

Internal Services
Department of Finance
Auditor-Controller Division



Bradley J. Hudson,
County Executive

David Villanueva,
Chief Deputy County Executive

Ben Lamera,
Assistant Auditor-Controller

Julie Valverde,
Director of Finance

County of Sacramento

June 21, 2012

Board of Directors
Sacramento County Water Agency
700 H Street, Room 2450
Sacramento, California 95814

We have audited the financial statements of the governmental activities and general fund of Sacramento County Water Agency Special Revenue Fund (Agency) as of and for the years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003, and have issued our report thereon dated June 21, 2012.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 27, 2009 to management of the Agency, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Agency. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing as stated in our engagement letter which was communicated to the management.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The Agency follows Sacramento County accounting policies which are described in County of Sacramento annual comprehensive financial report. Other than implementation of Governmental Accounting Standards Board (GASB) Statement No. 51 "*Accounting and Financial Reporting for Intangible Assets*", no significant new accounting policies were adopted and the application of existing policies was not changed during the period July 1, 2002 to June 30, 2009. We noted no transactions entered into by the Agency during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. We did not note any accounting estimates that are particularly sensitive and required your special attention.

The disclosures in the financial schedules are neutral, consistent, and clear. We did not note any financial schedule disclosures that are particularly sensitive to financial schedule users.

Difficulties Encountered in Performing the Audit

Due to the shortage of available audit staff, we did not begin our audit fieldwork until October 2009. Because of the reasons noted below, we completed the audit in June 2012.

During the course of the audit, the Agency had limited available staff for the audit because the Agency had five other audits in progress. These audits included Internal Revenue Service audit of 2003 bond issue and Moody's Rating Agency audit of Water Supply Enterprise fund.

In addition, the completed financial statements were not available until May 2011. The financial statements were prepared by Municipal Services, Accounting and Fiscal Services and were reviewed by the Agency's staff. Therefore, the timing of the completion of the financial statements is not completely controlled by the Agency.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have provided a schedule of summarized corrected material misstatements to the financial statements detected as a result of the audit procedures. In addition, we detected uncorrected misstatements to financial statements. These uncorrected misstatements were acknowledged in the management's representation letter dated on June 21, 2012. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letters dated June 21, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Directors
Sacramento County Water Agency
June 21, 2012
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This information is intended solely for the use of Board of Directors and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

JULIE VALVERDE
DIRECTOR OF FINANCE

A handwritten signature in black ink, appearing to read 'A. Matré', written in a cursive style.

By: Alan A. Matré, C.P.A.
Chief of Audits



COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE

AUDITOR - CONTROLLER

**SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
AUDITED FINANCIAL STATEMENTS AND OTHER REPORTS
AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

Audit Staff:

Alan A. Matré
Hong Lun (Andy) Yu

Chief of Audits
Audit Manager

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
AUDITED FINANCIAL STATEMENTS AND OTHER REPORTS
AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

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FINANCIAL SECTION

Internal Services

Department of Finance

Auditor-Controller Division

Ben Lamera,
Assistant Auditor-Controller



Bradley J. Hudson,
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David Villanueva,
Chief Deputy County Executive

Julie Valverde,
Director of Finance

County of Sacramento

June 21, 2012

Board of Directors
Sacramento County Water Agency
700 H Street, Room 2450
Sacramento, California 95814

AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and general fund of Sacramento County Water Agency Special Revenue Fund (Agency) as of and for the years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions 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 audit 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 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 opinions.

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to paragraphs 3.22 through 3.24 of *Government Auditing Standards*.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Government Auditing Standards* independence standards. Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit."

Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts or funds that are held in the County Treasury, we believe that the following safeguard

and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

In our opinion, except for the disclosure for paragraphs 3.22 through 3.24 of *Government Auditing Standards* as noted above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Agency as of June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003, and the respective changes in financial position for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2012, on our consideration of the Agency'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sincerely,

JULIE VALVERDE
DIRECTOR OF FINANCE



By: Alan A. Matré, C.P.A.
Chief of Audits

**SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

This section of the Sacramento County Water Agency Special Revenue Fund's (Agency) annual financial statements, present a discussion and analysis of the Agency's financial performance during the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003.

The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. To provide a complete understanding of the Agency's financial performance, please read it in conjunction with the Auditor's report on page 1, notes to the basic financial statements and the Agency's financial statements.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

Fiscal Year 2008-09

- The assets of the Agency exceeded liabilities at June 30, 2009 by \$87.8 million (*total net assets*). Of this amount \$53.4 million (*unrestricted net assets*) may be used to meet the ongoing obligations to customers and creditors, there is no amount restricted for specific purposes (*restricted net assets*), and \$34.4 million was invested in capital assets, net of related debt.
- The Agency's total net assets decreased by \$1.1 million during 2008-09. This decrease was the result of the Agency's normal operations and its operating loss for the fiscal year.

Fiscal Year 2007-08

- The assets of the Agency exceeded liabilities at June 30, 2008 by \$88.8 million (*total net assets*). Of this amount \$54.8 million (*unrestricted net assets*) may be used to meet the ongoing obligations to customers and creditors, there is no amount restricted for specific purposes (*restricted net assets*), and \$34.0 million was invested in capital assets, net of related debt.
- The Agency's total net assets increased by \$3.1 million during 2007-08. This increase was the result of the Agency's normal operations and its operating income for the fiscal year.

Fiscal Year 2006-07

- The assets of the Agency exceeded liabilities at June 30, 2007 by \$85.7 million (*total net assets*). Of this amount \$53.5 million (*unrestricted net assets*) may be used to meet the ongoing obligations to customers and creditors, there is no amount restricted for specific

**SACRAMENTO COUNTY WATER AGENCY
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FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

purposes (*restricted net assets*), and \$32.2 million was invested in capital assets, net of related debt.

- The Agency's total net assets increased by \$11.4 million during 2006-07. This increase was the result of the Agency's normal operations and its operating income for the fiscal year.

Fiscal Year 2005-06

- The assets of the Agency exceeded liabilities at June 30, 2006 by \$74.4 million (*total net assets*). Of this amount \$45.3 million (*unrestricted net assets*) may be used to meet the ongoing obligations to customers and creditors, there is no amount restricted for specific purposes (*restricted net assets*), and \$29.1 million was invested in capital assets, net of related debt.
- The Agency's total net assets increased by \$16.0 million during 2005-06. This increase was the result of the Agency's normal operations and its operating income for the fiscal year.

Fiscal Year 2004-05

- The assets of the Agency exceeded liabilities at June 30, 2005 by \$58.4 million (*total net assets*). Of this amount \$38.3 million (*unrestricted net assets*) may be used to meet the ongoing obligations to customers and creditors, there is no amount restricted for specific purposes (*restricted net assets*), and \$20.1 million was invested in capital assets, net of related debt.
- The Agency's total net assets increased by \$4.6 million during 2004-05. This increase was the result of the Agency's normal operations and its operating income for the fiscal year.

Fiscal Year 2003-04

- The assets of the Agency exceeded liabilities at June 30, 2004 by \$53.8 million (*total net assets*). Of this amount \$29.7 million (*unrestricted net assets*) may be used to meet the ongoing obligations to customers and creditors, there is no amount restricted for specific purposes (*restricted net assets*), and \$24.1 million was invested in capital assets, net of related debt.
- The Agency's total net assets increased by \$15.3 million during 2003-04. This increase was the result of the Agency's normal operations and its operating income for the fiscal year.

Fiscal Year 2002-03

- The assets of the Agency exceeded liabilities at June 30, 2003 by \$38.5 million (*total net assets*). Of this amount \$20.6 million (*unrestricted net assets*) may be used to meet the

**SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

ongoing obligations to customers and creditors, there is no amount restricted for specific purposes (*restricted net assets*), and \$17.9 million was invested in capital assets, net of related debt.

- The Agency's total net assets increased by \$10.9 million during 2002-03. This increase was the result of the Agency's normal operations and its operating income for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of two components: the government-wide and fund financial statements and notes to the financial statements.

Government-wide and Fund Financial Statements are described as follow:

The *Statements of Net Assets and Governmental Fund Balance Sheet* present information on all Agency'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 Agency is improving or deteriorating. The Statements also present information on the Agency's fund balances.

The *Statements of Activities and Governmental Fund Revenues, Expenses, and Changes in Fund Balances* present information showing how net assets and fund balances changed during the fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges and earned but unused vacation leave).

The *Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund* provide the information on the original and final budget amounts and variances between final budget and actual results.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Agency's financial statements. The notes are included immediately following the financial statements within this report.

**SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indicator of the Agency's financial position. As of June 30, 2009, net assets exceeded liabilities by \$87.8 million. During the fiscal year ended June 30, 2009, net assets decreased \$1.1 million. A comparative analysis of government-wide data is presented in Table 1.

