OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

NOTICE OF CANCELLATION

NOTICE IS HEREBY GIVEN OF THE CANCELLATION OF THE FINANCE, ADMINISTRATION AND COMMUNICATIONS COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS SCHEDULED FOR TUESDAY, OCTOBER 23, 2007 at 4:00 P.M.

DUE TO THE EMERGENCY FIRE EVACUATION OF THE DISTRICT'S ADMINSTRATIVE AND OPERATIONS FACILITIES.

THE MEETING HAS BEEN RESCHEDULED FOR:

MONDAY, OCTOBER 29, 2007 AT 11:30 A.M.

Certification of Posting

I certify that on October 25, 2007, I posted a copy of the foregoing cancellation near the regular meeting place of the Board of Directors of Otay Water District (Government Code Section 54955).

Executed at Spring Valley, California on October 25, 2007.

Susan Cruz, District Secretary

OTAY WATER DISTRICT
FINANCE, ADMINISTRATION AND COMMUNICATIONS
COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM
MONDAY
October 29, 2007
11:30 A.M.

This is a District Committee meeting. This meeting is being posted as a special meeting in order to comply with the Brown Act (Government Code Section §54954.2) in the event that a quorum of the Board is present. Items will be deliberated, however, no formal board actions will be taken at this meeting. The committee makes recommendations to the full board for its consideration and formal action.

AGENDA

1. ROLL CALL

2. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

DISCUSSION ITEMS

3. UPDATE REPORT ON AN AWARD THE DISTRICT RECEIVED FROM THE MUNICIPAL INFORMATION SYSTEMS ASSOCIATION OF CALIFORNIA (STEVENS) [5 minutes]

4. UPDATE REPORT IN FOLLOW-UP TO A QUESTION FROM COMMITTEE RE-LATED TO THE DISTRICT'S GENERAL HARASSMENT POLICY (WILLIAM-SON) [5 minutes]

5. UPDATE REPORT REGARDING THE PURCHASE OF CERTIFICATES OF DEPOSIT (BEACHEM) [10 minutes]

6. ACCEPT THE DISTRICT'S AUDITED FINANCIAL STATEMENTS, INCLUDING THE AUDITORS' UNQUALIFIED OPINION, FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (BEACHEM/CUDLIP) [10 minutes]

7. CONSIDERATION TO CAST VOTES TO ELECT FIVE (5) REPRESENTATIVES TO THE NATIONAL WATER RESOURCES ASSOCIATION'S CALIFORNIA CAUCUS BOARD OF DIRECTORS (WATTON) [5 minutes]

8. ADJOURNMENT

BOARD MEMBERS ATTENDING:
Mark Robak, Chair
Larry Breitfelder

All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on October 25, 2007 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on October 25, 2007.

Susan Cruz, District Secretary

ITEM 3

There is no staff report for Item 3.

AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Finance, Administration and Communications Committee	MEETING DATE:	October 23, 2007
SUBMITTED BY:	Kelli Williamson Human Resources Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Rom Sarno, Chief, Administrative Services		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Finance and Administration		
SUBJECT:	Response to Committee Member on Question Related to General Harassment Policy		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION:

The Committee requested staff to return to clarify existing policies and procedures and clarify whether an additional policy was needed to specifically address general harassment.

PURPOSE:

To provide follow up on a question asked by the Committee at the Finance, Administration and Communications Committee.

ANALYSIS:

At the Finance, Administration and Communications Committee meeting held on September 17, 2007, when discussing the revisions to the Board Policy #47 – Policy Against Discrimination and Harassment, the Committee inquired whether the District had other policies related to general harassment. This question surfaced because the policy under discussion referenced "protected class" harassment. The Committee inquired as to whether an additional policy was needed regarding general harassment.

Staff consulted with the General Counsel's office and it is our opinion that the existing policies sufficiently cover the area of general harassment as explained below and it is not recommended to adopt an additional policy at this time.

In making this recommendation, District staff and General Counsel reviewed the following current policies:

Discipline Policy

The District's Discipline Policy and Procedure (Attachment A) lists several "Standards of Conduct" in which any employee who exhibits harassing behavior would be subject to disciplinary action for up to and including termination depending on the severity of the incident. The following standards of conduct could apply in a situation of general harassment.

Standards of Conduct
#6 - Discourteous conduct
#18 - Fighting with or assaulting, harassing, threatening, or intimidating any person during working hours or on District property
#19 - Immoral conduct

Zero Tolerance for Violence in the Workplace Policy

The District's Zero Tolerance for Violence in the Workplace, Board Policy #38 (Attachment B), establishes guidelines to prohibit violence, acts of aggression, and threatening behaviors against all employees regarding violence in the workplace and establishes a procedure for reporting and dealing with acts of aggression and violence. An employee may be disciplined up to and including termination depending on the circumstances.

FISCAL IMPACT:

None

LEGAL IMPACT:

None

General Manager

ATTACHMENTS

Attachment A, Discipline Policy
Attachment B, Violence in the Workplace Policy

Otay Water District Human Resources Policies and Procedures	Effective Date: September 5, 2007	Page 1 of 7
Section Title: DISCIPLINE POLICY AND PROCEDURES		

PURPOSE

The purpose of this policy is to present a progressive approach to employee discipline which uses consistent and equitable procedures for reflecting employee job performance and general conduct.

POLICY

It is the policy of Otay Water District to maintain an atmosphere of positive motivation and discipline with its employees; to treat all employees fairly; and to administer disciplinary action, when necessary, in a manner that is both fair and corrective.

Disciplinary action is primarily intended to be corrective and progressive, directed at obtaining compliance with District rules, orders, procedures, standards of conduct, and expected job performance. However, disciplinary action may also serve a punitive purpose, particularly in the case of severe or repetitive misconduct. The District may impose discipline, including a first disciplinary action, commensurate with the nature and circumstances of an employee's misconduct. Appropriate disciplinary action may include counseling, oral warning, written reprimand, suspension, reduction in pay, demotion, and/or dismissal.

STANDARDS OF CONDUCT

All employees are expected to act in a positive and professional manner in performing their duties and in their relationships with other employees and the public.

Individual departments may adopt rules specifically based on the needs of the department. In such cases, these rules must be written, approved by the Assistant General Manager, and distributed to all affected employees.

Employees may be informally or formally disciplined for the following misconduct:

1. Fraud in securing employment or promotion;

2. Incompetence, including loss, revocation, suspension, or conditions of probation of a license or certificate that is a condition of the position, that prevent an employee from performing work at the District, or the uninsurability of an employee to drive a District vehicle when driving is a condition of the position;

3. Failure to perform the duties of the position;

4. Inefficiency;

5. Insubordination;

6. Discourteous conduct;

7. Violation of safety rules, policies, standards, and/or regulations, or failure to promptly report the same;

8. Violation of the general rules, regulations, policies, and practices of the District or the employee's department;

9. Dishonesty;

10. Absence or tardiness without leave;

11. Working while intoxicated or illegally under the influence of controlled substances;

12. Consuming alcoholic beverages or illegally using controlled substances while on duty or during breaks;

13. *Conviction of a felony;

14. *Conviction of a misdemeanor involving moral turpitude and/or crimes involving firearms, explosives, violence, dishonesty and/or requiring registration under Penal Code 290;

15. Gambling on District property or while on duty;

16. Bringing or possessing firearms on District property;

17. Unauthorized use or removal of District property, or willful or reckless damage to or destruction of District property;

18. Fighting with or assaulting, harassing, threatening, or intimidating any person during working hours or on District property;

19. Immoral conduct;

20. Unlawful discrimination;

21. Membership in any organization that advocates the overthrow of the government of the United States or that State of California by force, violence, or other unlawful means.

* A "conviction" includes any sentence, suspended sentence, probation or other resolution following a verdict, plea (including a no contest plea) or other finding of guilt.

LEVELS OF DISCIPLINE

A. Informal Discipline

Counseling – Counseling includes any informal discussion with an employee designed to assist the employee to fully develop skills and abilities. The counseling discussion may clarify standards, evaluate the employee's strengths and weaknesses, or seek information.

Counseling is normally given by the immediate supervisor, but it may be given by any departmental supervisory staff up to and including the General Manager.

Oral Warning – An oral warning notifies the employee that his/her performance or behavior must be improved.

An oral warning defines the areas in which improvement is required, sets up goals leading to improvement, and notifies the employee that failure to improve will result in more serious action.

An oral warning is normally given by the immediate supervisor, but it may be given by any departmental supervisory staff up to and including the General Manager. This action shall only be imposed upon review and approval of the Department Chief in consultation with the Human Resources Manager or designee.

A written summary of an oral warning is kept by the supervisor, given to the employee, and placed in the supervisor's file and retained for a period of 18 months after which it is removed at the employee's request, unless other disciplinary problems have occurred within that time. However, if the oral warning is for violation of the Violence in the Workplace Policy, the Drug and Alcohol Policy, or Sexual Harassment Policy, it shall be permanently retained in the file.

B. Formal Discipline

Letter of Reprimand – A written reprimand is a formal notice to the employee that further disciplinary action may be taken unless performance or behavior improves.

A written reprimand admonishes an employee for misconduct and advises him/her of the consequences of failing to improve his/her performance or behavior. It should contain the following information:

a. What occurred.
b. Date and time of the event which is the cause of the reprimand.
c. Specific rule or policy broken or violated.
d. Reference to previous conversations and/or oral warnings regarding the problem.
e. What the employee is expected to do to correct the situation.
f. An outline of subsequent meetings or assignments to ensure that the employee has followed the directions for corrective action.

A written reprimand is normally given by the immediate manager, but it may be given by any departmental supervisory staff up to and including the General Manager. This action shall only be imposed upon review and approval of the Department Chief in consultation with the Human Resources Manager or designee.

Copies of written reprimands are kept by the supervisor, given to the employee, and placed in the employee's permanent personnel file and retained for a period of 3 years after which it is removed at the employee's request, unless other disciplinary problems have occurred within that time. However, if a reprimand is for a violation of the Violence in the Workplace Policy, the Drug and Alcohol Policy or Sexual Harassment Policy, it shall be permanently retained in the file.

Suspension - Suspension is the temporary removal of an employee from his/her duties without pay. Suspensions are normally taken in cases involving serious misconduct or chronic behavioral problems for which there seems to be no other appropriate response.

A suspension is usually given by the Department Chief, but may be given by any departmental supervisory staff up to and including the General Manager. This action shall only be imposed upon review and approval of the Department Chief, in consultation with the Human Resources Manager or designee, and finalized as a written notice of discipline approved by the Assistant General Manager.

Copies of suspension notices are kept by the supervisor, given to the employee, and placed in the employee's permanent personnel file.

Suspensions for 3 days or less shall be retained for a period of 3 years after which it is removed at the employee's request, unless other disciplinary problems have occurred within that time. However, if a suspension is for a violation of the Violence in the Workplace Policy, the Drug and Alcohol Policy or Sexual Harassment Policy, it shall be permanently retained in the file.

Suspensions for more than 3 days shall be retained in the employee's permanent personnel file.

Demotion or reduction in pay – Demotion to a position with a lower salary range or a reduction in salary within the current salary range. This type of discipline is normally imposed in response to an employee's failure to maintain minimum job requirements, incompetence or an inability to perform the essential duties of a position. However, it may be used for any other form of misconduct if deemed appropriate.

A demotion or reduction in pay is usually given by the Department Chief, but may be given by any departmental supervisory staff up to and including the General Manager. This action shall only be imposed after review and approval by the Assistant General Manager, Department Chief, in consultation with the Human Resources Manager or designee, and finalized as a written notice or discipline approved by the General Manager.

Copies of demotions and reductions in pay are kept by the supervisor, given to the employee, and placed in the employee's permanent personnel file.

Dismissal – Action to permanently terminate an employee's employment with the District.

A dismissal is usually given by the Department Chief, but may be given by any departmental supervisory staff up to and including the General Manager. This action shall only be imposed after review and approval by the Assistant General Manager, Department Chief, in consultation with the Human Resources Manager or designee, and finalized as a written notice of discipline approved by the General Manager.

Copies of dismissal notices are kept by the supervisor, given to the employee, and placed in the employee's permanent personnel file.

PRE-DISCIPLINE DUE PROCESS

ELIGIBILITY

These procedures apply to any person holding regular status as a District employee. "Regular status" includes all District employees except probationary employees, at-will employees, part-time employees working less than 20 hours per week, and temporary employees.

