

**EL DORADO WATER AND POWER AUTHORITY**  
**(A Joint Powers Authority)**

**FINANCIAL REPORT**

**FOR THE FISCAL YEARS ENDED**  
**JUNE 30, 2007, 2006, 2005 AND 2004**

**EL DORADO WATER AND POWER AUTHORITY**

Table of Contents

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis .....	3-7
<b><u>Basic Financial Statements</u></b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	8
Statement of Activities.....	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances .....	11
Notes to Financial Statements.....	12-16
<b><u>Required Supplementary Information</u></b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – For the Year Ended June 30, 2007.....	17
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – For the Year Ended June 30, 2006.....	18
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – For the Year Ended June 30, 2005.....	19
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – For the Year Ended June 30, 2004.....	20
Notes to Required Supplementary Information – Budgetary Basis of Accounting .....	21
<b><u>Other Report</u></b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	22-23

## **FINANCIAL SECTION**



BARTIG, BASLER & RAY, LLP  
A GALLINA LLP COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
El Dorado Water and Power Authority  
Shingle Springs, California

We have audited the accompanying financial statements of the El Dorado Water and Power Authority (Authority), a joint powers authority of the County of El Dorado, California, as of and for the years ended June 30, 2007, 2006, 2005, and 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the El Dorado Water and Power Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

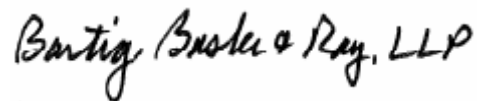
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the El Dorado Water and Power Authority as of June 30, 2007, 2006, 2005 and 2004, and the respective changes in its financial positions for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2008, on our consideration of the El Dorado Water and Power Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
El Dorado Water and Power Authority  
Shingle Springs, California

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

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company

A handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

January 21, 2008  
Roseville, California

# EL DORADO WATER & POWER AUTHORITY

## Management's Discussion and Analysis For the Years Ended June 30, 2007, 2006, 2005 and 2004

This section of the El Dorado Water and Power Authority's financial report presents a narrative overview and analysis of the Authority's financial performance during the fiscal years ended June 30, 2007, 2006, 2005 and 2004 ("FYE 2007", "FYE 2006", "FYE 2005" and "FYE 2004" respectively). This discussion and analysis is intended to be used in conjunction with the Authority's financial statements and notes to the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The El Dorado Water & Power Authority ("Authority") collected a total of \$165,441 in intergovernmental contributions from the El Dorado County Water Agency ("Water Agency") between FYE 2004 and FYE 2007 (\$41,500; \$103,981, \$19,960, and \$0 respectively).
- During FYE 2004 and the first half of the FYE 2005, the Authority focused its efforts and resources on obtaining SMUD UARP facilities rights for storage and water delivery. FYE 2005 expenditures were significantly greater than FYE 2004 costs due to a SMUD UARP Socio-economic Study (\$72,431).
- Expenditures during FYE 2006 and FYE 2007 were less than previous years due to the Authority refocusing efforts to the acquisition of water rights through the City of Sacramento. Legal costs associated with this task were made through in-kind contributions of the Water Agency's general counsel.
- Between FYE 2004 and FYE 2007, revenues consistently exceeded expenditures resulting in over \$80,000 invested in the El Dorado County investment pool at FYE 2007.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The management's discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: (1) financial statements and (2) notes to financial statements.

- The first two statements are *government-wide* financial statements that provide both *long-term* and *short-term* information about the Authority's overall financial status.
- The remaining statements are *fund* financial statements that focus on individual parts of the Authority's organization. These statements report the Authority's financial position and activity.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# EL DORADO WATER & POWER AUTHORITY

## Management's Discussion and Analysis For the Years Ended June 30, 2007, 2006, 2005 and 2004

### Government-Wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Authority's assets and liabilities including long-term debt. All of the years' revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net assets and how they have changed. Net assets – the difference between the Authority's assets and liabilities – is one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority's net assets are indicators of whether its financial health is improving or deteriorating, respectively.

### Fund Financial Statements

The fund financial statements provide a detailed short-term view. For the four years ended June 30, 2007, there were no differences between the government-wide and fund financial statements.