**Table 1
Condensed Comparative Statement of Net Assets
As of June 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, and 2002 (in thousands)**

| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash and Investments | \$ 53,565 | 54,767 | 53,835 | 45,516 | 38,477 | 32,212 | 22,329 | 15,927 |
| Accounts receivable | | 225 | 1 | | 80 | 9 | 19 | 632 |
| Due from other County funds | | | | | 66 | | 12 | 2 |
| Capital assets, net | <u>34,401</u> | <u>34,022</u> | <u>32,240</u> | <u>29,046</u> | <u>20,080</u> | <u>24,056</u> | <u>17,899</u> | <u>12,766</u> |
| Total assets | <u>87,966</u> | <u>89,014</u> | <u>86,076</u> | <u>74,562</u> | <u>58,703</u> | <u>56,277</u> | <u>40,259</u> | <u>29,327</u> |
| Current liabilities | 199 | 165 | 354 | 190 | 319 | 1,382 | 682 | 610 |
| Long-term liabilities | | | | | | <u>1,089</u> | <u>1,089</u> | <u>1,161</u> |
| Total liabilities | <u>199</u> | <u>165</u> | <u>354</u> | <u>190</u> | <u>319</u> | <u>2,471</u> | <u>1,771</u> | <u>1,771</u> |
| Net assets: | | | | | | | | |
| Invested in capital assets, net of related debt | 34,401 | 34,022 | 32,240 | 29,046 | 20,080 | 24,057 | 17,899 | 12,767 |
| Unrestricted | <u>53,366</u> | <u>54,827</u> | <u>53,482</u> | <u>45,326</u> | <u>38,304</u> | <u>29,749</u> | <u>20,589</u> | <u>14,789</u> |
| Total net assets | <u>\$ 87,767</u> | <u>88,849</u> | <u>85,722</u> | <u>74,372</u> | <u>58,384</u> | <u>53,806</u> | <u>38,488</u> | <u>27,556</u> |

The largest portion of the Agency's net assets (60.8% at June 30, 2009) reflects its current assets and may be used to meet the Agency's ongoing obligations to customers and creditors.

The remaining amount (39.2% at June 30, 2009) represent the Agency's investment in capital assets (e.g., land, infrastructure, equipment and easement), less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The decrease in cash and investments from June 30, 2008 to June 30, 2009 of 2.2% is due to a decrease in construction activity related to the downturn of the economy.

**SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

The following table summarizes the changes in net assets for the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, and 2002:

**Table 2
Condensed Comparative Statement of Activities
For the Fiscal Years Ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, and 2002 (in thousands)**

| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues: | | | | | | | | |
| Taxes | \$ 7,120 | 7,122 | 6,938 | 5,983 | 6,240 | 6,078 | 5,483 | 5,049 |
| Intergovernmental | 90 | 91 | 96 | 98 | 118 | 121 | 118 | 110 |
| Charge for Services | 2,372 | 2,388 | 4,213 | 9,032 | 3,360 | 7,667 | 6,958 | 2,023 |
| Use of money and property | 1,320 | 2,355 | 2,481 | 1,641 | 763 | 393 | 422 | 584 |
| License and permits | 1,578 | 3,632 | 10,262 | 9,456 | 8,495 | 11,980 | 7,826 | 10,081 |
| Miscellaneous | | | 171 | 4 | 2,175 | 208 | 732 | 72 |
| Total revenues | <u>12,480</u> | <u>15,588</u> | <u>24,161</u> | <u>26,214</u> | <u>21,151</u> | <u>26,447</u> | <u>21,539</u> | <u>17,919</u> |
| Expenses: | | | | | | | | |
| Operation | 13,562 | 12,461 | 12,811 | 10,226 | 16,536 | 11,129 | 10,568 | 9,832 |
| Interest | | | | | 37 | | 39 | 42 |
| Total expenses | <u>13,562</u> | <u>12,461</u> | <u>12,811</u> | <u>10,226</u> | <u>16,573</u> | <u>11,129</u> | <u>10,607</u> | <u>9,874</u> |
| Increase (Decrease) in net assets | <u>\$ (1,082)</u> | <u>3,127</u> | <u>11,350</u> | <u>15,988</u> | <u>4,578</u> | <u>15,318</u> | <u>10,932</u> | <u>8,045</u> |

Total revenues decreased approximately \$3.1 million in fiscal year 2008-09. Charges for service fees decreased 0.7% in fiscal year 2008-09 due to slowing in the housing market.

Total expenses increased \$1.1 million in fiscal year 2008-09 as a result of increasing operating costs.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The Agency's fund statements provide information on inflows and outflows and balance of spendable resources. The Agency uses multiple special revenue funds to account for financial resources of different areas within Sacramento County. The combined fund balances have been increased \$38.1 million from 2001-02 to 2008-09.

**SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

BUDGETARY HIGHLIGHTS

Over the course of the years, the Agency revised the annual budgets based on the adjustments to revenues and expenditures.

The Agency did not have significant variances between original and final budget amounts for the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003.

The variances between final budget amounts and actual results for the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003 are as follows:

**Table 3
Summary of Variances Between Final Budget Amounts and Actual Results
For the Fiscal Years Ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003 (in thousands)**

| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Variances in | | | | | | | |
| Revenues | \$ (3,123) | (13,354) | (9,168) | (3,825) | (5,536) | 12,331 | (8,315) |
| Expenses | <u>9,357</u> | <u>12,877</u> | <u>21,573</u> | <u>19,360</u> | <u>19,815</u> | <u>3,676</u> | <u>21,313</u> |
| Net changes | <u>\$ 6,234</u> | <u>(477)</u> | <u>12,405</u> | <u>15,535</u> | <u>14,279</u> | <u>16,007</u> | <u>12,998</u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets, net of accumulated depreciation, totaled \$34.4 million at June 30, 2009. This corresponded to an increase of \$379 thousand during the fiscal year. The following table summarizes the changes in capital assets by fiscal year:

**Table 4
Condensed Comparative Statement of Capital Assets (Net of Depreciation)
For Fiscal Years Ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003 (in thousands)**

| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|-----------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Land | \$ 1,179 | 1,533 | 1,533 | 1,533 | 1,533 | 6,284 | 6,284 |
| Easement | 1,323 | 1,323 | | | | | |
| Infrastructures | <u>31,899</u> | <u>31,166</u> | <u>30,707</u> | <u>27,513</u> | <u>18,547</u> | <u>17,773</u> | <u>11,615</u> |
| Total | <u>\$ 34,401</u> | <u>34,022</u> | <u>32,240</u> | <u>29,046</u> | <u>20,080</u> | <u>24,057</u> | <u>17,899</u> |

**SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003**

From 2002-03 to 2008-09, land has decrease by \$5.1 million because the Agency has transferred several pieces of land to other governmental entities. However, Infrastructures have increased \$20.3 million due to several capital project developments.

During fiscal year 2007-08, the Agency acquired Swainson's Hawk Conservation Easement for \$1.3 million which is included as part of capital assets.

Long-Term Debt

**Table 5
Condensed Comparative Statement of Long-Term Debt
For the Fiscal Years ended June 30, 2004 and 2003 (in thousands)**

| | 2004 | 2003 |
|---------------------------|-----------------|--------------|
| State Revolving Fund Loan | <u>\$ 1,089</u> | <u>1,089</u> |

The State revolving fund loan was paid off in full in 2004-05.

During fiscal years from 2005-06 to 2008-09, the Agency did not have any long term debt outstanding.

FACTORS BEARING ON THE AGENCY'S FUTURE/ECONOMIC FACTORS

The Agency's primary funding sources for ongoing operations are taxes, fees for licenses and permits, and charges for sales and services.

State and local governments experienced sharp revenue reductions and budget deficits during recent years due to reduced tax revenues and economic activities caused by the recession. The recovery process from the recession has been and is expected to be slow. As such, future predictions require management to plan carefully and prudently to provide the resources to meet needs over the next several years.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to Susan Purdin, Chief Financial and Administrative Officer; Sacramento County Water Agency, 827 7th Street #301, Sacramento, CA 95814 or phone (916) 874-3190.

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2009

| | General Fund | Adjustments | Statement of Net Assets |
|--|-----------------|---------------|-------------------------------|
| Assets: | | | |
| Cash and investments | \$ 53,564,896 | | 53,564,896 |
| Capital assets: | | | |
| Land, easement, and other other nondepreciable nonamortizable | | 2,502,678 | 2,502,678 |
| Facilities and equipment, net of depreciation | | 31,898,591 | 31,898,591 |
| Total assets | \$ 53,564,896 | 34,401,269 | 87,966,165 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 58,722 | | 58,722 |
| Due to other County funds | 87,126 | | 87,126 |
| Deposits from others | 52,705 | | 52,705 |
| Total liabilities | 198,553 | | 198,553 |
| Fund balances/Net assets: | | | |
| Fund balances: | | | |
| Unreserved: | | | |
| Designated | 47,870,541 | (47,870,541) | |
| Undesignated | 5,495,802 | (5,495,802) | |
| Total fund balances | 53,366,343 | (53,366,343) | |
| Total liabilities and fund balances | \$ 53,564,896 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 34,401,269 | 34,401,269 |
| Unrestricted | | 53,366,343 | 53,366,343 |
| Total net assets | | \$ 87,767,612 | 87,767,612 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 7,120,301 | | 7,120,301 |
| Intergovernmental | 89,727 | | 89,727 |
| Charges for services | 2,372,357 | | 2,372,357 |
| Use of money and property | 1,320,181 | | 1,320,181 |
| Licenses and permits | 1,577,754 | | 1,577,754 |
| Total revenues | <u>12,480,320</u> | | <u>12,480,320</u> |
| Expenditures/Expenses: | | | |
| Current: | | | |
| General government | 12,579,067 | 983,083 | 13,562,150 |
| Capital outlay | 1,361,930 | (1,361,930) | |
| Total expenditures/expenses | <u>13,940,997</u> | <u>(378,847)</u> | <u>13,562,150</u> |
| Excess of revenues over expenditures/expenses | <u>(1,460,677)</u> | <u>378,847</u> | <u>(1,081,830)</u> |
| Beginning fund balances/net assets | <u>54,827,020</u> | <u>34,022,422</u> | <u>88,849,442</u> |
| Ending fund balances/net assets | <u>\$ 53,366,343</u> | <u>34,401,269</u> | <u>87,767,612</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive / (Negative) |
|--|-----------------------|--------------------|--------------------|--|
| Revenues: | | | | |
| Taxes | \$ 7,358,000 | 7,358,000 | 7,120,301 | (237,699) |
| Intergovernmental | 130,000 | 130,000 | 89,727 | (40,273) |
| Charges for services | 4,576,000 | 4,576,000 | 2,372,357 | (2,203,643) |
| Use of money and property | 1,487,000 | 1,487,000 | 1,320,181 | (166,819) |
| Licenses and permits | 2,052,000 | 2,052,000 | 1,577,754 | (474,246) |
| Total revenues | <u>15,603,000</u> | <u>15,603,000</u> | <u>12,480,320</u> | <u>(3,122,680)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 22,868,000 | 23,298,000 | 12,579,067 | 10,718,933 |
| Capital outlay | | | 1,361,930 | (1,361,930) |
| Total expenditures | <u>22,868,000</u> | <u>23,298,000</u> | <u>13,940,997</u> | <u>9,357,003</u> |
| Excess / (deficiency) of revenues over / (under) expenditures | <u>(7,265,000)</u> | <u>(7,695,000)</u> | <u>(1,460,677)</u> | <u>6,234,323</u> |
| Net change in fund balance | <u>\$ (7,265,000)</u> | <u>(7,695,000)</u> | <u>(1,460,677)</u> | <u>6,234,323</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2008