A. Notice Of Intent To Discipline

When a recommendation that a suspension of more than five (5) days, demotion, reduction in pay, or dismissal be imposed on an employee has been approved by the General Manager or designee, a Notice of Intent to Discipline shall be prepared and delivered to the employee at least five (5) working days before the date on which the proposed disciplinary action will become effective.

The Notice of Intent to Discipline shall include the following information:

1. A description of the proposed disciplinary action;
2. The date on which that action will become effective;
3. A statement of the charge(s) upon which the proposed action is based, including a description of the events constituting the alleged misconduct and reference to or description of the specific District rule or policy violated;
4. A statement that the employee has a right to meet with the General Manager or designee, and respond to the charges either orally or in writing, at any time before the proposed disciplinary action is to become effective;
5. Copies of any known written materials, reports, or documents upon which the proposed action is based.

B. Notice Of Discipline

If the employee elects not to meet with the General Manager or designee or respond to the charges before the effective date, the proposed action shall be imposed on the effective date.

If the employee meets with the General Manager or designee or submits a response to the charges and the General Manager or designee decides that the proposed action or modified disciplinary action should be imposed, the General Manager or designee shall issue a Notice

of Discipline to the employee.

The Notice of Discipline shall include the following information:

1. A description of the disciplinary action to be taken.
2. The date on which that action will become effective.
3. A statement whether any of the charges, descriptions of events, or alleged violations of District rule or policy in the Notice of Intent to Discipline were not sustained.

APPEAL

Represented Employees

Represented employees shall have the right to appeal disciplinary action taken against them in accordance with and to the extent provided by an applicable collective bargaining agreement. A "represented employee" is an employee who is a member of a bargaining unit for which there is a recognized employee organization.

ADMINISTRATIVE LEAVE

Leave Pending Investigation – The District may place an employee on paid Administrative Leave pending investigation of an alleged violation of law, policy, regulation, or standard of conduct.

Leave Pending Disciplinary Action – The District may place an employee on paid Administrative Leave, pending an employee's response to a Notice of Intent to Discipline and determination whether disciplinary action will be imposed.

EMERGENCY

In extraordinary circumstances, where an emergency situation exists that has the potential to harm District property, employees or members of the public or can result in harm to the employee, the District may remove the employee from the workplace immediately. An investigation will be conducted as soon as possible. After the emergency is passed, and if disciplinary action against the employee is contemplated, the guidelines for disciplinary action set forth herein shall be followed. If no discipline is imposed, the employee will be repaid for any time off without pay.

AUTOMATIC RESIGNATION

An employee is considered to have resigned his/her employment when the employee fails to report to work for two (2) or more consecutive work days without leave to be absent, whether such absence is voluntary or involuntary. Such resignation shall be effective as of the last day actually worked by the employee. The District shall notify the employee his/her resignation. Although the District's acceptance of an employee's automatic resignation is not a disciplinary action, the District shall include the following in the notice of resignation:

a. A description of the facts upon which the resignation is based;
b. A statement that the employee has the right to meet with the General Manager or designee, and respond to the description of facts either orally or in writing, within five days of receiving the notice of resignation.
c. A statement that if the employee does not provide sufficient justification for his/her absence within five days of receiving the notice of resignation, his/her resignation shall be effective as of his/her last day actually worked.

If the General Manager or designee concludes that the employee's absence was justified, he/she shall order the employee reinstated without back pay.

TIME EXTENSIONS

Any time limitations or requirements, as set forth in this Policy and Procedure, may be extended or changed by mutual agreement of all parties.

EMPLOYEE ACKNOWLEDGEMENT

The District may require an employee to sign a document indicating the date on which the employee received a Notice of Intent to Discipline or a Notice of Discipline. If the employee refuses to sign the document, the person serving the document on the employee should note the date of service and that the employee declined to sign.

OTAY WATER DISTRICT **BOARD OF DIRECTORS POLICY**			
Subject ZERO TOLERANCE FOR VIOLENCE IN THE WORKPLACE	Policy Number	Date D Adopted	ate Revised
	38	11/07/01	

I. Purpose

Otay Water District recognizes that workplace violence has become a serious problem that affects job performance. Homicides in the workplace account for the second largest number of employee work related deaths.

The District is required under California law to maintain a safe and healthful place of employment for its employees. Each employee has a responsibility to perform work for the public in a safe, effective and efficient manner. The District will strive to eliminate acts of violence, aggression and threatening behaviors in the workplace and promote respect for all persons. In consideration of the health and safety of others, this policy establishes a "zero-tolerance" position towards threats or acts of violence in the workplace.

The District promotes the concept of mutual respect for all persons. Violence, acts of aggression, sexual harassment, discrimination and threatening behaviors do not flourish in environments where people respect each other.

It is the purpose of the ~~Workplace Security and Anti-Violence~~ Zero Tolerance for Violence in the Workplace Policy of Otay Water District to establish guidelines to prohibit:

- Violence
- Acts of aggression
- Threatening behaviors against all employees at the workplace
- To provide information to all employees regarding violence in the workplace
- To establish a procedure for reporting acts of aggression and violence
- To standardize a procedure for dealing with an act of aggression and violence
- To promote a workplace free of acts of aggression and violence

II. Policy

Otay Water District is committed to creating and maintaining a work environment free of any and all types of violence and acts of aggression. The District recognizes that issues related to violence in the workplace are enforced by 3203 of the CAL-OSHA General Industry Safety Orders.

The District will not tolerate violence in the workplace and will take preventive, corrective and/or disciplinary action (including criminal prosecution) against any individual that violates this policy.

Zero-Tolerance Standard - The District establishes a zero-tolerance for aggressive behavior or acts of violence in the workplace. Incidents of violence, whether implied or actual, will not be tolerated by any person under any circumstance. There is no excuse for any type of violent behavior.

All comments and actions of a violent nature will be taken seriously and will not be tolerated. While all individuals have the right to self-expression, expressions of violence or potential violence are strictly prohibited.

This policy applies to all persons involved in the District's operation including, but not limited to: full-time, part-time, vendors and contractors, temporary and volunteer employees of Otay Water District and anyone else visiting District property or job sites. It includes all work areas where an employee is assigned to perform a job function and/or where the employee is representing or perceived to be representing the District.

Dissemination of Policy to Employees - Information about the prohibition of threats or incidents of violence will be provided to all full-time, part-time and temporary employees at their time of hire, and periodically thereafter through a communication method determined by the General Manager. In addition, copies of the policy and/or notices will be generated to inform contractors, vendors, volunteers and anyone else visiting District property, of the prohibition against threats or incidents of violence in the workplace.

III. Definitions

Definitions of Threats or Acts of Violence - All direct or implied expressions of an intent to inflict physical harm and/or actions that a reasonable person would perceive as possibly detrimental to their physical safety or property will be considered as a threat. Acts of violence include conduct against individuals or property that is sufficiently offensive, severe or coercive to alter the District's employment conditions or which creates a hostile, abusive or intimidating work environment for one or more District employees. All threats or acts of violence will be taken seriously and immediately acted upon. While not inclusive, the following are examples of behaviors that are strictly prohibited under this policy:

A. Threats or acts of physical force and/or assault, such as pushing, shoving, slapping, hitting, punching or striking.
B. Threatening conduct, such as menacing gestures, stalking, brandishing weapons, tools or equipment, as if intending to cause physical harm.
C. Possession of firearms, weapons or any dangerous devices on District property or District job site. Recreational firearms shall not be transported in employee's vehicle on District premises.
D. Inappropriate use of tools or equipment on District property or District job sites.
E. Verbal or written harassment designed to intimidate or instill fear in others, including cursing, harassing phone calls, faxes, letters, memos and electronic communication.
F. Verbal or written harassment devised to provoke a loss of emotional control in others, such as taunting or demeaning statements, gestures or sounds.
G. Direct or veiled verbal threats of physical harm to individuals, their family members, friends, associates, personal property or District property.
H. Threatening verbal or written jokes about acts of violence.
I. A self-prediction of loss of control.
J. Yelling or profanity that a reasonable person would consider to be intimidating or demeaning.

Examples of Workplace Violence - General situations of prohibited violent conduct include, but are not limited to, the following:

A. Threats or acts of violence not occurring on District property, but involving someone who is acting within the course and scope of District employment and volunteer service.
B. Threats or acts of violence occurring on District property, regardless of the relationship between the District and the parties involved in the incident.
C. Threats or acts of violence not occurring on District property involving an employee of the District if the threats or acts of violence adversely impact the District's best interests.

IV. Procedure

Employee Responsibilities

All employees must comply with the provisions of this policy. Any violation of this policy by a District employee shall result in immediate disciplinary action, which may include referral to the Employee Assistance Program, written notice, days off or any other discipline up to and including termination. All oral and/or written reports required by employees under this policy shall be done without fear of reprisal and, to the extent possible, on a confidential basis.

A. Employees shall immediately report customers' actions, or citizen contacts of threatening behavior, to their supervisor, and when appropriate to the Police Department.
B. Employees shall immediately report to the appropriate supervisor, Assistant Chief or Human Resources Manager any incident of threat or physical harm directed at them, or a co-worker, by another employee, supervisor, or customer.
C. Employees are responsible for reporting to their supervisor when they have a restraining order against someone. Employees will further furnish to their supervisor, identifying information of the person and information on types of vehicles driven by a party whom the restraining order against persons who are harassing, threatening or stalking employees. The supervisor will notify Human Resources.

D. The employee will furnish a copy of the restraining order to the Police Department. If available, a photograph is very helpful in identifying the person whom the restraining order is for.
E. Employees are to report a bomb threat immediately to their supervisor.
F. Employees must report threatening behaviors from fellow employees to their supervisor, Assistant Chief, or Human Resources. When necessary these reports may be made confidentially.

Incidents Involving Members of the Public - This policy recognizes that employee security applies not only to co-workers' interactions, but also to associations with members of the public, including relatives and friends of employees. Employees are reminded to use caution when dealing with any angry or intimidating member of the public. If unsuccessful in getting the person to calm down, the employee should refer the individual to his or immediate supervisor or Assistant Chief. It may be necessary to remove all employees from the potential risk and notify the Police Department via **9-911**.

The immediate supervisor and/or Assistant Chief will determine how to handle future business transactions with an angry or intimidating individual. Furthermore, if appropriate, legal action may be taken against any member of the public who violates employee security in any fashion.

Supervisory and Management Responsibilities:

A. It is the duty of all managers and supervisors to carry out the enforcement of this policy and to investigate all complaints of violations of this policy.
B. Managers and supervisors shall take complaints of an employee's threatening behavior seriously. At times it may be necessary to keep confidential the name of the person who has reported a threatening behavior of a citizen or employee.
C. In cases of restraining orders, managers and supervisors will advise the Assistant Chief and, when appropriate, the Police Department will be notified to provide added protection for all employees. Managers and supervisors have a responsibility to provide added protection, as deemed appropriate, for all employees.

D. Managers and supervisors have a responsibility to follow the procedure for dealing with a bomb threat and report it immediately to their Assistant Chief.
E. Managers and supervisors have the responsibility to encourage or formally refer employees to use the EAP when deteriorating or unsatisfactory job performance does not improve with usual supervisory action. A supervisor should not attempt to diagnose an employee's problem. The supervisor's role is to monitor job performance.
F. Managers and supervisors have a responsibility to promote respect among all employees.
G. Managers and supervisors have a responsibility to discipline all employees who bring unauthorized weapons on any District job site.
H. Managers and supervisors have a responsibility to solicit employee perceptions of unsafe conditions or situations.

Conducting an Investigation - All alleged threats and incidents of violence will be investigated in a prompt, thorough, impartial and confidential matter. The General Manager will designate the applicable Assistant Chief, Human Resources Manager, other management employee or an outside investigator as the assigned investigator of the alleged incident. The "Threat/Incident Investigation Report" form will be used in conducting the investigation. The investigation will provide written notice to the accused employee of the reported allegation(s) in a manner that allows for the documentation of receipt. The notice will state the following:

A. The basis for the allegation(s), including the date that the incident allegedly occurred.
B. The ability to review the materials upon which the allegation(s) is based.
C. Information concerning the employee's right to respond to the allegation(s), orally or in writing, within five (5) working days.

Within five (5) working days after the receipt of the notice, the accused employee may request a meeting with the investigator to respond to the allegation(s). The accused employee may utilize this opportunity to present his or her side in response to the allegation(s). When appropriate, the employee accused of the threat or incident of violence may be placed on temporary administrative leave and removed from the workplace pending completion of the investigation.

If the alleged incident is substantiated, appropriate disciplinary action will be taken, up to and including termination. In addition, any legal action may be taken, as appropriate, against employees or members of the public in verified threats or incidents of violence. If discipline is warranted the employee will be notified with written notice, the proposed action, reasons, effective date, etc., the employee will also be advised of the right to review or appeal any disciplinary action taken.

