

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007



San Juan Water District  
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Prepared by the Finance and Administrative Services Department

**SAN JUAN WATER DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2007**

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October 10, 2007

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, 2007. 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, 2007, 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, 2007, 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 preceding the independent auditors' report.

The CAFR is organized into Introductory, Financial, Required Supplementary Information, Additional Information and Statistical sections. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial section includes: MD&A; Independent Auditor's Report on the District's financial statements; June 30, 2007 basic financial statements, including the statements of net assets, statements of activities, statements of cash flows and notes to the basic financial statements. Required supplementary information consists of the schedule of funding progress of the District's contribution to PERS. Additional information consists of schedules of administrative and general expenses and operations—budget and actual. The financial

statements are prepared in accordance with GAAP. The Statistical section summarizes selected unaudited general financial 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, Orange Vale 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 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 (including the retail area) for wholesale 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 10,330 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 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 Finance and Administrative Services Division first provides a copy of the proposed budget to the Finance Committee, making any necessary adjustments arising from that review. Then the Finance and Administrative Services Manager presents the proposed budget to the Board of Directors for their review. The public hearing on the proposed budget is held at the next Board of Directors meeting, with anticipated finalization and adoption scheduled for the following meeting. 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, internal and external.

### Water Supply

The District's existing water supply consists of four 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 69,553 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, continually striving to meet the standards for Urban Water Efficiency Best Management Practices (BMPs) set by the Sacramento Area Water Forum Agreement, the California Urban Water Conservation Council, 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 Bucks School Program, which created a mutually beneficial partnership with local elementary schools to develop water awareness within the classrooms;
- Landscape Irrigation Reviews to assist customers to maintain attractive water efficient landscapes for their property; and
- Cooperative Efforts and the Regional Water Efficiency Management Program. The District and other wholesale agencies have pursued a cooperative process for other water suppliers to share regional water efficiency efforts.

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 was constructed in three phases and completed between the years of 1975 to 1983. The facilities consist of two flocculation-sedimentation basins, two filter basins, operations building and storage reservoir. Upgrades and improvements to the plant are ongoing to ensure efficiency and productivity to meet the required demands of its customers and Federal and State regulatory requirements.

During the fiscal year there has been a hydraulic improvement project at the water treatment plant for improvements which will meet increased regulatory standards. This project is being funded up front with the proceeds of the 2003 Certificates of Participation, District reserves and federal funding.

The Sidney N. Peterson Water Treatment Plant, with a capacity of 120 million gallons per day, receives delivery of raw water directly from Folsom Dam outlets. At the treatment plant, 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 213.5 miles of transmission and distribution pipelines, which transport the high quality, treated water to wholesale and retail customers.

### Enterprise Operations

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

1. The Wholesale Operation's primary responsibilities are to acquire and maintain source of water contracts, treatment of surface water and storage and delivery of water to contracting wholesale water agencies.
2. The Retail Operation's primary responsibilities are to maintain a source of water supply from the Wholesale Agency, storage, transmission and distribution of water to the retail customers at a reasonable cost, provide customer service and maintain the transmission and distribution pipeline system throughout the Retail Service Area. The Retail Operations is also responsible for

constructing new facilities as recommended by the San Juan Water District Retail Master Plan. The Retail Master Plan is in the process of being updated.

The accounting for the two entities' operations is separated, however, for financial report purposes they are presented in a consolidated report.

### **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. The region has been successful in attracting new high-tech companies and expansion of existing companies. Economic conditions for the region are very favorable.

The District has experienced a steady growth rate in recent years as reflected in the increase of new service connections. There were approximately 24 new service connections for the current fiscal year, which represents a growth rate of approximately .23% for the year. The District is optimistic about future development within the retail service area.

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.

#### Long-term financial planning

To provide the necessary resources to meet operating costs and provide a ten-year capital improvement finance plan, the District contracted with the Reed Group, Inc. in 2002 to review the existing wholesale water rates structure. The outcome resulted in a comprehensive plan, which included proposed rate increases and capital financing recommendations. The first rate increase from the report was approved by the Board of Directors and used in wholesale water billings beginning April 1, 2003. All family agencies participated in development of this report which contributed to the soundness, as well as the quality of the information.

To provide the necessary resources to meet operating costs, the District had an outside consulting firm review the existing rates structure. The findings from the review and study were that retail rates for both metered and flat rate needed to be updated. The consulting firm, with assistance of a Customer Rate Resource Committee, presented their findings and recommendations to the Board of Directors for their review and consideration. The five year financial and rate structure for the Retail Service Area was accepted on September 13, 2006. The Board of Directors adopted, by Ordinance, the Water Rate Study and Rate Structure on October 11, 2006. The rates were effective January 1, 2001. The Wholesale Water Rate Study prepared by the Reed Group reviewed the wholesale water rate increases impact to the retail service area and proposed an increase to retail water rates that went into effect on September 1, 2003.

The District is in the 5th year of the master wholesale meter replacement and upgrade program during the prior fiscal year. The new meters have the capability of measuring the full profile of the transmission pipelines. This technology improves the accuracy of measuring water deliveries to wholesale agencies. A solids handling facility for the water treatment plant was substantially completed during the fiscal year.

#### 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 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 5 years, with the 2003 Certificates of Participation debt service reserve fund held in a guaranteed investment contract maturing in 26 years.

The average yield on investments was 4.6%, with rates of return ranging from 0% on demand deposit accounts, 5.24% on liquid LAIF funds to 4.90% on 5+ year funds. Interest rates may continue to rise in the coming fiscal year, bringing additional investment opportunity to 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, 2007 the District was insured with the ACWA/JPIA workers' compensation insurance program with a modification rate 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, which provides guidelines, regular safety meetings and training sessions conducted by human resources and other departments 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. On October 12, 2006 a lost time accident reset the safety anniversary date.

#### **Pension and other post employment benefits**

The District retirement program remains with the California State Public Employees Retirement System (PERS). The District currently pays both employer costs and tax-deferred member contributions to the system on a monthly basis. A PERS Actuarial Report is prepared by a PERS actuary to calculate the future contribution rates for the next two years.

The District provides post employment healthcare benefits to retirees and their dependents. As of the end of the current fiscal year, there were nineteen retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. Beginning with Fiscal Year 2009, the District will be required by Governmental Accounting Standards Board (GASB) Statement No. 45 to report the actuarially determined liability for the post employment healthcare benefits. The District is currently working with EFI Actuaries to fulfill this requirement, as well as develop a plan for future funding.

In addition, 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.

#### **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, 2006. 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.

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 the 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,