| | General Fund | Adjustments | Statement of Net Assets |
|--|-----------------|---------------|-------------------------------|
| Assets: | | | |
| Cash and investments | \$ 54,766,670 | | 54,766,670 |
| Receivables, net of allowance for uncollectibles: | | | |
| Billed | 224,970 | | 224,970 |
| Capital assets: | | | |
| Land, easement, and other other nondepreciable nonamortizable | | 2,856,705 | 2,856,705 |
| Facilities and equipment, net of depreciation | | 31,165,717 | 31,165,717 |
| Total assets | \$ 54,991,640 | 34,022,422 | 89,014,062 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 4,466 | | 4,466 |
| Due to other County funds | 115,435 | | 115,435 |
| Deposits from others | 44,719 | | 44,719 |
| Total liabilities | 164,620 | | 164,620 |
| Fund balances/Net assets: | | | |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 931,026 | (931,026) | |
| Unreserved: | | | |
| Designated | 53,895,994 | (53,895,994) | |
| Total fund balances | 54,827,020 | (54,827,020) | |
| Total liabilities and fund balances | \$ 54,991,640 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 34,022,422 | 34,022,422 |
| Unrestricted | | 54,827,020 | 54,827,020 |
| Total net assets | | \$ 88,849,442 | 88,849,442 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 7,122,292 | | 7,122,292 |
| Intergovernmental | 91,258 | | 91,258 |
| Charges for services | 2,387,758 | | 2,387,758 |
| Use of money and property | 2,354,510 | | 2,354,510 |
| Licenses and permits | 3,540,174 | 91,494 | 3,631,668 |
| Total revenues | <u>15,495,992</u> | <u>91,494</u> | <u>15,587,486</u> |
| Expenditures/Expenses: | | | |
| Current: | | | |
| General government | 11,851,176 | 609,518 | 12,460,694 |
| Capital outlay | 2,300,385 | (2,300,385) | |
| Total expenditures/expenses | <u>14,151,561</u> | <u>(1,690,867)</u> | <u>12,460,694</u> |
| Excess of revenues over expenditures/expenses | <u>1,344,431</u> | <u>1,782,361</u> | <u>3,126,792</u> |
| Beginning fund balances/net assets | <u>53,482,589</u> | <u>32,240,061</u> | <u>85,722,650</u> |
| Ending fund balances/net assets | <u>\$ 54,827,020</u> | <u>34,022,422</u> | <u>88,849,442</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive / (Negative) |
|--|---------------------|-------------------|-------------------|--|
| Revenues: | | | | |
| Taxes | \$ 7,056,000 | 7,056,000 | 7,122,292 | 66,292 |
| Intergovernmental | 127,000 | 127,000 | 91,258 | (35,742) |
| Charges for services | 11,254,000 | 11,254,000 | 2,387,758 | (8,866,242) |
| Use of money and property | 2,305,000 | 2,305,000 | 2,354,510 | 49,510 |
| Licenses and permits | 8,108,000 | 8,108,000 | 3,540,174 | (4,567,826) |
| Total revenues | <u>28,850,000</u> | <u>28,850,000</u> | <u>15,495,992</u> | <u>(13,354,008)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 26,467,000 | 27,029,000 | 11,851,176 | 15,177,824 |
| Capital outlay | | | 2,300,385 | (2,300,385) |
| Total expenditures | <u>26,467,000</u> | <u>27,029,000</u> | <u>14,151,561</u> | <u>12,877,439</u> |
| Excess / (deficiency) of revenues over / (under) expenditures | <u>2,383,000</u> | <u>1,821,000</u> | <u>1,344,431</u> | <u>(476,569)</u> |
| Net change in fund balance | <u>\$ 2,383,000</u> | <u>1,821,000</u> | <u>1,344,431</u> | <u>(476,569)</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2007

| | General Fund | Adjustments | Statement of Net Assets |
|--|-----------------|---------------|-------------------------------|
| Assets: | | | |
| Cash and investments | \$ 53,835,430 | | 53,835,430 |
| Receivables, net of allowance for uncollectibles: | | | |
| Billed | 1,412 | | 1,412 |
| Capital assets: | | | |
| Land and other nondepreciable assets | | 1,533,207 | 1,533,207 |
| Facilities and equipment, net of depreciation | | 30,706,854 | 30,706,854 |
| Total assets | \$ 53,836,842 | 32,240,061 | 86,076,903 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 230,016 | | 230,016 |
| Due to other County funds | 87,638 | | 87,638 |
| Deposits from others | 36,599 | | 36,599 |
| Total liabilities | 354,253 | | 354,253 |
| Fund balances/Net assets: | | | |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 1,045,198 | (1,045,198) | |
| Unreserved: | | | |
| Designated | 41,078,511 | (41,078,511) | |
| Undesignated | 11,358,880 | (11,358,880) | |
| Total fund balances | 53,482,589 | (53,482,589) | |
| Total liabilities and fund balances | \$ 53,836,842 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 32,240,061 | 32,240,061 |
| Unrestricted | | 53,482,589 | 53,482,589 |
| Total net assets | | \$ 85,722,650 | 85,722,650 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 6,938,056 | | 6,938,056 |
| Intergovernmental | 95,840 | | 95,840 |
| Charges for services | 4,213,020 | | 4,213,020 |
| Use of money and property | 2,480,890 | | 2,480,890 |
| Licenses and permits | 8,363,703 | 1,898,321 | 10,262,024 |
| Miscellaneous | 171,439 | | 171,439 |
| Total revenues | <u>22,262,948</u> | <u>1,898,321</u> | <u>24,161,269</u> |
| Expenditures/Expenses: | | | |
| Current: | | | |
| General government | 12,238,310 | 572,164 | 12,810,474 |
| Capital outlay | 1,867,687 | (1,867,687) | |
| Total expenditures/expenses | <u>14,105,997</u> | <u>(1,295,523)</u> | <u>12,810,474</u> |
| Excess of revenues over expenditures/expenses | <u>8,156,951</u> | <u>3,193,844</u> | <u>11,350,795</u> |
| Beginning fund balances/net assets | <u>45,325,638</u> | <u>29,046,217</u> | <u>74,371,855</u> |
| Ending fund balances/net assets | <u>\$ 53,482,589</u> | <u>32,240,061</u> | <u>85,722,650</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive / (Negative) |
|--|-----------------------|--------------------|-------------------|--|
| Revenues: | | | | |
| Taxes | \$ 6,720,000 | 6,720,000 | 6,938,056 | 218,056 |
| Intergovernmental | 121,000 | 121,000 | 95,840 | (25,160) |
| Charges for services | 12,242,000 | 15,742,000 | 4,213,020 | (11,528,980) |
| Use of money and property | 1,248,000 | 2,448,000 | 2,480,890 | 32,890 |
| Licenses and permits | 6,400,000 | 6,400,000 | 8,363,703 | 1,963,703 |
| Miscellaneous | | | 171,439 | 171,439 |
| Total revenues | <u>26,731,000</u> | <u>31,431,000</u> | <u>22,262,948</u> | <u>(9,168,052)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 30,346,000 | 35,679,000 | 12,238,310 | 23,440,690 |
| Capital outlay | | | 1,867,687 | (1,867,687) |
| Total expenditures | <u>30,346,000</u> | <u>35,679,000</u> | <u>14,105,997</u> | <u>21,573,003</u> |
| Excess / (deficiency) of revenues over / (under) expenditures | <u>(3,615,000)</u> | <u>(4,248,000)</u> | <u>8,156,951</u> | <u>12,404,951</u> |
| Net change in fund balance | <u>\$ (3,615,000)</u> | <u>(4,248,000)</u> | <u>8,156,951</u> | <u>12,404,951</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2006

