses and budget versus actual.

Statistical Section - The statistical section provides additional information not contained in the financial section on District activities.

Financial Analysis of the District

As a government agency, the District is not in the business to make a profit as a private company would be. In contrast, the District has two major goals, which are:

- ☞ Recovering the cost of providing services to its constituents, and
- ☞ Securing the financial resources needed to maintain and improve the capital facilities used in providing those services.

The financial statements assist a reader in determining whether the District is meeting these goals. In general, net assets provide a realistic indicator of a government's financial position. For the fiscal year ending June 30, 2010, assets exceeded liabilities by \$69,889,962. In the prior year, assets exceeded liabilities by \$68,136,106.

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

Statements of Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$ 11,287,453	\$ 13,314,186	\$ 18,246,611
Restricted Assets	30,838,327	37,023,282	7,468,278
Property, Plant & Equipment	75,067,140	65,265,094	55,081,679
Other Assets	<u>6,744,099</u>	<u>6,023,354</u>	<u>11,878,313</u>
TOTAL ASSETS	<u>\$ 123,937,019</u>	<u>\$ 121,625,916</u>	<u>\$ 92,674,881</u>
Current Liabilities	\$ 5,882,063	\$ 4,318,746	\$ 2,995,303
Long-Term Liabilities	48,164,994	49,171,064	19,760,530
Total Liabilities	<u>54,047,057</u>	<u>53,489,810</u>	<u>22,755,833</u>
Invested in Capital Assets, Net of Related Debt	43,492,739	42,545,198	40,225,803
Restricted Net Assets	4,931,780	4,931,780	1,798,667
Unreserved/Unrestricted Net Assets	<u>21,465,443</u>	<u>20,659,128</u>	<u>27,894,578</u>
Total Net Assets	<u>69,889,962</u>	<u>68,136,106</u>	<u>69,919,048</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 123,937,019</u>	<u>\$ 121,625,916</u>	<u>\$ 92,674,881</u>

The largest portion of the District's net assets, 62%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. In the prior year, investment in capital assets represented 62% of net assets with the same percentage in the fiscal year prior to that. The District utilizes capital assets to serve its customers; therefore, these assets are not available for future spending. While the District's investment in capital assets is reported net of related debt, be aware that the funds needed to repay this debt must be contributed from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, restricted net assets, 7%, are subject to external restriction on how they may be used (specifically, for debt service on the 2003 Certificates of Participation (COPs)). The remaining unrestricted net assets, 31%, may be utilized to meet the District's ongoing obligations and future facility improvements or replacements. The stability of unrestricted net assets is an indicator that the financial condition of the District remains strong.

The increase of \$1,753,856 in total net assets is representative of increases in revenues and capital contributions offset by reduced operating and non-operating revenues. In the prior fiscal year, the decrease of \$1,782,942 in total net assets was largely due to the \$4M retirement side-fund payoff which will save the District approximately \$1.6M in interest that would have been charged at the set rate of the retirement fund of 7.75%. In the fiscal year two years prior, the increase in total net assets of \$1,395,870 was due to increases in revenues and capital contributions.

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

Statement of Activities

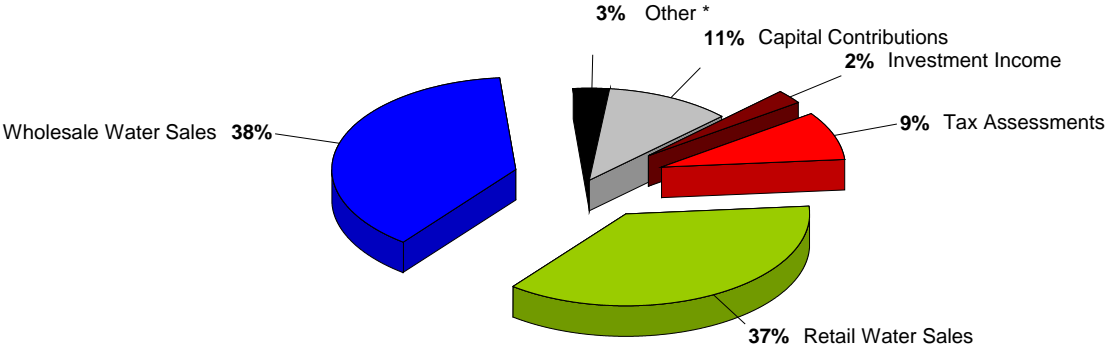
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues:			
Wholesale Water Sales	\$ 7,554,793	\$ 7,111,208	\$ 6,410,653
Retail Water Sales	7,299,989	7,542,865	6,766,658
Other	144,086	147,769	128,867
Total Operating Revenues	<u>14,998,868</u>	<u>14,801,842</u>	<u>13,306,178</u>
Non-operating Revenues:			
Tax Assessments	1,687,204	1,822,166	1,835,558
Investment Income	475,139	847,510	1,561,139
Capital Contributions	2,172,250	131,801	1,043
Connections and Annexations	163,266	45,699	174,865
Other	331,786	179,605	126,437
Total Non-operating Revenues	<u>4,829,645</u>	<u>3,026,781</u>	<u>3,699,042</u>
Total Revenues	<u>19,828,513</u>	<u>17,828,623</u>	<u>17,005,220</u>
Operating Expenses			
Administrative and General	2,458,413	2,161,541	2,387,564
Conservation	635,946	636,509	503,713
Customer Service	666,816	689,023	679,121
Engineering	317,454	359,576	319,227
Pumping & Telemetry	545,977	663,975	580,370
Source of Supply	3,284,932	3,221,008	3,240,902
Transmission & Distribution	1,764,549	1,639,125	1,731,271
Water Treatment	2,171,924	2,211,536	2,223,995
Interest Expense	818,421	249,251	268,108
Depreciation	3,058,880	3,089,211	2,959,528
Retirement Benefit Fund	742,340	4,143,338	-
Total Operating Expenses	<u>16,465,652</u>	<u>19,064,093</u>	<u>14,893,799</u>
Non-Operating Expenses			
Bond and Note Interest	1,540,746	455,802	602,286
Other	68,259	91,670	113,265
Total Non-Operating Expenses	<u>1,609,005</u>	<u>547,472</u>	<u>715,551</u>
Total Expenses	<u>18,074,657</u>	<u>19,611,565</u>	<u>15,609,350</u>
Change in Net Assets	<u>1,753,856</u>	<u>(1,782,942)</u>	<u>1,395,870</u>
Beginning Net Assets	<u>68,136,106</u>	<u>69,919,048</u>	<u>68,523,178</u>
Ending Net Assets	<u>\$ 69,889,962</u>	<u>\$ 68,136,106</u>	<u>\$ 69,919,048</u>

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

Operating revenue increased by \$197,026 due to rate increases for both wholesale and retail customers offset by reduced water use. In the prior fiscal year, the increase of \$1,495,664 in operating revenues is primarily due to rate increases, reduction in use by one wholesale agency and conservation efforts. The District believes that customer-driven conservation efforts are both motivated by efficient use of natural resources and the economic downturn that has potentially created a financial need for using less water in order to save on household and business costs.

The \$1,802,864 increase in non-operating revenues is a result of reduced investment income due to market conditions and spending of capital reserves for projects, as well as a continued slowing of new connections. This compares to a \$672,261 decrease in the prior fiscal year which was the result of reduced investment income due to market conditions and spending of capital reserves for projects, as well as a continued slowing of new connections.

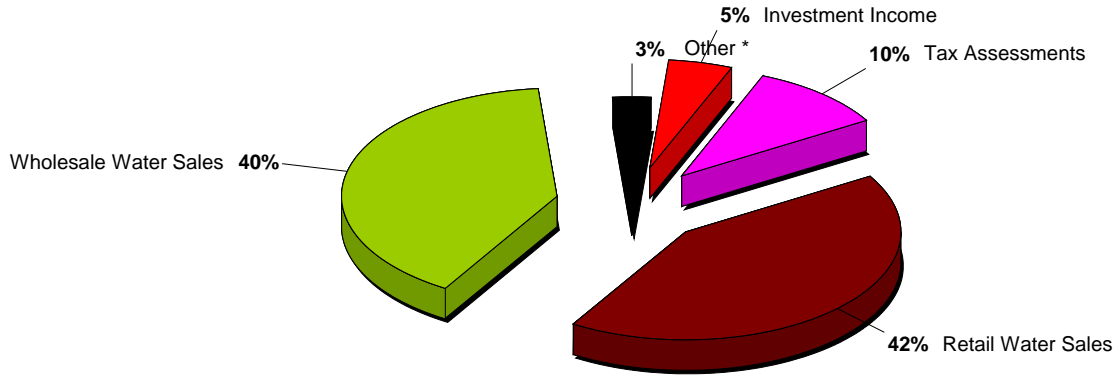
2010 Revenues by Source



* Other, Other 1%, Connections and Annexations 1%, Other 2%

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

2009 Revenue by Source



* Other, Other 1%, Capital Contributions 1%, Connections and Annexations 0%, Other 1%

The \$2,598,441 decrease in operating expenses is due to inflation increases for items such as treatment chemicals and maintenance construction supplies, without the one-time payoff of the retirement benefit fund. In the prior fiscal year, operating expenses increased by \$4,170,294 which was the result of: inflation increases for items such as treatment chemicals and maintenance construction supplies with the one-time payoff of the retirement benefit fund as the most significant increase.

Though the District continually seeks cost-efficient methods of providing service and completing capital projects, this year and coming years have placed even greater emphasis on saving money due to the continued slowing economy.

Property, Plant and Equipment and Debt Administration

Property, Plant & Equipment

The District's investment in property, plant and equipment as of June 30, 2010, net of accumulated depreciation, is \$75,067,140. This investment includes land, buildings, water treatment plant and distribution system, construction in progress, vehicles, equipment, office equipment and furniture. As of June 30, 2009, this amount was \$65,265,094. The increase from the prior fiscal year of \$9,802,046 is due to several large construction projects. At June 30, 2010, the District had \$588,778 in construction commitments outstanding. At June 30, 2009, the District had \$1,869,035 in construction commitments outstanding.

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

New subdivision and commercial development within the Retail Service Area has experienced a major slowing in growth. The outlook for the next fiscal year 2010-2011 shows a continuing slow growth trend with some vacant land currently being developed. Additional information on property, plant and equipment can be located in note 4 of the Notes to the Basic Financial Statements.

Debt Administration

As of June 30, 2010, the District had four different debt issues outstanding in an aggregate amount of \$48,164,943. Of this amount, \$1,000,589 represents the current portion due in Fiscal Year 2010-2011. In the prior year, there were three outstanding debt issues in an aggregate amount of \$49,555,612, with \$1,390,670 representing the portion due in Fiscal Year 2009-2010. For more information on long-term liabilities, refer to note 6 of the Notes to the Basic Financial Statements. The increase from 2008 to 2009 is due to a \$30,510,000 Certificate of Participation debt issuance completed on June 30, 2009 with a 30-year term.

Outstanding Debt Issues

	<u>2010</u>	<u>2009</u>	<u>2008</u>
2009 Certificates of Participation	\$30,105,000	\$30,510,000	\$ -
2003 Certificates of Participation	17,875,000	18,835,000	19,765,000
1977 Economic Development Administration Loan	173,430	193,826	213,251
California Energy Commission Loan	<u>11,513</u>	<u>16,786</u>	<u>21,762</u>
Total Outstanding Debt	<u>\$48,164,943</u>	<u>\$49,555,612</u>	<u>\$20,000,013</u>

MBIA Indemnity Corporation insures the payment of the principal and interest on the 2003 Certificates of Participation. Standard & Poor's Ratings Group and Moody's Rating Services had given the COP a rating of "AAA" with the issuance of bond insurance by MBIA Indemnity Corporation. Pursuant to the Trust Agreement, with the recent downgrading of MBIA the District was required to file a disclosure reporting significant events and had completed this immediately following the event. For the 2009 Certificates of Participation, the District received an underlying credit rating of "AA", outlook stable from both Standard & Poor's Ratings Group and Fitch Ratings. This rating was upgraded to "AA+" by Fitch Ratings in May 2010.

**SAN JUAN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

Economic Factors and Next Year's Budgets and Rates

The local economy has continued to experience slow growth combined with turmoil in the housing and financial markets during the fiscal year. Interest rates are holding and sometimes dropping slightly which will provide lower investment earnings in the next year. The Consumer Price Index (CPI) decreased .3% over the prior 12 months. The District currently expects to continue to receive its share of the 1% property tax revenue, but is carefully monitoring the activity of the State of California for potential reallocation of these funds. Proposition 1A protected these funds to the extent that the State can only borrow them for a period of three years and must re-pay them including interest, but there is still a general concern given the State's economic situation. Although these are used for capital improvements and not for operations, any loss of these funds would require re-evaluation of capital projects costs and scheduling to calculate the impact to the District.