Shauna Lorance  
General Manager

Mary A. Morris  
Finance & Administrative Services Manager

SAN JUAN WATER DISTRICT  
Comprehensive Annual Financial Report  
June 30, 2007

**BOARD OF DIRECTORS**

**Pamela Tobin**  
President

**Kenneth H. Miller**  
Vice President

**Edward J. “Ted” Costa**  
Director

**Dave Peterson**  
Director

**Bob Walters**  
Director

**STAFF**

**Shauna L. Lorance**  
General Manager

**Keith B. Durkin**  
Assistant General Manager

**Sue Makimoto**  
Secretary to the Board of Directors

**Mary A. Morris**  
Finance and Administrative Services Manager

**Rick Hydrick**  
Retail Operations Manager

**Judy A. Gagnier**  
Customer Services Manager

**Rob Watson**  
Engineering Services Manager

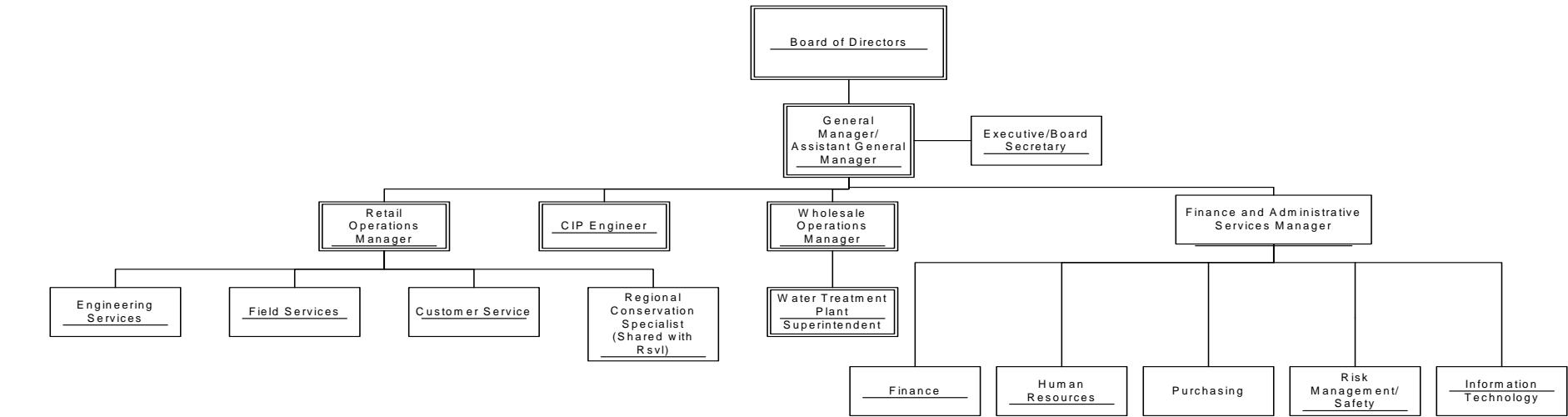
**George Machado**  
Field Services Manager

**Michael J. O’Bleness**  
Wholesale Operations Manager

**Bill Sadler**  
Water Treatment Plant Superintendent



SAN JUAN WATER DISTRICT  
Comprehensive Annual Financial Report  
June 30, 2007  
Organization Chart



## **Management's Discussion and Analysis**

The following narrative overview and analysis of the financial activities of the San Juan Water District (District) for the fiscal year ended June 30, 2007 has been prepared by the management to enhance the information provided in the transmittal letter. It is intended to be read in conjunction with that letter and should 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 \$68,523,178 (net assets) as compared with \$66,484,414 in the prior year. This amount is comprised of investments in capital assets, restricted and unrestricted net assets. Of the total amount, \$26,577,138 is considered unrestricted and available to meet the District's ongoing obligations. This amount was \$24,728,796 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 increased by \$2,038,764, compared to an increase of \$1,640,017 in the prior fiscal year. The significant reasons for this increase are the restoration of property tax revenues and increased investment earnings.
- Operating revenues increased by \$1,371,995, which is due to an 8% rate increase in wholesale water revenues and a 13% rate increase in retail water revenues (for capital improvement program funding). In the prior year, operating revenues increased by \$398,304, which was due to an 8% rate increase in wholesale water revenues, a 3% rate increase in retail water revenues.
- Non-operating revenues increased by \$1,537,045, as the combined result of: 1) restoration of property tax revenues following two years of the ERAF shift, and 2) increased interest revenues. In the prior year, non-operating revenues decreased by \$514,250, as a result of: 1) entitlement transfer revenue in the prior year that was not applicable this year, and 2) increased property tax and interest revenue.

### **Overview of the Financial Statements**

The five sections of the District's financial statements are: 1) introductory section, 2) financial section, 3) supplemental section, and 4) additional information section and 5) the statistical section.

#### *Introductory Section*

This includes the table of contents, letter of transmittal, list of Board of Directors and Staff, and organization chart.

#### *Financial Section*

This section includes the auditor's report, management's discussion and analysis, basic financial statements, notes to the basic financial statements, required supplementary information, and additional information. The District's basic financial statements are comprised of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. The Balance Sheet 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 Statement of Revenues, Expenses and Changes in Net Assets reflect the revenues and expenses for the fiscal year ended. The Statement of Cash Flows shows the sources and uses of cash in the operating, non-capital, capital and related financing, and investing activities. The notes 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 20. Required supplementary information consists of the schedule of funding progress of the District's

contribution to PERS. In addition to the basic financial statements and accompanying notes, this report also provides additional information on administrative and general expenses.

#### *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, 2007, assets exceeded liabilities by \$68,523,178. In the prior year, assets exceeded liabilities by \$66,484,414.

#### **San Juan Water District Balance Sheet**

	2007	2006	2005
Current Assets	\$13,338,320	\$12,507,289	\$11,257,531
Restricted Assets	7,466,413	8,251,475	11,591,081
Capital Assets	55,894,402	55,786,815	52,635,616
Other Assets	15,365,862	14,613,465	14,887,423
<b>Total Assets</b>	<b>\$92,064,997</b>	<b>\$91,159,044</b>	<b>\$90,371,651</b>
Current Liabilities	2,636,622	2,916,295	2,933,532
Long-Term Liabilities	20,905,197	21,758,335	22,593,722
<b>Total Liabilities</b>	<b>\$23,541,819</b>	<b>\$24,674,630</b>	<b>\$25,527,254</b>
Invested in Capital Assets, Net of	\$40,198,780	\$40,061,013	\$39,346,360
Restricted Net Assets	1,747,260	1,694,605	1,745,910
Unrestricted Net Assets	26,577,138	24,728,796	23,752,127
<b>Total Net Assets</b>	<b>\$68,523,178</b>	<b>\$66,484,414</b>	<b>\$64,844,397</b>
<b>Total Liabilities and Net Assets</b>	<b>\$92,064,997</b>	<b>\$91,159,044</b>	<b>\$90,371,651</b>

The largest portion of the District's net assets (59%) 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 60% of net assets. 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 (3%) 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 (38%) may be utilized to meet the District's ongoing obligations and future facility improvements or replacements. The increase in unrestricted net assets is an indicator that the financial condition of the District improved.

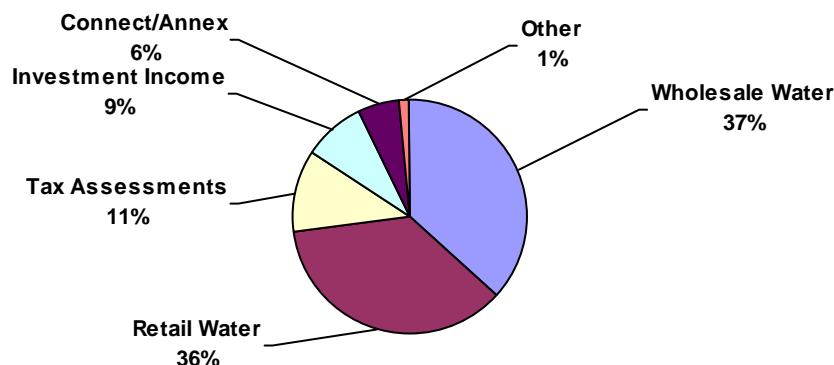
The increase of \$2,038,764 in total net assets is represented by the increases in revenues and capital contributions. The property taxes were restored from the prior two years of ERAF shifts. In the prior fiscal year, the increase of \$1,640,017 was due to increased property taxes and interest revenues.

**Statement of Revenues, Expenses and Changes in Net Assets  
For the Years Ended**

	2007	2006	2005
Operating Revenues	\$12,853,467	\$11,481,472	\$11,083,168
Non-operating Revenues	4,212,810	2,675,765	3,190,015
<b>Total Revenues</b>	<b>\$17,066,277</b>	<b>\$14,157,237</b>	<b>\$14,273,183</b>
Operating Expenses	\$11,388,994	\$10,216,970	\$9,552,938
Depreciation	3,154,287	2,405,897	2,282,537
Non-Operating Expenses	663,380	942,717	810,514
<b>Total Expenses</b>	<b>\$15,206,661</b>	<b>\$13,565,584</b>	<b>\$12,645,989</b>
Net Income Before	\$1,859,616	\$591,653	\$1,627,194
Capital Contributions	179,148	1,048,364	3,008,381
<b>Change in Net Assets</b>	<b>\$2,038,764</b>	<b>\$1,640,017</b>	<b>\$4,635,575</b>
Beginning Net Assets	66,484,414	64,844,397	60,208,822
<b>Total Net Assets</b>	<b>\$68,523,178</b>	<b>\$66,484,414</b>	<b>\$64,844,397</b>

The increase of \$1,371,995 in operating revenues is primarily due to rate increases. In the prior year, operating revenues increased by \$398,304, which was primarily due to rate increases and offset by reduced water use. The \$1,537,045 increase in non-operating revenues resulted from restoration of the property taxes and increased interest income. In the prior year, non-operating revenues decreased by \$514,250 resulting from a combination of entitlement transfer revenue that was applicable in the prior fiscal year and not in the current fiscal year, increased property taxes and interest income.