| | General Fund | Adjustments | Statement of Net Assets |
|--|-----------------|---------------|-------------------------------|
| Assets: | | | |
| Cash and investments | \$ 45,515,720 | | 45,515,720 |
| Capital assets: | | | |
| Land and other nondepreciable assets | | 1,533,207 | 1,533,207 |
| Facilities and equipment, net of depreciation | | 27,513,010 | 27,513,010 |
| Total assets | \$ 45,515,720 | 29,046,217 | 74,561,937 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 115,889 | | 115,889 |
| Due to other County funds | 63,386 | | 63,386 |
| Deposits from others | 10,807 | | 10,807 |
| Total liabilities | 190,082 | | 190,082 |
| Fund balances/Net assets: | | | |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 287,981 | (287,981) | |
| Unreserved: | | | |
| Designated | 28,154,507 | (28,154,507) | |
| Undesignated | 16,883,150 | (16,883,150) | |
| Total fund balances | 45,325,638 | (45,325,638) | |
| Total liabilities and fund balances | \$ 45,515,720 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 29,046,217 | 29,046,217 |
| Unrestricted | | 45,325,638 | 45,325,638 |
| Total net assets | | \$ 74,371,855 | 74,371,855 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | General Fund | Adjustments | Statement of Activities |
|--|-----------------|-------------|----------------------------|
| Revenues: | | | |
| Taxes | \$ 5,982,803 | | 5,982,803 |
| Intergovernmental | 98,105 | | 98,105 |
| Charges for services | 9,032,213 | | 9,032,213 |
| Use of money and property | 1,641,115 | | 1,641,115 |
| Licenses and permits | 9,456,152 | | 9,456,152 |
| Miscellaneous | 3,422 | | 3,422 |
| Total revenues | 26,213,810 | | 26,213,810 |
| Expenditures/Expenses: | | | |
| Current: | | | |
| General government | 9,840,803 | 385,130 | 10,225,933 |
| Capital outlay | 9,351,702 | (9,351,702) | |
| Total expenditures/expenses | 19,192,505 | (8,966,572) | 10,225,933 |
| Excess of revenues over expenditures/expenses | 7,021,305 | 8,966,572 | 15,987,877 |
| Beginning fund balances/net assets | 38,304,333 | 20,079,645 | 58,383,978 |
| Ending fund balances/net assets | \$ 45,325,638 | 29,046,217 | 74,371,855 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive / (Negative) |
|--|-----------------------|--------------------|-------------------|--|
| Revenues: | | | | |
| Taxes | \$ 5,998,000 | 5,998,000 | 5,982,803 | (15,197) |
| Intergovernmental | 116,000 | 116,000 | 98,105 | (17,895) |
| Charges for services | 17,559,000 | 19,293,000 | 9,032,213 | (10,260,787) |
| Use of money and property | 782,000 | 782,000 | 1,641,115 | 859,115 |
| Licenses and permits | 3,850,000 | 3,850,000 | 9,456,152 | 5,606,152 |
| Miscellaneous | | | 3,422 | 3,422 |
| Total revenues | <u>28,305,000</u> | <u>30,039,000</u> | <u>26,213,810</u> | <u>(3,825,190)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 36,756,860 | 38,552,860 | 9,840,803 | 28,712,057 |
| Capital outlay | | | 9,351,702 | (9,351,702) |
| Total expenditures | <u>36,756,860</u> | <u>38,552,860</u> | <u>19,192,505</u> | <u>19,360,355</u> |
| Excess / (deficiency) of revenues over / (under) expenditures | <u>(8,451,860)</u> | <u>(8,513,860)</u> | <u>7,021,305</u> | <u>15,535,165</u> |
| Net change in fund balance | <u>\$ (8,451,860)</u> | <u>(8,513,860)</u> | <u>7,021,305</u> | <u>15,535,165</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2005

| | General Fund | Adjustments | Statement of Net Assets |
|--|-----------------|---------------|-------------------------------|
| Assets: | | | |
| Cash and investments | \$ 38,476,567 | | 38,476,567 |
| Receivables, net of allowance for uncollectibles: | | | |
| Billed | 79,764 | | 79,764 |
| Due from other County funds | 66,461 | | 66,461 |
| Capital assets: | | | |
| Land and other nondepreciable assets | | 1,533,207 | 1,533,207 |
| Facilities and equipment, net of depreciation | | 18,546,438 | 18,546,438 |
| Total assets | \$ 38,622,792 | 20,079,645 | 58,702,437 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 207,004 | | 207,004 |
| Due to other County funds | 111,455 | | 111,455 |
| Total liabilities | 318,459 | | 318,459 |
| Fund balances/Net assets: | | | |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 491,231 | (491,231) | |
| Unreserved: | | | |
| Designated | 24,025,722 | (24,025,722) | |
| Undesignated | 13,787,380 | (13,787,380) | |
| Total fund balances | 38,304,333 | (38,304,333) | |
| Total liabilities and fund balances | \$ 38,622,792 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 20,079,645 | 20,079,645 |
| Unrestricted | | 38,304,333 | 38,304,333 |
| Total net assets | | \$ 58,383,978 | 58,383,978 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 6,240,317 | | 6,240,317 |
| Intergovernmental | 117,520 | | 117,520 |
| Charges for services | 3,360,226 | | 3,360,226 |
| Use of money and property | 762,979 | | 762,979 |
| Licenses and permits | 8,494,724 | | 8,494,724 |
| Miscellaneous | 2,175,370 | | 2,175,370 |
| Total revenues | <u>21,151,136</u> | | <u>21,151,136</u> |
| Expenditures/Expenses: | | | |
| Current: | | | |
| General government | 11,423,335 | 5,113,073 | 16,536,408 |
| Capital outlay | 1,135,983 | (1,135,983) | |
| Debt service: | | | |
| Principal | 1,088,767 | (1,088,767) | |
| Interest | 36,954 | | 36,954 |
| Total expenditures/expenses | <u>13,685,039</u> | <u>2,888,323</u> | <u>16,573,362</u> |
| Excess of revenues over expenditures/expenses | <u>7,466,097</u> | <u>(2,888,323)</u> | <u>4,577,774</u> |
| Beginning fund balances/net assets | <u>30,838,236</u> | <u>22,967,968</u> | <u>53,806,204</u> |
| Ending fund balances/net assets | <u>\$ 38,304,333</u> | <u>20,079,645</u> | <u>58,383,978</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive / (Negative) |
|--|-----------------------|--------------------|-------------------|--|
| Revenues: | | | | |
| Taxes | \$ 5,050,000 | 5,475,000 | 6,240,317 | 765,317 |
| Intergovernmental | 111,000 | 110,000 | 117,520 | 7,520 |
| Charges for services | 6,134,000 | 14,690,000 | 3,360,226 | (11,329,774) |
| Use of money and property | 450,000 | 410,000 | 762,979 | 352,979 |
| Licenses and permits | 2,000,000 | 4,525,000 | 8,494,724 | 3,969,724 |
| Miscellaneous | | 1,477,000 | 2,175,370 | 698,370 |
| Total revenues | <u>13,745,000</u> | <u>26,687,000</u> | <u>21,151,136</u> | <u>(5,535,864)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 19,472,000 | 32,412,000 | 11,423,335 | 20,988,665 |
| Capital outlay | | | 1,135,983 | (1,135,983) |
| Debt service: | | | | |
| Principal | 75,000 | 1,088,000 | 1,088,767 | (767) |
| Interest | | | 36,954 | (36,954) |
| Total expenditures | <u>19,547,000</u> | <u>33,500,000</u> | <u>13,685,039</u> | <u>19,814,961</u> |
| Excess / (deficiency) of revenues over / (under) expenditures | <u>(5,802,000)</u> | <u>(6,813,000)</u> | <u>7,466,097</u> | <u>14,279,097</u> |
| Net change in fund balance | <u>\$ (5,802,000)</u> | <u>(6,813,000)</u> | <u>7,466,097</u> | <u>14,279,097</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2004

| | General Fund | Adjustments | Statement of Net Assets |
|--|-----------------|---------------|-------------------------------|
| Assets: | | | |
| Cash and investments | \$ 32,211,636 | | 32,211,636 |
| Receivables, net of allowance for uncollectibles: | | | |
| Billed | 9,203 | | 9,203 |
| Due from other County funds | | | |
| Capital assets: | | | |
| Land and other nondepreciable assets | | 6,283,869 | 6,283,869 |
| Facilities and equipment, net of depreciation | | 17,772,866 | 17,772,866 |
| Total assets | \$ 32,220,839 | 24,056,735 | 56,277,574 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 45,491 | | 45,491 |
| Due to other County funds | 638,054 | | 638,054 |
| Deposits from others | 699,058 | | 699,058 |
| Long term liabilities: | | | |
| Due within one year | | 152,529 | 152,529 |
| Due after one year | | 936,238 | 936,238 |
| Total liabilities | 1,382,603 | 1,088,767 | 2,471,370 |
| Fund balances/Net assets: | | | |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 1,070,915 | (1,070,915) | |
| Unreserved: | | | |
| Designated | 14,831,062 | (14,831,062) | |
| Undesignated | 14,936,259 | (14,936,259) | |
| Total fund balances | 30,838,236 | (30,838,236) | |
| Total liabilities and fund balances | \$ 32,220,839 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 24,056,735 | 24,056,735 |
| Unrestricted | | 29,749,469 | 29,749,469 |
| Total net assets | | \$ 53,806,204 | 53,806,204 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 6,077,642 | | 6,077,642 |
| Intergovernmental | 121,130 | | 121,130 |
| Charges for services | 7,666,825 | | 7,666,825 |
| Use of money and property | 393,213 | | 393,213 |
| Licenses and permits | 11,980,008 | | 11,980,008 |
| Miscellaneous | 208,421 | | 208,421 |
| Total revenues | <u>26,447,239</u> | | <u>26,447,239</u> |
| Expenditures/Expenses: | | | |
| Current: | | | |
| General government | 10,884,036 | 245,352 | 11,129,388 |
| Capital outlay | 6,403,061 | (6,403,061) | |
| Total expenditures/expenses | <u>17,287,097</u> | <u>(6,157,709)</u> | <u>11,129,388</u> |
| Excess of revenues over expenditures/expenses | <u>9,160,142</u> | <u>6,157,709</u> | <u>15,317,851</u> |
| Beginning fund balances/net assets | <u>21,678,094</u> | <u>16,810,259</u> | <u>38,488,353</u> |
| Ending fund balances/net assets | <u>\$ 30,838,236</u> | <u>22,967,968</u> | <u>53,806,204</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive / (Negative) |
|--|-----------------------|--------------------|-------------------|--|
| Revenues: | | | | |
| Taxes | \$ 5,050,000 | 5,050,000 | 6,077,642 | 1,027,642 |
| Intergovernmental | 111,000 | 111,000 | 121,130 | 10,130 |
| Charges for services | 6,254,000 | 5,740,000 | 7,666,825 | 1,926,825 |
| Use of money and property | 450,000 | 500,000 | 393,213 | (106,787) |
| Licenses and permits | 2,000,000 | 2,514,000 | 11,980,008 | 9,466,008 |
| Miscellaneous | 201,000 | 201,000 | 208,421 | 7,421 |
| Total revenues | <u>14,066,000</u> | <u>14,116,000</u> | <u>26,447,239</u> | <u>12,331,239</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 20,775,000 | 20,888,000 | 10,884,036 | 10,003,964 |
| Capital outlay | | | 6,403,061 | (6,403,061) |
| Debt service: | | | | |
| Principal | 75,000 | 75,000 | | 75,000 |
| Total expenditures | <u>20,850,000</u> | <u>20,963,000</u> | <u>17,287,097</u> | <u>3,675,903</u> |
| Excess / (deficiency) of revenues over / (under) expenditures | <u>(6,784,000)</u> | <u>(6,847,000)</u> | <u>9,160,142</u> | <u>16,007,142</u> |
| Net change in fund balance | <u>\$ (6,784,000)</u> | <u>(6,847,000)</u> | <u>9,160,142</u> | <u>16,007,142</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
AS OF JUNE 30, 2003