These factors were taken into consideration during preparation of the Fiscal Year 2010-2011 Budget. As approved by the Board of Directors, the District's Wholesale Water Rates are scheduled to increase an average of 5% on January 1, 2011 and the Retail Water Rates will increase 2% on January 1, 2011. These increases are required to fund the capital improvement program and cover the costs of providing water service to the District's customers.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Administrative Services Manager, San Juan Water District, 9935 Auburn-Folsom Road, Granite Bay, CA 95746.

BASIC FINANCIAL STATEMENTS

**SAN JUAN WATER DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 6,643,993	\$ 10,722,899
Accounts receivable (Note 3)	3,738,612	1,804,729
Accrued interest and taxes receivable (Note 3)	209,662	136,553
Amounts recoverable under long-term water sales contracts	302,195	290,304
Inventory	72,653	49,879
Prepaid expenses	320,338	309,822
Total Current Assets	11,287,453	13,314,186
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents (Note 2)	26,002,650	32,187,605
Investments (Note 2)	4,835,677	4,835,677
Property, Plant & Equipment, Net (Note 4)	75,067,140	65,265,094
Total Restricted Assets	105,905,467	102,288,376
Other Assets		
Investments (Note 2)	4,810,705	3,767,315
Amounts recoverable under long-term water sales contracts	841,344	1,139,712
Investment in electrical power (Note 5)	368,899	380,779
Deferred charges-unamortized bond expenses & other (Note 6)	723,151	735,548
Total Other Assets	6,744,099	6,023,354
Total Noncurrent Assets	112,649,566	108,311,730
TOTAL ASSETS	\$ 123,937,019	\$ 121,625,916
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,206,254	\$ 1,810,676
Accrued interest	1,029,474	329,610
Customer/developer deposits	44,743	87,868
Deferred income	22,834	26,534
Due to other governments	-	55,430
Deposits held for other governments	227,669	227,669
Compensated absences (Note 6)	350,500	390,289
Current portion of long-term debt (Note 6)	1,000,589	1,390,670
Total Current Liabilities	5,882,063	4,318,746
Long-Term Liabilities		
Long-term debt (Note 6)	47,754,285	48,829,234
Compensated absences (Note 6)	410,709	341,830
Total Long-Term Liabilities	48,164,994	49,171,064
Total Liabilities	54,047,057	53,489,810
Net Assets (Note 7)		
Invested in capital assets, net of related debt	43,492,739	42,545,198
Restricted for:		
Debt services	4,931,780	4,931,780
Unrestricted	21,465,443	20,659,128
TOTAL LIABILITIES AND NET ASSETS	\$ 123,937,019	\$ 121,625,916

The accompanying notes to the financial statements are an integral part of this statement.

**SAN JUAN WATER DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Water sales-wholesale		
Water charges to retail area	\$ 2,682,220	\$ 2,451,426
Citrus Heights Water District	1,759,274	2,012,487
Fair Oaks Water District	1,653,967	1,271,557
Sacramento Suburban Water District	453,261	535,920
Orangevale Mutual Water Company	642,096	514,575
City of Folsom	342,162	309,733
Granite Bay Golf Club	8,006	15,510
City of Roseville	13,807	-
Total Water Sales-Wholesale	<u>7,554,793</u>	<u>7,111,208</u>
Water sales-retail	7,299,989	7,542,865
Other	<u>144,086</u>	<u>147,769</u>
Total Operating Revenues	<u>14,998,868</u>	<u>14,801,842</u>
Operating Expenses		
Source of Supply		
Water charged to retail service area	2,682,220	2,451,426
Placer County Water Agency	300,000	300,750
US Bureau of Reclamation	23,187	165,088
Wheeling	192,692	180,597
Bureau pumping	79,177	107,174
Energy assessments	537	527
Other	7,119	15,446
Depreciation	3,058,880	3,089,211
Administration and general	2,458,413	2,161,541
Water treatment	2,171,924	2,211,536
Transmission and distribution	1,764,549	1,639,125
Customer service	666,816	689,023
Pumping and telemetry	545,977	663,975
Engineering	317,454	359,576
Conservation	635,946	636,509
Interest expense	818,421	249,251
Retirement benefit fund	<u>742,340</u>	<u>4,143,338</u>
Total Operating Expenses	<u>16,465,652</u>	<u>19,064,093</u>
Net Income (Loss) From Operations	(1,466,784)	(4,262,251)
Nonoperating Revenues		
Tax assessments	1,687,204	1,822,166
Investment income	475,139	847,510
Connections and annexations	163,266	45,699
Other	<u>331,786</u>	<u>179,605</u>
Total Nonoperating Revenues	<u>2,657,395</u>	<u>2,894,980</u>
Nonoperating Expenses		
Bond and note interest	1,540,746	455,802
Other	<u>68,259</u>	<u>91,670</u>
Total Nonoperating Expenses	<u>1,609,005</u>	<u>547,472</u>
Net Income (Loss) Before Capital Contributions	<u>(418,394)</u>	<u>(1,914,743)</u>
Capital Contributions	<u>2,172,250</u>	<u>131,801</u>
Change in Net Assets	<u>1,753,856</u>	<u>(1,782,942)</u>
Net Assets at Beginning of Year	<u>68,136,106</u>	<u>69,919,048</u>
Net Assets at End of Year	<u>\$ 69,889,962</u>	<u>\$ 68,136,106</u>

The accompanying notes to the financial statements are an intergral part of this statement.

**SAN JUAN WATER DISTRICT
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 13,096,641	\$ 14,920,650
Cash paid to suppliers for goods and services	(7,984,660)	(5,616,074)
Cash paid to employees for services	(4,117,511)	(9,494,416)
Customer Deposits Received	3,500	68,020
Customer Deposits Returned	<u>(46,625)</u>	<u>(55,412)</u>
Net Cash Provided by (Used for) Operating Activities	<u>951,345</u>	<u>(177,232)</u>
Cash Flows from Noncapital Financing Activities		
Grants received	61,312	80,487
Tax assessments received	<u>1,769,020</u>	<u>1,810,170</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,830,332</u>	<u>1,890,657</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(12,874,001)	(13,288,750)
Proceeds from sale of capital assets	12,874	20,707
Payments received on amounts recoverable under water sales contracts	290,304	282,240
Payments received for direct debt obligations	45,448	228,746
Payments on long-term debt	(1,390,670)	(954,401)
Proceeds from debt issuance	-	27,972,105
Debt issuance costs	-	(435,512)
Interest paid	(886,328)	(647,007)
Connection and annexation income	163,266	45,699
Capital contributions	<u>2,172,250</u>	<u>131,801</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(12,466,857)</u>	<u>13,355,628</u>
Cash Flows from Investing Activities		
Purchases of investments	(5,973,853)	(3,000,000)
Proceeds from sale and maturity of investments	4,973,852	9,000,000
Investment Income	<u>421,320</u>	<u>1,001,939</u>
Net Cash Provided by (Used for) Investing Activities	<u>(578,681)</u>	<u>7,001,939</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(10,263,861)</u>	<u>22,070,992</u>
Cash and Cash Equivalents at Beginning of Year	<u>42,910,504</u>	<u>20,839,512</u>
Cash and Cash Equivalents at End of Year	<u>\$ 32,646,643</u>	<u>\$ 42,910,504</u>

The accompanying notes to the financial statements are an integral part of this statement.

**SAN JUAN WATER DISTRICT
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Reconciliation of Net Income (Loss) from Operations to Cash Provided by (Used for) Operating Activities		
Net loss from operations	\$ (1,466,784)	\$ (4,262,251)
Adjustments to reconcile net loss from operations to net cash provided by operating activities		
Depreciation and amortization	3,058,880	3,105,108
Loss (gain) on disposal of assets	12,874	10,799
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,933,883)	155,610
(Increase) decrease in inventory	(22,774)	21,945
(Increase) decrease in prepaid expenses	(10,517)	114,906
(Increase) decrease in deferred charges	(8,867)	(39,346)
Increase (decrease) in accounts payable	476,195	574,184
Increase (decrease) salaries payable	919,386	165,455
Increase (decrease) customer/developer deposits	(43,125)	9,205
Increase (decrease) deferred income	(3,700)	3,403
Increase (decrease) due to other governments	(55,430)	(33,397)
Increase (decrease) compensated absences	29,090	(2,853)
Net Cash Provided by (Used for) Operating Activities	\$ 951,345	\$ (177,232)
 Noncash Activities		
Change in fair value of investments	\$ 43,390	\$ 35,855
Receipt of contributed assets	\$ 2,172,250	\$ 131,801
 Reconciliation of Cash and Cash Equivalents to Balance Sheet		
Unrestricted cash and cash equivalents	6,643,993	10,722,899
Restricted cash and cash equivalents	26,002,650	32,187,605
Total Cash and Cash Equivalents	\$ 32,646,643	\$ 42,910,504

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Juan Water District (the District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As allowed by the GASB, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The more significant of the District's accounting policies are described below.

Reporting Entity - The San Juan Water District (the District) was incorporated March 4, 1954 as a community service district under community service district law of the State of California (Section 60000 et. seq., Title 5, Division 3 of the California Government Code). The District is governed by a five member Board of Directors elected by the voters within the District for staggered, four year terms, every two years. The District provides water to retail customers in Sacramento and Placer Counties and sells water on a wholesale basis to other agencies. The accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

The District has created the San Juan Water District Financing Corporation (the Corporation) to provide assistance to the District in the issuance of debt. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the District and its sole purpose is to provide financing to the District under the debt issuance documents of the District. Debt issued by the Corporation is reflected as debt of the District in these financial statements. The Corporation has no other transactions and does not issue separate financial statements.

Basis of Presentation - Fund Accounting - The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net assets for the enterprise fund represents the amount available for future operations.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net assets is segregated into amounts invested in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as deferred revenues until earned.

Earned but unbilled water services are accrued as revenue. Water lines are constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance.

These lines are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized as pipelines, reservoirs, pumping stations and buildings.

Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Operating expenses include source of supply expenses, the cost of sales and services, administrative expenses, depreciation on property, plant and equipment and the portion of interest expense on 2003 Certificates of Participation used to refund the 1993 Certificates of Participation used for operating expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Budgetary Principles - The Board of Directors does not operate under any legal budgeting constraints. Budget integration is employed as a management control device. Budgets are formally adopted by the Board and take effect on each July 1.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Overhead Allocation - The quarterly overhead expense of maintaining vehicles, equipment, small tools and radios is charged to construction jobs and maintenance operations performed by District forces, all prorated on a man-hour basis. In addition, administrative overhead in the amount of 15% of the total cost is added to all jobs to recover associated costs.

Cash, Cash Equivalents, and Investments - For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash and cash equivalents include demand deposits, money market funds and California Local Agency Investment Funds (LAIF).

Restricted Assets - Certain proceeds of the District's long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "reserve" account is used to report resources set aside to make up potential future deficiencies in the 2003 Certificates of Participation debt service. Certain unspent debt proceeds are restricted to specific capital projects by the applicable debt covenant. Restricted assets also include certain employee withholdings.

Property, Plant & Equipment - Property, Plant & Equipment are recorded at historical cost if purchased or constructed. Donated assets are valued at estimated fair value on the date received. Depreciation is calculated using the straight line method over the following estimated useful lives:

Description	Estimated Life
Building and structures	5-33 years
Machinery and equipment	3-15 years
Plant and pipelines	33 years

The cost of maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations when incurred. It is the District's policy to capitalize all property, plant and equipment with a cost of more than \$5,000. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Inventory - Inventories are stated at the lower of cost, on a weighted average method, or market. Inventories consist of materials and supplies.

Bond Premiums and Issuance Costs - Bond premiums, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes - The District receives property taxes from both Sacramento and Placer Counties. Property tax receivables are recorded in the fiscal year for which the tax is levied based on the assessed value as of March 1 of the preceding fiscal year. They become a lien on the first day of the levy year they are levied. Secured property tax is levied on January 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. At that time, delinquent accounts are assessed a penalty of 10%. Accounts that remain unpaid on June 30 are charged an additional 12% per month. Unsecured property tax is levied on July 1 and due on July 31, and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.

The District elected to receive the property taxes from the Counties under the Teeter Bill. Under this program the District receives 100% of the levied property taxes in periodic payments with the Counties assuming responsibility for delinquencies.

Compensated Absences - The District's policy allows employees to accumulate earned but unused vacation and sick leave which will be paid to employees upon separation from the District's service, subject to a vesting policy. The cost of vacation and sick leave is recorded in the period incurred.

Deferred Income - Deferred income represents revenues received for wholesale and retail sales that have not been earned as of June 30, 2010 and 2009.

Water Charge to the Retail Service Area - For accounting purposes a charge is made to the retail area for water used at a wholesale rate. This amount is recorded as income to the wholesale unit and as expense to the retail area.

