



San Diego County Water Authority
San Diego, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

2007



*San Diego County Water Authority
San Diego, California*

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007**

Prepared by the Finance Department

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Introductory Section

Letter of Transmittal 1
 GFOA Certificate of Achievement 12
 List of Principal Officials 13

Financial Section

Independent Auditor’s Report 15

Management’s Discussion and Analysis

Required Supplementary Information 17

Basic Financial Statements

Statements of Net Assets 23
 Statements of Revenues, Expenses, and Changes in Net Assets 24
 Statements of Cash Flows 25
 Notes to the Financial Statements 27

Supplemental Section

Budgetary Comparison Schedule 55

Statistical Section

Contents 57
 Net Assets 58
 Revenues by Source 59
 Expenses by Function 60
 Operating Budget Expenses by Major Expense Category 61
 Cash and Investments by Fund 62
 Capital Improvement Program (CIP) and Capital Expenses 63
 Capital Assets 64
 Schedule of Rates and Charges 65
 Water Sales 66
 Assessed Value of Taxable Property 67
 Property Tax and Assessment Levies and Collections 68
 Debt Outstanding 69
 Senior Lien Debt Service Coverage 70
 Ratio of Net General Bonded Debt to Assessed Value
 and Net General Bonded Debt Per Capita 71
 Direct and Overlapping Debt 72
 General Information 74
 Principal Water Customers 75
 Demographic and Economic Statistics 76
 Top Employers in San Diego County 77

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San Diego County Water Authority

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December 6, 2007

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallejitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

OTHER REPRESENTATIVE

County of San Diego

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the San Diego County Water Authority (Water Authority) for the fiscal year ended June 30, 2007. The purpose of the report is to provide the Board of Directors (Board), the member agencies, the Water Authority’s investors, the public, and other interested parties with reliable financial information about the Water Authority.

Water Authority policy requires that an independent certified public accounting firm, selected by the Board, audit its basic financial statements on an annual basis. Lance Soll & Lunghard, LLP, have issued an unqualified (clean) opinion on the Water Authority’s basic financial statements for the fiscal year ended June 30, 2007. The independent auditor’s report is located at the front of the Financial Section of this report.

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

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Per generally accepted accounting principles, enterprise funds are not legally required to adopt and adhere to a budget or to present budgetary comparison information. However, the Board chooses to approve a two-year budget as a management tool. The Budgetary Comparison Schedule for the fiscal years ending June 30, 2006 and 2007 can be found in the Supplemental Section of this report. Because water demand cannot be accurately forecasted due to forces outside of the Water Authority’s control, actual operating revenues and expenditures may vary significantly from the approved budget. As such, the multi-year budget is viewed as a tool for estimating and planning Water Authority revenues and expenditures and is used for comparative purposes to identify unusual or unexpected trends.

A public agency providing a safe and reliable water supply to the San Diego region

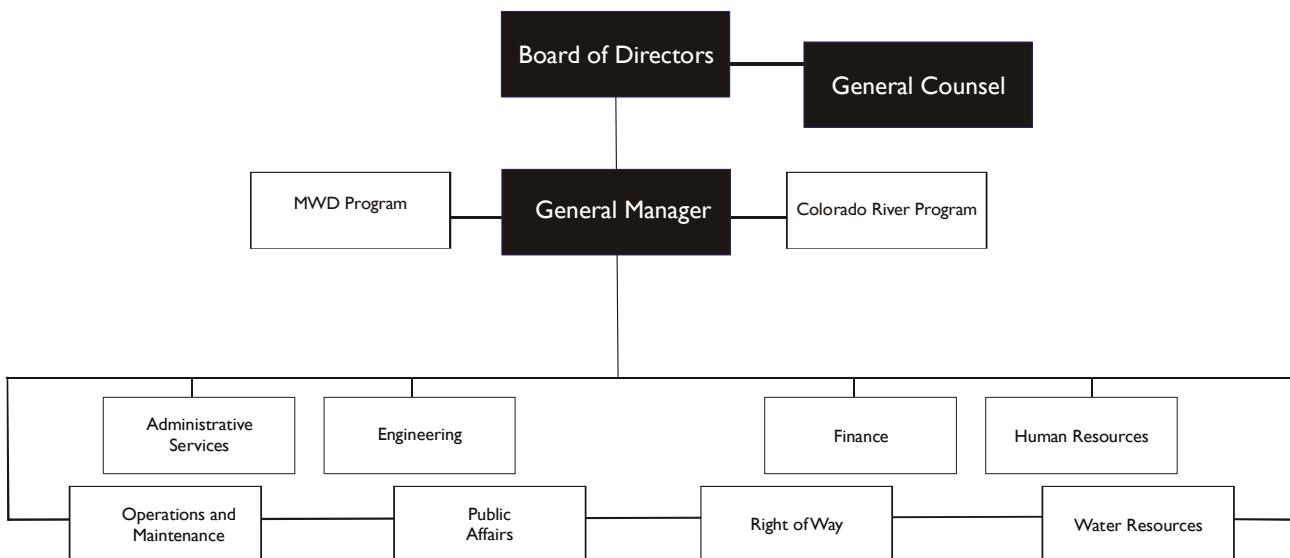
Water Authority Service Area, Governance, and Management

The Water Authority was organized on June 9, 1944, under the County Water Authority Act (the Act) for the primary purpose of providing a supply of imported water to its member agencies for domestic, municipal, and agricultural uses. The Water Authority’s service area encompasses approximately 940,000 acres. As a semi-arid region, rainfall and groundwater meet only about ten percent of regional demand in an average hydrologic year. The Water Authority provides the remaining 90 percent, which it purchases from outside sources. As a wholesaling entity, the Water Authority has no retail customers; it serves only its 24 member agencies. These include six cities, five water districts, three irrigation districts, eight municipal water districts, one public utility district, and one federal agency. The Water Authority obtains water from the Metropolitan Water District of Southern California (MWD), which derives its supply from the Colorado River and the State of California Water Project, and also from the Imperial Irrigation District (IID).

A 35-member Board of Directors governs the Water Authority. Each of the 24 member agencies has at least one voting representative on the Board. The City of San Diego has 10 directors, Helix and Otay Water Districts have two directors, and all other member agencies have one director. Votes of the member agencies are weighted and are based upon each agency’s total historical financial contributions to the Water Authority. Currently, all Board actions require an affirmative vote constituting at least 55 percent of the total weighted vote of the member agencies. The County of San Diego has one representative who may participate in certain Board deliberations and committee actions, but has no voting rights on Board actions.

Officers of the Board of Directors begin two-year terms in January of odd-numbered years. To facilitate matters, most business coming before the Water Authority’s Board is first considered by one of its standing committees. Each committee then reports to the full Board, which makes the necessary decisions. There are five standing committees: Administrative and Finance; Engineering and Operations; Imported Water; Legislation, Conservation and Outreach; and Water Planning. Four directors also serve on MWD’s Board of Directors. One director also serves as a representative on the Colorado River Board of California, whose purpose is to protect California interests in the water and power resources of the Colorado River System.

The General Manager, who reports directly to the Board, manages the Water Authority’s day-to-day operations. The General Counsel also reports directly to the Board. Reporting to the General



Manager are two Deputy General Managers, an Assistant General Manager and directors of eight departments and two programs: the Administrative Services, Engineering, Finance, Human Resources, Operations and Maintenance, Public Affairs, Right of Way, Water Resources departments, and the MWD and Colorado River Programs.

Accomplishments for Fiscal Year Ended June 30, 2007

The Water Authority works with its member agencies to ensure that the region has a safe and reliable water supply. In service of this mission, the Water Authority has moved beyond its historical role as a water conveyance operation to focus on the development of independent water supplies and the construction and operation of storage, treatment, and power generation facilities. Based on direction by the Board, the business plan guides the Water Authority’s efforts and helps prioritize activities. The business plan is comprised of three focus areas—Water Supplies Portfolio, Water Facilities, and Core Business. Substantial accomplishments for each focus area are described below:

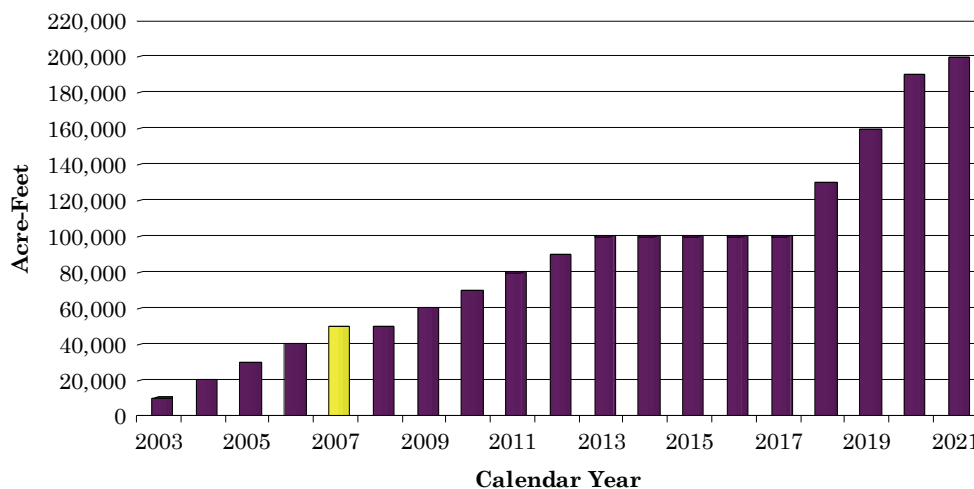
Water Supplies Portfolio

The Water Authority has historically relied on a single supplier to meet the majority of the County’s water demand. The impacts of a severe six-year drought from 1987 to 1992 provided compelling proof that if the Water Authority were to meet its mission of providing a safe and reliable supply of water to its member agencies, it needed to diversify its water supplies portfolio. The Water Authority continues its consistent execution of this diversification strategy, which includes increasing water transfers, relining the Coachella and All-American canals, and increasing conservation and local supply development.

Increasing Water Transfers

A key component of the Colorado River Quantification Settlement Agreement (QSA) is the long-term water conservation and transfer agreement between the Imperial Irrigation District (IID) and the Water Authority. Calendar Year 2007 was the fifth year of this agreement, with 50,000 acre-feet of water to be transferred to the Water Authority. The transfer ramps up to its annual maximum amount of 200,000 acre-feet in 2021 and will continue through as long as 2077.

IID WATER TRANSFER - CALENDAR YEAR 2003-2021

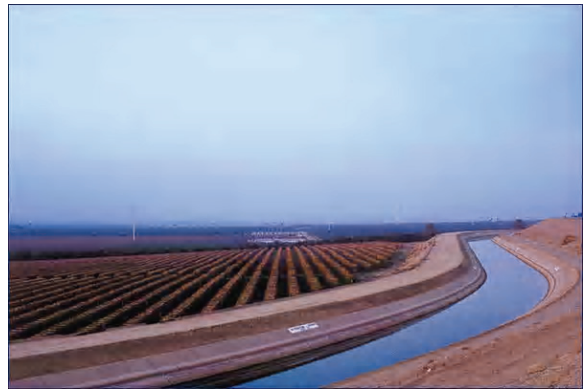


Lining the Coachella and All-American Canals

The QSA also includes the concrete lining of the Coachella and All-American canals. These projects will conserve approximately 77,700 acre-feet per year of water lost due to seepage from the earthen canals in Imperial Valley. The conserved water from these projects is delivered via MWD’s Colorado River Aqueduct under an exchange agreement. The Water Authority has made substantial progress on these two projects.

Coachella Canal Lining Project Completion — Construction of the Coachella Canal Lining project was completed in November 2006 and the Water Authority began receiving conserved water starting in January 2007. The project will yield 21,500 acre-feet of water annually for the Water Authority.

Resumption of All-American Canal Lining Project — In April 2007, a federal appeals court lifted an injunction that had suspended the All-American Canal Lining Project for a nine-month period. Construction resumed in May 2007, with completion expected by December 2010. When complete, the All-American Canal Lining Project will yield 56,200 acre-feet of water annually for the Water Authority.



Coachella Canal

Increasing Conservation & Local Supply Development

In April 2007, the Water Authority completed the update of its Urban Water Management Plan. The updated plan sets aggressive 2030 goals for conservation and local supply development. In June 2007, the Water Authority adopted a multi-year budget for fiscal years 2008 and 2009 that allocates significant resources to achieve these goals.



Conservation Garden

Enhanced Conservation Activities — The Water Authority hosted the first annual Water Conservation Summit in September 2006, adopting the Blueprint for Water Conservation (Blueprint) two months later, which serves as a framework to achieve the Water Authority’s 2030 water conservation goals. With decreasing marginal gains from indoor conservation, the emphasis of the Water Authority’s conservation program has shifted to outdoor water use. Approximately 60 percent of service area water demand is for landscaping. An additional \$2.6 million was added to the multi-year budget to implement the Blueprint and to form the foundation of a successful long-term landscape water conservation program.

Expanding Local Supply Development — As part of a comprehensive step to promote local supply development (groundwater, conservation, recycling and brackish water desalination), in January 2007, the Board approved a new grant-funding program to facilitate Local Investigations and Studies Assistance (LISA). The program was originally funded with \$3 million from a state grant (SB 2765), which is restricted to conjunctive use projects. An additional \$2.0 million was added to the multi-year budget to expand the scope of the program.

Water Facilities

The Water Authority is in the midst of the largest Capital Improvement Program (CIP) in its history. With a \$3.59 billion budget, the CIP is one of the largest among California urban water agencies. Its 48 projects represent a substantial investment in regional supply diversification and system reliability. The Water Authority continues its consistent execution of its water facilities programs, which include the continued appropriation of capital funds, the timely execution of construction projects, the management of increasingly complex system operations, and the relining of existing pipeline assets.

Continued Appropriation of Capital Funds

In June 2007, the Board approved the budget for fiscal years 2008 and 2009, which included a \$619.5 million appropriation for the CIP. Approximately 95 percent of this appropriation will be spent on construction. As the following table shows, seven of the eleven projects in construction were already under contract before the end of fiscal year 2007—nearly 70 percent of the entire multi-year CIP appropriation.

Fiscal Years 2008 and 2009
Budgeted Construction Expenditures by Project (\$ millions)

Under Contract		To Be Awarded	
Colorado River Canal Linings	\$139.5	Relining and Pipe Replacement Program	\$ 52.0
ESP San Vicente Pipeline & Interconnect	92.0	Mission Trails Pipeline Tunnel & Vent Demolition	40.7
ESP San Vicente Pumping Facilities	79.9	ESP San Vicente Dam Raise and Carryover Storage	31.6
Twin Oaks Valley Water Treatment Plant	51.1	Mission Trails Flow Regulatory Structure (FRS) II	32.9
ESP Lake Hodges Pump Station & Inlet/Outlet	35.9		
East County Regional Treated Water Improvements	18.1		
Olivenhain-Hodges Pumped Storage	12.8		
Total	\$429.3		\$ 157.2

Timely Execution of Construction Projects

In addition to the canal lining projects described earlier, the Water Authority made significant progress on other key capital projects during the fiscal year ending 2007, including:

Twin Oaks Valley Water Treatment Plant — A key to meeting regional treated water demand, this design-build-operate facility is scheduled to be completed on time and to become operational in April 2008. Treating 100 million gallons of water per day, the plant will supply up to 220,000 typical households each year, and reduce reliance on MWD's Skinner Plant for treated water supply.

Lake Hodges Projects — This pumped storage project includes a tunnel connecting Lake Hodges to the Olivenhain Reservoir, a pump station and a 40 megawatt hydroelectric facility. The tunnel portion of this project was completed in May 2007 and the remaining facilities are scheduled to be completed by September 2008. A long-term power purchase and supply agreement with San Diego

INTRODUCTORY SECTION

Gas and Electric will provide \$65 million in electricity cost savings and revenues of \$75 million for the Water Authority over a 25-year period.

San Vicente Pipeline — Connecting the San Vicente Reservoir to the Second Aqueduct, this pipeline is key to managing emergency supplies. This 11-mile, 8.5 foot diameter pipeline will be constructed almost entirely underground with tunnel boring machines. Two of the six reaches were completed in fiscal year 2007 and project completion is forecasted for February 2010.

San Vicente Dam Raise — Raising the existing San Vicente dam is a key to providing emergency water storage within the county. In July 2006, the Water Authority signed a \$19.5 million contract for design and support services for the San Vicente Dam Raise and signed a \$65.2 million contract for the related pumping facilities project in November 2006.

Rancho Penasquitos Pressure Control/Hydroelectric Control Facility — Completed in February 2007, the pressure control and hydroelectric control facility (PC/HCF) will pressurize untreated water conveyance, generating 4.5 megawatts of electricity, and provide a connection between existing aqueduct pipelines and the San Vicente Pipeline.

Managing Increasingly Complex System Operations

The successful completion of major capital projects places increasing demands on system operations. Three new projects described earlier will become operational during the next two years—the Twin Oaks Valley Water Treatment Plant, the Lake Hodges Projects, and the Rancho Penasquitos PC/HCF. As part of the multi-year budget adopted in June 2007, the Board allocated additional resources to support this increased scope and complexity, including three new regular positions.

Relining and Replacement of Existing Pipeline Assets

The Aqueduct Protection Program was initiated in 1990 and provides corrosion prevention, scheduled maintenance, and replacements for the Water Authority's existing pipeline assets. The multi-year budget for fiscal years 2008 and 2009, includes \$1.4 million in increased funding to expand the use of cutting-edge, condition assessment and monitoring technology including remote field eddy current and acoustic fiber optic monitoring. The Water Authority is currently the only agency worldwide that is using a real-time monitoring method. Also, in July 2006, the Water Authority completed a \$24.9 million contract to reline 21,500 feet of 96-inch diameter pre-stressed concrete cylinder pipe (PCCP) along the Del Dios Highway to Black Mountain Ranch.



Getting drill ready

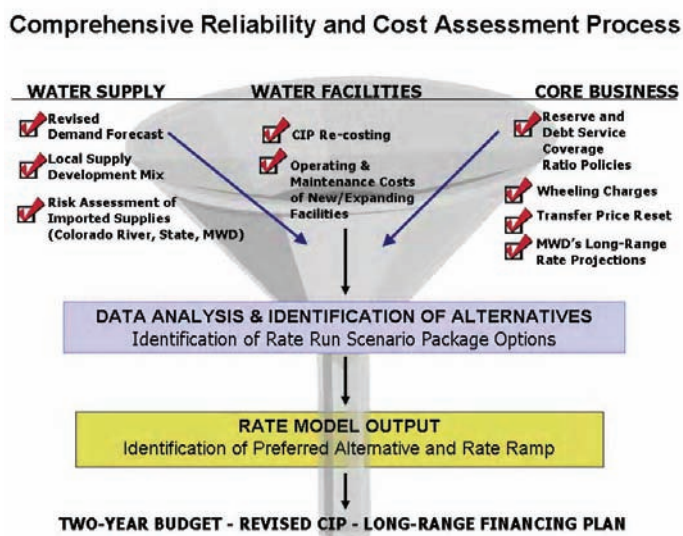
Core Business

The core business focus area covers those support programs critical to achieving success in both the water supplies portfolio and water facilities focus areas. This includes cultivating cooperative member agency relations, executing the long-range financing plan and proactively managing the workforce.

Cultivating Cooperative Member Agency Relations

As a wholesale water provider, cooperation, collaboration and communication with our retail member agencies are essential to our long-term success. Two recent successes are described below:

Comprehensive Cost and Reliability Assessment (CRACA) — During fiscal year 2007, in response to sharp increases in construction bids, the Board initiated a review of construction cost estimating practices. This review led to the development of new practices and the re-costing of the Water Authority’s CIP. Concurrently, the Board directed staff to conduct the CRACA process. Depicted in the graphic, this assessment covered a range of programs and projects related to water supplies, water facilities, and core business. The process analyzed the interplay between supply sources, facilities improvements, system reliability, and cost. Significant results included the selection of a preferred CIP alternative for budgeting and planning and the re-costing of the CIP. The process also highlighted the need for focused attention to programs relating to local supply development and imported water supply reliability.



Enhancement to Water Authority Financial Policies — Working with Water Authority staff, a member agency work group of general managers and finance officers recommended enhanced policies with respect to reserve levels and debt service coverage. Adopted by the Board in August 2006, these policy enhancements will be phased in over a three-year period. The enhanced financial policies now protect the Water Authority against the financial risks of 2.5 to 3.5 years of extreme wet weather when water sales would decline, provide greater cash funding of the CIP, and strengthen debt service coverage by increasing the senior debt service coverage target from 1.2 to 1.5.

Executing the Long-Range Financing Plan

The Long-Range Financing Plan (the Plan) outlines a sustainable strategy for financing Water Authority operations and capital investment. The goal of the Plan is to preserve and enhance “financial reliability” of the Water Authority by effectively mitigating and managing financial risks. Several significant accomplishments are described below:

Proactive Debt Management—In accordance with the Plan, the Water Authority issued \$350.0 million in tax-exempt commercial paper (TECP) in November 2006, providing low-cost financing for the CIP. In accordance with established policy guidelines, the Board also authorized the Water Authority to refund several outstanding bond issues. This authorization positions the Water

INTRODUCTORY SECTION

Authority to realize debt service savings by taking advantage of any favorable interest rate movements in the current volatile market.

Credit rating agencies continued their positive evaluation of Water Authority's finances. In October 2006, Standard and Poor's, Fitch Ratings, and Moody's Investors Service each assigned its highest short-term rating to the Water Authority's TECP program (A-1+, F1+, and P1, respectively). Moreover, each agency affirmed its long-term underlying rating of Water Authority senior debt with a stable outlook (AA, AA, and Aa3, respectively).

The Credit Ratings and Investor Relations program manages the cost of borrowed funds by ensuring the continued marketability of Water Authority debt to investors by demonstrating the Water Authority's effective management of financial risk. In April 2007, an Action Learning Team formed from representatives from several Water Authority departments presented to the Board an enhanced investor relations marketing plan, which includes a range of traditional and electronic outreach activities.