## FINANCIAL ANALYSIS OF THE AUTHORITY

### Net Assets

A summary of the Authority's Statement of Net Assets is as follows:

#### Condensed Statement of Net Assets As of June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Assets	<u>\$ 82,204</u>	<u>\$ 78,789</u>	<u>\$ 57,203</u>	<u>\$ 26,893</u>
Total Liabilities	<u>1,713</u>	<u>146</u>	<u>185</u>	<u>--</u>
Net Assets	<u><u>\$ 80,491</u></u>	<u><u>\$ 78,643</u></u>	<u><u>\$ 57,018</u></u>	<u><u>\$ 26,893</u></u>

The Authority's net assets increased \$30,310 between FYE 2004 and FYE 2005; \$21,586 between FYE 2005 and FYE 2006; and \$3,415 between FYE 2006 and FYE 2007. The increase is primarily due to an increase in unrestricted cash. Total liabilities increased \$185 between FYE 2004 and FYE 2005; decreased \$39 between FYE 2005 and FYE 2006; and increased \$1,567 between FYE 2006 and FYE 2007. These changes are due to fluctuation in accounts payable checks, which were outstanding at the end of each fiscal year.

## EL DORADO WATER & POWER AUTHORITY

Management's Discussion and Analysis  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

### Changes in Net Assets

A summary of the Authority's Statement of Activities, recapping the Authority's revenues earned during the fiscal year ended June 30, 2007, and the expenditures incurred are as follows:

#### **Condensed Statement of Activities For the fiscal years ended June 30,**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Intergovernmental	\$ --	\$ 19,960	\$ 103,981	\$ 41,500
Interest income	<u>4,053</u>	<u>2,790</u>	<u>1,515</u>	<u>85</u>
Total Revenues	4,053	22,750	105,496	41,585
Total Expenses	<u>2,205</u>	<u>1,125</u>	<u>75,371</u>	<u>14,692</u>
Changes in Net Assets	1,848	21,625	30,125	26,893
Net Assets, Beginning	<u>78,643</u>	<u>57,018</u>	<u>26,893</u>	<u>--</u>
Net Assets, Ending	<u>\$ 80,491</u>	<u>\$ 78,643</u>	<u>\$ 57,018</u>	<u>\$ 26,893</u>

Intergovernmental revenues have varied since the inception of the Authority. In FYE 2004, the Water Agency contributed the funds and in-kind services necessary to start up the Authority. A large professional services contract and significant travel was anticipated in FYE 2005, so the Water Agency's contribution was increased. In FYE 2006, there were still unspent funds remaining from the previous year and it was not anticipated that there would be significant costs to the Authority, so the intergovernmental contributions was decreased. Due to the balance of funds remaining from FYE 2006, no contributions were made in FYE 2007. The investment earnings increased between FYE 2004 to FYE 2007 due to an increased amount of funds available to invest (carry-over fund balance), as well as an increase in the interest rates earned on the funds.

The most significant fluctuations in expenditures have been caused by a professional services contract, use of County for services such as legal counsel and web design, and Authority start-up costs. In FYE 2004 the costs charged by the County to the Authority totaled \$5,642 (\$165 web design, \$5,423 legal counsel, and \$55 sound installation). In August 2004, the Water Agency hired its own general counsel and agreed to provide in-kind services to the Authority. Therefore, in FYE 2005, the County costs charged only totaled \$727 (\$570 for web design and \$157 for printing). County costs decreased further in FYE 2006 and FYE 2007 to \$420 and \$240 respectively for web updates. Expenditures in FYE 2005 were also significantly higher due to a

## **EL DORADO WATER & POWER AUTHORITY**

### **Management's Discussion and Analysis For the Years Ended June 30, 2007, 2006, 2005 and 2004**

\$72,431 contract for the SMUD UARP Socio-economic study. Start-up costs, which have not already been accounted for in the County charges above, such as stationery and a logo, were \$8,493 in FYE 2004.

