

**SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
Kern County, California**

BOARD OF DIRECTORS

John N. Fisher, President
Peter Dulcich, Vice President
James R. Regan, Director
George Zaninovich, Director
Donnie Morris, Director

ADMINISTRATIVE STAFF

Roland Gross, General Manager/Secretary
Connie Rising, Office Manager/Treasurer
John Bonkosky, Field Superintendent

PROFESSIONAL SERVICES

Young Wooldridge, LLP
Bakersfield, California
District Legal Counsel

Nossaman LLP
Irvine, California
Bond/Disclosure Counsel

Cornerstone Engineering
Bakersfield, California
District Engineering Firm

June 1, 2015

THE DISTRICT

The following material is descriptive of the District. It has been prepared by or excerpted from sources as noted herein and has not been verified by Special Counsel or the Underwriter.

History

The District, comprising approximately 67,000 acres of suburban and agricultural land of which approximately 51,000 acres are currently served by the District, was formed in 1935 pursuant to the Municipal Utility District Act Division 6 of the Public Utility Code of the State of California. Its purpose is to obtain and provide a supply of water for lands located within the boundaries of the District. The District lies entirely within Kern County (the "County") and includes the cities of Delano and McFarland, although the District does not serve these agencies. Total irrigated area is 51,000 acres, although this number has been decreasing in recent years as a result of urban expansion. The District provides service to about the same number of acres today as we did 25 years ago because we have annexed land into the District which offset the losses due to state prisons and city housing projects.

The District provides agriculture water service only and is under contract with the United States Department of Interior, Bureau of Reclamation, to operate and maintain the water distribution system.

Governance

The District is governed by a board of five directors. Each director represents a separate geographical division or "Ward" of the District and is elected to a term of four years by the qualified voters within the district. The names of the current members of the Board of Directors of the District, together with their titles and year in which current terms expire are set forth in the following table:

<u>Name and Title</u>	<u>Term Expires</u>
John N. Fisher, President	January 1, 2017
Peter Dulcich, Vice President	January 1, 2015
James R. Regan, Director	January 1, 2015
George Zaninovich, Director	January 1, 2017
Donnie Morris, Director	January 1, 2017

Management

The General Manager of the District is responsible for carrying out the day-to-day affairs of the District. Roland Gross, the General Manager, has over 23 years experience between two CVP contract districts. Mr. Gross has spent the last 11 years with SSJMUD as Water Operations Supervisor, Field Superintendent, Assistant Manager and as of June 1 2015 General Manager.

Employees

As of June 1, 2015, the District employed 11 full-time employees, consisting of 3 managerial staff, 1 field supervisor and 7 Maintenance and Operation personnel. None of the District's employees are covered by a collective bargaining agreement, and the District has never experienced a work-stoppage.

THE WATER SYSTEM

Existing Facilities

District facilities, that were designed, constructed and are still owned by the US Bureau of Reclamation, consist of over 168 miles of pipelines, 10 headwork diversion weirs including traveling trash screens, along with approximately 640 turnouts, 18 regulating and recharge reservoirs and telemetry and monitoring systems. The District is a member of the Friant Power Authority and is currently the administrative member district for FPA. FPA constructed and owns the three primary hydroelectric power plants located at Friant Dam in Fresno County and has plans to build a fourth unit in the next two years. The District itself does not own any of the FPA facilities but does receive 15.25% of the annual excess revenue from power generation sales to PG&E. Excess revenue has ranged from \$225,000 to \$1,200,000 annually and varies due to hydrologic conditions of the San Joaquin River watershed.

Service Area

The District contains approximately 67,000 gross acres of suburban and agricultural land in the County, of which approximately 51,000 acres are served by the District. The District boundaries surround the cities of Delano and McFarland, with a current estimated population of approximately 58,000 plus two 5,000 bed state prisons although the District does not provide direct water service to these entities. The District serves water to all lands within its boundaries, through either surface water deliveries or through groundwater replenishment.

The district does not provide water service to the cities or prisons except for the in-lieu groundwater recharge by the surrounding land. The district does receive a small amount of property tax money each year from the Kern County Tax Assessor's Office.