Segment Information - The District's management has determined the District consists of one operating segment.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments as of June 30, 2010 and 2009 are classified in the accompanying financial statements as follows:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 6,643,993	\$10,722,899
Restricted cash and cash equivalents	26,002,650	32,187,605
Restricted investments	4,835,677	4,835,677
Investments	<u>4,810,705</u>	<u>3,767,315</u>
Total cash, cash equivalents and investments	<u>\$42,293,025</u>	<u>\$51,513,496</u>

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

Cash, cash equivalents, and investments as of June 30, 2010, and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash on hand	350	350
Deposits with financial institutions	<u>846,021</u>	<u>402,388</u>
Total cash and cash equivalents	<u>846,371</u>	<u>402,738</u>
Money market mutual funds	7,468,699	9,668,965
Investments in Local Agency Investment Fund (LAIF)	28,882,966	37,390,192
U.S. agency securities	2,513,595	1,535,005
Medium term corporate notes	<u>2,581,394</u>	<u>2,516,596</u>
Total investments	<u>41,446,654</u>	<u>51,110,758</u>
Total cash, cash equivalents, and investments	<u>\$42,293,025</u>	<u>\$51,513,496</u>

Investment policy - Investments, with the exception of LAIF, are reported at fair value. California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. 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) 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. During the year ended June 30, 2010, the District's permissible investments included the following instruments:

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One issuer</u>
U.S. Treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Bankers acceptances	180 days	20%	20%
High grade commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	50%
LAIF	N/A	None	None
Time deposits	5 years	10%	50%
Medium term corporate notes	5 years	30%	50%
Money market mutual funds	N/A	15%	10%
Mortgage pass-through securities	5 years	20%	20%
Collateralized mortgage obligations	5 years	20%	20%
Mortgage-backed or other pay-through bonds	5 years	20%	20%
Equipment leased-back certificates	5 years	20%	20%
Consumer receivable pass-through certificates	5 years	20%	50%
Consumer receivable-backed bonds	5 years	20%	50%

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

The District complied with the provisions of California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

Investments Authorized by Debt Agreements - Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The 2003 Revenue Certificates of Participation debt agreement contains certain provisions that address interest rate risk and credit risk, but not concentration of credit risk, including 1) the authorization of the investment of the debt service reserve in guaranteed investment contracts required to be held by foreign banks, domestic or Canadian life insurance companies, wholly-owned and guaranteed financial institution subsidiaries of one of the above mentioned institutions or a domestic financial guaranty insurance company or affiliate with a minimum unsecured debt or financial strength rating of AAA by nationally recognized statistical rating organization; 2) a specified maturity date of February 1, 2033; and 3) a requirement that if such provider's unsecured debt or financial strength rating falls below AA-, the guaranteed investment contracts must be collateralized with U.S. Treasury Obligations, or senior debt or mortgage pass-through Obligations of GNMA, FNMA or FHLMC. No collateralized mortgage obligations are allowed for these providers and collateral levels must be at least 104% of the principal and accrued interest on the guaranteed investment contracts if the collateral type is U.S. Treasury Obligations or Obligations of GNMA and at least 105% if the collateral type is Obligations of FNMA or FHLMC.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time 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 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>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
U.S. agency securities	\$ 2,513,595	\$ 509,845	\$ 2,003,750	\$ -	\$ -
Medium term corporate notes	2,581,394	1,515,314	1,066,080	-	-
LAIF	2,882,966	2,882,966	-	-	-
Money market mutual funds	2,632,929	2,632,929	-	-	-
Held by bond trustee:					
LAIF	26,000,000	26,000,000	-	-	-
Money market mutual funds	<u>4,835,770</u>	<u>4,835,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$41,446,654</u>	<u>\$38,376,824</u>	<u>\$ 3,069,830</u>	<u>\$ -</u>	<u>\$ -</u>

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

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

	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
U.S. agency securities	\$ 2,513,595	N/A	\$ 2,513,595	\$ -
Medium term corporate notes	2,581,394	A	2,581,394	-
LAIF	2,882,966	N/A	-	2,882,966
Money market mutual funds	2,632,929	A	2,632,929	-
Held by bond trustee:				
LAIF	26,000,000	N/A	-	26,000,000
Money market mutual funds	<u>4,835,770</u>	A	<u>4,835,770</u>	<u>-</u>
Total investments	<u>\$1,446,654</u>		<u>\$12,563,688</u>	<u>\$28,882,966</u>

Concentration of Credit Risk - The investment policy of the District limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or 50% of total investments, with the exception of U.S. Treasury obligations, U.S. agency securities and LAIF. Investments in any one issuer (other than 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 Home Loan Mortgage	U.S. agency securities	\$ 509,845
Federal Home Loan Banks	U.S. agency securities	2,003,750
Citigroup, Inc.	U.S. securities	508,945
General Electric Corp	U.S. securities	1,066,080

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2010, the carrying amount of the District's deposits was \$798,369 and the balance in financial institutions was \$881,557. Of the balance in financial institutions, \$349,937 was covered by federal depository insurance and supplemental insurance held by the investment broker and \$531,620 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District. As of June 30, 2010, District investments in the following investment types were held by a third party custodian (trustee) separate from the broker-dealer used to buy the securities:

Investment Type	Reported Amount
U.S. agency securities	\$ 2,513,595
Medium term corporate notes	2,581,395
Money market mutual funds	7,468,699

Investment in LAIF - LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$70,024,464,151 managed by the State Treasurer. Of that amount, 100% is invested in non-derivative financial products. The Local Investment Advisory Board (the Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 3: ACCOUNTS RECEIVABLE

Receivables as of June 30:

	<u>2010</u>	<u>2009</u>
Wholesale Customers	\$ 2,538,903	\$ 330,970
Retail Customers	1,193,402	1,466,233
Retail Collections	3,811	3,811
Cavitt Stallman	10,454	11,614
Miscellaneous	21	80
Less: Allowance for Doubtful Accounts	<u>(7,979)</u>	<u>(7,979)</u>
Accounts Receivable, net	<u>\$ 3,738,612</u>	<u>\$ 1,804,729</u>
Interest - LAIF	\$ 44,295	\$ 53,002
Property Taxes	<u>165,367</u>	<u>83,551</u>
Total Accrued Interest and Taxes Receivable	<u>\$ 209,662</u>	<u>\$ 136,553</u>

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 4: PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment activity for the year ended June 30, 2010 was as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers and Adjustments</u>	<u>June 30, 2010</u>
Property, plant and equipment not being depreciated:					
Land	\$ 616,743	\$ -	\$ -	\$ (44,073)	\$ 572,670
Construction in progress	<u>14,888,550</u>	<u>12,704,588</u>	<u>-</u>	<u>(861,576)</u>	<u>26,731,562</u>
Total property, plant and equipment not being depreciated	<u>15,505,293</u>	<u>12,704,588</u>	<u>-</u>	<u>(905,649)</u>	<u>27,304,232</u>
Property, plant and equipment being depreciated:					
Pipelines, reservoirs, pumping stations and buildings	93,297,564	58,423	(13,742)	911,919	94,254,164
Vehicles and equipment	<u>3,344,893</u>	<u>110,990</u>	<u>-</u>	<u>3,001</u>	<u>3,458,884</u>
Total property, plant and equipment being depreciated	<u>96,642,457</u>	<u>169,413</u>	<u>(13,742)</u>	<u>914,920</u>	<u>97,713,048</u>
Less accumulated depreciation for:					
Pipelines, reservoirs, pumping stations and buildings	(44,456,574)	(2,817,432)	-	138,706	(47,135,300)
Vehicles and equipment	<u>(2,426,082)</u>	<u>(241,448)</u>	<u>667</u>	<u>(147,977)</u>	<u>(2,814,840)</u>
Total accumulated depreciation	<u>(46,882,656)</u>	<u>(3,058,880)</u>	<u>667</u>	<u>(9,271)</u>	<u>(49,950,140)</u>
Total Property, plant and equipment being depreciated, net	<u>49,759,801</u>	<u>(2,889,467)</u>	<u>(13,075)</u>	<u>905,649</u>	<u>47,762,908</u>
Property, plant and equipment, net	<u>\$ 65,265,094</u>	<u>\$ 9,815,121</u>	<u>\$ (13,075)</u>	<u>\$ -</u>	<u>\$ 75,067,140</u>

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 4: PROPERTY, PLANT & EQUIPMENT (Continued)

Property, plant and equipment activity for the year ended June 30, 2009 was as follows:

	<u>June 29, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers and Adjustments</u>	<u>June 30, 2009</u>
Property, plant and equipment not being depreciated:					
Land	\$ 616,743	\$ -	\$ -	\$ -	\$ 616,743
Construction in progress	<u>2,923,703</u>	<u>12,894,261</u>	<u>-</u>	<u>(929,414)</u>	<u>14,888,550</u>
Total property, plant and equipment not being depreciated	<u>3,540,446</u>	<u>12,894,261</u>	<u>-</u>	<u>(929,414)</u>	<u>15,505,293</u>
Property, plant and equipment being depreciated:					
Pipelines, reservoirs, pumping stations and buildings	92,269,725	98,425	-	929,414	93,297,564
Vehicles and equipment	<u>3,162,688</u>	<u>296,064</u>	<u>(113,859)</u>	<u>-</u>	<u>3,344,893</u>
Total property, plant and equipment being depreciated	<u>95,432,413</u>	<u>394,489</u>	<u>(113,859)</u>	<u>929,414</u>	<u>96,642,457</u>
Less accumulated depreciation for:					
Pipelines, reservoirs, pumping stations and buildings	(41,609,292)	(2,847,282)	-	-	(44,456,574)
Vehicles and equipment	<u>(2,281,888)</u>	<u>(241,929)</u>	<u>97,735</u>	<u>-</u>	<u>(2,426,082)</u>
Total accumulated depreciation	<u>(43,891,180)</u>	<u>(3,089,211)</u>	<u>97,735</u>	<u>-</u>	<u>(46,882,656)</u>
Total property, plant and equipment being depreciated, net	<u>51,541,233</u>	<u>(2,694,722)</u>	<u>(16,124)</u>	<u>929,414</u>	<u>49,759,801</u>
Property, plant and equipment, net	<u>\$ 55,081,679</u>	<u>\$ 10,199,539</u>	<u>\$ (16,124)</u>	<u>\$ -</u>	<u>\$ 65,265,094</u>

NOTE 5: INVESTMENT IN ELECTRICAL POWER

The District participates in the California-Oregon Transmission Project (Project), a Joint Powers Authority (JPA), which is a project of the Department of Energy, Western Area Power Administration. The Project is governed by a Management Committee, which is chaired by a representative of the Transmission Agency of Northern California with each participant in the project having representation on the Management Committee.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 5: INVESTMENT IN ELECTRICAL POWER (Continued)

The District applied as a Community Services District and a Central Valley Project Contractor, and received allocation of 1MW (megawatt) of power (capacity and associated energy) in exchange for an investment as a participant in the construction of the transmission line. Subsequent to the original allocation from the Department of Energy, the District purchased an additional 1 MW of power from Trinity County Public Utility District. The cost of the purchase was \$75,000, plus a prorated share in the construction of the transmission line.

Through a partial assignment of the District's California-Oregon Transmission Project entitlement to the Department of Energy, Western Area Power Administration, the District receives preferential energy rates and a discount on the US Bureau of Reclamation pumping from Folsom Lake. The District has a 0.13 % equity interest in the net assets of the Project as defined in the Long-Term Participation Agreement. The District also has an obligation to finance 0.13% of the net losses of the Project; it also has the right to receive 0.13% of the operating results of the Project income. The District is billed monthly for its share of the operations and maintenance costs of the Project, which totaled approximately \$537 and \$728 during the years ended June 30, 2010 and 2009, respectively. The District's net investment and its share of the operating results of the Project are reported as Investment in Electrical Power. The Project unaudited interim financial statements for the year ended June 30, 2009, are available from the California-Oregon Transmission Project at P.O. Box 15140, Sacramento, CA, 95866. The following is the summarized unaudited financial information for the Project as of and for the years ended June 30, 2010 and 2009:

	Unaudited 2010	2009
Balance sheet		
Assets	<u>\$306,937,876</u>	<u>\$313,539,768</u>
Liabilities	16,491,921	14,181,790
Net assets	<u>290,445,955</u>	<u>299,357,978</u>
Liabilities and net assets	\$306,937,876	\$313,539,768
Income statement		
Operating revenues	\$ 9,593,726	\$ 10,229,859
Operating expenses	<u>20,128,486</u>	<u>20,730,298</u>
Operating income	(10,534,760)	(10,500,439)
Nonoperating revenue (expenses)	<u>5,037</u>	<u>30,176</u>
Net increase (decrease) in net assets	\$ (10,529,723)	\$ (10,470,263)
District's share of change in net assets for period	\$ (11,880)	\$ (13,132)
District's investment in electrical power	\$ 368,899	\$ 380,779

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 6: LONG-TERM LIABILITIES

Long term debt consisted of the following for the years ended June 30, 2010 and 2009,