#### **BUDGETARY HIGHLIGHTS**

The Authority is a joint powers authority, which adopts an annual operating budget that includes proposed expenditures and funding through member contributions. Each May, a public hearing is held at the regularly scheduled Board meeting to obtain comments on the budget. The final budget is adopted at the next regularly scheduled Board meeting, but no later than August 20<sup>th</sup> of each year. Subsequent increases or decreases to the original budget must be approved by the Board of Directors. No changes were made to FYE 2004 through FYE 2006 original budgets. FYE 2007 budget was amended by the Board to increase the professional services line item total to \$65,000 and reduce remaining line item expenditures by \$9,870.

FYE 2004 revenues were \$23,371 less than budgeted because the decision was made that the Water Agency would provide salaries in-kind rather than charge the Authority directly. Expenditures for FYE 2004 were \$41,500 less than anticipated due to the fact that the organization only operated for two (2) months of the fiscal year. Actual revenues for FYE 2005 were \$165 more than budgeted. Expenditures for the same fiscal year were \$56,852 less largely because (1) the Authority was not required to make any trips to Washington, D.C. for re-licensing matters (\$25,700); (2) the Authority was able to use the Water Agency's general counsel, saving the costs of using County Counsel (\$8,663); (3) not expending the entire professional services budget (\$8,080); and (4) not expending the reserves (\$6,297). FYE 2006 actual revenues were \$2,160 more than budgeted due to an increase in interest earnings. The expenditures for FYE 2006 were \$76,846 less than budget because: (1) the professional services budget was not utilized (\$55,000); (2) no travel was required (\$10,580); and (3) reserves were not expended (\$3,696). Actual revenue in FYE 2007 was \$1,321 greater than budget because interest earnings were greater than anticipated. Expenditures for the same year were \$79,170 less than anticipated because: (1) the professional services contract for the WaterWorks public information project was not approved by the Board until April 2007 (\$53,468); (2) the Authority was not required to travel (\$15,494); and (3) reserves were not used (\$3,869).

#### **CAPITAL ASSETS**

The Authority did not have any capital assets as of June 30, 2007, 2006, 2005, or 2004.

#### **DEBT ADMINISTRATION**

The Authority did not have any long-term debt outstanding as of June 30, 2007, 2006, 2005, or 2004.

## **EL DORADO WATER & POWER AUTHORITY**

Management's Discussion and Analysis  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Authority was originally formed in March 2004 to provide united negotiating efforts for use of the SMUD UARP facilities for the storage and deliver of water (El Dorado-SMUD Cooperation Agreement, November 22, 2005). The JPA was amended November 1, 2005 to include the power to file and prosecute applications or petitions with state and regulatory agencies, in pursuit of water rights to use in the SMUD UARP facilities.

The following economic factors were considered in preparing the Authority's financial plan for fiscal year 2007-2008:

- Cost of filing a Water Rights application with the State Water Resources Control Board
- Legal, engineering and environmental costs associated with filing the application
- Establishment of the Contribution of each member party (cost share agreement)

It is expected that the final fiscal year ending June 30, 2008 ("FYE 2008) budget will be revised during the fiscal year. Revenue (member contributions) were not included in the budget, nor were expenditures associated with the supplemental water rights acquisition efforts. The Authority is currently negotiating a cost share agreement among member parties to pay for the acquisition efforts. Once an agreement is reached, the budget revenues will be increased by approximately \$2.5 million dollars to include contributions and expenditures will be offset by the same amount to include the costs for filing the water rights application and the associated legal, environmental and engineering services.

In fiscal year 2007-2008, the Authority will focus on developing a cost share agreement among the member parties and filing an application with the State Water Resources Control Board for the water rights for El Dorado County.

### **CONTACTING THE AUTHORITY**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. For questions about this report or any additional information needed, contact the Authority's office at 3932 Ponderosa Road, Suite 200, Shingle Springs, California 95682.