**Revenues By Source**



**Operating Revenues  
For the Years Ended**

	2007	2006	2005
Wholesale Water	\$6,228,302	\$5,769,324	\$5,744,760
Retail Water	6,575,947	5,668,705	5,285,572
Other	49,218	43,443	52,836
<b>Total Operating Revenues</b>	<b>\$12,853,467</b>	<b>\$11,481,472</b>	<b>\$11,083,168</b>

**Operating Expenses Excluding Depreciation  
For the Years Ended**

Source of Supply	2007	2006	2005
Administration and general	\$3,173,789	\$2,704,782	\$2,965,677
Water Treatment	1,986,027	2,040,731	1,297,828
Transmission and distribution	2,146,066	2,003,075	1,689,104
Customer Service	1,629,065	1,249,430	1,353,547
Pumping and Telemetry	594,680	599,116	606,320
Engineering	623,259	551,418	594,962
Conservation	449,342	397,717	398,573
Interest	501,649	383,433	351,467
Total Operating Expenses	285,117	287,268	295,460
	<b>\$11,388,994</b>	<b>\$10,216,970</b>	<b>\$9,552,938</b>

The \$1,172,024 increase in operating expenses is the result of: inflation increases, vacant positions being filled, level of service improvements and completion of maintenance. The prior year increase in operating expenses of \$664,032 is a combination of: inflation increases, vacant positions being filled and completion of maintenance.

**Budget Highlights**

Differences between the original and final budgeted amounts resulted from:

- Increased property tax and interest revenues resulting in additional non-operating revenues of \$565,000;
- Decreased water revenues associated with reduced water use (conservation and/or wet year conditions); and
- Decreased source of supply costs resulting from reduced water use.

District managers are encouraged to request only the budget amounts they believe will be necessary to fund their programs for the fiscal year, without regard to maintaining a specific budget level from year-to-year. This is done to avoid creating an environment in which programs are budgeted at a specific level for fear of losing funds in future years, thereby leaving idle resources unspent that might have been utilized for other District programs or activities.

**Capital Asset and Debt Administration**

Capital Assets

The District's investment in capital assets as of June 30, 2007, net of accumulated depreciation, is \$55,894,402. This investment includes land, buildings, water treatment plant and distribution system, construction in progress, vehicles, equipment, office equipment and furniture. As of June 30, 2006, this amount was \$55,786,815. The increase from the prior fiscal year of \$107,587 is largely due to installation of pipelines. At June 30, 2007, the District had \$900,000 in construction commitments outstanding. As of June 30, 2005, the investment in capital assets was \$52,635,616. The increase from the prior fiscal year of \$3,151,199 was largely due to pump station improvements started during the fiscal year. At June 30, 2006, the District had \$623,802 in construction commitments outstanding.

New subdivision and commercial development within the Retail Service Area has experienced a continuing growth trend. During the fiscal year 2006-2007, the District accepted capital contributions by developers for donated systems with a combined value of \$179,148. Capital contributions in the prior year totaled \$46,698. Capital contributions for the fiscal year 2004-2005 totaled \$64,064. The outlook for the next fiscal year 2007-2008 shows a continuing growth trend

with some vacant land currently being developed. Additional information on capital assets can be located in Note 3 of the Notes to the Basic Financial Statements beginning on pages 29 and 30.

#### Debt Administration

As of June 30, 2007, the District had three different debt issues outstanding in an aggregate amount of \$20,918,204. Of this amount, \$918,191 represents the current portion due in Fiscal Year 2007-2008. In the prior year, there were three outstanding debt issues in an aggregate amount of \$21,815,253, with \$897,049 representing the portion due in Fiscal Year 2006-2007. For more information on Long-Term Liabilities, refer to Note 5 of the Notes to the Basic Financial Statements beginning on Page 32.

#### **Outstanding Debt Issues**

	2007	2006	2005
2003 Certificates of Participation	\$20,660,000	\$21,535,000	\$22,390,000
1977 Economic Development Administration Loan	\$231,751	\$249,370	\$266,150
California Energy Commission Loan	\$26,453	\$30,883	\$35,063

MBIA Indemnity Corporation insures the payment of the principal and interest on the 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.

#### **Economic Factors and Next Year's Budgets and Rates**

The local economy has experienced growth during the fiscal year, with a positive outlook. Interest rates are rising, which will provide enhanced investment opportunity in the next year. The Consumer Price Index (CPI) increased 3.3% over the prior 12 months. The District expects to continue to regain the \$1,055,000 of the 1% property tax revenue that it receives for the next fiscal year.

These factors were taken into consideration during preparation of the Fiscal Year 2007-2008 Budget. As approved by the Board of Directors, the District's Wholesale Water Rates are scheduled to increase between 9-19% on January 1, 2008 and the Retail Water Rates will increase 9% as approved by the Board on January 1, 2008. These increases are required to fund the capital improvement program and maintain pace with inflation.

#### **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.

## **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, 2007 and 2006 and 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 accounting principles 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. The financial statements of San Juan Water District as of June 30, 2006, were audited by another auditor whose report dated September 6, 2006 expressed an unqualified opinion on those statements.

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, 2007 and 2006 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.

The Management's Discussion and Analysis and Schedule of Funding Progress of Pension Plan on pages 9 to 13, and 39, respectively, 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 audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, additional information and statistical tables are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit 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 tables have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*MacLean, Dugay & Company*

November 2, 2007  
Citrus Heights, California

**SAN JUAN WATER DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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	2007	2006
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 10,283,713	\$ 8,963,407
Accounts receivable	1,914,968	1,912,019
Grants receivable	-	440,737
Accrued interest and taxes receivable	321,281	308,998
Current portion of amounts recoverable under long-term water sales contracts	271,488	266,112
Inventory	69,050	81,619
Prepaid expenses	477,820	534,397
Total Current Assets	<u>13,338,320</u>	<u>12,507,289</u>
Restricted Assets		
Cash and cash equivalents	5,541,907	6,326,969
Investments	1,924,506	1,924,506
Capital Assets, Net	55,894,402	55,786,815
Other Assets		
Investments	12,903,991	11,842,932
Amounts recoverable under long-term water sales contracts	1,712,256	1,983,744
Investment in electrical power	402,908	415,434
Deferred charges-unamortized bond expenses and other	346,707	371,355
Total Other Assets	<u>15,365,862</u>	<u>14,613,465</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 92,064,997</u></b>	<b><u>\$ 91,159,044</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 901,359	\$ 1,107,062
Accrued interest	354,214	365,151
Customer/developer deposits	99,104	85,026
Deferred income	25,343	52,448
Due to other governments	110,742	181,890
Deposits held for other governments	227,669	227,669
Current portion of long-term debt	918,191	897,049
Total Current Liabilities	<u>2,636,622</u>	<u>2,916,295</u>
Long-Term Liabilities		
Long-term debt	20,261,297	21,155,722
Compensated absences	643,900	602,613
Total Liabilities	<u>23,541,819</u>	<u>24,674,630</u>
Net Assets		
Invested in capital assets, net of related debt	40,198,780	40,061,013
Restricted	1,747,260	1,694,605
Unrestricted	26,577,138	24,728,796
	68,523,178	66,484,414
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 92,064,997</u></b>	<b><u>\$ 91,159,044</u></b>