| | General Fund | Adjustments | Statement of Net Assets |
|--|-----------------|---------------|-------------------------------|
| Assets: | | | |
| Cash and investments | \$ 22,328,838 | | 22,328,838 |
| Receivables, net of allowance for uncollectibles: | | | |
| Billed | 18,712 | | 18,712 |
| Due from other County funds | 12,698 | | 12,698 |
| Capital assets: | | | |
| Land and other nondepreciable assets | | 6,283,869 | 6,283,869 |
| Facilities and equipment, net of depreciation | | 11,615,157 | 11,615,157 |
| Total assets | \$ 22,360,248 | 17,899,026 | 40,259,274 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 131,738 | | 131,738 |
| Due to other County funds | 263,798 | | 263,798 |
| Deposits from others | 286,618 | | 286,618 |
| Long term liabilities: | | | |
| Due within one year | | 74,990 | 74,990 |
| Due after one year | | 1,013,777 | 1,013,777 |
| Total liabilities | 682,154 | 1,088,767 | 1,770,921 |
| Fund balances/Net assets: | | | |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 328,952 | (328,952) | |
| Unreserved: | | | |
| Designated | 8,907,765 | (8,907,765) | |
| Undesignated | 12,441,377 | (12,441,377) | |
| Total fund balances | 21,678,094 | (21,678,094) | |
| Total liabilities and fund balances | \$ 22,360,248 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | | 17,899,026 | 17,899,026 |
| Unrestricted | | 20,589,327 | 20,589,327 |
| Total net assets | | \$ 38,488,353 | 38,488,353 |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Taxes | \$ 5,482,469 | | 5,482,469 |
| Intergovernmental | 118,442 | | 118,442 |
| Charges for services | 6,958,212 | | 6,958,212 |
| Use of money and property | 422,644 | | 422,644 |
| Licenses and permits | 7,825,801 | | 7,825,801 |
| Miscellaneous | 135,154 | 597,100 | 732,254 |
| Total revenues | <u>20,942,722</u> | <u>597,100</u> | <u>21,539,822</u> |
| Expenditures/Expenses: | | | |
| Current: | | | |
| General government | 10,006,417 | 561,540 | 10,567,957 |
| Capital outlay | 5,096,813 | (5,096,813) | |
| Debt service: | | | |
| Principal | 72,525 | (72,525) | |
| Interest | 39,478 | | 39,478 |
| Total expenditures/expenses | <u>15,215,233</u> | <u>(4,607,798)</u> | <u>10,607,435</u> |
| Excess of revenues over expenditures/expenses | <u>5,727,489</u> | <u>5,204,898</u> | <u>10,932,387</u> |
| Beginning fund balances/net assets | <u>15,950,605</u> | <u>11,605,361</u> | <u>27,555,966</u> |
| Ending fund balances/net assets | <u>\$ 21,678,094</u> | <u>16,810,259</u> | <u>38,488,353</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive / (Negative) |
|--|-----------------------|--------------------|-------------------|--|
| Revenues: | | | | |
| Taxes | \$ 4,728,000 | 4,728,000 | 5,482,469 | 754,469 |
| Intergovernmental | 108,000 | 108,000 | 118,442 | 10,442 |
| Charges for services | 19,315,000 | 19,315,000 | 6,958,212 | (12,356,788) |
| Use of money and property | 505,000 | 505,000 | 422,644 | (82,356) |
| Licenses and permits | 4,580,000 | 4,580,000 | 7,825,801 | 3,245,801 |
| Miscellaneous | 22,000 | 22,000 | 135,154 | 113,154 |
| Total revenues | <u>29,258,000</u> | <u>29,258,000</u> | <u>20,942,722</u> | <u>(8,315,278)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 35,894,000 | 35,779,000 | 10,006,417 | 25,772,583 |
| Capital outlay | | | 5,096,813 | (5,096,813) |
| Debt service: | | | | |
| Principal | 68,000 | 749,524 | 72,525 | 676,999 |
| Interest | | | 39,478 | (39,478) |
| Total expenditures | <u>35,962,000</u> | <u>36,528,524</u> | <u>15,215,233</u> | <u>21,313,291</u> |
| Excess / (deficiency) of revenues over / (under) expenditures | <u>(6,704,000)</u> | <u>(7,270,524)</u> | <u>5,727,489</u> | <u>12,998,013</u> |
| Net change in fund balance | <u>\$ (6,704,000)</u> | <u>(7,270,524)</u> | <u>5,727,489</u> | <u>12,998,013</u> |

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

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sacramento County Water Agency Special Revenue Fund (Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The more significant of the Agency's accounting policies are described below.

Scope of Financial Reporting Entity

The Sacramento County Water Agency, created in 1952 pursuant to the Water Agency Act, is a separate legal entity from the County of Sacramento. The Sacramento County Board of Supervisors acts ex officio as the Agency's Board of Directors while Sacramento County Department of Water Resources personnel acts as the Agency's staff.

The following is a list of areas included within Sacramento County Water Agency Special Revenue Fund:

Beach Stone Lakes Flood Mitigation

Sacramento County Water Agency Zone 11A, 11B, 11C, 11W, 11X, and 11Y

Sacramento County Water Agency Zone 12

Sacramento County Water Agency Zone 13

The Agency is a component unit of the County of Sacramento. As such, the activity of the Agency is also included in the appropriate financial statements for the County of Sacramento as a whole.

The Agency has considered all potential component units in determining how to define the reporting entity, using criteria for inclusion within the reporting entity.

GASB Statement No. 51

The Agency implemented new GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*". GASB 51 establishes standard for accounting and financial reporting for intangible assets. This statement requires that an intangible asset be recognized in the Statement of Net Assets only if it is identifiable. Additionally, this Statement establishes a specific-conditions approach to recognizing intangible assets that are internally generated. This Statement also provides guidance on recognizing internally generated software as an intangible asset. This Statement also establishes guidance specific to intangible assets related to amortization. This Statement provides guidance on determining the useful life of an intangible asset when the length of their life is limited by contractual or legal provisions.

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

Government-wide and Fund Financial Statements Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the Agency). These statements include the financial activities of the overall government.

The statement of activities presents direct expenses and program revenues for each function of the Agency's governmental activities.

Fund Accounting

Funds of the Agency are organized and accounted for as separate fiscal and accounting entities with self-balancing accounts. They are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with applicable regulations, restrictions or limitations. The Agency establishes different funds to track different areas' financial activities. The Agency reports a *General Fund* that combines all funds and is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

The Agency has combined their government-wide financial statements, the statement of net assets and the statement of activities, with its fund financial statements, the balance sheet and the statement of revenues, expenditures, and changes in fund balances, into two statements, the statement of net assets and governmental funds balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balances, for simplicity.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of the General Fixed Asset and the General Long Term Debt account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net assets.

Accounts and Records

The Sacramento County Department of Finance, Auditor-Controller Division, processes financial transactions initiated by the Agency. The Agency maintains copies of source documents. The Auditor-Controller Division provides related general ledger computer listings.

Property tax revenue, aid from other governmental agencies, and other revenues are collected by the Sacramento County Department of Finance, Treasury and Tax Collector Divisions. In addition, claims are paid and warrants are issued by the Auditor-Controller Division.

Budgetary Principles

As required by the laws of the State of California, the Agency prepares and legally adopts a final balanced operating budget on or before August 30 of each fiscal year. The Board may, by resolution, extend on a permanent basis or for a limited period, the date from August 30 to October 2.