	<u>2010</u>	<u>2009</u>
2009 REVENUE CERTIFICATES OF PARTICIPATION		
On June 30, 2009, the District issued Revenue Certificates of Participation in the amount of \$30,510,000 to fund certain capital improvements secured by a lien on all revenues on the District. Principal payments are due on February 1 through 2039 and range from \$10,000 to \$3,015,000, with semi-annual interest payments due on February 1 and August 1 through February 1, 2033 that range from \$90,450 to \$1,008,477. Interest rates range from 3% to 6%.	\$ 30,105,000	\$ 30,510,000
2003 REVENUE CERTIFICATES OF PARTICIPATION		
Issued on June 25, 2003 in the amount of \$23,995,000 to advance refund the 1993 Revenue Certificates of Participation and fund certain capital improvements secured by a lien on all revenues on the District. Principal payments, ranging from \$475,000 to \$1,455,000 due on February 1 through 2033, and semi-annual interest payments, ranging from \$25,294 to \$446,731, due on February 1 and August 1 through February 1, 2033. Interest rates ranging from 2% to 4.75%	17,875,000	18,835,000
1977 ECONOMIC DEVELOPMENT ADMINISTRATION LOAN		
Entered into on September 14, 1977 related to a 1977 Drought Act Loan. Interest rate is 5%. Face value of \$512,000, annual principal and interest payments of \$30,088 due through July 2016, with a final payment of \$29,149 due July 2017.	173,430	193,826
CALIFORNIA ENERGY COMMISSION ADVANCE		
Advance received on October 4, 2000 related to the Energy Efficiency Improvements project. Interest rate is 5.9%. Face value of \$47,553, semiannual principal and interest payments of \$3,094 due through June 22, 2012.	<u>11,513</u>	<u>16,786</u>
Total Long Term Debt	<u>48,164,943</u>	<u>49,555,612</u>
Less: Current portion	<u>(1,000,589)</u>	<u>(1,390,670)</u>
Total Long Term Debt, net of current portion	<u>47,164,354</u>	<u>48,164,942</u>
Add: Unamortized premium	720,159	759,105
Less: Deferred amount on refunding	<u>(130,228)</u>	<u>(94,813)</u>
Total Long-term debt, net of current portion, premiums and deferrals	<u>\$ 47,754,285</u>	<u>\$ 48,829,234</u>

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 6: LONG-TERM LIABILITIES (Continued)

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Due Within One Year</u>
2009 Revenue Certificates of Participation	\$30,510,000	\$ -	\$ (405,000)	\$30,105,000	\$ 10,000
2003 Revenue Certificates of Participation	18,835,000	-	(960,000)	17,875,000	985,000
1977 Economic Development Administration Loan	193,826	-	(20,396)	173,430	-
California Energy Commission Advance	<u>16,789</u>	<u>-</u>	<u>(5,274)</u>	<u>11,515</u>	<u>5,589</u>
	<u>\$49,555,615</u>	<u>\$ -</u>	<u>\$ (1,390,670)</u>	<u>\$48,164,945</u>	<u>\$ 1,000,589</u>
Compensated absences	<u>\$ 732,119</u>	<u>\$ 132,247</u>	<u>\$ (103,157)</u>	<u>\$ 761,209</u>	<u>\$ 350,500</u>
	<u>June 29, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
2009 Revenue Certificates of Participation	\$ -	\$30,510,000	\$ -	\$30,510,000	\$ 405,000
2003 Revenue Certificates of Participation	19,765,000	-	(930,000)	18,835,000	960,000
1977 Economic Development Administration Loan	213,251	-	(19,425)	193,826	20,396
California Energy Commission Advance	<u>21,762</u>	<u>-</u>	<u>(4,973)</u>	<u>16,789</u>	<u>5,274</u>
	<u>\$20,000,013</u>	<u>\$30,510,000</u>	<u>\$ (954,398)</u>	<u>\$49,555,615</u>	<u>\$ 1,390,670</u>
Compensated absences	<u>\$ 734,972</u>	<u>\$ 387,436</u>	<u>\$ (390,289)</u>	<u>\$ 732,119</u>	<u>\$ 390,289</u>

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 6: LONG-TERM LIABILITIES (Continued)

2009 REVENUE CERTIFICATES OF PARTICIPATION

The following is a schedule of maturities at June 30, 2010:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,000	\$ 1,708,475	\$ 1,718,475
2012	10,000	1,708,075	1,718,075
2013	10,000	1,707,675	1,717,675
2014	405,000	1,707,275	2,112,275
2015	415,000	1,691,075	2,106,075
2016 - 2020	2,380,000	8,143,350	10,523,350
2021 - 2025	3,085,000	7,429,225	10,514,225
2026 - 2030	4,025,000	6,494,463	10,519,463
2031 - 2035	8,700,000	5,087,875	13,787,875
2036 - 2039	<u>11,065,000</u>	<u>1,708,200</u>	<u>12,773,200</u>
Total	<u>\$ 30,105,000</u>	<u>\$ 37,385,688</u>	<u>\$ 67,490,688</u>

2003 REVENUE CERTIFICATES OF PARTICIPATION

The following is a schedule of maturities at June 30, 2010:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 985,000	\$ 747,487	\$ 1,732,487
2012	1,015,000	714,950	1,729,950
2013	1,455,000	668,087	2,123,087
2014	475,000	629,487	1,104,487
2015	495,000	611,325	1,106,325
2016 - 2020	2,780,000	2,743,712	5,523,712
2021 - 2025	3,390,000	2,114,881	5,504,881
2026 - 2030	4,230,000	1,245,212	5,475,212
2031 - 2033	<u>3,050,000</u>	<u>221,825</u>	<u>3,271,825</u>
Total	<u>\$ 17,875,000</u>	<u>\$ 9,696,966</u>	<u>\$ 27,571,966</u>

The District is required by its 2003 and 2009 Revenue Certificates of Participation to collect rates and charges from its water system that will be sufficient to yield net revenues equal to 115% of debt service payments on any future debt issued and deposit the net revenues in a revenue fund pledged for such future debt service payments.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 6: LONG-TERM LIABILITIES (Continued)

In June 2003, the District utilized proceeds of the 2003 Revenue Certificates of Participation to advance refund outstanding 1993 Revenue Certificates of Participation, which were fully retired. The advance refunding resulted in a difference between the reacquisition price and the net acquisition price of the old debt of \$434,092. This deferred amount on refunding, reported in the accompanying financial statements as a deduction from long-term debt, is being charged to operations over the original life of the 1993 Certificates of Participation through February 13, 2013.

The District participated with four other water districts in a cooperative transmission pipeline project, two of which also participated in the 1993 Revenue Certificates of Participation to finance their share of the pipeline costs. Their share of the 1993 Revenue Certificates of Participation proceeds totaled \$4,661,845. Although the 1993 Revenue Certificates of Participation were refunded, a portion of the scheduled debt maturities in the previous table continue to be partially offset by amounts recoverable under long-term water sales contracts from Fair Oaks Water District and Orangevale Mutual Water Company. The following is a schedule of maturities for the amounts recoverable from these agencies:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 298,368	\$ 41,073	\$ 339,441
2012	306,432	32,122	338,554
2013	<u>534,912</u>	<u>21,396</u>	<u>556,308</u>
Total	\$ <u>1,139,712</u>	\$ <u>94,591</u>	\$ <u>1,234,303</u>

1977 ECONOMIC DEVELOPMENT ADMINISTRATION LOAN

The following is a schedule of maturities at June 30, 2010:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 21,416	\$ 8,672	\$ 30,088
2012	22,487	7,601	30,088
2013	23,611	6,476	30,087
2014	24,792	5,296	30,088
2015	26,031	4,056	30,087
2016 - 2017	<u>55,093</u>	<u>4,143</u>	<u>59,236</u>
Total	\$ <u>173,430</u>	\$ <u>36,244</u>	\$ <u>209,674</u>

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 6: LONG-TERM LIABILITIES (Continued)

CALIFORNIA ENERGY COMMISSION ADVANCE

The following is a schedule of maturities at June 30, 2010:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 8,508	\$ 774	\$ 9,282
2012	<u>3,007</u>	<u>89</u>	<u>3,096</u>
Total	<u>\$ 11,515</u>	<u>\$ 863</u>	<u>\$ 12,378</u>

NOTE 7: NET ASSETS

Restrictions - Restricted net assets consist of constraints placed on net asset use through external requirements imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or constraints by law through constitutional provisions or enabling legislation. Restricted net assets consisted of the debt service reserve on the 2003 and 2009 Certificates of Participation of \$4,931,780 and \$4,931,780 at June 30, 2010 and 2009, respectively.

Board Designations - Designations of unrestricted net assets may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. The following is a summary of designated net asset balances at June 30:

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 7: NET ASSETS (Continued)

	Wholesale		Retail		Total	
	2010	2009	2010	2009	2010	2009
Replacement of vehicles/ equipment/facilities	\$ 4,753,402	\$ 3,726,933	\$ 3,510,684	\$ 3,860,719	\$ 8,264,086	\$ 7,587,652
Chlorine Containment Project	-	293,299	-	-	-	293,299
Connection Reserves	109,421	25,103	2,400,925	2,298,739	2,510,346	2,323,842
Operating Reserves	1,139,986	1,164,670	1,408,789	1,409,019	2,548,775	2,573,689
Hinkle Reservoir lining replacement reserve	2,255,129	2,205,129	-	-	2,255,129	2,205,129
Rate Stabilization Reserve	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Reserve for employees' vacation/sick leave	338,740	322,914	422,469	407,861	761,209	730,775
Kokila Reservoir lining replacement reserve	-	-	326,738	316,738	326,738	316,738
Hydraulic Improvement Project	-	276,305	-	-	-	276,305
Developers' deposits- construction/inspection	-	-	68,720	114,402	68,720	114,402
Other Post Employment Benefits Fund/PERS	415,526	156,978	415,526	156,978	831,052	313,956
Economic Development Administration	-	-	30,000	30,000	30,000	30,000
Self-insurance reserve	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>	<u>20,000</u>
Total designated net assets	<u>10,022,204</u>	<u>9,181,331</u>	<u>8,593,851</u>	<u>8,604,456</u>	<u>18,616,055</u>	<u>17,785,787</u>
Unrestricted net assets	<u>2,470,726</u>	<u>2,299,230</u>	<u>378,662</u>	<u>574,111</u>	<u>2,849,388</u>	<u>2,873,341</u>
Total unrestricted and designated net assets	<u>\$12,492,930</u>	<u>\$11,480,561</u>	<u>\$ 8,972,513</u>	<u>\$ 9,178,567</u>	<u>\$21,465,443</u>	<u>\$20,659,128</u>

NOTE 8: EMPLOYEES' RETIREMENT PLAN

Plan Description - The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public employers within the State of California. All permanent full and part time District employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times the monthly average salary of their highest twelve consecutive months full-time equivalent monthly pay. Copies of the PERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 8: EMPLOYEES' RETIREMENT PLAN (Continued)

Funding Policy - Active plan members are required to contribute 8% of their annual covered salary. The District makes the contributions required for District employees on their behalf and for their account. The District was required to contribute at an actuarially determined rate of 26% and 26.587% for the years ended June 30, 2010 and 2009, respectively. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost - For the years ending June 30, 2010 and 2009, the District incurred annual pension costs of \$1,070,832 and \$1,064,338, respectively. The required contribution was determined as part of the June 30, 2007 actuarial valuation using entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary in duration of service ranging from 3.25% to 14.45% for miscellaneous members and (c) 3.00% cost of living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's 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). The plan's excess assets are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007 was 16 years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2008	1,064,338	100 %
June 30, 2009	1,070,832	100 %
June 30, 2010	711,474	100 %

The funded status information for the risk pool in which the District belongs is as follows:

<u>Actuarial Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL as % of Covered Payroll</u>
June 30, 2005	\$499,323,280	\$405,480,805	\$ 93,842,475	81.2 %	\$108,618,321	86.4 %
June 30, 2006	620,492,183	501,707,110	118,785,073	80.9 %	126,049,770	94.2 %
June 30, 2007	699,663,524	576,069,687	123,593,827	82.3 %	139,334,562	88.7 %
June 30, 2008	776,166,719	641,167,624	134,999,095	82.6 %	155,115,302	87.0 %

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits, the District provides certain healthcare benefits for retired employees through CalPERS. During the fiscal year, the District implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Plan Description

The District's defined benefit post-employment healthcare plan provides premium coverage for medical benefits to eligible retired District employees and survivor dependents as defined by their participating tier (first or second) and coverage level (basic or Medicare supplement). Participants have the choice of enrolling in one of several health plans. At June 30, 2010, twenty-one retired employees/survivor dependents meet those eligibility requirements. Benefit provisions are established and may be amended by District within applicable legal standards.