**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# EL DORADO WATER AND POWER AUTHORITY

## Statement of Net Assets June 30, 2007, 2006, 2005 and 2004

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>				
Cash and investments	<u>\$ 82,204</u>	<u>\$ 78,789</u>	<u>\$ 57,203</u>	<u>\$ 26,893</u>
Total Assets	<u>82,204</u>	<u>78,789</u>	<u>57,203</u>	<u>26,893</u>
<u>LIABILITIES</u>				
Accounts payable	<u>1,713</u>	<u>146</u>	<u>185</u>	<u>--</u>
Total Liabilities	<u>1,713</u>	<u>146</u>	<u>185</u>	<u>--</u>
<u>NET ASSETS</u>				
Unrestricted	<u>80,491</u>	<u>78,643</u>	<u>57,018</u>	<u>26,893</u>
Total Net Assets	<u><u>\$ 80,491</u></u>	<u><u>\$ 78,643</u></u>	<u><u>\$ 57,018</u></u>	<u><u>\$ 26,893</u></u>

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

# EL DORADO WATER AND POWER AUTHORITY

## Statement of Activities For the Years Ended June 30, 2007, 2006, 2005 and 2004

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>PROGRAM EXPENSES</u>				
Services and supplies	<u>\$ 2,205</u>	<u>\$ 1,125</u>	<u>\$ 75,371</u>	<u>\$ 14,692</u>
Total Program Expenses	<u>2,205</u>	<u>1,125</u>	<u>75,371</u>	<u>14,692</u>
<u>PROGRAM REVENUES</u>				
Intergovernmental revenue	<u>--</u>	<u>19,960</u>	<u>103,981</u>	<u>41,500</u>
Total Program Revenues	<u>--</u>	<u>19,960</u>	<u>103,981</u>	<u>41,500</u>
Net Program Revenues (Expenses)	<u>(2,205)</u>	<u>18,835</u>	<u>28,610</u>	<u>26,808</u>
<u>GENERAL REVENUES</u>				
Interest income	<u>4,053</u>	<u>2,790</u>	<u>1,515</u>	<u>85</u>
Changes in Net Assets	<u>1,848</u>	<u>21,625</u>	<u>30,125</u>	<u>26,893</u>
Net Assets, Beginning of Years	<u>78,643</u>	<u>57,018</u>	<u>26,893</u>	<u>--</u>
Net Assets, End of Years	<u>\$ 80,491</u>	<u>\$ 78,643</u>	<u>\$ 57,018</u>	<u>\$ 26,893</u>

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

**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

**EL DORADO WATER AND POWER AUTHORITY**

Balance Sheet  
June 30, 2007, 2006, 2005 and 2004

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>				
Cash and investments	<u>\$ 82,204</u>	<u>\$ 78,789</u>	<u>\$ 57,203</u>	<u>\$ 26,893</u>
Total Assets	<u><u>\$ 82,204</u></u>	<u><u>\$ 78,789</u></u>	<u><u>\$ 57,203</u></u>	<u><u>\$ 26,893</u></u>
<b><u>LIABILITIES</u></b>				
Accounts payable	<u>\$ 1,713</u>	<u>\$ 146</u>	<u>\$ 185</u>	<u>\$ --</u>
Total Liabilities	<u>1,713</u>	<u>146</u>	<u>185</u>	<u>--</u>
<b><u>FUND BALANCE</u></b>				
Reserved Funds:				
Reserved for encumbrances	6,000	--	--	--
Unreserved undesignated funds	<u>74,491</u>	<u>78,643</u>	<u>57,018</u>	<u>26,893</u>
Total Fund Balances	<u>80,491</u>	<u>78,643</u>	<u>57,018</u>	<u>26,893</u>
Total Liabilities and Fund Balance	<u><u>\$ 82,204</u></u>	<u><u>\$ 78,789</u></u>	<u><u>\$ 57,203</u></u>	<u><u>\$ 26,893</u></u>

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

# EL DORADO WATER AND POWER AUTHORITY

## Statement of Revenues, Expenditures and Changes in Fund Balances For the Years Ended June 30, 2007, 2006, 2005 and 2004