Due to uncertainty of state budget impacts, on September 3, 2008, the Sacramento County Board of Supervisors approved by resolution to extend the date of final adoption of the County's final budget (that included the Agency's final budget) resolution until 60 days after the adoption of the California state budget, which occurred on September 23, 2008. Accordingly, the final budget for fiscal year 2008-09 was adopted by the County Board of Supervisors on November 12, 2008. The final budgets for fiscal years 2007-08, 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03 were adopted on September 13, 2007, September 15, 2006, September 15, 2005, September 28, 2004, September 29, 2003, September 24, 2002, respectively. Until the adoption of a final balanced budget, operations were governed by the proposed budget as approved by the Board on June 10, 2008, May 16, 2007, May 12, 2006, May 12, 2005, May 13, 2004, June 19, 2003, and June 20, 2002, respectively. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

Operating budgets are adopted for the General Fund on the modified accrual basis of accounting except as explained below. Budgetary control and legal level of control are at the budget and object level, which classifies expenditures by type of goods purchased and services obtained. The

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presents revenues at the source level and expenditures at the function level.

It is not feasible to compare budget to actual data at the object level in this report. Therefore, this information is contained in a separate report prepared by the Auditor-Controller Division, entitled "Countywide Expenditure Status Report." Significant amendments, appropriation transfers between departments, and transfers from contingencies must be approved by the Board of Directors. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board.

During fiscal years 2008-09, 2007-08, 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03, the original adopted budgets were amended by the Board of Directors. The budget data contained in the basic financial statements reflect the effect of all approved budget amendments.

The Agency's Zone 12 is subjected to annual appropriation limitation in accordance with Article IIIB of California Constitution. During fiscal years 2008-09, 2007-08, 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03, the Appropriation Limits for the Zone 12 of the Agency were reviewed and determined to be calculated in accordance with Article XIII B of the California Constitution except as noted in a separate report dated June 21, 2012.

Encumbrances, which are commitments related to the future purchase of goods or services, are recorded in the General Fund. For budgetary purposes, encumbrances outstanding at year-end are recorded as expenditures. For financial reporting purposes, encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

The budgets for the General Fund are prepared on the modified accrual basis of accounting except that encumbrances represent expenditures on a budgetary basis. Encumbrances not liquidated in the current year are added to the subsequent year budget for reporting and control purposes.

Cash and Investments

For purposes of the Balance Sheet, the Agency considers all short-term highly liquid investments, including restricted assets and amounts held in the County Treasury, to be cash and cash equivalents.

For purposes of the Statement of Net Assets and Balance Sheet, the Agency consider all short-term highly liquid investments, including restricted assets and amounts held in the County Treasury, to be cash and cash equivalents. Investments held in the County Treasury are available on demand to individual Agency.

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

Capital Assets

Capital assets, which include land, structures and improvements, machinery and equipment, infrastructure assets and intangible assets, are reported in the government-wide financial statements. Capital assets are defined as: equipment with initial individual cost of more than \$5,000 and an estimated useful life in excess of four years except for computer and peripheral equipment which have an estimated useful life of three years; buildings, structures, and improvements with costs more than \$25,000; computer or website software with costs more than \$100,000 and other intangible assets with costs more than \$25,000; permanent easements, land and infrastructure, regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Agency has not reported infrastructure acquired prior to 1980. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the Agency's capitalization threshold is met. Infrastructure acquired prior to 1980 has not been reported. Amortization of assets acquired under capital lease is included in depreciation and amortization. Structures and improvements, infrastructure, equipment and intangible assets are depreciated or amortized using the straight-line method over the following estimated used lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------|--------------|
| Structures and Improvements | 4 to 50 |
| Infrastructure | 20 to 50 |
| Equipment | 3 to 25 |

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted. All net assets presented in the Statement of Net Assets are unrestricted net assets.

Use of Restricted/Unrestricted Net Assets

When restricted assets become available, for their restricted purposes, they are used first, and then unrestricted assets are used as they are needed.

Fund Balance Reserves and Designations

The Board of Directors has established certain reserves and designations of fund balances to indicate the portion that cannot be appropriated or is legally segregated for a specific future use.

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Property Taxes

The County is responsible for the collection of property taxes. The Agency recognizes property taxes when received from the County. Under the Alternate Method of property tax apportionment, the County purchases 100% of delinquent secured taxes at June 30. The apportionment of this purchase occurred subsequent to June 30.

Payroll

The Agency does not have employees as all services are performed by County employees. The Agency then reimburses the County through internal orders.

NOTE 2 - CASH AND INVESTMENTS

The Agency maintains specific cash deposits and investments with the County and involuntarily participates in the external investment pool of the County. The Agency's share of the investment pool is separately accounted for and interest earned, net of related expenses, is apportioned quarterly and at the end of the fiscal year based upon the relationship of its daily cash balance to the total of the pooled account. At June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003, the amounts of the Agency's cash and investments held with the County Department of Finance, Treasury were \$53,564,896, \$54,766,670, \$53,835,430, \$45,515,720, \$38,476,567, \$32,211,636, and \$22,328,838, respectively.

Statutes authorize the County to invest in the following:

- a) Obligations of the County or any local agency and instrumentality in or of the State of California;
- b) Obligations of the U.S. Treasury, agencies and instrumentalities;
- c) Bankers' acceptances eligible for purchase by Federal Reserve System;
- d) Commercial paper with an A-1 rating by Moody's Investors Service or P-1 rating by Standard & Poor's Corporation;
- e) Repurchase agreements or reverse repurchase agreements;
- f) Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories by Moody's Investor Service or Standard & Poor's Corporation; and
- g) Guaranteed investment contracts; and

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- h) Shares of beneficial interest issued by diversified management companies (money market funds) investing in securities and obligations as outlined in a) through g). Certain security rankings and/or organizational requirements apply to this type of investment.

The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27134. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the Agency's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2009, is as follows:

| | <u>Balance</u> <u>July 1, 2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2009</u> |
|---|---------------------------------------|------------------|------------------|--|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,533,207 | | 354,027 | 1,179,180 |
| Easement | <u>1,323,498</u> | | | <u>1,323,498</u> |
| Total capital assets, not being depreciated | <u>2,856,705</u> | | <u>354,027</u> | <u>2,502,678</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructures | \$ 33,442,606 | 1,361,930 | | 34,804,536 |
| Equipment | <u>93,725</u> | | | <u>93,725</u> |
| Total capital assets, being depreciated | <u>\$ 33,536,331</u> | | | <u>34,898,261</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructures | \$ 2,276,889 | 629,056 | | 2,905,945 |
| Equipment | <u>93,725</u> | | | <u>93,725</u> |
| Total accumulated depreciation | <u>2,370,614</u> | <u>629,056</u> | | <u>2,999,670</u> |
| Total capital assets, begin depreciated, net | <u>\$ 31,165,717</u> | <u>732,874</u> | | <u>31,898,591</u> |
| Total capital assets for governmental activities | <u>\$ 34,022,422</u> | <u>732,874</u> | <u>354,027</u> | <u>34,401,269</u> |

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Capital assets activity for the year ended June 30, 2008, is as follows:

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|---|-------------------------|------------------|----------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,533,207 | | | 1,533,027 |
| Easement | | 1,323,498 | | 1,323,498 |
| Total capital assets, not being depreciated | <u>1,533,207</u> | <u>1,323,498</u> | | <u>2,856,705</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructures | \$ 32,374,225 | 1,068,381 | | 33,442,606 |
| Equipment | 243,725 | | 150,000 | 93,725 |
| Total capital assets, being depreciated | <u>\$ 32,617,950</u> | <u>1,068,381</u> | <u>150,000</u> | <u>33,536,331</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructures | \$ 1,667,371 | 609,518 | | 2,276,889 |
| Equipment | 243,725 | | 150,000 | 93,725 |
| Total accumulated depreciation | <u>1,911,096</u> | <u>609,518</u> | <u>150,000</u> | <u>2,370,614</u> |
| Total capital assets, begin depreciated, net | <u>\$ 30,706,854</u> | <u>458,863</u> | | <u>31,165,717</u> |
| Total capital assets for governmental activities | <u>\$ 32,240,061</u> | <u>1,782,361</u> | | <u>34,022,422</u> |

Capital assets activity for the year ended June 30, 2007, is as follows:

| | Balance July 1, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|-------------------------|------------------|-----------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,533,207 | | | 1,533,207 |
| Total capital assets, not being depreciated | <u>1,533,207</u> | | | <u>1,533,207</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructures | \$ 28,608,217 | 3,766,008 | | 32,374,225 |
| Equipment | 243,725 | | | 243,725 |
| Total capital assets, being depreciated | <u>\$ 28,851,942</u> | <u>3,766,008</u> | | <u>32,617,950</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructures | \$ 1,095,207 | 572,164 | | 1,667,371 |
| Equipment | 243,725 | | | 243,725 |
| Total accumulated depreciation | <u>1,338,932</u> | <u>572,164</u> | | <u>1,911,096</u> |
| Total capital assets, begin depreciated, net | <u>\$ 27,513,010</u> | <u>3,193,844</u> | | <u>30,706,854</u> |
| Total capital assets for governmental activities | <u>\$ 29,046,217</u> | <u>3,193,844</u> | | <u>32,240,061</u> |

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Capital assets activity for the year ended June 30, 2006, is as follows:

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 |
|---|-------------------------|------------------|-----------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,533,207 | | | 1,533,207 |
| Total capital assets, not being depreciated | <u>1,533,207</u> | | | <u>1,533,207</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructures | \$ 19,256,515 | 9,351,702 | | 28,608,217 |
| Equipment | 243,725 | | | 243,725 |
| Total capital assets, being depreciated | <u>\$ 19,500,240</u> | <u>9,351,702</u> | | <u>28,851,942</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructures | \$ 710,077 | 385,130 | | 1,095,207 |
| Equipment | 243,725 | | | 243,725 |
| Total accumulated depreciation | <u>953,802</u> | <u>385,130</u> | | <u>1,338,932</u> |
| Total capital assets, begin depreciated, net | <u>\$ 18,546,438</u> | <u>8,966,572</u> | | <u>27,513,010</u> |
| Total capital assets for governmental activities | <u>\$ 20,079,645</u> | <u>8,966,572</u> | | <u>29,046,217</u> |