Employees who retaliate against any person who has reported an alleged threat or incident of violence, regardless of whether the retaliation takes place on District property or District time, will be subject to disciplinary action up to and including termination.

Employees who falsely accuse a person of a threat or incident of violence, which is proven to be malicious and intentional, will be subject to disciplinary action, up to and including termination.

Human Resources will indefinitely maintain all files and records relating to reports of all incidents of violence.

Assessing the Seriousness of an Incident - Once the threat or act of violence has been verified, a preliminary assessment of the seriousness of the incident shall be made in order to respond to the complainant and the accused. Other actions that may be taken to fully develop an assessment of the seriousness of a threat or act of violence are:

A. Review the accused's personnel records for previously documented threats or acts of violence, work performance issues, disciplinary actions, related medical conditions, financial problems and/or other related items.
B. Interview the supervisor, Assistant Chief and/or co-workers of the accused.
C. As deemed appropriate, notify law enforcement personnel.
D. Obtain, as required, the expertise of specialists such as psychiatrists or psychologists.
E. Determine if there has been a history of similar incidents to other employees.

If one or more of these actions are taken, the General Manager shall use discretion in determining who shall have access to an employee's records and will limit the number based on a strict "need-to-know" basis depending upon the specific situation. Such decision makers might include the General Manager, the General Counsel, the Human Resources Manager, the Assistant Chief as well as others the General Manager might identify as needing the information to protect other employees, the public and the District.

The records will be kept in a separate locked file under the direct control of the Human Resources Division and will not be made a part of employee's personnel file except when disciplinary action results from an investigation of the incident. When disciplinary action is taken, any disciplinary notices and supporting materials regarding the disciplinary action will be placed in the employee's personnel file. Reports maintained in the File will not be available for review or examination except upon the approval of the Assistant Chief of Administrative Services or the Human Resources Manager. Reports of violence will only be reviewed to determine risk or assess complaints of a threat concerning an employee of the District. Disciplinary action will be consistent with current District policy.

Assessing the Seriousness of a Potential Threat - Whenever a supervisor or manager learns of a potential threat, it is that person's responsibility to alert their Assistant Chief and Human Resources Manager and assess the seriousness of the threat. Examples of potential threats include but are not limited to the following:

A. An employee tells you that they are breaking up with a significant other and the significant other has threatened to kill them if they catch them with someone else.
B. A customer, over the phone, threatens to slash the tires of an employee's vehicle unless they receive satisfaction.
C. An employee comes to you and relates concern of a co-worker's recent state of mind or apparent depression, which has affected the co-worker's productivity and/or attitude at work.

Employee Assistance Program - The District recognizes that employees may from time to time experience difficulties related to their work, relationships with co-workers, supervisors, Assistant Chiefs or members of the public. Employees are reminded that the District has a well-established voluntary and confidential Employee Assistance Program (EAP) to assist employees and their families who seek help for problems causing added stress to their lives. Employees who are concerned about added stress are strongly encouraged to voluntarily seek assistance through this program. An employee may schedule an appointment with the EAP on District release time with the approval of the supervisor. If an employee requires leave time for additional visits or continuing treatment, he/she must follow established sick leave procedures.

The EAP provides counseling sessions at no cost to the employee. If further treatment is needed, the EAP will refer the employee to the appropriate resource. Most health insurance contains some type of coverage for treatment; however, the employee assumes the financial responsibility for all services that are not covered by the EAP or health insurance.

Supervisors should encourage employees to use the EAP when deteriorating or unsatisfactory job performance does not respond to usual supervisory actions or when a specific on the job incident does not respond to usual supervisory actions or when a specific on the job incident is cause for concern. While the District will be supportive of those who seek help voluntarily, the District will be equally firm in identifying, and disciplining those who continue to violate this policy.

All Other Communication - The General Manager will determine the method of communicating specific information about the threat or incident of violence to employees and the news media. In the event of an incident, every effort will be taken to provide employees in the effected area with information that will minimize the stress and/or the anxiety associated with the incident, including on-site post-incident debriefing and/or referral to the District's Employee Assistance Program.

AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 7, 2007
SUBMITTED BY:	James Cudlip, Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Informational Item Regarding the Purchase of Certificates of Deposit (CDs)		

GENERAL MANAGER'S RECOMMENDATION:

Informational item regarding the purchase of Certificates of Deposit (CDs).

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To update the Board on financial investment opportunities with Certificates of Deposit (CDs) in excess of $100,000.

ANALYSIS:

Over the past several months, staff has reviewed a new program authorized by the California Government Code for investing in CDs in excess of $100,000. At the September 17, 2007 Finance, Administration & Communications Committee Meeting, staff presented an updated analysis and review that proposed limited investment in these CDs within specific parameters. The committee asked staff to conduct further research on programs implemented by other agencies, specifically National City, and return for further direction. (See Attachment B).

A review of other government organizations in the San Diego area revealed that National City and the San Diego County Treasurer-

Tax Collector currently have funds invested in CDs of this type, in amounts ranging from $1 million to $5 million per CD, and Sweetwater Authority is also in the process of reviewing this opportunity as an investment option for their agency. This program has been reviewed in detail by multiple organizations and found to be fully compliant with California Government Code for investments by public agencies, including special districts. While each organization's investment policy is worded slightly different, all were in agreement that their policy simply needed to specify that CDs were: 1) invested in fully insured FDIC accounts; and 2) were in compliance with California Government Code. The District's code already includes these criteria, so no changes are necessary to begin investing in this program.

Recently, financial market conditions have changed and this investment product is now more favorable. On September 18, 2007, the Federal Reserve Board lowered the federal funds rate from 5.25% to 4.75%. As a result, the investment returns on the financial instruments, which the District has chosen over the last 3-5 years (US Treasury Securities & Federal Agency Issues, with terms of 1-3 years), have all dropped. At the same time, current CD rate quotes for CDs in excess of $100,000 have remained quite favorable in comparison.

Investment Specifics:

All banking institutions that are FDIC insured are eligible to offer these CDs. Specific institutions that are currently being used for CD investments by San Diego County Treasurer-Tax Collector and National City are:

- Neighborhood National Bank, San Diego
- Metro United Bank, San Diego
- Pacific Western Bank, San Diego
- First Pacific Bank of California, San Diego
- San Diego Private Bank, La Jolla
- 1st Centennial Bank, Escondido

Funds are deposited with an individual bank, which then works with a private sector entity that assists in the placement of the funds with multiple other FDIC insured depository institutions in CD amounts of less than $100,000, until all funds are placed. The current deposit placement service being used by local banks is Promontory Interfinancial Network, LLC, and their product is called Certificate of Deposit Account Registry Service, or CDARS.

There is no cost to the District for this service and all of the funds/CDs placed earn the same interest rate for the same length of maturity, which is negotiated by the District at the time the monies are placed. Administration of the fund reporting is minimized by the fact that the multiple CDs placed by CDARS are aggregated into one statement by the original institution chosen for the investment. CD maturities can be designated by the District, so liquidity and cash flow is determined in advance to meet District investment goals and projected funding needs.

Conclusion:

Based on the above factors and analysis, staff plans to invest in CDs in excess of $100,000 as an additional part of the District's portfolio, within the parameters of the District's Investment Policy and as current financial market conditions allow this to be a competitive investment product.

FISCAL IMPACT:

Under current market conditions, this investment will assist in the District's efforts to maximize investment income (return on investment), within the acceptable confines of safety and liquidity of the investment portfolio.

STRATEGIC OUTLOOK:

The District ensures its continued financial health through long-term financial planning and debt planning.

LEGAL IMPACT:

None.

General Manager

Attachments:

A) Committee Action Form
B) Staff Report: Consideration of Investment in Certificates of Deposit (CDs), dated October 3, 2007

ATTACHMENT A

SUBJECT/PROJECT:	Informational Item Regarding the Purchase of Certificates of Deposit (CDs)

COMMITTEE ACTION:

Information item only.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	October 3, 2007
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Consideration of Investment in Certificates of Deposit (CDs)		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

Discussion of support of community banking through investment in certificates of deposit (CDs).

ANALYSIS:

The District is authorized, via the Investment Policy, to invest in CDs. Based on the recent interest expressed by the Board to support local community banking, staff is presenting information on the investment in CDs and is proposing some investment parameters.

A new law has revitalized this investment option by effectively eliminating the $100,000 limit on the federal insurance. With the new law, an investment can exceed $100,000 but can remain fully insured by distributing or dividing up the investment with other banks. In this way, one of the largest obstacles of this type of investment has been overcome.

The second significant obstacle is the slightly lower return on investment obtained with CDs. To limit this disincentive, staff

is proposing to limit the maximum level of total CD investments to $500,000. In this way, the loss of interest revenue is expected to be limited to well under $5,000 a year. Staff will manage the level of this program to ensure that the opportunity cost of this investment does not exceed this threshold.

Staff also looks to limit the additional administrative costs of implementing and maintaining this new investment by limiting the number of transactions. Staff anticipates investments of no less than $100,000 increments and with terms of no less than one year. This will limit the number of transaction to no more than five in any given year. If more than five banks wish to participate, then the banks will be rotated through the program based on staff's professional judgment of the Safety, Liquidity, and Return of the individual investments. Only if fewer than five banks participate can an investment amount exceed $100,000 and then, only after staff has determined that the bank program ensures the 100% continuous insurance of the District's investment.

To maximize the efficiency of these investments, staff proposes that no special reporting requirements be placed on these activities but that these investments are included in the existing monthly reports to the Board. District staff will also use its professional judgment to limit this investment practice in the event that the available funds become limited such as when continuation of this practice would compromise the liquidity needs of the District.

FISCAL IMPACT:

With the proposed limitations on this investment option staff anticipated less than a $5,000 reduction in investment return per year and minimal administrative costs.

STRATEGIC GOAL:

The District ensures its continued financial health through long-term financial planning and debt planning.

LEGAL IMPACT:

None.

General Manager

Attachments:
A) Committee Action Form

AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 7, 2007
SUBMITTED BY:	James Cudlip, Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Accept the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2007		

GENERAL MANAGER'S RECOMMENDATION:

That the Board accepts the District's Audited Financial Statements (Attachment B), including the Independent Auditors' unqualified opinion, for the Fiscal Year ended June 30, 2007.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To inform the Board of the significant financial events which occurred during the Fiscal Year ended June 30, 2007 as reflected in the audited financial statements.

ANALYSIS:

Teaman, Ramirez and Smith, Inc., performed the audit and found that, in all material respects, the financial statements correctly represent the financial position of the District. They found no material errors or weaknesses; therefore, there are no findings to present in their "Management Letter." See Attachment C.

Total Assets:

Total assets increased by $63.0 million or 13.03% during Fiscal Year 2007. The vast majority of this increase can be attributed to the following:

- An increase in capital assets of $27.3 million, net of related accumulated depreciation. This reflects the large amount of construction projects during the year, to include

completion of the recycled water connection with the City of San Diego (pipeline, reservoir, and pump station), and the start of construction on the 20 MGD Reservoir at the District's Regulatory site.

- An increase in cash and investments of $31.8 million, due to the funds received from the issuance of $42 million in new Certificates of Participation (COPS-2007).

Total Liabilities & Net Assets:

Total liabilities increased by approximately $38.1 million or 62.15% from the previous fiscal year. Underlying this change were the following:

- An increase in long-term debt outstanding of $40.3 million, due to the issuance of $42 million in new Certificates of Participation (COPS-2007).

- A decrease in accounts payable and related liabilities of approximately $2.2 million. Fluctuations of this magnitude are expected given the nature of accounts payable, and result from the timing of large payments to contractors and other third parties.

The increase in total assets and total liabilities yielded an increase in net assets (equity) of approximately $24.9 million or 5.90%.

Capital Contributions:

Capital contributions totaled $26.5 million during Fiscal Year 2007, an increase of $11.1 million or 72.08% over Fiscal Year 2006 contributions. This increase is mostly due to the timing of completion and acceptance of development projects in the early part of the fiscal year, resulting in an increase in the amount of physical infrastructure assets contributed to the District.

Results of Operations:

- Operating revenues increased $5.4 million or 11.27%, mainly as a result of an increase in water sales of $4.8 million from the prior fiscal year, due to the reduced rainfall during the current year as well as an additional 548 new water meter sales.

Operating expenses increased by approximately $5.1 million due to the increase in water purchases, as well as increases in salaries, outside services, pension, and health & life insurance costs.