Current Land Use

The total area of the District is 67,000 acres. As of 2010, land use in the District consisted of 51,000 acres of irrigated agriculture, 13,100 acres of subdivided or residential use which includes the City and 2,000 acres of miscellaneous uses (roads, ponds, prisons, Voice of America, etc.). Approximately 94% of the cropped lands within the District are planted with permanent crops of trees and vines. Annual Water Supply varies due to hydrologic conditions of the San Joaquin River Watershed but averages 108,000 acre feet annually.

The District water supply is obtained from a single source: water from the Friant Division of the Central Valley Project ("CVP") operated by the United States Bureau of Reclamation (the "Bureau"). There are numerous private owned wells throughout the District of which 15 are capable of pumping into the District's distribution system.

Imported CVP Water. The District obtains all of its surface water supply from the Friant Unit of the CVP. The CVP facilities were built by the Bureau and the United States Army Corps

of Engineers. Friant Dam is operated and maintained by the Bureau while the Friant-Kern Canal is operated and maintained by the Friant Water Authority. The Friant Unit facilities of the CVP consist primarily of Friant Dam (the construction of which created Millerton Lake), the Friant-Kern Canal and the Madera Canal. The District's Water Supply Contract (defined below) with the Bureau provides for the delivery to the District of water stored in or flowing through Millerton Lake, such water to be available for delivery from Millerton Lake and the Friant-Kern Canal. Although the Friant Unit facilities are integrated operationally and financially with the CVP, the geographic separation of the facilities and the Bureau's contracting policies compel a unique operating regimen. Inasmuch as the Friant Unit is physically removed from other CVP facilities, the water supply available to Friant Unit contractors has historically reflected water runoff conditions in the upper San Joaquin River Basin rather than the Sacramento River.

To partially compensate for the interference with holders of water rights on the lower San Joaquin that would lose their water supply as a result of the construction of Friant Dam and the diversion of San Joaquin River water to the Friant Unit, the CVP included contractual arrangements and physical facilities whereby the water so diverted would be exchanged for water from the Sacramento River imported via the Delta-Mendota Canal. Consequently, the continued availability of water to the Friant Unit is partially dependent on the availability of exchange water from the rest of the CVP. The Bureau may be required to make releases of Friant Unit supplies to meet the CVP's obligations to lower San Joaquin River water users who executed exchange agreements with the Bureau (the "Exchange Contractors") if the Bureau is unable to deliver required supplies to the Exchange Contractors via the Delta-Mendota Canal. Such releases would reduce the amount of water available to the District. See "STATE AND FEDERAL REGULATORY ACTIVITIES AND LITIGATION" above.

The Friant-Kern Canal runs through substantially the entire length of the District. It is operated and maintained by the Friant Water Authority (the "Authority"), a joint powers authority comprised of the 15 agricultural and municipal contractors along the Friant-Kern Canal, which was formed to contract with the Bureau for such operation and maintenance.

The District originally entered into a 9e Water Service Contract with the Bureau in 1945, which was subsequently renewed in 2001. The term of the Contract currently expires in 2026, although further extensions are anticipated. In 2011, the District successfully negotiated 9d Repayment Contract, which among other benefits is a perpetual contract for the existing amounts of contract water supply. All water distributed by the District pursuant to such Contract is subject to certain restrictions, terms and conditions as required by the provisions of the Contract and the Reclamation Laws of the United States. Copies of the District Water Supply Contract are on file and available for review at the District office and the provisions therein pertaining to use and distribution of, and payment for, CVP water are binding upon all water users of the District. Pursuant to the District Water Supply Contract, the District has a contractual right to purchase up to 97,000 acre feet of Class 1 water from the CVP, and up to 50,000 acre feet of Class 2 water from the CVP (generally available in normal to wet years). Class 1 water is the firm supply amounting to the first 800,000 acre-feet of yield from the Friant Unit. The annual availability to the District of this combined supply during the period of 1997 through 2012 has been approximately 1,677,130 acre-feet. Class 2 water is classified after Class 1 demands have been met. While the Class 2 contract limits are 1,400,000 acre-feet, the range varies from zero to the full 1,400,000 and averages approximately 662,200 acre-feet annually for the period 1997 through 2008.