	<u>First Tier</u>	<u>Second Tier</u>
Implementation Date	Prior to 2/1/09	2/1/2009
Benefit Eligibility	Service or disability retirement from District	
Vesting	5 Years, 100%	10 to 20 Years, 50% – 100%
Maximum Contribution	\$2,033.69	\$2,033.69
Average Contribution	\$ 858.82	No retirees yet

Funding Policy

The obligation of the District to contribute to the plan is established and may be amended by the Board. Currently, employees are not required to contribute to the plan to the extent they are fully vested. If they are not 100% vested, they would be required to contribute the balance to fully cover the premium. The District is required to report the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC was determined as part of the July 1, 2008 actuarial valuation and the current ARC rate is 5.82 percent of annual covered payroll.

The District's contributions have historically been financed on a pay-as-you-go basis and thus the District has previously only recognized the cost of providing those benefits by expensing the annual insurance premiums, which amounted to \$174,840 and \$184,476 for the years ended June 30, 2010 and 2009, respectively. The District has determined that there will be an irrevocable trust established to prefund the other post-employment benefit annual required contribution ("ARC") and is in the process of selecting one.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation as of June 30, 2010:

Annual required contribution (ARC) and annual OPEB cost		\$ 572,958
Contributions made:		
District portion of current year premiums paid	174,840	
District funding to be placed in trust once established	398,118	
Total contributions		572,958
Net OPEB obligation - end of year		\$ -
Percentage of annual OPEB cost contributed		100 %

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation as of June 30, 2009:

Annual required contribution (ARC) and annual OPEB cost		\$ 525,594
Contributions made:		
District portion of current year premiums paid	211,639	
District funding to be placed in trust once established	313,955	
Total contributions		525,594
Net OPEB obligation - end of year		\$ -
Percentage of annual OPEB cost contributed		100 %

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2010	\$ 572,958	\$ 572,958	100 %	\$ -
June 30, 2009	525,594	525,594	100 %	-

Fiscal year ended June 30, 2009 was the year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The District has elected to implement the statement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Progress and Funded Status

The schedule of funding states for OPEB is as follows:

<u>Actuarial Valuation Date</u>	<u>Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2010	\$ 5,668,522	\$ 742,340	\$ 4,926,182	13.1 %	\$ 3,579,329	137.6 %
June 30, 2009	5,668,522	313,955	5,354,567	5.5 %	3,459,152	154.8 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend 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 plan (the plan as understood by the employer and plan members) 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 plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return, (net of administrative expenses) and an annual healthcare cost trend rate of 4.2% initially, with a range beginning at 9% in 2010 and decreasing to 5% from 2013 forward. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method the plan's normal cost is developed as a level amount over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL over a thirty (30) year period. The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

NOTE 10: INSURANCE

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) a public entity risk pool of California water agencies, for general and auto liability, public officials liability property damage and fidelity insurance. ACWA/JPIA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The District pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the ACWA/JPIA. ACWA/JPIA may be terminated at any time by written consent of three-fourths of voting members at which time the members may be required to pay their share of any additional amount of premium in accordance with loss allocation formulas for final disposition of all claims and losses covered by the joint powers agreement. The ACWA/JPIA's financial statements are available at 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610-7632.

The District's deductibles and maximum coverage are as follows:

<u>Coverage</u>	<u>ACWA/JPIA</u>	<u>Commercial Insurance</u>	<u>Deductible</u>
General and Auto Liability(includes public officials liability)	\$ 1,000,000	\$ 59,000,000	None
Property Damage	50,000	100,000,000	\$ 1,000
Fidelity	100,000		1,000
Workers Compensation liability	2,000,000	Statutory	None
Employers liability	2,000,000	Statutory	None

The District continues to carry commercial insurance for all other risks of loss to cover all claims for risk of loss to which the District is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 11: NEW GOVERNMENTAL ACCOUNTING STANDARDS

GASB No. 45

In June 2004, the Government Accounting Standards Board issued Statement No. 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension". This pronouncement is effective for the year ended June 30, 2010. This pronouncement requires significant changes to the accounting and disclosures associated with postemployment benefits (OPEB). The District has implemented this for the year ended June 30, 2009.

GASB No. 49

In November 2006, the Governmental Accounting Standards Board issued Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations." This pronouncement is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This pronouncement did not have any effect on the financial statements of the District for the year ended June 30, 2010.

GASB No. 51

In June 2007, the Governmental Accounting Standards Board issued Statement No. 51 "Accounting and Financial Reporting for Intangible Assets." This pronouncement is effective for periods beginning after June 15, 2009. Retroactive reporting of these intangible assets is encouraged but not required. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The District recognizes this pronouncement may have an effect on the District's financial statements in the year of adoption, but has not yet quantified those effects.

GASB No. 52

In November 2007, the Governmental Accounting Standards Board issued Statement No. 52 "Land and Other Real Estate Held as Investments by Endowments". This pronouncement is effective for periods beginning after June 15, 2008, with earlier application encouraged. The Statement requires endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The District has no endowments at June 30, 2010.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 11: NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB No. 53

In June 2008, the Governmental Accounting Standards Board issued Statement No. 53 "Accounting and Financial Reporting for Derivative Investments". This pronouncement is effective for periods beginning after June 15, 2009 with earlier application encouraged. The Statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared on the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The District held no derivative instruments at June 30, 2010 and 2009.

GASB No. 54

In March 2009, the Government Accounting Standards Board issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This pronouncement is effective for periods beginning after June 15, 2010 with early implementation encouraged. The provisions of this statement should be applied retroactively by restating fund balance for all periods presented. This pronouncement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting information in reporting fund balance information is identifying amounts that are considered non-spendable, such as fund balance associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific accounts can be spent. The District has no governmental funds at June 30, 2010 and 2009.

GASB No. 55

In March 2009, the Government Accounting Standards Board issued Statement No. 55 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The requirements of this statement were effective upon its issuance. This pronouncement incorporated the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The "GAAP Hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. This pronouncement had no effect on the financial statements of the District for the year ended June 30, 2010.

**SAN JUAN WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 11: NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB No. 56

In March 2009, the Government Accounting Standards Board issued Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards." The requirements of this statement were effective upon its issuance. This standard does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. This pronouncement addresses three issues not included in the authoritative literature that establishes accounting principles - related party transactions, going concern considerations, and subsequent events. This pronouncement had no effect on the financial statements of the District for the year ended June 30, 2010.

NOTE 12: COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, the District had the following commitments for capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment June 30, 2010</u>	<u>Remaining Construction Commitment June 30, 2009</u>
Auburn Folsom Widening-South Phase	\$ -	\$ 335,186
Water Treatment Plant Hydraulics Improvements	90,146	723,900
USBR Raw Water Bypass Pipeline	-	27,128
USBR Bypass Pipeline Project	-	11,902
72" USBR Bypass Pipeline Project	447,038	462,352
Hydraulic Project Modeling	-	26,600
Wholesale Metering Improvement Project	-	202,970
Groundwater Substitution Consulting	-	10,203
Chlorination System Improvement Project	-	68,794
FO 40" T Main	<u>51,594</u>	<u>-</u>
	<u>\$ 588,778</u>	<u>\$ 1,869,035</u>

Other Litigation The District is involved in other litigation concerning the completion of water projects. The ultimate outcome of such litigation is not presently determinable, and the District believes that such matters will not have a material adverse impact upon the District's financial position based upon information available at the present time.

SUPPLEMENTARY INFORMATION

**SAN JUAN WATER DISTRICT
SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Total</u>	<u>Wholesale</u>	<u>Retail</u>
Salaries and benefits	\$ 1,616,370	\$ 858,665	\$ 757,705
Audit/consulting	151,215	128,835	22,380
Buildings and grounds	204	204	-
Shop Supplies	21,143	-	21,143
Other/Landscaping	40,009	13,575	26,434
Directors' fees/expenses	34,602	17,301	17,301
Elections expense	-	-	-
Insurance	20,304	8,052	12,252
Legal	190,907	157,259	33,648
Meetings/conventions	31,390	18,206	13,184
Office supplies/expense	236,367	148,101	88,266
Public relations	152,954	67,949	85,005
Telephone/radio	30,823	10,925	19,898
Utilities	21,357	12,816	8,541
Hazardous waste	<u>169</u>	<u>-</u>	<u>169</u>
Subtotal	<u>2,547,814</u>	<u>1,441,888</u>	<u>1,105,926</u>
Less overhead allocation	<u>(89,401)</u>	<u>(65,173)</u>	<u>(24,228)</u>
Net Administrative and General Expenses	<u>\$ 2,458,413</u>	<u>\$ 1,376,715</u>	<u>\$ 1,081,698</u>

**SAN JUAN WATER DISTRICT
SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Total</u>	<u>Wholesale</u>	<u>Retail</u>
Salaries and benefits	\$ 1,584,949	\$ 852,309	\$ 732,640
Audit/consulting	100,721	63,851	36,870
Buildings and grounds	50,793	13,610	37,183
Shop Supplies	13,586	-	13,586
Other/Landscaping	58,807	13,607	45,200
Directors' fees/expenses	40,838	20,419	20,419
Elections expense	2,201	1,826	375
Insurance	72,636	33,385	39,251
Legal	150,954	119,694	31,260
Meetings/conventions	26,855	15,176	11,679
Office supplies/expense	203,916	128,693	75,223
Public relations	142,796	75,178	67,618
Telephone/radio	28,226	9,122	19,104
Utilities	19,912	11,770	8,142
Hazardous waste	<u>1,808</u>	<u>28</u>	<u>1,780</u>
Subtotal	<u>2,498,998</u>	<u>1,358,668</u>	<u>1,140,330</u>
Less overhead allocation	<u>(337,457)</u>	<u>(80,971)</u>	<u>(256,486)</u>
Net Administrative and General Expenses	<u>\$ 2,161,541</u>	<u>\$ 1,277,697</u>	<u>\$ 883,844</u>

**SAN JUAN WATER DISTRICT
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
WHOLESALE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Wholesale</u>		Variance with Final Budget Positive (Negative)
	<u>Actual</u>	<u>Final Budget</u>	
Operating Revenues			
Water Sales - Wholesale			
Water charges to retail areas	\$ 2,682,220	\$ 2,942,526	\$ (260,306)
Citrus Heights Water District	1,759,274	2,478,927	(719,653)
Fair Oaks Water District	1,653,967	1,622,473	31,494
Sacramento Suburban Water District	453,261	312,895	140,366
Orangevale Mutual Water Company	642,096	610,761	31,335
City of Folsom	342,162	369,364	(27,202)
Granite Bay Gold Club	8,006	14,475	(6,469)
City of Roseville	<u>13,807</u>	<u>-</u>	<u>13,807</u>
Total Water Sales - Wholesale	<u>7,554,793</u>	<u>8,351,421</u>	<u>(796,628)</u>
Water sales - retail	-	-	-
Other	<u>-</u>	<u>69,000</u>	<u>(69,000)</u>
Total Operating Revenues	<u>7,554,793</u>	<u>8,420,421</u>	<u>(865,628)</u>
Operating Expenses			
Source of Supply			
Water charged to retail service area	-	-	-
Placer County Water Agency	300,000	330,000	(30,000)
US Bureau of Reclamation	23,187	215,761	(192,574)
Wheeling	192,692	178,559	14,133
Bureau pumping	79,177	82,102	(2,925)
Energy assessments	537	2,000	(1,463)
Other	7,119	40,196	(33,077)
Administrative and general	1,375,102	1,498,355	(123,253)
Water treatment	2,171,923	2,241,135	(69,212)
Transmission and distribution	191,608	166,930	24,678
Customer service	(329)	-	(329)
Pumping and telemetry	427,770	542,293	(114,523)
Engineering	43,658	209,312	(165,654)
Conservation	247,628	243,288	4,340
Interest expense	-	-	-
Retirement benefit fund	<u>371,170</u>	<u>371,170</u>	<u>-</u>
Total Operating Expenses Excluding Depreciation	<u>5,431,242</u>	<u>6,121,101</u>	<u>(689,859)</u>
Net Income (Loss) from Operations Excluding Depreciation	2,123,551	<u>\$ 2,299,320</u>	<u>\$ (175,769)</u>
Depreciation	<u>1,610,777</u>		
Net Income (Loss) from Operations	<u>\$ 512,774</u>		

**SAN JUAN WATER DISTRICT
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
RETAIL
FOR THE YEAR ENDED JUNE 30, 2010**