Non-Operating Revenues & Expenses:

Non-operating revenues increased approximately $2.5 million due to increases in Investment Income and Taxes & Assessments. Non-operating expenses remained virtually unchanged from the prior fiscal year, as fluctuations within the accounts making up this category of expenses were within plus-or-minus $10,000.

Additional Audit Correspondence:

As a part of completing the audit engagement, the audit firm also provides the following letters summarizing their observations and conclusions concerning the District's overall financial processes:

- Management Letter: No matters were noted involving the internal controls and their operations that were considered to be internal weaknesses. See Attachment C.

- Finance Committee Report: There were no noted transactions entered into by the District during the year that were both significant and unusual, or transactions for which there was a lack of authoritative guidance or consensus. No audit adjustments were proposed to correct the financial statements. There were no disagreements with management concerning financial accounting, reporting, or auditing matters, and there were no significant difficulties in dealing with management in performing the audit. See Attachment D.

- Single Audit Report on Federal Award Programs: Results of audit tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. See Attachment E.

- Report on Applying Agreed-Upon Procedures: A review of the District's investment portfolio at year end, and a sample of specific investment transactions completed throughout the fiscal year, disclosed no exceptions to compliance with the District's Investment Policy. See Attachment F.

FISCAL IMPACT:

None.

STRATEGIC OUTLOOK:

The District is responsible for providing a diverse range of high quality public utility services to a customer base that continues to expand, although at a slower rate than in prior years. The District ensures its continued financial health through long-term financial planning, formalized financial policies, enhanced budget controls, fair pricing, debt planning, and improved financial reporting.

LEGAL IMPACT:

None.

General Manager

Attachments:

A) Committee Action Form
B) Audited Annual Financial Statements
C) Management Letter
D) Finance Committee Report
E) Single Audit Report on Federal Award Programs
F) Report on Applying Agreed-Upon Procedures

ATTACHMENT A

SUBJECT/PROJECT:	Accept the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2007

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommend that the Board accept the District's audited financial statements, including the Independent Auditor's unqualified opinion, for the Fiscal Year Ended June 30, 2007.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

OTAY WATER DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2007 and 2006

Spring Valley, California
Prepared by the Finance Department

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Otay Water District
Spring Valley, California

We have audited the accompanying financial statements of the business-type activities of the Otay Water District, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the District's basic financial statements, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Otay Water District, as of June 30, 2007 and 2006, and the cash flows where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007 on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as *Management's Discussion and Analysis* and *Required Supplementary Information* is not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Teaman Ramirez & Smith

September 21, 2007

Richard A. Teaman, CPA • Greg W. Fankhanel, CPA • David M. Ramirez, CPA • Joseph A. Deledonne, CPA • Javier H. Carrillo, CPA
4201 Brockton Ave. Suite 100, Riverside CA 92501 • 951.274.9600 • 951.274.7828 FAX • www.trscpas.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Otay Water District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ending June 30, 2007. Please read it in conjunction with the District's financial statements that follow Management's Discussion and Analysis. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $447.0 million *(net assets).* Of this amount, $76.3 million *(unrestricted net assets)* may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's total net assets increased by $24.9 million. Approximately two-thirds of this increase is attributable to a $5.4 million increase in operating revenues and an $11.1 million increase in capital contributions over the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses and Changes in Net Assets, 3) Statement of Cash Flows, and 4) Notes to the financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Statement of Net Assets* presents information on all of the District'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 District is improving or weakening.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the District's net assets changed during the most recent fiscal year. 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *Statement of Cash Flows* presents information on cash receipts and payments for the fiscal year.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data supplied in the each of the specific financial statements listed above.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by $447.0 million at the close of the most recent fiscal year.

By far the largest portion of the District's net assets, $368.6 million (82%), reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District'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.

Statement of Net Assets
(In Millions of Dollars)

	2007	2006	2005
Assets			
Current and Other Assets	$ 122.1	$ 86.4	$ 107.8
Capital Assets	424.3	397.0	362.5
Total Assets	546.4	483.4	470.3
Liabilities			
Long-term Debt Outstanding	74.2	33.9	35.4
Other Liabilities	25.2	27.4	23.8
Total Liabilities	99.4	61.3	59.2
Net Assets			
Invested in Capital Assets Net of Related Debt	368.6	361.6	325.7
Restricted	2.1	2.4	16.2
Unrestricted	76.3	58.1	69.2
Total Net Assets	$ 447.0	$ 422.1	$ 411.1

At the end of the fiscal year, the District is able to report positive balances in all categories of net assets. This situation also held true for the prior fiscal year. Total Net Assets increased to $447 million, approximately $24.9 million more than the prior year. The increase in Current and Other Assets of $35.7 million is off-set by the increase in Long-term Debt of $40.3 million, due to the issuance of $42 million in new Certificates of Participation (COPS-2007). (See Note 5 in the Notes to Financial Statements). Capital Assets increased by $27.3 million, to $424.3 million (net of related accumulated depreciation), due predominantly to the District's aggressive Capital Improvement Program (CIP). (See Note 3 in the Notes to Financial Statements for additional information. Other less significant changes included an increase in accounts receivable of $1.9 million and a decrease in accounts payable of $3.8 million.

Statements of Revenues, Expenses, and Changes in Net Assets
(In Millions of Dollars)

	2007	2006	2005
Water Sales	$ 48.6	$ 43.8	$ 39.3
Wastewater Revenue	2.6	2.3	2.0
Connection and Other Fees	2.1	1.8	2.0
Non-operating Revenues	11.1	8.5	8.3
Total Revenues	64.4	56.4	51.6
Depreciation Expense	10.8	10.1	10.5
Other Operating Expense	52.9	49.5	46.0
Non-operating Expense	1.3	1.2	1.9
Total Expenses	66.0	60.8	58.4
Loss Before Capital Contributions	(1.6)	(4.4)	(6.8)
Capital Contributions	26.5	15.4	34.9
Change in Net Assets	24.9	11.0	28.1
Beginning Net Assets	422.1	411.1	383.0
Ending Net Assets	$ 447.0	$ 422.1	$ 411.1

Water sales increased by $4.8 million from the prior year mainly due to reduced rainfall during the current year, as well as an additional 548 new water meter sales (47,483 to 48,031). There was a significant decrease in rainfall of 2.21 inches (6.06 to 3.85), and total water sales increased by 1,420 acre-feet.

Wastewater revenue increased by $0.3 million due to a rate increase from $30.90 to $32.70 per assigned service unit. This increase was implemented in January of 2007 and was predominantly a pass-through of cost increases from the City of San Diego and the County of San Diego, as discussed in the Budget 2007-2008 section of this document.

Other operating expenses increased by approximately $4.4 million, predominately as a result of increases in outside services and higher pension costs.

Capital Assets and Debt Administration

Capital Assets. The District's capital assets as of June 30, 2007, totaled $424.3 million (net of accumulated depreciation). Included in this amount is land. The total increase in the District's capital assets for the current fiscal year was 6.9%.

Capital Assets
(In Millions of Dollars)

	2007	2006	2005
Land	$ 13.0	$ 12.5	$ 12.2
Construction in Progress	40.3	58.9	45.1
Water System	356.6	333.0	313.9
Reclaimed Water System	73.5	49.1	39.8
Sewer System	37.7	37.7	37.2
Buildings	17.6	17.5	16.7
Transportation Equipment	3.1	2.9	2.8
Engineering Equipment	5.6	5.7	5.7
Power Operated Equipment	1.6	1.6	1.6
Other Equipment	18.5	10.9	10.3
	567.5	529.8	485.3
Less Accumulated Depreciation	(143.2)	(132.8)	(122.8)
Net Capital Assets	$ 424.3	$ 397.0	$ 362.5

As indicated by figures in the table above, the majority of capital assets added during the current fiscal year were related to the potable and reclaimed water systems. In addition, the majority of the cost of construction in progress is also related to these water systems.

Additional information on the District's capital assets can be found in Note 3 of the Notes to Financial Statements.

Long-term Debt. At June 30, 2007, the District had $74.2 million in outstanding debt which consisted of the following:

General Obligation Bonds	$ 8.1
Certificates of Participation	65.1
Notes Payable	1.0
Total Long-term Debt	$ 74.2

As mentioned earlier, this increase in long-term debt is due to District's issuance of $42 million in Certificates of Participation (COPS) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 5 of the Notes to Financial Statements.

Fiscal Year 2007-2008 Budget

Economic Factors

Growth in the San Diego area has slowed over the last year, and demand for housing is reflected in a similarly reduced pace. The District currently provides water service to about 69% of its total projected population, serving approximately 190,000 people. This percentage should continue to increase as the District's service area continues to develop and grow. The District is projected to deliver approximately 43,327 acre-feet of water to 48,645 customers during Fiscal Year 2007-2008. Ultimately, the District is projected to serve approximately 277,000 people, creating an average daily demand of 56.3 million gallons per day (MGD).

Financial

The District has implemented a six-year rate study projection that forecasts minimum essential rate increases in order to fund required growth and improvements in infrastructure, as well as to pass along cost increases from the City of San Diego, the County of San Diego, and the San Diego County Water Authority. The expanding demand for water service over the past few years continues to support the incremental costs associated with meeting this increase in demand. As a result, the District has been able to implement strategic changes that will provide long-term benefits to the District, while only increasing rates at modest levels.

Conversely, decreased levels of rainfall over the last two years have caused historic dry conditions and depleted water reserves throughout the entire state. Water agencies throughout the San Diego County Water Authority area have implemented voluntary water conservation programs, along with several incentive programs, to encourage customers to make a variety of water-saving improvements with their appliances and landscape irrigation. If these drought conditions continue through the upcoming fiscal year, there is a potential for both legal constraints on California's water supply and regulatory constraints upon all customer water usage, which would ultimately have a corresponding negative effect on the District's total water sales revenue. Mitigating the impact of this revenue decrease would be corresponding reductions in expenses, to include the cost of water and the associated electricity required for pumping.

Management is unaware of any other conditions that could have a significant past, present, or future impact on the District's current financial position, net assets or operating results.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Otay Water District's finances for the Board of Directors, taxpayers, creditors, and other interested parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Finance Department, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978-2004.

STATEMENT OF NET ASSETS
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 17,168,539	$ 11,347,434
Restricted Cash and Cash Equivalents (Note 2)	2,071,307	2,408,473
Investments (Note 2)	88,888,402	62,596,513
Accounts Receivable	8,675,458	6,808,999
Accrued Interest Receivable	1,559,081	818,798
Restricted Taxes and Availability Charges Receivable	443,854	318,090
Inventory	633,697	592,426
Prepaid Expenses and Other Current Assets	1,164,300	664,133
Total Current Assets	120,604,638	85,554,866
Non-current Assets:		
Capital Assets, Net of Depreciation (Note 3)	424,260,968	396,987,584
Other Non-current Assets (Note 4)	1,490,515	838,990
Total Non-current Assets	425,751,483	397,826,574
Total Assets	546,356,121	483,381,440
LIABILITIES		
Current Liabilities:		
Current Maturities of Long-term Debt (Note 5)	1,519,048	1,529,848
Accounts Payable	10,930,658	11,617,499
Accrued Payroll Liabilities	2,270,958	2,348,853
Other Accrued Liabilities	1,597,012	683,350
Customer Deposits	2,622,646	2,489,101
Liabilities Payable From Restricted Assets:		
Accounts Payable	4,492,364	7,633,220
Accrued Interest	882,888	413,442
Total Current Liabilities	24,315,574	26,715,313
Non-current Liabilities:		
Liabilities Payable From Restricted Assets:		
Prepaid Capacity Fees	890,473	733,915
Long-term Debt (Note 5)		
General Obligation Bonds	8,045,029	8,396,755
Certificates of Participation	65,051,790	24,119,352
Notes Payable	1,031,730	1,350,778
Total Non-current Liabilities	75,019,022	34,600,800
Total Liabilities	99,334,596	61,316,113
NET ASSETS (NOTE 7)		
Invested in Capital Assets, Net of Related Debt	368,613,371	361,590,845
Restricted	2,071,307	2,408,473
Unrestricted	76,336,847	58,066,009
Total Net Assets	$ 447,021,525	$ 422,065,327