In Fiscal Year 2008/09, the costs to the District for the CVP Class 1 supply was approximately \$41.38 per acre-foot, plus Friant-Kern Canal O&M expenses (described below).

The District is only obligated to pay for the water it uses. The Friant-Kern Canal O&M expenses are related to the payments to the Friant Water Authority for the O&M of the Friant-Kern Canal. These payments must be made whether or not CVP water is used. The Authority prorates the Friant-Kern Canal O&M costs to the participating districts based on water delivery history to each district. The District's average annual expense for the Friant-Kern Canal O&M was approximately \$1,194,524 per year during the 2002-2007 period, was \$1,137,670 for Fiscal Year 2008/09 and is budgeted at \$1,420,000 for Fiscal Year 2009/10.

Groundwater. Groundwater levels range in depth from an average of 90' (west side) to 380' (east side) with an average of approximately 235 feet. Groundwater levels in the District tend to go down in dry years and rebound in wet years. The present average pumping depth is estimated to be 600 feet. While the District currently (and historically) does not pump groundwater, most individual property owners in the District do, particularly in years when surface water supplies have been limited. Pumping costs currently average in range from approximately \$110 (west side) to \$225 (east side) per acre-foot, compared to the current average cost of \$62 per acre-foot for surface water delivered by the District.

Water Ordering Procedures. See the "Rules and Regulations for Water Service" section (9) Ordering Water, pages 5 & 6)

As stated in the 9d Water Service Contract and restated in the Rules, water will not be delivered to any parcel if there are delinquent assessments, standby fees, or any other unpaid charges attributable to such parcel for which application is made

The following tables summarize the historical water supply and water delivery operations of the Water System. The information for the 2008/09 Fiscal Year is estimated. The following information is based on the District's fiscal year, which matches the CVP water year of March 1 thru February 28.

TABLE 2
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
SUMMARY OF SURFACE WATER SUPPLY AND COST
(Acre-feet)

<u>Fiscal Year</u> ⁽¹⁾	<u>Class 1 CVP</u>	<u>Class 2 CVP</u>	<u>[Groundwater]</u>	<u>Total Supply</u>	<u>Total CVP Payments</u>
1998	91742	0	0	91742	\$2,307,622
1999	97000	16642	0	113646	\$3,740,083
2000	97000	25099	0	122099	\$4,209,068
2001	97000	3128	0	100128	\$3,468,034
2002	97000	6152	0	103152	\$3,495,177
2003	97000	35448	0	132448	\$4,400,856
2004	97000	3290	0	100290	\$3,971,655
2005	97000	47000	0	144000	\$4,272,386
2006	97000	36619	0	133619	\$4,545,565
2007	64445	0	0	64445	\$2,948,145
2008	97000	5041	0	102041	\$4,086,301
2009 ⁽²⁾	75660	0	0	75660	\$3,105,086

Source: Southern San Joaquin Municipal Utility District.

(1) Ending February 28 (or February 29 in a leap year).

(2) Estimated (base on Bureau estimate of 78% Class 1 only).

Over the past ten years, the District has delivered, on average, 108,321 acre-feet of water to its agricultural users. The following table summarizes agricultural water deliveries for the most recent ten Fiscal Years and the estimate for Fiscal Year 2008/09.

TABLE 4
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
HISTORIC AGRICULTURAL WATER DELIVERIES⁽¹⁾

<u>Fiscal Year⁽²⁾</u>	<u>Total Delivered</u>	<u>Percent of Ten Year Average</u>
1999	113,646	104.92
2000	122,099	112.72
2001	100,128	92.44
2002	103,152	95.23
2003	132,448	122.27
2004	100,290	92.59
2005	144,000	132.94
2006	133,619	123.36
2007	64,445	59.49
2008	102,041	94.20
2009 ⁽³⁾	75,660	69.85

Source: Southern San Joaquin Municipal Utility District.