Adoption of Multi-Year Budget — In June 2007, the Board adopted the multi-year budget for fiscal years 2008 and 2009—its third, consecutive multi-year budget. With total budgeted expenditures of \$1.48 billion, the budget focused on enhancing conservation and local supply development, executing the CIP, managing new capital assets, repositioning staff, and containing costs.

Proactively Managing the Workforce

Operating Internship Program—With a large wave of upcoming retirements, the water/wastewater industry faces a statewide shortage of qualified system operators. Teaming with regional agencies, community colleges, and private sector partners, the Water Authority developed an operator internship program. In the first year of the program, 16 interns participated in 32 weeks of training. Eight graduates showed great promise and one was hired by a member agency.

Ratifying Multi-Year Collective Bargaining Agreement—The Water Authority successfully negotiated collective bargaining agreements with employee unions, effective July 1, 2007. The result of interest-based bargaining, these three-year agreements provide for cost of living adjustments linked to changes in the San Diego consumer price index, improved routine dental coverage, implementation of a wellness program, enhanced tuition reimbursement assistance, and a commitment to move forward in the process of establishing a Retirement Health Savings Plan.

Looking Ahead

Skillful execution of the business plan is key to the success of this agency. As important, however, is the ability to both mitigate and take advantage of factors beyond our direct control. Following are descriptions of certain threats and opportunities facing the Water Authority; including the strategies employed and resources deployed to address them.

Increased Competition for Contractors and Capital—“Agency of Choice”

With state infrastructure needs topping \$500 billion over the next two decades, the Water Authority will face long-term competition for both contractors and capital. In response to this competitive threat, the Water Authority has positioned itself with contractors and investors as an “Agency of Choice.” Maintaining solid reputations with these key stakeholders will result in competitive construction bids and lower debt costs. Examples of these efforts include:

Owner of Choice — In bidding the San Vicente Pumping Facilities, the Water Authority worked with local contractors to improve bid structure and to preview the site and design documents. This outreach produced a construction contract \$10 million below the low end of the cost estimate.



San Vicente Reservoir - contractor's open house

Issuer of Choice — Using marketing programs based on a thorough understanding of investor behavior, the Investor Relations Marketing Plan aims to expand and diversify the Water Authority investor base. These programs target specific institutional investors and will be timed to coincide with the issuance of long-term debt in Spring 2008.

Water Reliability

Drought Risk—The Water Authority is facing a near-term water reliability challenge. Primary watersheds, the Colorado River Basin and the Sierra Nevada mountains, face hydrologic conditions of dry year to extreme drought. MWD is expected to meet calendar year 2007 firm water demands; however, it has terminated replenishment deliveries, is planning for significant cutbacks in agricultural deliveries, will draw significantly from groundwater and surface water storage, and is facing a series of State Water Project environmental issues. The Water Authority is prepared to meet this challenge with an adopted Drought Management Plan, the three stages of which are—voluntary conservation, additional supply enhancement, and mandatory cutbacks. The Water Authority is pursuing the acquisition of additional water to augment its supplies in dry years. A separate drought management program was recently added to the Water Authority's business plan, which has eight specific goals including the optimization of regional storage, negotiation and execution of water transfer options, development of an agricultural reduction plan, and a comprehensive communications plan with strong conservation messaging.

The Bay-Delta — On August 31, 2007, a decision by Federal Judge Oliver W. Wanger imposed

significant and unprecedented restrictions on pumps supplying water from the Sacramento-San Joaquin River Delta (Bay-Delta) to 25 million Californians, including three million residents of San Diego County. The ruling was made to protect the threatened Delta smelt, a small fish considered an indicator of the Bay-Delta's ecological health. As a result of this decision, MWD faces water supply reductions of up to 30 percent from the Bay-Delta, depending upon hydrology. The actual impact to the Water Authority depends upon weather conditions between now and next spring, the water flows into the Bay-Delta, and how reductions are divided between the State Water Project and the federal Central Valley Project. Reductions are also dependent upon MWD's Shortage Allocation Plan, currently under development, which will allocate shortages among its 26 member agencies.

With exports vulnerable to catastrophic levee failure and environmental challenges, the future reliability of Bay-Delta water deliveries depends upon solving the Bay-Delta's considerable infrastructure, ecological, and regulatory challenges. The Water Authority is working with other water agencies and elected officials on implementing long-term solutions for the Bay-Delta that will ensure long-term reliability for this crucial water supply. The Water Authority will continue its active engagement in the Delta Vision process under way in Sacramento. The Delta Vision process is addressing the range of natural resource, infrastructure, land use, and governance issues necessary to achieve a sustainable Bay-Delta.

Sustainability & Climate Change

The Water Authority faces a variety of sustainability challenges relating to climate change. The Water Authority's response has been to take a leadership role in industry efforts to understand the key issues. As a steering committee member of the Water Utilities Climate Change Summit, the Water Authority is working with other utilities, industry associations, and the scientific community to assess the impact of climate change on water utility operations. The Water Authority is also participating in an American WaterWorks Association Research Foundation climate change study to identify the implications for system planning and design standards. As the Water Authority better understands these impacts, we will continue to reassess our Urban Water Management Plan, which could result in a proposal for additional infrastructure in the future. Another related goal is the identification and reduction of the Water Authority's carbon footprint. Passed by the state legislature in September 2006, AB32 mandates a 25 percent statewide reduction in greenhouse gases. The Water Authority is targeting energy use and transportation as our principal sources of greenhouse gas emissions. To this end, the Water Authority is developing clean hydropower along our aqueduct system (45 megawatts of installed capacity by 2008), investigating solar power at the new treatment plant, and rethinking the size and fuel efficiency of the fleet.

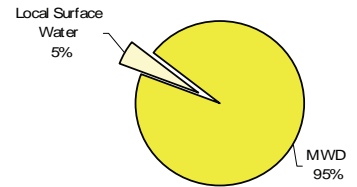
Board of Directors' Strategic Planning Process

Unlike other industries, the water world has extremely long-term planning horizons. Success means keeping an eye not only on execution challenges today, but also on goals twenty-five years hence. During the next year, the Board will be updating the Water Authority's strategic plan. Unlike the business plan, the strategic plan does not address execution level details such as action steps, milestones, and responsible parties. It addresses goals, objectives, and key performance indicators that chart a course for navigating the threats and opportunities before the Water Authority.

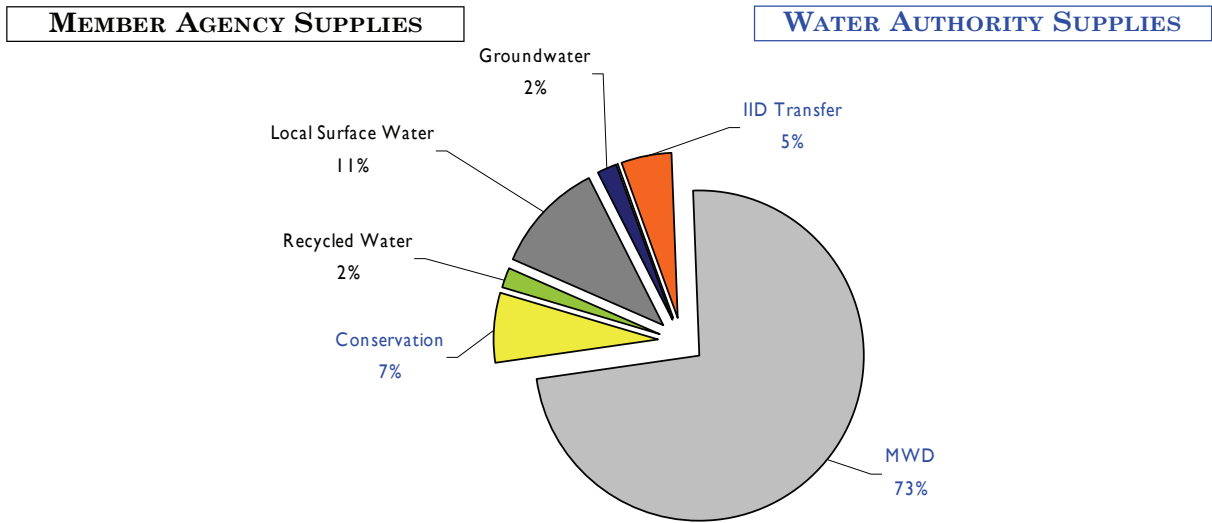
The Future

The recent water supply challenges facing southern California water agencies, clearly validate the Water Authority’s strategy of reducing the region’s reliance on a single source of imported water through diversification of its supply portfolio. The pie charts to the right and below clearly demonstrate the substantial progress the Water Authority has made toward achieving our long-term supply diversification goals. In conjunction with all of the Water Authority’s stakeholders we will continue to move forward and to provide a safe and reliable water supply for the San Diego region.

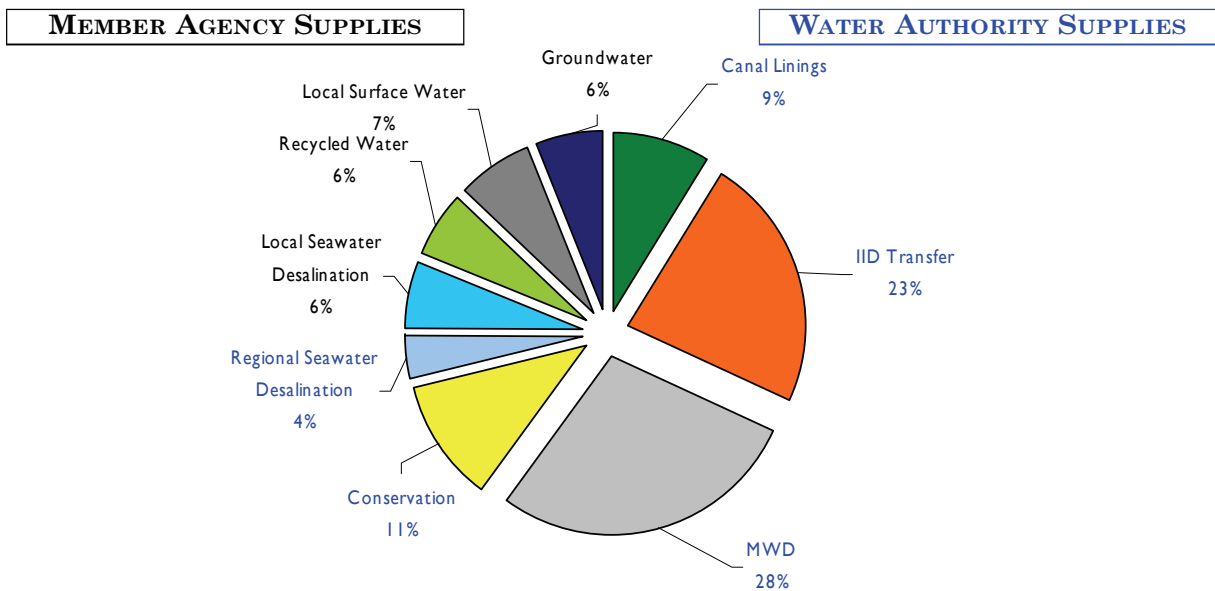
ACTUAL WATER SUPPLY PORTFOLIO - FISCAL YEAR 1991



ACTUAL WATER SUPPLY PORTFOLIO - FISCAL YEAR 2006



PROJECTED WATER SUPPLY PORTFOLIO - FISCAL YEAR 2020



Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its CAFR for the fiscal year ended June 30, 2006. This was the seventh consecutive year that the Water Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Water Authority had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

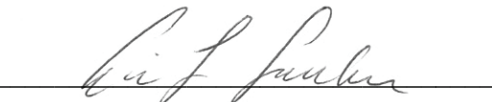
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to thank the Board of Directors for its continued leadership in excellence in financial management. Additionally, this report could not have been accomplished without the hard work and dedication of the entire Finance Department. Special appreciation and recognition are extended to Leanne B. Wade, Controller, Teresa S. McBroome, Accounting Supervisor, and Melody A. Parker, Financial Analyst.

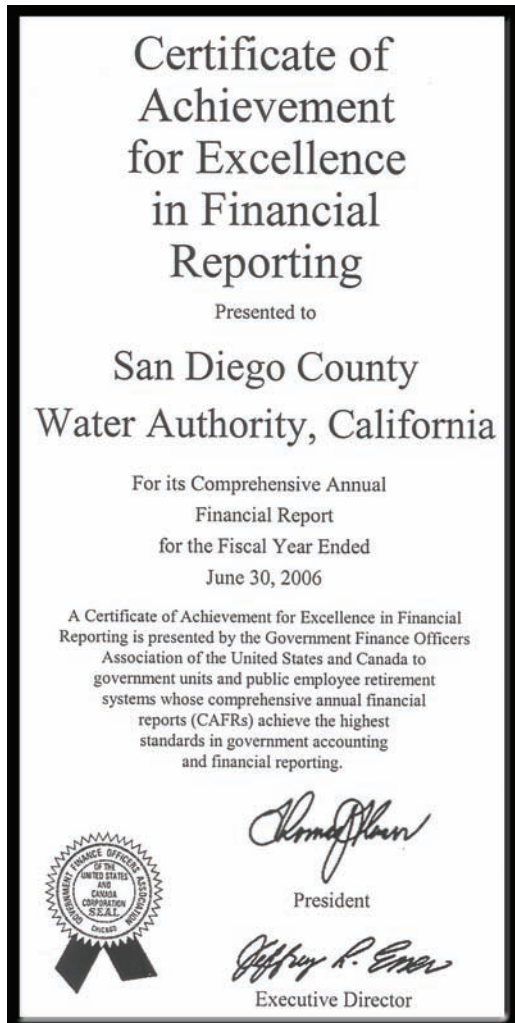
Respectfully submitted,



Maureen A. Stapleton
General Manager



Eric L. Sandler
Acting Director of Finance/Treasurer



San Diego County Water Authority List of Principal Officials

Fern M. Steiner	Chair of the Board of Directors
Claude A. “Bud” Lewis	Vice Chair of Board of Directors
Mark W. Watton	Secretary of Board of Directors
Maureen A. Stapleton	General Manager
Daniel S. Hentschke	General Counsel
Paul A. Lanspery	Deputy General Manager
Frank Belock Jr.	Deputy General Manager
Dennis A. Cushman	Assistant General Manager
Eric L. Sandler	Acting Director of Finance/Treasurer

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Certified Public Accountants

Executive W. Finarous
Ronald L. Peckler
Michael K. Elm
Ronald B. Hols
A Registered Corporation
Ronald G. Syster
Richard K. Kikuchi

Retired

Robert C. Louice
1944-1994
Richard C. Sell
Fred J. Lunghard, Sr.
1920-1998

INDEPENDENT AUDITORS' REPORT

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

We have audited the statements of net assets of the San Diego County Water Authority, California (the "Water Authority") as of and for the years ended June 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets, and statements of cash flows for the years then ended. These financial statements are the responsibility of the Water Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Water Authority, California 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the Water Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplemental information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Water Authority. The supplemental 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 listed in the table of contents have not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

Lance, Soll & Lunghard, LLP

October 26, 2007

Management's Discussion & Analysis

This section of the Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the financial performance of the San Diego County Water Authority (Water Authority) during the fiscal year ended June 30, 2007. Please read it in conjunction with the Letter of Transmittal located at the beginning of this report and the Water Authority's Basic Financial Statements, which follow this section.

Overview of the Financial Statements

The Basic Financial Statements are designed to provide readers with a broad overview of the finances of the Water Authority in a manner similar to a private-sector business. The components to the basic financial statements include, financial statements, notes to the financial statements, and required supplementary information.

The Statements of Net Assets present information on all of the Water Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets present information showing how the Water Authority's net assets changed during the fiscal year. All changes in net assets are reported on the accrual basis of accounting meaning all revenues are realized when earned, and expenses are recognized when incurred.

The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operating activities, non-capital and related financing activities, capital and related financing activities, and investing activities for the fiscal year.

The Notes to the Financial Statements (Notes) provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes are located immediately following the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Water Authority's progress in funding its obligation to provide pension benefits to employees. Required supplemental information can be found in the Defined Benefit Pension Plan note of this report.

Also included is a Budgetary Comparison Schedule and Statistical Section. The Statistical Section presents detailed information to assist the reader in assessing the economic condition of the Water Authority.

Financial Highlights for Fiscal Year 2006-2007

SAN DIEGO COUNTY WATER AUTHORITY NET ASSETS IN MILLIONS (\$)

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Variance for 2006-2007 (\$)</u>	<u>Variance for 2006-2007 (%)</u>
Current and other assets	\$ 773.6	\$ 626.5	\$ 147.1	23.5%
Capital assets	1,873.3	1,602.2	271.1	16.9%
Total assets	<u>2,646.9</u>	<u>2,228.7</u>	<u>418.2</u>	<u>18.8%</u>
Current liabilities	608.8	249.0	359.8	144.5%
Noncurrent liabilities	1,035.8	1,044.9	(9.1)	-0.9%
Total liabilities	<u>1,644.6</u>	<u>1,293.9</u>	<u>350.7</u>	<u>27.1%</u>
Invested in capital assets, net of related debt	781.1	731.8	49.3	6.7%
Restricted	110.3	105.7	4.6	4.4%
Unrestricted	110.9	97.3	13.6	14.0%
Total net assets	<u>\$ 1,002.3</u>	<u>\$ 934.8</u> *	<u>\$ 67.5</u>	<u>7.2%</u>

* June 30, 2006 total net assets were restated by \$15.6 million from \$950.4 million to \$934.8 million.

As of June 30, 2007, the Water Authority's assets exceeded liabilities by \$1.0 billion, an increase of \$67.5 million from the previous year. This increase is primarily the result of increased net water sales revenues of \$11.4 million and increased capital assets, net of related debt, of \$49.3 million.

Current and other assets increased \$147.1 million primarily due to an increase in unrestricted and restricted cash and investments of \$119.1 million, and the acquisition of intangible assets of \$29.5 million. Capital assets increased \$271.1 million primarily due to an increase of \$293.2 million in Construction in Progress expenses.

Current liabilities increased \$359.8 million due to the issuance of \$350.0 million in commercial paper. Noncurrent liabilities decreased \$9.1 million due to principal payments of \$33.7 million. The offset was an increase in contributions payable of \$29.5 million as a result of the Water Authority executing an agreement with Imperial Irrigation District settling all disputes related to the estimated annual third-party socioeconomic impacts of the water transfer.

SAN DIEGO COUNTY WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS IN MILLIONS (\$)

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Variance for 2006-2007 (\$)</u>	<u>Variance for 2006-2007 (%)</u>
Operating revenues:				
Water sales	\$ 343.1	\$ 299.1	\$ 44.0	14.7%
Total operating revenues	<u>343.1</u>	<u>299.1</u>	<u>44.0</u>	<u>14.7%</u>
Nonoperating revenues:				
Property taxes and in-lieu charges	8.6	4.1	4.5	109.8%
Infrastructure access charges	16.2	13.9	2.3	16.5%
Investment income	29.0	16.6	12.4	74.7%
Other income	7.5	4.0	3.5	87.5%
Total nonoperating revenues	<u>61.3</u>	<u>38.6</u>	<u>22.7</u>	<u>58.8%</u>
Total revenues	<u>404.4</u>	<u>337.7</u>	<u>66.7</u>	<u>19.8%</u>
Operating expenses:				
Cost of sales	266.3	233.7	32.6	13.9%
Depreciation and amortization	23.8	22.1	1.7	7.7%
Operations and maintenance	13.9	11.6	2.3	19.8%
Planning	7.8	7.1	0.7	9.9%
General and administrative	12.8	10.9	1.9	17.4%
Total operating expenses	<u>324.6</u>	<u>285.4</u>	<u>39.2</u>	<u>13.7%</u>
Nonoperating expenses:				
Interest expense	49.3	36.3	13.0	35.8%
Other expenses	6.8	3.6	3.2	88.9%
Total nonoperating expenses	<u>56.1</u>	<u>39.9</u>	<u>16.2</u>	<u>40.6%</u>
Total expenses	<u>380.7</u>	<u>325.3</u>	<u>55.4</u>	<u>17.0%</u>
Income before capital contributions	<u>23.7</u>	<u>12.4</u>	<u>11.3</u>	<u>91.1%</u>
Capital contributions:				
Capacity charges	31.1	33.9	(2.8)	-8.3%
Water standby availability charges	11.1	10.9	0.2	1.8%
Contributions in aid of construction	1.6	2.0	(0.4)	-20.0%
Total capital contributions	<u>43.8</u>	<u>46.8</u>	<u>(3.0)</u>	<u>-6.4%</u>
Changes in net assets	<u>67.5</u>	<u>59.2</u>	<u>8.3</u>	<u>14.0%</u>
Net assets at beginning of year, as restated	<u>934.8</u>	<u>875.6</u>	<u>59.2</u>	<u>6.8%</u>
Net assets at end of year	<u>\$ 1,002.3</u>	<u>\$ 934.8</u>	<u>\$ 67.5</u>	<u>7.2%</u>

REVENUES BY SOURCE - FISCAL YEAR ENDED JUNE 30, 2007

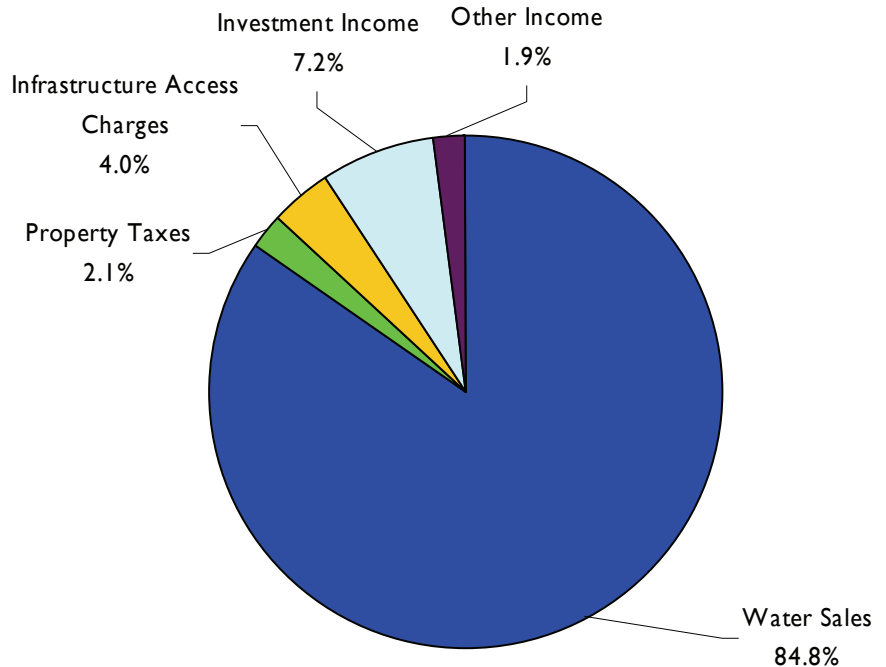
Total revenues for the fiscal year ended June 30, 2007 were \$404.4 million, an increase of \$66.7 million over the previous fiscal year.