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets
For The Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Water Sales	$ 48,605,606	$ 43,755,610
Wastewater Revenue	2,604,431	2,331,094
Connection and Other Fees	2,040,444	1,774,384
Total Operating Revenues	53,250,481	47,861,088
OPERATING EXPENSES		
Cost of Water Sales	33,994,841	32,043,395
Wastewater	1,508,672	1,899,957
Administrative and General	18,418,441	15,477,287
Depreciation	10,729,096	10,107,455
Total Operating Expenses	64,651,050	59,528,094
Operating Income (Loss)	(11,400,569)	(11,667,006)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	4,416,342	3,188,645
Taxes and Assessments	4,151,956	2,779,635
Availability Charges	715,664	609,099
Gain on Sale of Capital Assets	1,817	142,922
Miscellaneous Revenues	1,809,802	1,835,710
Donations	(80,000)	(75,000)
Interest Expense	(950,479)	(959,225)
Miscellaneous Expenses	(271,410)	(279,506)
Total Non-operating Revenues (Expenses)	9,793,692	7,242,280
Income (Loss) Before Contributions	(1,606,877)	(4,424,726)
Capital Contributions	26,563,075	15,401,580
Change in Net Assets	24,956,198	10,976,854
Total Net Assets, Beginning	422,065,327	411,088,473
Total Net Assets, Ending	$ 447,021,525	$ 422,065,327

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 49,477,123	$ 46,628,097
Cash from Other Operating Activities	2,040,444	1,774,384
Other Receipts	894,234	920,142
Cash Payments to Suppliers	(41,462,779)	(30,885,263)
Cash Payments to Employees	(15,835,985)	(15,530,526)
Other Payments	(167,472)	(186,793)
Net Cash Provided (Used) By Operating Activities	(5,054,435)	2,720,041
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from Taxes and Assessments	4,026,192	2,783,983
Receipts from Property Rents and Leases	951,020	927,628
Net Amounts Paid for Acquisition and Maintenance of Demonstration Garden	(80,000)	(75,000)
Net Cash Provided (Used) By Noncapital Financing Activities	4,897,212	3,636,611
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	17,476,332	9,467,925
Proceeds from Sale of Capital Assets	1,817	142,922
Proceeds from Debt Related Taxes and Assessments	715,664	609,099
Proceeds from Long-Term Debt (Note 5)	40,989,797	0
Principal Payments on Long-Term Debt (Note 5)	(1,529,848)	(1,456,911)
Acquisition and Construction of Capital Assets	(28,915,737)	(38,680,673)
Interest Paid	(481,033)	(949,622)
Net Cash (Used) By Capital and Related Financing Activities	28,256,992	(30,867,260)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	3,676,059	2,959,008
Proceeds from Sale and Maturities of Investments	44,708,111	52,780,016
Purchase of Investments	(71,000,000)	(42,000,000)
Net Cash Provided (Used) by Investing Activities	(22,615,830)	13,739,024
Net Increase (Decrease) in Cash and Cash Equivalents	5,483,939	(10,771,584)
Cash and Cash Equivalents - Beginning of Year	13,755,907	24,527,491
Cash and Cash Equivalents - End of Year	$ 19,239,846	$ 13,755,907

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Net Operating Income (Loss)	$ (11,400,569)	$ (11,667,006)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	10,729,096	10,107,455
Miscellaneous Revenues	894,234	920,142
Miscellaneous Expenses	(167,472)	(186,793)
(Increase) Decrease in Accounts Receivable	(1,866,459)	296,485
(Increase) Decrease in Inventory	(41,271)	27,693
(Increase) Decrease in Prepaid Expenses and Other Current Assets	(500,167)	(322,447)
Increase (Decrease) in Accounts Payable	(3,827,697)	2,883,852
Increase (Decrease) in Accrued Payroll and Related Expenses	(77,895)	335,998
Increase (Decrease) in Other Accrued Liabilities	913,662	79,693
Increase (Decrease) in Customer Deposits	133,545	244,908
Increase (Decrease) in Prepaid Capacity Fees	156,558	61
Total Cash Provided (Used) By Operating Activities	$ (5,054,435)	$ 2,720,041
SUPPLEMENTAL DISCLOSURES		
Non-cash Investing and Financing Activities Consisted of the Following:		
Contributed Capital for Water and Sewer System	$ 8,812,611	$ 24,494,557
Change in Fair Value of Investments and Recognized Gains/Losses	223,829	354,270
Capital Contribution Resulting from Prepaid Capacity Fees	156,558	61
Amortization Related to Long-term Debt	103,938	92,713
Cash Paid for Interest Expense	$ 1,478,461	$ 1,410,957

The accompanying notes are an integral part of this statement.

NOTE	DESCRIPTION	PAGE
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1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

Otay Water District (the "District") is a public entity established in 1956 pursuant to the Municipal Water District Law of 1911 (Section 711 et. Seq. of the California Water Code) for the purpose of providing water and sewer services to the properties in the District. The District is governed by a Board of Directors consisting of five directors elected by geographical divisions based on District population for a four-year alternating term.

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements of the Otay Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Fund equity is displayed as three components: (1) Invested in capital assets, net of related debt, which reflects the cost of capital assets less accumulated depreciation and less the outstanding principal of related debt not associated with unspent bond proceeds; (2) Restricted, which reflects the carrying value of assets less related liabilities that are restricted by outside covenants or by law; and (3) Unrestricted, which represents the remaining fund equity balance.

The District distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by water sales and wastewater services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and wastewater treatment services.

The District recognizes revenues from water sales, wastewater revenues and meter fees as they are earned. Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego, net of allowance for delinquencies of $49,317 and $35,343 at June 30, 2007 and 2006, respectively.

Additionally, capacity fee contributions received in an amount corresponding to expansion specific operating expenses are offset against these expenses and included in Cost of Water Sales in the Statement of Revenues and Expenses and Changes in Net Assets.

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

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governmental enterprise funds. In accordance with GASB Statement 20, the District has elected to follow all GASB Pronouncements and apply all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, with the exception of those that conflict with or contradict GASB Pronouncements.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

D) Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the District's investments are stated at fair value, which is determined using selected basis. Short-term investments are reported at cost, which approximates fair value. Investments in government obligations are valued on over-the-counter bid quotations available at year-end. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported on the fair value per share, of the pool's underlying portfolio.

E) Inventory and Prepaids

Inventory consists primarily of materials used in the construction and maintenance of the water and sewer system and is valued at weighted average cost. Both inventory and prepaids use the consumption method whereby they are reported as an asset and expensed as they are consumed.

F) Capital Assets

Capital assets are recorded at cost, where historical records are available, and at an estimated historical cost where no historical records exist. Capital assets purchased in excess of $10,000 are capitalized if they have an expected useful life of two years or more. The cost of purchased and self-constructed additions to utility plant and major replacements of property are capitalized. Costs include materials, direct labor, transportation, and such indirect items as engineering, supervision, employee fringe benefits, and interest incurred during the construction period. Repairs, maintenance, and minor replacements of property are charged to expense. Donated assets are capitalized at their approximate fair market value on the date contributed.

The District capitalizes interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of water system assets and is depreciated on the straight-line basis over the estimated useful lives of such assets.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Water System	15-70 Years
Engineering Equipment	2-50 Years
Buildings	30-50 Years
Power Operated Equipment	5-10 Years
Transportation Equipment	2-4 Years
Other Equipment	2-10 Years
Reclaimed Water System	50-75 Years
Sewer System	25-50 Years

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and sick leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time-off or payment upon termination or retirement.

H) Restricted Assets and Liabilities

Certain current liabilities have been classified as current liabilities payable from restricted assets as they will be funded from restricted assets.

I) Allowance for Doubtful Accounts

The District charges doubtful accounts arising from water sales receivable to bad debt expense when it is probable that the accounts will be uncollectible. Uncollectible accounts are determined by the allowance method based upon prior experience and management's assessment of the collectibility of existing specific accounts.

J) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management.

K) Property Taxes

Tax levies are limited to 1% of full market value (at time of purchase) which results in a tax rate of $1.00 per $100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on March 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

L) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2) CASH AND INVESTMENTS

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

The District's Investment Policy and State statues authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, prime commercial paper, repurchase agreements, and negotiable certificates of deposit. Funds may also be invested in the State Treasurer's Local Agency Investment Fund (LAIF) and the San Diego County Treasurer's Pooled Money Fund.

2) CASH AND INVESTMENTS - Continued

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Cash Equivalents	$ 17,168,539
Investments	88,888,402
Restricted:	
Cash and Cash Equivalents	2,071,307
Total Cash and Investments	$ 108,128,248

Cash and investments consist of the following:

Cash on Hand	$ 2,800
Deposits with Financial Institutions	1,125,589
Investments	106,999,859
Total Cash and Investments	$108,128,248

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio[1]	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years[2]	None	None
Certificates of Deposit	1 year	15%	None
Bankers Acceptances	180 Days	15%	None
Medium-Term Notes	5 years	15%	None
Commercial Paper	270 days	15%	10%
Money Market Mutual Funds	N/A	15%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

[1] Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.
[2] No more than 30% of the portfolio shall exceed two years to maturity.

2) CASH AND INVESTMENTS - Continued

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rates risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities, so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

		Remaining Maturity (in Months)			
Investment Type		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Federal Agency Securities	$ 88,888,402	$ 42,957,962	$ 42,935,888	$ 2,994,552	$
Local Agency Investment Fund (LAIF)	18,005,611	18,005,611			
San Diego County Pool	105,846	105,846			
Total	$106,999,859	$ 61,069,419	$ 42,935,888	$ 2,994,552	$ 0

Disclosures Relating to Credit Risk

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

		Minimum Legal	Rating as of Year End		
Investment Type		Rating	AAA	Aa	Not Rated
Federal Agency Securities	$ 88,888,402	N/A	$ 88,888,402	$	$
Local Agency Investment Fund (LAIF)	18,005,611	N/A			18,005,611
San Diego County Pool	105,846	N/A			105,846
Total	$106,999,859		$ 88,888,402	$ 0	$ 18,111,457

2) CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	$ 51,942,188
Federal Home Loan Mortgage Corp	Federal Agency Securities	$ 30,952,777

Custodial Credit Risk

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

As of June 30, 2007, $823,206 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2007, District investments in the following investment types were held by the same broker-dealer (counter party) that was used by the District to buy the securities:

Investment Type	Reported Amount
Federal Agency Securities	88,888,402

Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The District may invest up to $40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended June 30, 2007 was 5.23%. The carrying value and estimated market value of the LAIF Pool at June 30, 2007 was $65,786,597,418 and $65,756,665,933, respectively. The District's share of the Pool at June 30, 2007 was approximately 0.027 percent. Included in LAIF's investment portfolio are structured notes and asset-backed securities totaling $774,000,000 and $1,501,103,000, respectively. LAIF's and the District's exposure to risk (credit, market or legal) is not currently available. The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by statute.

2) CASH AND INVESTMENTS - Continued

San Diego County Pooled Fund

As permitted by its Investment Policy, the District has placed funds with the San Diego County Pooled Fund. The pool may invest some of their portfolios in derivatives. Detailed information on derivative investments held by this pool is not readily available.

Collateral for Deposits

All cash and certificates of deposits are entirely insured or collateralized.

Under the provisions of the California Government Code, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

The District may waive the 110% collateral requirement for deposits which are insured up to $100,000 by the FDIC.

3) CAPITAL ASSETS

The following is a summary of changes in Capital Assets for the year ended June 30, 2007:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated				
Land	$ 12,494,062	$ 477,417	$	$ 12,971,479
Construction in Progress	58,869,241	31,629,969	(50,199,155)	40,300,055
Total Capital Assets Not Depreciated	71,363,303	32,107,386	(50,199,155)	53,271,534
Capital Assets, Being Depreciated				
Infrastructure	419,795,999	48,055,106	(48,084)	467,803,021
Field Equipment	9,202,543	164,906	(8,587)	9,358,862
Buildings	17,469,999	137,656		17,607,655
Transportation Equipment	2,934,069	254,844	(132,205)	3,056,708
Communication Equipment	520,540	78,912		599,452
Office Equipment	8,464,962	7,415,384	(93,033)	15,787,313
Total Capital Assets Being Depreciated	458,388,112	56,106,808	(281,909)	514,213,011
Less Accumulated Depreciation:				
Infrastructure	110,157,652	9,210,199	(40,384)	119,327,467
Field Equipment	8,368,755	216,424	(8,004)	8,577,175
Buildings	4,493,308	571,127		5,064,435
Transportation Equipment	2,557,207	187,812	(130,135)	2,614,884
Communication Equipment	195,470	69,649		265,119
Office Equipment	6,991,439	473,885	(90,827)	7,374,497
Total Accumulated Depreciation	132,763,831	10,729,096	(269,350)	143,223,577
Total Capital Assets Being Depreciated, Net	325,624,281	45,377,712	(12,559)	370,989,434
Total Capital Assets, Net	$ 396,987,584	$ 77,485,098	$ (50,211,714)	$ 424,260,968

Depreciation expense for the year ended June 30, 2007 and 2006 was $10,729,096 and $10,107,455, respectively.