(1) In acre-feet.

(2) Ending February 28 (or February 29 in a leap year).

(3) Estimate.

Water Treatment

Since the District only supplies agricultural water, it does not treat any water.

Storage Capacity

The District cannot store water but does contract with other districts with underground water banking facilities to store water for them. The District has on occasions exchanged water with Tulare Irrigation District to facilitate full use of each year's water supply.

Water Connections

The District serves approximately 798 individual parcels through 640 turnouts. Approximately 15,100 acres in the District are currently not served by the Water System, and rely on groundwater supplies.

Capital Improvement Program

The District has constructed several new facilities in various locations around the District. The purpose of the projects is to facilitate movement of more water to areas where service was either severely lacking or non-existent. The four largest projects were the East System Improvement Project, the 7-1 Later Extension, #3 Mainline Reconstruction and Elmo East Pipeline.

Water Rates and Charges

Water and Standby Charges. Payment for water is required to be received by the District no later than the 20th day each month in which water was delivered. Water charges are billed on a monthly basis, by account number, to each grower served by the District. Landowners are financially responsible if their tenants or lessees do not pay their bills. Each parcel has its own turnout.

Standby charges are billed on an annual basis and are included on Kern County tax bills. Payments are due on the same dates as all Kern property taxes. Invoices for standby charges are mailed to the owner of record on the parcel as part of the owner's regular property tax invoice. Payment of the standby charge may be made by either the owner or the lessee, if applicable, but ultimate responsibility for payment of the charge rests with the landowner.

TABLE 5
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
HISTORIC WATER RATE
(per acre-foot)

<u>Fiscal Year</u> ⁽¹⁾	<u>Rate</u>
1999	\$27.33
2000	\$28.87
2001	\$38.04
2002	\$38.05
2003	\$36.42
2004	\$33.70
2005	\$33.01
2006	\$35.43
2007	\$40.70
2008	\$35.00
2009	\$55.85

Source: Southern San Joaquin Municipal Utility District.
(1) Ending February 28 (or February 29 in a leap year).

Assessments

The District levies an annual assessment or Standby Charge based upon acreage which is determined by the total of fixed costs of the District but does not include water. In 2015 the property owners in the District approved the levy of the assessment in conformity with the requirements of Proposition 218 (see "RISK FACTORS – Proposition 218" herein). The Board of Directors annually determines the level of assessments. District assessments are collected at the same time and on the same tax rolls as are County, city, and other special district taxes. The current assessment is \$86.53 per acre.

Assessments are collected by the Kern County Tax Collector on the secured tax roll of the County, and are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty to all delinquent payments may be assessed as determined by the County. Properties on the secured roll with respect to which payments are delinquent become tax defaulted on or about

June 30 of the Fiscal Year and water service is immediately halted. Such property may thereafter be redeemed by payment of a penalty of 1½% per month to the time of redemption, plus costs and a redemption fee. If amounts are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction by the County tax collector.

In 1992 Congress enacted Public Law 102-575 Title 34, otherwise known as the Central Valley Project Improvement Act (CVPIA) which significantly revised the purposes and operational practices of the CVP. Under its long-term contract to receive CVP water, the District is now required in accordance with the CVPIA to pay annually into an Environmental Restoration Fund a surcharge fee and restoration fee on each acre-foot of CVP water delivered for the purpose of mitigating the alleged environmental damage created by the CVP. The Restoration Fee and Friant Surcharge are paid based on the number of acre feet delivered and therefore are included in the water rate (variable costs) rather than the Standby Charge (fixed costs). This charge is intended to offset most of the District's obligation to pay for the aforementioned fees into the federal Environmental Restoration Fund. Currently, the only recourse to reduce or eliminate the environmental charge is through a legislative act of Congress.

[Section 4701 through Section 4717 of the California Revenue and Taxation Code permits counties to use a method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby local agencies receive 100% of their respective shares of amounts levied from the County, without regard to actual collections of taxes. The District has such an agreement with the County of Kern and therefore receives the full amount of its assessments levied on the tax rolls in a timely manner. Due to this allocation method, the District does not receive any adjustments for redemption payments on delinquent collections.