Operating revenues increased by \$44.0 million, primarily due to an increase over the prior year of 73,918.5 acre-feet in water sales resulting from extreme dry conditions with below normal rainfall.

Nonoperating revenues increased \$22.7 million. Property Taxes increased \$4.5 million because the temporary property tax shift by the State of California ended in fiscal year 2006. Revenue from Infrastructure Access Charges increased by \$2.3 million due to a planned mid-year rate increase from \$1.48 to \$1.56 per equivalent meter per month. Investment income increased by \$12.4 million due to an adjustment to reflect mark-to-market fair value, a favorable interest rate environment, and interest earned on cash proceeds from the commercial paper issuance of \$350.0 million. Other income increased by \$3.5 million due to an increase in grant revenues, conservation program revenues, and developer fees.

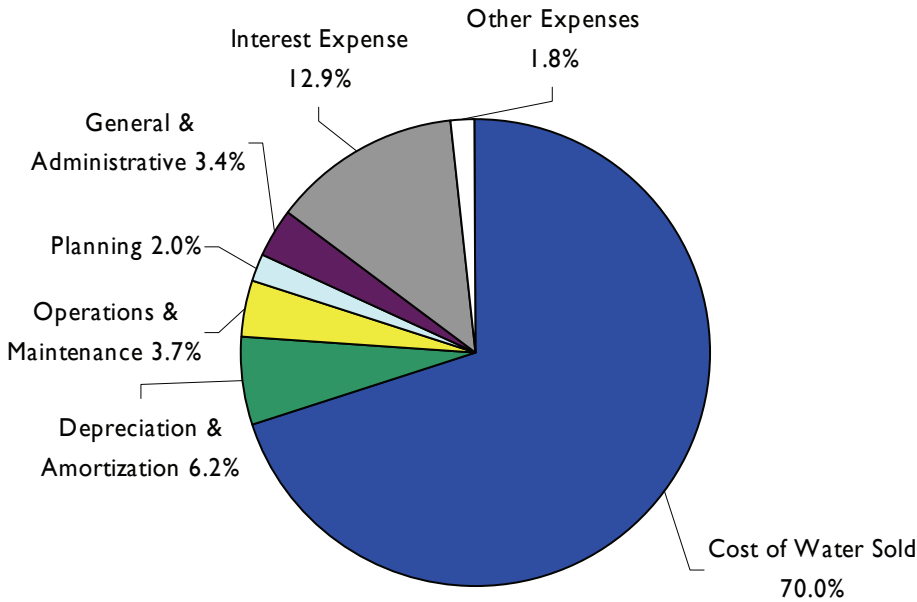
Capital contributions decreased by \$3.0 million due to a decrease of \$2.8 million in Capacity Charges as new construction has slowed down in the county.

COMPOSITION OF REVENUES



EXPENSES BY FUNCTION - FISCAL YEAR ENDED JUNE 30, 2007

COMPOSITION OF EXPENSES



Total expenses for the fiscal year ended June 30, 2007 were \$380.7 million, an increase of \$55.4 million from the prior year.

Operating expenses increased by \$39.2 million as a result of an increase in water purchases of \$32.6 million. The operating budget includes operations and maintenance, planning, and general and administrative expenses, and represents 9.1 percent of total expenses. Refer to the Budgetary Comparison Schedule located in the Supplemental Section for detailed expenses by department.

Nonoperating expenses increased \$16.2 million due to an increase in interest expense of \$13.0 million, largely due to increased debt from the issuance of commercial paper in November 2006. Interest expense was \$49.3 million, net of \$19.2 million of interest expense incurred during construction.

Infrastructure

In fiscal year ended June 30, 2007, the Water Authority maintained a service area of approximately 940,000 acres including over 279 miles of pipelines, ranging in size from 36 inches to 108 inches in diameter, rights-of-way, roads, mechanical equipment, and buildings and grounds, including over 1,600 line structures and 119 metering and control buildings. The preventative maintenance program consists of regularly scheduled inspections and maintenance. The Water Authority has an Aqueduct Protection Program, as part of the Capital Improvement Program (CIP), that ensures the structural integrity of pipeline assets, performs pipeline condition assessments, and extends the service life of the existing pipelines. This program includes internal inspection schedules and corrosion monitoring on the pipelines.

Capital Assets and Capital Improvement Program

The Water Authority's capital assets were \$1.9 billion, net of \$218.6 million accumulated depreciation. Included in the total reported on the Statements of Net Assets is \$720.9 million in Construction in Progress reflecting capital projects in various stages of completion.

The approved Capital Improvement Program (CIP) at June 30, 2007, consists of 48 projects at a cost of \$3.59 billion in inflated dollars. The CIP is being financed by the proceeds from long-term and short-term debt issuances, Water Standby Availability Charge revenues, and capital contributions from Capacity Charges. The CIP may also be financed from operating revenues as needed.

Balances in Construction in Progress are forecast to increase significantly in the future and the various projects will be capitalized as they are placed into service. Total additions to Construction in Progress, net of capitalized interest, were \$274.0 million. The work performed during the year on major design and construction projects included the Twin Oaks Valley Water Treatment Plant, the San Vicente Pipeline and Pumping Station, the Olivenhain-Hodges Projects, and the San Vicente Dam Raise and Carryover Storage Projects. Capital projects in the amount of \$52.7 million were completed and placed into service during the year, including \$30.8 million for the Rancho Penasquitos Pressure Control Hydroelectric Facility. Two projects that were cancelled for \$15.6 million include \$9.2 million in project costs related to the Regional Seawater Desalination Project at Encina Power Station and \$6.4 million in project costs related to the Regional Colorado River Conveyance Feasibility Study.

Additional information on the Water Authority's capital assets can be found in the Notes to the Financial Statements.

Debt Administration

As of June 30, 2007, the Water Authority had \$1.45 billion in bonds, notes, and commercial paper outstanding, an increase of \$316.3 million from the previous year primarily due to the issuance of commercial paper, in November 2006.

In October 2006, Fitch Ratings and Standard & Poor's affirmed the Water Authority's long-term underlying credit rating of "AA", and Moody's Investors Service affirmed the Water Authority's "Aa3" rating. These ratings are considered very strong and are enjoyed by only a few select water agencies in California.

More detailed information about the Water Authority's long-term debt is presented in the Notes to the Financial Statements, including information that the Water Authority is in compliance with bond covenants and the debt service coverage ratio requirement.

Contacting the Water Authority's Financial Management

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

SAN DIEGO COUNTY WATER AUTHORITY
Statements of Net Assets
June 30, 2007 and 2006

	2007	2006
Assets:		
Current assets:		
Cash and investments (note 2)	\$ 90,820,109	\$ 72,043,396
Due from member agencies and other receivables	83,898,171	89,507,452
Interest receivable	5,791,418	2,157,968
Taxes receivable	637,909	957,273
Deposits receivable	2,520,794	2,986,800
Inventory (note 1)	10,183,786	8,232,584
Total current assets	193,852,187	175,885,473
Noncurrent assets:		
Restricted cash and investments (note 2)	466,189,674	365,903,651
Long-term loan receivable (note 3)	10,000,000	10,000,000
Unamortized bond issuance costs (note 6)	6,781,806	6,894,250
Intangible assets (note 4)	96,705,202	67,843,592
Capital assets (note 5):		
Land	13,283,900	13,193,281
Construction in progress	720,889,855	480,320,115
Work in progress	977,807	367,223
Other capital assets, net	1,138,173,738	1,108,302,214
Total noncurrent assets	2,453,001,982	2,052,824,326
Total assets	2,646,854,169	2,228,709,799
Liabilities:		
Current liabilities:		
Accounts payable and other liabilities	93,338,394	88,726,281
Interest payable	10,742,478	8,725,757
Construction deposits	388,275	292,678
Current portion of long-term liabilities (note 6)	504,338,261	151,214,110
Total current liabilities	608,807,408	248,958,826
Noncurrent liabilities:		
Long-term liabilities (note 6)	1,035,738,203	1,044,974,264
Total noncurrent liabilities	1,035,738,203	1,044,974,264
Total liabilities	1,644,545,611	1,293,933,090
Net assets (note 7):		
Invested in capital assets, net of related debt	781,082,883	731,762,113
Restricted for construction projects	110,270,833	105,686,534
Unrestricted	110,954,842	97,328,062
Total net assets	\$ 1,002,308,558	\$ 934,776,709

See accompanying notes to the financial statements.

SAN DIEGO COUNTY WATER AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Assets
Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
Operating revenues:		
Water sales	\$ 343,081,511	\$ 299,083,926
Total operating revenues	343,081,511	299,083,926
Operating expenses:		
Cost of sales	266,349,351	233,690,170
Depreciation and amortization	23,778,986	22,057,478
Operations and maintenance	13,935,397	11,573,131
Planning	7,796,355	7,116,647
General and administrative	12,791,751	10,945,133
Total operating expenses	324,651,840	285,382,559
Operating income	18,429,671	13,701,367
Nonoperating revenues (expenses):		
Property taxes and in-lieu charges	8,589,607	4,053,927
Infrastructure access charges	16,188,099	13,863,726
Investment income	28,966,917	16,607,792
Other income	7,592,838	4,082,256
Interest expense	(49,278,087)	(36,305,443)
Other expenses	(6,759,910)	(3,602,413)
Total nonoperating revenues (expenses)	5,299,464	(1,300,155)
Income before capital contributions	23,729,135	12,401,212
Capital contributions:		
Capacity charges	31,081,264	33,869,853
Water standby availability charges	11,140,380	10,942,483
Contributions in aid of construction	1,581,070	2,001,506
Total capital contributions	43,802,714	46,813,842
Changes in net assets	67,531,849	59,215,054
Net assets at beginning of year, as restated	934,776,709	875,561,655
Net assets at end of year	\$ 1,002,308,558	\$ 934,776,709

See accompanying notes to the financial statements.

SAN DIEGO COUNTY WATER AUTHORITY
Statements of Cash Flows
Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from customers	\$ 349,156,798	\$ 280,923,393
Cash paid to suppliers for purchases of water	(261,737,238)	(205,876,433)
Cash paid to suppliers for goods and services	(10,376,752)	(7,085,702)
Cash paid to employees for services	(25,514,947)	(22,415,540)
Net cash provided by (used for) operating activities	51,527,861	45,545,718
 Cash flows from noncapital financing activities:		
Property taxes and in-lieu charges received	8,908,971	3,560,699
Infrastructure access charges received	16,188,099	13,863,726
Other income	7,592,838	4,082,256
Other expenses	(6,759,910)	(3,602,413)
Net cash provided by (used for) noncapital financing activities	25,929,998	17,904,268
 Cash flows from capital and related financing activities:		
Cash paid for acquisition and construction of capital assets	(294,906,129)	(236,887,467)
Contributions and capital related revenues received from other governments	43,802,714	46,813,842
Proceeds of debt issuance	460,000,000	110,000,000
Cost of debt issuance	(414,489)	-
Principal paid on debt	(148,585,000)	(144,580,000)
Interest paid on debt	(42,966,763)	(37,863,944)
Net cash provided by (used for) capital and related financing activities	16,930,333	(262,517,569)
 Cash flows from investing activities:		
Purchase of investments	(1,567,089,208)	(771,099,000)
Proceeds from sale and maturities of investments	1,571,002,000	771,418,730
Interest received on investments	20,761,752	16,989,730
Net cash provided by (used for) investing activities	24,674,544	17,309,460
Net increase (decrease) in cash and cash equivalents	119,062,736	(181,758,123)
 Cash and cash equivalents at beginning of year	437,947,047	619,705,170
 Cash and cash equivalents at end of year	\$ 557,009,783	\$ 437,947,047

(continued)

See accompanying notes to the financial statements.

SAN DIEGO COUNTY WATER AUTHORITY
Statements of Cash Flows
Fiscal Years Ended June 30, 2007 and 2006
(continued)

	2007	2006
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	\$ 18,429,671	\$ 13,701,367
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation and amortization of bond issuance costs	23,778,986	22,057,478
(Increase) decrease in due from member agencies and other receivables	5,609,281	(18,291,733)
(Increase) decrease in deposit receivables	466,006	131,200
(Increase) decrease in inventory	(1,951,202)	1,275,875
Increase (decrease) in accounts payable and other liabilities	4,612,113	27,813,737
Increase (decrease) in compensated absences	487,409	255,878
Increase (decrease) in construction deposits	95,597	(1,398,084)
Total adjustments	33,098,190	31,844,351
Net cash provided by (used for) operating activities	\$ 51,527,861	\$ 45,545,718
 Noncash capital financing and investing activities:		
Amortization of discounts, premiums, and deferred refunding charge	\$ 1,653,775	\$ 1,855,137
Change in market value	3,912,792	(319,730)
Amortization of intangible assets	658,389	665,568
Acquisition of intangible assets	29,520,000	-
Debt incurred for acquisition of intangible assets	(29,520,000)	-

See accompanying notes to the financial statements.

(1) Nature of Business and Significant Accounting Policies

Nature of Business

The San Diego County Water Authority (the Water Authority) was organized on June 9, 1944 under the County Water Authority Act (the Act). The Water Authority's primary purpose is providing wholesale water to its member agencies for domestic, municipal, and agricultural uses. The Water Authority consists of 24 member public agencies that are each represented by at least one person on the Water Authority's Board of Directors. The Water Authority is a member of the Metropolitan Water District of Southern California (MWD) and, historically, the Water Authority purchased all the water it required from MWD to meet the demands of the member agencies. The Water Authority is in the process of diversifying its supply. Pursuant to the Quantification Settlement Agreement (QSA) and its related contracts, the Water Authority is obtaining conserved water from the Imperial Irrigation District and will also receive water conserved by lining of the All-American and Coachella Canals. The QSA was signed on October 10, 2003. The Water Authority also adopted a Regional Water Facilities Master Plan in 2004, which calls for further supply diversification.

The Metropolitan Water District Act provides a preferential right for the purchase of water by each of its constituent agencies. This preferential right is calculated using a formula, and based upon such formula, the Water Authority has a statutory preferential right to approximately 16.73 percent of MWD's total supply. MWD has represented that it will provide reliable water supplies notwithstanding preferential rights.

Basis of Accounting

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

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

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

Budgets and Budgetary Accounting

The Water Authority Board of Directors adopts two-year budgets for operations, debt service and capital expenditures. The Board of Directors, by resolution, has established budgetary controls and made a total appropriation for expenditures consistent with the adopted budget. The total appropriation adopted by the Board of Directors establishes the legal expenditure limit for the Water Authority. The Board of Directors, by resolution, has delegated to the General Manager authority to make budget adjustments as necessary within a limit of \$50,000, subject to the total appropriation limit. Budget adjustments in excess of \$50,000 or increases in the total appropriation limit must be approved by the Board of Directors. The Water Authority adhered to the budget policies and budgetary controls adopted by the Board of Directors for the years ended June 30, 2007 and 2006.

Cash and Investments

The Water Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments.

Investments are reported at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

Property Taxes and In-Lieu Charges

The Water Authority is authorized under the Act to levy taxes on all taxable property within its boundaries for the purposes of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the Revenue and Taxation Code, and the California Constitution.

Property taxes are levied annually by the Water Authority's Board of Directors as of July 1, using a lien date of March 1, and are payable by property owners in two equal installments, which are due by December 10 and April 10. The taxes levied are billed and collected by the County of San Diego and are remitted to the Water Authority throughout the year. During fiscal year 2006, approximately \$4.75 million in property tax revenues was shifted to the Educational Revenue Augmentation Fund (ERAF) by the State of California. There was no ERAF shift in fiscal year 2007.

Member agencies of the Water Authority may elect to pay In-Lieu Charges instead of the tax levy. Presently, only the City of San Diego pays the In-Lieu Charge. Included in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2007 and 2006 are In-Lieu Charges of \$580,364 and \$408,745, respectively.

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

Inventories

Inventories consist of water, materials, and valves in storage. The water in storage is stated at the lower of cost (first-in, first-out method) or market. As a result of the filling of the Olivenhain Dam, the value of water in storage for the years ended June 30, 2007 and 2006 is \$8,876,601 and \$6,880,965, respectively. The materials in storage are stated at the lower of cost (average cost method) or market and for the years ended June 30, 2007 and 2006 are \$188,826 and \$184,050, respectively. The valves in storage are stated at the lower of cost (average cost method) or market and for the years ended June 30, 2007 and 2006 are \$1,118,359 and \$1,167,569, respectively.

Capital Assets

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

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

Water systems	10 to 100 years
Buildings	40 years
Equipment	3 to 10 years
Automobiles/trucks	5 to 7 years

Compensated Absences

It is the Water Authority's policy to permit employees to accumulate earned but unused vacation benefits up to a maximum of 50 days (75 days for management). Sick leave hours accrue at the rate of one day per month and employees may elect to receive cash for accumulated sick leave at the rate of two for one after accumulating 480 hours. Upon termination of employment an employee may receive 25 percent of unused sick leave. The Water Authority pays 100 percent of sick leave up to 125 days upon retirement. All accumulated vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

Capitalized Interest

The Water Authority capitalizes interest on self-constructed assets during the period of construction. The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted to finance acquisition of specified assets is all interest cost of the borrowings less any interest earned on related interest-bearing investments acquired with such unexpended proceeds from the date of the borrowings until the assets are substantially complete and are ready for their intended use. Interest cost capitalized during the years ended June 30, 2007 and 2006 was \$19,212,133 and \$24,676,823, respectively. Total interest cost incurred (including both amounts capitalized and amounts expensed) for the years ended June 30, 2007 and 2006 was \$68,490,220 and \$60,982,266, respectively.

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

Unrestricted Net Assets

The unrestricted net assets of the Water Authority are restricted by state law for sole use by the Water Authority for water operations. They are reported as unrestricted net assets in the accompanying financial statements because this restriction corresponds to the general purpose for which the Water Authority was established. They are unavailable for other government uses and are committed to the ongoing operations of the Water Authority, including amounts necessary to cover contingencies, unanticipated expenditures, revenue shortfalls, and weather and economic fluctuations.

Revenue Policies

The principal portion of the Water Authority's revenues is provided by water rates and charges. Water is delivered to member agencies on demand and revenue is recognized at the time of delivery. The Water Authority also has two other separate revenue sources as part of its Long-Range Financing Plan to fund the Capital Improvement Program. A Water Standby Availability Charge was put into effect in fiscal year 1990. Revenue generated for the years ended June 30, 2007 and 2006 was \$11,140,380 and \$10,942,483, respectively. In fiscal year 1991, a Capacity Charge on all new water meters purchased within the boundaries of the Water Authority was implemented. Revenue generated for the years ended June 30, 2007 and 2006 was \$31,081,264 and \$33,869,853, respectively.

In fiscal year 1999, the Infrastructure Access Charge (IAC) was adopted by the Board of Directors as an additional source of fixed revenue to provide better coverage of the Water Authority's projected fixed expenditures. The IAC is levied on each Water Authority member agency based on the number and size of retail water meters within the agencies and within the Water Authority's service area. Beginning on January 1, 2007, the IAC increased from \$1.48 to \$1.56 per equivalent meter per month. The fixed charge is levied against each member agency for the purpose of maintaining a minimum ratio of projected fixed revenue to projected fixed expenditures of 25 percent. The IAC generated revenues of \$16,188,099 and \$13,863,726 for the fiscal years ended June 30, 2007 and 2006, respectively. The IAC is adjusted each year as part of the regular rate-setting process.

Classification of Revenues

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of the Water Authority consist of sales of water. Nonoperating revenues consist of property taxes, in-lieu charges, IAC charges, investment income, hydroelectric sales, and other miscellaneous income. Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges. Capital contributions include capacity charges, water standby availability charges, and contributions in aid of construction.

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

Classification of Expenses

Operating expenses for enterprise funds include the cost of sales, operations and maintenance, planning, general and administrative expenses, depreciation on capital assets, and amortization of intangible assets, bond discounts/premiums, and loss on deferred refunding. Expenses not meeting this definition are reported as nonoperating expenses and include interest expense and other miscellaneous expenses.

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 certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. Management believes that the estimates are reasonable.

Reclassifications

Certain prior year amounts have been reclassified to conform within current year presentation.