Capital assets activity for the year ended June 30, 2005, is as follows:

| | Balance July 1, 2004 | Additions | Deletions | Balance June 30, 2005 |
|---|-------------------------|------------------|------------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,283,869 | | 4,750,662 | 1,533,207 |
| Total capital assets, not being depreciated | <u>6,283,869</u> | | <u>4,750,662</u> | <u>1,533,207</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructures | \$ 18,120,532 | 1,135,983 | | 19,256,515 |
| Equipment | 243,725 | | | 243,725 |
| Total capital assets, being depreciated | <u>\$ 18,364,257</u> | <u>1,135,983</u> | | <u>19,500,240</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructures | \$ 347,666 | 362,411 | | 710,077 |
| Equipment | 243,725 | | | 243,725 |
| Total accumulated depreciation | <u>591,391</u> | <u>362,411</u> | | <u>953,802</u> |
| Total capital assets, begin depreciated, net | <u>\$ 17,772,866</u> | <u>773,572</u> | <u>4,750,662</u> | <u>18,546,438</u> |
| Total capital assets for governmental activities | <u>\$ 24,056,735</u> | <u>773,572</u> | <u>4,750,662</u> | <u>20,079,645</u> |

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Capital assets activity for the year ended June 30, 2004, is as follows:

| | Balance July 1, 2003 | Additions | Deletions | Balance June 30, 2004 |
|---|-------------------------|------------------|-----------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,283,869 | | | 6,283,869 |
| Total capital assets, not being depreciated | <u>6,283,869</u> | | | <u>6,283,869</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructures | \$ 11,717,471 | 6,403,061 | | 18,120,532 |
| Equipment | 243,725 | | | 243,725 |
| Total capital assets, being depreciated | <u>\$ 11,961,196</u> | <u>6,403,061</u> | | <u>18,364,257</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructures | \$ 102,314 | 245,352 | | 347,666 |
| Equipment | 243,725 | | | 243,725 |
| Total accumulated depreciation | <u>346,039</u> | <u>245,352</u> | | <u>591,391</u> |
| Total capital assets, begin depreciated, net | <u>\$ 11,615,157</u> | <u>6,157,709</u> | | <u>17,772,866</u> |
| Total capital assets for governmental activities | <u>\$ 17,899,026</u> | <u>6,157,709</u> | | <u>24,056,735</u> |

Capital assets activity for the year ended June 30, 2003, is as follows:

| | Balance July 1, 2002 | Additions | Deletions | Balance June 30, 2003 |
|---|-------------------------|------------------|----------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,145,994 | 597,100 | 459,225 | 6,283,869 |
| Total capital assets, not being depreciated | <u>6,145,994</u> | <u>597,100</u> | <u>459,225</u> | <u>6,283,869</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructures | \$ 6,620,658 | 5,096,813 | | 11,717,471 |
| Equipment | 243,725 | | | 243,725 |
| Total capital assets, being depreciated | <u>\$ 6,864,383</u> | <u>5,096,813</u> | | <u>11,961,196</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructures | \$ | 102,314 | | 102,314 |
| Equipment | 243,725 | | | 243,725 |
| Total accumulated depreciation | <u>243,725</u> | <u>102,314</u> | | <u>346,039</u> |
| Total capital assets, begin depreciated, net | <u>\$ 6,620,658</u> | <u>4,994,499</u> | | <u>11,615,157</u> |
| Total capital assets for governmental activities | <u>\$ 12,766,652</u> | <u>5,591,599</u> | <u>459,225</u> | <u>17,899,026</u> |

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The infrastructure assets reported above presented all infrastructure assets that were in services starting July 1, 2002. The infrastructure assets in service prior to July 1, 2002, were reported in Sacramento County Water Agency Enterprise Fund.

NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

For the year ended June 30, 2009, total fund balances of the Agency's governmental fund, \$53,366,343, differs from net assets of governmental activities, \$87,767,612 reported in the *Statement of Net Assets and Governmental Fund Balance Sheet* by \$34,401,269.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | |
|--------------------------|--------------------------|
| Cost of capital assets | \$ 37,400,939 |
| Accumulated depreciation | <u>(2,999,670)</u> |
| Total Differences | <u>\$ 34,401,269</u> |

For the year ended June 30, 2009, the net change in fund balances for governmental funds, (\$1,460,677), differs from the change in net assets for governmental activities, (\$1,081,830), reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$378,847.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

| | |
|--|--------------|
| In governmental funds, capital assets are not recorded. In the statement of activities, reduction of capital assets is recorded as expenses. | (\$ 354,027) |
|--|--------------|

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In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capitals are allocated over their useful lives as depreciation expenses.

| | |
|---------------------------------|-----------------------|
| Expenditures for capital outlay | 1,361,930 |
| Depreciation Expense | <u>(629,056)</u> |
| Total Differences | <u>\$ 378,847</u> |

For the year ended June 30, 2008, total fund balances of the Agency's governmental fund, \$54,827,020, differs from net assets of governmental activities, \$88,849,442, reported in the *Statement of Net Assets and Governmental Fund Balance Sheet* by \$34,022,422.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | |
|--------------------------|--------------------------|
| Cost of capital assets | \$ 36,393,036 |
| Accumulated depreciation | <u>(2,370,614)</u> |
| Total Differences | <u>\$ 34,022,422</u> |

For the year ended June 30, 2008, the net change in fund balances for governmental funds, \$1,344,431, differs from the change in net assets for governmental activities, \$3,126,792, reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$1,782,361.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

In government funds, capital assets obtained as non-cash contributions are not reported because they do not affect current financial resources. In the government-wide financial statements these capital assets are reported as revenues and as increase to

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capital assets, at their fair market value on the date of non-cash contribution.

| | |
|--|-----------|
| Capital assets obtained as non-cash contribution | \$ 91,494 |
|--|-----------|

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capitals are allocated over their useful lives as depreciation expenses.

| | |
|---------------------------------|-------------------------|
| Expenditures for capital outlay | 2,300,385 |
| Depreciation Expense | <u>(609,518)</u> |
| Total Differences | <u>\$ 1,782,361</u> |

For the year ended June 30, 2007, total fund balances of the Agency's governmental fund, \$53,482,589, differs from net assets of governmental activities, \$85,722,650, reported in the *Statement of Net Assets and Governmental Fund Balance Sheet* by \$32,240,061.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | |
|--------------------------|--------------------------|
| Cost of capital assets | \$ 34,151,157 |
| Accumulated depreciation | <u>(1,911,096)</u> |
| Total Differences | <u>\$ 32,240,061</u> |

For the year ended June 30, 2007, the net change in fund balances for governmental funds, \$8,156,951, differs from the change in net assets for governmental activities, \$11,350,795, reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$3,193,844.

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Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

In government funds, capital assets obtained as non-cash contributions are not reported because they do not affect current financial resources. In the government-wide financial statements these capital assets are reported as revenues and as increase to capital assets, at their fair market value on the date of non-cash contribution.

| | |
|--|--------------|
| Capital assets obtained as non-cash contribution | \$ 1,898,321 |
|--|--------------|

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capitals are allocated over their useful lives as depreciation expenses.

| | |
|---------------------------------|-------------------------|
| Expenditures for capital outlay | 1,867,687 |
| Depreciation Expense | <u>(572,164)</u> |
| Total Differences | <u>\$ 3,193,844</u> |

For the year ended June 30, 2006, total fund balances of the Agency's governmental fund, \$45,325,638, differs from net assets of governmental activities, \$74,371,855, reported in the *Statement of Net Assets and Governmental Fund Balance Sheet* by \$29,046,217.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | |
|--------------------------|--------------------------|
| Cost of capital assets | \$ 30,385,149 |
| Accumulated depreciation | <u>(1,338,932)</u> |
| Total Differences | <u>\$ 29,046,217</u> |

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For the year ended June 30, 2006, the net change in fund balances for governmental funds, \$7,021,305, differs from the change in net assets for governmental activities, \$15,987,877, reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$8,966,572.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capitals are allocated over their useful lives as depreciation expenses.

| | |
|---------------------------------|-------------------------|
| Expenditures for capital outlay | \$ 9,351,702 |
| Depreciation Expense | <u>(385,130)</u> |
| Total Differences | <u>\$ 8,966,572</u> |

For the year ended June 30, 2005, total fund balances of the Agency's governmental fund, \$38,304,333, differs from net assets of governmental activities, \$58,383,978, reported in the *Statement of Net Assets and Governmental Fund Balance Sheet* by \$20,079,645.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | |
|--------------------------|--------------------------|
| Cost of capital assets | \$ 21,033,447 |
| Accumulated depreciation | <u>(953,802)</u> |
| Total Differences | <u>\$ 20,079,645</u> |

For the year ended June 30, 2005, the net change in fund balances for governmental funds, \$7,466,097, differs from the change in net assets for governmental activities, \$4,577,774, reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by (\$2,888,323).

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Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capitals are allocated over their useful lives as depreciation expenses.

| | |
|---------------------------------|--------------|
| Expenditures for capital outlay | \$ 1,135,983 |
| Depreciation Expense | (362,411) |

In governmental funds, capital assets are not recorded. In the statement of activities, reduction of capital assets is recorded as expenses.