The following tables illustrate historical assessments for the past ten Fiscal Years and the projected assessments for the current and next three years.

TABLE 6
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
HISTORICAL ANNUAL ASSESSMENT
(Fiscal Years 1998/99 though 2008/09)

<u>Fiscal Year⁽¹⁾</u>	<u>Annual Assessment</u>	<u>Delinquent Amount</u>	<u>Percent Delinquent</u>
1999	43.68	0	0
2000	43.68	0	0
2001	44.70	0	0
2002	44.70	0	0
2003	44.70	0	0
2004	44.70	0	0
2005	44.70	0	0
2006	44.70	0	0
2007	44.70	0	0
2008	44.70	0	0
2009 ⁽²⁾	44.70	0	0

Source: Southern San Joaquin Municipal Utility District.

(1) Ending February 28 (or February 29 in a leap year).

(2) Estimated.

The following is a list of the largest assessments levied by the District.

TABLE 7
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
SUMMARY OF LARGEST ASSESSMENTS
(Fiscal Years 2007/08 and 2008/09)

<u>Unspecified User Name</u>	<u>2007/08 Assessment</u>	<u>Percent of Total⁽¹⁾</u>	<u>2008/09 Assessment</u>	<u>Percent of Total⁽²⁾</u>
Grapes 1	74828	12.80	74828	12.04
Grapes 2	73934	12.64	73934	11.89
Almonds 1	59540	10.18	59540	9.58
Grapes 3	57976	9.92	57976	9.33
Almonds 2	52567	8.99	52567	8.46
Grapes 4	46309	7.92	42823	6.89
Grapes 5	27044	4.63	44879	7.22
Alphalfa 1	42599	7.29	42599	6.85
Almonds 3	34777	5.95	36878	5.93
Citrus 1	33972	5.81	33972	5.46
Alfalfa 2	29234	5.00	35268	5.67
Grapes 6	28966	4.95	28966	4.66
Grapes 7	<u>22976</u>	<u>3.92</u>	<u>37459</u>	<u>6.02</u>
TOTALS	\$584,722	100%	\$621,689	100%

Source: Southern San Joaquin Municipal Utility District.

(1) Based on total 2007/08 assessments of \$44.70 per acre.

(2) Based on total 2008/09 assessments of \$44.70 per acre.

(3) Excludes water sale charges for property outside District, which are collected under separate billing, and not on the County's property tax roll. As a municipal utility district, we are unable to provide any service outside of our service boundary, therefore (3) does not apply to us.

Largest Water Sale Customers

Water sale rates are established by the Board of Directors and are based on budget projections, cash reserves status, and the competitive cost to pump groundwater.

The following is a list of the District's ten largest water sale customers, their current year-to-date and prior year's consumption, and the charges levied in the current Fiscal Year. This list will vary from year to year based on the type of water year, how much water is available, types of crops planted by the landowners and many other factors. The ten largest customers accounted for approximately 35.8%, of the total water sale revenues for Fiscal Year 2008/09, compared to 38.5% in Fiscal Year 2007/08. In addition to sales to District customers, the District, with Bureau approval, can sell water to other CVP contractors, which are accounted for as water exchanges, provided such sales don't impact District customers. In Fiscal Year 2008/09 these sales totaled approximately \$29,988, and help offset operational costs to District customers. The average price of such sales was approximately \$36.00 an acre-foot, compared to the cost of approximately \$36.00 per acre-foot paid by District customers that year.