**SAN JUAN WATER DISTRICT**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
<b>Operating Revenues</b>		
Water sales-wholesale		
Water charges to retail area	\$ 2,124,752	\$ 1,904,460
Citrus Heights Water District	1,760,304	1,631,011
Fair Oaks Water District	1,186,321	1,091,643
Sacramento Suburban Water District	546,955	631,099
Orangevale Mutual Water Company	412,506	338,936
City of Folsom	182,296	162,486
Granite Bay Golf Club	14,151	
City of Roseville	1,017	9,689
Total Water Sales-Wholesale	<u>6,228,302</u>	<u>5,769,324</u>
Water sales-retail	6,575,947	5,668,705
Other	<u>49,218</u>	<u>43,443</u>
<b>Total Operating Revenues</b>	<u>12,853,467</u>	<u>11,481,472</u>
<b>Operating Expenses</b>		
Source of Supply		
Water charged to retail service area	2,124,752	1,904,460
Placer County Water Agency	332,634	345,110
US Bureau of Reclamation	451,972	208,255
Wheeling	193,840	143,651
Bureau pumping	60,060	60,930
Energy assessments	728	41,345
Other	9,803	1,031
Depreciation	3,154,287	2,405,897
Administration and general	1,986,027	2,040,731
Water treatment	2,146,066	2,003,075
Transmission and distribution	1,629,065	1,249,430
Customer service	594,680	599,116
Pumping and telemetry	623,259	551,418
Engineering	449,342	397,717
Conservation	501,649	383,433
Interest expense	<u>285,117</u>	<u>287,268</u>
<b>Total Operating Expenses</b>	<u>14,543,281</u>	<u>12,622,867</u>
<b>Net Loss From Operations</b>	<u>(1,689,814)</u>	<u>(1,141,395)</u>
<b>Nonoperating Revenues</b>		
Tax assessments	1,790,197	643,882
Investment income	1,384,866	867,082
Connections and annexations	926,276	306,605
Other	<u>111,471</u>	<u>858,196</u>
<b>Total Nonoperating Revenues</b>	<u>4,212,810</u>	<u>2,675,765</u>
<b>Nonoperating Expenses</b>		
Bond and note interest	554,914	629,590
Other	<u>108,466</u>	<u>313,127</u>
<b>Total Nonoperating Expenses</b>	<u>663,380</u>	<u>942,717</u>
<b>Net Income Before Capital Contributions</b>	1,859,616	591,653
Capital Contributions	<u>179,148</u>	<u>1,048,364</u>
<b>Change in Net Assets</b>	2,038,764	1,640,017
<b>Net Assets at Beginning of Year</b>	66,484,414	64,844,397
<b>Net Assets at End of Year</b>	<u>\$ 68,523,178</u>	<u>\$ 66,484,414</u>

**SAN JUAN WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 12,845,866	\$ 11,267,479
Cash paid to suppliers for goods and services	(6,732,946)	(5,954,180)
Cash paid to employees for services	(4,785,292)	(4,361,749)
Net Cash Provided by Operating Activities	<u>1,327,628</u>	<u>951,550</u>
Cash Flows from Noncapital Financing Activities		
Other income/expenses received	449,815	557,491
Tax assessments received	<u>1,790,197</u>	<u>625,857</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,240,012</u>	<u>1,183,348</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(3,280,227)	(5,528,976)
Proceeds from sale of capital assets	12,280	22,055
Payments received on amounts recoverable		
under water sales contracts	266,112	258,048
Payments on long-term debt	(897,049)	(875,960)
Interest paid	(554,368)	(636,717)
Connection and annexation income	926,276	306,605
Capital contributions received	<u>-</u>	<u>933,006</u>
	<u>(3,526,976)</u>	<u>(5,521,939)</u>
Cash Flows from Investing Activities		
Purchases of investments	(3,600,000)	(1,000,000)
Proceeds from sale and maturity of investments	2,546,422	505,441
Investment Income	<u>1,548,158</u>	<u>1,146,081</u>
Net Cash Provided (used) by Investing Activities	<u>494,580</u>	<u>651,522</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>535,244</u>	<u>(2,735,519)</u>
Cash and cash equivalents at beginning of year	<u>15,290,376</u>	<u>18,025,895</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,825,620</u>	<u>\$ 15,290,376</u>

**SAN JUAN WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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	<u>2007</u>	<u>2006</u>
Reconciliation of Net Loss from Operations to Cash used for Operating Activities		
Net loss from operations	\$ (1,689,814)	\$ (1,141,395)
Adjustments to reconcile net loss from operations to net cash provided by operating activities		
Depreciation and amortization	3,154,287	2,471,616
Loss (gain) on disposal of assets	6,073	(16,077)
Changes in assets and liabilities:		
Accounts receivable	5,426	(227,126)
Inventory	12,569	(10,833)
Prepaid Expenses	56,577	(263,393)
Deferred charges	37,174	189,513
Accounts payable	(205,703)	(88,073)
Customer/developer deposits	14,078	7,225
Deferred income	(27,105)	5,908
Due to other governments	(71,148)	(9,561)
Compensated absences	<u>41,287</u>	<u>33,746</u>
Net Cash Provided by Operating Activities	<u>\$ 1,333,701</u>	<u>\$ 951,550</u>
Noncash Activities		
Change in fair value of investments	\$ (163,738)	\$ (275,268)
Receipt of contributed assets	\$ 179,148	\$ 46,698
Reconciliation of Cash and Cash Equivalents to Balance Sheet		
Unrestricted cash and cash equivalents	\$ 10,283,713	\$ 8,963,407
Restricted cash and cash equivalents	<u>5,541,907</u>	<u>6,326,969</u>
Total Cash and Cash Equivalents	<u>\$ 15,825,620</u>	<u>\$ 15,290,376</u>

The accompanying notes are an integral part of these financial statements.

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the San Juan Water District (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 FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**1. REPORTING ENTITY AND 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 capital assets 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 FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**1. REPORTING ENTITY AND 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 and Cash Equivalents** - 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.

**Capital Assets** - Capital assets 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:

<u>Description</u>	<u>Estimated Life</u>
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 capital assets 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.

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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. Management considers all compensated absences to be long-term since the current portion of compensated absences is not significant.

**Deferred Income** - Deferred income represents revenues received for wholesale and retail sales that have not been earned as of June 30, 2007 and 2006

**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.

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2007 and 2006 are classified in the accompanying financial statements as follows:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 10,283,713	\$ 8,963,407
Restricted cash and cash equivalents	5,541,907	6,326,969
Restricted investments	1,924,506	1,924,506
Investments	<u>12,903,991</u>	<u>11,842,932</u>
Total cash and investments	<u>\$ 30,654,117</u>	<u>\$ 29,057,814</u>

Cash and investments as of June 30, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 350	\$ 350
Deposits with financial institutions	<u>801,917</u>	<u>1,411,383</u>
Total cash and cash equivalents	<u>802,267</u>	<u>1,411,733</u>
Money market mutual funds	895,681	849,069
Investments in Local Agency Investment Fund (LAIF)	14,127,672	13,029,574
U.S. agency securities	11,810,375	11,154,714
Medium term corporate notes	1,093,616	688,218
Guaranteed investment contracts	<u>1,924,506</u>	<u>1,924,506</u>
Total investments	<u>29,851,850</u>	<u>27,646,081</u>
Total cash and investments	<u>\$ 30,654,117</u>	<u>\$ 29,057,814</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

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**2. CASH AND INVESTMENTS (Continued)**

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, 2007, the District's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One issuer
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.

**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

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**2. - CASH AND INVESTMENTS (Continued)**

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:

	Remaining Maturity (in Months)				
	Total	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
U.S. agency securities	\$11,810,375	\$4,723,650	\$1,618,987	\$5,467,738	
Medium term corporate notes	1,093,616	599,831		493,785	
LAIF	8,641,314	8,641,314			
Money market mutual funds	845,258	845,258			
Held by bond trustee:					
LAIF	5,486,358	5,486,358			
Money market mutual funds	50,423	50,423			
Guaranteed investment contracts	1,924,506			\$1,924,506	
<b>Total</b>	<b>\$29,851,850</b>	<b>\$20,346,834</b>	<b>\$1,618,987</b>	<b>\$5,961,523</b>	<b>\$1,924,506</b>

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**2. - CASH 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.