(2) Cash and Investments

Cash and investments are classified in the accompanying Statements of Net Assets as follows:

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and investments	\$ 90,820,109	\$ 72,043,396
Noncurrent assets:		
Restricted cash and investments	<u>466,189,674</u>	<u>365,903,651</u>
Total cash and investments	<u>\$ 557,009,783</u>	<u>\$ 437,947,047</u>

The carrying value of cash and investments held by the Water Authority consisted of the following:

	<u>2007</u>	<u>2006</u>
Petty cash	\$ 2,000	\$ 2,000
Deposits	(525,565)	110,664
Investments	<u>557,533,348</u>	<u>437,834,383</u>
Total cash and investments	<u>\$ 557,009,783</u>	<u>\$ 437,947,047</u>

(2) Cash and Investments, (continued)

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

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

Investment Types Authorized by State Law	Authorized By Investment Policy	Maximum Maturity *	Maximum Percentage Of Portfolio *	Maximum Investment In One Issuer *
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	70%	None
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	25%	5%
Negotiable Certificates of Deposit	Yes	1 year	15%	None
Repurchase Agreements	Yes	1 year	20%	None
Reverse Repurchase Agreements	Yes	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	15%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

(2) Cash and Investments, (continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Water Authority's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	None	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	N/A	None	\$100,000
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk where changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Water Authority 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 approaching 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 Water Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Water Authority's investments by terms to maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Term to Maturity</u>			
		<u>12 months or less</u>	<u>13 to 36 months</u>	<u>37 to 60 months</u>	<u>More than 60 months</u>
U.S. Treasury Securities	\$ 59,397,735	\$ 29,577,888	\$ 29,819,847	\$ -	\$ -
Federal Agency Securities	315,272,152	303,559,336	4,130,384	7,582,432	-
Commercial Paper	68,914,590	68,914,590	-	-	-
State Investment Pool	28,369,249	28,369,249	-	-	-
Money Market Funds	3,464,315	3,464,315	-	-	-
Held by bond trustees:					
Investment Contracts	82,115,307	12,920,165	-	-	69,195,142
Total	\$ 557,533,348	\$ 446,805,543	\$ 33,950,231	\$ 7,582,432	\$ 69,195,142

SAN DIEGO COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2007 AND 2006, (CONTINUED)

(2) Cash and Investments, (continued)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum legal rating</u>	<u>Exempt from disclosure</u>	<u>Rating as of Year-End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
U.S. Treasury Securities	\$ 59,397,735	N/A	\$ 59,397,735	\$ -	\$ -	\$ -
Federal Agency Securities	315,272,152	N/A	-	315,272,152	-	-
Commercial Paper	68,914,590	A1	-	37,573,233	31,341,357	-
State Investment Pool	28,369,249	N/A	-	-	-	28,369,249
Money Market Funds	3,464,315	AAAm	-	3,464,315	-	-
Held by bond trustees:						
Investment Contracts	82,115,307	N/A	-	-	-	82,115,307
Total	<u>\$ 557,533,348</u>		<u>\$ 59,397,735</u>	<u>\$ 356,309,700</u>	<u>\$ 31,341,357</u>	<u>\$ 110,484,556</u>

Concentration of Credit Risk

The investment policy of the Water Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of total Water Authority investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Rating</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	Federal Agency Securities	\$ 108,713,454	AAA	19.5%
Federal Home Loan Bank	Federal Agency Securities	108,340,596	AAA	19.4%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	82,877,736	AAA	14.9%
MBIA Inc.	Investment Contract	38,568,617	not rated	6.9%
General Electric Capital Corporation	Commercial Paper	37,573,233	AAA	6.7%

(2) Cash and Investments, (continued)

Custodial Credit Risk

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

Investment in State Investment Pool

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

(3) Long-Term Loan Receivable

On October 10, 2003, the San Diego County Water Authority amended a previous Agreement for Transfer of Conserved Water with the Imperial Irrigation District (IID). As part of this amendment, the Water Authority made an initial socioeconomic impact payment of \$10,000,000 in three installments. These funds will be used to pay for the initial administrative costs and estimated and annual cumulative socioeconomic impact costs. Beginning in calendar year 2019, the Water Authority will begin receiving credits from the IID to be applied against any payments due and shall continue until 2048 or until the agreement is terminated, whichever comes first. If the agreement terminates before 2048, the IID is under no obligation to pay the Water Authority the remaining balance of the loan. For the years ended June 30, 2007 and June 30, 2006, the receivable balance was \$10,000,000.

SAN DIEGO COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2007 AND 2006, (CONTINUED)

(4) Intangible Assets

To satisfy a statutory condition necessary for implementation of the "Agreement for the Transfer of Conserved Water by and between the IID and the Water Authority" (Transfer Agreement), the Water Authority will contribute, over time, \$64,000,000 (in 2003 Dollars) to mitigate environmental impacts of the transfer to the Salton Sea and for other environmental costs. On May 8, 2007, the Water Authority and the IID executed an agreement settling all disputes related to third-party socioeconomic impact payments required by the Transfer Agreement. In addition to certain payments already made by the Water Authority for this purpose, the Water Authority agreed to pay, over time, \$29,520,000 (in 2007 Dollars).

The above payments satisfy certain contractual obligations of the Water Authority under the Transfer Agreement. The Transfer Agreement requires IID to make available to the Water Authority specified quantities of conserved water. The Water Authority is required to pay the contract price for water made available to it by IID. Future deliveries of water to the Water Authority have been presented in the accompanying Statements of Net Assets as intangible assets, which will be amortized over the life of the Transfer Agreement. For fiscal years ended June 30, 2007 and 2006, the amortization of intangible assets was \$658,389 and \$665,568, respectively.

The environmental and third-party socioeconomic mitigation due within one year are included in the current portion of long-term liabilities and the balance is included in the long-term liabilities in the accompanying Statements of Net Assets.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2007:

	Restated Balance at June 30, 2006 *	Additions	Deletions	Transfers	Balance at June 30, 2007
Capital assets not depreciated:					
Land	\$ 13,193,281	\$ 55,965	\$ -	\$ 34,654	\$ 13,283,900
Construction in progress	480,320,115	293,255,146	-	(52,685,406)	720,889,855
Work in progress	<u>367,223</u>	<u>610,584</u>	<u>-</u>	<u>-</u>	<u>977,807</u>
Total capital assets not depreciated	<u>493,880,619</u>	<u>293,921,695</u>	<u>-</u>	<u>(52,650,752)</u>	<u>735,151,562</u>
Capital assets depreciable:					
Water systems	1,090,743,280	-	(45,784)	20,800,916	1,111,498,412
Buildings	156,164,182	94,428	-	30,774,547	187,033,157
Automobiles and equipment	<u>56,674,342</u>	<u>910,640</u>	<u>(461,689)</u>	<u>1,075,289</u>	<u>58,198,582</u>
Total capital assets depreciable	<u>1,303,581,804</u>	<u>1,005,068</u>	<u>(507,473)</u>	<u>52,650,752</u>	<u>1,356,730,151</u>
Less accumulated depreciation:					
Water systems	(149,770,354)	(15,122,255)	26,133	-	(164,866,476)
Buildings	(18,709,202)	(3,839,897)	-	-	(22,549,099)
Automobiles and equipment	<u>(26,800,034)</u>	<u>(4,801,513)</u>	<u>460,709</u>	<u>-</u>	<u>(31,140,838)</u>
Total accumulated depreciation	<u>(195,279,590)</u>	<u>(23,763,665)</u>	<u>486,842</u>	<u>-</u>	<u>(218,556,413)</u>
Net depreciable assets	<u>1,108,302,214</u>	<u>(22,758,597)</u>	<u>(20,631)</u>	<u>52,650,752</u>	<u>1,138,173,738</u>
Capital assets, net	<u>\$ 1,602,182,833</u>	<u>\$ 271,163,098</u>	<u>\$ (20,631)</u>	<u>\$ -</u>	<u>\$ 1,873,325,300</u>

* Restatements were made to reflect the cancellation of two projects. In both instances, the project costs had been capitalized as construction in progress in prior years.

SAN DIEGO COUNTY WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2007 AND 2006, (CONTINUED)

(6) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007:

	Balance at June 30, 2006	Additions	Deletions	Balance at June 30, 2007	Amounts Due Within One Year
Long-term debt:					
2005A Water Revenue COPs	\$ 107,455,000	\$ -	\$ -	\$ 107,455,000	\$ -
2004A Water Revenue COPs	425,000,000	-	-	425,000,000	-
2002A Water Revenue COPs	267,395,000	-	(5,655,000)	261,740,000	5,885,000
1998A Water Revenue COPs	62,690,000	-	-	62,690,000	-
1997A Water Revenue COPs	118,305,000	-	(15,730,000)	102,575,000	15,800,000
1993A Water Revenue COPs	39,000,000	-	(12,300,000)	26,700,000	13,000,000
Commercial Paper	<u>110,000,000</u>	<u>460,000,000</u>	<u>(110,000,000)</u>	<u>460,000,000</u>	<u>460,000,000</u>
Total long-term debt	1,129,845,000	460,000,000	(143,685,000)	1,446,160,000	494,685,000
Other liabilities:					
Contributions payable	58,750,738	31,436,190	(4,900,000)	85,286,928	6,000,000
Compensated absences	4,910,531	4,017,129	(3,529,721)	5,397,939	3,653,261
Arbitrage rebate	<u>1,889,260</u>	<u>-</u>	<u>(658,923)</u>	<u>1,230,337</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,195,395,529</u>	<u>\$ 495,453,319</u>	<u>\$ (152,773,644)</u>	<u>\$ 1,538,075,204</u>	<u>\$ 504,338,261</u>
Unamortized bond discounts/premiums, loss on refunding				<u>2,001,260</u>	
Total long-term liabilities, net				<u><u>\$ 1,540,076,464</u></u>	

(6) Long-Term Liabilities, (continued)

2005A Water Revenue Refunding Certificates of Participation

On February 1, 2005, the Water Authority issued Water Revenue Refunding Certificates of Participation in the amount of \$107,455,000 to refund, in advance, \$117,310,000 of the 1998A Certificates with stated interest rates between 4.75 percent and 5.25 percent.

The Serial Certificates, with an aggregate principal amount of \$107,455,000, have stated interest rates ranging from 5.00 percent to 5.25 percent payable semi-annually on May 1 and November 1. These certificates mature serially through May 1, 2022.

The certificates require that a reserve be maintained in an amount equal to the lesser of \$10,745,500 or maximum annual debt service on the 2005A Certificates. At June 30, 2007 and 2006, the reserve requirement was fully satisfied by a Reserve Surety Policy.

The 2005A Water Revenue Refunding Certificates were issued at a premium of \$14,343,160 with issuance costs of \$1,152,055. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9,890,821. This difference, reported in the accompanying financial statements as a decrease in bonds payable, is being charged to operations through the year 2028. Included in interest expense for the year ended June 30, 2007 and 2006 is amortization of \$581,813 and \$542,934, of net deferred amounts, respectively. The principal balance of outstanding certificates at June 30, 2007 is \$107,455,000, or \$111,315,347, net of unamortized premium of \$12,393,604 and unamortized loss from refunding of \$8,533,257.

The total debt service payment requirements with respect to the above certificates of participation are:

2005A Water Revenue Refunding COPs

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 5,580,563	\$ 5,580,563
2009	-	5,580,563	5,580,563
2010	-	5,580,563	5,580,563
2011	-	5,580,563	5,580,563
2012	11,725,000	5,580,563	17,305,563
2013-2017	67,240,000	18,363,163	85,603,163
2018-2022	28,490,000	4,040,663	32,530,663
Total	\$ 107,455,000	\$ 50,306,641	\$ 157,761,641

(6) Long-Term Liabilities, (continued)

2004A Water Revenue Certificates of Participation

To provide funds for a portion of the design, acquisition, and construction of various capital projects in furtherance of the Water Authority's Capital Improvement Program, the Water Authority issued 2004A Water Revenue Certificates of Participation on September 1, 2004, in the aggregate principal amount of \$425,000,000. A portion of the proceeds were used to make an early payment of \$56,700,000 on the 1991B Certificates of Participation on December 1, 2004.

The Serial Certificates with an aggregate principal amount of \$318,295,000 have stated interest rates between 4.00 percent and 5.25 percent payable semi-annually on May 1 and November 1. These certificates mature annually through May 1, 2031. The Term Certificates with an aggregate principal amount of \$106,705,000 have a stated interest rate of 5.00 percent payable semi-annually on May 1 and November 1. These certificates are due May 1, 2034.

The certificates require that a reserve be maintained in an amount equal to the lesser of \$38,568,617 or maximum annual debt service on the 2004A Certificates. At June 30, 2007 and 2006, the reserve was fully funded. There are \$13,034,554 of unexpended bond proceeds at June 30, 2007.

The 2004A Water Revenue Certificates were issued at a premium of \$11,438,625 and issuance costs of \$2,837,544. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,200,156. This difference, reported in the accompanying financial statements as a decrease in bonds payable, is being charged to operations through the year 2011. Included in interest expense for both years ended June 30, 2007 and 2006 is amortization of \$966,258, net of deferred amounts. The principal balance of outstanding certificates at June 30, 2007 is \$425,000,000 or, \$431,675,479, net of unamortized premium of \$10,379,468 and unamortized loss from refunding of \$3,703,989.

The total debt service payment requirements with respect to the above certificates of participation are:

2004A Water Revenue COPs

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 20,929,425	\$ 20,929,425
2009	-	20,929,425	20,929,425
2010	-	20,929,425	20,929,425
2011	-	20,929,425	20,929,425
2012	-	20,929,425	20,929,425
2013-2017	-	104,647,125	104,647,125
2018-2022	77,715,000	99,950,475	177,665,475
2023-2027	120,560,000	75,352,500	195,912,500
2028-2032	153,870,000	42,044,500	195,914,500
2033-2034	72,855,000	5,508,500	78,363,500
Total	<u>\$ 425,000,000</u>	<u>\$ 432,150,225</u>	<u>\$ 857,150,225</u>

(6) Long-Term Liabilities, (continued)

2002A Water Revenue Certificates of Participation

To provide funds for a portion of the design, acquisition, and construction of the Water Authority's Emergency Storage Project and other water system improvements in furtherance of the Water Authority's Capital Improvement Program, the Water Authority issued 2002A Water Revenue Certificates of Participation on May 1, 2002, in the aggregate principal amount of \$300,000,000. A portion of the proceeds were used to make an early payment of \$12,300,000 on the 1991A Certificates of Participation on July 15, 2002.

The Serial Certificates with an aggregate principal amount of \$249,935,000 have stated interest rates ranging from 3.00 percent to 5.00 percent payable semi-annually on May 1 and November 1. These certificates mature annually through May 1, 2029, subject to optional prepayments beginning May 1, 2012.

The Term Certificates with an aggregate principal amount of \$50,065,000 have a stated interest rate of 5.00 percent payable semi-annually on May 1 and November 1. An amount of \$15,880,000 of these certificates is due May 1, 2030, \$16,675,000 is due May 1, 2031, and \$17,510,000 is due May 1, 2032.

The 2002A Water Revenue Certificates were issued at a discount of \$3,948,000 and issuance costs of \$2,271,000. The certificates require that a reserve be maintained in an amount equal to the lesser of \$18,385,750 or maximum annual debt service on the 2002A Certificates. At June 30, 2007 and 2006, the reserve was fully funded. The principal balance of outstanding certificates at June 30, 2007 is \$261,740,000 or, \$258,461,221, net of unamortized discount of \$3,278,779.

The total debt service payment requirements with respect to the above certificates of participation are:

2002A Water Revenue COPs

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,885,000	\$ 12,499,678	\$ 18,384,678
2009	6,120,000	12,264,278	18,384,278
2010	6,365,000	12,019,478	18,384,478
2011	6,620,000	11,764,878	18,384,878
2012	6,885,000	11,500,078	18,385,078
2013-2017	38,985,000	52,934,425	91,919,425
2018-2022	48,925,000	42,991,763	91,916,763
2023-2027	62,360,000	29,557,000	91,917,000
2028-2032	79,595,000	12,327,250	91,922,250
Total	<u>\$ 261,740,000</u>	<u>\$ 197,858,828</u>	<u>\$ 459,598,828</u>

(6) Long-Term Liabilities, (continued)

1998A Water Revenue Certificates of Participation

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

During fiscal year 2006, \$117,310,000 of the 1998A Certificates were refunded by the 2005A Certificates. The principal balance of outstanding certificates at June 30, 2007 and 2006 is \$62,690,000.

The Term Certificates with an aggregate principal amount of \$62,690,000 have stated interest rates ranging from 4.75 percent to 5.00 percent payable semi-annually on May 1 and November 1. An amount of \$19,035,000 is due May 1, 2024 at a price of 93.114 percent of par value and \$43,655,000 is due May 1, 2028.

The 1998A Water Revenue Certificates were issued at a discount of \$1,202,000 and issuance costs of \$965,000. The certificates required that a reserve be maintained in an amount equal to the lesser of \$15,392,000 or maximum annual debt service on the 1998A Certificates. After refunding, the reserve requirement was reduced to \$12,240,775. At June 30, 2007 and 2006, the reserve was fully funded.

The total debt service payment requirements with respect to the above certificates of participation are:

1998A Water Revenue COPs			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 2,930,188	\$ 2,930,188
2009	-	2,930,188	2,930,188
2010	-	2,930,188	2,930,188
2011	-	2,930,188	2,930,188
2012	-	2,930,188	2,930,188
2013-2017	-	14,650,938	14,650,938
2018-2022	-	14,650,938	14,650,938
2023-2027	51,005,000	10,190,713	61,195,713
2028	11,685,000	555,038	12,240,038
Total	<u>\$ 62,690,000</u>	<u>\$ 54,698,567</u>	<u>\$ 117,388,567</u>

(6) Long-Term Liabilities, (continued)

1997A Water Revenue Refunding Certificates of Participation

On December 1, 1997, the Water Authority issued Water Revenue Refunding Certificates of Participation in the amount of \$162,315,000 with stated interest rates between 4.00 percent and 5.75 percent to refund, in advance, \$74,035,000 of the 1991A Certificates with stated interest rates between 6.25 percent and 6.40 percent and \$80,000,000 of the 1991B Certificates with interest payable at rates determined by auction every fifth week, not to exceed a blended rate of 6.30 percent.

The Serial Certificates with an aggregate principal amount of \$144,285,000, have stated interest rates ranging from 4.00 percent to 5.75 percent payable semi-annually on May 1 and November 1. These certificates mature serially through May 1, 2018, subject to optional prepayments beginning in 2008. The Series 1997A Term Certificates, with an aggregate principal amount of \$18,030,000, have an interest rate of 4.75 percent, are due May 1, 2020, and are subject to optional prepayments beginning in 2008.

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

The 1997A Water Revenue Refunding Certificates were issued at a premium of \$2,958,000 with issuance costs of \$1,342,000. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$17,184,000. This difference, reported in the accompanying financial statements as a decrease in bonds payable, is being charged to operations through the year 2020 using the effective interest method. Included in interest expense for the years ended June 30, 2007 and 2006 is amortization of \$748,770 and \$866,785, respectively, of net deferred amounts. The principal balance of outstanding certificates at June 30, 2007 is \$102,575,000, or \$97,319,213, net of unamortized premium of \$1,092,979 and unamortized loss from refunding of \$6,348,766.

The total debt service payment requirements with respect to the above certificates of participation are as follows:

1997A Water Revenue Refunding COPs			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 15,800,000	\$ 5,275,638	\$ 21,075,638
2009	-	4,413,638	4,413,638
2010	-	4,413,638	4,413,638
2011	17,500,000	4,413,638	21,913,638
2012	6,110,000	3,407,388	9,517,388
2013-2017	36,625,000	11,879,575	48,504,575
2018-2020	26,540,000	2,557,400	29,097,400
Total	\$ 102,575,000	\$ 36,360,915	\$ 138,935,915

(6) Long-Term Liabilities, (continued)

1993A Water Revenue Refunding Certificates of Participation

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

The Series 1993A Current Interest Certificates, with an aggregate principal amount of \$85,050,000, have stated interest rates ranging from 3.50 percent to 5.50 percent payable semi-annually on May 1 and November 1. These certificates mature serially through May 1, 2007 and are not subject to prepayment. The Series 1993A Floating Auction Tax Exempts (FLOATS), with an aggregate principal amount of \$25,300,000, carry an interest rate determined by auction every 28 days. The FLOATS are due April 22, 2009, subject to mandatory prepayments beginning in 2007. The Series 1993A Residual Interest Tax Exempt Securities (RITES) with an aggregate principal amount of \$25,300,000 carry interest rates determined by a fixed component and an auction rate component payable every 28 days, not to exceed 5.75 percent in aggregate. The RITES mature serially between April 26, 2007 and April 22, 2009 and are not subject to mandatory prepayment. Interest rates are subject to minimum and maximum limits and may be fixed by the holder.

The Certificates require that a reserve be maintained in an amount equal to the lesser of \$13,565,000, 100 percent of the maximum annual installment payments, or 125 percent of average annual installment payments. A surety bond has been obtained by the Water Authority and issued in satisfaction of this requirement. The principal balance of outstanding certificates is \$26,700,000 at June 30, 2007.

The total debt service payment requirements with respect to the above certificates of participation are as follows:

1993A Water Revenue Refunding COPs

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 13,000,000	\$ 1,395,316	\$ 14,395,316
2009	13,700,000	652,490	14,352,490
Total	\$ 26,700,000	\$ 2,047,806	\$ 28,747,806

Commercial Paper

The Water Authority has a Tax-Exempt Commercial Paper (TECP) program, through which it can borrow funds, on a tax-exempt basis, for periods up to 270 days. The TECP is regularly remarketed and thus provides financing for the Water Authority's Capital Improvement Program. The TECP program is comprised of three separate series, with a total maximum authorized amount of \$460,000,000 - Series 1 -\$110,000,000, Series 2 -\$175,000,000 and Series 3 - \$175,000,000. Series 2 and Series 3 were issued on November 15, 2006.

6) Long-Term Liabilities, (continued)

Commercial Paper, (continued)

Each series of TECP has liquidity support in the form of a separate revolving credit and term loan agreement with a banking institution—Series 1 - Bayerische Landesbank Girozentrale, Series 2 - BNP Paribas, and Series 3 - Dexia Credit Local. The agreements, unless otherwise extended, will terminate on June 30, 2009, November 15, 2011, and November 15, 2011, respectively. During the term of the agreements, the Water Authority pays annual commitment fees based on the par amount of the commitment or 0.09 percent, 0.095 percent, and 0.095 percent, respectively. No advances have been made under any of the revolving credit and term loan agreements during the year ended June 30, 2007.