TABLE 8
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
SUMMARY OF TEN LARGEST WATER SALE CUSTOMERS
(Fiscal Years 2007/08 and 2008/09)

<u>Customer</u>	<u>2007/08 Delivery</u> ⁽¹⁾	<u>2008/09 Delivery</u> ⁽¹⁾	<u>2007/08 Total Revenues</u> ⁽²⁾	<u>Percent of Total</u> ⁽²⁾	<u>2008/09 Total Revenues</u> ⁽³⁾	<u>Percent of Total</u> ⁽³⁾
Grapes 1	3134	4327	\$143,237	5.5	\$182,436	5.1
Almonds 1	2585	3846	\$212,405	8.1	\$262,022	7.3
Grapes 2	2504	3668	\$188,974	7.2	\$215,959	6.1
Almonds 2	2007	3412	\$106,047	4.0	\$132,373	3.7
Alfalfa 1	1438	2512	\$65,644	2.5	\$94,636	2.6
Alfalfa 2	1833	2286	\$84,078	3.2	\$79,919	2.2
Grapes 3	1177	1936	\$47,967	1.8	\$67,671	1.9
Grapes 4	744	1918	\$40,419	1.5	\$90,107	2.5
Grapes 5	1058	1836	\$78,174	3.0	\$79,775	2.2
Alfalfa 3	<u>842</u>	<u>1810</u>	<u>\$45,343</u>	<u>1.7</u>	<u>\$78,079</u>	<u>2.2</u>
TOTALS	17322	27551	\$1,012,288	38.5%	\$1,282,977	35.8%

Source: Southern San Joaquin Municipal Utility District.

(1) Acre feet.

(2) Based on total Fiscal Year 2007/08 water sale revenues of \$2,622,912. Lift charges included.

(3) Based on estimated total Fiscal Year 2008/09 water sale revenues of \$3,571,435. Lift charges included.

General Fund Reserves

The following chart illustrates the unencumbered reserves of the District for Fiscal Years 1998/99 through 2008/09. The variation in reserves is reflective of the District historically funding capital projects on a pay-as-you-go basis.

TABLE 9
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
UNENCUMBERED RESERVES
(As of February 28)

<u>Fiscal Year</u> ⁽¹⁾	<u>Ending Fund Balance</u>	<u>Percent Change</u>
1999	\$5,193,568	-
2000	\$4,339,460	<16.4>
2001	\$3,807,000	<12.3>
2002	\$3,102,227	<18.6>
2003	\$4,733,901	34.5
2004	\$4,022,094	<15.1>
2005	\$4,801,938	16.2
2006	\$5,010,125	4.2
2007	\$5,864,163	14.6
2008	\$4,260,937	<27.4>
2009 ⁽²⁾	\$5,000,000	14.8

Source: Southern San Joaquin Municipal Utility District.

(1) Ending February 28 (or February 29 in a leap year).

(2) Estimated.

(3) Budgeted.

While the operating reserves may be allocated by the District to pay Installment Payments, they are not pledged for such purpose. Such reserves may be utilized at any time for lawful expenditures by the District, and no assurance can be made that the reserves will be available to pay Installment Payments.

Retirement Plan*

All eligible employees of the District are enrolled in the California Public Employees' Retirement System ("PERS"), an agent multiple-employer public employee defined benefit pension plan. The District pays 100% of the employer share. In most cases, PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. The District pays and reports 100% of the value of the employee share as special for the purpose of retirement benefit calculations, which is currently 8%. For the Fiscal Year ended February 28, 2009, the District's pension expenditures for full-time employees amounted to approximately \$154,000, and for Fiscal Year 2009/10 such expenditures are budgeted to be \$176,000. The District has no unfunded accrued liability to the

plan at February 28, 2009. As required by State law, effective July 1, 2005, the District's miscellaneous plan was converted to a new statewide pool. One of the conditions of entry to the pool was that the District true-up any unfunded liability through a Side Fund offered by PERS. The District satisfied its miscellaneous plan's unfunded liability by agreeing to contribute to the side fund through an addition to its normal contribution rates over an average amortization period of 7 years.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (OPEB). GASB 45 requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. The District is required to begin implementation of GASB 45 for its Fiscal Year ending February 28, 2005.

The District provides post retirement benefits to qualifying retirees (those with over 5 years of service) for medical coverage. The cost of such benefits, which totaled \$70,457 in Fiscal Year 2007/08 and \$84,035 in Fiscal Year 2008/09, are funded [monthly] on a pay-as-you-go basis. Benefits for Fiscal Year 2009/10 are budgeted at \$85,000. There were 15 eligible participants that received benefits in Fiscal Year 2008/09.