	Minimum Legal					
	Total	Rating	AAA	A	Not Rated	
U.S. agency securities	\$11,810,375	N/A	\$11,810,375			
Medium term corporate notes	1,093,616	A	993,510	\$100,106		
LAIF	8,641,314	N/A				\$8,641,314
Money market mutual funds	845,258	A	845,258			
Held by bond trustee:						
LAIF	5,486,358	N/A				5,486,358
Money market mutual funds	50,423	A	50,423			
Guaranteed investment contracts	<u>1,924,506</u>	N/A				<u>1,924,506</u>
Total investments	<u>\$29,851,850</u>		<u>\$13,699,566</u>	<u>\$100,106</u>	<u>\$16,052,178</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:

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**2. - CASH AND INVESTMENTS (Continued)**

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	U.S. agency securities	\$2,231,565
Federal Home Loan Bank	U.S. agency securities	4,122,739
Federal Home Loan Mortgage	U.S. agency securities	2,979,130
Federal National Mortgage Association	U.S. agency securities	2,469,460
Union Bank of California	Guaranteed investment contracts	1,924,506

**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, 2007, the carrying amount of the District's deposits was \$789,304 and the balance in financial institutions was \$869,038. Of the balance in financial institutions, \$391,766 was covered by federal depository insurance and supplemental insurance held by the investment broker and \$477,272 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, 2007, 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	\$11,802,894
Medium term corporate notes	1,093,616
Money market mutual funds	914,501
Guaranteed investment contracts	1,924,506

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**2. - CASH AND INVESTMENTS (Continued)**

**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 \$63,337,959,989 managed by the State Treasurer. Of that amount, 97.4% is invested in non-derivative financial products and 2.6% in derivative financial products and structured financial instruments. 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.

**3. - CAPITAL ASSETS** Capital asset activity for the years ended June 30, 2007 and 2006 was as follows:

	Balance July 1, 2006	Additions	Disposals	Transfers and Adjustments	Balance June 30, 2007
Capital assets not being depreciated:					
Land	\$ 572,670	\$ 13,710			\$ 586,380
Construction in progress	16,296,282	3,019,015		(16,824,144)	2,491,153
Total capital assets not being depreciated	16,868,952	3,032,725	-	(16,824,144)	3,077,533
Pipelines, reservoirs, pumping stations and buildings	73,956,636	50,335		16,824,144	90,831,115
Vehicles and equipment	2,802,594	197,167	(82,355)		2,917,406
Total capital assets not being depreciated	76,759,230	247,502	(82,355)	16,824,144	93,748,521
Less accumulated depreciation for:					
Pipelines, reservoirs, pumping stations and buildings	(35,849,205)	(2,976,079)			(38,825,284)
Vehicles and equipment	(1,992,162)	(178,208)	64,002		(2,106,368)
Total Accumulated depreciation	(37,841,367)	(3,154,287)	64,002	-	(40,931,652)
Total capital assets being depreciated, net	38,917,863	(2,906,785)	(18,353)	16,824,144	52,816,869
Capital Assets, net	\$ 55,786,815	\$ 125,940	\$ (18,353)	-	\$ 55,894,402

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**3. - CAPITAL ASSETS (Continued)**

	Balance July 1, 2005	Additions	Disposals	Transfers and Adjustments	Balance June 30, 2006
Capital assets not being depreciated:					
Land	\$ 567,180	\$ 5,490			\$ 572,670
Construction in progress	11,733,461	5,225,880		(663,059)	16,296,282
Total capital assets not being depreciated	12,300,641	5,231,370		(663,059)	16,868,952
Pipelines, reservoirs, pumping stations and buildings	73,165,253	128,324		663,059	73,956,636
Vehicles and equipment	2,668,993	215,980	(82,379)		2,802,594
Total capital assets being depreciated	75,834,246	344,304	(82,379)	663,059	76,759,230
Less accumulated depreciation for:					
Pipelines, reservoirs, pumping stations and buildings	(33,601,011)	(2,248,194)			(35,849,205)
Vehicles and equipment	(1,898,260)	(170,303)	76,401		(1,992,162)
Total Accumulated depreciation	(35,499,271)	(2,418,497)	76,401		(37,841,367)
Total capital assets being depreciated, net	40,334,975	(2,074,193)	(5,978)	663,059	38,917,863
Capital Assets, net	<u>\$ 52,635,616</u>	<u>\$ 3,157,177</u>	<u>\$ (5,978)</u>	<u>\$ -</u>	<u>\$ 55,786,815</u>

**4. - 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.

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

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**4. - INVESTMENT IN ELECTRICAL POWER (Continued)**

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 \$728 and \$1,031 during the years ended June 30, 2007 and 2006, 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, 2007, 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, 2007 and 2006:

	2007	2006
Balance sheet		
Assets	\$332,884,762	\$342,659,027
Liabilities	16,926,166	17,278,222
Net assets	315,958,596	325,380,805
Liabilities and net assets	\$332,884,762	\$342,659,027
Income statement		
Operating revenues	\$7,854,293	\$7,266,464
Operating expenses	18,195,840	17,578,892
Operating loss	(10,341,547)	(10,312,428)
Nonoperating revenue – interest and other	117,533	88,414
Change in net assets	(\$10,224,014)	(\$10,224,014)
District's share of change in net assets for period	(\$13,629)	(\$13,629)

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**5. - LONG-TERM LIABILITIES**

Long-term debt consisted of the following for years ending June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>2003 REVENUE CERTIFICATES OF PARTICIPATION</b> 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%	\$ 20,660,000	\$ 21,535,000
<b>1977 ECONOMIC DEVELOPMENT ADMINISTRATION LOAN</b> 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.	\$ 231,751	\$ 249,370
<b>CALIFORNIA ENERGY COMMISSION ADVANCE</b> 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. Total	\$ 26,453 \$ 20,918,204	\$ 30,883 \$ 21,815,253
Less: Current portion	(918,191)	(897,049)
Total	<u>20,000,013</u>	<u>20,918,204</u>
Add: Unamortized premium	445,846	477,542
Less: Deferred amount on refunding	(184,562)	(240,024)
Long-term debt	<u>\$ 20,261,297</u>	<u>\$ 21,155,722</u>

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**5. - LONG-TERM LIABILITIES (Continued)**

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
2003 Revenue Certificates of Participation	\$ 21,535,000		\$ (875,000)	\$ 20,660,000	\$ 895,000
1977 Economic Development Administration Loan	249,370		(17,619)	231,751	18,500
California Energy Commission Advance	30,883		(4,430)	26,453	4,691
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 21,815,253	\$ -	\$ (897,049)	\$ 20,918,204	\$ 918,191
Compensated absences	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 602,613	\$ 41,287	\$ -	\$ 643,900	
	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
2003 Revenue Certificates of Participation	\$ 22,390,000		\$ (855,000)	\$ 21,535,000	\$ 875,000
1977 Economic Development Administration Loan	266,150		(16,780)	249,370	17,619
California Energy Commission Advance	35,063		(4,180)	30,883	4,430
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 22,691,213	\$ -	\$ (875,960)	\$ 21,815,253	\$ 897,049
Compensated absences	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 568,867	\$ 33,746	\$ -	\$ 602,613	

The following is a schedule of maturities for long-term debt at June 30, 2007:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 918,191	\$ 863,197	\$ 1,781,388
2009	954,401	826,187	1,780,588
2010	985,670	801,668	1,787,338
2011	1,012,005	771,532	1,783,537
2012	1,043,410	740,577	1,783,987
2013-2017	3,604,527	3,160,859	6,765,386
2018-2022	3,005,000	2,571,888	5,576,888
2023-2027	3,690,000	1,885,438	5,575,438
2028-2032	4,640,000	934,325	5,574,325
2033	1,065,000	50,588	1,115,588
Total	<hr/>	<hr/>	<hr/>
	\$ 20,918,204	\$ 12,606,259	\$ 33,524,463

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**5. - LONG-TERM LIABILITIES (Continued)**

The District is required by its 2003 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.

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:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 271,488	\$ 67,697	\$ 339,185
2009	282,240	56,838	339,078
2010	290,304	49,782	340,086
2011	298,368	41,073	339,441
2012	306,432	32,122	338,554
2013	534,912	21,396	556,308
Total	\$ 1,983,744	\$ 268,908	\$ 2,252,652

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**6. - 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 Certificates of Participation of \$1,974,929 and \$1,694,605 at June 30, 2007 and 2006, respectively.