	Retail		Variance with Final Budget Positive (Negative)
	Actual	Final Budget	
Operating Revenues			
Water Sales - Wholesale			
Water charges to retail areas	\$ -	\$ -	\$ -
Citrus Heights Water District	-	-	-
Fair Oaks Water District	-	-	-
Sacramento Suburban Water District	-	-	-
Orangevale Mutual Water Company	-	-	-
City of Folsom	-	-	-
Granite Bay Gold Club	-	-	-
City of Roseville	-	-	-
Total Water Sales - Wholesale	-	-	-
Water sales - retail	7,299,989	8,668,202	(1,368,213)
Other	144,086	169,028	(24,942)
Total Operating Revenues	7,444,075	8,837,230	(1,393,155)
Operating Expenses			
Source of Supply			
Water charged to retail service area	2,682,220	2,942,526	(260,306)
Placer County Water Agency	-	-	-
US Bureau of Reclamation	-	-	-
Wheeling	-	-	-
Bureau pumping	-	-	-
Energy assessments	-	-	-
Other	-	-	-
Administrative and general	1,081,696	1,046,154	35,542
Water treatment	-	-	-
Transmission and distribution	1,576,082	1,545,487	30,595
Customer service	667,245	578,042	89,203
Pumping and telemetry	115,067	146,219	(31,152)
Engineering	273,793	397,739	(123,946)
Conservation	389,837	470,349	(80,512)
Interest expense	818,420	933,960	(115,540)
Retirement benefit fund	371,170	371,170	-
Total Operating Expenses Excluding Depreciation	7,975,530	8,431,646	(456,116)
Net Income (Loss) from Operations Excluding Depreciation	(531,455)	\$ <u>405,584</u>	\$ <u>(125,871)</u>
Depreciation	1,448,103		
Net Income (Loss) from Operations	\$ <u>(1,979,558)</u>		

**SAN JUAN WATER DISTRICT
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
TOTAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Total</u>		Variance with Final Budget Positive (Negative)
	<u>Actual</u>	<u>Final Budget</u>	
Operating Revenues			
Water Sales - Wholesale			
Water charges to retail areas	\$ 2,682,220	\$ 2,942,526	\$ (260,306)
Citrus Heights Water District	1,759,274	2,478,927	(719,653)
Fair Oaks Water District	1,653,967	1,622,473	31,494
Sacramento Suburban Water District	453,261	312,895	140,366
Orangevale Mutual Water Company	642,096	610,761	31,335
City of Folsom	342,162	369,364	(27,202)
Granite Bay Gold Club	8,006	14,475	(6,469)
City of Roseville	<u>13,807</u>	<u>-</u>	<u>13,807</u>
Total Water Sales - Wholesale	<u>7,554,793</u>	<u>8,351,421</u>	<u>(796,628)</u>
Water sales - retail	7,299,989	8,668,202	(1,368,213)
Other	<u>144,086</u>	<u>238,028</u>	<u>(93,942)</u>
Total Operating Revenues	<u>14,998,868</u>	<u>17,257,651</u>	<u>(2,258,783)</u>
Operating Expenses			
Source of Supply			
Water charged to retail service area	2,682,220	2,942,526	(260,306)
Placer County Water Agency	300,000	330,000	(30,000)
US Bureau of Reclamation	23,187	215,761	(192,574)
Wheeling	192,692	178,559	14,133
Bureau pumping	79,177	82,102	(2,925)
Energy assessments	537	2,000	(1,463)
Other	7,119	40,196	(33,077)
Administrative and general	2,456,798	2,544,509	(87,711)
Water treatment	2,171,923	2,241,135	(69,212)
Transmission and distribution	1,767,690	1,712,417	55,273
Customer service	666,916	578,042	88,874
Pumping and telemetry	542,837	688,512	(145,675)
Engineering	317,451	607,051	(289,600)
Conservation	637,465	713,637	(76,172)
Interest expense	818,420	933,960	(115,540)
Retirement benefit fund	<u>742,340</u>	<u>742,340</u>	<u>-</u>
Total Operating Expenses Excluding Depreciation	<u>13,406,772</u>	<u>14,552,747</u>	<u>(1,145,975)</u>
Net Income (Loss) from Operations Excluding Depreciation	1,592,096	<u>\$ 2,704,904</u>	<u>\$ (1,112,808)</u>
Depreciation	<u>3,058,880</u>		
Net Income (Loss) from Operations	<u>\$ (1,466,784)</u>		

STATISTICAL SECTION

**SAN JUAN WATER DISTRICT
STATISTICAL SECTION**

This part of the San Juan 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 supplemental information says about the government's overall financial health.

Financial Trends 62 - 63

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 64 - 65

These schedules contain information to help the reader assess the district's most significant local revenue source.

Debt Capacity 70

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

Demographic and Economic Information 71

These schedules offer demographic and economic indicators to help the reader understand the environment within the district's financial activities take place and to help make comparisons over time.

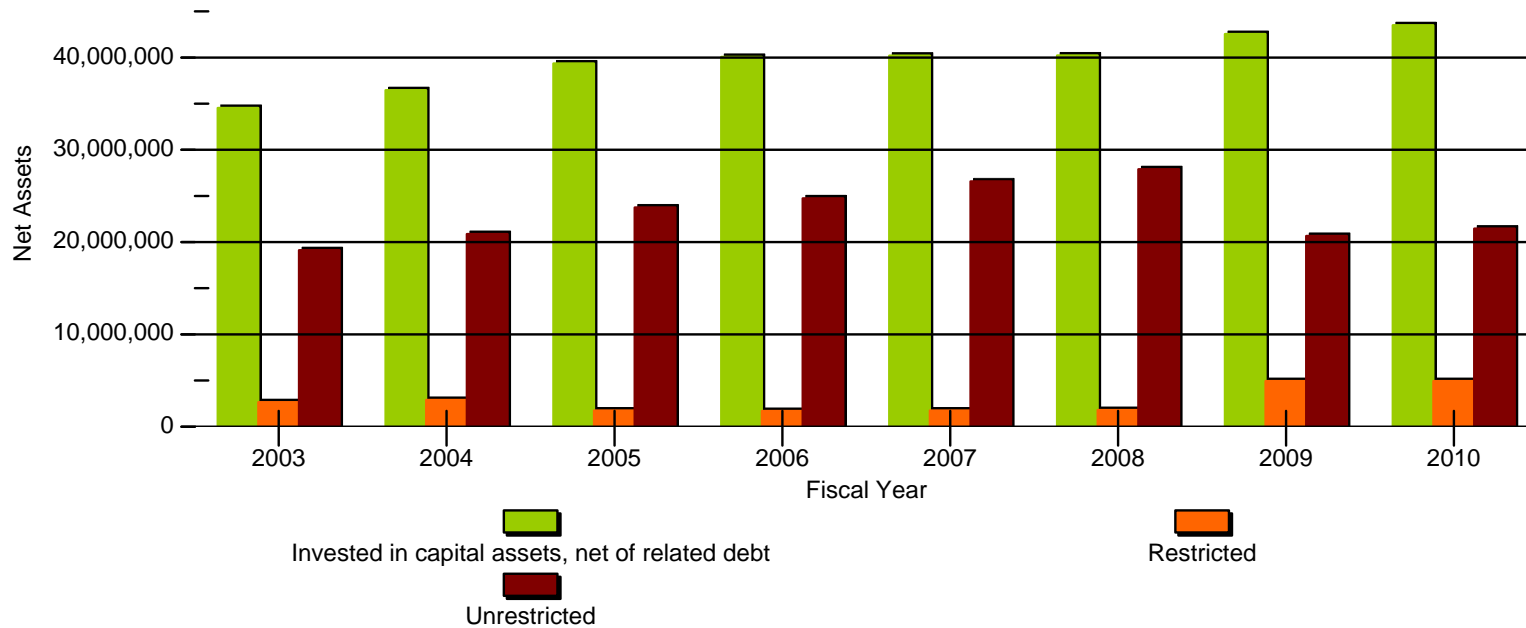
Operating Information 72 - 75

These schedules contain information about the district's operation and resources to help the reader understand how the district's financial information relates to the services the district provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**SAN JUAN WATER DISTRICT
NET ASSETS BY COMPONENT
(ACCRUAL BASIS OF ACCOUNTING)**

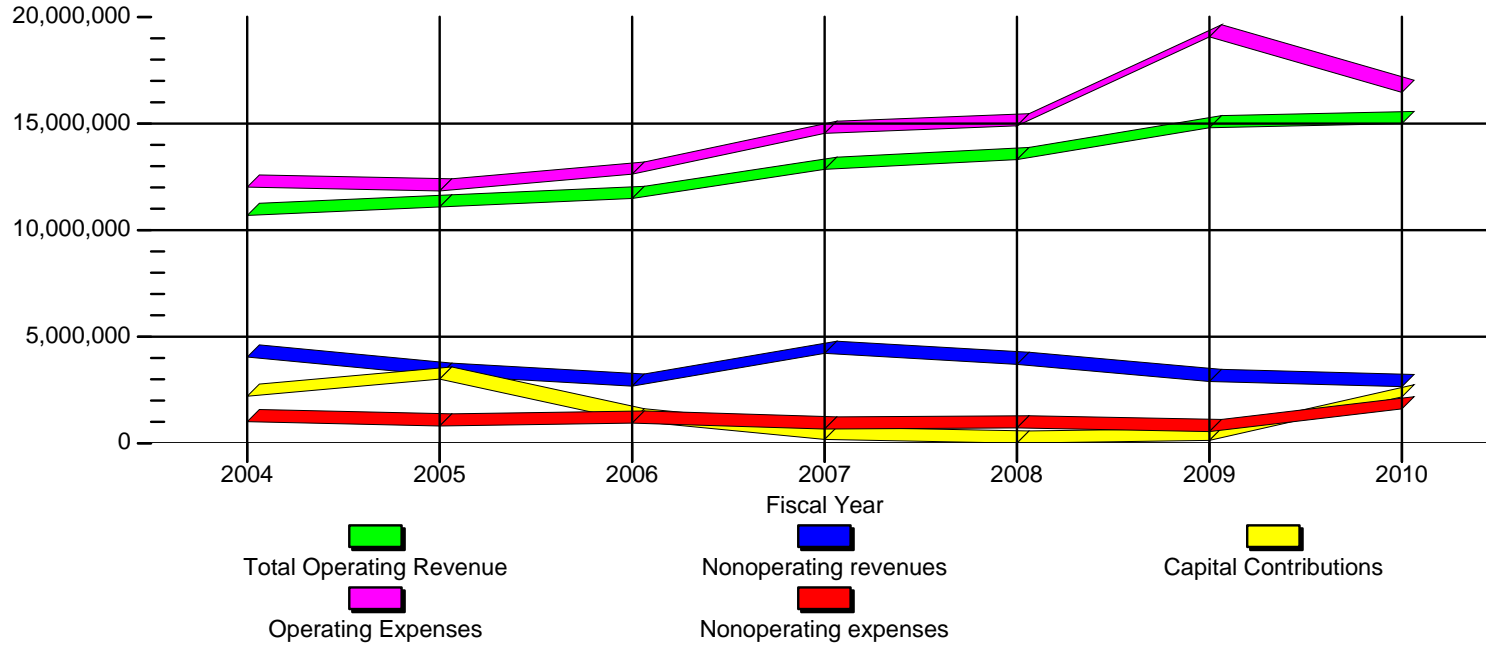


	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net Assets:								
Invested in capital assets, net of related debt	\$ 34,535,992	\$ 36,450,715	\$ 39,346,360	\$ 40,061,013	\$ 40,198,780	\$ 40,225,803	\$ 42,545,198	\$ 43,492,739
Restricted	2,650,354	2,893,502	1,745,910	1,694,605	1,747,260	1,798,667	4,931,780	4,931,780
Unrestricted	<u>19,122,813</u>	<u>20,864,605</u>	<u>23,752,127</u>	<u>24,728,796</u>	<u>26,577,138</u>	<u>27,894,578</u>	<u>20,659,128</u>	<u>21,465,443</u>
Total net assets	<u>\$ 56,309,159</u>	<u>\$ 60,208,822</u>	<u>\$ 64,844,397</u>	<u>\$ 66,484,414</u>	<u>\$ 68,523,178</u>	<u>\$ 69,919,048</u>	<u>\$ 68,136,106</u>	<u>\$ 69,889,962</u>

Source: District Finance and Administrative Services Division

Note: The District implemented GASB 34 during the fiscal year June 30, 2003 - Information prior to that date is not available.