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>				
Intergovernmental revenue	\$ --	\$ 19,960	\$ 103,981	\$ 41,500
Interest income	<u>4,053</u>	<u>2,790</u>	<u>1,515</u>	<u>85</u>
Total Revenues	<u>4,053</u>	<u>22,750</u>	<u>105,496</u>	<u>41,585</u>
<u>EXPENDITURES</u>				
Services and supplies	<u>2,205</u>	<u>1,125</u>	<u>75,371</u>	<u>14,692</u>
Total Expenditures	<u>2,205</u>	<u>1,125</u>	<u>75,371</u>	<u>14,692</u>
Net Changes in Fund Balances	1,848	21,625	30,125	26,893
Fund Balances, Beginning of Years	<u>78,643</u>	<u>57,018</u>	<u>26,893</u>	<u>--</u>
Fund Balances, End of Years	<u>\$ 80,491</u>	<u>\$ 78,643</u>	<u>\$ 57,018</u>	<u>\$ 26,893</u>

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

# EL DORADO WATER AND POWER AUTHORITY

Notes to Financial Statements  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

## Note 1: **Summary of Significant Accounting Policies**

### A. **Reporting Entity**

The El Dorado Water and Power Authority (Authority) is a joint powers authority organized under the Joint Exercise of Powers Act on March 2, 2004 which comprises the parties of the County of El Dorado, the El Dorado County Water Agency, the El Dorado Irrigation District, and the Georgetown Divide Public Utility District. The Authority's mission is to protect, preserve and enhance the water and power interests of El Dorado County's residents, businesses and environment.

The El Dorado Water and Power Authority is governed by a Board of Directors (Board). The Board is comprised of fifteen voting directors, and one non-voting director. The voting members include five El Dorado County Board of Supervisors, five El Dorado Irrigation District Board of Directors, and five Georgetown Divide Public Utility District Board of Directors. The non-voting director is any member of the El Dorado County Water Agency Board of Directors who is not a voting member of the Authority.

The Authority reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Authority is financially accountable for other entities. The Authority has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements.

### B. **Memorandum of Understanding (MOU)/Joint Powers Agreement (JPA)**

The County of El Dorado (County), the El Dorado County Water Agency, the El Dorado Irrigation District, and the Georgetown Divide Public Utility District each have a representative to the District to be a signatory to the MOU after receiving authority from their Governing Body. This MOU is the precursor to the Joint Powers Agreement Regarding the El Dorado – Sacramento Municipality Utility District (SMUD) Cooperation Agreement with the Authority, the County and the Municipalities. The JPA was formed March 2, 2004 to provide united negotiating efforts for use of the SMUD Upper American River Project (UARP) facilities for the storage and delivery of water (El Dorado-SMUD Cooperation Agreement, November 22, 2005). The JPA was amended November 1, 2005 to include the power to file and prosecute applications or petitions with state and regulatory agencies, in pursuit of water rights to use in the SMUD UARP facilities.

# EL DORADO WATER AND POWER AUTHORITY

Notes to Financial Statements (continued)  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

## C. Basis of Presentation

### *Government-Wide Financial Statements*

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

The statement of activities presents a comparison between direct expenses and program revenues for the Authority's governmental activity. Direct expenses are those that are specifically associated with the Authority. Program revenues include 1) fees, fines and charges paid by the recipient of goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority did not have any program revenues for the year ended June 30, 2007. Revenues that are not classified as program revenues, including all taxes and investment earnings, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

### *Fund Financial Statements*

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period.

Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include mainly contributions that are restricted to meeting the operational or capital requirements. All other governmental fund revenues are recognized when received.

The Authority reports one major governmental fund, the General Fund. The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government.

# EL DORADO WATER AND POWER AUTHORITY

Notes to Financial Statements (continued)  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

## E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## F. Net Assets/Fund Balances

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

- Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, into one component of net assets. Accumulated depreciation and the outstanding balance of debt that are attributable to capital assets reduce the balance in this category.
- Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This category represents net assets of the Authority, not restricted for any project or any other purpose.

As of June 30, 2007, the Authority has only unrestricted net assets.

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

The Authority has “reserved” fund balances as follows:

- Encumbrances: To reflect the outstanding contractual obligations for which goods and services have not been received.