**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:

	2007	2006
Reserve for replacement of vehicles, equipment and facilities	\$ 4,149,375	\$ 7,827,094
Chlorine containment project	3,650,000	-
Funds for retail service area construction of pipeline, pump stations, storage facilities, and service connections	2,094,567	1,523,148
Operating Reserves	2,391,727	2,273,658
Hinkle Reservoir lining replacement reserve	2,055,129	2,005,129
Rate stabilization reserve	1,000,000	1,000,000
Reserve for employees' vacation and sick leave	643,900	602,611
Kokila reservoir lining replacement reserve	286,738	276,738
Hydraulic improvement project	3,369,599	3,369,599
Developers' deposits for construction and inspection	134,455	117,655
PERS rate stabilization reserve	4,000,000	809,000
Economic Development Administration loan sinking fund	30,000	30,000
Self-insurance reserve	20,000	20,000
Total designated net assets	<u>\$ 23,825,490</u>	<u>\$ 19,854,632</u>

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**7. - 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.

**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 25.62% and 23.810% for the years ended June 30, 2007 and 2006, 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, 2007 and 2006, the District incurred annual pension costs of \$1,027,617 and \$953,533, respectively. The required contribution was determined as part of the June 30, 2003 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, 2003 was 17 years.

Three-Year Trend Information for the District

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed
June 30, 2005	\$801,169	100%
June 30, 2006	\$953,533	100%
June 30, 2007	\$1,027,617	100%

**SAN JUAN WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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## **8. - POST EMPLOYMENT HEALTH CARE BENEFITS**

In addition to the pension benefits, the District provides certain healthcare benefits for retired employees through PERS. Substantially all of the District's full-time employees may become eligible for those benefits if they reach normal retirement age while working for the District. At June 30, 2007, nineteen retired employees/survivor dependents meet those eligibility requirements. The District's contributions are financed on a pay-as-you-go basis and thus the District recognizes the cost of providing those benefits by expensing the annual insurance premiums, which amounted to \$191,848 and \$167,319 for the years ended June 30, 2007 and 2006, respectively.

## **9. - 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:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General and Auto Liability(includes public officials liability)	\$1,000,000	\$39,000,000	None
Property Damage	50,000	50,000,000	\$ 1,000 to 25,000
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 FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

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**10. - COMMITMENTS AND CONTINGENCIES**

The District signed a contract for \$1,191,306 with a contractor for a pipeline project where no expenses were incurred at June 30, 2007.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SAN JUAN WATER DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN (UNAUDITED)**  
**JUNE 30, 2007 AND 2006**

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The information below, which is from the latest available actuarial valuation reports, shows a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the funded status of the accrued liability as a percentage of the annual covered payroll of the Risk Pool for the District's contribution to PERS as of June 30:

<b>Actuarial Valution Date</b>	<b>Accued Liabilities</b>	<b>Actuarial Assets</b>	<b>Unfunded Liabilities</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Liability as % of Covered Payroll</b>
June 30, 2004	\$ 426,958,282	\$ 334,956,019	\$ 92,002,263	78.5%	\$ 90,667,029	101.5%
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%

## **ADDITIONAL INFORMATION**

**San Juan Water District**  
**Schedule of Administrative and General Expense (Unaudited)**  
**For the Year Ended June 30, 2007**

	<b>Total</b>	<b>Wholesale</b>	<b>Retail</b>
Salaries and benefits	\$ 1,574,696	\$ 835,886	\$ 738,810
Audit/consulting	118,306	88,847	29,460
Buildings and grounds	-	-	-
Office	-	-	-
Shop	66,229	39,229	27,000
Other/Landscaping	1,072	1,072	-
Directors' fees/expenses	42,551	21,300	21,251
Education and training	33,626	12,113	21,513
Elections expense	1,913	1,913	-
Insurance	51,688	22,918	28,770
Legal	99,642	73,500	26,142
Meetings/conventions	25,060	15,524	9,536
Office supplies/expenses	111,259	57,680	53,579
Public relations	98,228	50,172	48,056
Telephone/Radio	25,132	6,794	18,338
Utilities	28,104	15,151	12,953
Hazardous waste	1,640	-	1,640
<b>Subtotal</b>	<b>2,279,146</b>	<b>1,242,099</b>	<b>1,037,048</b>
Less overhead allocation	(293,119)	(17,580)	(275,539)
<b>Net Totals</b>	<b>\$ 1,986,027</b>	<b>\$ 1,224,519</b>	<b>\$ 761,509</b>

**San Juan Water District**  
**Schedule of Operations – Budget and Actual**  
**For the Year Ended June 30, 2007**

	Total			Variance With Final Budget Positive (Negative)	
	Final Budget				
	Actual	Final Budget			
<b>Operating Revenues</b>					
Water Sales - Wholesale					
Water charges to retail area	\$ 2,124,752	\$ 2,140,963	\$ (16,211)		
Citrus Heights Water District	1,760,304	1,777,014	(16,710)		
Fair Oaks Water District	1,186,321	1,208,492	(22,171)		
Sacramento Suburban Water District	546,955	651,627	(104,672)		
Orangevale Mutual Water Company	412,506	380,360	32,146		
City of Folsom	182,296	139,260	43,036		
Granite Bay Golf Club	14,151	8,139	6,012		
City of Roseville	1,017	-	1,017		
<b>Total Water Sales - Wholesale</b>	<b>6,228,302</b>	<b>6,305,855</b>	<b>(77,553)</b>		
Water Sales - retail	6,575,947	6,564,100	11,847		
Other	49,218	49,008	210		
<b>Total Operating Revenues</b>	<b>12,853,467</b>	<b>12,918,963</b>	<b>(65,496)</b>		
<b>Operating Expenses</b>					
Source of Supply					
Water charged to retail area	2,124,752	2,140,963	16,211		
Place County Water Agency	332,634	362,750	30,116		
U.S. Bureau of Reclamation	451,972	316,122	(135,850)		
Wheeling	193,840	167,966	(25,874)		
Bureau pumping	60,060	68,794	8,734		
Other	9,803	34,176	24,373		
Energy assessments	728	10,000	9,272		
Administrative and general	1,986,027	2,087,241	101,214		
Water treatment	2,146,066	2,233,326	87,260		
Transmission and distribution	1,629,065	1,547,175	(81,890)		
Customer service	594,680	591,587	(3,093)		
Pumping and telemetry	623,259	749,250	125,991		
Engineering	449,342	454,719	5,377		
Conservation	501,649	582,135	80,486		
Interest Expense	285,117	607,897	322,780		
<b>Total Operating Expenses</b>	<b>11,388,994</b>	<b>11,954,101</b>	<b>565,107</b>		
<b>Excluding Depreciation</b>					
Net Income (Loss) From Operations					
<b>Excluding Depreciation</b>	<b>1,464,473</b>	<b>\$ 964,862</b>	<b>\$ (630,603)</b>		
Depreciation	3,154,287				
<b>Net Income from Operations</b>	<b>\$ (1,689,814)</b>				

**San Juan Water District**  
**Schedule of Operations – Budget and Actual (Continued)**  
**For the Year Ended June 30, 2007**