The Water Authority has remarketing agreements with four separate broker/dealers, Bank of America Securities LLC, Bear Stearns and Co. Inc., Citigroup Global Markets Inc., and Lehman Brothers Inc. The remarketing fees for the various dealer agreements range from 0.035 percent to 0.050 percent per annum on the par amount of TECP outstanding.

The TECP notes are secured and payable, on a parity basis, solely from net water revenues and are subordinate to the Water Revenue Certificates of Participation. At June 30, 2007 and 2006, \$460,000,000 and \$110,000,000 of commercial paper is outstanding, respectively.

Contributions Payable

Contributions Payable relate to the Water Authority's payment obligations for environmental and socioeconomic impacts related to the Quantification Settlement and related Agreements. These payments include contributions to the Quantification Settlement Agreement Joint Powers Authority (QSA JPA) for environmental mitigation pursuant to the QSA JPA Creation and Funding Agreement and payments to the Imperial Irrigation District (IID) on behalf of the Imperial Valley Socioeconomic Improvement Committee, Local Entity, to mitigate third-party socioeconomic impacts of the conserved water Transfer Agreement.

On April 25, 2007 the QSA JPA approved an agreement to modify the schedule of contributions payable pursuant to the QSA JPA Creation and Funding Agreement in order to more appropriately match environmental mitigation funding obligations. Contributions payable at June 30, 2007 consist of \$55,766,928, which includes \$49,880,586 in present value contributions payable and \$5,886,342 of accumulated unpaid interest.

6) Long-Term Liabilities, (continued)

Contributions Payable, (continued)

The total contributions payable with respect to the QSA JPA Creation and Funding Agreement are:

QSA JPA			
Year	Principal	Interest	Total
2008	\$ -	\$ 5,719,143	\$ 5,719,143
2009	-	4,426,985	4,426,985
2010	2,721,791	5,420,084	8,141,875
2011	-	2,770,483	2,770,483
2012	192,687	2,892,115	3,084,802
2013-2017	15,417,302	12,946,867	28,364,169
2018-2022	14,203,612	6,973,281	21,176,893
2023-2026	17,345,194	2,360,468	19,705,662
	49,880,586	\$ 43,509,426	\$ 93,390,012
Accumulated Unpaid Interest	5,886,342		
Total	\$ 55,766,928		

On May 8, 2007 the Water Authority and the IID executed an agreement that settled all disputes related to the estimated annual third-party socioeconomic impacts as a result of the conserved water Transfer Agreement (Transfer Agreement) by and between the two agencies. The Water Authority has already paid \$10,000,000 to the IID on behalf of the Local Entity, which will be used to pay for the initial administrative costs and provide payments for any future socioeconomic impacts. The remaining \$29,520,000 is to be paid pursuant to the schedule below.

IID Socioeconomic			
Year	Principal	Interest	Total
2008	\$ 6,000,000	\$ -	\$ 6,000,000
2009	-	-	-
2010	2,940,000	-	2,940,000
2011	2,940,000	-	2,940,000
2012	2,940,000	-	2,940,000
2013-2017	14,700,000	-	14,700,000
Total	\$ 29,520,000	\$ -	\$ 29,520,000

6) Long-Term Liabilities, (continued)

Rate Covenants

The General Resolution requires the Water Authority to set rates and charges to provide a minimum level of net revenue. Exclusive of the tax revenue and debt servicing costs associated with voter-approved general obligation bonds and other voter-approved debt, net water revenues, as defined by the agreement, must equal or exceed 120 percent of senior lien debt service costs (principal and interest). The Water Authority was in compliance with its rate covenants under the General Resolution.

In fiscal year 1990, the Water Authority established a water Rate Stabilization Fund for the purpose of identifying amounts available to mitigate future water rate increases. The Water Authority will transfer portions of its net water revenues, as defined, which exceed its debt service ratio requirement, into the Rate Stabilization Fund and from time to time transfer amounts from its Rate Stabilization Fund into net water revenues to meet its debt service coverage ratio requirements. During the year ended June 30, 2007, the Water Authority transferred \$5,680,496 to the Rate Stabilization Fund. During the year ended June 30, 2006, \$3,762,000 was transferred from the Rate Stabilization Fund.

Unamortized Bond Issuance Costs

Included in noncurrent assets at June 30, 2007 and 2006 are deferred financing costs of \$6,781,806 and \$6,894,250, respectively. The deferred financing costs are being amortized over the life of the related obligations.

(7) Net Assets

Net assets at June 30, 2007 and 2006 consisted of:

	<u>2007</u>	<u>2006</u>
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 1,873,325,300	\$ 1,602,182,833
Less:		
Outstanding debt issued to construct capital assets	(1,448,161,260)	(1,130,637,845)
Add back portion of debt associated with unspent bond proceeds	<u>355,918,843</u>	<u>260,217,125</u>
Total invested in capital assts, net of related debt	<u>781,082,883</u>	<u>731,762,113</u>
Restricted net assets:		
Restricted by bond documents and enabling legislation for capital projects:		
Capital projects	110,270,833	105,686,534
Unspent bond proceeds	355,918,843	260,217,125
Less outstanding debt associated with restricted assets	<u>(355,918,843)</u>	<u>(260,217,125)</u>
Restricted for construction projects	<u>110,270,833</u>	<u>105,686,534</u>
Unrestricted net assets *	<u>110,954,842</u>	<u>97,328,062</u>
Total net assets	<u><u>\$ 1,002,308,558</u></u>	<u><u>\$ 934,776,709</u></u> **

* The unrestricted net assets balance includes Rate Stabilization Fund unrestricted cash and investments of \$39,665,885 and \$35,620,158 as of June 30, 2007 and 2006, respectively.

** Net assets at June 30, 2006 were restated to reflect the cancellation of two projects. In both instances, the project costs had been capitalized as construction in progress in prior years. The total restatement of \$15,636,208 is comprised of \$9,230,655 in project costs related to the Regional Seawater Desalination Project at Encina Power Station and \$6,405,553 in costs related to the Regional Colorado River Conveyance Feasibility Study.

Regional Seawater Desalination Project at Encina Power Station

The San Diego County Water Authority Board of Directors cast a unanimous vote to defer certification of the final environmental impact report (EIR) for the regional seawater desalination facility at the Encina Power Station in Carlsbad on July 26, 2006. The Board's decision was predicated upon the fact that the fundamental assumptions about the project contained in the EIR were no longer practical due to unexpected developments announced by the owner of the Encina Power Station. The plant owner, NRG Energy, Inc., plans to construct a new power plant that conflicts with the location identified for the regional desalination facility.

The Water Authority remains fully committed to seawater desalination as an important new local water supply for the county, but it will no longer pursue a regional facility in Carlsbad. The Water Authority is supporting the development of a privately-owned, local seawater desalination project at the Encina site that would serve Water Authority member agencies. In addition, the Water Authority is studying other potential seawater desalination projects and working closely with its member agencies on other local water supply projects.

(7) Net Assets, (continued)

Regional Colorado River Conveyance Feasibility Study

At the Board's direction, staff investigated the concept of coordinating the efforts for a potential binational aqueduct with the appropriate governmental agencies responsible for similar issues on the Mexican side of the International border. Staff concluded that opportunities exist for construction of facilities to the joint benefit of both the United States and Mexican water users. The State of California's Proposition 204 and Proposition 13 provided \$4.8 million for this study. The results of the feasibility study were presented to the Board in fiscal year 2002. At its June 22, 2004, meeting, the Board approved a preferred alternative of projects to be included in the CIP Budget. The preferred alternative at that time identified seawater desalination facilities as being the most cost-effective and reliable means of meeting future demands and that a conveyance facility from the east would not be included.

(8) Deferred Compensation Plans & Defined Contribution Plans

The Water Authority has adopted deferred compensation plans and defined contribution plans (Plans) in accordance with Sections 457(F) and 401(A), respectively, of the Internal Revenue Code. Generally, all eligible employees may defer receipt of a portion of their salary until future years. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. At June 30, 2007 and 2006, assets of the Plans totaled \$20,942,224 and \$16,406,153, respectively.

(9) Defined Benefit Pension Plan

The Water Authority contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Participants are required to contribute 8.0 percent of their annual covered salary. Effective July 1, 2006, the Water Authority pays 7.0 percent of the employees required contribution and the employee pays the remaining 1.0 percent required contribution. For the years ended June 30, 2007 and 2006, the amount contributed by the Water Authority on behalf of the employees was \$1,720,200 and \$1,553,625, respectively. Benefit provisions and all other requirements are established by state statute and contracts with employee bargaining groups.

Effective July 1, 2005, the Water Authority implemented the Employer Paid Member Contributions (EPMC) benefit which provides that the 8.0 percent required contribution will be reported to CalPERS as increased compensation. This increases the employee's reported pay rate to CalPERS.

(9) Defined Benefit Pension Plan, (continued)

Under Governmental Accounting Standards Board Statement Number 27 for Pensions by State and Local Government Employees, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 12.86 percent of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2007, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2006 to June 30, 2007.

A summary of principal assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	26 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75 percent (net of administrative expenses)
Projected Salary Increases	3.25 percent to 14.45 percent depending on age, service, and type of employment
Inflation	3.00 percent
Payroll Growth	3.25 percent
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00 percent and an annual production growth of 0.25 percent

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of six percent of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

9) Defined Benefit Pension Plan, (continued)

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll.

Fiscal Year	Three-Year Trend Information		
	Annual Pension Cost (APC)	% of APC Contribution	Net Pension Obligation
6/30/05	1,947,795	100%	-
6/30/06	3,101,258	100%	-
6/30/07	3,187,997	100%	-

Entry Age Normal Valuation Date	Required Supplementary Information					
	Actuarial Accrued Liability	Value of Assets	Unfunded/ Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/03	\$ 47,914,276	\$ 41,066,582	\$ 6,847,694	85.7%	\$ 16,837,400	40.7%
6/30/04	54,228,337	44,542,223	9,686,114	82.1%	18,325,403	52.9%
6/30/05	73,300,421	55,647,297	17,653,124	75.9%	19,901,947	88.7%

(10) Post-Employment Benefits Other Than Pensions (OPEB)

Employees who retire directly from the Water Authority at age 55 with five years of service are eligible to receive a cash subsidy for the monthly medical insurance premium up to a cap of \$200 per employee or \$320 for employee plus spouse. Payments cease at age 65 when retiree or spouse is eligible for Medicare. If applicable, a cash subsidy for the monthly medical premium continues up to a cap of \$160 for a spouse until age 65 is attained. Surviving spouses are also eligible for this benefit. The benefits are funded on a pay-as-you-go basis. For the years ended June 30, 2007 and 2006, the Water Authority's retiree medical insurance costs were \$57,256 and \$46,455 which covered 21 and 14 individuals, respectively.

Employees who retire directly from the Water Authority at age 50 with five years of service are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare at age 65. This is an implied subsidy.

Government Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, was issued in June 2004 and becomes effective for the Water Authority for the fiscal year ending June 30, 2008. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Water Authority had an actuarial study performed, as required by this standard, and the computed Unfunded Actuarial Liability is estimated at \$2.0 to \$2.3 million dollars which includes both the cash and implied subsidies. The Water Authority will implement this standard for the fiscal year ending June 30, 2008.

(11) Insurance

The Water Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water Authority is a participant in the Association of California Water Agencies – Joint Powers Insurance Agency (ACWA-JPIA) for the purpose of providing multiple lines of insurance coverage. The Water Authority maintains the following types of insurance coverage with ACWA-JPIA: liability insurance, general, automobile, errors and omissions, property insurance, and workers' compensation. The Water Authority had a \$50,000 self-insured retention per claim for liability for the years ended June 30, 2007 and 2006, respectively. The total coverage limit was \$150,000,000 and \$120,000,000 at June 30, 2007 and 2006, respectively. The property insurance program provided for up to \$50,000,000 in limits, which included boiler and machinery coverage and had a \$25,000 self-insured retention per claim.

Workers' compensation coverage was also provided by ACWA-JPIA for claims associated with employee injuries and employers' liability. The Water Authority maintained a \$15,000 self-insured retention per claim with limits of coverage provided by ACWA-JPIA per statutory requirements of the State of California.

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

In 1999, the Water Authority entered into an Owner Controlled Insurance Program (OCIP) to provide workers' compensation and general liability insurance to the contractors, and professional liability, pollution liability, and builders risk for the Emergency Storage Program, the Water Authority's long-term capital plan to increase water storage. There were no premiums in the years ended June 30, 2007 and 2006. The OCIP also maintains a loss deduct account that is adjusted annually, based upon loss experience, and is capped at \$2,900,000. Premiums are adjusted annually based on loss experience. The general liability deductible is \$250,000 per occurrence. The primary policy coverage limit is \$2,000,000 per occurrence and \$4,000,000 in aggregate with excess liability coverage to \$100,000,000 aggregate and total coverage limit. The workers' compensation program provides full statutory coverage with a \$250,000 deductible for each occurrence. The builders' risk insurance has a variable deductible, depending on the construction type, and has a \$30,000,000 per occurrence maximum coverage limit.

12) Jointly Governed Organization

The Water Authority's payment of specific environmental mitigation costs are being made to the Quantification Settlement Agreement Joint Powers Authority (QSA JPA), which reviews and approves actual expenditures for required mitigation and environmental costs. The QSA JPA is administered by the Water Authority and is made up of the Water Authority, the Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), and the State of California's Department of Fish and Game. The QSA JPA board is comprised of one member from each participating entity.

(13) Commitments and Contingencies

Construction Projects

The Water Authority is committed to a long-range effort to increase the present aqueduct capacity, obtain additional water from a variety of sources; including water marketing, providing additional storage within the county, and maximizing the use of existing storage reservoirs.

The Water Authority's Capital Improvement Program (CIP) was initiated in 1989. The program has seen three significant expansions since its inception. The first was the addition of an 18 project, \$730 million Emergency Storage Program (ESP) in 1998. This was followed in 2004 with the addition of a \$1.8 billion Regional Water Master Facilities plan which laid out the remaining infrastructure to be built through 2030 to meet regional water demands. Finally, the last three years have seen sharp inflationary pressures on the construction market. As part of the Water Authority's response to controlling the growth of these costs, a number of existing capital projects were re-costed in the past year to more accurately reflect their future costs.

The \$3.6 billion CIP is made up of 48 projects. Construction projects will constitute nearly 95 percent of all capital costs in the next two years. These costs are associated with 11 projects, seven of which have already been awarded and the remaining four will be awarded in the next year.

The CIP is presently composed of projects that can be classified into one of six categories. The budgeted cost of these projects as well as the future expenditures are profiled below:

CIP Category	Remaining Budgeted Project Costs (in Millions)
Pipeline Projects	\$1,768
Water Storage Projects	1,176
Water Supply Projects	500
Systemwide Improvements	65
Flow Control and Pumping Facilities	67
Reimbursable Projects	14
Total	<u>\$3,590</u>

The following material construction commitments existed at June 30, 2007:

Project Name	Cumulative Expenditures as of June 30, 2007 (in Millions)	Remaining Budget (in Millions)
ESP San Vicente Pump Station	\$ 37	\$ 81
ESP San Vicente Pipeline & Interconnect	177	96
ESP Pump Station at Water Treatment Plant	3	2
ESP Lake Hodges Pump Station	34	38
Colorado River Canal Linings	108	167
Olivenhain-Hodges Pumped Storage	39	14
Relining and Pipe Replacement Program	116	671
Authority Water Treatment Plant	122	48
East County Regional Treated Water Improvements	4	27
Total	<u>\$ 640</u>	<u>\$1,144</u>

(13) Commitments and Contingencies, (continued)

Litigation

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

In 2006, a lawsuit was filed in federal court by a Mexican organization representing persons and businesses in Mexico and two California environmental organizations challenging the All-American Canal Lining Project on a number of grounds. Judgment against plaintiffs and for defendants was ultimately entered following appeal to the 9th Circuit Court of Appeal. However, the litigation resulted in a temporary suspension of work and an approximate increase of \$48.5 million in project costs. Separate California state court actions were also filed. These actions were dismissed by the trial court but are pending on appeal. These actions have not delayed construction of the project.

Transfer Agreement

On April 29, 1998, the Board of Directors approved the "Agreement for the Transfer of Conserved Water by and between the Imperial Irrigation District (IID) and the Water Authority" (Transfer Agreement). The terms of the Transfer Agreement provide for the transfer of conserved agricultural water from the IID to the Water Authority, subject to certain terms and conditions. The Transfer Agreement was later amended with the last amendment approved on October 10, 2003.

The duration of the amended Transfer Agreement is for 45 years, subject to provisions authorizing extension for an additional 30 years and the Water Authority's unilateral right to elect to terminate the agreement after 35 years. The quantity of conserved water transferred during year one of the agreement (2003) was 10,000 acre-feet. This amount increased and will continue to increase annually according to a predetermined schedule until a stabilized quantity of up to 200,000 acre-feet per year is reached in 2021.

Under the terms of the amended agreement, in December 2007, the Water Authority will pay IID \$10,000,000 for future deliveries of water. Interest on the prepayment shall begin to accrue December 31, 2019 using the Water Authority's weighted average cost of funds for its short term and long-term debt outstanding as shown in the Water Authority's annual financial report for each fiscal year ending June 30th. If not repaid sooner, beginning December 31, 2019 through December 31, 2033, IID shall credit the Water Authority's monthly invoice for conserved water in 180 equal monthly installments of \$55,556 plus accrued interest.

(14) Subsequent Event

In October 2007, the Water Authority and the Coachella Valley Water District (CVWD) approved an agreement settling disputes between the two agencies that arose from the Coachella Canal Lining Project. Significant settlement provisions are: (1) \$12.95 million for costs of additional work performed by the contractor are deemed project costs to be borne by the Water Authority; (2) power to two check structures may be supplied by solar rather than commercial power, significantly reducing project costs to be borne by the Water Authority; (3) the overhead costs incurred by CVWD and included as project costs to be borne by the Water Authority are defined and limited; (4) CVWD will contribute to future project mitigation or operations and maintenance costs that would have otherwise been paid by the Water Authority; and (5) the Water Authority will receive additional water from the project in the amount of approximately 3,500 acre-feet per year for the life of the Allocation Agreement (approximately 110 years) at no additional cost to the Water Authority.

SAN DIEGO COUNTY WATER AUTHORITY
BUDGETARY COMPARISON SCHEDULE FOR THE TWO-YEAR BUDGET PERIOD ENDING JUNE 30, 2007
FISCAL YEARS 2006 AND 2007

Revenues and Other Funding Sources	Original Budget	Final Budget	Actuals on a Budgetary Basis	Variance with Final Budget Positive (Negative)
Water sales	\$ 658,349,000	\$ 621,322,198 ⁽¹⁾	\$ 642,165,437	\$ 20,843,239
Property taxes and in-lieu charges	10,929,000	10,223,000	12,643,534	2,420,534
Infrastructure access charges	30,047,000	30,052,000	30,051,825	(175)
Investment income ⁽²⁾	37,058,000	30,148,000	41,967,824	11,819,824
Other income	5,880,000	2,273,000	11,675,094 ⁽³⁾	9,402,094
Capital contributions:				
Capacity charges	70,864,000	68,120,000	64,951,117	(3,168,883)
Water standby availability charges	22,117,000	22,117,000	22,082,863	(34,137)
Contributions in aid of construction	67,320,000	43,920,000	66,150,954 ⁽⁴⁾	22,230,954
Other funding sources/uses, net ⁽⁵⁾	439,626,960	493,189,505	433,123,409	(60,066,096)
Total Revenues and Other Funding Sources	\$ 1,342,190,960	\$ 1,321,364,703	\$ 1,324,812,057	\$ 3,447,354
Expenses				
Cost of sales	\$ 522,674,000	\$ 486,403,198 ⁽¹⁾	\$ 500,039,521	\$ (13,636,323)
Capital expenses ⁽⁶⁾	570,547,000	570,547,000	553,185,610	17,361,390
Equipment replacement	3,408,000	3,408,000	3,039,942	368,058
Debt service ⁽⁷⁾	178,654,000	185,083,000	185,238,929	(155,929)
QSA environmental	656,000	8,362,000	8,292,939	69,061
Other expenditures ⁽⁸⁾	-	-	10,362,323	(10,362,323)
Operating budget ⁽⁹⁾	66,251,960	67,561,505	64,652,793	2,908,712
Total Expenses	\$ 1,342,190,960	\$ 1,321,364,703	\$ 1,324,812,057	\$ (3,447,354)
Operating Budget ⁽⁹⁾				
Operations & Maintenance	\$ 17,178,805	\$ 18,826,731	\$ 18,758,597	\$ 68,134
Engineering	3,526,301	1,985,747	1,915,298	70,449
Right of Way	4,245,281	5,078,437	4,981,635	96,802
Water Resources	10,348,792	11,560,898	11,156,796	404,102
General Manager	3,099,958	2,921,322	2,771,753	149,569
General Counsel	3,442,382	3,416,389	3,063,318	353,071
Administrative Services	8,791,753	8,300,477	7,921,351	379,126
Finance	3,693,436	3,693,435	3,607,356	86,079
Human Resources	1,502,065	1,518,366	1,498,698	19,668
Public Affairs	5,511,619	5,533,254	5,041,899	491,355
Imported Water	4,911,568	4,726,449	3,936,092	790,357
Total Operating Budget	\$ 66,251,960	\$ 67,561,505	\$ 64,652,793	\$ 2,908,712

Notes

- (1) Multi-year water sales and cost of water sold budget amounts of \$16,346,746 in fiscal year 2006 and \$20,491,334 in fiscal year 2007 are reclassified to reflect the Surface Storage Operating Agreement (SSOA) and reclamation credits passed through from MWD resulting in zero effect to net sales.
- (2) Investment income excludes unrealized gains/losses from the mark-to-market adjustment.
- (3) Grant revenues and other reimbursements not budgeted prior to PeopleSoft upgrade in fiscal year 2006; these amounts are offset by other expenditures.
- (4) Contributions in aid of construction include amounts relating to the All-American and Coachella Canal Lining Projects.
- (5) Includes cash withdrawals from bond proceeds and fund balances.
- (6) Capital expenses include reimbursable costs relating to the All-American and Coachella Canal Lining Projects. Capitalized interest is excluded.
- (7) Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to premiums and discounts on long-term debt is excluded.
- (8) Other expenditures not budgeted prior to PeopleSoft upgrade in fiscal year 2006; these amounts are offset by grant revenues and other reimbursements.
- (9) Operating budget expenses include equipment purchases.