**EL DORADO WATER AND POWER AUTHORITY**

Notes to Financial Statements (continued)  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

Note 2: **Cash and Investments**

Cash consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash in County Treasury	<u>\$ 82,204</u>	<u>\$ 78,789</u>	<u>\$ 57,203</u>	<u>\$ 26,893</u>

The Authority maintains all of its cash and investments with the El Dorado County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of El Dorado's financial statements may be obtained by contacting the County of El Dorado Auditor-Controller's office at 360 Fair Lane, Placerville, California 95667. The El Dorado County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Authority's deposit and investment risks at June 30, 2007, 2006, 2005 and 2004 were as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Credit risk	Not rated	Not rated	Not rated	Not rated
Custodial risk	Not applicable	Not applicable	Not applicable	Not applicable
Concentration of credit risk	Not applicable	Not applicable	Not applicable	Not applicable
Interest rate risk	Not available	58 days	77 days	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Note 3: **Related Party Transactions**

The Authority paid the County of El Dorado, a related party, for website development and legal services in the following amounts for the fiscal years ended June 30:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
County of El Dorado expenditures	<u>\$ 240</u>	<u>\$ 420</u>	<u>\$ 727</u>	<u>\$ 5,642</u>

# EL DORADO WATER AND POWER AUTHORITY

Notes to Financial Statements (continued)  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

Note 3: **Related Party Transactions** (continued)

The Authority also received contributions restricted to meeting the operational needs of the Authority from the El Dorado County Water Agency in the following amounts for the fiscal years ended June 30:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
El Dorado County Water Agency revenues	<u>\$ --</u>	<u>\$ 19,960</u>	<u>\$ 103,981</u>	<u>\$ 41,500</u>

Note 4: **Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. Because the Authority does not have employees, it is not exposed to injuries to employees. The Authority's officers are officials of the El Dorado County Water Agency, and therefore coverage for general liability and errors and omissions is provided under the County of El Dorado's program. This program provides coverage for up to a maximum of \$300,000 for each workers' compensation claim, \$1,000,000 for each general liability claim, and \$25,000 for each property damage claim and up to a maximum lifetime benefit of \$1 million in health insurance benefits through its Blue Shield health insurance program. The County's self-insured retention for its health insurance program is \$150,000 per employee.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EL DORADO WATER AND POWER AUTHORITY**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance With Final Budget</u>
Budgetary Fund Balances, July 1	\$ 78,643	\$ 78,643	\$ 78,643	\$ --
 <u>RESOURCES (INFLOWS)</u>				
Charges for services	10	10	--	(10)
Interest income	2,712	2,712	4,053	1,341
Other income	<u>10</u>	<u>10</u>	<u>--</u>	<u>(10)</u>
Amounts Available for Appropriation	<u>2,732</u>	<u>2,732</u>	<u>4,053</u>	<u>1,321</u>
 <u>CHARGES TO APPROPRIATIONS (OUTFLOWS)</u>				
Services and supplies	<u>81,245</u>	<u>81,375</u>	<u>2,205</u>	<u>79,170</u>
Total Charges to Appropriations	<u>81,245</u>	<u>81,375</u>	<u>2,205</u>	<u>79,170</u>
Net Change in Fund Balances	<u>(78,513)</u>	<u>(78,643)</u>	<u>1,848</u>	<u>80,491</u>
Fund Balances, End of Year	<u><u>\$ 130</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 80,491</u></u>	<u><u>\$ 80,491</u></u>

**EL DORADO WATER AND POWER AUTHORITY**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance With Final Budget</u>
Budgetary Fund Balances, July 1	\$ 57,018	\$ 57,018	\$ 57,018	\$ --
<u>RESOURCES (INFLOWS)</u>				
Intergovernmental revenue	18,944	19,960	19,960	--
Charges for services	10	10	--	(10)
Interest income	600	600	2,790	2,190
Other income	20	20	--	(20)
	<u>19,574</u>	<u>20,590</u>	<u>22,750</u>	<u>2,160</u>
Amounts Available for Appropriation				
<u>CHARGES TO APPROPRIATIONS (OUTFLOWS)</u>				
Services and supplies	<u>76,558</u>	<u>77,608</u>	<u>1,125</u>	<u>76,483</u>
Total Charges to Appropriations	<u>76,558</u>	<u>77,608</u>	<u>1,125</u>	<u>76,483</u>
Net Change in Fund Balances	<u>(56,984)</u>	<u>(57,018)</u>	<u>21,625</u>	<u>78,643</u>
Fund Balances, End of Year	<u>\$ 34</u>	<u>\$ --</u>	<u>\$ 78,643</u>	<u>\$ 78,643</u>