4) OTHER NON-CURRENT ASSETS

Contracts receivable totaled $55,759 and $92,375, net of no allowance as of June 30, 2007 and 2006, respectively.

Deferred bond issue costs totaled $1,254,821 and $555,550, net of accumulated amortization of $357,952 and $326,552 as of June 30, 2007 and 2006, respectively. The 1993 COPS had refunding transactions net of accumulated amortization of $179,935 for June 30, 2007 and $191,065 for June 30, 2006. The costs are amortized on the straight-line method based on the estimated term of the related bond debt. Amortization expense of $31,400 for the years ended June 30, 2007 and 2006 is included with miscellaneous expense.

5) LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2007 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Improvement District No. 27	$ 9,590,000	$	$ 380,000	$ 9,210,000	$ 400,000
Unamortized Bond Discount	(118,351)		(7,398)	(110,953)	
Deferred Amount of Funding	(694,894)		(40,876)	(654,018)	
Net General Obligation Bonds	8,776,755		331,726	8,445,029	400,000
Certificates of Participation:					
1996 Certificates of Participation	13,100,000		300,000	12,800,000	300,000
2004 Certificates of Participation	11,825,000		490,000	11,335,000	500,000
2007 Certificates of Participation		42,000,000		42,000,000	
Unamortized Discount	(15,648)		(745)	(14,903)	
2007 COPS Unamortized Discount		(271,322)	(3,015)	(268,307)	
Net Certificates of Participation	24,909,352	41,728,678	786,240	65,851,790	800,000
Notes Payable					
State Water Resource Control Board	1,659,037		308,259	1,350,778	319,048
Capital Leases					
Vactor	51,589		51,589	0	
Total Long-Term Liabilities	$ 35,396,733	$ 41,728,678	$ 1,477,814	$ 75,647,597	$ 1,519,048

General Obligation Bonds

In June 1998, the District issued $11,835,000 of General Obligation Refunding Bonds. The proceeds of this issue, together with other lawfully available monies, were to be used to establish an irrevocable escrow to advance refund and defease in their entirety the District's previous outstanding General Obligation Bond issue. These bonds are general obligations of Improvement District No. 27 (ID 27) of the District. The Board of Directors has the power and is obligated to levy annual ad valorem taxes without limitation as to rate or amount for payment of the bonds and the interest upon all property which is within ID 27 and subject to taxation. The General Obligation Bonds are payable from District-wide tax revenues. The Board may utilize other sources for servicing the bond debt and interest.

5) LONG-TERM DEBT - Continued

The refunding resulted in a deferred amount of $1,021,903, which is being amortized over the remaining life of the refunded debt. Amortization for the years ended June 30, 2007 and 2006 was $40,876 for each year and is included in miscellaneous non-operating expenses. As of June 30, 2007 and 2006, the amortized deferred amount of refunding is $654,018, and $694,894, respectively.

The 1998 General Obligation Bonds have interest rates from 4.5% to 5% with maturities through the Fiscal Year 2023.

Future debt service requirements for the bonds are as follows:

For the Year Ended June 30,	Principal	Interest
2008	$ 400,000	$ 440,385
2009	415,000	422,047
2010	435,000	402,705
2011	455,000	382,235
2012	475,000	360,607
2013-2017	2,735,000	1,426,238
2018-2022	3,490,000	654,750
2023	805,000	20,125
	$ 9,210,000	$ 4,109,092

The following General Obligation Bonds have been authorized by the Board of Directors, but were unissued as of June 30, 2007:

Date Authorized	Improvement District (ID)	Construction Purpose	Bond Amount
December 30, 1960	5	Water System	$ 605,000
December 20, 1960	6	Sewer System	705,000
August 23, 1960	1 - 3	Sewer System	405,000
August 23, 1960	1 - 4	Water System	75,000
March 18, 1970	U - 18	Sewer System	2,700,000
April 19, 1971	U - 19	Water System	1,000,000
May 17. 1971	U - 20	Water System	13,000,000
June 5, 1972	U - 22	Water System	6,000,000
May 1, 1978	U - 25	Water System	5,050,000
November 1, 1989	U - 27	Water System	88,500,000

Certificates of Participation (COPS)

In June 1996, COPS with face value of $15,400,000 were also sold by the Otay Service Corporation to finance the cost of design, acquisition, and construction of certain capital improvements. An installment purchase agreement between the District, as Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principal and interest associated with the COPS. The installment payments are to be paid from taxes and "net revenues," as described in the installment agreement. The certificates bear interest at a variable weekly rate not to exceed 12%. The interest rate at June 30, 2007 was 3.75%. The installment payments are to be paid annually at $350,000 to $900,000 from September 1, 1996 through September 1, 2026.

5) LONG-TERM DEBT - Continued

Certificates of Participation (COPS) - Continued

In July 2004, Refunding Certificates of Participation (COPS) with a face value of $12,270,000 were sold by the Otay Service Corporation to advance refund $11,680,000 of outstanding 1993 COPS. An installment agreement between the District, as Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principle and interest associated with the COPS. The installment payments are to be paid from taxes and "net revenues," as described in the installment agreement. The certificates are due in annual installments of $445,000 to $895,000 from September 1, 2005 through September 1, 2023; bearing interest at 3% to 4.625%.

In February 2007, Revenue Certificates of participation (COPS) with face value of $42,000,000 were sold by the Otay Service Corporation to improve the District's water storage system and distribution facilities. An installment purchase agreement between the District, as a Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principle and interest associated with the COPS. The installment payments are to be paid from taxes and "net revenues," as described in the installment agreement. The certificates are due in annual installments of $785,000 to $2,445,000 from September 1, 2007 through September 1, 2036; bearing interest at 3.7% to 4.47%.

There is no aggregate reserve requirement for the COPS. Future debt service requirements for the certificates are as follows:

For the Year	1996 COPS		2004 COPS		2007 COPS	
Ended June 30,	Principal	Interest*	Principal	Interest	Principal	Interest
2008	$ 300,000	$ 468,750	$ 500,000	$ 433,534	$	$ 836,424
2009	400,000	453,750	515,000	418,309	785,000	1,730,532
2010	400,000	438,750	530,000	402,634	815,000	1,701,487
2011	400,000	423,750	545,000	386,236	850,000	1,671,333
2012	400,000	408,750	565,000	368,607	885,000	1,639,458
2013-2017	2,700,000	1,751,250	3,130,000	1,522,672	4,980,000	7,672,475
2018-2022	3,500,000	1,158,750	3,795,000	828,394	6,020,000	6,647,564
2023-2027	4,700,000	378,750	1,755,000	81,441	7,360,000	5,334,096
2028-2032					9,070,000	3,646,594
2033-2037					11,235,000	1,517,031
	$ 12,800,000	$ 5,482,500	$ 11,335,000	$ 4,441,827	$ 42,000,000	$ 32,396,994

* Variable Rate - Interest reflected at June 30, 2007 at a rate of 3.75%.

Note Payable

At December 1990, the District entered into a 3.5% note payable to the State Water Resources Control Board. This note is unsecured and payable in annual installments of $366,325 including principal and interest from 1994 through 2010. The total amount outstanding at June 30, 2007 and aggregate maturities of the note for the fiscal years subsequent to June 30, 2007, are as follows:

For the Year Ended June 30,	Principal	Interest
2008	$ 319,048	$ 47,277
2009	330,214	36,111
2010	341,772	24,553
2011	359,744	12,591
	$ 1,350,778	$ 120,532

6) SEGMENT INFORMATION

The District issued Certificates of Participation to finance certain capital improvements. Both the water and sewer departments are accounted for in a single fund. The sewer department operates the District's sewage treatment plant, sewage pumping stations, and collection systems, while the water department accounts for all other services. However, investors in the Certificates of Participation rely solely on the revenues generated by the individual activities for repayment.

Summary financial information for the water and sewer departments is presented below.

Condensed Statement of Net Assets

	Water	Sewer	Total
Assets:			
Current Assets	$ 117,995,148	$ 94,329	$ 118,089,477
Current Restricted Assets	2,515,161		2,515,161
Capital Assets	423,343,737	917,231	424,260,968
Other Non-current Assets	1,490,515		1,490,515
Total Assets	545,344,561	1,011,560	546,356,121
Liabilities:			
Current Liabilities	18,689,465	250,857	18,940,322
Current Liabilities Payable from Restricted Assets	5,323,479	51,773	5,375,252
Non-current Liabilities Payable from Restricted Assets	882,973	7,500	890,473
Non-current Liabilities	74,128,549		74,128,549
Total Liabilities	99,024,466	310,130	99,334,596
Net Assets:			
Invested in Capital Assets, Net of Related Debt	367,696,140	917,231	368,613,371
Restricted	2,071,307		2,071,307
Unrestricted	76,552,648	(215,801)	76,336,847
Total Net Assets	$ 446,320,095	$ 701,430	$ 447,021,525

6) SEGMENT INFORMATION - Continued

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Water	Sewer	Total
Operating Revenues	$ 50,646,050	$ 2,604,431	$ 53,250,481
Depreciation	(10,729,096)		(10,729,096)
Other Operating Expenses	(52,413,282)	(1,508,672)	(53,921,954)
Operating Income	(12,496,328)	1,095,759	(11,400,569)
Non-operating Revenues (Expenses):			
Investment Income	4,349,134	67,208	4,416,342
Taxes and Assessments	3,794,489	357,467	4,151,956
Availability Charges	662,674	52,990	715,664
Gain on Sale of Capital Assets	1,817		1,817
Other Non-operating Revenues	1,809,802		1,809,802
Donations	(80,000)		(80,000)
Interest Expense	(898,706)	(51,773)	(950,479)
Other Non-operating Expenses	(271,410)		(271,410)
Transfers	1,358,441	(1,358,441)	0
Capital Contributions	26,563,075		26,563,075
Total Non-operating Revenues (Expenses)	37,289,316	(932,549)	36,356,767
Change in Net Assets	24,792,988	163,210	24,956,198
Total Net Assets, Beginning	421,527,107	538,220	422,065,327
Total Net Assets, Ending	$ 446,320,095	$ 701,430	$ 447,021,525

Condensed Statement of Cash Flows

	Water	Sewer	Total
Net Cash Provided (Used) by:			
Operating Activities	(6,155,309)	1,100,874	(5,054,435)
Noncapital Financing Activities	5,949,935	(1,052,723)	4,897,212
Capital and Related Financing Activities	28,372,351	(115,359)	28,256,992
Investing Activities	(22,683,038)	67,208	(22,615,830)
Net Increase (Decrease)	5,483,939	0	5,483,939
Beginning Cash and Cash Equivalents	13,755,907	0	13,755,907
Ending Cash and Cash Equivalents	$ 19,239,846	$ 0	$ 19,239,846

7) NET ASSETS

A summary of changes in net assets for the year ended June 30, 2007 is as follows:

Description	Investment in Capital Assets (Net of Related Debt)	Restricted Net Assets	Unrestricted Net Assets	Total
Beginning of Year	$ 361,590,845	$ 2,408,473	$ 58,066,009	$ 422,065,327
Income (Loss) Before Contributions	(10,729,096)	3,917,141	5,205,078	(1,606,877)
Capital Contributions				
Construction of Water and Sewer Systems	9,086,743			9,086,743
Capacity Fees and Capital Contributions		15,356,446		15,356,446
Betterment Fees				
Annexation Fees			2,119,886	2,119,886
Decrease in Related Capital Debt/(Transfers)	1,416,225		(1,416,225)	0
Acquisition and Construction/(Transfers)	7,248,654	(19,610,753)	12,362,099	0
End of Year	$ 368,613,371	$ 2,071,307	$ 76,336,847	$ 447,021,525

Designated Net Assets

In addition to the restricted net assets, unrestricted net assets have been designated by the Board of Directors for the following purposes as of June 30, 2007 and 2006:

	2007	2006
Replacement Reserve	$ 31,779,960	$ 22,876,118
Insurance Reserve	16,893,128	16,428,945
Expansion Reserve	17,809,405	5,772,470
2007 COPS Reserve	26,054,220	
Total	$ 92,536,713	$ 45,077,533

8) DEFINED BENEFIT PENSION PLAN

Plan Description

The District's defined plan, (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

8) DEFINED BENEFIT PENSION PLAN - Continued

Funding Policy

Active members in the Plan are required to contribute 8% of their annual covered salary. The District has elected to contribute 7% on behalf of its employees. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2007 was 18.864%. The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established and may be amended by the CalPERS.