**SAN JUAN WATER DISTRICT
CHANGES IN NET ASSETS
(ACCRUAL BASIS OF ACCOUNTING)**



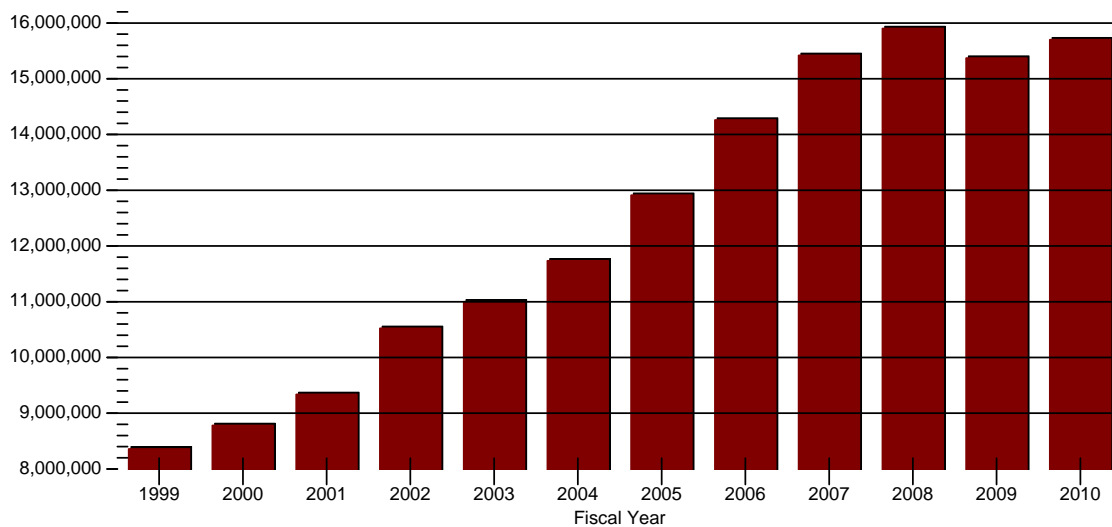
	2004	2005	2006	Fiscal Year 2007	2008	2009	2010
Operating Revenue							
Wholesale	\$ 5,243,288	\$ 5,744,760	\$ 5,769,324	\$ 6,228,302	\$ 6,410,653	\$ 7,111,208	\$ 7,554,793
Retail	5,414,979	5,285,572	5,668,705	6,575,947	6,766,658	7,542,865	7,299,989
Other	31,815	52,836	43,443	49,218	128,867	147,769	144,086
Total Operating Revenue	<u>10,690,082</u>	<u>11,083,168</u>	<u>11,481,472</u>	<u>12,853,467</u>	<u>13,306,178</u>	<u>14,801,842</u>	<u>14,998,868</u>
Operating Expenses	12,019,491	11,835,475	12,622,867	14,543,281	14,893,799	19,064,093	16,465,652
Net Loss From Operations	<u>(1,329,409)</u>	<u>(752,307)</u>	<u>(1,141,395)</u>	<u>(1,689,814)</u>	<u>(1,587,621)</u>	<u>(4,262,251)</u>	<u>(1,466,784)</u>
Nonoperating revenues	4,040,058	3,190,015	2,675,765	4,212,810	3,697,999	2,894,980	2,657,395
Nonoperating expenses	1,013,406	810,514	942,717	663,380	715,551	547,472	1,609,005
Net Income Before Capital Contributions	<u>1,697,243</u>	<u>1,627,194</u>	<u>591,653</u>	<u>1,859,616</u>	<u>1,394,827</u>	<u>(1,914,743)</u>	<u>(418,394)</u>
Capital Contributions	2,202,420	3,008,381	1,048,364	179,148	1,043	131,801	2,172,250
Change in Net Assets	<u>\$ 3,899,663</u>	<u>\$ 4,635,575</u>	<u>\$ 1,640,017</u>	<u>\$ 2,038,764</u>	<u>\$ 1,395,870</u>	<u>\$ (1,782,942)</u>	<u>\$ 1,753,856</u>

Source: District Finance and Administrative Services Division

Note: The District implemented GASB 34 during the fiscal year June 30, 2003 - Information prior to that date is not available.

**SAN JUAN WATER DISTRICT
 ASSESSED ACTUAL VALUE - TAXABLE PROPERTY
 (ACCRUAL BASIS OF ACCOUNTING)
 LAST TEN FISCAL YEARS
 (in thousands)**

Fiscal Year	Secured Assessed Value	Unsecured Assessed Value	Total Assessed Value	Total Property Tax Revenue	Total Direct Tax Rate
2000	\$ 8,567,796	\$ 213,269	\$ 8,781,065	\$ 1,858	0.021 %
2001	9,142,049	195,485	9,337,534	2,061	0.022 %
2002	10,319,900	203,522	10,523,422	2,249	0.021 %
2003	10,792,241	205,675	10,997,916	2,142	0.019 %
2004	11,542,718	191,345	11,734,063	2,576	0.022 %
2005	12,702,143	207,714	12,909,857	505	0.004 %
2006	14,025,002	235,440	14,260,442	644	0.005 %
2007	15,183,026	237,318	15,420,344	1,790	0.012 %
2008	15,828,403	73,208	15,901,611	-	- %
2009	15,371,423	-	15,371,423	1,822	0.012 %
2010	15,699,464	-	15,699,464	1,687	0.011 %



Source: County of Placer
 County of Sacramento

Note:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

**SAN JUAN WATER DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

Taxpayer	2010		2000	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Steadfast/Sunrise LLC	\$ 113,903,453	0.94 %	\$ -	- %
MP Birdcage Marketplace LLC	57,081,298	0.51	25,577,629	-
The Realty Associates Fund VIII LP	52,965,169	0.47	-	-
VIF & Lyon Oak Creek LLC	50,270,774	0.44	-	-
Rollingwood Commons Apartments LLC	41,046,210	0.34	-	-
Sacto Fair Oaks Blvd Apartments LLC	32,191,168	0.27	-	-
Grove at Sunrise LLC	28,318,239	0.23	-	-
PK I Cable Park LP	27,580,873	0.23	-	-
Wal Mart Real Estate Business Trust	27,008,938	0.22	-	-
Lowes HIW Inc.	26,217,590	0.21	-	-
Theodore Mitchell	24,094,823	0.20	-	-
Fair Oaks Fountains LLC	23,199,360	0.19	-	-
Woo Family Investment Properties	23,113,254	0.19	-	-
Fair Oaks Promenade LLC	22,588,843	0.19	-	-
Sears Roebuck & Company	22,463,976	0.19	12,331,769	-
Wedgewood Commons Apartments LLC	22,238,900	0.18	-	-
Ronald P. & Maureen A. Ashley	21,478,538	0.18	-	-
Costco Wholesale Corporation	21,424,004	0.17	-	-
Ethan Conrad	20,821,865	0.16	-	-
Marshall Field Stores, Inc.	20,780,328	0.16	18,223,684	-
National Life and Accident Insurance Co.	-	-	26,084,865	-
Hunting Square Limited LP	-	-	13,495,521	0.16
The Fairways Apts-Wdc & DLC Sequola Fairways	-	-	30,221,383	0.35
Folsom Ranch Apartments	-	-	23,603,700	0.28
Macy's Sunac Properties Corp/Federated Stores	-	-	21,143,016	-
California Family Health Bldg & Medical	-	-	14,061,741	0.16
Lake Pointe Apartments	-	-	12,900,000	0.15
Total	\$ 678,787,603	5.67 %	\$ 197,643,308	1.10 %

Source: California Municipal Statistics, Inc.

2009-10 Total Secured Assessed Valuation \$11,537,357,558

1999-00 Total Secured Assessed Valuation: \$8,567,796,118.00

**SAN JUAN WATER DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS - BONDED DEBT
LAST TEN FISCAL YEARS**

Fiscal Year End	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 861,537	\$ 991,970	115.1 %	\$ -	\$ 991,970	115.1 %
2002	861,537	1,118,024	129.8 %	-	1,118,024	129.8 %
2003	704,095	884,843	125.7 %	-	884,443	125.7 %
2004	916,353	1,204,749	131.5 %	-	1,204,749	131.5 %
2005	-	45,799	- %	-	45,799	- %
2006	-	1,956	- %	-	1,956	- %
2007	-	-	- %	-	-	- %
2008	-	-	- %	-	-	- %
2009	-	-	- %	-	-	- %
2010	-	-	- %	-	-	- %

Sources: Sacramento County Auditor-Controller and Placer County Auditor-Controller

(1) Includes only tax revenue for bonded debt. The 1998 General Obligation Bonds were repaid in 2004.

**SAN JUAN WATER DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Certificates of Participation	Economic Development Admin Loan	California Energy Commission Loan	Total Primary Government	Population	Debt Per Capita
2001	\$ 3,645,000	\$ 6,465,000	\$ 325,651	\$ 47,553	\$ 10,483,204	163,000	64.31
2002	2,785,000	6,095,000	311,846	46,231	9,238,077	185,000	49.94
2003	1,905,000	23,995,000	297,351	42,720	26,240,071	188,400	139.28
2004	980,000	23,225,000	282,131	39,006	24,526,137	181,584	135.07
2005	-	22,390,000	266,150	35,063	22,691,213	185,996	122.00
2006	-	21,535,000	249,370	30,883	21,815,253	188,786	115.56
2007	-	20,660,000	231,751	26,453	20,918,204	191,051	109.49
2008	-	19,765,000	213,251	21,762	20,000,013	193,554	103.33
2009	-	49,345,000	193,826	16,787	49,555,613	196,089	252.72
2010	-	47,980,000	173,430	11,513	48,164,943	196,852	244.68

Sources: San Juan Water District Finance & Administrative Services Division

Note: Details regarding the District's debt can be found in note 6 of the financial statements.

**SAN JUAN WATER DISTRICT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Actual Taxable Value of Property</u>	<u>Percentage of Actual Value (a) of Property</u>	<u>Population (b)</u>	<u>Debt Per Capita (c)</u>
2001	\$ 3,645	\$ 3,645	\$ 9,142,049	0.040 %	\$ 163,000	\$ 22.36
2002	2,785	2,785	10,319,900	0.027 %	185,000	15.05
2003	1,905	1,905	10,792,241	0.018 %	188,400	10.11
2004	980	980	11,542,718	0.008 %	181,584	5.40
2005	-	-	12,702,143	- %	185,996	-
2006	-	-	14,025,002	- %	188,786	-
2007	-	-	15,183,026	- %	191,051	-
2008	-	-	15,828,403	- %	193,554	-
2009	-	-	15,371,423	- %	196,089	-
2010	-	-	15,699,464	- %	196,852	-

(a) Property in the District is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to the actual value.

(b) Population data were provided by Placer and Sacramento Counties

(c) The 1998 General Obligation Bonds were repaid in 2004.

Source: San Juan Water District Finance & Administrative Services Division and Placer and Sacramento Counties

**SAN JUAN WATER DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2010**

2009-10 Assessed Valuation:	\$ 15,998,250,653
Redevelopment Incremental Valuation:	<u>298,787,002</u>
Adjusted Assessed Valuation:	\$ 15,699,463,651

Direct and Overlapping Tax and Assessment Debt	Total Debt	Percent Applicable (1)	District's Share of Debt
Los Rios Community College District	\$ 199,815,000	8.087 %	\$ 16,159,039
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	41,186,422	11.844 %	4,878,120
San Juan Unified School District	258,740,398	36.486 %	94,404,022
Placer Union High School District	37,049,040	4.573 %	1,694,253
Roseville Joint Union High School District	101,611,338	17.289 %	17,567,584
Eureka Union School District	6,530,265	8.637 %	4,482,178
Loomis Union School District	6,150,000	18.025 %	1,198,663
Roseville City School District	33,485,270	70.500 %	236,071
City of Folsom	17,600,000	13.842 %	2,436,192
City of Folsom Assessment District No. 90-1	1,575,000	100.000 %	1,575,000
Sacramento Area Flood Control District Operation and Maintenance Assessment District	4,165,000	13.703 %	570,730
California Statewide Community Development Authority Obligations	308,875	100.000 %	308,875
San Juan Suburban Water District	-	100.000 %	-
Total Direct and Overlapping Tax and Assessment Debt	\$ 708,216,608		\$ 145,510,727

Overlapping General Fund Debt

Sacramento County General Fund Obligations	\$ 373,115,337	9.731 %	\$ 36,307,853
Sacramento County Pension Obligations	931,452,642	9.731 %	90,639,657
Sacramento County Board of Education Certificates of Participation	10,560,000	9.731 %	1,027,594
Placer County General Fund Obligations	51,635,000	7.771 %	4,012,556
Placer County Office of Education Certificates of Participation	2,395,000	7.771 %	186,115
Los Rios Community College District Certificates of Participation	6,505,000	8.087 %	526,059
Sierra Joint Community College District Certificates of Participation	14,785,000	5.685 %	840,527
Folsom-Cordova Unified School District Certificates of Participation	31,560,000	7.322 %	2,310,823
San Juan Unified School District Certificates of Participation	1,972,573	36.486 %	719,713
Roseville Joint Union High School District Certificates of Participation	3,915,000	17.289 %	676,864
Eureka Union School District Certificates of Participation	5,720,000	68.637 %	3,926,036
Other School District Certificates of Participation	27,430,000	Various	1,247,475
City of Folsom Certificates of Participation	13,910,000	13.842 %	1,925,422
City of Roseville Certificates of Participation	20,870,000	2.654 %	553,890
Sacramento Metropolitan Fire District Pension Obligations	65,613,975	19.733 %	12,947,606
Orangevale Recreation and Park District Certificates of Participation	1,145,000	99.964 %	1,144,588
Sunrise Recreation and Park District Certificates of Participation	7,170,000	36.793 %	2,638,058
Placer Mosquito and Vector Control District Certificates of Participation	4,835,000	7.771 %	375,728
Total Gross Overlapping General Fund Debt	\$ 1,574,589,527		\$ 162,006,564
Less: Sacramento County self-supporting obligations			<u>706,227</u>
Total Net Overlapping General Fund Debt			\$ 161,300,337

Gross Combined Total Debt (2)

\$ 307,517,291

Net Combined Total Debt

\$ 306,811,064

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

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

Ratios to 2008-09 Assessed Valuation:

Direct Debt	-	%
Total Direct and Overlapping Tax and Assessment Debt	0.91	%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	1.96	%
Net Combined Total Debt	1.95	%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10:

\$ -

**SAN JUAN WATER DISTRICT
RATIO OF ANNUAL DEBT SERVICE EXPENSES
FOR ALL DEBT TO TOTAL GENERAL EXPENSES
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenses (a)	Ratio of Debt Service to Total General Expenses
2001	\$ 1,178,148	\$ 611,177	\$ 1,789,325	\$ 9,476,781	18.88 %
2002	1,245,127	543,956	1,789,083	10,897,592	16.42 %
2003	1,283,006	486,864	1,769,870	11,693,478	15.14 %
2004	1,713,934	1,134,404	2,848,338	11,898,493	23.94 %
2005	1,834,924	1,043,472	2,878,396	11,602,517	24.81 %
2006	875,960	916,858	1,792,818	12,648,726	14.17 %
2007	897,049	948,978	1,846,027	14,366,884	12.85 %
2008	918,191	863,197	1,781,388	14,738,945	12.09 %
2009	954,401	826,187	1,780,588	18,844,042	9.45 %
2010	1,390,670	1,810,145	3,200,815	18,844,042	16.99 %

(a) Total general expenses are total expenses excluding interest expense. Details regarding the District's outstanding debt can be found in note 6 to the financial statements.