**EL DORADO WATER AND POWER AUTHORITY**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance With Final Budget</u>
Budgetary Fund Balances, July 1	\$ 26,893	\$ 26,893	\$ 26,893	\$ --
<u>RESOURCES (INFLOWS)</u>				
Intergovernmental revenue	103,981	103,981	103,981	--
Charges for services	50	50	--	(50)
Interest income	1,200	1,200	1,515	315
Other income	<u>100</u>	<u>100</u>	<u>--</u>	<u>(100)</u>
Amounts Available for Appropriation	<u>105,331</u>	<u>105,331</u>	<u>105,496</u>	<u>165</u>
<u>CHARGES TO APPROPRIATIONS (OUTFLOWS)</u>				
Services and supplies	<u>105,331</u>	<u>132,223</u>	<u>75,371</u>	<u>56,852</u>
Total Charges to Appropriations	<u>105,331</u>	<u>132,223</u>	<u>75,371</u>	<u>56,852</u>
Net Change in Fund Balances	<u>--</u>	<u>(26,892)</u>	<u>30,125</u>	<u>57,017</u>
Fund Balances, End of Year	<u>\$ 26,893</u>	<u>\$ 1</u>	<u>\$ 57,018</u>	<u>\$ 57,017</u>

**EL DORADO WATER AND POWER AUTHORITY**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance With Final Budget</u>
Budgetary Fund Balances, July 1	\$ --	\$ --	\$ --	\$ --
<u>RESOURCES (INFLOWS)</u>				
Intergovernmental revenue	65,231	65,231	41,500	(23,731)
Interest income	--	--	85	85
Amounts Available for Appropriation	<u>65,231</u>	<u>65,231</u>	<u>41,585</u>	<u>(23,646)</u>
<u>CHARGES TO APPROPRIATIONS (OUTFLOWS)</u>				
Services and supplies	<u>65,231</u>	<u>65,231</u>	<u>14,692</u>	<u>50,539</u>
Total Charges to Appropriations	<u>65,231</u>	<u>65,231</u>	<u>14,692</u>	<u>50,539</u>
Net Change in Fund Balances	--	--	26,893	26,893
Fund Balances, End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,893</u>	<u>\$ 26,893</u>

## **EL DORADO WATER AND POWER AUTHORITY**

Notes to the Required Supplementary Information  
For the Years Ended June 30, 2007, 2006, 2005 and 2004

### **BUDGETARY BASIS OF ACCOUNTING**

The Authority operates under the general laws of the State of California and annually adopts a budget to be effective July 1 of the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for all governmental fund types. The level of control (level at when expenditures may not exceed budget) is the fund.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Authority resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Authority.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchased commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

Budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

## **OTHER REPORT**



**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**

Board of Directors  
El Dorado Water and Power Authority  
Shingle Springs, California

We have audited the financial statements of El Dorado Water and Power Authority, a joint powers authority of the County of El Dorado, as of and for the year ended June 30, 2007, 2006, 2005 and 2004, and have issued our report thereon dated January 21, 2008. 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 El Dorado Water and Power Authority's 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 our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Authority'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 Authority'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 Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority'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 Authority's internal control.

Our consideration of the 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.

Board of Directors  
El Dorado Water and Power Authority  
Shingle Springs, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Dorado Water and Power Authority's 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. Such provisions include those provisions of the Memorandum of Understanding (MOU)/Joint Powers Agreement (JPA). However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the El Dorado Water and Power Authority's management, others within the entity, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, LLP  
A Gallina LLP Company

Handwritten signature in cursive script that reads "Bartig Basler & Ray, LLP".

January 21, 2008  
Roseville, California