Annual Pension Costs

For the fiscal year ended June 30, 2007, the District's annual pension cost and actual contribution was $1,925,758. The required contribution for the fiscal year ended June 30, 2007, was determined as part of the June 30, 2004 actuarial valuation.

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2004
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	22 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (Net of Administrative Expenses)
Projected Salary Increase	3.25% to 14.45% Depending on Age, Service, and Type of Employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of the plan assets, then the amortization payment of the total unfunded liability may be lower than the payment calculated over a 30-year amortization period.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	1,684,657	100%	0
6/30/06	2,120,529	100%	0
6/30/07	1,925,758	100%	0

9) POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, it is the District's practice and policy to provide certain life insurance and health care benefits for eligible retired employees, directors and eligible dependents. These benefits vary based on the hire date of the employee. All retired employees receive life insurance benefits provided by the District ($3,000 to age 70 for employees and $1,000 to age 70 for spouse).

For retiring employees hired prior to January 1, 1981, and who are age 55 or over with five years of continuous service at retirement, the District provides dental and health care benefits and prescription drug coverage.

For retiring employees hired on or after January 1, 1981 and before July 1, 1993, the District provides health care benefits and prescription drug coverage if, at retirement, the employees have neither:

Attained age 60 with age plus years of credited service equal to or greater than 70 (with dental benefits provided) or,

Attained age 55 but not age 60 with age plus years of credited service equal to or greater than 75 (without dental benefits provided).

For retired directors who commenced office prior to January 1, 1995, and have attained age 60 with at least twelve years service as a director, the District provides dental and health care benefits and prescription drug coverage.

Expenses for these post retirement benefits are recognized as insurance premiums and are paid as retirees report claims under the health insurance program described in Note 12. Post retirement benefits expense of $1,080,334 and $641,464, were recognized for 65 and 59 eligible retirees, for the years ended June 30, 2007 and 2006, respectively.

10) WATER CONSERVATION AUTHORITY

In 1999 the District formed the Water Conservation Authority (the "Authority"), a Joint Powers Authority, with other local entities to construct, maintain and operate a xeriscape demonstration garden in the furtherance of water conservation. The authority is a non-profit public charity organization and is exempt from income taxes. During the years ended June 30, 2007 and 2006, the District contributed $80,000 and $75,000, respectively, for the development, construction and operation costs of the xeriscape demonstration garden.

A summary of the Authority's June 30, 2006 audited financial statement is as follows (latest report available):

Assets	$ 2,525,619
Liabilities	78,812
Revenues, Gains and Other Support	649,142
Changes in Net Assets	(184,414)

11) COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District had committed to capital projects under construction with an estimated cost to complete of $3,171,073 at June 30, 2007.

Litigation

Certain claims, suits and complaints arising in the ordinary course of operation have been filed or are pending against the District. In the opinion of the staff and counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have significant effect on the financial position or results of operations of the District if disposed of unfavorably.

Refundable Terminal Storage Fees

The District has entered into an agreement with several developers whereby the developers prepaid the terminal storage fee in order to provide the District with the funds necessary to build additional storage capacity. The agreement further allows the developers to relinquish all or a portion of such water storage capacity. If the District grants to another property owner the relinquished storage capacity, the District shall refund to the applicable developer $746 per equivalent dwelling unit (EDU). There were 17,867 EDUs that were subject to this agreement. At June 30, 2006, 1,750 EDUs had been relinquished and refunded, 13,412 EDUs had been connected, and 2,705 EDUs have neither been relinquished nor connected. At June 30, 2007, 1,750 EDUs had been relinquished and refunded, 13,424 EDUs had been connected, and 2,693 EDUs have neither been relinquished nor connected.

Developer Agreements

The District has entered into various Developer Agreements with developers towards the expansion of District facilities. The developers agree to make certain improvements and after the completion of the projects the District agrees to reimburse such improvements with a maximum reimbursement amount for each developer. Contractually, the District does not incur a liability for the work until the work is accepted by the District. As of June 30, 2007, none of the 18 outstanding developer agreements had been accepted, however it is anticipated that the District will be liable for an amount not to exceed $1,987,941 at the point of acceptance. Accordingly, the District did not accrue a liability as of year end.

12) RISK MANAGEMENT

General Liability

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District pays an annual premium for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty, and various other claims. Coverage limits range up to $100 million. Accordingly, the District retains no risk of loss.

12) RISK MANAGEMENT - Continued

Workers' Compensation

The District is a member of the Association of California Water Agencies Joint Powers Insurance District (Joint Powers). The Joint Powers is a risk-pooling self-insurance district, created under the provision of California Government Code Sections 6500 et. Seq. The Joint Powers is governed by a board composed of members from participating agencies. The purpose of the Joint Powers is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The District is insured up to $25,000,000 for worker's compensation with no deductible. Separate financial statements of the Joint Powers may be obtained at ACWA Joint Powers Insurance Authority, 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610-7632.

Health Insurance

The District maintains a self-insurance program covering all of its employees, retirees, and other dependents. Health claims are processed and administered through a health insurance administrator and paid by the District upon presentation. The District has obtained a stop-loss insurance policy to cover individuals with claims exceeding $45,000. The District has estimated accrued claims to be $474,413 and $422,327 at June 30, 2007 and 2006, respectively. Accrued health costs are included in other accrued liabilities.

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

13) INTEREST EXPENSE

Interest expense for the years ended June 30, 2007 and 2006, is as follows:

	2007	2006
Amount Expensed	$ 950,479	$ 959,225
Amount Capitalized as a Cost of Construction Projects	997,428	460,535
Interest Paid	$ 1,947,907	$ 1,419,760

Schedule of Funding Progress for PERS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
6/30/03 Miscellaneous	$ 29,042,368	$ 41,428,694	$ 12,386,326	70.1%	$ 9,058,232	136.7%
6/30/04 Miscellaneous	$ 31,591,156	$ 45,156,690	$ 13,565,534	70.0%	$ 9,764,596	138.9%
6/30/05 Miscellaneous	$ 36,029,595	$ 50,249,943	$ 14,220,348	71.7%	$ 10,005,158	142.1%

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

September 21, 2007

Joe Beachem, Chief Financial Officer
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096

Dear Mr. Beachem:

We have audited the financial statements of the Otay Water District (the "District") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. In planning and performing our audit of the financial statements of the District, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. We noted no matters involving the internal control and its operation that we considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants.

We would like to take this opportunity to express our appreciation for the assistance extended to us during the course of the audit. If we can be of further assistance or if you have any questions regarding our recommendations, please call our office.

This report is intended solely for the information and use of the Board of Directors and management. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,
TEAMAN, RAMIREZ & SMITH, INC.

Richard A. Teaman
Certified Public Accountant

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

September 21, 2007

Finance Committee
Otay Water District

We have audited the financial statements of the Otay Water District for the year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Otay Water District. 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 tests of the Otay Water District'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.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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 statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate effecting the financial statements were management's estimate of the useful lives for capital assets.

During our audit of the basic financial statements, we performed procedures to determine the reasonableness of the estimates used by management. Based on the procedures performed, we were able to conclude that the estimates used by management were reasonable.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Otay Water District's financial reporting process (that is, cause future financial statements to be materially misstated). For the 2006-2007 fiscal year, there were no such adjustments.

Disagreements with Management

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

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.

Issues Discussed Prior to Retention of Independent Auditors

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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Otay Water District's Finance Committee and management of the Otay Water District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Leaman Ramirez & Smith

OTAY WATER DISTRICT
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2007

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TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Otay Water District
Spring Valley, California

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 financial statements of the business-type activities, of the Otay Water District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otay Water District financial statements are free of material misstatement, we performed tests of its 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Seaman Ramirez & Smith

September 21, 2007

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Otay Water District
Spring Valley, California

Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the Otay Water District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Otay Water District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Otay Water District's management. Our responsibility is to express an opinion on the Otay Water District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Otay Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Otay Water District' compliance with those requirements.

In our opinion, the Otay Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Otay Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Otay Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Otay Water District's internal control over compliance.

A control deficiency in a District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that

Richard A. Teaman, CPA • Greg W. Fankhanel, CPA • David M. Ramirez, CPA • Joseph A. Deledonne, CPA • Javier H. Carrillo, CPA
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adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of the Otay Water District as of and for the year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Otay Water District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith

September 21, 2007

OTAY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant/Contract Number	Expenditures
MAJOR PROGRAMS			
United States Department of the Interior:			
Passed-through the City of San Diego			
Water Reclamation and Refuse Program	15.504	06-FC-35-0182	$ 2,430,000

OTAY WATER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the Otay Water District that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Otay Water District from a non-federal agency or other organization. Only the portion of the program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized in the period incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The District had one major program for the year ended June 30, 2007, consisting of expenditures from a cooperative agreement with the City of San Diego and the United States Department of Interior. The major program had disbursements of $2,430,000. This amount calculates to 100% of the total disbursements from federal awards.

d) Relationship to Basic Financial Statements

Federal award expenditures agree or can be reconciled with the amounts reported in the District's financial statements.

OTAY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unqualified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Reportable Condition(s) Identified not Considered to be Material Weaknesses?	None reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Reportable Condition(s) Identified not Considered to be Material Weaknesses?	No
Type of Auditors' Report Issued on Compliance for Major Programs:	Unqualified
Any Audit Findings Disclosed that are Required to be Reported in Accordance With Circular A-133, Section .510(a)?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
15.504	Water Reclamation and Refuse Program

Dollar Threshold used to Distinguish Between Type A and Type B Programs:	$ 300,000
Auditee Qualified as Low-Risk Auditee?	No

OTAY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no auditors' findings required to be reported in accordance with *Government Auditing Standards.*

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditors' findings to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

OTAY WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Reportable Conditions:

None Reported

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Joe Beachem
Chief Financial Officer
Otay Water District
Spring Valley, CA

We have applied the procedures enumerated below, which were agreed to by the Otay Water District (the "District") to assist the District's senior management in evaluating the investments of the District for the fiscal year ending June 30, 2007.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report, the District's senior management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. Obtain a copy of the District's investment policy in effect for the time period under review.

   Findings: No exceptions were noted as a result of our procedures.

2. Select four (4) investments held at year end (Sample A) and determine if they are an allowable investment under the District's policy.

   Findings: No exceptions were noted as a result of our procedures.

3. Determine if the investments in Sample A are held in the District's name or as otherwise required by the District's policy.

   Findings: No exceptions were noted as a result of our procedures.

4. Confirm the par or original investment amount and market value for the investments in Sample A with the custodian or issuer of the investments.

   Findings: No exceptions were noted as a result of our procedures.

5. Select two (2) investment earnings transactions that took place during the year (Sample B) and recompute the earnings calculation to determine if the proper amount was received.

   Findings: No exceptions were noted as a result of our procedures.

6. Confirm the amounts received in Sample B with the custodian or issuer of the investments.

   Findings: No exceptions were noted as a result of our procedures.

7. Select five (5) investment transactions (buy, sell, trade or maturity) occurring during the year under review (Sample C) and determine that the transactions are permissible under the District's investment policy.

   Findings: No exceptions were noted as a result of our procedures.

8. Review the supporting documents for Sample C and determine if the transactions were appropriately recorded in the District's general ledger.

   Findings: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the investments of the District for the fiscal year ending June 30, 2007. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the senior management of the Otay Water District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Leaman Ramirez & Smith

September 21, 2007

AGENDA ITEM 7

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 7, 2007
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:			
SUBJECT:	Elect Representatives to the National Water Resources Association's (NWRA) California Caucus Board of Directors		

GENERAL MANAGER'S RECOMMENDATION:

That the Board consider casting votes to elect five (5) representatives to the National Water Resources Association's (NWRA) California Caucus Board of Directors.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To elect five (5) representatives to the NWRA's California Caucus Board of Directors.

ANALYSIS:

ACWA is holding an election to fill three (3) board member seats and two (2) alternate board member seats on NWRA's California Caucus Board of Directors. Each member agency is asked to vote for five nominees. The three (3) nominees with the highest number of votes will serve on the Board of Directors and the two (2) receiving the fourth and fifth highest votes will serve as alternates.

A copy of the mail-in ballot is attached along with a summary of each of the nominees' background information. The ballot must be received by ACWA no later than Monday, December 3, 2007.

FISCAL IMPACT: _____

None.

STRATEGIC GOAL:

Participating would support the strategic goal of maintaining effective communications with other cities, special districts, State and Federal governments, community organizations and Mexico.

LEGAL IMPACT:

None.