(4,750,662)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

| | |
|---|-----------------------|
| Principal payments for State Revolving fund loan | <u>1,088,767</u> |
| Total differences between the governmental fund balance sheet and the government-wide statement of net assets | <u>(\$ 2,888,323)</u> |

For the year ended June 30, 2004, total fund balances of the Agency's governmental fund, \$30,838,236, differs from net assets of governmental activities, \$53,806,204, reported in the *Statement of Net Assets and Governmental Fund Balance Sheet* by \$22,967,968.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | |
|--------------------------|---------------|
| Cost of capital assets | \$ 24,648,126 |
| Accumulated depreciation | (591,391) |

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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

| | |
|---------------------------|---------------------|
| State revolving fund loan | <u>(1,088,767)</u> |
| Total differences | <u>\$22,967,968</u> |

For the year ended June 30, 2004, the net change in fund balances for governmental funds, \$9,160,142, differs from the change in net assets for governmental activities, \$15,317,851, reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$6,157,709.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capitals are allocated over their useful lives as depreciation expenses.

| | |
|---------------------------------|---------------------|
| Expenditures for capital outlay | \$ 6,403,061 |
| Depreciation Expense | <u>(245,352)</u> |
| Differences | <u>\$ 6,157,709</u> |

For the year ended June 30, 2003, total fund balances of the Agency's governmental fund, \$21,678,094, differs from net assets of governmental activities, \$38,488,353, reported in the *Statement of Net Assets and Governmental Fund Balance Sheet* by \$16,810,259.

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets are as follows:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | |
|--------------------------|---------------|
| Cost of capital assets | \$ 18,245,065 |
| Accumulated depreciation | (346,039) |

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
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FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

| | |
|---------------------------|---------------------|
| State revolving fund loan | <u>(1,088,767)</u> |
| Total differences | <u>\$16,810,259</u> |

For the year ended June 30, 2003, the net change in fund balances for governmental funds, \$5,727,489, differs from the change in net assets for governmental activities, \$10,932,387, reported in the statement of activities and governmental fund revenues, expenditures, and changes in fund balances by \$5,204,898.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are as follows:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capitals are allocated over their useful lives as depreciation expenses.

| | |
|---------------------------------|--------------|
| Expenditures for capital outlay | \$ 5,096,813 |
| Depreciation Expense | (102,315) |

In governmental funds, capital assets are not recorded. In the statement of activities, reduction of capital assets is recorded as expenses.

(459,225)

In the government-wide financial statements, these capital assets are reported a revenue and as increase to capital assets, at their fair market value on the date of non-cash contribution

597,100

In governmental funds, repayments of long-term debt are reported as expenditures. In the statement of activities, repayments of long-term debt are reported as reductions of liabilities.

| | |
|---|---------------|
| Principal payment for State revolving fund loan | <u>72,525</u> |
|---|---------------|

| | |
|-------------------|---------------------|
| Total Differences | <u>\$ 5,204,898</u> |
|-------------------|---------------------|

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

NOTE 5 - LONG-TERM OBLIGATIONS

The Agency did not have any long-term debt obligation during fiscal years ended June 30, 2009, 2008, 2007, and 2006.

Long-term debt obligations during fiscal years ended June 30, 2005, 2004, and 2003, consist of the state revolving fund loan. The purpose of the state revolving loan was for Water Agency Zone 11's Detention Basins for Storm Water Runoff Project. The total available loan amount was \$7,461,400, which was to be expended by February 1, 1999, with repayment in 20 annual installments beginning one year after the first disbursement. Interest of 3.4% accrues as of the date of each disbursement. The loan was paid in full during fiscal year ended June 30, 2005.

A Schedule of Changes in Long-term debt for the year ended June 30, 2005, is as follows:

| | <u>Balance</u> <u>July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2005</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|------------------------------|---------------------------------------|------------------|--------------------|--|--|
| State revolving fund loan | \$ 1,088,767 | _____ | (1,088,767) | _____ | _____ |
| Total | <u>\$ 1,088,767</u> | <u>_____</u> | <u>(1,088,767)</u> | <u>_____</u> | <u>_____</u> |

A Schedule of Changes in Long-term debt for the year ended June 30, 2004, is as follows:

| | <u>Balance</u> <u>July 1, 2003</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2004</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|------------------------------|---------------------------------------|------------------|-------------------|--|--|
| State revolving fund loan | \$ 1,088,767 | _____ | _____ | 1,088,767 | 152,529 |
| Total | <u>\$ 1,088,767</u> | <u>_____</u> | <u>_____</u> | <u>1,088,767</u> | <u>152,529</u> |

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

A Schedule of Changes in Long-term debt for the year ended June 30, 2003, is as follows:

| | <u>Balance</u> <u>July 1, 2002</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2003</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|------------------------------|---------------------------------------|------------------|-------------------|--|--|
| State revolving fund loan | \$ 1,161,292 | _____ | (72,525) | 1,088,767 | 74,990 |
| Total | <u>\$ 1,162,292</u> | <u>_____</u> | <u>(72,525)</u> | <u>1,088,767</u> | <u>74,990</u> |

NOTE 6 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Due to unanticipated expenditures incurred, the Agency has expenditures excess of appropriation during the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003. However, the Agency's overall expenditures did not exceed the total appropriation during the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003.

NOTE 7 - NET ASSETS/FUND BALANCES

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category is restricted by external creditors, grantors, contributors, laws or regulations of other governments. The Agency did not have restricted net assets as of June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003.
- *Unrestricted Net Assets* – This category represents net assets of the Agency, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the board of directors and management and can be increased, reduced, or eliminated by similar actions.

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
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FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

As of June 30, 2009, the Agency's fund balances consisted of the following:

| | |
|---------------------|----------------------|
| Unreserved: | |
| Designated | \$ 47,870,541 |
| Undesignated | <u>5,495,802</u> |
| Total Fund Balances | <u>\$ 53,366,343</u> |

As of June 30, 2008, the Agency's fund balances consisted of the following:

| | |
|---------------------------|----------------------|
| Reserved for Encumbrances | \$ 931,026 |
| Unreserved: | |
| Designated | <u>53,895,994</u> |
| Total Fund Balances | <u>\$ 54,827,020</u> |

As of June 30, 2007, the Agency's fund balances consisted of the following:

| | |
|---------------------------|----------------------|
| Reserved for Encumbrances | \$ 1,045,198 |
| Unreserved: | |
| Designated | 41,078,511 |
| Undesignated | <u>11,358,880</u> |
| Total Fund Balances | <u>\$ 53,482,589</u> |

As of June 30, 2006, the Agency's fund balances consisted of the following:

| | |
|---------------------------|----------------------|
| Reserved for Encumbrances | \$ 287,981 |
| Unreserved: | |
| Designated | 28,154,507 |
| Undesignated | <u>16,883,150</u> |
| Total Fund Balances | <u>\$ 45,325,638</u> |

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

As of June 30, 2005, the Agency's fund balances consisted of the following:

| | |
|---------------------------|----------------------|
| Reserved for Encumbrances | \$ 491,231 |
| Unreserved: | |
| Designated | 24,025,722 |
| Undesignated | <u>13,787,380</u> |
| Total Fund Balances | <u>\$ 38,304,333</u> |

As of June 30, 2004, the Agency's fund balances consisted of the following:

| | |
|---------------------------|----------------------|
| Reserved for Encumbrances | \$ 1,070,915 |
| Unreserved: | |
| Designated | 14,831,062 |
| Undesignated | <u>14,936,259</u> |
| Total Fund Balances | <u>\$ 30,838,236</u> |

As of June 30, 2003, the Agency's fund balances consisted of the following:

| | |
|---------------------------|----------------------|
| Reserved for Encumbrances | \$ 328,952 |
| Unreserved: | |
| Designated | 8,907,765 |
| Undesignated | <u>12,441,377</u> |
| Total Fund Balances | <u>\$ 21,678,094</u> |

NOTE 8 - ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Internal Services
Department of Finance
Auditor-Controller Division

Ben Lamera,
Assistant Auditor-Controller



Bradley J. Hudson,
County Executive

David Villanueva,
Chief Deputy County Executive

Julie Valverde,
Director of Finance

County of Sacramento

June 21, 2012

Board of Directors
Sacramento County Water Agency
700 H Street, Room 2450
Sacramento, California 95814

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the basic financial statements of the Sacramento County Water Agency Special Revenue Fund (Agency) as of and for the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003, and have issued our report thereon dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial auditor contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial

reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendation. We did not audit the Agency's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatements, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors and the Agency management. This report is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

JULIE VALVERDE
DIRECTOR OF FINANCE



By: Alan A. Matré, C.P.A.
Chief of Audits

SACRAMENTO COUNTY WATER AGENCY
SPECIAL REVENUE FUND
FINDING AND RECOMMENDATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003

Appropriation Limitation

Comment

Sacramento County Water Agency Special Revenue Fund (Agency)'s Zone 12 is subjected to annual appropriations limitation in accordance with Article XIII B of California Constitution. During our review of the Zone 12's Appropriation Limits for fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, and 2003, we noted that the Appropriations Limits were calculated and prepared by the Sacramento County Executive Office's staff instead of the Agency's staff. In addition, we noted several exceptions about the Appropriation Limits calculation. Our review of the Zone 12's Appropriations Limitations for these years were issued as a separate report dated June 21, 2012, and contained our findings.

Recommendation

We recommend the Appropriations Limit to be calculated and prepared by the Agency's staff who has a better understanding about the operation of the Agency. In addition, we recommend the Agency develop a proper plan to implement our recommendations stated in our separate report for the Appropriation Limitation review dated June 21, 2012.

Management Response

We agree with the recommendation and are taking steps to transfer the Appropriations Limit analysis to Agency staff.