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Statistical Section

This part of the San Diego County Water Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes to the financial statements, and required supplementary information says about the Water Authority's overall financial performance.

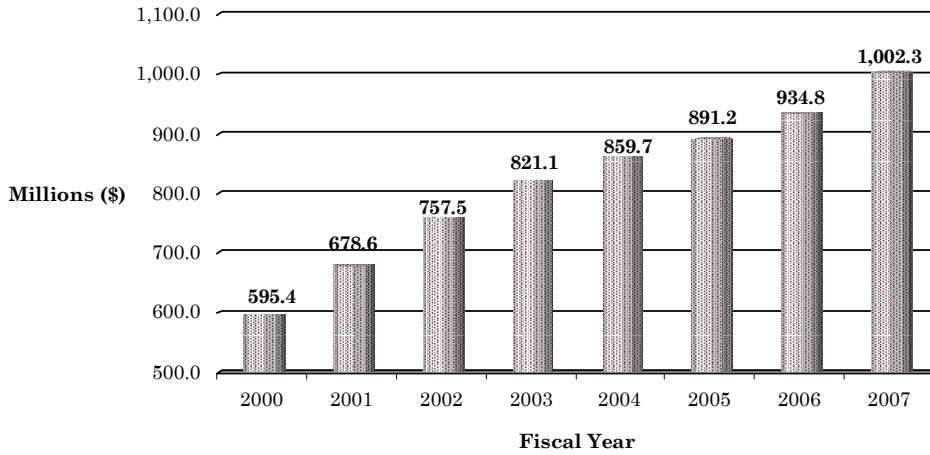
Contents	Page
Financial Trends	58
<i>These tables and charts contain trend information to help the reader understand how the Water Authority's financial performance has changed over time.</i>	
Revenue Capacity	65
<i>These tables and charts contain information to help the reader assess the Water Authority's most significant revenue sources.</i>	
Debt Capacity	69
<i>These tables and charts present information to help the reader assess the ability of the Water Authority to pay debt service on its outstanding debt.</i>	
General Information	74
<i>These tables and charts contain service and infrastructure data to help the reader understand how the information in the Water Authority's financial report relates to the service the Water Authority provides and the activities it performs.</i>	
Demographic and Economic Information	76
<i>These tables offer demographic and economic indicators to help the reader understand the environment with which the Water Authority's financial activities take place.</i>	

Source: Unless otherwise noted, the information in these schedules is derived from the Water Authority's comprehensive annual financial reports for the relevant year.

Net Assets - Last 8 Fiscal Years ⁽¹⁾
(Table one)

Fiscal Year	Invested in Capital Assets, Net of Related Debt	Restricted for Construction Projects	Unrestricted		Total	Changes in Net Assets	% of Change in Net Assets
			Designated for Rate Stabilization	Unrestricted			
2007	\$781,082,883	\$110,270,833	\$39,665,885	\$71,288,957	\$1,002,308,558	\$67,531,849	6.7%
2006	731,762,113	105,686,534	35,620,158	61,707,904	934,776,709 ⁽²⁾	43,578,846	4.7%
2005	596,440,822	162,317,607	38,198,367	94,241,067	891,197,863	31,484,030	3.5%
2004	541,316,423	199,111,389	56,501,616	62,784,405	859,713,833	38,634,221	4.5%
2003	522,041,009	182,221,182	64,436,745	52,380,676	821,079,612	63,575,969	7.7%
2002	501,158,983	150,732,826	61,619,352	43,992,482	757,503,643	78,894,463	10.4%
2001	447,682,625	140,195,473	53,623,363	37,107,719	678,609,180	83,192,444	12.3%
2000	401,946,338	105,918,136	43,072,185	44,480,077	595,416,736	n/a	n/a

TOTAL NET ASSETS



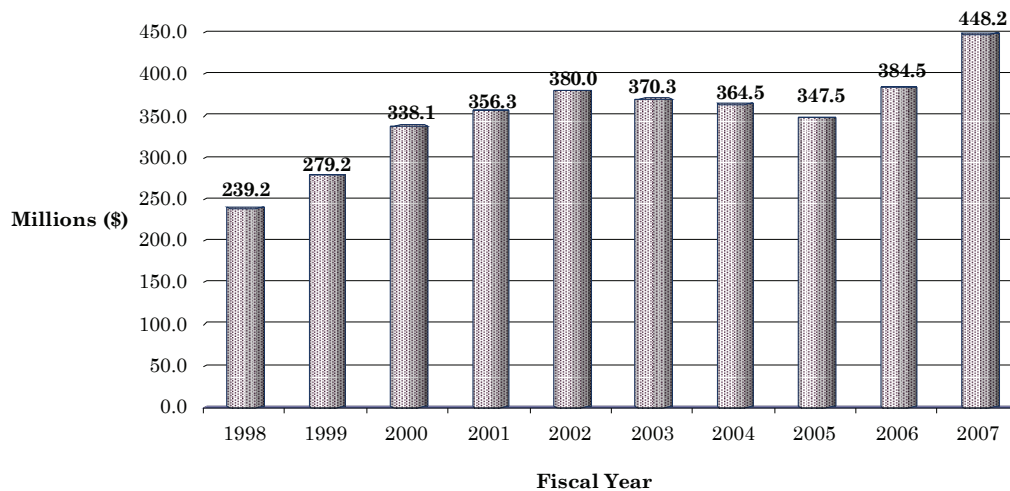
Notes

- (1) The Water Authority implemented GASB Number 34 for the fiscal year ended June 30, 2000. Information prior to the implementation of GASB Number 34 is not available.
- (2) Net assets at June 30, 2006 were restated to reflect the cancellation of two projects.

Revenues by Source - Last 10 Fiscal Years
(Table two)

Fiscal Year	Operating Revenues Water Sales (1)	Nonoperating Revenues				Total Nonoperating Revenues	Capital Contributions			Total Capital Contributions	Total
		Property Taxes & In-Lieu Charges	Infrastructure Access Charges	Investment Income	Other Income		Capacity Charges	Standby Charges	Contributions in Aid of Construction		
2007	\$343,081,511	\$8,589,607	\$16,188,099	\$28,966,917	\$ 7,592,838	\$61,337,461	\$31,081,264	\$11,140,380	\$1,581,070	\$43,802,714	\$448,221,686
2006	299,083,926	4,053,927 ⁽²⁾	13,863,726	16,607,792	4,082,256	38,607,701	33,869,853	10,942,483	2,001,506	46,813,842	384,505,469
2005	271,465,862	2,153,862 ⁽²⁾	11,947,760	15,735,372	8,725,610	38,562,604	23,458,571	10,796,776	3,174,671	37,430,018	347,458,484
2004	298,467,548	8,711,955	11,015,856	7,132,420	1,811,677	28,671,908	27,020,944	10,702,066	-349,133	37,373,877	364,513,333
2003	283,043,676	8,079,108	10,091,269	19,954,975	993,914	39,119,266	26,305,264	10,743,061	11,079,371	48,127,696	370,290,638
2002	294,526,126 ⁽³⁾	7,575,066	9,967,572	16,880,033	1,104,135	35,526,806	24,951,437	10,696,052	14,338,403	49,985,892	380,038,824
2001	266,466,611	7,120,360	9,788,088	21,644,000	1,458,037	40,010,485	25,835,939	10,707,554	13,233,096	49,776,589	356,253,685
2000	261,207,548 ⁽⁴⁾	6,664,964	9,626,382	19,151,888	1,532,318	36,975,552	21,499,736	10,829,579	7,609,370	39,938,685	338,121,785
1999	217,532,233	6,125,169	4,789,374	14,791,743	4,130,873	29,837,159	21,259,485	10,522,621	-	31,782,106	279,151,498
1998	194,789,707	5,771,939	-	11,666,579	(68,487)	17,370,031	16,351,377	10,659,841	-	27,011,218	239,170,956

TOTAL REVENUES



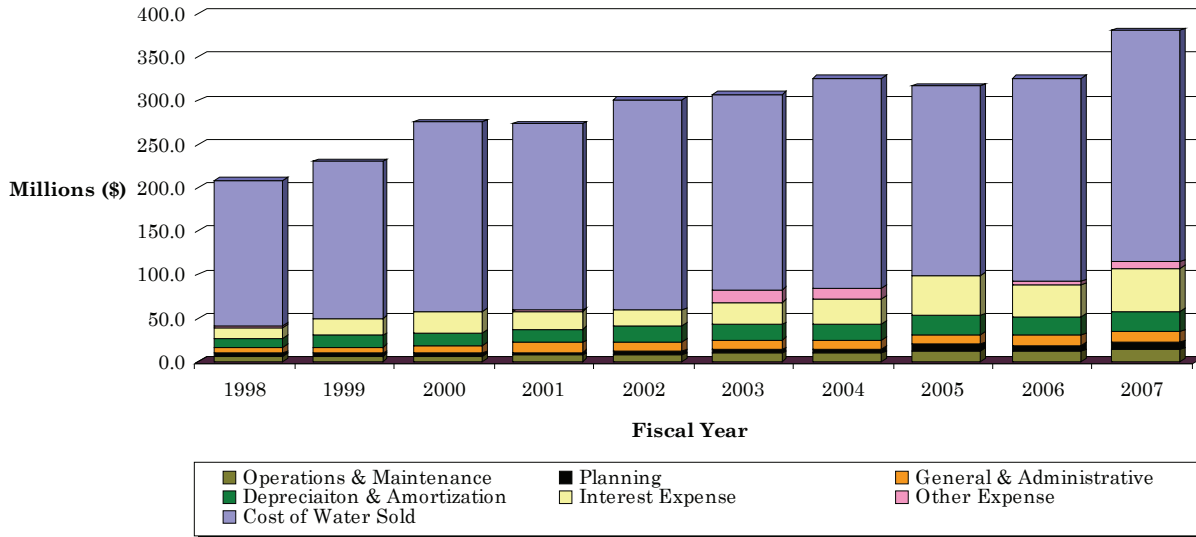
Notes

- (1) Includes readiness-to-serve and capacity charges assessed by the Metropolitan Water District (MWD).
- (2) Net of Educational Revenue Augmentation Fund (ERAF) shift of \$4,748,158 in fiscal year 2006 and \$5,787,380 in fiscal year 2005. In fiscal year 2006, the Water Authority also received a refund of \$1,039,222 from the State of California for over-collected amounts from fiscal year 2005.
- (3) Net of one-time refund to member agencies of \$7,159,000.
- (4) Net of one-time refund to member agencies of \$6,268,000.

Expenses by Function - Last 10 Fiscal Years
(Table three)

Fiscal Year	Cost of Water Sold	Operating Budget Expenses			Depreciation & Amortization	Total Operating Expenses	Interest Expense (1)	Other Expenses	Total Expenses
		Operations & Maintenance	Planning	General & Administrative					
2007	\$266,349,351	\$13,935,397	\$7,796,355	\$12,791,751	\$23,778,986	\$58,302,489	\$49,278,087	\$6,759,910	\$380,689,837
2006	233,690,170	11,573,131	7,116,647	10,945,133	22,057,478	51,692,389	36,305,443	3,602,413	325,290,415
2005	216,631,544	12,572,374	6,762,765	11,932,626	21,388,027	52,655,792	46,109,407	577,711	315,974,454
2004	241,136,768	9,542,063	5,249,187	10,583,270	17,893,779	43,268,299	29,103,901	12,371,143 ⁽²⁾	325,880,111
2003	224,346,665	9,056,787	4,862,234	10,882,675	17,644,556	42,446,252	25,603,186	14,317,565 ⁽³⁾	306,713,668
2002	242,255,338	7,678,634	3,328,115	12,001,965	17,773,053	40,781,767	17,795,262	311,993	301,144,360
2001	214,480,281	7,083,079	3,174,916	11,536,699	15,259,863	37,054,557	21,055,038	471,306 ⁽⁴⁾	273,061,182
2000	217,000,150	6,441,763	3,107,320	9,155,105	14,870,367	33,574,555	24,492,003	242,875	275,309,583
1999	179,332,463	6,499,328	3,118,887	7,507,397	12,784,802	29,910,414	19,664,511	524,783	229,432,171
1998	167,002,808	6,305,758	2,863,636	7,791,738	9,753,786	26,714,918	12,262,040	2,480,000 ⁽⁴⁾	208,459,766

EXPENSES BY FUNCTION



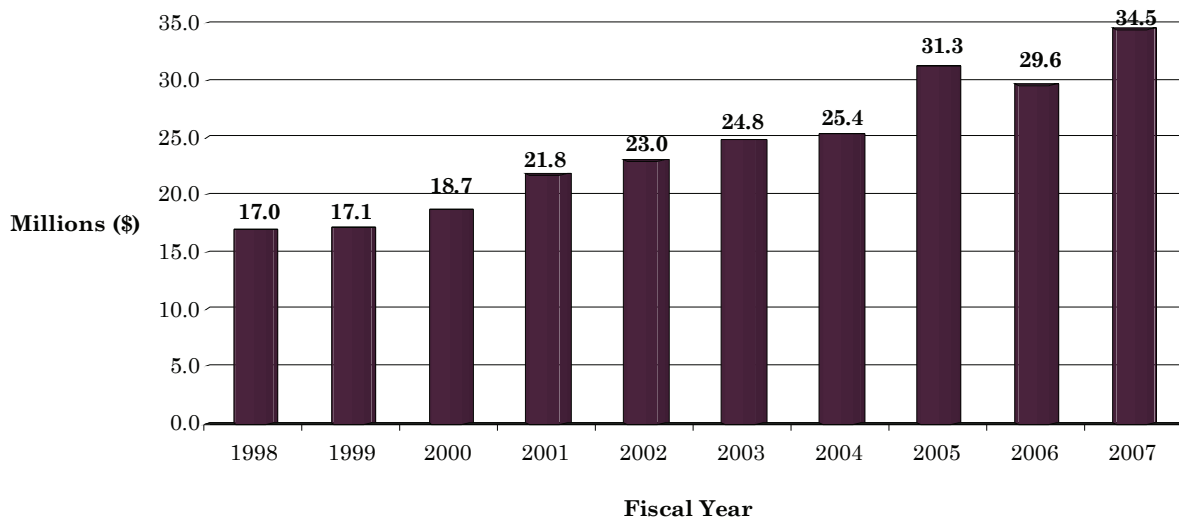
Notes

- (1) Net of interest expense incurred during construction, "capitalized interest".
- (2) Includes a refund of \$11,990,000 from the Operating Fund reserve to member agencies to comply with the reserve policy.
- (3) Includes a refund of \$14,000,000 from the Operating Fund reserve due to a change in the Operating Fund reserve policy decreasing the maximum ending balance to 45 days.
- (4) Includes write down to expense on certain capital projects related to feasibility costs, which were not viable.

Operating Budget Expenses by Major Expense Category - Last 10 Fiscal Years
(Table four)

Fiscal Year	Labor & Benefits	Outside Services	Supplies, Utilities, Insurance	Other Expenses	Capitalized Overhead	Total Operating Expenses (1)
2007	\$26,002,349	\$8,789,610	\$3,282,717	\$1,925,411	\$ (5,476,584)	\$34,523,503
2006	22,671,426	7,957,341	2,933,346	1,690,382	(5,617,584)	29,634,911
2005	20,973,393	9,372,642	3,307,774	1,913,736	(4,299,780)	31,267,765
2004	18,377,226	7,224,945	2,425,344	1,646,785	(4,299,780)	25,374,520
2003	16,071,050	7,875,041	2,549,110	1,637,495	(3,331,000)	24,801,696
2002	14,686,270	7,112,439	1,984,110	1,533,895	(2,308,000)	23,008,714
2001	13,737,329	6,897,096	2,097,192	1,371,077	(2,308,000)	21,794,694
2000	12,583,039	4,699,717	1,751,703	1,594,729	(1,925,000)	18,704,188
1999	12,203,318	3,779,157	1,849,780	1,309,359	(2,016,000)	17,125,614
1998	10,958,234	4,085,836	1,708,573	1,243,689	(1,035,000)	16,961,332

TOTAL OPERATING BUDGET EXPENSES



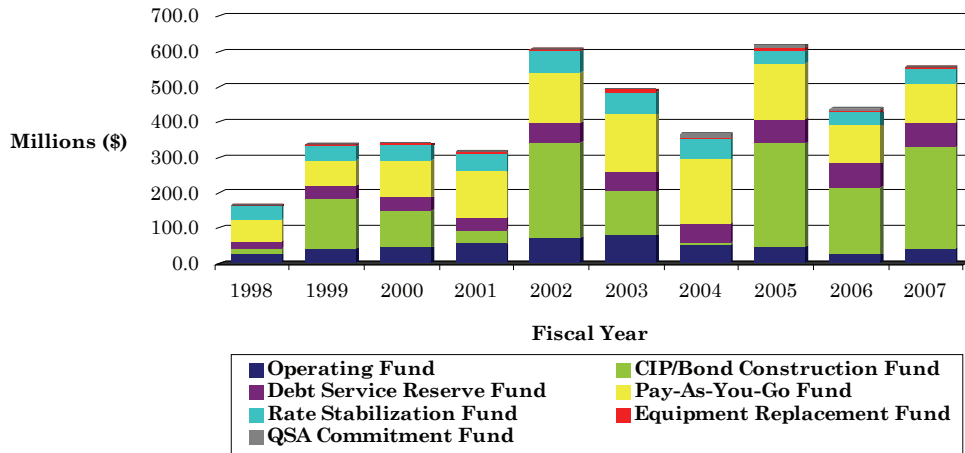
Notes

(1) Excludes equipment purchases.

**Cash and Investments by Fund - Last 10 Fiscal Years
(Table five)**

Fiscal Year	Operating Fund (1)	CIP/Bond Construction Fund (2)	Debt Service Reserve Fund (3)	Pay-As-You-Go Fund (4)	Rate Stabilization Fund (5)	Equipment Replacement Fund (6)	QSA Commitment Fund	Total Funds
2007	\$43,560,924	\$286,723,700	\$69,195,142	\$110,270,832	\$39,665,885 ⁽⁷⁾	\$7,593,300	\$ -	\$557,009,783
2006	24,018,480	191,021,979	69,195,142	105,686,534	35,620,158 ⁽⁸⁾	7,157,554	5,247,200	437,947,047
2005	48,134,990	292,252,449	69,195,142	155,555,895	38,198,367 ⁽⁹⁾	8,063,716	8,304,611	619,705,170
2004	53,591,204	5,197,001	55,106,344	180,508,998	56,501,616 ⁽¹⁰⁾	8,099,648	10,377,326 ⁽¹⁰⁾	369,382,137
2003	81,015,148	122,088,256	55,106,344	163,468,050	64,436,749 ⁽¹¹⁾	7,090,442	-	493,204,989
2002	71,823,241	269,834,963	55,106,344	143,421,713	61,619,358 ⁽¹²⁾	5,574,391	-	607,380,010
2001	53,942,815	38,643,711	36,845,546	129,710,383	53,623,363 ⁽¹³⁾	5,587,437	-	318,353,255
2000	44,726,861	105,410,067	36,845,546	105,273,353	43,072,185	4,270,226	-	339,598,238
1999	40,665,308	141,423,350	36,837,216	73,495,541	41,075,260	3,206,738	-	336,703,413
1998	24,914,087	16,333,448	21,453,991	60,080,343	39,008,772	2,158,061	-	163,948,702

CASH AND INVESTMENTS BY FUND



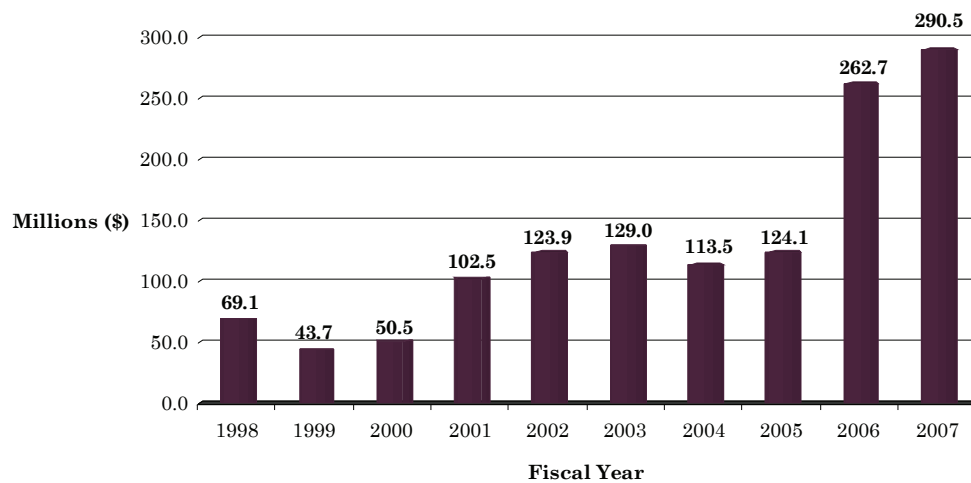
Notes

- (1) To be maintained at 45 days average annual operating expenditures; reduced from 60 days maximum in fiscal year 2003.
- (2) Includes capital funds from debt issues for funding expenditures on Capital Improvement Program (CIP).
- (3) This restricted fund includes required reserves for certain long-term debt issues.
- (4) Includes Capacity Charge and Water Standby Availability Charge revenues that are restricted to CIP expenditures and related debt.
- (5) Funds reserved per bond covenant to mitigate rate shock in years of weak water sales and/or to manage debt service coverage.
- (6) Used to fund the replacement of computer equipment, vehicles, SCADA, and remote terminal units.
- (7) \$5,680,496 was transferred from the Operating Fund to the Rate Stabilization Fund.
- (8) \$3,762,000 was transferred from the Rate Stabilization Fund to the Operating Fund.
- (9) \$18,858,310 was transferred from the Rate Stabilization Fund to the Operating Fund.
- (10) \$10,459,000 was transferred from the Rate Stabilization Fund to create the Quantification Settlement Agreement (QSA) Commitment Fund in fiscal year 2004.
- (11) \$1,400,000 was transferred from the Rate Stabilization Fund to the Operating Fund.
- (12) \$5,276,000 was transferred from the Operating Fund to the Rate Stabilization Fund.
- (13) \$6,762,000 was transferred from the Operating Fund to the Rate Stabilization Fund.