Wholesale			Retail		
Actual	Final Budget	Variance With Final Budget Positive (Negative)	Actual	Final Budget	Variance With Final Budget Positive (Negative)
\$ 2,124,752	\$ 2,140,963	\$ (16,211)			\$ -
1,760,304	1,777,014	(16,710)			-
1,186,321	1,208,492	(22,171)			-
546,955	651,627	(104,672)			-
412,506	380,360	32,146			-
182,296	139,260	43,036			-
14,151	8,139	6,012			-
1,017		1,017			-
<u>6,228,302</u>	<u>6,305,855</u>	<u>(77,553)</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,100	21,008	(16,908)	6,575,947	6,564,100	11,847
<u>6,232,402</u>	<u>6,326,863</u>	<u>(94,461)</u>	<u>45,118</u>	<u>28,000</u>	<u>17,118</u>
			<u>6,621,065</u>	<u>6,592,100</u>	<u>28,965</u>
332,634	362,750	30,116	2,124,752	2,140,963	16,211
451,972	316,122	(135,850)			-
193,840	167,966	(25,874)			-
60,060	68,794	8,734			-
9,803	34,176	24,373			-
728	10,000	9,272			-
1,216,674	1,346,806	130,132	769,353	740,435	(28,918)
2,146,066	2,233,326	87,260			-
186,293	186,632	339	1,442,772	1,360,543	(82,229)
	940	940	594,680	590,647	(4,033)
492,681	604,791	112,110	130,578	144,459	13,881
	-	-	449,342	454,719	5,377
75,642	88,590	12,948	426,007	493,545	67,538
	-	-	285,117	607,897	322,780
<u>5,166,393</u>	<u>5,420,893</u>	<u>254,500</u>	<u>6,222,601</u>	<u>6,533,208</u>	<u>310,607</u>
1,066,009	\$ 905,970	\$ (348,961)	398,464	\$ 58,892	\$ (281,642)
<u>1,460,927</u>			<u>1,693,360</u>		
<u>\$ (394,918)</u>			<u>\$ (1,294,896)</u>		

## **STATISTICAL TABLES**

**San Juan Water District**  
**Net Assets by Component**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	\$34,535,992	\$36,450,715	\$39,346,360	\$40,061,013	\$40,198,780
Restricted	2,650,354	2,893,502	1,745,910	1,694,605	1,747,260
Unrestricted	19,122,813	20,864,605	23,752,127	24,728,796	26,577,138
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>

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)**

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Operating Revenues:				
Wholesale Revenue	\$ 5,243,288	\$ 5,744,760	\$ 5,769,324	\$ 6,228,302
Retail Revenue	5,414,979	5,285,572	5,668,705	6,575,947
Other Revenue	31,815	52,836	43,443	49,218
Total Operating Revenue	<u>10,690,082</u>	<u>11,083,168</u>	<u>11,481,472</u>	<u>12,853,467</u>
Operating Expenses:				
Net loss from operations	12,019,491	11,835,475	12,622,867	14,543,281
Nonoperating revenues	(1,329,409)	(752,307)	(1,141,395)	(1,689,814)
Nonoperating expenses	4,040,058	3,190,015	2,675,765	4,212,810
Net income before capital contributions	<u>1,697,243</u>	<u>1,627,194</u>	<u>591,653</u>	<u>1,859,616</u>
Capital contributions	2,202,420	3,008,381	1,048,364	179,148
Change in Net Assets	<u>\$ 3,899,663</u>	<u>\$ 4,635,575</u>	<u>\$ 1,640,017</u>	<u>\$ 2,038,764</u>

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)**

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total Property Tax Revenue	Total Direct Tax Rate
1998	\$ 7,731,567	\$ 185,020	\$ 7,916,587	\$ 1,828	0.023%
1999	8,163,896	194,067	8,357,963	1,708	0.020%
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	15,420,345	1,790	0.012%

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 Seven Years Ago**

Taxpayer	2007		2000	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
VIF & Lyon Oak Creek LLC	\$ 58,134,246	0.52%	\$ -	0.00%
MP Birdcage Marketplace LLC	48,578,265	0.43	25,577,629	
Rollingwood Commons Apartments LLC	38,760,000	0.35	-	
Demmon Family Partnership	34,810,620	0.31	-	
National Life and Accident Insurance Co.	30,354,821	0.27	26,084,865	
Sears Roebuck & Company	30,244,039	0.27	12,331,769	
Crystal Springs Apartments LLC	26,768,500	0.24	-	
G.W. Williams Co.	23,944,749	0.21	-	
Mark M. Garay Revocable Trust	23,611,876	0.21	-	
Pan Pacific LLC	21,965,441	0.20	-	
Betty A. Colwell Revocable Trust	20,677,040	0.18	-	
Trestle Regency LLC	20,609,614	0.18	-	
Costco Wholesale Corporation	20,495,672	0.18	-	
Ronald P. & Maureen A. Ashley	20,287,798	0.18	-	
Madison & Sunrise Associates LLC	19,593,505	0.18	-	
Marshall Field Stores Inc.	19,524,030	0.17	18,223,684	
Theodore Mitchell	18,829,999	0.17	-	
Canyon Oaks Apartments LLC	18,017,011	0.16	-	
Hunting Square Limited LP	17,106,541	0.15	13,495,521	0.16
Muffrey Trust	16,500,000	0.15		
The Fairways Apts-Wdc & DLC Sequoia Fairways			30,221,383	0.35
Folsom Ranch Apartments			23,603,700	0.28
Macy's Sunac Properties Corp & Federated Dept Stores			21,143,016	
California Family Health Bldg & Medical			14,061,741	0.16
Lake Pointe Apartments			12,900,000	0.15
Total	<u>\$ 528,813,767</u>	<u>4.73%</u>	<u>\$ 197,643,308</u>	<u>2.31%</u>

Source: California Municipal Statistics, Inc.

**Notes:**

Nine Years ago is not available  
 2000 is the oldest year available

2006-07 Total Secured Assessed Valuation: \$11,178,975,843

1999-00 Total Secured Assessed Valuation \$8,567,796,118

**San Juan Water District**  
**Property Tax Levies and Collections – Bonded Debt**  
**Last Ten Years**

Fiscal Year End	Taxes Levied for the Fiscal Year <sup>(1)</sup>	Collected within the Fiscal Year of Levy			Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years <sup>(2)</sup>	Amount	Percentage of Levy	
1998	\$ 855,227	\$ 855,227	100.0%	0	\$ 855,227	100.0%	
1999	812,741	840,111	103.4%	0	840,111	103.4%	
2000	848,314	926,159	109.2%	0	926,159	109.2%	
2001	861,537	991,970	115.1%	0	991,970	115.1%	
2002	861,537	1,118,024	129.8%	0	1,118,024	129.8%	
2003	704,095	884,843	125.7%	0	884,843	125.7%	
2004	916,353	1,204,749	131.5%	0	1,204,749	131.5%	
2005		45,799		0	45,799		
2006		1,956		0	1,956		
2007		-		0	-		

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

Notes:

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

(2) Information not available at the issuance of CAFR and will be added next year

**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
1998									-	156,000	-
1999	\$ 5,245,000	\$ 7,160,000	\$ 351,320				\$ 12,756,320		162,000	78.74	
2000	4,455,000	6,820,000	338,798				-	11,613,798	162,000	71.69	
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	

Source: District Finance & Administrative Services Department

Note: Details regarding the District's debt can be found in the notes to the District's financial statements.

**San Juan Water District**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

**General Bonded Debt Outstanding**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>		<b>Total</b>	<b>Actual Taxable Value of Property</b>	<b>Percentage of Actual Taxable Value<sup>a</sup> of Property</b>	<b>Population</b>	<b>Debt Per Capita<sup>b</sup></b>
	<b>Bonds</b>	<b>Total</b>					
1998	\$ 5,980	\$ 5,980	\$ 7,731,567	0.077%	156,000	\$ 38.33	
1999	5,245	5,245	8,163,896	0.064%	162,000	32.38	
2000	4,455	4,455	8,567,796	0.052%	162,000	27.50	
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	-	0	12,702,143	0.000%	185,996	-	
2006	-	0	14,025,002	0.000%	188,786	-	
2007	-	0	15,183,026	0.000%	191,051	-	

**Notes:**

<sup>c</sup> The 1998 General Obligation Bonds were repaid in 2004.