Sources: San Juan Water District Finance & Administrative Services Division

**SAN JUAN WATER DISTRICT
TEN LARGEST RETAIL CUSTOMERS
CURRENT YEAR AND TWO YEARS AGO**

Customer	Fiscal Year					
	2010			2008		
	Total Revenue	Rank	% of Revenue	Total Revenue	Rank	% of Revenue
Roseville Joint Union High School	\$ 20,175	1	0.28 %	\$ 18,424	1	0.29 %
Rolling Greens Estates LLC	13,877	2	0.19 %	14,732	2	0.23 %
Sierra Valley Real Estate	11,202	3	0.15 %	9,569	6	0.15 %
Granite Bay Business Park	11,201	4	0.15 %	10,581	4	0.17 %
Maison Chapeaux	9,840	5	0.14 %	7,624	10	0.12 %
Eureka Union School District/Cavitt Jr High	9,539	6	0.13 %	10,228	5	0.16 %
Bushnells Landscape Creations	9,384	7	0.13 %	11,407	3	0.18 %
Placer County Department of Facility Services	9,328	8	0.13 %	8,715	9	0.14 %
Otow Revocable Living Trust	9,135	9	0.13 %	8,728	8	0.14 %
California State Dept of Parks & Rec	8,947	10	0.12 %	-	-	- %
Eureka Union School District/Oakhills	-	-	- %	8,861	7	0.14 %
Total	\$ 112,628		1.55 %	\$ 108,869		1.72 %

Sources: San Juan Water District Customer Services Department

Note: The District began collecting this data in fiscal year 2007-2008.

**SAN JUAN WATER DISTRICT
WHOLESALE WATER PRODUCTION
LAST TEN FISCAL YEARS**
(in million gallons)

Monthly Production	2009- 2010	2008- 2009	2007- 2008	2006- 2007	2005- 2006	2004- 2005	2003- 2004	2002- 2003	2001- 2002	2000- 2001
July	2,292	2,937	2,563	3,099	3,255	3,110	3,175	3,181	3,242	3,173
August	2,095	2,917	2,409	3,226	3,101	3,053	2,938	2,901	3,099	3,114
September	1,844	2,427	1,907	2,932	2,670	2,787	2,909	2,577	2,642	2,545
October	1,413	1,646	1,170	2,116	2,166	1,852	2,403	2,004	2,164	1,824
November	1,059	857	878	1,138	1,466	1,014	1,151	1,117	1,217	1,169
December	679	764	661	968	1,048	1,039	980	1,015	938	1,063
January	722	728	559	1,065	881	933	922	946	929	1,083
February	673	631	537	962	819	831	793	852	856	972
March	538	620	1,325	1,308	812	1,035	1,293	1,146	1,070	1,194
April	577	1,405	2,021	1,732	980	1,313	2,057	1,130	1,587	1,534
May	1,285	1,854	2,639	1,793	2,510	1,926	2,870	1,845	2,481	2,759
June	<u>2,544</u>	<u>2,112</u>	<u>2,791</u>	<u>2,323</u>	<u>3,004</u>	<u>2,696</u>	<u>3,101</u>	<u>3,019</u>	<u>3,001</u>	<u>2,956</u>
Annual Total	<u>15,721</u>	<u>18,898</u>	<u>19,460</u>	<u>22,662</u>	<u>22,712</u>	<u>21,589</u>	<u>24,592</u>	<u>21,733</u>	<u>23,226</u>	<u>23,386</u>
Average Monthly Water Production	<u>1,310</u>	<u>1,575</u>	<u>1,622</u>	<u>1,889</u>	<u>1,893</u>	<u>1,799</u>	<u>2,049</u>	<u>1,811</u>	<u>1,936</u>	<u>1,949</u>
Average Daily Water Production	<u>43.1</u>	<u>51.8</u>	<u>53.3</u>	<u>62.1</u>	<u>62.2</u>	<u>59.1</u>	<u>67.4</u>	<u>59.5</u>	<u>63.6</u>	<u>64.1</u>

Sources: San Juan Water District Wholesale Operations Division

**SAN JUAN WATER DISTRICT
WHOLESALE WATER SYSTEM DEMOGRAPHICS AND STATISTICS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Facilities:										
# of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Plant Capacity (MGD)	120	120	120	120	120	120	120	120	120	120
# of Pumping Stations	3	3	3	3	3	3	3	3	3	3
# of Storage Tanks/Reservoirs	2	2	2	2	2	2	2	2	2	2
<hr/>										
Water Supply Available:										
Pre-1914 Water Rights	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
USBR/CVP Water Contract	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200
PCWA Contract	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Total Water Supply Available	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>	<u>82,200</u>
<hr/>										
Water Supply Delivered:										
Pre-1914 Water Rights	33,183	31,539	28,205	36,761	30,761	35,476	35,402	32,539	33,000	30,364
USBR/CVP Water Contract	11,481	9,571	4,585	5,225	7,013	5,947	9,908	7,884	-	418
PCWA Contract	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>9,075</u>
Total Water Supply Delivered	<u>69,664</u>	<u>66,110</u>	<u>57,790</u>	<u>66,986</u>	<u>62,774</u>	<u>66,423</u>	<u>70,310</u>	<u>65,423</u>	<u>58,000</u>	<u>39,857</u>
<hr/>										
Production (average in acre feet):										
Five Year	60,241	64,438	67,616	68,703	70,319	70,217	69,559	68,168	64,669	61,047
Ten Year	54,970	57,604	60,302	61,486	64,520	64,992	67,421	68,044	67,248	65,683
Fifteen Year	54,936	55,940	57,071	57,861	59,578	60,211	62,200	62,948	63,263	63,363
Twenty Year	53,085	54,574	56,762	57,354	58,399	58,937	59,626	59,885	60,140	59,945
<hr/>										
Connections: (1)										
San Juan Water District (retail)	9,725	9,992	10,200	10,079	10,256	10,306	10,339	10,359	10,359	10,373
Citrus Heights Water District	18,929	19,120	-	19,302	19,254	19,486	19,498	19,573	19,600	<i>19,549</i>
Fair Oaks Water District	13,441	13,588	13,554	13,577	13,544	13,848	14,469	14,474	14,484	<i>14,484</i>
Orange Vale Water Company	5,119	5,195	5,209	5,277	5,324	5,518	5,566	5,572	5,600	<i>5,600</i>
City of Folsom	<u>16,638</u>	<u>17,758</u>	<u>18,547</u>	<u>18,364</u>	<u>18,659</u>	<u>18,764</u>	<u>19,208</u>	<u>19,459</u>	<u>20,499</u>	<u>20,499</u>
Total Connections	<u>63,852</u>	<u>65,653</u>	<u>47,510</u>	<u>66,599</u>	<u>67,037</u>	<u>67,922</u>	<u>69,080</u>	<u>69,437</u>	<u>70,542</u>	<u>70,505</u>
<hr/>										
Population	163,000	185,000	188,400	181,584	185,996	188,786	191,051	193,554	196,089	196,852

(1) Connections in Italic are projected as that agency's fiscal year end is December 31

**SAN JUAN WATER DISTRICT
RETAIL WATER SYSTEM DEMOGRAPHICS AND STATISTICS
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Facilities:										
Miles of Main Line	143	144	165	203	210	213.5	213.5	213.5	214	214
# of Pumping Stations	5	5	5	5	5	5	5	5	5	5
# of Storage Tanks/Reservoirs	3	3	3	3	3	3	3	3	3	3
Connections:										
Single-Family Residential	-	-	-	-	9,710	9,753	9,752	9,770	9,770	9,778
Multi-Family Residential	-	-	-	-	118	118	117	120	120	119
Commercial	-	-	-	-	183	190	217	215	215	247
Institutional	-	-	-	-	12	11	11	11	11	11
Landscape Irrigation	-	-	-	-	221	222	230	231	231	218
Agricultural Irrigation (Strawberries)	-	-	-	-	4	4	4	4	4	-
Other (Sewer lift/pump stations)	-	-	-	-	8	8	8	8	8	-
Total Connections	-	-	-	-	10,256	10,306	10,339	10,359	10,359	10,373
Consumption: (1)										
Single-Family Residential	-	-	-	-	-	5,043,423	5,680,870	5,392,177	5,020,192	4,369,153
Multi-Family Residential	-	-	-	-	-	90,785	99,732	92,353	96,145	87,162
Commercial	-	-	-	-	-	155,681	173,631	167,395	149,209	171,923
Institutional	-	-	-	-	-	98,444	104,898	103,931	93,052	81,364
Landscape Irrigation	-	-	-	-	-	425,275	503,444	501,790	453,918	358,816
Agricultural Irrigation (Strawberries)	-	-	-	-	-	5,361	4,531	8,808	8,144	9,282
Other (Sewer lift/pump stations)	-	-	-	-	-	886	1,200	8,808	802	789
Total Consumption	-	-	-	-	-	5,819,855	6,568,306	6,275,262	5,821,462	5,078,489
Population	27,552	28,228	28,734	28,776	29,056	30,442	30,512	30,605	30,578	30,641

(1) Beginning on January 1, 2005, the District was fully metered; data prior to that time is not available.

**SAN JUAN WATER DISTRICT
STAFFING - CERTIFICATES - LICENSES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	Full-Time Equivalent Employees as of June 30									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Last Ten Fiscal Years by Function/Program										
Executive	3	3	3	3	3	3	3	3	3	3
Conservation	5	5	3	3	3	3.5	3.5	3.5	3.5	4
Customer Service	3	4	4	4	3	3	3	3	3	3
Engineering Services	4	4	4	4	3	3	3	3	3.5	4
Field Services	18	17	18	16	15	16	17	17	17	17
Finance/Admin Services	3	3	3	3	4	4	5	5	5	5
Water Treatment Operations	<u>10</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>9</u>
Total	<u><u>46</u></u>	<u><u>46</u></u>	<u><u>45</u></u>	<u><u>44</u></u>	<u><u>41</u></u>	<u><u>42.5</u></u>	<u><u>44.5</u></u>	<u><u>44.5</u></u>	<u><u>45.0</u></u>	<u><u>45</u></u>

Actual Versus Budget

	FY 2010		FY 2001	
	<u>Filed as of June 30</u>	<u>Budgeted</u>	<u>Filed as of June 30</u>	<u>Budgeted</u>
Executive	3	3	3	3
Conservation	4	4	5	5
Customer Service	3	3	3	3
Engineering Services	4	4	4	4
Field Services	17	17	18	18
Finance/Admin Services	5	5	3	3
Water Treatment Operations	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>
Total	<u><u>45</u></u>	<u><u>45</u></u>	<u><u>46</u></u>	<u><u>46</u></u>

Certificates and Licenses

	<u>June 30, 2010</u>
California Department of Health Services Water Distribution Operator	
Grade 1	1
Grade 2	2
Grade 3	8
Grade 4	11
Grade 5	2
California Department of Health Services Water Treatment Operator	
Grade 1	-
Grade 2	6
Grade 3	1
Grade 4	4
Grade 5	1
AWWA Cross-Connection Control Program	-
California Professional Civil Engineer's License	4
California Certified Municipal Treasurer	1
California Special District Administrator	1

Sources: San Juan Water District Finance & Administrative Services Department

Note: The 2005 Human Resources Mater Plan re-allocated positions within the District and added two positions.