General Manager

Attachments:

Attachment A: Committee Action

ACWA Correspondence, NWRA Ballot and Nominee Background Information

CC: Susan

Association of California Water Agencies

Leadership Advocacy Information *Since 1910*

MEMORANDUM

OCT 10 2007

October 2, 2007

TO: **ACWA MEMBER AGENCY PRESIDENTS AND GENERAL MANAGERS**

FROM: **JAN JENNINGS, DIRECTOR OF ADMINISTRATION**

SUBJECT: **NWRA CALIFORNIA CAUCUS BALLOTS: DUE DECEMBER 3, 2007**

The nominations for the National Water Resources Association (NWRA) California Caucus positions have been submitted and now it is time for your agency to vote. Attached you will find a ballot and brief summary of each nominee's NWRA participation and background information. Please take a moment to read the information about each nominee and indicate on the ballot who your agency would like to have serve as representatives and alternates on the California Caucus. The three (3) individuals receiving the highest number of votes will serve on the Board of Directors. The two (2) individuals receiving the fourth and fifth highest votes will serve as alternates. **Each member agencies is allowed one (1) vote.**

Return the completed ballot to the ACWA office no later than Monday, December 3, 2007. The results of the election will be announced on the ACWA Web site and published in a future issue of ACWA News.

Please call me at the ACWA office at (916) 441-4545 if you have questions or would like additional information. Thank you for your careful consideration and participation in this election. Your voice will help ensure the enactment of sound water policy decisions and regulatory measures.

JJ

Attachments

Association of California Water Agencies 910 K Street, Suite 100, Sacramento, California 95814-3577 **916/441-4545** FAX 916/325-4849
Hall of the States 400 N. Capitol St., N.W., Suite 357 South, Washington, D.C. 20001-1512 **202/434-4760** FAX 202/434-4763

NWRA CALIFORNIA CAUCUS BALLOT

Corrected Ballot 10-10-07

Please vote for five (5) of the candidates listed below. The top three finishers will be full board members and the fourth and fifth will be alternates.
(Per Board policy, the sixth position will be filled by the Federal Affairs Committee Chair)

_____ Wilmar "Will" L. Boschman *Semitropic Water Storage District*	_____ Adrienne (Ann) Mathews *Kern County Water Agency*
_____ David A. Breninger *Placer County Water Agency*	_____ Larry L. Russell, Ph.D., P.E. *Marin Municipal Water District*
_____ Wayne A. Clark *MWD of Orange County*	_____ Terrance "Terry" M. King *Chino Basin Water Conservation District*
_____ Katy Foulkes *East Bay MUD*	_____ Joseph L. Kuebler *Eastern MWD*
_____ John P. Fraser *El Dorado Irrigation District*	_____ Charles W. Muse *Helix Water District*
_____ Lawrence Libeu *Rancho California Water District*	_____ Adeline M. L. Yoong *Water Replenishment District of So. CA*

Incumbent: David A. Breninger, NWRA Board of Directors, 2001-'07
John Fraser, NWRA Board of Directors, 2003-'07
Lawrence M. Libeu, NWRA Board of Directors, 2001-'07, Current NWRA Vice Pres.

Alternate: Wayne Clark, NWRA Board of Directors 2006 - '07
Adrienne (Ann) Mathews, NWRA Board of Directors 2006 - '07

ONE BALLOT PER AGENCY

_____ Signature _____ Title _____ District

Please return this ballot by Monday, December 3, 2007 to:
ACWA
Attn: Kelly Smith
910 K Street, Suite 100
Sacramento, CA 95814-3577

NWRA CALIFORNIA CAUCUS
NOMINEE BACKGROUND SUMMARY

NAME/TITLE/AGENCY	NWRA PARTICIPATION	BACKGROUND SUMMARY
Wilmar "Will" L. Boschman ***General Manager*** **Semitropic Water Storage District**	• No current participation	• 43 years experience in water development as consultant • 22 years as GM of Semitropic Water Storage District • Vice Chair of both ACWA Energy & Groundwater Committee • Leadership in Kern County Water Resources Association • Involved in affecting changes in Federal legislation related to water issues, including ESA • District a member of NWRA
David Breninger ***General Manager*** **Placer County Water Agency** **(NWRA Incumbent)**	• Actively involved with NWRA since 2001 • Currently ACWA Representative • Serves on NWRA Budget Committee • Attendance at NWRA annual conferences and seminars	• General Manager Placer County Water Agency 1992-Present • ACWA Board Member • Chair ACWA Local Government Committee • Board Member, California Municipal Utilities Association • Board member, Regional Water Authority • Executive Director, American River Authority • Member, River Management Society • Chair of Recreational Boaters of California's CALFED Bay-Delta Committee • Sacramento Regional Water Authority recognized him as 2003 "Water Statesperson of the Year"
Wayne A. Clark ***Vice President*** **Municipal Water District of Orange County** **(NWRA Incumbent - Alternate)**	• NWRA Municipal Caucus • NWRA subcommittee on climate changes • Currently ACWA Alternate Representative • Attendance at NWRA annual conferences and seminars	• Former Board President, Irvine Ranch Water District • Member of the Colorado River Water Users Association • 1992 co-founded Urban Water Institute, served Executive Director until retiring in 2006 • Part of team supporting 1982 ballot measure designed to build Peripheral Canal as part of the State Water Project • A leader in the statewide Water 2000 effort, precursor of the CALFED Bay-Delta Program • Served term as Chair of the Federal Affairs Committee of the California Marine Affairs & Navigation Council • Founding chairman of the City of Irvine's Planning Commission

NWRA CALIFORNIA CAUCUS
NOMINEE BACKGROUND SUMMARY

NAME/TITLE/AGENCY	NWRA PARTICIPATION	BACKGROUND SUMMARY
Katy Foulkes ***Director, Board of Directors*** **East Bay Municipal Utility District**	• No current participation	• Vice Chair of ACWA Region 5 • ACWA Board member • EBMUD board member since 1994; board president 2000-2002 • Co-Chair of the Water-Land Use Committee of the Bay Area Water Forum • Serves on the Alameda County Local Agency Formation Commission • Represents EBMUD on joint powers agencies with the Sacramento area and the counties of Amador, Calaveras & Alpine • Served 2 terms on the Piedmont City Council, including one as Mayor
John P. Fraser ***Director, Board of Directors*** **El Dorado Irrigation District** **(NWRA Incumbent)**	• Currently ACWA Representative • Attendance at NWRA annual conferences and seminars • NWRA, Distinguished Service Award • NWRA, Life Member • NWRA, Two Presidents Commendations • NWRA, Water Leader Award • Served as Chair of the NWRA State Association Committee	• Director, El Dorado Irrigation District • Alternate Board member, American River Authority • Former Executive Director of ACWA • Former Consultant, Price Waterhouse • Member, California State Bar Association • Member, American Bar Association • Member, Interstate Council on Water Policy • Member, Alliance for Radon Reduction • Member, Taxpayers' Association of El Dorado County • Member, El Dorado Citizens for Water

NWRA CALIFORNIA CAUCUS
NOMINEE BACKGROUND SUMMARY

NAME/TITLE/AGENCY	NWRA PARTICIPATION	BACKGROUND SUMMARY
Terence "Terry" M. King ***Director of Division 1*** **Chino Basin Water Conservation District**	• No current participation	• Served as Director of Chino Basin WCD since 2001 • ACWA Region 9 board representative • Responsible for construction management of the Seven Oaks Dam Project – 300 million dollar project. • 20 years experience as Resident & Area Engineer for Corp of Engineers
Joseph J. Kuebler ***Director, Board of Directors*** **Eastern Municipal Water District**	• No current participation	• Eastern MWD Board Treasurer since 1996 • Currently ACWA Region 9 Chair • ACWA Board member • Received Certificate of Completion in Special District Board Management 1998
Lawrence Libeu ***Director Elect*** **Rancho California Water District** **(NWRA Incumbent –Vice President)**	• Actively involved with NWRA since 1994 • Currently NWRA Vice President • Slated to become NWRA President for the – 2009-2011 • NWRA Treasurer 2004-2006 • California State Director • Served as California's Director on NWRA's Board of Directors for 1998-1999 term • Served two years as California's Alternate to the NWRA Board of Directors • Member of NWRA's Board Executive Committee • Attendance at NWRA annual conferences and seminars	• Served ACWA Federal Affairs Committee since 1994 • Served as President and is one of the founders of Western Coalition of Arid States (WESTCAS) • Served Eastern MWD for 23 years as Director of Legislative & Governmental Affairs • General Manager for 4 years for the San Bernardino Valley Water Conservation District • Planned, organized, and coordinated Eastern MWD's $50 million Small Reclamation Projects Act (PL984) • 15 years in Municipal Government

NWRA CALIFORNIA CAUCUS
NOMINEE BACKGROUND SUMMARY

NAME/TITLE/AGENCY	NWRA PARTICIPATION	BACKGROUND SUMMARY
Adrienne "Ann" Mathews ***Director of Division 5*** **Kern County Water Agency** **(NWRA Incumbent - Alternate)**	• Attendance at NWRA annual conferences and seminars	• Served as director for Kern County Water Agency for 21 years, served as President of Board for 2 of those years • ACWA Region 7 Board member • Member, Water Association of Kern County & the California Elected Women's Association for Education and Research • Serves on the Local Agency Formation Commission of Kern County as an alternate commissioner • Serves on the Southern California Water Committee Board of Trustees • Appointed 2005 to the California Special Districts Association Board of Directors
Charles W. Muse ***Director, Board of Directors*** **Helix Water District**	• NWRA Municipal Caucus	• Was President and CEO of GAF Financial and Insurance Services, a subsidiary of Great American Bank • Served as adjunct faculty at San Diego University Department of Finance for 18 years • Board member of Lemon Grove Chamber of Commerce • 14 years as Planning Commissioner for City of La Mesa • Serves as the District's representative on the Water Conservation Garden Joint Power Authority Board • District member of NWRA since its inception

NWRA CALIFORNIA CAUCUS
NOMINEE BACKGROUND SUMMARY

Larry L. Russell, Ph.D., P.E. ***Director, Board of Directors*** **Marin Municipal Water District**	• No current participation	• Involved in water supply issues for 30+ years • Doctorate in Civil/Environmental from Berkeley. • Worked for Montgomery Watson as water engineer • Served on MMWD board since 2004 • Worked extensively in applied hydrology and hydrogeology • Former President of Russell Environmental Engineering and Development (REED) Corporation • Former Chairman of Aqua Resources, Inc. • Former Vice President of James M. Montgomery Consulting Engineers
Adeline M.L. Yoong ***Government Affairs Manager*** **Water Replenishment District of Southern California**	• No current participation	• WRD of Southern California's Government Affairs Manager. 1998 to present • Served as Senior Congressional policy advisor on Capitol Hill • 15 years water policy experience • Manage local, state and federal government relations programs for district • MBA Marketing from University of San Francisco

Bill George - *President*
Division 3
George W. Osborne
Vice President
Division 1

CC: Board
Susan

'eister
nager
pston
'ounsel

El Dorado Irrigation District

In reply refer to: M0907-058 / SMC0907-009

October 4, 2007

OCT 10 2007

Mr. Mark W. Watton
Otay WD
2554 Sweetwater Springs Blvd
Spring Valley, CA 91978-2096

Subject: John P. Fraser, Nominee to NWRA Board of Directors

Dear Mr. Mark W. Watton:

El Dorado Irrigation District (EID) has nominated Board member John Fraser to continue to serve on the National Water Resources Association (NWRA) Board of Directors. Many water professionals and board members across California have known John for a long time, beginning when he served for 20 years as the Executive Director and General Counsel for ACWA. His considerable skills and experience have earned him many honors and awards, including the NWRA Water Leader of the Year, NWRA Distinguished Service, NWRA President's Commendations, and the U.S. Bureau of Reclamation's Distinguished Service.

Director Fraser was elected to the EID Board in 2001, has served as Vice President and President, chairs the Legislative and Legal Affairs Standing Committee, and is the Vice Chair of the Finance, Rates and Charges Standing Committee.

Western water issues today are more challenging than ever. It is vitally important that California has knowledgeable and experienced representation on the NWRA Board. Director John Fraser has demonstrated his ability, dedication, and commitment to serve the water users of the state.

We ask for your vote to re-elect John Fraser to the NWRA Board of Directors, representing ACWA and the citizens of California.

Sincerely,

Bill George
Board President

Ane D. Deister
General Manager

ADD/dk:krc

John P. Fraser - Division 2 • George A. Wheeldon - Division 4 • Harry J. Norris - Division 5
2890 Mosquito Road, Placerville, California 95667 • (530) 622-4513