When it implements GASB 45, the District must report an annual OPEB cost based on actuarially determined amounts that, if paid on an ongoing basis, will provide sufficient resources to pay these benefits as they come due. Based upon the GASB 45 actuarial determination, the District will be required to allocate the appropriate amount to fund retiree medical benefits. This amount will be audited annually and additional funds designated, as necessary, to keep it fully funded.

District Financial Information

See APPENDIX B for the audited financial statement for the Fiscal Year ended February 28, [2008] [2009]. The auditor has not reviewed such statements in connection with their inclusion in this Official Statement, nor has the District requested such a review. Selected information from the aforementioned audited financial statements has been used to prepare the following three-year comparative summary of revenues and expenses. The results presented in the following summary are qualified in their entirety by reference to the respective annual consolidated audited financial statements of the District, including the notes thereto. Copies of the audited financial statements for the District's other Fiscal Years can be obtained at the office of the General Manager.

Projected Operating Results and Debt Service Coverage

The District's estimated projected operating results for the Water System for the Fiscal Years ending February 28, 2010 through February 28, 2014 are set forth below, excluding depreciation.

TABLE 11
SOUTHERN SAN JOAQUIN MUNICIPAL UTILITY DISTRICT
PROJECTED OPERATING RESULTS
(Fiscal Year ending February 28)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues					
Water Sales (100% Class 1)	<u>5723000</u>	<u>5894690</u>	<u>6071531</u>	<u>6253677</u>	<u>6441287</u>
Assessments ⁽¹⁾	<u>2230530</u>	<u>2239470</u>	<u>2239470</u>	<u>2239470</u>	<u>2239470</u>
Total Operating Revenues	7953530	8134160	8311001	8493147	8680757
Operating Expenses ⁽²⁾	2373830	2445045	2518396	2593948	2671766
Cost of Water ⁽³⁾	4247494	4374919	4506167	4641352	4780593
Maintenance and Operations ⁽⁴⁾	1138929	1173097	1208290	1244539	1281875
General & Admin.	<u>1128100</u>	<u>1161943</u>	<u>1196801</u>	<u>1232705</u>	<u>1269686</u>
Total Operating Expenditures	<u>8888353</u>	<u>9155004</u>	<u>9429654</u>	<u>9712544</u>	<u>10003920</u>
Operating Income (Loss)	<934823>	<1020844>	<1118653>	<1219397>	<1323163>
Nonoperating Revenues:					
Investment Income ⁽⁵⁾	250000	250000	250000	250000	250000
Property Taxes	300000	300000	300000	300000	300000
Rental Income	9000	9000	9000	9000	9000
Other ⁽⁶⁾	<u>1823429</u>	<u>1823500</u>	<u>1878205</u>	<u>1934551</u>	<u>1992588</u>
Total Nonoperating Revenues	<u>2382429</u>	<u>2382500</u>	<u>2437205</u>	<u>2493551</u>	<u>2551588</u>
Net Revenue	1447606	1361656	1318552	11274154	1228425
Debt Service ⁽⁷⁾	?	?	?	?	?
Debt Service Coverage	?	?	?	?	?
Remaining Revenues	?	?	?	?	?

Source: Southern San Joaquin Municipal Utility District; Wells Fargo Institutional Securities LLC.

(1) Assessment revenues are projected to increase by an average of 2.5% annually(2016-2020).

(2) Excludes depreciation.

(3) Reflects annual inflation of 3% per year. Includes payments to the Bureau for CVP water.

(4) Includes transmission and distribution costs. All M&O expenses are projected to increase at the rate of 3% per annum from Fiscal Year 2007 budgeted amount.

(5) Interest on Revenue Fund, funds held by the Trustee and other related funds.

(6) Includes Friant Power Authority excess revenue payments + lift charge payments.

(7) Includes payment of the Installment Payments and _____. Excludes debt service payments from the Revenue Fund subordinate to the payment of Installment Payments. Maximum annual debt service is \$_____ payable in Fiscal Year 20____.