Capital Improvement Program (CIP) and Capital Expenses - Last 10 Fiscal Years
(Table six)

Fiscal Year	Labor & Benefits	Outside Services	Supplies, Utilities, Insurance & Other Expenses	Capitalized Overhead	Total Capital Improvement Program	Capitalized Interest	Total Non-Capital Expenses (1)	Current Year Additions to Construction in Progress (2)
2007	\$10,098,121	\$271,774,385	\$3,183,670	\$5,476,584	\$290,532,761	\$19,212,133	\$ (16,489,748)	\$293,255,146
2006	9,748,478	241,144,663	6,142,124	5,617,584	262,652,849	24,676,823	(46,078,631)	241,251,041
2005	8,507,287	107,457,165	3,879,844	4,299,780	124,144,076	8,955,148	(23,629,196)	109,470,028
2004	8,255,174	92,456,524	8,512,394	4,299,780	113,523,872	10,863,000	-	124,386,872
2003	7,087,636	110,016,673	8,613,633	3,331,000	129,048,942	15,629,000	-	144,677,942
2002	6,233,491	108,057,288	7,330,134	2,308,000	123,928,913	12,904,000	-	136,832,913
2001	5,109,815	83,410,716	11,624,857	2,308,000	102,453,388	10,656,000	-	113,109,388
2000	4,464,505	40,055,796	4,086,384	1,925,000	50,531,685	8,000,000	-	58,531,685
1999	3,895,378	27,754,838	10,053,013	2,016,000	43,719,229	10,400,000	-	54,119,229
1998	3,533,497	63,081,506	1,478,803	1,035,000	69,128,806	12,700,000	-	81,828,806

CAPITAL IMPROVEMENT PROGRAM



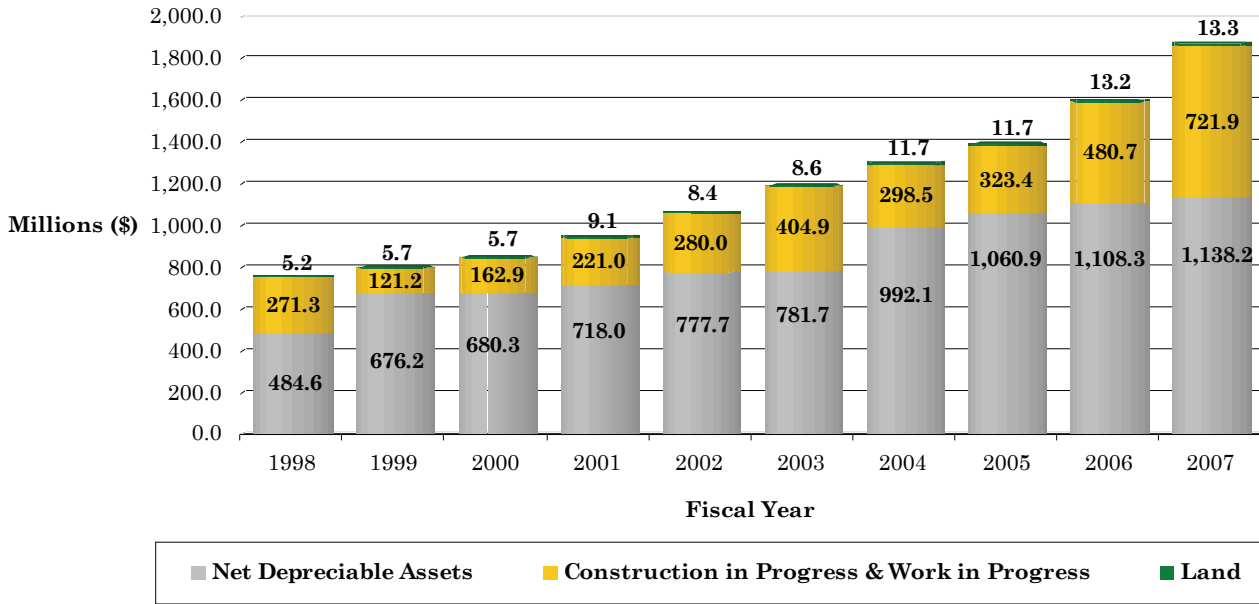
Notes

- (1) Reimbursable costs incurred on the All-American and Coachella Canal Lining Projects are not capitalized per generally accepted accounting principles.
- (2) Capital expenses are current year additions to construction in progress.

Capital Assets - Last 10 Fiscal Years
(Table seven)

Fiscal Year	Water Systems					Total Depreciable Assets	Accumulated Depreciation	Net Depreciable Assets (3)	Capital Assets Not Depreciated			Net Capital Assets
	Pipelines	Valves & Telemetry (1)	Buildings	Automobiles & Equipment (2)	Land (4)				Construction in Progress	Work in Progress		
2007	\$1,071,305,136	\$40,193,276	\$187,033,157	\$58,198,582	\$1,356,730,151	\$ (218,556,413)	\$1,138,173,738	\$13,283,900	\$720,889,855	\$977,807	\$1,873,325,300	
2006	1,050,614,869	40,128,411	156,164,182	56,674,342	1,303,581,804	(195,279,590)	1,108,302,214	13,193,281	480,320,115 (5)	367,223	1,602,182,833	
2005	991,809,785	39,722,076	167,955,745	35,402,318	1,234,889,924	(174,036,504)	1,060,853,420	11,667,917	323,383,524	-	1,395,904,861	
2004	947,274,021	27,497,356	141,362,850	30,463,915	1,146,598,142	(154,495,721)	992,102,421	11,667,917	298,520,667	-	1,302,291,005	
2003	768,522,873	22,773,407	100,194,156	28,908,254	920,398,690	(138,719,779)	781,678,911	8,560,585	404,863,991	-	1,195,103,487	
2002 (6)	768,259,138	20,570,715	83,909,966	28,389,538	901,129,357	(123,397,037)	777,732,320	8,399,965	279,976,532	-	1,066,108,817	
2001	737,249,233	18,748,895	43,909,580	27,535,046	827,442,754	(109,482,152)	717,960,602	9,074,965	221,012,392	-	948,047,959	
2000	704,969,163	23,138,872	31,573,020	16,488,404	776,169,459	(95,892,304)	680,277,155	5,699,065	162,886,957	-	848,863,177	
1999	691,756,293	21,175,776	30,968,264	13,950,700	757,851,033	(81,603,244)	676,247,789	5,699,065	121,153,163	-	803,100,017	
1998	491,726,569	20,106,168	30,349,638	13,354,945	555,537,320	(70,923,833)	484,613,487	5,175,965	271,318,892	-	761,108,344	

NET CAPITAL ASSETS



Notes

- (1) Includes valves, pumps, and telemetry equipment.
- (2) Includes vehicles, computers, office equipment, furniture, and fixtures.
- (3) Depreciable assets less accumulated depreciation.
- (4) Includes land used for environmental mitigation.
- (5) Construction in progress at June 30, 2006 was restated to reflect the cancellation of two projects.
- (6) Capital asset amounts restated to reflect changes in asset classifications made during fiscal year 2002.

Schedule of Rates and Charges - Last 10 Calendar Years ⁽¹⁾
(Table eight)

Calendar Year	Water Rates (2)										
	Supply Charges			Transportation Charge (5)	Fixed Charges		Standby Charge (6)	Capacity Charge (7)	Secured Tax Rate (8)	Unsecured Tax Rate (8)	Infrastructure Access Charge (9)
	Treated (3)	Untreated (3)	Agriculture (4)		Customer Service Charge	Storage Charge					
2007	\$ 512	\$ 365	\$ 364	\$ 60	\$ 14,200,000	\$ 17,700,000	\$ 10	\$ 4,492	0.00000	0.00000	\$ 1.56
2006	485	360	339	60	13,900,000	16,149,998	10	4,313	0.00000	0.00000	1.48
2005	461	349	329	55	13,600,000	14,600,000	10	2,465	0.00000	0.00000	1.15
2004	418	326	304	55	13,600,000	14,600,000	10	2,004	0.00067	0.00075	1.15
2003	408	326	294	55	13,753,401	13,375,295	10	2,004	0.00075	0.00083	1.00
2002	526	444	374	-	-	-	10	2,004	0.00083	0.00091	1.00
2001	521	439	374	-	-	-	10	2,004	0.00091	0.00100	1.00
2000	521	439	374	-	-	-	10	1,871	0.00100	0.00107	1.00
1999	516	434	374	-	-	-	10	1,585	0.00107	0.00117	1.00
1998	511	429	374	-	-	-	10	1,585	0.00117	0.00126	-

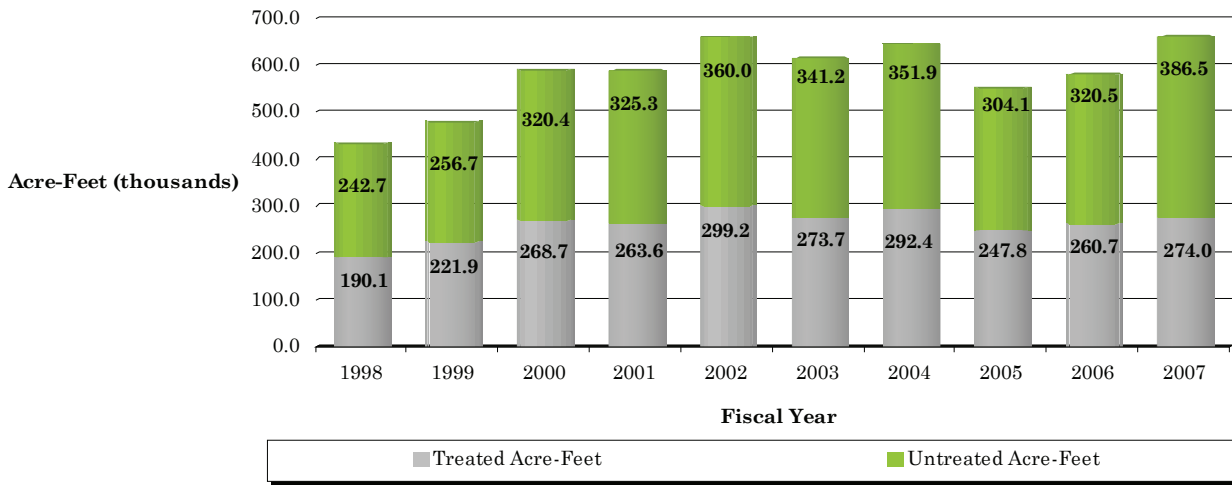
Notes

- (1) All rates are calendar year, except for the Water Availability Standby Charge, which is fiscal year.
- (2) Effective January 1, 2003, a new rate structure was implemented resulting in a reduction per acre-foot water rate, a new Transportation Charge, and two fixed charges:
 - The Customer Service Charge is allocated to member agencies based on each agency's three-year rolling average of all deliveries.
 - The Storage Charge is allocated to member agencies based on a pro-rata share of each agency's three-year rolling average of non-agricultural deliveries.
- (3) Reflects Municipal and Industrial Supply rates per acre-foot of water before surface operating agreement and seasonal storage credits given by Metropolitan Water District (MWD). A melded untreated supply rate was implemented in calendar year 2005 and a melded treatment rate was implemented in calendar year 2006, which blend the costs of different supply and treatment sources. Supply rates include Water Authority charges prior to the rate restructuring effective January 1, 2003.
- (4) Reflects MWD treated Interim Agricultural Water Program rate and Water Authority charges prior to January 1, 2003.
- (5) Per acre-foot of water.
- (6) Per parcel or acre, whichever is greater.
- (7) Per equivalent meter - includes System and Treatment capacity charges.
- (8) Per \$100 of assessed valuation.
- (9) Per equivalent meter.

Water Sales - Last 10 Fiscal Years
(Table nine)

Fiscal Year	Treated Water		Untreated Water		Total	
	Acre-Feet	Value (1)	Acre-Feet	Value (1)	Acre-Feet	Sales (1)
2007	273,988.7	\$135,190,065 ⁽²⁾	386,465.9	\$157,807,646 ⁽²⁾	660,454.6	\$292,997,711 ⁽²⁾
2006	260,719.6	114,558,835 ⁽²⁾	320,493.5	136,399,559 ⁽²⁾	581,213.1	250,958,394 ⁽²⁾
2005	247,775.8	104,722,566 ⁽²⁾	304,112.4	121,240,099 ⁽²⁾	551,888.2	225,962,665 ⁽²⁾
2004	292,391.8	123,629,162 ⁽²⁾	351,854.8	132,077,114 ⁽²⁾	644,246.6	255,706,276 ⁽²⁾
2003	273,707.0	126,412,573 ⁽²⁾	341,232.2	132,049,449 ⁽²⁾	614,939.2	258,462,022 ⁽²⁾
2002	299,163.2	143,469,479	360,009.1	148,781,737	659,172.3	292,251,216
2001	263,613.1	125,276,486	325,286.3	131,689,611	588,899.4	256,966,097
2000	268,665.2	120,230,449	320,368.9	131,411,720	589,034.1	251,642,169
1999	221,919.9	104,280,865	256,665.0	103,728,822	478,584.9	208,009,687
1998	190,092.6	87,498,126	242,665.9	100,838,497	432,758.5	188,336,623

WATER SALES IN ACRE-FEET

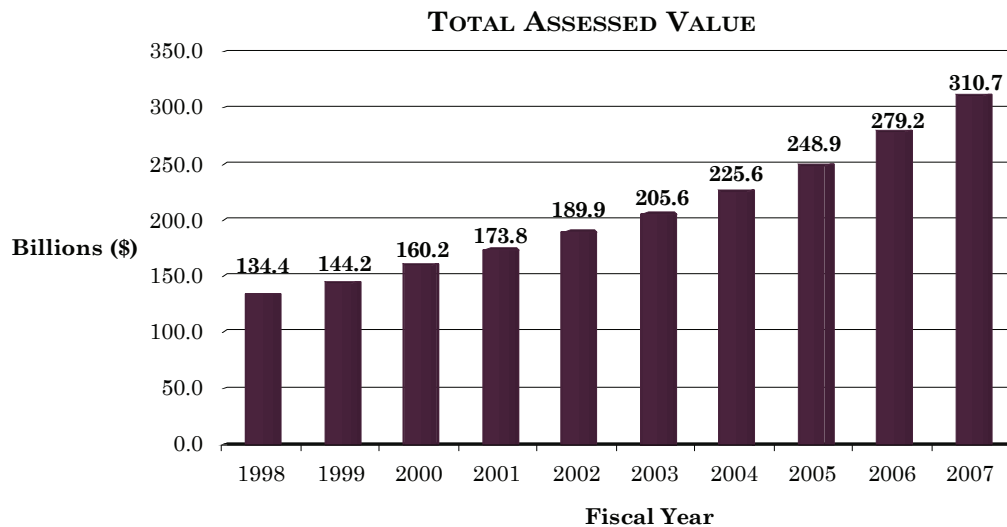


Notes

- (1) Total water sales do not include MWD's readiness-to-serve and capacity charges, and are net of surface storage, seasonal storage, agriculture, and reclamation credits passed on to member agencies.
- (2) Amounts are reduced as a result of a rate structure implemented effective January 2003, which reduced the per acre-foot water rate and implemented two new fixed charges.

Assessed Value of Taxable Property - Last 10 Fiscal Years
(Table ten)

Fiscal Year	Local Secured Property	State Secured Property	Exemptions	Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value	Secured Tax Rate (1)	Unsecured Tax Rate (1)
2007	\$332,684,762,248	\$764,249,126	\$34,464,826,993	\$298,984,184,381	\$11,704,409,707	\$310,688,594,088	0.00000	0.00000 ⁽²⁾
2006	297,241,134,929	675,774,089	29,042,761,077	268,874,147,941	10,364,695,733	279,238,843,674	0.00000	0.00000 ⁽²⁾
2005	260,789,184,612	639,767,553	22,371,576,753	239,057,375,412	9,868,477,797	248,925,853,209	0.00000	0.00000 ⁽²⁾
2004	234,796,344,077	783,602,175	20,030,159,591	215,549,786,661	10,054,422,048	225,604,208,709	0.00067	0.00075
2003	213,411,716,593	106,087,120	17,361,329,140	196,156,474,573	9,425,146,125	205,581,620,698	0.00075	0.00083
2002	195,543,487,502	116,762,403	15,198,976,703	180,461,273,202	9,469,691,227	189,930,964,429	0.00083	0.00091
2001	178,578,243,860	114,853,595	13,455,522,267	165,237,575,188	8,606,600,823	173,844,176,011	0.00091	0.00100
2000	162,942,179,765	138,847,508	11,248,397,609	151,832,629,664	8,352,620,071	160,185,249,735	0.00100	0.00107
1999	147,073,219,918	146,980,971	10,246,920,653	136,973,280,236	7,250,319,165	144,223,599,401	0.00107	0.00117
1998	136,867,874,675	162,593,978	9,348,839,801	127,681,628,852	6,764,932,445	134,446,561,297	0.00117	0.00126



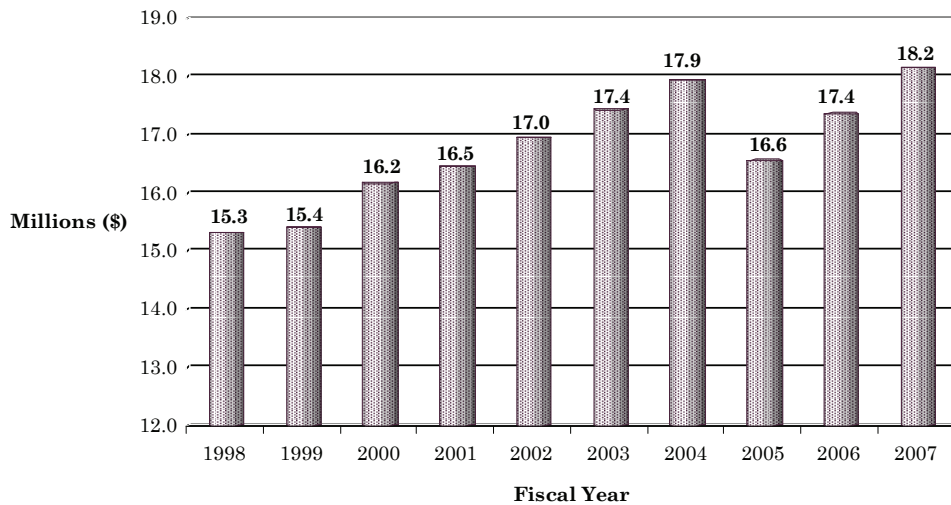
Source
Office of the Auditor & Controller, County of San Diego

- Notes
- (1) Per \$100 of assessed valuation.
 - (2) The 1966 General Obligation bonds were paid off in October 2004; therefore, the debt service tax rate levy is no longer required.

Property Tax and Assessment Levies and Collections - Last 10 Fiscal Years
(Table eleven)

Fiscal Year	Property Taxes	Special Assessments (1)	Total Levy	Total Tax Collections (2)	Net Delinquent	Percent Delinquent
2007	\$7,643,225	\$11,081,793	\$18,725,018	\$18,161,707	\$563,311	3.01%
2006	6,858,492 ⁽³⁾	10,929,268	17,787,760	17,365,216	422,544	2.38%
2005	6,118,958 ⁽³⁾	10,802,485	16,921,443	16,564,119	357,324	2.11%
2004	7,643,129	10,728,335	18,371,464	17,943,385	428,079	2.33%
2003	7,087,762	10,730,852	17,818,614	17,433,296	385,318	2.16%
2002	6,643,136	10,674,464	17,317,600	16,952,618	364,982	2.11%
2001	6,265,580	10,641,256	16,906,836	16,463,702	443,134	2.62%
2000	5,806,670	10,782,862	16,589,532	16,166,744	422,788	2.55%
1999	5,469,653	10,370,103	15,839,756	15,402,265	437,491	2.76%
1998	5,207,949	10,582,737	15,790,686	15,312,439	478,247	3.03%

TOTAL TAX COLLECTIONS



Source

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

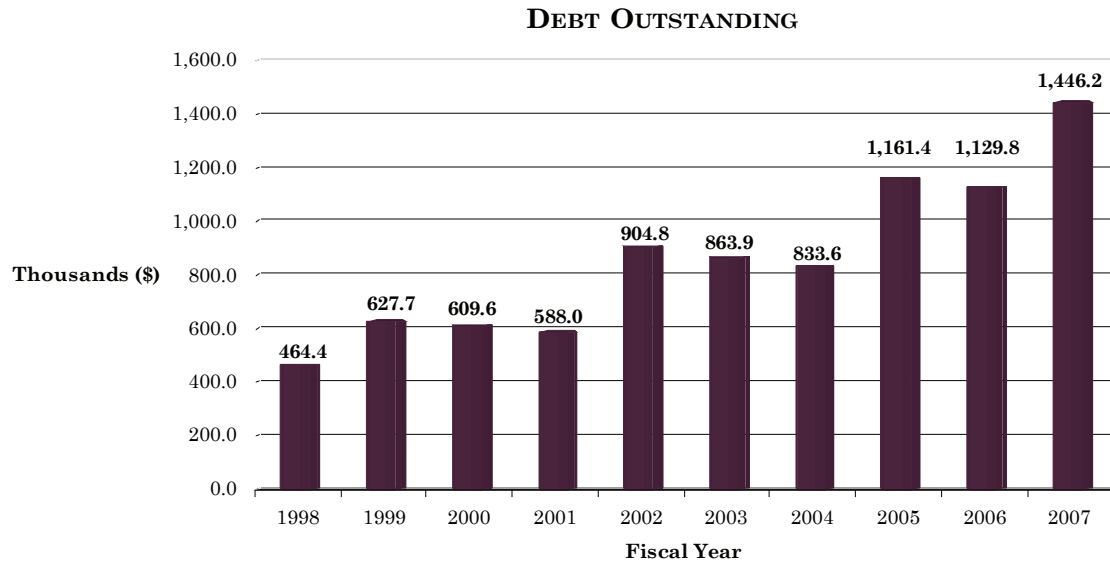
Notes

- (1) Represents the tax levy for the Water Authority’s Water Standby Availability Charge.
- (2) Collections on current year tax levy.
- (3) Net of Educational Revenue Augmentation Fund (ERAF) shift of \$4,748,158 in fiscal year 2006 and \$5,787,380 in fiscal year 2005. In fiscal year 2006, the Water Authority also received a refund of \$1,039,222 from the State of California for over-collected amounts from fiscal year 2005.