<sup>b</sup> Property in the District is reassessed each year. Property is assessed at actual value; therefore, the assessed values

<sup>c</sup> Population data were provided by Placer and Sacramento Counties

**San Juan Water District**  
**Computation of Direct and Overlapping Bonded Debt**  
**June 30, 2007**

2006-07 Assessed Valuation:  
 Redevelopment Incremental Valuation:  
 Adjusted Assessed Valuation:

	\$	15,537,100,527
	165,677,483	
	<hr/>	<hr/>
	\$	15,371,423,044

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Percent Applicable <sup>(1)</sup>	Debt Outstanding 6/30/2007	Estimated Share of Overlapping Debt 6/30/07
Los Rios Community College District	8.166%	\$ 157,715,000	\$ 12,879,007
Folsom-Cordova Unified School District School Facilities Improvement Di	12.348%	46,181,422	5,702,482
San Juan Unified School District	37.055%	231,485,285	85,776,872
Placer Union High School District	4.865%	39,889,040	1,940,602
Roseville Joint Union High School District	17.390%	109,170,343	18,984,723
Eureka Union School District	69.726%	8,686,931	6,057,050
Loomis Union School District	19.302%	7,570,000	1,461,161
Roseville City School District	0.755%	37,917,378	286,276
City of Folsom	14.454%	25,470,000	3,681,434
City of Folsom Assessment District No. 90-1	100.000%	1,910,000	1,910,000
Sacramento Area Flood Control District Operation and Maintenance Asse	13.672%	4,440,000	607,037
California Statewide Community Development Authority Obligations	100.000%	319,312	319,312
San Juan Suburban Water District	100.000%	-	-
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 670,754,711</b>	<b>\$ 139,605,956</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Sacramento County General Fund Obligations	9.669%	\$ 350,117,904	\$ 33,852,900
Sacramento County Pension Obligations	9.669%	944,964,070	91,368,576
Sacramento County Board of Education Certificates of Participation	9.669%	12,260,000	1,185,419
Placer County General Fund Obligations	8.222%	22,000,000	1,808,840
Placer County Office of Education Certificates of Participation	8.222%	2,770,000	227,749
Los Rios Community College District	8.166%	7,055,000	576,111
Sierra Joint Community College District Certificates of Participation	6.048%	10,050,000	607,824
Folsom-Cordova Unified School District Certificates of Participation	7.604%	43,250,000	3,288,730
San Juan Unified School District Certificates of Participation	37.055%	7,515,000	2,784,683
Roseville Joint Union High School District Certificates of Participation	17.390%	5,165,000	898,194
Eureka Union School District Certificates of Participation	69.726%	6,795,000	4,737,882
Other School District Certificates of Participation	Various	34,730,000	1,638,101
City of Folsom Certificates of Participation	14.454%	17,210,000	2,487,533
City of Roseville Certificates of Participation	2.792%	23,800,000	664,496
Fair Oaks Fire Protection District Certificates of Participation	100.000%	2,450,000	2,450,000
Sacramento Metropolitan Fire District Pension Obligations	19.344%	68,218,975	13,196,279
Orangevale Recreation and Park District Certificates of Participation	99.960%	2,135,000	2,134,146
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 163,907,463</b>	
Less: Sacramento County self-supporting obligations			753,215
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 163,154,248</b>	
 <b>GROSS COMBINED TOTAL DEBT <sup>(2)</sup></b>		<b>\$ 303,513,419</b>	
<b>NET COMBINED TOTAL DEBT</b>		<b>\$ 302,760,204</b>	

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

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

Ratios to 2006-07 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.90%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	1.97%
Net Combined Total Debt	1.97%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0  
 KD:(\$425)

**San Juan Water District**  
**Ratio of Annual Debt Service Expenses for All Debt to Total General Expenses**  
**June 30, 2007**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenses (1)	Ratio of Debt Service to Total General Expenses
1997	\$ 900,511	\$ 673,217	\$ 1,573,728	\$ 7,097,687	22.17%
1998	951,357	636,985	1,588,342	7,373,105	21.54%
1999	1,071,925	699,183	1,771,108	7,574,105	23.38%
2000	1,142,520	636,991	1,779,511	8,508,609	20.91%
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%

Source: District Finance & Administrative Services Division

**Notes:**

- (1) Total general expenses are total expenses excluding interest expense.

Details regarding the District's outstanding debt can be found in the notes to the financial statements

**San Juan Water District**  
**Wholesale Water Production**  
**June 30, 2007**

Last Ten Fiscal Years  
 (in million gallons)

<b>Monthly Production</b>	<b>2006-2007</b>	<b>2005-2006</b>	<b>2004-2005</b>	<b>2003-2004</b>	<b>2002-2003</b>	<b>2001-2002</b>	<b>2000-2001</b>	<b>1999-2000</b>	<b>1998-1999</b>	<b>1997-1998</b>
July	3,099	3,255	3,110	3,175	3,181	3,242	3,173	2,818	3,008	2,471
August	3,226	3,101	3,053	2,938	2,901	3,099	3,114	2,489	3,092	2,559
September	2,932	2,670	2,787	2,909	2,577	2,642	2,545	2,169	2,457	2,159
October	2,116	2,166	1,852	2,403	2,004	2,164	1,824	1,893	1,797	1,454
November	1,138	1,466	1,014	1,151	1,117	1,217	1,169	1,158	915	829
December	968	1,048	1,039	980	1,015	938	1,063	861	1,020	670
January	1,065	881	933	922	946	929	1,083	751	940	734
February	962	819	831	793	852	856	972	850	775	741
March	1,308	812	1,035	1,293	1,146	1,070	1,194	1,102	959	944
April	1,732	980	1,313	2,057	1,130	1,587	1,534	1,800	1,292	1,107
May	1,793	2,510	1,926	2,870	1,845	2,481	2,759	1,989	2,463	1,301
June	2,323	3,004	2,696	3,101	3,019	3,001	2,956	2,940	2,776	2,144
Annual Total	<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>	<u>20,820</u>	<u>21,494</u>	<u>17,113</u>
Average Monthly Water Production	1,889	1,893	1,799	2,049	1,811	1,936	1,949	1,735	1,791	1,426
Average Daily Water Production	<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>	<u>57.0</u>	<u>58.9</u>	<u>46.9</u>

Source: San Juan Water District Wholesale Operations Division

**San Juan Water District**  
**Wholesale Water Consumption**  
**June 30, 2007**  
 Last Eight Fiscal Years  
 (in acre feet)

<b>Fiscal Year</b>	<b>Average Total Consumption in Acre Feet</b>			
	<b>5yr</b>	<b>10yr</b>	<b>15yr</b>	<b>20yr</b>
2000 <sup>(1)</sup>	58,700	54,200	54,400	51,300
2001	60,241	54,970	54,936	53,085
2002	64,438	57,604	55,940	54,574
2003	67,616	60,302	57,071	56,762
2004	68,703	61,486	57,861	57,354
2005	70,319	64,520	59,578	58,399
2006	70,217	64,992	60,211	58,937
2007	69,559	67,421	62,200	59,626

Source: San Juan Water District Wholesale Operations Division

**Note:**

(1) Information prior to 2000 was not available

**San Juan Water District  
Retail Water Consumption  
June 30, 2007**

Demographics and Operating Information

<b>Fiscal Year</b>	<b>Population</b>	<b>Number of Water Customers</b>	<b>Miles of Water Main</b>
2000 <sup>(1)</sup>	162,000	9,407	135.0
2001	163,000	9,725	143.0
2002	185,000	9,992	144.0
2003	188,400	10,200	165.0
2004	181,584	10,079	203.0
2005	185,996	10,256	210.0
2006	188,786	10,306	213.5
2007	191,051	10,330	213.5

Source: San Juan Water District Retail Operations Division

**Note:**

(1) Information prior to 2000 was not available

**San Juan Water District**  
**Full Time Equivalent Employees by Function or Program**  
**June 30, 2007**

Function/Program	Full-Time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Executive	3	3	3	3	3	3	3	3	3	3
Conservation	3	3	5	5	5	3	3	3	3	3
Customer Service	3	3	4	3	4	4	4	3	3	3
Engineering Services	4	4	4	4	4	4	4	3	3	3
Field Services	19	19	20	18	17	18	16	15	16	17
Finance & Administrative Services	4	4	3	3	3	3	3	4	4	5
Water Treatment Operations	10	10	10	10	10	10	11	10	10	10
Total	46	46	49	46	46	45	44	41	42	44

Source: San Juan Water District Finance & Administrative Services Division

**Note:**

The 2005 Human Resource Master Plan re-allocated positions within the District and added 2 positions.