Debt Outstanding - Last 10 Fiscal Years (Table twelve)

(in Thousands)

Fiscal Year	Government Obligations	Commercial Paper	Certificates of Participation							Total Debt Outstanding	% of Personal Income ⁽¹⁾	Debt Per Capita ⁽¹⁾
			1991A&B	1993A	1997A	1998A	2002A	2004A	2005A			
2007	\$ -	\$460,000	\$ -	\$26,700	\$102,575	\$62,690	\$261,740	\$425,000	\$107,455	\$1,446,160	0.00%	\$ -
2006	-	110,000	-	39,000	118,305	62,690	267,395	425,000	107,455	1,129,845	0.97%	368.67
2005	-	110,000	-	50,600	132,845	62,690	272,835	425,000 ⁽²⁾	107,455 ⁽³⁾	1,161,425	1.04%	381.96
2004	-	110,000	56,700	61,665	147,210	180,000	278,065	-	-	833,640	0.79%	272.58
2003	1,645	110,000	56,700	71,940	160,485	180,000	283,095	-	-	863,865	0.84%	285.70
2002	3,220	110,000	69,000	81,895	160,695	180,000	300,000 ⁽⁴⁾	-	-	904,810	0.92%	305.96
2001	4,725	70,000	80,605	91,355	161,360	180,000	-	-	-	588,045	0.62%	201.39
2000	6,165	70,000	91,555	100,345	161,535	180,000	-	-	-	609,600	0.71%	212.57
1999	7,545	70,000	101,895	106,090	162,170	180,000	-	-	-	627,700	0.79%	223.04
1998	8,865	70,000	111,670	111,570	162,315 ⁽⁵⁾	-	-	-	-	464,420	0.64%	166.71



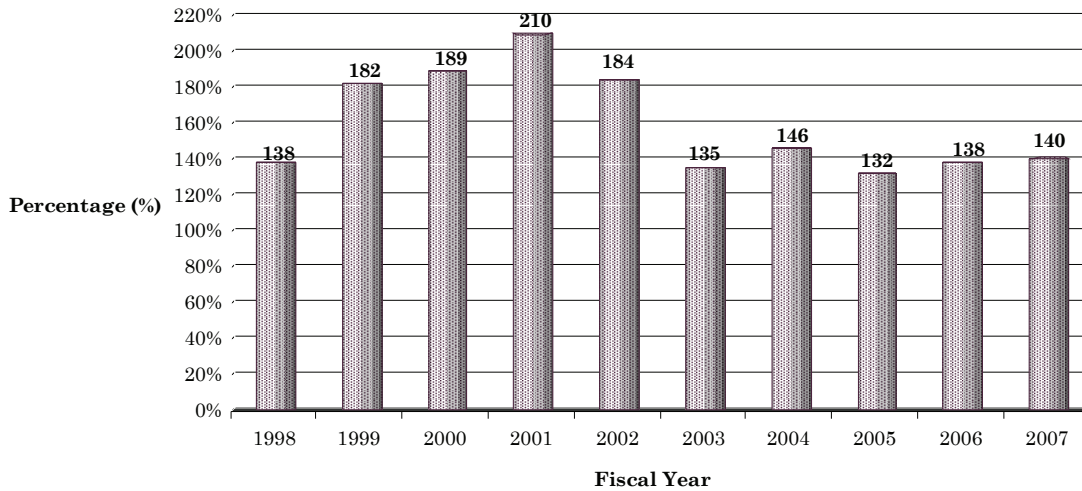
Notes

- (1) Ratios are calculated using personal income from the prior calendar year.
- (2) \$56,700,000 of proceeds were used to make an early payment on the 1991B COPs in July 2002.
- (3) Issued to advance refund \$117,310,000 of the 1998A COPs in February 2005.
- (4) \$12,300,000 of proceeds were used to make an early payment on the 1991A COPs in July 2002.
- (5) Issued to advance refund \$154,035,000 of 1991B COPs in December 1997.

**Senior Lien Debt Service Coverage - Last 10 Fiscal Years
(Table thirteen)**

Fiscal Year	Revenues for Purpose of Calculation (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Senior Lien Debt Service (3)			Coverage Factor
				Principal	Interest	Total	
2007	\$410,112,152	\$292,283,252	\$117,828,900	\$33,685,000	\$50,184,173	\$83,869,173	140%
2006	374,042,753	259,261,156	114,781,597	31,580,000	51,772,285	83,352,285	138%
2005	349,123,929	245,745,447	103,378,482	30,660,000	47,633,295	78,293,295	132%
2004	368,218,435	271,452,846	96,765,589	28,580,000	37,791,220	66,371,220	146%
2003	345,776,089	256,762,278	89,013,811	27,070,000 ⁽⁴⁾	38,707,465	65,777,465	135%
2002	350,604,097	259,363,621	91,240,476	21,730,000	27,769,820	49,499,820	184%
2001	330,895,949	230,837,198	100,058,751	20,115,000	27,586,194	47,701,194	210%
2000	317,141,719 ⁽⁵⁾	230,760,376	86,381,343	16,720,000	28,897,158	45,617,158	189%
1999	269,900,928	191,999,772	77,901,156	15,400,000	27,354,957	42,754,957	182%
1998	233,396,012	182,395,713	51,000,299	14,490,000	22,536,808	37,026,808	138%

SENIOR LIEN DEBT SERVICE COVERAGE



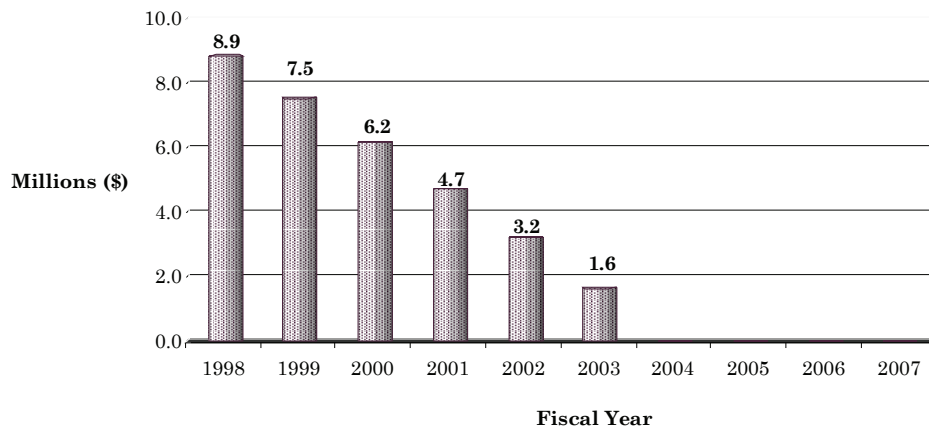
Notes

- (1) Includes amounts transferred to and from the Rate Stabilization Fund, and excludes interest on debt proceeds, property tax receipts, contributions in aid of construction, and Capital Improvement Program (CIP) grant reimbursements.
- (2) Excludes depreciation and amortization expenses; net of applicable property tax receipts.
- (3) Excludes commercial paper.
- (4) Excludes \$12,300,000 principal payment on 1991 COPs which was paid from debt proceeds.
- (5) Computation changed as of fiscal year 2000 to exclude interest earned on debt proceeds.

Ratio of Net General Bonded Debt to Assessed Value and
 Net General Bonded Debt Per Capita - Last 10 Fiscal Years
 (Table fourteen)

Fiscal Year	Population Estimate	Assessed Valuation	Gross Bonded Debt (1)	Less Debt Service Funds	Net Bonded Debt	Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
2007	3,098,269	\$ 310,688,594,088	\$ -	\$ -	\$ -	-	-
2006	3,066,820	279,238,843,674	-	-	-	-	-
2005	3,039,277	248,925,853,209	-	-	-	-	-
2004	3,013,014	225,604,208,709	-	-	-	-	-
2003	2,976,100	205,581,620,698	1,645,000	-	1,645,000	0.0000080	0.55274
2002	2,908,500	189,930,964,429	3,220,000	-	3,220,000	0.0000170	1.10710
2001	2,859,900	173,844,176,011	4,725,000	-	4,725,000	0.0000272	1.65216
2000	2,805,935	160,185,249,735	6,165,000	-	6,165,000	0.0000385	2.19713
1999	2,750,992	144,223,599,401	7,545,000	-	7,545,000	0.0000523	2.74265
1998	2,702,798	134,446,561,297	8,865,000	-	8,865,000	0.0000659	3.27993

NET GENERAL BONDED DEBT OUTSTANDING



Source

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

Notes

(1) The General Obligation Bonds matured in October 2004.

Direct and Overlapping Debt - June 30, 2007
(Table fifteen)

2006-07 Assessed Valuation:	\$ 331,993,668,620
Redevelopment Incremental Valuation:	33,009,484,239
Adjusted Assessed Valuation:	\$ 298,984,184,381

Direct and Overlapping Tax and Assessment Debt	Total Debt Outstanding as of June 30, 2007	% Applicable ⁽¹⁾	Estimated Share of Overlapping Debt as of June 30, 2007
San Diego County Water Authority	\$ -	100.000%	\$ -
Metropolitan Water District	359,115,000	18.812%	67,556,714
Community College Districts	681,356,966	82.382-99.950%	652,503,216
San Diego Unified School District	1,426,599,638	99.950%	1,425,886,338
Other Unified School Districts	449,938,026	various	447,844,142
High School Districts	409,252,886	various	398,296,371
School Districts	446,111,490	various	439,086,654
City of Escondido	84,350,000	99.449%	83,885,232
City of San Diego Open Space Park District	23,405,000	99.441%	23,391,191
Other Cities	25,835,000	99.746-100%	25,813,660
Palomar Pomerado Hospital District	73,815,000	97.565%	72,017,605
Municipal Water Districts	10,625,000	99.837-100%	10,623,378
Community Facilities Districts	1,625,282,831	100.000%	1,625,282,831
1915 Act Bonds (Estimated)	197,394,883	100.000%	197,394,883
Total Gross Direct and Overlapping Tax and Assessment Debt			\$ 5,469,582,215
Less: City of San Diego Open Space Park District (100% self supporting)			13,492,035
Total Net Direct and Overlapping Tax and Assessment Debt			\$ 5,456,090,180

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

Direct and Overlapping Debt - June 30, 2007
(Table fifteen), continued

Direct and Overlapping General Fund Debt	Total Debt Outstanding as of June 30, 2007	% Applicable ⁽¹⁾	Estimated Share of Overlapping Debt as of June 30, 2007
San Diego County General Fund Obligations	\$ 351,215,000	96.684%	\$ 339,568,711
San Diego County Pension Obligations	1,343,747,916	96.684%	1,299,189,235
San Diego Superintendent of Schools Certificates of Participation	18,042,500	96.684%	17,444,211
Community College District Certificates of Participation	16,515,000	83.382-99.950%	15,817,160
Unified School District General Fund Obligations	113,150,000	90.227-99.950%	110,704,859
High School and School District General Fund Obligations	245,232,500	71.317-100%	243,646,923
City of San Diego General Fund Obligations	481,270,000	99.941%	480,986,051
Other City General Fund Obligations	516,112,090	98.711-100%	514,144,180
Fallbrook Sanitary District General Fund Obligations	7,310,000	99.485%	7,272,354
Otay Municipal Water District Certificates of Participation	66,135,000	99.756%	65,973,631
San Miguel Consolidated Fire Protection District General Fund Obligations	8,615,000	99.626%	8,582,780
Total Gross Overlapping General Fund Debt			\$ 3,103,330,095
Less: City of Oceanside self-supporting obligations			533,582
Otay Municipal Water District Certificates of Participation			65,973,631
Total Net Overlapping General Fund Debt			\$ 3,036,822,882
GROSS COMBINED TOTAL DEBT			\$ 8,572,912,310
NET COMBINED TOTAL DEBT			\$ 8,492,913,062
Ratios to 2006-07 Assessed Valuation:			
Direct Debt		0.00%	
Total Gross Direct and Overlapping Tax and Assessment Debt		1.61%	
Total Net Direct and Overlapping Tax and Assessment Debt		1.61%	
Ratios to Adjusted Assessed Valuation:			
Gross Combined Total Debt		2.80%	
Net Combined Total Debt		2.78%	
State School Building Aid Repayable as of June 30, 2007		\$0	

Source

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

Notes

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the Water Authority.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

General Information as of June 30, 2007
(Table sixteen)

Number of Member Agencies	24
Cities	6
Water Districts	5
Irrigation Districts	3
Municipal Water Districts	8
Public Utility Districts	1
Federal Agency (military base)	1

* The County of San Diego is a non-voting representative

Water System Service Area	939,672 acres
Population of Service Area	est. 3,098,269
Number of Primary Pipelines	5
Miles of Pipeline (35 inches and larger)	279 miles
Miles of Patrol Road Maintained	135 miles
Number of Service Connections	119
Treated Water Pipeline Capacity	420 MGD
Untreated Water Pipeline Capacity	504 MGD
Average Daily Production (fiscal year 2007)	588 MGD

Regular Budgeted Employees by Function

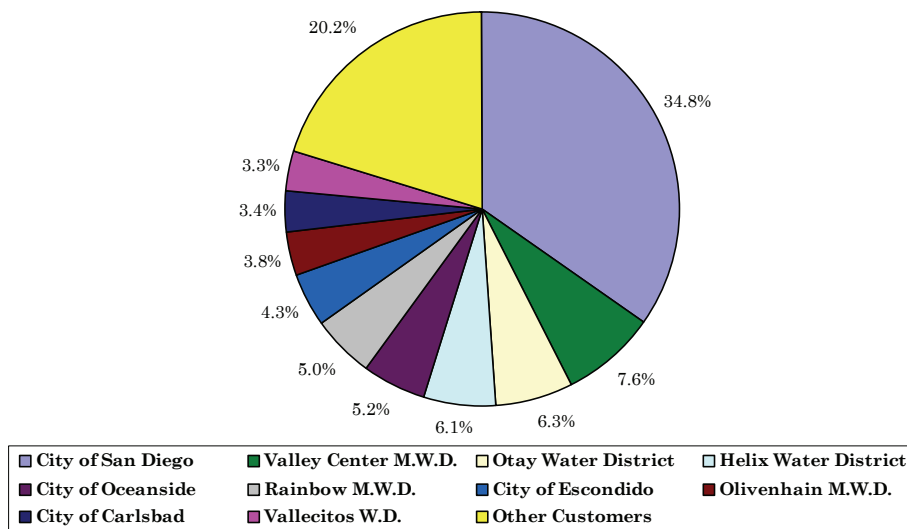
Operations & Maintenance	136.00
Planning	236.50
General & Administrative	<u>92.75</u>
Total	265.25

Average Years of Service of Regular Employees	9.4 years
Number of Retired Employees Receiving Retiree Health Benefits	21
Average Monthly Health Benefit per Retiree	\$ 227

Principal Water Customers for Fiscal Years Ended June 30, 2007 and 1998
(Table seventeen)

Member Agency	Fiscal Year Ended June 30, 2007		Member Agency	Fiscal Year Ended June 30, 1998	
	Sales (acre-feet)	Percent of Water Sold		Sales (acre-feet)	Percent of Water Sold
City of San Diego	229,672	34.8%	City of San Diego	166,288	43.9%
Valley Center M.W.D.	50,511	7.7%	Helix Water District	28,751	7.6%
Otay Water District	41,946	6.4%	City of Oceanside	24,692	6.5%
Helix Water District	40,063	6.1%	Otay Water District	22,760	6.0%
City of Oceanside	34,021	5.2%	Padre Dam M.W.D.	16,264	4.3%
Rainbow M.W.D.	33,186	5.0%	City of Carlsbad	13,821	3.7%
City of Escondido	28,429	4.3%	Olivenhain M.W.D.	12,996	3.4%
Olivenhain M.W.D.	25,437	3.9%	City of Escondido	12,223	3.2%
City of Carlsbad	22,099	3.4%	Vista Irrigation District	11,211	3.0%
Vallecitos W.D.	21,836	3.3%	Vallecitos W.D.	10,758	2.8%
Fallbrook P.U.D.	20,427	3.1%	City of Poway	10,447	2.8%
Padre Dam M.W.D.	19,222	2.9%	Fallbrook P.U.D.	6,961	1.8%
Vista Irrigation District	18,967	2.9%	Rainbow M.W.D.	6,721	1.8%
City of Poway	16,079	2.4%	Valley Center M.W.D.	6,371	1.7%
Ramona M.W.D.	12,724	1.9%	Santa Fe I.D.	6,008	1.6%
Sweetwater Authority ⁽¹⁾	12,510	1.9%	Ramona M.W.D.	5,913	1.6%
Santa Fe I.D.	11,562	1.8%	Rincon Del Diablo	5,873	1.6%
Rincon Del Diablo	8,610	1.3%	Sweetwater Authority ⁽¹⁾	4,715	1.3%
San Dieguito W.D.	5,995	0.9%	San Dieguito W.D.	4,080	1.1%
Yuima M.W.D.	3,625	0.6%	City of Del Mar	1,440	0.4%
Lakeside W.D. ⁽²⁾	1,995	0.3%	Pendleton	88	0.0%
City of Del Mar	1,466	0.2%	Yuima M.W.D.	25	0.0%
Pendleton	72	0.0%	Total Water Sales	378,404	100.0%
Total Water Sales	660,455	100.0%			

WATER SALES BY CUSTOMER FOR FISCAL YEAR ENDED JUNE 30, 2007



Notes

- (1) Sweetwater includes National City and South Bay Irrigation District.
- (2) Effective January 1, 2007, Padre Dam MWD was reorganized into Padre Dam MWD and Lakeside WD.

Demographic and Economic Statistics - Last 10 Calendar Years
(Table eighteen)

Year	Total U.S. Population (1)	San Diego County Population (2)	% of U.S. Population	% of change from previous year	Personal Income (3) (in thousands)	Per Capita Personal Income (3)	Unemployment Rate (2)
2006 (est)	299,398,484	3,066,820	1.02%	0.90%	\$ 125,885,164	\$ 42,797	4.4%
2005	296,507,061	3,039,277	1.03%	0.86%	119,135,889	40,569	4.6%
2004	293,638,158	3,013,014	1.03%	1.23%	113,062,259	38,536	5.1%
2003	290,796,023	2,976,100	1.02%	2.27%	104,630,453	35,810	5.6%
2002	288,125,973	2,908,500	1.01%	1.67%	100,655,726	34,688	5.6%
2001	285,226,284	2,859,900	1.00%	1.89%	97,009,480	33,865	4.4%
2000	282,216,952	2,805,935	0.99%	1.96%	92,654,006	32,799	4.5%
1999	272,690,813	2,750,992	1.01%	1.75%	84,346,910	30,236	3.5%
1998	270,248,003	2,702,798	1.00%	1.83%	77,968,184	28,490	3.9%
1997	267,783,607	2,653,446	0.99%	1.22%	70,535,060	26,196	4.3%

Year	Median Age (4)	Average Household Size (2)	Educational Attainment		
			% High School Graduate (2)	% Bachelor's Degree or Higher (2)	% Below Poverty (1)
2006 (est)	34.4	2.72	84.9%	33.3%	11.0%
2005	33.2	2.77	84.2%	27.2%	12.1%
2004	34.5	2.75	84.7%	33.0%	12.7%
2003	33.2	2.64	85.0%	37.0%	11.6%
2002	33.7	2.60	80.5%	29.9%	10.9%
2001	33.1	2.79	81.1%	30.4%	10.9%
2000	33.2	2.63	80.8%	30.1%	10.9%
1999	33.3	n/a	n/a	n/a	12.2%
1998	n/a	2.80	n/a	n/a	13.1%
1997	n/a	n/a	n/a	n/a	14.2%

Source

- (1) Census Bureau
- (2) California Labor Market
- (3) Department of Commerce
- (4) American Community Survey (a subdivision of the Census Bureau)

Top Employers in San Diego County - Fiscal Years 2007 and 1998
(Table nineteen)

Employer	2007			1998 (1)		
	Rank	# of Employees	% of Total Employment (2)	Rank	# of Employees	% of Total Employment (2)
United States Navy	1	42,000	2.87%			
Federal Government	2	39,100	2.67%	1	44,200	3.37%
State of California	3	37,100	2.53%	2	32,400	2.47%
University of California, San Diego	4	24,790	1.69%	4	21,444	1.63%
San Diego Unified School District	5	21,073	1.44%	3	25,230	1.92%
City of San Diego	6	20,700	1.41%	6	11,085	0.84%
County of San Diego	7	18,900	1.29%	5	17,700	1.35%
Sharp Healthcare	8	13,872	0.95%	8	8,111	0.62%
United States Postal Service	9	11,611	0.79%	9	7,162	0.55%
Scripps Health	10	10,313	0.70%			

2007 Total Number employed in San Diego County 1,463,900 (3)
 1998 Total Number employed in San Diego County 1,313,300 (3)

7 Qualcomm Inc. 10,431 (0.79%)
 10 Kaiser Permanente 5,959 (0.45%)

Source

The Daily Transcript

Notes

- (1) From the Employment Development Department.
- (2) Represents percentage of total countywide employment.
- (3) California Labor Market

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